

THE MONETISATION OF NEPAL IN THE SEVENTEENTH CENTURY

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The monetisation of Nepal from about 1600 AD is a subject that has not been adequately addressed by Nepalese historians. This paper is merely an initial study, and will raise more questions than it answers.

Before considering the situation in Nepal, it is worth looking at the currency systems that operated in northern India in the territory immediately bordering on Nepal, most of which was part of the Moghul empire.

The currency system of Moghul India has received much attention recently¹ and may be summarised as follows. During the late sixteenth century, including most of the reign of Akbar (1556-1605), a trimetallic system operated, largely following the bimetallic system (copper and silver) instigated by Sher Shah (1538-45). Copper dams provided the coinage of the common man and local trade, silver rupees the coinage of bulk transactions and long distance trade, while gold was used primarily for storage of wealth and for ceremonial purposes. The copper coins being mainly for local use, often did not travel far from their place of issue, which is to be expected, as silver would have been so much easier to transport than copper. On the other hand, there were relatively few sources of copper in Moghul India, and coins were often struck near the mines, and then transported, probably officially, to their place of issue elsewhere in the Empire²; for

¹ e. g. J.F. Richards (ed.), *The Imperial Monetary System of Moghal India*, OUP Delhi, 1987.

² Some hoards of Moghul copper coins are almost exclusively of one mint, e g. a hoard of 100 copper dams of Akbar of Srinager mint published by Rhodes (JNSI 1985, pp. 52-7) and

example the mint at Dogaon, just south of Nepalgunj on the Nepalese border, was operated sporadically between c. 1561-1643 to strike copper from mines located in the hills. Some areas of the Empire, such as Bengal, had no copper coins at all, for reasons that are not well understood. In Bengal, cowrie shells or nuts³ may have circulated as the coinage of the common man, but it is not certain to what extent, and whether these or similar non-metallic token currencies circulated in other areas when copper coins were not used.

During the sixteenth and seventeenth centuries, silver was brought to India in large quantities by European traders. This silver mainly came from the treasure brought from America by the Spanish. As a result, whereas silver had been hardly used as coin in India up to the first quarter of the sixteenth century, Akbar was able to strike a long series of fine silver rupees. Taxes were often collected in coin, and as revenue rates were expressed in dams until the end of the sixteenth century, taxes were probably collected largely in copper, as they had been during the previous centuries of silver shortage.

Towards the end of Akbar's reign, the output of copper coin was reduced, and for the next century, with a few notable exceptions⁴, copper coins were rarely struck in Moghul mints. Revenue rates were now expressed in rupees and annas, and although copper coins, the coinage of the common man, ceased to be struck in quantity, no small silver denominations were struck to replace them, so what did the common man use in his daily transactions?⁵ This question has not yet been satisfactorily answered. Perhaps there was a sufficient supply of the copper dams of Akbar and his predecessors to provide for the needs of local currency, so the absence of newly struck copper coins did not mean that copper ceased to circulate? Perhaps local landowners preferred not to have minor denominations circulating among the tenants of their land, so that the common people

a large unpublished hoard from which Robert Tye acquired a random selection of about 250 pieces, of which about 90% were from the Bahraich mint, even though the coins had clearly seen many years of use. On the other hand, two hoards in Lukhnow Museum analysed by John Deyell in his article on Akbar's Currency System (J.F. Richards, op. cit. pp. 48-58) had a much wider range of mints, but no coins of Bahraich and only one of Srinager.

³ The English traveller, Ralph Fitch, who visited Cooch Behar in 1585 noted that "their small money is almonds, which oftentimes they use to eat."

⁴ e. g. the mints of Elichpur and Machhlipatan, which struck large quantities of copper coins.

⁵ Irfan Habib's suggestion in his article entitled "A System of Trimetallism" (in J.F. Richards, op. cit. p. 159) that minor silver denominations such as the anna came into general use during the reign of Shahjahan is certainly incorrect; anyone who has ever collected Moghul coins will know that these minor denominations are of very great rarity, and can only have been struck as monnaies de largesse.

would be dependant to them to provide the necessities of life? The existence of readily convertible minor denomination coins is probably a prerequisite of free markets to which peasants can bring their goods and produce for unrestricted sale. If the marketing of produce was retained in the hands of landowners or monopoly traders, there would be little need for small change, and the local economy could exist on barter and credit. Hence, absence of small change may, in the Moghul context, imply some monopoly control over local marketing.

From the mid-sixteenth century, the increasing supply of silver meant that both gold and copper rose in value in rupee terms. Whereas a rupee was worth 48 dams around 1560, it had fallen to 40 dams by 1583, and to about 25 dams by about 1630. This increase in the relative value of copper was probably the reason behind the abandonment of the bimetallic currency system for common use in the seventeenth century.

Having looked at the situation in Northern India, how about Nepal? During the sixteenth century very few coins were struck in Nepal. Copper coins may have been struck in Kathmandu during the early sixteenth century, but little evidence of the use of these pieces has survived.⁶ At this time larger sums of money were expressed in terms of Damma-sivaka, which was a unit of account that had been used since about 1350, although no coins are known to have been struck representing such a sum of money.⁷ How such transactions were conducted in practice remains uncertain; perhaps certain everyday articles, such as areca nuts, or a fixed measure of rice, had a fixed and widely accepted value?

Perhaps coins imported from the plains circulated at accepted values? What can be said is that in enclosed communities, such as exist in Nepal, "only strangers need coin - people who know each other can do without".⁸

During the second half of the sixteenth century a few silver tankas were struck in Kathmandu and Dolakha, and prices in documents were now expressed in tankas. The extent to which these coins circulated and played an important role in the economic life of Nepal is uncertain, but their rarity tends to indicate that their use was limited.

After 1600, and particularly after 1640, silver coins were struck on a much larger scale, and it is interesting to see that, in contrast to the currency of Moghul India, small

⁶ N.G. Rhodes, K. Gabrisch & C. Valdetaro, *The Coinage of Nepal*, London 1989, p. 54.

⁷ N. G. Rhodes et al., *op. cit.* p. 54.

⁸ Dr C.E. Challis.

silver coins were struck to provide a coinage that could be used for everyday transactions.⁹ For even smaller transaction cowrie shells could be used, and 10 shells were equivalent to 1 dam.¹⁰ These shells may have been used in earlier periods, before coins were widely used, but I know of no evidence. The source of this silver is easy to find - it was the profit derived from the trade that passed between India and Tibet - but the political motivation behind this coinage and the economic effect on the country are less obvious. Indeed this transition from a coinless economy in the seventeenth century must have had a dramatic effect on everyday life in Nepal.

First of all a few words about government sources of revenue at this period. Traditionally two types of taxes were paid by the people of the Valley. First a share of the grain crop was demanded, and secondly there was a labour (jhara) tax, whereby every landholder was required to provide a certain number of days labour on public projects. No cash taxes seem to have levied on the peasants during the Malla period,¹¹ a situation that applied both before and after the introduction of coinage, although I would not like to rule out the possibility that the right existed to settle tax in coin.

One tax has been identified that was payable in cash, a customs duty of nine mahendramalli (15 mahendramalli for muslims and non-nationals) payable on each man-load imported from India and Tibet. This tax had to be paid in Nepalese currency, so that merchants had to take their Indian rupees to the mint to have them converted into Nepalese coin so that the taxes could be paid. In addition the Malla governments made profits in cash from the arrangement with Tibet, whereby fine silver ingots brought from Tibet were exchanged for debased coins struck in Nepal.

The cash raised by Government was then used, among other things, to finance the building of fine temples. Fr Stiller has pointed out that the bricks could be made and laid using jhara labour, wood could be felled and brought to the valley using jhara labour, and carved by specialist artisans paid in grain out of the government's share of the crop. Even some of the metal work could be produced by paying miners and metal workers in grain. Gold for gilding, however, certainly had to be imported from Tibet and paid for in cash,

⁹ The minute silver dam and jawa are the smallest coins ever struck in the world, weighing 0.04 gm and 0.01 gm respectively. It is probable that the Nepalese had observed the breakdown of the bimetallic system in India, because of the relative fall in the value of silver, and chose to adopt a monometallic system of currency.

¹⁰ Letter from Giuseppe di Ascoli, dated Feb. 1707. cf Rhodes et al., op. cit. p. 60.

¹¹ The articles by Fr. Stiller entitled "Cash Resources of the Malla Kings and Malla Period Temples" (*Nepalese Cultural Heritage in a Nutshell, Kathmandu, 1978*, pp. 77-85) provide many interesting ideas regarding the sources and uses of coins during the Malla Period.

and some workers may have been paid in cash during the seventeenth century and later. It is certainly true that much more public building was undertaken in the Valley during the seventeenth and eighteenth centuries than had been undertaken earlier, and this may have been made possible by paying for full-time labourers in cash, rather than relying on jhara labour.

However, cash cannot have been a monopoly of government. The contractors who collected the customs duties were rewarded by being able to retain a share of duties levied. Labourers paid in cash had to purchase the necessities of life. Travelling merchants may have brought goods for sale, and probably also paid in cash for living expenses and other trade goods, and indeed the presence of such strangers in the Valley may have provided the political impetus to issue coins in the first place. The political and economic effect of the coinage that entered the economy must have permeated throughout society, enabling the farmer to sell surplus grain for cash as well as exchanging it for other local produce. Wealth could be stored for future use and, more importantly, specialist artisans could be paid in cash for work done, rather than merely being paid with food and other necessities of life. Such artisans could be much more independent of their patrons than had been possible before. Markets must have changed their character significantly, with much greater flexibility in trading patterns, particularly as the minute silver coins meant that cash could be used for small purchases as well as large ones.

Wealth accumulated and stored in coin form probably allowed easier purchase and sale of land, and hence, perhaps, greater economic mobility within the rigid caste structure, allowing much finer private houses to be built by successful traders and other businessmen.

The monetization of Nepal in the sixteenth century became possible as a result of the increased transit between India and Tibet through Nepal, and permitted some of the new wealth generated by that trade to be passed down through more layers of society than would have been possible if small denomination coins were not used. In Moghul India, after Akbar's time, with few coins circulating with a value less than a rupee, it must have been much harder for the common man to accumulate wealth, and hence acquire independence. No doubt there were winners and losers in the game of life, but I feel that the currency system that developed in the seventeenth century played an important, and as yet only partly understood, role in the political and economic development of the Kathmandu Valley.

Finally I should like to express my thanks to Robert Tye for stimulating me to write this article and for providing many useful ideas.