

Economic History of India: 1857-1947

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About the Book

The British came to India as merchants in the middle of the 17th century. After gaining foothold on the coastline, they spread to every corner of the Indian peninsula. They gained political supremacy around the middle of the 18th century. After winning the Battle of Plassey in 1757 and the Battle of Buxer in 1764, they established themselves firmly as the rulers of India and ruled it till 1947 to sub-serve their economic interests.

The British rule in India can be divided into two periods: (a) the rule of the East India Company from 1757 to 1858 and (b) the rule of the British Government from 1858 to 1947. The British interests in India were governed by the requirements of the Industrial Revolution which started in Britain in the middle of the 18th century and then spread to other regions of Europe. These were two-fold: (a) to secure raw materials from India for factories in Britain and (b) to ensure permanent market in India for the British manufactures. To fulfil these objectives, they adopted measures which proved disastrous for the Indian economy.

This book gives a comprehensive and vivid account of various aspects of the Indian economy during the period 1857 to 1947.

It is spread over 30 chapters which have been organized into 5 theme parts.

Part I (chapters 1 and 2) is titled Colonial India: Background and Introduction. Apart from providing an overview of colonial India, it also explains the state of affairs of the Indian economy on the eve of Independence in 1947.

Part II (chapters 3 to 5) is titled Macroeconomic Trends. It deals with discussion on national income estimates, population trends and characteristics, and occupational structure.

Part III (chapters 6 to 14) is titled Agriculture, Forests, and Famines. It is devoted to description of agrarian structure and land relations, agricultural markets and institutions, agricultural credit, agricultural commerce, agricultural technology, irrigation development, productivity of agriculture, forest policy and legislations, and famines in India.

Part IV (chapters 15 to 22) is titled Railways, Industry, Infrastructure, and Labour. It covers the following topics: Growth of railways, de-industrialization debate, evolution of entrepreneurship, industrial structure, industrialization in the inter-war period, constraints to industrial breakthrough, infrastructure development, and labour laws and industrial relations.

Part V (chapters 23 to 30) is titled Economy and the State. It delves into imperial priorities and the Indian economy, drain of Indian wealth, international trade during British rule, capital flows in colonial India, banking and finance, insurance business, tax structure, and evolution of fiscal federalism.

About the Author

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In 2008, he received M.B.A. (Finance) degree from Pondicherry Central University. He has attended and presented papers at various conferences and seminars. He is also serving as a subject expert in commerce at the University of Calicut.

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Summary of the Book

Prior to Independence in 1947, India was a dependency of the United Kingdom and consisted of British India, and the Princely States. It encompassed the entire area which now forms the four countries of India, Pakistan, Myanmar (formerly Burma), and Bangladesh. The political and economic scene changed greatly after 1947 when India emerged as an independent country merging with itself the former Princely States (called Part B States), but excluding areas of the other three countries mentioned above.

The British came to India as merchants in the middle of the 17th century. After gaining foothold on the coastline, they spread to every corner of the Indian peninsula. They gained political supremacy around the middle of the 18th century. After winning the Battle of Plassey in 1757 and the Battle of Buxer in 1764, they established themselves firmly as the rulers of India and ruled it till 1947 to sub-serve their economic interests.

The British rule in India can be divided into two periods: (a) the rule of the East India Company from 1757 to 1858, and (b) the rule of the British Government from 1858 to 1947. The British interests in India were governed by the requirements of the Industrial Revolution which started in Britain in the middle of the 18th century and then spread to other regions of Europe. These were two-fold: (a) to secure raw materials from India for factories in Britain, and (b) to ensure permanent market in India for the British manufactures. To fulfil these objectives, they adopted measures which proved disastrous for the Indian economy.

1. Colonial India: Background and Introduction

1.1 Overview of Colonial India: At the time of the arrival of the British, Indian economy was, by and large, self-sufficient, possessing a fine balance between agriculture and industry. It exhibited the following broad features at the start of British rule.

A large proportion of population, about three-fourths, depended on agriculture which was a subsistence occupation. Agricultural activities were mainly devoted to food crops like paddy, wheat and millets. Most of the food produced in the village was consumed by the village population itself. The raw materials produced fed the handicrafts.

Apart from agriculturists, there were other classes of people in rural areas like weavers, carpenters, potters, oilmen, washer men, cobblers and barbers. All these occupations were hereditary and passed from father to son by tradition. The people engaged in these occupations got paid out of the crops at the time of harvest for the services rendered by them.

There were three distinct classes in the village: (a) agriculturists, (b) village artisans and menials, and (c) village officials. Most of the villages had their *panchayats* (bodies of village elders to settle local disputes). The villages were isolated and self-contained production units, appropriately called by economic historians as *small republics*.

Urban areas were centres of excellence in different crafts, and craftsmen were organised into guilds. There was considerable degree of division of labour and territorial specialisation. The towns were either places of pilgrimage (Allahabad, Benaras, Puri) or

seat of a court (Delhi, Lahore, Tanjore) or trading and commercial centres (Mirzapur, Bangalore, Hubli). The muslin of Dhaka, the calicos of Bengal, the *sarees* of Benaras were known even to the foreigners. Urban areas were also well-known for their artistic industries like marble work, jewellery, brass, copper and wood carving works.

1.2 Indian Economy at the Time of Independence in 1947: India inherited a dismal economy from the British rulers at the time of Independence in 1947. Indian agriculture was traditional and stagnant in every respect. It was characterized by feudal land relations, primitive technology, and the resultant low productivity per hectare. The first task of Indian Government in the immediate post-Independence period was, therefore, to initiate growth process in agriculture on modern lines. Modernization of agriculture was required both in terms of technological and institutional changes. Abolition of intermediaries in agriculture, like *zamindars* and *jagirdars*, was accomplished soon after Independence.

India was a typical backward economy in terms of industrialisation at the time of Independence. The arrested industrial development during the 19th century and the first half of the 20th century was more a consequence of India's political dependency to Britain rather than of her own cultural heritage.

The Indian economy registered limited and partial development during the British rule. Judged in terms of per capita incomes and standards of well-being, the economy, on the whole, remained more or less stagnant. This was primarily because the basic conditions under which an economy can continuously expand were lacking.

The partition of the country in 1947 cut across its economic and cultural unity and the growth of centuries of common life to which all the communities had contributed. Whatever might have been the political justification of partition, its economic consequences were disastrous. Regions which had functioned for centuries on a complementary basis were suddenly cut asunder. Economically, India and Pakistan each had points of advantages and disadvantages. In general, it may be said that while India was much stronger at that time in industrial production and mineral resources, Pakistan had some advantage in agricultural resources, especially foodstuffs. But the complementary character of their economies was even deeper than is indicated by this generalisation.

2. Macroeconomic Trends

2.1 National Income Estimates: The purpose of economic activities going around is to produce goods and services to satisfy the wants of the people. How well and to what extent these wants are satisfied can be known by measuring the total output of goods and services in a country during a specified period. This is the subject-matter of the study of national income.

National income is one of the various macroeconomics aggregates described and estimated under the general heading *national accounting*. Thus, national accounting is a much broader concept encompassing the estimates of national income, consumption, savings, capital formation, accounts of the public sector and consolidated accounts of the nation.

Since there was no official body in India to prepare national income estimates prior

to Independence in 1947, the same were prepared by some eminent personalities in their personal capacity. Dadabhai Naoroji (fondly called the Grand Old Man of India), was the pioneer in this field. He prepared the first estimates of national income in 1876. Several other estimates of national income were made by scholars like William Digby, Findlay Shirras, Shah and Khambatta and R.C. Desai. All these pre-independence estimates of national income were made by computing the value of the output raised by the agricultural sector and then adding some portion of the income earned by the non-agricultural sector. Obviously, these estimates had no scientific basis of their own.

The first person to adopt a scientific procedure in estimating the national income was V.K.R.V. Rao in 1931. He applied a combination of census of output and census of income methods. He divided the Indian economy into two parts: (a) agricultural sector which included agriculture, forests, fishing and hunting and (b) corporate sector which included industries, construction, business, transport and public services.

Two different methods were used for estimating the income in the two sectors. Product method was used for estimating income in agricultural sector and income method was used for estimating income in the corporate sector. Finally, net factor income earned from abroad was added to the sum of the above two to obtain national income.

All the above estimates of national income were conducted out of individual effort and were subjected to serious limitations due to some of its arbitrary assumptions. Although pre-independence estimates of national income in India suffered from various difficulties and limitations but they did provide considerable light and insight about the economic conditions of the country prevailing during that period.

2.2 Population Trends: The first synchronous decennial census in India was conducted in 1881 and the exercise has continued since then, although the 1941 exercise was severely curtailed and very little of its data was published due to Second World War. The 1931 census is often considered be the last British-administered census. The report of the 1881 census comprised 3 volumes; while that of 1931 comprised 28.

Prior to 1921, India witnessed slow and fluctuating population growth. The growth of population was not only slow but erratic. In fact, India's population declined during the decade 1911-1921. The slow and sporadic growth was the result of abnormal deaths due to famines and epidemics whose incidence was severe in some decades.

After 1921, it was a period of steady and accelerating growth of population. The year 1921 is, therefore, called as *the year of great divide*. The country faced no major calamity except for the great Bengal famine of 1943. Extension of irrigation facilities and improvements in transport and communications kept off any widespread famine. Similarly, improvements in public health and sanitation prevented the outbreak of any major epidemic.

Broadly speaking, the pre-1921 period belonged to the first stage of demographic transition theory. High birth-rate was balanced by high death-rate, and the growth rate of population was marginal.

The post-1921 period witnessed a steady decline in death-rate, largely due to the control of widespread epidemics like plague, smallpox and cholera.



Dr. Anilkumar K. is currently Principal of Pazhassi Raja College, Pulpally, Wayanad, Kerala. He received his M. Com., M. Phil. and Ph.D. degrees from University of Kerala, Thiruvananthapuram in 1988, 1992 and 2006 respectively. With a teaching experience of more than 23 years and 14 years of post-doctoral research, he has published 2 books and a number of research papers in academic journals of repute.

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