

## EAST INDIA COMPANY'S TRADING INTERESTS IN AWADH, 1764-1787

Shalin Jain

From 1764 onwards the East India Company came into official contact with Awadh, with its influence secured in the Banaras region and indirectly in Gorakhpur. The Company pursued both political and commercial agenda in North India has been argued that the Company's expansion into the plains of Northern India was inspired by a political agenda, not by the aim of extending the 'true economic frontier' of trade and investment.' British commercial aims in Awadh were not very significant in the initial phase but they came to a dominant role in securing goods for the 'investment' of the Company in Bengal.

European commercial ventures in Awadh have been mostly seen as the work of private merchants or the East India Company's officials private interests.<sup>2</sup> But case studies of Bengal and Gujarat, have shown that the British private trading interests played a decisive role.<sup>3</sup> Till 1813 the East India Company had monopoly of the overseas trade with India. Whatever the role played by private merchants it had a place in assisting the Company to fulfil its 'investment'.<sup>4</sup>

First official interaction of the East India Company with Awadh took place after the battle of Buxar in 1764. While signing the treaty with the defeated Nawab Shuja-ud-daula of Awadh on 16 August 1765, the Company did not forget to have a clause i.e. article 8 which stated that, "His Highness shall allow the English Company to carry on a trade, duty free, throughout the whole of his dominions".<sup>5</sup> Nawab Shuja-ud-daula had resented this clause as he feared a repeat in Awadh of the abuses and dislocation caused by the Company's traders in Bengal. His fears were not without cause. Private merchants like Thomas Davie and Jame Nichol wee deported to England for their mishandling of trade in Saltpetre.<sup>6</sup> Nevertheless, Clive persuaded Shuja-ud-daula to allow merchants and their agents, holding the Company *dastaks* to freely pursue their trade in Awadh. Soon there were around five hundred *gumashtas* employed by Europeans in Awadh and most of them were working with *parwanas* issued by the Nawab.<sup>7</sup> The traders and their *gumashtas* although exempted from tariff as such, increasingly refused to pay any transit and sales duties, interferred with indigenous markets and acted generally as if they were under a 'separate rule of law'.

The Nawab could not tolerate the loss of tariffs and the

uncontrolled behaviour of the English traders and their agents. Captain Harper, Commanding officer of the British troops stationed with Shuja-ud-daula, reported that though Nawab was extremely careful while dealing with “any of those who even assumed the English name, he complained about those people who were guilty of many impositions and extortions as well as depriving him of his duties. While dealing with Nawab’s complaint, Governor Verelst reported to his council that except from the troops on duty in areas beyond the authority of the Company, he had never issued any “Pervannah or Dustic [sic] for any goods or mercantile.”<sup>8</sup> Taking stringent action on behalf of Company, Verelst had promised to Nawab that:

as the residence of the English Gomastahs in your Excellency’s territories will open a source of difference by feuds, I have determined to lay a restriction on such Instances in future.<sup>9</sup>

But like many others, this promise was also not going to be fulfilled.

Even after the issuing of orders of withdrawal, the date on which the *gumashtas* and their employees would have to leave Awadh continued to be extended. The *gomashtas* pleaded that they needed time to settle their accounts.<sup>10</sup> Having once tasted the fruits of ‘free trade’ in Awadh, the various interests affected by this ban, were reluctant to surrender their privileges and they tried to give many excuses to avoid or extend their withdrawal. Thomas Rumbold the Company’s factor at Patna who was responsible for issuing *Parwanas* and *dastaks* to merchants and *gumashtas* active in Awadh region appealed forcefully on behalf of the owners of boats (laden with mercantile goods) locked at Gomti river awaiting for the Company’s *dastak*. He complained that Shuja-ud-daula had imprisoned many *gumashtas* for their attempts to continue cutting and shipping timbergoods out of Gorakhpur.<sup>11</sup> But for the time being, these orders were strictly implemented though even the Court of Directors had not appreciated Verelst’s decision to recall *gumashtas*. Invoking the 8th Article of treaty with Awadh in 1765, the Court of Directors objected to the Verelst’s orders and wanted the introduction of unrestricted trade. Since they were “Convinced of the benefits which must result both to the Company and province of Bengal from such intercourse of traffick [sic]”.<sup>12</sup>

Trade in Awadh was so lucrative that some of the expelled merchants sailed to English to complain against this ban and pressurise the Court of Directors. Soon within three years as wished by the Court of Directors, the prohibition on trade in Awadh for British nationals and their agents was lifted. The new Governor of Fort William John Cartier and his council, ordered the ban on Awadh trade lifted on 17

April 1771, without informing the Nawab beforehand of their action.<sup>13</sup> In fact here at the first sight it seems to be a case of protection of individual trader's right by the Company but the Company was itself protecting its long term interests by protecting the trader's interests. Firstly, during this period, the Company wanted to develop the full potential of its 'investment' and this, not only Bengal but the whole Indian landscape was under the Company's purview. Secondly, if we analyse the cases of South India, Bengal and particularly Awadh, then every where it seems that the private merchants were working as instruments to explore the commercial potentials of the particular region. This process logically culminated into the fulfilment of the Company's Commercial agenda. In fact at every place the private merchants drew attention of the Company towards the potential of the region. The Validity of this argument can be evaluated against the background of the wars of Plassey and Buxar, where the misuse of *dastaks*, was a major *raisoned'ere* for confrontation. Why should the monopolistic East India Company cater to the demands and grievances of private merchants, even if they were their employees? It was because these 'private merchants' were fulfilling the Company's own agenda. In 1774 the Select Committee of Fort William observed that, "what soever may be the complexities due to the private trade, but finally at the dock of Calcutta all private merchantile is listed as the part of honourable the Company's investment".<sup>14</sup> In Awadh this private trade was carried on under the patronage of those who had influence at the Awadh court. Basically it were the British Resident or military officials posted in Awadh who were patrons of the European private traders. In 1772 Hastings called trade in Awadh a "military monopoly".<sup>15</sup> In the case of Awadh therefore the private merchants initiated the commercial agenda which was its fulfilled by the Company.

The gradual penetration of British Commercial activities in Awadh, the importance which the decision making echelons of the Company gave to such activities, the inability of the officials in Calcutta to take a decision that would adversely affect the business of private traders and that of the *gumashtas* under European employ-these were some of the operative factors behind the first thrust of British control in Awadh.<sup>16</sup>

In 1773, a meeting between Warren Hastings and Nawab Shujaud-daula took place and due to protest of Nawab, Hastings had to promise that, "no English gentleman should reside in his country, and that I would never interfere in any disputes between the English *gumashtas* and his people."<sup>17</sup> According to Richard Barnett the importance of the Banaras meeting in 1773 was, that it erected a trade

barrier that closed Awadh to the commercial penetration of the East India Company until 1801."\* But if we analyse the process between this period, it seems that this argument does not hold much ground as the Company always manoeuvred to extend its commercial stake in Awadh.

From 1770's onwards, the activities of private merchants began to be moulded, to the Company's needs. The Company's Residents posted in Awadh were able to establish their own saltpetre monopoly and to supply saltpetre on contract to the Company. Warren Hasting's first Resident in Awadh Nathaniel Middleton managed the saltpetre monopoly through John Scott, a free merchant, who launched what was to be one of the biggest European enterprises in Awadh, the cotton piecegoods *aurang* at Tanda on the banks of the river Ghagra. Mr Scott is said to have had an immense establishment, where all the cloth made in the *bazar* was brought to be washed and bleached. All the washermen seems to have been in his pay, and the weavers paid a tax of eight *annas* a score to Mr. Scott for permission to use his establishment.<sup>19</sup>

Scott became the virtual ruler of the area around Tanda. Its revenue was farmed out to him, he built a factory house of 'great strength' and exercised 'a right of pre-emption' so as 'to exclude competition' over a large number of weavers. Having sold piecegoods to private traders for five years, in 1783 Scott obtained a contract to supply the Company with Tanda cloth.<sup>20</sup> He also encouraged inhabitants in the neighbourhood of Tanda to cultivate indigo with the promise of purchasing it from them. John Scott offered to deliver 3000 maunds of indigo to export warehouses in Calcutta with the claim of superior quality and less cost.<sup>21</sup>

John Hyde was another European trader in Awadh who prospered under the Resident's protection. After setting up as a merchant at Lucknow under Middleton's protection, Hyde was able to use 'his influence and interest with his friends' to obtain '*perwanas*, order, permits or letters' from the wazir. Peons wearing Hyde's 'badge and livery' escorted his goods. Without such precautions, his trade would have been "obstructed or delayed ... and have had a heavy duty to pay or been liable to great exactions from the zamindars, officers of government or others'. Moreover, it was only 'by exertion, influence and interest' that he could enforce payment of debts due to him."<sup>22</sup>

So in both of the cases these 'private merchants' were indirectly in one way or another, fulfilling the Company's demands and they were just two examples of hundreds of English traders *andgumashtas*, active in Awadh during this phase. This system of providing the Bengal

'investment' by purchasing goods at open market from the native merchants and manufactures was workable, because Europeans possessing the influence of English government were at one side protected from the *amils* and *zamindars* and on the other side, they got preference over the other competitors.<sup>23</sup> In fact under the political sovereignty of the Nawab, theoretically the Company could not claim anything except duty free trade. But in fact to avoid competition in trade, the Company was aiming for 'monopoly'. It was this clash of interest which hastened the Company's penetration of Awadh because it was a accepted fact that "the Company's trade cannot be conducted even in their own provinces without a strong exertion of the authority of the government."<sup>24</sup>

The watershed in the East India Company's trading adventure in Awadh came when Lord Cornwallis adopted a wider commercial policy towards Awadh which included reforms of the abuses of European trade. As a first step, he instructed George Barlow in 1787 to go to Awadh to report on how the Company conducted its own trade there and the 'investment' in piecegoods.<sup>25</sup> Barlow's report presents us with all the dimensions of the East India Company's trade in Awadh particularly in cotton goods. A broader analysis of Barlow's report challenges established nations about the Company's state in this commerce including C.A. Bayly's contention that "the reduction of Indian merchants to a position of dependence within the Asian trading world was not assumed until after 1850".<sup>26</sup> In fact the reports establish the transfer of wealth, through the export of Eastern Indian commodities resulted in a radical disturbances of the entire trading pattern in India.<sup>27</sup>

Barlow had suggested three ways to procure cloth goods from Awadh and these three ways can also be generalised for procurement of other goods from Awadh, these are as given below:-

- (1) Contracting with the Native merchants.
- (2) Advertising for the purchase of cloth [goods] with ready money.
- (3) By making advances to the weavers [manufacturers].

The first way of collecting goods could not last long as due to quantity demanded at a given time and the great distance of the manufacturing place from the delivery point native merchants could not fulfil the Company's demand given the uncertainty prevailing in the Nawab's domain. Only Europeans with the 'aura' of the Company could conduct trade in providing goods to the Company. Moreover these Europeans also had a "Command over the labour of the weavers in preference to other competitors."<sup>21\*</sup> The contract system had another disadvantage.

On the one hand native merchants would lower the price of their goods to sell more products and on the other hand to maintain their profit they would acquire goods from manufacturer at lower prices. This resulted in a deterioration of the quality. So the Company was ready to replace the native merchants by the Europeans even if it had to pay somewhat higher prices to them.<sup>29</sup>

The second mode of purchasing goods with the ready money was not considered at all for the provisions of the Company's investment. Though a much larger quantity of cloth could be purchased through the ready money; yet in this mode the Company was reduced to a capacity of a private merchant among many competitors.<sup>30</sup> It was feared that the native merchants would dominate as the Company would not be able to exclude its competitors. Moreover the quality, quantity and price of the goods could be manipulated by the manufacturers and more than them, by the intermediaries.

So finally it was the system of making advances to weavers through agents and contractors which prevailed and was recommended for the future. It ensured the supply of goods to the Company at an advantageous price while maintaining the quality. This system was introduced with a view to engross the "labour of the manufacturer than to assist him in the purchase of the raw material".<sup>31</sup> In fact a broad nexus was put into effect to procure cloths for the Company's investment because left to himself the manufacturer would have preferred the traditional way of raising money by taking loan or interest. In this way there was a room to manoeuvre to sell his products instead of taking advances from a powerful organized superior i.e. the Company and its agents. Even though the East India Company was not in political command over Awadh at this time, its manoeuvres bore a striking similarity to those followed in South India. In South India the English used their power to alter the condition of production of textiles and to transform existing relationship between producer and merchant middlemen.<sup>32</sup>

How far did the private merchants working to procure goods for the Company charge the traditional networks of commerce the *modus operandi* used by the Company for procurement depended on a whole series of agents and intermediaries because weavers were scattered in the villages and the Company's employees were unacquainted with the country.<sup>33</sup> These were the *dalals* negotiated the price of the products for the sides and provided transportation. Sometimes the right of "pre-emption" was also asserted but it could not last very long. As European merchants did not want that manufacturers engaged with them, should enter into transactions with other merchants or moneylenders, it was

necessary to provide advance to them especially to weavers. In contrast to Banaras, in the Awadh region it was the personal influence of private merchants and their agents which was exerted to "oblige the weavers to fabricate these cloth assortments and also to prevent their disposing of them to other merchants when made."<sup>34</sup>

While making advances for a piece of *khasah* cloth of size of "40 by 2 $\frac{1}{2}$ " weavers were provided with six rupees but a "*batta*" or "*cashar*" at the rate of 4.14 percent was deducted. Barlow confused this deduction with the interest deducted from the money paid in advance. However an analysis of the system currently prevailing in the textile centres of Eastern Uttar Pradesh a look at Abdul Bismillah's novel "*Jhini Jhini Bini Chadariya*" dealing with Banaras weavers, suggests that *batta* or *cashar* was deducted by *dalal* or the purchaser on the pretext of low quality of the cloth, like threads not being equal, stain on the cloth or colour being not even?<sup>5</sup> The margin incurred due to deduction in form of *batta* or *cashar* on the price of cloth was the perquisite of the *dalals*, so they must have often evaluated cloth pieces goods as inferior. If weaver had taken an advance of six rupees to provide the cloth worth this price, he could not repay this advance as the price of his piecegood would always be evaluated at less than six rupees. So in this way it was ensured that the weaver would always remain a debtor to the *dalal* or the Company and would never get the actual price of his labour.

This was the position of the manufacturers engaged with the private merchants on behalf of the Company, even while Awadh had not lost its political sovereignty and Bengal regulations concerning weavers were not in force here.<sup>36</sup> In Eastern Awadh upto 1,00,000 weavers were supported on an estimated rupees 10-12 lakhs of advances from merchants based upon Lucknow and Fyzabad and increasingly from agents of the East India Company. C.A. Bayly has argued that this inflow of cash encouraged local specialisation of production in the village and galvanised the cotton trade from Doab and Central India. For him the withdrawal of advances could lead to the collapse of large areas of high farming or artisan production because advances were necessary to provide cultivators with the cash to buy seed, tools and wage labour for weeding.<sup>37</sup> The same was the case with artisans. But here we have to remember some facts. Apart from the prompt and regular payments of the tribute of more than Rupees Seventy lakh per year, the Awadh rulers in succession, advanced loans to or placed deposits with the East India Company. It was also estimated that the people of Awadh had invested approximately. Three crores of rupees in these bonds issued by the Company.<sup>38</sup> In fact what has been described

by Bayly as 'cash inflow' in shape of advances to the manufacturers especially weavers in Awadh was Awadh's own money instead of new investment. In case of Awadh there were no diwani or land revenue rights so the money extracted from Awadh itself in shape of subsidy, loans and bonds ensured this so called 'cash inflow'. This flow of capital from Awadh to the adjacent British territories must surely have been a drain on the resources of Awadh.<sup>39</sup>

In this analysis of the commercial aspects of the East India Company's relations with Awadh, we have seen the Company's constant endeavour to exploit trading opportunities. Though this process was initiated through the activities of private merchants' it was buttressed by the manoeuvres of the East India Company, seeking to expand the arena of its 'investment' in India to serve the needs of "mercantilist" Britain.

#### NOTES AND REFERENCES

1. P.J. Marhsall, "Economic and Political Expansion: The case of Oudh". *Modern Asian Studies (MAS)*, vol.9 no.4, p.466; Also see C.C. Davies, *Warren Hastings and Oudh*, 1939; Eric Stokes, "The First Century of British Colonial Rule in India; Social Revolution or Social Stagnation," *Past and Present* LV111, 1973, pp. 142-143.
2. P.J. Marshall, "Economic and Political Expansion", p.472.
3. Holden Furber, *John Company at Work- A study of European Expansion in India in the late eighteenth century*. Cambridge, 1951, p.321; Also see Sukumar Bhattacharya, *The East India Company and the Economy of Bengal from 1704 to 1740*, London, 1954; Pamela Nightingale, *Trade and Empire in Western India 1784-1806*, Cambridge, 1970.
4. For East India The Company's 'investment' in Bengal just meant use of Bengal's revenue extracted by the Company under the Diwani rights for purchasing goods from India market and transfer them to Britain. It was a mode of capital export to Mother country i.e. Britain. The role of private merchants in this era is very much controversial although this role was mostly concentrated on fulfilling the The Company's 'investments' demands. The private merchants were either active as The Company's contractor like John Scott of Tanda or working in the capacity of the Company's officials' agents for their profit.
5. C.U. Aitchison, ed. *A Collection of Treaties, Engagements and Sanads relating to India and neighbouring Countries*, Vol. 2, Calcutta, 1929, Reprint Delhi, 1983, p.99.
6. Bengal Council to Shuja-ud-daula, 8 January 1767, *Calendar of Persian Correspondence*, Vol. 2, No.38, p.14.
7. Second Report of the Select Committee 1772, *Reports from the Committee of the House of Common*, Vol. 3, London; 1803, p.289.
8. Colonel Richard Smith to the Select Committee, 3 January 1768. Foreign Department, Select Committee Proceedings, OC. No. 15, National Archives of India (hence forth NAI), p.19.

9. Verelst to Shuja-ud-daula, 9 March 1767, Foreign Department, Select Committee Proceedings, 27 January 1768, OC No.15, NAI, pp.19-20.
10. Thomas Rumbold to Harry Verelst, 27 April 1768, Foreign Department, Select Committee Proceedings, OC No.15, NAI, p.382.
11. *Ibid.*, p.383.
12. Public letter from court of directors, 10 April 1771, Bisheshwar Prasad, ed., *Fort William-India House Correspondence, 1770-72*, Vol.6, Delhi, 1960, pp.84-85.
13. Richard B. Barnett, *North India Between Empires-Awadh, the Mughals and the British, 1720-1801*. Berkeley, 1980, p.85.
14. Letter from Warren Hastings to Court of Directors, 3 January 1774, Foreign Department, select Committee Proceedings, 18 March 1774, OC No.9, NAI, p.231.
15. P.J. Marshall, *East India Fortunes: The British in Bengal in the Eighteenth century*, Oxford, 1976, pp.212-213.
16. Rudrangshu Mukherjee, "Trade and Empire in Awadh, 1765-1804", *Past and Present*, 94, 1982, p.94.
17. Letter from Warren Hastings to Court of Directors, Foreign Department. Secret Consultations, 4 October 1773, OC No.1, NAI, p.27.
18. Richard B. Barnett, *North India Between Empires*, p.87.
19. A.F. Millett, *Report on the settlement of the land Revenue of the Fyzabad District, Allahabad*, 1880, p.41.
20. P.J. Marshall, "Economic And Political expansion in Oudh". p.469.
21. John Scott to the Board of trade, 19 April 1786, Home Department Public Proceedings, SL No.72, NAI, p.1223.
22. Calcutta High Court Record, Supreme Court, Equity, *Hyde v Ojagur Mull*, cited in P.J. Marshall, "Economic And Political expansion in Oudh", p.469.
23. G.H. Barlow, Report on the trade of Awadh, 6 June 1787, Foreign Department, Secret Consultations, OC No.5, NAI, p.3221.
24. *Ibid.*, pp.3228-29.
- 25\* George Barlow was sub-secretary to the government of Bengal at this time. In 1787 he prepared 2 reports, one on trade of Awadh and second on Commerce and Coinage of Benaras. There reports were aimed at, to judge the The Company's future commercial perspectives in this region. Later on, during 1805- 1807 George Barlow also became the Governor General of India.
26. C.A. Bayly, *Rulers, Townsmen and Bazaars: North Indian Society in the Age of British expansion. 1770-1870*, Delhi, 1st Indian ed., 1992, p.462.
27. Irfan Habib, "Colonization of the Indian Economy 1757-1900" in his *Essays in Indian History: Towards a Marxist Perception*, Delhi, 1995, p.305.
28. G.H. Barlow, Report on the trade of Awadh, p.3220.
29. Statement concerning investment of 1786-1787, Fort William, 12 May 1786, Home Department, Public Proceedings, SI. No.72, NAI, pp.1192-1196.
30. G.H. Barlow, Report on the trade of Awadh, p.3221.
31. *Ibid.*, p.3223.
32. S. Arasaratnam, "Weavers, Merchants and Company: The Handloom Industry in South-eastern India 1750-1790" in Sanjay Subrahmanyam, ed., *Merchants. Markets and the State in early Modern India*, Delhi, 1990, p.190.

33. G.H. Barlow, Report on trade of Awadh, Appendix No.1, p.3241.
34. Ibid., p.3255.
35. Ibid., 3241, interview with Qazi Zafar Mosood, Mubarakpur, Azamgarh, 31 January, 1998, Abdul Bismillah, *Jhini Jhini Bini Chadariya*, Delhi, 1992.
36. In order to control labour and production of weavers and other manufacturers. East India Company passed various regulations which were mainly aimed to make advances to the weavers before they were won over by rival merchantile groups and to keep them in constant employ of the Company. Many compulsive regulations were passed from time to time during the last decades of eighteenth century. Being the part of the Diwani Banaras also came under the jurisdiction of these regulation.
37. C.A. Bayly, *Rulers, Townsmen and Bazaars*, p.45.
38. S.Z.H. Jafri, *Studies in the Anatomy of a transformation: Awadh from Mughal to Colonial Rule*, Delhi, 1998, pp.151-152.
39. Ibid., Dr Jafri has also pointed out the migration of bankers and merchants of Awadh towards British districts. This was another kind of “drain of wealth”.