CHAPTER – 3

A Survey of the Empirical Literature:
An Outline of the Rural Economy of Purnia
This chapter discusses the historical evolution of economic strata among peasantry and fluctuations in agricultural crop production and growth rate in recent times. It discusses the preponderance of informal agencies, networks and markets of credit and of crop marketing, including public credit and marketing organizations in the context of the agrarian economy of Purnia in north Bihar. The zamindari framework of ownership of landed property, introduction of new colonial crops attendant to the forced commercialization of agriculture, and depeasantization-deindustrialization processes are discussed in brief, based on fragmentary pieces of information and data available for the rural economy of Purnia. The problems of competent agricultural services of credit and marketing of paddy and jute crops rendered by formal public agencies and institutions of the government (Sarkar) are especially dealt with in this chapter.

The chapter is divided into four sections. The first section deals with the strata among peasantry and formation of rank of agricultural labourers as these developed historically in the backdrop of institutional features of the rural economy of Purnia. The second section describes the fate of introduction of new commercial crops in the colonial times and growth rate in agriculture in general in recent decades. The historical outline of growth of informal agencies of marketing and marketplaces of crops is sketched in the third section. The fourth section elaborates on the features of the growth of informal sources of credit being tied with the evolution of network of marketing of crops since the eighteenth century. The two maps and eight tables have been given inside the text. The conclusion follows at the last.

3.1. Peasant Strata and Agricultural Labour

The mass of raiyats (peasants) had been the primary producers of crops and tillers of the soil without being the proprietors of land under cultivation during the colonial regime in Purnia. Under the Permanent Settlement of 1793, they were the zamindars (landlords) who had been conferred the ‘proprietary’ rights on land. Such a proprietary
right on the land was not at all the individual property rights of land ‘ownership’ in any modern capitalist sense and the continuation of such rights were subject to the regular payment of the land revenue to the state on a fixed date. The zamindar and later the intermediaries had however the right to sublet all categories of land. There was a complex system in operation. It was the colonial state, which had been the ultimate sovereign on the soil since the Permanent Settlement of Land Revenue of 1793. The colonial state possessed the right to take over the land from a zamindar in case of failure of payment of land revenue on a fixed date, and sell it to the highest bidder through auction of land. The zamindars maintained their proprietary rights over the land by paying about ninety percent of the estimated gross rental of the estate as annual fixed revenue to the state in the initial years, and recovering the 100 percent of, and quite often more than that, the annual revenue from the raiyats (peasantries) with the help of a number of zamindari officials employed and a complex web of superior rights holding intermediaries strata created between the zamindar and the raiyat. A peasant-raiyat was neither registered nor recognized as the proprietor of soil under cultivation. A peasant-cultivator was not having even the right to mortgage and sell the land. It was only towards the closing decades of nineteenth century that the Tenancy Act of 1885 conferred the right to sell, mortgage and sublet the land to a specific category of peasant-cultivator, called Khudkasht raiyat, a designation which was created by the Tenancy Act of 1859, who had got such a right over the land.

The Purnia peasantries of the Colonial regime consisted of the various groups of Khudkasht (occupancy) raiyat, Paikasht (non-occupancy) raiyat, Colait (bonded) raiyat, Adhiyadar (sharecropper), Chasa (ploughman), and Athoyara (corvee labourer). The khudkasht raiyat was an occupancy tenant whose traditional customary right of occupation over the land cultivated for last twelve years was recognized but only after the passing of the Tenancy Act of 1859. Since the Tenancy Act of 1885 was passed, these raiyats got further the right to sell and mortgage the land. The paikasht raiyat was a non-occupant tiller of the soil, who did not possess a permanent right of occupation on the land under cultivation. Both sections of raiyats (peasantries) were primary producers of crops and direct cultivators of land, who were however rent-paying tenants of the landed
proprietors of the soil called the “zamindars” (landlords). An adhiyadar was a sharecropping tenant of an absentee zamindar, an intermediary sub-tenure holder of a zamindar, and an affluent khudkasht raiyat. The adhiyadars did not constitute however the lowest rank among Purnia peasantry. This was despite it that they formed the numerical strength of a majority in the course of nineteenth century. A colait raiyat was an under-raiyat tenant and sub-tenant, who were mostly belonging to the small, deficit and indebted rural household in the village. The colait raiyats were unfailingly ‘bonded’ sharecropper. They formed the ranks of the forcibly evicted cultivators of the soil under prolonged indebtedness, and they were below the rank of the adhiyadars during eighteenth and nineteenth century. A chasa was the lowest ranking raiyat, mostly belonging to the Mohammedan community. They were generally the run-away raiyats, who were turned into adhiyadar-cum-agricultural plough labourer. They were mostly from the poor households with a plough, who were under the burden of exorbitant rent in the countryside.

Buchanan Hamilton (1928), a British administrator and surveyor, found this group of cultivators called the chasas (ploughmen) in the beginning of nineteenth century in Purnia, who later under the pressures of exorbitant rents also joined the rank of adhiyadars. An athoyara was in fact more of a ‘corvee’ labourer than a raiyat in any real sense since an athoyara provided unpaid labour in return for a subsistence plot (Chaudhuri, 1975, pp.179-80). They used to work on the master’s fields for a major part of the month free of cost and work on their homestead land for a minor part of the month. Buchanan Hamilton (1928) had referred to this kind of raiyats in Purnia, who ploughed for nearly twenty days of the month in return of no wage whatsoever on the field of his master in the countryside. They belonged to those sections of the group of labourers, who were bonded to the employers by virtue of taking consumption loans and who ultimately used to work as corvee labour on the land of the masters (Mitra, 1985, pp.180-93). In the beginning of the nineteenth century, Buchanan Hamilton observed the prevalence of agrestic slavery in eastern India although on a small-scale (Martín, 1976). Such a situation was also found by Colebrook (1884) towards the last decades of nineteenth century. The process of de-industrialization and population growth was producing
disastrous consequences in eastern India, and in Purnia in particular. There were millions of displaced artisans, who were thrown on the mercy of the landlords, and various forms of agrestic serfdom therefore survived unabated (Bagchi, 1991, pp.263-64). In most of the cases, the socially backward and laboring castes constituted this category of rural population. Buchanan Hamilton had noted this caste/class congruence to be more prevalent in Purnia than in any other districts of Bihar (Mitra and Vijyendra, 1980, p.93).

The institution of bonded sharecropping continued in the nineteenth century. An under-riyat was in all cases a non-occupant tenant of a raiyat, who himself was a non-proprietor revenue-paying tenant of a zamindar either directly through an intermediary land holder.

A number of institutional and social customs-inspired processes, which were at work in the colonial setting, had fueled the stratification and continuing differentiation among peasantry since the Great Famine of 1770 till the Independence in 1947. In the framework of eighteenth century saga of oppression and rack-renting in Purnia, they were not only the landlords but even the kanungoes and the foujdar were tyrant rather than the protector. Murshid Quli Khan, the Nawab of Bengal, appointed Saif Khan as the foujdar of Purnia. Saif Khan in the last quarter of eighteenth century realized eighteen lakhs of land revenue and customary deduction called ‘abwabs’, whereas the actual land revenue demand for the whole district was merely less than six lakhs of rupees, and a major portion of the revenue so collected by sheer application of extra-economic force was but spent on the military and troops he had to maintain in Purnia. The foujdar even imprisoned a number of zamindars on the charge of misappropriation of much of the collections of abwabs from raiyats (Verma and Verma, 1993, Pp.30-31). In such a situation of arbitrariness and lawlessness, fraudulent practices became therefore much more rampant on the part of revenue farmers and rent collectors as well. There was scarcity of tillers inside the villages, but the revenue assessment per capita of intermediaries employed kept on increasing (Mishra, 1972, p.232). The Permanent Zamindari Settlement and associated new revenue system of 1793 laid down the enforcement of laws relating to the sales of land. and the commercial failures in Bengal in 1830s related with vagaries of markets had attracted a number of opulent business
families, Banians and owners of merchant capital to purchase large tracts of land. Hazari Mal and Madan Dutt, the Calcutta banias, consolidated more than ten thousand acres of land in the Pargana Dharampur, and joined the ranks of absentee landlords in the course of time in Purnia (Mishra, 1972, P.235; Chaudhuri, 1975, pp.144-56). The principal purchasers of a few auction sales were however the previous zamindars and indigo planters, and henceforth, the erstwhile landlords remained the dominant power on land in the beginning of nineteenth century (Chaudhuri. 1975, pp.155-6), but the zamindari estates became successively smaller in size due to division and auction sales during the nineteenth century. It is in this framework of scattered small estates that there had been exploitative practices of rack renting rampant, and a history of deficiency of rent collection ensued in Purnia on account of famine stricken deserters of land.

The land revenue demand was rupees 23.46 lakhs in 1765. Despite famine-affected miserable conditions of peasantry, the assessment of land revenue in Purnia were increased from rupees 9.59 lakhs in 1769 to rupees 14.43 lakhs in 1770 and decreased only slightly to rupees 13.55 lakhs in 1771. The per capita burden of revenue assessment was rupees 5.4 in 1771. The collection was however always falling short of demand since 1765 to 1773. There was scarcity of tillers, but the revenue assessment per capita then kept on increasing. The collection and demand for rent were equal only during 1774-1780, and again during 1784-1786. In 1788, there was again a deficiency of rent amounting to rupees 45000=00 (Mishra, 1972, p.232). Despite it that the Mughal emperor, Aurangzeb, did away with a number of “abwabs” formerly levied, his orders for the abolition of abwabs were not always taken seriously by the revenue collectors in Purnia. The foujdas often disregarded the royal “farmans” (orders). The arbitrary increases of the rent, the increases in the rates of abwabs and institutionalization of the fraudulent practices meted out to raiyats by the revenue collectors and rent-farmers across the various zamindari estates became almost widespread. In the early nineteenth the century, it was the estate of Dharampur Pargana which earned notoriety in this regard, and was often cited as specific example by Mr. Colebrook in this regard (Sinha, 1968, pp.6 & 15-6). Since the great Famine in 1770, there had been the phenomenon of desertion from the villages and abandoning the cultivation of land on the part of famine-
stricken peasantry leading to the continuous deficiency in rent collection by the mostajirs. When the cultivation of indigo was imposed in the district, it forced peasantry to supply labor as well as to make payments of ‘abwabs’ further in the form of arbitrary imposed fines, and the impact was most severe in districts of Champaran and Purnia in north Bihar (Verma and Verma, 1993, pp.52-3).

The agrarian property and production relations then developed on the basis of continual appropriation of surplus labour of the raiyats by the affluent peasants, intermediaries and zamindars, and these were mediated not only by the exploitative practices of land revenue collection administered by the hardcore structure of zamindars and cobweb of intermediaries but also by the authority of certain customs and traditions inherited from the past. These customs, which were conducive to the creation of undue economic privileges of the intermediary strata during the eighteenth century, favoured the powerful in such a way that many under-tenure holders of the Darbhanga Raj, who originally migrated to Purnia from the neighboring districts of north Bihar and Munghyr, had already emerged as the big landowners and intermediaries by the end of the nineteenth century (Mitra and Vijyendra, 1980. p.98). In the beginning of nineteenth century, there was wide spread phenomenon of sub-infeudation, and intermediaries below the zamindars in the hierarchy were mostly Brahmin and high-caste Hindu. The strata of intermediaries had not only big farms and rental privileges but also held positions in the zamindari framework as under-renters and revenue contractors (thikadars). Some of them rose to the status of headman of the village called locally the mandal. The mandal as chief tenant was paid on land in the Kosi area for acting as go-between the zamindar and the peasants/tenants (Mitra. 1985, p 174). The Jeth raiyats, muqaddams, and mandals, who were absentee landowners, later emerged to be the rent-farmers (mostajir) of the erstwhile zamindars in Purnia. With numbers of intermediaries increasing, it was found that the land rent kept on increasing in course of time. The distortions crept into the management of these tenures, and gave the intermediaries a position of control over the resources as well as domineering social positions in terms of caste and links with the officials of the zamindar and mofussil bureaucracy by early nineteenth century. The mostajir and naib used to be the establishment of officers of the zamindars having
considerable power and control over the disbursal of rent burdens over the cultivators as well as over the receipts during the nineteenth century in Purnia (Mitra, 1985, pp.192-5). The mandals, muqqadams, mostajirs and jeth-ryots of higher castes of the Brahmins, Rajputs, Kayasthas among Hindu, and Muslim pathans had a right to occupy, almost free of rent obligations, whatever lands they required for their houses and gardens (Choudhuri, 1975, p.185). They held land on several types of so-called reclamation tenures, locally termed as the kumkaust leases, kumdunnah pottahs, gutchbundi, jotjama, and halhasel jots in Purnia, the occupation of which was justified in the name of reclamation of land in the post-Famine era after 1770. The agricultural land already in the cultivating occupancy of peasants (common) used to be forcibly incorporated into the ‘kumkaushty’ lease of another ryots, to whom it used to be granted in turn generally at low rates of rent. The reclamation-tenures used to be rented out to capital-scarce lower-ranking cultivating peasants on lower prices, determined either on the basis of number of plough employed and the area cultivated. In the course of time during the nineteenth century, these big landowners and intermediaries had usurped the authority of granting leases or ‘pottahs’, and they made the practice of appropriation of differential rent almost common. The rental tenants were therefore forced to desert. The deserting tenants became under-tenants and sharecroppers (locally called ‘adhiyadar’) later in order to survive.

Sharecropping served the purpose as an institutionalized method of providing labour for agricultural purposes in Purnia, which had been a district characterized by shortage of the labour (Mitra, 1985, p.173). The agricultural stagnation, which had been set by the huge mortality of human and cattle population and consequent desertion of surviving ryots from villages since the years of Great Famine of 1770, had continued long in Purnia. In the post-famine period, there had been continuation of languishing growth of cultivation of food-crops in particular. There had been deaths and desertion of ryots, and therefore, consequent shortage of labour to cultivate the land. It was not at all the limited market, which acted as a constraint on the growth of cultivation. It was rather the size of population, which was a constraint on the cultivation in Purnia (Chaudhuri, 1991, p.324). The scanty availability of hands to cultivate the land had survived as a
considerable constraint, despite the immigration of labor from the neighboring districts in Bihar. The prospect of agricultural growth had therefore been closely related with the fluctuations in the size of labour force supply, which in turn was associated with the demographic factors of huge deaths and migration and phenomenon of introduction and decay of new crops during the colonial regime. The prices of crops had undoubtedly been also a significant determinant of the rhythm of cultivation by peasantry. Buchanan Hamilton (1928) referred to the phenomena of rising prices, greater quantity of money in circulation and relatively more stable marketability of produce of the ryots. In retrospect, he was witness to the dimensions of the new wave of forced commercialization. Purnia traditionally exported rice and oilseeds to Murshidabad while sugar was imported from Dinajpur, Tirhut and Patna (Mitra, 1985, p. 163). Given the continuing stagnation in crop cultivation for a long time and enactment of forced commercialization with the introduction of new commercial crops by the colonial regime, the prospect of food surplus kept on declining over the years during the nineteenth century. The colonial agricultural policy had been one of introducing new crops to supplement the income of raiyats and peasantry. It had been centered at opening a second line of defense against possible failure of crops, and therefore, the guard against the possibility of declining revenue paying capacity of the raiyats and tenants in Purnia. The cultivation of jute was already there in Purnia. The cultivation of other commercial crops, for example, the indigo, sugarcane and tobacco was introduced in the district in the beginning of the nineteenth century (Mishra, 1972, pp. 232-7). In retrospect, it is established that the colonial attempts met with very limited success. Some of the crops introduced by the British could not survive, and only a few managed to flourish in the course of time. On the other hand, the average rent per cultivated acre kept on increasing despite being lower than what it was a century back. It increased from rupees 1=23 in 1871 to rupees 2=40 in 1908 to rupees 3=30 in 1921, rupees 6=50 in 1931 and rupees 6=90 in 1941 ((Mishra, 1972, pp.227,248). These aspects of the land rent administration are to be read with the history of the distortions of credit market, undesirable land transfer on the land market, and the distorted commercialization of agriculture manifested in the commodity market in Purnia. In short, there has been sustained low attainment of agricultural growth across
last two centuries in Purnia, and continuing poverty of assets and low income had worked as catalysts in the process of differentiation among peasantry.

Given the mushrooming of intermediaries with phenomenon of subinfeudation, increasing incidence of rent collection by intermediaries, and passing the burden of rent on peasantry with fraudulent practices meted out to raiyats abounding, the rural households with ‘looms and some inherited skills’ used to turn from the crop cultivation to cloth weaving in the slack season of the agriculture to maintain the reproduction of their households. It was affirmed that in Buchanan’s time, the cotton weavers were ‘pretty numerous’ in Purnia. There were better off weavers ‘who can pay the rent of a good farm’. However, by the time the Monograph on the Cotton Fabrics of Bengal was compiled in 1898, Purnia reported only ‘1200 weavers’ approximately (quoted in Krishnamurty, 1983, pp.16-9). The de-industrialization process under the colonial regime in Purnia had however worked to add fuel to the simmering fire by drying up the prospect of additional employment in the countryside. In the Gangetic Bihar, Purnia was one of the districts, which appeared to have

*a considerable variety of manufactures based on military and consumption needs of Muslim nobles, when BH (Buchanan Hamilton) surveyed the district. Tent making, the making of ornaments of lac, bidri ware, glass work, the making of tooth powder, the manufacture of sindoor, blanket-weaving, not to speak of weaving of cotton cloth (and to a minor extent of silk cloth), flourished in BH’s time. By the time of SA (Statistical Abstracts of Bengal in 1870s) came to be written, most of these industries had contracted considerably, and some had practically disappeared* (Bagchi, 1976, p.517).

The cotton textile industry somehow recovered some ground around 1906-7 on account of the Swadeshi movement in Bengal. But, again the industry appeared to have mainly been concentrating on the coarse cloth of mixed fabrics like ‘lungis’ and ‘patanis’ in Purnia. The faint survival of the cotton cloth industry had been accounted for by two factors. One, there was continued attachment of the poorer people to coarse cloth called ‘photas’ and ‘bukis’ in Purnia, and second, the erstwhile full-time weavers and their descendents were compelled to take up weaving as a ‘part-time occupation’ in the face of seasonal character of occupation in agriculture. It was therefore not the ‘innate strength’
of the handloom industry but on the contrary the survival of handloom enterprises was ‘more an index of the poverty of agriculture, in this respect (Bagchi, 1976, pp. 516-7).

‘Maldehi’ – a mixed fabric of silk and cotton – was extensively produced at the time of Buchanan’s survey. The industry was mainly located on both sides of the river Mahananda in the district. Hunter in 1877 claimed that the industry had already started declining by 1820s, and had declined much more thereafter (Krishnamurty, p.21). In Purnia, bidriware and lac ornaments industry was highly developed at the time of Buchanan’s survey. People employed were numerous. However, the Bengal District Gazetteer of Purnia in 1911 concluded that there was virtual extinction of bidriware (Bagchi, 1976, pp. 517-8).

The weight of the industry in the livelihood pattern of the people of the district had declined by triple times approximately in a century. The pauperization caused by the de-industrialization process had further contributed to the swelling ranks of adhiyadars and colait raiyats in Purnia.

The pauperization of the khudkausht raiyats was a logical consequence in all these circumstances, which had been leading to cumulative deterioration in the livelihood conditions of the households in the rural setting. It was from the position of this pauperized and harassed peasantry that the sharecroppers and colait raiyats were born in the district (Mishra, 1972). The process of differentiation of khudkasht and paikasht ryots into adhiyadars led to ultimately to the de-peasantization process being set in. In the framework of continuing differentiation among Purnia peasantry leading to the preponderance of sharecroppers and helpless colait raiyats, it was clear that the forced commercialization of agriculture was not going to reinvigorate the stagnant cultivation any more than commercializing the farms of a minority of affluent peasantry. The process got intensified more during the nineteenth century as a result of growing land hunger and a process of de-peasantisation accompanying the colonial macro-process of ‘forced commercialization’ of agriculture across the country (Patnaik, 2000; Raj, 1985; Bharadwaj, 1985). A plethora of scattered estates were known for considerable number of dependent and helpless sharecroppers attached to these in modern Purnia (Mitra, 1985, P.174-9). The de-industrialization orchestrated by the colonial policy regime had already been facilitating the ruin of raiyats and increase their numbers joining the ranks of sharecroppers and labourers. The situation could not improve in the early decades of
twentieth century. There had been a general decline of food production from 1918 to 1947 in the country (Blyn, 1966), and Purnia must not have been any exception in this regard.

The social stratification consolidated over the last two centuries on the basis of appropriation of absolute ground rent through a combination of economic and extra-economic strategies in the face of sustained de-industrialization phenomenon continued to maintain the exploitative production and labor relations in the second half of twentieth century. There were in total 1584 permanently settled estates in 1874-75, and it kept on increasing from 1602 in 1885-86 to 1660 in 1902-07 (Mishra, 1979). Immediately after Independence, the intermediaries were abolished. The large landowners and absentee zamindars had however survived. In the 1951 Census there were almost 534 cultivators of land wholly or mainly un-owned by them, for every one thousand owner cultivators in Purnia. This figure was the highest for the districts in Bihar. The average state figure was 141 per 1000 (Mitra and Vijyendra, 1980, p.99). The agricultural census of 1971 vividly captured the heterogeneity among holdings, further. There were at one extreme merely 3.13 percent of the total number of farm holdings in the size-class above twenty-five hectares, but these were operating almost 30.90 percentage of land. At the other pole, 75.05 percent of the total number of farm holdings below five hectares was operating merely 24.7 percentage of land in Purnia. The Census enumeration underestimated the lower ranks of peasantry. There was a large group of sharecroppers, who were also permanent agricultural laborers attached to big farmers invariably under the annual contractual arrangements. They used to be treated locally as the ‘worker tenants’ in Purnia (Bell, 1977, P.329). They failed to be covered in the census enumeration. There was not merely skewed distribution of ownership land among peasantry, there were also phenomena of dispossession of the tenants with a view to obtain enhanced rents, and collect various customary abwabs on the part of absentee zamindars in the Kishanganj sub-division. A large number of absentee zamindars, intermediaries and absentee big tenure holders used to cultivate their lands through ‘bataidars’ in Dharampur Pargana in Purnia. The bataidars were cultivators who were given land on oral leases for uncertain duration. They were mostly santhals (scheduled tribes) in Dharampur Pargana according to the Land Revenue Administration Report of 1940-41(Mitra and Vijyendra, 1980, P.99;
Roy Choudhury, 1963, Pp. 99-100). In the framework of definition of the Census and the method of enumeration following it, they failed to be covered and accounted for.

A sample survey report of seventies further established that the petty tenants possessing some meager amount of land of their own had gone on to outnumber overwhelmingly the pure tenants in Purnia (Bell. 1977, pp.325-6). In the last quarter of seventies, the proportion of households operating entirely leased-in holdings and partly owned, partly leased-in holdings to total households were 7 percent and 45 percent respectively in Purnia district. The total area leased-in as percentage of total operated areas was 25.7 in the same year of survey. It was revealed that a majority of the pure bataidars was operating the holding size of less than 5 acres (i.e., 83.0 per cent). There were almost 51.6 percent of the raiyat-bataidars, who were also operating the holding size of less than 5 acres in 1967-68 (Chakraborty. 1969, pp.99-100). The economic differentiation of peasantry was undeniable. A World Bank official divided the peasants of post-independence period in Purnia into three-categories according to the economic status in the countryside. These were: the ‘raiyats’ or owner-cultivator, the ‘under-raiyats’ or tenants generally holding land on cash or share-rents and with certain recognizable rights in the land they cultivate, and the ‘bataidars’ or sharecroppers, paying half of the produce of land as rent on the basis of mostly oral contractual agreements. It was declared that the sharecroppers were the biggest and most trouble-some problem of the agrarian economy of the entire Kosi region, of which Purnia was a noticeable victim (Ladejinsky, 1969, p.A-156). The land reforms could not be implemented for a long time due to the prolonged litigation process involved in the High Court of Bihar. The land owner kept on changing the unrecorded sharecroppers from year to year. The public agencies had been hesitant in advancing loans to the sharecroppers. These bataidars consequently had been falling back naturally on the rich peasants and moneylenders. It was the practice that the affluent peasants used to keep them as the bonded sharecroppers. This was with the express objectives to ensure the interest income on loans advanced on the one hand and cheap availability of labor on the farm on the other.
Agricultural Labour

Ducarel (the first English supervisor of Purnia) as well as Hamilton Buchanan (the first Company surveyor of Purnia) are both silent on the subject of casual agricultural labor during eighteenth and nineteenth century. It is however beyond doubt that the agricultural laborers did historically exist in Purnia. It has been difficult to have any authentic figures of agricultural labourer immigration prior to 1872 when the first census was taken, and the Census conducted in the last quarter of nineteenth century enumerated a considerable seizure of workers in agriculture. Despite the declining rate of growth of rural labour force during 1941-1951 because of the substantial out-migration of Muslim population from Purnia to East Pakistan in 1947 (Sengupta and Ahmad, 1978), the percentage of male workers engaged in agriculture was still 34.18 in 1951. During 1951-71, there was further sustained increase in the number of agriculturists. By the 1971 Census, agricultural labour constituted more than forty percent of male agriculturists.

Table - 3.1


<table>
<thead>
<tr>
<th>Years</th>
<th>Total Rural Population</th>
<th>Proportion of Rural Population in Total Population</th>
<th>Proportion of Rural Workers in Rural Population</th>
<th>Proportion of Cultivators in Rural Workforce</th>
<th>Proportion of Agricultural Laborers in Rural Workforce</th>
<th>Proportion of “Other” Workers in Rural Workforce</th>
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<td>1961</td>
<td>2903531</td>
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<td>39.66</td>
<td>48.45</td>
<td>30.91</td>
<td>20.64</td>
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<td>1971</td>
<td>3691819</td>
<td>93.66</td>
<td>33.43</td>
<td>44.44</td>
<td>45.36</td>
<td>10.20</td>
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<td>92.02</td>
<td>34.70</td>
<td>37.99</td>
<td>53.57</td>
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<td>35.92</td>
<td>37.14</td>
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<td>9.91</td>
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<td>5476198</td>
<td>91.88</td>
<td>38.36</td>
<td>25.60</td>
<td>64.72</td>
<td>9.67</td>
</tr>
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The caste-composition of agricultural labourers indicated that two thirds were from the Hindu castes and majority of them were middle castes and scheduled caste Hindus. The Muslims constituted almost one-third of the total agricultural labourers (Bose and Ghosh, 1976). A majority of harijans, adivasis and mussahars were agricultural
labourers in the district. These low caste agricultural labourers were primarily the im-
migrants into the district. Most of these santhaal (scheduled tribe) and mussahars
(untouchables) were brought from the neighboring districts of north as well as south
Bihar. They settled permanently in Purnia later on. The only scheduled castes were
Paswan and Dusadh who came from Munghyr and other places as seasonal labourers and
slowly settled here (Mitra and Vijyendra, 1980, P.101). Both permanent as well as
seasonal immigration had contributed to the pool of low caste labourers in the history of
Purnia (Bose and Ghosh, 1976).

There were independent studies in the seventies however, which frequently
asserted that the Census underestimated the number of agricultural labourers in Purnia
(Prasad, 1972; Bose and Ghosh, 1976; Mitra and Vijyendra, 1980). There was a
difference in the estimation of agricultural labourer between the census data and the
village survey data, which almost differed by a margin between 10 and 20 percent. This
anomaly arose due to blurring of the distinction between sharecroppers and labourer
(Adigue, 1975). The Census declared them the sharecroppers, who were enumerated as
agricultural laborers in the village studies (Mitra and Vijyendra, 1980, p.107). In the
village-surveys data, almost 2/3rd of rural households of Purnia were found to be
agricultural labour households in the early 1970s and agricultural labourer as a proportion
of the rural workforce had increased greatly after the 1971 Census. The rural population
numbered 33,08,921, 41,16,122 and 54,76,198 in 1981, 1991 and 2001 respectively and
its share in total population declined marginally by two percentage points only between
1961 and 2001 (District Census Handbook, 1981; Census of India, 1991, Census of India,
2001). In the Census years 1981 and 1991, agricultural labourers made up a little more
than half of the rural workforce. Cultivators as a proportion of the workforce have been
declining since 1961 onward. The 2001 census however showed a very large jump in the
percentage of agricultural labor to almost sixty-five percent of the rural work-force in
Purnia.
3.2. Agricultural Growth and Principal Crops

Purnia is located in the rural hinterland of north Bihar and is a laggard agricultural economy. Paddy and jute are the two principal crops produced by peasantry. It is spread over a gross geographical area of 7943 square kilometers (Census of India, 1991, pp. 16-7; Census of India, 2001, pp. 169-72). It has been witnessing the fast increasing aggregate population standing at 33, 44, and 59 lakhs persons approximately in 1981, 1991, and 2001 respectively. The people residing in rural areas for the last three decades constitute close to ninety-two percent of total population of Purnia (District Census Handbook, 1981; Census of India, 1991, Census of India, 2001).

Map - 3.1
Purnia and Physiographic Division in Bihar

Source: Adapted from Census of India, 1988

In Purnia, the agricultural growth prospect is dictated by the general slope of the plains being from north to south which determines the course followed by a number of rivers and streams traversing it. It is a region of the sub-montane alluvial plains containing both old as well as new alluvial soils. The old alluvium is prevalent in the
northern part and new alluvium in the southern part (the river Ganges demarcates its southern boundary). In retrospect, the de-peasantization phenomenon of nineteenth century must have had been a rather slow process in the southern part in comparison to the northern part of Purnia. The major part of the plains is covered by non-calcareous and non-saline soil of recent alluvium formation, which is of low to medium fertility. There are mixed soils of clay and sand, locally called ‘dorasiya’. There are also areas full of low-lying swamps. It is agro-ecologically a heterogeneous sub-region. There are sub-micro-regions within it. The agro-ecological diversity and unevenness in agricultural development characterize the sub-micro-regions.

An old classification found three rather broad natural divisions in Purnia (Roy Choudhury, 1963, P.36; District Census Handbook, 1961, P. iv), but recent classification finds four sub-micro-regions in Purnia. These are called: (i) the Kosi flood plain; (ii) the Central Purnia plain; (iii) the Parman Kankai plain; and, (iv) the Mahananda flood plain (District Census Handbook, 1981, pp.185-6). The Kosi and Mahananda flood plains are the most fertile micro-regions. Purnia is principally a rain-fed area, and it receives annually considerably high and prolonged rainfall in comparison to other districts of north Bihar. The rainy season continues till date from March onward till August and September every year. The marshy lands abounded in different parts (Roy Choudhury, 1963), and its greatest concentration had been near the streams of the Kosi River. The areas near the rivers are alternatively covered with sand in one year and rich and fertile mud in the next year (Roy Choudhury, 1963).

Purnia had been a grain exporting district in the period before the 1770 famine. In the pre-colonial era, it was able to produce marketed output of food crops, and it had flourishing trade relations with the capital of Bengal. It had been a paddy producing and rice-exporting region of Bihar and Bengal subahs. It used to export rice to Murshidabad, which depended heavily on supply of rice from Purnia (Datta, 1990, pp.140-43). According to a historical analysis and estimation.

_Bhagwangola, near Murshidabad, was an important market for grain, oil and ghee, and in the 1760s handled, on an average, an annual trade of 12 million rupees worth in grain alone, which amounted to an annual trade of 18 million man._
of grain at current prices. Between 1765 and 1773 duties levied on grain trade amounted to a total of Rs. 12,00,000 in Purnia, with duty being at 2$\frac{1}{2}$ per cent ad valorem and at the prevailing price of Rs. 3 a man (in 1773), the average annual trade in grain at Purnia appears to have amounted to 2 million man a year (Datta, 1990, p.145).

It was not only the absolute volume, which was significant. The share of grain in the volume of agricultural produce traded for this period was also substantial and estimated at 42.4 per cent of the total trade in agricultural produce of Purnia, according to the proceedings of the Board of Revenue-Grain Department, Purnia (Datta, 1990, p. 145).

Map – 3.2
Purnia and Rainfall Pattern in Bihar

Source: Adapted from Census of India, 1988
Note: The figures represent the measurement of rainfall in inches

Agriculture had stagnated in the decades following the Great Famine of 1770, and this was despite the spiraling prices of grains and ready availability of markets for grains. The stagnating agriculture in Purnia was in contrast to the slowly improving agricultural performance in other districts of Bengal.
Purnia seems to have been an exception in this. Cultivation here did increase for about two decades after the permanent settlement. A rot seems to have then set in, and agriculture remained stagnant and in some case declined

While cultivation is very many parts of Bengal thus tended to increase despite some cases of declining cultivation because of immigration of peasants from such regions, the process of growth was not an uninterrupted one, and the decisive factor in this was sudden demographic reverses, and all evidence suggests that the size of cultivation was largely dependent on the size of the existing labour force. This was because of such reverses that cultivation in Purnia, Dinajpur and Rangpur tended to decline (Chaudhuri, 1991, p.308-14).

It was the shortage of raiyats and able-bodied labourers rather than the limitedness of the market which was responsible for the long stagnation in agriculture in Purnia. An astute observer, Colebrook (1884), however failed to read it properly. Mr. Colebrook believed that the limitedness of market was instrumental in maintaining the stagnation there in Purnia. It was remarked, therefore:

An increase in the market demand for agricultural produces would normally have stimulated agricultural production, and might consequently have led to an increase in cultivation. However, Colebrook did not show anywhere in his remarks that a considerable part of the peasants' resources remained under-employed because of a limited market. His own reports on the agriculture of Purnea, which were based on his personal observations, seemed to contradict his argument that it was not the size of the population, but the small size of the market that constituted the chief constraint on an increase in the cultivation. A significant aspect of the agriculture in Purnea was the 'so-called gutchbandi tenure, under which an enterprising farmer undertook to reclaim a large block of waste land, the rate of rent being determined by the actual size of the cultivation in any year. Cultivation was necessarily extensive, and the size largely fluctuated', and shows how the district was slowly adjusting to the rural depopulation caused by the famine. Purnea was indeed one of the most sufferers from the famine (Chaudhuri, 1991, p.324).

It was surprising then that a large number of gomasthas from other districts arrived in Purnia in 1799 to purchase the grains due to general food scarcity in Bihar (Banerjee, 1990, pp.169-73). In a continuing stagnant agriculture, it was unanticipated that the network of specialist traders and marketplaces, which was well developed under the aegis of mercantile and moneylending capital therein Purnia, could manage to assemble and export a considerable amount of grains and commodities during first quarter of the nineteenth century. The annual average value of exports of paddy stood at rupees
1,50,800, boiled rice rupees 7.42,550, atap rice rupees 57,900, wheat rupees 1, 17,050, oilseeds (linseed) rupees 11,400, mustard seed and oil rupees 1, 04,600, ghee rupees 72,900 and indigo rupees 8, 66, 00 in the years during 1809-13 (Buchanan Hamilton (1928) quoted in Martin, 1976, p.703).

The colonial regime experimented with introducing a number of commercial crops in agriculture in the backdrop of stagnant food crop production during the nineteenth century. The indigo crop was introduced in Purnia, and the area under it was 20,000 acres when Hamilton Buchanan visited Purnia by 1813. The first indigo manufacturing concern in Purnia was started in 1798. In the beginning, it was foreign capital which dominated, but indigenous capital soon found its way into the industry. This was significant in contrast to the fact that most of the planters were British in Bengal (Rao and Rao, 1992, p.16). The acreage under indigo started declining however after the mid 19th century. Since the rent of indigo producing land was less than rice producing land, many local landowners started discouraging the tenants from undertaking the indigo cultivation in later years. There were new opportunities available to the peasants to grow other remunerative crops, which made the ties with the indigo system far more unbearable than before (Chaudhuri, 1975, p.91). The spread of aniline dyes in Europe reduced the export demand for indigo.

In Purnia, jute provided the alternative. By the end of first decade of the 20th century, the acreage under indigo diminished so appreciably that the last two indigo factories in the district was closed down around 1925 (Mishra, 1979, pp.238, 255). Another cash crop introduced toward the close of eighteenth century was the sugarcane. In north Bihar in general and in Purnia in particular, sugarcane replaced indigo cultivation (Ahmed, 1965, p.142). Buchanan Hamilton (1928) noted that the cultivation of sugarcane was confined to the eastern portions of Purnia district and covered a substantial area. It also declined in later years, however though the reasons for the decline were different. The recurrent floods and consequent inundation in the area east of Kosi were often judged to be responsible for wide fluctuations in acreage and output, and the gradual disappearance of the crop in Purnia (Ahmed, 1965, p. 142).
The cultivation of tobacco was a prized venture, and it had been performing well for some time. Almost 5000 maunds, equivalent to about 200 quintals, of tobacco produced in 1789-90. Nearly 60 per cent of the output was annually exported to Murshidabad and Calcutta. The foreign variety of tobacco called the ‘nicotiana-rustica’ were brought from Calcutta and experimented with in Purnia in later years (Mishra, 1972, pp. 232-33; Roy Choudhury, 1963, p.197). The competition with the remunerative jute crop had however dealt a damaging blow to tobacco, and led to the disappearance of tobacco cultivation quite early. The decline in the area of tobacco cultivation had been quite marked in the eastern portion of Araria Court and the western portion of the Kishanganj.

Among all the commercial crops, it was only the jute crop, which survived. There was a well-developed informal credit market for advancing loans to peasants on the standing crop of jute in Purnia. There was no reliable arrangement of credit advances on other commercial crops under the colonial regime, however. Despite fluctuations in the area and output of jute, crucially dependent on the vagaries of the jute produce and credit markets, it survived on the farms of peasantry in Purnia.

There is a gap in the availability of quantitative data and direct information on the farm output and surplus during the last quarter of nineteenth and first half of twentieth century in Purnia. It is however clear that a number of rich and dominant peasantry, owning granaries and storehouses, had emerged as significant players in the informal produce and credit market in Bengal (Bose, 1994) as well as in Purnia. This was made possible by the long secular movement of rising grain prices that stretched with minor hiccups from the middle of the nineteenth century to the 1920s. This might had offered some scope to the affluent peasants as junior partners of the money lending and merchant agents in Purnia to facilitate the control over a fair portion of the village grain heap. There could be little doubt therefore that the landlords and affluent peasants-cum-rural creditors of all denominations, who were owners of the storage houses (barns) of various sizes, must had continued to siphon off howsoever little amount of economic surplus and
marketable output was there, and pass it on to the market. It was easier since the borrowing in cash and in grain for all purposes had come to play a dominant role in regulating the marketing of agricultural produce of ryots in early twentieth century. This was the logic of forced commercialization elsewhere in Bengal (Bose, 1994, pp. 280-81), and must have been more or less true about Purnia as well.

What was the main element of the colonial situation, however, which made forced commercialization, 'forced'? The analytical question must be answered for no amount of description of the cash and grain loans system alone will suffice. Although elements of the advances system continued after Independence, there was an important qualitative difference between the colonial period and the post-Independence period. The attempt of the colonial state was always to shift cultivated land out of locally demanded crops to the tropical export crops. These tropical crops it could not itself produce owing to its cold climate but needed as raw materials (cotton, jute) for its industries located in the far away metropolis or demanded for consumption (rice, spices). Some temperate crops it could grow, like wheat, it also exported from India owing to short supply in the metropolis. Patnaik (1999) discussing the process of commercialization, points out that the heavy cash revenue demand the colonial state put on the landed gentry in the zamindari areas (which included Purnia) got passed on to the tenant peasants as heavy rent demand payable in kists at rigidly specified intervals. This put the peasants under financial stress, involving the need to obtain cash to pay the kists, and obliged them to take advances not only from ordinary moneylenders but also from merchants to pay off their dues. The merchants in turn tied their advances under the dadan and similar arrangements, to growing and supplying particular cash crops for export, and owing to the peasants’ pressing need for cash to pay rents and revenue dues, could get them to cultivate these cash crops even on the very unfavourable price terms specified in their contracts.

Further there were no expansionary effects of increased exports since the foreign exchange earnings were not permitted to flow back to the producers or export agents. The system was circular since local peasant producers were ultimately paid out of the rupee tax revenues they themselves contributed to the colonial state. After World War II and
Independence however the pressure of revenue demand reduced greatly and became negligible, while the internal market for industries and hence raw materials grew faster than unrequited exports had ever done, improving the situation of the landed peasantry though the land-poor peasantry continued to suffer lack of viability and indebtedness.

The Post-Independence Era

In the post-Independence period, paddy and jute have both continued to survive as the principal crops in Purnia. In matter of agricultural productivity, Purnia was placed in the group of districts characterized by medium level of development in 1961-62. The productivity index witnessed further decline, and the district was placed in the relatively less developed group of districts in 1971-72 (Gupta, 1982, pp.167-9).

It saw negative output growth rate during 1962-65 to 1970-73. It was only during 1970-73 to 1980-83 that agricultural output grew at the rate of 2.5 to 3.5 per cent per annum (Bhalla and Tyagi, 1989). The growth rate of agricultural productivity had been between 0.94 to 3.83 per cent during 1950-51 to 1980-81. The growth rate of the value of agricultural production was between 1.3 to 3.86 per cent over the same period in Purnia (Raj Luxmi, 1987, p.146). According to Bhalla and Tyagi (1989), agriculture productivity level was in the range of rupees 750=00-1 000=00 per hectare in 1962-65 (averaged for three years). It declined to the range of rupees 500=00-750=00 per hectare in 1970-73 (averaged for three years). In the eighties, there had been an improvement, and the agricultural productivity on an average was again in the range of rupees 750=00-1000=00 per hectare in 1980-83 (averaged for three years). The recent agricultural growth was mainly due to growth in productivity rather than growth in the acreage.

The growth rate of gross and net sown area was found to be statistically negligible, almost approaching to zero during 1950-51 to 1980-81 (Raj Luxmi, 1987, p.146). Garry Rodgers (1987) had put the subregion in one of the more backward clusters of Bihar districts during 1961-78. In the seventies, however Purnia was placed among the technologically medium developed group of districts in Bihar (Gupta, 1982). Its
relatively low production performance during the last five decades is attributed to its weak infrastructural base considering other districts of north Bihar (Mandal, 1983, p.21).

Overall area stagnation during 1950 to 1980 however hides considerable and important fluctuations. As Table 3.2 shows there was a very large expansion of area under cereals - rice, wheat and maize, during the 1960s, but at different rates. Rice has always been the dominant cereal accounting for over half of total acreage. Area sown to rice rose by 30 percent in the 1960s and area under wheat rose by 152 percent, while area under jute and tobacco declined. These shifts were the result of relative price changes during the period since foodgrains prices in the country were rising faster than all other crop prices. However in the 1970s and 1980s the area under the foodgrains declined without compensating rise in area under the non-foodgrain crops, being reflected in an overall decline in sown area to a level by 1989-91 which was even lower than in 1961-2. The reasons for this decline require investigation but are beyond the scope of this thesis.

It was asserted in the early seventies that Purnia agriculture had been passing through the phase of the green revolution, which was reflected in the increasing yield of wheat following the construction of the Kosi river project canal and widespread adoption of the bamboo tubewell. The yield rate of wheat and maize had undoubtedly been increasing as a result of the application of improved seeds and irrigation facility on the wheat farms since the early seventies (District Census Handbook, 1971, p.138; Haque, 1981, p.216). As Table 3.4 shows, wheat yield rose two and a half times in the three decades after 1961-2 while rice yields rose 135 percent and jute yields rose nearly 150 percent. The relatively low rate of increase of the principal crops, paddy and jute had always pulled down the rate of overall agricultural productivity increase. Paddy has historically been the predominant crop, and yet the yield of rice has been quite low. Wolf Ladejinsky on a visit to Purnia sounded a very early warning on the sluggishness:

*In Purnia with a million acres under paddy the concern is not, as in wheat, to expand acreage but to substitute traditional varieties yielding 101-5 maunds per acre with 'Taichung' or 'IR-8' yielding varieties .................... Indigenous dwarf varieties now released - Jaya and Padma - will undoubtedly be tested soon by the most enterprising of Kosi farmers. At the same time, some local improved*
varieties are on the increase ... It is altogether too early to judge the future of the high-yielding paddy varieties (Ladejinsky, 1969, p. A-149).

The warning was not heeded to, and therefore, the disparity in the proportion of area under different crops brought under the high yielding varieties of seeds has continued to be a well marked phenomenon. The government published aggregate data averaged for three years in the early eighties (i.e., 1979-80, 1980-81 and 1981-82) showed that the proportion of area under such improved seeds to total area (all type of seeds) in the case of wheat crop was as high as 82.16 per cent. In the case of maize it was 58.56 per cent and for paddy, only 14.00 per cent (Government of Bihar, 1989, pp. 91, 94, 96). In short, the principal crop of paddy is still a rainfed crop, with meager application of improved seeds.

Table – 3.2

Area under Principal Crops in Purnia: Year-wise, 1951-52 to 1989-91
(In Acres)

<table>
<thead>
<tr>
<th>Principal Crops</th>
<th>Acreage under Principal Crops (Acres) across Years of Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>1219544 (55.45)</td>
</tr>
<tr>
<td>Wheat</td>
<td>82043 (3.73)</td>
</tr>
<tr>
<td>Jute</td>
<td>385429 (17.52)</td>
</tr>
<tr>
<td>Pulses</td>
<td>270786 (12.31)</td>
</tr>
<tr>
<td>Maize</td>
<td>123759 (5.63)</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>1951 (0.09)</td>
</tr>
<tr>
<td>Tobacco</td>
<td>13790 (0.63)</td>
</tr>
<tr>
<td>All Seven Crops</td>
<td>2097302 (95.36)</td>
</tr>
<tr>
<td>All Crops Acreage</td>
<td>2519944 (100.00)</td>
</tr>
</tbody>
</table>

Note: The numbers in parentheses represent proportion of area under crops to gross cropped area in the column. In the year of 1989-91, the numbers in column parentheses however represent proportion of area under crops to aggregate area under the seven crops only.

A considerable acreage of land was devoted to the jute crop in Purnia from the 1950s and 1960s (Roy Choudhury, 1963, p. 273). In the seventies, however, the decline in jute acreage was clear.

Jute too seems to have lost acreage, although moderately. A significant part of this decline has taken place in Bihar, mostly in the districts of Purnia and Saharsa; in the former, jute has lost some 16,000 hectares while autumn-rice has gained about 27,000 hectares ............ Here too, the high-yielding varieties of rice grown in the autumn season have made considerable headway (Narain, 1972, p. 121).

There had been further decline in the jute acreage in the early eighties and nineties. The autumn rice as well as the wheat crop had compensated the decline in the jute area. The average annual production of jute was 684,691 tonnes during 1988-91. Purnia held the third rank-position after Nadia and Murshidabad (districts of West Bengal) among top ten jute-producing districts in the early nineties, contributing 9.47 percent of aggregate jute production in the country (CMIE, 1996, P. 77).

There has been continuous fast decline in the acreage under sugarcane and tobacco since 1951-52 till 1989-91. The proportion of area under sugarcane and tobacco has remained abysmally low at less than one percent of the operated land in Purnia (Mishra, 1972, p. 240). These crops are at the verge of extinction.

The crop production process has undergone some mechanization over the last couple of decades. The use of tractors and pump sets increased fast in the seventies and eighties. Between 1961 and 1982, the number of tractors increased fourfold and the number of pumpsets rose about 62 times. However owing to low initial base the absolute total number of tractors and pump sets were only 1,162 and 10,046 respectively in 1982. Given the gross cropped area of 18.79,670 acres in 1980-81, the number of tractors and
pump sets per ten thousand acres of gross cropped area work out at 6.2 and 53.4 respectively. This undoubtedly compares unfavorably with any other green revolution district in the country (District Census Handbook, 1971, p. 545; Government of Bihar, 1989, p. 113; Bhalla and Tyagi, 1989, Appendix).

Table – 3.3

Annual Output of Principal Crops in Purnia: Year-wise, 1951-52 to 1989-91
(In metric tons)

<table>
<thead>
<tr>
<th>Principal Crops</th>
<th>Output of Principal Crops (metric tons) across Years of Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>205296</td>
</tr>
<tr>
<td>Wheat</td>
<td>13448</td>
</tr>
<tr>
<td>Jute</td>
<td>782574</td>
</tr>
<tr>
<td>Maize</td>
<td>n.a.</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>1950</td>
</tr>
<tr>
<td>Tobacco</td>
<td>4762</td>
</tr>
</tbody>
</table>


Table-3.4

Yield of Some Principal Crops: Year-wise, 1961-62 to 1989-91
(In quintals per acre)

<table>
<thead>
<tr>
<th>Principal Crops</th>
<th>Yield of Principal Crops (quintals per acre) across Years of Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>28.0</td>
</tr>
<tr>
<td>Wheat</td>
<td>22.4</td>
</tr>
<tr>
<td>Jute</td>
<td>219.5</td>
</tr>
<tr>
<td>Maize</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: Derived from above Table - 3.2 and Table - 3.3.
Note: The percent increase in the yield of rice was 135.0, of wheat 259.4, and of jute 148.8 during 1961-62 to 1989-91; the percent rise in the yield of maize was 138.0 during 1970-71 to 1989-91.
Purnia had the distinction of being the location of implementation of the Kosi canal project in Bihar. The achievement of the Kosi project in controlling floods has been appreciable but in the matter of provision and utilization of irrigation potential it has been rather dismal. The alternative source of irrigation, which developed in the course of time, has been the bamboo tube well and Purnia acquired fame for widespread use of the bamboo tubewell (Dhawan, 1982, p.5). There has been a very good ‘prospect for tube-well development’ as a supplementary source of water to the Kosi (Ladejinsky, 1969, p. A-150). It was asserted that the applicability of tube well was best suited for ‘alluvial tracts underlain with sandy deposits’. The danger of ‘over-exploitation leading to a permanent lowering of water table’ had been very ‘minimal in the east Gangetic plains’ (Dhawan, 1982, pp. 164-65), and hence, Purnia was best suited for it. The census of 1951 noted that the irrigated area continued to remain around 1.5 per cent of the total cultivated area in the district. Moreover, the Census of 1961 remarked that the gross area irrigated in the district had declined from 20.36 thousand acres in 1951 to 4.80 thousand acres in 1961 despite irrigation facilities extended through 6 medium and 18 minor irrigation schemes and 129 Bihar Hand Pumps in the district (District Census Handbook, 1961, P.xiii). Purnia has not been a district known for large area under irrigation. It has been the food crops of winter rice and wheat, which have been largely brought under the artificial irrigation while commercial crops are outside the purview of artificial irrigation. It remains principally a rain-fed enterprise even today (District Census Handbook, 1971, p.541; Government of India, 1985, p.399). Moreover it has been difficult to get the traditional cow dung manures, because people who used to be associated with such specialization have increasingly been shifting to other work. There has been increasing use of chemical fertilizers on the farms. Agricultural productivity has nonetheless continued to be low because the application of high yielding varieties of seeds has remained confined to the crops of wheat, maize and partially paddy. The total use of chemical fertilizers increased 61 fold between 1962-65 and 1980-83 (the figures averaged for three years), but owing to the negligible initial base, the fertilizers applied per acre of cropped area increased from 0.04 kilograms in 1959-62 to merely 2.29 kilograms in 1977-80. The growth rate of total amount of fertilizers was 8.5 between 1970-73 and 1977-80 (Chadha, 1987, p. 234; Bhalla and Tyagi, 1989, pp. Appendix).
3.3. Agricultural Marketing and Local Market Places

The Foujdars (district magistrate and keeper of army) of Purnia were armed with the monopoly right over articles of trade (Siddiqi, 1995). In case of opium crop as well as grains, the official privilege to trade was usurped by the Foujdar and his retinue in the early decades of the eighteenth century but it could not continue long, however. In 1762, two fronts of conflicts were opened for the foujdar – acquisition of masnad of Bengal and retention of monopoly over internal trade in grains against the onslaught of colonial trading interests of the East India Company. It was remarked that:

Saltpeter and opium of inferior quality to the produce of Bihar could be obtained in Purnia, and large timber for building could be cut in its forest. In 1762, Mir Qasim [foujdar] began to complain of gomasthas being sent by Europeans to trade in Purnia in items reserved for the government (Siddiqi, 1995, p.158).

In addition to gomasthas of European traders, the principal private marketing agents were however from the Marwari and Bania business communities. They were in contacts with the raiyat-peasants through the local traders and peddlers, and they developed increasingly powerful in the crop deals at the mandi (assembling centers) level. The merchants used to have their commission agents stationed in the local village marts called the ‘haat’ and their large storage houses called the ‘gola’ were located near the town skirts in Purnia in the eighteenth century. The Banias like Hari Singh and Nandlal Singh of Murshidabad had mammoth golas located in Purnia in 1789-90 (Mishra, 1979). An interconnected structure had developed whereby the mandis situated at the outskirts of township were being controlled by the Bania and Marwari merchants and stockholders and the haats (periodic retail marts) inside the villages were flooded with the peripatetic dealers called faria, paikar and beopari. The Bania and Marwari merchants of Purnia used to employ the gomasthas to protect their business interest among raiyat-peasantry, and these gomasthas used to be regularly sent into the countryside in order to expedite the advance crop-sale-contracts as well as make daily purchases at different haats (periodic marts) and the bazaar (regular marketplaces). The merchants and their gomasthas later used to engage the village itinerant purchase agent called Faria and commission agent
called Paikar. The paikars had their beasts of burden to transport the grain, which used to be generally purchased from peasantry at moderate prices in the villages and sold in the gunjes at high prices towards the closing decades of eighteenth century (Datta, 1990, pp.151-61). Some of the farias, paikars and beoparis were from the cultivating households who used to take up the job of paddy and jute trade as an additional source of income. There were also the ‘grihastha beopari’, who originated from the ranks of the affluent peasants, and revenue intermediaries like the mundels and muqaddams. An acute observer remarked:

Eighteenth century Bengal documents show that the mundels, Chaudhuries and Zamindars had as much jurisdiction over craftsmen and regulation of local trade as over agricultural and land revenue ..................In fact, the Chaudhuries of a mandi served as a link between local businessmen and the state. The Chaudhuri was responsible for the payment of the revenues and worked under the supervision of the amin wa darogha-i-sair (Grover, 1966, pp.227-28).

In Bengal, rice was far from being merely a subsistence crop of peasantry. Its production had been penetrated by mercantile capital, and its output became relatively more commercialized than most contemporary economies in the eighteenth century Asia. A symptom of this was the rapid mushrooming of marketing agent-intermediaries between the merchant and the cultivator (Datta, 1996, pp.113-17). The structure of private property in land, increasing cash hunger of the revenue establishment and forced introduction of new commercial crops under the colonial regime further intensified and deepened the pre-colonial era levels of monetization and commercialization in the region. In the nineteenth century, the jute economy flourished, which increased the importance of informal market agents further. There were emergence of new hierarchies and further specialization of market agents. The paikars (itinerant traders) began to keep a number of cattle, which enabled them to go to countryside and purchase the grains and the fibres from the cultivators by making advances called the ‘dadan’. They themselves were most often getting advances from the katcha balers of jute called the ‘arhatdars’. It was recorded that the paikars used to accept not more than 30 rupees in advance in return of the pledge of promise to deliver the commodity to the principal in the market from 5 to 15 days (Datta, 1990, pp.150, 156-57). There were the wholesale commission agents of merchants, who besides looking after the transport and assembling of jute as well as
advancing money to beopari, used to keep go-downs also, principally in the mandi of Kishanganj, Gulabbagh, Forbesganj, Barsoi, Kasba, Jalalgar, Katihar and Thakurganj locations of Purnia (Roy Choudhury, 1963, pp.281-3). In short, new linkages between the town-country were established through a chain of network of agents and merchant. The storage had a critical role in cementing such linkages during nineteenth century (Datta, 1990, pp.151-5).

Purnia being the administrative as well as commercial sub-regional unit of Bengal was unfailingly enmeshed in the wider commercial network of Bengal in the colonial era. Bengal was a region characterized by the overarching primacy of rice producing agricultural economy, which had been deeply involved in inter-regional and international commercial exchanges of growing complexity during the eighteenth and nineteenth century. Purnia was a center in the trade information network of Patna-Murshidabad-Benaras axis. The principal marketplace attracting Purnia grains was the mandi at Bhagwangola near Murshidabad during the second half of eighteenth century. The commercial intercourse used to take place among Purnia, Murshidabad, Bhagalpur and Patna (Datta, 1990). A considerable amount of trade was also carried on through the principal (the then navigable) rivers of Purnia, and the Ganga, Kosi and Mahananda. Karhagola on the bank of river Ganges was the resort of traders and mahajans from various places (Martin, 1976). The rivers used to play an important part in connecting Purnia with ‘the trade centers of lower Bengal and of Bihar like Bhagalpur, Sahibganj, Rajmahal and Patna’ (quoted in Roy Choudhury, 1963, pp. 309-10). The network of merchants flourished under a hierarchy of marketplaces in the course of eighteenth and nineteenth century. The primary market called the village ‘haats’ and native ‘bazaars’ were one of the most important informal marketing channels for grains as well as jute during the eighteenth and nineteenth centuries. The mandis and centers of trade were connected with each other and to a great indigenous money and commodity (principally jute) market - Calcutta.

This urban marketing and financial networks was facilitated by the mechanism of ‘hundi’ (bills of exchange) of Kothiwals of Purnia and Barabazar of Calcutta, and the
'rukka' (local bills of exchange) of commission agents who acted for each other at different local mandis in Purnia (Ray, 1984, pp.242-4). Buchanan Hamilton (1928) estimated in 1809-13 that the number of market places stood at 482 in the eighteen parganas of Serkar Puraniya. William Hunter wrote in 1877 that the principal seats of trade in agricultural commodities in Purnia were situated at Kasba, Ekomba, Dulalganj, Krishanganj (now Kishanganj), Raniganj, Nawabganj and Purnia City. In short, the periodic village market called the haat and wholesale mandis became preponderant, organized every alternate day in certain localities.

In retrospect, it is logically deducible that there could not be a positive amount of genuine economic surplus of directly consumable commodities like rice, in the households of the athoyara, chasa and colait raiyats who were just eking out rather a survival matrix in the framework of a long stagnating agriculture already burdened with a heavy revenue and rental demand. It was rather the coteries of big peasants and rich merchants, whose commercial relations were cemented in the network of informal marketplaces and the small peasants and raiyats got increasingly the victims of forced participation in the commodity exchange system. In the framework of nation-wide forced commercialization of agriculture, an aggregate positive marketable and marketed surplus pushed through the marketing network was a manifestation of the result of the atrocious play of the power of the economic and non-economic forces of exploitation let loose.

After Independence, in the second half of twentieth century, the network of informal merchant-agents had not waned but rather survived to keep the informal marketing business alive though the central place locations of marketplaces have shifted since river conveyance is no longer important. The farias, beoparis and affluent peasantry constituted then a distinct channel collecting mainly the produce of the poor peasants and selling it to urban wholesalers, rice millers, and village traders in the haats and bazaars in the seventies. The village survey study conducted in 1975-76, based on data for West Bengal and Bihar, established it again that they were the poor and small farmers who mostly depended on the village traders for marketing of agricultural produce. These sections of peasantry were also using the small village shopkeepers as the intermediary
commission agents in a significant number of villages of Purnia. The practice of making credit advance on standing crops of vulnerable peasantry in the form of ‘dadan’ had also survived. The farias, village beoparis and small shopkeepers used to pay advance on the standing crops of the poor peasants. The affluent farmers, who were also engaged in grain trading and making credit advances to the poor farmers and tenants often, received comparatively high prices from other channels, so that they pocketed a sizeable trading margin by reselling the products acquired by them from poor producers.

The professional traders and purchasers in haats and bazaars were however not reported to make any advance payments to peasants in Purnia (Serkar, 1981, pp.A-105-8; Rudra, 1982, pp. 60-61; footnote). There had been rise and decay of marketplaces. The new mandis and seats of jute trade had emerged in Forbesganj, Kishanganj and Gulabbagh by the time of completion of the Gazetteer of Purnia (published in 1963). The Raniganj mandi was reduced to the status of a village bazaar. It was not more than 0.2 million maunds of jute only that used to be handled by the Kasba mandi in the early sixties. The competition with the newly emerging mandi of Gulabbagh had however conditioned the decline of Kasba mandi in the course of time. The Banmankhi bazaar was the new mandi attracting the attention of traders, which had started dealing with not only the jute but also the tobacco, mustard and grains (Roy Choudhury, 1963, pp. 320-21).

The main mode of conveyance in the long distance movement of agricultural commodities - the railways - was connected with the centers of trade of Jogbani, Jalalgar, Kasba, Forbesganj and Purnia Sadar (Roy Choudhury, 1963, p.332). There were village haats down the level of urban mandi and bazaars as well. There were approximately four hundred villages, which were served by the primary village markets (haats), located inside the village in Purnia. The villages having the periodic indigenous marketplaces facility constituted nearly 16.2 per cent of the total villages in 1981. In the Census year of 1981, the percentage of area, population and households of the villages served by the periodic market called ‘haat’ out of total area, population and households of all villages in the district were 28.8, 32.6 and 32.7 respectively. There were undoubtedly imbalances among the administrative subdivisions, revenue thanas and development blocks with
regard to the distribution of the local periodic markets for agricultural commodities (District Census Handbook, 1981).

Formal Institutions

It was very late that the colonial mind picked up the idea of establishing cooperative societies in the early decades of twentieth century. The Cooperative Societies Act was therefore belatedly passed in 1912 to open the doors to establishment of the cooperative marketing societies in the country. The policy centered at casual and sporadic attempts to regulate the movement of agricultural produce only in times of calamities was done away with again quite late, and the Agricultural Produce (Grading and Marking) Act was passed only in 1937 to smoothen the process of establishing the regulated agricultural markets on the line of recommendations of the Royal Commission on Agriculture of 1928 (Pavaskar, 1986, p.330). In Purnia, there were no cooperative marketing society and regulated market yard established till 1960s, however. The primary cooperative marketing society known as the ‘Vyapar Mandal’ (business council) functioning at lower level and an apex marketing federation known as the Bihar State Cooperative Marketing Union (BISCOMAUN) at the higher state level were established in the sixties in Bihar. The area of operation of primary agricultural marketing society roughly corresponded to a ‘taluka’ (community development block). In Purnia, the cooperative marketing societies were however hesitating to enter into the trade of jute till 1978-79. It was only later at the initiative of the Bihar State Cooperative Marketing Union that almost six Vyapar Mandals (business Council) in Purnia district agreed to conduct business in jute. These Vyapar Mandals were Kishanganj, Forbesganj, Kasba, Araria Court, Narpatganj and Birpur. The tragedy was that the jute bailing unit facility was established only in three Vyapar Mandals of Forbesganj, Gulabbagh and Kishanganj (Government of India, 1981-83, p. 40), where as the private business concerns of Marwari had a number of such centres operating therein to compete with the public agency. In retrospect, it has been remarked that the cooperative marketing societies failed to strike roots in Purnia. It was faced with heavy over-dues and the recovery of loans was very poor over the years. There were also the absence of linkages between the credit
societies and marketing societies, and the diversification of activities of marketing cooperatives was limited. It was only for a couple of years in the mid-seventies that the cooperative marketing in food grains gained importance mainly because of the operations of the state procurement agencies. In the total volume of transactions of agricultural commodities, the share of primary agricultural cooperative marketing society has however remained abysmally low and almost negligible till mid-eighties (Pandey, 1987, p. 347). A majority of these societies were found to be financially and organizationally defunct and thereby closed down. The cooperative movement and its failure in Purnia present an example of classic failure of the formal rural institutions in Bihar.

Table – 3.5

Growth of Primary Cooperative Marketing Societies in Bihar: Year-wise, 1955-87

<table>
<thead>
<tr>
<th>Particulars of Primary Cooperative Marketing Societies</th>
<th>Years of Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numbers</td>
<td>49</td>
</tr>
<tr>
<td>Share Capital (rupees lakhs)</td>
<td>2.64</td>
</tr>
<tr>
<td>Value of Produce Handled (rupees lakhs)</td>
<td>-</td>
</tr>
</tbody>
</table>

Sources: Government of Bihar, 1989, p.149; Centre for Monitoring Indian Economy, 1987, p.43; Bihar mein Sahkari Andolan ki Pargati. 1987-88, p.10

The Agricultural Produce Markets Act was passed rather belatedly only on 20 May 1960 in Bihar. In Purnia, four wholesale markets of Gulabagh, Forbesganj, Kishanganj and Kasba were brought under regulation. The Act was amended in 1972 to provide for the establishment of an autonomous body called the Bihar State Agricultural Marketing Board in Patna (BSAMB, 1986-87, p.1). It was claimed that all the wholesale produce markets in Bihar had been regulated by 1983 (Pavaskar, 1986, pp.331-2). There were nine regulated markets in Purnia district by late seventies. These were situated at the townships of Gulabagh, Banmankhi, Bhawanipur, Kasba, Araria, Forbesganj, Kishanganj, Thakurganj and Bahadurganj. The principal market of Gulabagh had nine
sub-market yards under its supervision at Kanjha, Manjra, Gokulpur, Khuskibagh, Bhatta Bazar, Harda, Dagarhawa, Manjheli and Andeli. According to the Report of Bihar State Agricultural Marketing Board (1986), the Gulabbagh and Forbesganj markets were popular for the comparatively rich provision of infrastructure facilities therein. The Bhawanipur market had no infrastructure facility for the conduct of business at all. The cold storage, fertilizer go-down and storehouse were uniquely available in the Forbesganj market only and farmers’ rest house in the Gulabbagh market only. In Purnia, the need for jute complex go-downs and jute sorting building could hardly be under-emphasized since it is a major jute producing and exporting district in Bihar. There was however only one jute-assorting building in the Kasba and Thakurganj market each, and not a single jute complex go-down in any of the nine regulated markets even as late as 1986 (Government of India, 1986). The storage facility for jute had been lacking in general. The private Marwari firms, situated in the vicinity of the regulated market yards, had virtually monopolized the transport and storage means.

Table – 3.6

Growth of Regulated Agricultural Produce Markets in Bihar:
Year-wise, 1970-84

<table>
<thead>
<tr>
<th>Classification of Markets</th>
<th>Number of Regulated Markets across Years of Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1970-71</td>
</tr>
<tr>
<td>Principal Market Yard</td>
<td>60</td>
</tr>
<tr>
<td>Sub-market Yard</td>
<td>84</td>
</tr>
<tr>
<td>Total</td>
<td>144</td>
</tr>
</tbody>
</table>


A project study carried out in the mid-seventies sheds further light on the working of the biggest market yards of Purnia. Gulabbagh has been the biggest market for jute in Bihar. In mid-seventies, there were huge inequalities in the market turnover among the strata of the licensed and unlicensed market functionaries in this yard. Most of the wholesalers dealing with jute had their own godowns of the capacity ranging between 1000 to 5000 quintals. The retail traders were however suffering due to lack of adequate storage facilities. The pathetic economic conditions of the middlemen other than the
wholesalers and commission agents were definable by their average income standing at meagre rupees 1729=17 annually. The average number of man-days of annual employment was no more than 233 approximately (Dhar, 1976). In contrast, Forbesganj market dealt with both jute as well as paddy in the mid-seventies. This market was as much monopolistic in character as the Gulabbagh market, and this was despite it that the total number of wholesalers and commission agents were less than one-fourth in the former than that in the latter, and most of the agents here had access to market information quite readily. The Forbesganj market supplied rice to Jharia coal belt in Bihar and Calcutta in West Bengal, and raw jute to the Katiagar Jute mills in Bihar and Calcutta mills in West Bengal. The economic conditions of the middlemen other than wholesalers and commission agents were no better than the Gulabbagh market. The average annual income was merely rupees 1689=29, though the average number of man-days of employment was higher figure at 271 in a year (Dhar, 1976).

**Table – 3.7**

**Number of Wholesalers and Commission Agents and their Business Turnover**

**Classified by Size-group of Assets in Purnia: Market-wise, 1974-75**

<table>
<thead>
<tr>
<th>Size-group of Assets (Rupees Lakhs)</th>
<th>Number of Wholesalers and Commission Agents</th>
<th>Total Business Turnover (Rupees Lakhs)</th>
<th>Percentage Share in Total Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gulabbagh</td>
<td>Forbesganj</td>
<td>Gulabbagh</td>
</tr>
<tr>
<td>Below 1</td>
<td>2</td>
<td>4</td>
<td>0.6</td>
</tr>
<tr>
<td>1 to 5</td>
<td>16</td>
<td>19</td>
<td>33.0</td>
</tr>
<tr>
<td>5 to 10</td>
<td>6</td>
<td>7</td>
<td>38.5</td>
</tr>
<tr>
<td>10 to 15</td>
<td>2</td>
<td>7</td>
<td>20.0</td>
</tr>
<tr>
<td>15 and above</td>
<td>2</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>All Sizes</td>
<td>28</td>
<td>37</td>
<td>127.10</td>
</tr>
</tbody>
</table>

*Source: Dhar, 1976*

There were public corporations established in the sixties to deal with the agricultural commodities in India. The Food Corporation of India had been given the mandate to undertake procurement operation and put compulsory levy on the millers and traders to ensure adequate supply and storage of food grains, mainly wheat and paddy.
The Jute Corporation of India was also given the mandate to undertake the procurement operations in raw jute to assure the sufficient supplies of raw jute to jute textile industries at reasonable prices. These Corporations had been the main agencies of the Government of India for handling imports, procurement, storage and distribution, and for implementing the other relevant national policies. These Corporations have branches of their own in all states and all-important ‘mandis’ of the provincial states (Pavaskar, 1981). In Purnia, the branches of these corporations were opened in the early seventies to facilitate the agricultural marketing by peasantry under the aegis of public institutions of procurement. The corruption has however been as endemic in the functioning of these corporations as in the agricultural cooperative marketing societies and marketing boards. The only positive contribution of these corporations has been in the area of provision of large-scale storage and warehousing facility amounting to 16000 tonnes in Gulabbagh and 11900 tonnes in Forbesganj - the two biggest market yards - in the early nineties in Purnia.

3.4. Agricultural Finance and Informal Lenders

The peasantry normally has needed credit to finance the cycle of agricultural operations because the majorities have no money in hand to buy seeds, manures. The Purnia peasantry has been exposed to the influence of money since long. The colonial system of land revenue collection in cash and formal cash advance on standing crops by gomasthas of crop dealers and merchants exposed peasantry further to the influence of money. Given the meagre stocks of foodgrains being carried over from the previous harvests and the odd timing of obligation of payment of land revenue and rent by a number of raiyat households on the one hand and agricultural production in general being characterized by slow turnover over long period of time involved in sowing to harvest operation, the credit capital got systematically linked with the process of agricultural production. The clutch of moneylenders and mahajans on the subordinate sections of raiyat-peasants had therefore been strong during the colonial era. Buchanan Hamilton (1928), who surveyed the district of Purnia in the early decades of the nineteenth century, found that a large proportion of the farmers were reportedly indebted to the merchants of
various denominations, for example, the shroffs, potdars and beoparis (Martin, 1976). There were potdars and shroffs active in the marketplaces. They used to be financial houses around the big mandis (market places) and sadar city of Purnia. They used to give bills of exchange for money. These bankers were locally called the ‘Kothiwal’. Jagat Seth and Lala Meghraj of Murshidabad, who were two principal bankers, had their ‘Kuthi’ (banking house) established in Purnia in the very early decades of nineteenth century (Hamilton, 1928 in Martin, 1976). There were seven such financial houses towards the close of the last century. William Hunter (1877) reported that there were Rai Dhanpat Singh and Rai Laxmipat Singh of Murshidabad, Babu Mahesh Lal, Babu Natched Lal and Babu Taran Mall as affluent ‘Kothiwals’ (Roy Choudhury, 1963, p.303). They used to send agents to finance the farmers in the villages.

There were three types of moneylenders inside the villages and haat locations: sadharan mahajan (ordinary-moneylender), bhuswami mahajan (landed-moneylender) and vyapari mahajan (trader-moneylender) around the turn of nineteenth century (Bose, 1994). It was remarked that the loans taken from the unorganized and informal lenders were generally required to be returned in kind at a certain rate of interest per rupee depending on the degree of need of the borrowing agriculturists. The agreement used to be one of repaying immediately after the harvest. If the debtor failed to repay in time, the interest rate used to get doubled in the following year, and so on (Roy Choudhury, 1963, pp.293-4). In the middle order central places of mandi (wholesale marketplaces), there were arhatdars and sahukars who used to lend cash capital to katcha ardhatiya, beopari and farias to purchase crops from the farmers in the lower order central places of haats and bazaars. It was proclaimed that there were groups of merchants including the ‘baldiya beopari’ and ‘paikars’, who used to advance money as well as seeds to the poorer cultivators at huge rate of implicit interest in Purnia. In their operations, the profit of trade invariably contained the category of interest income, which was principally derived from the practice of usury (Mitra and Vijyendra, 1980, p.96). The usurious interest and commercial profit were mixed up category. William Hunter (1877) in later part of the nineteenth century furnished testimony to the fact that the verbal transactions of loans
between the agriculturists on one side and the village grain merchants and petty shop
keepers-cum-money lenders on the other were very common in Purnia.

Purnia earned notoriety for a specific class of informal lending called the ‘verbal’
loans advanced to the raiyats and laborers. There were two kinds of verbal transactions of
loans, which were locally called the ‘dadan’ and ‘sudbharna’. The dadan was the loans
advanced to the cultivators on condition of undertaking to supply and sale the produce to
designated dealers in repayment of principal and interest rate. Under the sudbharna loans,
the indebted had to surrender the land as usufructuary mortgage to the creditor in the the
process of finalization of deal, the property right of which used to continue with the
creditor till the repayment of loan was made. The dadan was however more popular,
probably because of the specificity of the jute economy. The expansion of the jute
economy since 1906-7 enlarged the credit needs of the peasantry and increased manifold
the importance of this old form of credit (Bose. 1994. p. 252). The borrowed finance
capital was needed to pay the cash component of daily wages to the hired laborers in the
cultivation of jute, which required long period of careful weeding, soaking and washing
the fibre. Such loans were generally of short-term nature, but given the lack of repaying
capacity on part of a good number of raiyats, these often used to lead to cumulative
overdue and permanent standing debts (Quoted in Bose. 1994. p.261). There were direct
lending operations in the forms of informal credit called the sudi and dereah. The sudi
loans were generally of the nature of short-term loans for consumption purposes, which
used to be given in cash against the pledge of utensils, ornaments, and other durable
wares. The dereah loans were given in kind, which were to be repaid within four to six
months by the time of harvest; the term of its repayment used to be one and half times of
the principal amount (Roy Choudhury, 1963, pp.280-93). The nature of working of the
informal credit market was well exemplified in case of Dhanbad, which had a lot of
resemblance with Purnia in the past and corresponds even to date in matter of informal
agricultural financing.

Culbert, a district official of the British Civil Service in Chhotanagpur, reported
as far back as in 1827 that interest rate for cash loans was 6.25% per month
amounting to 75% per year. According to his notes, loan given in the form of seed
grain carried an interest of 100% per annum, irrespective of the credit period.
His records also indicate that the system of charging interest in Annas per Rupee per month, which is still widely used by moneylenders, was in practice at that time. A memorandum prepared by 15 German missionaries in 1876 states that interest rates of 37.5%, 75% and 100% were usually charged for cash loans. A series of village surveys conducted by the Bihar and Orissa Provincial Banking Enquiry Committee in Chhotanagpur confirmed that the above rates were charged even after a period of more than 50 years in 1929/30. Recent surveys indicate that the interest rates prevailing in the traditional credit market, which were identified during our own surveys, are valid not only for the Chhotanagpur region and Dhanbad district, but also for other parts of Bihar and even neighboring West Bengal. On the basis of relatively continuous and chronological descriptions of interest rates charged by the moneylenders over a period of almost 150 years, it can be concluded that the credit forms and the interest rates as well as the terms on which the rates are calculated, have remained practically unchanged to date (Roth, 1983, pp.49-50).

The inter-War period saw the onset of world wide agricultural depression from 1925 lasting for fifteen years. All export crop prices fell and the peasantry suffered income loss, rising indebtedness and loss of assets including land. There was a massive outflow of gold from Bengal (as from other parts of India) as India’s exchange earnings declined but still the demand from Britain for payment by India of Home Charges and other transfers was maintained. The loss of gold implied a long-term loss of money credit for the rural sector as a whole (Bose, 1994, pp.264-95). The value of rural debt in real terms rose drastically because agricultural prices declined from 1925 onwards and agriculture remained depressed. The onset of war with Japan saw a huge burden of war financing being placed on the Indian budget, large scale deficit financing to meet the expenses of foreign troops based in and operating from Bengal, and a rapid rise in food prices. While East Bengal was the worst affected and a severe famine resulted in 1943-44, the poorer peasants and labourers of Purnia who were net food purchasers too must have been badly affected. Owing to the war no Census economic data are available for 1941.

The Kosi Diara Survey and Settlement Operations of 1923-26 declared that usufructuary mortgages were declining fast in the Kosi region and Purnia. In Dhamdaha and Raniganj Police stations of Purnia, only 178 acres and 39 acres of land were recorded as usufructuary mortgages respectively. The Bihar Statistical Handbook of 1955 also
gave lower figures on the usufructuary mortgages (Roy Choudhury, 1963, p.289). The extent of land mortgages reported in the official declarations was not an accurate approximation to the incidence of indebtedness, however. The common collateral, which used to be placed for agricultural loans, were the standing crops and pledge of ornaments as the majority of cultivators were allergic to the possibility of parting with their land in Purnia. It was therefore concluded that the incidence of indebtedness might not have been as low as mentioned by Byrne in his final report of the Settlement Operations in 1901-08 and the Bihar Survey and Settlement Operation in 1923-26 (Roy Choudhury, 1963, p.302). What was true was that only a few of the raiyats in Purnia were found to be really 'free from debt'. The Office of the Development Commissioner found it later that the borrowings from informal lenders to the total borrowings were as high as 67.3 per cent in 1967-68 (Ladejinsky, 1969, p. A-151). A village study completed in 1970 asserted further that there were reports of widespread indebtedness in the area. The highest rate of interest stipulated was 80 per cent per year and about 69 per cent of the indebted households agreed to pay rates of interest higher than 30 per cent per year (Prasad, 1989, pp.31-2). In 1975, the Indian Council of Social Science Research project survey came to the conclusion that the practice of advance payments for grains, going under the name of dadan, was continuing and was rather quite common. It was a phenomenon connected with the bigger farmers and other traders purchasing from the poor peasants. In Bihar, such a practice was very widespread, particularly in the districts of Ranchi, Sahabad and Purnia (Rudra, 1982. pp.60-61). In short, the informal lenders and the unregulated credit market have remained dominant across the last two centuries in Purnia.

**Formal Sources of Credit**

Since the early eighteenth century taccavi loans (i.e. state advance) used to be advanced to the raiyats, and it became a regular feature during the colonial regime throughout the nineteenth century though it was usually insufficient in amount and mainly advanced to meet the consumption needs of households in deficit. The alternative source of formal credit was the cooperative society, which could not however develop in the nineteenth century. In the early years of the next century, the British government in
India constituted a committee under Sir Edward Law. The recommendations provided a basis for passing the Cooperative Credit Societies Act in 1904. Purnia happened to be a pioneer in respect of the rural cooperative movement. The Purnia Central Bank was established as early as 1904, and renamed the Purnia Central Cooperative Bank in 1914 under the Cooperative Societies Act of 1912. The Araria Central Cooperative Bank and the Kishanganj Central Cooperative Bank came into being in 1927 and 1929 respectively (Roy Choudhury, 1963, p.305). It was a tragedy that there were not more than 300 members of the agricultural credit societies in Purnia district until 1984, reflecting the statewide failures of cooperative movement in Bihar. It was remarked that there were, in the first twenty years, 18 cooperative societies working in Bihar, and most of these Societies were in the Courts of Ward villages only, and even the seven Societies that were private in nature were mostly associated with the European planters.

*The accepted verdict on the Cooperative Societies is that they did not so much challenge as assist the professional or agriculturist moneylenders, and hence the existing social and economic order ............... What began as an attempt to reverse the subordination of one section of the population to another (agriculturists to moneylender) emerged as a means of perpetuating existing system of control (Robb, 1988, pp.213-16).*

The problem was simply this that a small number of members of landowning rural upper class were controlling the key positions of village administration, money market and village cooperatives. A personal nexus existed between the office-holders in the village cooperatives and the moneylenders-cum-traders-cum-landlords. It was then a paradoxical situation in which the cooperative institutions were administered by those people, who were supposed to be eliminated (Roth, 1983, p.26).

Another source of formal credit that emerged was the public banks that worked outside the cooperative structure in Purnia. There were two banks, which were opened in 1921-22 to supplement the resources of institutional rural finance. A branch of the Imperial Bank of India was also opened in Purnia by 1925-26 and the pay offices of the Imperial Bank of India started functioning in Forbesganj and Kishanganj also in 1944-45. It was opined that the opening of these banks gave impetus to the agricultural trade, and
particularly the financing of jute, mustard and tobacco trading business which earlier used
to be financed from Calcutta in the pre-independence period (Mishra, 1979).

Private Banks were nationalized in 1969, and thereafter the number of branches
increased. There were a large number of branches of commercial and regional rural banks
operating in Purnia by the early nineties. They provided loans to agriculture at an easier
interest rate as agriculture and small scale industry were brought under the ‘priority
sector’ for lending. There were in total 610 branches of the formal credit institutions at
work in Purnia in March 1990. It was larger than the number of 404 inhabited villages
with haat facility in the district, according to the 1981 census. In other words, there was
more than one formal credit institution per haat-village. The public banking institution
had 215 branches working in the early nineties. According to an estimate, there were 4.19
There was the phenomenon of existence of branches of two and more than two formal
credit institutions in the vicinity of a few villages; such duplication was a consequence of
the incentives provided by the nearness of villages to the road network and closeness to
the city area. The commercial banks had larger number of branches than the regional rural
banks in the early nineties.

Table – 3.8

Total Numbers of the Branches of Formal Credit Institutions in Purnia:
March 1990

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Name of Formal Credit Institutions</th>
<th>Number of Branches in the Districts of Country</th>
<th>Numbers of Branches in Purnia District</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Primary Agricultural Credit Society</td>
<td>89000</td>
<td>395</td>
</tr>
<tr>
<td>2.</td>
<td>Primary Land Development/ Mortgage Bank</td>
<td>899</td>
<td>10</td>
</tr>
<tr>
<td>3.</td>
<td>District Central Cooperative Bank</td>
<td>9000</td>
<td>16</td>
</tr>
<tr>
<td>4.</td>
<td>Regional Rural Bank</td>
<td>12492</td>
<td>75</td>
</tr>
<tr>
<td>5.</td>
<td>Public Commercial Bank</td>
<td>55670</td>
<td>114</td>
</tr>
<tr>
<td>6.</td>
<td>All Formal Institutions</td>
<td>167061</td>
<td>610</td>
</tr>
</tbody>
</table>

Sources: Ojha, 1989; Purnia District Credit Plan. 1987-88 (mimeo)
Notes: All-India figure pertains to the year 1988, whereas Purnia figures refer to 1990

Concluding Remarks

While a study of the secondary sources which we have carried out so far provides us with the necessary background, many questions remain unanswered. The contemporary situation of the peasantry with respect to its extent of economic differentiation, the differences in the asset position of households, the relation of the different classes of the producers to the output market, their access to credit and their ability to maintain viability and produce a surplus – all these questions are best answered by a primary field survey of cultivating households. Even though a small scale field study by an individual researcher cannot provide the basis for generalizations, nevertheless a primary field study is always valuable in providing insights into the actual economic and social processes at work and in throwing up additional questions and areas of further research. In the next chapter the villages taken up for primary study are described and the asset position of the sampled households from these villages is analyzed.