

Peasant Debt and Agrarian Crisis in Hyderabad State During the Nizam's Era, 1911-1948: A Historical Analysis

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Abstract:

This paper analyses the complex connection between peasant indebtedness and agrarian crisis in the State of Hyderabad under the rule of the 7th Nizam, Mir Osman Ali Khan (1911-1948). The monarchy-based state, which had a strong feudal structure, experienced extreme exploitation of the peasantry in the form of economic and various other systems, such as jagirdari and ryotwari land tenure systems, debt bondage in the form of the Bhagela system, and extracting resources through the vetti (forced labor) system. The study interprets that structural conditions such as land alienation, usury moneylending, capricious taxation, and concentrated agrarian resources in the possession of a landed aristocracy of jagirdars, deshmukhs, and deshpandes resulted in what can only be called conditions of perpetual indebtedness of the cultivators. The analysis based on archival documents, reports of the government commissions, and the analyses conducted by other scholars proves that land dispossession rates have increased exponentially during the period between 1910 and 1940 and left actual cultivators just as tenants-at-will, sharecroppers, and landless workers. The agrarian crisis, combined with the Great Depression of the 1930s and the outbreak of World War II, later triggered the Telangana Peasant Armed Struggle (1946-1951), which was one of the most massive peasant movements in Indian history.

Keywords: Hyderabad State, Nizam, peasant debt, agrarian crisis, jagirdari system, Bhagela, vetti, land alienation, Telangana peasant movement, feudalism, moneylenders.

1. Introduction

The Hyderabad state, a princely state, was an Indian subcontinent state and governed by the Asaf Jahi dynasty between 1724 and 1948. The Telangana or Telugu-speaking region, the Marathwada or Marathi-speaking region, and a smaller Kannada-speaking region made up Hyderabad State in 1881; it had a population of more than nine million and covered an area of about 82,698 square miles^[1]. Although the reign of the seventh and the final Nizam, the modernizer of infrastructures and agrarian reforms, was in many ways acclaimed, even under its cover, a highly exploitative agrarian regime that reduced millions of peasants to endemic poverty and indebtedness.

The social system in Hyderabad of the Nizam was agrarian in its nature, which was essentially feudal. The state of Tenure. There were two main land tenure systems: the jagirdari and the ryotwari (also known as diwani or khalsa), which managed the interaction between the state and intermediaries and between the state and the real cultivators^[2]. About forty percent of the land came under the jurisdiction of the jagirdari system, whereby jagirdars were given the right to collect revenue on designated areas in exchange for military and administrative services. The rest of the sixty per cent., called khalsa or diwani lands, were technically in the direct administration of the state, but mediated by hereditary revenue collectors called deshmukhs and deshpandes.

The paper discusses how peasant indebtedness was created, sustained, and aggravated under the Nizam rule, especially during the period 1911-1948. This paper examines how land tenure systems, moneylending, extractive taxation, and bonded labor systems significantly contributed to the establishment of what can be termed a structural agrarian crisis. This historical phenomenon not only needs to be understood to gain a better insight into the socioeconomic circumstances that led to the eruption of the Telangana Peasant Armed Struggle (1946-1951), but also sheds light on more generalized patterns of agrarian exploitation in princely India.

2. Literature Review and Historiographical Context

Agrarian history of the Hyderabad State has seen scholarly interest, and the literature in that area is quite extensive, yet research on the topic of peasant indebtedness is still comparatively limited. The most critical sociological interpretation of the Telangana peasant struggle is D.N. Dhanagare, in his seminal work, *Peasant Movements in India 1920-1950* (1983) ^[3], who gives the struggle the context of agrarian mobilization in colonial and princely India. The feudal nature of land relations and the exploitation of the durra aristocracy, or what Dhanagare refers to as jagirdars, deshmukhs, and other landed elites, is highlighted in the analysis by Dhanagare.

The political economy of rural Telangana is thoroughly analyzed in *The Telangana Movement 1944-51* by Barry Pavier (1981) ^[4], which also takes the historical trajectory of land tenure systems and their effects on the livelihood of the peasants. The work by Pavier is especially useful because of its intelligent assessment of how the deshmukhs accumulated power after the administrative reorganization of Salar Jung I in the middle of the nineteenth century.

The Economic History of Hyderabad State (Warangal Suba), 1911-1950 (1987) by V. Ramakrishna Reddy ^[5] is the most extensive archival work on the economic situation in the Telangana northern districts. Based on more than 10,000 files of state archives, Reddy discusses land tenures, revenue collection, and the state of agriculture, along with the unequal effects of the global economic crises on the peasantry.

In newer research, such as that of Satyanarayana (2010) ^[6] and publications made by the Centre of Economic and Social Studies, Hyderabad, have attempted to examine the interaction of caste and class with power in the development of agrarian relations. Such researches have enhanced our knowledge on how the durra aristocracy, which mainly included Brahmin, Reddy, and Velama castes, joined land possession with moneylending to be able to exercise almost total control of the rural society.

3. Land Ownership and Agrarian Organization

3.1 The Jagirdari System

The most exploitative aspect of the agrarian organization of Hyderabad was the jagirdari system. Aristocrats were given jagir lands, which were about forty percent of the territory of the state, according to their rank and military services. These were comprised of the sarf-e-khas (crown lands) belonging directly to the Nizam, paigah lands belonging to the noble families with matrimonial ties to the dynasty, and the jagirs per se belonging to the military-cum-administrative elite ^[7]. The total land area of about 20,000 square kilometers, or roughly ten percent of all the land area of the state, was owned by the seventh Nizam himself.

One of the more important aspects of the jagirdari system was that it was not subject to the jurisdiction of the civil courts. This was a legal immunity that allowed jagirdars and their agents to levy arbitrary taxes, take excessive rents, and use coercive tactics without any interference from the courts. The jagirdars gave out the revenue on the basis of middlemen or agents who were motivated by percentage-based commissions, which led to a chain of exploitation where each of the intermediaries would ensure that they extracted as much as possible out of the real cultivators.

3.2 The Khalsa or Ryotwari System

The khalsa (sometimes called diwani), which were nomadically under the direct revenue collection of the government, were governed by a form of the ryotwari system. The peasants who had the patta of

registration were technically the owners of the holding. Nonetheless, this was not always done by actual cultivation but by shikmidars (tenants) who had no formal rights. Hereditary revenue collectors known as deshmukhs and deshpandes had vast local power and performed the duties of revenue collection as well as judicial, administrative, and police.

Although the exploitation was not, in a sense, as great in the khalsa regions as in jagir ones, the acquisition of power by the deshmukhs after the reforms of Salar Jung I opened new sources of exploitation of the peasant. The deshmukhas had now created a monopoly of the rural credit markets by selling land and moneylending, so that they were in a position to control the land books, overestimate the revenues, and obtain the lands of the peasant debtors by fraud.

Table 1: Land Distribution in Hyderabad State (1948)

Category of Land	Percentage	Controlling Authority
Jagir and Paigah Lands	40%	Jagirdars/Nobles
Sarf-e-Khas (Nizam's Lands)	10%	Nizam personally
Khalsa/Diwani Lands	~45%	State via Deshmukhs
Inam/Samsthan Lands	~5%	Local Rajahs/Inamdars

Source: Compiled from Dhanagare (1983) ^[8] and The Siasat (2023) ^[9]

4. Mechanisms of Peasant Indebtedness

4.1 Moneylending and Usury

The rural credit system in Hyderabad State was also strongly controlled by landlords who were also money lenders, which led to the interlocking effect of land and credit markets, disadvantaging peasant cultivators greatly. The Reddis and Kammars, the castes that were both famous and quite involved in the trade and moneylending, were of much power in the countryside. More and more of the rural lands were being alienated as non-cultivating urban groups, Brahmins, Marwaris, Komtis, and Muslims, foreclosed loans against the lands.

The reason was that interest rates that were imposed by moneylenders were very high and could be up to thirty-six percent to seventy-five percent per annum. Without formal banking institutions that were available to the peasantry, cultivators had to borrow to subsist during lean seasons, to meet revenue demands, and to conduct lifecycle rituals. The compound interest systems had the effect of ensuring that the debts grew way beyond the amount of money they could repay, and ensured a smooth transfer of land to the creditors, or more often, subjecting the **borrowers to an endless debt slavery**.

4.2 Bhagesa Debt Bondage System

A system of hereditary debt bondage [Bhagela], which has a vehemently similar structure to that of the Hali system of South Gujarat, existed in the former State of Hyderabad. The Bhageda was a group of aboriginal tribes and castes that were not dominant and became dependent on the landlords due to debt. Within this system, a tenant with a landlord borrowed was required to work as an agricultural laborer until he/she completely paid the debt. Nevertheless, the financial arrangement provided that the repayment was never attainable; debts were constantly passed down generations, and in effect, Bhagela families became hereditary serfs.

The Bhagega system was a perfect example of the combination of both economic exploitation and caste-based oppression. Being inferior in terms of mind and status, Bhagega laborers were paid very little or no salary, worked as long as the landlord wanted them to work, and could not appeal to the law. Their status was close to slavery except for a name, being one of the most **severe forms of agrarian unfreedom in twentieth-century India**.

4.3 Vetti: Forced Unpaid Labor

Along the Bhagesa system was the practice of vetti - a kind of forced labour that landlords, deshmukhs, and deshpandes could impose on peasant families as part of regular tribute. In the vetti system, those

families that were classified as customary retainers were forced to do any type of unpaid labor-agricultural, domestic, and official at the will of the landlord. The vetti system or vetti chakiri had no predetermined maximums on the amount of labor that could be mined.

Vetti labor was not limited to agrarian activities, but also in its extraction. Peasants had to become domestic servants, to bear palanquins, construct roads, and do whatever the dora (landlord) required of them. Women were even more at a disadvantage, and although they were labor exploited, they were also sexually abused without any form of justice. The centrality of this institution to the peasant grievances was given an official title to the Telangana Rebellion under the name Bonded Labour Movement.

Table 2: Systems of Labor Exploitation in Hyderabad State

System	Characteristics	Affected Groups
Bhagela	Hereditary debt bondage; multi-generational servitude; unpaid labor	Aboriginal tribes; lower castes
Vetti	Customary forced labor; unlimited extraction; domestic and agricultural work	All service castes; tenant families
Shikmidari	Tenant cultivation with high produce rents; no security of tenure	Small peasants; dispossessed pattadars

Source: Dhanagare (1983) ^[10]; Pavier (1981) ^[11]; Wikipedia contributors (2024) ^[12]

5. Land Alienation and the Intensification of Crisis (1910-1940)

Land alienation was not a new occurrence in Hyderabad State, although from 1910 to 1940, the rate and scale of land alienation were at an all-time high. On the one hand, non-cultivating urban populations, mostly the Brahmin, Marwaris, and Muslim merchants, amassed the rural lands by buying them out of frustrated peasants, by foreclosing the debt. Tribal peasants and small-scale cultivators, on the contrary side, were gradually demoted to the status of marginal peasants, tenants-at-will, sharecroppers, and landless laborers.

According to Dhanagare (1983) ^[13], rich pattadars (landholders who had registered holdings) who had surpassed the number of lands they could cultivate were more likely to keep the irrigated lands under their direct management with hired labour and sell off the dry lands to Bhagela serfs or tenants under onerous produce-rent agreements. This divide enhanced the process of rural differentiation as productive forces were concentrated in a few people, and the number of the dispossessed increased.

The commercial crops, such as groundnut, tobacco, and castor seed, continued to be monopolized by the land-owning Brahmins. The emergence of Reddy and Kamma peasant owners increased the power of the propertied classes further, whose grain-lending, as opposed to productive investment, became the major use of agricultural surpluses. In times when the peasants borrowed grain in lean seasons, they had to pay hefty interest back on the same after the harvest, continuing the cycle of debt.

Table 3: Land Concentration in Select Telangana Districts (1950-51)

District	Landlords (>500 acres)	Land Controlled	Annual Exactions
Nalgonda	~200	60-70%	Rs. 35 million
Mahbubnagar	~180	60-70%	Rs. 30 million
Warangal	~170	60-70%	Rs. 35 million
Total (3 districts)	~550	60-70%	Rs. 100 million

Source: Administrative Report of Hyderabad State, 1950-51 ^[14]; NewsClick (2023) ^[15]

6. Economic Shocks and Their Impact on Peasant Debt

6.1 The Great Depression (1929-1939)

The economic crisis of the 1930s that struck the world had disastrous effects on the peasantry of Hyderabad. The crashing of the prices of agricultural commodities affected the cultivators negatively as they were failing to pay fixed rent and tax rates with low returns on their yields. The trend of prices, however, gave more weight to moneylenders and traders who further consolidated their power over indebted small pattadars and tenants.

Importantly, the government of the Nizam followed fiscal policies, which were focused on maintaining the revenues rather than on including the welfare of peasants. The tax revenue and government expenditure rose significantly after a new system of fiscal policy was inaugurated in 1922 ^[16]. During the period of fiscal reforms (1858-1930), state revenue grew by 292 percent ^[17]. Although the government did not charge anything as customs on the industrial raw materials and had an export-oriented policy, these policies favored the interests of the commercial people and not subsistence farmers.

6.2 World War II and the Postwar Period

World War II, triggered by the onset, added more pressure to the people suffering as peasants started facing pressure through exploitative taxes, levies, and compulsory procurements of grains. The inflation caused by the war weakened the real incomes as fixed debts were becoming even heavier. The inflation of wholesale prices following the war increased, and once again put the creditors in a stronger position over debtors, hastening the process of winding assets out of cultivators and into moneylenders.

By the early 1940s Telangana economy had shifted from a subsistence orientation to growing market integration. Nevertheless, the transformation did not go hand in hand with the alterations of the position of tenants and sharecroppers. Production and exchange relations were still semi-feudal, which produced a basic contradiction between commercialized agriculture and pre-capitalist agrarian relations that produced severe peasant dissatisfaction.

Table 4: Chronology of Key Developments (1911-1948)

Year	Event/Development
1911	Mir Osman Ali Khan ascends as the seventh Nizam
1910-1940	Accelerated land alienation; increasing dispossession of small cultivators
1922	New fiscal system introduced, strengthening of state revenue collection
1929-1939	Great Depression: commodity price collapse intensifies peasant distress
1930	Peasant conditions reach critical levels; discontent intensifies.
1941-1943	Communist Party begins village-level organization in Telangana.
1944-1946	Formation of peasant sanghams; demands for abolition of vetti and debt relief.
July 1946	Telangana Peasant Armed Struggle begins; Doddi Komarayya killed
1947-1948	Commune formation in ~4,000 villages; land redistribution by peasant committees
Sept 1948	Indian Army 'Police Action'; Nizam surrenders; Hyderabad integrated into India

Source: Compiled from Dhanagare (1983) ^[18]; Pavier (1981) ^[19]; Wikipedia (2024) ^[20]

7. Peasant Response: From Discontent to Armed Struggle

The Telangana peasant riots did not happen within a day, but they incubated over three to four decades. By 1930, the peasantry was in critical poor conditions. Communist Party of India, working under the name Andhra Mahasabha (AMS), started systematic organization at the village level in 1941. The communists lowered the fees of membership, welcomed the landless and poor layers to join the party, and assumed the interests of peasants, such as the abolition of vetti, eviction, and cancellation of debts.

By mid 1946, communist influence in the Nalgonda and Warangal districts had become so dominant that the state administration, including the writs of the Nizam, could not operate in big ways. The plan that was devised by the CPI in 1945 was a statement of four main requirements, namely the ban of vetti extraction, abolition of predatory taxation, debt relief, and redistribution of the land to tillers. These were demands which directly addressed the structural basis of peasant indebtedness.

The armed struggle, which commenced in July 1946, after the assassination of peasant leader Doddi Komarayya, grew as speedily as possible. Parallel governments (gram rajyams) had been established by 1948 by about 4000 villages (16000 square miles) and 3 million inhabitants. These peasant communes took radical policies which included redistribution of land (more than one million acres), cancellation of vetti, cancellation of loans, and higher wages in various agricultural industries. Although eventually crushed after the military intervention of India in September 1948, the movement showed the volatility of the cumulative peasant resentments against debt bondage and feudal exploitation.

8. Discussion and Analysis

Agrarian crisis in the state of Hyderabad during the rule of the Nizam is a paradigmatic instance of structural indebtedness that is based on feudal land relations. There are a few observations that can be made in terms of analysis on this historical analysis.

To begin with, peasant indebtedness in Hyderabad was not an agrarian phenomenon caused by personal inadvertence or even market laws but had structural roots in the agrarian system. The overlapping of land, credit, and political control by the durra aristocracy formed methodical structures of surplus extraction by the cultivators. This was a combination of landlordism and moneylending by the deshmukhs, a form of interconnected markets, now called by modern scholars as interlinked markets, in which dominion of one market (land) facilitates exploitation in another one (credit).

Second, the Bhagesa and the vetti systems were types of extra-economic coercion that existed in conjunction with market-based exploitation. These forms of debt bondage by heredity and compulsory labor had the effect of keeping even peasants who had no written debts in bondage to their landlords by means of the inverted obligations. The continuity of this pre-capitalist relationship in a more commercialized farming economy resulted in some unbearable contradictions, which gave rise to revolutionary consciousness.

Third, the intervention of the state became instrumental in continuing the state of indebtedness of the peasants. Legal immunity of jagirdars, lack of tenancy systems, and manipulation of land registers by revenue officials had the effect of concentrating resources in the hands of elites and depriving cultivators of their land. The commercial and aristocratic interests were also favored by state modernization (under the seventh Nizam) in the form of railways, irrigation, urbanization, etc., instead of focusing on structural rural poverty.

Fourthly, exogenous shocks of the Great Depression and World War II exacerbated but failed to generate the agrarian crisis. Instead, they revealed and increased the existing tendencies in an exploitative agrarian system. The asymmetric nature of the rural classes' relations was illustrated by the ability of moneylenders to take advantage of price deflation and the impoverished peasants.

9. Conclusion

The paper has discussed the intricate intersection of peasant indebtedness and agrarian crisis in the State of Hyderabad in the Nizam period (1911-1948). The discussion has shown that none of these chronic peasant debts were accidents or personal acts but a systemic effect of feudal land tenure systems, usury credit markets, bonded labor institutions, and a collusive apparatus of the state.

Although they had formal differences, both the jagirdari and khalsa systems worked to gain as much surplus as was possible from the real cultivators, as well as to concentrate land and capital in the possession of a small aristocratic elite. Bhagega system of hereditary debt bondage and vetti hereditary debt bondage were the extreme forms of agrarian unfreedom, which reduced millions of people to a form of slavery. In

1910-1940, the fastening of land alienation gradually deprived small-cultivators, filling the ranks of tenants-at-will, sharecroppers, and landless laborers.

The economic shocks experienced across the world during the Great Depression and World War II made the lives of peasants more miserable and the moneylenders and traders stronger. This is the inherent contradiction of the commercialization of agriculture and semi-feudal relations of production that created growing peasant dissatisfaction that later came to a head in the Telangana Peasant Armed Struggle (1946-1951).

The heritage of such a historical experience is not limited only to the particular conditions of the princely Hyderabad. It sheds light on more general agrarian exploitation tendencies in which inter-relations of a control over land, credit, and political power create systematic impoverishment of the peasants. The agrarian distress still has a place in the South Asian region, and the issue of debt cancellation that the Telangana movement was based on has its relevance nowadays. The historical explanation of peasant indebtedness of Hyderabad State is therefore not only informative to the regional history, but also remains a current scholarly and policy discussion of issues related to rural poverty, access to credit, and land reform.

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