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Palmer and Company: an Indian Banking Firm in Hyderabad State

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Abstract

Although the misreading of Hyderabad's early nineteenth century banking firm, Palmer and Company, as scandalous, illegal, and usurious in its business practices was contested at the time in Hyderabad, and at the highest levels of the East India Company in both Calcutta and London, such conspiracy theories have prevailed and are here challenged. The Eurasian William Palmer and his partner, the Gujarati banker, Benkati Das, are best understood as indigenous *sahukars* or bankers. Their firm functioned like other Indian banking firms and was in competition with them in the early nineteenth century as Hyderabad State dealt with the increasing power of the British East India Company and its man-on-the-spot, the Resident. Historians need to look beyond the English language East India Company records to contextualize this important banking firm more accurately.

The Problem

Palmer and Company, a banking firm in Hyderabad in the early nineteenth century, has been seriously misread. The 'Palmer Affair' has gone down in history as 'one of the scandals of British Indian history;' the firm was indicted and is known today for 'making illegal usurious loans to the Nizam of Hyderabad'.¹ Although this interpretation was contested at the time in Hyderabad and at the highest levels of the East India Company in both Calcutta and London, conspiracy theories have prevailed but need to be challenged. The

¹ Zubaida Yazdani, *Hyderabad During the Residency of Henry Russell 1811–1820: A Case Study of the Subsidiary Alliance System* (Oxford: by the author, 1976), 4; Anthony Webster, *The Richest East India Merchant: the Life and Business of John Palmer of Calcutta 1767–1836* (Rochester, New York: The Boydell Press, 2007), 103.

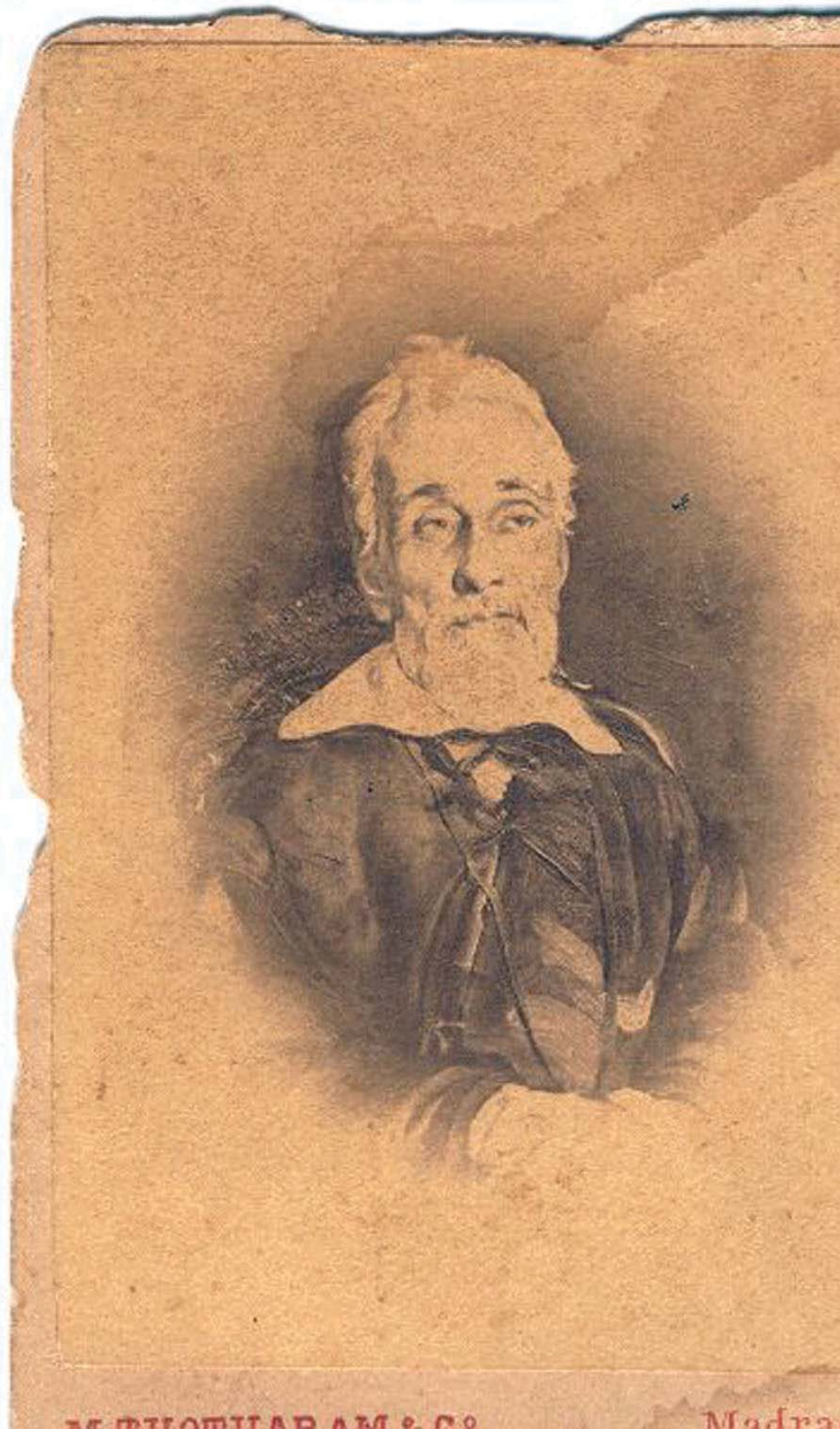


Figure 1. (Colour online) William Palmer (1740–1816)
led from <http://www.cambridge.org/9780521875866>. Access this book online for £49.95 per chapter or £200.00 for the entire book. For more information on other Press titles access <http://www.cambridge.org/9780521875866>

Hyderabadi view of the Palmer and Company banking firm was, in both documented and oral history, that it was a loyal and valued supporter of the Nizam and a pioneer of mercantile enterprise in the state. The British view of Hyderabadi history is very different, thanks almost entirely to the British Resident in Hyderabad, Charles Metcalfe (1820–1825). Metcalfe attacked the firm in Hyderabad and in Britain, and his harsh view of it has prevailed. Yet, as this paper will show, the Eurasian William Palmer and his partner, the Gujarati banker Benkati Das, are best understood as indigenous *sahukars* or bankers. Their firm functioned like other Indian banking firms and was in competition with them in the early nineteenth century as Hyderabad State dealt with the increasing power of the British East India Company and its man-on-the-spot, the Resident.

This complex matter is pursued below in five sections. First, the political context is set, introducing the major actors, events, and legal issues involved as the Nizam's government and the East India Company dealt with each other in the early nineteenth century. Second, is a review of the history of Palmer and Company, which introduces and emphasizes details usually omitted concerning William Palmer's Gujarati partner, Benkati Das. Third, a case is made against Palmer and Company in Hyderabad as perceived by the British Resident Charles Metcalfe in the 1820s. The fourth section will show that too many later scholars have unthinkingly adopted inaccurate and prejudiced views of the firm, and the fifth section presents the case for Palmer and Company according to its contemporaries and later leading figures in Hyderabad State.

The Nizam's government and the East India Company

Towards the end of the eighteenth century, the second Nizam of Hyderabad, Nizam Ali Khan (1762–1803), made treaties with the Marathas to the west and the East India Company to the east. Most important were the treaties made with the East India Company of 1798 and 1800. The former required the disbanding of the Nizam's French-led military force and making permanent a British Subsidiary force (created by an earlier treaty); it also guaranteed British support of the Nizam against the Marathas. The latter, the Treaty of Perpetual and General Defensive Alliance, expanded the Subsidiary Force stationed in Secunderabad to the north of Hyderabad city and required cession of territories to support it. The East India Company took over

the defense of the Nizam's state and made the its external affairs subject to Company control.² This 1800 Treaty also stated that the Nizam was an equal partner with the Company in any partition of conquests won by joint military action, a provision disregarded by Governor-General Hastings after the 1818 jointly-achieved victories against the Marathas.³

During the tumultuous first decades of the nineteenth century, the East India Company dealt with Hyderabad's third and fourth Nizams, Sikander Jah (1803–1829) and Nasiruddaula (1829–1857).⁴ These two Nizams were deemed by the East India Company as being less important than their Diwans, or prime ministers, who dealt directly with the British Residents. Munir-ul Mulk was Diwan in name from 1809–1832, but his Peshkar or deputy prime minister, Raja Chandu Lal, actually functioned as Diwan during those years and was then appointed Diwan himself from 1832–1843 (throughout this period, British sources often referred to Chandu Lal as 'the Minister'). The British Residents were numerous, but several stood out: James Kirkpatrick, Henry Russell, Charles Metcalfe, and William Martin. Above the Resident was the Governor-General in Bengal, with Lord Hastings (1813–1823) playing a major role in the Palmer and Company drama. The Governor-General was selected by and responsible to the Court of Directors in Calcutta, and above the Court was the Board of Directors in London.

As the Company established itself, it put in place two Acts that became important in the case of Hyderabad's Palmer and Company. In 1773, a British Parliamentary Act limited the rate of interest permissible in the East India Company territories to 12 per cent, and, in 1797, a British Parliamentary Act prohibited British subjects in India from conducting financial transactions with Indian rulers

² For treaty texts, see C. U. Aitchison, *A Collection of Treaties, Engagements and Sanads Relating to India, and Neighboring Countries* vols. 9 and 10 (Calcutta: Office of the Superintendent of Government Printing, 1929–1933).

³ Peter Wood, 'Vassal State in the Shadow of Empire: Palmer's Hyderabad, 1799–1867' (Ph.D. thesis, History, University of Wisconsin, 1981), 235–238. This unpublished dissertation is the most thorough investigation of Palmer and Company, and I follow his dates and other details in preference to others. Wood died in 2005 and I would like to dedicate this paper to him.

⁴ Nizam ul Mulk Asaf Jah I, the first Nizam, began as Mughal governor of the Deccan in 1724 and he and his successors established Hyderabad as independent of the Mughal empire. The second Nizam, Nizam Ali Khan, ruled first from Aurangabad and then from Hyderabad as the military aristocracy was succeeded by a Mughal-style bureaucracy based on the collection of land revenue.

without the express permission of the Governor-General.⁵ Hyderabad State was, however, not part of the East India Company territories and William Palmer was not a British subject. Also relevant is the Commercial Treaty of 1802 between the Company and the Nizam that ‘required the encouragement of mercantile houses’, a phrase that William Palmer would utilize later when asking for East India Company endorsement of his mercantile activities in Hyderabad.⁶

In April 1779, the first of many Residents was appointed to Hyderabad by the East India Company. Until 1797, the Nizam continued sending his *vakil* or envoy to the East India Company in Calcutta, but under Residents William Kirkpatrick (1794–1798) and then his brother James Achilles Kirkpatrick (1798–1805), the British Resident in Hyderabad was said to represent both governments and the Nizam abolished the post of *vakil*.⁷ Some Residents became key participants in local society that they were awarded titles at the Nizam’s court: Sir John Kennaway Dilawar Jung (1788–1794); Colonel James Achilles Kirkpatrick Hashmat Jung (1798–1805); Henry Russell Sabit Jung (1805 and 1811–1820). Kirkpatrick and Russell both had alliances with Muslim noblewomen⁸ and the bazaar near the Residency was named after them, Hashmat Ganj and then Russell Ganj (later it was called Residency Bazar and still later Sultan Bazar).

Charles Theophilus Metcalfe Muntazim-ud Daula Mukhtar-ul Mulk Savlat Jang Bahadur⁹ succeeded Henry Russell as Resident from 1820 to 1825. Despite his titles, Metcalfe broke the pattern of participation in Hyderabad society and set the Company against key local figures,

⁵ For 1773, 13 George III; for 1797, 37 George III, cap.142, sect. 28, both cited in Yazdani, *Hyderabad*, 65, and many other sources.

⁶ Wood, ‘Vassal State’, 171.

⁷ Many Residents were there only a few years, and some were censured for their closeness to local affairs and resigned: James Grant, 1781–1784, Richard Johnson, 1784–1788, and Thomas Sydenham, 1806–1810. Richard Temple, *Journals Kept in Hyderabad, Kashmir, Sikkim, and Nepal* (London: W. H. Allen and Company, 1887) I, 62.

⁸ For Russell, see Temple, *Journals*, I, 62; also 119, where he comments that Russell’s woman, Lutfunissa, was a relative of Kirkpatrick’s woman, Khairunissa, and that Chandu Lal’s wife regularly visited these ladies. The fullest account of Kirkpatrick’s relationship with Khairunissa (and the assertion that they married) is in William Dalrymple, *White Mughals: Love and Betrayal in Eighteenth-Century India* (London: Harper Collins, 2002), pp. 254–258.

⁹ These titles are mentioned in *The Chronology of Modern Hyderabad from 1720 to 1890 A.C.* (Hyderabad: Government of Hyderabad, 1954): for Kirkpatrick (also titled, here, Fakhruddaula and Motaman ul Mulk Bahadur), index p. 14, and for Russell and Metcalfe, 163.



Figure 2 Hyderabad State: Geopolitical Changes from 1759–1853.

Source: Adapted from Raza Alikhan, *Hyderabad 400 Years 1591–1991* (Hyderabad: Zenith Services, circa 1991).

including leading bankers and most particularly William Palmer. Metcalfe's successor as Resident from 1825–1830, William Martin, took the opposite view, but the political balance had already shifted decisively. It is Metcalfe's view that has had an unfortunately long life in British historiography.

The Hyderabad Contingent, a military unit originally part of the Nizam's forces in Berar, played an important role in changing the political and financial scene. This military unit was turned over by Raja Chandu Lal to the supervision of European officers for 'reform'. It was first called the Russell Brigade after the Resident Henry Russell who was in charge of it, perhaps in his capacity as a noble at the Nizam's court rather than as the Company Resident. Under successive Residents, however, the unit became part of the Company's army, not to be used without the permission of the Resident. Compelled to pay the Contingent but unable to use it as his own, the Nizam

unsurprisingly built up his own forces to counter it, and support of military forces took a large part of Hyderabad's revenue. Raja Chandu Lal's brother, Govind Baksh, deputized as governor to Berar in 1806 to replace the rebellious Mohipat Ram (who ceased to be governor in 1804), had engaged to pay this Russell Brigade or cavalry force from the Berar land revenues, but the arrangement failed.¹⁰ When in 1816 the payment of the Contingent had to be guaranteed by the Nizam's government, it was William Palmer's banking firm that advanced the money for the troops to Raja Chandu Lal at the rate of 2 1/2 *lakhs* a month (250,000 rupees: a lakh is 100,000). The firm was, in return, assigned the revenues of certain districts as security, and it took interest at the rate of 24 or 25 per cent annually, a rate typical of Hyderabad at the time and routinely charged by *sahukars*. When Charles Metcalfe took over as Resident in 1820, Palmer and Company was the major lender to the Hyderabad government and William Palmer was also a leading figure in local society.

Palmer and Company of Hyderabad

Palmer and Company was relatively new to Hyderabad but drew upon the existing community of Gujarati bankers in the city. William Palmer, Eurasian son of General William Palmer by his second wife, Faizunnissa Begum from the ruling family of the Nawab of Oudh,¹¹ came to Hyderabad in 1799 and became an officer in the Nizam's military forces.¹² Born in Lucknow and educated in England, William Palmer commanded cavalry forces for the Nizam, winning significant victories in the rich but embattled region of Berar.¹³ In 1810 he left

¹⁰ Yazdani, *Hyderabad*, 40–41; Wood, 'Vassal State', 195–201 for more details.

¹¹ Patrick Cadell, ed., *The Letters of Philip Meadows Taylor to Henry Reeve* (London: Oxford University Press, 1947), xiv–xx, gives a genealogy showing that William was General William Palmer's son by a *begum* of the Oudh royal family and mentions that General Palmer was military secretary to William Hastings and had been Resident at three Indian states. General William Palmer died in 1816.

¹² Edward John Thompson, *Life of Charles, Lord Metcalfe* (London: Faber & Faber Ltd., 1937), 192; H. Bullock, *List of Local Officers of the Nizam's Army, 1807–1853* (Rawalpindi: British Museum, 2nd. ed, 1938), 31.

¹³ Berar was nominally under the Nizam's suzerainty from 1724, but the Marathas had more often controlled the region and its land revenues until 1803–04, when Wellesley's army and the Nizam's cavalry under William Palmer defeated them and a treaty gave most of Berar back to the Nizam. Then Raja Chandu Lal displaced the rebellious Mohipat Ram (formerly *vakil* of the Nizam's French officer Monsieur

his position as Brigadier General in the Nizam's Bodyguard to found a mercantile house.¹⁴ He had begun moneylending in 1808 and had placed some of his own capital with the local Gujarati banker, Benkati Das. William Palmer and Benkati Das founded William Palmer and Company in 1810.¹⁵ The original account books were maintained in English and Gujarati and perhaps also in Persian, and most of the original transcripts were dated according to the Hijri and Fasli calendars.¹⁶

This 1810 firm, called the 'Old Concern', was located inside the Residency compound, although it moved to Palmer's residence just outside the Residency gates in 1814.¹⁷ It had partners who benefited from the firm's profits and were jointly liable for its losses.¹⁸ It

Raymond and sent to Berar as 'governor' or *taluqdar* for Mir Alam, Diwan 1804–1808), with the insistence of then Resident Sydenham and the military help of Palmer and put his own brother Govind Baksh in charge of Berar in 1806. Wood, 'Vassal State', 91–92.

¹⁴ Palmer was the first English-origin officer to serve in the Irish Colonel Finglass's Brigade, from 1800. See Edward Palmer [grandson of William Palmer], 'The Palmers of Hyderabad' [1934], Commonwealth Relations Office, London, Mss. Eur. D443, 3. William Palmer's older brother John, fully English and son of General Palmer's first wife, founded the agency house Palmer and Company in Calcutta slightly earlier: Webster, *The Richest East India Merchant*.

¹⁵ According to some versions, Benkati Das helped Palmer in 1814 and then became a partner: C. Colin Davies (ed.), 'Correspondence of William Palmer with Sir Henry Russell, Formerly Resident of Hyderabad, 1836–1847', Indian Archives, vol. 13 (1959–1960), 58, 60; Ghulam Husain Khan, *Tarikh-i-Gulzar-i Asafiyah* (Hyderabad, 1890–1891 [written in 1842–1843/1258 Hijri]), 629; Henry George Briggs, *The Nizam: his History and Relations with the British Government* (London: B. Quaritch, 1861) II, 167–168. However, Wood, 'Vassal State', shows that the East India Company recommended 'Bungkuttee Doss' from Benares to Resident James Kirkpatrick in Hyderabad in 1805: 137; see also 138, 141. Wood cites various letters mentioning 'Banketty Dass' as Palmer's 'most active Partner, the one most generally known to be associated with his House, . . . his trusted adviser [sic]:' 145. An original contract, undated but because of the inclusion of William Rumbold as a partner probably 1815 or 1816, was in the private papers of Raja Vallabh Das, Hyderabad, viewed by me and my daughter and xeroxed in 1983.

¹⁶ Wood, 'Vassal State', Appendix II, iii.

¹⁷ Wood, 'Vassal State', 141, 169.

¹⁸ Other firm affiliates included Henry Dighton, sometime revenue contractor for the Nizam, who split off and founded a rival firm; Raja Kandaswamy Mudaliar, who later served as Diwan Salar Jang I's *vakil* to the Resident; and Sir William Rumbold (from about 1815), whose wife was a ward of Governor-General Hastings (see Thompson, *Life*, 193). For George and William Rumbold, O. S. Crofton, *List of Inscriptions on Tombs and Monuments in H.E.H. the Nizam's Dominions* (Hyderabad: Government of Hyderabad, 1941), 5–6, 8, the former thought to be an earlier partner of Palmer (he died in 1820) and the latter said by Crofton to have joined the firm in 1817 (others say 1815 or 1816). For Dighton, Cadell, *The Letters*, 19, and J. D. B.

also had constituents, investors who placed money at the firm's disposal in return for a fixed annual interest rate of 12 per cent (the maximum permitted to British subjects in British India—many of the constituents were British).¹⁹ The firm expanded rapidly, dealing in *hundis* (bills of exchange, 'native bills'), Company Bills (the Residency purchased Hyderabad Halle rupees with Sicca rupees used at Company treasuries), and *tankhas* or *peshkush* (charges on the revenues of specified districts). By 1812 it was making personal loans to the Diwan Munir-ul Mulk and shortly thereafter government loans to Raja Chandu Lal, the latter being repaid by *tankhas* drawn on designated revenue districts. The firm first attempted mercantile enterprises but was increasingly drawn into loaning money to the Hyderabad government.²⁰ The usual interest rate on loans to the government was

Gribble, *History of the Deccan* (London: Luzac and Co., 1896), 11, 191. For Mudaliyar [sic], Temple, *Journals*, I, 146, says he was the son of the supervisor of buildings for the Hyderabad Residency in the early nineteenth century and began as a clerk for Palmer and Company, later gaining official positions. Some Residency officials were also affiliated with the firm: the Chief Assistant Resident, Sotheby, and the Residency Surgeon, Dr Currie: Thompson, *Life*, 201. Dr Currie, although fully British, was allegedly permitted to be a partner in the firm because of his low income as Court physician (Rupees 1,000 per month): Thompson, *Life*, 194.

¹⁹ Wood, 'Vassal State', 145. Wood lists Henry and Charles Russell, the Residency Surgeon Currie, and Samuel Russell (an engineer employed by the Residency) as partners, citing letters of 1814 which I have not seen: 136. Both Yazdani and Wood view the Russells, and William Rumbold a few years later, as fortune-seekers and secret partners of Palmer. Both Henry and Charles Russell deposited sums with Palmer, whether as partners or constituents is unclear. Adherents of the conspiracy theory view them as illegal partners because they were British subjects, but even if partners (denied by Henry Russell repeatedly), whether or not they were loaning money to the Nizam (see the 1797 Act details above) is certainly questionable. Palmer and Company did not begin loaning to the Hyderabad government via Chandu Lal until 1812, and Wood states (152) that details of capital employment and its sources 'cannot be fully traced'. Samuel Russell withdrew his capital and Charles Russell noted that he would withdraw his capital in 1814. Wood talks of Charles and Henry withdrawing their capital but 'reinvesting' elsewhere; nonetheless he terms them 'erstwhile partners' of Palmer: 167, 169.

²⁰ The firm engaged in general trade, qualifying for the term 'portfolio capitalist' introduced by Sanjay Subrahmanyam and Chris Bayly: 'Portfolio Capitalists and the Political Economy of Early Modern India', *Indian Economic and Social History Review* 25 (1988), 401–424. It exploited the Godavari forests, harvesting logs for shipbuilding and using the Godavari and Wardha rivers to float Berar teak and cotton to the sea: Wood, 'Vassal State', 190–191. 'The Palmers', 4–5, mentions navigation of the Godavari for commercial enterprises based on English principles and then the rendering of 'monetary assistance' to the Nizam's government. Palmer and Company first lent money to the Hyderabad government in 1816, according to Thompson, *Life*, 194; but see Crofton, who says 1814, and Wood, 'Vassal State', who specifies the first big loan as 1818 (to pay the Hyderabad Contingent).

2 per cent per month, or 24 per cent per year, a rate justified by the high risk and the inadequate legal system for redress in Hyderabad.²¹

Palmer's Gujarati partner, Benkati Das, was already established in Hyderabad as a *sahukar* or banker. The family was said to be originally from Ahmedabad, Gujarat, moving to Aurangabad and Hyderabad; it was one of some eight or nine leading Gujarati families in Hyderabad (the genealogies I have for them show marital connections in Varanasi, Burhanpur, and other places). Benkati Das was forced from the Aurangabad branch of the firm when it was looted and his father Jagmohan Das died (around the 1790s). He and an older brother moved to Hyderabad's Karwan, the locality dominated by bankers. There are several oral accounts of this time, two of them connecting Benkati Das with the East India Company in either Calcutta or Benares.²² One story is that he went on to Calcutta and supplied goods to Europeans. When a mutiny took place there in the late eighteenth century, Benkati Das helped some Europeans escape by ship and gave them provisions.²³ He then went to Varanasi where he married Gangabai and brought her to Hyderabad in about 1800. In Hyderabad, he started with nothing, but the mother of the British political agent, Sir William Rumbold, identified him as the man who had saved her life in Calcutta and renewed their acquaintance.²⁴ It is Benkati Das's descendants who represent this famous firm in Hyderabad today. His descendants preserve not only an original partnership agreement with Benkati Das' signature in Gujarati script but also hold William Palmer's silver sugar bowl and creamer, with Palmer's name and the

²¹ Wood, 'Vassal State', repeatedly cites contemporary British sources to establish that this was the usual rate at that time in Hyderabad: 141–143, 165, 339, 342.

²² See note 15, above, where Company officials in Benares recommended him to Resident Kirkpatrick in Hyderabad.

²³ Sirajuddaula's capture of Calcutta in 1756 is too early for this story; perhaps a more minor event is the basis of this 'memory'.

²⁴ Raja Vallabh Das gave the name of Jagmohan Das's grandfather as Govardhan Das. He also told of the family's origin in Ahmedabad: 'we came down with the daughter of King Karan Videla, in the time of Alauddin Khilji [1296–1316]; she hid in the Ajanta caves and we stayed away in Devgiri, and therefore we ended up in Aurangabad'. Raja Vallabh Das, interview, 29 August 1983. On 7 January 2008, descendant and head of the family, Krishna Kumar, gave a variation when interviewed in Hyderabad by the author and Alka Patel: Jagmohan Das was *subahdar* or collector of Aurangabad and knew about the Tipu Sultan attack, so his son Benkati Das ran away to Calcutta; Kumar dated the troubles in Calcutta to 1785 and said that Benkati Das, later, was walking in the bazaar in Hyderabad when seen by an English lady whose life he had saved in Calcutta. William Rumbold's having come to Hyderabad only in 1815 is a problem for the version above in the text (but perhaps it was his brother George, in Hyderabad earlier).

date 1817. The sugar bowl and creamer are kept in the family's *puja* room.²⁵

As the 'Old Concern' became the 'New Concern' from 1814–1815,²⁶ William Palmer sought an exemption for his firm from the provisions of the Act of 1797 forbidding loans to Indian princes. He needed this exemption from the Governor-General (provided for in the Act) because Sir William Rumbold, a British subject, had moved to Hyderabad and became a partner in 1815.²⁷ Governor-General Hastings sought the advice of the Advocate-General and granted the exemption in 1816.²⁸ Rumbold, married to a ward of Governor-General Hastings, certainly proved to be an asset to the firm. The Advocate-General in 1816 also opined that the usury limitations of the 1773 Act (12 per cent) appeared to 'be confined to our own [British] settlements'.²⁹

Palmer and Company's first sizeable loan to the Nizam was to pay the salaries of the Nizam's reformed troops, the Hyderabad Contingent, stationed in Berar where Palmer had served. This was termed the 'Aurangabad Arrangement' of 1818.³⁰ The firm continued to advance loans to Raja Chandu Lal, attracting attention and hostility from some members of the Court of Directors. A battle ensued in 1819 over the financial records of the firm, in effect the state records (Chandu Lal did not keep separate state records but endorsed

²⁵ I and my daughter observed these objects in 1983 in the home of Raja Vallabh Das.

²⁶ Wood, 'Vassal State', shows that the old and new concerns overlapped: see Appendix II, iv–v, and 184–185. He reports that the Nizam's government owed the Old Concern some 14 *lakhs*, or 1,400,000 rupees, in 1814: 182.

²⁷ Wood, 'Vassal State', dates the formal contract including Rumbold as a partner to April 1815, when Rumbold first came to Hyderabad, with the other partners being William and Hastings Palmer, Banketty Dass, William Currie, and Hans Sotheby: 185–186. This conforms to the undated contract found in 1983 with Raja Vallabh Das.

²⁸ Wood, 'Vassal State', 193–194; Yazdani, *Hyderabad*, 65. The firm was 'sanctioned' by the Company in 1814 and 'licensed' by it in 1816, according to Thompson, *Life*, 193.

²⁹ Wood, 'Vassal State', 218–219, 228–229, and note 1, 219, stating that this opinion was reversed in 1822 and was used against Rumbold and Palmer and Company.

³⁰ The troops in Berar were paid through the agent in Aurangabad, Captain George Sydenham, who had first proposed this plan to Palmer (according to Henry Russell): Wood, 'Vassal State', 192. Palmer's brother Hastings was deputed by the firm to Aurangabad, and Govind Baksh, who continued to play a (declining) role in Berar, also resided in Aurangabad. The then-Resident Henry Russell found this arrangement advantageous to both the Nizam and the Company. Wood, 'Vassal State', 197–214.

those of the bankers providing funds). A hostile member of the Court of Directors in Calcutta, John Stuart, demanded the records, citing the Company's responsibility to interfere with the Nizam's internal administration, given the reigning Nizam's 'imbecility and perverseness'. Hastings argued that existing treaties preserved the Nizam's autonomy in internal affairs and Hastings prevailed, but meanwhile Palmer, through Resident Russell, had turned over records of the Aurangabad Arrangement.³¹

As Palmer and Company's claim on the state approached almost a *crore* of rupees (10,000,000 rupees: a *crore* is 100 *lakhs*), opposition to the firm escalated. Its most vehement opponent on the Court of Directors, John Stuart, pressed his views to the Board of Directors in London, and the Board in 1820 ordered the cancellation of the 1816 exemption license that had sanctioned Palmer's loans to the Nizam's government.³² The cancellation came into effect in December 1820, but that was after the Governor-General had sanctioned, in July, Palmer's further loan of 60 *lakhs* of rupees to Chandu Lal. This loan and its sanction had been proposed as necessary for Hyderabad by Raja Chandu Lal, William Palmer, and the Resident Henry Russell.³³ The 60 *lakhs* loan, and Palmer and Company's subsequent license cancellation, became the talk of India and, in December, Henry Russell resigned as Resident to be replaced by Charles Metcalfe.³⁴

Resident Charles Metcalfe: his case against Palmer and Company

When Charles Metcalfe succeeded Henry Russell as Resident at the end of 1820, he found Palmer and Company to be the chief creditor of the Nizam's government.³⁵ The firm also allegedly functioned as a revenue farmer of lands in Berar assigned to pay for the Hyderabad Contingent.³⁶ Resident Metcalfe protested about the

³¹ Wood, 'Vassal State', 222–226. Wood painstakingly analyzes the available financial records in his Appendix ii, ii–xxxiv.

³² Wood, 'Vassal State', 230–233.

³³ Wood, 'Vassal State', 249–257.

³⁴ Wood, 'Vassal State', 260, appendix II, x–xi.

³⁵ In July of 1822, the Nizam's debts to Palmer and Company were over 83 1/2 *lakhs*, (8,350,000 rupees) whereas the Nizam owed only 17 *lakhs* (1,700,000 rupees) to other moneylenders or *sahukars*: Thompson, *Life*, 211.

³⁶ J. Sutherland, *Sketches of the Relations Subsisting between the British Government in India and Different Native States* (Jaipur: Publications Scheme, 1988), 67. The firm did not

loans to Governor-General Hastings, who declined to interfere. The Resident persisted, setting in motion a chain of events that proved fatal for the banking firm. Finally, when the claim of the firm reached a *crore* of rupees, Lord Hastings insisted on its liquidation. The Nizam signed a deed relinquishing in perpetuity his claim to 7 *lakhs* (700,000 rupees) payable annually by the Company as quit-rent or tribute (*peshkush*) for the Northern Circars. When Governor-General Hastings received this deed from Chandu Lal, he remitted a *crore* of rupees to Hyderabad to settle the claims of Palmer and Company. However, the Governor-General's actions were censured and prompted an enquiry in England. In 1824 the firm went bankrupt.³⁷

Palmer and Company's bankruptcy, in turn, set in motion a disastrous financial situation for Hyderabad State. The financial arrangements resorted to after the Palmer bankruptcy in 1824 failed to ameliorate the situation. Other leading bankers, first the Marwari Puran Mal and then the Parsi Pestonji, followed Palmer and Company in supplying loans to pay the Hyderabad Contingent in Berar but the payments fell behind. By the 1840s, the need to pay the Contingent had made the East India Company itself a creditor of the Nizam, as Court of Director member John Stuart had advocated in the 1820s: the British Resident took over payment of the Contingent in about 1845.³⁸ By 1850 the situation was drastic.³⁹ The state's growing debt to the Company was used by the Residents for political bargaining, and in 1853 the Nizam was forced to cede the rich province of Berar to the British.⁴⁰ Had Hyderabad State not held for the British during the

directly collect the revenues; this was its *tankha*, the charges against the land revenues that guaranteed the loan.

³⁷ Crofton, *List of Inscriptions*, xi–xii, for a brief account of the firm. For the 1824 bankruptcy, Wood, 'Vassal State', 351, correcting John William Kaye, *The Life and Correspondence of Charles, Lord Metcalfe* (London: Smith, Elder and Co., 1858), I, 228–229 who says 1828, and Crofton, who also says 1828, *List of Inscriptions*, xii, 19.

³⁸ A banker of Shorapur told Cadell that Resident Fraser had advanced funds to the Contingent in December of 1845; Cadell, *The Letters*, 202. A prominent Gosain, Lachman Gir, was banker to Shorapur in the 1940s; Colonel Philip Meadows Taylor, *The Story of My Life* (London: Oxford University Press, 1920 (2nd edn, ed. by his daughter, with a preface by Henry Reeve, and introduction and notes by Henry Bruce), 183–186.

³⁹ Karen Leonard, 'Bankers in Nineteenth-Century Hyderabad State Politics', *Modern Asian Studies* 15:2 (1981), 177–201, for details; the charts of bankers there should have gone back to earlier decades and included Palmer and Company and Pestonji.

⁴⁰ See the treaty text in Briggs, *The Nizam*, I, 312–316. The financial records of Berar turned over to the British in 1853 were those kept by Pestonji, the banker

Mutiny of 1857, undoubtedly further cessions of its territory would have been sought.

Why did the Resident Charles Metcalfe intervene so decisively in Hyderabad affairs? Metcalfe found the key position of Palmer and Company in Hyderabad State objectionable for many reasons. In principle, if not the letter of the law, he thought it illegal: there was legislation against British subjects lending money to native princes, and against lending money at more than 12 per cent interest. He knew that the Palmers were not full-blooded Englishmen or British subjects and that the 12 per cent limit applied to British India, but he still strongly disapproved.⁴¹ Instead, Metcalfe wanted the Nizam to borrow money from the British, at lower rates (6 per cent) but with territorial guarantees included in the transaction.⁴² Furthermore, Metcalfe disliked those who had fostered the firm's relationship with the Nizam's government. He had formed a poor opinion of his predecessor, Henry Russell, and he came into sharp conflict initially with Raja Chandu Lal, who had relied so heavily on Palmer and Company for funds.⁴³ Metcalfe requested that Chandu Lal bring him regular accounts of the state's expenditures and inventories of all the lands, and he asked that allowances to servants at the Residency be stopped and also that the gifts of fruits that had regularly been sent be stopped. He also insisted that the Minister Chandu Lal visit him, whereas previously Russell had always visited the Minister.⁴⁴

who succeeded Puran Mal, who succeeded Palmer and Company in managing the Contingent pay and the revenues of Berar: India Papers, 'Nizam's Territory, Copy of all Papers relative to Territory ceded by His Highness the Nizam, in Liquidation of Debts alleged to have been Due by His Highness to the British Government (1954)', 13. The 'Return of Berar' was sought henceforward: it was assigned to the British to pay the troops in 1853, taken in trust in 1860, and finally leased in perpetuity in 1902. In 1936 the British accepted the Nizam's suzerainty over Berar and his heir-apparent was titled Prince of Berar.

⁴¹ Thompson, *Life*, 194–195, a biographer of Metcalfe, discussed the relevant Acts of Parliament and noted that Palmer was not full-blooded or an English subject and that the 12 per cent interest limit applied only to British India.

⁴² In April 1821, Metcalfe proposed to open, in Calcutta, a 6 per cent loan, under British government guarantee, to pay off the Nizam's debt: Thompson, *Life*, 207. Wood, 'Vassal State', notes that Metcalfe specified private sources, not the Company, for the loan: 282.

⁴³ For Metcalfe's view of Russell, Thompson, *Life*, 186, and for his view of Chandu Lal, 189; for the latter, also Sutherland, *Sketches*, 59. Chandu Lal pitted Palmer and Metcalfe against each other, according to Thompson, *Life*, 215–216.

⁴⁴ Thompson, *Life*, 203–204.

It is also clear that Metcalfe disliked the Palmers' central social position in Hyderabad and Aurangabad, a position very different from his own isolated one. This isolation was largely a result of Metcalfe's own actions, which contrasted sharply with those of previous Residents who had participated in Hyderabad society.⁴⁵ The soldier John D'Ewes wrote of visiting Aurangabad at the invitation of some of the Nizam's European officers, including Mr William Palmer, residing there in 'a magnificent bungalow, or rather palace' with his daughter who had just returned from England. D'Ewes testified to 'the splendid and profuse hospitality...of an Oriental character' of Aurangabad's European residents at that time.⁴⁶ Meadows Taylor, sent to India at the age of 15 and joining the Nizam's service where he rose to high positions,⁴⁷ also wrote admiringly of Palmer even before marrying his daughter, Mary, in 1832. It was at that house 'where I met the most intelligent members of Hyderabad society, both native and European, and the pleasant gatherings at his most hospitable house were a great relief from the state and formality of the Residency'.⁴⁸

Three later British authors who generally supported Metcalfe's position against Palmer (in that they celebrated Britain's rise to power in India) provided telling details about Metcalfe's feelings and motives for opposing the banker. Metcalfe's biographer John Kaye, publishing in the 1850s, commented on Metcalfe's unfavourable attitude to social intercourse, to parties, for example, with Munir ul Mulk, Henry Russell, and the Minister Chandu Lal. Metcalfe's later biographer Edward Thompson, publishing in the 1930s, quoted Metcalfe as explaining that just before Russell handed over the Residency, he (Metcalfe) went to a dinner and *nautch* (dance) performance given by the Minister Munir-ul Mulk and attended by Chandu Lal only

⁴⁵ Dalrymple, *White Mughals*. The next Resident W. B. Martin returned to Henry Russell's system of communicating directly with the Minister Chandu Lal and Martin defended Palmer and Rumbold and Chandu Lal. Thompson, *Life*, 229–230.

⁴⁶ John D'Ewes, *Sporting in Both Hemispheres* (London: G. Routledge & Co., 2nd edn, 1858), 66–67. According to Cadell, *Letters*, xvii, D'Ewes was a subaltern in the Madras Army who went to Aurangabad with his regiment in 1824.

⁴⁷ Meadows Taylor knew Hindustani, Telugu, and Marathi, and he wrote novels and histories as well as serving in many capacities. He was uncovenanted, not being in the East India Company's service but in that of the Nizam, and after his death his daughters were given 60 pounds a year by the Diwan Salar Jang I from his own purse. Finally they were awarded by the Viceroy of India 100 pounds each a year at the urging of Meadows Taylors' admirers: Meadows Taylor, *Story*, 483–484 (final note by Henry Bruce).

⁴⁸ Meadows Taylor, *Story*, 46 (quote), 73. He also stated that Palmer was 'a first-rate Persian scholar', 166.

because 'I did not choose to make difficulties regarding what had been customary under my predecessors'. Furthermore, Thompson quoted Metcalfe's objection to 'dining with people who cannot or will not dine with us'. Richard Temple, Resident in 1867, stated that Metcalfe had been locally unpopular.⁴⁹

What stands out most strongly was Metcalfe's disapproval of the political power that the Palmer firm exercised in Hyderabad. In 1821, Metcalfe wrote that the firm's activity 'tends to draw them quite out of their sphere of merchants. . . . I lament the power which they exercise. . . in an authoritative manner not becoming their mercantile character, acting with the double force of the Nizam's Government and the British name'. In December 1822, he wrote to the Governor-General, resenting the firm's direct communications with that official: 'They do not require my support. Their power here is far above it. They have never, indeed, sought it. . . [the Palmers have] usurped power and authority no other merchants possess, and which no merchants ought to possess'.⁵⁰ Edward Palmer, William Palmer's grandson and author of a manuscript family history in the India Office Library, wrote that Metcalfe opposed William Palmer, 'of whose position, power and influence in Hyderabad he was madly jealous'.⁵¹ Since at least some of the firm's prominence was due to its licensing by the Company in 1816, doubtless achieved through General William Palmer's and William Rumbold's connections to Governor-General Hastings, Metcalfe reflected the growing conflicts amongst members of the Court of Directors in Calcutta and the Board of Directors in London. He wanted to remove Palmer and Company from its key role in Hyderabad politics and he opposed the policies of Governor-General Hastings.⁵² Political debates about the Company shifted to London,⁵³ whilst in Hyderabad William Palmer fell back upon local

⁴⁹ Kaye, *Life*, I, 380–381; Thompson, *Life*, 202–203; Temple, *Journals*, I, 62.

⁵⁰ These come from Thompson, *Life*, 210–211 quoting a letter to the Governor-General dated September 1821, and then, 224, Metcalfe's letter of 20 December 1822, to the Governor-General and the Nizam.

⁵¹ Palmer, 'The Palmers', 6.

⁵² Wood, 'Vassal State', 293-et passim provides a blow-by-blow account from 1822 to 1824, tracing the conflicting claims of Metcalfe, Chandu Lal, Palmer, and Governor-General Hastings as Hyderabad's officials and bankers fought against greater and greater East India Company control over the state, with Hastings invoking the sovereign rights of the Nizam according to the Treaty of 1800.

⁵³ Douglas Kinnaird, *Remarks on the volume of Hyderabad Papers printed for the use of the East India Proprietors [Palmer & Co], London, 1825*. British Museum T.1151(5); Anonymous, 'On the Papers relating to the Hyderabad Loan, *Oriental Herald and Journal*

resources. Metcalfe succeeded in stripping Palmer of his pensions and allowances from the Nizam's government (but Raja Chandu Lal restored them from his own purse).⁵⁴

Subsequent writing about Palmer and Company

It would be tedious to list all those who have condemned a perfectly legal and locally acclaimed banking firm, but the influence of scholarship based on East India Company records and reproducing the views of certain nineteenth-century British officials has been heavy. Most writers about Palmer and Company draw almost entirely on English-language materials, the East India Company records and the correspondence and writings of British officials and authors.⁵⁵ Although some have consulted the few Palmer family papers in British and Indian archives, they did not interview descendants or even consult Hyderabad State English-language records, let alone Persian or Urdu

of General Literature, vol. 3 (1824), 368–382; Anonymous, 'Further Development of the Transactions at Hyderabad', *Oriental Herald and Journal of General Literature*, vol. 4 (1825), 471–502. Wood notes that Rumbold and Hastings won an important victory in 1828 when a ruling was handed down by a full bench of judges appointed by the House of Lords that Hyderabad as an independent state allied by treaty lay beyond the scope of British law; this led to the 1833 Writ of Mandamus from the Court of King's Bench ordering the Court of Directors in Calcutta to treat Palmer and Company as directed by the Board of Directors in London (i.e. more sympathetically). Rather than addressing specific issues relating to Palmer, this really addressed the Company's accountability to Parliament and the Upper House in Britain: 'Vassal State', 383–385.

⁵⁴ Wood, 'Vassal State', 329–330, 385.

⁵⁵ Thus Sarojini Regani, despite a Ph.D. from Osmania University in Hyderabad, was limited by her sources in *Nizam-British Relations 1724–1857* (Hyderabad: Booklovers Private Limited, 1963), using adjectives like 'vicious' and 'unscrupulous' to describe the firm and its members as she uncritically cited opponents of the firm in her chapter on The Hyderabad Contingent and Palmer & Co. Similarly, D. N. Panigrahi's published London Ph.D, *Charles Metcalfe in India: ideas & administration 1806–1835* (Delhi: Munshiram Manoharlal, 1968), 39, relied on English sources to discuss Metcalfe's achievement in Hyderabad, 'where he exposed the underhand dealings of the Palmer Company and Raja Chandu Lal...thus saving the Nizam's government from financial ruin...'

ones.⁵⁶ Britishers and Indians alike, they have added to the weight of negative opinion about ‘the infamous bankers—Palmer & Company’.⁵⁷

Zubaidi Yazdani’s self-published B.Litt. thesis (Oxford) is a conspicuous offender and has cast a long shadow. Yazdani has been taken as an authority on Hyderabad but this was far from the case. Her father, Dr Ghulam Yazdani, was born in Delhi in 1885 and came to Hyderabad in 1914 to head the Archaeological Department. Father and daughter were both *non-mulkis* from British India, not natives of Hyderabad.⁵⁸ Zubaidi Yazdani’s research, conducted in England and based upon entirely English-language sources,⁵⁹ reflects great ignorance of Hyderabad culture and politics. She terms Raja Chandu Lal a Kayasth and refers to his ‘low birth;’ he was in fact a Khatri, and both Khatri and Kayasths are highly-ranked Hindu castes. Far worse, she states that after 1820 Palmer and Company ‘continued to function in subterranean fashion under the various names of Kishan Das, Pestonji, and Puran Mull’.⁶⁰ These are entirely different banking firms, of Gujarati, Parsi, and Marwari backgrounds respectively, and to confuse Hyderabad’s major banking firms to this extent is inexcusable.⁶¹ Yazdani’s British professors, L. F. Rushbrook Williams and K. A. Ballhatchet, endorsed her interpretations in the foreword and preface respectively.

Yazdani viewed the activities of Palmer and Company as ‘disastrous both for the firm and for Hyderabad’ and referred to the ‘sinister commercial and banking growth’ of the firm and its ‘sordid’ activities.⁶² She termed Palmer and Company an ‘agency house’ induced by

⁵⁶ For a comment on these source-influenced perspectives, using William Palmer’s banking firm as an example, see Karen Leonard, ‘Reassessing Indirect Rule in Hyderabad: Rule, Ruler, or Sons-in-Law of the State?’ *Modern Asian Studies* 37:2 (2003), 367–368.

⁵⁷ K. Chandriah, *Hyderabad 400 Glorious Years* (Hyderabad: Government of Andhra Pradesh, 1996), 150–153. Despite the title of this brief coverage, Chandriah mentions ‘Bunketty Doss’ and is essentially positive about the firm and its defenders.

⁵⁸ Karen Leonard, ‘Mulki-non-Mulki Conflict in Hyderabad State’, in ed. Robin Jeffrey, *People, Princes and Paramount Power: Society and Politics in the Indian Princely States* (Oxford: Oxford University Press, 1978), 65–108.

⁵⁹ Begum Yazdani was an Anglophile. Her father received an Order of the British Empire in 1936, her two sons moved to Britain in the 1960s, and she and her husband retired there in the 1970s: interview (with Aziz Ahmed and Ziauddin Shakeb), with Zubaida Yazdani and her husband Yasin Ali Khan, 3 September 1991, London.

⁶⁰ Yazdani, *Hyderabad*, 12, 48.

⁶¹ Yazdani knew nothing of Benkati Das or other Gujarati bankers like Kishen Das, son of Benkati Das’s sister and head of his own firm.

⁶² Yazdani, *Hyderabad*, 42, 49, 50.

disorders in Hyderabad ‘to imbibe all the attributes of the Indian *saukari* [*sahukari*] system;’ such attributes were, to her, undefined but clearly negative.⁶³ Never mentioning that Palmer was Eurasian, not a British subject, and operating in a princely state, Yazdani thought that William Palmer should have been subject to the 1773 and 1797 laws.⁶⁴ Stating that the firm demonstrated ‘the power of private trade interests in opposition to the responsibility of the British, as supreme rulers, to promote the welfare of the Princely States’, she believed that

it was absolutely vital for the interest of the nineteenth-century Indian rulers as well as the ruled that peace should be preserved and the extortion and oppression by their native governments should be put to an end...more direct interference in the states’ internal affairs had become absolutely vital as the only possible alternative to the assumption of their territories by the British....⁶⁵

Yazdani wrote, about Indian officers, on whom European officers ‘had to depend’ to carry out reforms: ‘the Indian officers...in the majority of cases were corrupt and condemned criminals and therefore not only were they uncooperative but they also obstructed the reforms’.⁶⁶

Most recently and regrettably, Nile Green and Anthony Webster, both fine historians when working with their primary sources, have been misled by the secondary sources that are readily available on Palmer and Company. Both repeat inaccurate information and biased assessments.⁶⁷ Green, like Yazdani, completely fails to note that William Palmer was not British but Eurasian. He calls William Palmer ‘the British entrepreneur’, and he too sees the firm as needing to be closed down by the British Resident and East India Company.⁶⁸ Webster recognizes that William Palmer’s fully English

⁶³ Ibid., 134.

⁶⁴ Ibid., 114, 116.

⁶⁵ Ibid., 48, 137.

⁶⁶ Ibid., 136. This kind of conspiracy theory is posited by many, not least by R. Frykenberg, whom Yazdani approvingly cites here (as R. Frykenbery, note 2, 136). R. E. Frykenberg, author of *Guntur District, 1788–1848, a History of Local Influence and Central Authority in South India* (Oxford: Clarendon Press, 1965) was the dissertation advisor for Peter Wood, whose unpublished thesis meticulously ascertains facts whilst going along with the general conspiracy interpretation.

⁶⁷ Green and Webster are cited here to illustrate the problem caused by work previously published on Palmer and Company, not to denigrate their achievements on their major topics (Sufism in the Deccan and John Palmer of Calcutta’s Palmer and Company).

⁶⁸ Yazdani, *Hyderabad*, writes about Metcalfe, 103: ‘To introduce the necessary changes into the Nizam’s Government it was essential to embark upon the policy of

half-brother John Palmer, of Palmer and Company, Calcutta, suffered from extreme negative and positive portrayals, but, with Yazdani as his chief source, he adopts a totally negative view of William Palmer.⁶⁹ After admitting that William Palmer was not only exempt as a non-European from the 1797 rule but also had obtained permission to loan to the Nizam in 1814 [actually 1816], Webster terms the firm's loans 'illegal and usurious' and states that the firm was operating in 'a semi-clandestine fashion until 1814 [sic]'.⁷⁰ Referring to the firm's 'unhealthily close relationship' with Raja Chandu Lal and its 'excessively usurious transactions', he states that by 1819 its loans to the Nizam at an annual interest rate of 25 per cent 'clearly flouted the strict guidance from Bengal and London that Europeans should not be allowed to lend to local rulers at usurious rates'. Yet elsewhere, like most other writers, Webster acknowledges that the interest rate was normal for Hyderabad at the time.⁷¹

The best single source for Palmer and Company is Peter Wood's unpublished 1981 Ph.D. dissertation. Even though Wood did not discard the 'conspiracy theory',⁷² he recognized that 'the controversy which surrounded his [Palmer's] mercantile affairs was almost entirely an English phenomenon' and that 'those sources that bear directly upon the subject of this research are substantially of English origin and speak from a largely English perspective'.⁷³ A thorough researcher of English-language sources, Wood used very few printed or archival records in Persian and Urdu and he did not conduct interviews

extended interference in the internal administration which Metcalfe and his School advocated at this time'. Her view of the Nizam's rule is totally negative, seeing 'shameless corruption practiced by William Palmer, Chandu Lal, and their Indian subordinate officers:' 56. Nile Green, *Indian Sufism Since the Seventeenth Century: Saints, books and empires in the Muslim Deccan* (London: Routledge, 2006), 84–85, states that 'the Nizam's finance minister, Chandu Lal, handed over control of Awrangabad's revenues to Palmer & Co. It was only after the intervention of the British Resident Charles Metcalfe that the grip of the company over the finances of the Deccan was released and the 'House of Palmer (Pamar kothi) in Awrangabad was closed in 1236/1820'.

⁶⁹ Webster, *The Richest East India Merchant*, 35–36 et passim.

⁷⁰ *Ibid.*, 104. It was actually 1816 when the firm secured permission from the East India Company's Bengal Council to operate in Hyderabad with William Rumbold as a partner.

⁷¹ *Ibid.*, 105.

⁷² Wood's language sets the tone in the preface, where Palmer 'abandoned his military career' for 'an almost unique opportunity for profit. Using his innate ability to exploit such a situation', Palmer's 'mercantile adventures were characterized by a level of public notoriety in England unequalled since the impeachment proceedings against Warren Hastings. . .'. Wood, 'Vassal State', 7, 9.

⁷³ *Ibid.*, 22.

with descendants of bankers in Hyderabad.⁷⁴ Wood saw events through the eyes of Charles Metcalfe and his supporters, writing of the Hyderabad nobles that ‘they regarded one another with great suspicion, jealousy and fear. And their fears were, more often than not, fed by mutual ignorance, partial knowledge and stereotyped opinions’. Also, commenting on ‘the lawlessness of the times’, Wood remarked that ‘those native bankers, the *sahukars*, who ventured to establish themselves in the Nizam’s capital, would set up business almost within the shadow of the new Residency’s walls’.⁷⁵ Certainly some *sahukars* moved to that area in the early decades of the nineteenth century, but banking firms had long been established in Karwan, Begum Bazar, and Chaderghat in the old city.⁷⁶

To Wood’s credit, when faced with overwhelming evidence of Palmer’s continuing prestige and popularity in Hyderabad, he introduced positive material about the ageing and bankrupt banker at the end of his thesis. He wrote ‘it was the period after Palmer’s bankruptcy that most unambiguously highlighted Palmer’s own enduring qualities and revealed most keenly his persistent difficulties’ and ‘William Palmer was in many ways a remarkable man’.⁷⁷ Another qualifier of the hegemonic condemnatory view is William Dalrymple. While surprised at finding Palmer bringing ‘Western entrepreneurial capitalism...in a way that was not entirely Western’, using local bankers and local money, and operating, ‘at least partly, according to traditional Indian modes of doing business’, Dalrymple largely celebrates William Palmer as a powerful political and cultural figure in Hyderabad.⁷⁸ Wood and Dalrymple see Palmer as bridging two worlds

⁷⁴ Karen Leonard’s article on Hyderabad’s nineteenth century banking firms published in 1981 (‘Banking Firms’) noted the presence of Gujarati partners and employees of Palmer and Company and the presence of English partners and employees in other indigenous Indian banking firms; interviews with descendants of Benkati Das’s and other banking families had not yet been conducted..

⁷⁵ Wood, ‘Vassal State’, 77, 79–80.

⁷⁶ Karen Leonard, ‘Family Firms in Hyderabad: Gujarati, Goswami, and Marwari Patterns of Adoption, Marriage, and Inheritance’, *Comparative Studies in Society and History* 53:4 (October 2011).

⁷⁷ Wood, ‘Vassal State’, 384, 416.

⁷⁸ Dalrymple, *White Mughals*, 317–23, 482–483 (quotes from 320). I am doubtful about his conclusion that, at the end of his life, Palmer ‘ended up opting for the British’ and was ‘defiantly a Christian.’ 498–499. And Dalrymple is certainly wrong about Henry Russell having set in motion Palmer’s downfall (483–484) and probably wrong about Russell’s having ‘failed to come to Palmer’s defence (486)’. See Wood, ‘Vassal State’, 416, and note 81 below.

or two cultures, claiming one or the other at different times,⁷⁹ rather than as a participant in the fluid but changing Indo-Muslim culture that many inhabited at that time.

Palmer and Company defended: the view from Hyderabad

Even at that time, insiders in Hyderabad and others, including members of the Board of Directors in England, contested the highly negative view of Palmer and Company held by Metcalfe and the Court of Directors.⁸⁰ The firm was defended in the 1820s by ‘an enemy of oppression’ who asserted that the safety of India in 1817–1819 was due to the establishment and sanction of pecuniary transactions by Palmer and Company; he called the firm an effective ally of the British at that time.⁸¹ Another (?) anonymous defender published two incisive, lengthy, and obviously well-informed accounts in 1824 and 1825 in Britain.⁸²

The firm was defended staunchly in Hyderabad by the Resident who immediately succeeded Metcalfe, W. B. Martin,⁸³ and it has gone down in Hyderabadi history as one of the many banking firms that tried to fend off increasing British intervention in the Nizam’s internal affairs. Palmer himself retained an honoured place in local society. Both Wood and Dalrymple highlight the report of Conte Eduoard de Warren, a French soldier in the Nizam’s service in the 1830s, testifying to Palmer’s continuing centrality in Hyderabad’s social life. De Warren was disgusted with the British treatment of Palmer, writing that

Messrs Palmer have long served as intermediaries between the Nizam and the British government in India, loyally serving both as the Rothschilds of

⁷⁹ Wood, ‘Vassal State’, sees Palmer moving ‘across the interface of two cultures’, 391, being steadily absorbed ‘into the society of his adoption’, 393, 419; Dalrymple writes that he was ‘one of the last’ who tried ‘to bridge both worlds’, 498. Anthropologists recognize that then, as now, cultures are not bounded entities.

⁸⁰ The politics within the East India Company are pursued by others with zest; here I examine the aftermath of the bankruptcy in Hyderabad.

⁸¹ Perhaps this anonymous defender of Palmer was Henry Russell: ‘A Short Examination of the Hyderabad Papers as far as they relate to the House of William Palmer and Company in a Letter by an [anonymous] enemy of oppression, in Douglas Kinnaird, *Remarks on the volume of Hyderabad Papers printed for the use of the East India Proprietors [Palmer & Co]*, London, 1825. British Museum T.1151(5), 207.

⁸² These are cited in note 53 above.

⁸³ Martin also reinstated Russell’s system of direct communication with Chandu Lal: Thompson, *Life*, 229–230.

the Deccan... And how were they thanked? ... The two governments came to an agreement to strip them bare of their assets... What they have in undiminished quantity and quality is their honour—the respect of whites as well as of natives will follow them to the grave.⁸⁴

Palmer and Company was indisputably one of the major banking firms upon which the Nizam's government relied in the early nineteenth century, and it fits easily into the history of banking firms in Hyderabad as quite unexceptional in its functions. Was it exceptional because of its Gujarati partner, because of the combination of Eurasian and Indian partners? Palmer and Company was not the only banking firm linking Europeans or Eurasians with Gujarati and other indigenous bankers in the early and mid nineteenth century. The Englishman Henry Dighton and Benkati Das's sister's son Kishen Das were partners for a brief period, and Kishen Das's brother Hari Das was for some time in charge of Palmer's collection of revenues for the Hyderabad government.⁸⁵ Palmer repeatedly joined with other *sahukars* in Hyderabad in various endeavours. In 1814 he and other *sahukars* together purchased a large rough diamond in the Hyderabad market, and in 1817 Palmer was asked by the Resident Henry Russell to mediate a dispute between Chandu Lal and a representative in Hyderabad of a Banaras banking firm.⁸⁶ Other Europeans were involved in banking firms in India: William Rumbold corresponded in 1815 with 'the head of the most distinguished Portuguese business house in Madras',⁸⁷ and in the 1840s, the South Indian banker Ramaswamy started banking in the Secunderabad Cantonment with a French partner.⁸⁸ But it was the British whose rising power led them to 'redefine' laws and treaties and interfere in Hyderabad's internal politics. Henry Dighton twice tried to put together a coalition of local *sahukars* to save the Nizam from the impending cession of Berar to the British, in 1847 and 1851. The Resident blocked these efforts,

⁸⁴ Dalrymple, *White Mughals*, 484; see 484–486 for more from Conte Edouard de Warren, *L'Inde Anglaise en 1843–1844* (3 vols., Paris: Comon & cie, 1845).

⁸⁵ Mahdi Syed Ali, (ed.), *Hyderabad Affairs* (Bombay, 10 vols., 1883–1889), IV, 4–5 for activities of Kishen Das and Dighton in 1839 and 40; Kishen Das's *munshi* Azim Ali left him for Dighton when the two split up. Kishen Das is referred to as a talukdar here, collecting revenue from districts conferred in payment of government debts to the bankers. See Khan, *Gulzar-i-Asafiyah*, 630, for Hari Das's connection to Kishen Das and the Palmers.

⁸⁶ Wood, 'Vassal State', 158, 159. In both instances Palmer's head clerk, Sultan Hussain Khan, played a role.

⁸⁷ Ibid, 181; Rumbold wrote that the head of this firm was an old family friend.

⁸⁸ 'The Englishman', 17 November 1849, in Ali, *Hyderabad Affairs*, IV, 290–291.

as directed by Governor-General Dalhousie, who viewed Dighton's employment by the Nizam as violating the Treaty of 1798 and who invoked the Act of Parliament forbidding British subjects to lend money to native princes. Then-Resident Hastings Fraser observed that Dalhousie's consent to this local Hyderabad Syndicate loan was probably not necessary, but he followed directions.⁸⁹

Palmer's relations with his own partners and constituents and other Hyderabad banking firms remained excellent, as details scattered throughout Peter Wood's thesis (and elsewhere) testify. Immediately after the 1824 bankruptcy, the firm's trustees expressed their continuing confidence in William Palmer by voting him and his brother Hastings a monthly allowance of 500 rupees, to the surprise and displeasure of Resident Metcalfe.⁹⁰ After 1824, indeed, even the English constituents of the bank who had lost heavily lobbied in support of Palmer.⁹¹ Some 500 Europeans, mostly Britishers in government service, were listed as constituents, but there were also local Indian *sahukar* creditors.⁹² Over-extending his own bank to make the 60 *lakh* loan, Palmer had borrowed from other *sahukars* at very high rates, and it was these local *sahukars* whom Palmer reimbursed first at the time of his bankruptcy. Palmer and Rumbold tried hard to pay back their creditors, in 1832 enlisting other Hyderabad *sahukars* to buy-out the interests of the bank's original creditors at a rate of about 20 per cent of the outstanding balances. After Rumbold's death in 1833, Palmer continued to try to recover the amounts owed to his firm, submitting claims for arbitration to a special court established by Chandu Lal, to *panchayats* or councils of bankers, and to successive Residents and Governors-General. Gradually most of the individual debts to the firm were settled, including that of the Diwan, Munir-ul Mulk, whose heirs reached an agreement with Palmer in 1832 and whose debt was finally settled by the Nizam himself in 1836.⁹³ In 1848, the official Persian court diary recorded the Nizam receiving *nazrs* from 'Seth Pestonji and Mr. Palmer' as he journeyed from Asafnagar to

⁸⁹ H. Fraser, *Memoir and Correspondence of General J. S. Fraser of the Madras Army* (London: Whiting and Co., 1885), 389–391; see also Ali, *Hyderabad Affairs*, IV, 22–26.

⁹⁰ Wood, 'Vassal State', 384.

⁹¹ *Ibid.*, 416.

⁹² *Ibid.*, 187.

⁹³ *Ibid.*, 390, 380–382.

Suroornagar (city suburbs).⁹⁴ The leading banking firm that succeeded Palmer's, that of the Marwari Puran Mal, employed Palmer as a *vakil* between 1844–1850, including service in 1849 to Puran Mal's son, Prem Sukh Das, in a dispute with the banker Ramaswamy.⁹⁵ Much later, in 1867, the Resident Richard Temple noted that an important banker, Bhagwan Das (a descendant of Benkati Das's nephew, Kishen Das), was among those who continued to seek the ageing Mr Palmer's advice because Palmer read and corresponded with many newspapers and served as a political intermediary in Hyderabad.⁹⁶

Leading state officials, including the Nizam, continued to support William Palmer financially after Raja Chandu Lal was obliged by the East India Company to remove him from the state's payroll. Chandu Lal placed William Palmer on his own payroll, and in 1830 the then-Resident, Josiah Stewart, found that Chandu Lal was paying Palmer 30,000 rupees annually, a practice that Peter Wood found continuing pretty regularly until Palmer's death in 1867. When this pension was occasionally discontinued, Chandu Lal seems to have granted revenue from certain districts to Palmer instead (through a 'dependent', Mohammed Nawaz Khan).⁹⁷ Immediately after the successful blackening of the firm's name by the lengthy British investigation instigated by Metcalfe and the firm's bankruptcy in 1824, the Nizam rewarded Palmer for opposing a plan for internal administration of the state by British officers by sending two of William Palmer's sons to school in England. He is said to have awarded Palmer an allowance or pension of 2,000 rupees a month. Palmer died in 1867, aged 87 and a pensioner of the Nizam.⁹⁸ However, the Palmer banking firm was never repaid by the Hyderabad government (like many others), and assertedly it was still due 250,000 pounds, not including interest, in the 1930s. Those claiming the debt were the legitimate heirs of William, Edward and Emma Palmer, who were alive in London in 1934.⁹⁹

⁹⁴ *Chronology of Modern Hyderabad*, 226 (Pestonji was the prominent Parsi banker who took over loaning money to pay the Hyderabad Contingent after Puran Mal, who had succeeded Palmer).

⁹⁵ Wood, 'Vassal State', 387, note 1; 'The Englishman', 17 November 1849, in Ali, *Hyderabad Affairs*, IV, 290–291.

⁹⁶ Temple, *Journals*, I, 111.

⁹⁷ Wood, 'Vassal State', 384–385, 370–371.

⁹⁸ Palmer, 'The Palmers', 7–8.

⁹⁹ Edward was the son of James Edward Palmer (below), and Edward was the founder and managing director of Veerasawmy's restaurant on Regent Street in London, a 'rendevous of the elite:' Palmer, 'The Palmers'.

Those most closely associated with Palmer and Company, European, Eurasian, and Indian, continued to wield political power in the state despite Metcalfe's successful prosecution of the firm and the destruction of its official relationship with the Hyderabad government. The Palmers' reputation undoubtedly rested on their local services and reputation, not on British support for the firm. The Palmers and others associated with this 'scandalous' firm continued to serve as government officials and political consultants in Hyderabad, arousing British disapproval upon occasion. William Palmer served the young Diwan Salar Jang I (1853–1883) as an intermediary with the Paigah noble family.¹⁰⁰ The Paigah family was a powerful, long standing Sunni noble family, and Salar Jang needed its support in his early years as Diwan. Palmer wrote eloquently in his own defense at length and persuasively in an undated letter to the Resident J. S. Fraser (1838–1853).¹⁰¹ The Nizam himself was Palmer's patron and protector until his death in 1867.¹⁰²

The Palmer family did not survive in Hyderabad, although members are buried in Hyderabad and Secunderabad.¹⁰³ William Palmer lived as a Muslim, and of his seven children, five were said to be illegitimate. His third and last wife, Hester, the widow of Dr Desmoneux, was English and they had no children.¹⁰⁴ Palmer erected a tomb for his widowed mother, Bibi Fais Baksh Faisunnissa Begum, who lived with him after General William Palmer's death in 1816 until her own death in 1828. Her tomb and a small mosque are in Troop Bazaar, surrounded by the graves of three waiting women (or possibly of Palmer's Muslim wives).¹⁰⁵ Palmer's nephew (son of his brother Hastings?), Edward Palmer, was a doctor and medical advisor to

¹⁰⁰ Memorandum dated 24 June 1859, on behalf of Salar Jang to William Palmer, Andhra Pradesh State Archives, Private Secretariat, A5/a9, installment 37, list 1, no. 4, 111–116.

¹⁰¹ Briggs, *The Nizam*, II, 223–237; Briggs is certainly the best published account of the Palmer affair: II, Chapter V.

¹⁰² Wood, 'Vassal State', 417, concluded this. See Crofton, *List of Inscriptions*, 18–19, for the text on William Palmer's grave monument in St George's Cemetery, Chaderghat, and some details of his career and family.

¹⁰³ Information about the family is scattered and incomplete: see Palmer, 'The Palmers', Crofton, *List of Inscriptions*, various entries; Briggs, *The Nizam*, 226–227, Cadell, *The Letters*, xiv–xx, and Thompson, *Life*, 214–215.

¹⁰⁴ Palmer, 'The Palmers', 8.

¹⁰⁵ *Ibid.*, 2. Dalrymple, *White Mughals*, mentions five smaller tombs and reports that they are those of William Palmer's Muslim wives; he found the mosque and tomb had become a motorcycle repair shop but that the Hindu owner maintained the tomb and garlands it every week: footnote, 483.

the Minister's family in 1840. James Edward Palmer, Palmer's son and father of the Edward who went to London, was known as the Blind Major of Secunderabad; he died in 1865 and was buried in Secunderabad.¹⁰⁶ The grave monument of one of the last Palmers in Hyderabad, Thomas, was erected in 1904 by Maharajah Kishen Pershad, Prime Minister of Hyderabad and great great grandson of Raja Chandu Lal.¹⁰⁷ Palmer's daughter Lucy Fallon (married to Captain William Fallon of the Nizam's Army) was alive in 1916 in Saifabad,¹⁰⁸ and in the mid twentieth century, Palmer's unmarried granddaughter Mabel was still receiving a pension of 100 rupees from the Nizam, according to Bruce Cox of Melbourne, Australia, a great great grandson of Palmer. Cox has a photograph of Palmer, his daughter Lucy, and Lucy's children. Lucy's daughter Evelyn, a granddaughter of William Palmer, married Liaqat Jung, a Muslim nobleman, thereby connecting a number of old Hyderabad families.¹⁰⁹

Conclusion

The most negative British view of 'the notorious Palmer affair', the 'scandal', has continued to be the dominant narrative. Clearly the financial resources, high social visibility, and political status of the Palmer firm, along with the fact of the Palmers' origins, which attracted official British attention and lasting hostility. Yet many other local bankers had great political power at that time; it was quite normal. It was also not unusual for banking firms who gave loans to sovereigns to go out of business, because of the high costs

¹⁰⁶ Briggs, *The Nizam*, 226–227, where Palmer identifies his nephew Edward as the 'medical man'.

¹⁰⁷ This was Thomas George Adam Palmer, Eurasian barrister at law and a grandson of William Palmer, born in 1832, who died 11 January 1904. The grave is in the Protestant Cemetery at Narayanguda. Crofton, *Inscriptions*, 26. Thomas was very close to the Peshkar, Raja Narendra (grandson of Raja Chandu Lal), in 1884: Grattan Geary, *Hyderabad Politics* (Bombay: Bombay Gazette Press, 1884), 5.

¹⁰⁸ She was able to advise Henry Bruce, editor of the second edition of Meadows Taylor's *Story*, about various matters: *Story*, 139, 450. Another daughter, Elizabeth, married Captain Page of the Nizam's Army. The two older sons, William and John, were officers in the Nizam's service, and William served as Meadows Taylor's assistant from 1855: Meadows Taylor, *Story*, 325, 340. James Edward was the third son, and a fourth son, Hastings, died unmarried in Kanpur in 1857: Palmer, 'The Palmers', 8–9.

¹⁰⁹ Bruce Cox, email from Melbourne, Australia, 2 February 2008; see also Karen Isaksen Leonard, *Locating Home: India's Hyderabadis Abroad* (Stanford: Stanford University Press, 2007), 115, 237, 319 note 27, 353 note 54.

of capital, the high risks, and the lack of reserves and lenders of last resort. The failure of Palmer and Company in the Indian money market was unexceptional, yet the firm fell victim not only to economic forces but also to self-interested colonial officials who singled it out for denigration.

Even one inclined to adopt that dominant narrative, Peter Wood, himself using primarily English sources, concluded that the firm had been misjudged. 'At one end of the spectrum were those who had always maintained, *correctly as it transpired* [italics mine], that the Company had, by its erroneous public declaration of illegality of Palmer's activities and by its own concurrent actions, been directly and improperly responsible for Palmer's bankruptcy'. Wood is sympathetic throughout his thesis to those at the other end of the spectrum who strove to prevent Palmer's strong influence in Hyderabad politics, basically because it hindered the British rise to paramountcy and Britain's drive to exercise 'responsible rule' even within Hyderabad state.¹¹⁰ Wood advances an interesting interpretation: that Henry Russell, Chandu Lal, and William Palmer all arrived from outside and all came to make their personal fortunes in Hyderabad. He sees all three as identified with the rising paramountcy of the British in India, all three witnesses to Hyderabad's sinking to vassal status, with Palmer being most affected by that sinking.¹¹¹ He also views other bankers in Hyderabad as outsiders,¹¹² although I believe all the figures he names were insiders then, defenders of the state against the East India Company.

Far from taking advantage of the Nizam's government and charging unduly high interest, Palmer and Company was typical of the banking firms in Hyderabad in the early nineteenth century. It was typical in the political as well as the financial role it played with respect to the Hyderabad government.¹¹³ It is time to honour the insider perspectives and return to local and indigenous sources, including oral histories from long-time Hyderabadis and especially the manuscripts and other records still underexploited in the Hyderabad, now Andhra Pradesh, State Archives.

¹¹⁰ Wood, 'Vassal State', 383–384.

¹¹¹ *Ibid.*, 81–2, 129.

¹¹² *Ibid.*, 409.

¹¹³ See Leonard, 'Banking Firms'.