Partners, Servants, or Entrepreneurs? Banians in the Nineteenth-Century Bengal Economy


Published in:
Business History Review

Document Version:
Peer reviewed version

Queen's University Belfast - Research Portal:
Link to publication record in Queen's University Belfast Research Portal

Publisher rights
Copyright © 2021 The President and Fellows of Harvard College. This work is made available online in accordance with the publisher's policies. Please refer to any applicable terms of use of the publisher.

General rights
Copyright for the publications made accessible via the Queen's University Belfast Research Portal is retained by the author(s) and/or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy
The Research Portal is Queen's institutional repository that provides access to Queen's research output. Every effort has been made to ensure that content in the Research Portal does not infringe any person's rights, or applicable UK laws. If you discover content in the Research Portal that you believe breaches copyright or violates any law, please contact openaccess@qub.ac.uk.
Partners, servants or entrepreneurs? Banians in the 19th century Bengal economy.

Michael Aldous, Queen’s University Belfast

m.aldous@qub.ac.uk

Abstract

Banians acted as intermediaries for European merchants in Bengal. They were highly influential in the 18th century but viewed as of waning importance thereafter. This article re-examines their role in the 19th century, and argues that these relationships persisted but evolved. It shows that the banians remained a nexus between the local and global economies, facilitating a bi-directional transfer of knowledge. This led to the development of innovative Indian business forms in response to changes in the Bengal economy, and the emergence of a diverse ecology of organizational forms and ownership in Bengal at the end of the 19th century.
Introduction

In the 18th and 19th centuries, European merchants opened and deepened trade routes throughout Asia, Africa, and Latin America. However, in these markets they faced considerable challenges due to linguistic and cultural barriers. This led to difficulties in integrating into indigenous commercial and political systems, which restricted their operations. The use of intermediaries with expertise of the local markets and languages rapidly proliferated. In South-East Asia, this was known as the ‘comprador’ system, whilst in the Anglo-Indian trade individuals carrying out these functions were known as ‘banians’.  

These intermediaries fulfilled various internal and external roles for trading companies including, managing treasury functions, securing credit, and acting as brokers in the local markets. A contemporary described the banian as an individual, “By whom the English gentlemen in general conduct all their business. He is interpreter, head book-keeper, head secretary, head broker, the supplier of cash and cash-keeper, and in general also secret-keeper.”

In these roles, the banians were crucial in enabling British mercantile interests to establish themselves in India, and they rose to great prominence and wealth in the 18th century. In the 19th century, the need for intermediation in local product, credit, and labour markets remained critical as the scale of the Indian economy, and scope of business enterprise, expanded. There is, however, disagreement about the evolution of the banians’ function and importance.

The extant literature proposes two distinct explanations. The first is reflective of narratives of Western economic dominance and the imposition of a global capitalist system that supplanted indigenous economies. Thus, from highly valued partners of East India Company (EIC) managers, and important

---

1 It is important to distinguish between the baniya caste, and banian as a profession. Bhattacharya notes that the caste occupied a range of mercantile functions around India, but being a member of the caste was not a prerequisite to enter the banian profession. Jogendra Nath Bhattacharya, Hindu Castes and Sects, an Exposition of the origin of the Hindu caste system and the bearing of the sect towards each other and towards other religious systems (Calcutta, 1896), 158.
3 William Bolts, Considerations on India Affairs, (London, 1772), vol.1, 84.
administrators in the agency houses that proliferated after 1813, the banians rapidly declined into irrelevance around the middle of the 19th century. The domination of British business and political interests in India subordinated Indian commercial interests. Contemporaries commonly ascribed European domination as a cultural facet, due to the lack of entrepreneurial drive amongst the indigenous population. This stereotyping saw Indians reduced to low-level clerical positions, effectively becoming servants of the British.

Recent literature, however, has emphasized the importance of local ‘bazaar’ economies, in which Indian commercial interests adapted and integrated with colonial economic structures. Evidence shows that the banians continued to play a role within the European trading firms after 1850, providing access to local credit and labour markets. Whilst a growing number of firms combined British and Indian capital and expertise to enter emerging industries such as tea and jute.

This literature also shows how Indian business interests expanded directly into international markets in the second half of the 19th century. Indeed, by the early 20th century, Bengali-owned and managed firms, inspired by the nationalistic Swadeshi movement, were established in a number of technologically innovative sectors such as pharmaceuticals.

---


8 Nilmani Mukherjee, “Foreign and inland trade,” in *The History of Bengal 1757 – 1905*, ed. Narendra Krishna Sinha, (Calcutta, 1967), 362, described the banians’ role in the mid-19th century as, “a guarantee broker … covering the bazar risk was his main function.”


11 Goswami, “Sahibs, Babus, and Banias,” 302.
These explanations open questions about the extent to which the banians were able to use their commercial experience and networks to adapt their operations, both in partnership with, and in parallel to European business interests. This article focuses on two questions, how did their role and relationships with European merchants evolve across the 19th century? What effect did these changes have on the Bengal economy?

To address these questions, the article draws on new data from Bengal commercial registers. The registers’ commercial appendices listed Indian merchants, bankers, and brokers, alongside European merchants. This enables quantification of the number and type of banians and other Indian owned ventures operating in Bengal across the century. The article also uses a range of new qualitative sources, including legal contracts, and a diary of a senior Indian manager from the British firm, Gillanders, Arbuthnot and Co., to identify changes in the role of the banian and their relationship with European firms.

Analysis of these changes reflects on problems of contracting, managerial control, and knowledge transfer. The article proposes that the banians’ role evolved in response to the emergence of capital-intensive industries in Bengal in the second half of the 19th century. Interaction between European firms and banians led to innovations in contracting and organizational forms to address challenges in these nascent industries. This process contributed to the emergence of the managing agent system and saw caste groups related to the banian profession utilize their experiences with innovative forms of business organization to expand the scale and scope of their operations and enter a wide-range of industries.

12 British Library (BL) OIR 954.14 ST 1216 CH, Bengal Annual Register and Directory series. First published in 1807, The Original Calcutta Annual Directory and Calendar, was a series of registers detailing civil and military life in Calcutta. They included data on different types of firms operating in the region. Over time, the publisher and scope of the registers changed; from 1824 it became the Bengal Directory and Annual Register, compiled and printed by Samuel Smith and Co. In the 1860s, Thacker, Spink and Co. of London started to publish registers which extended geographic coverage, with lists delineated by regions. This article focused on the Bengal region lists. In the late 1880s it became Thacker’s Indian Directory. This ran until the 1960s. There is an obvious question of accuracy. It is probable that details of the European firms are reasonably accurate, as this was a close-knit commercial community, yet it is likely that the construction of the lists was determined by proximity to European interests. Indian businesses outside the European purview may not have been included, limiting understanding of the full scale of Indian commercial interests, yet unlikely to affect details relating to the banians.

The analysis focuses on Bengal, as it was the center of British political and commercial interests in India. Changes in the relationship between European and Indian business interests, and subsequent effects on the economy, were most pronounced and contentious there. Yet, it is important to note that similar commercial arrangements existed elsewhere in India. The article sheds light on how an overlooked, but important, commercial group acted as a nexus for the transference of knowledge through long-term collaboration with European firms. Such an insight contributes to debates on the development of Indian business forms and the Bengal economy at the end of the 19th century.

The rest of the article proceeds with analysis of the banians’ activities in two periods of economic transition: First, after the rescinding of the monopoly in 1813, second in the mid-19th century as the scale and scope of the Bengal economy dramatically expanded and industrialized. Subsequently, the article identifies three different responses by banians and European firms in response to the evolving economic environment. These were adaptation, internalization and innovation. The article concludes with analysis of the factors that motivated each of the responses, and discussion of their effects on the role of the banians in the Bengal economy at the end of the 19th century.

The end of monopoly; banians and private trade

In the 17th century, correspondence from the EIC’s Indian trading factories describe banians employed as brokers to intermediate with local merchants and producers, and to monitor production. By the 18th century, the relationship between the banians and Europeans had changed from broker and client to a more personal arrangement. The banian acted as an agent for individual EIC managers, and performed a range of functions including, bookkeeping, interpreting, and brokerage, as well as managing his household and personal business activities. These were often long-lasting personal relationships, more

17 Bolts, Considerations on Indian Affairs, vol. 1, 84.
akin to business partnerships than that of a master and hired hand.\textsuperscript{18} The banian obtained credit from local bankers, but often provided his own family’s capital to fund joint trading activities. Many EIC officials were dependent on such loans and knowledge of local markets to enter into trade on their own account.\textsuperscript{19}

The banians’ remuneration reflected the nature of the partnership. It was common to receive a monthly wage, whilst commission payments on trade transactions were widespread.\textsuperscript{20} Similarly, interest on the loans to the EIC officials delivered further revenues, with some banians holding portfolios of loans.\textsuperscript{21} Yet, proximity to the EIC official provided the greatest opportunities for enrichment. Patronage allowed harvesting of commissions and bribes from those seeking favors. Whilst the EIC’s trading channels and were privileges exploited for personal trade.

It was notable that the balance of power in these relationships was often in favor of the Indian. As Misra notes, “In many respects the banian was in reality the senior partner in these arrangements, making the commercial decisions and merely paying to use the name of the British merchant.”\textsuperscript{22} These were men of standing, or as Curtin described them, “more than a mere broker; he was also a capitalist” looking for commercial opportunities in which to invest their capital.\textsuperscript{23} Those that were successful were able to move beyond the confines of the partnership to invest in other industries such as insurance, banking, and estate management.\textsuperscript{24}

In 1813, the Anglo-Indian trade was radically reorganised with the repeal of the EIC’s monopoly. Into this space stepped a range of private merchants and entrepreneurs. Many had established themselves in India as licensed private traders under the EIC. They formed trading partnerships, known as agency houses, which carried out a range of mercantile functions.\textsuperscript{25} Between 1813 and 1833, around 30 of these

\begin{footnotes}
\item\textsuperscript{18} Marshall, “Masters and Banians,” 192; Marshall, \textit{East Indian Fortunes}, 45.
\item\textsuperscript{19} Philip Curtin, \textit{Cross-Cultural trade in World History}, (New York, 1984), 175-176.
\item\textsuperscript{20} Marshall, “Masters and Banians,” 193.
\item\textsuperscript{21} Ibid, 203.
\item\textsuperscript{22} Misra, \textit{Business, race and politics}, 53.
\item\textsuperscript{23} Curtin, \textit{Cross-Cultural trade in World History}, 175.
\item\textsuperscript{24} Ibid, 176.
\item\textsuperscript{25} Webster, \textit{The Richest East India Merchant}.
\end{footnotes}
firms operated in Calcutta. British merchants with no connections to India also entered the market, and entrepreneurs rushed into growing industries such as indigo. The opening of the market presented opportunities, but also numerous challenges amply demonstrated in the indigo industry.

By the end of the 18th century, India was the source of the majority of Britain’s indigo, and it was one of Bengal’s most valuable exports. This attracted hundreds of Europeans to set-up indigo factories, and by 1831, around 829 factories operated in Bengal. Factory owners needed capital to invest in the building of factories, whilst credit was required to fund the production process. However, most factory owners were reliant on capital and credit from external sources. Access to local finance was limited, indeed in the first half of the 19th century only two joint-stock banks operated in Bengal. Local credit systems revolved around native moneylenders, known as shroffs, and credit provided by the agency houses who offered deposit banking and loan functions.

For many of the Europeans new to India, their operations depended on local intermediaries. Thin credit markets meant the factory owners and agency houses had to interact with the shroffs. Similarly, the production and purchase of indigo required coordination and interaction with local Indian landowners and brokers. Even for those experienced in the markets, intermediation by knowledgeable and well-connected banian was valuable in procuring credit and goods at preferential rates.

The commercial registers reveal four main groups in the ecology of European and Indian commercial interests in the first half of the 19th century. Alongside the agency houses, there were three broad groups of Indian owned businesses: merchants, bankers and shroffs, banians and agents. Table one, shows the growth in the number of European trading firms was matched by the number of local merchants and bankers.

---

26 Bengal Annual Registers 1813, 1818, 1824, 1834.
31 HC690 1833 Report from the Parliamentary Select Committee on Manufactures, Commerce, and Shipping, 129.
Table 1. European Agency houses and Indian Merchants, Bankers and Agents, 1813 – 1831.

<table>
<thead>
<tr>
<th></th>
<th>1813</th>
<th>1823</th>
<th>1831</th>
</tr>
</thead>
<tbody>
<tr>
<td>Native Merchants</td>
<td>5</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td>Bankers, Shroffs and Brokers</td>
<td>25</td>
<td>49</td>
<td>54</td>
</tr>
<tr>
<td>Banians and Agents</td>
<td></td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>European Agency Houses</td>
<td>25</td>
<td>24</td>
<td>31</td>
</tr>
</tbody>
</table>

Sources: Bengal Annual Registers, 1813, 1823, 1831.

Notes: The number of Indian merchants and bankers is likely to underestimate their total population in Calcutta, with the registers constructed around those with close proximity to British interests.

It is likely that all of the agency houses in this period employed banians, however there is relatively little direct evidence as to their number or role.32 In his study of the leading agency house, John Palmer and Co., Webster noted that alongside the European partners operated a chief banian and two senior Indian administrators. They were all long serving members of the firm, and personally close to the senior partners.33 They held important internal roles as they controlled the cash accounts and were responsible for overseeing the firm’s financial records. They also provided links to the local Indian commercial communities, facilitating trade in export products and access to the local money markets.34

The high status of the banians and their close relationship with European partners initially persisted after 1813.35 They may not have been official partners in the agency houses, but remained highly valued members of the firm. The relationships maintained through long-standing personal ties. The banians were also able to use their position to pursue opportunities to trade on their own-account. Although in the case of Palmer and Co., it also became apparent that they undertook endemic fraud, covering up the theft through their control of the account books.36

33 Webster, The Richest Merchant, 56.
34 Ibid, 56.
An article in the *Calcutta Magazine and Monthly Register* in 1832 supports the description of the scope of the activities outlined above, but highlights changes in the nature and structure of the relationship.\[^{37}\] It details a court case between a banian, Tarrachund Chatterjee, and Walker, Roussac and Co., the firm he represented. The central issue of the case rested on, “whether a banian, being employed by his principal to purchase, could buy on his own account, and then sell in a fictitious name to his employer, at an enormous price advantage.” The banian was accused of exploiting his role by overcharging his principal, and the article made clear that the expectation was that, “on purchases made by order [from the principal], the banian cannot charge more than he pays; he is a mere broker to the house.”\[^{38}\] In this case, the court found in favour of the merchants.

The case identified three significant changes; first, the description of the banian is of a ‘mere broker’, rather than commercial partner. Second, the reliance on informal personal ties proved insufficient for the governance of these relationships. Third, the article noted that Tarrachund did not act solely for one firm but was “banian to others also”. Indeed, part of the legal case turned on the fact that, “a banian who purchases for several parties, should charge to all the average price.”\[^{39}\] Tarrachund was, in effect, a separate business entity providing services to several firms, whilst also pursuing his own commercial interests.

There is further evidence, from the banians’ operations with American merchants in the 1820s and 1830s, to indicate a change in role and status. Unlike their British counterparts, American merchants did not establish permanent agency houses in Calcutta; instead, they conducted trade through appointed banians. The career of Ramdulal Dey is illustrative of these developments.\[^{40}\] He was an independent merchant who acted for numerous American clients. Although great importance was still attached to close personal ties these were no longer exclusive relationships. The data in table 1 also provides tentative support for this development; the lower number of banians relative to their European

\[^{37}\] Calcutta Magazine and Monthly Register Vol. 29-32 (Calcutta, Wednesday April 4\(^{th}\) 1832).
\[^{38}\] Ibid, 200-201.
\[^{39}\] Ibid, 200-201.
counterparts potentially indicate that some agents had multiple clients if all the European firms used their services.

**An economy in transition**

The rescinding of the monopoly and subsequent expansion of private business saw intermediary services remain crucial in the Bengal economy. These developments reshaped the relationships between banians and European firms. Business-to-business arrangements increasingly replaced individual relationships, as nascent banian firms provided services to multiple clients. However, from the 1830s, the Bengal economy underwent a significant transition, creating various challenges for European and Indian firms.

Financial panics racked Bengal in both the 1830s and 1840s. The collapse of the principal Calcutta agency houses in the early 1830s led to a local liquidity and trade credit crisis, whilst panic in the British financial markets in 1847 saw contagion and failure amongst Calcutta's banks and trading firms.\(^{41}\) Both crises saw the removal of large incumbent firms, which encouraged new entrants.\(^{42}\) The crisis of the 1830s was severe enough to warrant a British parliamentary select committee to investigate the causes. Evidence given by George Larpent, a major East India merchant, claimed that, “These lamentable events will ultimately bring forward houses who will take up business upon different principles, and who will be enabled to give sufficient support to the manufacturing and commercial interests of India.”\(^{43}\) This resulted in the number of trading companies operating in Bengal increasing from around 30 in 1830, to 86 in 1858.\(^{44}\)

Whilst confronted with volatile financial markets, the new entrants also found opportunities in new industries in Bengal and elsewhere in India. A cotton boom in the 1860s saw a rapid increase in investment in a growing number of cotton mills and presses near Bombay. At the same time, a tea boom

---


\(^{43}\) HC690 1833 Report from the Parliamentary Select Committee on Manufactures, Commerce, and Shipping, 130.

\(^{44}\) Bengal Annual Registers, 1831, 1858.
in the North East saw the establishment of hundreds of tea gardens.\footnote{Dwijendra Tripathi, \textit{The Oxford History of Indian Business} (Delhi, 2004), 100–106, on the growth in the Cotton industry. Percival Griffiths, \textit{The History of the Indian Tea Industry} (London, 1967), describes the tea boom of the 1860s.} The expansion of industry and trade called for investment in physical infrastructure including railways and ports. European entrepreneurs and investors increasingly used joint-stock corporations to channel capital into these industries. The number of joint-stock firms’ operating in Bengal increased from four in 1831, to over 170 by the late 1860s.\footnote{Bengal Annual Registers, 1831, 1855 and 1863. Radhe Shyam Rungta, \textit{The Rise of the Business Corporation in India 1851–1900} (Cambridge, 1970), identified this trend and linked it to the passage of a Companies Act in 1850 and the Joint-Stock Companies Act in 1857, which lowered costs of incorporation, and enshrined the principal of limited liability.}

Many of the trading companies retained their partnership status, but promoted and managed joint-stock ventures in these emerging sectors. Known as the managing agent system, the erstwhile trading firms provided managerial expertise, placing their own partners in the managed firms, and acted as conduits to factor and product markets.\footnote{Stanley Chapman, \textit{Merchant Enterprise in Britain: From the Industrial Revolution to World War I} (Cambridge, 2004), chapter 4; Geoffrey Jones, \textit{Merchants to Multinationals: British Trading Companies in the 19th and 20th Centuries.} (New York, 2000), chapter 2.} Through this model, the managing agents came to control large swathes of industrial activity in India.\footnote{Misra, \textit{Business, Race, and Politics}, 5, calculated that by 1915 they controlled 75 per cent of industrial capital in India.}

The growth of the scale and scope in commercial and industrial activity in Bengal raised various coordination and resourcing challenges. First, the increasing use of equity financing required access to capital in both Europe and India. Second, volatility in other factor and product markets meant intermediation remained important for improving efficiency of access. Third, the growth in the operations and scope of the managing agent firms, complicated by the location of operations in geographically distant areas, challenged the extent to which they could operate effectively through personal ties and loose governance regimes. Fourth, the increased integration into manufacturing required different managerial skills to the mercantile expertise developed within the trading companies. These challenges encouraged experimentation with organizational forms and structure. Where, then, did the banians fit in this evolving economy and the managing agent system?

\footnote{Dwijendra Tripathi, \textit{The Oxford History of Indian Business} (Delhi, 2004), 100–106, on the growth in the Cotton industry. Percival Griffiths, \textit{The History of the Indian Tea Industry} (London, 1967), describes the tea boom of the 1860s.}
\footnote{Bengal Annual Registers, 1831, 1855 and 1863. Radhe Shyam Rungta, \textit{The Rise of the Business Corporation in India 1851–1900} (Cambridge, 1970), identified this trend and linked it to the passage of a Companies Act in 1850 and the Joint-Stock Companies Act in 1857, which lowered costs of incorporation, and enshrined the principal of limited liability.}
\footnote{Stanley Chapman, \textit{Merchant Enterprise in Britain: From the Industrial Revolution to World War I} (Cambridge, 2004), chapter 4; Geoffrey Jones, \textit{Merchants to Multinationals: British Trading Companies in the 19th and 20th Centuries.} (New York, 2000), chapter 2.}
\footnote{Misra, \textit{Business, Race, and Politics}, 5, calculated that by 1915 they controlled 75 per cent of industrial capital in India.}
Adaptation

The mid-19th century is the point at which the banians’ influence supposedly declined, as British commercial interests supplanted them. The data in the commercial registers enables a more rigorous analysis of the extent and nature of this decline. In 1855, the name of the banians employed by European trading company were included in the listings for the first time, allowing quantification of their number. That the registers included this detail is, however, indicative of the banians’ continued importance in Bengal’s commercial world at this time.

Table 2. The Banians and the European firms they represented, 1855 - 1893.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total no. European firms</th>
<th>Firms with banians</th>
<th>Banians</th>
<th>No. of firms represented by each banian</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1855</td>
<td>131</td>
<td>74</td>
<td>51</td>
<td>36</td>
</tr>
<tr>
<td>1863</td>
<td>125</td>
<td>52</td>
<td>49</td>
<td>40</td>
</tr>
<tr>
<td>1873</td>
<td>153</td>
<td>24</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>1883</td>
<td>293</td>
<td>10</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>1893</td>
<td>871</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Sources: Bengal Annual Registers, 1855, 1863, 1873, 1883, 1893.

Notes: The dramatic increase in the number of European firms between 1883 and 1893 was due to change in the structure of the directory, with the combination of all firms into a single list. It is also important to note that some European firms listed more than one named banian.

Two notable trends emerge from this data, shown in Table 2. The first is a clear decline in the number of banians and European firms using their services, certainly supporting the assertion that the role had become obsolete by the end of the 19th century. However, between 1855 and 1873 the data indicates that banians remained active participants in the economy. It clarifies the presence of banian firms, such as Hurrischunder Bose and Sons, which provided services to multiple clients. It also highlights the longevity of a number of these firms, such as Prankissen Law and Co., that remained active throughout
the period of study. Founded in 1839, various members of the Law family managed the firm over multiple generations.49

Evidence points to significant changes in the structure of the relationship between the parties. Legal contracts formally defined roles, and replaced the informal, personal relationships of the earlier generations. One example is an ‘Articles of agreement’ signed between Ramnarain Sein and W. P. Ewing Esq. in 1847.50 This detailed the nature of the banian’s work and the structure of remuneration. Ramnarain acted as an intermediary in obtaining all the resources necessary to operate Ewing’s inland transportation and insurance business. He managed this business, overseeing the workforce, and was responsible for the revenues.51 In return, he received 25 per cent of the profits after the deduction of overheads. He also received a ‘dustoory,’ or commission payment, for each worker hired.52

A second example was a contract signed in 1866 between the firm Gillanders, Arbuthnot and Co., and three individuals, Gobind Chund Doss, Kallydoss Seal, and Doyal Chund Doss.53 The contract agreed that the three would act as the, “Head native managers, Salesman and Assistants of the firm,” for a period of five years. They managed bazaar sales and purchases, buying products for export and selling imported British goods. The contract centred on the use of a Del Credere account to manage the sales. Through this account, the banians guaranteed the surety of those with whom they did business, and were liable for any shortfall. In lieu of a salary, they received 98 per cent of the balance of the account after the deduction of costs, and commission on consignments of produce they procured.

In the years after 1850, the banians remained active in the Bengal economy, providing services to new European entrants who arrived after the crisis of 1847. The new arrivals required access to, and knowledge of, local markets. A contemporary newspaper account noted the widespread practice of

51 Ibid, 75.
52 Ibid, 75.
53 Glynne-Gladstone (GG) 2695, 1866 Memorandum of agreement between Gillanders, Arbuthnot and Co and Gobind Chund Doss, Kallydoss Seal, and Doyalchund Doss.
banians using *Del Credere* accounts to provide the newly arrived European merchant with credit and brokerage facilities.\(^{54}\)

The role of the banian persisted as intermediation in factor markets remained crucial. From the 1850s, however, changes in the Bengal economy placed a growing emphasis on the management of operations and labour. These were often in geographically distant up-country locations, such as the tea gardens of Assam, which required local expertise. Adept banians recognised these opportunities and significantly adapted and expanded in scale to undertake these activities. The contracts show the banians operating as independent entities to the European firms, with the relationship defined by formalized legal contracts.

**Internalization**

Whilst the registers show that some banian firms adapted and survived after 1850, the role was almost obsolete by the end of the 19\(^{th}\) century. What, then, became of the banians in the later part of the 19\(^{th}\) century? Analysis of the caste composition of the banian profession identifies other areas of the economy with significant numbers of shared caste members. Castes had rules and norms, as well as shared knowledge, which conditioned their members’ responses to economic change.\(^{55}\)

Analysis of four benchmark years, summarised in table 3, reveals the banian profession comprised four castes: The baniks, a Bengali derivation of the baniya mercantile caste. The kayasthas, a writer caste. The vaidyas, a medical caste from Bengal, and the priestly brahmin caste were also present.\(^{56}\) Of the four, the kayastha and banik castes dominated, and there was little change in the composition across the period. It was also notable that the majority of banians were of Bengali origin, with only a couple of Marwari names appearing in the 1850s.

<table>
<thead>
<tr>
<th></th>
<th>1831</th>
<th>1855</th>
<th>1873</th>
<th>1883</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banians</td>
<td>22</td>
<td>51</td>
<td>20</td>
<td>9</td>
<td>102</td>
</tr>
</tbody>
</table>

\(^{54}\) Bombay Times and Journal of Commerce, “Merchants, Banians and Brokers in Calcutta” (Bombay, 18 June 1859).


The kayasthas were strongly associated with high-level administrative posts in both the Mughal and British governments, and widely benefited through association with the British.\textsuperscript{57} From 1873, the registers recorded an increasing numbers of Indians named as writers or assistants in European firms.\textsuperscript{58} These were administrative positions dominated by the kayastha caste.\textsuperscript{59} The shared caste origins and administrative nature of the role strongly indicate a transition between the declining banian profession and the growing number of directly employed writers.

The roles played by Indian clerks and writers, and their relationship with the European partners, can be examined through new sources from the archives of Gillanders, Arbuthnot, and Co. Founded in Calcutta in 1825, the firm initially undertook a growing trade in British exports.\textsuperscript{60} In the second half of the 19\textsuperscript{th} century, the firm became widely involved in indigo, tea, and jute production, expanding into the agency business in these industries.\textsuperscript{61}

To undertake the growing agency business the firm’s Calcutta office was organised into 13 administrative, trading, and agency departments. A British partner oversaw each department, but a senior Indian writer managed the office, with junior writers employed as accountants, cashiers, cash

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
           & 1 & 8 & 2 & 2 & 13 \\
Baniks    & 9 & 20 & 7 & 2 & 38 \\
Kayastha  & 2 & 2 & &   & 4   \\
Vaidyas   & 1 & 7 & 2 & & 10  \\
Brahmin   & 6 & 3 & &   & 9    \\
Kayastha/Banik & 2 & 3 & &   & 5    \\
Kayastha/Vaidyas & 2 & 4 & 2 & 3 & 11   \\
Vaidyas/Brahmin & 3 & 3 & 1 & & 4    \\
Other & 1 & 2 & 3 & 2 & 8    \\
\hline
\end{tabular}
\caption{British Library (BL) Bengal Annual Registers, 1855, 1863, 1873, 1883 used to identify the names of the banians, cross-referenced with Bhattacharya’s, \textit{Hindu Castes and Sects} to identify the caste. Names, such as Dass, Dutt and Roy, are not caste specific, hence the multiple caste categories.}
\end{table}

\textsuperscript{57} Owens and Nandy, \textit{The New Vaisyas}, 81.
\textsuperscript{58} Bengal Annual Register, 1873.
\textsuperscript{59} Bhattacharya’s, \textit{Hindu Castes and Sects}, 143.
\textsuperscript{60} Gillanders, Arbuthnot and Co., was amongst the larger of the agency houses that became managing agents in the second half of the 19\textsuperscript{th} century. There was, however, a degree of commonality in the structure and organisation of these firms, indicating a reasonable degree of representativeness in these sources.
\textsuperscript{61} GG 2749, \textit{The History of Gillanders}, 95; GG 2750, A typescript for a booklet of the history of the firm, 1930.
keepers, and parcel clerks. Indians also managed the firm’s warehouses. In 1870, there were 22 Indian writers, and in the region of 100 other Indian workers, employed by the firm.

Mohendro Nath Mookerjee joined the firm as a writer in 1859. He followed in the steps of his uncle who had worked in the firm for 40 years. Written in 1900, his diary was really a memoir of their time in the firm. He noted that many other senior writers worked at the firm for decades, and introduced relatives to build multi-generational dynasties. The most senior Indian writers worked in the key administrative departments of correspondence and accounting, where they had extensive responsibilities managing the accounts and coordinating the flows of correspondence. In these roles, the writers could become very wealthy. Whilst paid a monthly salary and a pension, the writers also undertook trades on their own account. One earned Rs. 6,000 (£600) per month from investments, more than a European assistants’ yearly salary. Another rose from being an assistant on Rs. 16 per month to become head of department, in which time he made Rs. 100,000 (£10,000) from investments in jute shares.

Due to their importance in these critical roles, the relationship between the European partners and Indian writers was close. One of the senior partners in discussion with a writer said, “Why Baboo, you are not my servant, say you are an assistant to Gillanders Arbuthnot, and Co. as I am.” Mohendro Nath mentioned that, “when my wife was dangerously ill he [Partner, J.F. Ogilvy] very kindly favoured me with Rs. 500 to clear out all medical bills,” while bonuses and allowances were regularly advanced to the Indian workers. In a further letter, a writer asked for a loan to cover debts incurred through personal trade, to which the partners agreed.

---

63 Ibid. Mookerjee, is a brahmin name, again indicating shared caste origins with the banian profession.
64 Ibid. It is quite possible the diary was written to flatter the European partners, possibly in the hope of an improved pension, but it does give some insight into the nature of the writers’ work and their relationship with the European partners at the firm.
65 Ibid, 4.
66 Ibid, 46.
67 GG 2708, 1854 December, Letter to Mackinlay from Kadernauth Chaudry. The writer asked for a loan to cover extensive losses he had incurred on a tobacco trade, promising repayment from his salary.
By directly employing the writers, the European firms internalized the roles undertaken by banians earlier in the century. Although they were now employees, or servants of the firm, the senior Indian writers were highly valued. The significant latitude and financial support offered to the writers is indicative of the importance of these relationships to the European partners.

**Innovation**

Further analysis of caste groups identifies other destinations in the Bengal economy for those linked to the banian profession. The 1911 census recorded that fifty per cent of Bengal’s mills, mines and factories were Indian owned, and the kayastha and brahmin castes dominated these ventures. Adoption of new organizational forms and entry into nascent industries in the Bengal economy was not solely a European phenomenon.

The banians could draw on knowledge and expertise, due to their proximity to European commercial interests, to innovate and diversify their activities. As Mukherjee notes, in the second half of the 19th century, “The new generation of [Indian] merchants were no longer prepared to carry on business according to old systems handed down from generation to generation, confining themselves to the internal trade of the country.”

One route was to develop partnerships with European business interests. Misra noted that, “once the British independent traders had ceased to be wholly dependent on them for capital and market knowledge, they [banians] began to enter into formal partnerships with Europeans.” Indeed, high profile Calcutta agency firms, among them Carr, Tagore, and Co. and Rustomjee, Turner, and Co. were the result of formalized partnerships between British and Indian interests.

Further examples such as Kerr, Tarruck, and Co. founded in 1873, and Mookerjea, Clark, and Co., show that such partnerships survived towards the end of the 19th century. Networks of British and Indian interests were also common in industries such as tea and jute, linking up country producers with agents

---

69 Mukherjee, “Foreign and Inland trade,” 359.
in Calcutta.\textsuperscript{71} The model of Anglo-Indian partnerships, however, appears to be limited as the census of 1911 reported that only 2 per cent of ventures in Bengal were under joint ownership.\textsuperscript{72}

The registers do provide evidence for the expansion and innovation of Indian owned businesses across the Bengal economy. From 1873, the number of Indian owned ventures that appeared in the registers’ main list of merchants and commercial firms increased. It is difficult to calculate precisely the increase as the structure of the lists changed significantly between 1873 and 1893, but it is possible to highlight the range and variety of Indian owned enterprises.

Although European trading companies dominated the managing agent system, by the end of the 19\textsuperscript{th} century the registers show that Indian entrepreneurs had adopted the organizational form.\textsuperscript{73} Prankissen, Chatterjee and Co., acted as agents for various Tea Estates, whilst Doss and Co. were agents for 13 tea estates and listed various London Corresponding firms. Nundo Mohun Banerjee and Co., was agent and secretary for The Oriental Hosiery Manufacturing Co. Ltd., The Elgin Mills Co., The Cawnpore Cotton Mills Co., The Victoria Mills Co., alongside being the Landing, Shipping and Forwarding agents to the Consul of France, and proprietors of the Full Moon Print works.\textsuperscript{74}

The registers further support Mukherjee’s claims that Indian mercantile firms sought to engage directly in international markets. HurrisChunder Bose and Sons, now listed as a merchant and commission agent rather than banian, was recorded as working with various agents in London and France.\textsuperscript{75} Whilst Prankissen Law and Co. established agencies in London, Liverpool and Glasgow in the early 1860s.\textsuperscript{76} Indian owned and managed firms appeared in a wide-range of industries, using a range of ownership and organisational forms. For example, S.C.Chander and Co., importers of jute, vertically integrated to

\textsuperscript{71} Mukherjee, “Foreign and Inland trade,” 361. Bengal Annual Register, 1893. Anglo-Indian networks were also notable, Cartwright H.D and Co., a British owned jute agent acted for J.Dass and Co., R.D Banerjee and Co., and R.C.Mookerjee and Co., Indian owned upcountry jute dealers.

\textsuperscript{72} Kling, Partners in Empire, 244-245; Owens and Nandy, The New Vaisyas, 60.


\textsuperscript{74} Bengal Annual Register, 1893. All names are either brahmin, banik or kayastha, again emphasising the shared caste origins.

\textsuperscript{75} Ibid.

\textsuperscript{76} Dey, The law family of Calcutta.
become proprietors of the Bengal Hydraulic Press, used to bale jute.77 A further notable trend was the emergence of Indian owned businesses that employed British managers. Shib Nath Sircar owned and managed the Calcutta-Burma Timber Trading Co. with a British Superintendent and Assistant. Whilst the Caledonia Dock was owned by Kally Kristo Pramanick, again with an English Superintendent and Foreman.78

Indian business ownership extended beyond partnerships and privately owned companies to include publically traded joint-stock firms. The Calcutta Cotton Mills Company Ltd., had Indian directors, an Indian Secretary, Mill Manager, and Assistant. The Bengal Safety Match Manufacturing Company Ltd., had Indian owners and managers, but also an Indian solicitor, Sen and Co., and managing agent, Ludhu Rahimtoola and Co.79 Indeed, members of the kayastha and brahmin castes owned many of the Swadeshi inspired firms founded in the first decade of the 20th century, such as Bengal Chemicals and Bengal Lamps.80

Indian entrepreneurs not only used European forms of business ownership and organisation, but also developed the commercial ecosystem of solicitors, accountants, managing agents, and stockbrokers, needed to support these ventures.81 Other services such as joint-stock banking and insurance, previously dominated by Europeans, also saw Indian involvement. Durga Charan Law, head of Prankissen Law and Co., was one of the founders and directors of the Calcutta City Banking Corporation.82 Joint-stock banks including the North West Commercial Banking Corporation, Oudh Commercial Bank Ltd., Provincial Bank of India, and the Punjab Banking Company, also had significant levels of Indian ownership and management.83 The importance of the Bengali banians as providers of credit continued, although the organizational form had evolved.

77 Mukherjee, “Foreign and Inland trade,” 361.
78 Bengal Annual Register, 1893.
79 Ibid.
82 Dey, The law family of Calcutta, noted that the bank was founded by a number of prominent Indian businessmen, but the majority of the shareholders were European.
83 Bengal Annual Register, 1893, also continued to list 116 Indian bankers, despite the growth in joint-stock and multinational banking, the local credit systems remained an important component of the Bengal economy.
By the end of the 19th century, the registers show that Bengali owned and managed firms were not singular enterprises, with ownership restricted to the preserve of a few extraordinary individuals, but encompassed numerous participants in a wide-range of sectors. They were fully conversant with a range of business ownership and organisational forms. Some were highly successful enterprises; S.C.Chander and Co., and Prankissen, Law and Co., were well-enough established to be invited to become members of the Bengal Chambers of Commerce, an almost exclusively European organisation. Whilst, the Empress Cotton Mill Company Ltd., whose owners and managers were Indian, was described by European contemporaries as the most profitable and best run mill in Bengal. Firms such as Prankissen, Law and Co., and Hurrischunder Bose and Sons, show a direct line of evolution from banians to international traders and industrialists. While others with shared caste origins, established themselves throughout the Bengal economy.

**Contracts, governance, and knowledge**

Across the 19th century, the banians’ role was adapted, internalized, and finally made obsolete. However, those in the profession innovated and transitioned into a wide range of roles and function in the Bengal economy. To explain these outcomes, the article considers how issues with contracts and governance mechanisms reshaped the intermediary relationships between the banians and European firms.

Indian and European entrepreneurs contended with significant changes in the Bengal economy. After 1813, Bengal’s credit markets remained thin, and managerial expertise remained in short supply. However, the new industries that emerged in the second half of the century required finance, labour, and managerial resources. To address these constraints, Indian and European entrepreneurs responded by experimenting with organizational forms, resulting in the proliferation of joint-stock firms and the emergence of the managing agent system. Intermediation between European businesses and local

---

84 Mukherjee, “Foreign and Inland trade,” 361. Bengal Annual Register, 1883 shows that Ausootosh Dey and Nephews, and Prankissen, Law and Co., both old established banian firms, alongside S.C.Chander and Co., were members of the Bengal Chamber of Commerce.

markets remained a critical feature of business organization, and the banians continued to provide efficient access into the second half of the 19th century.

Although intermediation improved access to markets, it presented various governance and contracting challenges. The personal nature of the relationships that defined the governance of the banians’ earlier operations broke down; in part, because the informal governance mechanisms that underpinned this system offered excessive scope for opportunist behaviour. The cases of fraud show that a reliance on trust, engendered through personal relations, failed to regulate these relationships. Whilst acting for multiple clients further weakened the strength of these personal ties.

This led to experimentation with different contracting mechanisms. The use of legal contracts formalized these relationships; they stipulated guarantees to curb opportunist behaviour, and used incentives such as profit shares to align interests between the banians and European firms. After 1850, the contracts show that the banians’ remained active, yet their role became predominantly external to the European firms, focused on the provision of credit, bazaar brokerage, and the management of up-country operations.86 It is difficult to make a strong claim as to whether contracting became the norm in these relationships, but the passage of a Contract Act in 1872, which sought to improve the legal status of commercial contracts, is indicative of their widening use.87

Contemporaries, however, noted problems with the banians’ credit agreements that made liabilities difficult to identify and enforce.88 Despite the Contract Act, the enforceability of commercial contracts governing these relationships remained unclear. In response to these contracting problems, Roy and Swamy claim that, “informal and extralegal mediation continued to rule” when defining commercial relationships in India until late in the 19th century.89 The limited enforceability of contracts, and subsequent threats of opportunism, offers a plausible explanation for the decision of European firms to

86 Mukherjee, “Foreign and Inland trade,” 362
88 Bombay Times, “Merchants, Banians and Brokers in Calcutta.”
89 Roy and Swamy, Law and the Economy, 141.
internalise key administrative functions through the direct employment of writers. This offered more effective oversight and control over the firms’ most important and commercially sensitive activities.

This led to the increase in the number of Indians working in European firms as salaried ‘servants’ after 1850. Despite their status as employees, it was notable that strong personal ties and intergenerational dynasties continued to shape the relationships between the European partners and Indian writers. Like banians in the 18th century, the writers exploited their proximity to European trade to enrich themselves, tacitly supported and enabled by the European partners as an incentive to align their interests.

By the end of the 19th century, the role of the banians had become obsolete. The salaried writers had replaced the banians’ internal functions, whilst the managing agents efficiently accessed European factor markets, reducing the need for local intermediation. However, the ongoing interactions between the banians and European firms had created relationships that enabled the exchange of knowledge, not only about markets and products, but also of business organization.

Roy noted that professional collectives in India, such as merchants and bankers, facilitated the transfer of occupational knowledge.90 The banians were also a professional collective that shared experiences and knowledge of the financing and management of the new business forms and nascent industries in Bengal. Whilst the caste groups that made up the profession further extended these transfers, as the writers gained insights into the operations of joint-stock firms and the managing agent system. This provided a platform for these groups to enter other parts of the Bengal economy.

Members of the profession used this knowledge to innovate in partnership with, and independent from, European firms. In the last quarter of the 19th century, the registers show the emergence of formalized business partnerships between European and Indian entrepreneurs that combined capital and expertise, whilst strengthening governance mechanisms to align interests and control investments in nascent industries. The joint-stock and managing agent forms provided further legally defined mechanisms to link British and Indian interests, as shareholders and directors were drawn from both communities.

90 Tirthankar Roy, Company of Kinsmen: Enterprise and Community in South Asian History, 1700 – 1940 (New Delhi, 2010), 89.
Amongst these firms were Bengali owned joint-stock, managing agent, and international trading firms, linked directly to banians and their associated caste and professional groups.\(^91\)

This evidence provides support for the proposition that the banians entrepreneurially expanded their scale and scope to integrate into manufacturing and international trade. More significantly, it shows a bi-directional transfer of knowledge between the banians and Europeans that enabled experimentation and innovation with contracting and business forms. Similarities between the organization and scope of the managing agents and banian firms, with both using contracts to provide management services and financing to multiple clients, suggests common origins, as European and Indian entrepreneurs sought solutions to the problems of contracting and market access.

Innovation in business organization was accompanied by modernization of the bazaar economy as Indian owned banks, stockbrokers, accountants, and lawyers emerged to enable the functioning of Indian owned joint-stock and managing agent firms. Ray identified the advanced nature and importance of the bazaar economy, to the extent that the, “Western corporations found [it] sophisticated enough to utilize for their own operations on terms profitable both to themselves and to their Asian associates.”\(^92\)

Yet, this modernization also enabled those in the Bengal bazaar economy to integrate into the global economy.

**Conclusions**

The role of the banian, as understood at the beginning of the 19th century, effectively declined into obsolescence by the century’s end. From acting as personal business partners of EIC managers, their internal roles in European firms were finally occupied by directly employed writers or servants. Yet, this article reassesses this narrative of decline to reveal one of adaption and innovation in the face of changing economic and business conditions.\(^93\)

---

\(^{91}\) Oonk “The Emergence of Indigenous Industrialists,” also noted the prevalence of traders and middlemen amongst Indians investing and managing industrial ventures in Bengal.

\(^{92}\) Ray, “Asian Capital in the Age of European Domination,” 553.

\(^{93}\) A similar pattern of adaption, rather than decay and obsolescence is identified in Tirthankar Roy, *Artisans and Industrialization: Indian Weaving in the Twentieth Century*, (New Delhi, 1993).
In the second half of the 19th century, the caste groups that made up the banian profession used knowledge gained from their relationships with European firms to innovate and find new opportunities in the Bengal economy. They formed firms, developed contractual relationships as brokers and up-country managers, and experimented with business forms, both in partnership with, and independent of, European firms. These innovations saw enterprises owned by members of these groups established in a wide-range of domestic industries and international trade.

Reassessing the evolution of the banians has implications for explanations of the changes in the organization and structure of the Bengal economy in the late 19th and early 20th centuries. This analysis reinforces the importance of the bazaar economy as the nexus between European and Asian commercial interests, and in Bengal, the banians were critical conduits in enabling these connections.94 The ongoing interactions between the banians and European firms fostered an interdependent relationship between those in the bazaar and participants in the emerging global economy. These findings emphasise the importance of the interaction between Europeans and Bengalis in processes of organizational innovation, and the emergence of a more diverse ecology of firm ownership in Bengal, than explanations of British and Marwari firms suggest.95

Analysis of the configuration of the bazaar and global economies, and subsequent changes in the relationships between indigenous and European business interests, also offer further insights in explaining different patterns of regional industrialization and economic development between Bengal and West and South India.96

These findings challenge the view that as political and social relationships between the British and Indian populations became increasingly hierarchical and segregated, so too did economic relations.97

The business forms, partnerships, contractual agreements, and employment practices, suggest that commercial relationships remained more flexible. Roy has also emphasised that although political and social segregation may have become the norm in Bengal, British commercial interests remained deeply engaged with Indian counterparts well into the 20th century. The innovative forms of business organization supported the emergence of a “cosmopolitan commercial bourgeoisie” in Calcutta, which rose above ethnicity and nationality.

The article demonstrates that the Bengali banians remained commercially active far beyond their supposed demise in the mid-19th century, but their fate in the 20th century is less clear. If, by the end of the 19th century, they were present in a range of business organizations and industries, important question remains about their evolution in the 20th century. As Goswami, Timberg, and others show, by the end of the 19th century the Marwaris were firmly entrenched in the Bengal economy, and continued to expand their operations across the 20th century. Whilst Ray noted that, “Out of the pulsating world of the bazaar, there emerged ultimately a modern Asian business and industrial class.” Yet, amongst this class, few successors of the Bengali banians are present, despite their knowledge, expertise, and capacity for adaptation and innovation demonstrated across the 19th century. Explaining their 20th century disappearance requires further research.

---

100 Goswami, “Then Came the Marwaris”; Thomas Timberg, The Marwari’s, from Traders to Industrialists, (Delhi, 1977); Roy, “Transfer of power.”