Colonial Economic Policies: Debt And Land Alienation In District Multan (1849-1901)

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Abstract

Agrarian indebtedness was particularly risky in districts such as Multan where the customary landholding groups were mostly Muslims and the controllers of capital were mainly Hindus. This split between agricultural Muslim majority and commercial Hindu minority had characteristic of all Western and South Western Punjab districts like Rawalpindi, Peshawar, Multan and Derajat Divisions as well. The colonial government feared that economic anxiety of the Muslims might arouse religious hostility, which in return could spark communal tensions in Punjab in addition, legal system of colonial India, also seemed to fail to stop this economic exploitation of Muslims by Hindu moneylenders. Some critics consider that the British policy of irrigation was inconsistent in the South-Western Punjab. A new cooperative identity was the end results of making the local communities more strong socially but weak economically. It also spread severe disappointment among the same landed classes whom it was meant to protect. The stress deriving from this trend of people from the rive rain to the uplands, was reinforced soon afterwards by the dilemma of rural debt. Between the late 19th century and the 1920s, for example, some of the Sayyed and Qureshi families in Multan fell into debt and their properties were eventually taken under the management of the Court of Wards. For bringing the largest estates out of debt, the state resorted to paternalistic measures by directing and managing the affairs of the indebted estates through the institutionalized mechanism of the Court of Wards.

Keywords: Colonial, Economic, Policies, Debt, Land Alienation, District Multan

Court of Wards Management

The Court of Wards supervised the estates in both the cases: one, where estates had run deep into debt; second, where the estates were inherited by those hires that were unable to manage...
the affairs on their own. In some cases, the proprietors themselves declared that they were incapable to manage their debts and sought direct help from the Court of Wards. There were 70 estates in all, under the Court of Wards management as shown by reports. Only in Multan district, Kabirpur and Shahjiwana were the largest estates, with the Rs. 61,290 at the end of preceding year. In case of small inheritance, the Court of Wards only revitalized such estates through its management. For the year 1899, Kabirpur estate was under the colonial management; paying revenue of 541 Rs, and paying 224 Rs. for uncultivated land. During the previous year 1898, Kabirpur, Shahjiwana, Hassan Baleb estates were under the management producing revenue of 546 Rs. Toward the end of the year 1897, on 30th September, two more estates, namely Fiaz Bakhsh and Zainualabidin were added with the estate of Kabirpur; while the estates of Dharam Singhwala and Sardar Bhangha Singh had also been taken under the Wards management. Similarly, Hamid Pur estate was also taken up for the management of court of wards on 19th May 1896. With debt on assumption of managing Hamid Pur estate Rs.4,535, debt paid of Rs. 1,605 and balance of debt Rs. 2,930. During 1896, Kabirpur estate was the largest estate under the Court of Wards management. In this state area of proprietary land cultivated by tenants in acres were 393. Land revenue assessed on this land was Rs. 531, rent due to this land was Rs. 2, 392 and rent realized on account of the year Rs. 2,392.

In Multan district, in 1893, the court of wards was managing Hamid Pur estate with total area of 3,616 acres held in proprietary rights cultivated by tenants. Land revenue assessed in this land was Rs. 2,893 with rent of Rs. 20,682 taken on the account of the year. The sound management techniques, which Court of Ward used to resuscitate the ailing estates, were vividly manifested in the management of estates of Kabirpur, Sayyid Hamid Shah and Fateh Shah. Estates of Hamid Shah, Fateh Shah and Mussamat Bibi were assumed under the superintendence of wards on 19th May 1891 while the debt assumed with these estates was Rs. 5, 04,750. By recovering other debts or by sale of property of Rs. 4, 43,460, total balance of Rs. 61,290 was received as court of wards income.

Government also tried to protect the property rights of tenants and small land holders through legislation. British policy underwent a significant phase of legal development from 1849-1857, saw an attempt to introduce rights of peasant proprietors. This track was in cooperated with the
institutional framework of colonial rule by 1868 through the passage of Punjab Tenancy Act, guaranteeing the rights of those peasant proprietors already settled in the region.

**Proprietors and Tenants Relationship**

Punjab emerged in the late nineteenth and early twentieth century as a land of peasant proprietors who cultivated small and medium holdings through their own resources. They enjoyed their rights legalized by Punjab Tenancy Act, 1868. Tenant cultivation, was not a phenomenon new to the colony tracts. A portion of populated land of this region was under tenant cultivation even in pre-colonial period.

With the colonization of waste lands and development of cultivation, the income from tenants in the shape of revenue decreased nearly in all the districts of the Punjab. Form and rent rates in all the districts of Punjab had same model. In Multan batai was the ordinary form of rent. “Between 1880 and 1901, rent in the form of cash rose up from 0.6 % to 4.5 % and the cultivated areas under credit rents decreased up to 3.9 %. Next to 1921.”

In the tehsils of Multan, the native tenants-at-will increased as the result of expansion in cultivated areas. All portions of extended crops went to the tenants-at-will or a landlord, therefore the area cultivated by tenants was reduced. They paid revenue with malik-ana in cash or kind. The batai rate of 1/3 was still in practice. Some landlords even exacted 1/2 of it. Rent rate in each village depended on the understanding and relation between the landlord and his tenants. In some villages, landlords provided seeds in exchange of the share of revenue paid by the tenants.

In Multan the expansion of canal irrigated land in Sidhnai was the base up to 35% to 40 % increase in tenants rent. “The batai rate 1/3 to 1/2 was taken on nahri crops, though for Kharif and Rabi the rates were different, while batai rate was 1/3 for non-canal but irrigated lands.”

Gradually, in all areas, the batai rates were increased as compared to the previous rates in tehsils.

In Tehsil Kabirwala, there was a tendency to share the ‘Zamindari kharch', in the form of half share. In Tehsil Mailsi the tenants 'paid occupiers' rate whiles the responsibility landlords were responsible for clearance of the water courses. In Kabirwala the tenants imposed the duty to silt clearance from the irrigation channels of Sidhnai, while the owners cleared the artificial cuts from the Utar and Hithar sides of the river. Tenants, who took part in clearance, were facilitated to pay low batai rate with a no payment of abiana. Zamindars were free in their dealings like increase in rent both in cash and kind. There always had been the issue who took

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13 - Settlement Report of Multan District, 1901, p.15.
14 - Settlement Report of Multan District, 1921, p. 7.
16 - Indu Agnihotri, Agrarian Change in the Canal Colonies Punjab, (1890-), Center for Historical Studies of Social Sciences, Jawaharlal Nehru University, New Delhi, 1987, p.444
the responsibility of clearance of water courses. It was observed that cherr was not done regularly and systematically.

As well as in the Thal area, tenants at times, had to pay only land revenue and got nothing from their crops because of the complexity of operating Thal wells. In the Multan district, wells had to be sunk with great efforts and farmers had to face dearth of water and the mercilessness of the money lenders. Prior to the revenue settlements introduced by the colonial administration, there was no fixed land revenue. The British fixed a certain amount of revenue which was not easy to pay for the small land holders of the district. Consequently, their land was mortgaged and transferred to moneylenders, this disrupted the local power system, and colonial government was also affected with this local power disturbance.

On the other hand, there was a noticeable increase in the wages of labor in Multan district between 1881 and 1891. This increase in wages was attributed to the rising demand of the labor in the irrigation and railway works, throughout the province. Another reason was the shortage of labor due to their migration to the canal colonies and absence of organized labor centers in the district.

In addition to the increase in the demand of laborers and increase in their wages, the prices of agricultural commodities and land were also on rise. As the construction of railways between Punjab and Sindh provided an easy means of export for the surplus of the district, it resulted in increased prices of the produce. Consequently, the rise in the prices of land and the agricultural products led to rapid increase in the rural indebtedness.

Under the Land Improvement and Agriculturist Loans Act, big amounts had been advanced for loans to meet the requirements of agriculturists. In this regard, few credit and co-operative societies were well managed in the district; Multan was second in the province in which cooperative societies were launched in 1904. Four societies were functioning in Thathi Ghalwan, Jalalpur pirwala, Dunyapur and Makhdumpur Paharan. The credit societies were financed by the Central Co-operative Bank Multan and Lasuri Credit Union. Mostly, land holders had to buy cattle from the Sindhi traders on credit and the loan had to be returned with huge amount of interest. In the Multan district, landowner, as it was the case in other districts too, had inclination towards over-spending on marriage, betrothal and other ceremonies. Above all, he was also spending money for legal purpose to solve old disputes, in order to satisfy his pride. As a result he was badly in debt.

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20.-Report on the Material Progress of the Punjab during the Decades (1881-1891), Lahore; 1892, p. 46.
24.-The land Improvement Loans Act, 1883, Act xxx of 1883, The Punjab Code, Branches for the Year (1898-99), Lahore; 1906, pp.18-19.
25.-Multan District Gazetteer (1923-24), Lahore; 1925, pp.175-77, as co-operation with the "duty of the State" Indian conditions were such that in 1905 when after various ineffectual attempts had been made to relieve rural indebtedness by other social or legislative means the first co-operative Societies Act for India was passed, C. F. Strickland, Studies in European Co-Operation, Lahore; 1922, p.150.
Another contributing factor for the extensive indebtedness in the district was scanty rainfall, which badly affected the produce of fodder and grain. Furthermore, cattle mortality and constant drought led the cultivators towards debt. The money lenders exploited the troubles of Zamindars and earned huge income by storing up grain and creating unnecessary shortage of wheat and rise in the prices. In the most terrible cases debtors were forced to alienate land to money lenders who imposed the terms and conditions fit for their own benefit.\textsuperscript{26}

The inflexible land revenue is another factor which led to indebtedness. As a critical analysis of the different village surveys in Punjab revealed that the fixed and inflexible land revenue had also put Zamindars in difficult circumstances. The small split holdings, collapse of crops, increasing debt and strict system of collection of land revenue further augmented the existing dire situation of Zamindars. They were forced to trade their produce at unprofitable price, as a last resort resultantly.\textsuperscript{27}

Between the years of 1850 and 1860, at the time of first regular settlement, after recording the rights, the land revenue was fixed. The main purpose of further settlements was to increase revenue and keep the record of rights up to date. This policy made the sale and mortgage of land easier. The wide scale transfer of land by sale and mortgage was also the effect of this policy.\textsuperscript{28}

However, fixed revenue assessment was not acceptable to the Zamindars. New land revenue policy was the main cause for anxiety among the agriculturists. It, consequently, contributed to the accelerating rate of land alienation. As the land became a costly commodity, a new business and money lending class emerged from outside the agricultural society.\textsuperscript{29} In addition, it squeezed the complete system of money lending. The land was alienated to the moneylender Sahukar in case of late payment by mortgager.\textsuperscript{30} The expenses of land revenue had also a role in the reduction of the Zamindars’ stocks after the harvest. Consequently, they were compelled to sell their produce at unfavorable prices and then borrow cash from the money lenders to pay off the revenue.\textsuperscript{31}

Further, the British introduced the system of private property which was one facet of development of colonial capitalism in Punjab. The cultivation of Egyptian wheat, New Orleans cotton, tobacco, marigold, turnips and clovers was another step towards export production. All these developments connected Punjab’s rural economy with the world marketplace.\textsuperscript{32}

\begin{thebibliography}{99}
\bibitem{27} Settlement Report of Multan District, 1901, Lahore; 1901, p.12 of, \textit{Instructions for the preparation village papers, during Settlement Operations in the Punjab}, 1885, Lahore, 1901, p. 12. Agriculture finance is one of the most important and most difficult branches of rural economics. The Punjab government established in 1919, A Standing Board of Economic Inquiry; this had been conducting investigations into conditions in certain villages, some with and some without co-operative societies. \textit{A Co-Operative Hand Book}, Lahore; 1928, p. 9.
\bibitem{28} Report on the Material Progress of the Punjab (1881-1891), Lahore; 1892, p. 24.
\bibitem{29} -Kamran, \textit{The Land Alienation}, p. 28.
\bibitem{30} - \textit{Ibid}, p. 29.
\bibitem{31} -\textit{Ibid}, p.115.
\bibitem{32} Mustafa Kamal, \textit{Colonial Political Economy}, p.169
\end{thebibliography}
emphasis gradually shifted towards Mandi or market-oriented cultivation which became a crucial trait of rural production.\textsuperscript{33}

A new financing group emerged with the increase in exportable agricultural production, associated with trade of agricultural supplies. Their role as village grain dealers and money lenders gave them overriding position to impose cruel terms on cultivators.\textsuperscript{34} In the areas of fertile lands, money lenders were most active where the agricultural commodities could be sold without difficulty. In these situations, it was much easier for the moneylender to dictate his terms and conditions to the debtor Zamindar. This dominant role of the rural grain merchant-cum-moneylender sustained till the 1870s. It was estimated that 80% of the owners, 20% of the occupancy tenants and 100% of the tenants-at-will were indebted.\textsuperscript{35}

5.9 Indebtedness and Money Lending

Indebtedness obviously was not a result of colonization. Although, a notable increase was seemed in debt tendency as colonization in colony tracts proceeded. In District Multan, inundation canals did not run right through the year and it was estimated as failures of crops, “cultivation were estimated higher than their budget and this situation compelled them got in to the clutches of the sahukar from whom they had borrowed.”\textsuperscript{36}

However, before 1866, the indebtedness in the region was minor due to first, batai system, which had opened distribution of crops and normally had less draw backs. Landholders did not pay due share of produce due to their social influence. With the increasing trend of cultivation, more money was required to manage the agricultural expenses. This situation compelled the cultivators to borrow from Bania. The debt was repaid after harvest in double quantity. Creditor received the production and debtor was the looser. The interest rates were increased than the actual borrowed amount, normally 25% per year. Eventually, cultivator had to sell their land holdings to pay the debt.

Mortgagers were almost all Hindu money lenders who had received material guarantees to illiterate peasants in the form of land or in jewels. The government adopted certain measures to meet this economic and somewhat political threat. In 1874, the institution of civil justice courts was introduced in the district, which saved the cultivators from giving material guaranties for obtaining loans and provided the necessary security at minimum rates. Further development was made by Colonel Grey in 1878, when proper regulations for agricultural loans were formulated.

There were several reasons for why people would borrow. The small landholders and tenants had to borrow money usually to meet the agricultural expenses such as the purchase of cattle and seeds. Besides, the prevailing trend of litigation, mainly to pay fines for the crime of cattle stealing, women abduction, and nonpayment of exorbitant rates of interest were the main factors of their indebtedness. On the other side, some Zamindars were extravagant in maintaining their guesthouses as an old custom, which became a great drain on their resources.

\textsuperscript{33} -\textit{Ibid}, p.170.
\textsuperscript{34} -Banerjee, \textit{Agrarian Society of the Punjab}, p.114.
\textsuperscript{35} -\textit{Agrarian Society of the Punjab}, P. 108.
\textsuperscript{36} - Assessment Report of Montgomery, 1894, para.96.

http://www.webology.org
Their expenses exceeded their income and led them to debt by giving property or households as mortgage. In Multan, indebtedness among large land owners was high and payments to poor tenants had stopped as “recovery from them was more difficult”.  

We can analyze that the shift from kind to cash revenue payment was the major cause for the rural indebtedness. In present circumstances the cultivators had to go to the money lenders for cash. After agriculture, money lending was the most popular business. The poor peasant, landless tenant and agriculture laborer generally faced the shortage of money. They had to borrow money at harsh terms and conditions. For everything like the payment of land revenue, sinking a new well, for buying cattle and expenditure to personal ceremonies, they had to go to money lenders for credit transaction.

5.10 System of Credit Transactions

The system of debt transactions was different from time to time and from district to district. In the beginning no uniform system existed but with the passage of time debt against security of mortgage became common and debts based on use fracture mortgage were preferred. In the settlement reports till the 1890, Montgomery district was badly in debt but debts were not protected through mortgage because banias realized that, “it pays better to have a running account rather than the responsibilities and losses incidental to land tenure.”

In 1900, with the passing Land Alienation Bill, professional money lenders did not obtain agriculturist s’land. Accordingly with the growing importance of agriculturist money lenders after Land Alienation Act usufructuary mortgage became more practical commonly in canal colonies. There was no situation in all tehsils of Multan to borrow from Bania for their needs in pledge of their property and all the Zamindars were not able to mortgage. Only in village Durrana Langana, Dehar afforded to get land on mortgage and they also “preferred taking full proprietary rights of land to taking it on mortgage…”

Another system of debt transaction was Lekha-mukhi. According to Thorburn as the “first step towards ruin”. Through this debt contract the debtor gave his entire crop to the bania because he gave his cultivation expenses. After subtraction of interest rates, he credited the balance towards the bankruptcy of debt.

There were many factors like social and economic for debt transaction. In Multan personal security was preferred. If the debtor had reliable character and repay regularly, “money lenders did not bother about security.” For example in “village Durranga Langana, three brothers who had left from their native village and started cultivation in another village, created no anxiety for money lender because they were reliable persons and he was confident about his repayment.”

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37 - Board of Economic Inquiry, Punjab Village Survey, Publication No.11, 1928, p. 121.
39 - Board of Economic Inquiry, Punjab Village Papers, Publication No.11, P.148.
40 - Thorburn, Mussalmans and Moneylenders in the Punjab, Edinburg, 1886, p.83.
41 - Agnihotri, p. 480
42 - Agnihotri, p.113
In Punjab interest rates were high from the 1880 onward.44 “In Multan the interest rate in many villages was even against the security of jewelry, 12 percent, in some areas it raised to 18 percent. Such dealings were for those who had especially low credit.”45 Regarding interest rates, Darling’s observation was that the method of calculating interest was, “the most vicious feature of the system.” remained valid throughout this period and it applicable to the entire region.46 The axe fell heaviest on the weakest. It was common for those cultivators having no security and credit value to pay the highest rate of interest as well as indulge to fulfill unlimited greed of the Sahukar. While the wealthy peasants treated with flexible terms, the poor peasants could not afford to displease the Sahukar.

The village Sakukar, performed his three major functions in the district: supplying usurious loans; marketing produce and distributing goods that were required for daily necessities of people. Due to growing illiteracy and useless campaign of co-operative movement, Hindu money lenders continued to charge highest rates of interest and did not even feel reluctant to grab produce of land, residential houses and even cattle. Another reason for the failure of co-operative societies which was common in Multan, was that the business dealings between moneylenders and debtors. These dealings were different and changed upon the belongings of the debtor; they mostly had no cash because cooperative societies only did its dealings in cash only, quite opposite to moneylenders. People did not escape themselves from moneylenders. They wanted to keep an alternative open. When co-operative society failed to meet their needs, they ultimately could fall back upon moneylenders.47 On the other hand, interest charges were exceedingly high: 2.5% per month 30% per year being the standard in Hoshiarpur district but not higher than pre-annexation times.48

As well as, Sahukars were extremely unpopular in the Western districts of the Punjab among their Muslim clients.49 Moreover, these Sahukars, who were in fact rich Zamindars and had assets to employ in money lending, created a room for themselves in the rural credit dealings. They provided credit with a single object in mind to usurp land of the in debtor.50 The alienation of land by sale or mortgage became evident feature at a large scale by the second half of 19th century. One ordinary reason was that Zamnidar were unsuccessful to come out of permanent indebtedness. The law courts further facilitated the process of land alienation by supporting the creditor to obtain land.51

The rising prices of land were twisted agriculture into a money-spinning business. It was the result of development in canal irrigation and the commercialization of agriculture crops. Consequently, Punjabi Zamindars were dispossessed of their inherited landholdings whereas the sharp moneylenders with their business tactics ready to grab land without any difficulty. The British management was also concerned about the uneasiness that was prevailing among

45-Ibid, Board of Economic Inquiry, Publication No.11 P.136.
47-Mukarjee, Colonizing Agriculture, pp. 181-182.
49-Ibid, p.113.
51-Bannerjee, Agrarian society of the Punjab, p.119.
the rural landed class. They were insisted upon putting a check on the credit dealings of money lenders.\textsuperscript{52}

British also agreed upon this fact that a satisfied peasantry was vital component to stabilize their rule. The wide spread indebtedness led to displacement of peasantry from their ancestral holdings. According to an enquiry for the year 1887-88, it was found that out of 8,634 cases of alienation; at least 926 were due to the payment of the land revenue. The transfer of lands raised a debate among contemporary colonial officials.\textsuperscript{53} A section of officers were of the opinion that only the land owing tribes were the real foundation of the colonial rule and the backbone of the native part of army. On the other side, the money lending castes contributed nothing to the stability of the colonial rule.\textsuperscript{54} In 1884, Thorburn reported on the indebtedness, he claimed that eight percent of the cultivatable land had been transferred in the last five years to Hindu moneylenders. He viewed that the legislation was need of the time to solve the issue of agrarian trouble in the province.\textsuperscript{55} The government also tried to protect the property rights of tenants and small landholders through legislation in 1900.\textsuperscript{56}

5.11 Land Alienation Act 1900

The crisis of indebtedness began to control among landholders and peasants of Multan by the end of nineteenth century, as a result of passing of the Alienation of Land Act on October 19, 1900.\textsuperscript{57} The act not allowed the permanent transfer of land between members of agricultural tribes. Sale by agriculturists to non-agricultural tribes like Khatri, Arrore and Bania was practically banned. They could not mortgage agriculture land. The usufructuary mortgage was fixed for the maximum period of twenty years. The aim of the legislation was to control the increasing power of money lenders. According to this Act, the population was divided between two categories: agriculturist and non-agriculturist.\textsuperscript{58} The large scale alienation of land posed serious threat to rural stability and the imperial ideology which was linked to the tribal settlement.\textsuperscript{59}

Therefore, the moneylenders were considered by the British as men who were not privileged by the rural tribal society. Tribe itself was not a representation of land but in a bid to stop the land transitory into the hands of men outside the agriculturist tribe. The British sealed the tribal configuration of land which defined and legitimized the power of rural elite. Through the Land

\textsuperscript{52} - Irfan Habib, \textit{Indian Economy} (1858-1914), Delhi; Aligarh Historian Society 2006, p.77.
\textsuperscript{53} - Himadri Banerjee, \textit{Agrarian Society of the Punjab (1849-1901)}, pp. 87-88.
\textsuperscript{55} - Minute by Thorburn, “Indebtedness of the Mohamendan Population of Dear Ismail Khan,” Judicial Proceedings, October,1885,p.3.
\textsuperscript{56} - Kamran, \textit{The land alimentation and British paternalism of the Punjab landlords}, p. 29.
\textsuperscript{57} - N.G.Barrier, \textit{The Punjab Alienation of Land Bill of 1900}, Durham, N.C, 1966, PP. 37-38, In the Punjab during the ten years which expired on 3oth September 1891, 5,256,238 acres of land were mortgaged in the Punjab for a sum of Rs: 10, 68, and 08,720. Of this 3,469,117 acres or 66% were cultivated and 1,787,121 or 34% uncultivated. This gives an average of 525,623 acres mortgaged each year and an average rate of mortgage money per acre of Rs.20. During the same period 2,025,355 acres were redeemed from mortgage of which 1,336,734 acres were cultivated and 688,621 acres uncultivated. The total amount of redemption money paid was Rs. 3, 34, 79,214, the average rate per acre being Rs.16/1/2.
\textsuperscript{59} - Gilmartin, \textit{Empire and Islam}, p. 28.
Alienation Act, the structure of rural power was protected in which land was of crucial importance.\textsuperscript{60}

Land Alienation Act 1900 indicated that lands were transferred only in certain hands; agriculturist to non-agriculturist and the control of land would be possible through this act. In other words, the government had developed the typical political standing with land owing class.\textsuperscript{61} Government had given the impression that they were realized the political importance of the Zamindars and wanted to support them through legislation.\textsuperscript{62} The British assumed that the Act would increase the value of agricultural land and would stop the transfer of land from cultivators to urban financiers. But this control was temporary and new type of mortgage “Benami” became in practice.\textsuperscript{63} The Benami Act did not alleviate poverty rather debt was on rise; and agriculturists were entangled in heavy fee and taxes of the government. The money lender was the main beneficiary of this act. All these economic policies were creating the environment of communal tension.\textsuperscript{64}

This created rivalry among Hindus and Muslims in Multan and the government was blamed for promoting a “divide and rule” policy.\textsuperscript{65} As the colonial political control in the rural society, was based on the communal co-operation among people of different faiths, any factor of religious discord among Punjabi villagers, belonging to different faiths, would have directly affected and weakened the colonial control, as a consequence. The British state had considerably strengthened communal co-operation in the rural society to reinforce their coalition with the landowners; and to smooth the progress of their political control. Any effort to create communal discord could uproot the very agricultural ideology of the imperial power.\textsuperscript{66}

Nonetheless, restlessness among the landholders was slowly eating away the stronghold of the colonial government, in the rural society. A grave cause of anxiety at the settlement of 1901, in Multan District, was the extent to which land was being transferred by agriculturists to moneylenders both permanently through sale and mortgage. The Land Alienation Act 1900 had effectively stopped this tendency and controlled the sales and mortgages to moneylenders. The types of mortgages allowed by the act were gradually being adopted. In Multan district, there were fairly a lot of Zamindars who had capital to buy land or obtain it by mortgage so the lands were as freely redeemed as mortgaged.\textsuperscript{67}

Though, the land Alienation Act saved agricultural land from passing to the hands of non-agriculturists classes yet it failed to solve the problem of indebtedness. The main reason for indebtedness was the lack of co-operative societies and other sources of credit.\textsuperscript{68} In addition to

\textsuperscript{60} - Gilmartin, Empire and Islam p. 29.
\textsuperscript{61} - Ibid, p. 31.
\textsuperscript{62} - Ibid, p. 33.
\textsuperscript{63} - Tahir Kamran, The land alienation, p. 50. In Benami Transaction money lender got the land of delineated in the name of some friend belonging to agriculturist cast latter executed a bond in favor of money lender for the amount of loan in question. The agriculturist remained the nominal owner of the land but the man who arranged for cultivation and tenancy was the money lender itself.
\textsuperscript{64} - David Gilmartin, Empire and Islam, p. 33.
\textsuperscript{65} - Tahir Kamran, The Land Alienation, p. 44.
\textsuperscript{66} - Ian Talbot, Punjab and Raj, pp. 66-67.
\textsuperscript{67} - Settlement Report of Multan District (1883-84), p. 9.
\textsuperscript{68} - Malcom Darling, The Punjab Peasant in Prosperity and Debt, pp. 198-199.
introduce and implement the Land Alienation Act of 1900, the colonial management sought to control the causes of poverty by setting up co-operative societies in Punjab.

5.12 Co-operative Credit Societies verses Moneylenders

The Co-operative Credit Societies were established about 1900. Over the setup of this type of organizations, commercial classes became hostile. The money lender s’ quickly re-acted and in this circumstances they had two steps to consolidate their position. “At first, they cut down their interest rates because money lending was their business and it seemed to destroy with upcoming colonial economic policies. As second step money lenders decided to pressurize them through agitation and boycott with the help of arhtias. Money lenders were exploiters but now they became pressure group. “The provincial enquiry stated that the interest rates were scaling down gradually with credit business and charges on credit.”

This was also stated as personal evidence that interest charges were lowering and according to this enquiry report Multan rates were low up to 7 or 8 %.” However, this down going trend was a u-turn of the money lenders and reversal of economy as noticed by the end of the 1920.

In Multan, several societies were established by 1898 but only 3 continued to exist up to 1906. However, situation was improving in colony areas and old established villages by 1910. The requirement for the credit societies was also being strongly felt in districts like Lyallpur, where “after a good harvest all are lenders, after a failure most are borrowers.”

Credit societies were membership based organizations and in Multan village memberships had increased by 1922, all the members were tenants or in debtors of the village landlord and they also registered with him. In fact, loans were actually paid to the landlord and the borrowers were unaware of the reality that they were members of the society. Many cultivators realized that these societies were only a tool where the rich could easily buy the lands from the poor peasant. There was an example of two members of the credit society, they failed to re-pay the money to the society and were compelled to sell their land to the village landlord. It was supposed that indebtedness to the non-agricultural moneylender was on priority since "they could evade, or they could postpone his demands by entreaties and presents of fodder, or by handing over some of their cattle in part payment of their dues, this could not be done with a government concern." There were different opinions regarding the setting-up of co-operative societies. Government accepted that they were trying to limit the dominance of few shareholders in societies because problems were noticed in 1918 may be by "more restrictions on the distribution of profits."

The government officials reported about the achievements and success stories of co-operatives by stating that 700 societies were established throughout the Punjab province and their members were completely free of Sahukars’ debts, while over “1,000 societies were

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73. Ibid, p.488 *Punjab Co-operative Credit Societies*, 1906, p.5.
independent of any financial agency; in Lyallpur, Hoshiarpur and Jullunder districts, members had more money in their societies than they owed to them.” 76 Proceeding along these lines witnessed good relationship was developed between Colonization and Co-operation and this was also a fact that the majority of societies were in the Colony portions of the districts.77

The co-operative movement, however, went through different phases in Multan district, during the colonial period. Initially, no Hindu moneylenders felt any apprehension vis-à-vis cooperative societies that the achievement of the credit organizations could mean dislocation of money lenders. The Co-operative Act was passed in 1904. The aim of the act was to endorse the enlargement of credit societies and to support peasants to turn to alternatives other than money lenders.78 The development of movement was slow and only four societies could be registered till 1918. During the second phase from 1919 to 1929, 469 societies of diverse kinds were set up which in due course enhanced the social and economic conditions of the masses. The period witnessed the origin of the Central Co-Operative Bank which alone could not fulfill the economic requirements of the entire district. Economic relaxation was the result of the expansion of credit societies in the district.

The cooperative societies lent money on reasonable rates. However, the societies failed to flourish in the province. The total sum of loan advanced under the Land Improvement Loan Act 188379 and the Agricultural Loans Act of 188480 was very nominal that their impact on agricultural credit was on the other hand, interest charges were exceedingly high: 2.5% per month 30% per year being the standard in Hoshiarpur district but not higher than pre-annexation times.81 System of debt and credit became critical and government realized the sensitivity of the situation. They tried to solve the problem through revision of judicial management.

Conclusion

The gradual increase of agrarian indebtedness was linked with growth in transfer of land to moneylenders. Traditional agriculturists were discouraged for the transferring their land to moneylenders during the 1850s. The motive behind was social and political stability. These limitations of transfer the land to money lenders were changed and relaxed during the 1860s as they were against the British laissez-faire economic doctrines.82 In Multan as in whole of Punjab, agricultural debt and land alienation had assumed disturbing pace by the mid-1880s. Several factors contributed agrarian indebtedness in the district of Multan. Most of the Muslim landlords had loan accounts with Bania, the Hindu moneylender.83 Moneylenders used many tactics to weigh the scales in their own favour. For example, a cultivator would borrow cash

77-Ibid, 1911, Lahore, 1911, P.12.
78-Mukharjee, Colonializing Agriculture, p. 178.
80-This act to be read with Land Acquisition Act, 1870, p. 17 and Mukarjee, Colonializing Agriculture, p. 179.
in December to pay the kharif revenue, promising to repay in June at the rate of 2048 to 3000 pounds of wheat per Rs. 32, giving the lender profit of 72%. Another practice consisted of deducting 1/16th or 1/32nd from the base value of a loan: for example, a Bania would enter a loan of Rs, 100 in his account book while, in reality, giving Rs.93.75 only. In addition, he kept on increasing the interest, after a certain period, on the sum he entered in his account book, instead of the actual loan he had given.84

Regarding social composition of Multan, according to Charles A.Roy, “We find that the great mass of them are Muhammadan Jats, the descendants of Hindu tribes, some of whom may have come from Rajputana and Sindh, whilst others may have been in the country from long before the days of Alexander. Besides these we have group of Afghans, generally of superior position, who gain their lands with the Nawabs of Multan and a considerable number of Hindu Karars, who for the most part pushed their way or were introduced by Sawan Mal into nearly all the villages during the Sikh rule. Most of the leading Afghans are like many of the leading Jats, Energetic and intelligent but they suffer from the same vice of extravagance…”85 The consequence is that there is a very serious amount of indebtedness.