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An Overview of Indian Economic Structure under British Rule

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ABSTRACT

The British economic policies led rapid transformation of Indian economy into a colonial economy where nature and structure were determined by British needs.. There colonial government in India was concerned more with the protection and promotion of the economic interests of Britain rather than with the development of the Indian economy. Such policies transformed India into mere supplier of raw materials and consumer of finished industrial products from Britain. The ruthless exploitation under British colonial rule completely devastated India's economy. The British conquerors totally disorganized the traditional structure of the Indian economy. They exploited Indian resources and carried away Indian wealth as tribute. The results of this subordination of the Indian economy to the interests of British trade and industry affected also Indian society and culture.

This paper is a effort to focus on the economic outlook of British imperial rule in India. There study also interprets the course and reasons behind the economic stagnation of India from the mid of 18th century through comparison between the economical structure of pre-colonial period and colonial period.

Keywords: *Colony, Deindustrialization, Drain of Wealth, Famine, Imperialism, Landless labour*

METHODOLOGY

This study relied both on primary sources as well as secondary sources for collection of data. Primary data has been gathered from archival records; whereas secondary data is based on analysis and discussions. An comprehensive research methodology was used to investigate and interpret the impact of British rule on Indian economy.

INDIA UNDER BRITISH RULE

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.

The East India Company's role in India up to 1707 was that of a trading corporation, whereas after 1757, the pattern of the company's commercial relations with India underwent a qualitative change (Roy, 2013). Now the company could use its political control over Bengal to acquire monopolistic control over Indian trade. Moreover, it utilized the revenues of Bengal to finance its export of Indian goods. The company used its political power to dictate terms to the weavers of Bengal who were forced to sell their products at a cheaper and dictated price, even at a loss (Strang, 1904). Moreover, their labour was no longer free. Many of them were compelled to work for the company for low wages and were forbidden to work for Indian merchants. The company eliminated its rival traders, both Indian and foreign, and prevented them from offering higher wages or prices to the Bengal handicraftsmen. The servants of the company monopolized the sale of raw cotton and made the Bengal weaver pay exorbitant prices for it. Thus, the weaver lost both ways, as buyer as well as seller. At the same time, Indian textiles had to pay heavy duties while entering in England. The British Government was determined to protect its rising machine industry whose products could still not compete with the cheaper and better Indian goods. Even so Indian products held some of their ground (Aghion, 2008). The real blow to Indian handicrafts fell after 1813, when they lost not only their foreign markets but, what was of much importance their market in India was lost itself.

The Industrial Revolution in British completely transformed Britain's economy and its economic relations with India (Kenneth, 1985). During the second half of the 18th century and the first few decades of the 19th century, Britain underwent profound social and economic transformation and British industry developed and expanded rapidly. In 1769, the British industrialists compelled the company by law to export raw-material every year. Exports of British cotton goods to the East, mostly to India, increased from £156 in 1794 to nearly £ 110,000 in 1813, which is by nearly 700 times. But this increase was not enough to satisfy the wild hopes of the Lancashire manufactures, who began to actively search for ways and means of promoting the export of their products to India (Guha, 1963).

Indian hand-made goods were unable to compete against the much cheaper products of British mills which had been rapidly produced by using inventions and a wider use of steam power. Consequently, foreign imports rose rapidly. Imports of British cotton goods alone increased from £1,10,000 in 1813 to £ 6,300,000 in 1856 (Bagchi, 2000). The free trade imposed on India was, however, one sided. While the doors of India were thrown wide open to foreign goods, at the same time Indian products which could still complete with British products were subjected to heavy import duties on entry into Britain. The British had not taken Indian goods on fair and equal terms even at this stage when their industries had achieved technological superiority over Indian handicrafts. Duties in Britain on several categories on Indian goods continued to be high till their export to Britain virtually ceased. For example, Indian sugar had to pay on entry into Britain a duty that was over three times its cost process. In some cases duties in England went up as high as 400 per cent (Banerjee, 2005). As a result of such prohibitive import duties and development of machine industries, Indian exports to foreign countries fall rapidly.

According to Chandra (1981), the British rulers of India consciously shattered the country's economy, exploited her wealth and drained it to England. However, most British scholars attribute economic stagnation during the British period due to over population, religion, caste, social attitude, value system and other social institutions. Their approach is called as colonial approach (Johannes, 1996).

R. P Dutt have analyzed three periods in the history of imperialist rule in India. This duration is usually divided into three phases. In the first phase or the mercantile phase (1757-1813) the East India Company completely monopolized trade and used its political power to dictate terms to the artisans who were forced to sell their products at cheaper rates. The second phase has been termed as Industrial Capitalism or Free trade (1813-1857). In this phase, India became the chief exporter of raw materials to British industries and also served as the main market to industrial goods from England. The Indian goods faced tough competition from machine made goods in this phase. The third and final phase of British plunder is called the era of Financial Capitalism (1860-1947). During this period, the British administration introduced roadways, railways, post and telegraph in India for their own commercial and political needs. India became a colony of the British in the true sense.

DISCUSSION

The initial stage (1600-1707) of East India Company's role in India was that of a trading corporation. It brought goods or precious metals into India and exchanged them for Indian goods like textiles and spices which it sold abroad. Its profits came primarily from the sale of India goods abroad. This led to the opening of new markets for Indian goods in Britain and other countries (Chandra, 1966). This in turn increased the export of Indian manufactures and thus encouraged their production. Therefore, Indian rulers tolerated and even encouraged the establishment of East India Company's factories in India. They were much upset when all of a sudden people preferred light cotton clothes, made in India. So they put pressure on their government to restrict and prohibit the sale of Indian textiles in England. Laws were passed prohibiting the wear or use of printed or dyed cotton cloth. Heavy duties were imposed on the import of plain cloth (Marshall, 1978). India provided unlimited opportunities for export. Britain had already evolved the colonial pattern of trade which helped the Industrial Revolution and which in turn strengthened this pattern; the colonies exported agricultural and mineral raw materials to Britain while the latter sold them the manufactured goods (Bardhan, 1984). Consequently, there was a sudden and quick collapse of the urban handicrafts industry. Indian goods made with primitive techniques could not compete with industrial goods made in England. Moreover, the railways enabled British manufacturers to reach and uproot the traditional industries in the remotest villages of the country. The cotton-weaving and spinning were the worst hit. Silk and woollen textiles fared no better. A similar fate overtook the iron, pottery, glass, paper, metals, guns, tanning and dyeing industries.

The tragedy was heightened by the fact that the decay of the traditional industries was not accompanied by the growth of modern machine industries. So the ruined handicraftsmen and artisans were forced to crowd into agriculture (Bowen, 2002). This had upset the balance of economic life in the villages. The destruction of rural crafts broke up the union between agriculture and domestic industry in the countryside and thus contributed to the destruction of the self-sufficient rural economy. This increasing pressure on agriculture was one of the major causes of the extreme poverty of India under the British rule. India had now become an agricultural colony of manufacturing Britain.

The Industrial Revolution in Britain led to the rise of a powerful class of manufacturers. This had affected the Indian administration and policies (Malleson, 1883). As this class grew in strength and political influence it began to attack the trade monopoly of the Company. Now, the British manufacturers launched a campaign against the Company's commercial privileges and succeeded in abolishing its monopoly of Indian trade in 1813. As a result, the Indian handicrafts were exposed to the fierce and unequal competition of the machine-made products of Britain and faced extinction. The free trade imposed on India was however one-sided. Indian goods were subjected to heavy import duties on entry into Britain. As a result, Indian exports to Britain fall rapidly.

Another important factor of this period was the drain of wealth from India. It all began in 1757, when the Company's servants began to carry wealth extorted from Indian rulers, zamindars, merchants and common people. In 1765, the Company acquired the *Diwani* of Bengal and thus gained control over its revenues. The drain took the form of an excess of India's exports over its imports for which India got no return. The victory at Plassey brought under the control of the East India Company the richest region of India (Ray, 2011). The spirit of greed affected all sections of English society. Even ministers and members of the English parliament were infected. The result was the Act of 1767 obliging the Company to pay the British treasure 400,000 pound sterling as annual tribute. The Company needed land revenues to pay for its purchase of Indian handicrafts, and other goods for export, to meet the cost of the conquest of India and the consolidation of the British rule needed to enable colonialism to fully penetrate Indian villages (Cohn, 1996). The government spent very little on improving agriculture. It devoted most of its income to meet the needs of the Britain.

In the second half of the 19th century, large-scale machine-based industries appeared in India were mostly owned or controlled by British capitalist. The colonial government and officials provided all help and showered all favours on them. The government followed a conscious policy of favouring foreign capital as against Indian capital. It was more difficult and costlier to distribute Indian goods then to distribute imported goods. The government helped the plantation industries by making grants of rent free land to foreigners. On the whole, the British colonialism rendered industrial progress exceedingly slow and painful.

CONCLUSION

India had been conquered by other foreign powers before the British rule; however, the invaders settled in India and accepted the socio-economic traditions. The difference of the British conquest lies in the fact that it led to the emergence of a new political and economic system whose interests were rooted in a foreign soil and whose policies were guided solely by those self-motivated interests. From 1757 to 1857, the British followed various economic policies to enhance trade privileges and more importantly to exploit Indian economic resources. India changed from an exporter of processed goods for which it received payment in bullion, to an exporter of raw materials and a buyer of manufactured goods. The British rule was a long story of the systematic exploitation by an imperialistic government of a people whom they had enslaved by their policy of divide and rule. The benefits of British rule were only accidental and incidental, if any. The main motive of all British policies was to serve the interests of England.

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Thus, in 1947 when the British transferred power to India, we inherited a crippled economy with a stagnant agriculture and a peasantry steeped in poverty.

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