

1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 01 (Class XI, Part- 1)
Module Name/Title	History of trade and commerce in Ancient India – Part 1
Module Id	kebs_10101
Pre-requisites	Knowledge about basic history of ancient India
Objectives	<ol style="list-style-type: none">1. Appreciate the development of trade and commerce in historical past2. Understand the role of indigenous banking system in trade and commerce
Keywords	Hundi, Intermediaries, Trading Communities, Trade Centres in ancient India, Jagat Seths, Indigenous Banking system, History of Trade and Commerce

2. Development Team

Role	Name	Affiliation
National MOOC Coordinator	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Rejaul Karim Barbhuiya	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Dr. Punnam Veeraiah	CIVE, RIE Campus, Bhopal
Course Co-Coordinator / Co-PI	Dr. Nidhi Gusain	CIET, NCERT, New Delhi
Subject Matter Expert (SME)	Mr. Sudhir Sapra	Directorate of Education, Govt. of NCT of Delhi
Review Team	Ms. Preeti Sharma	Kenriya Vidyalaya, Sector 24 Noida
Technical Team	Mr. Shobit Saxena Ms. Khushboo Sharma	CIET, NCERT, New Delhi CIET, NCERT, New Delhi

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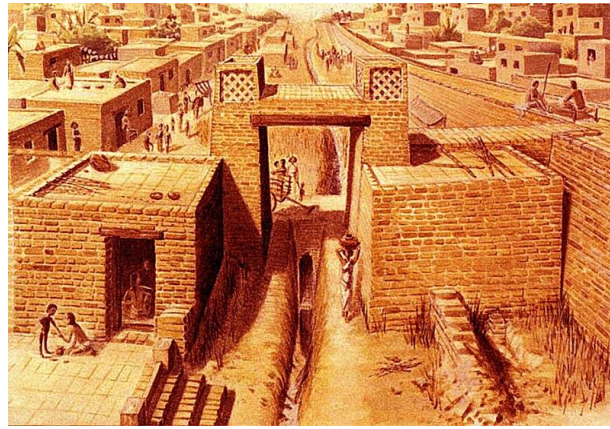
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1. Introduction

History of Trade and Commerce

The economic and commercial evolution of any land depends upon its physical environment. This stands true for the Indian subcontinent as a whole which has Himalayas in the North bordered by water in the South. A network of roads merging into the Silk Route helped in establishing commercial and political contacts with adjoining foreign kingdoms and empires of Asia, in particular, and the world, in general. The maritime routes linked the east and the west by sea and were used for the trade of spices and known as 'spice route'. Due to the flow of wealth through these routes, the chief kingdoms, important trade centres and the industrial belt flourished, which in turn further facilitated the progress of domestic and international trade in ancient India.

Trade and commerce have played a vital role in making India to involve as a major actor in the economic world in ancient times. Archaeological evidences have shown that trade and commerce was the main stay of the economy of ancient India carried out by water and land. Commercial cities like Harappa and Mohenjodaro were founded in the third millennium B.C.



Harappa

Source: <https://commons.wikimedia.org/wiki/File:Harappa.jpg>



Mohenjodaro

Source:

[https://commons.wikimedia.org/wiki/File:Mohenjodaro - view of the stupa mound.JPG](https://commons.wikimedia.org/wiki/File:Mohenjodaro_-_view_of_the_stupa_mound.JPG)

The civilisation had established commercial connections with Mesopotamia and traded in gold, silver, copper, coloured gemstones, beads, pearls, sea shells, terracotta pots, etc.

The period was marked by substantial commercial activities and urban development. Political economy and military security during ancient times united most of the Indian subcontinent and trade regulations were carefully planned. There were diverse types of coins and weighing practices which used to vary from place to place with the help of money changers and by resorting to certain commonly accepted weights and measures.

2. Indigenous Banking System

As economic life progressed, metals began to supplement other commodities as money because of its durability and divisibility. As money served as a medium of exchange, the introduction of metallic money and its use accelerated economic activities. Documents such as Hundi and Chitti were in use for carrying out transactions in which money passed from hand to hand.

Hundi as an instrument of exchange, which was prominent in the subcontinent.

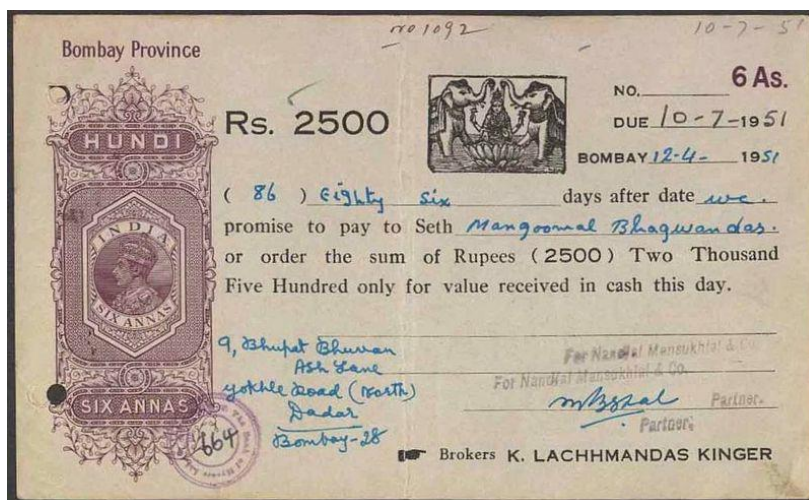
It involved a contract which —

(i) warrant the payment of money, the promise or order which is unconditional

- warrant the payment of money, the promise or order which is unconditional

(ii) capable of change through transfer by valid negotiation.

- capable of change through transfer by valid negotiation.



HUNDI

source:

https://commons.wikimedia.org/wiki/File:1951_Bombay_Province_Rs_2500_Hundi.jpg

There are various types of Hundis broadly classified under Darshani and Muddati explained below:

Hundi as practised by Indian Merchant Communities		
Name of Hundi	Broader Classification	Functions of Hundi
<i>Dhant-jog</i>	<i>Darshani</i>	Payable to any person—no liability over who received payment.
<i>Sah-jog</i>	<i>Darshani</i>	Payable to a specific person, someone 'respectable'. Liability over who received payment.
<i>Firman-jog</i>	<i>Darshani</i>	<i>Hundi</i> made payable to order.
<i>Dekhar-har</i>	<i>Darshani</i>	Payable to the presenter or bearer.
<i>Dhant-jog</i>	<i>Muddati</i>	Payable to any person—no liability over who received payment, but payment over a fixed term.
<i>Firman-jog</i>	<i>Muddati</i>	<i>Hundi</i> made payable to order following a fixed term.
<i>Jokhmi</i>	<i>Muddati</i>	Drawn against dispatched goods. If goods lost in transit, the drawer or holder bears the costs, and the Drawee carries no liability.

Indigenous banking system played a prominent role in lending money and financing domestic and foreign trade with currency and letter of credit.

With the development of banking, people began to deposit precious metals with lending individuals functioning as bankers or Seths, and money became an instrument for supplying the manufacturers with a means of producing more goods.

Workshops (Karkhana) were prominent where skilled artisans worked and converted raw materials into finished goods which were high in demand. Family-based apprenticeship system was in practice and duly followed in acquiring trade-specific skills. The artisans, craftsmen and skilled labourers of different kinds learnt and developed skills and knowledge, which were passed on from one generation to another.

3. Rise of Intermediaries

Intermediaries played a prominent role in the promotion of trade. They provided considerable financial security to the manufacturers by assuming responsibility for the risks involved, especially in foreign trade.

It comprised commission agents, brokers and distributors both for wholesale and retail goods. An expanding trade brought in huge amounts of silver bullion into Asia and a large share of that bullion gravitated towards India. The institution of Jagat Seths also developed and exercised great influence during the Mughal period and the days of the East India Company. Bankers began to act as trustees and executors of endowments. Foreign trade was financed by

loans. However, the rate of interest for longer voyages was kept high in view of the huge risk involved. The emergence of credit transactions and availability of loans and advances enhanced commercial operations.

The Indian subcontinent enjoyed the fruits of favourable balance of trade, where exports exceeded imports with large margins and the indigenous banking system benefitted the manufacturers, traders and merchants with additional capital funds for expansion and development. Commercial and Industrial banks later evolved to finance trade and commerce and agricultural banks to provide both short-and long-term loans to finance agriculturists.

4. Transport

Transport by land and water was popular in the ancient times. Trade was maintained by both land and sea. Roads as a means of communication had assumed key importance in the entire process of growth, particularly of the inland trade and for trade over land. The northern roadway route is believed to have stretched originally from Bengal to Taxila. There were also trade routes in the south spreading east and west. Trade routes were structurally wide and suitable for speed and safety.

Maritime trade was another important branch of global trade network. Malabar Coast, on which Muziris is situated, has a long history of international maritime trade going back to the era of the Roman Empire. Pepper was particularly valued in the Roman Empire and was known as 'Black Gold'. For centuries, it remained the reason for rivalry and conflict between various empires and trade powers to dominate the route for this trade. It was in the search for an alternate route to India for spices that led to the discovery of America by Columbus in the closing years of 15th century and also brought Vasco da Gama to the shores of Malabar in 1498.

Calicut was such a bustling emporium that it was even visited by Chinese ships to acquire items, like frankincense (essential oil) and myrrh (fragrant resin used in perfumes, medicines) from the Middle East, as well as, pepper, diamonds, pearls and cotton from India. On the Coromandel Coast, Pulicat was a major port in the 17th century. Textiles were the principal export from Pulicat to Southeast Asia.

5. Trading Communities Strengthened

In different parts of the country, different communities dominated trade. Punjabi and Multani merchants handled business in the northern region, while the Bhats managed the trade in the

states of Gujarat and Rajasthan. In western India, these groups were called Mahajan, Chhatis were important traders from the South. In urban centres, such as Ahmedabad the Mahajan community collectively represented by their chief called nagarseth. Other urban groups included professional classes, such as hakim and vaid (physician), wakil (Lawyer), pundit or mulla (teachers), painters, musicians, calligraphers, etc.

6. Merchant Corporations

The merchant community also derived power and prestige from guilds, which were autonomous corporations formed to protect the interests of the traders. These corporations, organised on formal basis, framed their own rules of membership and professional code of conduct, which even kings were supposed to accept and respect. Trade and industry taxes were also a major source of revenue. Traders had to pay octroi duties that were levied on most of the imported articles at varying rates. They were paid either in cash or in kind. Customs duties varied according to the commodities. Tariffs varied from province to province. The ferry tax was another source of income generation.

It had to be paid for passengers, goods, cattle and carts. The right to receive the labour tax was usually transferred to the local bodies.

The guild chief dealt directly with the king or tax collectors and settled the market toll on behalf of its fellow merchants at a fixed sum of money. The guild merchants also acted as custodians of religious interests. They undertook the task of building temples and made donations by levying a corporate tax on their members. The commercial activity, thus, enabled big merchants to gain power in the society

7. Major Trade Centres

There were all kinds of towns—port towns, manufacturing towns, mercantile towns, the sacred centres and pilgrimage towns. Their existence is an index of prosperity of merchant communities and professional classes.

The following were the leading trade centres in ancient India:

1. Pataliputra: Known as Patna today. It was not only a commercial town, but also a major centre for export of stones.



Source:

https://commons.wikimedia.org/wiki/File:Pataliputra_Kumrahar_coping_stone_with_vines.jpg

2. Peshawar: It was an important exporting centre for wool and for the import of horses. It had a huge share in commercial transactions between India, China and Rome in the first century A.D.
3. Taxila: It served as a major centre on the important land route between India and Central Asia. It was also a city of financial and commercial banks. The city occupied an important place as a Buddhist centre of learning. The famous Taxila University flourished here.

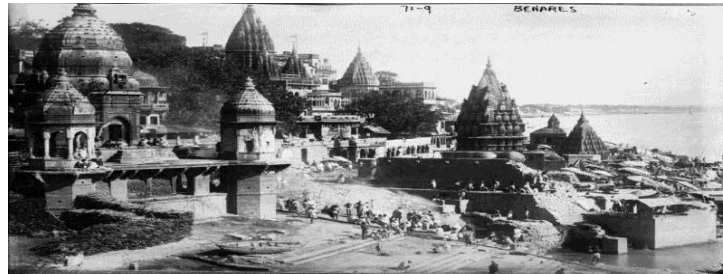


Source:

https://commons.wikimedia.org/wiki/File:Taxila_Remains_of_ancient_times.JPG

4. Indraprastha: It was the commercial junction on the royal road where most routes leading to the east, west, south and north converged.
5. Mathura: It was an emporium of trade and people here subsisted on commerce. Many routes from South India touched Mathura and Broach.

6. Varanasi: It was well placed as it lay both on the Gangetic route and on the highway that linked North with the East. It grew as a major centre of textile industry and became famous for beautiful gold silk cloth and sandalwood workmanship. It had links with Taxila and Bharuch.



Source:

[https://commons.wikimedia.org/wiki/File:Benares \(Varanasi, India\) - 1922.jpg](https://commons.wikimedia.org/wiki/File:Benares_(Varanasi,_India)_-1922.jpg)

7. Mithila: The traders of Mithila crossed the seas by boats, through the Bay of Bengal to the South China Sea, and traded at ports on the islands of Java, Sumatra and Borneo. Mithila established trading colonies in South China, especially in Yunnan.
8. Ujjain: Agate, carnelian, muslin and mallow cloth were exported from Ujjain to different centres. It also had trade relations through the land route with Taxila and Peshawar.
9. Surat: It was the emporium of western trade during the Mughal period. Textiles of Surat were famous for their gold borders (zari). It is noteworthy that Surat hundi was honoured in far off markets of Egypt and Iran.



Source:

[https://commons.wikimedia.org/wiki/File:General View of Surat India in 1900.jpg](https://commons.wikimedia.org/wiki/File:General_View_of_Surat_India_in_1900.jpg)

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10. Kanchi: Today known as Kanchipuram, it was here that the Chinese used to come in foreign ships to purchase pearls, glass and rare stones and in return they sold gold and silk.
 11. Madura: It was the capital of the Pandayas who controlled the pearl fisheries of the Gulf of Mannar. It attracted foreign merchants, particularly Romans, for carrying out overseas trade.
 12. Broach: It was the greatest seat of commerce in Western India. It was situated on the banks of river Narmada and was linked with all important marts by roadways.
 13. Kaveripatta: Also known as Kaveripatnam, it was scientific in its construction as a city and provided loading, unloading and strong facilities of merchandise. Foreign traders had their headquarters in this city. It was a convenient place for trade with Malaysia, Indonesia, China and the Far East. It was the centre of trade for perfumes, cosmetics, scents, silk, wool, cotton, corals, pearls, gold and precious stones; and also for ship building.
 14. Tamralipti: It was one of the greatest ports connected both by sea and land with the West and the Far East. It was linked by road to Banaras and Taxila.

8. Major Exports and Imports

Exports consisted of spices, wheat, sugar, indigo, opium, sesame oil, cotton, parrot, live animals and animal products—hides, skin, furs, horns, tortoise shells, pearls, sapphires, quartz, crystal, lapis, lazuli, granites, turquoise and copper etc.

Imports included horses, animal products, Chinese silk, flax and linen, wine, gold, silver, tin, copper, lead, rubies, coral, glass, amber, etc.

9. Position of Indian Subcontinent in World Economy (1 AD up to 1991)

Between the 1st and the 7th centuries CE, India is estimated to have the largest economy of the ancient and medieval world, controlling about one third and one-fourth of the world's wealth (timeline). The country was often referred to as 'Swaranbhumi' and 'Swarndweep' in the writings of many travellers, such as Megasthenes, Faxian (Fa Hien), Xuanzang (Huen Tsang),

Al Beruni (11th century), Ibn Batuta (11th century), Frenchman Francois (17th century) and others. They repeatedly refer to the prosperity of the country.

The pre-colonial period in Indian history was an age of prosperity for Indian economy and made the Europeans embark great voyage of discovery. Initially, they came to plunder but soon realised the rewards of trade in exchange of gold and silver. Despite the growing commercial sector, it is evident that the 18th century India was far behind Western Europe in technology, innovation and ideas. With the increasing control of the East India Company causing lack of freedom and no occurrence of agricultural and scientific revolution, limited reach of education to the masses, population growth and preference to machines over manual skills made India a country which was prosperous but with people who were poor.

The British empire began to take roots in India in the mid– 18th century. The East India Company used revenues generated by the provinces under its rule for purchasing Indian raw materials, spices and goods. Hence, the continuous inflow of bullion that used to come on account of foreign trade stopped. This changed the condition of the Indian economy from being an exporter of processed goods to the exporter of raw materials and buyer of manufactured goods.

10. India begins to Reindustrialise

After Independence, the process of rebuilding the economy started and India went for centralised planning. The First Five Year Plan was implemented in 1952. Due importance was given to the establishment of modern industries, modern technological and scientific institutes, space and nuclear programmes. Despite these efforts, the Indian economy could not develop at a rapid pace. Lack of capital formation, rise in population, huge expenditure on defence and inadequate infrastructure were the major reasons. As a result, India relied heavily on borrowings from foreign sources and finally, agreed to economic liberalisation in 1991.

The Indian economy is one of the fastest growing economies in the world today and a preferred FDI destination. Rising incomes, savings, investment opportunities, increased domestic consumption and younger population ensures growth for decades to come. The high growth sectors have been identified, which are likely to grow at a rapid pace world over and the recent initiatives of the Government of India such as ‘Make in India’, Skill India’, ‘Digital India’ and roll out of the Foreign Trade Policy (FTP 2015-20) is expected to help the economy in terms of exports and imports and trade balance.

According to “*B.R. Tomlison*”, Indian entrepreneurs began to set up their own modern textile mills after 1850 and, gradually, began to recapture the domestic market. In 1896, Indian mills supplied 8% of the total cloth consumed in India, 20% in 1913, 62% in 1936 and 76% in

1945. Thus, during 1913-1938 India's manufacturing output grew 5.6% during per year, which was above the world average of 3.3%. The British government, finally, provided tariff protection from 1920s, which helped industrialists to expand and diversify. By the time of Independence in 1947, Indian entrepreneurs were strong enough and in a position to buy the businesses of departing British. Industry's share in India's GDP had doubled from 3.18% in 1913 to 7.5% in 1947 and the share of manufacturers in exports rose from 22.4% to 30% for the years 1913 and 1947, respectively.

Source: B.R. Tomlison, The Economy of Modern India 1870-1970, The New Cambridge History of India, Volume 3.3. Cambridge University Press, 1996.

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The period was marked by substantial commercial activities and urban development. Indigenous banking system played a prominent role in lending money and financing domestic and foreign trade with currency and letter of credit.

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Pataliputra, Taxila, Indraprastha, Mathura, Varanasi, Mithila, Ujjain, Surat, Kanchi, Madura, Broach, Kaveripatta, Tamralipti were the leading trade centres in ancient India.

Exports consisted of spices, wheat, sugar, indigo, opium, sesame oil, cotton, parrot, live animals and animal products—hides, skin, furs, horns, tortoise shells, pearls, sapphires, quartz, crystal, lapis, lazuli, granites, turquoise and copper etc.

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