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Commodity and Credit in Upland Maharashtra c. 1800 - 1950

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Introduction

The notion that the backwardness of Indian agriculture may be explained in terms of the institutional, and more particularly, the market structure within which it functions, is not wholly a novel one, elements of such an explanation being found in a number of 19th century writings on the subject. This approach has recently been applied by several authors, particularly Bharadwaj (1984), and Bhaduri (1984). The latter has systematised, synthesised and developed all the elements commonly to be found in theories of 'forced commercialisation', and a close scrutiny of his views is a necessary preliminary to any discussion of the evolution of markets in rural India.

Bhaduri's model may be viewed as composed of two distinct parts: one part seeks to explain the genesis of the system of forced commerce, and the other to examine its structural feature, once it is established. The two issues are not necessarily related, and the bulk of the book is devoted to the second, which the author evidently regards as the more significant. I shall however, examine them both.

The beginnings of forced commerce, according to Bhaduri, lie in a situation where a small peasantry is faced with a heavy tax burden, and compelled to borrow for subsistence. Land is not, at this time, a marketable commodity.

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The weakness in this argument is that one cannot see why the moneylender should lend to the peasants of all: if the tax burden is so heavy as to encroach on the subsistence of the peasants on a regular basis, there is obviously no chance of repayment. Introducing a seasonal factor does not materially alter the picture: the landers' return is essentially limited by the peasants' post-tax surplus. Nor will it be greatly changed by introducin (a) tenancy market or a market for land - even after the moneylender has driven the debtor from the land, the new tenants' rent cannot exceed his surplus abo subsistence - and the land tax still has to be paid. (b) Nor will any buyer of land (presumably a moneylender as the peasants have no funds) pay more for the land than the opportunity cost of his funds will permit, since there is no shortage of potential peasant borrowers to be expropriated. But if the post surplus is small or negative, there will evidently be no buyers for the land. So the possible development of forced commerce hinges on the size of the post-tax surplus - and will, in fact be directly related to the size of this surplu

If the moneylender, in fact, lends in a situation where the tax and other claims on the peasant have forced him below subsistence, then all or most of the loan must be directed towards productive investment, so as to generate an income for its own repayment, which would otherwise be impossible Lending purely for consumption would pay only if there is a large margin betwe the borrowers' current consumption and minimum subsistence, the 'squeezing' of which will repay the loan, or if the borrower possesses substantial assets. In either case, given minimal prudence, he should not allow himself to be drawn into the web of forced commerce.

So, to recapitulate, if forced commerce begins because of the subsistence needs of heavily taxed peasants, it must soon direct itself towards investment in order to generate a rising agricultural surplus. Only if agricultural incomes and land values are rising from exogenous causes can a system of forced commerce based upon consumption lending exist on a long-term basis - and even then if it does not choke off such investment as may be necessary to maintain this trend. Thus, we are left with the somewhat paradoxical result that the theoretical system of forced commercialisation developed by Bhaduri to explain agrarian stagnation, in fact presupposes agricultural growth.

So far we have concentrated on the first part of Bhaduri's argument - and found it to be incomplete in that it does not adequately consider the costs, opportunities and returns of the moneylender. This same disregard weakens the structural analysis of backward agriculture as well. The moneylender is pictured as imposing an increasingly onerous set of contracts on his debtors/tenants but the presumably increasing cost of policing and enforcing these contracts is not considered. Now, these enforcement costs may amount to nothing more than personal labour for the moneylender - but then the number of his clients will necessarily be limited, as will be the capital employed, and, in absolute terms, the gross income. If bailiffs or duns are employed,[1/] then obviously paid-out costs will rise. Finally, there is also a variable degree of personal risk run by the moneylender, which we may fairly presume to be an increasing function of his harshness, or of the onerous nature of his terms.

Thus, costs of enforcement increasing steeply as the peasant is pushed towards or below minimum subsistence, and costs will begin to exceed returns at some points. 2/ If the peasants' income is low, and his surplus small, this point is reached fairly soon. Depending on the opportunities and returns in other lines of business, the moneylender may not find it profitable to work within the system of forced commerce.

It may be objected that the argument has so far nor considered the possibility that the lender wishes to secure a tied labour supply, and not merely commodities or land. This however presumes that the lender is engaged in production of some kind, and can utilise labour - this would not be true of all moneylenders. Furthermore, minimum subsistence for the labourer will have to be provided, and therefore the lenders' income from this source cannot exceed the difference between market wage and subsistence cost - which can scarcely be a very large sum - and which was perhaps already being delivered in kind by the debtor-tenant, who would in any case require less supervision than a bonded labourer.

This failure to consider the costs and returns of the moneylender weakens the model analytically in that it fails to fully consider the interests of what is evidently the stronger party in the arrangement, and therefore, to look at the more important of the possibilities for the breakdown of the system which then necessarily becomes self-enclosed and perennial.

So far this paper has confined itself to criticising the logical structure of the 'forced commercialisation' model, with only peripheral reference to actual historical conditions; I now propose to examine the actual history of a particular region, and to show that the evolution of markets may be explained in terms of the criticisms already made.

The region in question is what I term 'Upland Maharashtra', or the portion of that state which lies above the Western Ghats. Before Independence this area was divided among three administrations: the western districts were under the Bombay Government, Vidarbha formed part of the C.P. & Berar, and the south-eastern districts were ruled by the Nizam of Hyderabad. The agriculture of this region was almost wholly dependent on the rains and was therefore highly precarious, with frequent failures of crops. Towards the end of 19th century, the development of irrigation, chiefly in the western parts, and the expansion of cotton production in the areas suitable for it, lent a degree of buoyancy to the economy - but this was by no means a particularly prosperous area, as the comparative table below shows. Blyn's 'Bombay-Sind' includes the secure, and comparatively prosperous province of Gujarat, and his 'Central Provinces' includes large parts of present-day Madhya Pradesh.

Output of All Crops in Various Provinces of India
(Rs. per capita)

	1911-12	1941-42
Greater Bengal	51	32.
Uttar Pradesh	45	31
Madras	44	36
Greater Punjab	45	43
Bombay-Sind	49	41
C.P. & Berar	58	45

Note: Bombay output relates to 1912-13, as earlier year was a scarcity year. C.P. and U.P are 1942-43 for the same reason.

Source: Blyn, 1966, Tables 4C & 4D.

I

The Historical Background

The economy of Upland Maharashtra was quite highly monetised as early as the 17th century. In common with many areas of Mughal India, it paid its land revenue mainly in cash, and, given the magnitude of the demand - a third or a half of the gross produce - this inevitably meant the extensive penetration of trade and money not the rural economy. Money began to appear not merely in transactions between the State (or its revenue assignees) and the peasants but also in the mutual relations of the peasantry themselves.

"The market mechanism, once established must have reacted on the mode of agricultural production. It not merely introduced money relations into a system of 'natural economy', but also engendered a shift to high-grade crops and cash crops....." (Irfan Habib, 1969 : 41) The same pattern persisted in the 18th century successor states.

The exaction of revenue in cash would, given the poor communications and uncertain markets, obviously afford great opportunities for intermediaries possessed of a liquid resources needed to act as bankers and merchants, and such men became wealthy and influential. In our area, the most important ones were naturally those resident in the Peshwa's capital, Poona:

A very large proportion of the revenue sent there was remitted either by bills drawn from the districts upon the Poona banks, or if paid in cash, passed through the hands of bankers who profited by the exchange of coins before the collections reached the public treasury. Bankers had in consequence their agents in the districts, and the ramifications of the money trade, in loans to be Ryots, to the renters of Villages and districts, extending to every quarter, created a wide circulation of specie, which returned to their coffers with an abundant accumulation of interest. Accommodation of this nature were frequently, too, repaid in grain, which was received at a price much below the market rate, and consequently brought great returns to the lenders. (W.Chaplin Report d. 20 August 1822 E.I.P. IV: 516) The rents were not payable entirely in cash, but were frequently remitted by the villagers to the Mamlutdars, by huwal a or orders on Sahookars.

"The Ryot in like manner often paid the potail by similar assignments. The latter mode was much prevalent; so much so that it is estimated that scarcely twenty-five percent of the revenue was paid directly in ready money". (J.Macleod in E.I.P. IV: 632) These great merchant-moneylenders (henceforth referred to by the indigenous term savkars) were closely connected with the state revenue they helped to realise. To take one example : Morshet Karje lent money to both the Raja of Satara and the Peshwa; his son, Dhanshet was granted saranjam, /revenue grant/ , and subsequently made Subhedar of Ahmadabad. He founded the Manggalwar Peth of Poona, and was appointed hereditary head of its merchants (Shete). (Divekar 1982: 428-9). Lending to the Government, an early nineteenth century British official commented, was productive of great advantages to the Sahookars, both as regarded their prosperity with interest, and the influence it gave them with the Government, by which they were generally supplied with a few Government Peons. Their advances were generally speedily repaid with interest, increased by the various impositions of nana kusur, hoondawanee, and unnotee /manoti?/ . Every delay in repaying increase in these several items, and the principal was, when recovered, often equalled by interest'. (E.I.P: IV, 802).

A glimpse of the manner of operation of the great sahukars may be gained by examining the activities of Viccajee and Pestonjee Merjee. Under the Peshwa these men were revenue farmers in the Konkan, and they contracted to collect transit and custom duties in the area after the establishment of British rule. In 1825 - 26 they sent the first consignment of Berar cotton to reach Bombay, amounting to 500 bullock loands. Berar was at that time under the Nizam of Hyderabad, and the Merjees seem to have been actively encouraged by British officials to involve themselves in the trade and administration of Berar - perhaps in order to promote the export of cotton from there. In their own words:

> They encouraged and stimulated the growth and cultivation, made arrangements for facilitating the purchase and carriage of the article and for all these purposes large advances in money were obliged to be made, not only to the growers but also to the resident traders in Berar and Bombay. By these means and by removing many impediments to transit in the Nizam's territories. Viccajee and Pestonjee so greatly increased this trade that the quantity of cotton conveyed from Berar and other parts of the Nizam's dominions, into Bombay in the year 1835-36, had amounted to 200,000 bullock loads or 48,000 lbs., the value of which was 60 lacks or 600,000 l.

They also became involved in lending money to the Nizam, and were given charge of the revenue of the Berar valley and some other territories, which combined with their importance in the local cotton trade must have given them enormous power. However, they were forcibly dispossessed in 1845, and nd the firm failed in the general commercial crisis of 1848. (P.P.1852-3. LIX : 200-224).

John Malcolm remarked of such arrangements, 'The lands of the Maratha rinces are generally rented; and as many of the renters are either bankers, or men supported by that class, thet have acquired, and maintain an influence, oth in the councils of the state, and the local administration of the province hat gives them great power, which they solely direct to the object of accumula hey lent grain for both seed and food, and this "connexion between the most sordid of all the natives and the industrious cultivators has generally the effect of keeping the latter poor, but saves them from ruin; which would nvolve a loss of all the bankers had ventured on the produce of their labour". (J.Malcolm 1970 II: 38-40).

The great savkars were the uppermost runge of the ladder; below them there were men operating on a more local scale, but nonetheless important in their localities, such as, for instance, Lala Chutaram of Ahmadnagar, whose activities were described by a business associate; who wrote that Chutaram,

> enjoys the Patelship of two villages and the Kulkurnyship of 4 villages: the Deshmookship of 72 villages has been given to him in mortgage. Besides he has under him 5 villages belonging to a Jagheerdar. He has likewise a large establishment at home besides his farming stock and husbandry implements. He is likewise engaged in many commercial transactions. On this account he is enabled to advance to the Kunbees he knows and take from them the produce of their fields'.

So the Lala combined revenue contracts and Venal office with cultivation, trade and moneylending. (B.A.R.D. Vol.7/412 of 1832 p.238).

The village level savkars were in many cases probably men such as those described by Coats in the Poona Village of Loni in 1819 or so. Of them he wrote:

> they are bankers as well as merchants. When they advance a few rupees to any of the inhabitants without security they charge 2 pice interest monthly on the rupee which is 37 per cent. They allow a credit of 12 months on the sale of their merchandise; after which interest is charged. A good deal of their traffic with the cultivators is carried on by barter, who give grain and the produce of their fields for groceries & c., the settlement commonly taking place at the time of harvest. (Coats 1823: 222).

Finally there was lending among the cultivators themselves: Coats records that in addition to money debt about a fourth of the inhabitants were indebted to their neighbours for grain and straw borrowed till the next harvest, and to be repaid with fifty or seventy-five percent interest.

> The whole of the produce, therefore, of the cultivator is generally mortgaged before it is reaped, to satisfy the various demands on him. This is the case in ordinary times; but in bad seasons, or in case of any calamity, the evil is much increased. (Coats 1823:213).

Loni was located in the comparatively secure and prosperous country close to Poona: conditions were harsher in the much ravaged frontier march of Khandesh. Its first Collector, Briggs, reported in 1818, shortly after its occupation by the British, on how the ordinary peasant subsisted:

> Before the ploughing season has arrived, he has perhaps been obliged to borrow a few Rupees in advance on the next years' crop to pay this year's demand of the government and he is fortunate if he can realise the sum at less than 40 or 50 per cent. He now comes on the Sahookar to advance him seed for which he promises to pay 1½ Seers for every Seer, and frequently 2 Seers at the harvest time. During the growth of the grain, and while there is much vegetation in the fields, the Ryot continues to subsist on the green corn and on greens pick't out of the hedges which, added to his other food makes a tolerable meal. The moment the grain is gathered this resources ceases, and government requires him to pay the rents, there is no immediate sale for the grain, and he takes up money from the Sahookars, pays a portion of the rent, and gives his crop or the greater part of it, after paying all former claims, to liquidate the debt, and this grain he compounds to sell in bulk for less than it is selling in the market in order that he may realise a sum of money immediately. When the remainder of his grain is exhausted he is obliged to purchase it for food at an advanced price, and before the time for sowing comes on again, he is in precisely the same dilemma as at the beginning of the year. (J.Briggs, 22 Dec. 1818, D.C.R. Vol.174, No.336).

Rates of interest

Rates of interest could vary considerably: a wealthy and influential savkar like Gangadharashastri Patwardhan 'borrowed money from different people at the rate of half per cent per month and lent it to the needy at the rate from one to two percent depending on the situation'. (Divekar 1982: 439). In the Poona village of Loni, 37 per cent was charged for cash loans, and 50 to 75 per cent in kind. In the villages of Ahmednagar district in the years before the establishment of British rule, loans had been made 'in which only Rupees 75 were paid for the hundred acknowledged, and interest charged on this sum at the rate of 3 Rupees per month, Rupees 36 annually....' (J.A.Dunlop 29 Sept.1826 B.R.P. 369/38) In the kingdom of Nagpur, the terms of loans in the 1820s, to 'Putals and Ryots the terms are commonly two per cent a month, and two per cent deducted from the original sum; but to artisans or mechanics of the lower classes, they are more unfavourable, being three or four per cent a month or even more'. (Jenkins 1866:68). The highest rates of interest were in chronically disturbed and war ravaged areas like the northern province of Khandesh. Its first British collector reported the presence of Arab mercenaries, who possessed numerous bonds for debt, and these were found to have originated

> in times when rebels or contractors [tax farmers] were levying contributions on the country, and coercing the inhabitants by tortures, at a period like this, the Arabs, few in number, but wealthy and bold, advanced money to the people and placed one or two of their brethren to reside in

the village, and receive the interest under the head of monthly pay, usually at the rate of 120 per cent per annum (J.Briggs 21 Oct.1818 D.C.R. Vol.173 No.253)

Real rates of return may not have been as high as the nominal: in 1806, in order to satisfy the demands of Wahid Ally Khan Bungush, the villages of Kirdee and Nimboree borrowed Rs.1235 and 16,000 respectively from the powerful jagirdar, Suryajee Rao Nimbalkur, at 10 per cent per month - which seems almost a standard rate in Khandesh then. Upto the end of 1818 Kirdee had paid Rs.5086 and Nimboree Rs.24,613 -- evidently far less than the stipulated rate. (H.W.Hodges 18 Dec.1818 D.C.R. Vol174 No.337).

Modes of Recovery

The question of actual recoveries of loans brings up the question of how recovery of debts was affected. It is likely that in a great majority of cases repayments were voluntary - if only to ensure future credit. If this failed, however, there were various methods available to different lenders. The great savkar, connected with the State could probably directly recoup himself, if necessary by force. The same might be true of the commanders of cavalry who made loans to the villages in Ahmednagar, where 'such loans were principally made by men in command of troops, or otherwise possessing authority to recover the money....' (Dunlop R.R.P.149/38). Similarly, the Jagirdar Vinchurkar's agent was found to have made some forty loans to villages within the assigned parganas of Laling and Songir. In 8 out of 11 cases where the purpose was stated, the loans were for the repair of village walls; obviously, a plundered village could pay nothing to its jagirdar; and if anyone could hope to recover, he could. (5 July 1830 B.A.R.D. Vol.53/520 of 1833 p.74). A village potentate, such as its headman, might also recover directly; in the Nagpur kingdom, if a peasant borrowed from a patil and defaulted.

> he was frequently obliged, on obtaining another advance, to pledge his cattle and implements of agriculture, as well as the produce of his fields. Should he still continue insolvent, the Putel seized everything he had, and took a deed of sale from him, specifying the particulars of his property, and declaring that the transfer had been voluntary, and that he would never reclaim it. (Jenkins 1866:121).

The authority of the Government might also be invoked to collect a debt: but in this case a quarter or a fifth of the money recovered had to be paid as a fee. S.N.Sen however believed this method to be infrequently used because of the wide latitude given to a creditor in recover by personal pressure, such as dharna(Sen 1976: 225-6). Another means might be to appeal to a panchayat of the caste, the village or some wider body - and its decisions could be enforced on the loser. Under the Peshwa, the person who lost his case

> "seldom had his property sold in civil cases, but in order to persuade him to pay up as quickly as possible he was generally compelled to submit to considerable personal violence amounting perhaps to a degree of torture..... The reason behind this is fairly obvious. A ryot had

no tangible property, and his bullocks and implements of husbandry could not be sold without risk of reducing him to the rank of a hired labourer with a consequent loss of revenue to Government. Whatever he had saved was doubtless concealed, buried or deposited with his relations, and the only way to get him to disgorge for the payment of his decreased debt was some arbitrary process which deprived him of his liberty or which caused him such personal inconvenience as would occasion him to settle up speedily". (Franks n.d.:29-30.)

It is likely that under such pressures the debtor might well surrender all his property, including such rights in land as he might possess - and certainly in the deeds of sales of patilki watens the motive of the seller is often stated to be the pressure of debt. With regard to mirас land, however, the holder had the right to reclaim it even after a long absence, and so could avoid its transfer by emigration. Thus Coats remarked that the mirasdar is

> always ardently attached to his estate, and sticks to it as long as he derives a bare subsistence from it; and when he is compelled to quit it, he returns as soon as circumstances will permit. It is always with great reluctance that he formally alienates it by sale to another; he rather goes abroad, and endeavours to accumulate a little money by labour to relieve his distresses, or he enlists for a soldier till better times. (Coats 1823:227)

James Grant in Satara noted a similar phenomenon: miras was often mortgaged by 'Sillidars [self-equipped cavalrymen] about to take the field, or any person in immediate want of money.....' (R.L. Chokeey 1964:62). In many cases, these mortgages may have turned into sales as the mirasdar failed to return. But if the mirasdars need for credit had been prompted by the burden of the tax on his land, it would in fact be a very bad security, as no other cultivator could make it pay. Elphinstone found in the early years of British rule that if the mirasdar relinquished his land 'it is often cultivated by an ooprie [temporary tenant] at a reduced rent...' (E.I.P. III:308).

The security of property in land, however uncertain of realisation and fluctuating in value, was confined to a limited area, the core of the Peshwas' dominions. Further East, in **Vidarbha**,

> The utmost they [the peasants] can claim or ever do claim, is right of occupancy or cultivation subject to the payment of the demand of the Government, whatever they may be. This claim.....is apparently of no value.... A Ryot cannot let his field to another person; This can only be done by the Patel. (Anon. 19[illegible]5, : 1,3).

Similarly, the first British official in the contested, and much ravaged border lands of the Karnatak reported that

> Enams and official Wattuns are everywhere Meeras; but the high assessment on the lands of common ryots seems to have destroyed meeras so long ago that it is not to be recognised either by record or tradition: Gardens and

Lands on which Ryots have spent capital are indeed so far meeras, that the holders are never ousted so long as they pay their Kists, nor would the Sirkar prevent such gardens being sold, provided the purchaser pay the usual rent - but even Gardens are too highly assessed to be saleable, and no instance of sale has been met with. (St.John Thackeray (n.d.) No.37, D.A.R.D. Vol.18/70 of 1823). And the same situation seems to have prevailed

in the northern border march of Khandesh. (E.I.P. IV, 694). In such regions, of course, the only security would be moveable goods, and more particularly, the crops - and the possession of summary power of recovery essential for successful lending. And even elsewhere, as we have seen, immovable securities were rather uncertain investments. (See also Guha 1987)

II

Early British Rule

The onset of British rule in the Peshwa's territory had one unintended effect: the weight of the land-tax imposed in conjunction with a steep fall in prices wiped out the saleable value of fully assessed land by the end of the 1820s. The situation in central Maharashtra was thus assimilated with that prevailing in the north and east - and so, for some two decades, fully-assessed land was to have no market value in any part of our region.

For the rest, the situation changed less than has sometimes been supposed. The great bankers associated with the former Government went into decline (Divekar 1982); and the new regime did not farm out its revenues, closing off one lucrative channel for savkar capital. When it borrowed, it did so to the benefit of rentiers in London, or Agency Houses in Bombay or Calcutta. The great house of Perjee which had famed the customs of the Konkan under the Peshwa, as well as under the British, departed in the 1820s, to the greener pastures of Berar under the Nizam where it ultimately came to farm the whole revenue of the province, and, forced to lend to the Nizam, went bankrupt.

Little changed in the villages and taluks however. The revenue continued to be exacted in cash, and with unexampled rigour. The State commonly impounded the harvested crop till the tax was paid or security given for its discharge (Guha 1985:26-7), as the crop formed almost the only tangible asset possessed by the peasants. The inevitable consequence was that the peasants' dependence on the Savkars increased, as is brought out in official correspondence on the subject of revenue payment by 'hawala' - bankers' security. So W.S. Boyd, Collector of Khandesh wrote in 1837:

> It is true we might order the Mamlutdars not to receive hawala at all, but this would not benefit the ryuts a straw, indeed on the contrary as producing the coin a month sooner instead of taking a Hawala chit payable in 30 days would only be the cause of swelling the ryut's account of interest with his banker who is after all, in 9 cases

out of 10 the purchaser of the crops; so that under any circumstances the evil must exist as long as our Cultivators possess *nothing* beyond *the years' produce* of their fields and uncertain markets for coarse productions.

(Boyd 10 Feb.1837 B.A.R.D. Vol.60/818 of 1837: 71-72 emphasis original).

The system could also be linked with production credits. So the Revenue Commissioner, Pringle observed in 1843, that the havala system was most common.

where the cultivators are poor, and the crops that valuable kind requiring a large amount of capital for their production, and affording considerable security for advances made upon them, while the returns perhaps are distant, the immediate accommodation afforded by it such as to render its entire suppression a matter of much difficulty. I have accordingly found it most resorted to in what are apparently the most productive villages such as Narreyengaon in the Poona Collectorate where there is much fertile land under river irrigation - Sinnur in the Ahmednuggur Collectorate where there is also much valuable garden land - Bassein in the Tanna Collectorate, a district of gardens - and the irrigated country in Bauglan and Pimpulneir in the Candeish Collectorate. It is also more

> prevalent in the Southern parts of the Collectorate where the Ryuts are poor and ignorant, and in a modified, less objectionable form in the rich cotton lands of the Broach Collectorate, than in Candeish.........
> (R.K.Pringle Dec.1843 B.R.P. 374/36 No.3778)

The Nature of Security

The fundamental constraint under which both private creditors and the State operated under in this period was well formulated by a Governor of Bombay in 1835:

> The Ryut can in fact give no good security for arrears.... except the produce of his grounds. His general effects are next to nothing. The confinement of his person would be an expedient equally unpopular and ineffectual. The sale of his land, or rather his hereditary right of tillage would scarcely afford a resource more promising... (R.Grant 2 July 1835 B.A.R.D. Vol.33/655 of 1835 p.291)

But the crop was an uncertain quantity, and, as regarded foodgrains, liable also to depreciate catastrophically if the harvest was a good one. Further, the State, both by law and force majeure, (much the same thing at the time), had first claim on the harvest, so that the private creditors' security was further attenuated, and his risk increased. To reduce these hazards by interlocking the credit and commodity markets' was not merely expedient but essential. The availability of irrigation reduced the chance of crop failure, and the products of such land were commonly valuable and easily marketed, and it was here in 'the most productive villages' that the savkar was most willing to lend, and also to guarantee the revenue payment by hawala.

Of course, this control of two markets was made to redound to the savakar's benefit, and so, as Forjett described it in 1846

> the village Banian...pays the rent [land-tax] on his own on terms, and in 75 cases out of a 100, all the grain, the produce of the labour of the cultivator during a whole year, is taken by the Banian for probably half what it would yield him, if he were at liberty to take it to the nearest market...
>
> (Forjett 1846 pa.22, cited in B.A.J.D. Vol.12 of 1851, No.518).

Monopsony

So we see that both the production and consumption of many peasant households was dependent on the ready availability of loans and advances. This naturally gave rise to monopoly and monopsony in the commodity market. From the merchant's point of view this meant that it was impossible to secure commodities from the actual producer without advancing for them; as A.S.Finlay told the Parliamentary Committee of 1852-53:

> You cannot buy the produce from the cultivator without making advances of money before it is grown. The natives are exceedingly poor; they have not the means of buying

> food for themselves and their bullocks till the crop is ready: they must therefore have advances from someone". (pp.1852-3 XXVIII;19).

The same point was made by Elphinston, Collector of Khandesh, in 1850 when the idea of State purchase of cotton was mooted :"without advances such as all native cotton merchants make, Government will enter the field on worse terms than the native cotton merchants, who will buy up all the cotton, and Government may be unable to buy it except from second or third hands, at an enhancement of the price..." (P.P.1857 XXXI Pt.III 615 In Berar the system was that "the purchasers make advances before the season for growing cotton arrives, stipulating to receive so much cotton at a certain rate; the profits made under this system are said to be enormous, and it obtains equally in East Berar and the Raichore Doab..." (P.P.1863 : 596).

This mode of business of course implied local residence, and this is specified by R.H Fenwick, who was engaged in the cotton trade at Khamgaum: "The Ryuts generally sell their Kupas to village Mahajuns (Bankers) who are almost all of them cotton dealers from whom they secure early advances at 2 and .... [sic] per mensem according to the reputation of the borrower". (N.A.I.L.Rev.12 Aug.1846 p.82). The great dealers generally had to employ them as middlemen or to establish their own sub-agencies. Fenwick described this is a letter of 1836:

> The exporters of cotton to the coast are chiefly opulent individuals and native firms of Bombay. They have gomashtas

> who have located themselves at Khamgaum from whence they send out subordinates to the various pergunnahs to make advances to patels or substantial ryots of villages about two months previous to the gathering, at 2 per mensem: such security is taken as can be got, and they deem good, usually of mahajuns or able and wealthy patells themselves. They likewise purchase cotton from the mahajuns, who are settled in the kusbas, and almost every respectable village in the country, these mahajuns having made advances to the ryots in a similar way. (P.P. 1847-48. IX:398).

A similar relationship between the 'exporters' and locally resident dealers existed in Khandesh (P.P.1857. XXXI: 158-9).[3] Given the structure of credit and marketing described above, it is not surprising to find that monopsony extremely widespread. In the Berar cotton market at Khamgaum in the 1830s, the principal revenue officers - probably men like the Morjees - and sahukars, met at the beginning of the season of fix "what is called a Suhookar's price". This, however could only be imposed on ordinary sellers; when cotton was brought in large quantities by "country dealers" it changed hands at the "market price". (P.P.1847-48-IX: 398). Nor did the system prevail solely in Berar: in the 1830s W.S.Boyd, Collector of Khandesh repeatedly drew the Government's attention to such practices with respect to cotton and indigo in his district. Here the local monopoly was reinforced by the great dealers controlling transport also - the Banjaras were bound to them by loans, and could not work for others. So that "the mere information that prices are high in Bombay or elsewhere is of no use if the possibility of obtaining carriage was denied, which it would be to the general purchaser....' (B.R.P.371/53 No.3249).

Rates of Interest

Rates of interest continued to be high. W.B. Frere, reporting from the western part of Poona district in 1840, that loans on personal security were taken at 2 pice per Rupee per month. [37.5% p.a.] sometimes even at one pice per week. Some could borrow at 25 per cent, sawai, for the year, while others had to pay that at six monthly intervals. (B.A.R.D. Vol.187/1644 of 1844 p.277-8). Reporting in 1840 from the adjacent district of Ahmadnagar, the same officer wrote:

> money at 6 per cent per annum can be had by men of respectability and wealth, and is current among merchants: though with others 12 percent per annum is the usual minimum. For people in ordinary circumstances interest now commonly averages about 2½ Rupees per mensum.
>
> Four Sirrases per Rupee per month or 50 per cent per annum, is a common rate with the poorer Ryots - two Sirrees per Rupee per mensom can be had by Ryots of the better classes. These are the ordinary extremes with the cultivators: 2,3 and 4 Sirrases being almost the only interest known among them. What is termed Kotra viz. 12 per cent per annum only concerns persons of the higher and wealthier classes (I.O-L. Vol.2472, Coll.46)

Modes of Recovery

The introduction of British rule did not make as great a difference to savkars' methods of operation as has sometimes been supposed. A certain proportion of cases had always appeared before Government officers, and this resource was considerably used for recovery of debt even before the promulgation of formal judicial regulations in 1827. Between January and June 1825, 5388 suits were decided in the Deccan; of these, 3912, or 73 per cent related to debt. (Franks n.d.: App.6). Older methods of collection persisted as well: W.Bartle Frere, writing in 1840 from the Poona district taluks of Khed and Mawal, reported that the local savkars did not use the Courts much. "In the first place, many of them have a parcel of 'Dunna' in their service, who, by sitting Dhurna (at the risque of being punished if complained of) and by other means of annoyance succeed in recovering their debts from all who are able to pay....". There was no profit, Frere continued, in having the rest imprisoned for debt, and the lender could always depend on the hereditary nature of debt for his ultimate repayment. (B.A.J.D. 107/1664 of 1844 p.235-6).

Nor was the practice of revenue officers' lending by any means extinct in 1839 in Khandesh there were several case of Patils charged with misappropriating revenue, who proved that the money had been paid for private debts. Again, where the hawal system was prevalent, it would be difficult for anyone who could not keep his accounts separate to know what he had paid on Government account . (I.C.R.373/14 No.2048).

Furthermore, the poorer villagers would also stand in some awe of the Patil, and this would naturally assist his recoveries. So for instance, Chandra walad Sumbhoo patil of Rozeana (Nasik) was convicted of having extorted Rs.5 from Tookaram walad Satwajee after intimidating him by saying he would

" complain against him to the Sirkar". Such influence might also be utilised for the benefit of other lenders: the same Chandra received bajri worth Rs.30 from one Hoondea Bace, on undertaking to collect the debts due to her. He did not do so, which is why we know of it. (B.A.R.D. Vol.66/of 1839 p.132, 134).

Nor was the phenomenon limited to village officers: Ramchander Ballajee, Mamlatdar of Yaval was found by the Collector to have surrendered "his influence in the District into the hands of Sowkars....." Similarly, another officer, Luxmon Ramchunder, was connected with trade and banking through the medium of his brother. (B.A.R.D. Vol.186 of 1851 No.1043).

Nonetheless, it seems an established fact that recourse to the Courts began to increase under British rule. The Collector of Sholapur reported in 1840 that the use of the Courts to force payment of debts was very great, and that in many cases, everything, including houses and cloths, belonging to the ryots, was sold in execution of decrees. A similar report came from the Collector of Ahmednuggur, illustrated by the following Table:

Civil Suits in Nuggur Collectorate

Year	Total No.	Against Agricultural Classes
1835	6672	2922
1836	6834	3115
1837	9859	4322
1838	10812	5546
1839	12426	5991

The statistics certainly show an increasing trend, though we also notice that the relatively small non-agricultural rural population has a large share of the litigation - which is what we would expect, given the conditions of access to the Courts. It is also interesting that the districts whose officials report extensive use of the Courts by moneylenders, are also the districts where the presence of immigrant money-lenders is reported. Ahmadnagar in particular, saw a great influx of Marwari moneylenders. The link between the lack of local roots and recourse to the courts is sufficiently obvious.

Even these savkars were not anxious to acquire land, burdened as it was with heavy and arbitrary taxes. The security retained the crops and chattels of the debtor. He might also be threatened with imprisonment, and in some cases, actually imprisoned. Down to the 1850s the Deccan Riots Commission was informed, "the sale of land was rarely resorted to, and the realisation by the sale of the debtors' house noticed as an innovation..." In the Talegaon court, Poona district, there were 4 suits against Kunbis on mortgage of immoveable property in 1854; by 1872 the number had increased to 143. (D.R.C.p.59). In fact, as Forjett remarked in 1846, decrees for seizure of assets, or imprisonment were often obtained solely for the purpose of terrorising the debtor, and regularly appropriating whatever small surplus he might produce. (B.A.J.D. Vol.12 of 1851 No.518 pa.31). The savkars described by Forjett however had recourse to law if

> The Ryot, wishing to avoid sinking deeper in debt to the Banian reserves a portion of his crops for seed for the ensuing year or for the support of himself and his family

> until the next harvest, the Banian sues him on an old account; or if he pays any one creditor in preference to another suit is immediately filed against him....
> (ibid. pa.29).

Given this needy condition of the borrower, and the limited security, a high degree of supervision on the part of the lender was necessary to secure repayment.

Credit Rationing

In such circumstances it is obvious that credit would be highly limited and individual advances small. Just how small may be seen from the operations of Ritchie, Steuart and Cos'. cotton agency in Khandesh, which, in 1852 advanced Rs.32,536 to tie the crop on 24,901 bighas in 241 villages. In Erandole taluka the advances amounted to Rs.12 per borrower, or Rs.1.26 per bigha, while in Amalner Rs.8 per head was advanced, working out to Rs.1.22 per bigha. It is very likely that the local savkar would take grain and miscellaneous produce as well as cotton, and would therefore advance a somewhat larger amount - but even if we double or treble the loan amount, it still remains a small sum. The cost of administering these very small loans would be, in terms of either time or money, quite high, all the more so because there were, on average, only 11 borrowers per village. The firm had fixed prices in November; by February prices rose by Rs.3 a Khandi (if kapas, 1,600 lbs.), and the firm found that the cotton was being sold elsewhere, and asked the Collector to "direct the Mamlutdars to assist us in obtaining from the Ryots or their sureties the proper fulfilment of their contracts". A representative of the firm complained to a Parliamentary Committee that

> you cannot buy the produce from the cultivators without making advances of money to them before it is grown; you have no security for the repayment of that money; and from the nature mode of cultivation, as well as from their habits and their connection with banyans and others, it very frequently happens that they will not give you the produce after they have got that advance; in fact, it is frequently seized by some of their friends, under the pretence of a previous debt; therefore you have no security for your loan.'

The indigenous merchant, he continued, possessed no special advantage in law but

> but practically he has a means of recovering them that Europeans have not, from this circumstance; he is a resident on the spot, his family have been long located in the district and he has considerable family influence. He has a means, therefore, of enforcing his agreements in that way that we have not. He is subject to losses, and for that very reason exacts an enormous rate of interest and very severe terms from the native grower. (P.P. 1852-53 XXVIII : 19-21)

So there was an element of moral hazard as well as climatic hazard present. This would again emphasise the necessity of careful regulation.

and may explain another feature of the savkars'operations: the doling out of advances in cash and kind at intervals rather than as a lump sum. This may be understood as a way of rationing credit, and also of ensuring that it was expended in a manner that led to the production of some tangible good desired by the savkar, rather than used to supplement a consumption that was miserably low, or placate an aggressive creditor. 5/

Similar experiences may have led the merchants in Berar to adopt the practice described by Reynolds, of purchasing the standing crop, so that they did not "wait for the cultivator to pick the cotton; if they did much of it would be purloined by cultivator....." Renolds met Dhunraz Seth in 1842, when the latter was planning to send a hundred thousand bullock loads of cotton to Calcutta. Such large dealers would be particularly exposed to the sort of risks encountered by Ritchie, Steurat and Co., and so Dhanraz's

> Plan was to send out factors into the district, and through his agents, established in every one of the villages in that part of the country to purchase up the cotton before the crop was collected; it was picked by his own people, and packed on the spot and then sent to Omrawattee, where he had established large warehouses, for the purpose of cleaning and repacking it; the cotton from thence was sent either to Bombay or to Calcutta, as the case might be and he managed to make a very large fortune out of cotton speculations. (P.P. 1847-48 Vol.IX P.437).

We do not however come across other instances of such tight control being exercised, and, in fact the gathering of the crop being left in the hands of indebted cultivator was very frequently cited as being the main cause of its dirty condition. (Cassels 1862:290-92). It is quite possible that the cost of watching and harvesting a crop that ripened over many weeks, in hundreds of different fields, proved too great for most savkars.

So we may describe the situation down to about 1860 as characterised by a high degree of interlocking between the commodity and credit markets, with the associated tendencies towards monopoly and monopsony, and the virtual absence of a land market. Operation in these markets was characterised by considerable uncertainty, to which, it is argued, interlocking was a response. Again, the smallness of the peasants' surplus, as well the great fluctuations in it, made small frequent transactions and close surveillance of the debtor a necessity for successful operation. 'Overhead' costs both explicit and implicit would therefore be high. In the next section of this paper we shall see how the working of markets altered in response to economic changes that began to occur after the 1860s.

III

The Beginning of Change

The windfall gains of the American Civil War years brought forth paeans of self-congratulation from the Government which had been defending its revenue and public works policies against Manchester critics for decades. Now, with the beneficent influences of high prices, rail transport and the entry of European merchants in the mofussil markets, all economic problems would be solved. A heady tone of optimism pervades the official writings of these years, and also those of some historians who have ignored the conjunctural and transient nature of the prosperity they described.

Typical of many official reports of the time is that of Rivett-Carnac, Cotton Commissioner, for 1867-68. A few years ago, he writes, the cultivators in Vidarbha were deeply in debt, and compelled to mortgage their cotton crop for loans, which system threw both the cultivators and the cotton crop of a district into the power of a certain number of moneylenders, who had every object in keeping the trade in their own hands. But, he continues, the Revenue Survey gave the peasants security of tenure, the high prices made them prosperous and free of debt, while the Railway brought in outside buyers, enabling the cultivator and the Bombay merchant to meet face to face in the cotton market......' The disquieting future was relegated to a footnote :

> Since the palmy days [of the Civil War] ....many of the cultivators have doubtless relapsed into the chronic state of indebtedness, which characterised their position during former years and much of the cotton crop is again the hands of the moneylenders, long before it sees the cotton market. (Rivett-Carnac 1869 : 132-34)

Prices declined down to 1876, and the Deccan Riots Commission observed that in the Central Deccan the boom years left a legacy of greater debt and heavier dependence on the savkars; and the same appears to have been true of the more favoured cotton producing districts to the North.

So the Khandesh Gazetteer of 1880 declared that "European firms cannot get at the commodities, except by the help of native agency, for as a rule, the Khandesh cultivator thinks of no market beyond his moneylender's verandah or the local weekly bazaar. Usually, it stated "the husbandman has received advances from or mortgaged his crop to, some village moneylender, who in turn has borrowed from some larger capitalist". (Khandesh Gazetteer:192,221). Contemporary evidence from Berar presents a similar picture. Far from meeting the Bombay merchant "face to face" in the cotton market, at the important market of Khamgaon the cultivators brought in only one-fifth of the crop on their own account, and even this included "cotton brought in by Patels, who generally represent a number of villagers, and who probably in most cases have received advances from the Patels...... The bulk of the crop is under advances and is sold by the moneylenders". (H.A.D. Rept. 1878-9:8). And, finally, to match Forjetts' observation of 1846 that the debtor might be reduced to a state of absolute dependence on the creditor, who became virtually his master, we have an almost identical account in the Report of the Deccan Riots Commission. A strong case for continuity village-level in economic structure between the 1830s and 1870s could therefore be made: change could be said to be confined to the upper levels of the market hierarchy. So, we hear that in Khandesh the local sowkars lost ground to the Bhatias from Bombay, "masters of the new trade by rail and wire", and that European firms increasingly came to occupy the apex of the marketing hierarchy. At the important market of Barsi, the

Sholapur Gazetteer reported

> Almost the whole export trade is in the hands of the agencies of two Bombay European firms, Messrs. Ralli Brothers and Messrs. Gaddum, Bythell and Co., and ten or twelve agents of Bombay native merchants. Before 1860 the trade in the interior was in the hands of Marwar and local moneylenders who farmed the Nizam's revenues or were otherwise connected with that Government. By degrees and after much opposition merchants of Bombay ousted the local capitalists and established agencies in one district after another..... Purchases in these distant places are made chiefly during the South-West rains (June-October), when, according to crop prospects, advances are made to the landholders and the produce is bought at low rates. (P.409).

Changes of this nature were of course the result of better communications by road, rail and telegraph, as also of the changes in the composition and activities of the Bombay merchants community noted by Vicziany. But, as asserted earlier, it could be quite easy to argue that the village level markets remained structurally unaltered by the cotton boom or the new railway. But such an argument would be quite mistaken: gradually, intermittently and haltingly, the nexus between credit and commodity was beginning to dissolve.

Evidence of Change

The onset of this dissolution may be noticed in the 1880s. In 1889 A.F. Woodburn was deputed by the Government of Bombay to enquire into economic conditions, and he sent out a questionnaire to all the subordinate judges and Mamlatdars (taluka executive officers) in nine districts. One of his queries was:

> Is it customary for rayats to take their produce themselves to market for sale, or is it customary for them to hand over the produce to their saukars? If both customs exist, is either becoming more marked than it was, and what are the reasons?

He summarised the answers received as follows:

> The substance of what the Subordinate Judges say is as follows. Generally speaking, it is customary for rayats to sell their produce themselves. Where both customs exist that of the rayat selling his produce himself is becoming more prevalent. A great change is noted in this respect in Satara; also by the Kopargaon Subordinate Judge for his sub-division in Ahmadnagar. The Nandurbar Subordinate Judge says that the Bhils in West Khandesh still mostly hand over their produce to their saukars. The Subordinate Judge Erandol (Khandesh) says that, except among the Gujar Kunbis, who are thriving and prosperous, it is customary for rayats to

hand over their produce to their sawkars. The Subordinate Judge of Bhadgaon (Khandesh) says that all indebted rayats do so. In Nasia a similar remark is made about indebted rayats; it is also said that in the neighbourhood of the Railway, rayats sell directly to dealers much more than formerly. In Poona, Ahmednagar and Thana some say that if a rayat has taken an advance of grain he repays his sawkar at harvest, and sells the rest of his produce himself. In Ratnagiri the common remark is if there is any surplus, the ryot sells it himself.

The statements of the Mamladars in the four districts (Ahmadnagar, Poona, Sholapur, Satara) are much the same as those of the Subordinate Judges, that is, the rayat usually sells his produce himself, and the custom of handing over to his sawkar is becoming much less common. Infive talukas of Khandesh and nearly the whole of Nasik the Mamledars say it is becoming more common for rayats to hand over their produce to their sawkars. This is attributed to their increased indebtedness putting them more in the sawkar's power. Mr. Fraser, 2nd Assistant Collect of Nasik, writes: "In the dangi parts the grain is almost invariably disposed of to the sawkar; in other places only if the rayat is very much in debt, and the sawkar seizes his share before it leaves the thrashing floor". In Bijapur it is noted that the custom for the rayats to sell their produce themselves has become much more common, owing to the influence of the Railway. In Thana and Ratnagiri the Mamledar's reports do not differ materially from the Subordinate Judges'. (Woodburn 1889: 41).

One need not labour the contrast to the situation that had existed fifty years before . Even the system of cotton marketing began to change. A settlement officer in Dhulia and Chalisgaon Taluks of Khandesh had commented in 1863 that the rise in cotton prices had benefited the sawkars who "collect the interest due to them in kind" rather than the cultivators. His successor investigated the marketing system in 1896 and found that hypothecation of the crop against advances was not common.

> and is only had recourse to by poorer ryots who, being in want of a small amount of money for present occasions have no choice but to take it on the terms dictated by the savkar; in consideration of the money advanced the savkar takes payment in kind at the next harvest at a price about half of the market rate ruling at the time of payment. In many of the villages I was told that none of the ryots had entered into such contracts, and in few other that only the poor ryots had done so, and that not to the extent of the whole of their crop but only to the amount required to pay off their debt. I think that the sums advanced by the savkars on this type of contract must be for small amounts only, for when I made enquiry why the ryots in preference to making such ruinous contracts did not apply to the Government for Takavi advances, I was told that the amounts borrowed were small, and the

ryots incurring the debt did not think it worthwhile to take the extra trouble.....(B.G.S.' 350:7,9).

In some villages savkars noted changes of this sort also. Eight of them spoke to an official commission in 1892 in Kolgaon, Ahmadnagar district:

> We lend only in this village and lend less than before the riots [1875], and only when we know our man. The ryots support themselves by selling their produce. They take it off to Nagar or sell it to marchants from Bombay for cash. The Sahukars now go in for trading in grain, cloth etc.

One should however beward of assuming an absolute transformation in the merchantile system - such things are rate in rural India. There were probably still many savkars, who, like those of Khed, Satara district, lent only on standing crops and on account. (D.A.R.A. 1892: A-34, A-78).

Furthermore, the 1880s had been moderately prosperous years, while the turn of the century saw a cycle of devastating famines, followed, in the first decade of the twentieth century by several acute scarcities. Under these conditions, the crop-lien system seems to have received a new lease of life. Keatinge, Director of Agriculture, stated in 1912 that the farmer was often forced to mortgage his crop in advance. In some cases the standing crop might be sold for a lump sum paid down; in others, an advance might be taken three or four months before the harvest with interest at 9 to 18 per cent, and the crop to be sold through the savkar. Alternatively, the crop might be sold in forward delivery.

> Arrangements of the various kinds mentioned above are very common in the case of cotton, and a few years ago [i.e. just after the famines] most of the cotton crop changed hands on such terms, but during recent years the cotton cultivators of Khandesh have profited greatly by the high prices of cotton and are able to dispense to a large extent with advances, and to make better bargains after the harvest. It is estimated that nowadays advances are made against only 25 per cent of the Khandesh cotton crop
>
> (Keatinge 1912 : 159-61).

This trend persisted into the 1920s, when the Indian Central Cotton Committee carried out a series of investigations into the finance and marketing of cotton in India. The surveys covered Khandesh twice (1925-26 and 1927-28), and Berar once (1925-26). Several important results emerged from these enquiries. Firstly, that cultivators, except in Sind, were "not hampered by their borrowings in the disposal of their kapas". In some regions lenders took undertakings from the borrowers that the crop would be sold through them; but in Berar and Khandesh "no cases of written or verbal undertaking were reported". Given this circumstance, it is not surprising that the dalal or agent of the big cotton merchant or firm did not lend to the cultivator direct, unless he was independently a savkar as well" (i.c.e.c. n.d. : 17, 19). "It can be laid down as an axiom that in the areas investigated the dalal as such does not take any direct part infinancing the cultivator" (p.17). The findings of this survey were reconfirmed by the Banking Enquiry Committees at the end of the twenties. The C.P. and Berar one stated in its Report that "as a general rule nowadays the fact of indebtedness does not prevent the cultivator from obtaining a fair price for his produce, nor deprive him of a reasonable time for its disposal. (C.P.B.E.C. I: 139). Adatyas were found to lend to cultivators before the harvest. "We made careful enquiries in many villages but did not find that this system resulted in any noticeable abuses, and although the loan resulted in the crop being sold through the broker who had advanced the money as a matter of custom, there was no legal obligation to do so". (Ibid., 158). Referring specifically to Berar, the Committee wrote:

> Our enquiries show that the amount advanced by brokers, dalals, etc. is relatively small. The general belief that they advance large sums on condition that the borrowers should sell their produce through them had little foundation in fact.....(ibid. II:561).

The cultivators themselves had no complaints to make with regard to the operations of lending adatyas. (ibid. I:198). A comparatively similar picture emerges from the Report of the Bombay Enquiry:

> except in Sind, East Khadesh and the aboriginal tracts the fact of a cultivator's indebtedness does not usually come in the way of his freedom to dispose of the produce in the manner he thinks best". (B.P.B.E.C. I: 57).

Again, when M.L. Dantwala came to investigate the marketing of cotton in the early thirties, he concluded that the presence of agents of Indian mills and foreign purchasers in the market made it "impossible for the middleman to strike prejudicially the interest of the farmer". Competition among adatyas was so keen that, in Dantwalas' view, their earnings were "barely in excess of the minimum". Competition to secure business sometimes forced dalals to make advances to cultivators who could be found

> "threatening in their usual shrewd way to turn to some other dalal, in case they are not given a particular sum". Many had come to grief by reckless advances. (Dantwala 1937: 32, 31, 116-17).

There was keen competition not merely in the market, but also between different markets, and the villagers were aware of the relative advantage and disadvantages. So the peasants of Belkhed, Akola district, told the Banking Enquiry that they went to Amraoti as they gained Rs.5 per cartload of cotton by going there. (C.P.B.B.E.C. II: 93). Trade could shift away from market with a bad reputation so, for instance in 1907-8 "Arvi got such a bad name that the cotton began to go straight to Pulgaon, or the markets in the Nagpur District until better counsels prevailed". (Wardha S.R. 1913:16). The local monopsonies of a hundred years earlier had evidently disappeared.

Explanations of Change

The reader may perhaps have found himself slightly lost in the detail of the previous sections; but it should be now clear that the structure of the commodity-cum-credit market changed dramatically between say, 1840 and 1920. At the earlier date the bulk of the agricultural commodities entered the market as a result of previous advances, and both commodity and credit markets were characterised by high degrees of monopsony and monopoly; by contrast to the twentieth century with its unbridled competition, where evils and losses arose more from the excesses of competition than from the restraints upon it.

The fact of this metamorphosis having occurred once established, one is inevitably led to seek its causes. Some of the possibilities have already appeared in the preceding pages - as for instances, the improvements in communications and the appearance 'up-country' of Bombay and European merchants, to whom the peasants could now sell at the growing Railway town markets.

By itself however, this is not a sufficiently powerful explanation. The presence of Railway stations or non-local merchants would of no avail unless the peasant was free to market his own produce, in other words if it was not mortgaged for debt. The objection is not merely logical - if we examine another cotton exporting region under the Bombay government, viz., Sind, we find that down to the 1930s neither the large-scale operation of foreign buyers, nor considerably improvement in communications, could shake the hold of the savkars on the peasants, and, consequently, on the commodity markets.

Could the answer lie in rising peasant incomes ? The years between 1860 and 1930 were characterised by an upward trend in agricultural prices, which served to considerably reduce the burden of the land revenue, at any rate. In addition, there was, down to the early years of the twentieth century there was the possibility, particularly in Berar, expanding the cropped area. Finally, the early years of the present century also saw the widespread adoption of a high-yielding short-staple cotton by the peasants in Khandesh and Vidarbha. There may have been an increase in tangible property of various sorts. As a part of his enquiry in 1889, Woodburn had a valuation made of the tangible assets, such as cattle, houses, implements, etc. but excluding land, of all occupants in a number of villages in the Deccan. The results are given below:

	AVERAGE PER OCCUPANT			
	Non-land assets (Rs.)	Land held		Debts
District		Area (acres)	Revenue (Rs.)	(Rs.)
Poona	207	20	12	171
Satara	212	18	21	241
Sholapur	232	38	19	129
Ahmednagar	219	29	18	133
Khandesh	411	22	26	403
Nasik	262	34	32	411
Bijapur	295	36	22	122

Source: Woodburn 1889 : Appendix B, Form 2.

The values in most districts are quite similar, with the cotton exporting districts of Khandesh and Bijapur showing higher amounts, also a feature of Nasik, probably a beneficiary of the wheat export boom of the 1880s. Now, we unfortunately lack comparable data for an earlier period but the literary descriptions appear to indicate that even this moderate amount of property was not to be seen in the 1840s.
Thus, Forjett wrote in 1846:

> Beyond the precincts of the towns, and our Military cantonments and out of the line of the high roads, the villages consist, for the most part, of miserable huts, inhabited by a squalid peasantry whose very appearance denotes a state of destitution. Even in villages which present a better aspect the enquirer soon finds, that throughout the length and breadth of the land, the people are struggling against poverty and debt.... (Forjett pa.19 in B.A.J.D. Vol.12 of 1851, No.518).

Again, a report on the general condition of what were, in the 1880s, prosperous taluka in the comparatively wealthy region of East Khandesh spoke, in 1845, of the villages as poor, consisting largely of mud huts with one or two rooms, and no furniture

The community consists of almost exclusively of cultivators who own little but their bullocks, a plough and harrow, a small stock of grain, a few utensils and the scanty raiment that covers them, and no instances of this class being possessed of more than a few ornaments of trifling value have ever, on occasion of robbery or through other indirect channels occurred to notice.

(A.C. Travers 22 Sept. 1845, pa.5, B.R.P.375/34 No.552)

If therefore, there was some increase in the assets other than land possessed by the peasants, we can see another reason for the slackening of sawkar controls - the availability of a larger collateral. In two districts we see the outstanding debt comes very close to the value of the non-land assets, despite the inclusion of the unindebted in all the averages. Those in debt, therefore, must have been approaching the value all assets - and it is noteworthy that in these districts - Khandesh and Nasik - both Judges and Mamlatdars report the survival of crop-lien on some scale.

Improved incomes and greater assets did not therefore, necessarily mean the end of the crop-lien system, but they may well have begun a shifting in the terms of the bargain in favour of the peasant. Pedder, wrote in 1883:

When the farmer is independent, the advance is made on condition of repayment in grain at rates based on the probable market prices of the next season, and the profit depends on the state of the future market, and not on the farmear's necessities,,,, should the farmer, however be badly off and indebted to the trader, the advance is calculated on terms which make repayment a sure and large profit to the latter. (F Forde 13 Nov. 1883, B.A.R.D. Vol.29 of 1883).

But if the margin narrowed, advance purchase might cease to be profitable, D.K.Kulkarni, Cotton Supervisor, Khandesh, explained the decline of the advance sale system in terms of

> the better state of the cultivators and also to the higgling that goes on between them when prices fluctuate heavily. If the prices go down the merchants will not pay the settled price to the cultivators, but will find fault with the cleanliness or the black particles of bracteoles; while when prices are high the cultivator will sell his good lot to another man, while to the merchant from whom the advance is taken, he will give inferior cotton of the third picking, or of lowest ginning. This practice is almost dying away and is a good thing as the merchants are generally more clever than the cultivators in finding excuses. (Cotton Cttee. 1919, II: 26)

Evidently, the successful operation of this system required the lender to possess a high degree of control over the borrower, and anything, such as rising income or increased local competition, which reduced the lenders' power would tend to undermine the viability of the operation. So increased incomes may account for part of the decline in savkar control. But the improvements were scarcely so great to emancipate the whole peasantry: in the 20th century as in the 19th most households found themselves with low and uncertain incomes and borrowing remained central to their survival. If the savkars had been anxious to enforce crop mortgage, it could have been imposed on the numerous poor peasants, as it was on the tribal people of the region. There were certainly large numbers of indigent peasants who would be in no position to resist; yet the system of crop hypothecation seems to have declined from being almost customary to being relatively exceptional. It is most unlikely that this change-over could have occurred without some degree of concurrence on the part of the savkars as a body. And it is to possible explanations of this that we now turn.

The Savkars' Motives

Let us recapitulate some of the points made earlier: hypothecation resulted from the fact that the crop was theonly security for the repayment of advances, consequently, there had to be strict limits to credit, leading to a sort of rationing, with repeated small advances, often in kind, in order to limit the possibility of diversion from its avowed purpose - and also, of course, to the profit of the savkar. Furthermore, as the crop was gathered, it was necessary for him to maintain a constant supervision over his debtor - who might not otherwise deliver the stipulated produce, as Ritchie, Steuart & Co. had discovered. In bad seasons there might also be the need to roll over credit for another season, or to decide to let the creditor fend for himself - with the risk of loss owing to his death or emigration.

Such a mode of operation implied local residence and knowledge, and also, a distinctly limited amount of capital employed, with, therefore, small absolute earnings. The big merchant would find it most efficient to contract through this small local sahukar, and the cultivator would generally find it impossible to by-pass him since few other potential lenders knew him (as Forjet pointed out).

There would obviously a limited number of threshing floors that the savkar could visit in one season; and the number of separate villages woul be even fewer. Now, the employment of a larger capital in fewer transactions could give the savkar increased profit and, if he chose, increased leisure too. And certain changes in the market structure that commenced in the mid-19th century gave the savkars, as a class, precisely this opportunity.

This change was the emergence of a fairly active land market. The prolonged agricultural depression that had commenced on the 1820s now lifted; and, at the same time, the steady growth of the population since the crisis at the beginning of the century, began to make itself felt. Furthermore, the British Government reduced and rationalised the previously high and arbitrary taxes on land, and created a uniform and transferable title to land under the new Survey system. Legal processes for the recovery of debt were accelerated and simplified. In these circumstances, savkars throughout our region began to find that they had a new security for the discharge of debt: the seizure and sale of the debtor's land.[6]

The land market was still, however, nascent and highly imperfect, and in many cases there would really exist nothing like an established market value for land. Given the attachment of peasants to their land, their own valuation might exceed any other conceivable offer for it. Oliphant, Collector of Poona wrote in 1873: "The ryots invariably set a higher price upon their lands than they are really worth, and will not as a rule part with them for their actual value". (Guha 1985 : 155). This own valuation of collateral could be exploited by the moneylender, who by threats of foreclosure could extract more from the debtor than any other tenant was likely to pay. (eg. Bhaduri 1984:71). The Deccan Riots Commission noted:

> the sowkar's object......is to obtain the ryot's produce; he makes advances against this security: he does not desire to obtain the land unless the profits from land are exceptionally high, as in the lowly assessed district of Ahmednagar, or unless owing to the competition of other creditors the return to be made out of his debtor is less than that recoverable from the land. So long as the sowkar has a monopoly of his debtor, he can secure not only the profit of his agriculture, but somewhat also of his labour; when his monopoly is infringed, he takes the land and reluctantly abandons the rest. (D.R.C.: 67).
> The imperfectly developed state of the land market is shown by the Commission's comment that sale values were difficult to ascertain as there were "few bona fide sales for cash......" (ibid.60).

Imperfectly developed though it might be, the appearance of a market for land, gave the savkar a new security, and a new hold on the debtor. This would permit a larger extension of credit, since there now existed a security other than the person and crops of the debtor. Both the necessity for credit rationing and for extreme vigilance at harvest time would be greatly reduced -- in fact some savkars might now positively encourage the accumulation of debt in order to appropriate both the profits of la and the earnings of labour. Not now was land an illiquid asset : by the early 20th century there was a steadily growing volume of transactions in this market, and the savkar could readily turn his property back into cash. So the crop-lien system was abandoned partly because of improvements in the economic situation of a section of the peasantry, but mainly because of the change in the savkar's security as regards all landowning peasants.

Cases of concomitant variation

If this explanation of the disappearance of the practice of interlocking or crop lien is correct, we should expect to find it to persist in areas where land as security was unavailable or uncertain. One such area was the tribal-inhabited belt of hills and forests that fringed the plains of the Deccan. The inaccessibility of these lands would lead to their entering the market much later than those of the plains it was, in fact their marginality that left them in the possession of the Bhils at all. Furthermore, dispossessing the Bhils would be productive of little advantage as caste Hindu settlers shunned these fever-ridden areas. Where dispossession was feasible, however, it would generallyoccur, as for instance in Shirpur taluka of West Khandesh district, where between 1998 and 1917 the Bhils lost much land to Kunbis, Rajputs and Gujars. (B.G.S. 568 (N.S.):12). Hence we may take it that the Bhils survived as cultivators only where the land was in any case, poor and marginal, i.e. of little volume. In the 20th century they received some slight additional protection in the creation by the Government of a special inalienable tenure intended to prevent total expropriation. In the terms of security for loans, therefore, the Bhil in the 20th century was in much the same situation as the ordinary Deccan peasant had been in the early decades of the 19th. Not surprisingly, the savkars persisted with the same methods. W.G. Pedder wrote of Pimpalner taluka, West Khandesh in 1869:

> The people seem to be almost everywhere to be very badly off. They allow to being in debt, though their want of credit prevents them from being so to any great extent, and they seem almost universally to look to the aid of the sawkar for their assessment, for seed for their fields, and even for the food of their families between harvests - a state of things which has passed away in more favoured districts......The sawkars live in the bazar villages, and after harvest go about from village to village to buy, or rather to take on account the produce of their different clients". (J.C.S. 578: 60).

The situation had hardly changed when the Collector of West Khandesh gave evidence to the Royal Commission on Agriculture in 1927:

> The sowcar advances the Mauchi or Bhil money against his crop before it is even sown and provides seed; when the crop is ripe the sowcar takes the whole of it and credits the cultivator with what may, or may not be the value less advances; the Mauchi then draws on account from the sowcar what money he wants or he can get, and the account is kept running indefinitely. (R.C.Ag.II Pt.I: 287).

As another official describing the same situation had occassion to remark in 1914:

> Thus, in spite of the protection afforded by the tenure, the Bania continues to get the lion's share out of the land, and if he is not the master of the land, he is certainly the master of the nominal master of the land". (L.R.A.R. 1913-14 Pt.II: 54).

The other instance of the nature of security determining the operations of the savkar is the case of gul production. As the canal system came to irrigate portions of the Western Deccan, the water was increasingly utilised for the intensive production of sugarcane, and the making of gul. This involved large expenditures - upto Rs.1000 an acre, and also generated a large demand for credit. Initially yields were high and prices good, and few precautions had to be taken: the Poona capitalists who lent in Pimpalgaon, Poona district, "lend on simple account without bond or security, as the people grow sugarcane on canal land". But, the villagers added, "The Poona men never advance more than the value of the crop, so they are never unable to pay them". (D.A.R.A. Rept. 1891-2 : A-4). Crop security again became important because the loans would often exceed the value of the land, and, in any case the crop was often grown by tenants, who, equipped with capital an techniques, moved into the newly created canal zones. By the 1920s, however, gul production was no longer as profitable as at the turn of the century, as soil salinity and low prices took their toll. The recover of advances became a more serious problem. D.A. Shah, Asst. Registrar, Coop.Societies wrote in 1929:

> Unexhausted soil and high prices of gul brought good profits to sugarcane growers till a few years ago. As it was possible even for an inefficient agriculturist to grow sugarcane with profit, many agriculturists who should not have taken to sugarcane growing, went in for it. The rise of income led to a higher standard of living and whatever surplus remained was utilised in extending sugarcane cultivation and in purchasing lands at high prices. The soil however showed signs of exhaustion resulting in lower yields and the high prices which were temporary, gradually went down and the reverse process began. For a year or two, or more, so long as the cultivator had money or credit and consequent command over money, he entertained the hope of a rise in prices, and persisted in what turned out to be a gamble....There is no doubt that a number of careful, intelligent and discriminating agriculturists can and do still grow sugar cane without a loss and even at a profit. But that cannot be true of the average sugarcane grower if and so long as the gul prices of 1927-28 persist.

In these circumstances the cooperative had to look to the security for loans, so limits were fixed for amounts to be advanced, and almost all loans exceeding Rs.500 advanced on the mortgage of immovable property and also of the sugar cane crop if the finance were for sugar cane growing.....The scale of finance per acre had to be curtailed during the year 1927 and at present (1929) practically no member who cannot find his own money for initial expenses and for plantation is financed for sugarcane". (H.L. Kaji ed. 1930: 14). Given the general economic conditions these measures proved insufficient to check the mounting arrears - overdues on the canal societies reaches almost 21 lakhs by 1928 - 29; for several years only insignificant recoveries had been made. (J.P.B.E.C. I: 75).

The savkars faced the same problem, and reacted in similar ways. Seth Prahladji Goverdhandas told the Bombay Banking Enquiry that the cost of production of sugarcane was Rs.800 per acre, he had advanced Rs.500, but in recent years, owing to the decline in production had been advancing Rs.300 to 400". (ibid. II:). Tighter conditions also began to be enforced, as P.C. Patil stated:

> On the Deccan canals and in the Warna valley the sugarcane farmer generally gets loans for sugarcane cultivation from adatyas..... Not infrequently near Poona, the adatya secures his loan by taking a bond from the cultivator to the effect that the whole cultivation belongs to him (the adatya) and that the cultivator is his (the adatya's) servant. (ibid.II:298)

Strict control over sales was necessary if the crop was the main security, and must have been widely resorted to; the Enquiry Report stated that the agent through whom the Gul was sold was "usually the moneylender, and frequently a wholesale dealer as well. The money advanced for sugarcane growing is almost invariably advanced on the security of the crop, with a condition attached that the gur must be sold through the moneylender....The sale proceeds are credited to his account and the surplus, if any, given to him in cash". (ibid. I: 106).

That this was a functional necessity is shown by its widespread adoption by the cooperative movement. In the 1950s, it was reported from Bombay Province that the crop loan system was operating most satisfactorily with regard to sugarcane and potato.

> In both of these the organisation of sale and purchase has been helpful for the expansion of credit as well as for the regular operation of the credit system. The gur purchase and sale societies existent in the various tracts have undoubtedly helped the extension of crop loan credit to sugarcane growers, through assistance in the recovery of crop loans immediately after the sale of gur.

The origin of the crop loan scheme itself in instructive: after the introduction of the Bombay Agricultural Debtor's Relief Act, there emerged a class of 'adjusted debtors', who could not legally alienate their land – consequently, they had to be cut off from cooperative credits, and it was for their benefit that loans with the crop as security were begun in 1939. (R.C.S. II: 238). This problem had already arisen in the Central Provinces. The Registrar of Cooperative Societies, C.M. Trivedi complained in 1927:

> The land tenure in the Central Provinces under which occupancy tenants cannot lease their holdings for more than a year, and cannot mortgage or sell their them is an obstacle to the growth of the cooperative movement.... (R.C.Ag., VI: 170).

The situation as regards private creditors was not so bad however. The occupancy tenant could surrender his holding to the landlord, who, for an appropriate fee would re-grant it to the creditor. So, as another official stated, in the developed tracts

> If a cultivator desires to transfer his holding he will do so, and if transfer is restricted by the right of preemption given to a third person, the only result will be that the cultivator will lose a part of the value received on transfer, in order to shut the mouth of the third party. (R.C.AG Ibid.344).

As long as rights in land remained a source of income means could be found to evade the law, and the situation could not become that of the early 19th century, when land was valueless - but cooperatives could not resort to such evasions. The depression of the 1930s substantially reduced both the rental and sale value of land, at the same time as legislation further reduced legal powers of recovery. The general situation for rural lenders may be inferred from the experiences of the Akola Central Cooperative Bank:

> As loans were made without very careful scrutiny and discrimination, coercive measures had to be taken for recovery of loans. In many cases, land of the borrowers were attached through the courts and mortgages were foreclosed resulting in the acquisition of land by the Bank on a substantial scale. As the land values were also depressed, it was not possible through the sale of land in possession of the Bank, to recover even a reasonable proportion of the outstanding loans. Thus a crisis developed, and the Bank was on the verge of liquidation. An attempt was, however made to save the Bank from this fate, and a compromise was arrived at with the creditors of the Bank regarding repayment of their deposits, etc. Within a short time after this compromise came the Second World War,

and agricultural prices and land values rose steeply. Many of the defaulters repaid their debts and the Bank was able to sell the lands acquired during the depression at remunerative prices. The financial position of the Bank thus recorded an improvement during the forties.

As a result of these happenings the Bank adopted a policy of encouraging the formation of crop loan societies with limited liability, for the provision of short-term crop finance to the agriculturists, and also a very cautions loan policy. Firstly, loans were advanced to the crop loan societies for periods of nine to twelve months. Secondly, a ceiling limit of Rs.10 per acre or Rs.500 per individual member was prescribed. (R.C.S. Dist. Monograph, Akola p.150).

In addition to all this, mortgage of land was also insisted upon, with the deeds being deposited with the Bank, and provision was also made for recovery of overdues as arrears of land revenue, i.e. by summary process.

The problems faced by this Bank were the problems of all lenders in this period; we may also note that the Bank reacted by adopting many of the private moneylenders practices as precautions, as well as by arming itself with powers of reccory far in excess of those available to the savkar. This evolution again bolsters the argument that the savkars' methods were mainly functional adaptations to a particular economic environment.

<u>The Rural Credit Survey</u>

Apart from the economic hazards of landing in the thirties, there was for the private moneylender the additional rish arising from changes in the laws both Bombay and Berar saw additions to the repertory of legislation protecting borrowers. There can be little doubt that the relations between lender and borrower adjusted themselves to this shock as to the earlier ones, but it also seems likely that the locally resident agriculturist lender, with his superior capacity for direct recovery, his willingness to accept imperfectly vendible security, and lack of easy alternative investments, would become more prominent than the professional moneylender. Thus, in the seven districts of upland Maharashtra covered by the Rural Credit Survey, out of 457 moneylenders responding, 242 were also cultivators, and 60 were non-cultivating landowners; this despite the fact that, the definition of the Survey included only cultivators who lent substantially among moneylenders.

Nonetheless, the professional moneylender remained prominent, if the General schedule returns are reliable.

Percentage of Total Borrowing of All Families From

District	Landlord	Agri.lender	Traders etc.	Prof.lender
Nagpur	3	nil	13	42
Akola	5	27	[illegible]	38
W.Khandesh	nil	17	7	17
Poona	neg.	4	9	29
Kolhapur	1	nil	6	53
Osmanabad	neg.	54	8	7
Parbhani	11	8	17	39

Source: Vol.III Table 11.

It is interesting that Osmanabad, which was the only district where agriculturist moneylenders were more important than any other category of lender, also had a high degree of savkar control over marketing. Of the 44 moneylenders interviewed there, most reported advancing money against standing crops, "about one-fourth stipulated for possession of the crops, and nearly half of them actually handled the crops for marketing".

Of the 44 money lenders, 31 were also cultivators, four landlords, 16 shop keepers, 11 traders and eight brokers and commission agents. (ibid). We should notice though, that the information in the Monograph and the data in Supply table 7 do not tally; in the latter the 44 money lenders of Osmanabad report no loans against either standing or harvested crops. Furthermore, the cultivators responding to the intensive enquiry in this district reported by advances etc. before sale of crop in only 6 out of 236 transactions. (Vol I, Pt.2 Tables 21.103 and 104).

One would be inclined to regard the Monographs as more reliable sources for district conditions, were it not for the fact that at least three of them show such close resemblances in phrasing as to lead one to suppose that the text was written first, and the data filled in later.

The Rural Credit Survey also indicates that creditor control over marketing in sugarcane probably remained strong - at any rate this seems to be indicated by the fact that, if we tabulate the practices of moneylenders and traders in the five cotton-producing and the two sugar-producing districts respectively, a striking contrast is immediately visible.

Percentage of Respondents reporting loans against

District	Traders		Moneylenders	
	Standing crop	Harvested crop	Standing crop	Harvested crop
Five Cotton	16	7	4	4
Two Sugar	64	55	48	26

Source: Vol.II, Supply Tables 6 & 7.

The nature of the Rural Credit Survey's data make the elucidation of the relations behind the statistics of difficult – apart from discrepancies in the statistics indicated earlier. For example, the 'Upper strata cultivators' are found involved in pre-sale credit relations at least as frequently as lower strata cultivators, the percentages being 10.4 and 10.2, of all transactions respectively. (Tables 21.103 & 104) Again, a very high percentage of the total lending by traders and commission agents to the surveyed families was to the top strata, as the table below shows:

Percentages of Total Debt to Traders and Commission Agents of All Cultivators, Classified by Strata of Cultivators

District	Big	Large	Medium	Small
W. Khandesh	34	69	20	6
Akola	26	75	20	5
Osmanabad	49	62	32	8
Parbhani	28	39	42	20
Poona	22	62	31	6
Kolhapur	37	50	33	15
Nagpur	27	60	31	9

Source: Calculated from General Table 14, Vol.III, R.C.S.

Now it is improbable that all these persons were borrowing from the merchants on the same terms, but the format of the Survey prevents us from seeing how conditions may have differed. The monographs would be useful in this regard, though their exactness is a moot point. However, as far as they go, they seem to indicate substantial amounts of lending on the security of crops - thus ten out of fourteen traders at Dhulia market, West Khandesh an made advances to secure crops -- and these amounted to no less than Rs.315,000 in all. Figures of this sort are difficult to reconcile with the low level of borrowing from 'Traders and commission agents' reported in the general schedule tables. This may be either because the borrowers did not identify the lenders as traders, but used some comprehensive term as 'savkar' or 'shet', which was translated as 'Professional money-lender', or because lenders thought that sale through them was guaranteed by the loan, but borrowers did not wholly agree. Or finally, that the town merchants who had advanced against future supply had done so to small merchants and rural dealers, and not directly to the cultivators themselves. Questions of this sort the format of the Rural Credit Survey makes difficult to answer.

Conclusions

A particular structure of commodity production arose as a consequence of tax-demands in late eighteenth century Maharashtra and generated a need for credit without which production, and consequently, both the productive and the unproductive classes would suffer. Consequently, a flow of credit did result. The problems of security for, and recovery of loans was also, resolved in various ways: but commonly by the lender having the power of direct distraint or self-help to enforce his claim. Or, to put it in another way, nobody without such power would lend on any scale -- except perhaps to neighbours or fellow merchants.

British rule did not result in dramatic change. Resort to the more forcible methods may have decreased, and appeal to a court become somewhat more widespread -- but risks and scale of operation changed little. Successful functioning still required local residence, personal knowledge and constant monitoring. The structure remained one of interlocked markets.

The real change came when another market came into operation : that in land. Now an additional, and tangible, security was available, and the moneylender could reduce his costs and extend his operations by relying on it. The vexatious enforcement of crop-lien lending and careful credit rationing could now be dropped. And so it largely disappeared ; its explicit and implicit costs did not give any better returns.

That this argument explains the end of interlocking is evidenced by market behaviour in places and times when landed security was bad or unavailable :

lenders resorted *once more to crop-lien security. This did not apply* solely to the evil-minded moneylenders ; the cooperative societies similarly found themselves thrown back on security more tangible than natural goodness of the peasants, and initially found it in mortgage of land - but when this failed they too began to enforce a lien on the crop, to control the supply of inputs, and to dole out advances in kind. In short, they did as the savkars had done, but without making any money in the process.

This clearly shows the functional character of the market structures, and bolsters the explanation advanced here. Furthermore, if this is indeed the explanation, then it would not be surprising if contemporary investigations were to find many cases of interlocking in private credit transactions : the recovery of private debt is slow and uncertain, the land market clogged with many restrictions and only a very unwise man would lend to someone over whom he had no paralegal hold to enforce recovery, if necessary. But such arrangements should not be viewed as survivals from the 18th century : like so much else, they are slightly modified revivals of that time.

NOTES

1 In the western part of Poona district in 1854, a settlement officer wrote, the moneylender or his agent may be generally seen lurking about the ryot's stackyard when any thrashing is going on, ready to slip in and carry off the promised portion of the produce.' There was obviously a limit to the number of stackyards the savkar could personally watch, and when his dealings became wider than this an explicit enforcement cost - his agents' remuneration - would appear in the account. See also p. below.

2. In the 1870s relations between creditors and debtors were particularly bad, and apart from the riots on 1875, there were several attacks on moneylenders by a 'social bandit', Honia Denglia. The resulting insecurity drove 'many of them from the outlying villages to local centres and cramped their efforts to collect their debts'.
(B.A.R.D. Vol.25 of 1879 Rept. of A.Keyser pa.11.)

3. P.A. Reynolds, referring to conditions in the Nizam's territory stated that savkars established themselves in the villages "with the view of purchasing up the produce; it was either purchased on his own account, or on account of some great firm whose agent he was; and he generally became the recipient of almost all the produce which was not consumed on the spot, or within a short distance of the place".
(p.p. 1847-48, XI: 426).

4. Rumal AGR $\frac{26}{A}$ or 1853, Record Office, Dhule contains this correspondence. We should notice that the firm operated with the full support of the State, whose powers, formal and informal, were very great: on receipt of the complaint, the Collector's first impulse was to deprive the recalcitrant ryots of their land; he only refrained for fear that such action should frighten away all peasants from further dealings with the firm. (ibid:22).

5. In the tribal tracts of Bombay province the same precautions had to be taken by Cooperative Societies lending to the Bhils: "Care was taken to see that the cash did not get into the hands of the borrowers as far as possible. If a member required seed or corn for maintenance or cloth or blankets or even bullocks, the society sanctioned his demand and passed it on to the agency concerned which was expected to supply the requirements. The debits were then transferred to the Bank in terms of money which in its turn debited the society concerned with the amount. Of course, it had to be seen at every stage that the individual member's or societies' credit was not exceeded".
(H.L. Kaji ed. 1930: 18)

6. For a fuller account see Guha 1987.

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These have been referred to in conformity with the practice of the repositories where they are to be found, subject to the need for brevity. The abbreviations used are:

B.A. - Bombay Archives; R.D - Revenue Department
J.D. Judicial Department

I.O.R. - India Office Records, London;

B.R.P. - Bombay Revenue Proceedings, in ditto.

D.C.R. -- Deccan Commissioner's Records, Peshwa Daftar, Pune.

Published Materials

P.P. -- Parliamentary Papers, Great Britain. These have been referred by year and volume number. Their pagination is not always consistent.

B.G.S. - refers to the series Sèlections from the Records of the Bombay Government, exclusively the New Series (c. 1852 -). Reference is to the serial number of the volume concerned.

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