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British Economic Impact In India

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INTRODUCTION

The battle of Plassey stands as an important landmark in the economic history of India. The foreign conquest of the country started the process which culminated in the transformation of India's economy into a colonial economy. In its first phase, the impact of foreign rule on India's trade and industry was both violent and destructive. The trade and industry of the country, more particularly that of Bengal, received a severe jolt as a result of the policies of the East India Company and corrupt practices of its officials. This was, of course, short lived phase. By the end of the 18th century, British rule had been established in large parts of the country and had come to stay. Britain therefore, came to look upon India as her colony which had to be developed in the imperial interest. The overriding constraint on the process of development was to be the interest of the British manufactures. India was to be turned into a market for British goods and exporter of raw materials and food stuffs to feed Britain's industries and her people. This policy thwarted economic growth and resulted in economic stagnation. The cottage and small scale industries which were the pride of the country in the 17th and the first half of the 18th century languished as a result of foreign competition and want of support from the government. New large scale industries were late to come but even when they began to be established in the second half of the 19th century, far from encouragement, the government's attitude towards them was one of open hostility. Till the beginning of the world war in 1914, the government vigorously pursued the free trade policy and refused to accord fiscal protection to India's infant industries. The war produced far-reaching changes in the world's economy and circumstances forced Britain to change her industrial and commercial policies in India. Fiscal autonomy to India was conceded by the Secretary of State in 1919 and the principle of discriminating protection accepted in 1923. This helped the industrial growth, and a number of new large scale consumer goods industries, such as sugar, matches, cement and paper came to be established in the country under the impetus of 'Protection'. But the 'Great Depression' intervened meanwhile and

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prevented industries growth from being as rapid as it otherwise might have been expected. The result of British rule in India was the aborted growth of her economy.

The British rule also produced important structural changes in the Indian economy. The new land laws gave a new concept of 'property' and 'ownership' in land which was alien to her. The principle of joint-stock in business units was the first time introduced by the British. A unified currency system for the whole country, monetization of India's ruler economy substitution of commercial for food crops in agriculture, a network of railways and telegraphs all over the country, an enormous increase in India's export trade and emergence of a new class structure were some of the more important contributions of the British rule in India's economy. Britain destroyed the medieval economic structure in India and laid the foundation of modern economy which for its development had, however, to wait till independence.

DEINDUSTRIALIZATION: DECLINE OF INDIAN HANDICRAFTS

During the first half of the 19th century or even up to 1880 India's economy witnessed a stage phenomenon. While Western countries were experiencing industrialization: India suffered a period of industrial decline. This process has been described as 'de industrialization'.

India's traditional handicraft industry decayed beyond recovery. The period of decline of India handicrafts was contemporaneous with the firm foundation of the Industrial Revolution in England and England's tight control over the strings of Indian economy. Western scholars like Morris D. Morris and A. Thornera are never weary of emphasising the point that the decline of handicraft industries was inevitable and was a worldwide phenomenon and was a logical outcome and integral part of the Industrial Revolution and the coming of the factory system.

The peculiar situation in India - very different from the development in European countries and North America- may be summarised thus : (a) Nineteenth century India witnessed a steep decline of handicrafts, a process which continued well into the 20th century, and (b) unlike European countries India was not compensated by a sufficient rise of modern industry. As s

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result there was a decline in the number and proportion of the Indian population engaged in industry.

The 19th century was the period of Industrial Capital i.e. Britain's rising industries and trading interests launched a new economic offensive based on the principle of free trade against India. Their persistent propaganda and lobbying resulted in the abolition of the Company's monopoly of Indian trade by the Charter Act of 1813. A change came in the character of Indo-British trade. So far India had been chiefly an exporting country; now onwards it became an importing country. English tweed and cotton stuffs flooded Indian markets, spelling ruination of India weaving industry. 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." In a similar vein, Karl Marx, a shrewd contemporary observed remarked: "It was the British intruder who broke up the Indian handloom and destroyed the spinning wheel. England began with depriving the Indian cottons from the European market; it then introduced tweed into Hindustan and in the end inundated the very mother country of cottons." Dr.D.R. Gadgil has mentioned three principal causes which operated in the first half of the 19th century in bringing about a rapid decline in the artistic excellence and economic importance of Indian handicrafts. These were : (1) The disappearance of native Indian courts which patronised fancy arts and handicrafts and often employed the best craftsman on a regular salary basis. (2) The establishment of an alien ruler, with the influence of the many foreign influence that such a change in the nature of government meant. Now classes rose after the establishment of British rule, namely the European officials and the new Indian educated professional class. The European bureaucracy normally patronised English-made products and the Indian Western-educated professional class imitated European standards and poured scorn on everything Indian. (3) The competition of a more highly developed form of machine-industry. Another writer, Major B.D. Basu puts more emphasis on the use of political power by England to strangle Indian handicrafts. He lists the imperial methods thus: (i) the forcing of British Free Trade on India, (ii) imposing heavy duties on Indian manufactures in England, (iii) the export of raw materials from India, (iv) the transit and custom duties, (v) granting special privileges to the

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British manufactures in India, (vi) compelling Indian artisans to divulge their trade secrets, (vii) holding of exhibitions, and (viii) building railways in India.

This is general agreement among scholars that the decline of Indian handicrafts was not universal "for the periods differed from one part of the country to another". Rajasthan, for example, was opened by railways after 1911, hence the decline occurred after that. Further, despite heavy odds the Indian handicrafts could not be completely wiped out. The rural population steeped in poverty and traditionalism continued to purchase comparatively cheapter khadi cloth and village made iron and wooden agriculture ploughs and other implements. The Swadeshi movement in the beginning of the 20th century popularised indigenous products on patriotic grounds and thus created some market for khadi in the urban areas. In the Gandhian era, village industries received encouragement and popularization of khadi kept alive Indian handicrafts.

The rise of capitalism and machine-made industries which heralded the Industrial Revolution in England and European countries gave a big jolt to handicraft industry - the price for industrialization - in all parts of the world but the unfortunate situation in India was that unlike the European development the decline of indigenous handicraft in India was without the compensating development of modern machine industry.

Even after the rise of modern industry, in India after World War I, the process of de-industrialization of India continued i.e. there was a fall in the percentage of workers in industry and increase in the percentage of the agricultural working force. A reputed economist, Colin Clark, compiled a table indicating that from 1881 to 1911 the proportion of the working force engaged in "manufacture, mining and construction" fell by half, by 35% to 17%.

Recently some Western scholars like Morris D. Morris have challenged the imperial exploitation thesis put forward by Indian national writers and publicists and instead argued that colonial rule "probably stimulated economic activity in India in a way which had never been possible before" and that "the handloom weavers were at least no fewer in number and no worse off economically at the end of the period than at the beginning" and possibly

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"absolute growth occurred" D.Thorner have compared the census data for 1881 with that for 1931 respect to workers engaged in Agriculture and Manufacture respectively and come to the conclusion that "the industrial distribution of the modern working force from 1881 to 1931 stood still. All the same, they concede that probably (?) the major shift from industry to agriculture happened sometime between 1815 and 1880."

A recurrent theme of national writers of all shades of opinion- Moderates, Extremists and Gandhies - was that Britain developed those aspects of Indian economy - like railways, ports and irrigation developments- which sub-served the economic interest of industrialised Britain and ignored and even thwarted the growth of modern industry within Indian, During our Freedom Struggle the slogans of 'de-industrialisation' and Britain's callaous indifference to Indian industrial development became a rallying slogan in the anti-colonial struggle.

RURALIZATION OF INDIAN ECONOMY

With de-industrialization, Indian economy tended to become more and more agriculture. Millions of manufacturing classes in industrial towns like Decca, Murshidabad, Surat and other places were rendered jobless and drifted from towns to villages for a livelihood. This increasing dependence of the population on agriculture for subsistance and slant of the Indian economy on production of agricultural goods and raw materials - to the neglect of industrial development - has been described as a trend towards ruralization or peasantization of the Indian economy. British writers of the 19th centuries took pride in describing India as traditionally as agriculture country.

A close examination of the British economic policy towards India makes it abundantly clear that British deliberately adopted such policies which ruined the competing handicraft industries of India; it then helped develop the agricultural resources of India to make it "an agricultural farm" of industrialised Britain. As early as 17 March 1769 the Court of Directors desired the Company's agents in Bengal to encourage the manufacture of raw silk and discourage manufactured silk fabrics, this objective was to be achieved by forcing the silk winders to work in the Company's factories and prohibit them from working in their homes. Commending this policy of cumpulsion-cum-encouragement, a Select Committee of the

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House of Commons in 1783 desired a perfect plan of policy "to change the whole face of that industrial country, in order to render it a field of the produce of crude materials subservient to the manufactures of Great Britain". R.C. Dutt has rightly pointed out that this resolution settled policy of England towards India till 1833 and later. It "effectively stamped out many of the national industries of India for the benefit of English manufactures".

The Industrial Revolution had brought about a change in the pattern of England's economic development, its expanding textile industries needed raw material for its factories and markets for the sale of her industrial products. These developments called for a change in methods of British colonial exploitation in India and the need was felt to replace mercantile capitalism by free-trade capitalism. The abolition of the Company's monopoly of trade with India (by Charter Act, 1813) and winding up of its commercial business (by Charter Act, 1833) should be viewed in the backdrop of these developments.

Industrialised Britain desired the development of the vast potential of India's agriculture resources. However, a possible sang was the poor quality of Indian raw material. To make good this deficiency, the British nationals needed to be given permission for free entry and settlement in India. The Charter Act of 1833 removed all restrictions on European immigration and acquisition of landed property in India. And British capital flowed to develop India's plantation industry-in tea, coffee, indigo and jute cultivation. The Government of India provided adequate facilities. The Assam Wasteland Rules provided for the grant of extensive tracts of land up to 3000 acres per holder as freeholder property exempted from land tax on payment of fixed sums. The tea planters of Assam used force and fraud to recruit labour for work in tea estates. The Government of India provided the legislative umbrella by legalising their exploitation. Act of 1882 made breach of contact a criminal offence and authorized the tea planters to arrest a run-away labourer without any warrant.

Alice and Denial Thorners have rightly guessed that a major shift from industry to agriculture in India happened between 1815 and 1880. Unfortunately, no statistical record is available before the first census of 1881.

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The over-pressure on agriculture created serious distortions in Indian economy apart from creating serious problems in the agrarian sector. The increase in the number of persons in agriculture did not mean increase in agriculture production, but impoverishment of the rural masses. A number of factors - historical, political, economic and social - blocked the modernisation of Indian agriculture and worked as a 'built in depressor'. The stagnation in Indian agriculture production amidst increasing population accounted for recurring famines and increasing poverty in the 19th and the first quarter of the 20th century.

IMPROVEMENT OF THE PEASANTRY

The peasant was progressively impoverished under British rule. In spite of the fact that he was now free of internal wars, his material condition deteriorated and he steadily sank into poverty.

In the very beginning of British rule in Bengal, the policy of Clive and Warren Hastings of extracting the largest possible land revenue had led to such devastation that even Cornwallis complained that one-third of Bengal had been transformed into "a jungle inhabited only by wild beasts."

Nor did improvement occur later. In both the permanently and the Temporarily Settled Zamindari areas, the lot of the peasants remained unenviable. They were left to the mercies of the zamindars who raised rents to unbearable limits, compelled them to pay illegal dues and to perform forced labour or begar and oppressed them in diverse other ways.

The condition of the cultivators in the Ryotwari and Mahalwari areas was no better. Here the Government took the place of the zamindars and levied excessive land revenue which was in the beginning fixed as high as one-third of the produce. Heavy assessment of land was one of the main causes of the growth of poverty and the deterioration of agriculture in the 19th century.

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Even though the land revenue demand went on increasing year after year - it increased from Rs. 15.3 crores in 1857-58 to Rs. 35.8 crores in 1936-37 - the proportion of the total produce taken as land revenue tended to decline as the prices rose and production increased. No proportional increase in land revenue was made as the disastrous consequences of demanding extortionate revenue became obvious. But by now the population pressure on agriculture had increased to such an extent that the lesser revenue demand of later years weighed on the peasants as heavily as the higher revenue demand of the earlier years of the Company's administration.

The evil of high revenue demand was made worse by the fact that the peasant got little economic return for it. The Government spent very little on improving agriculture. It devoted almost its entire income to meeting the needs of British-Indian administration, making the payments of direct and indirect tribute to England, and serving the interests of British trade and industry. Even the maintenance of law and order tended to benefit the merchant and the money-lender rather than the peasant.

The harmful effects of an excessive land revenue demand were further heightened by the rigid manner of its collection. Land revenue had to be paid promptly on the fixed dates even if the harvest had been below normal or had failed completely. But in bad years the peasant found it difficult to meet the revenue demand even if he had been able to do so in good years.

Wherever the peasant failed to pay land revenue, the Govemment put up his land on sale to collect the areas of revenue. But in most cases the peasant himself took this step and sold part of his land to meet in time the government demand. In either case he lost his land.

More often the inability to pay revenue drove the peasant to borrow money at high rates of interest from the money-lender. He preferred getting into debt by mortgaging his land to a money-lender or to a rich peasant neighbour to losing it outright. He was also forced to go to the money-lender whenever he found it impossible to make his two ends meet. But once in debt he found it difficult to get out of it. The money-lender charged high rates of interest and through cunning and deceitful measures, such as false accounting, forged signatures, and

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making the debtor sign for larger amounts than he had borrowed, got the peasant deeper and deeper into debt till he parted with his land.

The money-lender was greatly helped by the new legal system and the new revenue policy. In pre-British times, the money-lender was subordinate to the village community. He could not behave in a manner totally disliked by the rest of the village. For instance, he could not charge usurious rates of interest. In fact, the rates of interest were fixed by usage and public opinion. Moreover he could not seize the land of the debtor; he could at most take possession of the debtor's personal effects like jewellery or parts of his standing crop. By introducing transferability of land the British revenue system enabled the money-lender or the rich peasant to take possession of land. Even the benefits of peace and security established by the British through their legal system and police were primarily reaped by the money-lender in whose hands the law placed enormous power; he also used the power of the purse to turn the expensive process of litigation in his favour and to make the police serve his purpose. Moreover, the literate and shrewd money-lender could easily take advantage of the ignorance and illiteracy of the peasant to twice the complicated process of law to get favourable judicial decisions.

Gradually the cultivators in the Ryotwari and Mahalwari areas sank deeper and deeper into debt and more and more land passed into the hands of money-lenders, merchants, rich peasants and other moneyed classes. The process was repeated in the zamindari areas where the tenants lost their tenancy rights and were ejected from the land or became subtenants of the money-lender.

The process of transfer of land from cultivators was intensified during periods of scarcity and famines. The Indian peasant hardly had any savings for critical times and whenever crops failed he fell back upon the money lender not only to pay land revenue but also to feed himself and his family.

By the end of the 19th century the money-lender had become a major curse of the countryside and an important cause of the growing poverty of the ruler people. By 1911 the total rural debt was estimated at Rs. 300 crores. By 1937 it amounted to Rs. 1,800 crores. The

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entire process became a vicious circle. The pressure of taxation and growing poverty pushed the cultivators into debt which in turn increased their poverty. In fact, the cultivators often failed to understand that the money-lender was an inevitable cog in the mechanism of imperialist exploitation and turned their anger against him as he appeared to be the visible cause of their impoverishment. For instance, during the Revolt of 1857, whenever the peasantry rose in revolt, quite often its first target of attack was the money-lender and his account books. such peasant actions soon became a common occurrence.

The growing commercialisation of agriculture also helped the money-lender-cum-merchant to exploit the cultivator. The poor peasant was forced to sell his produce just after the harvest and at whatever price he could get as he had to meet in time the demands of the Government, the landlord, and the money-lender. This placed him at the mercy of the grain merchant, who was in a position to dictate terms and who purchased his produce at much less than the market price. Thus a large share of the benefit of the growing trade in agricultural products was reaped by the merchant, who was very often also the village money-lender.

CONCLUSION: The loss of land and the over-crowding of land causes by de-industrialisation and lack of modern industry compelled the landlords, peasants and ruined artisans and handicraftsmen to become either tenants of the money-lenders and zamindars by paying rack-rent or agricultural labourers at starvation wages. Thus the peasantry was crushed under the triple burden of the Government, the zamindar or landlord, and the money-lender. After these three had taken their share not much was left for the cultivators and his family to subsist on. It has been calculated that in 1950-51 land rent and money-lenders interest amounted to Rs. 1400 crores or roughly equal to one-third of the total agriculture produce for the year. The result was that the improvement of the peasantry continued as also an increase in the incidence of famines. People died in millions whenever droughts or floods caused failure of crops and produced scarcity.

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