Economic Impact of British Rule

Three Stages of British Colonialism

First phase-The Mercantile phase (1757-1813)

1. The East India Company used its political power to monopolize trade and dictate terms to traders of Bengal.

2. Imposition of inflated prices of goods led to buccaneering capitalism whereby wealth flowed out of barrel of the British trader's gun.

3. Revenues of Bengal were used to finance exports to England.

Second phase-The Industrial phase (1813-1858)

1. India was exploited as a market for British goods.

2. Act of 1813 allowed one way trade for the British, as a result the Indian markets flooded with cheap and machine-made imports. Indian traders lost foreign as well as home market.

3. Indians were forced to export raw materials and import finished goods.

4. Heavy import duty on Indian products to England to discourage them in the market.

5. Third phase-Financial phase (1860 onwards) y*- The British consolidated their position in India and made India a market for manufacturers and a supplier of foodstuffs and raw materials.

6. Introduction of Railways (1853), Post and Telegraph (1853), Banking System (Avadh Commercial Bank-1881).

7. Heavy British investment in India and burden of public debt increases.

8. Industries came into existence (Tata Iron and Steel in 1907).

Drain of Wealth

1. Dadabhai Naoroji cited it in his book "Poverty And Un-British Rule in India" (1867). R C Dutta in his "Economic History of India" (1901) blamed British policies for Indian economic ills.

2. Drain of Wealth theory refers to a portion of national product of India which was not available for consumption to its people.

Constituents of drain were :

(i) Extortion by company servants the fortunes from rulers, zamindars, merchants and common man and sending them home.

(ii) Purchasing goods out of revenues of Bengal and exporting them. This was called investment.

(iii) Duty free trade provided to the British gave them a competitive edge over Indian traders. These subsidies were financed from Indian treasury.

(iv) Remittances or salaries and other incomes by company officials send to England.

(v) Home charges or cost of salaries and pensions of company officials in India were paid from the treasury of India.

(vi) Hefty interests were paid to British investors.

Effects

(i) It stunted the growth of Indian enterprise and checked and retarded capital formation in India.

(ii) It financed capitalist development in Britain.

(iii) India was kept as a zone of free trade without allowing it to develop the ability to compete.

(iv) Plantations, mines, jute mills, banking, shipping, export-import concerns promoted a system of interlocking capitalist firms managed by foreigners. It drained resources from India.

Land Revenue Systems

Permanent Settlement/Istamarari (Sthayi) Bandobast

1. Introduced in Bengal, Bihar, Orissa, and districts of Benaras and Northern districts of Madras by Lord Cornwallis in 1793.

2. John Shore planned the Permanent Settlement.

3. It declared zamindars as the owners of the land. Hence, they could keep 1/11th of the revenue collected to themselves while the British got a fixed share of 10/11th of the revenue collected. The zamindars were free to fix the rents.

4. Assured of their ownership, many zamindars styed in towns (absentee landlordism) and exploited their tenants.

Ryotwari System

1. Introduced in Bombay and Madras. Munro (Viceroy) and Charles Reed recommended it.

2. In this, a direct settlement was made between the government and the ryot (cultivator).

3. The revenue was fixed for a period not exceeding 30 years, on the basis of the quality of the soil and the nature of the crop. It was based on the scientific rent theory of Ricardo.

4. The position of the cultivator became more secure but the rigid system of revenue collection often forced him into the clutches of the moneylender.

5. Besides this, the government itself became a big zamindar and retained the right to enhance revenue at will while the cultivator was left at the mercy of its officers.

Mahalwari System

1. Modified version of zamindari settlement introduced in the Ganges valley, NWFP, parts of Central India and Punjab.

2. Revenue settlement was to made by village or estates with landlords. In Western Uttar Pradesh, a settlement was made with the village communities, which maintained a form of common ownership known as Bhaichare, or with Mahals, which were groups of villages.

3. Revenue was periodically revised.

Colonial Impact of Land Revenue Systems

(i) The land settlements introduced market economy and did away with customary rights. Cash payment of revenue encouraged money-lending activity.

(ii) It sharpened social differentiation. The rich had access to the courts to defend their property.

(iii) Forcible growing of commercial crops led the peasants to buy food grains at high prices and sell cash crops at low prices.

(iv) The stability of the Indian villages was shaken and the entire set up of the rural society began to break up.

Civil Revolts

1. Sanyasi (Bengal, 1780) : led by religious monks against British restrictions and ruin of peasantry.

2. Kattabomman Revolt (1792-98) : by Vira Pandya Kattabomman against imposition of British Suzerainity.

3. Paik Revolt (Orissa, 1804-06) : led by Bakshi Jagabandhu against British occupation and revenue policy.

4. Velu Thampi (Travancore, 1805) : led by Velu Thampi against British extortions.

5. Kittur Revolt (Karnataka, 1824) : by Chinnama and Ryappa against British interference in Kittur.

6. Pagal Panthis (Maimansinh, 1825-33) : by Karam Shah and Tipu. Religious nature.

7. Raju (Vizag, 1827) : by Birabhadra Raju.

8. Faraizi (1838) : by Haji Saraitullah and Dadu Mian for cause of tenants.

9. Satavandi (Maharashtra, 1839) : by Phond Savant and Anna Sahib against British rule.

10. Kuka (1840) : by Bhagat Jawahar Mal or Sian Saheb in Punjab. Gadakari (1844) : against revenue policy in Kolhapur.

11. Poligar (Karnool, 1846) : by Narasimha Reddy.