

# The Farmer-Capitalists of Coastal Andhra Pradesh

Carol Boyak Upadhyia

*This paper traces the rise of a new class of businessmen out of the class of capitalist farmers in coastal Andhra Pradesh and explores some of its social and economic characteristics. The emergence of this class is explained by reference to the convergence of several historical processes: the development of a productive and commercialised agrarian economy in the late nineteenth century and the emergence of a 'rich peasant' class, the integration of town and countryside, an early interest in education on the part of the rural elite, the politicisation of caste identity and, later, the green revolution and land reforms.*

*High productivity and profit rates in agriculture have contributed to the development of capitalist tendencies in the system of agricultural production, and the 'capitalist farmers' are accumulating surpluses which they seek to invest in ever more profitable enterprises. The result has been a pattern of urban migration and economic diversification among the rural elite which, over several generations, has produced the new urban business class.*

*This paper has been published in two parts. This, the second and concluding, part presents the results of a survey of urban-based businessmen coming from the rural elite and discusses the reasons for the development of a rural-based capitalist class in the area and some of the theoretical implications of this development. The first part of the paper, published last week, provided a brief sketch of the region studied and the roots of the new capitalist class and discussed some characteristics of the rural elite in the region based on the results of village studies.*

### III

#### New Urban Business Class

ABOVE it is shown that diversification into business and urban migration are characteristic of OS landed cultivating families of the coastal Andhra region. To explore this process from the urban side, field research in a town of coastal Andhra was conducted. Visakhapatnam (Vizag) was selected as the research site because it is a rapidly growing and industrialising city located close to the coastal Andhra heartland, from where it might be expected to draw capital and entrepreneurial talent. Vizag has industrialised rapidly since the 1950s because it is the location of several major public sector undertakings.<sup>23</sup> By 1975, Visakhapatnam district accounted for the second highest proportion of productive capital of all the districts of the state (after Medak district, including Hyderabad)—12 per cent and had the second highest level of per factory productive capital (AP 1977b: 87).

Industrial growth has stimulated development in all areas of the economy, providing opportunities in construction, transport, services, real estate development, and so on. Except for the Komatis, who dominate traditional types of trade all over Andhra (including both large-scale wholesale businesses and small retail shops), there is no indigenous business community in Vizag.<sup>24</sup> As Vizag grew, new fields of business (as well as trade) became the province of immigrant business groups, particularly Punjabis (belonging to trading castes), Sindhis, Marwaris, and Parsis from north India, and it was members of these communities who started many of the early small industries (Nafziger 1978). Local Andhra capital was relatively unimportant in Vizag's growth until recently. The construction of the outer harbour in 1970-1975 and of the new naval dockyard between 1969 and 1977, and the

expansion of the oil refinery and of Hindustan Shipyard more recently, were major projects that drew many entrepreneurs from outside in search of new business opportunities, particularly in the field of contracting. When construction work on the steel plant began in earnest in 1982, the influx of businessmen-contractors, transporters, and others increased. There was an explosion of small-scale industrial units, particularly general engineering and fabrication firms, in response to anticipated business to be supplied by the steel plant. Vizag became the 'boom town' of Andhra Pradesh, a fact that was reflected in uncontrolled growth, large-scale speculation in real estate, and sky-rocketing land prices. Entrepreneurs from coastal Andhra began coming from about 1965 to set up business enterprises, and since about 1975 their numbers have increased rapidly.

Complete information on the caste and regional origin of owners of small businesses in Vizag is not available, but data on ownership of small industries indicate that entrepreneurs from cultivating families of coastal Andhra have become important in that sector of the economy. The proportion of small industrialists who are from urban and rural coastal Andhra (excluding Vizag) is nearly one-half at present, compared to less than 20 per cent in 1971. The percentage of small industrialists sampled that belong to the dominant cultivating castes was 45 in 1971 (Nafziger 1978: 65, 149) and 68 in 1983.<sup>25</sup>

The research project consisted of in-depth interviews with about fifty businessmen in Di/A3 who come from landowning and cultivating families of coastal Andhra.<sup>26</sup> These businessmen are engaged in a wide variety of activities, industrial and non-industrial (see Table 1). The largest number are small industrialists, followed by contractors, trawler operators and traders. There is

also much variation in the size of firms, from small industries with one lakh total investment to a large, widespread multi-crore group of companies. However, most are small, privately-owned firms that are under the direct control of their owners. There are only two very large concerns in the sample, but several other firms appear to be on the way to becoming large enterprises. Almost all of the entrepreneurs started out as small businessmen, and the variation in size of firms reflects in part the time spent in business and business acumen. Although most are small- to medium-size local operators, many OS the informants are key figures in the local economy. Most of the businesses are constituted as partnership firms, a fact that reflects their generally small size.

One characteristic of this business class is the tendency to have multiple business interests, both past and present and within and outside of Vizag. There are eighty-seven firms belonging to the forty-seven entrepreneurs that are located in Vizag, and more than half of the informants own or have interests in more than one firm. In some cases, this is a result of 'proliferation', that is, the expansion of a business through the formation of additional firms rather than expansion of a single firm. In other cases there has been a diversification in business activities. In addition, some have interests in businesses located elsewhere, and many had other businesses in the past (many also located elsewhere, most in towns of coastal Andhra). Over half of their present firms located in Vizag were started in 1970 or later, reflecting the fact that business opportunities began to open up only in the last fifteen to twenty years. Even businesses that were started elsewhere are of relatively recent origin; all of them were started after 1950, and 80 per cent since 1965.<sup>27</sup>

Although these entrepreneurs, like their

rural counterparts, tend to invest primarily in non-industrial and low-capital types of business, they also show a propensity for industrial investment, given the necessary capital and opportunity. Most did not have sufficient capital in the beginning to start industries larger than small-scale, but those who have made money in other businesses, particularly trade and contracting, do look for opportunities for industrial investment. Comparison of past and present business interests illustrates this point (see Table 2). Of

TABLE 1: TYPES OF BUSINESS, VIZAG SAMPLE

Types of Business	Number of Informants
<b>(A) Major or first business of each informant, of present Vizag-based businesses:</b>	
Small-scale industry	15
Medium-scale industry	3
Contracting (construction)	11
Marine fishing/processing	4
Cinema hall	3
Automobile/parts dealership	3
Other dealership/distributorship	2
Transport contracting	2
Hotel	1
Clearing/forwarding agent	1
	<u>45</u>
<b>(B) Of all firms at present owned in Vizag by informants:</b>	
Small-scale industries:	
General engineering and fabrication	7
Plastics	2
Pressure vessels	1
Industrial testing	1
Packagings	1
Printing press	1
Bottling plant	2
Bakery	2
Aluminium vessels	1
Electronic components	1
Ice and cold storage	1
Asphalt	1
Paints and chemicals	2
Kerosene lamps	1
Ship-breaking unit	1
	<u>25</u>
Medium-scale industries:	
Fertilisers	2
Wire ropes	1
Bottling plant	1
	<u>4</u>
Others:	
Civil construction contracting	20
Distributorship/dealership	7
Marine fishing/processing/export	13
Cinema hall	6
Automobile dealership	3
Finance	1
Clearing and forwarding agent	2
Hotel	1
Newspaper	1
Poultry farm	1
Plant nursery	1
Transport contracting	2
	<u>58</u>
<b>Total</b>	<b>87</b>

the fourteen who started out in businesses other than their present ones, five were contractors and five had distributorships or dealerships.

Table 3 shows the major sources of starting capital for informants' firms. It can be seen that much of the capital for this group of businessmen comes from agricultural land. About half of the informants had used agricultural profits as a source of starting capital, and many said that they continue to invest such income in their business enterprises. Land also may provide a source of investment capital by being sold; sale of land was the second most important source of starting capital. Taking agricultural income and proceeds from sale of land together, it is found that 69 per cent of the informants had derived at least part of their starting capital from agricultural land. Including those whose capital was provided by family members (the ultimate source being agricultural income), 86 per cent had raised capital for their business enterprises in some way from agricultural land. This finding is not surprising. As one informant put it, "We are basically cultivators—where else would we get money from to start a business?"

Businessmen from the rural landed class are the conduits along which agricultural surplus flows into industry and other non-agricultural sectors of the economy. This capital tends to concentrate in the few rapidly-growing industrial-commercial centres of the state (Hyderabad, Vijayawada, and Visakhapatnam) and it flows into a few proven fields of business.<sup>28</sup> The mushrooming of general engineering and fabrication workshops and of contracting firms in Di/A3 following the inauguration of construction work at the steel plant site is one indication of the availability of capital and the limited opportunities for investment, or perhaps of a lack of creativity among 'entrepreneurs'. Many of the engineering firms in Di/A3 have been established in name only and will probably never begin production because they are relying on the steel plant to give them contract jobs, of which there are not enough to go around. In the same way, many new migrants start construction contracting businesses because this is a field in which many have made their fortunes which does not require much starting capital. Of the many contractors in Di/A3, only a few have become really big because the competition is so stiff. When deep-sea fishing with trawlers and export of prawns was proved profitable by a few early pioneers, many others followed suit, forming companies for the import of trawlers, many of which will never go into operation. This is not to say that all businessmen from rural backgrounds are non-innovative; there are some examples of entrepreneurs who have risked a lot to establish new or unusual types of enterprise, and who have been very successful. Also, these entrepreneurs from agricultural backgrounds are on the whole more enterprising than are Komatis (traditional

traders), few of whom have entered new, non-mercantile types of business.

#### SOCIAL BACKGROUND

As might be expected, nearly all of the informants belong to one of the landed cultivating castes of coastal Andhra.<sup>29</sup> Every major agricultural caste is represented, including thirty-one Kammas, six Reddis, four Raj us, three Kapus, and one Naidu.<sup>30</sup> All but five are from one of the four delta districts (Table 4). When the list of informants was being compiled, the only criterion was that they should be from rural coastal Andhra, which includes dry-farming upland areas as well as the deltas. However, few of the businessmen are from such areas; most are from canal-irrigated villages, and most of their farms grow paddy, sugar cane, and 'garden' cash crops. This confirms the hypothesis that it is the irrigated deltas—the green revolution area—that is producing sufficient wealth to give birth to a nascent capitalist class.

We have hypothesised that members of the 'new business community' come from the rural elite of coastal Andhra; i.e., they or their families should have substantial land-holdings. Information on the amount of land owned by the forty-seven informants and their families supports this hypothesis (Table 5).

In regard to informants' individual holdings, the majority who still own land have small or medium-size holdings (up to twenty acres); 40 per cent have large holdings, and only one informant claimed to have a very large holding. Of the present family holdings, half are very large, while one-third are large and the remainder, small to medium. Over half of the informants are from families that formerly had large holdings. In only two cases were the former family holdings of less than twenty acres. Thus, it is clear that most of the entrepreneurs belong to the elite of rural society, although there is much variation within the group in regard to land ownership.<sup>31</sup>

#### PATTERNS OF MIGRATION

The Di/A3 entrepreneurs are on the whole well-educated. Thirty-five were educated above the twelfth class level (intermediate), and only two had only primary school educations. A large proportion—one-fourth—have engineering degrees. The average educational level is highest among informants who are thirty-five and under: all are at least graduates, and over half have professional degrees. These facts reflect advances in education generally in the last several decades as well as the increasing importance of education for the rural elite. Three-fourths of those in the middle age group have at least college degrees, but only 31 per cent in the older age group are graduates.

In addition to being well-educated, many of the informants (60 per cent) had some

work experience before starting their businesses (or joining ongoing family concerns), but only one-fourth had five or more years of experience. Older entrepreneurs are more likely to have had work experience. The way in which young entrepreneurs start business careers today differs from that found in the older generation. All of the older informants who have professional degrees (BE, MTech, etc) or some technical training (such as LME) had considerable work experience, many of them for eighteen years or more. Those who had no experience

TABLE 2: DISTRIBUTION OF FIRMS BY TYPE  
(Number of firms)

Types of Business	Informant's First Business	Present Major Business of Informant
SSI	12	16
MSI	0	3
Contracting	13	11
Marine fishing	6	5
Cinema hall	3	3
Hotel	1	1
Transport	1	2
Dealership/distributors	10	5
C and F agent	1	1
Total		

TABLE 3: MAJOR SOURCES OF STARTING CAPITAL

Source of Capital	Number of Informants
Agricultural profits	
From joint land: 8	13
From separate land: 5	
Sale of agricultural land	8
Contributions from relatives	5
Own earnings/savings (source unspecified)	2
Agricultural profits (joint land) and family investment	1
Agricultural profits (separate land) and sale of land	1
Sale of other property	1
Gratuity (own earnings)	1
Own savings (from salary), agricultural income, and wife's money	1
Own money, contributions from family and friends	1
Gratuity and agricultural income (separate land)	1
Loans	1
	36
No information	9
Total	45
Total using agricultural profits	17
Joint land : 9	
Separate land : 8	
Total having family investment	15
Income from joint land : 8	
Investment by relatives : 6	
Both of above : 1	

Note: Sources listed do not include bank loans and aid from government financial institutions; only private sources are included.

are those who had only twelfth class educations or less. In contrast to this, although all the informants in the young age group are highly educated, many have never been employed.<sup>32</sup>

Although most of the informants named rural villages as their native places, not all of them were born or brought up in those villages; some grew up in towns of coastal Andhra because their fathers had left their villages to pursue other occupations. Three-fourths are first-generation migrants while one-fourth are second-generation migrants. These categories contain much variation in regard to life histories. For example, the category 'first-generation' includes men who grew up in villages, who were engaged in cultivation for part of their adult lives, and who then went into business, often gradually. The category also includes sons of cultivators who left their villages initially to pursue higher education, and who were never themselves engaged in cultivation.

There are two ways in which members of cultivating households become business entrepreneurs: directly, by gradually branching out into business as an adjunct to agriculture, and indirectly, after receiving higher education and, in many cases, having been employed for several years. In this sample, most are of the latter type. For 80 per cent of the informants, the reason for their initial emigration was to pursue higher education rather than to start businesses. Di/A3 is too far from the coastal Andhra heartland to contain many entrepreneurs of the first type, who usually diversify into business in or near their villages and who therefore are more numerous in the towns of the deltas. However, the high level of education, particularly among younger businessmen, also reflects a general trend among rural landowning families. There is a difference between the two types of entrepreneurs in regard to level of education and sophistication, but in both cases the entry into business is financed by accumulated agricultural profits and/or sale of agricultural land. In the first case, the cultivator invests his own savings in a business enterprise. In the second case, it is often the entrepreneur's cultivator father who provides the capital for his son's business venture.

We have hypothesised that the high profit-ability of agriculture in this region is a 'push' factor behind rural-urban migration, because members of wealthy rural families seek outside opportunities for investment of the capital which they have accumulated. Most informants, however, hold the opposite view, that it is the low profitability of agriculture that is the 'push' factor. They argued that rising costs of cultivation have cancelled out improvements in yields and prices, and that the land ceiling prevents one from owning enough land to make a good living. Such statements must be taken in context, however, because the same informants who claim that agriculture is unprofitable also said that the source of starting capital for their businesses was agricultural profits,

a clear indication that at least some profit is derived from cultivation. These statements actually reflect the fact, on which all agreed, that a self-owned business enterprise is in general more lucrative than agriculture, provided it is successful. Many commented that they went into business because of the greater income obtainable in comparison to agriculture.

When asked about the reasons for the high incidence of migration from land-owning families, many said that the land ceiling has limited the possibility of investment in agriculture and hence diverted resources from agriculture and induced young men to leave the villages. This 'idea' was repeated by so many of the Vizag informants that it began to sound like a piece of political rhetoric rather than a surmise based on personal knowledge or experience. This theory is part of the emerging ideology of the rich farmer class, which holds that farming is an unremunerative occupation because of adverse government policies (low support prices, the land ceiling, support for labour, and so on).<sup>33</sup>

A major immediate reason for rural-urban migration in this group is the importance of education for the rural elite and their preference for urban life. Several informants completed higher degrees and then returned to their villages to look after the family land at the request of their parents, but all of them subsequently became 'bored' with rural life and left agriculture for other occupations. The majority of those who received higher education, however, went directly into business in urban areas or found management or technical-level employment.

#### SOCIAL ORGANISATION OF BUSINESS FIRM AND THE HOUSEHOLD

One goal of the urban research project was to investigate the extent to which urban migrant entrepreneurs from agricultural backgrounds maintain economic ties with their rural-based families, and to determine if there is a typical pattern to the organisation of business enterprises owned by such entrepreneurs. On the basis of the village research, an 'ideal type' of rural-urban agricultural-cum-business family was formulated: a wealthy rural cultivating family that has expanded its economic activities from farming into business, local and/or non-local, using agricultural profits as capital and 'joint family' organisation to tie together its diverse enterprises. In the model, business enterprises and agriculture are pursued simultaneously by one household, which is a unit in regard to property and economic activities even though all members may not reside together. Data collected on the Di/A3 businessmen was analysed to determine to what extent their households and businesses fit the model.

It was found that most of the informants own land in their native villages, and in nearly half the cases, it is owned jointly with

rural- or urban-based fathers and/or brothers (i.e., it had not been divided).<sup>34</sup> However, this does not mean that the migrants necessarily belong to 'joint' or extended family households.<sup>35</sup> The ownership and devolution of ancestral property is governed by tradition and by Hindu Family Law; in this region among the cultivating castes the land usually remains the joint property of all the males of a family at least until the deaths of the parents. Urban migrants observe these rules, but in other respects most maintain separate households; i.e., they do not have common budgets with their rural-based households of origin, even when their fathers are alive. Thus, although the system of joint property ownership per-

sists, the 'joint family' was found to be unimportant among urban migrants as a form of organisation for households. Nor do urban migrants tend to form new joint family households in the city; most live in nuclear family households, even those who have adult married sons or brothers living in Vizag.

Similarly, most of the business firms in the sample are not owned by entire extended families, even though in many cases informants received financial help from their rural family members. Instead, they are owned by the individual entrepreneurs (usually with one or more family members designated as 'sleeping partners'), by groups of unrelated partners, or by various combinations of relatives. Most OS the firms can be called 'family firms' in that they are primarily family- (or individually-) owned and financed (as opposed to publicly owned), but this is because most are small. As a business firm grows, it may take on unrelated partners, financiers, or shareholders, but in the beginning it is owned by limited number of relatives or partners. It was found that relatives frequently join together in business ventures, but it is not only members of a 'joint family' (i.e., coparceners in a common estate) who do so. Rather, business partnerships are formed with a wide range of relatives; in particular, brothers-in-law (WB-ZH) and 'co-brothers' (WZH-WZH) commonly become business partners. Although the firms vary in struc-

ture, the typical form of business organisation in this community can be said to be the partnership firm, which may consist OS relatives or non-relatives.

However, there is one example of a business family in Vizag that conforms to the ideal type, and it happens to be one of the outstanding success stories. This extended family, consisting of five brothers and their families, owns a group of industries located in Vizag and in rural coastal Andhra. They have one hundred acres of land in their native village, which has been partitioned legally into five units but is cultivated as one farm by one of (the brothers). Their business career started with a fertiliser distributorship in a town near their village in 1955, using agricultural profits as starting capital. They next went into fertiliser manufacture with the establishment of a small-scale alum factory near their village in 1972, followed by a medium-scale plant in Vizag in 1977. It is interesting to note that, according to the informant, they started the fertiliser distribution business because they had trouble procuring sufficient fertiliser for their farm, and they later expanded from distribution into production because fertiliser was in short supply. Similarly, they shifted from jaggery-making on their farm into sugarcane manufacturing by establishing a small-scale unit in their native district. All of these units—two SSIs in their district and one MSI in Vizag—were incorporated into one private limited company which went public in 1981. A second fertiliser factory was set up in Vizag under a second company (private limited) which is a wholly-owned subsidiary of the first. In addition, the parent company recently has started a large-scale pulp and paper plant near their native village.

Although the company is now publicly-owned, the family retains control, and each brother has an equal number of shares. The management of the business is on family lines: the eldest brother is the managing director of all the firms, but each brother has individual responsibility for one or two units, 'two brothers, including the eldest, live in Vizag and manage the two MSIs there. The other three live in the village: one looks after the farm, one the alum plant and fertiliser distributorship, and the other, the sugar factory.<sup>36</sup> The three village-based brothers and their families live in a common household, in a large, newly-constructed house. The two Vizag-based brothers (and their families) live separately, but both receive rice and other foodstuffs from their farm. The informant spoke of their family as 'joint', referring to the fact that all the brothers are part owners of the family business and co-operate in the management of farm and business. Strictly speaking, however, they do not constitute an extended family household: they pool incomes in some respects, but each receives profits separately from the company and has his own income, account, and designated parcel of land. Still, the family functions along 'joint family' lines, a fact that is clearly related to the common

TABLE 4: LOCATION OF INFORMANTS' ANCESTRAL HOMES

District	Rural	Urban*	Total
Guntur	4	1	5
Krishna	14		14
West Godavari	12		12
East Godavari	9	2	11
Nellore	4		4
Vizag	1		1
Total	44	3	47

Note: \* Three informants are from landlord families based in towns of coastal Andhra, rather than from cultivating families; two are Vaisyas and one is a Raju.

TABLE 5: LANDHOLDINGS OF VIZAG BUSINESSMEN

Holding Size (Acres)	Present Individual Holding <sup>a</sup>		Present Family Holding <sup>b</sup>		Former Family Holding <sup>c</sup>	
	No	Per Cent <sup>d</sup>	No	Per Cent	No	Per Cent
Marginal/small (5)	1		0		0	
Medium-small (5-9)	8	48	2	15	1	5
Medium (10-19)	11		4		1	
Large (20-49)	14	33	10	24	12	32
Very large (50-99)	0		10		9	
(100+)	1	2	8	44	6	
(500+)					2	62
Large (unspecified)					3	
Former zamindars					3	
No land	7	17	7	17	0	
Total	42	100	41	100	37	99
No information (but own land)	5		6		10	
	47		47		47	

Of those who still own land, proportion of families with holdings of:

	Present Individual (Per Cent)	Present Family (Per Cent)
Small/medium (1-19)	57	18
Large (29-49)	40	29
Very large (50+)	3	53

Notes: a Size of informant's own holding, if individually owned, or of his putative share of joint family property, including his wife's land (dowry), if any.

b Size of informant's family's holding, if joint, or total holdings of all those who were coparceners in joint estate before partition.

c Total family holding before land was lost, sold, or partitioned, at any time in past.

d Percentage in each category of those on whom information is available.

business. Co-operation among brothers has allowed them to engage in agriculture, rural trade and agro-industry and urban industrial enterprises as parts of one family enterprise, transferring profits from one to another as needed, and drawing on a common large resource base. In fact, the informant stressed the fact that it was their co-operative effort that was responsible for their success.

In spite of its myriad and extensive business interests, this family has remained rural-based. This may be attributed to the fact that the first enterprises, which were permanent industrial undertakings, were located near the native village, and that there are five brothers who can divide the responsibilities among themselves. There are only four other businesses in the sample that approximate the ideal type, i.e., that are owned by rural-based extended families. Although a number of firms are owned by potential or actual coparceners in common estates (i.e., brothers or fathers and sons), this is not the typical form of organisation.<sup>37</sup> Most of the businesses were started by individual entrepreneurs, with or without financial aid from families, and in some cases with partners. In fact, it was found that brothers are more likely to have separate businesses than to be in business together. There is, however, a strong tendency for sons to join their fathers' businesses, but in such cases the fathers were the migrants and the sons were urban-born.

Although joint family ownership and control of business firms is not typical of the new urban business class, financial participation by rural-based family members was important for many of the entrepreneurs when they started their businesses. As shown in Table 3, agricultural profits from jointly-owned land and contributions from family members were the main sources of starting capital in fourteen cases, or 39 per cent of the total. (Income from joint land is regarded as contribution from family, because the land is family-owned.) Altogether, twenty-one informants (58 per cent) said that they received at least some financial help or investment from relatives (mostly rural-based), while fifteen (42 per cent) said that they received no such investment. The most important source of such aid was the father.

#### RURAL-URBAN CONNECTIONS

Urban migrant businessmen retain important social and economic ties with their rural villages. Those who have close kin (parents or siblings) in their native villages maintain social relations with them by frequent visits. Emigrant family members tend to converge on the ancestral home during summer vacations and for major life cycle events of close relatives such as marriages and funerals.

Most of the businessmen interviewed are not members of rural-based households, but there is a high degree of co-operation between rural and urban relatives, particularly in regard to the management of land. Urban

migrants rely on their rural kin to look after their lands, even after partition of their estates. In most cases it is (the father and/or brothers (present or former coparceners in the joint estate) who are the caretakers of a migrant's land, but other relatives also fill this role. The caretaker may cultivate the owner's land along with his own, sending him the profits, or it may be given to him on lease. In the case of undivided property there is usually no formal profit-sharing arrangement.

There is a close connection between continued land ownership and rural-urban kin ties. The majority of informants have fathers and/or brothers living in their native villages and also own ancestral land, and several have neither property nor kin in their villages. However, in no case did an informant have a father or brother in his native village but did *not* own land, while all of those who have no land have no father or brother in their villages. Thus, absentee land ownership is contingent upon the presence of close relatives in the native village (especially a father or brother), without whom it is difficult for an urban migrant to maintain such property. However, migrants do not rely only on close agnatic kin to look after their land; most of those who have no father or brother in their villages have given it to other relatives to cultivate or have leased it out. Even if the land is leased out, it is necessary to have a reliable relative present to protect the owner's interests.<sup>38</sup> If he does not have a close relative in his village, the absentee owner is likely to sell his land, although most do so as a last resort, when there is no other way to raise money for their businesses.

In spite of the difficulties of absentee land ownership, the compulsion to keep one's land is strong, and there are important economic reasons for this. Land ownership has been a crucial factor in the success of this new business class. In addition to being a source of investment capital, there are several economic advantages to the ownership of agricultural land for urban businessmen. Agricultural land provides a reliable source of income that can be used for investment in business or for household expenses when business income is uncertain. Second, because agricultural income is not taxable, a businessman may reduce his tax burden by showing business profits as agricultural profits if he owns land.<sup>39</sup> Third, land may be used as collateral when applying for bank loans. Fourth, land provides economic security, particularly when an entrepreneur is first starting his business and the risk of failure is great. Land is a solid piece of property as well as a source of income upon which one can fall back in case a business venture fails.

However, when asked why they have not sold their land, informants mentioned non-economic reasons as often as economic ones. Although half said that agricultural income was a source of investment capital, no one gave this as a reason for keeping his land. Rather, the most commonly mentioned

economic reason is that it provides security. As one informant said,

If you put money into a business you may lose or gain, and if you lose, you're out of your house. But if you have land and gold you have security. Nothing is sure in business.

Others denied that there is any economic advantage to keeping one's land, citing instead 'Sentimental' reasons: to 'have roots in the village!' to be able 'to spend time in the village,' because 'it came from our ancestors!' and so on. A few who expressed the desire to return to their villages after retirement, said that for this reason they would like not only to keep their land but also to increase their holdings.

Most of these businessmen, however, are permanent migrants. A few have sold all their land, and a number of others have sold some of their land to raise money for their businesses. Most are in the process of cutting off their rural connections and now regard Vizag as their home. First-generation migrants have close relatives and land in their villages, but because rural kin become more distantly related with each generation, it is not likely that land will be retained by urban migrant families after the second generation. Many recognised that their land will have to be sold eventually, if not by them then by their children, because it will become difficult to look after it. There are several families that have retained their village roots in spite of emigration of members for more than a generation, and several of the informants are planning to return to their villages after retirement. For most, however, the relations of kinship and property that tie them to their villages slowly are being severed, and so, the economic and social ties that the migrant entrepreneurs have with their rural villages at present are important ingredients of their success. In addition to providing financial help, rural-urban ties were important in the process of migration and in establishing new businesses. In half the cases studied, kin connections were crucial for new migrants in starting their business careers or in acquiring business partners,

#### RURAL-URBAN FLOW of RESOURCES

A key question is the extent to which economic resources flow out of rural areas into the towns as a result of urban migration and investment in urban business enterprises by cultivating families, and the extent to which urban business profits flow back into the rural economy. Because the sample is small and little quantitative data on savings and investments were collected, this question cannot be answered conclusively, but some observations may be made. It is noted above that agricultural income and land were the most important sources of starting capital for these urban businessmen, including capital derived from their own land, joint family land, and investment by rural relatives. In addition to such business investments, migrants receive their shares of the profits from land that is being cultivated by

their village-based brothers, and many receive agricultural produce from their land, particularly rice, for their own consumption. Their families may send some of the rice produced on jointly-owned land, or they may receive rice as part of the profits which are sent to them from their own (separate) land.<sup>40</sup> Thus there is apparently a substantial outflow of resources from the rural areas of coastal Andhra, in cash and in kind. However, there does not seem to be much flow of capital in the other direction; there is little re-investment of business profits in purchase of land and in agricultural production. Only three informants have purchased additional land out of their business profits, and in all the cases the land is located not in their native villages but elsewhere. (Two purchased cheap dry lands in Visakhapatnam district to use for eucalyptus plantations; these were really business investments.) Several informants expressed a desire to buy more land, but the majority of informants had no such intention; rather, many were intending to sell what land they had left. There is only one case, that of the five brothers described above, in which business profits were used to build a new house in the village. (In contrast to the other informants, this family is still rural-based, having industries as well as extensive lands in or near their native village, so this investment is logical for them.) A few entrepreneurs have set up industries in rural areas, but this has been in response to the government's policy of encouraging industrialisation in 'backward districts'. The only other way in which resources are transferred from towns to villages is through the economic aid that some informants give their fathers, but such aid was found in only a few cases. Thus, there does not appear to be any significant transfer of urban business profits to rural areas, at least via this group of migrants. Instead, the net flow of resources is in the other direction; the profits and products of agriculture sent to absentee landowners have a higher total value than what returns. Out-migration of wealthy and middle-level cultivators is accompanied by outflow of resources from the rural economy.

#### CASTE AND BUSINESS

In India the term 'business community' refers to castes and religious groups whose traditional occupation is trade. The businessmen described here belong to several castes, the traditional occupation of which is cultivation. The members of this new 'business community' are united by their common class and regional origin; that is, they come from the class of landed cultivators of coastal Andhra. A central premise of this paper is that *class*, rather than *caste*, is the important determinant of this type of entrepreneurship. Whereas most members of trading castes enter trade regardless of their economic status, among the cultivating castes only those families with sufficient resources have the capital and the incentive

to start business enterprises. The majority of Kamma, Reddi, Kapu and Raju families are not potential members of the new business community because they are small landowners or landless; it is mainly those with medium and large landholdings who go into business. For historical reasons families of this class belong mainly to the dominant cultivating castes, but this does not mean that their entry into business is a function of their caste *per se*.

Having said this, it is necessary to consider the fact that this new business community is perceived by many to be almost a single-caste community, at least in Vizag, and that caste does play an important role in the success of new entrepreneurs. When new opportunities for business opened up, there was an influx of entrepreneurs from outside, mainly from southern coastal Andhra, who had the necessary resources and motivation to start new enterprises in the town. This 'takeover' of local business by 'outsiders' was mentioned by many, both 'outsiders' and local businessmen, and among the 'outsiders', it is mainly Kammas who are believed to have captured control of the local economy.

It is difficult to determine, in the absence of a comprehensive business survey, whether the largest number of businessmen are in fact Kammas, but it does appear that the perception has some basis in fact. What is more important is that Kammas widely are perceived to be the dominant business community. Reddis may be as important economically in the state as a whole as Kammas, if not more so, but they have not acquired the kind of reputation that have Kammas. The success of Kammas in business often is attributed to certain cultural characteristics, both positive and negative, and to their solidarity as a caste. They have a reputation for 'sticking together—for helping one another and doing business mostly with one another—such that they have been able to monopolise business opportunities.

The aggressiveness and quick success of Kammas have earned them a bad reputation, and there is resentment towards them among other businessmen. In spite of this, their success in business is attributed not only to their caste solidarity, but also to their 'enterprising', 'aggressive', 'hardworking', and 'daring' nature.

The popular perception of Kammas as the new dominant business class raises the question of whether caste is in fact a factor that influences business dealings. Most informants, particularly Kammas, insisted that caste feeling or loyalty do not affect the behaviour of businessmen, but some, particularly non-Kammas, disagreed with this view. Several Kammas admitted that there is an advantage to dealing with someone of the same caste, because 'you come with some link,' or have a 'common feeling' with one's castemate. Although businessmen may favour others of their own caste in their business dealings, it should be noted that this is only one aspect of the general process of

networking. Success in business depends largely on the ability to build extensive and useful social networks, which may be done not only through caste connections, but also through relationships of kinship, friendship, patronage, and so on. The available evidence suggests that Kamma businessmen tend to form instrumental relationships with one another, creating caste-based resource networks that exclude non-Kammas. Also, Kamma caste consciousness and solidarity have given them an edge in business because of their propensity to help one another as a means of improving the status of the caste as a whole. In a sense, then, there is an entity that can be called a 'Kamma business community', even though business is not the traditional occupation of the caste.

The functioning of caste-based networks is most apparent in the caste associations that have become active in Vizag during the last several years." The Kamma caste association in Vizag is mainly an organisation of rich Kamma businessmen (although Kammas in other occupations are also members) which promotes caste unity and the interests of Kammas. It derives its main financial support and leadership from the Kamma business community. All of the office-bearers are prominent Kamma businessmen, and all but one are contractors; these men are leaders of the local Kamma community as well as of the business community. The association provides a forum for extending social networks, and it caters to the needs of its members through projects such as the private school. It also seeks to increase Kamma power and influence by extending patronage to less wealthy caste members, for example, through providing scholarships.

#### IV

##### Conclusion

The rise of a dynamic entrepreneurial class in coastal Andhra is explained above by reference to the convergence of several historical processes: the development of a productive and commercialised agrarian economy in the late nineteenth century and the emergence of a 'rich peasant' class, the integration of town and countryside, an early interest in education on the part of the rural elite, the politicisation of caste identity, and, later, the green revolution and land reforms. High productivity and profit rates in agriculture have contributed to the development of capitalist tendencies in the system of agricultural production, and the 'capitalist farmers' are accumulating surpluses which they seek to invest in ever more profitable enterprises. The result has been a pattern of urban migration and economic diversification among the rural elite which, over several generations, has produced the new urban business class described above.<sup>42</sup> While these factors help to explain the emergence of this business class, a comparison of this case with that of other regions suggests other relevant factors.

The only well-documented example in the literature to which the Kammas can be compared are the Kammar Naidus (and Gounders) of Kongunad, who were responsible for the growth of the Coimbatore cotton mill industry in the 1920s and 1930s (Baker 1984). Both the Kammas and the Naidus were commercially-oriented farming communities that came to dominate agriculture in their highly productive regions in the late nineteenth century, some members of which branched out into trade and agrobased industry.<sup>43</sup> The Naidus became successful industrial entrepreneurs much earlier than did the Kammas, and the Kammas differ in that many have entered business as a result of higher education rather than as a diversification directly from farming, but in other respects the two groups resemble each other. The similar histories of the two regions may account for the emergence of entrepreneurial groups out of their dominant landowning castes. In both Kongunad and coastal Andhra, agricultural development in the early nineteenth century was accompanied by the entrance of traditional merchant communities into the rural economy as traders and moneylenders. Rather than producing economic stagnation, the entrenchment of merchant groups in these agrarian economies played an important role in the expansion and commercialisation of agriculture. Furthermore, in both regions wealthy cultivators entered trade in competition with professional merchants, so that no single group came to monopolise the marketing and credit systems. It may be argued that in coastal Andhra, the entrance of Komatis and Marwaris into rural trade and moneylending encouraged the flow of agricultural surplus into other sectors of the economy. Their presence also prevented the large landowning class from gaining complete control over rural society in that they provided alternative sources of credit and marketing channels (Washbrook 1976). In Kongunad, the wealthy cotton growers first became traders and then used capital accumulated in trade to start cotton mills.<sup>44</sup> A similar pattern may be discerned in coastal Andhra today, in that many farmers first enter business as traders and later go into other types of business using their accumulated mercantile profits. In both cases, the direct involvement of farmers in the market from early in the period of agricultural commercialisation gave them the requisite knowledge and experience to make the transition to full-time business occupations.

Coastal Andhra and Kongunad may be contrasted with North Arcot district, and indeed with most of the dryland areas of Madras presidency, where all the elements of the rural economy—agriculture, trade, credit—are and were controlled by a tiny class of landlords belonging to a single dominant caste. It was the dominance of this landlord-merchant-moneylender class rather than the penetration of traditional merchant groups into the rural economy that caused economic stagnation in the 'dry region,'

because mercantile and agricultural profits are sunk into unproductive trading and moneylending activities rather than into investments that could lead to capitalist transformation (Baker 1984; J Harriss 1982; Washbrook 1976).<sup>45</sup> Furthermore, the farmer-traders of North Arcot are more like *bazaar* traders in regard to the type, scale and organisation of their operations (B Harriss 1981), than like the commercial farmers-turned-traders and industrial capitalists of Kongunad and coastal Andhra.<sup>46</sup>

Economic diversification is typical of rural elites in almost every region of India, at present and in the past. In some regions this is associated with economic backwardness because of the stranglehold of a small elite over the rural economy; in others, it has led to capitalist development as agricultural and trading profits are channelled into more productive activities. In coastal Andhra and Kongunad, as in the 'dry region', wealthy farmers entered trade, but in the former the inter-penetration of agriculture and trade did not produce the vicious cycle seen in North Arcot of merchant capital reproducing agrarian stagnation reproducing merchant capital. In both coastal Andhra and Kongunad, agricultural profits tend to become trading capital, and trading profits to become industrial capital. While the outcome of this process is evident in Coimbatore, in coastal Andhra it is just beginning, and it is not yet clear to what extent this pattern will produce real industrial growth.

This comparison shows that it is necessary to look at the particular history of each region to understand the roles of various elements—landowning elites, merchant castes, cash cropping, and so on—in the development of the economy. 'Merchant capital' is not necessarily an agent of backwardness, just as the commercialisation of agriculture does not necessarily lead to a capitalist transformation (Mishra 1982). Also, the examples of the Kongunad and coastal Andhra farmers suggest that the categorisation of economic activities into 'mercantile' versus 'industrial' or 'productive' versus 'unproductive!' is rather arbitrary in the context of the Indian economy (see B Harriss 1981: 13-17). Agriculture, trade, industry, and other economic activities are closely inter-twined in these regions, in part because all may be carried out by a single social group and by a single household. Furthermore, the development of an entrepreneurial class is not a function merely of economic forces, but also of social, political, and cultural processes. In the case of coastal Andhra, the social and political history of the region, and particularly of the dominant landowning castes, has played an important role in the emergence of the new business class.

Two more points may be drawn from the comparison of the Naidus of the 1930s and the Kammas of today. First, the Naidu cotton mill owners, because of the uncertain economic climate, had a tendency to diver-

sify their firms into related and unrelated service activities, and it was the most diversified companies that survived and prospered after the 1930s (Baker 1984: 368-370). The Kamma businessmen described here also tend to engage in several types of business at once rather than to invest all their capital into a single large enterprise. This is an indication of the general backwardness of the economy and of a lack of confidence in the stability of the business climate on the part of businessmen. The need for economic security lies behind both the pattern of absentee landownership characteristic of this business community and the pattern of diversification of business interests and assets. It also tends to inhibit innovation and rapid growth because few entrepreneurs are willing to invest all they have in a single grand scheme.<sup>47</sup>

Second, the pattern seen in coastal Andhra and Visakhapatnam today of flow of capital into numerous small businesses, particularly in the service sector, rather than into a few large industries, is similar to that described by Baker (1984) for Tamil Nadu earlier in the century. This pattern is a reflection of the slow rate of growth in the economy as a whole—a result of the low level of demand and consumption—and the consequent risk inherent in industrial ventures. Entrepreneurs prefer to invest in small service industries with guaranteed incomes and low capital outlays, such as transport, hotels, and contracting, rather than in capital-intensive manufacturing industries in which there may be stiff competition and limited markets. The possibility of profitable investment in industry has increased since independence, with government policies of protectionism for local industry and liberal provision of capital and loans by the state for new industries. However, the monopoly position of the big Indian and multi-national private- and public-sector companies in the industrial sector tends to inhibit the establishment and growth of new industries:

Landlords and capitalist farmers who gather some amount of surplus for investment can at best aspire to set up a small company in industry. But thereafter their progress is blocked. The relatively modest and volatile rate of profit in a small company and the lack of avenues for further advancement may work as a barrier to the transition of landlords and capitalist farmers into the class of industrial capitalists (Sau 1984; PE-75.)<sup>48</sup>

Thus, it remains to be seen whether these farmers-turned-businessmen will emerge as a class of true industrial capitalists.

(Concluded)

#### Notes

- 22 The research was carried out in eight months between August 1983 and March 1984. It was limited to business families because I was interested in researching the flow of agrarian surplus into urban businesses via migrants from rural areas. There are

- of course many more families from the same background whose heads are in other occupations (white-collar, managerial, professional, and so on), but if I had included all migrant families from the landed class of coastal Andhra, the sample would have been too large to handle.
- 23 Vizag was chosen by the central government as a centre for industrial development because of its transport facilities and easy accessibility to raw materials, and several major public sector projects have been located there, beginning in the 1950s. Most important is the new steel plant which was sanctioned in 1971 but which is still under construction. As part of its industrial development policy, the government has encouraged the establishment of privately-owned small-scale ancillary industries to serve the needs of the large-scale government-owned industries. Two industrial estates were established to accommodate such small-scale units (Appa Rao 1974; Ramana 1971).
- 24 Even local Komatis, some of whom had grown wealthy from trade, did not display much interest in the new economic opportunities when they arose, and one finds very few Komatis in industry or other types of non-traditional business (Sarveswara Rao, et al; Sarveswara Rao and Lakshmana Rao 1978).
- 25 I carried out a survey of SSI units located in the industrial estate and the industrial development area in 1983, and compared the data on caste and regional origin of the entrepreneurs with that found by Nafziger (1978) in his survey carried out in 1971 (Upadhyaya 1988).
- 26 Informants were selected not as a random sample from a known population, but rather by working through a network of contacts who were asked to supply names of businessmen who fit certain criteria (i.e., those who are from cultivating families of coastal Andhra and who are engaged in business in Vizag). In the process, most of the prominent businessmen of this background were covered (because their names were most frequently mentioned), as well as number of others, but it was by no means an exhaustive survey. The intention was not to cover all of the business families of the type described, nor to measure the importance of this business community relative to other communities, but rather to explore some of its characteristics through intensive research on a few families. Most of the data presented below were collected in long interviews with businessmen, conducted mostly in English. Additional information was gathered through informal discussions with female members of a few families and through interviews with key persons in the town. Altogether information on sixty-three households was collected, of which forty-seven are used as the core sample.
- 27 Of course, these facts are a function of the way in which the sample was selected and the location of the research. To find older established business families that originated in rural coastal Andhra, one would have to look in the trading towns of the heartland, such as Vijayawada and Guntur, and in Hyderabad and Madras. Most of these informants are the first in their families to go into business.
- 28 The pattern described by Baker (1984) in regard to industrial growth in Tamil Nadu in the early twentieth century appears to be repeating itself here. Once a new line of business or industry is proven by a few early pioneers to be profitable, there is a spate of investment in the same type of industry, mostly by members of the same social group. This leads to excess capacity, reduced profitability, and business failures.
- 29 In selecting subjects, no mention was made of caste as a criterion, so entrepreneurs of any caste who are from agricultural families could have been included. Even so, no businessman of this description from any taste other than the dominant landowning ones was found in the course of the research, and it is reasonable to assume that hardly anyone belonging to the lower castes would be found to be owners of business firms in Vizag.
- 30 The predominance of Kammias in the sample may be a result of the way in which the list of potential informants was compiled, and there is no way to determine if they are over-represented in the sample short of carrying out a complete survey of businesses in Di/Jag. However, since the idea that Kammias are becoming the dominant business community was expressed by many informants, Kammias and non-Kammias alike, the large number of Kammias in the sample probably reflects the larger reality (see Table 4).
- 31 Accurate data on landholding are difficult to obtain even when one is working in a village; it is even more difficult to be confident of the figures when there is no way to verify the information given. However, because these informants are mostly from the rural elite, one can assume that their claims are, if anything, on the low side, because of the habit of concealing the real extent of holdings.
- The categorisation of landholdings into large, 'medium', and 'small' is of course somewhat arbitrary. The categories used here were constructed based on my own research in rural coastal Andhra and on other available information; they represent the range of holding sizes typical of the paddy-growing areas.
- 32 This can be attributed to the fact that today, as compared to the 1950s, jobs are scarce even for graduate engineers, and those who have only ordinary bachelor's degrees stand little chance of finding good jobs. Boys from wealthy rural families who complete their educations only to find good jobs unavailable, and who do not wish to return to farming, are inclined to go into business, provided capital is available. Several youngster informants said that they started their own businesses because they could not find jobs at the level they expected, that is, commensurate with their families' social and economic status. In addition, a self-owned business (if successful) is much more lucrative than a salaried job.
- 33 While the theory seems to contain some truth, in that if rich farmers were allowed to expand their holdings indefinitely they might have a greater incentive to continue farming, it is erroneous because the limit on landholding size is imposed more by population pressure and economic backwardness than by law. A complex of factors have been at work for several decades inducing wealthy farmers to invest in business enterprises, but the folk explanation that is shared by members of this class pins the blame on government policies which (they say) have made agriculture unremunerative.
- 34 Analysis of the data on landholding status was made very difficult by the fact that many fictitious partitions have taken place in response to the land ceiling. Here only the simplified results of a complicated discussion are presented.
- 35 The term 'joint family' is in quotation marks because of its ambiguous usage in the sociological literature. Although it is used frequently to refer to a certain type of household, the term 'joint' is best confined to the realm of property relations, while 'extended family household' can be used to describe the type of household usually meant by the term 'joint'.
- 36 The paper mill was started after the research period, so there is no information on how its management will be organised. It is a much larger factory than their other ones, and it doubtless will have professional management.
- 37 One limitation on the joint family form of organisation is the low birth rate typical of

#### FOURTH CONFERENCE IN ECONOMIC THEORY AND RELATED MATHEMATICAL METHODS

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- the rural elite of this region. Now it is rare to find a wealthy landowning family with more than two or three children; many families have only one son, which means that the division of responsibilities among several sons or brothers is not a possibility. It was hypothesised that rural families with more than one son prefer to keep one son in the village to look after the farm while sending the others out to pursue other careers. However, the data collected on the Vizag entrepreneurs' families shows that this is not the norm. In about half the families, all of the sons (or the only son) have emigrated, while in half, at least one son remains on the land.
- 38 Leasing-out is the least preferred solution to the problem of management of rural lands belonging to absentee owners. All of those who had leased out their land had relatives in their villages who were looking after their interests, had leased it to a friend or client, or were able to go frequently to their villages themselves. Several informants said that it is very difficult to maintain leased-out land unless one has a close relative in the village to look after it, because otherwise the owner will get 'cheated'. Also it is considered risky to lease out land at all except to a 'trusted person' because of land reform legislation that confers ownership rights on tenants.
- 39 It is not clear if this tax advantage, mentioned by some informants, really exists. Some said that it does not, because although agricultural income is not taxable in itself, if one has both agricultural and other income, the former is clubbed with the latter, raising the total taxable income.
- 40 Even after years of living in the city, many migrants are reluctant to purchase rice, in part because of the expense but mainly because the best quality rice is not generally available in the market. Because they take pride in eating only their own rice, many go to great trouble and expense to have their homegrown rice sent from their villages. In some cases, other provisions such as pulses, vegetable oil, and vegetables also were being sent from their villages. Several informants said that they get almost all their food supplies in this way: whatever is grown on their own land is sent to them by whomever is cultivating it and is never bought in the market.
- 41 Because of their lack of social respectability, the existence of these associations is not widely advertised, least of all to foreign researchers, and they are cloaked in deceptive names. The Kamma association is called the 'Kakatiya Educational and Cultural Society' and the Reddi association is called the 'Vemana Cultural Association'. Their ostensible purpose is to provide better educational facilities to poor students. The Kakatiya society, for example, has started an IXL and it provides funds to coach and send students for the IAS examination. There were plans to build a hostel and provide scholarships for poor students attending the university, and also to build a community hall. However, the only other major accomplishment of the society has been the foundation of a private school ('public school') in Vizag, the donations for which came primarily from wealthy Kamma businessmen. The main purpose of setting up this academy is not to educate underprivileged children, but to provide better educational facilities for the rich. Because of the recent economic and population growth of the town, and the influx of wealthy business families, a demand was created for a good, expensive private school, and it is not by chance that it is being founded by a Kamma caste association.
- 42 In reality, this 'business class' is only one section of what can be termed the rural-urban elite; it is not a separate class or community. Rural-urban migration is a continuous process, and there has developed a complex network of economic and social ties between urbanites and the rural elite such that the two can hardly be discussed separately. The elite described here are neither rural nor urban; it has interests in all sectors of the economy and its members are engaged in many occupations, including agriculture, business, the professions, and so on. Although the focus of this paper is on businessmen, it should be stressed that they do not constitute a discrete social group or category (as do, say, Komatis, a business community), but have been separated out for analytical convenience.
- 43 The Kongunad region had developed into an area of capital-intensive, commercialised agriculture in the nineteenth century, with a large class of substantial peasant cultivators. From an early period the cotton growers had begun to sell their own crops directly in the market, and some also became traders. A number of growers and traders also set up small cotton ginning units in the early years of this century, but following the depression, the savings of the rural rich and of urban merchants began to flow into larger joint-stock cotton spinning mills. It should be noted that the establishment of industries in this case did not represent a transformation of agrarian surplus directly into industrial capital, because most of the new industrialists had also been traders and had set up industries to employ their idle merchant capital. The emerging capitalist class had interests in agriculture, trade and industry, which remained closely intertwined as long as businesses remained family-controlled (Baker 1978; Baker 1984: 267-276, 119-372).
- 44 In Kongunad, the collapse of the indigenous banking system during the depression and the consequent ruination of many small traditional traders in the cotton market served to strengthen the position of the big Naidu and (founder grower traders (Baker 1984: 270-272). There is no information on the effect of the depression on the activities of Komatis in the coastal Andhra rural economy, but it may have been similar.
- 45 In this region a class of substantial owner-cultivators did not emerge in spite of the spread of cash cropping and the commercialisation of agriculture. The pattern that developed in North Arcot and that persists today is one of the interpenetration of agricultural and mercantile capital. The farmers of this district, like Kammass and Naidus, have a propensity for economic diversification, but their money flows mainly into trade, and trading profits flow back into the agrarian economy mainly in the form of money lending capital, leading to economic stagnation.
- 46 The category 'trade' is not homogeneous. For many coastal Andhra farmers, the type of trade in which they engage is more like a capitalist enterprise than traditional bazaar trading, particularly in the case of manufactured agricultural inputs, and such enterprises lead easily into other activities. Most Komatis, on the other hand, are confined to the 'bazaar economy' and are unable to make the leap into industrial entrepreneurship.
- 47 One of the most successful Kamma-owned commercial-industrial groups was started by just such an unusual man. He sold all of his family's land and their house in the village, moved his parents to Hyderabad with him, and put everything into the establishment of a 'chit fund'. It was successful, and this entrepreneur is now the owner of a large group of companies, including interests in publishing, film production, hotels, manufacturing, and other lines.
- 48 See also Sau 1988.

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