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NATIONAL JOURNAL

ISSN: 2321-3914
Impact Factor: 0.75 to 3.19
Volume V

A Multidisciplinary Indexed National Research Journal

GROWTH OF TRADE & COMMERCE IN NORTHERN PART OF INDIA: A COMPARITIVE STUDY OF PRE & POST BRITISH RULE

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ABSTRACT

Develop a general narrative of the firms that led the growth of trade in nineteenth-century India, and thus to supply a missing piece in modern Indian business history. The trading firms had several features in common with trading firms globally, especially, a high degree of mobility, institutional adaptation, and occasionally, diversification into banking and manufacturing. But certain aspects of the process were specific to the regions where they operated, such as differences between the ports and the interior trading orders, between cities, and between expatriate and indigenous firms. The article reconsiders these features.

INTRODUCTION

During the pre-British period, i.e. during the mid-eighteenth century, the condition of Indian economy was not at all satisfactory. Just after the death of Aurangzeb in 1707, the central power at Delhi was so weak that the situation had led to disintegration and gradual downfall of deep rooted Mughal Empire.

During 1750, the Indian economy was passing through recurrence of crisis and disorders because by this time the central power at Delhi was either weakened or disappeared.

Indian economy, during the pre-British period, consisted of backward, isolated and

self sustaining villages on the one hand and on the other hand, there were number

of towns which were the seats of administration, pilgrimage, commerce and handicrafts.

During this period, the mode of transport and communication of India were totally backward, underdeveloped and insufficient. Under such a situation, the size of market was also very small.

During the pre-British period, the village community was composed of different groups based on simple division of labour. There were farmers who cultivated land and tended cattle. Other groups of people

were weavers, goldsmith, potters, washer men, carpenters, cobblers, oil pressers, barber-surgeons etc.

Colonial India (1757–1947) witnessed a dramatic growth in long distance trade. Shipping tonnage handled at Bombay, Madras, and Calcutta increased from one hundred thousand tons to over six million tons between 1798 and 1914. Between 1860 and 1914, the railways cheapened the cost of cargo movement from inland to the seaports. The carrying capacity of the bullock caravans in peninsular India, the only pre-railway mode of long-distance cargo transport in the region, has been estimated at about ten thousand tons c. 1800.¹ A century later, goods carried by the main South Indian railway companies amounted to over five million tons. If we add the Great Indian Peninsular railway, which connected Bombay with the western part of the Deccan plateau, the figure would rise to eight million tons. British imperialism was more pragmatic than that of other colonial powers. Its motivation was economic, not evangelical. There was none of the dedicated Christian fanaticism which the Portuguese and Spanish demonstrated in Latin America and less enthusiasm for cultural diffusion than the French (or the Americans) showed in their colonies. For this reason they westernized India only to a limited degree.

British interests were of several kinds. At first the main purpose was to achieve a monopolistic trading position. Later it was felt that a regime of free trade would make India a major market for British goods and a source of raw materials, but British capitalists who invested in India, or who sold banking or shipping service there,

continued effectively to enjoy monopolistic privileges. India also provided interesting and lucrative employment for a sizeable portion of the British upper middle class, and the remittances they sent home made an appreciable contribution to Britain's balance of payments and capacity to save. Finally, control of India was a key element in the world power structure, in terms of geography, logistics and military manpower. The British were not averse to Indian economic development if it increased their markets but refused to help in areas where they felt there was conflict with their own economic interests or political security. Hence, they refused to give protection to the Indian textile industry until its main competitor became Japan rather than Manchester, and they did almost nothing to further technical education. They introduced some British concepts of property, but did not push them too far when they met vested interests.

The main changes which the British made in Indian society were at the top. They replaced the wasteful warlord aristocracy by a bureaucratic-military establishment, carefully designed by utilitarian technocrats, which was very efficient in maintaining law and order. The greater efficiency of government permitted a substantial reduction in the fiscal burden, and a bigger share of the national product was available for landlords, capitalists and the new professional classes. Some of this upper class income was siphoned off to the UK, but the bulk was spent in India. However, the pattern of consumption changed as the new upper class no longer

kept harems and palaces, nor did they wear fine muslins and damascened swords.

REVIEW OF LITERATURE

The English East India Company has long sat at the center of debates on the relative virtues of monopoly forms of organization and free trade. The Company figures prominently in the work of Adam Smith, Thomas Mun, James Steuart, James Mill, David Ricardo, and John Stuart Mill among others and was a significant influence on the development of economic thought in Britain (Barber 1975; Khan 1975; Muchmore 1970: p. 498-503). Supporters of the Company argued that monopoly rights were necessary to create and maintain the expensive infrastructure that made long-distance trade to Asia both possible and profitable. Free trade advocates attacked the Company as a boundary to the expansion of commerce. Arguments over the efficacy of the Company's monopoly continue to this day (Carlos and Nicholas 1988, Jones and Ville 1996a 1996b, Carlos and Nicholas 1996, Irwin 1992, Anderson and Tollison 1982). These debates have largely glossed over the fact that the Company was never a true monopoly.

The English Company had monopoly rights in England, but had always competed against other European organizations in Asia—and happily traded with them.¹ Even within its own purview, the Company ceded several of its monopoly privileges to its employees. These employees engaged in what was called the private trade, trade upon their own account and in their own interest, while in the employ of the Company. The

private trade allowances both contributed to and were a part of a larger pattern of decentralized decision-making in the English Company. The research presented in this manuscript documents how organizational decentralization and the intertwining of private and Company interests aboard the voyages of the East Indiamen ships created a powerful internal network of communication that effectively integrated Company operations across the East. Monopoly rights were not the key to Company success; it was the partial abrogation of those rights that became the foundation of England's commercial success in Asia. Some idea of the importance of the private trade has been apparent since the days of the Company itself; however it has not been considered as part of a decentralization of the organizational structure, except by those that saw that decentralization as a negative (Moreland 1923: p. 314, Arasaratnam 1986: p. 37, 329, Lawson 1993: p. 73). Instead, the private trade of the employees has mainly been conceptualized as a distinct alternative to the monopoly practices of the firm—even though the two worked in concert.

INDIAN ECONOMY DURING BRITISH PERIOD

The following points highlight the top four conditions of Indian economy during British period. The conditions are:

1. **Agriculture**
2. **Industry**
3. **Transport and Communications**
4. **Foreign Trade.**

1. Agriculture:

Indian agriculture remained completely traditional and primitive during the British rule from 1757 to 1947. Farm technology followed during those days was simple and no transformation was adopted into it. There was an increasing pressure on agricultural sector as there was a decline of urban handicrafts in India.

This has resulted sudden swelling in the number of agriculturists leading to a continuous sub-divisions and fragmentation of agricultural land.

the problem of uneconomic holding and unproductive agriculture in the country. Thus agriculture remained merely a means of subsistence for most of the farmers. In the second half of 19th century, famines deteriorated the conditions of agriculture further. The British rulers took no sufficient steps to develop irrigation facilities.

2. Industry:

The process of industrialisation in India during British period must be traced back from 1750 onwards. India was quite well known for her industrial products. The industry which was very much famous in India during those days was the urban handicraft industry. Again the most important urban handicraft industry in India during those days was the textile industry.

3. Transport and Communications:

Development of transport and communications has been considered quite significant from strategic, administrative,

economic, political, cultural and social point of view. During the British period, the transport and communications system in India was totally backward.

4. Foreign Trade:

During the pre-British period, India was quite self-sufficient in foodstuffs and maintained a favourable balance of trade. But the composition, volume and direction of foreign trade have undergone a significant change during the British period. During the early part of British period, India experienced a little change in the composition of its foreign trade.

At the beginning of 18th century, exports from India were mostly consisting of cotton and silk manufactures, indigo, spices and sugar and its imports were consisting of gold and silver, woollen goods and miscellaneous types of novelties.

After the Industrial Revolution in England since 1750, factory industries started to produce various commodities on a large scale and thereby replaced the old small scale handicrafts. Thereafter, England wanted to establish market for their manufactured goods in India and also wanted that India should supply different types of raw materials to the newly developed industries in England.

thus England wanted to adopt a colonial pattern of foreign trade in India. Accordingly, during the first half of the 19th century India experienced fundamental changes in the composition of its exports and imports. India started to export more of primary products like food-grains and raw materials, viz., raw cotton

and jute, hides and skins, dyes and oilseeds.

India started to import manufactured goods mostly from England. Among these manufactured goods cotton piece goods from Lancashire constituted about half of the total imports by the middle of 19th century. Import of other factory products with high quality at cheaper price had also led to decay of Indian handicrafts and cottage industries.

During the second half of 19th century and possibly with the introduction and development of railways, development of roads, introduction of steam-ships, construction of ports and telegraphs and finally with the opening of Suez Canal in 1869, India had to experience fundamental changes in the volume and composition of its foreign trade.

ECONOMIC IMPACT OF THE BRITISH RULE IN INDIA

We will discuss about:-

- 1. Disruption of the Traditional Economy**
- 2. Ruin of Artisans and Craftsmen**
- 3. Impoverishment of the Peasantry**
- 4. Ruin of Old Zamindars and Rise of New Landlordism**
- 5. Stagnation and Deterioration of Agriculture**
- 6. Development of Modern Industries**
- 7. Poverty and Famines.**

1. Disruption of the Traditional Economy:

The economic policies followed by the British led to the rapid transformation of India's economy into a colonial economy whose nature and structure were determined by the needs of the British economy. In this respect the British conquest of India differed from all previous foreign conquests.

The basic economic pattern that of the self-sufficient rural economy, had been perpetuated. Change of rulers had merely meant change in the personnel of those who appropriated the peasant's surplus. But the British conquerors were entirely different. They totally disrupted the traditional structure of the Indian economy.

2. Ruin of Artisans and Craftsmen:

There was a sudden and quick collapse of the urban handicrafts industry which had for centuries made India's name a byword in the markets of the entire civilized world. This collapse was caused largely by competition with the cheaper imported machine made goods from Britain.

We know the British imposed a policy of one way free trade on India after 1813 and the invasion of British manufactures, in particular cotton textiles, immediately followed. Indian goods made with primitive techniques could not compete with goods produced on a mass scale by powerful steam-operated machines.

3. Impoverishment of the Peasantry:

The peasant was also progressively impoverished under British rule. Although he was now free from 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 beggar and oppressed them in diverse other ways.

4. Ruin of Old Zamindars and Rise of New Landlordism:

The first few decades of British rule witnessed the ruin of most of the old zamindars in Bengal and Madras. This was particularly so with Warren Hastings’ policy of auctioning the rights of revenue collection to the highest bidders. The Permanent Settlement of 1793 also had a similar effect in the beginning.

The heaviness of land revenue—the government claimed ten-elevenths of the rental—and the rigid law of collection, under which the zamindari estates were ruthlessly sold in case of delay in payment of revenue, worked havoc for the first few

years. Many of the great zamindars of Bengal were utterly ruined and were forced to sell their zamindari rights.

By 1815 nearly half of the landed property of Bengal had been transferred from the old zamindars, who had resided in the villages and who had traditions of showing some consideration to their tenants, to merchants and other moneyed classes, who usually lived in towns and who were quite ruthless in collecting to the last pie what was due from the tenant irrespective of difficult circumstances.

5. Stagnation and Deterioration of Agriculture:

overcrowding in agriculture, excessive land revenue demand, growth of landlordism, increasing indebtedness and the growing impoverishment of cultivators, Indian agriculture began to stagnate and even deteriorate resulting in extremely low yields per acre. Overall agricultural production fell by 14 per cent between 1901 and 1939.

The overcrowding in agriculture and increase in subinfeudation led to subdivision and fragmentation of land into small holdings most of which could not maintain their cultivators. The extreme poverty of the overwhelming majority of peasants left them without any resources with which to improve agriculture by using better cattle and seeds, more manure and fertilisers, and improved techniques of production.

6. Development of Modern Industries:

An important development in the second half of the nineteenth century was the

establishment of large-scale machine-based industries in India. The machine age in India began when cotton textile, jute and coal-mining industries were started in the 1850s. The first textile mill was started in Bombay by Cowasjee Nanabhoy in 1853, and the first jute mill in Rishra (Bengal) in 1855.

These industries expanded slowly but continuously. In 1879 there were 56 cotton textile mills in India employing nearly 43,000 persons. In 1882 there were 20 jute mills, most of them in Bengal, employing nearly 20,000 persons.

By 1905, India had 206 cotton mills employing nearly 196,000 persons. In 1901 there were over 36 jute mills employing nearly 115,000 persons. The coal-mining industry employed nearly one lakh of persons in 1906.

7. Poverty and Famines:

A major characteristic of British rule in India, and the net result of British economic policies, was the prevalence of extreme poverty among its people. While historians disagree on the question whether India was getting poorer or not under British rule, there is no disagreement on the fact that throughout the period of British rule most Indians always lived on the verge of starvation.

As time passed, they found it more and more difficult to find employment or make a living. British economic exploitation, the decay of indigenous industries, the failure of modern industries to replace them, high taxation, the drain of wealth to Britain and a backward agrarian structure leading to the stagnation of agriculture and the

exploitation of the poor peasants by the zamindars, landlords, princes, moneylenders, merchants and the state gradually reduced the Indian people to extreme poverty and prevented them from progressing. India's colonial economy stagnated at a low economic level.

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