

While coinage has long been recognized as the predominant medium of exchange, historical evidence reveals the widespread use of alternative instruments such as *hundi* (bills of exchange), *adeshas* (orders of payment), and various other mechanisms that facilitated trade and credit, particularly in contexts where physical currency was either impractical or unavailable. Additionally, commodities like spices, cowries, livestock, and metal ingots often functioned as media of exchange, reflecting the region's complex and adaptive economic practices. These alternative forms of money not only underpinned commercial transactions across vast distances but also played a critical role in administrative and governmental finance.

A key component of the alternative monetary system in South Asia was the *hundi*, a form of bill of exchange that played a crucial role in both trade and governance, particularly by facilitating long-distance transactions in the absence of physical currency. A *hundi* functioned as a financial order issued by one individual, instructing the payment of a specified sum to another at a predetermined future date. The Reserve Bank of India defines *hundi* as an unconditional order in writing made by a person directing another to pay a certain sum of money to a person named in the order. In lexicons the word has both masculine and feminine implications: while the masculine form of the word denotes *pinditodanah*, i.e. a heap or lump of rice, in the feminine perspective the very word *hundika* (feminine) means/signifies an assignment, order, bond, or bill of exchange (Monier-Williams 1960, 1301). Kshemendra in his *Lokaprakasha* (eleventh century), Kalhana in his *Rajatarangini* (twelfth century), and Muhammad Da'ud Shadiyabadi in his Persian lexicon *Miftahul-Fuzala* (1469 CE) not only acknowledge but also attest to *hundis* and/or *hundikas* facilitating trade and financial transactions. Though the use of *hundi* or *hundika* as a bill of exchange serving as a crucial financial instrument is explicit from the eleventh-twelfth century onwards, the process of evolution of such payments in credit or such transfer and exchanges were already prevalent in the earlier times. Hence it is important to consider some of the earlier forms which led to the emergence of a more structured and official system of *hundika* which formalised it as an instrument of financial or monetary transactions.

Historical sources indicate that, mechanisms of financial exchange involving orders and assignments were in use during the Early Historic (c.600 BCE–300 CE) and Threshold periods (c. 300–600 CE), Fig.1. Kautiliya in his *Arthashastra* uses the term *adesha* with the financial implication that it functioned as an instrument for facilitating monetary transaction through written instructions or order. One looks at the usage of the term *adesha* in the *Arthashastra* in similar context with other words of similar implications like *upanidhi* (deposits), *adhi* (pledges), *anvadhī* (commission/assignments), *nikshepa* (consignments), etc., which beyond any doubt reflects its use in the early historic times as a highly influential instrument of transaction (Kautilya's *Arthashastra* 3.12; Kangle 1972, 230–5; Olivelle 2013, 205–7). Here, in this context it is imperative to bring in Ranabir Chakrabarti's opinion of *adesha* as a form of alternative money (Chakrabarti 2019, 221–38) which might be reconsidered in the light of Kautilya's *Arthashastra*. *Adesha* as an instrument helped or facilitated smooth transactions,

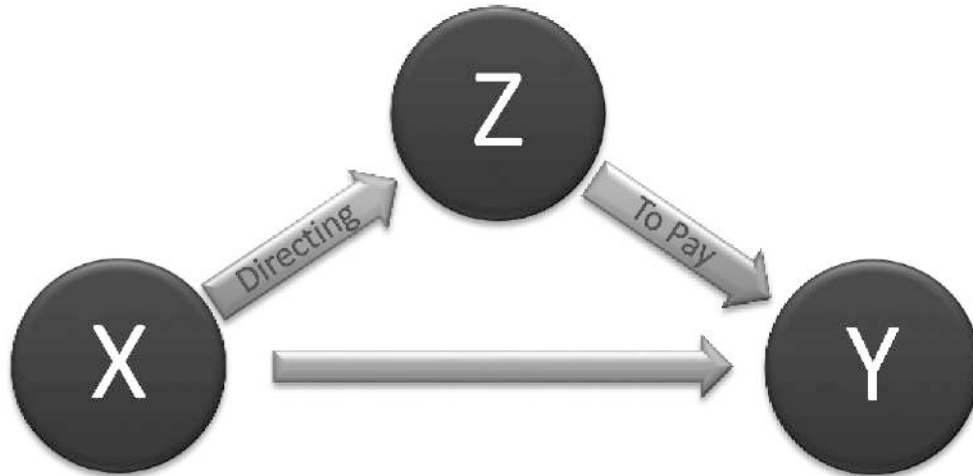


Fig.1: Transfer of money from one account to another account by order/assignment

especially in case of long-distance transactions involving money but not direct financial exchanges. Hence, it allowed for a more complex transaction wherein the money involved was not physical but through an order; in other words, the transfer took place as money of count rather than physical money. In this context, Patrick Olivelle's interpretation of *adesha* as a directive instructing someone to perform a task at a distant location can provide a different perspective to the scenario and helping distinguishing it from *anvadhī*, which involves the physical transfer of an item to another person for delivery (Olivelle, 2013, 611). *Anvadhī*, on one hand, has the implication of a courier whereas *adesha* has the implication of monetary transactions in a cashless form. Following Kangle's interpretation, Olivelle further emphasizes *adesha* as an order given to an individual to execute a function remotely (Kangle 1972, 231–2; Olivelle 2013, 585); the mechanism suggests a structured approach to financial transactions, where monetary obligations could be fulfilled without direct physical exchange. Additionally, the *Arthashastra* highlights practices such as sales and purchases through agents (Kautilya's *Arthashastra* 3.12.25–31; Kangle 1972, 233; Olivelle 2013, 206 and, 4.2.23; Kangle 1972, 261; Olivelle 2013, 228) and the use of storehouses in distant markets for safeguarding merchandise under official supervision (Kautilya's *Arthashastra* 2.16; Kangle 1972, 127–9; Olivelle 2013, 139–40 and 4.2.1; Kangle 1972, 259; Olivelle 2013, 226). These references indicate a well-organised system of trade and commerce, wherein *adesha* functioned as an essential instrument for facilitating economic activities across different locations.

Further insights into early economic transactions can be gleaned from the *Jatakas*, which reveals an early form of transaction based on trust and symbolic instruments of exchange. One notable instance in the *Jataka* narratives involves a *nagara-shresthin* (urban merchant-leader cum-banker) issuing an *anguriya* (ring or token) along with a distinctive mark to one of his subordinates, instructing him to deliver it to a *janapada-shresthin* (rural merchant leader-cum-banker) who was a trusted associate. Upon presenting the *anguriya*, Fig.2, the subordinate received money from the *janapada-shresthin*, thereby completing the transaction (Cowell 1995, 275–77). This suggests that the *anguriya* functioned as an acknowledgment or promissory note for the *janapada-shresthin*, ensuring a secure exchange between merchants. Such a mechanism reflects an early trust-based financial network, similar to the later systems of bills of exchange, which facilitated trade and monetary transactions between merchants across urban and rural areas. This practice underscores the sophistication of early financial instruments that enabled commerce beyond direct cash

transactions, laying the foundation for structured credit systems in ancient economic frameworks.

The role of guilds in managing financial transactions, endowments and loans is also notable

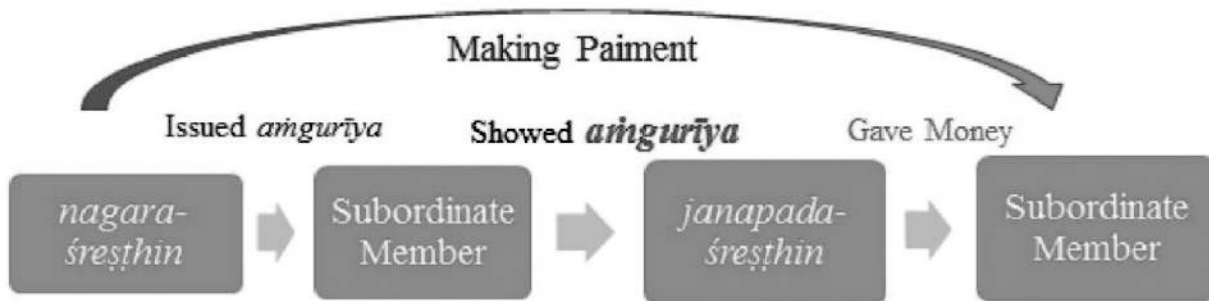


Fig.2: The process of payment, as illustrated in one of the Jataka narratives

in the post-Mauryan period. Inscriptions from Mathura and Nasik reveal that guilds were entrusted with managing large sums of money and allocating interest for specific purposes, such as religious endowments or the provision of goods to Brahmanas and monks. These records not only reflect the growing importance of guilds as financial intermediaries but also suggest a shift toward more organized forms of credit and investment, which were essential for sustaining economic and religious institutions. A Mathura inscription from the second century CE mentions two permanent endowments of 550 silver coins each, entrusted to two guilds for feeding Brahmanas and the poor using the interest generated from the funds (Lüders' List, no. 1180). Similarly, a Nasik inscription from the same period records an endowment of 2,000 *karshapanas* at an interest rate of 1 per cent per month, allocated to a weavers' guild for supplying cloth to *bhikshus* (monks). The same inscription from Nasik details an additional endowment of 1,000 *karshapanas* at a monthly interest rate of 0.75 per cent, provided to another weavers' guild for serving light meals to *bhikshus* (EI VIII, 82). These inscriptions highlight the institutional role of guilds in managing financial resources and facilitating economic transactions for social and religious purposes, reflecting an organised system of credit and investment in the period.

The transaction of money in ancient India, Fig.3, showcases a structured financial system where guilds and banks acted as intermediaries between donors and religious institutions. The process begins with a depositor or donor transferring money to a guild or bank, either as a deposit or with specific instructions for its use. Instead of directly donating the principal amount, the guild invests the money in various economic activities to generate profit and interest. Over time, the accumulated interest is transferred to the designated monastery, ensuring a continuous flow of financial support without depleting the initial deposit. This model reflects an early form of banking and endowment financing, allowing religious institutions to sustain them through recurring income. Additionally, to ensure transparency and accountability, a copy of the financial order was shared with the monastery and sometimes engraved on rock inscriptions, making it a public record. This system not only facilitated wealth circulation but also reinforced the role of guilds in economic and religious patronage in ancient India.

The mercantile community in early India exhibited remarkable fluidity and vibrancy, as evidenced in the records of the Threshold (c. fourth–sixth centuries CE) and Early Medieval period (c. Seventh–thirteenth centuries CE). Seals and sealings from Basarh near Vaishali, Bihar highlight the existence of corporate organizations that brought together various professional groups, including *shresthis* (prominent merchants and bankers), *sarthavahas* (caravan leaders), *kulikas*

Transaction of Money

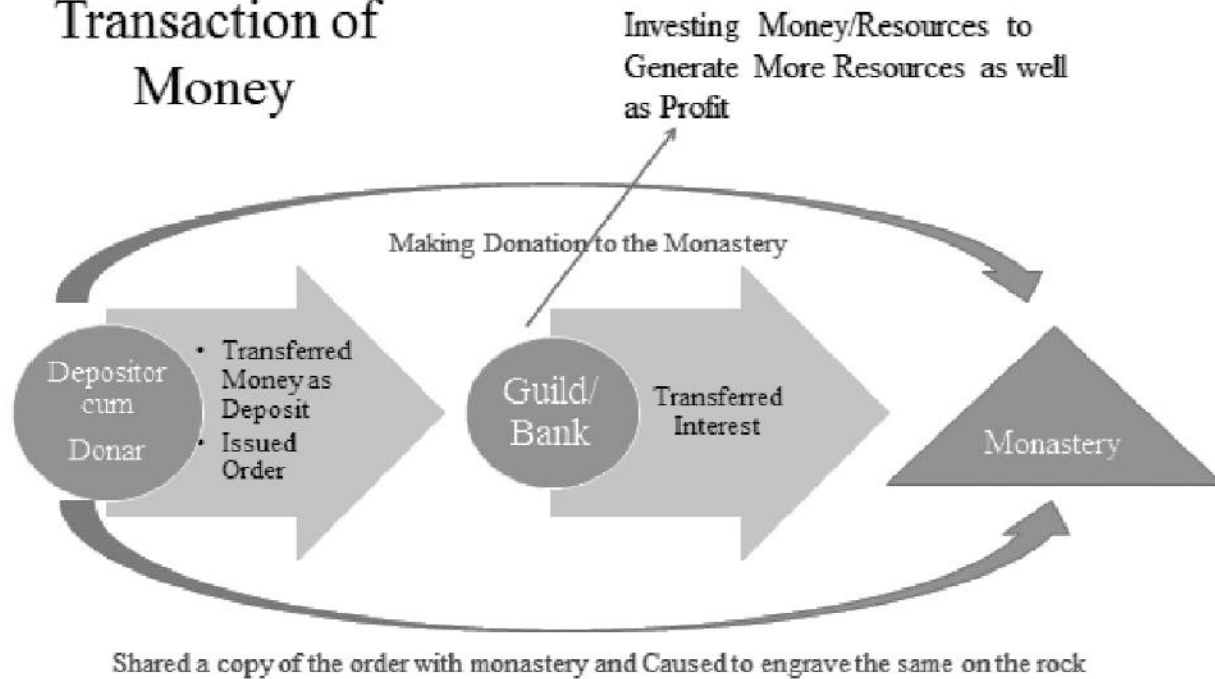


Fig.3: Transaction of money in Ancient India

(artisans), and *prathama-kulikas* (master craftsmen or heads of artisan groups) (Thaplyal 1972, 226–27). The Basarh seals indicate the formation of guild-like structures based on shared professional interests, such as the *shresthi-nigama* and *sarthavaha-nigama*, which were exclusive to merchants and caravan leaders. However, the economic landscape also necessitated collaboration between different professional groups, leading to the establishment of multi-professional corporate bodies. Inscriptions reveal integrated organisations such as the *shresthi-sarthavaha-nigama* (merchants and caravan leaders), *shresthi-sarthavaha-kulika-nigama* (merchants, caravan leaders, and artisans), and *shresthi-sarthavaha-prathama-kulika-nigama* (Archeological Survey of India 1903–4, Nos. 19, 23, 29, 32, pl. XLII, Nos. 39, 40 and 46); (merchants, caravan leaders, and master craftsmen). The formation of such guilds reflects the deep interdependence of various economic actors and their collaborative role in trade, credit transactions, and production.

The heterogeneous nature of the mercantile community is further attested by epigraphic sources, including inscriptions from Anavada, Peheva (*EI* I, 186ff.), and the Vaillabhattasvamin Temple at Gwalior (*ibid*, 160), which document the co-existence and cooperation of diverse professional groups. These inscriptions suggest that economic integration was not only a commercial necessity but also influenced social structures, fostering alliances among different economic classes. The records emphasize cooperative activities, illustrating the active role of merchants, artisans, and traders in shaping financial and commercial networks.

Additionally, inscriptions from Damodarpur (*EI* XV, 128, 130, 131, 133, 142), Siyadoni (*EI*, I, 173ff.), and Anavada highlight the close association of professional groups with ruling and administrative bodies in urban centres (Majumdar 1922, 69). This suggests that economic organizations were not merely autonomous corporate entities but were also deeply embedded in governance and local administration. The interconnected nature of trade, banking, and administration underscores the importance of these professional guilds in sustaining urban economies and facilitating structured financial transactions in early India.

In this context, the case of the merchant Kubera in the literary text *Moharajaparajaya* is particularly significant. The narrative describes how Kubera, a merchant from Anahilavada, deposited his wealth with prominent *naigamas* (merchant associations) before embarking on a trading expedition (Jain 2001, 366). After Kubera's presumed death, four influential merchants - likely representing the *naigamas* - approached the king, requesting the appointment of an official to take stock of his unclaimed property. This incident underscores the role of *naigamas* as financial custodians, ensuring the security of deposits and facilitating economic stability. Commentators on legal texts describe *naigamas* as associations of caravan merchants (*sarthavahadi-samuha*), engaged in long-distance trade using bullock carts. V.K. Jain interprets *naigamas* as corporate entities formed by town merchants involved in international commerce (Jain 2001, 366). The existence of such corporate groups is further reflected in legal digests and commentaries, which mention various terms such as *shreni*, *puga*, *vrata*, *naigama*, and *sangha*, all referring to different types of merchant and artisan guilds. Hemchandra, an eleventh-century scholar, recorded as many as thirty-five terms denoting corporate entities, including *samuha*, *sanghata*, *samudaya*, *mandala*, and *gana* (ibid., 364). While their precise structure and functions may have varied across regions and periods, these organisations played a crucial role in regulating trade, managing financial transactions, and upholding professional interests. There is no doubt that during the early historic and early medieval period, there existed a large number of guilds of both traders and artisans who were united in the interest of their common profession. The persistence of guilds from the early historic to the early medieval period also highlights their significance in facilitating economic exchanges and ensuring financial security through institutional credit and deposit systems.

Building upon the complex networks of guilds and professional corporate groups engaged in monetary transactions, credit operations, financing, and banking, the emergence of *hundi* (or *hundika*) represents a significant development in the institutionalization of financial instruments in early medieval India. These corporate bodies - such as the *shrenis*, *naigamas*, and other merchant associations - had already established mechanisms for regulating trade, securing deposits, and facilitating credit exchanges from the early historic through the early medieval periods. Within this economic framework, the *hundi* evolved by the eleventh-twelfth centuries CE as a more formalized and structured financial instrument, functioning as a bill of exchange that enabled the transfer of funds across regions without the movement of physical currency. However, the precise process through which the *hundi* evolved remains unclear, as direct references to its origin and early development are limited in the available literary and epigraphic sources. Despite this gap, it is noteworthy that earlier periods exhibit the use of financial instruments and practices whose functions were comparable to those of the *hundi*. For example, the concept of *adesha*, referenced in texts such as the *Arthashastra* and the *Lekhapaddhati*, or the concept of *Anguriya* or a token as reflected in the *Jataka* narrative, appear to have facilitated monetary transactions through written orders or verbal instructions rather than physical currency exchange. Such practices suggest a continuity and gradual refinement of financial mechanisms over time, culminating in the more formalized and widely institutionalized use of *hundis* in the medieval period. The *hundi*, therefore, signifies a critical advancement in the history of banking and credit instruments in early India, bridging the institutional practices of professional corporate groups with the formal mechanisms of medieval finance.

The significance of *hundika* merits attention in this context, as this also represents a bill of exchange and thereby forming a crucial financial instrument, that was likely in use from the

eleventh-twelfth century onward. As described in *Lokaprakasha*, there were two major types of *hundis/hundikas* (Shastri 1947, 13). The first type, *raja-hundi/hundika*, was an order or bill issued by the king, facilitating the transfer or debit of money directly from the state treasury (*rajakosha*). The second type was issued by private individuals or corporate entities, where funds were debited from their personal or organisational accounts. This classification indicates the dual role of *hundika* in both governmental and private financial transactions, demonstrating its importance as a medium of credit and exchange in early medieval and medieval India.

As far as *raja-hundi/hundikais* concerned, as it is mentioned earlier, this was a crucial financial instrument in the administration of state finances, facilitating the transfer of public funds (*kosha*) through royal authorization. Unlike private wealth, the resources within the *kosha* were not freely accessible, as they were controlled solely by the sovereign. This exclusivity of access added layers of complexity to state financial management. One significant function of the *raja-hundika* was salary disbursement, where the king disbursed payments to his subordinates either through direct monetary transfers or by issuing bills of exchange, thereby limiting their direct interference in land-related matters.

Historical evidence from Kalhana's *Rajatarangini* underscores the role of *hundika* in statecraft and economic transactions, Fig.4. The text illustrates how Kashmiri kings relied on *hundikas* to maintain their rule, often granting these financial instruments to the Tantrins - a powerful military class - in exchange for their loyalty (*Rajatarangini* V.265–275, 302; Stein 1900, 221–24). Here, the process of economic transactions began with the king, who issued a directive - referred to as a *hundika*- to the treasurer, authorising the release of funds from the royal treasury. The treasurer, acting as the financial custodian, then facilitated the transfer of money to the Tantrin, who was likely a military officer or an official responsible for executing royal commands. This system ensured proper salary disbursement and financial accountability, demonstrating an organised method of state expenditure. The use of the *hundika* as an official financial instrument indicates the presence of advanced economic administration and record-keeping practices, reinforcing the role of the monarchy in maintaining economic stability and rewarding state officials. The system, however, led to economic exploitation, as ministers and military officials amassed wealth by manipulating grain prices during periods of famine. The reliance on *hundika* became so pronounced that kings

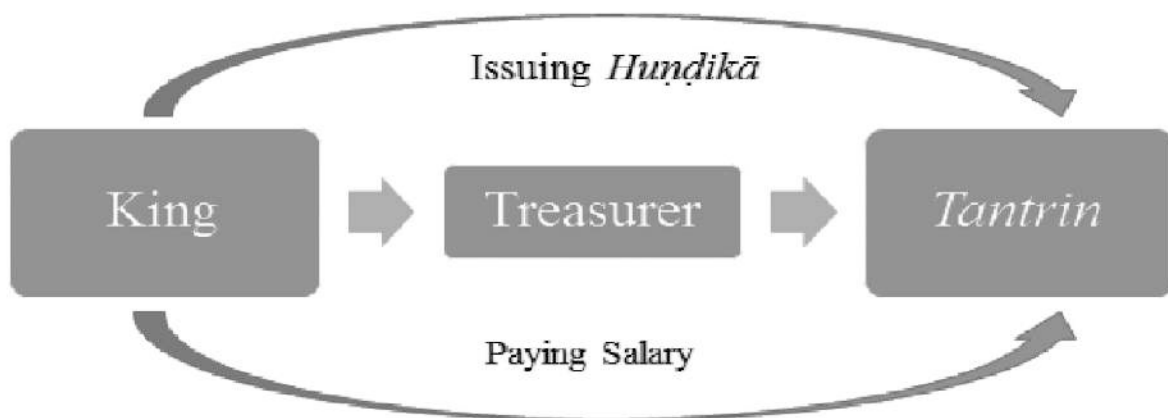


Diagram showing the Transfer of Money from Kośa by Royal Order

Fig.4: Transfer of money from *kosha* by royal order

appointed ministers based on their ability to raise funds through these financial instruments, even at the cost of exploiting the populace. The text further recounts how financial mismanagement and an inability to regulate *hundika* obligations eventually led to the downfall of rulers, compelling them to flee in fear. This evidence also highlights how *raja-hundikas* functioned not only as a fiscal tool but also as a means of political negotiation and control. While it facilitated governance, its misuse contributed to economic instability, demonstrating the intricate link between financial instruments and political authority in early medieval India.

The transfer of money from and to the *kosha* (the royal treasury) by royal order was a structured process, Fig.5, which also involved land transactions. As documented in early medieval Bengal's land transaction records, the king, as the supreme authority, played a pivotal role in initiating these transactions. However, the actual execution was mediated by the officials of *vishaya* (a territorial division), who acted as intermediaries between the state and its citizens. When a citizen purchased land, they paid the required amount in *dianaras* (a form of currency). Along with the proprietorship of the land, the right to collect revenue from it was also transferred to the purchaser (Mukherjee and Maity 1967, 46). The officials of *vishaya* played a crucial role in ensuring the proper transfer of ownership while also overseeing the transition of revenue collection rights. They facilitated the entire process, ensuring that the payment was made correctly and that the revenue rights were lawfully assigned to the new owner. Once the transaction was completed, the money collected from the sale was directed to the *kosha*, thereby strengthening the royal treasury.

Notably, *raja-hundika* or *hundika* is absent in this entire process. Instead, the royal charter served as the authoritative record of the king's orders regarding land sales and transactions, while local officials played a crucial role in executing these directives. The lands ordered for sale were state-owned properties, essentially constituting an extended part of the royal *kosha* in another form. Thus, selling land for money represented a conversion of landed assets into liquid capital. There are ample historical references to such land transactions through royal charters in the early medieval period, which included both land sales and land donations along with the transfer of the king's share of revenue. These transactions primarily involved the redistribution of royal possessions by the king's decree, either to specific groups or individuals.

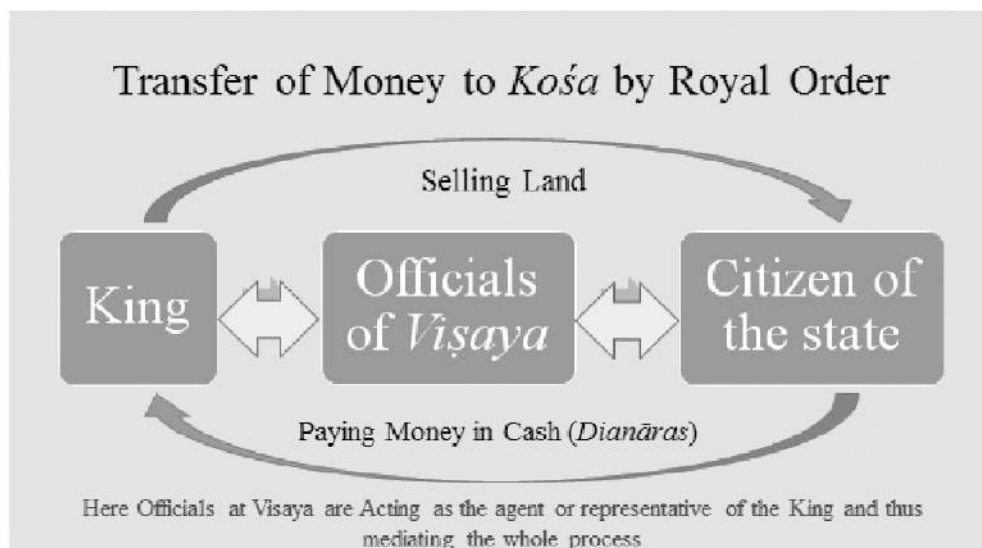


Fig.5: Process of money transfer with the *vishaya* as mediator/agent

The *Lekhapaddhati*, a thirteenth-century text that provides model documents for various legal and financial dealings such as mortgages, loans, and sale deeds, attests to the regular use of the bill of exchange (*hundika*). A specimen document from the *Lekhapaddhati*, dated to 1231 CE, explicitly refers to *raja-hundika*, or royal bills of exchange (Prasad 2001). In this document, a local administrator instructs his subordinates to facilitate the transfer of 3,000 *drammas* via *hundika* in favour of a Paramara ruler. While the historicity of the Paramara ruler and the specific transaction remains secondary, the key point is the recognition of a written financial document as a valid means of monetary transfer. This establishes *hundika* as an alternative mode of monetary transactions, functioning alongside minted coins. The system of *hundika* not only provided an alternative instrument to actual minted metallic pieces, but also it was accepted as a legal tender in the prevalent practices of credit without which commercial transactions would have been impossible to operate.

V.K. Jain argues that the prevalence of *hundika* in Gujarat facilitated extensive commercial exchanges without the need for handling substantial amounts of currency (Jain 1990, 200-201). This financial instrument provided merchants with a secure alternative to carrying coins made of precious metals or bullion. The continuity of banking and economic exchanges through institutional credit and deposit systems from the early medieval period is well-documented in literary and epigraphic records. As we extend our analysis to the medieval period, further evidence suggests that these financial mechanisms persisted. Notably, new financial instruments emerge in historical accounts, such as the *qabz* mentioned by Ziauddin Barani (fourteenth century) and the *itlaq* recorded by Shams Siraj 'Afif. Barani describes how Multanis and Sahus, the prominent bankers of Delhi, accumulated wealth by advancing loans to nobles, who repaid their debts with interest through drafts (*qabz*) drawn on the revenues from their assigned localities (Habib 2016, 78–79; Afif 1888–91, 296–97). During Firoz Shah's reign, financial investors profited by purchasing treasury-pay drafts (*itlaq*) at heavy discounts, as noted by Afif. Historian Irfan Habib observes that these drafts functioned much like bills of exchange (Habib 2016, 54), comparable to the *hundi* system. This evidence highlights the sophisticated financial practices of medieval India, demonstrating a well-established credit and exchange network. However, in the given historical context, *qabz* and *itlaq* were both financial instruments used in medieval India (especially in the fourteenth century), but they had distinct functions. *Qabz*, as described by Barani, were issued by nobles who had taken loans from bankers such as the Multanis and Sahus. These drafts acted as a repayment mechanism, allowing the bankers to recover their loans, with interest, from the revenue collected in the assigned localities of the nobles. Essentially, a *qabz* was a promissory note backed by future revenue collection, ensuring that the creditors (bankers) received their due payments. *Itlaq*, as reflected in the account of 'Afif, functioned differently during the reign of Firoz Shah. These were treasury-pay drafts that could be purchased at heavy discounts. Investors bought them at a lower price and redeemed them later for their full value from the treasury, making a profit in the process. Unlike *qabz*, which was tied to specific revenue collections, *itlaq* was more like a discounted government bond or treasury order, serving as a financial instrument for speculative investment. Thus, *qabz* was a draft issued by nobles to bankers, backed by localized revenue collections, primarily used for debt repayment whereas *itlaq* was a discounted treasury-pay draft used as a means of financial investment and profit-making. Both instruments reflect the advanced financial mechanisms of medieval India, resembling modern promissory notes and bills of exchange.

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