

# HUNDIS OF INDIA

A new look at an historical payment system of India and other subcontinent countries by Tony James

THE subcontinent of India has had an indigenous banking system for hundreds if not thousands of years. While much changed when the English East India Company and other western commercial enterprises started trading with India a mere few hundred years ago, there are some institutions that remain resistant to change. The Hundi is one of them, although international education and world trading practices did make inroads during the last decades of the twentieth century.

My interest in Hundis was rekindled when I dusted off my collection of Indian notes and on investigation found that my album of Hundi documents had some recent additions that I had forgotten about. The news items about money transfer and laundering in South East Asia led me to revisit this ancient system of ancient payment documents.

## What is a Hundi?

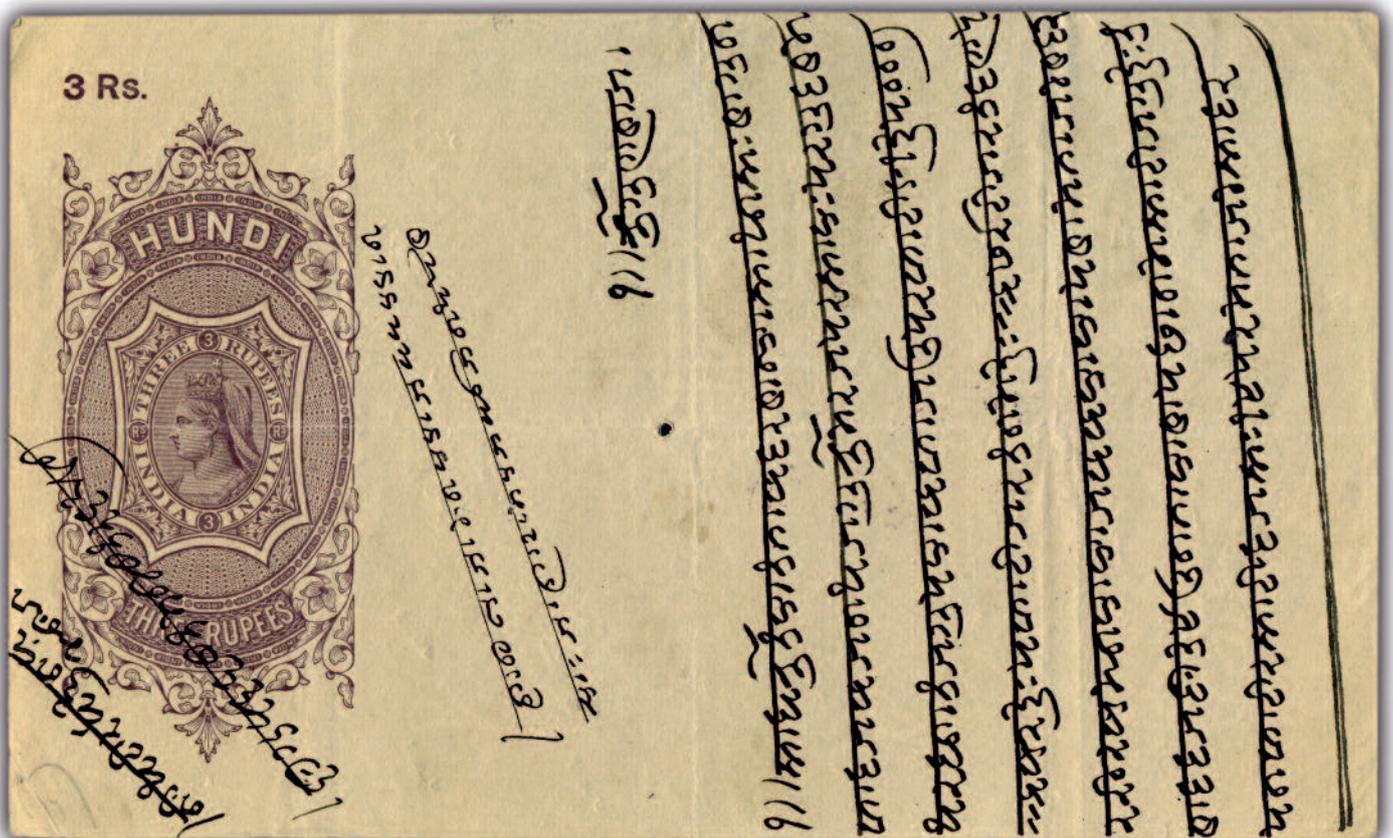
A Hundi is a financial instrument that has evolved on the Indian subcontinent and is used in trade and credit transactions as a bill of exchange or an IOU. It can also be used as a remittance instrument to transfer funds from one place to another.

Technically a Hundi is an unconditional order in writing made by a person directing another to pay a certain sum of money to a third person, named in the order. Hundis dropped off the government radar when the Negotiable Instruments Act of 1881 defined what could and could not be called a bill of exchange and today hundis have no legal status. Instead the Hundi is more often used as the equivalent of a cheque issued by indigenous bankers. The Indian Coinage and Currency Act

of 1882 prohibited the issue by a person or company of any bill, hundi or promissory note to be drawn at sight or payable on demand. This was obviously to prevent any attempt by a non-government organisation or individual to issue currency notes (which are also payable at sight and on demand), as a substitute for government issued notes such as the first Government of India banknotes, (a 10 Rupees denomination) issued in 1861.

The Hundi originally had a religious significance which gave it a better chance of being honoured than any other form of IOU or promissory note. The system originated during the period of Hindu/Buddhist dominance of India, (prior to 1200CE and after 1700) but suffered until it was almost made extinct, by the arrival of the Muslims (1200-1700CE) who decreed that it was a sin to give or take interest. During this period in Indian history the practice was carried on only in coastal towns and by those who issued Hundis on towns in foreign countries.

Today the Hundi is more commonly known as a hawala and is part of the cashless payment mechanism employed by indigenous bankers known as shroffs and sahu-kars who perform a variety of services similar to that of the modern banks. They take deposits and make loans, serve as a means of channelling payments, remitting funds and collecting debts. Hundis are also known as hui kwan, chiao hui, or poey kwan, depending on the country of use. In its various forms, the hundi can be used for example to extend credit in payment for goods, to transmit funds to pay a debt in another place, or to safeguard the transfer of funds by an individual from one place to another, just like a regular travellers cheque. Today it can also serve as a sort of simple invoice or bill of lading.



Victorian Hundi with duty of Three Rupees



Series of 4 Victorian Hundis with different denominations and frames



Series of different values and frame designs of Edwardian Hundis

### Historical types of Hundis

The two main types of hundis are the Darshani Hundi which is a demand or sight bill of exchange payable on presentation, similar to a cheque; and the Muddati Hundi, which is a usance bill that is payable after a specified time or on a stated date, like a promissory note. Each of these hundis is then subdivided according to the nature of the payee. A 'sah jog hundi' is negotiable but only payable to a recognised respectable person, and thus comparable to a crossed cheque. The 'dhanni jog' is not negotiable and payable only to the person named as payee like a bank draft. The 'farman jog' is negotiable by endorsement of the payee from one party to another, so it can be passed on like a banknote in payment for goods and services. The 'dekhadnar jog hundi' is payable to the bearer at sight and thus similar to a bearer cheque.

### Forms & Stamps

While Hundis are extremely difficult for non-Indians, and indeed most Indians, to read and understand, there are some common identifying characteristics. They are written in a vernacular language and cursive script of Sanskrit origin, largely unknown except to the shroffs and scribes who write them.

A particular characteristic of the hundi is in the wording. The amount is always written at least twice and in different forms, for example, 2000 rupees may be written as R2000 and then as R1000 twice and yet again as R500 four times. The forms bear an official seal or stamp of some governing authority. After about 1860 the British introduced a Hundi tax, so duty stamps appear in varying amounts relative to the rupee value of the transaction. This tax varied from state to state and from time to time. It was, after all, an extremely lucrative method for the government of raising revenue. The rate seems to have been one eighth of one percent or 1 Anna for each full 100 Rupees of value of the hundi, there being 16 annas to the rupee before the introduction of decimalisation, when 1 rupee equalled 100 paise. The paper on the government printed forms is grey in colour with purple printing and the details are hand recorded in ink.

### Queen Victoria

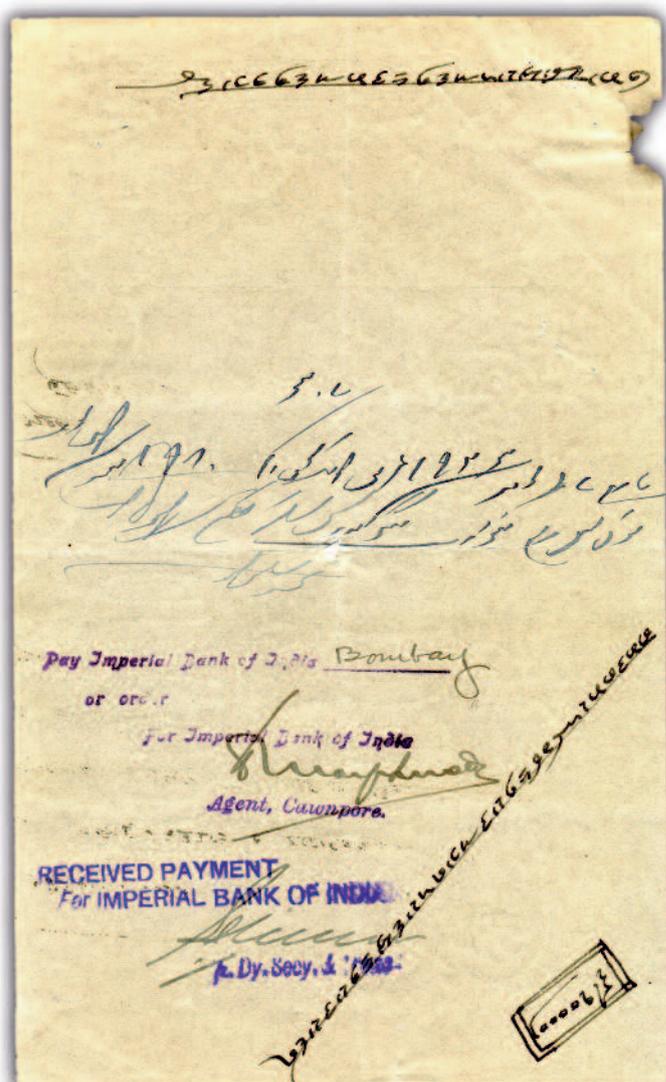
The earliest hundis that have survived in collectable quantities were issued in the years 1858- 1881, that is after the British Government took India over from the East India Company following the Sepoy Mutiny. Identified by embossed stamps with a crown emblem or seal with the head of Victoria, these hundis are on British Indian official watermarked paper. They can be further identified by the English words in the stamps and denominations on the forms.

The forms depicting Queen Victoria have been recorded in the following denominations:- 2, 4, 6, 8, 10 and 12 Annas, 1 rupee, 1 rupee / 8 annas, 3, 6 and 12 rupees. Each denomination has the portrait of the Queen with a different frame for each value, is on watermarked paper and has the words HUNDI and INDIA over a floral base.

### Edward VII & Opium cachets

King Edward VII's hundis are similar to those of Victoria, with the addition of 9 and 15 rupee denominations. A 12 rupee denomination has not been recorded. Frederick Ross, writing in the IBNS Journal Vol 24.2, notes that there are also likely to be 5 Annas, 1 rupee/2 Annas, 2 rupee/4 Annas, 4 rupee/8 Annas, 12 and 18 rupee forms. Where the supplies of the correct denomination forms were not available, then the necessary denominations were spliced together to reach the required amount.

A most interesting historical and economic variation that can be found on forms of Victoria and Edward VII are those hundis stamped with the cachet of the British Opium Agency on the back. These hundis were used to regulate and tax the traffic in opium through commercial channels for the colonial authorities. The stamps of the various agencies located in key



George V Ten thousand rupee Hundi negotiated at Cawnpore payable at Bombay. Showing a duty of Nine Rupees (Front & Back)

cities such as Mandsaur Ratlam and Chitor served as a record of the date and value of the opium, number of chests transported, the shipper and the consignee.

**George V & George VI**

The twentieth century brought with it a merging of two banking systems, whereby the hundis on official paper were negotiated through the banks as well as the commercial financial houses. This Nine Rupee hundi shows the stamp of the issuer or confirming house at Cawnpore, which took it to the Imperial Bank of India at Cawnpore and instructed the bank to collect the debt at its Bombay office. Each banking office

endorsed the hundi for the next step of the transaction. The value of the hundi can be seen in an ink box drawn on the back (10,000 rupees). This can then be identified in the script on the front (looks like 20,000)

The standard grey paper hundi of the imperial style continued throughout the reigns of George V and George VI. World War I, which increased demand for domestic revenue, saw fees raised by fifty percent, which in turn required new denominations and a new fee schedule. For example a 200 rupee hundi required a 3 anna duty. Thus duty stamps for 3, 6, 9, 12, 15 annas, and 1 rupee 2 annas, 2 rupees 4 annas, 6 rupees 12 annas, 9 rupees, 18 rupees and 22 rupees 8 annas, were produced and in view of the values of the hundis, it is thought that other denominations exist.

The reign of George VI saw a decrease in the revenue charged. Hundis have been sighted bearing reduced surcharges for similar amounts to that of George V's time. Better road, rail and even air transport facilities and increased communication also had the effect of reducing the demand for hundis.

The illustrated example of a George VI hundi of 2 Annas shows the same design for the same denominations of hundis as in previous reigns. The back of the form shows that it had already been issued by a stamp vendor in Vellore on November 7 1952. It was then used for a transaction dated March 3 1953 drawn by Gopal Das Mehra of Calcutta payable 50 days after the date, with interest of 12 percent due if unpaid. This was delayed and endorsement only completed on January 31 1954. The authorisation or signatures are 'thumb prints,' as is the acceptance of the debt due.



George VI thumb print Hundi for 2 annas payable to Gopal Das Mehra



*Hundi from the state of Bikaner for Four Annas with State stamp duty impression and cancellation "hole"*

### Princely States

The Hundi was used widely over the Indian subcontinent and although the British raised the revenue earning to a fine art, they did not have financial control over all aspects of Indian life. The Princely States retained control of many aspects of financial life and their fee schedule was more modest, the rate in most cases being only one or two annas.

The example shown, from the Princely State of Bikaner, shows a revenue rate of four annas plus an authentication stamp with a coat of arms. What is most interesting is the hole in the middle of the hundi. It was normal procedure to cancel each hundi issued in Bikaner state by punching a hole through the value of the text when the note was turned in for redemption. While this may detract from the note's appearance, it does add authenticity!

These princely states, including Berar, Bikaner, Datia, Dhrangadra, Hyderabad, Indore/Holkar, Jaipur, Jammu and Kashmir, Junagadh, Kotah, Morvee, Mysore, Porbandar, Sirohi and Travancore, designed, and issued their own hundis. Some used the British form with an engraving of the ruler and denomination, others affixed hand or adhesive stamps to the value required.

Collectors can occasionally find these items for moderate sums; obviously the more interesting the item with stamps and details, the higher the value. Condition varies, depending on age, specimen or issued piece.

### Khadi & Village Industries Commission Hundis

The collector will no doubt come across more modern hundis, particularly those from the Khadi and Village Industries Commission which is a statutory body formed by the Indian Government to "plan promote facilitate organise and assist in the establishment of Khadi and village industries in rural areas." Khadi is a hand-spun and hand-woven cloth made from cotton,



*Ten Rupee Hundi for Khadi with the seal of the Khadi and Village Industries Commission*



silk or wool produced on a charkha or traditional spinning implement. The system was introduced in 1920 as a political weapon by Mahatma Gandhi and the series of denominations depict the hand-operated machine spinning wheel and loom. The hundis are used as an exchange medium for the purchase of Khadi due to the favourable subsidies and tax incentives provided by the government to encourage self-reliance among the rural poor.

There are a surprising number of references to these fascinating items and searches have revealed that the name has become synonymous with the Hawala which is an alternative remittance system that has recently lent itself to money laundering practices in the Middle East and South Asia today.

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