

## Status of Indian Economy during the British Rule

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### **Abstract**

*India was rich in economy, culture and polity. But it was due to advent of foreigners that it gradually got pushed into backwardness. During the pre colonial period and also during the colonial period, Indian economy was dominated by agriculture sector. The major part of the GDP came through the agricultural contribution. After the British invasion as well, the agriculture sector grew. Any change in the agriculture sector was clearly reflected on the GDP. The main aim of the paper is to examine the status of Indian economy during British rule in India. The study was based on the secondary sources of data. The study revealed that before the invasion of British rule India exported finished goods and imported raw materials. After the changes in the agricultural policies, which were directed to grow specific crops, India became the importer of finished goods and exporter of raw materials mainly to Britain and Indian cotton textile industry suffered a lot.*

**Key Words:** *economy, Agriculture, GDP, British Rule, Cotton Textile Industries.*

### **INTRODUCTION**

The British government had a noticeable and intense economic impact on India. The economic policies followed by the British led to the fast transformation of the Indian economy into a colonial economy whose nature and structure was strong-minded by the needs of the British economy (Dutt, 1906; Guha, 1992). In this reference, the British invasion of India directly differed from all previous foreign conquests. The previous conquerors had overthrown the political powers in India but had made no basic changes in the socio-economic condition of the country; rather they had gradually become a part of Indian life, political as well as socio-economic. The peasants, the artisan and the trader had continued to lead the same type of existence as before. Hence, the change of rulers had merely meant change in the personnel of administrative mechanism (Nanda, 2003).

During the pre colonial period and also during the colonial period, Indian economy was dominated by agriculture sector. The major part of the GDP came through the agricultural contribution. After the British invasion as well, the agriculture sector grew. Any change in the agriculture sector was clearly reflected on the GDP. But the composition of agricultural produce changed drastically. Earlier India exported finished goods and imported raw materials. After the changes in the agricultural policies, which were directed to grow specific crops, India became the importer of finished goods and exporter of raw materials mainly to Britain. India had an independent and sustainable economy before the advent of British rule. Though agriculture was the main source of livelihood for most people, the country's economy was characterized by various kinds of manufacturing activities (Kumar, 1982). India was particularly well known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone-works etc. These products enjoyed a worldwide market based on the reputation of the fine quality of material used and the high standards of craftsmanship seen in all imports from India. Hence an attempt has been made in this research paper to examine

the status of Indian economy during the British rule in India.

## RESULT AND DISCUSSION

The status of Indian economy during British period has been explained under four heads i.e. Agriculture, industry, transport and communications and foreign trade.

### 1. Agriculture:

Indian agriculture remained completely conventional and primal during the British rule from 1757 to 1947. Farm technology was very simple followed during British rule and no transformation was adopted into it. Due to the decline of urban handicrafts in India there was an increasing pressure on agricultural sector. This has resulted in the sudden enlargement in the number of agriculturists leading to a continuous subdivisions and fragmentation of agricultural land and which further resulted the problem of uneconomic holding and unproductive agriculture in the country. Thus agriculture remained merely a means of subsistence for most of the farmers. In the second half of 19th century, famines deteriorated the conditions of agriculture further. The British rulers took no sufficient steps to develop irrigation facilities.

There was a little change in the agricultural practices adopted in India, till the 19<sup>th</sup> century. Indian farmers were growing the same crops throughout the past centuries. Wheat and Rice were the two main crops grown in India followed by jawar and barley. Other crops, produced in India from the very beginning, were different types of pulses, oil seeds, jute, cotton, indigo and spices. All these crops were produced in the country with the use of simple implements and tools like light wooden plough, sickle and spade, supported by animal power. The rotations of crops of traditional type were followed to regain the fertility of soil. Farmers were using only natural manures. Storage and marketing facilities were insufficient in the country.

### **Commercialization of Agriculture:**

In the latter half of the 18<sup>th</sup> century, the East India Company realized the export potentialities of the Indian agricultural commodities like indigo, jute, cotton and oilseeds. This was mostly resulted due to Industrial Revolution in England and imposition of restrictions on the export of manufactured and final goods from India. All these reasons lead to the commercialization of Indian agriculture. So far, agriculture had been a way of life rather

than a business enterprise. Some specialized crops started to be grown for selling it in the market for deriving cash rather than for subsistence or family use. Commercial crops like sugarcane, cotton, groundnut, jute, oilseeds and tobacco, etc were more profitable than food grains. Again, the cultivation of crops like condiments, spices, fruits and vegetables could cater to a wider market. Perhaps, due to the commercialization and high level of development in the plantation sector, i.e. in tea, coffee, rubber and indigo, etc. these were mostly owned by Europeans and were produced for the sale in a wider market.

Commercialization seemed to be forced process for the Indian peasants because there was hardly any surplus left with them for the further investment in the commercial crops, given the subsistence level at which they lived, while commercialization linked the Indian agriculture with international market trends and their fluctuations. For instance, the cotton of the 1860s pushed up prices but this mostly benefited the intermediaries, and when the slump in prices came in 1866, it hit the cultivators the most, bringing in its turn heavy indebtedness, famine and agrarian riots in the Deccan in the 1870s (<http://www.yourarticlelibrary.com/history/e>

conomic-impact-of-british-rule-in-india/23716).

## 2. Industry:

India was quite well known for her industrial products. The famous industry in India was the urban handicraft industry and out of the urban handicraft industries the most famous industry in India during those days was the textile industry. The well known products of textile industries were from cotton textile such as Dacca muslin, dhotis and dopattas of Ahmedabad, Chintzes of Lucknow, sarees of Madurai etc. These products were quite famous at national and international level. Moreover, silk fabric produced in Bengal, Pune, and Ahmedabad etc. was also quite famous. The woolen articles like Kashmiri shawls produced in Kashmir and in some parts of Punjab were also quite famous throughout the country and also in European countries. Again a good number of metal industries flourished in India which includes brass, copper and bell-metal industries established in Banaras, Nasik, Pune, Hyderabad, Tanjore, Vishakhapatnam etc.

Besides these industries, other industries such as stone carving, gold and silver thread work, sandal wood work, marble work, glass

bangles making, enameled jewellery, tanning and leather works, melting and forging of iron and ship building etc. existed in India at the time of arrival of East India Company. Towards the end of the 18th century and thereafter, there was a rapid decline of most of the aforesaid urban handicrafts industries. This was due to the increasing competition faced by Indian handicrafts industries with the factory-made goods produced in England after the Industrial Revolution started in England after 1750 and especially in the first half of 19th century. The liberal policies of Britain in respect of its industries and trade are also responsible for the decline of Indian industries.

The British industrialists took interests only in those industries in India in which they were failed to set up elsewhere in the world due to geographical reasons such as jute and plantation. British industrialist established jute mills in Bengal and also started tea, coffee and indigo plantation which made it possible to exploit Indian labourers extensively. In this way, India was forcefully transformed from a country of combined agriculture and manufacture into an agricultural colony of British manufacturing capitalism. Therefore, Indian

urban handicraft industries were more or less destroyed gradually for making way to the British manufacturers.

Thus, during that period the industrial revolution in England had gathered its momentum through the utilization of its capital and then they started to exploit the Indian economy in many ways. During those days, the most important purpose of the British government was to transform the Indian economy as a primary producing country, concentrating on the production of raw materials and to create a potential market in India for the sale of their manufacturing goods. Thus the policy of free trade of British government had ruined the Indian textile industries as these industries could not stand in the competition with the machine made textile produced by the British industries. Moreover, British capitalists steadily developed tea, jute, and coffee industry in India due to geographical reasons and finally exploited the Indian labourers extensively.

In this way, British industrial capital had accelerated the process of economic drain from India along with the degree of exploitation and then set imbalances in Indian economy.

### 3. Transport and Communications:

Development of transport and communications has been considered quite significant from administrative, political, social, economic and cultural point of view. During the British period, the transport and communications system in India was totally backward.

#### (A) Road Transportation:

In the early part of the 19<sup>th</sup> century road communications in India were extremely underdeveloped. There were only few trunk roads that were developed in the country by the Mughal emperors, which were also started worsening due to lack of proper care and maintenance. Due to the absence of all-weather roads, the villages were totally disconnected and remained isolated from the rest of the areas during monsoon. Although British constructed a few roads during the early part of their conquest of India, but most of them were discarded after their conquest of the country. Till 1936, the East India Company did not pay any attention to the construction of roads for the development of transportation and communication system and commerce. It was only 1836, the East India Company took some initiative to introduce postal communications and thereby taken up the

construction of Calcutta-Delhi road at the estimated cost of £1.5 million. Again in 1842 Calcutta and Bombay and also Bombay and Agra were connected by roads. All these road constructions were undertaken both for strategic considerations and also for general social improvement. During the early part of the British rule, the factors which mostly prevented the rapid construction of roads were the shortage of funds and the organizational loopholes.

During the administration of Lord Dalhousie, the central public works department was established in 1850 and real initiative was taken to construct roads in various parts of the country. Thus till the middle of the last century, the road transport in India was in a most backward condition. The East India Company neglected the road development by assigning the responsibility of road development to the Provincial Military Boards instead of Public Works Department. Considering the growing need for building more roads the Road Development Committee was appointed by the Government of India in 1827. It was suggested by the committee that Grand Trunk Roads be maintained by the Central Government and rest were to be maintained by the state government and local bodies.

Accordingly, the Indian Government was created a Road Fund in 1934 on a permanent basis. After 1880, there was extensive road construction in the country and by 1943; there were nearly 95,054 miles of metallic roads and 2, 01,414 miles of Kacha roads under the British government. Due to the rapid expansion of motor transport, the aforesaid mileage of roads was inadequate for a vast country like India. But the progress on road construction was very slow due to various difficulties and growing shortage of funds.

Again the conditions of district roads and village roads worsening due to increasing load of traffic and limited fund available with local bodies.

### **(B) Railways:**

During the British rule the development of railways has played a crucial role in the development of Indian economy. Railway was introduced in Britain during the first half of the 19th century and the first passenger carrying railway line was opened for service in England in 1825.

In 1832, the first proposal for railway construction in India was made. In 1849, the East India Company and the Great Britain Peninsula Railway Company entered into a

contract for constructing a railway line between port of Bombay and Cotton growing track of Berar. The construction work for the same began on 31st October, 1850 and the first railway passenger train left Bombay for Thana for a distance of nearly 21 miles. And on 16th April, 1853, the Bombay-Thana railway route was opened for traffic officially.

Lord Dalhousie laid down the general principles of railway development in India in his second Minute of 1853. Accordingly, he advocated the construction of some trunk railway routes to link up the principal port in each Presidency with the interior of that Presidency along with linking up different Presidencies with each other under the Old Guarantee System. This system was in operation for about 25 years, i.e., between 1844 and 1869. During this first phase of railway construction, i.e., during 1859-69, 4,600 miles of railway lines were constructed. The second phase of railway construction, i.e., the State Construction of Railway was undertaken during 1869-1879 and only 2,200 miles of railway lines were constructed under this scheme.

The third phase of railway construction under the New Guarantee Scheme was based

on the partnership between Government of India and British Private Companies and the phase was continued during 1880-1900. Again during the period of 1900-1914, the State Ownership of Railways was introduced as the Government bought most of the railway lines on the expiry of contract with various private railway companies.

Thus by the beginning of 20th century, there were nearly 25,000 miles of railway lines in India. Since then the railway mileage in India was gradually extended to cover new areas. Accordingly, total railway mileage in India stood at 40,525 miles on August 1947. After partition of the country, 6,659 miles of railway lines had gone into Pakistan's territory, leaving the rest 33,865 miles of railway line for India.

### **(C) Water Transport:**

Although there were a number of rivers in India but these rivers were not so appropriate to serve as natural waterways as in England. While the major of rivers of Northern and Eastern India such as Ganga, Yamuna and Brahmaputra remained navigable for hundreds of miles above their mouths but the rivers of South India is not having that sort of navigability.

Only few rivers were navigable only at and near the mouth during the rainy season. History also suggests that inland waterways were of considerable use in the Northern and Eastern India in ancient days and also during Mughal period. For example, Ganga was considered as a great natural waterway of commerce and accordingly its banks facilitated the growth of many towns like Mirzapur as a centre of trade. During the British period, a good number of British navigation companies came up to tap the navigable capacity of Ganga, Yamuna and Brahmaputra rivers.

But after the arrival of Railways in 1850 the inland waterways received a set-back. In spite of various physical limitations imposed on inland waterways, the importance of this mode of transport was felt. The Industrial Commission (1916) and the National Planning Commission (1938) had suggested to the then British Government to develop this inland waterways side by side with railways.

India was occupying a vast potential for the ocean waterways from the very beginning. As the country was having a coast line of 4,000 miles but it did not possess the advantage of indented coast line as available

in England. But considering its extensive seaboard and the country's geographical location, India could aspire to become a principal carrier of world trade.

As the first part of 19th century, India was known as a great sea-faring country and the ship building capacity of the country was also quite excellent. The teak wood vessels of Bombay were superior to that of the 'Oaken' Walls of Old England.' Moreover, the passenger ships built in India were also much larger than anyone built in contemporary Europe, excluding the ships built by the Portuguese. After that the introduction of iron-made ships, India was deprived of her differential advantage in respect of timber.

It has been estimated that at the beginning of World War II, the share of Indian vessels in its coastal trade was around 40 per cent and in oceanic trade was nearly 4 per cent. But the share of British in India's oceanic trade was around 66 per cent. The British Indian Steam Navigation Company and some other British companies dominated in the coastal and overseas trade of India for more than hundred years and suppressed the Indian shipping companies by forming a 'conference' between themselves, through



the weapons of (a) Deferred Rebate System and (b) the Rate Wars.

#### **(D) Air Transport:**

The air transport services was started to develop in India after the First World War up to a limited range. The first regular airline service was started in 1932 in the country. After that, in 1939, three Indian companies were organized to operate regular air services in India. In 1948, the Air India International, a government- cum-private enterprise in the joint sector was set up with 49 per cent Government holding to operate on overseas routes. Again, in 1949, 12 air companies were operating inland air services throughout the country with limited capacity.

Thus it is found that although the air transport services were developed in India during the fag end of the British period but it could not gain momentum due to lack of infrastructural facilities and scarcity of investment.

#### **(E) Postal and Tele-communication Facilities:**

The postal communication system was started to develop in the early rule of East India Company operated through personal

carriers moving on horses or on foots adopted during the pre-Mughal and Mughal periods. It was only during the government of Lord Dalhousie, the present system of uniform postage throughout the country and use of postage stamps (instead of cash) was developed in 1856.

It was again during Lord Dalhousie's regime that the system of electric telegraph line was installed between Calcutta and Agra in 1853, covering a distance of about 800 miles. By 1855, nearly 4,000 miles of telegraph lines were installed. In 1950-51, there was only one post office for every 10,000 population of the country and the condition of the postal services in rural areas was deplorable.

#### **4. Foreign Trade:**

Before the British rule, India was quite self-sufficient in food grains and maintained a favorable balance of trade. But during the British period the direction, composition and volume of foreign trade have undergone a considerable change. During the early part of British period, India experienced a little change in the composition of its foreign trade.

At the beginning of 18th century, cotton and silk manufactures, indigo, spices and sugar

were the important goods of exports from India and its imports were consisting of gold and silver, woolen goods and miscellaneous types of novelties. But after the Industrial Revolution in England, the industries started to produce various goods on a large scale and replaced the old small scale handicrafts. Thereafter, England wanted to establish market for their manufactured goods in India and also wanted that India should supply different types of raw materials to the newly developed industries in England. Therefore Britain wants to adopt the colonial pattern of foreign trade in India. As a result in the first half of 19<sup>th</sup> century India experienced fundamental changes in the composition of its foreign trade.

On the other hand, India started to import manufactured goods mostly from England and exports the raw material for their industries. During the second half of 19<sup>th</sup> century and with the introduction and development of railways, development of roads, introduction of steam-ships, construction of ports and telegraphs and finally with the opening of Suez Canal in 1869, India had experience fundamental changes in the volume and composition of its foreign trade.

In the beginning of 20<sup>th</sup> century, India along with other countries had recorded a significant increase in its foreign trade. This was resulted due to the increase in the production of gold and consequent rise in prices of all different types of goods. After the First World War, the volume of India's trade declined to nearly half of the previous total and imports declined more steeply than its exports. During the Second World War (1938-45), India again experienced considerable dislocation in the normal channels of its foreign trade leading to a change in the composition and direction of its trade. Again during the Post-War Years (1945-51), foreign trade of India rose steeply but the imports of the country rose much more steeply than exports.

During the major part of the British period excess of exports over imports had resulted in a favorable balance of trade. This excess of India's exports over her imports did not result any flow of gold and silver to India in return. Moreover, the direction of India's foreign trade had also experienced a substantial change during the entire British period. At the dawn of British period (i.e., 1818 onwards) India's foreign trade was mostly connected with Great Britain. During 1850s, about 75 per cent of India's imports

and exports were related to United Kingdom. But with the growing industrialization of U.S.A., Germany and Japan, India started to establish its exports and imports contracts with other European countries and Japan.

Accordingly, the shares of different countries at the end of 19th century regarding India's imports were as follows: UK (69 per cent), Germany (2.4 per cent), U.S.A. (2.6 per cent) and Japan (2.6 per cent). But at the beginning of the 20th century, the shares of different countries in India's imports were as follows: U.K. (27 per cent), U.S.A. (7 per cent), Far East (24 per cent) and remaining countries (15 per cent). Again the share of U.K. in India's imports declined from 31 per cent in 1938-39 to about 25 per cent in 1945-46 and then to 21 per cent in 1950-51. Similarly, the share of U.K. in India's exports which was 24 per cent in 1913-14, gradually increased to 34.0 per cent in 1938-39 and then gradually declined to 28 per cent in 1945-46 and then to 22 per cent in 1950-51. Again the share of U.S.A. in India's import trade gradually increased from 7 per cent in 1938-39 to 21 per cent in 1950-51 (<http://www.economicdiscussion.net/indian>

[-economy/indian-economy-during-british-period/19019](#)).

## CONCLUSION

The study concludes that earlier India exported finished goods and imported raw materials. After the changes in the agricultural policies, which were directed to grow specific crops, India became the importer of finished goods and exporter of raw materials mainly to Britain. Indian cotton textile Industry suffered a lot. After the industrial revolution in the Europe, production of cloth with the help of machines gave a stiff competition to the Indian cotton textiles. India not only lost its export market but also its internal demand. This critically affected the small scale industrial sector of Indian economy. The country had made significant progress in the construction of roads but due to the rapid expansion of motor transport, the aforesaid mileage of roads was inadequate for a vast country like India and the progress on road construction was very slow due to various difficulties and growing shortage of funds. At the dawn of British period (i.e., 1818 onwards) India's foreign trade was mostly connected with Great Britain. During 1850s, about 75 per cent of India's imports and exports were related to United Kingdom.

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