

## **CHAPTER – III**

### **THE CRISES IN THE INDIGENOUS BANKING (1819-1875)**

The period from 1819-1848 was significant in the political as well as financial history of the State. The relations of the East India Company with Sayajirao – II reached a threshold, which had resulted in a vacillating victory of one over the other. In this conflict, the banking community had faced the brunt from both the sides. This had led to their decline in their political status within the Baroda State. During the last years of Maharaja Anandrao Gaikwad reign, the extent of continuous interference of the British had reached its zenith. But, with the accession of Maharaja Sayajirao – II, the period of ‘imbecile rule’ was over. The Maharaja had disliked this interference, yet, he had to accept it because his position was vulnerable due to the family quarrels, regarding succession in the royal family. Since the British had supported his cause, he consented to their ‘suggestions’.

### **EFFECT OF CONFLICT AND CHANGE IN THE POLITICAL RELATIONS ON INDIGENOUS BANKING**

In 1820, Mounstart Elphinstone, the Governor of Bombay Presidency, had paid a visit to the State. The main purpose of his visit was to put an end to the Commission which was formed in 1805, during the Regency of Fatehsinghrao Gaikwad. This Commission was

responsible for monitoring the administration of the reign of Maharaja Anandrao. According to the decision of the Commission, the Governor had submitted political rights, but it had retained the rights of foreign affairs exclusively with the British Government. All the engagements with the guaranteed bankers were to be kept by the British. The Resident was constantly informed of the plan of finance, to be determined each year; to get free access to all accounts; to be consulted before incurring any new expenses for and by the State; and the Bombay Government was to be consulted before the choice of the new Dewan was made.<sup>1</sup> Thereby, the end of the British influence was merely lifted in the form of institutions. In practice, the colonial power continued to intervene constantly. Sayajirao – II was left with little powers in his hands.

The height of British intrusion can be understood in the case of Dhakji Dadaji, the ‘Native Agent’ and the *potedar* of the Baroda State, since the year 1816. Dhakji Dadaji, as the in charge of both these offices, had embezzled huge funds, which was discovered in 1819, resulting in his removal from his office. However, he was only deprived of his salary, whereas he retained his *inam* villages (worth Rs. 30,000 a year) for which the British guarantee had been given. Sayajirao – II had brought heavy charges of embezzlement against Dhakji, which was proved on 24<sup>th</sup> September 1821. The embezzlement being proved, the British withdrew their protection from Dhakji. However, in 1835, the British Government directed the Bombay Government to insist on Sayajirao-II to make the payments. Mounstuart Elphinstone then had decided that though the charges were proved, on account of his previously holding the British guarantee, the *inam*

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<sup>1</sup> Colonel Wallace, *Gaikwad and Relations with the British Government*, Times Press, 1910, p-251.

villages were restored to him. This decision was taken without the consent of the ruler. In spite of the denial from Baroda *Darbar* of the non payment of money, they were forced to pay all the arrears of seventeen years on this account with interest. The *inam* villages were continued till the death of Dhakji Dadaji in 1848.<sup>2</sup>

The issue which had led to the political crisis throughout the reign of Sayajirao – II was the handling of the finance. The British had all the intentions of keeping more than a constant watch over the finance of the State. This was definitely unacceptable to the Maharaja and the bankers of the State. However the bankers were unsure of the side they should take. This confusion proved quite disastrous, as it cost them their power and prestige in the financial as well as political affairs of the State. The following section analyses the financial policy of the British and the impact it had on the relationship between the State and the indigenous bankers.

The Bombay and the Baroda British authorities were quite proud of their financial policy at Baroda. By 1819, the Resident was assured of discharging the remaining debt and they sincerely believed that within one year, there would be no debt for the Baroda State.

*“... the Right Hon’ble the Governor-in-council will discover the prosperous situation that the resources of this Government will exhibit at the end of the current year, there being then an excess, beyond the expenditure, after discharging every encumbrance of Rupees 6, 33, 462-274”<sup>3</sup>*

<sup>2</sup> Desai and Clarke, *Gazetteer of the Baroda State*, Vol-1, Baroda State Press, 1923, pp- 536-537.

<sup>3</sup> M S A., Political Department No-463, James. R. Carnac to Hon’ble Board, Dated Baroda 22<sup>nd</sup> February, 1819.

Unfortunately for them just when they had thought that their financial structure had been completed, it toppled over ; and it was suddenly brought to light, that in 1820, the debts of the Baroda State stood at a higher figure than, when the English first intervened to save the State from bankruptcy.

The Governor of Bombay Presidency, Elphinstone had visited Baroda in 1820, to make an attempt to introduce Sayajirao's direct administration and in that regard he had made enquiry about the condition of the affairs of the State. However he discovered a different truth altogether i.e. the Gaikwad Darbar was in a debt of one crore, out of which 60 lakhs were due to the *potedars*.

*"The latest information I had possessed gave me a reason to expect that there would be a surplus by the end of that year, but in fact the Gaikwad is in a debt of a crore of rupees."*<sup>4</sup>

Elphinstone after making enquires discovered the following facts:-

- (a) Receipts of the last two years could have fallen short of Captain Carnac's estimate while the disbursements exceeded it.
- (b) The Gaikwad practice of omitting certain debt in the annual accounts of the Gaikwad Government, which it was nevertheless obliged to discharge.
- (c) Bankers were paying the troops; therefore the troops were nearly three to five years in arrears.
- (d) The failure of revenue collection.

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<sup>4</sup> M S.A., Political Department Diary No – 483, Elphinstonian Minute on his proceedings at Baroda , Bombay 18<sup>th</sup> April, 1820.

- (e) Dhakji Dadaji was lending funds in the capacity of the banker and had forced the other bankers to reduce the rate of interest from 12% to 9%. This had induced the other bankers to hold back.
- (f) Due to the uncertainties prevalent in the administration of the State with a new ruler had forced these bankers not to indulge risks. <sup>5</sup>

The enormous sums, which the British had thought to have become due suddenly, had originated mainly from the expenses of war which the Gaikwads had fought as an ally of the British. The total expenses of such troops had amounted to over 42½ lakhs of rupees. Haribhakti's firm was in a debt of the old *potedari* charge of rupees 13, 65,275, and an additional ten lakhs for the current year. For the payment of troops in Malwa, the bankers were to be paid over 13 lakhs and Sir John Malcolm on the same account was to be paid fourteen lakhs. There was also an expense of the *sibandi* in Kathiawad amounting to 5, 25, 000 and the troops which were employed in Rajpipla had cost 45, 57,000. Besides these, there were other dues left to be paid. Therefore a debt of over a crore of rupees was due to the arrears and the bankers on behalf of the State. <sup>6</sup>

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<sup>5</sup> *Ibid.*

<sup>6</sup> Gazetteer of Baroda State, Vol-II, *Op cit.*, pp- 406-407.

**1818-1819-A.D.**

Therefore the total debt was as follows :-

To Whom	Amount
Haribhakti on account of <i>potedari</i> loan 1818-1819	13,65,275
Haribhakti on account for of <i>potedari</i> loan 1820	10,00,300
Haribhakti on account of expedition against Khosas	2,00,000
Rantanji Kandas	78,016
To Miscellaneous bankers who had advanced money for the payment of the troops in Malwa	13,08,344
To Sir John Malcolm on the same account	14,00,000
Arrears due to the troops for 1817-1819	25,40,709
An old debt included in The Company's guarantee	3,88,852
Ratanji Manikchand on account of the advance to the local government in Kathiawad	11,34,054
Ratanji Dhakji on the same account	2,60,542
Arrears of the troops employed in Kathiawad for five years	5,25,000
To miscellaneous bankers who had advanced money for the expenses incurred in Rajpipla	1,08,000
To arrears of troops employed In Rajpipla for three years	45,57,500
<b>Total</b>	<b>1, 48, 66, 592<sup>7</sup></b>

Elphinstone proposed a plan, according to which a loan was to be raised at the reduced rate of 9%, to the whole amount of debt, so that the troops might be no longer in arrears.

He also had proposed to do away with the expensive establishment of *potedari*. This was objected to by Sayajirao – II, as the bankers would not provide any loan even if they had

<sup>7</sup> M.S.A., Political Department Diary No – 483, Elphinstone's Minute on his proceedings at Baroda, Annexed paper (B) *Op Cit* , Gazetteer of the Baroda State, Vol-II, *Op.cit*, pp- 406-407.

the capacities to do so. Therefore it was rejected. Eventually the Maharaja Sayajirao – II proposed another plan, whereby three distinct loans could be raised:-

- (a) Of 50,000 rupees to be an assignment on the revenue of 12 lakhs a year.
- (b) A distinct loan of Rs. 20 lakhs rupees to be paid in an installment of three lakhs a year by the assignment on revenue of that province.
- (c) A *potedari* loan of Rs. 30 lakhs for the current year's expense, which could be paid in full by an assignment on the revenue of next year. The interest on all these loans was to be 10.50 percent.

Accordingly a plan was presented to the bankers who consented to it, on the following terms:

1. They agreed to advance a loan of 50 lakhs, provided they received 15 lakhs of *varats* (assignments on revenue) annually. The *Sarkar* agreed to give only 12 lakhs of *varats* annually.
2. To advance a loan of 30 lakhs, though this time no figure was added about its repayment, except the term "discharge should be arranged annually".
3. On the third condition the bankers were very firm that the interest was to be at 14 *annas*.
4. *Manoti* (premium) on the loan for 50 lakhs were to be at 3 percent and on 30 lakhs at two rupees annually.
5. The *potedari* discount was at 2½ percent to be annually divided between the government and bankers.

6. The *chitthis* (drafts) of the *darbar* were to be paid after one month's sight i.e. the *darshani hundi* was to be used.
7. According to the custom all bankers were to be given *sarpao* (honorary dress) to the bankers and his *gumashta*.
8. Except for the loans agreed upon, no other loans were to be advanced.
9. *Shilledars* loan not to be made separately.
10. The arrears of the *potedars* were to be discharged from the present loan to be paid by *varats*; what is recovered to be deducted.
11. Sir John Malcolm was to be paid the entire amount within one year, along with the interest.
12. The debts due in this *bhandari* (guarantee) were to be paid with interest, upon which the Sarkar agreed to pay only the principal and no interest.
13. Dues on the following account were all to be discharged with some kind of amicable arrangement
  - (a) Malwa and Baroda *potedari* were to be discharged.
  - (b) The agreement *potedari* of Haribhakti and Dhakji Dadaji along with that
  - (c) The *potedari* of Ratanji Kandas of Kathiawad.
14. To all this the company should provide guarantee.<sup>8</sup>

Elphinstone had objected to the plan proposed by the Maharaja, and instead proposed to consult the financial officers at Bombay on the possibility of raising loans on better terms. However Sayajirao – II totally repunged the idea, perhaps he was afraid that this

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<sup>8</sup> *Ibid.*



could bring stringent British control over the finances of the State and an uncertainty above his emancipation from the British influence. Therefore, Sayajirao – II forwarded his argument by stating,,

*“that the bankers had with difficulty been brought to agree to it ; and that, if he should now hesitate to close with them, they would probably refuse their aid, if ultimately required”.<sup>9</sup>*

Accordingly fifty two lakhs (along with the *manoti* payable to the bankers) was raised in the following manner:-

Name of the Bankers	Amount Raised	Total
Haribhakti and Mairal Narayan each	15,62,501.	31,25,002
Samal Bechar, Khushalchand, Mangal Sakhidas and Ratanji Kandas	4, 68,750.	18,75,000
<b>Total Amount:</b>		<b>50,00,002</b>

The *varats* or drafts drawn per year on the *parganas* of<sup>10</sup>

Pargana	Amount
Baroda	2,00,000
Petlad	3,00,000
Surat Athavisi	6,00,000
Kadi	50,000
Palan	50,000
<b>Total Amount</b>	<b>12,00,000</b>

<sup>9</sup> M.S.A. P. D. Diary No – 483, Elphinstone's Minute, *Op. cit.*

<sup>10</sup> Gazetteer of the Baroda State, *Op.cit.*,p-407.

The running of 30 lakhs was supplied in the following manner: <sup>11</sup>

Name of the Bankers	Loan Provided	Total
Haribhakti and Mairal Narayan each	9,37,501	18,75,002
Samal Bechar, Khushalchand, Mangal Sakhidas and Ratanji Kandas	2, 81,250.	11,25,000
<b>Total Amount</b>		<b>30,00,002</b>

This had appeared to be the most plausible solution to the problem, but for the British the predicament became more complex with the proceeding years. Elphinstone visited Baroda a second time in April 1821 and discovered that the debts had increased and the revenue had fallen with the payment of the army in arrears. Elphinstone this time put the entire blame on *sahukars* and the system of *potedari* for such a discrepancy. Sayajirao – II had been able to pay off 25 lakhs to his creditors instead of the usual 15 lakhs, but the firm of HariBhakti had shown an additional debt of 20 lakhs, the mention of which had never been made. Also the reason of the decrease in State revenue had been the grant of lease at a low but increasing rent. This had caused a loss to the State. The fresh debt within year had increased to around Rs. 1,32,27,981, along with two fresh loans raised, one of Rs. 6,12,000 to defray the Rajpipla campaign and the other of 15 lakhs to pay off the army arrears. Still Sayajirao – II was reluctant to change the system as it could have interfered with the power and profit of the bankers.<sup>12</sup> The British on the other hand were interested in getting rid of the rapacious system of *potedari*. In 1822, the Resident wrote to the Bombay Government that upon examination of the accounts of the Gaikwad of 1820-21 and 1821-1822, he had found out a huge discrepancy of over 14,35,895 rupees

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<sup>11</sup> *Ibid.*

which, he doubted, had been misappropriated by the bankers. The only solution, he had felt, was to bring in capital from outside, thus, forcing the bankers to curtail such misappropriations.<sup>13</sup>

**1820-1821**

NET COLLECTIONS	NET EXPENSES	DEBT	BALANCE
85,22,837	55,19,061	15,67,880	14,35,896

The balance of Rs. 14, 35,896 which was present according to the calculations of the British was left unaccounted.

Owing to the continued pressure from the British, the Maharaja made an attempt to reduce the expenditure. He proposed to strike off a third of the allowance of his ministers. But he was not allowed to do so as they were all under the British guarantee, much to the annoyance of Maharaja Sayajirao – II, then proposed to cut down the allowances of persons (holders of the guarantee of the British or persons without the guarantee) or army (including his own army and that of the subsidiary troops). He was told by Elphinstone to reduce the Gaikwadi troops, but to retain large subsidiary forces. This had disappointed the Maharaja and had increased the grudge against the British, who had always followed this double-faced approach.<sup>14</sup>

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<sup>12</sup> Gazetteer of the Baroda State, Vol-I, *Op. cit.*, p--408.

<sup>13</sup> G S.A , B S R R, Daftar No-26, File No-129, No 219 of 1823.

<sup>14</sup> F A H Elliot, *The Rulers of Baroda*, Baroda State Press, 1934, pp-131-132.

Therefore the Maharaja made all possible attempts in his power to disagree with the British. He did not pay attention to the suggestions of the Resident on various aspects of the administration. At various points of time he was advised to do away with his 'habit' of amassing or hoarding private wealth in the form of jewels. This had obviously gone unheeded. The British had thought him to be under the influence of his mother Rani Gahenabai. In actuality, earlier, the Maharaja had shown much willingness to cooperate but without the interference from outside forces whether British or that of the bankers. Perhaps the only way left to him was to amass wealth, free of the influence of the bankers and their guarantors, so that he could stay in control of the finances of the State and that way obtained control over at least the internal affairs of the State. However, it had become mandatory for the British to restore their lost influence either by diplomacy or by force, therefore, the Resident Mr. Williams proposed to Sayajirao to,

*".. pay off a portion of the debts from his private treasury which he  
could easily offer to do" <sup>15</sup>*

The Resident tried to justify his statement by showing the increase in the State debt by Rs. 1, 33, 81,389. The guaranteed debts to the six principal bankers of Baroda had not reduced inspite of being paid off at the rate of 15 lakhs a year. This was because every year fresh loans were raised. To pay them the lease of the farms of the fertile areas of the State were extended every now and then.

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<sup>15</sup> F.A.H Elliot , *Op.cit.*, p-139 ; Gazetteer of the Baroda State, Vol-II, *Op cit.*, p-409

This had led to a decrease in the revenue collection, which was not profitable to the State at all, as it was going into the pockets of the bankers. The bankers were making profits but their *chaloo khata* kept on getting renewed every year and their interest on the previous account kept on mounting.

A comparative statement 1823 and 1826 is issued which enables us to understand the increase in debt.

### COMPARATIVE STATEMENT OF INCREASE IN THE DEBT

#### Year 1823

BANKERS	DUE AMOUNT
Hari Bhakti	15,88,651
Samal Bechar, Sakhidas, Ratanji Kandas, Mairal Narayan, Khushalchand	30,75,001
<b>TOTAL AMOUNT</b>	<b>46,63,652<sup>16</sup></b>

#### Year 1826

BANKERS	AMOUNT
To the five bankers <sup>17</sup>	22,80,088
To Hari Bhakti and five Others for the running Loan	25,00,001
To the five bankers	12,50,001
To Hari Bhakti	12,50,001

<sup>16</sup> Note Hari Bhakti was assigned the *varats* on Patan, Petlad, Dabhoi and *sayerkota* of Baroda. The total was worth Rs 2, 84, 000. The other five bankers were granted the *varats* on the *parganas* of Baroda, Pellad and Surat Athavisi. The total came to be Rs. 5, 66, 000; Gazetteer of Baroda State, Vol-II, *Op cit.*, pp-408-409

<sup>17</sup> Note The debt of the five bankers was due to the discharge of the arrears of troops with *manoti*, for the old loans of ten lakhs and a new loan. *Ibid.*

To Ratanji Manikchand <sup>18</sup>	10,07,441
<b>Total Amount</b>	<b>82,87,532</b>

For the running loan, the interest was 10%, *Manoti* was 1% and 2½% *potedari*, of which one-half was returned to the government. *Varats* on Baroda, the Surat Athavisi and Kadi were granted for seven years amounting to Rs. 15,36,500. *Varats* in installments and for the same amount were granted on Amreli, Dabhoi, Sankheda and Vijapur. *Varats* on the Kathiawad *Mulukgiri* were promised for seven years amounting to Rs. 12,87,403.

Sayajirao-II had outrightly refused to follow the Resident's advice. The British were prepared for such a refusal and therefore they had prepared the list of his possessions. The possessions had amounted to fifty-five lakh worth of jewels and inherited property along with forty-four lakh of treasure.<sup>19</sup> Mr. Williams, the Resident, had continuously sent reports of the Maharaja's persistence in refusing to pay the guarantee debts till the year 1827.<sup>20</sup> After much hesitation he consented in 1827 to a proposal made by the Resident. The next development that took place was that of the fixation of the septennial leases arrangement in 1827.

<sup>18</sup> Note: To pay off the debt of Ratanji Kandas or his partner Manekchand, *varats* for seven years was granted on Baroda, Sinor, Surat Athavisi, Kadi, Petlad and Visnagar amounting to rupees 27,84,000 ; *ibid.*, p-409.

<sup>19</sup> F.A H., Elliot., *Op. cit.*, p-139

<sup>20</sup> *Ibid.*

## SAYAJIRAO – II AND THE SEPTENNIAL LEASES ARRANGEMENT

In order to resolve the issue of the huge debts, remaining to the bankers, the British devised a system whereby the power would pass in to the hands of the bankers, atleast for some years in continuity. The British made Sayajirao-II a proposal, according to which the districts should be farmed out to the respectable bankers and *zamindars* for seven years, at once, 'under certain agreements', provided they do not oppress the ryots and embezzle the revenue.<sup>21</sup> This arrangement was known as the Septennial Leases Arrangements. The Maharaja at first showed resistance but eventually consented. He had agreed because, firstly, he thought that this might benefit the revenue-farmers and the bankers, who for years had been in huge debt and secondly, once the debt was paid, the British would be off his back. This consent was half-hearted, and he made it clear to the British that he had agreed only keeping the interests of the bankers in mind, and only if the arrangement could benefit the bankers was he ready to accept it. In the dispatch sent by the Resident on 31<sup>st</sup> May 1827, he made the above proposition of the Maharaja clear,

*"... issue of septennial leases of the mahals would satisfy the respectable men, chiefly the great State creditors."*<sup>22</sup>

The above statement of the Maharaja does not mean that he had the interests of bankers at heart. He had also realised that the disorder in the State finances mostly was the result of the declining revenue which was the result of farming out of the *mahals* annually to men (bankers) of means and position. These men obtained the lease of the *mahals* at a low rate, but extorted undue sums from the ryots. But he had to initially agree. However,

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<sup>21</sup> Gazetteer of the Baroda State *Op cit*, Vol-II, p-110

he soon reversed his decision, under 'bad advice' (as the British called it). He refused to go further with the arrangement. Probably he must have realized that this arrangement would put the bankers in a strong position for seven years, and his influence naturally would diminish, as he would then lose the right of taking the farm away, before the term was over.

The British on the other hand had suspected that Sayajirao-II was taking bribes from the bankers in the form of private *nazaranas*. Therefore, when Sayajirao-II changed his mind about the acceptance of the arrangement of Septennial Leases, the British opined that he was doing so because

*"... he bitterly regretted the loss of those bribes which the farmer gave him under the annual system, and longed to break the promise he had made."*<sup>23</sup>

Although, there could be another reason for the reversal by Sayajirao. The functioning of the bankers as State *potedars* had been condemned, many a time by the British. But Sayajirao-II had insisted on continuing this rapacious system perhaps for the betterment of both bankers and him. He could foresee a foul play in the proposed British plan to gain control over him by the joint forces of the British and the bankers. Sayajirao then made several attempts to obtain the consent of the Governor-General-in-Council to abrogate the septennial leases. Failing at which, he abrogated the *chaloo potedari* (the current year's loan) contract carrying the guarantee of the British Government.<sup>24</sup> At the same time he also pressurised the bankers to do away with the system of guarantee. He made an

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<sup>22</sup> F.A.H. Elliot, *Op. cit*, p-139.

<sup>23</sup> *Gazetteer of the Baroda State, Vol-II, Op. cit*, p-110.

<sup>24</sup> G.S.A., B.S.R.R., B.P.D., Daftar No-127, File no-137 Dated 28<sup>th</sup> April 1830.



attempt to intimidate the bankers, by forbidding them to meet the Resident or to enter the Residency.<sup>25</sup>

The bankers had verbally complained to the Resident, that Sayajirao-II had falsely used their names to refuse the Septennial Leases Arrangement. He had asserted that any other statement contrary to this would be dealt with harshly by him.

This conduct had unnerved even the Resident. He reported to the Bombay government about the whole matter. The government at Bombay rebuked the Resident for his inactivity and took the matter in their hands and instructed him to intimate to the Maharaja, of their, displeasure regarding his conduct. He was also instructed to reassure the bankers of British protection. The bankers, fearful of the Maharaja's reprisal, refused to issue any written statement against him and the Resident on their refusal had withheld their names from the British government.<sup>26</sup> According to the instructions issued by the Governor-General-in-Council,

*"His Highness should be informed that the free and unstrained intercourse of all persons of every description was a point especially insisted on at the time when his Government was made over to him and is one which can never be given up, that, with respect to persons under the guarantee of the British Government, any attempt to preclude them from access to the Resident is an infraction of the guarantee..."*

the same warning note, an intimation was also issued to the bankers;

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<sup>25</sup> G.S.A., B.S.R.R., B.P.C., Daftar no-27, File no-133, Dated 22<sup>nd</sup> Oct 1827.

<sup>26</sup> *ibid.*,

*"... that in the case of the bankers, on the least suspicion, that they were prevented stating freely their objections to the change of system would be sufficient to destroy that confidence in their free agency, without which no alteration in the guaranteed terms could ever be accorded to."*<sup>27</sup>

Hence, the British had indirectly warned the bankers that if they wanted to stay under British protection, they should come out in open against the Maharaja. The British imagined that such kind of an open remonstrance against the Maharaja by his own elite section would unnerve him. However, they failed in their attempt, as the elite section was not ready to go against their own ruler.

Eventually Sayajirao-II, under pressure from the British, made a proposal to pay off the entire debt within two years in one single instalment.<sup>28</sup> Elphinstone and the Governor-General-in-council were open to this idea. But, to the surprise of the British, it was the bankers who refused this suggestion. The bankers probably feared that if Sayajirao-II was able to clear the debt, then their control over the revenues and finance of the State would alarmingly diminish. This would affect their political powers, which the bankers were not ready to surrender, even at the cost of their losing the opportunity of getting repaid immediately. Therefore in 1826, the matter remained unsettled and there ensued a deadlock.

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<sup>27</sup> *ibid.*,

<sup>28</sup> Gazetteer of Baroda State, Vol-I, *Op cit.*, p-534 ; F.A.H. Elliot, *Op.cit.*, p-141.

In 1826 A.D., the loans to the bankers stood as follows:

Bankers	Amounts of Loan	Total Amount
Mairal Narayan	6, 81,820	
Samal Bechar	2, 04,545	
Mangal Sakhidas	2, 04,545	
Khushalchand Ambaidas	2, 04,545	
Ratanji Kandas	2, 04,545	15, 00,000
<i>manoti</i> at 2% on the new loan of fifteen lakhs		30,000
<b>Total</b>		<b>15, 30,000</b>
Balance unpaid of 1825		7,50,008-3
<b>Total Amount</b>		<b>22,80,008-3</b>

The terms and conditions of the agreement of the loan were:

- 1) Annual interest of 6% was charged. The accounts were to be closed and settled without any reduction.
- 2) *Potedari* charges were 2½% which was shared equally with the Baroda Government.
- 3) The drafts were to be accepted as soon as they were issued. The interest was also to be shared with the government.
- 4) The *mahals* farmed out were Baroda, Sinor, Surat Athavisi, Kadi, Petlad, Visnagar.

The bankers, however, unanimously declared that they would willingly admit of no alteration whatever in arrangement or agreements of Septennial Leases.<sup>29</sup> The Resident reported of the attitude of the bankers,

*“... forcing them to agree to his Highness terms would be like turning them out of the happy and consigning them to the lower regions”<sup>30</sup>*

Therefore, the bankers presented their case to the British that if they consented to the proposal of the Maharaja, he might reduce them to the stature of no influence. The safest mode, hence, left for the bankers was to keep themselves under the guarantee of the British, who still had an influence over the Maharaja, and could override the sway of his decisions. The Bombay government on the other hand had no intention to let the Maharaja gain a complete control. The only means through which they were able to put pressure on the Maharaja was through the ‘guarantees’ which they had given to the bankers and other important sections of the society. The later events which had an effect on this triangular nexus of the Gaikwad-banker-British were quite dependent upon this Guarantee or *bahendari* or *bhandari* system followed in the Baroda State, since the time of Govindrao Gaikwad. Therefore it is very important to understand the implications of this term.

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<sup>29</sup> G S A , B S R R., Daftar no-27, File no-135, 1828. pp-101-102..

<sup>30</sup> *Ibid.*,

## BHANDARI OR GUARANTEE SYSTEM

*Bhandari* or *bahendari* is a Sanskrit word, derived from *bahen* a hand and *dhari* to place to seize. The term is applied to an engagement of a different nature and is apparently peculiar to the region of the Baroda State. The sufficiently expressive term in English is found in the word- guarantee.<sup>31</sup> A *bahendari* is a guarantee, either for personal conduct or for property; as it relates to the former, it partakes the nature of a safe conduct and as regards the latter, is the genus of security. In the text, it is applicable in the latter sense. The British government had undertaken the *bahendari* of the repayment of the loans advanced by the bankers to the Baroda *Darbar*. Thereby the guarantee was given to the bankers (guarantors being the British), on the security of payment by the *Darbar*. In the past, these guarantees were given by the mercenary troops. After the disbandment of the troops in 1803, the British had undertaken their role as the guarantors.

There were three types of guarantees in Gujarat:

One *talukdar* became security for another. In case a *talukdar* (i.e. on whom the guarantee was given) broke his promise, the practice was that the *talukdar* (guarantor of the engagement), either sends troops or proceeds himself with a force and occupies the districts and compels the guilty to render compensation and give sufficient security for his good conduct in the future.

1. The second *bahendari* was that of *risaldars* or *sardars* of rank and influence, who frequently guaranteed agreements between the Prince and his subjects or among

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<sup>31</sup> G.S.A., B.S.R.R., Miscellaneous Department, Daftar No 100 , - File no-498, Guarantee, Bhandari, 1826

themselves – If the former commits a breach of the agreement and refuses redress, the *sardar* or *risaldar* proceeds to the *Darbar* and sits on a *dharna*, till the required reparation is made. Other methods of enforcing an adherence were also used.

2. The last type of *bahendari* used was that of Bhats, Charans and Gosains. Sometimes, Brahmins also were involved. If a guarantee was flouted, guarantors would retire with the others of their caste to the house of the party (infringing the agreement), and sit for days on *dharna* at the door. If this proves ineffective, then the next step adopted was to commit '*traga*' i.e. wounding oneself. Should this prove ineffective, and then the last resort (though rarely used), was to pour out the male dictions and excretions.<sup>32</sup>

The British after the disbandment of the Arab *sibandi* assumed their role as the State *bahendars*. They did so, in theory, to protect the interests of the elite section of the society, but in practice to keep a constant, indirect pressure on the Gaikwads. In this they found the support of the elite group who still intended to make the ruler their pawn. Both these groups were successful to some extent in the reign of Anandrao Gaikwad, but Sayajirao-II was not manipulated that easily. Thus the British Resident was insistent upon using the system of *bahendari*, as a tool to bring effectual control over the Maharaja. The preceding incidents had proved that the Maharaja was able to pay the debts of the bankers in one single instalment. Consequently he had the power to oust the bankers and the British at the same time, for that reason it became essential for the bankers and the British

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<sup>32</sup> G S.A , B S R R , Daftar no-27, File no 135, 1828.

to devise a system, whereby the Maharaja would have no alternative but to accept the strong 'advices' of the bankers and the British.

The opportunity was provided to them when Sayajirao-II refused to recognise the guarantees of the British on some bankers. This was viewed by the British as an attempt to flout the *bahendari*, and in accordance with the custom of the region, this flouting could be punished, either by imprisonment of the Maharaja or by capturing of his territories, till the promised debts were paid. As a result, it was suggested by the Resident to take into account the second alternative. According to him, this could be obtained through the sequestration of a few territories of the Gaikwad for a period of time and release them when the bankers were paid off. He justified his stand by stating that,

*"Whoever possesses the British guarantee whether he be a Prince, or a Bheel, a Banker or a Beggar, is equally entitled to demand from the Government, the strict fulfilment of the engagements/according to their letter and spirit/ which they have pledged their faith to maintain, and they are at perfect liberty to enforce compliance by any means that they conceive proper."*<sup>33</sup>

However the circumstances changed in favour of the British with the change in the policy of the Bombay Government. This change was brought about with the change in the Governor. Towards the end of 1827, Elphinstone left for England and was succeeded by J. Malcolm.<sup>34</sup> The new Governor followed an aggressive policy to keep the Maharaja under control. On 3<sup>rd</sup> March 1828, a formal proposal was made for the sequestration of a

<sup>33</sup> *Ibid*, pp-114-116.

<sup>34</sup> Gazetteer of the Baroda State, Vol-II, *Op. cit.*, p-411

few districts of the Baroda State. The Resident felt the need to regain the consent of the bankers, which was essential, as the British were apprehensive of the non-cooperation of the bankers for a number of reasons:

- a) The bankers feared that consent to the plan of the British might subject them to the animosity of the Maharaja.
- b) The bankers being confused as to whom to be responsible:
  - 1) To the *Darbar* as the leased district belonged to the Baroda State.
  - 2) To the British who had temporary jurisdiction over the district.
- c) The Baroda *Darbar* might impede their operations as revenue farmers which could prove destructive to their authority, and those under them would be encouraged to flout their orders and withhold the payment of the revenue.<sup>35</sup>

The Resident was instructed to take the bankers into confidence, as this exercise was not possible without their support.

*"You are to assure them generally, that they will meet every proper support from the British government and that all their first claims will meet with due attention. They may be further informed that a final understanding will become to them as soon as possible, that it is our intention to introduce no change in the administration of the districts."*<sup>36</sup>

Considering these problems a solution was reached whereby the Septennial Leases were to be declared null and void. The districts which were to be earlier leased out for seven years were to be sequestrated, i.e., they were to be placed under attachment. Especially

<sup>35</sup> G.S.A., B.S.R.R., Political Correspondence, Daftar no-27, File no-134, dated 23<sup>rd</sup> March 1828

<sup>36</sup> Instructions to the Resident., *Ibid.*



for the bankers, favourable terms were procured, giving preference to those who had previously held them in their possession. Even the superintendence of the sequestration was to be in the hands of the lease-holders.

## SEQUESTRATION

In accordance with the proposal, a proclamation was issued for sequestration on 28<sup>th</sup> March 1828. According to which,

*"The Governor-in-council deems it necessary to declare in the most explicit manner that the only object of such sequestration is to enable the British Government to satisfy the just demands of the creditors who hold its guarantee under the septennial arrangement concluded by His Highness was in 1826."*<sup>37</sup>

The Resident executed his plan and one of the gates of the Fort, namely Laheripura, was to be brought under the possession of the British, by force. Various detachments were to be positioned at important places in the city and the charges of these detachments were to be borne by the Gaikwad along with the charges of the Residency.<sup>38</sup> After the achievement of this objective, the districts were to be kept under them till the recovery was made.

This occupation of the territory was considered to be a temporary arrangement i.e. for five years, and the British promised that as little a change as possible was to be made in

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<sup>37</sup> *Ibid.*, Bombay Castle, 28<sup>th</sup> March 1828

<sup>38</sup> *Ibid.*, p-117.

its administration. The territories were to be restored as soon as the objective i.e. the debt clearance was achieved. The temporary sequestration was of the following resources and territories of the Gaikwad State, viz., the *pargana* of Petlad, Bahiyal, Kadi, Dabhoi and Bahandarpur, Sinor, Amreli, Jamnagar in Kathiawad, the *tappa* of Shiyanagar and the tributes of Kathiawad, Mahikantha, Revakantha, Rajpipla, Udepur and of the tributary villages of Sankheda and this took place in 1828. The sequestered *Mahals* and tributes were valued at over fifteen lakhs of rupees. Before the beginning of the sequestration, the Septennial arrangements were done away with.

### 1<sup>st</sup> Sequestration (1828)<sup>39</sup>

The Mahals Sequestered	Amount
Petlad	5,06,739
Bahiyal	87,454
Kadi	2,49,501
Dabhoi and Bhadarpur	96,440
Sinor	64,287
Amreli	1,22,965
Svanagar	3,501
Kathiawad <sup>40</sup>	1,42,654
Mahinkantha	1,19,213
Revakantha	79,821
Other sources	75,150

The Septennial Leases were discontinued and any loss which could have accrued to the bankers was refunded. The refund was also obtained through the pocket of the Gaikwad. Consequently, seven lakhs of rupees were enforced upon Sayajirao-II, as arrears, which he eventually paid. The supervision of the sequestered *mahals* was placed under the management of Vithalrao Dewanji the Native Agent, who was favoured by the British and detested by the Maharaja.<sup>41</sup> He was responsible only to the British government.

<sup>39</sup> Gazetteer of the Baroda State, Vol-II, *Op. cit* , pp-544-545; F. A. H Elliot., *Op cit.*, p-142.

<sup>40</sup> Note: Tributes.

<sup>41</sup> G S A , B S R R , Daftar No-81, File no-404, Mahikantha, Dated 30<sup>th</sup> July 1828.

Sayajirao-II had at first brushed aside the matter as unimportant. Two interviews with the Resident eventually made Sayajirao-II grasp the seriousness of the issue. The Maharaja reacted in two ways to this proposition:

- 1) Internally, he had started to convince a few bankers to change sides and return the guarantee of the British. He had persuaded two of the bankers, Gopalrao Mairal and Khushalchand Ambaidas, to release their share of the *bhandari* debt and *chaloo potedari*. This was obtained without any consultations with the Resident. In return, the Maharaja had assigned them the revenues of different *mahals* other than those decided upon by the Resident.
- 2) On 10 July 1828, the Maharaja made a representation to the British, in which, in plain words, he rejected the document of the Proclamation by treating it as so 'unbecoming a document'.<sup>42</sup> Though the Maharaja kept on assuring the British of his full cooperation and tried to keep terms on a friendly level, he still did not accept the situation. On 1<sup>st</sup> January 1829, the Resident was informed that the Maharaja had appealed directly to the Governor-General-in-Council against the measure adopted by the Bombay Government. He had sent his Agent Veniram Aditram with authorization to pay off immediately the entire debt. However, these representations were overlooked by the Governor-General-in-Council and Bombay Government.<sup>43</sup> Veniram Aditram was not allowed admittance on the grounds that he was "not a proper person". Thereafter, Sayajirao-II made another representation on 6<sup>th</sup> February

<sup>42</sup> *Ibid.*, Translation of a letter from His Highness the Gaikwad to Major General Sir John Malcom, dated July 10<sup>th</sup> 1828.

<sup>43</sup> G S.A B S R R., B.P D Daftar No- 27, File No-135, Letter to Willam Newham, Dated 1<sup>st</sup> January 1829

1829, and laid down his complaints before the British Government. He had specially shown his anger at the appointment of Vithalrao Dewanji who, he claimed, had embezzled lakhs of rupees from him, and tried to clear his position by stating, *"Further in reference to my Memorandum delivered on the 4<sup>th</sup> November 1827 to the acting Resident offering to pay off the debt at one payment-no replay has yet bestowed. The money has been kept ready and a loss of a year and a quarter of interest has in consequence accrued to us.. I am ready to pay off the guaranteed debt, wherever you express a wish it, should be paid, nor is the delay through any fault of mine be pleased therefore to issue orders compelling the holders of the guaranteed debts to close accounts and accept the discharge of all claims."*<sup>44</sup>

This request was once again rejected.<sup>45</sup> Sayajirao-II adopted a softer mode to convince the British Government, but of no avail.

After the Sequestration of the *mahals*, John Malcolm paid a visit to Baroda on 28<sup>th</sup> December 1829. He imposed more strict terms on Sayajirao-II. He enjoined on the Maharaja to maintain a Contingent of horses on a better footing; to enter into commercial treaty with the British and to reform his coinage. The British had realised the helplessness of the Maharaja and they knew that the Maharaja would accept these conditions on any grounds. As a consequence of which, John Malcolm, who intended to reap maximum benefits out of it, attempted to obtain all that which he would not achieve otherwise.<sup>46</sup>

<sup>44</sup> *Ibid.*, Translation of a letter from His Highness the Gaikwad to Governor General-in-council, dated 6<sup>th</sup> February 1829.

<sup>45</sup> *Ibid.*, Letter to His Highness from W. Newham

<sup>46</sup> Gazetteer of the Baroda State, *Op.cit* , Vol-I, p-544; F.A.H. Elliot., *Op cit.*, p-142.

In order to pay for the two-thirds of the Contingent horses, John Malcolm decided to sequester certain other districts. Out of the proceeds of these districts, the force might be paid more regularly, while it was placed under the supervision of British officers. As a result the second sequestration took place in 1830.<sup>47</sup>

List of <i>mahals</i>	The amount obtained out of the <i>mahals</i>
Patan	2, 22, 862
Visnagar	54, 595
Vadanagar	13, 517
Vijapur	1, 00, 641
Sankheda	17, 836

However this sequestration was not approved by the Court of Directors and did not last long. This disapproval could have been partly due to Sayajirao-II's firm criticism, dated 30<sup>th</sup> March 1830,

*"In the first instant districts were sequestered by force and now although even the Contigent receive monthly according to the agreement this Rozmuriyah having taken as a pretext of payment of the Contigent unjustly forcibly Mahals are being taken possession of this is not consistent with the Company's good name such injustice has never been seen in the Company's Government till now."*<sup>48</sup>

The bankers, on whose behalf, the British had taken such a severe step, stayed divided. Prominent ones like HariBhakti and Gopalrao Mairal had been threatened of being

<sup>47</sup> *Ibid*,

<sup>48</sup> G S.A B S R R, B.P C, Daftar No. 28, File No 137, Translation of a memorandum from the Guikwar Government, Dated 25<sup>th</sup> March 1830.

removed from their position, for instance in 1827, the Maharaja abandoned the old State *potedar* HariBhakti and had drawn cheques on other firms and also had assigned them the farms for the repayment of the drafts. This had created a sense of insecurity in the minds of prominent bankers about the future course of action of the Maharaja. But they had also realised that their lost position could be regained only with the assistance of the British. For that, they had to sacrifice their reputation in the eyes of the Maharaja. The British had also taken note of the wavering mind of the bankers and their need for the British support. Therefore, when complaints reached the Bombay government about the Maharaja intimidating the bankers, they saw in it a golden opportunity. The British were also aware of the fact that the Maharaja would never agree to the Septennial arrangements, as it meant a loss of revenue to the State and to the Maharaja himself. The bankers on the other hand were sure to accept it, as it could have brought back their prominent positions. Therefore, when the Maharaja offered to pay the entire debt in one installment, the bankers completely rejected it. For them this could have meant a monetary gain but a political loss as they had made huge money on account of their prominent position.

However, the plans of the bankers to obtain their powerful positions were thwarted by this idea of sequestration of districts. The bankers had realized that if they became a party to it, there was a danger that they might permanently lose their positions in the State. Therefore when the sequestration was in progress, three of the bankers Samal Bechar,

Mangal Parekh and Khushalchand Ambaidas cancelled their lease and also along with it, the British guarantee.<sup>49</sup> Thereby, they reconciled their differences with the Ruler.

The Total dues of the Bankers from 1826-1831:

**1826**

<b>Name of the Bankers</b>	<b>Total Amount Due</b>
Gopalrao Mairal and others	30,75,301
<b>Total</b>	<b>30,75,301</b>

**1827**

<b>Name of the Bankers</b>	<b>Total Amount Due</b>
Hari Bhakti	7, 81, 250
To other five bankers	17, 10, 751
<b>Total</b>	<b>24, 92, 001</b>

**1828**

<b>Name of the Bankers</b>	<b>Total Amount Due</b>
To the five bankers	12,75,001
<b>Total</b>	<b>12,75,001</b>

**1829**

<b>Name of the Bankers</b>	<b>Total Amount Due</b>
To Hari Bhakti	12,75,001
To Gopalrao Mairal & others	2,28,008
<b>Total</b>	<b>15,03,009</b>

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<sup>49</sup> F.A H. Elliot , *Op cit.*, p-143



**1830**

<b>Name of the Bankers</b>	<b>Total Amount Due</b>
Ratanji Manekchand	10,07,001
<b>Total</b>	<b>10,07,001</b>

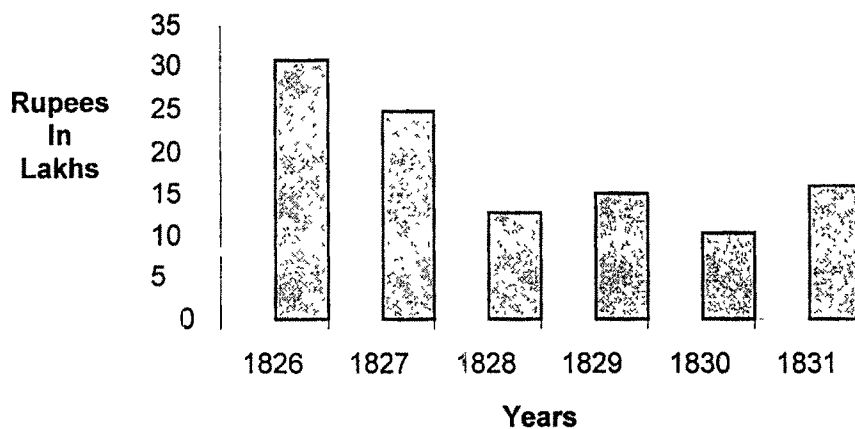
**1831**

<b>Name of the Bankers</b>	<b>Total Amount Due</b>
Hari Bhakti	15,88,651
<b>Total</b>	<b>15,88,651</b>

The Total Amount due to all the Bankers in Six years 1826-1831

<b>Years</b>	<b>Amount</b>
1826	30,75,301
1827	24,92,001
1828	12,75,001
1829	15,03,009
1830	10,07,001
1831	15,88,651

### Debt clearance 1826-31



The total dues at the end of 1830-31 were rupees 48, 96,109 after adding up the arrears. Out of these, the three of the creditors had come to terms with the Maharaja, and had, therefore, cancelled the leases. Thereby 9, 53,500 rupees were not to be deducted from the debt. Still due to the increasing interest from year to year by 1832, rupees 32, 25, 109 were still to be paid.

### ABOLITION OF RESIDENCY & BANKERS MIGRATION TO AHMEDABAD

The Calcutta authorities were tired of the constant attempts of the Bombay Government to sort out the financial mess of the Baroda State and especially when they had nothing much to gain from the transactions. They had realised that it would be futile to attempt, under the rule of Sayajirao-II, to achieve as much of an independence as was possible under Anandrao's reign. Their main objective was to regain their lost influence and to

support their guarantee-holders. But they themselves had little trust in the bankers, since three of them had switched sides at the time of sequestrations. The other local officers and Native Agents were also not reliable as they often shifted loyalties. The harsh policies of sequestrations of John Malcolm and the bankers had created a circumspect atmosphere within the State. This had led to a breach between the three parties. There had occurred a dead-lock with no trust placed by any party, on the other. Therefore it had become mandatory for the British to refrain from the current events and save their reputation. This had perhaps forced the British Government to windup the Residency at Baroda.

Accordingly, on the 1<sup>st</sup> of December 1830, Mr. Williams was directed to leave Baroda and to take up the post of Political Commissioner of Gujarat. He was to reside at Ahmedabad in accordance with the Government's orders. Though the residency was withdrawn from Baroda, the Resident was asked to,

*"Superintend the strict fulfilment of the treaties of Subsidy and Alliance".<sup>50</sup>*

They were ready to move out of the State but they were not ready to leave the matters unattended. Therefore they maintained a watch over the Baroda affairs from a distance. John Malcolm had reasoned it to be a step which would keep the Resident away from the intrigues of the Native Agents (the British had supported these men) like Vithalrao Dewanji and Sarabhai. Both these agents had held the guarantee of the British and had exploited it to threaten the Maharaja. Owing to constant complaints by the

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<sup>50</sup> F. A H Elliot, *Op.cit*, p – 143

Maharaja, John Malcolm had looked into the matter and had realised that the Resident was to some extent involved in the 'intrigues and misunderstandings', which had so long embarrassed the alliance. Therefore the above course was proposed,

*"which could dispense with that vigilance which some deemed essential, but the absence of which would remove those causes of alarm, disgust and discontent, which called for a constant and degrading interference".*<sup>51</sup>

Along with the Resident, the guaranteed bankers i.e. Haribhakti, Gopalrao Mairal and Ratanji Kandas, migrated to Ahmedabad. Perhaps, these bankers had stretched little too far in their support of the British. They were unsure of the reaction of the Gaikwad, so perhaps the safest way out was to accompany the British. The other reason for their migration could be that they may have considered themselves to be indispensable to the Gaikwad and would have imagined that the administrative setup would collapse without their money support. Little did they realise, that this could be a permanent blot on their political influence in the affairs of the State.

In a very short time the bankers realised that their departure had ruined their business, for the time being, and had effectually retarded any possible agreement between them and their Princely debtor.<sup>52</sup> However, fortunately for all the three parties, Sir John Malcolm left India in 1831 and was succeeded by Lord Clare.

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<sup>51</sup> F. A. H. Elliot, *Op Cit*, p-145.

<sup>52</sup> *Ibid.*, p-143.

## RETURN OF RESIDENCY AND BANKERS (1835)

Lord Clare was of a different disposition, which was a contrast to his predecessor. He undid the work of John Malcolm and followed the policy of moderation. He visited Baroda twice in November 1831, merely

*“ to establish an amicable understanding, and to effect a personal reconciliation between the heads of the two Governments by disposition on Lord Clare's part to treat the Raja with utmost consideration and respect. ”* <sup>53</sup>

Maharaja Sayajirao – II also had perhaps been seeking such an opportunity, which would place him in a proper position in the eyes of the British Government. Therefore he showed his anxiousness to pay off, in a lump-sum, all the debts of the guaranteed creditors. This proposal had been put forward earlier on a number of occasions, but had been ignored. The bankers, on the other hand, were anxious to come to an understanding with the Maharaja. Almost a year had elapsed, and perhaps as the *Darbar* did not attempt any initiation to start negotiation, the position of the bankers was placed in jeopardy. Besides loss of their political position, the bankers had also suffered financially. For instance, the firm of Hari Bhakti was incurring a loss of interest on thirty to forty lakhs, an amount which was due to his creditors in Baroda State. Since the Baroda State was beyond the jurisdiction of Ahmedabad, they were unable to do anything.<sup>54</sup> Perhaps due to the pressure also from the bankers, the British Government had to reach some kind of a settlement.

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<sup>53</sup> *Ibid.*, p-146

<sup>54</sup> *Ibid.*,

## THE SETTLEMENT OF 1832

The settlement took place on the second visit of Lord Clare which had lasted from the 22<sup>nd</sup> March to the 6<sup>th</sup> of April 1832. The terms of the settlement were:-

- 1) Un-guaranteed debts were not to be considered.
- 2) The guaranteed debtors<sup>55</sup> Hari Bhakti, Gopalrao Mairal, Ratanji Kandas and Ratanji Manikchand were allowed to come to terms with the Maharaja without the interference of the Governor. It is believed that Maharaja had paid them 25 lakhs, but the State records show that he had perhaps paid 57 lakhs.<sup>56</sup>
- 3) Lord Clare promised to return the sequestrated districts. The following districts were restored within 15 days: Petlad, Dabhoi, Bhadarpur, Sinore, Kadi, Sankheda, Bahial, Bhavnagar and Shianagar. All the other claims for which the British Government was the guarantee, Sayajirao – II had engaged to settle within a year. This had included the claims made by the revenue-farmers for rupees 7, 02,454, after the abandonment of the Septennial Leases. HariBhakti's claim was of rupees 40,61,806 and that of Balwantrao Gaikwad of 11 lakhs of rupees. Therefore, the total claims had amounted to Rs. 60, 95,015.<sup>57</sup>
- 4) There were two claims which were left unsettled, viz., Sayajirao – II had refused to pay the salary of Vithalrao Dewanji's *nemnook*: Secondly, the claims of the expenses of the sequestrated districts and the payment of the British troops.

<sup>55</sup> Note . The remaining guaranteed debtors, as three of them had previously cancelled their leases and joined the side of the Maharaja.

<sup>56</sup> F. A. H. Elliot, *Op. cit.*, p-153.

<sup>57</sup> Gazetteer of Baroda State, *Op cit* , pp- 414-415.

For these, Sayajirao – II himself had proposed a solution i.e., he made a suggestion that he should deposit Rs. 10 lakhs in a British treasury which the Government could expend if the Contingent Force was not punctually paid. He sent ten lakhs to Bombay as a pledge that he would pay the troops regularly for which he would not charge any interest.<sup>58</sup>

The settlement had left still much to be settled. Though the guaranteed bankers were paid, there was still a guaranteed debt of over 60 lakhs of rupees.

After this, the interference of the British on behalf of the bankers had diminished gradually. They had realised the futility of their efforts to pacify all the sections of the society. The two sequestrations made were not fruitful and none of the parties gained anything from it. The debt to the bankers stood as it was and the British had ended up souring relations with the Gaikwad. Therefore, when the Gaikwad extended a hand of friendship, the British happily took it. However, these events had proved to have created a gap between the Gaikwad and the bankers. Earlier with the help of the British, it was the bankers who had secured command over the situation. The following events would prove that the circumstances had reversed with the command passing into the hands of the Maharaja and his clout.

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<sup>58</sup> *Ibid* , p-416 ; F. A. H. Elliot., *Op. Cit.*, p-149.

### **PERIOD OF PROXY WAR (1835-1840)**

The State once again came into conflict with the bankers in the 1830's, but this time they were able to get their way through. Sayajirao – II was under the influence of Veniram Aditram, the *Dewan*, who was appointed, - much against the wishes of the British who felt that, Sayajirao's policies and behaviour were largely governed by his *Dewan*. The period from 1832 till the death of Maharaja in 1848 was a period of a proxy war between the two internal parties viz. the ruler and the bankers. All the prominent banking family firms in the State, except the firms of HariBhakti and Mairal Narayan, were against the *Dewan*. Veniram Aditram along with others like Baba Nafda, Bapu Argade, Ganesh Pant and Bhau Purnaik had a lot of influence on the Maharaja, whose major decisions were governed by their opinions. They were loyalists and gave their whole hearted support to the ruler. Baba Nafda, was the corrupt *gumashta* of the firm of HariBhakti and was able to support the rulers in terms of wealth, as Samal Bhakti was bed-ridden. Veniram and his group came into conflict with almost all those sections of the society, which enjoyed the support of the British. Their special targets were the bankers who, under the British guarantee, had disagreed with the decision of the Maharaja, especially in the 1820's.<sup>59</sup> On that account the banking community had met with the worst form of persecution from this faction and especially from the *Dewan*.

In 1835, after the return of the bankers along with the Residency, the State had witnessed a seemingly peaceful environ. However, this was apparently a 'lull before the storm'.

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<sup>59</sup> F A H Elliot, *Op cit*, p-150.



Veniram, along with his group, had begun to harass the banking community and the people in general.<sup>60</sup> Amongst those who were exploited were Ratanji Kandas, Parbhudas Sheth, Lallu Mangal Parekh and many other smaller *sahukars*. Veniram, with the aid of *Sarkar*, had looted the house of Ratanji Kandas of five lakhs of rupees, amongst other things. The *munim* of the firm was captured, beaten and his house and other properties were seized. He was asked to pay three lakh rupees and if this was not done, then he would be excommunicated. The *munim* was unable to remit the huge ransom and therefore Veniram Aditram forced the 'caste *panchayat*' to turn him out of caste, which was obeyed even by them for fear of the wrath of the Dewan.<sup>61</sup>

In the same manner, another *sahukari pedhi* of Khushalchand Ambaidas was exploited. He had an old claim against the Gaikwad State for five lakh rupees, which Sayajirao –II had refused to pay. Veniram Aditram in association with the firm of HariBhakti made a counter-claim of five lakh rupees on Parbhudas Sheth, on account of some old claims relating to Poona transactions. The *sarkar*<sup>62</sup> then forcibly obtained the sum, out of which they took a major portion. This had ruined the business of this *pedhi*.

The banking firm of Lallu Mangal Parekh had some monetary claims against the supporter of the group, Gopalrao Mairal. Veniram Aditram prevented the firm of Lallu Mangal from making any collections from the *mahals* assigned. Eventually Lallu Mangal, in order to resolve the matter paid a larger bribe to Gopalrao Mairal and the Dewan. Then the satisfied Dewan, proposed to extract funds earlier embezzled by the

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<sup>60</sup> B S R R, B P.C, Daftar No-7, File No-34, Dated 16<sup>th</sup> August 1837, p-123.

<sup>61</sup> *Ibid*, p-124.

*munim* of Mangal Parekh. On obtaining the consent of the banker, the Dewan was able to retrieve successfully the sum. But in this process, the *munim* had to undergo the tragic kidnapping and killing of his son at the hands of Veniram and he finally ran out of Baroda. This incident had caused a dent in the reputation of Mangal Parekh as well.

In the same manner, he had caused damage to the respectability and credit of many *sahukari pedhis*. This had forced them to close down their *pedhis* and leave the city.

The two banking firms which had supported the activities of Veniram also had their own compulsions. For instance, Gopalrao Mairal was threatened to support Veniram Aditram if he wanted to continue as the head of the firm and his adoption recognised by the Maharaja. If he were to continue as the head of the firm, he had to support the unscrupulous behaviour of the Dewan. The firm of HariBhakti was also dependent upon the recognition of the adopted heir as the head of the *pedhi* to the same extent, though this was hard to believe, as the firm was virtually run by Baba Nafda, who was a part of Veniram Aditram's faction.

Veniram and his group had exploited almost all the officers of the State, including the *darakdars*, *bakshis*, *zamindras* and the common ryots.

Due to these acts of Veniram Aditram, he had created enemies especially in Bhaskarrao Vithal, who was the ex-minister of the State and was brought to ruin by Veniram.

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<sup>62</sup> Note : As the bankers kept blaming both the Gaikwad as well as the Dewan

Bhaskarrao had made an attempt on the life of Veniram Aditram and this had made Veniram run away from Baroda. However, he returned soon, as he learnt that the Maharaja had received a 'Monster petition' from all the leading bankers of Baroda on 3<sup>rd</sup> November 1836 (including the bankers under the pressure of Veniram's henchmen) demanding his return. The Maharaja then sent this petition to the Resident and requested him to forward it to the Governor of Bombay Presidency and Governor-General at Calcutta.<sup>63</sup> The petition was full of praise for Veniram Aditram, with explicit details of his contributions towards the all-round development of the State.

However, on 16<sup>th</sup> August 1837, the Bombay Government received, an anonymous counter – petition which narrated a different story. The petition, from the content of it, appeared to be from the harassed bankers. Their miserable conditions were explicitly stated.<sup>64</sup> The Bombay government did not take much time in taking action, as they were already aware of the notorious acts of Veniram. In 1837, the Bombay Government relying on Article IX of the Treaty of 1805,<sup>65</sup> demanded from Sayajirao, Veniram's dismissal. This was not accepted for two more years. Eventually, with constant pressure from the Bombay Government, Veniram was deprived of his post on the 24<sup>th</sup> February 1840 and the Maharaja formally announced to the Government that he would never be re-employed.<sup>66</sup> The other members of the faction were not abruptly dismissed but they were warned by the ruler,

*"... they were not to interface in any matter in which the British Government*

<sup>63</sup> G S.A., B S R R, B P.C , Daftar No-7, File No -- 34, 1837, p-78.

<sup>64</sup> *Ibid.*, pp- 123-133

<sup>65</sup> Gazetteer of Baroda State, Vol-I, *Op. cit.*, p – 555.

<sup>66</sup> F A H. Elliot , *Op. cit* , p-151.

*or any of its guarantees were concerned".* <sup>67</sup>

The British after these episodes gradually reduced their interference in the affairs of the Gaikwads and the bankers. They had realised that the bankers were taking an advantage of their patronage, and this had created an atmosphere of distrust with the Maharaja.

However the banking *pedhis* were facing crises of some or the kind within the family, which had slowed their participation in the affairs of the State. The Gaikwads took full advantage of this and began the process of gradual emancipation of the bankers from the political influence in the State.

### **SARKARI PEDHIS**<sup>68</sup>

From the previous accounts it has become quite clear that the Gaikwad State or the Maharaja had no private treasury. For all their State or personal requirements (monetary) they were dependent upon the banking section of the society. The Gaikwads did have their private income of jewels and other ornaments but had no means or institutions to place or use them. Under Anandrao Gaikwads rule they at various times were monitored by the British regarding the private expenses of the State. Before 1827-28, Sayajirao – II Gaikwad had also showed a total dependence on the prominent bankers and *potedars* to

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<sup>67</sup> *Ibid.*

<sup>68</sup> Note : The *sarkari pedhis* were also known as the State banks. They were those banks which were owned by the Maharaja in his private capacity. The function of these banks was to lent and deposit funds to the State and of the State. Perhaps these were the crudest forms of indigenous modern banks

run the administration of the State. Though this system did not work will yet the ruler was more than willing to continue it. The reason could be that in the absence of an alternative funding agency the bankers had continued to be an important source of funds. In that capacity they had gained considerable influence in the administration of the State. Sayajirao-II had not intended to counter this influence as it could have disturbed the system. However, the Maharaja had realized that under the pretext of British guarantee the bankers were undermining even his powers. The Maharaja had become more alarmed when the bankers accepted the offers of the arrangement of Septennial Leases. Not only that, they had on the contrary, even refused to accept the offer of Maharaja to repay the due debt in one single installment. This open defiance of the bankers forced the Maharaja to take the matter in his own hands. The Maharaja decided to utilize his ample personal property to extricate, the State from its financial difficulties without the assistance of the British and the Bankers. Sayajirao-II began to curtail the power of the bankers gradually. Though he had retained the *potedari* system, but in partnership i.e. he became a partner in the *potedari* concerns HariBhakti.<sup>69</sup> Gradually the Maharaja became the State's sole *potedar*, by opening their own *sarkari pedhis*, thereby completely ousting the bankers. This entire process of curbing the banker's powers had taken three *Maharajas* in succession. This curtailment did not mean that the State was placed in a better position. The State though had continued to borrow money it had required for the day to day administration, but, it borrowed, now, from the *sarkari pedhis*. Therefore, the accounts of the Maharaja as the *potedar* and as the ruler of the State were maintained separately. The *sarkari pedhis* maintained detailed accounts of complicated system of credit and debit,

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<sup>69</sup> Gazetteer of the Baroda State, Vol-II, p-416.

and of principal and *manoti*. By this manner whatever benefits initially the bankers used to get, was later obtained by the Maharaja through these *pedhis*.<sup>70</sup>

Sayajirao-II, opened a *sarkari pedhi* in 1829 A.D., named after his son Ganpatrao Gaikwad, known as Ganesh Ishwar bank. Later, he opened several other similar firms and branches. This *pedhi* was established with the capital of five and half lakhs. It had originated in the necessity of regularly paying the contingent troops to ensure no further sequestration. Two branches of this bank, were established within his Palace premises. One *pedhi* was yielding one lakh and the other rupees 24,000 a year. Later a branch was established in the city of Baroda, which yielded rupees 8,000. The other branches of the *pedhi* were establish at Sadra, Kadi, Petlad and Rajkot which had fetched about rupees 5,000 each year. Thus, the total income of these *pedhis*, was rupees five lakhs per year.<sup>71</sup>

Ganpatrao Gaikwad, the successor and the eldest son of Sayajirao – II, did not open any new *pedhis* but, continued the work of Ganesh Ishwar Bank.

Khanderao Gaikwad succeeded to the *gadi* by the end of 1857 and in 1858-59, he had established a new *pedhi* known as Kutb-Rubbani *pedhi* with a capital of 21½ lakhs. This capital was raised to 39 lakhs. He also established another *pedhi* called Maul Ali Bank, in 1859-60, which acted as a subsidiary bank to Kutb-Rubbani. The funds to start the *pedhi* was obtained from various sources; first, by withdrawal of money from Ganesh Ishwar bank which had amounted to 3,75,000/-. This money was the accumulation of fines inflicted on Government servants. Secondly, Gujarat Irregular Cavalry was disbanded

<sup>70</sup> Note : The records regarding the Maharaja's income through State banks are not available

<sup>71</sup> F A H Elliot , *Op cit* , p-221

and seven lakhs paid by Khanderao for its support, from the commencement of his reign, were returned to him. Thirdly, an amount of three lakhs was provided by the tribute through which the disbanded cavalry was paid up. The amount was alternatively paid in Kutb-Rubbani and Maula Ali Bank. Fourthly, the house of Hari Bhakti in 1827, had adopted Bechar as the successor of Samal. As a *nazar* the firm had paid rupees five lakhs. It is believed that the Gaikwad Government had restored the entire sum to the firm except half a lakh, which was deposited with the *sarkari pedhi*. Fifthly, Sayajirao –II had collected a sum of rupees 5,25,000 from his tour to the northern division of Baroda State, to collect funds for the expense of the *mahals*. These funds were deposited in the bank.<sup>72</sup>

The interest on the *pedhi's potedari* operations in the first four years had amounted to 2,75,000 rupees, which had increased upto seven to eight lakhs of rupees per year. The interest of Maula Ali bank which was started with a capital of rupees 23 lakhs, in four years had amounted to rupees 2½ lakhs.<sup>73</sup> Besides these banks, Khanderao Gaikwad had founded a fourth bank called Mehabub Subhani in 1869-70. The capital of this bank had included the *stridhan* of Rani Jamandabai. Later a portion of income from *Sarsubha's* office was transferred to this bank each year. This bank originated in the necessity of having a separate branch in which deposits the proceeds of the *mahals* could be accumulated. After depositing it with Mehabub Subhani the proceeds were transferred to one on the other banks which were directly managed by the government.<sup>74</sup> Thus, Khanderao Gaikwad was able to establish a centralized control over the finances of the State, be it private or public. Thereby there remained no distinction between the private

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<sup>72</sup> Ibid., pp- 417-418.

<sup>73</sup> F.A.H. Elliot, *Op. cit.*, p-220.

funds of the Maharaja and the funds of the State. The British on the other hand had little idea about the actual state of finances. The bankers thus lost their position as the State *potedars*, thereby losing an influential position in the State. Though their banking activities continued uninterrupted, their excessive interference in the political affairs of the State diminished.

This system established by Sayajirao – II was expanded by Malharrao Gaikwad to the greatest possible extent. In 1870-71 he established four *dukans*<sup>75</sup> or *pedhis* i.e. those of Lakshmidas Narsidas and Malhareshwar in Baroda, a branch of Malhareshwar in Navsari and branch of Laxmidas Narsidas in Bombay. In 1871-72, another branch of Laxmidas Narsidas was started at Surat. In the same year another banking-firm was established which was known as Mhalsakant *dukan* at Baroda. In 1872-73, another bank of Parvati Kant was opened at Baroda, the branch of which was opened at Bombay. His object in establishing the four banks in 1870-71, was to remove as much capital as possible out of the Baroda State. He undertook the above decision to ensure his undisputed claim over the finance, if under any circumstances he was removed from power. In order to remove the money secretly it was necessary to have fresh establishments in Baroda as well as Bombay. Also Malharrao Gaikwad had no intention to make it known to the old bankers about this transfer as they could hamper the process. He was able to transfer fifty-seven lakhs of rupees in cash balances and bullion out of Baroda.<sup>76</sup>

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<sup>74</sup> Gazetteer of the Baroda State, *Op cit.*, p-418

<sup>75</sup> Note: The *pedhis* were also known as *dukans* or firms.

<sup>76</sup> Gazetteer of the Baroda State, *Op cit.*, p-419



After the accession to the *gadi*, Malharrao closed the *pedhi* of Ganesh Ishwar started by his father and transferred the money to Malhareshwar. The branches of Mhalskant and Parvatikant were opened for the benefits of his first and second wife respectively. The Mhalskant were supplied with funds from the State. The main branch of Parvatikant was supplied with the capital from the private funds of the Maharani. Thereby Malharrao adopted every possible means through which he could remit funds out of the Baroda State. The bankers were unable to do anything except present petitions to the British Government against the exploitation of Malharrao Gaikwad in 1873. By that time difference had emerged between the Resident and the Maharaja which had resulted in the deposition of the latter.

When the *sarkari pedhis* took the place of the *potedars*, no great change took place in the financial administrative structure of the State. In conformity with the earlier tradition the State creditors were not paid any ready money, but they obtained orders on one or the other of the State banks, instead of on *potedars*. All the State banks except the Ganesh Ishwar and the Parvatikant bank were supplied with capital by the State to start with. They also received yearly installments from the revenue which came in from the districts. But essentially the bank remained a private bank. The interest obtained was also not for the benefit of the State, instead, they charged the interest on the State for all payment made in excess of receipts during the year. The installments received from the revenue of the districts were received through the Mahbub Subahani bank, which was under the management of the *Sarsuba*. These installments were considered to be private income of the Maharaja and were utilized for his own expenditures. In order to accumulate more

funds, the Maharaja also charged a high rate of interest, which nobody could challenge. Besides these, for all the payments made, the banks charged *manoti* and other fees. The due interest commenced from a month before the actual date of payment.<sup>77</sup>

In addition to this business, the banks also dealt with the public. Funds were loaned out to the *sahukars* and others. They did not demand any security and the bank decided to lend money on the basis of its solvency and not security. The funds were also lent to the military, the *shilledars* and *assamdars*. In this case however the guarantee was extended by the government for the repayment of the advances made. The State banks also dealt with *hundis* and traded in gold and silver.<sup>78</sup>

### **FAMILY-FIRM CRISES**

Between the periods of 1835-1860, almost all the banking family firms faced crises. The crises were triggered either due to the involvement of external forces or family feuds. These crises had an almost detrimental impact on the growth of the indigenous banking in the State:-

- (1) The bankers had lost almost all influence over the Maharaja, thereby losing political footage.
- (2) The British had done away with the guarantee system, thus de-patronisation of the bankers.

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<sup>77</sup> Ibid., pp-419-420

<sup>78</sup> Ibid.

- (3) Almost all family firms were facing a constant conflict amongst various family members, *gumashtas* and others.

Due to these three reasons, the family firms suffered in terms of reputation, credit, wealth and honour. The following account of each family-firm enables us to understand clearly the downward trend.

### HARIBHAKTI

HariBhakti firm had faced the problem of succession in the absence of a male heir in the first two decades of the 19<sup>th</sup> century, but due to the presence of two strong women in the family, the crisis was resolved without any hitches. However in the 1840's, it plunged into a deeper crisis. Bechar Samal died on the 4<sup>th</sup> of September 1845. He was survived by his two wives Mahalakshmibai and Joitibai and a son (son of Mahalakshmibai). Joitibai gave birth to a posthumous son.

During this time, a *gumashta*, named Baba *nafda*, who conducted the affairs of the bank. On his deathbed, Bechar had entrusted the management of the *pedhi* to the *gumashta* on behalf of his family. Baba Nafda, as previously seen had enjoyed the confidence of the Maharaja Sayajirao—II.<sup>79</sup>

Four years after the death of Samal Bechar, Joitibai had some differences with Baba Nafda and accused him of embezzlement and misappropriation of funds of the firm. This

irritated the *gumashta* and he decided to counter her accusations by suppressing her completely. The other wife Mahalakshmi was 'imbecile' and a passive tool in his hands. Moreover he had the entire banking concern under his control.<sup>80</sup>

Baba Nafda had realised that Joitibai was interfering due to the minority of both the sons as perhaps she had wanted to retain the authority of firm's management within the family. She was attempting to take away the powers, which he had so far enjoyed. Therefore to defeat her intentions, he tried to prove that her child was spurious and that her claims or those of her child's were baseless. He had the intention of establishing the claims of Mahalakshmbai's son as she was a mere puppet in his hands. With that end in view, he hatched a conspiracy. He spent enormous amounts to bribe and buy persons, who would take his side as and when the need arose. Besides, he got the young son of Joitibai kidnapped. This process of kidnapping and imprisonment had cost the firm a great deal of money. Moreover the child died in imprisonment, though apparently from some illness.

Initially Joitibai had made a complaint to the Maharaja but it went unheeded. She was then forced to make complaints to the firm's guarantor - the British on 15<sup>th</sup> June and 17<sup>th</sup> August 1849. Due to these repeated complaints, Colonel Outram, the Resident, who was sympathetic to the cause of Joitibai, requested Sayajirao-II to institute a *Panchyat* for the investigation of the case. Though he had no hopes of justice, he had felt that it would be

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<sup>79</sup> R. Wallace, *Op cit*, p-563.

<sup>80</sup> *Ibid*, p-565

appropriate for the *Darbar* to handle the matter first.<sup>81</sup> Before the *Panchyat* could take any decision the Resident had to leave. The next Resident Captain French had less sympathy towards Joitibai as he had placed more trust in the Native Agent Narsopant, who was the friend of Baba Nafda. Without fully understanding the merits of the case, Captain French instructed the *Panchyat* to decide in favour of Baba Nafda, which had already made up its mind to do so, perhaps due to the pressure from the *gumashta*. There was also a possibility that Captain French was bribed along with the others. He gave a new turn to this case -a dispute between the two widows on account of claims and succession and eliminated the name of Baba Nafda completely from it. He instructed,

“... that a new Panchayat should be appointed to settle all matters in dispute between the two widows, and the razeenamahs should be taken from both to abide by the decision of the Panch”.<sup>82</sup>

Joitibai refused to submit and demanded justice against Baba Nafda. She claimed by virtue of her ‘guarantee’ of the British Government which her family enjoyed, that the investigation should be conducted by a British representative. But the Government informed her that as she had refused to consent to the arbitration offered by the *Panchyat*, they had declined to represent on her behalf.

Colonel Outram, on his return in 1850, reopened the case on the reception of evidence of the conspiracy hatched earlier against Joitibai. On that basis, he conducted a fresh enquiry and proved Baba Nafda to be guilty. The *Panchyat* appointed for the trial of Baba

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<sup>81</sup> *Ibid*, p-68

<sup>82</sup> *Ibid*, p-569

Nafda gave their verdict in October 1830 and announced him guilty. This decision was supported by Ganpatrao Gaikwad and Baba Nafda was imprisoned for seven years and a fine of rupees 15,500/-was imposed on him.<sup>83</sup> At the same time, the resident instituted a scrutiny of the *pedhi* of HariBhakti and it was found that Baba Nafda had defrauded an amount of over seventeen lakhs. The *gumashta* refused to accept to such allegations. The British government insisted on Baba Nafda to make good the losses or else his two sons would be imprisoned and his own imprisonment would be extended. The Gaikwad government however refused to interfere in the matter.<sup>84</sup>

It was discovered by the Resident, that Baba Nafda had expended large sums belonging to the *pedhi* in bribery; had transferred large amounts into British territories and had the intention to bribe the members of the Council in Bombay. Narsopant, the Native Agent at the Residency, was for a long time on Baba Nafda's pay-roll before he was dismissed on the grounds of treachery.

The appropriated amounts were returned to the British. However instead of returning these funds to Joitibai, the Resident took away the money and utilized it for the improvement of the Baroda Cantonment and constructed a Racket Court and a public swimming bath.

On the 16<sup>th</sup> December 1852, Joitibai transmitted a Memorandum of her grievances to the Court of Directors. She had made the following appeals:-

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<sup>83</sup> *Ibid* , pp-570-571

<sup>84</sup> *Ibid.*, pp-571-572.

1. The firm should pay the expenses of filing the suit against Baba Nafda (borne by her) which had amounted to Rs. 75,000.
2. She should be returned her lost influence in the firm.
3. She demanded to adopt a boy, as her son, had died due to the conspiracy.
4. She complained, of the lenient way, in which Baba Nafda was treated during his confinement.<sup>85</sup>

The reply to the above Memorandum was given on 16<sup>th</sup> December 1852, according to which Joitibai was allowed to be paid by the firm in instalments. The Resident did not allow much authority to Joitibai in the running of the firm, but was ready to fix some kind of allowance for maintenance, which she refused. She was not given any right of adoption. The Resident excused himself as far as the case of the confinement of Baba Nafda was concerned, as he was under the confinement of Gaikwad and hence had little to with the involvement of the British.

Before any more remonstrance could be made, Joitibai died in 1853. The British guarantee to the firm was withdrawn in 1860.<sup>86</sup>

The consequences of the internal problems in the firm were far reaching. They had lost to some extent, in terms of prestige and wealth. Though the firm continued to function very much into the 20<sup>th</sup> Century, at that point of time they had suffered a setback. Perhaps this could be the reason why, the debts of the HariBhakti firm to the Gaikwad had usually

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<sup>85</sup> *Ibid.*, p-573

<sup>86</sup> *Ibid* , pp- 574-575.

stayed in arrears but in 1860's the trend was reversed and the *pedhi* owed to the State a huge sum of over 60 lakhs of rupees.

### **SAMAL BECHAR AND MANGAL SAKHIDAS**

The firm of Samal Bechar and Mangal Sakhidas had acted as the military *bakhsis*. The monetary transactions of the Arab Sibandis were conducted through this firm, and in consequence of this, on the removal of the mercenaries from Baroda; they had received the *bhandari* of the British government in terms of a *sanad*.

The guarantee offered was joint but temporary, to both the Parekhs, but Mangal Sakhidas had managed to secure from Mr. Duncan, the Governor of Bombay, a hereditary guarantee on 7<sup>th</sup> January 1803.

The firm of Samal Bechar suffered in terms of wealth and reputation on account of the withdrawal of the guarantee. In 1849, Captain French, the Acting Resident at Baroda, recommended the withdrawal of the joint guarantee. But he was reminded by the Bombay government of the permanent guarantee to Mangal Sakhidas.

When the firm of Samal Bechar came to know of the situation, they too, produced what they professed to be a copy of the 'separate guarantee', similar to that of Mangal Sakhidas with only the names changed. The original they had claimed had been destroyed by fire years before. The case was referred to the Court of Directors, in 1857, who decided the documents to be false and in 1853, their *bhandari* lapsed. After this, the main



branch of Samal Bechar was established at Bombay and gradually they shifted their main business there.<sup>87</sup> The withdrawal of the British guarantee could have discouraged the banker from performing his activities in the non-conducive commercial environment of Baroda.

### **KHUSHALCHAND AMBAIDAS AND PARBHUDAS MULJI**

Khushalchand and Parbhudas, the two brothers, had originally belonged to Ahemdabad. In search of a more conducive environs for their business they had migrated to Poona and Indore.<sup>88</sup>

In 1795, Parbhudas established a branch banking firm at Baroda in the name of Khushalchand Ambaidas (who never came to Baroda), but retained complete control over its operation. Khushalchand had died in 1798. In the year 1801, Anandrao Gaikwad gave a perpetual guarantee to the firm in the following terms:-

*“You wish to reside in Baroda to carry on the business of a banker and merchant peaceably, for which you wish a promise of protection from the Government and have made a representation to that effect”.*

This guarantee was further seconded by the Arab *Jamadars*. On the dismissal of the Arab *sibandi* in 1803, Major Walker had replaced them as the guarantor.

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<sup>87</sup> *Ibid.*, pp- 546-547.

<sup>88</sup> *Badoyatil Sardar, Shilledar, Jamadar, Pagedar Darakar, Va Parekhanchya Gharanyachya Nemookichya vagere Hakikati*, Vol – XVI, Baroda Printing Press, Baroda, 1966, p-52.

Khushalchand had died without a male issue. Parbhudas also had no male child. Therefore, he and Gangabai, the widow of Khushalchand, adopted their sister's son in 1810. In 1813, Parbhudas died and few years later Keshavdas, the adopted son of Parbhudas, along his family migrated to Gwalior, leaving Gangabai to conduct the business of the firm. From Gwalior, he moved to Mathura, where he died without an issue. In Baroda, Gangabai died in 1833 but before her death, the firm was allowed by the Gaikwad government to adopt a male child, on account of her able services. Gangabai had adopted Damodardas. The guarantee of the British was not acquired because Gangabai in the year 1828 had returned the guarantee of the British and joined the camp of Sayajirao-II. Since this adoption was not recognized by the British in their accounts Jamnabai, the wife of Keshavdas, had survived as the sole heiress of the firm.

After the death of her husband, Jamnabai returned to Baroda in 1843. On her return, she found that Damodardas, the grandson of Keshavdas, had taken possession of the property of the firm and refused to give her any share in the profits. He laid a claim that he had been adopted by Gangabai in 1831 with the written consent of Keshavdas. This was confirmed by Sayajirao-II, who had confirmed his rights in a *sanad*, as the sole proprietor of the banking firm. According to the British, Sayajirao-II had received a large *nazarana* for the adoption. Therefore, Jamnabai made an appeal to the British Government.

In 1848, a commission of elite local legal functionaries of the neighbouring districts, along with the Resident, was formed to investigate the matter. They all reached a consensus that Damodardas had no valid claims at all and had fabricated the documents.

Jamnabai, insecure as she was, attempted to strengthen her case by practising forgery. She produced a 'false' document which was written to her by Gangabai, after the death of Keshavdas. In the letter it was stated that she had entrusted the management of the firm to Damodardas, but if Jamnabai did not approve of this, then she had the right to remove him from the management, thereby confirming the claims of Damodardas as being adopted. However, despite all kinds of profits, the British rejected his claims as being 'false', and recognized the claims of Jamnabai.

Her confused state of mind and insecurity had almost cost her, the firm of Khushalchand. She lost the British guarantee to any of the adoptions she made. However, the properties were restored to her by the reluctant Maharaja, under pressure from the British. Later Jamnabai had lost favour with the Maharaja and the British. She had let ingenuity, to lose a valuable position in the firm. Thereafter, the functions of the firm of Khushalchand were limited in extent and scope. Finally, when Malharrao, in 1872, withdrew the *nemnook* of hereditary villages, the firm suffered a major setback from which it could never recover.<sup>89</sup>

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<sup>89</sup> Wallace, *Op. cit.*, pp-531-533.

## MAIRAL NARAYAN

Though the firm of Mairal Narayan continued to function till the end of the 19th century, it had lost its previous status and glory. Mairal Narayan, the founder of the firm, had built up his reputation with hard work and honesty. Though, at some point of time, he had been asked by the *Sarkar* to clear his accounts, as they had sensed misappropriations which could not be proved. Mairal Narayan had enjoyed the function of the *potedar* of the State in equal partnership with HariBhakti. He was also the *kamavisdar* of Surat *Athavisi* and had the *talukas* of Sinor under him. In the absence of a male issue, he had adopted Gopalrao Mairal, his nephew, who had succeeded him in the year 1825. Gopalrao Mairal rose to a position of influence during the reign of Sayajirao-II, as his friend and advisor. However, guided by selfish interests, the loyalty of Gopalrao vacillated between the British and the Gaikwad. In 1830, he was amongst those who had left for Ahmedabad along with the Resident and had also not accepted any offer of conciliation, from the Maharaja. Though the relationship suffered initially, fortunately for Gopalrao, there was a second chance and on his return to Baroda in 1835, he adhered to the principle of loyalty towards the Maharaja. Sayajirao-II also had re-accepted him because there were very few whom he could trust.

Gopalrao had also supported the Maharaja and his Dewan Veniram Aditram, when they had tried to intimidate the bankers and the other elite sections of Baroda and forced them to write the 'monster-petition'. However, their alliance was not to last long as neither of

the camp trusted the other. In order to retain some kind of influence on the Governor of Bombay, Sayajirao-II had consented to the offer of Dhakji Dadaji (the expelled Dewan in 1819) to bribe the British officials and to obtain a few favourable terms. Since Sayajirao-II did not trust Dhakji Dadaji, in consultation with Gopalrao Mairal, two men (the agents of the banks) were sent to Bombay to settle the matters. However, the Maharaja was cheated and the agents of the banker switched sides and came back with the correctness of the estimation of Dhakji Dadaji's plan. Sayajirao-II convinced of his honesty, transmitted five lakhs to Dhakji Dadaji at Bombay. But the fraudulent act was soon discovered.

The involvement of Gopalrao Mairal was not direct as he had no dealings with Dhakji Dadaji. Yet, since it was his agents who had breached the trust, the wrath of the Maharaja fell upon the banker. The Maharaja began to place greater trust on his relatives and servants. It was only after the death of Sayajirao-II in 1848, that cordial ruler-banker relations were restored to some extent but it could never regain its earlier zenith completely.

All the above cases authenticate that the mid 19<sup>th</sup> century had proved fatal to almost all the banking family-firms and to their positions within the State's political circles.

## **INDIGENOUS BANKING AND ATTEMPT AT MODERNISATION**

### **AN ATTEMPT TO ESTABLISH BANK OF BARODA BY THE INDIGENOUS BANKERS IN 1865**

In 1865, an attempt was made to establish a modern institution of banking based on the European lines by the indigenous bankers of the State. This perhaps could have been a direct result of the cotton-boom, the region of Gujarat was enjoying due to the American Civil War (1861-1865). This project was headed by the firm HariBhakti at Baroda, along with the other bankers of Bombay namely Kashirao Anna and Atmachand Manekchand. With this aim, they had issued a notice in the Times of India, dated Bombay, 17<sup>th</sup> January 1865. The Proposed bank was to be opened with a capital of rupees 62, 50,000 i.e. 25,000 shares of Rs. 250 each. (see Appendix 3.1)

*“This Bank is established for the transaction of all banking business. Branches will first be established in Bombay and Baroda, and in due course throughout India. Agencies will also be established in London, China and Australia.”<sup>90</sup>*

In this connection, HariBhakti at Baroda had also issued *chitthis* (see Appendix 3.2), to their friends, relatives, clients and acquaintances.

The response to the Notice and the *chitthis* was overwhelming. From the next day, i.e. from 18<sup>th</sup> January 1865 onwards, interested parties contacted the firm of HariBhakti and showed their desires to purchase shares. The largest number of shares which was

proposed to be bought was 1,000 and the lowest was 5. The applications to buy shares had come from various places within Gujarat and from Mumbai. Within Gujarat, the maximum number of applications had come from Baroda, the second being Ahmedabad, followed by Bharuch, Vasho, Valsad, Surat and Nadiad.

The data suggests that the interested parties had applied from British Gujarat as well as from other Natives States. The parties from Mumbai were varied and numerous, for instance, many European Companies like Graham & Co., M/S W. Nicol & Co., M/s. Seckier & Co., Indian Trading and Banking Co. Ltd, Bombay Reclamation Ltd, Chartered Bank of India, Australia and China, The Bombay Presidency Bank Ltd and the Union Financial Corporation etc, too had responded. Besides these, applications had also arrived from the British Government officials but in their private capacities. They were serving in different agencies that were located in different areas. For instance, Asst. Traffic Manager, B. B. & C.I. Railways, Revenue Auditor of the Audit Office at Surat, Principals of various Schools at Ahmedabad, Mint Officers and others. Amongst the Indian applicants, the most prominent name was that of Dinshaw Manekji Tata, who had applied for seventy-five shares. Amongst others, were prominent *sahukars* of the State.

The most conspicuous aspect of the above Notice was that neither the Baroda *Darbar* nor the British Government had shown any interest in the Bank, as none of them had applied for any shares. It was strange to accept that a new age in the banking and financial history of the State could begin without the support of the ruler. The reason could be that

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<sup>90</sup> Collection of HariBhakti Records, *Department of History, M. S. U. Baroda.*, A Box entitled as Baroda Pedhi Company

Khanderao Gaikwad was foresighted enough to envision a marked change which could bring structural alterations in his surroundings. The *potedari* was assumed by Khanderao Gaikwad himself and funds were deposited in his own treasuries. Therefore it was difficult to imagine the Maharaja giving up such lucrative profits.

As far as the British were concerned, they had allowed the Notice to be issued, but they had desisted from any involvement. The reason was that British had not allowed local capital to grow or even penetrate into the administration and economic structure that they had created. They had followed this policy all round the administrative structure, for instance, they had not allowed any industrial revolution to get started in India. Modern industries were not allowed to develop and in the most important development of the time, the beginning of railways, was also not to be taken from the local capital but the capital of British Companies was utilised. Thus the finance-capitalism was not allowed to be developed.

This case of Bank of Baroda was no different. The British had allowed the Notice to be issued but any further progress than that was not seen. The capital which was mainly used was that of the local *sahukars*, traders and merchants of western India. If this bank would have been successful then there was a danger of other locals using their capital to challenge the might of foreign capital, which the British would not have allowed at any cost. The British were also encouraged by the non-participation of the Maharaja. Whether it was at their behest that he had not supported the HariBhakti firm is not known, but the probability cannot be ruled out.



The result was that this project never saw the light of the day. However, the initiation of the project by the banking community and the overwhelming response which it got gave a clear indication that the banking community was more or less ready for a change and adopted a positive attitude to the new ideas. In spite of their conservative aversion to risk, they had made a remarkable attempt, a mention of which has so far remained absent from the history of the State.

The next section discusses the proposal of the British to construct a railway line, known as Baroda State Railway. But according to the policy, which they had followed in the above case, they were not ready to allow the local finance to be used.

### **CONSTRUCTION OF A RAILWAY LINE AND THE RESPONSE OF THE BANKERS**

The idea of introduction of railways in the Baroda State was broached upon, as early as 1853, when Captain French gifted Maharaja Ganapatrao Gaikwad with the model of a steam engine.<sup>91</sup> However, the project became operational during the reign of the next Maharaja Khanderao Gaikwad. This revolutionary step taken by the British was not to benefit the economy of Baroda State in any large manner, but was to benefit from the trade and transition duties which the establishment of a railway line would offer. Also, the British had no intention to use local capital but to employ the capital only of the

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<sup>91</sup> *Gazetteer of Baroda State*, Vol-I, p-580.

British entrepreneurs. This policy was followed in regard with the general policy of the British government at the larger level.

*“Investing capitalists in Britain were blatantly advised to invest only in Railway Companies domiciled and directed from London. This was not applicable to the Princely States only, but even in British India this policy was followed.”*<sup>92</sup>

Even R. M. Stephenson, the promoter of East India Railway, while dispensing its rivals of India reasoned in his report that it was unsound practice for large Companies with headquarters in Calcutta (or by pointed implication any where else in India, including Bombay) to central enterprises in which enormous amounts of capital from abroad had been invested.<sup>93</sup> He was supported by the ‘Calcutta Review’ which ridiculed the Indian (supporting local railway enterprises) as “mere cyphers”.<sup>94</sup> This could have been done to promote and protect the British capital viz. a viz. the capital of other European countries and America rather than from the local capital. Later, the Indian Railway companies were urged to buy British goods, right up to 1924, to counter the fall in railway related imports (mainly of locomotives) from Europe, America and Canada and to sustain the British locomotive and other related industries.<sup>95</sup>

The situation was not different in the Baroda State (regarding railways) than anywhere else. However, Khanderao Gaikwad made a beginning with the investment of a small

<sup>92</sup> Aruna Awasthi, *History and Development of Railways in India*, New Delhi, 1994, p-38.

<sup>93</sup> R.M Stephenson's, *Reports upon practicability and advantages of the Introduction of Railways in British India*, London, 1844, pp- 8-10, 26 and 29.

<sup>94</sup> Daniel Thorner, *Investment in Empire*, 1950, Philadelphia, pp 78-79.

<sup>95</sup> Aruna Awasthi, *Op. cit.*, p-134; Irfan Habib, Studying a Colonial economy without perceiving colonialship. 36, *Memographed Article No- 115-E*, Department of History, A.M.U.

capital for a tiny railway line in the year 1861. This had acted as a feeder to the B. B. & C.I. Railway line. This “little railway” had connected Karjan station with the town of Dabhoi. For the construction of this railway line, (*Lokhandirasta*), funds had come from the firm of Gopalrao Mairal who had loaned to the Government about rupees 3, 00,001. The firm had charged the *manoti* at 1% p. a, and the interest rate was at two annas percent. Since the amount had been borrowed by the *Darbar*, it had drawn a *varat* of rupees 50,000 till the entire amount was repaid.<sup>96</sup>

This effort, however, was a small one. Eventually in 1877, the *Dewan's Cutcheri* made a proposal to undertake the extension “of the railway of ours” from Dabhoi to Chandod on the West and from Dabhoi to Bhaderpoor on the East. The first extension was about 12½ miles and the second about 8 miles. The costs for the survey, etc. were paid by the *Sarkar*.<sup>97</sup> However, the response was negative, as the Agent to Governor-General P.S. Melvill replied to the proposal of T. Madahvrao to extend railway lines at the expense of State's money,

*“...you must employ the B.B & C I. Railway Company, to work the line, and therefore they should either be employed to construct it, or it should be constructed by an agency selected by the Railway Department of the Government. I entirely deprecate any attempt to construct the line by means of your own agency, which, however good, will certainly*

<sup>96</sup> *Badoyatil Sardar, Shilledar, Jamadar, Pagedar Darakar, Va Parekhanchya Gharanyachya Nemookichya vagere Hakikati*, Vol – XV, p-50.

<sup>97</sup> G.S.A., *Selections from the Baroda State Railway, Part – II*, Section – C, Letter from T Madhavrao to P.S.Melvill, Agent to the Governor – General, Baroda p-151 Dated 2<sup>nd</sup> May 1877

*lead to all sorts of difficulties and disappointments. Let there be no attempt at petty economy, for it will infallibly lead to greater expenditure in the end.*<sup>98</sup>

The introduction of the Railways could have proved a blessing to the internal trade, as it provided an easy mode of transport and communication, yet due to the policies of the British, a large section of the economy remained untouched by its benefits.

### **FINAL BLOW TO THE BANKERS**

The final blow to the status of indigenous bankers was struck during the reign of Malharrao Gaikwad. Till the 1870's the indigenous bankers, had lost the position of importance, yet they had maintained their status in the State, in form of *sanads*<sup>99</sup> of *inam* villages and cash *nemnooks*,<sup>100</sup> etc. These *nemnooks* had fetched little monetary benefits but they enhanced the honour and status of the bankers, on which depended their credit to a large extent. The *nemnooks* were granted to them on a number of royal accessions at various periods of time. The *sanads* were sometimes related to rights of adoption, right of ownership and hereditary rights etc. They were guaranteed by the Gaikwad rulers, the Company and sometimes by both. *Nemnooks* on the other hand, were the grants made to them in form of land or cash in lieu of their salaries, awards and other services. Therefore the native of the State who had performed some kind of a service whether official or unofficial (with the Maharaja's prerogative) had a right over them.

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<sup>98</sup> *Ibid.*, Baroda Residency, Dated 25<sup>th</sup> April, 1877. From Agent to Governor-General to T Madhavrao, p-148

<sup>99</sup> Note: The *sanads* were the orders of the Government.

The indigenous bankers had performed various services for the Gaikwads since the inception of the State. In times of need they had paid huge sums to the demanding parties on their behalf. In return, they had obtained the *sanads* and *nemnooks* of villages and cash. For instance as early as (1832 *samvat*) 1774 A.D., Fatehsinghrao Gaikwad had granted a *nemnook* for Rs. 1618-3-0 against *shilledari* (which was hereditary in nature) to Mairal Narayan. Besides, *dumalla* villages against the salaries were also granted. To reward some special services rendered, grants of *palakhi*, and *makalshahi* etc. were assigned.

With passing years the numbers of grants were reduced. But the hereditary holders continued to enjoy their old grants. Sayajirao-II, and Khanderao Gaikwad did much to lessen the influence of these bankers, but they were unable to totally curtail their powers. They could not take away the grants which their predecessors had granted either out of will or compulsion. So, it was left for their 'heady' successor Malharrao Gaikwad to finish the work.

Malharrao Gaikwad had ascended to the *gadi* under peculiar circumstances; his brother, the previous Maharaja Khanderao Gaikwad, had kept him under house arrest on attempted murder charges. Upon the death of his brother, the British, as the Regent put Malharrao on the *gadi* in one swift movement, as he was the sole surviving royal male. Upon that he was told that he would have to wait for a few months before it was decided

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<sup>100</sup> Note: The orders of employment and the decision of the Gaikwad regarding their mode of payment.

whether he was to succeed as the Maharaja or to continue as the Regent or would be imprisoned again as Maharani Jamnabai (Khanderao's wife) was expecting a child.

However, temporarily, destiny favoured him and a daughter was born to Jamnabai. Malharao Gaikwad succeeded as the next Maharaja of the Baroda State in 1870. The paranoid insecurities of the Maharaja cast a shadow on almost everybody around him, especially on the banking community, as his main intention was to transfer and accumulate funds in his private *pedhis*. To achieve that end he had to weaken the position of the *sahukari pedhis* which could check his movements and might report back to the British government. His attack on banking community of Baroda was in two forms:-

- a) He took away or cancelled their *inami gaons* and other *nemnooks*.
- b) He looted the important firms of their money and jewellery.

In order to understand this process and the impact of the Maharajas on banking families, each individual banking family - firm is discussed briefly.

## **HARIBHAKTI**

On *miti bhadrapada shudh samvat* 1929 (1872-73), Madhavarao Ramchandra Fadnis, had issued a *Sarkari* order with regard to confiscating the villages granted to the *sahukari* community. Out of these three villages of Goriad, Samra and Samari were of the family-firm of HariBhakti, three villages of Khushalchand Ambaidas and one village each of the

following *sahukars* i.e., Mangal Sakhidas, Ratanji Kandas and Chotelal Maneklal were seized. These villages were to be restored to their original *mahals*.<sup>101</sup>

Out of these, the firm of Hari Bhakti protested vehemently against all the injustices done by the Maharaja. They made the following claims:-

- a) Restoration of *inam* villages of Goriad, Samra and Samari were unjustly taken away from them. The former had been in their possession for 76 years, therefore was hereditary, but the latter two villages were with the family from past thirty five years, i.e. only for one generation. They were assigned in lieu of service as a *Parikh* or *sahukar* since their services were dispensed with, the ruler had the right to resume these villages.
- b) An annual *palakhi* allowance of Rs. 2,296.
- c) The annual claim over *pothdari assami*<sup>102</sup> for Rs. 833.
- d) Personal allowance of Rs. 20,000, granted by Ganapatrao Gaikwad, to the firm for that service which was not performed by the bankers.
- e) An honorary annual allowance called *jilib* for Rs. 1,200.
- f) The restoration of the following jewellery, taken away by Malharrao like two emerald necklaces, Two necklaces of diamonds, one necklace of rubies and brilliants and pair of diamond ear-rings.
- g) Restoration of the Navlakhi *Baug* taken away in *Samvat* 1928 or in the year 1871 A.D.<sup>103</sup>

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<sup>101</sup> *Hari Bhakti Gharanani Hakikat Ni Pustak* (selections), Government of Baroda, 1940, p-19.

<sup>102</sup> Note: The office of *potedari* was also known as *pothadari assami*.

After their failure to obtain any justice from the Maharaja, the firm had appealed for the intervention of the British. The Resident on behalf of the British intervened and a Commission headed by Sir Lewis Pelly (Agent of the Governor-General), was formed. Lewis Pelly after making investigations came to the following conclusions.

1. The village of Goriad was to be restored to the Hari Bhakti firm but the other two villages of Samra and Samri were to be retained by the Maharaja while compensating the firm.
2. The *palaki* allowance was to be restored but reduced to less than half.
3. The claim of *potedari assami* was to be nullified totally.
4. The personal allowance was to be reduced to half i.e. 10,000 rupees.
5. The claim of an honorary allowance called *jilib* of Rs. 1,200 was to be re-granted for life.
6. The jewellery was to be restored.
7. Navalakhi *bag* was to be returned or another garden of equal value to be given to the firm in exchange.<sup>104</sup>

All these decisions of the Commission were accepted by Sir T. Madhavrao, the Dewan of the State. Though these decisions had been largely taken keeping in mind the early status of Maganbhai (the complainant and heir of the HariBhakti firm), was not satisfied and had refused to accept the settlement offered. But in 1882, Maganbhai Purshottam accepted the decisions and he was entitled to rupees 2,91,000 as the amount due from the

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<sup>103</sup> *Hari Bhakti Gharanani Hakikat Ni Pustak*, p-55.



State. Though Malharrao Gaikwad had made attempts to curtail the influence of Hari Bhakti, the policies of the British in accompaniment with T. Madhavrao undid the work and attempted to restore the earlier status of the firm.

### **JKHUSHALCHAND AMBAIDAS**

Similarly the house of Khushalchand Ambaidas also faced the displeasure of Malharrao Gaikwad. In 1928 *Samvat* or 1871-72 A.D. the Maharaja had taken away the *Sibandi nemnook*, *nemnook* of *palakhi* etc. A year later he took away three villages assigned to the banking-firm viz: - Bakapur in *pargana* Koral, Asana in *pargana* Tilodi, *prant* Navasari and Undera in *pargana* Baroda.<sup>105</sup>

An unsuccessful appeal against the above wrong-doings was made by Purshottamdas to the *Sarkar*. Later he again appealed to Lewis Pelly. T. Madhavrao, in association with Khanbahadur Pestanji Jahangirji, the Settlement Commissioner looked into the matter. They enquired into the issue and made a Settlement according to which,

- a) Out of the *inam* villages of Undera, Asana and Bankapur, the former (Undera) was restored to the firm. The village of Asana was kept with the *Sarkar* as they were granted to the firm in lieu of the services, which they had earlier performed. Since the services had discontinued, their salaries were also stopped. However, keeping in mind the services of the firm, the village was restored to them but with a reduced *nemnook*

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<sup>104</sup> *Ibid* , Lewis Pelly Agent Governor General, Special Commissioner, Baroda, 16<sup>th</sup> December, 1874, p-29.

<sup>105</sup> *Sardar, Shilledar, Jamadar, Pagedar., Darakdar, Va Parakh Yanchya Gharanchya Nemnookichya HakiKati, Vol-VI, p-59.*

of only 40%. The third village of Bankapur was turned into *khalsa* village, but the revenue obtained each year out of the village was paid into the *Sarkari* treasury.

The claims of *palakhi* and *chobedari* were restored to the firm and the other claims regarding the *pagedari* and *sibandi* were discontinued.

### RATANJI KANDAS

The banking firm of Hari Vallabhdas (Ratanji Kandas Vale) also met with the same fate. Their firm had lost the *nemnook* of the villages. The head of the firm Maganlal was a minor. Therefore on his behalf, Bapa Bhai (probably the *gumashta*) of the firm had complained to the Baroda Commission and later the arrears since 1873 were reassigned to them. The claims were:-

- 1) Village Gamadi of *pargana* of Dabhoi was taken away and it was to be restored on the condition that the *abakari*, *rahadari* etc. should be cancelled and the *jamabandi* should be deposited with the *Sarkar*.
- 2) The *nemnook* of *palakhi* and *chopedari* was reduced from Rs. 1392 to Rs. 972.

The reason provided was that the *nemnooks* were assigned in lieu of salaries. Since they were no longer in employment, the *nemnooks* should be discontinued or reduced to a nominal amount.<sup>106</sup>

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<sup>106</sup> *Ibid* , Vol-XII, 1897, pp-120-121.

Malharrao Gaikwad's policy was not applicable to all the banking firms of the time. The banking firm of Mairal Narayan or Gopalrao Mairal had not been disturbed, because in *samvat* 1929, (1872 A.D.) Malharrao Gaikwad had taken rupees 10 lakhs in the form of a *nazar* from Yashantrantrao Gopal against the continuation of the *sanad* of *shilledari* and other *nemnooks* of miscellaneous nature. For instance, the *dumalla* villages under them were yielding an income of rupees 20,646 and the running expenses or *chaloo khata* paid by the *Sarkar*, were worth rupees 2,34,302.<sup>107</sup>

The above account indicates that the main intentions of Malharrao were to,

- (1) Resumption of the monetary control. It was probable that he might have anticipated that, if he forced the firms to give up their hereditary *nemnooks*, they would offer huge amounts of *nazaranas* for their restoration, which could fill his privy purse (but leaving the State more impoverished)
- (2) The detailed descriptions of the *nemnooks* indicate that the banking-firms had enjoyed the *nemnooks* much beyond their fixed terms. Their complaints of resumption were unjustified. The earlier Maharaja viz. Ganpatrao and Khanderao did not discontinue them; perhaps for fear of upsetting the prevailing ruler-banker balance. Malharrao Gaikwad was unsure of this balance since of his tenure therefore perhaps, he was not fearful of losing the support of elite section.
- (3) The British on the other hand (along with T. Madhavrao) tried to settle the matter by giving a lot of leverage to the banking firms. Though they themselves were in favour of the establishment of Modern State financial institutions, they were not prepared to

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<sup>107</sup> *Ibid.*, Vol-XV, 910, p-63.

NOTIFICATION OF THE BANK OF BARODA-  
LTD 1865.

229a

**NOTICE.—BANK OF BARODA (LIMITED.)**

*Capital Rs. 62,50,000 in 25,000 Shares of Rs. 250 each.*

This Bank is established for the transaction of all Banking business. Branches will first be established in Bombay and Baroda, and in due course throughout India. Agencies will also be established in London, China, and Australia.

Applications for Shares will be received in Bombay by OOTUMCHUND MANOCKCHUND, at his Office, near Mombadavy, and by HURRY BHUGTEY, in Baroda.

Bombay, 17th January 1865.

do the same without the support of the elite section of the State. Therefore all the decisions (in spite of being unjust) were taken in favour of the bankers.

Malharrao Gaikwad, in order to accomplish selfish ends, gave a subtle but final blow to the political influence of the *sahukars*. Though the properties taken away were restored to the bankers by the minority administration under the *Dewan* T. Madhavrao, after the deposition of Malharrao, it gave an unrecoverable blow to many of the firms. Financially sound firms were able to recover from it, but their business with the State, on whom the banking firms were thriving, suffered a great deal. This process thus resulted in the permanent shift to the adoption of a modern banking institution.

## APPLICATION FOR CHARGES - BANK OF BARODA

[illegible]

