



The British Colonial Policy in India and Its Effects on Indian Economic Image:A Historical Overview

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ABSTRACT

“The annals of Indian history tell us that, India dominated in world economic structure right from ancient period to early modern era. The Indian economy was self-sufficient and most developed compare to the rest of the world in ancient and medieval age. Different racial group; got attracted to its economic prosperity, migrated and settled here permanently. All invaders, invaded India as foreigner, as time pass on, they became more Indian then Indian themselves. It was because of this racial group of people; India became most prominent economic power in internationally and maintain this stature for long time. In mid of the 18th century CE, the British East India Company able to defeat the Indian ruler in Carnatic wars, battle of Plassey and Buxar. At the same time, when this contest was going on in India, England was passing through the industrial revolution in eighteenth century AD. The mode of production change from manual to machine mode. Even after drastic change, still Indian manufactured goods had high demand in rest of world. Using state machinery, the British parliament and East India Company devised a strategy to curb the market supremacy of the India in the world. The mercantile policy of west converted Indian mode of industry oriented Indian economy to agriculture economy. Due to the British policy the most self-relent economy of world converted into most depended economy.”

Index Term-Plassey, Buxar, Indian economy, Indian mode of industry, market, British policy.

1. INTRODUCTION

India was known for its richness and prosperity right from the sixth Century BCE. The records left by the western and eastern travelers compel us to believe this fact. For this reason, only, India attracted different racial people to come and settled in India. We know from the annals of history, that the central Asian tribal people invaded India, and settled here most probably due to it rich grazing ground, forest resources, fertile agricultural land, easy availability of water. Though they were foreigners to this land, they settled here and lost their connections with original home land. They contributed richly, to this great nation in form of Vedic civilization. It was because of this great race the sixteen Janapadas got its inception in India. Then comes the turn of Persian people, due the geographical reasons, they did not lose complete connection with their homeland, they too contributed to enrich this great nation. They never tried to demolish the basic structure of our nation. Like this many other foreigners like Greeks. Kushan, Shakas, Parthians invaded India, later this racial people became Indian in colour and blood. Because of this people, Indians able to get the idea of empire, administrative system, and new initiations in the economy. India became the trading hub of entire world, the Roman Empire, the Persian Empire and the Chinese Empire gave first preference to develop trading contact with Indian states. In 8th century CE, motivated with their new religion Islam, Arabs invaded India and able to establish their political hold over Sindh and Punjab regions of India and ruled for about three hundred years. Later the Afghans Turkish and Mongols Slave dynastic rule established as a result of Mohammad Ghorī invasion. The Islamic rule continued up to end of Mughal dynasty with at most grip over all affairs of Indian society and economy. The last race to invade India was the Europeans and a unique colonial rule established on the principle of colony is for the benefits of colonial nation Britian.

All the above said races except Europeans became Indian in race and culture, in some cases, they converted in more Indians than the native Indians. They never tried to completely demolish the Indian system. But the European, particularly The English people taking advantage of political anarchy of India after dismemberment of the Empire of Mughal in mid of 19th century CE. The East India Company, after the Carnatic wars, battle of Plassey and Buxar, became the master of South Eastern India, Bengal, Bihar and Orrisa in 1765. From 1765 to 1900, India converted into most backward country, from most developed country in the world economic structure. It was mainly because in 18th century CE, Industrial revolution makes England capable to produce machine made product. Due to political instability, the Indian cottage and small-scale industries of Bengal and south India were not able to upgrade their mode of production. Beside this, the British followed oppressive economic policy with regards to Indian industrial structure. Here in this article, I am trying to argue how the revenue and industrial policy ruin the economic structure of India. Once this great nation known for its finished product, export to different corners of Asia and Africa, due the British policies, it had become major exporter of raw material to the English industries of Britain.

1.1. Objectives

- A. To evaluate the Indian economy in the pre-British Era.
- B. To find-out the reasons for the backwardness of Indian Economy during the British rule.
- C. To understand the link between the backwardness of Indian Economy and British economic policy.
- D. To understand the industrial policy of British in 18th century.

1.2. Hypothesis: “There is close relationship of dependency of Indian Economy and British Industrial policy of CE. 18th Century.”

2. The Economic Status of India under Mughals and contemporary British Policy

Based on available records the Indian economy under Mughal was most flourished economy in the world. The agriculture, trade and commerce and the standard of life of the Indians were much better then rest of Asia and Europe. During the Mughal period (1526–1858), the gross domestic product of India was estimated at about 25.1 percentage of the old-world economy.¹ (Dutt, 1960)

At its height, in the late 17th century, the Mughal Empire ruled over 90% of South Asia and imposed a standardized system of customs and tax administration. In 1700, Emperor Aurangzeb's exchequer stated that he received annual revenue exceeding £100 million.

While the Marathas took over as the main force in most of India in the 18th century, other tiny regional kingdoms, primarily late Mughal tributaries like the Nizams in the south and the Nawabs in the north, proclaimed their own autonomy. But the effective Mughal tax administration system survived mainly unaltered. India's economy had dropped from being the largest in the world to the second by this point. Early in the 1770s, a terrible famine that struck the eastern coast killed 5% of the country's population. (Metacalf, 2006)

The East India Company, which had previously used gold and silver imports to pay for goods returned to Britain, essentially stopped doing so after obtaining the authority to levy taxes in Bengal in 1765. Additionally, just as during Mughal rule, the Company's wars in other parts of India were financed in part by land revenue collected in the Bengal Presidency. As a result, Bengal's money supply significantly decreased between 1760 and 1800. In addition, the exchange rate fixing, coin standardization, closure of some local mints and strict oversight of the others, and other measures paradoxically contributed to the economic downturn. (Roy, Bengal Industries and British Industrial Revolution 1757 to 1857, 2011). India shifted from being a buyer of manufactured goods and an exporter of raw materials to being a buyer of processed goods during the 1780–1860 period, with payment made in bullion. More specifically, by the second quarter of the 19th century, raw materials—primarily raw cotton, opium, and indigo—accounted for the majority of India's exports. In the 1750s, the country's main exports were fine cotton and silk, which were shipped to markets in Europe, Asia, and Africa. Additionally, the British cotton mill industry started pressuring the government in the late 18th century to tax Indian imports and grant them access to Indian

markets. The Indian markets were soon overrun by British textiles, which started to show up in the 1830s and increased in value from £5.02 million in 1850 to £18.04 million in 1896. (Nouroji, 1901)

British colonial rule created an institutional environment that largely stabilized law and order. However, British foreign policy stifled trade with the rest of the world. They created a well-developed railway and telegraph system and a modern legal system. The infrastructure created by the British was primarily aimed at exploiting the India's resources and became completely stagnant, industrial development came to a halt, and agriculture was unable to support a rapidly growing population. They faced frequent famines, had one of the lowest life expectancies in the world, suffered from widespread malnutrition, and were largely illiterate. (Nouroji, 1901)

India's contribution to global income, according to British economist Angus Maddison, decreased from 27% in 1700 to 3% in 1950 (as opposed to Europe's 23% share). Since India was still a colony, there was little investment in its industries, which has led modern economic historians to attribute India's miserable economic situation to colonial rule. The construction of railroads served solely to facilitate the exploitation of Indian resources. (Dutt, 1960)

The extremely traditional structure of Indian agriculture land ownership is once again destroyed by the British agricultural policies of the Permanent Land Revenue system, the Ryotwari system, and the Mahalwari system. Here, they make a commitment to collect taxes from people and attempt to deny the welfare of farmers. Their only strategy was to find steady sources of funding so they could continue fighting the native Indians. Mishra and Puri state that "almost no investment was made in agriculture and the farm technology remained backward due to defective land tenure system.". Furthermore, any increase in agricultural productivity was thwarted by the size of holdings and the system of produce distribution. (Bekker, 1951)

Commercializing agriculture as a means of supplying raw materials to British manufacturers was another blow to the Indian economy caused by British policy. For the Indians, it had two unfavourable effects. In the beginning, it caused a shortage of food grains, particularly during famine. In actuality, historians claim that the British government's cruel policies caused the famine in India. Second, the Indian cottage and handloom industries were destroyed as a result of the manufactured machine-made goods that were flooded into Indian markets along with a host of incentives and privileges. The majority of Indians now work primarily in agriculture as a result of the destruction of the country's cottage and small-scale industries, which altered the highly professional structure of the Indian economy. (Mukherji, 1948)

When discussing how land revenue affected the peasants under the British rule, Bhatt notes that "the excessive and unpredictable land taxes considerably reduced the capacity of the Indian cultivators to save and invest for increasing the productivity of land". (Bhatt, 1963)

Between 1880 and 1920, both the population and the economy of India expanded by 1% annually. On average, the outcome was. No sustained shift in the levels of income. The majority of peasants were still subsistence farmers, and agriculture remained dominant. Large irrigation systems were constructed, which stimulated the growth of cash crops for export as well as raw materials for Indian industry, particularly for the production of jute, cotton, sugarcane, coffee, and tea. (Dutt, 1960)

There were Indians who attempted to develop the Swadeshi industries at the same period. Entrepreneur Jamshedji Tata (1839–1904) started his industrial career in Bombay in 1877 with the Central India Spinning, Weaving, and Manufacturing Company. Tata fared significantly better than other Indian mills that used cheap, British-imported machinery and locally grown, short-staple cotton to produce cheap, coarse yarn (and later cloth). Tata also imported more expensive, longer-stapled cotton from Egypt and purchased more sophisticated American ring-spindle machinery to produce finer yarn that could rival imported goods from Britain. In an attempt to stifle Indian "centred industrial development," the British East Indian Company and the British Raj took different approaches. (Bhattacharya, 1986)

3. Industrial and Commercial Policy of Colonial British.

In addition to their agricultural policies of exploitation, the British also destroyed the Indian economy with their industrial and commercial policies that favoured the British at the expense of the Indian people. Following the Industrial Revolution, the upper business class in England gained more political clout. The British government imposed protective

tariffs on Indian manufacturers, making it difficult for them to import goods into England, at the behest of this recently formed class. (Dutt, 1960)

Indian cotton textiles were priced roughly half as much as British cotton when they were sold to British markets until 1813. The British government therefore believed that imposing protection was necessary. The use of Indian products was outlawed, despite the protection imposed when the British neglected to monitor the entry of Indian cotton. The mills in Manchester and Paisley would have been shut down right away and would hardly have been able to restart operations, not even by steam power, if prohibition duties and decrees had not been in place. According to Wilson (1970), "They were created by the sacrifice of the Indian manufacture." (Wilson, 1970)

India's iron and steel industry was hindered from developing when the government refused to allow Tata's request to establish an iron and steel plant in the Central Provinces in the 1880s. The growth of railways led to the development of the iron and steel industries in the UK and other Western European nations. This would therefore have been easily achievable in India as well had the British government's policy been favourable in this regard. However, the government's unfavourable attitude caused India to miss this chance. (Wilson, 1970)

These are the key strategies that the British Empire used to take advantage of India. India was unable to resist it. She watched helplessly as some foreign force destroyed her. Wilson, a well-known historian, states that if India had been independent, she would have struck back, proposed prohibitive tariffs on British goods, and prevented the destruction of her own productive industry. (Wilson, 1970) (Roy, Bengal Industries and British Industrial Revolution 1757-1857, 2011)

She was left to the stranger's mercy and was not allowed to defend herself. The Indian manufacturer used the weapon of political injustice to subdue and eventually strangle a rival with whom he could not have competed on equal terms, and British goods were imposed upon her without any duty paid. (Raychaudhuri, 1970).

4. POLICY OF COMPANY TO WARDS INDIAN FINANCE.

The permanent land revenue system, the Inam commission and the subsidiary alliance treaty crippled the financial conditions of India. Furthermore, India was duped by the British government into paying for expenses that had nothing to do with the nation's citizens. All of these costs were arbitrarily regarded as loans to India. The burdens that were deemed convenient to assign to India appear absurd. The cost of the Mutiny, the price of the transfer of the company's rights to the Crown, the expenses of simultaneous wars in China and Abyssinia, every government item in London that remotely related to India, to fees of the char-woman in the India office and expenses of the ships that sailed out but did not participate in hostilities and the cost of Indian Regiments for six months training at home before they sailed – all were charged to the account of un-represented ryot ... It is small wonder that the Indian revenue swelled from L 33 million to L 52 million a year during the first thirteen years of Crown administration and that deficit accumulated from 1866 to 1870 amounting to L 11.5 million. A home debt of L 3,00,00,000 was brought into existence between 1857 and 1860 and steadily added to". (Roy, Bengal Industries and British Industrial Revolution 1757-1857, 2011)

5. Drain of Wealth:

Dadabhai Naoroji highlighted that India's lack of development was due to the exodus of capital and wealth from the nation. "The drain consist of two elements," "First, that arising from European officials' remittances of their savings, and for their expenditure in England for their various wants both there and in India: from pensions and salaries paid in England. Second, that arising from remittance by non-official Europeans." (Nouroji, 1901)

Naoroji claims the drain between 1835 and 1873 was L50 crores. C. N. The drain has also been estimated by Vakil (1953). He estimated that the entire loss between 1834 and 1839 was L85 crore. The profits that the British capitalist received from his capital investment in India were not factored into his estimates. K. T. Shah and K. J. Khambata provided estimates of the drain during the first decade of the 1900s. They believed that Britain appropriated more than 10% of India's GDP each year, either under one heading or another. (Nouroji, 1901)

Based on available historical material, Radhakamal Mukherjee, one of the pioneers of Indian sociology, has created an index of real wages for the United Provinces for a range of years from 1600 to 1938. His estimates show that during British rule, the real wages of both skilled and unskilled workers decreased steadily. The actual pay for skilled laborers in 1928 was about 50% of what it was in 1807. Because they were not even 40% of the real wages in 1807, the decline in the real wages of unskilled workers was much greater. (Mukherji, 1948)

According to British historians, the over-population, lack of education, and lack of technology caused India's economy to become dependent. However, nationalist scholars (Sarkar, 1985; Naoroji, 1901 and 1996; Chandra, 1981; Dutt, 1970; Ambedkar, 1925) sharply disagreed with the British administrators' and writers' explanation of colonial schools regarding India's economic underdevelopment, arguing instead that the country's economic backwardness was primarily caused by the British rule's economic policies, supporting their claims with reasoned arguments and supporting data. These academics contend that India's economy was purposefully destroyed by the British colonizers, who also appropriated her wealth, sent it to England, and put up every barrier to its future growth. (Bhatt, 1963) Nationalists came to the conclusion that the overall effect of British policies was primarily responsible for the decline of traditional industries, the inadequate development of modern industries, and the growing reliance of the populace on agriculture during the British period. The Indian economy is changed from one that exports industrial goods to one that exports raw materials to British industries between 1765 and 1947 as a result of British agricultural, commercial, and industrial policies. (Dutt, 1960)

6. Conclusion

The conclusion "tends to reinforce some of the better-known propositions about the nature of the making of its material context and the nature of the commercial orientation of eighteenth-century trade." Along with the Landed elite, middle-class professionals, traders, and merchants also solidified their positions. Historians have asked why, in the 19th century, India did not industrialize to the same extent as Britain. India was a comparatively urbanized and commercialized country in the 17th century, with a thriving export trade that included rice, silk, and spices in addition to textiles made out of cotton. Up to later phase of 20th century CE, India was the leader in cotton textile, and through British traders India used to export this product to Europe and rest of Asia. The growth of Indian industries was stagnant, due to suppressive industrial and commercial policies of British up to first world war. However, the Indian industry stagnated and industrialization in India was postponed until the 20th century while the British cotton industry saw a technological revolution in the late 18th century. Historians have hypothesized that this was due to India's low wages and continued status as a predominantly agricultural country. Because wages were high in Britain, cotton producers were incentivized to invest in and develop costly new labour-saving technologies. The concept of "the development of underdevelopment," as proposed by Gunda Frank, is most appropriate for the Indian context: the English economy prospered at the expense of the Indian economy's underdevelopment. With end of 19th and 20th century India become one of the major exporters of raw material to the industries of England. For finished product, India completely depended on England.

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