

**Community/Kin Networks and Capital
accumulation in Colonial India: A case study of the
Nattukottai Chettys of Tamilnadu**

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- Social mobilization whether in the form of Caste, Kinship or community through a system of networks as a means for accumulation or economic advancement has been a critical feature of the pre colonial and colonial phases of our history
- Our endeavor here will be no more than mapping the historical context in which one such important community network --namely that of the Nattukottai Chettiars or Nagarathars as they were also known-- emerged, flourished and eventually collapsed.
- Before doing so it may be in order to provide a snapshot picture of the broader historical backdrop to the story that will follow

The macro picture: Colonization and the Economic Churn

- Two very major epochal developments in the course of the 18th century which as it were laid the basis for the creation of a modern(colonial) economic space with implications for the directions of development process in India. These were a). the acquisition of political power by the East India Company in 1757 and b) the onset of the industrial revolution in England

- **Structuring of a colonial Economy**
- Process of Colonization of the Indian economy was slow, uneven and protracted; commencing from the mid 18th century it gained momentum in the subsequent century
- What did this imply : Establishment of hegemony of the western market forces over Indian economy; more concretely this meant opening up and commercialization of the Indian economy for colonial exploitation ; The intended objective was the integration of the economy with the global economy; appropriation of Indian surplus for furthering imperial interests

- **The creation of the modern economic and political space**
- The growing importance of india as a source for cheap raw materials(primary products) and as a market for imported manufactured goods
- The new institutional framework for governance
- Changes in the land revenue system; commercialization of agriculture monetization of the economy, uniform currency,
- Institution of Private property, investment in infrastructure Railways Roads, shipping communications, Modern Banking, English Education

- The rise of the modern organized sector – Modern Banking ,Financial services Shipping Stock Exchanges Industry
- pronounced initial dominance of this sector by European Commercial financial and industrial interests; European Agency houses the successors of the free merchants-with interests in import export trade, shipping banking insurance etc;
- These spheres increasingly and especially after the first world war saw the entry of Indian capital predominantly from distinct merchant communities who were originally active and dominant in the Bazaar economy

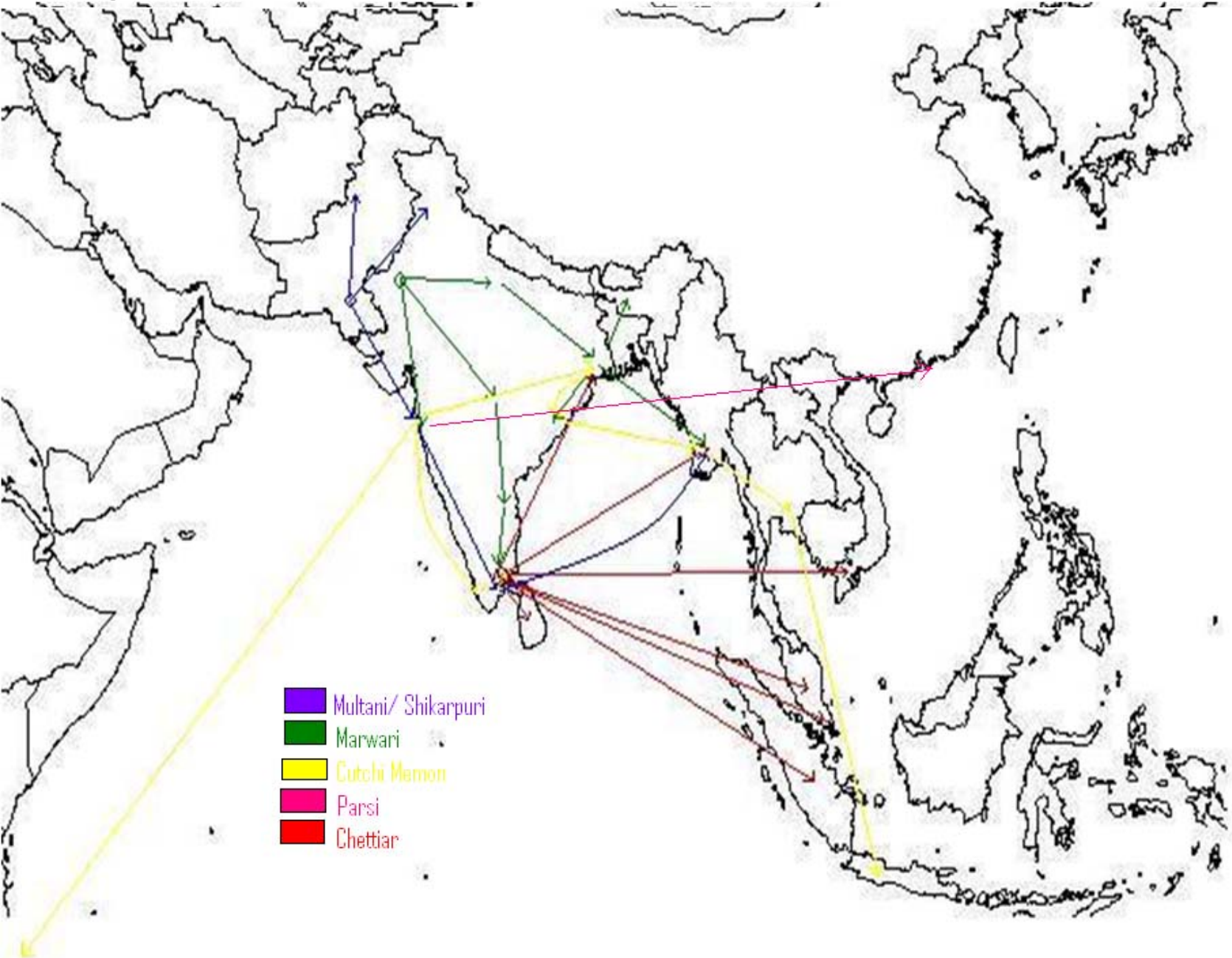
Background to the rise of networks

- The vital role of the indigenous credit and trade systems or the “Bazaar” economy in ensuring the smooth functioning of the agrarian production system – key role in linking rural and urban India and through it to the world market. Critical role in ensuring distribution and financing of internal trade both import and export
- Major players came from distinct merchant communities such as the Marwaris, Multanis or Shikarpuris, Gujarati Baniyas, Cutchi Memons, Nattukottai Chetiars, Khojas, Bohras and Parsis among others.

- The development of commodity markets provided the necessary space for Indian merchant capital to grow and flourish. Trading channels in both imports and exports were important sources of accumulation for Indian capital. Thus financing of the movement of the export trade in opium, (Parsis) raw cotton (various western Indian indigenous merchant groups) raw jute, (Marwaris) oilseeds, among other commodities, and the movement and distribution of imported, manufactured commodities in addition to provision of credit were among the important sources/ channels of accumulation for indigenous merchant capital

- While community and kin centred credit and trade networks were not unimportant in the medieval period yet they gained in importance precisely during the colonial period when opportunities for its sustenance emerged
- The Map that follows seeks to capture the spatial dimension of the principle networks of trade and credit as it emerged in the course of the 19th and 20th century in Colonial India but many of them traversed beyond India
- Blue line denotes Multani/Shikarpuri(Sind)
- Green -Marwari (Rajputana)
- Yellow- Cutchi Memon (Bombay)
- Red- Nattukottai Chettiar(Tamil region)

Indigenous Commercial Networks of Colonial India

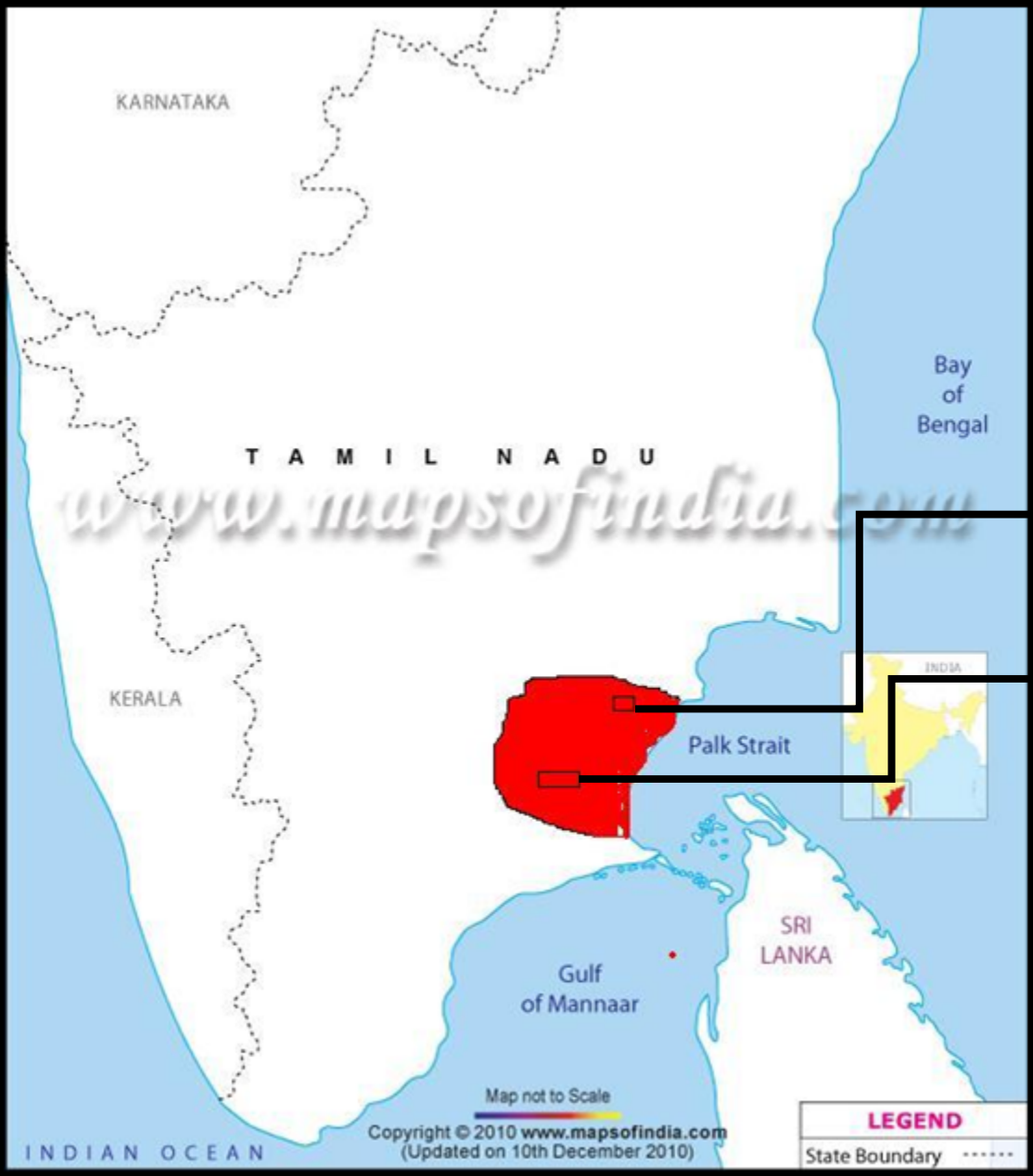


- The map indicates the major migratory credit and trade networks that emerged in the course of the 19th century and flourished thereafter.
- The strong community organisation facilitated this migration
- The creation of these new financial and trade networks is a significant feature of the economic history of this region.
- It also served as the source of industrial entrepreneurship in this period

The Growth of Chettiar networks

- **Brief description of the community**
- The Nattukottai Chettiars (as distinct from other subdivisions within the broader Chetty caste category) also known as Nagarathars are a traditional business community .
- The history of this community prior to the late 18^h century is problematic for want of hard evidence . Much of there early history is shrouded in myths and legends .
- A well knit but demographically small traditional business community numbering 10000 in 1896 and 50,000 in 1930
- By the 19th century they were found to be concentrated in 78 villages part of which came under Ramnad district and part in the princely state of Pudukottai- later popularly known as the 'Chettinad' region See map

Chettys: Region of Domicile



Pudukottai Princely State

Ramanad District



78 Villages

- By the early 19th century evidence suggests there significant involvement in pearl and salt trade in south east Tamil region.
- There links with Ceylon and there involvement in commodity trade in rice and opium can also be traced to this period
- This also takes them to Calcutta By middle of the 19th century it said that there were as many as 120 chetty firms engaged in import export trade primarily rice and pulses .
- The shift from trade to money lending is abut a small jump and while hard evidence is not available as to when the shift occurs it can be surmised that it must have happened around mid 19th century

- By the first half of the 19th century there is also evidence of the movement of chetty capital to Burma and to Malacca and Singapore .
- These flows largely peripatetic however need to be distinguished from the significantly more organised flows centered on specific community centric networks that was the characteristic feature during the period 1870s and 1880s to 1920s – the high point of this process.
- Interestingly these flows to Burma Ceylon Malaya and Indo china coincided with the emergence of opportunities for Chettiar investment following the opening up of these regions to intensive colonial commercial exploitation –Rice (Burma) Rubber and Tin (Malaya) Coffee tea and Cocunut (Ceylon)

- With the exception of Indo China and parts of Indonesia which were under the control of the French and the Dutch respectively the bulk of Chettiar investment was in British Colonies
- The relatively small flows to Indo china and Indonesia were essentially offshoots of flows from Malaya .
- Chetty flows to greener overseas pastures also need to be viewed against the conditions in the Tamil region
- Migration from the Tamil region was related to greater prospects of establishing hegemony over the money markets and thus of heightening accumulation in these newly opened up regions.
- greater competition in South India from other community centric commercial networks
- Cumbersome and long drawn legal proceedings against defaulting debtors

- Though in relation to the overseas regions it was relatively small yet their presence in Tamil region was not inconsequential. Tamil region was critical in enabling the chettys to mobilise funds in a big way for its remittance to South and South East Asia.

- The institutional framework for the Chettiar community networks
- The institutions and forms and methods of business organization which were the lynchpin of the networks were in fact developed in response to the emerging opportunities .
- The most critical – the basic unit of chettiar business enterprise of these was the Family or Agency firm.
- These were either solely owned by a family or could be a partnership firms with a group of chettiars getting together to form it.

- Among the former the Adathi were those firms which were promoted by the more substantial & wealthy firms and which acted as clearing houses and by virtue of their standing and creditworthiness helped mobilise additional funds .
- In either of these cases the firm was represented by an Agent usually a relative or known to the immediate kin circle and of moderate means.
- The Agency system was peculiar to the Chettiars and in many ways critical in furthering their interests.
- The term of the Agent was three years and his salary was subject to the volume of business done, distance of the Agency from the home town etc.

- The salary was usually finalized even before the Agent assumed charge of the firm. 50 percent was paid as advance and the balance on expiry of tenure.
- Six months before the expiry of the Agents tenure a new Agent was appointed and sent on probation for familiarization before assuming full charge .
- The old agent , would either set out to do business independently or seek reemployment in another branch firm of the family firm or work with anew family firm.
- TheProprietor of the firm monitored the firms business activities either through periodic visits or through correspondence Agent was also required to keep the proprietor constantly informed of the situation.

- Besides the Agent the Agency firm depending on its standing and volume of business also had additional staff to assist the principle agent. recruitment done with great care
- The accent was on trust, honesty and devotion to work values which were inculcated among chettiar's fairly early ;
- Practice of inculcating their business methods among the chettiar boys is another characteristic feature .The initiation started at a fairly young age through a rigorous formal education coupled with practical training This ensured a steady supply of trained and skilled agents.

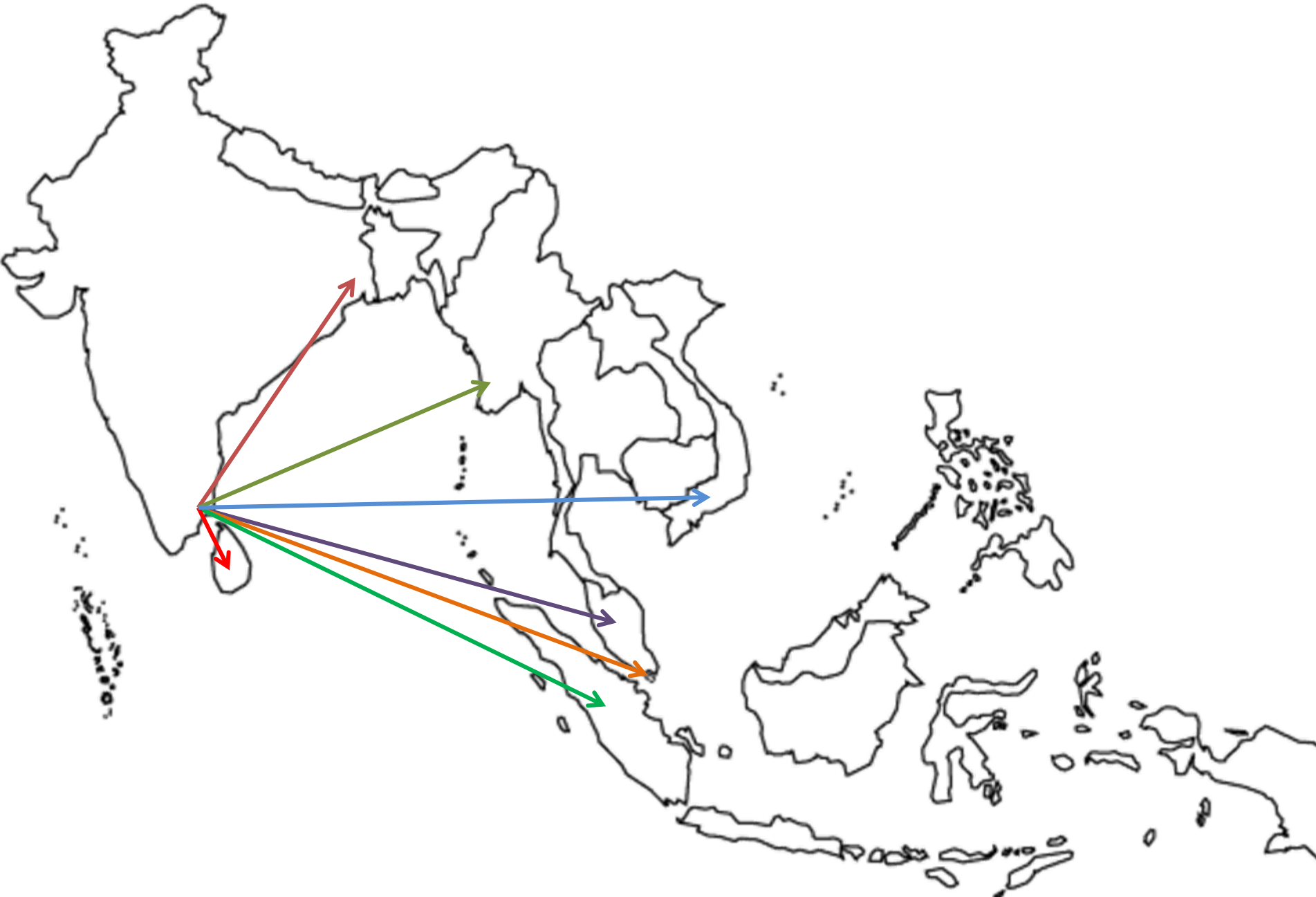
- Developed a Strong tradition of mutual accomodation and cooperation; reflected in setting up of a temple and Nagara Viduthi or a community hall which also served as a centre for them to assemble periodically for conducting imporant commercial transactions aslo usually lived close to each other in the same street .
- Another special feature of chettiar business organisation was the system of fixing of the current rate of interest. On the 16th day of every month the leading chettiars in Rangoon Penang Colombo and Madras would assemble either in the temple or Nagara viduthi for determining the rate of interest

- After assessing the supply and demand for credit and the prevailing bank rate
- The rate so determined served as the basis for all transactions.
- The Caste panchayat adjudicated on economic and non economic disputes amongst the members of the community an internal conflict resolution mechanism
- Source of Capital
- Family firm contribution , deposits from fellow chettiars, deposits from non chettiars and Banks
- All these institutions greatly facilitated resource mobilisation

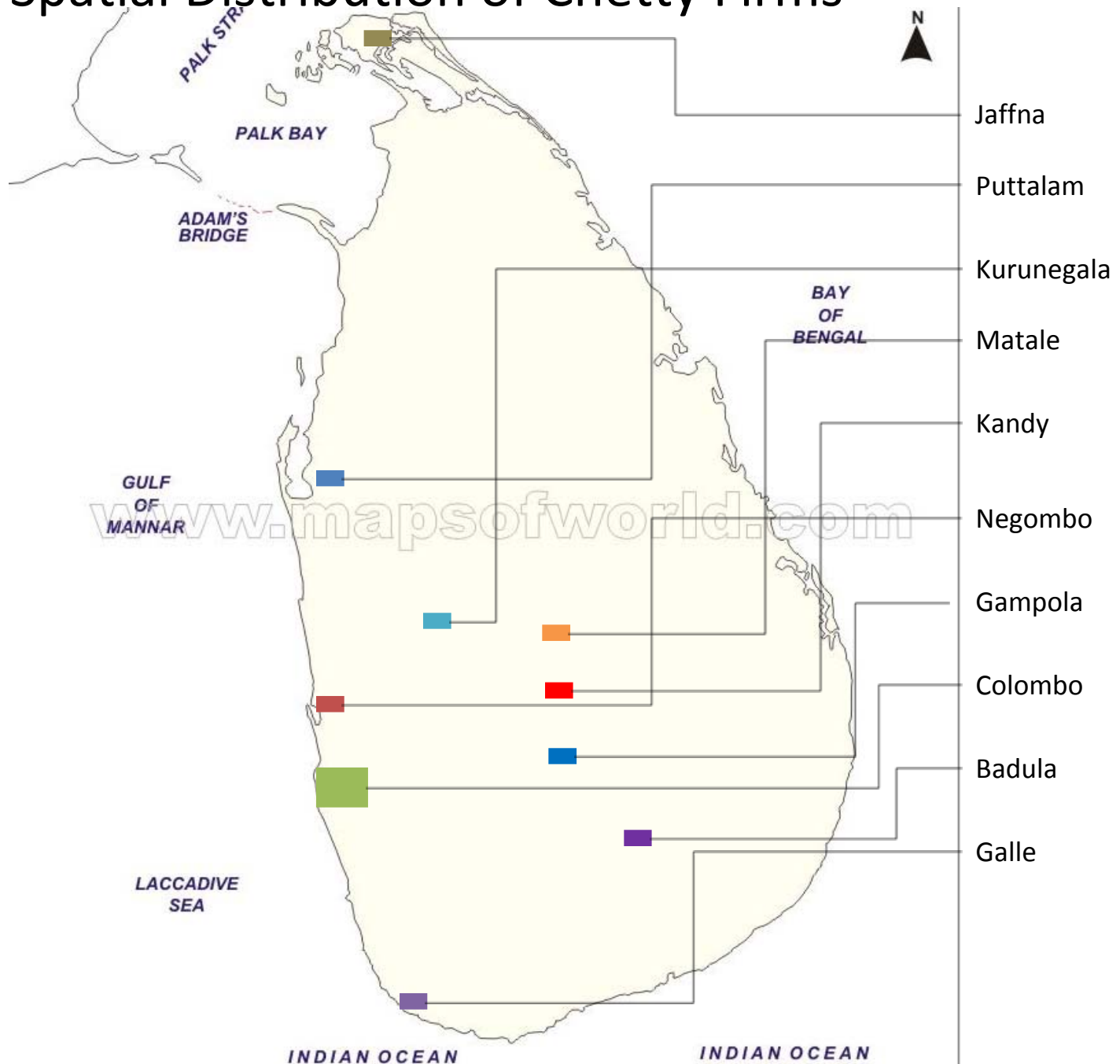
- In the buoyant conditions that prevailed in the overseas facilitated rapid accumulation and enabled sections of Chettiars to consolidate their economic position enormously
- This is reflected in the sheer growth of their total assets from 10 crores in 1890s to 150 crores by 1930.

- Downslide:
- Depression and the economic downturn
- Liquidity crisis
- Growing differentiation and heightened contradictions among Chettys

Chettiar Overseas Networks – Spatial Dimension



Ceylon: Spatial Distribution of Chetty Firms



Ceylon: Ecological Zones

