



TRANSFORMATION OF INDIAN ECONOMY UNDER COLONIAL RULE: SELF SUFFICIENCY TO DEPENDENCY

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ABSTRACT

“India was known for its richness and prosperity right from post and early Christian era. The records left by the western and eastern travellers compel us to believe this fact. The annals of Indian history tells us that, Indian dominated in world economic structure right from ancient period to early modern age. Her in this article we are trying to prove that the Indian economy was self sufficient and most developed compare to the rest of the world in ancient and medieval age. Different racial group of people got attracted to its economic prosperity migrated and settled here permanently. If we see the nature of foreign invasions, all most 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 international scenario and maintains it for long duration of time. In mid of the 18th century AD 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 production and cost of production became cheap. Even after this change in mode of production, still Indian manufactured goods had good 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. The mercantile policy of west converted Indian industrial oriented Indian economy to agriculture economy. Under British India became most undeveloped country in the world. Our effort is to prove that it was not Indian inefficiency, but the oppressive industrial and economic exploitative policy of British makes India, most impoverish country in the world. The arguments are based on the exploitative nature of British, gradual decay and transformation of Indian economy from self sufficiency to dependency. Details reference of scholars like RC Dutt, R. K. Mukherjee, Judanad Sarkar, Dadabhai Nouroji, C Wilson Meghnad Desai, Daniel R. Headrick and other online sources are used in this article.”

Key words: self-sufficient, economic prosperity, industrial policy, Indian cottage and small scale industries, export and import, developed and under developed.

TRANSFORMATION OF INDIAN ECONOMY IN 18, 19TH CENTURY:

India was known for its richness and prosperity right from post and early Christian era. The records left by the western and eastern travellers 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 its rich grazing ground, forest resources, fertile agricultural land and 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 to 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, Kusanas, Sakas, Parthians invaded India, later this racial people became Indian in colour and blood. Because of this people, Indians were 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 India. In 8th century AD, motivated with their new religion Islam, Arabs invaded India and were able to establish their political hold over Sindh and Punjab regions of India and ruled for about three hundred years. Later the Slave dynasty rule established as a result of Mohammad Ghori invasion. The Islamic rule continued up to Aurangzeb period of Mughal dynasty with its grip over all affairs of Indian society and economy. The last race to invade India was the Europeans.

All the above said races except Europeans became Indian in race and culture in some cases, they converted 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 Mughal Empire in mid of 18th century AD. The British East India Company after the Carnatic wars, battle of Plassey and Buxar, became the master of Bengal, Bihar and Orissa in 1765 A.D. From 1765 to 1900 India transformed into most backward country, from most developed country in the world economic structure. It was mainly because in 18th century AD, 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. Besides 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 the rest of the world, due to the British policies it became exporter of raw material to the English industries in England.

Objectives of the study:

1. Observation of Indian indigenous economic system.
2. Influence of Muslim economic system on Indian economy.

3. Study of the nature of British trade system with Indians.
4. Development of Indian production sector in various fields.
5. Comparison of colonial and post-colonial Indian economy.

THE ECONOMIC STATUS OF INDIA UNDER MUGHALS AND ITS TRANSFORMATION DURING BRITISH:

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 than rest of the world. During the Mughal period (1526–1858 A D) in the 16th century, the gross domestic product of India was estimated at about 25.1% of the world economy. By the late 17th century the Mughal Empire was at its peak and had expanded to include almost 90 per cent of South Asia, and enforced a uniform customs and tax-administration system. In 1700 A D the exchequer of the emperor Aurangzeb reported annual revenue of more than £100 million. In the 18th century, Mughals were replaced by the Marathas as the dominant power in much of India, while the other small regional kingdoms who were mostly late Mughal tributaries such as the Nawabs in the north and the Nizams in the south, declared an autonomy. However the efficient Mughal tax administration system was left largely intact. By this time India had fallen from the top rank to become the second-largest economy in the world. A devastating famine broke out in the eastern coast in early 1770s killing 5 percent of the national population.

After gaining the right to collect revenue in Bengal in 1765, the East India Company largely ceased importing gold and silver, which it had hitherto used to pay for goods shipped back to Britain. In addition as under Mughal rule land revenue collected in the Bengal Presidency helped finance the Company's wars in other part of India. Consequently in the period 1760–1800, Bengal's money supply was greatly diminished, furthermore the closing of some local mints and close supervision of the rest, the fixing of exchange rates and the standardization of coinage, paradoxically added to the economic downturn. During the period 1780–1860 India changed from being an exporter of processed goods for which it received payment in billon, to being an exporter of raw materials and a buyer of manufactured goods. More specifically in the 1750s mostly fine cotton and silk was exported from India to markets in Europe, Asia, and Africa by the second quarter of the 19th century, raw materials which chiefly consisted of raw cotton, opium, and indigo accounted for most of India's exports. Also from the late 18th century British cotton mill industry began to lobby the government to both tax Indian imports and allow them access to markets in India. Starting in the 1830s, British textiles began to appear in and soon to inundate the Indian markets with the value of the textile imports growing from £5.2 million 1850 to £18.4 million in 1896. The British colonial rule created an institutional environment that stabilized law and order to a large extent. The British foreign policies however stifled the trade with rest of the world. They created a well-developed system of railways, telegraphs and a modern legal system. The infrastructure the British created was mainly geared towards the exploitation of resources in the world and totally stagnant with industrial development stalled, agriculture unable to feed a rapidly accelerating population. They were subject to frequent famines had one of the world's lowest life expectancies, suffered from pervasive malnutrition and were largely illiterate.

British economist Angus Maddison argues that India's share of the world income went from 27% in 1700 (compared to Europe's share of 23%) to 3% in 1950. Modern economic historians have blamed the colonial rule for the dismal state of India's economy, investment in Indian industries was limited since it was a colony. The railway lines were developed only to help the exploitation of Indian resources only. India provides an example of the British Empire pouring its money and expertise into a very well built system designed for military purposes after the Mutiny of 1857 and with the hope that it would stimulate industry. The system was overbuilt and too expensive for the small amount of freight traffic it carried. However it did capture the imagination of the Indians, who saw their railways as the symbol of an industrial modernity but one that was not realised until after Independence. Christensen (1996) looks at of colonial purpose local needs, capital, service and private-versus-public interests. The agricultural policy of British in form Permanent Land Revenue system, Ryotari system and Mahalwari again ruin the very traditional structure of Indian agriculture land ownership. Here they try to disown the welfare of farmers and made commitment with few Indians to collect tax from people. Their policy was just to get permanent sources of revenue to wage wars against the native Indians. According to Mishra and Puri "Due to defective land tenure system virtually no investment was made in agriculture and the farm technology remained backward. Moreover the size of holdings and the system of distribution of agricultural produce went against any improvement in agricultural production".

Another setback Indian economy received through British policy was commercialization of agriculture to supply raw materials to British manufacturers. It led into two negative consequences for the Indians. First it led to shortage of food-grains especially during famine. In fact according to historians the British created famine in India through its inhuman policy. Second the manufactured engine goods with lot of incentives and privileges they received flooded into Indian markets thus they destroyed Indian cottage and handloom industry. The destruction of Indian cottage and small scale industries change the very professional structure of Indian economy, which ultimately put more pressure on land and agriculture became main occupation of majority of people. Commenting upon the impact of land revenue on the peasants during the British regime, Bhatt remarks "The capacity of the Indian cultivators to save and invest for increasing the productivity of land was considerably reduced because of the excessive and uncertain land taxes. The Indian economy grew at about 1% per year from 1880 to 1920 and the population also grew at 1% the result was on average. No long-term change in income levels Agriculture was still dominant, with most peasants at the subsistence level. Extensive irrigation systems were built, providing an impetus for growing cash crops for export and for raw materials for Indian industry, especially jute, cotton, sugarcane, coffee and tea.

At the same time some Indian made an effort to develop the swadeshi industries. The entrepreneur Jamshedji Tata (1839–1904) began his industrial career in 1877 with the Central India Spinning, Weaving, and Manufacturing Companies in Bombay. While other Indian mills produced cheap coarse yarn using local short-staple cotton and cheap machinery imported from Britain, Tata did much better by importing expensive longer-stapled cotton from Egypt and buying more complex ring-spindle machinery from the United States to spin finer yarn that could compete with imports from Britain. The British East Indian Company and

British Raj made different efforts to curb the efforts of Indian “centred Industrial development” in India. **BRITISH**

POLICES OF INDUSTRY AND COMMERCE:

Apart from exploitative policy in agricultural system, British also ruined Indian economy through its industrial and commercial policies which favoured the British's at the cost of Indian economy. After the Industrial Revolution in England the political influence of the upper business class increased in that country. At the instance of this newly emerged class, the British government levied protective tariffs on Indian manufacturers making their imports in England difficult. Until 1813 Indian cotton textiles sold to the British markets was about half the prices of the British cotton. Thus the British government felt it necessary to levy protection. Despite the protection levied when the British failed to check entry of Indian cotton into it, it banned the use of Indian products. “Had this not been the case had not such prohibition duties and decrees existed the Mills of Paisley and Manchester would have been stopped in their outset and could scarcely have been again set in motion even by the power steam. They were created by the sacrifice of the Indian manufacture.

Tata wanted to set up an iron and steel plant in Central Provinces in 1880s but the government did not grant permission, preventing India to develop iron and steel industry. With the development of railways iron and steel industries were developed in Western European countries and the UK. Hence in India too this would have been easily possible had the policy of the British government been positive in this regard. But India lost this opportunity due to the negative approach of the government. These are the important policies of British Empire through which it exploited India. India could not oppose it. She was the mute spectator to her own destruction by some foreign power. Famous historian Wilson mentions, “Had India been independent she would have retaliated, would have proposed prohibitive duties upon British goods and would thus have preserved her own productive industry from annihilation. This act of self-defence was not permitted to her, she was at the mercy of the stranger. British goods were forced upon her without paying any duty and the Indian manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms.

REVIEW OF ECONOMIC TRANSFORMATION:

Moreover the British government unscrupulously charged India for expenditures which were not even remotely concerned with the people of the country. All these expenditures were arbitrarily treated as the loans granted to India. The burdens that it was found convenient to charge to India seems preposterous. 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 charwoman 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 unrepresented riot ... It is small wonder that the Indian revenue swelled from L33 million to L52 million a year during the first thirteen years of Crown administration and that deficit accumulated from 1866 to 1870 amounting to L11.5 million. A home debt of L3, 00, 00,000 was brought into existence between 1857 and 1860 and steadily added.

Drain of Wealth theory:

Dadabhai Naoroji emphasized that the drain of wealth and capital from the country was responsible for absence of development of India. According to him “The drain consist of two elements first that arising from the remittances by European officials 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”. According to Naoroji the drain amounted to L50 crores from 1835 to 1873. C.N. Vakil (1953) has also estimated the drain. In his opinion the total drain from 1834 to 1839 amounted to L85 crore. In his estimates the profits earned by the British capitalist from the capital invested in India have not been included. K.T. Shah and K.J. Khambata presented estimates of drain in the early decade of the twentieth century. In their opinion Britain appropriated annually under one head or in the other over 10 per cent of India’s Gross National Income.

Radhakamal Mukherjee one of the founding fathers of sociology in India, has constructed an index of real wages for the United Provinces for various years during the period 1600 to 1938 on the basis of available historical material. According to his estimates the real wages of both skilled and unskilled workers steadily declined during the British rule. Real wages of skilled workers in 1928 were roughly 50 per cent of what they were in 1807. The decline in real wages of the unskilled workers was much more as they were not even 40 per cent of the real wages in 1807, Hence it can be concluded that the overall impact of British economic policies was disastrous for Indian economic development and it marred the life of all sections, particularly the labour sections and put them into the life of poverty and destitution. The British historians argues that the Indian economy was converted into dependent economy to lack of technology, illiteracy, and over population. On the other hand, nationalist scholars (Sarkar, 1985. Naoroji 1901 and 1996. Chandra 1981. Dutt 1970. Ambedkar 1925) rejected the explanation of British administrators and writers of colonial schools with regard to India’s economic underdevelopment and strongly argued with logical explanations and evidences that the economic policies of the British rule in India were primarily responsible for the country’s economic backwardness. According to these scholars the British rulers of India consciously shattered the country’s economy, appropriated her wealth and drained it out to England and created all possible obstacles to its development. Nationalists concluded that the decay of traditional industries, inadequate development of modern industries and increasing dependence of the people on agriculture during the British period were largely due to the overall impact of British policies. The agriculture, commercial and industrial policy of British from 1765 to 1947 transforms Indian economy from industrial exporter country to exporter of raw material to the British industries.

Conclusion

The conclusion tends to reinforce some of the better known propositions about the nature of the commercial orientation of eighteenth century trade and the making of its material context. The Landed elite further entrenched themselves so did the merchants and the middle level professionals and traders. Historians have questioned why India did not undergo industrialisation in the 19th century in the way that Britain did. In the 17th century India was a relatively urbanised and commercialised nation with a buoyant export trade,

devoted largely to cotton textiles but also including silk, spices, and rice. By the end of the century India was the world's main producer of cotton textiles and had a substantial export trade to Britain, as well as many other European countries via the East India Company. Yet as British cotton industry underwent a technological revolution in the late 18th century, the Indian industry stagnated and industrialisation in India was delayed until the 20th century. Historians have suggested that this was because India was still a largely agricultural nation with low wages levels. In Britain wages were high so cotton producers had the incentive to invent and purchase expensive new labour saving technologies. The idea of Gunda Frank 'the development of underdevelopment' best suited to the Indian context, the English economy enriched at the cost of underdevelopment of Indian economy. As I already stated that during Mughal period Indian economy contributed 25% of international trade but due to the policy of British authorities, within short duration of time most flourished economy of world became most undeveloped economy of world. British converted the Indian economy as the source of supplying the raw material to the Manchester industries. The British systematically looted the wealth of India, which enrich due the efforts of Mauryan to Mughals.

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