Airo International Research Journal
Peer Reviewed Multidisciplinary Indexed Journal
ISSN: 2320-3714
Volume:13 Issue:1 January 2018
ज्ञान-विज्ञान विमुक्तये
UGC Approval Number 63012

ROLE OF BRITISH RULE IN DEVELOPING TRADE & ECONOMIC GROWTH IN INDIA

Madhulika Kumari
research scholar Kalinga University Raipur
Dr Rakesh HS
professor department of humanities
Kalinga University new Raipur CG

Abstract

Prior to Britih colonial rule, India was well known for its handicraft industries dealing with cotton and silk textiles, metal and precious stone works, etc. These products manufactured in India had a worldwide market due to fine quality of material used and high standards of craftsmanship employed in the exported products. With coming of British colonialism in India, the economic policies followed by British were more concerned about protection and promotion of the economic interests of their own country rather than development of Indian economy under British rule. The policies followed by the company rule brought about a fundamental change in the structure of the Indian economy, transforming India into a supplier of raw materials and a consumer of finished industrial products from Britain. There were three broad stages of British Colonialism in India. The economic impact of British rule in India is also studied under these stages to assess the full meaning of British rule.

INTRODUCTION

The **Indian economy under the British Raj** describes the economy of India during the years of the British Raj, from 1858 to 1947. According to historical GDP estimates by economist Angus Maddison, India's GDP during the British Raj grew in absolute terms but declined in relative share to the world.

From 1850 to 1947 India's GDP in 1990 international dollars grew from $125.7 billion to $213.7 billion, a 70% increase or an average annual growth rate of 0.55%. This was a higher rate of growth than during the Mughal era from 1600 to 1700 where it had grown by 22%, an annual growth rate of 0.20%. Or the longer period of mostly British East Indian company rule from 1700 to 1850 where it grown 39% or 0.22% annually.[1] However since the industrial revolution the global economy had been growing at a significantly faster rate, with most growth occurring in Western countries in what's known as the Great Divergence. By the end of British rule India's economy represented a smaller proportion of global GDP. In 1820 India's GDP was 16% of the world total, by 1870 it had fallen to 12% and by 1947 had fallen further to 4%. India's per-capita income remained mostly stagnant during the Raj, with most of its GDP growth coming from an expanding population. From 1850 to 1947 India's GDP per capita had grown only slightly by 16%, from $533 to $618 in 1990 international dollars.[2]

The role and scale of British imperial policy on India's relative decline in global GDP remains a topic of debate among economists, historians and politicians. With many commentators arguing the effect of British rule was highly negative. That Britain engaged in a policy of de-industrialisation of India for the benefit of British exports, leaving Indians poorer than before British rule began.[3] And others arguing Britain's impact on India was either broadly neutral or positive and that India's declining share of global GDP was due to other factors such as new mass production technologies being invented in Britain and Europe.[4]

Economic impact of British imperialism

Contemporary historian Rajat Kanta Roy argues the economy established by the British in the 18th century was a form of plunder and a catastrophe for the traditional economy of Mughal India, depleting food and money stocks and imposing high taxes that helped cause the famine of 1770, which killed one-third of the people of Bengal.

William Digby estimated that from 1870–1900 £900 million was transferred from India.[6]

In the seventeenth 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. 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.

After the British victory over the Mughal Empire (Battle of Buxar, 1764) India was deindustrialized by successive EIC, British and colonial policies (see Calico Act above).

The EIC's opium business was hugely exploitative and ended up impoverishing Indian peasants. Poppy was cultivated against a substantial loss to over 1.3 million peasants that cultivated it in Uttar Pradesh and Bihar.

Several historians point to the colonization of India as a major factor in both India's deindustrialization and Britain's Industrial Revolution. British colonization forced open the large Indian market to British goods, which could be sold in India without any tariffs or duties, compared to local Indian producers who were heavily taxed[citation needed]. In Britain protectionist policies such as bans and high tariffs were implemented to restrict Indian textiles from being sold there, whereas raw cotton was imported from India without tariffs to British factories which manufactured textiles. British economic policies gave them a monopoly over India's large market and raw materials such as cotton. India served as both a significant supplier of raw goods to British manufacturers and a large captive market for British manufactured goods. {{Citation needed}}

In contrast, historian Niall Ferguson argues that under British rule, the village economy's total after-tax income rose from 27% to 54% (the sector represented three quarters of the entire population)[9] and that the British had invested £270 million in Indian infrastructure, irrigation and industry by the 1880s (representing one-fifth of entire British investment overseas) and by 1914 that figure had reached £400 million. He also argues that the British increased the area of irrigated land by a factor of one-eight, contrasting with 5% under the Mughals.[9]

The subject of the economic impact of British imperialism on India remains disputable. The issue was raised by British Whig politician Edmund Burke who in 1778 began a seven-year impeachment trial against Warren Hastings and the East India Company on charges including mismanagement of the Indian economy.

P. J. Marshall argues the British regime did not make any sharp break with the traditional economy and control was largely left in the hands of regional rulers. The economy was sustained by general conditions of prosperity through the latter part of the 18th century, except the frequent famines with high fatality rates. Marshall notes the British raised revenue through local tax administrators and kept the old Mughal rates of taxation. Marshall also contends the British managed this primarily indigenous-controlled economy through cooperation with Indian elites.

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History of the British Raj

The history of the British Raj refers to the period of British rule on the Indian subcontinent between 1858 and 1947. The system of governance was instituted in 1858 when the rule of the East India Company was transferred to the Crown in the person of Queen Victoria (who in 1876 was proclaimed Empress of India). It lasted until 1947, when the British provinces of India were partitioned into two sovereign dominion states: the Dominion of India and the Dominion of Pakistan, leaving the princely states to choose between them.The two new dominions later became the Republic of India and the Islamic Republic of Pakistan (the eastern half of which, still later, became the People's Republic of Bangladesh).1

British Rule and Indian Renaissance

A brief analysis of the conditions of the period before Indian Renaissance reveals the fact that it was passing through a sociocultural and philosophical crisis of grave consequence, especially with the western invasion. Under the western influence, the young generation questioned all traditional beliefs, conducts and character, and glorified everything western. Bigotry, intolerance, mass ignorance and communal rivalry shattered the entire structure of the country, as a result, mutual hatred and discontent sustained in the social life of the individual.In the beginning, the British Government was very cautious not to upset the social traditions of India.They adopted the policy of non-interference in social affairs, simultaneously the Christian missionaries propagated their religion against the Hindu religious spirit and social order of the society. They not only criticized and defamed Hinduism, but also tried to convert people in large number into their fold by various means. Religious reformation became necessary at this time because the social and cultural development of the individual was mainly based on the religious principles.2

British Rule and Indian Society

When the British came to India, they brought new ideas such as liberty, equality, freedom and human rights from the Renaissance, the Reformation Movement and the various revolutions that took place in Europe. These ideas appealed to some sections of our society and led to several reform movements in different parts of the country. At the forefront of these movements were visionary Indians such as Raja Ram Mohan Roy, Sir Syed Ahmed Khan, Aruna Asaf Ali and

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PanditaRamabai. These movements looked for social unity and strived towards liberty, equality and fraternity. Many legal measures were introduced to improve the status of women.3

British Rule and Indian Economy

The first stage was: Mercantile development (1757-1813) - The East India Company began to use its political power to monopolize the trade in India. It dictated the terms of trade in its dealings with the traders and merchants of Bengal. The Company imposed inflated prices of goods leading to adventurous capitalism whereby the wealth was created by the political clout of the British traders. The revenue collected from Bengal was used to finance exports to England. Second phase was: Industrial phase (1813-1858) - With development of British industries, India was exploited by its colonial masters as a market for British goods. With coming of the act of 1813, only one way trade was allowed by the British, as a result of which, the Indian markets was flooded with cheap, machinemade imports from newly industrialized Britain. This led to loss of Indian market and foreign market for traders of the country.Now, Indians were forced to export their raw materials to Britain and import the finished goods. They imposed heavy imports duty on the Indian products exported to England in order to discourage them in the British market. Third phase was: Financial phase (1860 onwards) - After the British consolidated their position in India they converted India into a market for British manufacturers while still being a supplier of foodstuffs and raw materials. In the second half of the 19th century, modern machine based industry started coming up in India. With the Introduction of Railways in 1853, and Post and Telegraph being introduced in year 1853 as well. There was a rush of foreign investment in India mainly lured by high profits and availability of cheap labour, raw materials. The Banking System was introduced in form of Avadh Commercial Bank in year 1881.Home grown Industries came into existence in form of Tata Iron and Steel in 1907. Socially, this led to the rise of an industrial capitalist class and a working class became important feature of this phase.4

British Rule and Indian Education

The British were instrumental in introducing Western culture, education and scientific techniques. Western influence became effective in India mainly through the British who were the pioneers of a new technological and industrial civilization.After independence, India becomes a nation state and it was intended that English would gradually be phased out as the language of administration.At first Hindi, the most widely spoken language, seemed the obvious choice, but following violent protests in 1963 in the state of Tamil Nadu against the imposition of Hindi as a national language, opinion has remained divided. So, although English is not an indigenous language, it remains as an 'Associate language' in India, alongside Hindi, the official language of the Union of India, and 18 national languages, such as Bengali, Gujarati, Urdu, that have special status in certain individual status.7

British Rule and The Indian Press

During the rule of the British East India Company, the AngloIndians and Europeans began to publish newspapers and journals.Hicky began to publish a weekly by name The Bengal Gazette in 1780 and did not hesitate to criticize the actions of the then Governor General Warren Hastings.Hicky is justifiably considered as the pioneer in the history of journalism in India. During the regimes of Cornwallis and Wellesley, the editor of Indian World, Duanna and Charles Maclean, the editor of The Bengal Gazette also attacked the policies and were deported to England.In 1818, J.S. Buckingham started the Calcutta Journal and also attacked the policies of the British officials and he too was deported to England. The British introduced the licensing system to publish papers. During 1860, The Bengalee and The Amrita Bazar Patrika were started in 'Bengalee language'.

British Rule and Science and Technology in India

The institutionalization of modern or Western science in India began with the establishment of the Great Surveys – the Geological, the Botanical and the Trigonometric – under the inspired impetus of the Asiatic Society of Bengal inaugurated in 1784. This was followed by the establishment of universities in the port towns of Bombay, Calcutta and Madras in 1857. This period saw the consolidation of the British rule in India, especially with the failure of the First Indian War of Independence of 1857. The British rule in our country was primarily based on their improved mode of production – improved technology, organizational abilities, etc., and it was important for the colonial government to maintain their superiority, if they were to continue to be the rulers.As India was a large country to be governed, the British realized that it was important to have a cadre of well-trained Indians in all areas including science and technology.8

OBJECTIVE

1. To Study British Rule In Developing Trade & Economic Growth In India

CONCLUSION

A summing up of the narrative history is in order. The British Empire of the 19th century inherited two things from the East India Company, a commitment to maintain an open economy, and a large military force. In the 19th century, these two things became compatible assets of great value to Britain. The open economy sustained by British military might was an asset for many Indian capitalists too. National income statistics show that private non-agricultural enterprise experienced significant growth in the early 20th century. But the means used to maintain openness — London's control of monetary and military policy, and a neglect of developmental expenditure — became controversial and eventually brought the Empire down by making it unattractive to Indian capitalists. Using this narrative, the paper offers two sets of lessons, one for comparative history and another for the study of post-colonial development in India. Where did real power lie in this regime, with the dominant core (equivalently, capitalists located in the core), or among settlers in the periphery? Settlement, in fact, was a more or less irrelevant fact in this case. The core was the clear source of power. London did make key economic decisions for India, and tried to monopolise its control over these decisions. What did power achieve? The core ruled not in order to devise and maintain extractive ethnically biased institutions, and eventually replace these with benign and efficient European ones. That idea popularised in the settler economy literature does not work for India. The core ruled in order to sustain economic integration. The core ruled not by means of unequal laws, but by taking the reins of the monetary system, and indirectly, the fiscal system. It wielded these instruments in order to stabilise trade and currency, reduce risks of exchange and maintain the Indian state's payments to Britain. In short, it ruled to sustain openness, as the term would be understood in the context of the pre-war British world.

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Madhulika Kumari
Dr Rakesh HS