

Changes in Indian economy during British Raj

Rupesh Kumar

UGC NET, History Student, Department of Social Sciences, (IGNOU) New Delhi, India

Abstract

At the time of British conquest, the Indian economy was more or less self-sufficient. The economy was mostly agrarian and primarily producing two crops- rice and wheat. Despite this, it was sustainable. Indian exports were more than imports, balance of payment was positive. The cotton textile industry was well developed. Indian cotton clothes especially handmade, had very good demand in Britain and other European markets. But, India experienced deindustrialization during British era, the handicraft industry destroyed by the British policy. Indian export declined and this led to stagnation of Indian economy, growing at meagre rate (1.2%) as the population. The India's share of world economy declined rapidly from 24% in 1700 to 4.2% in 1947.

The Indian agricultural sector, which supported almost the entire economy, saw stagnation, besides the fact that the Britishers invested a lot in infrastructure building, including in canals and other irrigation systems. But this extensive irrigation system were built to give an impetus for growing cash crops for export and for raw materials for Indian industry, especially jute, cotton, sugarcane, coffee and tea. However, the Britishers gave special attention towards transport and communication sector and invested heavily in roads, railways, ports and telegraphy.

Keywords: Indian economy, British conquest, Indian agricultural sector

Introduction

Indian economy remained agrarian economy during British era. Agriculture was the main occupation of village community and it provided the supports to entire economy. During this period, cash crops like indigo, cotton, jute, tea and opium were promoted in place of food grains, resulting in shortage of food grains. In place of handmade cotton clothes, raw cotton were exported to Britain and Indian market was filled with machine made chief clothes, which destroyed the Indian handicraft industry, resulted in unemployment in the countryside. The conditions of Indian economy of this period can be summarized in following headings namely 1. Agriculture 2. Industry 3. Transport and Communications 4. Foreign Trade.

Indian economy: Agriculture sector

Indian agriculture remained more or less traditional and primitive during the British rule from 1757 to 1947. Farm technology remained primitive, simple and no transformation was adopted into it. Pressure on agricultural sector was huge due to de-industrialisation of urban handicraft in India. This sudden swelling in the number of peasants, resulted in fragmentation of agricultural land. Thus agriculture became a means of subsistence for most of the farmers. In the second half of 19th century, when famines occurred the government took no concrete steps to deal with the situation, which further deteriorated the condition of farmers.

Commercialization of agriculture

Towards the end of the 18th century, the demand for raw materials like indigo, jute and cotton increased many fold due to Industrial revolution in Britain. Therefore government

imposed restrictions on the export of manufactured and finished goods from India and gave boost to the cash crops plantation.

The commercialization of agriculture resulted in increased production of cash crops like cotton, jute, oil seeds, sugar cane, tobacco etc. by substituting food-grains, resulted in rise in the income of a section of farmers producing cash crops. Government invested hugely in irrigation projects and canal and borewell were constructed in these areas. Roads were constructed from the market to the village areas. After 1850 the development of railways and water ways also boosted the process of commercialization of Indian agriculture. As a result the production of food grain reduced drastically, resulted in disappearance of village self-sufficiency.

Indian economy: Industry sector

At the starting of the second half of the 18th century, India was quite well known for her industrial products. The urban handicraft industry was very much famous in India during those days specially the textile industry. Products like Dacca muslin, dhotis and dopattas of Ahmedabad, Chintzes of Lucknow, sarees of Madurai etc. were quite famous throughout the world. Moreover, silk fabric produced in Bengal, Assam, Poona, and Ahmedabad etc. was also quite famous. Besides these industries, other industries like stone carving, gold and silver thread work, enamelled jewellery, sandal wood work, marble work, glass bangles making, tanning and leather works, melting and forging of iron, ship building etc. were in good shape.

Towards the end of the 18th century and onwards, there was a rapid decline of most of the aforesaid handicrafts industries. This was mostly because of the industrial revolution in Britain

and government policies. The factory-made goods were flooded in Indian market. The hand made products could not compete with these cheap products.

Moreover, British capitalists gradually invested hugely in Indian plantation activities like tea, jute, and coffee industries and benefited in the expense of exploitation of Indian labourers. Thus, the British industrialists took huge profit to their home country and set imbalances in Indian economy.

Indian economy: Transport and communications

As a governance point of view, development of transport and communications were very helpful for effective governance by British government in India. The development of railway and telegraph services brought marvelous changes in the transport and communication services.

A. Road communications

Road communications in India were extremely underdeveloped till the first half of 19th century. It was only during the regime 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. Lord Dalhousie abolished the Military Boards and set up Public Works Department in the provinces of Bombay, Madras and Bengal in 1854-55.

B. Railway development in India

Development of railway has played a pivotal role in the development of Indian economy during British period. In 1832, during the tenure of William Bentinck, the first proposal for railway construction in India was made. In 1843 Lord Hardinge highlighted the importance of railways for the defence of Afganistan, Punjab and North western area. In 1844-45, a number of surveys were carried out in India for the construction of railway lines in Eastern and South-west India.

In 1849, the first train in India ran from Red Hills to Chintadripet Bridge in Madras in 1837. It was called Red Hill Railway. It was used for freight transport only. But the first passenger train could left from Bombay to Thana for a distance of nearly 21 miles only in 16th April, 1853.

Lord Dalhousie's contribution in the development of railways is worth commending. In 1853, he put forward the future policy of the development of railways in India. The main reason highlighted by him for development of railways in India were, expansion of army; investment of British capital in India; social, political and financial gain and linking major cities and ports of the country with production hub.

It helped Britishers immensely in exploitation of Indian resources and suppressing the revolt from any parts of the country. However, whatever may be the reason for development of railways in India, it was a significant event and laid the foundation for the future railway network in India.

C. Air transport

In 1932, the first regular airline service started to function. This was the great development in transport. Now it was possible to transport troops with logistics in a quick time. In 1939, three Indian companies were organized to operate regular air services in the country. Moreover, a few

international air companies started to use India of their regular route flights.

D. Postal and Tele-communication facilities

The present form of postal and telegraph was developed during the rule of Lord Dalhousie in 1856. The first electric telegraph line was laid 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.

Indian economy: Foreign trade

During the pre-British period, India was a self-sufficient country in food grain and maintained a positive balance of trade. But during the British period, the balance of our economy disturbed. At the time of British conquest of India, exports from India were mostly consisting of cotton and silk manufactures, indigo, spices and sugar and its imports were consisting of gold and silver. After the Industrial Revolution in England, the factories started producing various commodities in cheap prices. These machine made commodities flooded in Indian market and thereby replaced the old small scale handicrafts industry. Now, the newly developed industries in Britain required a constant supply of different types of raw materials. Thus, during the first half of the 19th century, the composition of exports and imports of India changed drastically. India started exporting primary products like food-grains and raw materials, like, indigo, raw cotton and jute, oil-seeds etc.

On the other hand, India started importing machine made finished goods which were of high quality with cheaper prices. Thus, the Indian goods which were handmade were of no match to imported goods. All these led to decay of Indian handicraft and cottage industries. Besides this, the invention of steam engine and development of railways and other mode of transport proved to be the last nail in coffin of Indian handicraft industry.

At the end of 19th century, the share of India's import from Britain constituted 69%, and the USA constituted 2.6%. But at the beginning of the 20th century, the shares of Britain in India's imports declined to only 27% and the USA's share surged to more than 7%, which further increased to 21% in 1950-51.

Conclusion

During the pre-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. But the composition of agricultural produce changed drastically. Earlier India exported finished goods and imported raw materials. After the changes in British agricultural policies, India became the importer of finished goods and exporter of raw materials mainly to Britain.

Contribution of secondary sector to the GDP was very low. Indian cotton textile Industry suffered a lot mainly after the industrial revolution in Europe. The machine made cloth gave

a stiff competition to the Indian cotton textiles. Indian handicraft not only lost its foreign market but also its internal demand. This completely led to the destruction of Indian economy. The percentage of unemployment increased many fold, resulted in over crowding in agriculture. The tax system was aimed at extracting the maximum benefits out of the income of people. People employed were forced to pay high taxes irrespective of their agricultural produce.

Britishers gave special attention in transport and communication sector. The development of railways in India proved to be highly beneficial for the government. Now, the finished goods as well as raw material can be transported easily from every nook and corner of the British Empire. Besides this the troops can be moved quickly and easily to meet with any eventualities.

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