Chapter

1 Changes and Impact: Indian Economy

We have already read about the circumstances in which the East India Company came to India, i.e. during the evolution of merchant capitalism in Europe. The East India Company was originally a trading company and its main aim was to establish profitable trade with India. It was driven by economic interests throughout. Even the political gains were inspired by economic interests. Consequently, when the company gained political supremacy in India, governance degenerated into a tool for maximising company's profits, instead of being a vehicle for public welfare. The most visible impact of the British rule in India was therefore the impoverishment of the common man and exploitation of peasants and artisans.

Hence, in this chapter, we shall begin by understanding the nature and aim of the East India Company. This will in turn explain its economic impact on India.

Flashback—Indian Economy on the Eve of British Conquest:

Village economy: In the beginning of the 18th century, the basic unit of Indian economy was the self-sufficient, self-governing village community which produced almost everything for its local needs (except perhaps a few items like salt and iron) and had very little to do with the outside world. Handicrafts had reached a high level of development and were in much demand. Some of the famous handicrafts of the time included cotton, silk and woollen fabrics and metal works.

Pre-British agrarian structure: The concept of private property in land had not yet developed. Land in the village was plentiful and belonged collectively to the cultivating community, each family having its share of arable land. Karl Marx had described this kind of collective ownership of land as the Indian form of communism. Different classes connected with land possessed certain rights. The actual cultivators enjoyed the right to cultivate and had security of tenure provided a fixed share of produce was paid to the overlord. The land revenue was collected by the village headman or Patil and passed onto the ruler or Nawab. The state demand of revenue generally varied from one-sixth to one-third. Other land related issues and disputes were settled by the Patil in consultation with the village Panchayat.

The villages were also self-governing. The Village Panchayat administered the village affairs and settled disputes. The local chief or the subahdar did not interfere in the day to day village affairs and limited himself to claiming a share in the village crops. In this way, the main link of the village with the state was the payment of land revenue. Even as rulers and dynasties changed continuously, the life in the villages carried on as usual, phenomena referred to as the 'unchangeableness of Asiatic communities' by Karl Marx. It has been aptly said that the village communities in India 'lasted when nothing else seemed to last'.

The unchanging character of village communities was responsible for socio-economic stability on one hand and stagnation on the other. Agriculture was technically backward and stagnant. Though the farmer's produce supported the rest of society, yet his own reward was miserably inadequate. The farmers had to pay exorbitant amounts to the state, the zamindars and the revenue farmers.

The isolation of village communities obstructed the creation of a wider market for Indian handicrafts. The caste-bound socio-economic structure permitted little mobility of individual and labor. Political indifference acted as a barrier to growth of national consciousness. As a result, Indian villages represented a picture of stagnation, untouched from all modern scientific developments taking place in other parts of the world.

Urban economy: Even as economic stagnation continued, India remained a land of extensive manufacturers and Indian manufactures enjoyed a world-wide renown. Though urban economy presented a better picture, there was no sharp division between urban centres where industries were concentrated and rural centres which supplied raw materials. Industrial production in India continued to be largely a rural based activity.

Condition of Indian industry: Cotton textiles which were produced virtually all over India constituted the most important manufacture. The cotton manufactures of Bengal (Dacca, Murshidabad), Gujarat (Ahmedabad, Surat, Bharuch) and Andhra (Masulipatam, Aurangabad, Vishakhapatnam) the silk fabrics of Murshidabad, Lahore and Agra, woollen shawls and carpets of Agra, Lahore and Kashmir were in demand both in India and abroad.

In addition to cotton and silk, dye stuffs (particularly indigo) and sugar were the next most important commercial industrial products. Significant agro-based industries included oils, tobacco, opium and alcoholic beverages. Though mining was inadequately developed, India was self-sufficient in iron. Ship-building was another important and developing industry. High class luxury goods were also produced and largely consumed by the rich nobility.

In this way, India was a large-scale manufacturer of cotton and silk textiles, dyes, sugar, oils, tobacco, opium, alcoholic beverages, jute, ivory, ships, iron and other mineral and metallic products (like gold and silver jewellery, arms and shields, etc.) and high-class luxury goods.

Some other important manufacturing centres included-Patna (Bihar), Chanderi and Burhanpur (MP), Juanpur, Varanasi, Lucknow (UP), Multan, Lahore (Punjab), Bangalore, Coimbatore and Madurai (South India). The emerging Indian cities had also developed their own banking system comprising shroffs, mahajans, chetties and others.

Though India was, on the whole, self-sufficient in agriculture and craft industries, some observers feel that the pre-British industrial sector was stagnant and technically backward and there was an overall declining trend in agriculture and craft industry production. However, this decline was far greater in the post British 18th and 19th centuries.

Condition of Indian trade: As India was self-sufficient in food grain production and handicrafts, it did not import goods on a large scale. On the contrary, its agricultural and industrial produce was in great demand in the foreign market. The 17th century saw Indian cotton textiles emerge as the most important Asian import to the West, displacing spices (the marked expansion of cotton textile exports provided employment to a sizeable section of Indian population).

Hence, India exported more than it imported and its trade was heavily balanced in India's favour. The remarkable rise in Indian textile exports ensured a steady flow of bullion into India from buyer nations and India came to be known as the sink of precious metals. Indian trade with Europe then was essentially based upon the price differential between Asia and the rest of the world. The European merchants bought Indian goods at a low price and sold them at a much higher price in Europe, Africa and other New World markets. Since there was no demand for European goods in India, the purchases of Indian goods had to be financed by bullion payments. This comprised the main problem faced by European companies in Indian trade.

Flourishing trade brought into existence the merchant capitalists and bankers who further promoted trade and commerce. In fact, in the beginning of 18th century, India was one of the main centres of world trade and industry.

However, political disintegration of the Mughal Empire in the 18th century inevitably brought economic fragmentation as well. Economic activities were disrupted by continuous wars and conflict between the regional powers. New agencies of pillage and plunder sprang up. Every small or large ruler tried to increase his income by imposing heavy duties on goods passing through his territories. Many trading centres were looted by foreign invaders (like Nadir Shah and Abdali) and European trading companies began to dabble in Indian politics.

Economic Model of British East India Company

The East India Company: A Joint Stock Company

The East India Companies of Europe, including the English Company, were the earliest joint stock companies of the world. Today we see that business in India is dominated by companies which sell stocks and shares to raise capital, as compared to single proprietorship or even partnership. This is because the joint stock structure allows these companies to raise a much larger quantity of capital and also ensures continuity of business over a longer period of time.

Grant of Monopoly by Government of England

This means that the Company was granted exclusive control of trade with India and other countries in the Indian Ocean. This was done because, firstly, it was felt that the state must promote foreign trade to bring home wealth. The risky trade with distant countries was particularly in need of such government protection. Secondly, the merchants of the the East India Company were also relatively more wealthy and influential in the monarch's court and were able to secure monopoly rights for the company.

What was a 'Charter'?: A charter is a written grant issued by a government by which a body such as a company or a university is created or its rights and privileges defined. Thus, the instrument by which monopoly rights were conferred was known as the 'Charter Act' which was passed by the English Parliament and renewed from time to time.

However, legal monopoly is one thing, and to make it effective in practice is quite another. From mid-18th century onwards, the Company's management had to struggle very hard to make its monopoly rights effective and exclude others form Indian trade.

Policy of 'Buy Cheap and Sell Dear'

The business model of the company was simply, 'buying cheap and selling dear'. If you wish to buy cheap, you will find it helpful to have fewer buyers in the market. Thus, reduction of competition was an important aim. For this, the Company resorted to all sorts of means including legislation, force and even warfare. The East India Company capitalised on the weakness of successor states and bribed and bullied them into granting the Company special trade privileges. From the last decades of the 18th century, peasants and artisans (particularly the indigo cultivators and weavers) were subjected to coercive practice in order to procure goods at cheap prices and even coerce them into producing goods for the Company.

Need for New Markets

With the ongoing industrial revolution in England, it now sought new markets for its manufactures, particularly cotton manufactures. Also, it now needed more raw material than before to feed its rapidly growing industries. Thus, the whole basis of economic relationship between India and England was steadily changing. As England rapidly transformed into the world's first industrial capitalist country, the merchant company that had acquired the Indian Empire was now required to fulfil a different role.

Territorial Expansion for More Secure and Profitable Business

Initially, the English made only voyages to India for trade by a ship or two. But no large-scale trade was possible in this manner as it was not possible to procure large quantities of goods at a short notice when a merchant ship arrived. Therefore, it became necessary to set up 'factories', meaning trading stations for storing goods for export. No production activity was carried out in these factories and the officials posted here were called 'factors'. Naturally, the East India Company, like others, wanted to protect these factories and began building 'forts' around them. This may have become all the more necessary in the view of declining Mughal power.

However, gradually the Companies began to cross the reasonable limits of fortification and militarised their trading stations into centres of armed power, challenging the local governments. These forts began to provide the nucleus around which the Company spread its control over surrounding territory.

Such an evolution of the East India Company, from voyage system to territorial power, helped it immensely in increasing its business and profits in many ways. It was useful to have military power to bully and coerce the peasants and artisans to produce goods on dictated terms, to eliminate rivals and even to extract special trade privileges form local powers. Lastly and most importantly, the control over territories brought in land revenue. Let us understand this from the classic example of Bengal—after its victory in the Battle of Buxar, the East India Company acquired the Diwani of Bengal in 1765. Now the Company began using the land revenue collected from Bengal to pay for exports from India, greatly reducing bullion export from England that was required earlier.

In short, the territorial ambitions of the East India Company made a lot of economic sense. Consequently, the East India Company emerged as the most powerful territorial power in India by the beginning of 19th century.

Shifting Financial Base of the Company (from Trade to Land Revenue)

From the mid-18th century till 1813, the Company's directors had to struggle very hard to retain Company's effective monopoly for many reasons:

- There were always merchants and adventurers who somehow managed to make their way into Indian trade.
- The Company's own employees were not above temptation to set up their own private trade.
- The company's monopoly also came under severe attack in England owing to the emergence of the doctrine of Free Trade or laissez faire promoted by economists like Adam Smith (Wealth of Nations, 1776).
- The capital accumulating in England also wanted freedom of investment.
- With the ongoing industrial revolution, the importance of purely merchandising activities of the Company (i.e. importing goods from India) diminished in comparison with industrial manufacturing. There emerged strong lobbies in England that began pressurising for the abolition of the Company's monopoly.

Owing to the above factors, the Company's monopoly was gradually ended by the Charter Acts of 1813 and 1833. With the prospect of declining income from trade, the Company's financial base began to shift from trade and commerce to land revenue, from business of trade to business of government. This naturally pushed the Company to go ahead with continuous territorial expansion.

Adam Smith wrote in the Wealth of Nations (1776), 'The government of an exclusive company of merchants is perhaps the worst of all governments for any country whatever.'

Changing Phases of Colonialism and Impact on Indian Economy and Industry

Pre-Colonial Stage (1600–1757)

During this period, the role of East India Company in India was like any other trading company-it brought goods or precious metals into India and exchanged them for Indian goods which it sold abroad. The company's profits mainly came from sale of Indian goods abroad and so, naturally, it was interested in production of Indian goods and creation of new markets for them. This is why Indian rulers encouraged Company's factories in India. With its goods in high demand, India's balance of trade was highly favourable and the various European trading companies, including the East India Company competed with one another for their share of Indian trade.

However, soon the British manufacturers grew jealous of the popularity of Indian textiles as the fine cotton cloth from India began to replace the coarse woollens there. They began to put pressure on the English government to restrict or prohibit the sale of Indian goods in England. By 1720s, laws had been passed prohibiting the wear or use of printed or dyed cotton cloth (there was a case in 1760 when a lady was fined for possessing an imported handkerchief!) Additionally, the English government also imposed heavy duties on the import of plain cloth and Indian silks. Other European countries such as Holland also followed in the British footsteps. Despite this, Indian cotton and silk textiles continued to retain their stronghold in certain foreign markets until mid-18th century, when the English textile industry itself began to develop along modern lines, thanks to industrial development.

Daniel Dafoe, author of Robinson Crusoe complained that Indian cloth had 'crept into our houses, our closets and bed chambers; curtains, cushions, chairs and at last beds themselves were nothing but calicos or Indian stuffs.'

Colonial Stage (After 1757)

According to Rajani Palme Dutt, a Marxist dialectician and a theoretician in the Communist Party of Great Britain, there were three phases in the history of colonial rule in India-

- Era of Merchant Capitalism or Mercantilism (1757 to 1813)
- Era of Industrial Capitalism (1813 to 1857)
- Era of Fiscal Capitalism (1857–1947)

Era of Merchant Capitalism or Mercantilism (Period of Monopoly of Trade and Plunder, 1757 to 1813)

This 'mercantilist' phase was marked by direct plunder, exercise of monopoly trade and investment of surplus revenues in the purchase of Indian finished goods for export to England and Europe.

As mentioned earlier, mercantilism is an economic theory which states that trade generates wealth and is further stimulated by the accumulation of profitable balances, which a government should encourage by means of protectionism. Mercantilism emerged as the dominant economic doctrine of the times and its policy prescription included the following ideas-

- **Buy cheap, sell dear:** The essence of merchant capitalist operation is to 'buy cheap and sell dear'. It refers to purchase of goods at cheap rates and sale of goods at very high rates.
- **Monopoly control:** It refers to monopoly control over trade and elimination of all possible rivals. It is desirable to have a monopoly in order to achieve the above objective.
- **Political control:** It is even more desirable to be able to achieve the above objectives with the use of coercion backed by state power. Hence, the merchants should seek to establish political control over the countries they traded with.

Thus, the activities of the English East India Company during 1757-1813 were driven by the above objectives. Determined to buy cheap and sell dear (which is the essence of mercantilism), the East India Company eliminated rival European companies, dabbled in India politics and waged wars to establish its political supremacy, which in turn was used to control the economy of India.

The changes in Company's role and its corresponding impact on Indian economy and industry may be understood under the following heads-

Use of State Power for Monopolistic Control (After 1757): The Company's victory in the Battle of Plassey (1757) brought about a drastic change in the role of the Company in India and its economic relationship with the country. After Plassey, the East India Company began to use its political power and position to exercise monopolistic control over Indian trade and production; to buy cheap and sell dear. An era of trade-cum plunder was launched.

Use of Gomasta System (1753): Up to 1753, the European Companies and 'free traders' depended on the Indian merchants to procure cloth: these merchants were called Dadni merchants since it was through them that dadan or advance was given by the Company to the artisans or weavers. From 1753, the Company began to replace the independent dadni merchants with Gomastas (agents of the East India Company) who were paid commission on the cloth collected by them. After Plassey, the Company used its political power to switch to the Gomasta system, which reduced the Indian merchants to commissioned brokers, leading to subordination of native traders and their capital.

Use of 'Direct Agency' System (1789): In 1789, the system of 'direct agency' was introduced, with which the Company dispensed with the Indian middleman altogether. Similarly, after the Company became Diwan of Bengal, the banking house of Jagat Seth ceased to be the state banker, its minting rights were gradually taken away and it also lost its European clients to English banks. In this way, step by step the Indian businessmen were reduced to a subordinate position or excluded altogether.

Transfer of Diwani to the British (1765): A period of 'open and unashamed plunder of Bengal' began, when, after the Battle of Buxar, the East India Company acquired Diwani rights of Bengal. It was as if the Company had discovered a new mine of gold (i.e. India) and something like 'gold rush' gripped the English mind. RC Dutt, an Indian Marxist and economist estimated that during 1757-65, the Company's servants exacted an amount which was more than four times the total land revenue collection of the Nawab of Bengal in 1765, which severely impoverished the peasants. The peasants were also often compelled to perform forced labour or begar and to pay illegal dues which pushed them into the hands of the money lenders; indebtedness and evictions became common. Vast stretches of land began to fall out of cultivation and what followed was the deadly Bengal famine in which nearly one-third of the population was wiped out.

Transfer of Funds: Thus, the Company's accounts now showed 'Territorial Revenue' (i.e. land revenue collected) alongside 'Commercial Revenue' (i.e. profits of business). The Company began using its territorial revenue from one region to pay for conquests of other regions. In fact, it was the Bengal peasant who bore the main burden of British conquest of India. It was also used to finance Company's exports to Europe and its investment in China to buy tea and silk. Thus, the Company now ran a perfectly self-contained system, needing no funds from England. This system continued in full swing from 1765 till 1813 when the Company's monopoly was abolished. The native Indian courts were the biggest patrons of fancy arts and handicrafts and often employed the best craftsmen. Their destruction spelled doom upon court artisans as well.

As mentioned above, the territorial revenue thus extracted was also used to buy Indian goods (purchases known as 'Investments') and export them to Britain in the form of 'Indian tribute' to Britain. This is how there began the 'drain of wealth' or the unilateral transfer of funds from India. Such exports remitted resources out of India, while India received no imports in return. Other forms of transfer of funds from Indian to England included business profits of private traders, earnings of Englishmen from plunder and bribery, payments made to shipping companies, banks, and insurance companies in England as well as Company's remittance to England. The remittance was to pay for the salary of Company's employees in England, interest on loans taken by the Company in England, dividends to the stockholders of the Company, etc. This became known as Home Charges and was the sum total of money transferred to England by the Company's government after it stopped trading in 1833. Such a transfer of funds naturally impoverished India.

Use of Coercion: Even though exports to Britain (in the form of tribute) increased, the Indian artisans did not gain anything as the company used its political power to bully the weavers and artisans of Bengal into selling their products at low and dictated prices, even if they incurred a loss. In fact, the Company's servants coerced the Bengal weavers to restrict their buying and selling activities to the Company alone (they were forced to buy raw cotton from and sell cloth to the Company alone). In this way, the Indian weaver lost both ways, as buyer as well as seller, and a large number of them felt compelled to abandon their ancestral professions.

Khatbandi System: The weavers were even bullied and harassed by the factors, through the agency of the Gomastas (agents of the East India Company), to accept advance to produce cloth and then sell their products below market price to the Company. In the 1780s, this practice became systematised and came to be known as the 'khatbandi system': the artisans were indentured to sell exclusively to the Company under Regulations passed by the Bengal government. By the regulation of 1789, they were even forced to pay a penalty of 35% on the advance taken if they defaulted in supplying the goods. In this way, the Company virtually reduced the weavers to the status of indentured or bonded labourers, by the denial of free access to the market, by the use of coercion and by discriminatory laws passed by the Company's government. Similar coercion was used in the production of indigo under the ryoti system, and to a lesser degree in the production of opium.

Ryoti System or Asamiwar: Unlike in the case of tea, where crops were produced by hired labour, in the case of indigo the preferred system was one in which the ryot or peasant could be coerced into supplying the required product at a very low price, known as the ryoti system. The peasant had to use his own plough, bullocks, etc., to raise the crop. But he was not paid enough for this by the planters. The Company found it more profitable to use state power to coerce the small peasant into unprofitable cultivation rather than engage in direct production with hired labour. In this way, the Company's commercial production fastened itself on the existing structure of small peasant production and impoverished it. Such unprofitable cultivation owing to the exacting regime of the tax collector and the planter checked the growth of a market in land as well, since no one wanted to buy it. Vast stretched of land fell out of cultivation and famines stared the people of India on their face.

Domination of Markets and the Producers: By 1770s and 1780s, through use of coercion and state power, the Company and its servants who engaged in private trade had developed a 'collective monopoly' in respect of certain commodities, particularly cotton cloth in Bengal. The company also established its monopoly by eliminating rivals; Indian as well as foreign merchants were prohibited from offering higher prices to the Bengal handicraftsmen or buying commodities directly from the producers.

A result of this system of monopoly and coercion was the creation of a buyers' market, i.e. a market where the buyer can dictate the price, (the buyer here being the English Company and its servants) at the cost of the seller (the seller being the India peasant and artisan). Such short-sighted policies of the Company to make quick and large profits severely affected the textile industry and the economy on the whole.

Use of Import Restrictions: Further, Indian textiles were also subjected to heavy import duties on entering England, since the British government wished to protect its indigenous manufactures. The Company's own short-sighted policy together with sanctions against Indian import into Britain resulted in a progressive decline in the export of Indian cotton piece goods. The income of weavers and spinners was drastically reduced and thereby restricted any possibility of capital accumulation and technological innovations in this sector of Indian industry (However, the real blow to Indian manufactures came in 1813, as now they began to lose in their home market itself).

While the system of taking funds out of India was being gradually perfected and India's traditional manufacturing sector was being steadily weakened under the Company, in the same period Britain had begun its Industrial Revolution and was rapidly expanding its own industries. Wealth from India (Plunder of Bengal 1757) played a significant role in the accumulation of capital in England needed for industrialisation (1760).

Britain's Industrial Revolution (1760–1840) completely transformed Britain's economy and it now sought new markets for its manufactures, particularly cotton manufactures, which served as the main vehicle of Industrial Revolution in Britain. Also, it now needed more raw material than before to feed its rapidly growing industries. Thus, the whole basis of economic relationship between India and England was steadily changing. As England rapidly transformed into the world's first industrial capitalist country, the merchant company that had acquired the Indian Empire was now required to fulfil a different role. Thus, the East India Company used its power and position to transform India into a market for its industrial goods and a supplier of raw material.

Industrial Revolution in Britain further strengthened this colonial pattern when British manufacturers launched a powerful campaign against the company (1793–1813) and succeeded in abolishing its monopoly. Now the policy of free trade was introduced, allowing unrestricted entry of British goods into India that wreaked havoc on Indian indigenous industry.

Let Us Know:

- **Lancashire, Paisley and Manchester** were some of the prominent centres of textile manufacture in England in contemporary times.
- **Sarrafs** were bankers chiefly involved in money-changing.

Era of Industrial Capitalism 1813 to 1857 (Period of Free Trade)

India Thrown Open to Machine Made Foreign Goods (1813): This period saw the classic age of free trader industrial capitalist exploitation. The year 1813 was an important landmark in the history of colonial exploitation of India as this year marked the end of company's monopoly on Indian trade. The commercial policy of the East India Company after 1813 was guided by the needs of British industry and its main aim was to transform Indian into a consumer of British industrial products and a supplier of raw materials for British industries. The government of India now followed the policy of free trade and allowed unrestricted entry of British goods. Indian handicrafts faced unequal competition from machine made goods and faced extinction. The Indian manufacturers had already lost out in the foreign market owing to import restrictions, now they began to lose out in their home market itself.

One-sided Free Trade: But this free-trade was only one-sided. While India was thrown open for foreign goods, Indian products were subjected to heavy import duties in Britain (e.g. in 1824, 67.5 per cent duty was levied on Indian calicos and 37.5% duty on Indian muslin. Duty on Indian sugar was three times its cost price while that on certain items reached as high as 400%). Accordingly, Indian exports to England rapidly declined. This changed the character of Indo-British trade. Now onwards, India became chiefly an importer of goods and the same period. Now the balance of trade tilted heavily in favour of Britain.

Indian Economy Turned into a Colonial Economy: Gradually, Indian economy was turned into colonial economy—a supplier for raw materials and a market for finished goods. There was a marked change in the composition of Indian exports from manufactured goods to primary products. The local handicraft industry was destroyed and India was converted into a predominant agrarian economy. This general change in the composition of India's foreign trade and the resultant impact it had on the country's domestic industry has led many historians (like RC Dutt, Madan Mohan Malviya and Bipan Chandra) to describe this phenomena as de-industrialisation or the destruction of Indian industry.

Other Changes: To further transform India into a colonial economy, the Company's government brought about various other changes.

- It went ahead with **fresh conquests** to increase the number of buyers of British goods (e.g. Annexation of Awadh 1856).
- It **advocated Westernisation** of India to enable the Indians to develop a taste for British goods.
- Many British officials and leaders recommended a reduction in land revenue, to leave Indian peasants in a better position to buy British goods.
- Big farmers were encouraged to increase production of **cash crops**, resulting in rise in food grain prices. (Read ahead- Commercialisation of Agriculture and its Impact)
- For sale of British goods in the remote corners of India, transport facilities were developed, particularly the railways.

Era of Fiscal Capitalism (1857–1947)

With industrial development and exploitation of colonies, huge capital got accumulated in Britain. Seeing the increasing property of industrialists, the labour class felt motivation to unite. On the other hand, the increasing strength of labour class made the industrialists feel uneasy and suspicious. They began to feel that the increasing strength of labour class will decrease their negotiating power and reduce their profits. More industrialisation in England meant further increase in the negotiating power of the labourers. This was also the time when 'the Communist Manifesto' by Marx and Engels had been published in English language. Thus, it was felt appropriate to invest capital in India, and thus began the new era of capitalism in India.

In modern times, developing countries welcome inflow of capital to supplement domestic resources for economic development. Unfortunately, the capital inflow in colonial era was used by the colonial government not for development of Indian economy but for fuller exploitation of Indian resources. Further, the British did not invest capital in industries of cotton and iron because they did not want their capital to compete with industries in Britain. Instead they invested in activities that were complementary to British industries and the investment was in no way planned to bring about industrial development of India.

British Capitalists Invest in India: British capitalists felt attracted to invest in tea plantations (from 1839), jute, coal, mining and railways (early 1850s) and by the turn of the century, major investments were also made in the ports. The British made heaviest capital investment in railways in India as development of railways was considered necessary for commercial and administrative needs of the British. After railways, next highest capital investment was done for the development of plantation crops. Capital was also invested in Indian industries to capture Indian market. Availability of cheap labour was an added advantage. Capital investment in India was done by means of public debt.

'Opening Up' India (After 1813): Each age has its favourite catchwords and in 19th-century Europe it was 'opening up' India or China or some other African or Asian country awaiting the wonders to be brought by European capital and commerce. Opening up meant preparing the country for receiving British capital and industrial goods and in Indian context it chiefly meant railway development.

Various interest groups began to pressurise the British and Indian government to take up railway construction in India. The British manufacturers hoped to open a vast and untapped market in the interior of India and simultaneously facilitate collection of raw materials from the interiors to feed their hungry machines in England. The investors and bankers looked at railways in India as means for safe investment of their surplus capital. The British steel manufacturers regarded it as a big outlet for their steel products. The Government of India soon fell in line with these views and saw additional merit of imperial defence. They intended to use the railways for better control and administration of their vast territories and for speedy movement of army in times of internal rebellion or external aggression.

Clearly, the primary consideration behind the construction of railways in India was to serve the economic, political and military interests of British imperialism and may be enumerated as under-

- Railways would facilitate the distribution of British industrial goods in interiors of India.
- It would facilitate the collection of raw materials from Indian interiors for export to Britain.
- It would allow an opportunity for investment of British capital in railway companies operating in India.

- Lord Dalhousie was of the view that the railways would help the government to control distant parts of the country and allow movement of army to quell internal disturbances.

All Indian railway companies were set up in England as joint stock companies. In order to encourage the English investors to buy their shares, the Government of India offered a guarantee of at least 5% interest on their investments. In this way, all Indian railway companies were in reality English companies protected by a 'guaranteed interest contract'.

The impact of railway development in India was negative in many ways—A government guarantee of interest meant that irrespective of profit or loss, interest had to be paid out to the English investors out of India tax payers' money (for the first 50 years, they were financially losing concerns). This also encouraged over-expenditure and mismanagement in railway construction. Besides, the railway companies imported almost all they needed, thus increasing India's foreign exchange expenditure. The railway freight rates were also so fixed as to favor export-import and discriminate against movement of India-made goods.

Despite the above adverse consequences, the railways had some positive impact as well—It brought modern technology and skills to India and served to unify the country into one common market. Railways were laid through the length and breadth of the country, bringing the people from different parts of India into closer contact with one another. People from different classes had to buy the same ticket and travel in the same compartment which gave them the opportunity to interact, unite and finally emerge as one nation.

- **DH Buchanan** said, 'the armour of the isolated self-sufficient village was pierced by the steel rail and its life-blood ebbed away.'
- **Edwin Arnold** had written in 1865, 'Railways may do for India what dynasties have never done-what the genius of Akbar could not effect by government, nor the cruelty of Tip Saheb by violence, they have made India a nation.'
- **Karl Marx** had correctly projected the railways as 'Forerunners of Modern Industry (in India).'

Changes in Indian Agrarian Structure and Impact on Economy

Collection of taxes is a business of all governments and the taxes collected are normally spent for the welfare of the taxpayers. However, the East India Company needed to collect taxes from people of India to pay for its purchase of goods for export, to meet costs of further conquests and consolidation of British rule as well as to meet the costs of administration.

Since the olden times, kings and rulers have drawn a large part of their taxes from agriculture, it being the chief economic activity of a majority of Indian people. With the rise of British supremacy in India, it was the Company's government which became increasingly involved with the collection of land revenue. Thus, it is clear from the very outset that the land revenue collected from the Indian 'ryot' or peasant was spent, not for his welfare, but for meeting the colonial needs of the Company.

Moreover, the Company's land revenue policies were vastly different from the previous eras. They put in place new types of land revenue settlements to assess and collect these taxes (these were broadly of three types—Permanent Settlement Ryotwari System and Mahalwari System), new concepts of land ownership and heavier state demand for land revenue (generally raised to half of produce from earlier one-sixth or one-third) which triggered far-reaching changes in Indian agrarian structure, rural economy and social relationships.

The New Land Revenue Settlements and their Impact

The British conquerors were driven by the zeal to derive maximum economic advantage from their rule in India. After the British industrial and mercantile interests restricted the Company's capacity to raise revenue from trade, the company's government diverted its attention to land revenue as principle means of income and as such land revenue matters began to receive the maximum care and attention of the British rulers.

The early British administrators considered India as a vast estate and felt that the Company was entitled to the entire economic rent, leaving to the cultivators merely the wages of their labor and expenses of cultivation. Such excessive land revenue demands soon proved counter-productive. Agriculture became increasingly economically non-viable, large areas of land fell out of cultivation and famines began to stare people in their face.

First Experiments in Land Revenue Management

After the victory Battle of Plassey (1757), the Company acquired zamindari of 24 parganas from Bengal Nawab Mir Jafar. In 1760, the East India Company was given rights to collect land revenue from Burdwan, Midnapur and Chatgaon by Bengal Nawab Mir Qasim. After the victory Battle of Buxar (1764), the Company acquired the Diwani of Bengal, Bihar and Orissa.

During 1765–72, Clive introduced dual governance in Bengal. The British decided to continue with the administration established by the Nawabs of Bengal and use it to collect more and more land revenue The Company appointed two Naib-Diwans, Mohammad Reza Khan and Raja Sitab Roy for Bengal and Bihar respectively, and directed them to collect as high revenue as possible (Reza Khan was also the Naib-Nazim). The Bengal peasant faced some of the worst exactions by the revenue officials and many of them ran away into the jungles or simply joined the ranks of the robbers. The avarice and corruption of the Company's employees and their continuous interference in the administration led to complete disorganisation and worsened the effects of the terrible Bengal famine of 1769–70. Harsh measures of revenue collection were adopted so much so that even in the year 1770, when one-third of Bengal population was wiped out in the famine, the land revenue was collected satisfactorily.

In 1772, it was decided to end the dual system of administration set up by Clive. The Company now decided to collect land revenue itself and not through the Naib-Diwan. Thus, the President was required to take over the charge of entire management of revenues of Bengal, Bihar and Orissa. Accordingly, the Governor and the Council formed the Board of Revenue and the Company appointed its own European officers called **Collectors** to manage revenue affairs. The treasury was also removed from Murshidabad to Calcutta.

. Thus in 1772, Warren Hastings introduced a new system, known as the 'farming system' under which he auctioned the right to collect revenue to the highest bidder. He thus made a 5-year settlement (quinquennial settlement or panchshala bandobast) of land revenue with the contractor (known as 'farmer' or 'revenue farmer' in those days) who offered to pay the largest amount from a certain land area and was given full powers for a period of years.

Obviously, these contractors had no permanent interest in land and tried to extort as much revenue as possible during the period of their contract. They were not concerned if the people were ruined or the production declined in later years. After all, they would have made their share of profit. Clearly, malpractices such as extortion and oppression were a result of such a system.

Another significant result of this system was corruption. As with many government contracts even today, profitable contracts were given away to friends and favourites and 'benamidars' of men in power, bringing loss to the government. The officers of the Company themselves participated in the bidding under the name of their servants. Warren Hastings himself was accused of such forgery. Hence, this system caused much hardship to the farmers and failed miserably. After the expiry of the 5-year settlement, Hastings reverted to the system of annual settlement (salana bandobast) in 1777, once again based on the basis of farming out estates to the highest bidder.

Under both these systems, though the amount of land revenue was pushed high, the actual collection varied for year to year and seldom matched the official expectations. This brought instability in the Company's revenues at a time when the Company was in a continuous mode of expansion. The system was also killing the ryot's or the contractor's motive to do anything to improve cultivation.

It was at this stage the idea of fixing the land revenue at a permanent amount first emerged and in 1784, under the Pitts India Act, the Company was advised to introduce permanent land settlement in Bengal. Accordingly, in 1786, Lord Cornwallis was sent to India specially charged with the duty of cleaning up the system and finding out a satisfactory solution to the land revenue problem.

In 1790, Cornwallis decided to recognize the zamindars as the owners of land, subject to annual payment of land revenue to the state. A ten-year settlement was made with the zamindars on the basis of 89 per cent of the rental, leaving 11 per cent with the zamindars. In 1793, this decennial settlement was declared permanent (called Permanent Settlement of Bengal).

John Shore and James Grant differed in their views on whether zamindars be regarded as owners of land or tax collectors. John Shore regarded them as owners of land while Grant felt that all land belonged to the government and the zamindars were mere tax collectors. Here, Cornwallis agreed with Shore's views.

Permanent Settlement (by Cornwallis, Bengal, 1793)

(Permanent Zamindari Settlement or Jagidari/ Malguzari/ Biswedari/ Istemarari Bandobast)

The London authorities as well as Cornwallis could see that the existing system was not sustainable. It was impoverishing people and destroying agriculture. It was therefore decided that land revenue should be permanently fixed. The government promised never to increase it in future. Several positive effects were expected from this system—it would reduce oppression and corruption activities, it would ensure regular tax collection. It was also expected that now the landholders will feel motivated to invest in the land since the government will not charge any extra tax on excess production and the whole benefit will remain with them.

Permanent Settlement was a Settlement with whom and why? After fixing the revenue, the next question was, from whom was it to be collected? The Nawabs of Bengal had collected it from the zamindars; the big ones were known as Rajas and had their own armies. The zamindars collected the revenues directly from the peasants. At times, extra charges or 'abwabs' were also collected.

Permanent Settlement too was made with the Zamindars (though, by now, some of the zamindars had been replaced by contractors). A special feature of this system was that the zamindars and the revenue farmers were now converted into landlords; they were now the owners of the entire land of their zamindari. Their right of ownership was also made hereditary and transferable.

The new governor General Cornwallis himself belonged to landed aristocracy in Britain and was in favour of ownership rights to the zamindars. He hoped that the zamindars would improve the land as English landlords had done, since the entire benefit of increase in productivity will accrue to them alone. Moreover, there must have been 4–5 million cultivating families in Bengal, Bihar and Orissa at that time and collecting tax from them would have been a tedious task for the British. It was much simpler option to collect tax from a small number of big zamindars.

Why were Zamindars Recognized as Owners of Land?: Some historians think that it was by mistake; the British mistook the zamindar to be the Indian counterpart of the English landlord (However, it is noteworthy that while the English landlord was the absolute owner of land, the Indian zamindar was owner of land only in relation to the tenant and not in relation to the state).

Other historians attribute the decision to political, financial and administrative reasons-

- Politically, the British needed to create political allies in India, particularly in view of the rising popular revolts in Bengal during the last quarter of the 18th century. Later, developments fully justified this view as the wealthy class of zamindars, who owed their existence to the British, stood with the British during the rising tide of the national movement.
- Financially, the newly created property of the zamindars acted as a security against financial crisis at a time when the Company was constantly engaged in wars of expansion. Further, the revenue fixed was higher than ever before, at an absolute maximum, allowing the company to maximise its income.
- Administratively, it was a much simpler option to collect tax from a small number of big zamindars. It was also hoped that the zamindars would improve the land, since the entire benefit of increase in agricultural productivity will accrue to them alone.

What was Permanent Settlement? Permanent Settlement was introduced in Bengal and Bihar in 1793. The land revenue was fixed at a very high level of ₹2 crore and 65 lakh. Every bit of land in these provinces now became a part of some zamindari. The zamindar had to pay a fixed tax (10/11) upon it. So, long as he paid the tax, he remained the owner of his land. He could sell, transfer or mortgage it. After his death, his land would be inherited by his heirs. But if he failed to pay the tax, the government could take away his zamindari and sell it by auction (Sunset Rule). In this way, the position of zamindars was kept quite precarious.

Negative Impact of Permanent Settlement on Zamindars: Under this system, 10/11 part of the land tax went to the state while 1/11 belonged to the zamindar. The zamindars found it very difficult to pay the high tax demanded by the British. As a result, many zamindars lost their zamindari. Between 1794 and 1819, 68 per cent of zamindari land was sold in Bengal. Many zamindars further divided their land into smaller estates and permanently rented them to sub-holders who promised to pay a fixed rent. This gave birth to subinfeudation and furthered oppression of the cultivators.

Negative Impact of Permanent Settlement on Cultivators: The hereditary rights of the peasants on land was taken away and given to the zamindars. The cultivators were reduced to the status of simple tenants of the zamindars. They were also deprived of other customary rights including right to use pasture and forest lands, irrigation canals, fisheries, protection against rent enhancement, etc.

The land revenue fixed at ₹2 crore and 65 lakh was the largest sum that could be got from the land. It was a heavy assessment that could be collected only by oppressive means. Further, while the state's demand was fixed, the rent to be realized from the cultivator was left unsettled. This worsened the position of the actual cultivators of soil, who were now left wholly at the mercy of the zamindars. Rack-renting, indebtedness and ejections became common. In fact, as per regulations issued in 1793 and 1799, zamindars could even seize the property of the tenants who failed to pay the rent, thus legalising harassment. This also encouraged the zamindars to resort to illegal methods like beating and flogging the tenants for non-payment of the required amount. In this way, the peasantry was crushed under the triple burden of the government, the zamindar and the moneylender. The Permanent Settlement ultimately broke down due to excessive state demand and harshness in its working and collection of revenue.

Note: It was only in 1859 that the Government of India passed a legislation providing limited protection to old tenants, who were now termed as 'occupancy tenants'.

According to John Shore, out of every ₹100 worth of crop produced under this system, ₹45 went to the government, ₹15 to the zamindar and ₹40 to the cultivator.

Areas Covered: Permanent Settlement was introduced in Bengal, Bihar, Orissa, Varanasi and Gazipur regions of UP and northern Karnataka. It covered 19% area of British India.

The British Disillusionment with Permanent Settlement: As early as 1811, the British had begun to feel that permanent settlement left no scope for increase in land revenue, even as the expenditure of the Company's government continued to rise, particularly in view of constant wars. Some officials had also begun to feel that, back in 1793, the zamindars had got off very easily and that the mistake should not be repeated.

Ryotwari System (by Sir Thomas Munro and Captain Alexander Reed, Madras, 1820)

The defects of Permanent Settlement became more prominent with time and the British began to devise other ways of collecting land-tax. Moreover, new challenges emerged when the British conquered South and South Western India.

What was Ryotwari System? In 1792, two officers Munro and Read were sent to administer the newly conquered regions of Madras. They found that there were no large zamindars with large estates in these regions with whom land revenue settlement could be made. They therefore recommended that settlement should be made directly with the actual cultivators or 'ryots' based on their field assessment, thus giving rise to the 'Ryotwari System'. Under this system, the cultivator was to be recognized as the owner of his land so long as he paid the land tax. The tax payable on each field was fixed by a government officer and then the cultivator had the choice of cultivating the field and paying the amount, or not cultivating it. The Settlement under this system was not made permanent but was revised after every 20 or 30 years and the revenue demand was usually raised.

Land Survey and Assessment under Ryotwari: In fixing the assessment, the revenue officers surveyed each field, considered the soil quality as well as the field area and then fixed the assessment on it based on their survey. Thus, land revenue assessment under Ryotwari was a difficult task—thousands of fields had to be surveyed and care had to be taken to fix the assessment such that burden on each field was approximately equal. If the burden was not equally distributed, then the cultivators would not occupy the heavily assessed ones and the filed would lie fallow.

However, in practice, the Ryotwari System was extended in the Madras Presidency in forms different from the one originally envisaged by Munro. No survey was carried out in many districts and assessment was done based on tax paid in previous years, known as 'putcut assessment'. The government officers also began to compel the ryots to cultivate land against their wishes and employ oppressive methods of collection, leading to the setting up of Madras Torture Commission in 1854.

Adoption of Ryotwari in Madras (1820): After some initial experiments, the Ryotwari System was adopted in Madras presidency in 1820 and Munro himself was appointed as Governor of Madras to ensure its smooth implantation. Munro advanced many arguments in its favour. He claimed that this was a system which had always prevailed in India and it was best suited for Indian conditions. He also pointed out that in Permanent Settlement the Company was a financial loser as it could not claim a share of the growing income from increased agricultural productivity. However, the system was mainly adopted because it yielded larger revenue than any other system as all revenue went to the state and there were no zamindars or other intermediaries who received any part of the agricultural surplus. The Madras government was always short of funds and readily introduced the temporary Ryotwari System.

Negative Impact of Ryotwari System: However, Ryotwari System did not bring about a system of peasant ownership of land. The government later also declared that the land revenue was rent and not tax. Also, the revenue was fixed at a very high rate (45–50%), the government could raise it at will and the ryot had to pay the revenue even when his crop was wholly destroyed. Use of harsh collection practices was common and included vile practices of torture such as preventing the defaulters from taking meals or answering nature's calls, tying a man in a bent position or tying by the hair to the tail of a donkey or a buffalo. On non-payment of land-tax (lagan), land could be confiscated.

The system caused widespread oppression; the peasantry sank deep in poverty and fell into the clutches of the chetty (moneylender) whose power and position had greatly risen under the

British. In pre-British times, the moneylender was subordinated to village community—he was not allowed to charge usurious interest rates or confiscate land. But now such malpractices by moneylenders became common. He was also greatly helped by the new revenue policies, the judicial system and the police. The impoverishment of peasantry and the ruin of traditional agrarian structure under the Ryotwari System significantly contributed to the terrible Madras famine of 1867–78.

Areas Covered:

- In 1792, Ryotwari System was first implemented in Baramahal district by Colonel Read.
- After 1820, this system was extended to most of Madras Presidency. To ensure smooth implementation, Munro was appointed Governor of Madras.
- In 1825, this system was introduced in Bombay and by 1858 it was being implemented in entire Deccan.

Thus, Ryotwari System was implemented in Madras, Bombay, East Bengal, Assam and Coorg. It covered 51 per cent area of British India. In this way, this system was implemented on maximum land area.

Mahalwari System (Northern India, 1822)

What was Mahalwari System? Between 1801 and 1806, the British conquered large territories in North India (roughly modern UP) under the aggressive policies of Lord Wellesley. In 1836, the North-Western Provinces was established by administrative divisions of the region (It was renamed as North Western Provinces and Awadh after the annexation of Awadh in 1858, with Allahabad as capital. The province was further reorganised in 1902 and renamed as United Provinces of Agra and Awadh).

Initially, Wellesley ordered his officials to make the settlement with zamindars wherever possible, provided they agreed to pay the high land revenue. But if the zamindars were not present or they did not agree to pay the high revenue, then settlement could be made village by village, giving preference to the village headman or any other respectable ryot of the village. Ultimately, the settlement was to be made permanent, like in Bengal.

Accordingly, heavy land revenue was imposed. It was also substantially increased overtime-from ₹188 lakh in 1803-04 to ₹297 lakh by 1817-18. Such heavy increases provoked resistance from many zamindars and many of them were driven away by the new administration. Those who could not pay, their estates were sold away. In such a situation, it became necessary to collect tax directly from the village through its headman (pradhan, muqaddam or lambardar). In the revenue records, the term used for one such fiscal unit was 'mahal' and this village-wise settlement therefore came to be known as the Mahalwari settlement. The term 'mahal' thus meant a village or a jagir (estate). Under this system, revenue settlement was fixed with each mahal, and not the cultivator.

Negative Impact of Mahalwari System: Like in other settlements, even under this system the land tax demanded was very heavy, creating opportunities for the local officials to practice coercion and corruption; large areas of land were illegally acquired by them in the early years, bringing about ruin of the village zamindars. Many zamindars also fell into the clutches of money lenders

and merchants who often ousted them or reduced them to tenants at will upon non-payment of debt. In this way, the Mahalwari System brought about ruin in the form of impoverishment and dispossession of the cultivating communities in North India during the 1830s and 1840s. Their simmering resentment soon found expression during the Revolt of 1857, when several villagers and zamindars all over North India attacked the government officials and money lenders; burnt down their records and accounts.

Regulation of 1822: In his Minute of 1819, Holt Mackenzie, Secretary of Board of Directors, first developed the theory of Mahalwari System, emphasising the existence of village communities in Northern India. He recommended a land survey, preparation of land records, village-wise settlement of land revenue and collection of revenue through the village headman.

The above recommendations got legal sanction by the Regulation of 1822. Revenue was fixed at 80% of the rental value when settlement was made with the zamindar; and at 95% of the rental value when settlement was made with the cultivators in common tenancy. The heavy state demand caused widespread misery and the system failed under the weight of its harshness.

Regulation of 1833: The above scheme of 1822 was thoroughly reviewed under William Bentinck who sought to improve upon it and after prolonged consultations, passed the Regulation of 1833. The new scheme fixed the state demand at 66% of the rental value, the mahal was empowered to make internal adjustments and the settlement was made for 30 years. It also prescribed the system of using average rents for different classes of soil and prescribed for the first time the use of field maps (drawings) and field registers (records) for assessments.

The Settlement work began under the supervision of Robert Martins Bird, known as the 'Father of Land Settlements in Northern India', and was completed under the administration of James Thomson (Lt. Governor 1843–53).

Even the 66 per cent rental demand was oppressive and was further reduced in 1855 by Dalhousie to 50 per cent, however, the corrupt Settlement Officers of the Company evaded its implementation. Thus, the system caused widespread oppression of the cultivating classes and the resentment found its vent during the popular uprising of 1857–58.

Areas Covered: This system was introduced in North West Province (Awadh, Ganga Valley or UP), Punjab Province, and Central Provinces. It covered 30 per cent area of British India.

Economic Impact of Various Land Revenue Settlements

The various land revenue settlements introduced by the British meant loss of land for the landholders (owing to changes in concept of land ownership) and heavy taxation for zamindars and cultivators. The land revenue assessments under all the systems were heavy and oppressive, reaching upto 50 per cent or more of the produce and tax was extracted even when the crop was fully damaged. In such cases, the cultivators had no option but to take loans from the local money lenders who charged them exorbitant interest rates. This made the cultivators heavily indebted. To make matters worse, harsh methods of revenue collection were deployed that included coercion, violence and abuse; with the effect that the land revenue policy of the British resulted in oppression, frequent evictions, indebtedness, impoverishment and extreme misery for the agricultural classes. Many of them later participated in the Revolt of 1857, driving away government officials and burning money lenders' records.

A direct result of the oppression of the peasantry was the stagnation and deterioration of agriculture and yield per hectare steadily declined. The government also shunned responsibility and hardly spent any amount on agricultural improvement, agricultural education or public works.

The heavy burden of tax also distorted the land market. The British made land a commodity which could be freely bought and sold; a change that had been effected to secure government income. If land had not been made saleable or mortgageable, the government would have found it very difficult to raise revenue from a defaulter. Now, such defaulting cultivators could pay revenue by borrowing money on the security of his land or even by selling off part of it. The government could also auction the land and realise the amount. This was a critical change in the existing land system of India, and it shook up the entire structure of village society and economy. With the passage of time, land also lost its value as no one wanted to buy it, since the new owner would have to pay the heavy land revenue.

In fact, the East India Company's new land revenue systems coupled with the new and corrupt judicial and administrative set up broke down the entire socio-political and economic framework of the old village communities. Socially, new classes were created; the landlord, the trader, the moneylender and the new landed gentry emerged. The numbers of the rural poor comprising the small peasant, the sub-tenant and the agricultural labourer multiplied. The climate of cooperation was gradually replaced by competition and individualism. Politically, the Village Panchayats were deprived of their main functions, viz. land settlement and judicial and executive functions. Economically, agriculture began to emerge as an unviable economic activity, and famines stared the people of India in their face. Undoubtedly, rural underdevelopment and backwardness in India is a legacy of the British colonial rule.

Prelim Capsule

New Land Revenue Settlements and Impact on Economy

Changes Introduced	Important Details	Impact on Indian Economy
Permanent Settlement (by Cornwallis, Bengal, 1793)	It was a settlement with the zamindars. Zamindars were now considered the owners of the entire land of their zamindari. Land revenue was fixed at a very high level-of ₹2 crore and 65 lakh. The zamindar had to pay a fixed tax (10/11) upon it. So, long as he paid the tax, he remained the owner of his land. It was introduced in Bengal, Bihar, Orissa, Varanasi and Gazipur regions of UP and northern Karnataka. It covered 19% area of British India.	The zamindars found it very difficult to pay the high tax & many lost their zamindari. High tax encouraged subinfeudation and furthered oppression of the cultivators. The hereditary rights of the peasants on land was taken away and given to the zamindars. The cultivators were reduced to tenants of the zamindars. Cultivators were also deprived of other customary rights, e.g. right to use pasture and forest lands. Zamindars resorted to rack-renting as well as oppression and ejection of tenants for non-payment of rent.
Ryotwari System (by Sir Thomas Munro and Captain Alexander Reed, Madras, 1820)	It was a settlement with the ryots or actual cultivators. Assessment was done after field survey based on soil quality and farm area. It was revised after every 20 or 30 years. In 1792 Ryotwari System was first implemented in Baramahal district by Colonel Read. After 1820, this system was extended to most of Madras Presidency. It was implemented in Madras, Bombay, entire Deccan, East Bengal, Assam and Coorg. It covered 51% area of British India.	Revenue was fixed at a very high rate (45-50%). Ryot had to pay the revenue even when his crop was wholly destroyed. It caused widespread oppression. The peasantry sank deep in poverty and fell into the clutches of the chetty (moneylender). The system resulted in indebtedness and frequent evictions. It significantly contributed to the terrible Madras famine of 1867–78.
Mahalwari System (Northern India, 1822)	It was a settlement with the 'mahal' or village. Tax was collected through the headman or lambardar. It was introduced in North West Province (Awadh, Ganga Valley or UP), Punjab Province, and Central Provinces.	Land tax demanded was very heavy. It led to impoverishment and dispossession of the cultivating communities. The simmering resentment soon found expression during the Revolt of 1857.

ECONOMIC IMPACT OF BRITISH RULE IN INDIA

The economic impact of British rule under the East India Company (1755–1857), also known as the process of colonisation of Indian economy, may be understood under the following heads:

1. Disruption of Traditional Economy
2. Ruin of Peasantry and Agriculture

3. Ruin of Old Zamindars and Rise of New Landed Classes
4. Ruin of Artisans and Craftsmen, De-Industrialisation and Ruralisation of Indian Economy
5. Commercialisation of Agriculture
6. Drain of Wealth
7. Poverty and Famines
8. Rise of Modern Industries under the British
9. Rise of New Indian Bourgeoisie

Disruption of Traditional Economy

The rise of British supremacy led to the subordination of Indian economy as per the needs and interests of the British rulers whose main interests lay in exploitation of Indian resources and enrichment of their own people at the cost of Indian people. British economic policies such as new land revenue policies, discriminatory trade restrictions, domination of markets and continuous conquests had an adverse impact on almost all classes of Indian people from peasants and artisans upto the ruling class. The British policies brought about a ruin of Indian agriculture, trade and industry and resulted in a complete breakdown of the traditional economic structure. The self-sufficiency of the villages was destroyed and Indian economy was rapidly transformed into colonial economy.

Ruin of Peasantry and Agriculture

Mentioned under the economic impact of various land revenue settlements.

Ruin of Old Zamindars and Rise of New Landed Classes

The old zamindars were replaced by a new class of landlords, particularly under the land revenue settlements of Warren Hastings. By 1815, nearly all great zamindars of Bengal were ruined and replaced by merchants and moneyed classes who lived in towns (absentee landlordism), had no permanent interest in land and tried to extort as much revenue as possible during the period of their contract. Clearly such a system further accelerated the impoverishment of the peasantry, impoverishment of land and stagnation and deterioration of agriculture.

Ruin of Artisans and Craftsmen, De-Industrialisation and Ruralisation of Indian Economy

De-industrialisation refers to the process of continued and marked industrial decline. With reference to India, it refers to the destruction of traditional Indian craft industries as one of the earliest the consequences of British rule in India. The cotton-weaving and cotton-spinning industries were the worst hit. Strangely, while India's traditional manufacturing sector was being steadily weakened under the Company; in the same period Britain had begun its Industrial Revolution and was rapidly expanding its own industries. Wealth from India (Plunder of Bengal 1757) played a significant role in the accumulation of capital in England needed for industrialisation (1760).

Various causes of de-industrialisation under the British rule are listed as follows:

- **Misuse of political power:** The British used political power to bully the weavers and artisans of Bengal into selling their products at low and dictated prices, even if they incurred a loss. This forced many of them to leave their profession. The Khatbandi System which virtually reduced the weavers to the status of indentured or bonded labourers.
- **Creation of a buyers' market:** The British created a buyers' market where the buyer can dictate the price, (the buyer here being the English Company and its servants) at the cost of the seller (the seller being the India peasant and artisan).
- **Destruction of regional powers and their courts:** The princely states were the biggest buyers of handicraft, luxury commodities and military weapons. Their decline gave a big blow to these industries.
- **Westernisation of Indian educated middle class:** This class imitated European standards and scorned on everything Indian.
- **Import restrictions:** This ruined the foreign market of Indian artisans.
- **Forced policy of British Free Trade with India:** Far from providing protection to Indian industries, the British opened Indian market to British manufactured goods, thus ruining the home market of Indian artisans. Many indigenous industries faced unequal competition with imported machine-made goods and perished.
- **Development of railways:** Besides other things, the railway policy of the government discriminated against Indian goods such that transportation of Indian goods was costlier than that of British goods.
- **Lack of government support:** The British government extended no support, financial or otherwise to heavy or capital goods industry (First steel in India was produced as late as in 1913!) and to technical education.
- Import of cheap synthetic dyes destroyed dying industry of Indian villages.
- Export of raw materials from India.
- Grant of special privileges to British manufacturers in India.

The ruin of Indian industries was reflected in the ruin of once famous industrial centres like Dhaka, Surat and Murshidabad. Destruction of handicraft industry ruined the independence of villages, forced artisans to leave their profession and become labourers and made the economy predominantly agrarian.

This increasing dependence of the population on agriculture for subsistence and increasing tendency to produce agricultural goods and raw materials, to the neglect of industrial development, has been described by historians as trend towards ruralisation or peasantisation of Indian economy. The change was the most glaring in the cotton textile industry—India that had been for centuries the largest exporter of cotton goods in the world, was now transformed into an importer of cotton goods and exporter of raw cotton! This was a direct result of de-industrialisation and comprised yet another impact of British rule on Indian economy.

During the National Movement, Britain's role in de-industrialisation of India and its callous indifference towards development of modern industry became a rallying point against the colonial rule. Several efforts were made to revive indigenous industries, particularly by Congress and Gandhiji. Gandhi formed All India Spinners Association and All India Village Industry Association.

- **The government of William Bentinck noted in 1834,** 'The misery hardly finds a parallel in the history of commerce. The bones of the cotton weavers are bleaching the plains of India.'
- **Karl Marx** had noted, 'It was the British intrude who broke up the India handloom and destroyed the spinning wheel. England began with depriving the Indian cottons from European market; it then introduced twist into Hindustan and in the end inundated the very mother country of cottons with cottons.'

Commercialisation of Agriculture

Commercialisation simply means production of agricultural crops for sale in market, rather than for family consumption. In the process of commercialisation, markets for certain products may develop before others. Commercialisation of agriculture existed even under the Indian rulers, for instance the cultivators were selling their products for money in order to pay land tax. But the commercialisation under the East India Company was different in many ways:

- **Forced commercialisation:** For the Indian peasant, commercialisation under the Company's rule was a forced process. Often the cultivator had to hurriedly sell off a part of his produce at whatever price it fetched in order to meet the high land revenue demand of the state and interest of the moneylender.
- **Selective commercialisation:** Initially the company also exported Indian manufactures, particularly textiles. But after the Industrial revolution, the cotton mill industry grew in Britain. Soon the mill owners agitated against the East India Company claiming that the Indian fabrics injured their business. The company was now forced to promote other safe lines of export and agriculture products was one such line. These products would not compete with British products and could also serve as raw materials for British industry. Thus, the East India Company being a trading company, it brought about commercialisation of those crops and agri-products which would not compete with British products and had a demand in the European market at the same time (such as indigo, cotton, raw silk, opium, pepper, tea, sugar, etc.). These were sown at the cost of food grains in India.

  Further, the British bought tea from China and paid for it in silver as the Chinese did not want Western goods. But the Chinese did buy Indian products like ivory, raw cotton and opium. So, the British East India Company gradually brought about commercialisation of these commodities in India—the tea could be got in exchange for Indian products. This trade came to be known as 'triangular trade' with main trading points at Calcutta, Canton and London with wealth accumulating at London.
- **At the cost of drain of wealth:** Earlier there was little demand for British goods in India. So, the company purchased Indian goods in gold and silver bullion. After the conquest of Bengal, it made these purchases from revenue collected from Indian subjects. This resulted in drain of wealth from India.

What Crops were Commercialised and why? The commercialised crops included indigo, cotton, raw silk, opium, pepper, tea and sugar. Those crops were commercialised which were in demand in European market and did not compete with British products. Raw silk and raw cotton could not be produced in Britain. Indigo, a textile dye, was needed in British market. British commercialised tea cultivation in Assam as they did not want to rely on China for tea. None of these commodities competed with any British products.

Effects of Commercialisation of Agriculture

Some of the common effects of commercialisation of agriculture by the British were as follows:

- **Exploitation of Indian peasants:** Except in the case of tea, the crops were not produced by hired labour. Say in the case of indigo, the referred system was to coerce the small peasants into supplying the required product at very low price (called the Ryoti System). In this way, commercial production fastened itself on the existing structure of small peasant production, and impoverished it. The European businessmen found it profitable to squeeze the small peasant household than to engage in direct production with hired labor, thus preventing the appearance of developed labor market. Further, the Indian cultivators were often forced to grow these crops against their wishes. They were also forced to sell them to the British at as low cost as possible. This often drove them into the clutches of local moneylenders and created heavy indebtedness.
- **Market instability:** Agriculture in India was already exposed to many hazards such as droughts and floods, but commercialisation of agriculture added another hazard—the instability associated with widely fluctuating world markets. For instance, Bundelkhand grew a lot of cotton for the China market after 1816. Claiming that the region had become very prosperous, the British officials raised the land revenue. But when the export declined in the 1830s and prices fell, the taxes were not reduced. Both landlords and peasants were pushed into deep poverty and vast stretches of land went out of cultivation, culminating in the Bundela Rebellion of 1842. Thus, while product market was commercialised, land and labour could not develop.
- **Famines:** Commercialisation of agriculture contributed to famines by substituting food grains for commercial crops as well as by increasing instances of land falling out of cultivation because it was no longer profitable to cultivate it.
- **Impoverishment of India**: You have seen that the crops were produced for exports to Britain. These were bought from land revenue collected from British territories in India and transferred in the form of 'tribute' to Britain. In this way, such exports remitted resources out of India, while India received no imports in return. Such a transfer naturally impoverished India.

Nij and Ryoti Systems: These were the two systems of indigo plantation. Under the first, the planter undertook the cultivation with his own plough and cattle, employed hired labour for the purpose. Under the ryoti system (also called asamiwar), the peasants cultivated the plan on their own land. Almost all the indigo was produced under ryoti system)

Drain of Wealth

The continuous transfer of wealth from India to England for which Indian did not receive any adequate economic or material return has been termed by Indian economists and national leaders as 'drain of wealth from India'. It refers to all those payments which were made by India to Britain without any adequate returns or responsibility (one-sided transfer of funds). It has also been interpreted as Indian 'tribute' sent to Britain by the Company's government. The focal point of Drain theory was that a portion of the national product of Indian was not available for consumption for its people or for capital formation, but was being drained away to England owing to political subordination of India.

Peculiar to British Rule

This drain of wealth happened only during the British rule. All previous Indian rulers, including foreign conquerors such as the Mughals finally settled in India and made India their home. They spent on roads and canals, temples and mosques and even on personal luxuries, but the wealth remained in India, encouraged India trade and industry and gave employment to Indians. But this was never the case with the British. Nearly all Englishmen working in India planned to go back to Britain, taking as much wealth with them as possible; the British remained perpetual foreigners in India.

Comparing the British methods of plunder with the plunder of medieval invaders and rulers, historians have pointed out that while the old-time plunder was restricted to rich men's houses, the colonial plunder reached the most lowly, the most humble and the most remote. Like the blood sucking leeches, the British methods were less painful but more thorough.

Forms of Drain of Wealth

The Drain of wealth for India began in 1757 when the Company's servants carried home bribes and extortions from Indian rulers as well as common people. Henceforth, the drain of wealth from India continued to occur in the following ways:

1. The land revenue collected from Bengal began to be used to buy goods in India for export. In other words, the company used its 'Territorial Revenue' to provide funds for business and generate 'Commercial Revenue'. In this way, the East India Company developed a self-sufficient system needing no funds from England.
2. Drain of wealth also occurred in the form of Company's remittance to England to pay for salaries and pensions of Company's employees, interest on loans (public debt) taken by the Company in England, dividends to stockholders of the Company, etc. This was also known as 'Home Charges'.
3. Drain of wealth also occurred in the form of bribes, payments to shipping companies, insurance companies and banks.
4. Wealth was also drained out of India in the form of Interest on Foreign Capital Investments. For example, in the case of railway companies, interest had to be paid out to the English investors out of India tax payers' money.

Economic Impact of Drain of Wealth

- The drain adversely affected income and employment potential in India.
- It checked capital accumulation in India, thereby retarding industrialisation of India.
- Drain of wealth from India led to accumulation of capital in England and contributed to Industrial Revolution there.

- Part of that capital reentered India as finance capital on which India had to pay interest and further drained India of its wealth.

Some Important Facts

- Marx referred to the drain of wealth as the 'bleeding process'.
- The newspaper 'Amrit Bazaar Patrika' particularly opposed the drain of wealth from India.
- Newspapers Hindustan Review and Kayastha Samachar described the use of foreign capital as 'a system of international degradation'.

John Sullivan, President, board of Revenue, Madras, had remarked, 'Our system acts very much like a sponge, drawing up all the good things from the banks of the Ganges, and squeezing them down on the banks of the Thames.'

Poverty and Famines

The Indian economy reached a new low under the British with the net effect that there was widespread poverty and starvation among the masses. Though famines in India occurred due to a number of factors such as failure of rains and frequent wars between the British and regional powers, the British economic policies added to these factors and culminated in a series of famines that struck India in the second half of the 18th century (and later the 19th century as well).

A notable characteristic of India's poverty was that it was man-made and not due to any deficiency in natural or human of resources. In the pre-British period, India was no more backward than the West. It was not a coincident that Plunder of Bengal (1757) was succeeded by Industrial Revolution in Britain (1760). And while the next hundred years witnessed the rapid industrialisation and modernisation of Europe, India was subjected to some of the worst forms of colonialism. Far from modernisation, India was sapped of its wealth and vitality, its masses veered on the fringes of poverty and starvation.

Rise of Modern Industries under the British

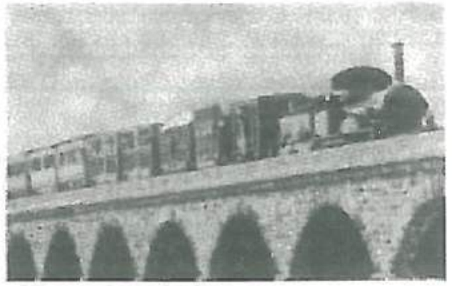
The British did not plan to bring about any industrial or economic development in India. However, the need for better imperial control and fuller exploitation of Indian resources led them to construct roads, railways, post and telegraph lines, develop ports, irrigation works, banking and insurance facilities, etc.—developments that later provided the material basis for emergence of modern industry in India.

An important social consequence of this limited industrial development was the emergence of the industrial capitalist class and the working class. Even as these classes formed a minuscule part of the Indian population, they represented new technology, new social relations and new outlook with the consequence that their economic and political contribution in 19th and 20th centuries far outweighed their numbers.

Roads and Indian Railways

Upto the 1850s, the means of transport in India were confined to animal driven carts. Driven by the need for imperial defence from both external and internal threats and fuller exploitation of Indian resources, the British began development of roadways, railways and waterways.

- In 1839, work on the Grand Trunk Road from Calcutta to Delhi was started and completed in 1850s. However, real change came with the introduction of Indian Railways.
- The First railway engine was designed by George Stephenson. In 1814, it was first put on the rails.
- In 1849, Lord Dalhousie became Governor-General of India and advocated rapid railway construction.
- In 1853, first railway line in India was laid in between Bombay and Thane by Great Indian Peninsula Railway.


India's first passenger train, between Bombay and Thane (1853)

- In 1854, 120-mile railway line was laid between Calcutta and Raniganj by East India Railway.

Postal System and Telegraph

- For Communication, the British set up an efficient Postal system. Dalhousie introduced the first postage stamps in India.
- The telegraph was also introduced.
- In 1853, first telegraph line was opened from Calcutta to Agra.
- Until 1857, Dr. O'Shaughnessey's (a professor of chemistry in Calcutta Medical College) instrument was used all over India. Later, it was replaced by the Morse instrument.

Press

- In 16th century, Press was first introduced in India by the Portuguese.
- Early attempts to publish newspapers were made by the disgruntled East India Employees.
- In 1780, the first newspaper in India was published by James Augustus Hickey titled The Bengal Gazette.

Rise of New Indian Bourgeoisie

Some Indian traders, money lenders and bankers got to amass some wealth as junior partners of English traders and businessmen and emerged as the new Indian middle class. The Indian traders helped in the distribution of British manufactures in the remotest corners of India and collection of raw materials for export to Britain. The money lenders lent money to the agriculturalists in distress and ensured collection of land revenue by the government. The bankers helped both in carrying out their businesses and other financial transactions.

It was this very class that initially formed the Westernised loyalists but later evolved into the educated Indian intelligentsia and raised the banner of the national movement in the second half of the 19th century. One such cotton trader was Dadabhai Naoroji (1825–1917), who devoted his entire life to the creation of a national movement in India.

To sum up, in this chapter we have studied the main motive of the English Company in India was to maximise its profits. All other purposes were subordinated to this aim and all its activities were guided by it, including acquisition of political hegemony and territorial expansion. After Plassey, the Company emerged supreme in Bengal and began using its political power for its own commercial gains. The more powerful the Company grew, the more tightly it gripped the Indian economy and sucked away its vitality. One by one it wreaked havoc on Indian peasants, artisans, traders and businessmen, ate into their share of profits and rendered their industry financially unviable. Plunder of Bengal, drain of wealth, de-industrialisation, commercialisation of agriculture and ruralisation of Indian economy were some of the major impacts of the Company's policies in India. We may conclude that the British Rule had a far-reaching impact on India life, particularly the economy which was gradually transformed into a fully developed colonial economy by the end of the 19th century.

Flashforward:

Railways:

- By 1869, more than 6,000 kms of railways had been built by the guaranteed companies but this system proved to be too expensive and in 1869 the government decided to build new railways as state enterprises. After 1880, they began to be built through private enterprise as well.
- By 1905, nearly 45,000 kms of railways had been built.

MNCs:

- Many Multinational Companies began to operate their subsidiary companies in India and penetrated deep into almost every sector of Indian economy.
- These included MNCs like Hindustan Lever Ltd., Dunlop, ITC, Union Carbide, Ashok Leyland, Imperial Chemicals and others. Even after independence, these MNCs continued to maintain their stronghold in Indian market.

Flashforward:

Growth of Indian Capitalist Class: The industrialisation in India which began in the latter half of the 19th century, began as a reaction to British de-industrialisation policies. The nationalist leaders felt that industrialisation of India was the first condition for economic progress of the country. Swadeshi movement (1905) with its impetus on India-made goods is rightly considered as the foundation of indigenous modern industry. Henceforth, the India capitalist class got bound up with the national movement, supporting Congress leadership and financing some of its programmes and policies.

- Mahadev Govind Ranade was one of the first leaders who called upon his countrymen to set up industries.
- In 1870, KT Telang and Ferozeshah Mehta opened soap factory in Mumbai and set an example before others.
- Lala Lajpat Rai, as director of Punjab National Bank, helped people in establishment of industries.

Cotton Cloth Industry: The foundation for this industry was laid in the 1850s with the help of local capital. The textile industry first attracted the attention of Parsi and Gujarati entrepreneurs. Bombay had the necessary climate for raw material, availability of cheap labor and even ready market for textiles.

- In 1818, a mill was set up in Calcutta. But this was an exception and the industry remained centred around Bombay.
- In 1853, first factory was set up in Bombay by Parsi Kavsaji Nanabhai Damar. With this began the history of this industry.

- In 1877, JN Tata set up Ampress Mill Nagpur.
- During 1853–80, thirty factories were set up, out of which thirteen were set up by Parsis.

Jute or Putson Industry:

- In 1855, first Jute factory in India was set up at Risra near Serampur, Bengal.
- Towards the end of 19th century, the Birlas went to Calcutta and entered raw jute trade with the help of Seth Tarachand Ghanshyam Das Birla.
- In 1919, Birla Jute Company was established.
- 1940 onwards Ghanshyam Das Birla bought several companies from the English and expanded his business, thus establishing the predominance of Indians in jute industry.

Iron-Steel Industry:

- In 1907, JN Tata (son of Jamshedji Tata) first set up TISCO in Jamshedpur, Bihar. It produced pig iron in 1911 and steel by 1913.
- Later, steel companies were also set up at Mysore (Bhadravati) and Bengal.

Flashforward:

Economic Critique by Early Nationalists: After 1857, economic exploitation of India continued and even intensified in many ways. The rising Indian intelligentsia threw up the early national leaders (the Moderates) who were the first to develop an economic critique of the colonial rule. Soon the critique, along with the themes built around it, emerged as the single most significant factor that contributed to the rise of the Indian National Movement in the second half of the 19th century.

Dadabhai Naoroji

In the beginning, the educated middle class supported British rule in India as they felt that British rule was needed to modernise India. But after 1860, the disillusionment set in gradually in the wake of glaring economic disparity between India and England. Many of them went to England for work or for higher education and were shocked to see the hypocrisy of British rulers. While they themselves enjoyed all comforts of a modern lifestyle and based their social relations upon the modern values of equality and democracy, Indian masses were subjected to political, psychological and economic subjugation.

One among such Indian intellectuals was Dadabhai Naoroji (1825–1917), also known as the Grand Old Man of India. He was also the first economic thinker of India and was the first to give the theory of Drain of Wealth in his book The Poverty and Unbritish Rule in India (1902). Another stalwart economic thinker of this time was RC Dutt. He gave a detailed economic record of British rule since 1757 in his work 'The Economic History of India' (1902). Justice Mahadev Govind Ranade was another hero who taught the Indians of his generation the value of modern industrial development. He remarked that factories could, 'far more effectively than Schools and Colleges give a new birth to the activities of a nation.'

GV Joshi, DE Wacha, G. Subramaniya Iyer, GK Gokhale, Prithwis Chandra Ray and several other political activists gave their own analysis of the economic impact of colonial rule and subjected the entire range of colonial policies to minute scrutiny. Eventually all their efforts converged at one point and found the British rule at the vortex of India's underdevelopment. They were able to see that India's poverty was not inherent or natural but very much man-made (or rather British-made) and removable and made this economic critique as the main plank of their nationalist economic agitation.

The early nationalists showed trade, industry and finance as the three pillars of economic domination. They highlighted that economic exploitation of India was no longer carried out by the crude tools of plunder and tribute but through more sophisticated modern phenomenon of 'free trade'. Of particular concern to them was the decline of Indian traditional handicraft industry. They looked upon foreign capital as disguised evil and were unanimous on the view that India's future economic development should be based on Indian capital and not foreign capital.

On the expenditure side, GV Joshi denounced investment on railways as 'Indian subsidy to British industries' and Tilak equated it to 'decorating another's wife'. The early economists highlighted that developmental and welfare departments were starved at the cost of those departments that fulfilled British needs such as defence. However, the drain theory remained the backbone of the economic critique of British rule.

Drain of wealth: Dadabhai Naoroji first explained drain of wealth from India in his article 'England Date to India' which he read out in the conference of East India Association (2 May 1867). He was also the first to give the theory of Drain of Wealth in his book The Poverty and Unbritish Rule in India (1902). Naoroji declared this drain of wealth as the chief cause of all diseases and destitution in India. In 1896 Calcutta Session of the Congress, Naoroji's Drain of Wealth theory was first accepted and it was in 1906 Calcutta Session that Naoroji demanded swaraj or self-rule based on this theory. Naoroji also referred to the 'moral drain', consisting of the exclusion of Indians form positions of trust and responsibility in their own land.

Following in his footsteps, RC Dutt made the drain a major theme of his Economic History of India (1902). He remarked, 'Taxation raised by a King , says the Indian poet, is like the moisture sucked up by the sun, to be returned to the earth as fertilising rain, but the moisture raised from the Indian soil now descends as fertilising rain largely on other lands, not on India... So great an Economic Drain out of the resources of a land would impoverish the most prosperous countries on earth; it has reduced India to a land of famines more frequent, more widespread, and more fatal than any known before in the history of India or of the world.'

Romesh Chunder Dutt

With the strong imagery that it evoked and by the virtue of it being almost self-explanatory, the drain theory found ready acceptability among the Indian masses, specially the peasants. It eroded the moral basis of British rule in India and went a long way in sowing the seeds of disaffection and disloyalty towards the British rule. It ensured that the early nationalists did not base their nationalism on shallow sentiments but on scientific study of the complex phenomenon of modern colonialism.

Romesh Chunder Dutt (1848–1909): He was a member of the ICS, a writer and a prominent economic historian of India of the 19th century. Post-retirement, he served as the President of INC in 1899. He translated the Ramayana and the Mahabharata into English and famously authored Open Letters to Curzon on Famines ad Land Assessments in India (1900) and The Economic History of India (1902).

Previous Years' Questions – Preliminary Exam

1. Which among the following was the reasons for the lack of independent development of industries in India during British rule? **[UPSC 1999]**
   (a) Absence of heavy industries
   (b) Scarcity of foreign capital
   (c) Scarcity of natural resources
   (d) Preference of the rich to invest in land
2. The term 'Imperial Preference' was applied to which one of the following? **[UPSC 1999]**

(a) special privileges on British imports in India
(b) racial discrimination by the Britishers
(c) subordination of Indian interests to that of the British
(d) preference given to British political agents over Indian Princes

3. Match List-I with List-II. **[UPSC 2000]**

List-I	List-II
A. Land allotted to big feudal landlords	1. Jagirdari System
B. Land allotted to revenue farmers or rent collectors	2. Ryotwari System
C. Land allotted to each peasant with the right to sublet, mortgage, transfer, gift or sell	3. Mahalwari System
D. Revenue settlements made at village level	4. Zamindari System

Select the correct answer from the following options.

	A	B	C	D
(a)	1	3	2	4
(b)	1	4	2	3
(c)	3	4	1	2
(d)	2	1	3	4

4. Under the Permanent Settlement of 1793, the Zamindars were required to issue pattas to the farmers which were not issued by many of the Zamindars. Which among them was the reason for this? **[UPSC 2001]**
(a) The Zamindars were trusted by the farmers
(b) There was no official check upon the Zamindars
(c) It was the responsibility of the British government
(d) The farmers were not interested in getting pattas

5. With reference to the period of Colonial rule in India, 'Home Charges' formed an important part of drain of wealth from India. Which of the following funds constituted 'Home Charges'? **[UPSC 2011]**
1. Funds used to support the India office in London
2. Funds used to pay salaries and pensions of British personnel engaged in India
3. Funds used for waging wars outside India by the British.

Select the correct answer from the following options.
(a) 1 only (b) 1 and 2 only
(c) 2 and 3 only (d) 1, 2 and 3

6. Karl Marx explained the process of class struggle with the help of which one of the following theories? **[UPSC 2011]**
(a) Empirical liberalism
(b) Existentialism
(c) Darwin's theory of evolution
(d) Dialectical materialism

7. The tendency for increased litigation was visible after the introduction of the land settlement system of Lord Cornwallis in 1793. The reason for this is normally traced to which of the following provisions? **[UPSC 2011]**
(a) Making Zamindars position stronger vis-a-vis the Ryot
(b) Making East India company an overlord of Zamindars
(c) Making judicial system more efficient
(d) None of the (a),(b) and (c) above

8. With reference to Ryotwari settlement, consider the following statements. **[UPSC 2012]**
1. The rent was paid directly by the peasants to the government
2. The government gave Pattas to the Ryots
3. The land was surveyed and assessed before being taxed.

Which of the statements given above is/are correct? Select the correct answer from the following options.
(a) 1 only (b) 1 and 2 only
(c) 1 , 2 and 3 (d) none

9. Consider the following statements. **[UPSC 2012]**
1. Assessment of land revenue on the basis of nature of the soil and the quality of crops
2. Use of mobile cannons in warfare
3. Cultivation of tobacco and red chillies

Which of the above was/were introduced into India by the English? Select the correct answer from the following options.
(a) 1 only (b) 1 and 2
(c) 2 and 3 (d) none

10. Who of the following was/were economic critic/critics of colonialism in India? **[UPSC 2015]**
1. Dadabhai Naoroji
2. G Subramanyam Iyer
3. RC Dutt

Select the correct answer from the following options.
(a) Only 1 (b) 1 and 2
(c) 2 and 3 (d) 1, 2 and 3

11. Who among the following was/were associated with the introduction of Ryotwari Settlement in India during the British rule? **[UPSC 2017]**
1. Lord Cornwallis
2. Alexander Read
3. Thomas Munro

Select the correct answer from the following options.
(a) Only 1 (b) 1 and 3
(c) 2 and 3 (d) 1,2 and 3

Previous Years' Questions – Main Exam

1. The economic policies followed by the British led to the transformation of India's economy into a colonial economy. They disrupted the traditional structure of the Indian economy. Explain how this happened with special reference to agricultural rural employment and development of our industries. **[UPSC 1983]**
2. The Railways did in India what they did elsewhere; they hastened the transition from handicraft to mechanical industry by transforming the transport situation. Discuss **[UPSC 1992]**
3. What is meant by 'Un-British' rule in India? How did the Indian Nationalists react against it? Evaluate the role of Dadabhai Naoroji in exposing the evils of British rule in India. **[UPSC 1994]**
4. What do you understand about 'Drain of Wealth' during British rule? Examine its effects on Indian economy. **[UPSC 1997]**
5. How did the policy of free trade hurt Indian textile industry and crafts in the latter half of 19th century? **[UPSC 1998]**
6. How did economic nationalism mirror the work of the early Nationalist leadership in India? **[UPSC 1998]**
7. The emergence of new social classes in British India was the direct consequence of the establishment of new social economy, new state system, administrative machinery and western education. Discuss. **[UPSC 2008]**
8. 'British vision of India had no single coherent set of ideas. On the contrary, the ideas were shot through with contradictions and inconsistencies.' Discuss **[UPSC 2008]**
9. 'Many Englishmen honestly consider themselves the trustees for India and yet to what a condition they have reduced our country.' Critically analyse. **[UPSC 2009]**

10. Examine critically the various facets of economic policies of the British in India from mid-18th century till independence. **[UPSC 2014]**

11. Examine how the decline of traditional artisanal industry in colonial India crippled the rural economy. **[UPSC 2017]**

Practice Questions – Preliminary Exam

1. Which among the following was the main reason for the introduction of Railways in India.
   (a) Industrialisation of India
   (b) development of Indian economy
   (c) to integrate India
   (d) to secure company's economic interests in India.
2. Which one of the following propagated the Theory of 'Drain of Wealth'?
   (a) RC Dutt
   (b) Madan Mohan Malaviya
   (c) Gandhiji
   (d) Dadabhai Naoroji
3. Who is associated with the Ryotwari System of Madras?
   (a) Elphinstone (b) Cornwallis
   (c) Mackenzie
4. Railways were first introduced in India at the time of which one of the following?
   (a) Bentinck (b) Canning
   (c) Dalhousie (d) Cornwallis
5. Which one of the following was the main aim of the British to introduce railways in India?
   (a) Transport
   (b) Means for carrying goods
   (c) Trade and defence
   (d) For propagation of new technology
6. Who owned the land during British times?
   (a) Individual cultivators
   (b) Zamindars
   (c) Group of villages
   (d) All of the above
7. Out of the following, Permanent Settlement was implemented in which area?
   (a) North India
   (b) Entire India
   (c) Bengal and Banaras
   (d) South India
8. Foreign Capital investment in India first began in which industry out of the following?
   (a) Jute
   (b) Post and Telegraph
   (c) Railways
   (d) Ship Building
9. Which among the following is true regarding tea production in India?
   (a) It was started by American companies
   (b) It was produced since ancient times in the country
   (c) It was started by British in the initial decades of 19th century
   (d) It was started by the French
10. Which among the following was the main reason for the impoverishment of the Indian cultivator class as a result of British policies?
    (a) Indifference towards providing facilities for irrigation
    (b) Failure to provide seeds and fertilisers at low cost
    (c) Imposition of high land tax on cultivators
    (d) Failure to provide cheap loans
11. Dadabhai Naoroji explained the theory of drain of wealth in which of his articles?
    (a) The Economic Impact of British Rule in India
    (b) The Drain of Wealth from India
    (c) England Date to India
    (d) None of the above
12. Of the following, foreign capital was not invested in which industry?
    (a) Tea (b) Jute
    (c) Indigo (d) Cotton
13. Under Permanent Settlement, the share of zamindars of the total land revenue collected was how much?
    (a) $\frac{1}{2}$ (b) $\frac{1}{4}$
    (c) $\frac{10}{11}$ (d) $\frac{1}{11}$
14. Of the following Permanent Settlement in Bengal created which of the two classes?
    (a) exploiter and exploited
    (b) cultivator and landlord
    (c) landed and landless
    (d) None of the above
15. Which of the following was not among the main English-owned plantation industries of 19th century?
    (a) indigo (b) rubber
    (c) tea (d) coffee

Practice Questions – Main Exam

1. What is meant by the term 'drain of wealth'? Support your answer with the help of relevant examples.
2. Do you find any correlation between famines in India and the British rule? Critically analyse.
3. What was the impact of colonial rule on Indian handicrafts?
4. 'The Industrial Revolution in England completely transformed Britain's economic relations with India.' Analyse the statement.
5. 'Economic drain was peculiar to British rule in India'. Evaluate the statement.
6. Discuss the main land revenue settlements introduced by the British. Evaluate their economic impact in India.

Answers

Previous Years' Questions – Preliminary Exam

1. (a)	2. (a)	3. (b)	4. (b)	5. (a)
6. (d)	7. (d)	8. (c)	9. (d)	10. (d)
11. (c)				

Practice Questions – Preliminary Exam

1. (d)	2. (d)	3. (d)	4. (c)	5. (c)
6. (d)	7. (c)	8. (c)	9. (c)	10. (c)
11. (c)	12. (d)	13. (d)	14. (a)	15. (b)