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Contribution of a Business Community towards Urbanisation of Western India: Case Study of Sahukari Pedhi of Haribhakti

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Abstract:

Urbanisation is a process of adaption to changes in a settlement. There are many facets of urbanization which bring about inter-relational changes in the society, which leads to a spiral movement affecting major institutions. This paper focuses on one such urban institution, the family-firm of Haribhakti of Baroda. This firm initially supplied regular finances to regulate the establishment and consolidation of Baroda state of Gaekwad. Once the state was settled, it changed its character to suit the changing times. From a mere money-lending agency to the state, the firm grew to be a leading banker, which provided finance to the growing industries within the state. Alongside, when time came to abolish this traditional mode of finance, it too swam along the changing tide and was a proud partner to the upcoming Bank of Baroda in 1908.

Urbanization is the process by which large numbers of people become permanently concentrated in relatively small areas, forming cities. Internal rural to urban migration means that people move from rural areas to urban areas. In this process the number of people living in cities increases compared with the number of people living in rural areas. Natural increase of urbanization can occur if the natural population growth in the cities is higher than in the rural areas. This scenario, however, rarely occurs. A country is considered to be urbanized when over 50 per cent of its population live in the urban areas (Long 1998). An urban area is spatial concentration of people who are working in non-agricultural activities. The essential characteristic here is that urban means non-agricultural. Urban can also be defined as a fairly complex concept. Criteria used to define urban can include population size, space, density, and economic organization. Usually, however, urban is simply defined by some base line size, like 20 000 people. Anyway this definition varies between regions and cities.¹The process of urbanization is long and has many components attached to it. One such component is finance. Can financing by one firm be the reason for changes in urban institutions? Can these changes lead to modernization? There are many such questions which this article attempts to answer through undertaking a micro level study of a *pedhi* or a firm of Hari Bhakti in the erstwhile princely state of Baroda in western India.

Baroda state or Vadodara was princely state in Gujarat ruled by the Gaikwad dynasty of Maratha Confederacy from its formation in 1721 until 1949 when it merged with the Union of India. Baroda was its capital city. Geographically it comprised tracts of land, measuring almost 8000 sq. miles, spread across the present Gujarat state, this was subdivided into four prant (state), namely Kadi, Baroda, Navsari and Amreli, which included coastal portions of the state, in the Okhamandal regions near Dwarka and Kodinar near Diu.² After almost a fifty years of incessant struggle between the Gaikwads and the various powers those of Mughals and other rulers, the Baroda city became a capital of the state under Damajirao-II in 1768. However the consolidation wouldn't have been possible without the help of money-lending agencies in Gujarat.

The *sahukari pedhis* or the banking family firms had performed multiple functions at various levels and extended financial support to the embryonic Gaikwad state and infused life and blood into it and thus began the process of urbanization. To understand the process their role has been divided their role into three broad categories, *bakshis* (military paymasters), *Potedars* (state financiers) and the *kamavisdars* (revenue functionaries), the significance of which was deemed not necessarily in the same order. All the three functions were distinctive or overlapping, and in the capacity of any of these three categories, the *sahukari pedhis* brought about effectual transformation in the politics of the state.

The firm of Hari and Bhakti belonged to the *vaniyas of the vislad* caste.³ Gangadas, the grandfather of HariBhakti had carried on the business of *vyajvatu* or *vyajvantantar* i.e. interest discounting. They had started managing the business operations by financing

¹ Long R. (1998). Urbanization Sociology. Encyclopedia Britannica Article <http://www.csbs.utsa.edu/users/rlong/intro/urb.htm> (25.10.2001)

² Imperial Gazetteer of India: Baroda State, V.7. Oxford Clarendon Press, 1908, 26

³ Elliot, F. A. H. (1934). *The Rulers of Baroda* Baroda State Press, 165-166

the local needs of the agriculturists, artisans and others.⁴ They had provided funds to the cultivators, needed to pay the taxes, for the purchase of seeds and oxen etc., to dig wells, for marriage expenses, death ceremonies and other social festivals. By the close of the first quarter of the eighteenth century, HariBhakti had built up a reputation and had enough capital to indulge in larger operations. They began with spreading their business at Poona after the third battle-of Panipat, they had established a branch bank or pedhi at Poona.⁵ There they served as financiers of these armies.⁶ Along with the supply of money, they also paid salaries and maintained the armies. Besides these, they conducted various other activities, e.g. they drew, purchased and sold *hundis* on behalf of the State and people. For that, a rate of *hundawan* or *hundawal* was fixed at 2 percent to 10 percent. As *potedars*, their main function was to honour the demand drafts of the State in order to defray the expenses of the civil and military heads.⁷

The relationship of HariBhakti with Baroda State can be traced explicitly from the late eighteenth century. HariBhakti, with its roots established at Poona, had travelled from Poona to Gujarat, along with the army of Haripant Phadke in 1775 as a regular supplier of money.⁸ However, one of the brothers Haribhai stayed back and opened a branch at Poona. In the absence of a male successor to both the brothers, Bhakti (who was managing the firm at Baroda) had adopted his nephew (sister's son), and named him Samal. He came to be known as Samal Bhakti and under him the firm gained more accolades along with profits. HariBhakti began as military paymasters or *bakshis* of the Gaikwads and rose to a position of prominence in the beginning of the nineteenth century. The economic environment of the Baroda State in the latter half of the eighteenth century enabled the firm of HariBhakti to seek opportunities, which made them powerful at the centre. They took advantage of the muddled state of financial affairs at Baroda and utilized these opportunities and made extensive dealings with the Gaikwads. At Baroda State they had functioned in various capacities as State's financiers or treasurer, they were called *potedars*.⁹ The other important functions were those of *bakshi* or military paymasters, *ijaradars* or revenue farmers; *manotidars* or security givers¹⁰, *sarrafs*; or currency changers, *jasud*¹¹ or a spy. They were also engaged in multifarious activities which included *sahukari* operations and commercial activities which facilitated the urbanization of the state.

In the absence of a central treasury for the monetary requirements of the administration, the State was totally depended upon the financiers. These financiers were funding almost all the aspects of administration. The firm of HariBhakti also had got involved in it totally. They were financing and paying on behalf the Gaikwad not only within the Baroda State but even outside it. Externally they paid the tribute to the Peshwa on behalf of the Gaikwads, along with the *nazarana* or *nazar*, fine, bribes, etc.¹². Soon they were paying to the government officials of the State¹³, paying the army¹⁴, financing the *mulukgiri* expeditions to Kathiawad.¹⁵ and paying pension to the government officials.¹⁶

In 1807, under the reforms carried out by the Resident, Samal Bhakti along with Mairal Narayan was given the office of *potedari* or that of the State banker. From then on all the expenses of the State were borne by them. This was inclusive of the pilgrimages of the royal family, purchase of ornaments or gifts, expenses on marriages, births, deaths, in the family, construction of the temples and many miscellaneous heads. In return the Baroda *pargana* was assigned to them to make good the loans. Thus the State was making expenses without any hitches on account of HariBhakti. They in turn were enjoying the powers which they had been given and also made huge profits and rose high in position. The firm also had been the favorites of the British, as the British had not only chosen them to be the finance controllers but virtually the best of the *pargana* and *prant* were farmed out to them. In their private capacity, they were also lending money to the British. The firm of HariBhakti was also conducting business with the European companies perhaps via the East India Company. For instance, in 1805, the firm had maintained an account with one Briscore and Beaufort Company, which appears to be a shipping company. The account of HariBhakti was debited with rupees 735/- out of which Rs 500/- was the amount charged for the payment taken on the ship endeavour and the premium was charged at 18 percent.¹⁷ They were also conducting cotton business with the British. In the same records the account of HariBhakti is credited with a sum of 23, 575 for three bales of cotton received from them on account on Brodera.

⁴Badodyatil Sardar, *Silledar, Jamadar, Pagedar Va Parekh Gharanchya Hakikati*, Baroda State Press, Baroda, Vol- X, 1897, p-16.

⁵Dwijendra Tripathi & Priti Mishra, *Towards A New Frontier-History of Bank of Baroda, 1908*. (1983), New Delhi, Manohar Publications, Delhi, 1985, 23

⁶ *Poona Archives*, Ghadvi, Daftar No.460

⁷ Neeru Banerjee, (unpublished M. Phil dissertation), *Business and Gaikwad State.*, (1700-1802)

⁸ He was sent by the Peshwa to control the growing powers of the Gaikwads.

⁹ This was the post which was in common use in Rajasthan too, where they were known as *potadars*.

¹⁰ Assurance of the payment of revenue to the State was given by the *manotidars* and they paid money in advance as this guarantee.

¹¹ Gujarat State Archives, Baroda State Residency Records, Bombay Political Office, Daftar No - 11, File No. - 52, Walker to Francis Warden, 8th May 1805, 723

¹² *Selections from the Satara Rajas & the Peshwa diaries*, IX, by G. Chimnaji, ed., K.N. Sane, The Deccan Vernacular Translation Society, Poona, 1911, 128-129

¹³ Collection of HariBhakti Records, Department of History, The M.S.University of Baroda, Vadodara. , Department of History, M. S.U.

¹⁴ Ibid

¹⁵ Rajyagor S.B., *History of Gujarat*, Chand & Co. Ltd, New Delhi, 1982, p-357

¹⁶ *Vahikhata of Samvat 1825*, Collection of HariBhakti Records, Department of History, The M.S.University of Baroda, Vadodara.

¹⁷ Ibid.

In 1865, an attempt was made to establish a modern institution of sahuvari *pedhis* based on the European lines by the indigenous sahuvaris 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 *sahuvaris* of Bombay namely Kashirao Anna and Atmachand Manekchand. With this aim, they had issued a notice in the Times of India, dated Bombay, 17th January 1865. The proposed bank was to be opened with the capital of rupees 62,50,000 i.e. 25,000 shares of Rs. 250 each. The response to the Notice and the *chitthis* was overwhelming. From the next day, i.e., from 18th 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 five. The applications to buy shares had come from various places within Gujarat and from Mumbai. Within Gujarat, the maximum number of application had come from Baroda, the second being Ahmedabad, followed by Bharuch, Vasho, Valsad, Surat and Nadiad. 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 to give a clear indication that the banking community was an active catapult for changes in the city.

However another attempt to establish a formal, modern banking network met with partial success. This was to be called as Baroda Pedhi Company in 1884 A. D. This institution had emerged as some kind of a fusion between the traditional and modern systems.¹⁸ The *pedhi* was started with a share capital of three lakh *Babashahi* rupees divided into six hundred shares of five hundred *Babashahi* rupees each. However, the scope of functioning of the *pedhi* was limited, as, not all the sahuvaris involved were not yet fully open to the idea of any kind of institution with the State's support, which would take away their hereditary powers. However the founders of the *pedhi* were forced to retain the features of the traditional banking and the main activity of the *pedhi* was to be: - money lending, instead of accepting deposits.¹⁹

The failure of Baroda Pedhi Company Limited had brought forth the realization that a retrograde hurdle had been created in the modernization process to the Baroda State. Under the aegis of Maharaja Sayajirao-III, the State had experienced expansive progressive changes. Its failure brought the indigenous banking to the threshold of establishing a new banking institution. This modern institution could either have been a branch of another bank or a formation of a new bank of the State. The choice was with the Maharaja and the elite section of the society (who were largely bankers). They decided in favor of a new bank and as a result The Bank of Baroda was established in July 1908. However, the process of the formation of the bank was not a smooth and easy one. It had required a lot of convincing, especially to the traditional order of the bankers. Dwijendra Tripathi has written a great work on the formation of the bank in which the family of Haribhakti in form of Purshottam das played an important role.

The above is an account of the journey of family-firm of Haribhakti from merely a money-supplying firm to, financing the state institutions and ultimately culminating with the formation of Bank of Baroda in 1908. Haribhakti as a family-firm survived since eighteenth century and this survived would not have been possible, if the family-firm had not adapted to changes. The process of urbanization is in essence these very changes that the urban institution such as the *pedhi* of Haribhakti went through. The family-firm was able to urbanize itself and in turn took a lead in the process of urbanization and modernization of its state.

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¹⁸ Nanvati M, *Baroda Banking Inquiry Committee 1929-1930*, 46

¹⁹Mishra Priti,' The Baroda Pedhi: Rise and Decline of An Intermediate Urban Agency', in *Urbanization in Western India Historical Perspective*, (ed) Makrand Mehta, Gujarat University Ahmedabad (1988), 169-170