The Farmer-Capitalists of Coastal Andhra Pradesh

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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.

The paper is being published in two parts. This, the first, part provides a brief sketch of the history of the region and the roots of the new capitalist class and describes some characteristics of the rural elite in the region based on the results of village studies. The second part of the paper, to appear next week, will present the results of a survey of urban-based businessmen coming from the rural elite and discuss the reasons for the development of a rural-based capitalist class in the area and some of the theoretical implications of this development.

THE emergence of a new kind of rural elite—a 'capitalist farmer class—is considered to be an important development of the post-independence period in India, particularly since the green revolution. It has been mainly the large farmers who have benefited from the new agricultural technology, widening the economic gap between them and the mass of small farmers and landless labourers. The increased profitability of cultivation has encouraged landlords to evict tenants and begin cultivating their land directly, using hired daily labour, modern inputs, and machinery. A number of studies have found the 'new farmer' to be more profit-oriented, interested only in accumulating capital, an attitude that has encouraged them to abrogate their traditional obligations toward labourers and dependents (part of the old 'feudal agrarian system) in favour of purely functional monetary arrangements with wage workers. In short, the green revolution has stimulated the growth of capitalism in agriculture and the incipient 'differentiation of the peasantry into two classes: capitalist farmers and wage workers.

One characteristic of this new capitalist farmer class that has been noted by a number of observers is that its economic interests are not confined to agriculture (Sau, 1988). Reviewing the available evidence, Gail Omvedt (1981) found that

> their property and power is not simply in agriculture. After the coming of independence, rich peasants, landlords, and the emerging capitalist farmers began to invest on a wider scale, rather than simply consuming surpluses. The establishment of tiny transport companies, tea shops, small flour mills, oil mills, brick kilns, etc, were all part of this process. Some moved into trade in direct competition with previous merchant classes/castes... The spread of rural education with the establishment of numerous societies running schools and colleges has also been largely their work. A rural capitalist farmer family today normally has a well-educated younger generation, and systematically seeks to diversify economic activities, placing some sons in service (making them doctors or lawyers if possible), setting others up with small shops or tiny businesses, and leaving only one or two to run the land and the tractor [Omvedt 1981: A-149].

This pattern of economic diversification, particularly into small industry and other types of business, means that the top households in this class "merge into the urban and industrial bourgeoisie" (1981: A-150).

Diversification of interests represents the investment of accumulated agricultural surplus outside agriculture; it is also a protection against the risks of pure cultivation. While agricultural profits are invested in small businesses, often business profits are re-invested in agriculture and land, strengthening the position of the rural elite.[2] In spite of their propensity for investment outside agriculture, members of the rural elites have not entered to any great extent into the class of industrial capitalists. In most areas they remain small businessmen engaged in trade and other non-industrial businesses, rural and urban.[3] However, with the growth of capitalist tendencies in agriculture in the last twenty years and the consequent accumulation of surpluses by big farmers, one might expect to find an increased flow of capital and entrepreneurial talent from this class into urban and rural industrial enterprises. The nature and extent of non-farm investments by cultivating households have not been studied systematically except through very general and aggregated economic statistics. Micro-level and regional studies on this topic are needed, particularly to understand the effects of social and cultural factors on investment patterns.

This paper traces the rise of a new class of businessmen out of the class of captialist farmers in one region of India, coastal Andhra Pradesh, and explores some of its social and economic characteristics.[4] There are many facets to this development-economic, social, cultural, political—all of which cannot be covered here. A brief sketch of the history of the region and the roots of the new capitalist class is contained in the following section. In the second section, some characteristics of the rural elite in the region are described, based on the results of village field studies. In the third section, the results of a survey of urban-based businessmen who come from the rural elite are presented. Finally, the reasons for the development of a rural-based capitalist class in this region are explored, and some of the theoretical implications are discussed.

I

Roots of Peasant Entrepreneurship

1880 TO 1930

The development of the new business class described below Has its roots in the unique history of the coastal Andhra region.[5] The modern history of this region has been determined in large part by the construction, in the late nineteenth century, of major irrigation systems off the Krishna and Godavari rivers.[6] These canal irrigation schemes virtually obliterated subsistence agriculture and created a near mono-crop economy in the deltas, transforming them from areas of frequent famine to ones of intensive wet rice cultivation. Paddy quickly became a commercial crop, being cultivated largely for the market, and the region became an important supplier of rice for other parts of Madras Presidency. Commodity markets for agricultural products emerged, located mainly in a few fast-growing trading and transport towns such as Vijayawada, Guntur, and Kakinada, and urban-based mercantile groups (particularly Komatis and Marwaris) entered rural trade and moneylending. The growth of rice production and trade stimulated the development of local agro-processing industries, particularly rice mills, in the towns and larger villages. The expansion of trade and communications led to the integration and monetarisation of the economy of the deltas. As agriculture became increasingly commercialised, the labour force became relatively free and mobile, and payment in cash and employment on a daily basis became the norm (Rao 1985: A-63-64; Wash brook 1973: 509-511; Washbrook 1976: 92-93).

Changes in land revenue policy contributed to the commercialisation of agriculture. The gradual removal of the intermediary class of *zamindars,* who controlled much of the land in the region, gave an impetus to agricultural growth by allowing a greater part of the profit to accrue to the cultivator (Duvvury 1986: PE-46). The introduction of the *ryotwari* system promoted production for the market, and by confirming ownership rightsTn land, it also paved the way for the development of a market in land. The enhanced productivity of delta lands after irrigation and the increase in population meant that there was a growing demand for land, and land prices rose (Rao 1985: A-65-67). Agricultural production continued to increase and commerce to expand up to 1930; the continued rise in grain prices during most of this period contributed to the growth of the economy and a general increase in prosperity. Commercialisation of agriculture increased; by the end of the 1920s, more than 42 per cent of the rice produced in Guntur district was being marketed (Duvvury 1986: PE-47).

The most important outcome of tnese economic changes, for the purpose of this paper, was the emergence of a relatively large class of prosperous "peasants" or owner cultivators.[7] Because the Karnmas are the most populous cultivating and landowning caste in the region, it was mainly Kammas who constituted this new "rich peasant" class, but it included the wealthier fanners of all the major landowning castes.[8] The newly-rich peasant cultivators began to participate directly in the market, both as sellers and buyers and as traders; as a result they came into touch with the towns (Washbrook 1973: 510-511). These "peasant cultivators" may be termed more accurately "commercial farmers;' because they were increasingly rational and market-oriented in their agricultural practice. With higher productivity, the larger farmers were able to accumulate substantial surpluses from agriculture, and even in the early twentieth century some were looking for new and more profitable ways to invest their savings.

Purchase of additional land was the most common avenue for the investment of savings, but there was a limit beyond which land could not be cultivated profitably, and most of the fertile land had been occupied by the early twentieth century. In the Guntur villages surveyed by N G Ranga in the 1920s, there was no more land to be occupied, so "all that a rich Kamma can do is to buy the already occupied land at exorbitant prices" (Ranga 1926:36). The "buying spree" had caused land prices sharply to increase. Some ryots speculated in land, buying unirrigated land and waiting for it to receive water, a safe gamble since the irrigation could be obtained by bribing government officials (1926: 37). There is some evidence that concentration of landholding increased in Krishna district between 1900 and 1930, but the increase in inequality overall was not as sharp as many have assumed. A possible reason for this is that the growing inequality of wealth manifested itself not in larger landowners buying out smaller ones, but in the former diversifying their assets by entering into trade and industry (Kumar 1975: 254-258).

Moneylending was one use to which wealthy farmers put their money. Ranga notes that rich farmers

> lend their money to needy ryots and poverty-ridden Panchamas at very high rates of interest and hope to make much money. Indeed if they are not too avaricious and pay only an ordinary amount *of* care in choosing then customers, they can make much higher profits in this rural banking than in any oihei business [1926: 37].

However, because of increasing indebtedness and evasion of debts in the late 1920s, moneylending was becoming less popular among.rich ryots as a business, instead, Marwari traders were becoming the major moneylenders in rural areas, and the opening of co-operative banks enabled small farmers to borrow at lower interest rates (Ranga 1926: 38).

As a result, the newly-rich delta ryots began to look for other opportunities for investment. Some entered the grain trade, buying paddy on commission and transporting it to the rice mills. About twelve ryots in each of the villages surveyed by Ranga were making profits from dealing in paddy (1926:35).[9] Rich cultivators also began investing in agro-industries, and it was their capital that built many of the new rice mills that sprung up in this period (Washbrook 1973: 511).

Ranga describes in detail the attempts by rich farmers in several Guntur villages to start businesses:

> In every village there are a few enterprising Kammas who have ten to twenty acres of land and who are anxious to do some sort of business or other [1926: 35].

Most of those business ventures were unsuccessful, however, because of "lack of sufficient capital, prohibitive rates of interest, lack of business bent of mind and business capacity, and the absence of commercial organisation to advise people" (1926: 35).

Thus, by the early twentieth century a new-stratum of rich peasants had emerged in the deltas that was rapidly developing into an entrepreneurial commercial farmer-capitalist class. In addition to agricultural growth, there were other changes in the late nineteenth and early twentieth centuries that contributed to the development of this class: rural-urban migration, the spread of education, and the development *of* caste consciousness.

As the region prospered, the new market towns became the centres of political, cultural and social movements in which many of the rural rich participated along with more educated urban dwellers (Washbrook 1976: 92-96). Related to this increased rural-urban interaction and political ferment was the spread of literacy and higher education among the cultivating classes (Washbrook 1973: 513). The new rural elite came to value education highly (particularly in English), in part because it was the key to appointments to government office and hence to political power and influence.[10] The young men from wealthy rural families who went to towns for studies constituted the first wave of rural-urban migration, which in turn contributed to the integration of town and countryside.

Ah important political development of this period was the formation of the peasant castes as self-conscious, integrated political entities. The propaganda disseminated by newly-educated, politically active young men, and the organisation of caste associations, helped to cement together numerous small endogamous groups belonging to large caste categories such as Kamma and Reddi (see Elliott 1970; Washbrook 1975). The creation of Kamma caste consciousness in this period has been an important factor in the success of Kammas in business, as discussed below.[11]

Some of the rural elite began to move to towns in pursuit of their economic, political, and educational goals; as a result, the dominant cultivating castes of the region contained many urban-dwellers. The rural and urban sections of these castes never split into separate sub-castes, however, because urban migrants retained close ties with their villages and there was a continuous flow of new migrants to the towns. The earlier migrants, most of whom were educated young professionals and government employees, provided role models for their rural caste-mates, and they also were leaders of caste movements.[12]

1930 TO 1965

Baker (1976, 1978, 1984) argues that the depression was the turning point in the economic development of Madras Presidency. Up to about 1930, the rural rich had invested excess cash mainly in land, rural money-lending and trade, and local agro-industry, but the collapse of the rural credit system and falling agricultural prices from f929 meant that these were no longer profitable activities. The depression created a considerable "impetus for a shift of capital, entrepreneurship, and artisan skills from country to town" (Baker 1978: 239), and there was a substantial increase in investment in joint stock companies in Madras Presidency in the late 1930s. Much of this new investment was in agro-processing industries, but in contrast to the small rice and oil mills built by rural capital earlier, now it was flowing into large enterprises, especially sugar and cotton mills (Baker 1978: 239-240).[13]

The early indusrial entrepreneurs of coastal Andhra were mostly *zamindars* and large landlords, rather than ordinary rich cultivators. For example, the new film industry in Madras was heavily financed by *zamindari* families of the region, notably the Raja of Mirzapuram (Baker 1976: 184). Most of the new industries in the region were agro-based—most common were sugar factories—but other enterprises such as financial institutions and transport companies were also floated by wealthy landlords.

The establishment of the Rayagada sugar factory in 1936 is of particular interest. It was built with an initial capital outlay of six lakhs by a group of wealthy Kammas headed by V Ramakrishna (in collaboration with another Kamma-owned sugar company) in a remote area of Orissa. The company acquired land in the Jeypore region and encouraged experienced sugarcane cultivators (mainly Kammas from East Godavari) to migrate to the area to produce cane for the factory. The company later expanded into mining, and in 1958 established a ferro-manganese plant with an investment of rupees sixty lakh. By 1961 the company had assets worth one crore rupees (Haswell 1967: 83-84; Orissa 1966: 191-192), and it is now part of a larger industrial-commercial group, mainly Kamma-owned. This is one example of an early successful industrial venture founded on the capital of wealthy coastal Andhra cultivators.

While the list of big industrialists from coastal Andhra agricultural families was still small at this time, there are many others who invested in smaller ventures in both towns and villages. It was not only members of wealthy families who migrated; one village survey found that many of the Kammas who had left were small landowners:

> They were attracted to Vijayawada town by their relatives who were already in some prospering business with offers of help and assistance and it would appear that they had disposed of their lands in the village and taken up business in the town [India 1964: 6].

Also, many rural families sent their sons to towns for higher education, who then often entered non-agricultural occupations. Throughout the 1930s the prices of most agricultural commodities remained depressed, and capital continued to flow out of the countryside. World War II caused prices to rise again and initiated a period of prosperity for the coastal Andhra farmers. Several writers have traced the influence of the Kammas in Andhra's political and economic life to this period (Harrison 1956: 381). While many of the wealthiest landowners had moved to the towns during the 1930s, some selling their lands, the war years saw the emergence of a new class of rich farmers. Those who had been able to add to their holdings while land prices were low and land was freely available were in the best position to profit from rising farm prices.

Following independence, the government began to play an increasingly active role in the rural economy, as promoter of agricultural modernisation, procurer of produce, provider of inputs and credit, and so on. Still, the path of agricultural and economic development and the social changes that accompanied them can be seen as continuations of what had begun earlier. Increased opportunities for education and employment and the new prosperity of cultivators following the war renewed the cycle of out-migration, in which youths of landowning families left their villages in pursuit of education or other careers in the towns. One contemporary observer attributed this trend to land reforms and thought that it spelt the end of the wealthy cultivating class:

> All Kamma youths who can afford are becoming absentee landlords to take up government service or some profession or business. Land is slowly slipping away from the hands of the middle-class and upper middle-class Kammas [Choudary 1954: 124].

Ironically, the same statement could apply to today; the pattern of out-migration from the rural elite is an older one, as has been shown, and it still continues:

> Since the dawn of independence, due to the high level of literacy in Krishna district a good number of people from villages migrated to nearby towns.. . just for their children's further education. Slowly with the development of Vijayawada as one of the biggest mercantile centres a few intelligent and enterprising persons have ventured to invest in some business or other and when fortune smiled they further advanced and settled either at Vijayawada itself or at Hyderabad, which after becoming the capital of Andhra state in 1956, attracted most of the people of this district... Either it is for children's education or for business almost every second Kamma family of all the villages nearby Vijayawada, Gudivada and Muslipatnam has set up one separate establishment at an urban place while maintaining constant touch with the village [India 1964: 6-7].

The same source notes that such migrant families usually held onto their land or purchased new land in their villages with business profits, and that they maintained close contact with their village kin. Thus, the patterns of economic diversification and urban migration was already well-established among the landowning cultivating class of coastal Andhra by 1960.

These new entrepreneurs invested primarily in small non-industrial types of business requiring low capital outlays, such as construction and public works contracting, real estate development and speculation, and transport. Trade and agro-industry continued to be the major types of business pursued by rural-based families. Some of these early ventures were successful and grew into large, diversified companies. A good example is the Sri Ramadas Motor Transport Company (SRMT), which was started by a group of local cultivators in Kakinada in 1944. Originally a small passenger transport company with a few buses running in the rural areas around the town, it later expanded into motor vehicle parts and service, acquired the Tata lorry dealership for the area and some other machinery distributorships, and started a production unit. It is now the largest firm of its type in the region, and it is still a private limited company controlled by a group of local families, mainly Kammas (India 1972: 136-138).

The 1950s was a period of modest industrial growth in the region, stimulated in part by land reforms. The abolition of *zamindari* estates in 1949 induced the more enterprising *zamindars* to convert their assets into industrial capital. A large proportion of privately owned industries in East Godavari district, for example, are owned by former *zamindars* and estate holders, many of Kamma caste (N V V S Reddy 1981: 126). Members of the Kapileswarapuram *zamindari* family, for one, established a textile mill in Kakinada, and later expanded into sugar and other industries. A number of other large-scale plants—sugar, cotton spinning, cement, and fertilisers—appeared in the region at this time. Many of these were established by large companies headquartered outside the region, but some were based on local zamindar/landlord capital. Most of the early local industrialists of the 1930s to 1950s were from this class, but because zamindars belong to the "peasant" castes, they became role models for their enterprising .caste brethren of more humble backgrounds.[14]

POST-GREEN REVOLUTION PERIOD

From 1965 the agrarian economy of coastal Andhra underwent a second major transformation in the form of the "green revolution" The spread of modern HYV technology in paddy farming, improved irrigation, and mechanisation have meant that agriculture has become more capital-intensive, more productive, and more closely tied to the larger industrial capitalist economy. Agriculture has become particularly profitable for large farmers, while technological change has increased economic disparities between the landed and the landless and has led to the completion of the process of commoditisation of labour that had begun earlier. Modern large farmers display a business-like approach to farming, one manifestation of which is that labour has become merely another input on the 'costs' side of the balance sheet. In sum, the green revolution has strengthened capitalist tendencies in the agrarian economy, and the big and medium landowning farmers have become what can best be termed 'capitalist farmers'.[15]

Yields from paddy production have increased sharply, but because the costs of cultivation have also risen, it is not clear whether net profits also have increased. Data from farm management surveys are too aggregated to be of much help in answering this question, and there is a paucity of "before and after" village-level studies.[16] However, it is fairly clear that large farmers have benefited from the new technology to a greater extent than small farmers, for reasons too familiar to be discussed in detail here (see Frankel 1971; Parthasarathy 1975; Parthasarathy and Prasad 1974; Thorner 1967). Furthermore, large farmers appear to get better yields and higher profits per hectare than do small farmers (Parthasarathy and Pothana 1983: A-94-96). As a result, they are able to accumulate substantial surpluses from agriculture (Parthasarathy and Pothana 1984:582,593). Of course, even if agricultural profits per hectare are assumed to be equal for all farm sizes, total income is directly proportional to farm size. Even before the green revolution, the bulk of marketed surplus (two-thirds) was being produced by the top 15 per cent of farmers (those who own more than four hectares of land). Available evidence suggests that the concentration of marketed surplus in the top group has increased even though the percentage of land held in large farms has decreased (Parthasarathy and Pothana 1983: A-94-95). Furthermore, the accumulation ol surplus in the agricultural sector was promoted in the 1960s by favourable domestic terms of trade (Parthasarathy 1971: 6). All these facts support the hypothesis that larger cultivators have been able to accumulate considerable capital in the last two decades.

INVESTMENT OF AGRICULTURAL SURPLUS

Available data indicate that a very small percentage of the surplus produced in the region is re-invested in agriculture. This is attributable to the fact that there are few opportunities for productive capital investment in paddy cultivation (Parthasarathy and Pothana 1983: A-95), and to the land ceiling, which prevents large farmers from investing their profits in the purchase of additional land (Parthasarathy and Pothana 1984: 591-593). Once a big farmer has accumulated land up to or over the ceiling, purchased a tractor, other farm machinery, and prize cattle, built a godown, and improved his land, there is little more he can do on his farm. He cannot buy more land nor can he increase expenditure on inputs such as fertilisers beyond a certain limit. Furthermore, large farmers may find that they are getting lower returns the more they increase their scale of operations, which some do by leasing in land (Parthasarathy and Pothana 1983: A-94-96). It is also difficult to get an adequate labour supply during the peak seasons. For these reasons rich farmers look for other avenues for the investment of their profits.

It is commonly held that much of the agricultural surplus generated by farmers in India is spent on 'conspicuous consumption' (large, well-appointed houses, luxury goods such as automobiles, and so on) and on non-productive types of investment such as real estate and gold. It is certainly true that the wealth of the region is glaringly displayed in the houses and lifestyles of the rural rich, and that a large proportion of it is held in the form of gold and immovable property, particularly urban real estate.[17] Even so, there is significant investment in business enterprises, both rural and urban. Agro-industry and trade in agricultural commodities are the two types of business in which cultivators most commonly are engaged. Rice mills and the rice trade have been important sources of income for large farmers for a long time, as discussed above. The number of rice mills and other agro-processing units appears to have reached the saturation point long ago, however, and there is not much room for new investment in this field. This is why one often finds rice mills that are leased out by their owners. Trade in agricultural inputs (fertiliser, pesticides) is another field which rich farmers have entered, and many wealthy cultivators have taken up distributorships in the towns and opened retail shops in the villages. A number have become contractors for government projects in the rural areas, including irrigation, power and other construction works (Krishna Rao 1984: 48). Agricultural surplus also has flowed into the towns of the region and the state. Many landowners have set up 'chit funds' and financial corporations which give loans at high interest rates (Krishna Rao 1984: 30), and have constructed cinema halls, both in towns and villages. A number of former cultivators have become small industrialists, contractors, and traders on a larger scale in the towns of the region.

It is argued by some that the majority of business investment by wealthy cultivators and landlords has been in non-productive (trade contracting, etc) rather than productive types of enterprises. However, the fact that there has been a spurt in manufacturing activity in the region in the last two decades, which was also a period of agricultural growth, suggests that agricultural surplus also finds its way into that sector of the economy. Most of the growth in the small-scale industrial sector has been in agro-based units: rice and oil mills, and (in Guntur district) factories for drying and grading tobacco, and cotton gins and presses.[18] There are also a number of small engineering and manufacturing units, particularly in Krishna district, the location of the major industrial town of the region, Vijayawada (Baru 1984: 373-376). After Medak district (where many Hyderabad-based industries are located), the four delta districts had the largest number of industries in the state in 1973 to 1976. The four districts accounted for more than one-third of all industries in the state, but for only 9 per cent of the total fixed capital, indicating that most are small industries (AP 1977b: 87).[19]

Like the small-scale industries in the region, the medium- and large-scale industries are mostly agro-based. There are a number of sugar factories (several co-operatives but most privately owned), several cotton mills and fertiliser plants, and two cement factories. Many of those established earlier were owned by large companies based outside of coastal Andhra, but since the 1970s we see "the entry of 'Regional' (Reddy, Kamma, Raju) capital into industry" (Baru 1984: 381). For example, the same group of Kammas who started the Rayagada sugar factory also established sugar factories in Krishna and West Godavari districts, and a cement factory in Guntur district, in the 1950s and 1960s. Another group of industries consisting of a sugar factory, a fertiliser and chemical plant, and a foundry, all in West Godavari, is headed by M Harishchandra Prasad, a 'protege' of V Ramakrishna (who was associated with the Rayagada project) from Tanuku (West Godavari). The former was also president of the Andhra Pradesh Manufacturers Association (AP 1979: 94; Choudary 1954: 101-103; Ranga 1976: 197-203).

Although there has been no systematic study of the sources of capital for coastal Andhra industry, the above facts suggest that at least some of the agricultural surplus generated in the region has been invested in industry.

II

The New Rural Elite

Data collected in two village studies carried out in 1981-82 confirm the hypothesis that economic diversification is typical of wealthy cultivating households in this region.[20]

In both villages it was found that large landowners earn high profits from cultivation,[21] but that avenues for productive re-investment of surplus in agriculture are limited, in part because of the land ceiling. Fear of confiscation prompted a few large owners to sell some of their land before the

Land Ceiling Act came into effect, but most found other ways to circumvent the ceiling. Even so; it has prevented (psychologically rather than legally) owners of large holdings from acquiring more land, and it has encouraged them to invest their agricultural profits in other ways. In any case, there is a limit to how much land any one family can acquire because little land comes on the market, and because of the difficulty of managing very large farms under present technological conditions. Because farmers see the future in agriculture as uncertain (due to labour problems, possible new 'land reforms, and so on) and cultivation itself as relatively unprofitable, there is a strong incentive to diversify into other more lucrative activities, rather than simply to save or spend their profits.

The ways in which farmers have employed agricultural profits are familiar. For smaller owners whose holdings are under the ceiling, the favourite investment is still land. Others have improved their farms by investing in pumpsets, new channels, agricultural machinery (particularly tractors), and farm buildings (particularly *pakka* godowns). In Rajupalem, after 1972 (when the land ceiling was imposed) many big farmers used their profits to construct large *pakka* houses in the village (of which there are now about en) and to fill them with domestic appliances (refrigerators, gas stoves), and in other ways to indulge in 'conspicuous consumption'. It is likely that a lot of wealth is hoarded in the form of gold, and the wealthy families give very large dowries, often in cash. In addition, many farmers, large and small, have spent much money on the education of their children. Even so, wealthy farmers have invested heavily in local businesses: rice mills, cinema halls, fertiliser dealerships, contracting and transport. In both villages, most of the large landowners were found to have interests in one or more such business, most located in or near the villages. Two wealthy agricultural business families, one from each village, are described below.

The Rajupalem family owns 125 acres of land (the second-largest family holding in the village) and has a fertiliser and pesticide dealership/distributorship business in Guntur town. The head of the family lives in Guntur with two of his sons—one is helping in the business and one is studying—while one son lives in Rajupalem to look after the land. The present head's father was a large landowner, but he had lost most of his land; the family owned only 30 acres in 1968 when they started their business, but they increased the holding to 125 acres using business profits. It is said that they net twenty lakh rupees per annum from the business. Capital has flowed in both directions: agricultural profits were invested in the business when it was started in 1968, and business profits were used to buy more land. Because the sons are still fairly young, 'joint family' organisation has allowed the family to engage in both agriculture and a non-local business enterprise within a single household economy, even though they have two separate residences.

The Kammavaram family illustrates another type of organisation found among such agricultural-eum-business families. There are three adult brothers, one of whom lives in the village and two of whom are contractors in a neighbouring town. Their father's father was a *cinna ryot* (small farmer), but their father started a contracting business and made a lot of money, which he used to purchase thirty-five acres of land. After marrying off the daughters, each son received nine acres as his portion, but they have all increased their holdings so that there is now a total of sixty acres among them. This land has been legally partitioned, but it is cultivated as a unit by the youngest brother, who sends the paddy and/or profits to his brothers. Although their households and property are formally separate, the brothers maintain close ties through frequent visitation and economic co-operation.

The village brother's economic activities and investments are diverse, typical of his class. His farm is heavily capitalised; he owns a tractor and has built a large *pakka* godown that holds 1,200 bags of paddy He has a borewell and pumpset for additional irrigation, and he grows both paddy and sugarcane using modern technology, He owns some expensive prize cattle and coconut and banana gardens. He is one *of* six partners (all local ryots) who have built a new cinema hall in the village, and he owns a rice mill in partnership with three others. He also has interests in a village fertiliser shoD and in a transport company. His profits from agriculture and local business have been invested in assets outside the village (two plots of land in Visakhapatnam, and a house and two plots of land in Kakinada), and he had a bank balance of four lakh rupees at the time of the research. Although he is prospering in the village, this farmer wants to move to Kakinada to start a business (like his brothers) after his daughters are 'settled', because, he says, he has no more 'interest' in agriculture and village life.

Although the grandfather of the three brothers was a small farmer, this family has become almost totally urban-based and upper middle-class within two generations, and their posperity was achieved through both business and agriculture. The pattern seen here of rural-urban migration, rural-urban kin ties, and inter-penetration of business and agriculture and of rural and urban property interests, is typical of households in this class.

The information collected on wealthy rural families in these villages indicates that the flow of capital between agriculture and business is not one-way. In several cases, rural traders and businessmen purchased land with business profits; in others, small farmers were able to increase their land-holdings only after making money in business. Even for the richest families in each village, the initial leap in prosperity came not from agriculture but from business. (The Raju family regained lost land only after prospering from its trading business; the Kamma family first became wealthy from contracting.) These cases seem to disprove the hypothesis that economic diverification is an outcome of the increased profitability of agriculture (i e, the surplus that large owners have accumulated seeks an outlet in non-agricultural business enterprises). The connection between business and agriculture is more complex and has a long history in this region. For the rural elite, they are not contradictory occupations but are complementary, because both activities can be pursued profitably by one household or individual. Furthermore, land and agriculture provide" economic security but relatively low profits, while business offers an outlet for agricultural surplus and the possibility of greater accumulation, but entails financial risk.

Although this pattern is long-standing, economic development and the new technology have led to a sharp increase in the number of rural business-cum-agricultural households as well as to diversification in the type of investments made by them. With the spread of green revolution technology, opportunities were created for rich farmers to become dealers of fertilisers, pesticides, and agricultural machinery, a type of trade that is qualitatively different from the traditional trade in agricultural produce. Some of those who were able to get distributorships and dealerships from the manufacturing companies (mostly located in towns) prospered and expanded into other types of urban business. Contracting is another activity in which a cultivator can engage part-time; if he is successful he may grow into a large-scale full-time contractor based in a town. New types of agro-industry and other rural-based small industries, cinema halls, and speculation in urban real estate are other 'modern' avenues *of* investment for the rural rich. While wealthy farmers diversify into rural-based businesses continue to be primarily cultivators, mere are many others who are drawn into urban enterprises and who eventually give up agriculture. However, there are no examples in these villages of *urban-based* businessmen who have bought land and become cult; vators; this is true only of *rural* trade: Thus, while capital flows in both directi'- between agriculture and non-agriculi business in the rural context, between own, and countryside the flow of capital *and* people is more one-way. Many leave the village but few return.

Rural-urban migration is not a function only of economic diversification, but also of the high value placed on education. Although this is not a new trend, even small farmers now are able to provide educations for their children, and among wealthier families it is the norm. The switch to no; agricultural occupations and urban migration by educated children is the natural outcome of this trend. Practically every medium and large landowning family in these villages (and some with small holdings) has highly educated and/or urban-based members. As a result, there is a complex web of ties between rural and urban society, particulars within the elite, which has produced (or rein forced) an urban-oriented culture among the rural rich. This culture in turn reproduces the pattern of out-migration because town life and urban occupations are more highly valued by the rural elite than are rural life and cultivation. Wealthy -families seem to have one foot already out the door, and they are awaiting an opportunity to make the move to town, an opportunity that will come to their sons and daughters if not to themselves.

These considerations suggest that a process of replacement or circulation of rural elites has been going on for a long time in coastal Andhra. Members of landed families migrate to towns, eventually selling their land, which is then purchased by upwardly mobile smaller farmers or traders who, if they accumulate enough land and capital. may enter the elite class and in turn acquire the same characteristics. Of course, not all rich families emigrate, and in some case, families have declined economically and have lost land. But in general there is clearly a trend of 'upward and outward' mobility in Andhra rural society.

(To be concluded)

Notes

1 There are numerous studies of the effects of the green revolution in India. See Byres 1971 and Omvedt 1981 for bibliographies.

2 This characteristic is not. however simply an outcome of the green revolution; it was typical of rural elites even in the colonial period (e g, see Baker 1976, 1984; Washbrook 1976). The development of capitalistic, market-oriented rural elites did not take place uniformly across regions; in some regions these tendencies are found among the revel elite in the late nineteenth or early twentieth centuries, in others more recently, and in others not at all. Furthermore, the type *of* diversification varies regionally. For example, where specialised merchant groups have captured the trade in agricultural commodities and dominate the rural credit market, rich farmer are less likely to become important in these areas; consequently their lanital tends to Flow more int*o* agro-processing or service industries.

3 Historically, the Indian national and regional bourgeoisies have been composed mainly of members of the traditional merchant communities (such as Marwaris, Parsis, Gujarati *banias,* and Chettiars), presumably because merchants were able to accumulate sufficient capital for investment in industry and were experienced in business Some former *zamindars* and large landlords were able to convert their assets into industrial capital before they were confiscated by land reforms, but ordinary, "rich peasants!' small landlords, and commercial farmers rarely became industrial entrepreneurs. This may be attributed to the fact that their financial resources are relatively small, to their rural location, and to their relative lack of education (Nafziger 1971). There is at least one well-documented case, however: the Coimbatore cotton mill industry was founded mainly on the capital of wealthy Gounder and Naidu cotton growers in the 1920s and 1930s (see Baker 1984; 267-276, 339-372).

4 The paper is a summary of parts of my doctoral dissertation, *From Kulak to Capitalist: The Emergence of a New "Business Community in Coastal Andhra Pradesh, India,* submitted to Yale University (New Haven, Connecticut, USA) in March 1988. The dissertation is to be published by University Microfilms (Ann Arbor, Michigan). The research on which this paper is based was funded by a fellowship from the International Doctoral Fellowship Programme of the Joint Com mittee on South Asia of the Social Science Research Council and the American Council of Learned Societies for the years 1980-81; the support is gratefully acknowledged. Field research was carried out between 1981 and 1984 in two villages of coastal Andhra and in Visakhapatnam town. I would like to thank my advisor pro fessors Harold W Scheffler, and my readers, professor William Kelly and Helen Siu. of the Department of Anthropology, Yale University, for their comments on the dissertation.

5 The focus of this study is on the canal-inigated delta areas of the four southern coastal districts: Guntur, Krishna, West and Fast Godavari.

6 On the social and economic history of the region in the colonial period, see Baker 1976; Baker and Washbrook 1975; Rao 198.5; Washbrook 1976.

7 According to Washbrook (1976: 68-77), the social structure that developed in this region contrasted sharply with that found in most of dryland Madras Presidency, in which rural society was dominated by a small landowning elite.

8 There are several major landowning-cultivating castes in coastal Andhra, the dominant one overall in terms of land and numbers being Kammas. Kapus are probably more numerous than Kammas but they own less land. In any one village or area only one caste is dominant in regard to land ownership. The other 'peasant' castes include Redd is, Telagas, Rajus (Ksatriyas), "Velamas, and Naidus.

9 A contemporary report noted that "in Bezwada [Vijayawada] there is a regular corn exchange where the price of paddy is fixed daily by the ryots with their samples, and the buyers are either merchants who buy on commission for Madras or agents of Bombay and Poona Companies. . . The merchants who buy or else the *rich cultivators who are nearly all becoming traders* store their grain till prices have risen and bring it to Tenali" (Board of Revenue Report, 1903, quoted in Rao 1985; A-63; emphasis mine).

10 The Madras Banking Enquiry, 1933, reported that in the deltas, "substantial sums of money were found to have been expended on the education of children" (Andhra Pradesh 1977a: 158). Slater remarked that every "average villager now eagerly wants to educate his son in spite of heavy debts and great inconvenience' (1918: 220).

11 The concretisation of these large castes had social as well as political dimensions. Sub-caste boundaries began to break down and marriage ties to spread over wider areas, which meant that members of a single caste for the first time were united by social

relationships rather than by name alone (Elliott 1970; 141-142). The integration of the Kamma caste, for example, is demonstrated by the fact that certain social and cultural changes occurred uniformly throughout the caste, which was spread over at least six districts. Changes in social custom resulted from the new prosperity of the delta farmers and their desire to enhance the social and ritual statuses of their castes. These social changes are discussed at length in Upadhya 1988.

12 At this time there also began a trend that gathered momentum later in the century: out-migration of cultivators from the dekas to newly-developed or developing areas. In the 1920s, "energetic young Kammas" were starting to migrate to other areas of coastal Andhra where newly converted waste land or newly irrigated land was freely available and relatively cheap, especially in the *zamindari* estates (Ranga 1926: 38-39). Later a number of Kamma cultivators migrated to Karnataka and Orissa, where they have converted subsistence farming dry lands into areas of commercial farming. More recently, Kammas have bought up newly irrigated land in the Nagarjunasagar Project area.

13 Baker's (1976:169-193; 1978; 1984) analysis pertains to Madras presidency as a whole, most of which consisted of the "dry" region or the "plains;' the rural magnates of which were different from the rich cultivators of coastal Andhra. However, it also applies to the latter in that agriculture and agro-industry became unprofitable and rich farmers were encouraged to invest outside their rural localities. The major difference may be that the dry region magnates were more dependent on moneylending and so were harder hit by the debt crisis that followed the depression.

14 The caste factor also played a role in the success of such companies. It is said that SRMT, for example, employs mainly local Kamma youths on the recommendation of Kamma 'patriarchs! which enables the company to pay low salaries. Other Kamma-owned industries are said to operate in the same way. Caste-based recruitment inhibits unionisation and hence benefits the owners, because the employees have patron-client ties with their employers and with their .sponsors (N W S Reddy 1981: 207).

15 These statements are based on field research in two villages, described below, results of which are presented in Chapter Three of Upadhya 1988. They cannot be substantiated here.

16 In one West Godavari village study, only one-third of the farmers reported that their profits from rice cultivation had increased between 1965 and 1971, but few reported a decline in profits (Parthasarathy 1975:68). In many cases, improved irrigation may have been a more significant factor determining profitability than adoption of HYV technology, because a second crop of rice could be grown; this was the case in 'Rajupalem' village studied by the author. In another study in West Godavari, large farmers estimated their incomes to have doubled between 1965 and 1970 due to the introduction of double-cropping, use of HYVs, and a partial shift to sugarcane cultivation (Frankel 1971: 70-71). There is also some statistical evidence to support the hypothesis that agricultural profits from rice cultivation are higher in the post-green revolution period than before (Parthasarathy and Pothana 1983: A-96).

17 There is little information on investment patterns of rich rural households. A study of rural savings and investment in Ramachandrapuram taluk found that of the total economic surplus (from agriculture) generated in the taluk of 6.6 crore in 1971-72, only one-fourth was re-invested in the taluk in the form of fixed capital for productive activity. Half of the total surplus was being exported outside the rural area of the taluk, of which one-third was being invested in residential houses and 'financial assets' (Sarveswara Rao 1978: 111-119.) Another source, the All-India Debt and Investment Survey of 1971-72, shows that there was a sharp increase in gross expenditure and in fixed capital formation on non-farm business by cultivator households in A P state between 1961-62 and 1971-72. However, fixed capital formation in residential plots and buildings was 1½3 times that on non-farm business. A disproportionate share of such expenditure was by the wealthier cultivator households. Nearly one-half of all the gross capital expenditure on non-farm business was by households having assets of Rs 50,000 or more (who constitute only 4 per cent of all households) (Krishna Rao 1984: 40-44).

18 This discussion focuses on the canal-irrigated deltas of coastal Andhra. However, an important section of the entrepreneurial rich farmer class comes from the 'dry' tobacco region of Guntur district. See Duvvary 1986 for an account of how wealthy tobacco growers (mainly Kammas) have entered the tobacco processing, marketing and exporting business. One of the largest Kamma-owned export houses, Navabharat Enterprises, expanded into cigarette manufacture in the 1970s with Russian collaboration (1986: PE-53).

19 In contrast to this, Visakhapatnam district (discussed below) has fewer industriesfcbut a higher total fixed capital, because it is an area of large-scale industrial development.

20 The field study of a Raju-dominated village in Bapatla taluk, Guntur district, was carried out during five months in 1981. The second study of a Kamma village in East Godavari district (Ramachandrapuram taluk) was of two months' duration in 1982. The two villages are called by pseudonyms, 'Rajupalem' and 'Kammavaram', after the names of the dominant caste in each.

21 In 'Rajupalem', it was found that the average gross profit per acre in 1980-81 on a large farm for a double paddy crop was Rs 2,200, which works out to a total net profit (taking into account fixed expenses) for a fifty-acre farm of about Rs 85,000, or about Rs 1,700/acre. In 'Kammavaram' village, the gross per acre return for paddy was higher—Rs 2,500-3,000—and total incomes were higher because farmers cultivate sugarcane and other cash crops in addition to paddy. In this village, a large farmer planting ten acres of paddy and ten of cane can earn around Rs 38,000 per year. The average size of large farms was smaller in 'Kammavaram' than in 'Rajupalem'—20 acres and 50 acres respectively—but the land in Kammavaram is more productive and irrigation is better.