

**Title:** *Revisiting the 'Great Firm' theory of Mughal decline: The Haribhakti family and banking households in western India, c. 1750-1818*

**Abstract:**

Characterizing major transformations in Indian state and society during the twilight of the Mughal Empire (1707-1793), the emergence of regional successor polities (1721-1818), and the consolidation of British colonial rule (1757-1858) has engaged historians of South Asia since the publication of Irfan Habib's landmark study *The Agrarian System of Mughal India* in 1963. Drawing on royal chronicles and state revenue documents, Habib argued that the Mughal state extorted the entire surplus produced by peasants reducing them to low levels of subsistence. As a response, peasants revolted leading to the birth of new regional polities across the subcontinent. Over the past fifty years, various scholars have responded to Habib's contention. Historians of Mughal India have offered new theories of imperial crisis or have rejected the decline thesis altogether while scholars of the early colonial period have paid attention to how mercantilist regimes like the British East India Company infiltrated South Asian political economy paving the way for colonial rule. While these studies are invaluable, they are inadequate for analyzing regional societies in political transition because they rely too heavily on documentation produced by mature state bureaucracies. As a result, scholarly work on how regional polities emerged during the eighteenth century from the viewpoint of local actors remains long overdue.

In my dissertation, I hope to address this lacuna by investigating how an upwardly mobile warlord lineage called the Gaekwads became one of the largest and richest post-Mughal successor states in India. My preliminary work suggests that the Gaekwads were able to form a state by leveraging capital advanced to them by an increasingly powerful class of merchants turned financiers. In addition to reading Mughal, colonial, and Gaekwad primary sources, my main focus will be studying the hitherto unexamined papers of the most influential of these banking/financier firms, the Haribhaktis. Established in 1762 by brothers Hari and Bhakti, this family firm became indispensable to the economic, political and social life of the fledgling Gaekwad state. The *Haribhakti Collection* was donated to the Department of History archives at the University of Baroda between 1983-87 and contains several thousand documents of various kinds. In this paper, I shall advocate studying the artifacts from the *Haribhakti Collection* as 'material texts'. Old account books and loan ledgers are written on handmade paper and are beautifully bound in leather cases. Private letters are on flat scrolls four inches wide and several feet long. Various writing conventions are also worth noticing. For example, account books have symbolic invocations to Hindu deities while financial instruments like loan agreements and promissory notes have no margins minimizing the chances of forgery through additions. Other texts like dowry contracts have pressed seals and other physical features indicating the key role

that material texts performed in reproducing social relations. How should we analyze relationships between technologies of object production, embodied form of texts, networks of circulation, genealogies of ownership, and scribal patterns as they relate to reading cultures?

In addition, evidence from my primary source archive will allow me to revisit the ‘Great Firm’ theory of Mughal decline. In a seminal article published in 1979, Karen Leonard put forth a hypothesis regarding the downfall of the Mughal Empire.<sup>1</sup> Her ‘Great Firm’ theory of Mughal decline suggested that when large, autonomous banking firms across the Indian subcontinent began withdrawing essential financial services from imperial officials and noblemen in the late-seventeenth century, the Mughal agrarian economy and fiscal apparatus could no longer be sustained. Gradually, the imperial edifice gave way to fledgling groups like the Maratha marauders in the Deccan, ethno-religious agrarian orders like the Sikhs in the Punjab, and European mercantile companies including the British East India Company in Bengal. According to Leonard, in trying to secure a material basis for perpetuating their own social orders, these regional groups relied on the financial resources and services of the very same ‘Great Firms’ that used to back the mighty Mughals. Even though Leonard’s idea could not be corroborated due to lack of evidence, her theory was nonetheless provocative. It was criticized and challenged soon after by preeminent historian of Mughal India John F. Richards.<sup>2</sup>

From Richards’s point of view, the notion of a ‘Great Firm’ is not useful as a unit of analysis because many types of financial agents existed and were implicated *within* the Mughal administrative apparatus. The Empire was financially secure, and officials and noblemen could withdraw necessary funds from the imperial treasury by approaching the various official mints based in the localities. Royal orders sent from the king’s court conferred titles on individual moneychangers, assayers, minters, and other financial professionals. This suggests that the imperial center was well aware of and controlled activities of financial specialists. As such, no independent ‘Great Firms’ could have existed in the sixteenth and seventeenth centuries. Richards’s analysis of the primary and secondary sources leads him to conclude that the financial and administrative drain caused by the long and uncertain Deccan Wars from the 1690s created the space for foreign mercantile groups to implicate themselves in the political economy of late-medieval South Asia. Small banking firms were formed as a *byproduct* of alliances with Europeans, and the increasing demand for Indian textiles in the international economy during the eighteenth-century allowed these firms to consolidate resources and grow in size and strength. According to Richards, the ‘Great Firms’ of the early eighteenth century were certainly not great,

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<sup>1</sup> Leonard, Karen. 1979. “The ‘Great Firm’ Theory of the Decline of the Mughal Empire.” *Comparative Studies in Society and History* 21 (2), pp. 151-167.

<sup>2</sup> Richards, J. F. 1981. “Mughal State Finance and the Premodern World Economy.” *Comparative Studies in Society and History* 23 (2), pp. 285-308.

nor did they have antecedents in the Mughal economy of earlier centuries. Banking firms were new and were made possible by fortuitous circumstances after 1690s.

In the same journal issue, Leonard replied to Richards's critique by highlighting some of the key assumptions that he was working with.<sup>3</sup> First, she suggested that his 'state finance' theory overemphasized the Mughal accumulation of capital at the expense of the very important credit system developed and controlled by bankers and other financial specialists. Second, by repeating the normative goals of the empire as outlined in court-produced Persian chronicles (e.g. obtaining treasure, appointing and monitoring officials, and regulating the economy by demanding revenue), Richards's analysis tells us little about how money was valued, circulated, and deployed by other agents. Even prominent scholars who agree with Richards's position that the Mughal Empire was highly centralized and self-sufficient duly acknowledge the crucial role that financial intermediaries and bankers played in day-to-day activities.<sup>4</sup> Finally, the 'state finance' model advocated by Richards did not integrate the minute workings of the economy and administration. As a result, it was unable to provide a diachronically sensitive alternative to why such a powerful empire collapsed.

Apart from occasional references to the points of contention at hand, the Leonard-Richards debate lost steam in subsequent years. Even today, Leonard's hypothesis remains untested, and the larger significance of each author's position stands unresolved. Because evidence from the archives of banking firms has been elusive, such a provocative thesis has not attracted the scholarly attention it deserves. As such, materials from the *Haribhakti Collection* are a valuable resource for revisiting and empirically assessing the role that banking firms played in a moment of historical transition.

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<sup>3</sup> Leonard, Karen. 1981. "Indigenous Banking Firms in Mughal India: A Reply." *Comparative Studies in Society and History* 23 (2), pp. 309-313.

<sup>4</sup> Qaisar, A. Jan. 1974. "The role of brokers in medieval India" in *The Indian Historical Review* 1 (2), pp. 230-31; Habib, Irfan. 1960. "Banking in Mughal India" in *Contributions to Indian Economic History* 1, pp. 1-20.