

21. Economic Impact of British Rule in India

According to historians, at the beginning of the 18th century, India had 23 per cent of share in the world economy which came down to 3 per cent at the time of independence. British transformed India's economy into a colonial economy, i.e., the structure and operation of Indian economy were determined by the interests of the British economy.

a. Deindustrialisation-Ruin of Artisans and Handi-craftsmen:

- After Charter Act 1813, cheap machine-made products flooded even in remote corner of India. Unilateral free trade policy ensured one-way free trade for British products in India, where as trade restrictions for Indian products, thus European market was virtually closed for Indian products.
- Indian patrons were under the influence of western taste and Values.
- Loss of traditional livelihood was not accompanied by Industrialization in India.

Deindustrialization-> De-urbanization-> Ruralisation->Peasantisation-> increased

burden on land-> Land labourers => loss of unique culture and artisanship.

Thus, from **Net exporter India became net importer.**

b. Impoverishment of Peasantry:

Reason- Government, zamindar and moneylender.

1. **Issue:** Permanent settlement act → for Maximization of revenue.
2. Transferability of land → Insecurity to tenants about their traditional rights on land.
3. **Consequence:** Zamindar resorted to summary evictions, demanded illegal dues and 'begar' to maximise their share in the produce.
4. **Immediate Solution:** Overburdened peasants had to approach the money-lenders.

Result: Money-lender charged exorbitant rate of interest and if failed led to eviction from land. Thus, loss of land and livelihood-
Landless labour- Impoverishment.

c. Emergence of Intermediaries, Absentee Landlordism, Ruin of Old Zamindars:

Land in Bengal had passed to new hands → new zamindars with increased powers resorted to land grabbing and sub-letting → Increase in number of intermediaries → Rise of absentee landlordism.

d. Stagnation and Deterioration of Agriculture:

The cultivator had neither the means nor any incentive to invest in agriculture. The zamindar had no roots in the villages and the Government spent little on agricultural. Due to sub-letting, difficulty in introducing Modern technology all lead to stagnation.

e. Famine and Poverty:

Famine was not just because of food-grain shortage but was also because of Poverty.
Between 1850 and 1900, about 2.8 crore people died in famines.

f. Commercialization of Indian Agriculture:

So far, agriculture had been a way of life but now agriculture inclined towards commercialization. Specialized crops began to be grown not for consumption in the village but for sale in the national and even international markets.

- **Reasons:**

- Spread of money economy.
- Replacement of custom and tradition by competition and contract.
- Emergence of a unified national market.
- Growth of internal trade.
- Improvement in communications through rail and roads.
- Boost to international trade given by entry of British finance capital.

- **Consequences:**

- For the Indian peasant, commercialization seemed a forced process rather than in natural.
- Agriculture became more prone to fluctuation in International market for instance after price rise of cotton in early 1860s it plummeted immediately leading to agrarian riots in the Deccan in the 1870s.

g. Destruction of Industry and Late Development of Modern Industry

Industries	How they destroyed it?
Textile	Heavy taxation on Indian products, raw material was purchased at low cost from Indian to export to Europe.
Ship-building	Location- Surat, Malabar and Masulipatnam. In 1813, a law by the British parliament prohibited ships below 350 tonnes from sailing between India to Britain. In 1814, another law was passed under which Indian built ships were refused to be considered 'British-registered vessels.
Steel	Difficult criteria to get permission to establish a factory for an Indian. Restricted to produce only higher quality steel for (high import duties on them) British consumption. Therefore, missed on large domestic which needed lower standard steel.

Indian traders (for business) + money lenders (for lending) = borrowed from Bankers. This trio helped the finished British goods to reach to deeper regions of country and facilitated export of raw materials to England.

1850s onwards-machine-based industries started coming up in India, for example:

- The first cotton textile- Bombay (1853) by Cowasjee Nanabhoy.
- The first jute mill = 1855 in Rishra (Bengal).
- In sugar, cement etc. in 20th century.

Problems faced by Indians:

Credit problems, no tariff protection by Government, unequal competition from foreign companies, and stiff opposition from British capitalists.

Lopsided Industrial development:

Establishment of core and heavy industries and power generation were neglected and some regions were favoured more than the others—causing regional disparities.

- **Economic Drain:**

Early intellectuals believed **British** would **modernise** the country based on **latest technology and capitalist economic organisation**. Soon the disillusionment faded and realised the Economic drain.

What is Economic drain?

Refers to a **portion of national product of India** which was **not available** for **consumption of its people** but was **being drained away to Britain** for political reasons and India was not getting adequate economic or material returns for it.

Major components of Drain.

Salaries and pensions of civil and military officials, interest on loans taken by Indian government taken from abroad, profits on foreign investment in India, payments for shipping, banking and insurances, stores purchased in Britain for civil and military departments.

Proponents of Economic Drain	
Proponents	Published material
Dada Bhai Naoroji	Book: Poverty and Unbritish Rule in India Papers: Paper→English Debt to India The Wants and Means of India (1870) On the Commerce of India (1871)
Gopal Krishna Gokhale	✓ He criticised free trade policy. ✓ Critical about Public expenditure and its spending on warfare. ✓ Disagreed with high rates of land revenues.

	<ul style="list-style-type: none"> ✓ Not in favour of surplus budgets. ✓ Assisted Ranade in publishing Sarvajani Sabha journal. ✓ His views are expressed in the English weekly newspaper- The Hitavada (The People's paper).
M.G. Ranade	<ul style="list-style-type: none"> ✓ He introduced historical context in understanding economy process. ✓ He opposed universal principles and emphasized on relativism in economic laws. ✓ He underscored the importance of economic education in the growth of nation. ✓ Stressed the presence of the state in the economic activities. ✓ Institutions (social, economic and political) strengthening is essential for economic development. ✓ Predominance of agriculture, backwardness of industries, lack of credit facilities are reasons for poverty. ✓ He opined India inherited poverty from its past. (Differed with others). "Essays on Indian Economics" (1900).
G. Subramaiya Ayer	Book: Some Economic aspects of British rule in India.

Other economic thinkers of the time were: GV Joshi, Surendranath Banerjee, D.E Wacha and Bholanath Chandra, RC Dutt.

Consequences of Drain:

Economic: Real reason of India's backwardness was Drain.

- **How:** Loss of wealth and Capital- this could have been used by Indian to invest in India leading to Industrialization and generation of jobs.
- Instead, we had deindustrialization and biggest sufferers were peasants due to high rate of revenue. In case of development in terms of Railways - Everything related to it from rail tracks to engines was imported at heavy cost and was constructed in a way to facilitate their interests
- Biased trade policy and taxation: One-way free trade policy ruined Indian handicrafts industry, exposing it to premature, unequal and unfair competition. Taxes were imposed on poor, sparing British capitalists and the bureaucrats.

Stages of Colonialism in India:

Given by R. Palme Dutt → Marxist Historian

Phase 1: Mercantile Phase 1757-1813:

Objective: Monopoly in trade and Direct plunder of Indian states- It was achieved by eliminating all other European powers from India and native states who opposed.

Reforms in Administrative and Social Structure:

No major changes in either of them was introduced rather some changes were introduced in accordance with Indian social norms like in case of Judicial system.

Only major changes were made was in Military organisation and technology.

The wealth earned in this phase sponsored England's Industrial Revolution.

Phase 2: Industrial Phase 1813-1860:

Objective: Source for Raw material and market for finished goods.

Reason: Industrial Revolution → Demand of Raw Material & Market for Finished goods.

Industrial Capitalist → Showed Critical attitude towards EIC monopoly.

Created pressure on government → Charter Act 1813.

Reforms in administrative and socio-economic structure: Radical reforms were introduced.

Administrative Changes:

The Permanent Settlement and the Ryotwari system in agriculture, changes related to criminal law, law of contract and legal procedures were overhauled to promote capitalist commercial relations and maintain law and order.

Social structure:

Modern education was introduced to transform India's society and culture. Interference with social laws and norms.

○ **Economic structure:**

Free trade → Indian Economy getting integrated with British Capitalist + World Economy.

Free entry was also granted to the British capitalists to develop tea, coffee and indigo plantations, and trade, transport, mining and modern industries in India. Development of Transport & Communication.

● **Phase 3: Financial Phase 1860-1947:**

Objective: Promotion and protection of foreign investment by strengthening its control over India.

Investment Avenues: Railway loans (to the Government of India), trade and, to a lesser

extent, in plantations, coal mining, jute mills, shipping and banking in India.

What changed? The notion of training the Indian people for self-government vanished, now, the aim of British rule was declared as permanent 'trusteeship' over the Indians.

More Money → Strong Administration → Consolidation of rule.

Notion of "the White Man's burden"- civilising a barbaric people.

Revenue laws of the British

Permanent Settlement	Ryotwari	Mahalwari
<p>Introduced by Lord Cornwallis in Bengal in 1793. Under this system, the zamindars collected the revenue; and at the same time, became owners of all land under their jurisdiction.</p> <p>The peasants became rent-paying tenants, who could be evicted at will.</p> <p>The revenue amount, fixed arbitrarily, was quite high. The zamindar had to submit the revenue at a particular date, even if the crop failed or got damaged or destroyed.</p>	<p>In 1812, the Ryotwari Settlement was introduced in the lands seized from Mysore. Later, it was implemented in Bombay.</p> <p>Peasant was the proprietor in this system</p> <p>Under this settlement, a village-level survey was conducted, followed by the drawing up of a register of all land within each village.</p> <p>Revenue was not permanently fixed, but was revised after every 20–30 years.</p>	<p>It was a modified version of the Permanent Settlement that was introduced in the Gangetic Valley, the North-West Provinces, parts of Central India, and the Punjab.</p> <p>Under the Mahalwari system, the settlement was made with a village, rather than with an individual peasant or zamindar.</p> <p>It was the duty of the local lambardar to collect revenue from the peasants of his village.</p>