CHAPTER --- 9TH
(MONEY LENDING SYSTEM)
The condition of the agricultural population of the state on the eve of the Dogra rule was miserable. The Kashmiri peasant like other peasants in India, was "born in debt, lived in debt and died in debt." Considering its fertile soil, facilities of irrigation afforded by the canals, abundance of labour and great inherited agricultural skill, the Kashmir Valley seemed to have been marked out by nature as a prosperous agricultural region; yet its agriculture was in a backward condition and the living standard of the average tiller of the soil was pitifully low. The existence of debt was acknowledged as the principal cause of this sad state of affairs. The presence of a huge volume of agricultural indebtedness which was unfortunately for the most part unproductive, checked improvement in all directions and constituted one of the most serious problems of agricultural economy in Kashmir. Owing to the lack of credit facilities, necessary for all productive operations, they were placed at the mercy of usurers, who thus fattened themselves on the labour of the agricultural worker. The official sources reveal four types of money lending system that existed in the state during our period of study, namely, Wadn, Raksh, Kul and Angi.

The money lending system of *nach* was very common in the state. Under this system the village shopkeepers, Galladaras and other moneyed persons used to advance money to the cultivators and, instead of charging interest directly, multiplied their profits at high rates. The usual time for such loans was August, September and December-January because during this period the cultivators had to pay debt in grain, blanket, ghee, fruit etc. The debtor undertook to repay his debt in grain at ensuring harvest, at a fixed rate mutually agreed upon between the parties at the time of loan.

The fixed rates were much cheaper than market prices.

The following table will show the variations in these rates.

<table>
<thead>
<tr>
<th>Name of the Grain</th>
<th>On Sawan</th>
<th>Loan</th>
<th>On Mach</th>
<th>Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs.</td>
<td>As.</td>
<td>P.</td>
<td>Rs.</td>
</tr>
<tr>
<td>Shefi</td>
<td>1.</td>
<td>8.</td>
<td>0.</td>
<td>to 1.</td>
</tr>
<tr>
<td>Maisa</td>
<td>1.</td>
<td>8.</td>
<td>0.</td>
<td>1.</td>
</tr>
<tr>
<td>Wheat</td>
<td>3.</td>
<td>0.</td>
<td>0.</td>
<td>4.</td>
</tr>
<tr>
<td>Til, Goguli</td>
<td>4.</td>
<td>0.</td>
<td>0.</td>
<td>5.</td>
</tr>
</tbody>
</table>

4. A wholesale and retail dealer in grain who also used to advance money to the cultivators.

5. Lawrence, *op. cit.* p. 5.


when the debtor was unable, due to failure of crops, to deliver the promised grain in full, he was required to make up the account by calculating the price of undelivered grain according to the market rate at that time. The money, thus calculated would sometimes become more than double the amount of the original loan. The debt was further swelled with additional advances, subsequently made, as the cultivator generally stood in need of money at every harvest and if such a system went on for a few years, the peasant was ruined. The Kashmiri proverb:

Giseus Giada Te Wad-Dan shah(zaminder becomes a pauper while the money-lender gets rich explains the above idiom. The record shows that there were some of the money-lenders who commenced this trade in with a small capital of one or two hundred rupees and, subsequently, amassed wealth varying from ten to eight thousand rupees. 8

The Rakh system meant practically purchase of future produce of the borrower by the schukar at the rates cheaper than those which prevailed in the open market. As a rule, it was two to three and, in certain cases, four to five times cheaper, which meant a very high rate of interest. 9


Another system of money lending was known as *kul*. Under this system the borrower used to pay to money lender a certain amount as interest on the amount taken by him. The prevalent rate of *kul* was two pies per rupees for a period of one to six months. In some cases, the debtor was to pay interest at the rate of 12% to 25% on half of the loan and *kul* at the rate mentioned above for the other half. Calculation of the interest in some concrete cases, on the basis of the actual prices, reveals that the poor villagers had to pay under the abominous system an interest from sixty percent to hundred percent for a period of one year or less. 10

Under the *Angi* system the borrower practically became the slave of the money lender and as a result of it he had to work in the house as well as in the fields of the money lender for rest of his life, getting in turn, for his hard services, nothing but bare bread and clothing enough for his survival. 11

We do not find any reference to money lending system in Gilgit and Frontier territories where the people were still under feudal system and their position was certainly no better than their counterparts in other parts of the state. In Ladakh,

however, we find a money lending system, called 珠-馍馍.\textsuperscript{12} Under this system the money lender used to charge 1/4 as interest on the total amount lent to the borrower. Debt in its various forms thus contributed to perpetual thralldom. The cultivators borrowed money from the money lenders under compelling circumstances. The rates charged by the money lenders were exceedingly high and these high rates of interest rendered repayment almost impossible. Until 1906, almost sixty percent of the agriculturists were affected by the system of 珠-馍馍 in several tehsils of the Valley. The rate of interest charged from them, stood as high as 81% per annum.\textsuperscript{14} Almost every village was badly ridden by these money lenders who used to employ all sorts of usurious ways in their dealings with the borrower. Sometimes, these money lenders took the possession of the fields, bullocks, houses etc.

State Policy Towards Rural Urban Indebtness

The state government took several steps to relieve the masses from the evils of indebtedness. It advanced certain loans to them of which most important were the Latestri loans. They were advanced to the peasants for the purchase of seeds, cattle.

\textsuperscript{12} In Ladakhi language 珠 means capital and 魔 means interest i.e. capital plus interest. Ibid., p. 7.

\textsuperscript{13} Review on the assessment report on the six tehsils of Kashmir Valley, 1905, p. II.

\textsuperscript{14} Ibid.
sinking of wells and for other improvements. These advances were given to the people in Lahaul for the purchase of ponies, yaks, etc. However, they were made no bonds whereby, either land or other movable property was hypothecated to the state. These loans were repayable along with the land revenue demand in half yearly instalments. Unfortunately figures regarding the total number loans advanced to the cultivators are not available in the contemporary official reports of the period.

Grain purchase advance, introduced in 1907, was given to the cultivators if their crops were damaged by some natural calamities. The grant of such a loan was, however, a lengthy process, and out of reach of a common peasant. First, the patwari of the area was required to inspect carefully the damaged crops and then he was to send his statement to the Birdawar, Lennono, Neib-Nebsidar and Rebsidar who sent their reports to the

18. Ibid., pp. 243-44.
19. Ibid.
of the concerned province after a good deal of investigation. After *Hakim-1-Ala*’s verification, the statement was despatched to the Maharaja who was the final authority in granting such advances.

But the most important step in this direction was taken by the state in 1913 when cooperative credit societies and cooperative banks were established. The first cooperative society in the Jammu province was organized on share basis and this whole organization was under the control of an officer especially trained for the purpose in the Punjab with three Assistants. All these officials were under the general control of an Officer known as Registrar.

The cooperative movement, started in Jammu was soon extended to Kashmir province as well. There were 336 societies in Kashmir province and Central Cooperative Bank established at Srinagar in the year 1914. The total working capital of the

banks amounted to Rs. 183,800 of which Rs. 130,000 were advanced by the state government and Rs. 53,820 were contributed by the shareholders. A further step was taken in the year 1918 when three industrial societies were established in Srinagar. 28

After the Great War, the prices of essential commodities had risen considerably and consequently, there was a large scale profiteering by the shopkeepers throughout the state. So in order to prevent the high rise in the prices of the essential commodities and also to check profiteering, the cooperative shops were set up in several towns. The cooperative societies in 1922 were split into the following two heads: 31

a. Agricultural Societies;
b. Non-Agricultural Societies;

Agricultural societies used to advance credit to their members for the purchase of cattle, payment of the land revenue, demand food stuffs, bullocks etc. 32

30. Ibid.
Non-Agricultural societies used to advance credit to the artisans, traders and labourers. An administrative change was made in cooperative societies in 1923 when the Revenue member of the State Council was given the general administrative control of the cooperative societies and the Registrar became his subordinate. This was done because the increased work volume of the work of these cooperative societies.

The following table will reveal the gradual increase in the number of cooperative societies since their establishment.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of Cooperative Societies</th>
<th>Working capitals in Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913-14</td>
<td>93</td>
<td>29,000</td>
</tr>
<tr>
<td>1919-20</td>
<td>643</td>
<td>8,91,940</td>
</tr>
<tr>
<td>1922-23</td>
<td>1170</td>
<td>79,66,580</td>
</tr>
<tr>
<td>1925-26</td>
<td>1354</td>
<td>2,924,945</td>
</tr>
<tr>
<td>1930-35</td>
<td>1784</td>
<td>23,987,654</td>
</tr>
<tr>
<td>1938</td>
<td>(Jammu and Kashmir Bank was established)</td>
<td></td>
</tr>
</tbody>
</table>

It is clear from the above that the state government made some attempts to relieve the poor classes from the indebtedness which had practically ruined them. But the question which arises is why the predominant proportion of all rural people of the

34. Adm. Reports 1923-24, p. 47.
state were compelled to take debts from the money-lenders and other sources. How far did the state succeeded in relieving the poor masses? in the following pages an attempt has been made to answer these questions.

The basic cause of rural indebtedness was the extreme poverty of the peasantry, due to heavy land taxes. The state demanded a large portion of each crop as land revenue, Jagirdars and Chakdars demanded equivalent shares out of what remained. A large number of revenue officials and village headmen had to struggle for a smaller and smaller share of the crop. Despite the fact that those at the lowest level had contributed most of the toil and sweat. Thus, the cultivators were reduced to abject poverty. They, therefore, needed money at every harvest to purchase seed, ploughs, food stuffs, repair of irrigation works, and so on, and they were forced to take loans from money lenders normally at high rates.

...Admn. Report, for the year 1940-41, p. 115.

35a. The Jammu and Kashmir Bank limited was registered as a Public Company in 1938. It commenced banking business in July 1939. This Bank helps to finance trade and industry on sound business lines. Although the war broke out soon after its birth, the bank has continued to make steady progress. For the period ending June 1941, it showed a profit of Rs. 40,500 and in the subsequent half year it showed a net profit of Rs. 47,424. In June 1941, the Bank deposits aggregated Rs. 27.18 lakhs and the cash in hand was Rs. 16.69 lakhs, with its head office at Srinagar. The bank has branches at Jammu, Islamabad, Bramullah and Muzaffabad. Admn. Report, for the year 1940-41...

In this brilliant introduction to an authoritative work on the Agrarian history of India, Robert Frykenberg lays great stress on the extravagances of the Indian peasants and regards these as the main cause of their indebtedness. He says that most of the peasants did not take debt on account of sound economic reasons. Instead of borrowing money for seed, construction of wells or repairing of irrigation work, they spent money on unproductive ceremonials and extravagances.

Frykenberg's views, however, do not seem to be valid in the case of Kashmir. During our period of study, marriage in the peasants' family never involved huge expenses for the ceremonies associated with it were simple. Frykenberg's generalisation may hold good at macro level. Even then we can raise a pertinent question: Had the peasants no right to enjoy themselves once in a while? Besides, the statement of loans advanced to the peasantry in the state in 1925-26 shows that one-fourth of the total amount of loan was advanced under sub-head "purchase of cattle" and another 1/4 under "payment to Sahukars". Seventeen

36a. Robert F. Frykenberg, Land Control and Social Structure in Indian History, P. XIV.
37. Ibid.
39. Ibid.
percent of the total was given for "payment of Revenue" and 84.1% for "buildings" only 5.76% out of the total amount of loans advanced in 1925-26 was placed under sub-head "marriage." These figures show that the peasants did not take debts merely for unproductive ceremonies and extravagances.

An important cause of the rural indebtedness was the several natural calamities which visited the state during the period under study, resulting in enormous sufferings to more than 80% of the population engaged in agriculture. These occurred several floods in the state, particularly, in the Valley, in the years 1879, 1891, 1892, 1893, 1901, 1902, 1903, 1905, 1909 and 1917. These floods destroyed agriculture.

41.  Ibid.
48.  One of the highest flood in the history was recorded on 23rd July, 1909, M. S. Qitahella, **An Introduction to Kashmir**, p. 113.
ruined the crops and created food crisis in the state. The floods were followed by horrible famines which further aggravated the sufferings of the common masses.  

Nothing can be said with certainty as to how many people died due to floods, famines and epidemics, or how much material loss people suffered during the period under study. But according to one estimate, the natural calamities, from 1850 to 1925, accounted for about 1,61,784 human lives, about 17,898 cattle heads and about 18,143 houses. Such losses obviously, created economic crisis in the state, and the starving peasantry had no other alternative but to take more and more advances from the money-lenders at exorbitant rate of interest.

The state government did take a few steps in order to relieve the masses from the clutches of money-lenders, but the half-hearted measures of the government were a mere drop in the ocean, it seems that the Dogra administration considered floods and famines as the 'Almighty's curse' upon the people, it was none of the fault of the government and so it was not responsible for the sufferings of the people. After every flood and famine the government used to distribute something in 'charity' to the starving population and these so-called benevolent measures of the government were extolled to the skies in official reports.

48. Adam, Report, 1892-93, p. III.
It is interesting to note that the government of India had established a "Famine Relief Fund" on the recommendations of Famine Commission of 1890.\(^{50}\) As early as 1887, Col. Flowden, the British Resident in Kashmir, had suggested that the state should leave a surplus of four or five lakhs of rupees every year as the "Famine Insurance Fund." On the principal adopted by the Imperial government\(^{51}\), it was a very reasonable suggestion and if every year the state had saved so much as for the famine-stricken people, a good amount would easily have been accumulated which the government could easily have spent during the disastrous years of 1891-94 when Kashmir suffered from most terrible floods and famines, but, unfortunately, Flowden's suggestions were not heeded. When the people suffered terribly during the period 1891-94 the government decided to start an emergency fund called "Flood and Famine Fund" on the pattern of the Imperial government. The main object of this fund was to provide relief and financial aid to the famine-stricken. The following table shows the states financial aid to the famine-stricken people from 1911 onwards.\(^{52}\)

50. Surinder Nath Gupta, British—The Magnificent Exploiters of India, p. 110.


52. The Table has been prepared after consulting Administration Reports of the Years from 1911-12 to 1925-26.
<table>
<thead>
<tr>
<th>Year</th>
<th>Flood and Famine Fund (in Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1911-12</td>
<td>--</td>
</tr>
<tr>
<td>1912-13</td>
<td>--</td>
</tr>
<tr>
<td>1913-14</td>
<td>111</td>
</tr>
<tr>
<td>1914-15</td>
<td>2,620</td>
</tr>
<tr>
<td>1915-16</td>
<td>662</td>
</tr>
<tr>
<td>1916-17</td>
<td>1,032</td>
</tr>
<tr>
<td>1917-18</td>
<td>151</td>
</tr>
<tr>
<td>1918-19</td>
<td>--</td>
</tr>
<tr>
<td>1919-20</td>
<td>2,129</td>
</tr>
<tr>
<td>1920-21</td>
<td>2,521</td>
</tr>
<tr>
<td>1921-22</td>
<td>3,151</td>
</tr>
<tr>
<td>1922-23</td>
<td>314</td>
</tr>
<tr>
<td>1923-24</td>
<td>1,108</td>
</tr>
</tbody>
</table>

The table clearly shows how little the state spent to relieve the people from the atrocities of floods and famines. During this span of 15 years, the state spent almost half a lakh of rupees. It was not even one week's income of the state from land revenue during the same period.

The state government passed a few trivial laws to prevent the alienation of land to money-lenders and to seal down the enormous debt. For instance, the state enacted a special law known as "Agriculturist Relief Act" in order to put some kind of check on the unlimited powers of money-lenders. Under the said regulation the agriculturists-debtor could bring his creditor to the court for settlement of his account. The courts were empowered to examine the accounts of the previous
five years to disallow the rates of interest in excess of
the prescribed maximum. The courts had the power to see that
the total interest allowed did not exceed 50% of the loan end
to fix instalments on the basis of reasonable paying capacity.

But these half-hearted attempts proved futile. The
money lender-cum-landlord could easily evade these laws since
these were many loopholes in them, while the money lender could
afford to seek the services of lawyers, the tenants were unable
to bear the heavy expenses of litigation. Most important was
the question of demand and supply; the peasant was forced to
borrow so as to cultivate and pay the government. He had to
approach the money lender who was virtually the only agency
to supply cash for his needs. In such circumstances, the best
legislation would fail to check the growth of indebtedness,
ealienation of land to the money-lender, and fantastic increases
in the number of landless labourers. The taccavi loans
benefitted only a few lucky cultivators; it was not and aid,
but recoverable loan and the lands or homes of the borrower were
hypothecated to the state. "Grain purchases advance" were also
lengthy and laborious that it was almost impossible for a
peasant to get benefits from this scheme.

54. Ibid.
55. It is interesting to note here that by the end of the
Dogra rule there were 2 lakh landless cultivators who
cultivated the land of others (about ten percent of the
total cultivated area). M. A. Bajop, op. cit., p. 52.
57. For details, see Lal Bhawani Dass, op. cit., p. 1.
whatever the tall claims of the state government, it remains a fact that the cooperative credit societies failed to render any good service to the peasants. The poor cultivator, who was badly in need of loan could not be enrolled as a member of the Cooperative Credit Society on account of his poverty. The majority of the peasants living in far flung areas of the state never heard about the existence of the Cooperative Credit Societies. The involvement of the state machinery in matters of money advances, by all available accounts, was still only nominal at the best. The money lenders continued the exploitation of the poor and needy as ever as it did. Almost every poor peasant had to grove under the weight of debt and these societies were a mere drop in the ocean. As a matter of fact the activities of the Cooperative Credit Societies were mostly confined to the cities and towns. Even in the city of Srinagar, the trade extrepot

58. It shall not be out of place to mention here that in 1923, the state government started a new scheme of "voter advance" for the state officials. Under this scheme the state granted advances to the Officers of the state for purchasing motors for personal use.

59. The state claimed in 1925, an overall increase of 1261 societies over the figure of the first year of their establishment viz., 1911. Judging by its working capital was concerned, it increased from Rs. 20,000/- in 1911 to Rs. 224845/- in 1925. Report on the Working of the Cooperative Societies in the Jammu and Kashmir State, ending September 1925, p. 11.
of Kashmir, "Cooperative sale and purchases were yet in their infancy. Added to this, the benefit of credit was mostly taken by the land-owners and other influential people.

The Cooperative Societies were not fairly distributed in the state. For example a major share was given to the Jammu Province, which had 70% of the cooperative credit societies located in it. Similarly 65% of the total members of the cooperative credit societies in the state were living in the Jammu province, and seventy percent of the total working capital of these societies in the Muzaffarabad District of Kashmir province, while Ladakh, Gilgit, Hornch and Frontier territories were totally neglected.

60. History of Kashmir, p. 81.
61. The number of the Cooperative Credit Societies in various areas of the state in 1925 is shown in the following table:

<table>
<thead>
<tr>
<th>Jammu Province</th>
<th>Kashmir Province</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mirpur</td>
<td>528</td>
</tr>
<tr>
<td>Jammu</td>
<td>333</td>
</tr>
<tr>
<td>Udhampur</td>
<td>89</td>
</tr>
<tr>
<td>Ltd. Societies</td>
<td>10</td>
</tr>
<tr>
<td>Kassi</td>
<td>9</td>
</tr>
<tr>
<td>Kathua</td>
<td>6</td>
</tr>
<tr>
<td>Barawalla</td>
<td>262</td>
</tr>
<tr>
<td>Islamabad</td>
<td>124</td>
</tr>
<tr>
<td>Ltd. Non-Credit</td>
<td>5</td>
</tr>
</tbody>
</table>

62. Number of the member of Cooperative Credit Societies from various parts of the state in 1925 and their working capital:

<table>
<thead>
<tr>
<th>Jammu Province</th>
<th>Members</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mirpur</td>
<td>10652</td>
<td>1340055</td>
</tr>
<tr>
<td>Jammu</td>
<td>6035</td>
<td>1213312</td>
</tr>
<tr>
<td>Udhampur</td>
<td>1454</td>
<td>161707</td>
</tr>
<tr>
<td>Ltd. Societies</td>
<td>137</td>
<td>12100</td>
</tr>
<tr>
<td>Kassi</td>
<td>119</td>
<td>9503</td>
</tr>
<tr>
<td>Kathua</td>
<td>109</td>
<td>16162</td>
</tr>
<tr>
<td>Ltd. Non-Credit</td>
<td>235</td>
<td></td>
</tr>
<tr>
<td>Barawalla</td>
<td>5709</td>
<td>750706</td>
</tr>
<tr>
<td>Kashmir</td>
<td>2763</td>
<td>441300</td>
</tr>
</tbody>
</table>