



Available Online at ESci Journals

Journal of South Asian Studies

ISSN: 2307-4000 (Online), 2308-7846 (Print)
<http://www.escijournals.net/JSAS>

COLONIAL RULE AND ITS EFFECTS ON INDIA'S RURAL ECONOMY

Krishna. G. Karmakar*

Department of Management, S. P. Jain Institute of Management and Research, Mumbai, India.

ABSTRACT

India was an economic superpower for over 1500 years, contributing between 25% to 30 % of the world's GDP but productivity remained at stagnant levels due to poor education levels and lack of technology and from 1600, India's contribution to the world GDP started declining. During Mughal rule, India had a very rich economy with the largest standing army in the world and the Mughal rulers were perceived to be fabulously wealthy but with British colonial rule, India's agricultural production became plantation-oriented and commercial in nature while the traditional handicrafts and Handlooms industry declined. From a major textile producing country India now became a supplier of raw cotton and opium, indigo, tea, coffee, cotton, spices and other commodities became the major exports. The Indian rural economy which had monopolized fine muslin cloth production over 1500 years, deteriorated and India was forced to import cheap Manchester mill-produced cloth. While per capita GDP rose slowly over 500 years, the industrialized nations became wealthy due to slaves, modern technology and colonialism. India's population grew sharply while the share of India in the World's GDP fell appreciably.

The British built major irrigation systems in India to stave off periodic starvation and to ensure the movement of export commodities, built up the road and rail facilities and also the postal and telegraph facilities for faster troop movements, after 1857. Famines were reduced but the basic structure of the India rural economy had been irreversibly broken and the peasants became poorer due to the rapid de-industrialization of India and lower land revenues did not help. As a colonial super-power, the British ensured that all changes enhanced their trade interests and colonial exploitation of India's resources and eventually succeeded in pauperizing India. The South Asian economies have yet to recover from the effects of colonial rule and need to make massive changes to counter the baneful effects of colonial rule on their rural economies.

Keywords: Agricultural Production, British colonial rule, Cottage Industries, Colonialism, De-industrialization, Famines Opium, Gross Domestic Product (GDP), India, Mughal rule, Rural Economy, South Asia, Superpower, Trade.

INTRODUCTION

Economic Benefits of the Empire

For hundreds of years, India contributed immensely to world GDP (between 1 A.D to 1600 A.D, 25-30 % of the World GDP was Indian). As mentioned by Adam Smith in "The Wealth of Nations", the commodities traded from India were from the richest and most fertile lands, the best cultivated, most industrious and most populous country in the world. The Mughal Empire (1526-1757) comprised the most fertile lands and for 300 years, was one of the respected and most powerful empires in the world. The major commodities produced and traded

were spices, silk, muslin and fine handlooms, cotton, dyes, salt, tea and opium. After the Battle of Buxar (1764), the British East Indian Company managed to use the opium trade to save them from a massive trade deficit vis-a-vis China. By the seventeenth century, opium was an important source of income for the Mughal Empire. The British then cultivated poppy in Bengal, Bihar and Malwa and built efficient factories for export of purified opium to China which later became an immense economic and social burden for the Chinese during the eighteen and nineteenth centuries.

Soon Company agents dominated internal trade in India and with the decline of markets in west Asia, the popularity of Indian raw cotton and opium in China/Japan/Southeast Asia, encouraged English

* Corresponding Author:

Email: karmakar@spjimr.org

© 2015 ESci Journals Publishing. All rights reserved.

private traders to look to the east for trading opportunities. It would not be wrong to mention that all the Parsi merchants profited immensely from this opium trade and all the Parsi commercial firms built their fortunes in China based on the opium trade. British and Parsi traders soon dominated internal and export trades.

The Lure of Spices

The European maritime powers were obsessed with breaking the Arab-Venetian monopoly on India's spice trade and desired a larger share in the lucrative trade. The overland routes took too long and were subject to various exactions by rulers and brigands. The Silk Route from China was again the monopoly of the Venetians / Turks/ Persians and the maritime nations of Europe, tried hard to discover the fabled sea-route to India after rounding the Cape of Good Hope which the Arabs monopolized as a closely-guarded secret. Spain, Portugal and other rival powers tried their best to discover new trade markets and Manuel I of Portugal commissioned Vasco de Gama, an explorer to seek out Christian Kingdoms in the East and also Portuguese access to the rich Asian markets.

Manned by 170 sailors in 4 ships, Vasco De Gama reached Calicut in 1492 but could not purchase much spices and returned to Lisbon with 2 ships and 54 men. Pedro Cabral then visited Goa with 15 ships and returned with 4 ships laden with spices and made huge profits. Vasco de Gama now promoted as Admiral and sent in 1502 to establish an empire, unleashed a reign of terror on the Arab trading dhows and other slow merchant ships and established a number of Portuguese settlements and possessions in India. The Portuguese sent envoys to various Indian kings and noted that opium was widely used and highly valued in society. In 1600, the British East India Company was set up and by 1764 when they took control of the Bengal Suba, they controlled opium production and established a monopoly which helped in defraying the huge expenses incurred in carving out a colonial empire in India and balancing the trade deficit with China (Maddison, 2007).

Opium Dreams and Incomes

The British controlled the entire opium trade from 1797 onwards by monopolizing its production in Bengal Presidency, collecting fees from the Malwa opium-producing region and imposing excise taxes on domestic sales. Production and operations were controlled by agents who would advance funds to farmers, purchase the opium and sell the finished products to the East

India Company which auctioned the entire production in Calcutta. Between 1790 and 1816, Bengal became the most efficient opium producing center. The opium producing region of Malwa was allowed to trade through Bombay on payment of huge fees in the form of taxes while the restricted and controlled domestic sales of opium yielded excise taxes which were considered as nominal from the British point of view. The opium quality of Malwa was superior to that of Bengal opium and fetched premium prices in Chinese markets.

There was minimal domestic consumption due to the high prices and total control of the monopoly trade and supply by the British. Between 1842 (the Second Opium War which ended all barriers to opium trade in China) and 1880 (when the opium trade tapered off), opium contributed 15% of Indian total revenue. From 1842 to 1859 opium constituted 31.54 % of all Indian exports and from 1859-1880, reduced to 18.7% of exports. The contribution of opium to total revenues and exports, reveals the huge contribution to Imperial revenues from India. As the British accumulated power and kingdoms they also accumulated debt in running their far-flung Empire and opium was the source of revenue which enabled the British to maintain their Empire in India. Poppy cultivation was the single most important cash crop in India and major revenues came not from internal trade proceeds but from China.

While the British strictly controlled opium consumption in India, they encouraged Chinese consumption of Indian opium due to the runaway British-China trade deficits mainly due to high demand in Britain for Chinese tea, silk and porcelain. The three-way opium trade enabled the British to lower their trade deficit in China as there was no market in China for British goods. Opium industry was developed into an efficient and profitable business for British and Parsi traders who saw an economic opportunity and developed the opium trade to service the cost of maintaining the Indian Empire while at the same time reducing its trade deficit with China (Maddison, 2007).

Cotton and the Power of Looms

The Indian Valley Civilization spun cotton fabrics since 3000 B.C. Herodotus the Greek historian mentions Indian cotton in 400A.D as a "wool exceeding in beauty and goodness that of sheep. Strabo and Arrian mentioned the vividness of Indian fabrics and Indo-Arabian trade in cotton fabrics. The Muslim entry into Europe (via Spain) expanded European cotton trade and

the sale and transportation of cotton fabrics had become very profitable. The secrets of hand-woven cotton cloth from India were carefully guarded by the weavers but some weavers converted to Christianity and revealed the secrets to a French priest, Father Coeurdoux who revealed the process of creating colorful patterns in fabrics with frames and this enabled the European textile industry to bloom.

The versatile cotton became the favorite for clothes as it could be printed easily and combined with linen. With the advent of the Industrial Age, new inventions like the spinning jenny, the water frame and steam power, made Britain a major manufacturing center of cotton textiles (Lancashire/Midlands). British restrictions on Indian textile imports and removal of import duty in India on British mill manufactured cloth, finished off Indian handloom textiles in export markets and instead raw cotton was being sourced from India. In 1764, India exported 10,000 bales of cotton to England and the British took every conceivable means to aid and encourage and even to undertake the cultivation in India of more and better quality cotton and exported this cotton to England. These efforts reduced India from riches to rags in less than half a century and transformed the age-old producer of the finest cotton muslin in the world to a decayed colonial vestige, supplying raw cotton to the English textile mills. The American Civil War cut off supply of American cotton to Britain (1861-65) causing a cotton famine. Indian raw cotton imports which accounted for 31% of British cotton imports in 1861 rose to 90% in 1862 and reduced to 67% in 1864. The destruction of the Indian cloth industry was complete and now India was reduced to supplying raw cotton to Britain (Dutt, 1990).

Agriculture in India

Indian agriculture began around 9000 BC due to the fertile land availability and the cultivation of crops, domestication of animal. In view of favorable conditions, the nomadic way of life for the hunter-gatherers slowly gave way to a settled form of life in villages and the use of tools and technologies which enabled agriculture & allied activities to flourish. Favorable monsoons from the South-West & North-East, helped in double-cropping and animal husbandry. Fishing and domestication of the humped wild ox (dairy industry) and the jungle fowl (poultry industry) and domestication of sheep and goat, were important occupations, wheat and barley were the major crops with cotton in 5000 BC while paddy farming

started in 7000 BC. From 9000 BC to 8000 BC, agriculture had yet to be a settled form of livelihood and many innovations were done such as threshing, planting in rows (2 or 6), storing grains in granaries and setting aside of seeds for the next crops. Farmers learnt by innovating and passing on improvements in techniques to the entire community and to the succeeding generations. With cotton cultivation in the Indus valley and innovations in cotton spinning and cloth fabrication with handlooms, the development of the cottage handloom industry began and exports of cotton fabrics began from Harappan ports to the Middle East.

By 2000 BC, extensive rice cultivation and horticulture had started with mango, musk melons and dates. Hemp was domesticated and gave rise to narcotics, fiber and oil while jute was first cultivated in India as also sugarcane. Irrigation was also developed in the Indus valley civilization by 4500 BC and this led to a sophisticated system of drainages. Quality irrigation and water storage systems were developed by the Indus valley people and artificial tanks and reservoirs were created by 3000 BC and canal irrigation by 2600 BC. Animal-drawn carts date back to 2500 BC and the segregation of Kharif and Rabi crops which was due to excessive moisture-resistance was rendered possible. By 1000 BC, the use of iron and the cultivation of cereals, oilseeds, vegetables and fruits were routine. Irrigation was widely practiced by 350 BC and the construction of dams and their maintenance is mentioned in the Arthashastra of Kautilya. On hill-slopes, fruit orchards abounded and in the plains, rice, wheat, millets, barley, oilseeds were cultivated. To retain soil fertility, mixed cropping and rotational cropping was resorted to and keeping fields fallow by rotation. Pulses too made an appearance.

In the areas below the Vindhya, sustained agricultural practices such as ploughing, manuring, weeding, irrigation and crop protection was practiced as also water storage in tanks and Kallanai dam built in 150 B.C on the Cauvery River, is the oldest dam in the world that is in use even today. Spice trading (cinnamon & black pepper) also started by 850 A.D. The crystallisation process of sugar (khandsari) was discovered and China sent two official missions to India (642 and 647 A.D) for obtaining the sugar-refining technology from India. Chinese silks were prized in India as was camphor by 150 AD. During the Chola regime (650 AD to 1600 AD), collective holding of land by village communities

vanished and was replaced by individual ownership of land & plots with individual irrigation by wells or tanks. The Cholas had water-regulators (Neer-Kattis) for the irrigation systems (dams) as part of their bureaucracy. But India also learnt much from the Persian irrigation techniques including the Persian waterwheel and hydel power. Another important innovation which helped in horticulture was the use of grafting techniques which was introduced from Central Asia into India in the medieval period. The advent of the Portuguese saw a huge infusion of fruits and vegetables from South America such as potato, tomato, chillies, maize and fruits like pineapple, papaya and cashew-nut. The quality of mango and other fruits like oranges and limes also improved with the grafting techniques. Cultivation of vegetables was encouraged in peri-urban areas and the cultivation of tobacco in India also started by the Portuguese who introduced rubber into India as a cash crop. Tea was introduced by the British from China in 1860 but was discovered as growing wild in Assam and the Indian tea industry was born. Coffee was imported from Ethiopia and then grown in Karnataka from Arabian coffee seeds. Indian crops such as cotton, sugar, citric fruits spread to the entire Islamic world and the quality of fruits was improved with the Central Asian expertise in grafting.

During the medieval period, Indian handicrafts, textiles, cottage industries (carpet weaving etc.) became very famous with diverse cultural infusions and music, painting, book-printing, all flourished. Land revenue was a taxing problem for the peasant and the villages were largely self-administered and the revenues paid by the village collectively and not individually, depending on value of crops produced. The standard revenue was 6 annas for every rupee (16 annas) produced and various kings who tried to exact more revenues to fund their stupid wars, found that the villagers chose to vote with their feet and migrate far away from these rulers. Any revenue exaction above 30% of production was strongly resented by the farmers. But under Akbar's wise rule, the Todarmal land revenue system became more scientific and farmers could implement elaborate

schemes for agriculture management on a rational and scientific basis.

The Indian Rural Economy

The above facts about the ability of the Indian farmers to innovate assimilate and cultivate, shows that Indian agriculture was a dynamic system which enabled the export of Indian spices and handlooms, at fancy prices to Europe via the Middle East. But how did this affect the Indian economy and the farmers? After the Battles of Buxar (1755) and Plassey (1757), the British became the dominant power in the sub-continent as by that time, the other colonial powers which tussled for power had accepted their secondary status in India.

- The Portuguese were the first to come to India and set up bases: 1) Goa-1610, 2)Daman – 1558 3)Diu - 1535 4)Bassein – 1533 5)Nagapattinam -1567, 6)Hugli – 1658, 7)Colombo -1507, 8) Galle – 1507, 9)Matara -1507, 10)Trincomalee -1522 11) Cannanore-1501, 12) Calicut-1498. They lost to the Dutch in Ceylon but retained bases in India.
- The Dutch set up bases at 1) Pulicat – 1600, 2) Chinsura – 1653, 3) Masulipatnam-1616, 4) Colombo-1658, 5) Matara-1656, 6) Galle-1656 but as they could not match the British naval power, they concentrated on Ceylon and Indonesia.
- The French set up bases at 1) Pondicherry – 1674, 2) Chandannagar – 1675, 3) Yanam – 1725, 4) Mahe – 1725, 5) Karikal – 1739, 6) Colombo – 1673.
- The Danes built a few bases at 1) Serampore – 1675 2)Tranquebar – 1620, 3) Nicobar-1654, 4)Balasore-1673.
- The England were a trading and naval power and had major bases at 1) Vishakhapatnam – 1682, 2) Surat – 1612, 3) Bombay – 1638, 4) Madras- 1639, 5) Calcutta – 1690, 6) Hugli – 1658.

The British became the dominant colonial power in the sub-continent after astute politicking, diplomacy and use of brute force. It would be interesting to see how the Indian and British economies fared since 1 A.D. (Based on Angus Maddison – 2003 at 1990 International \$), at Table 1 below:

Table 1. Share of World GDP

Year	1	1000	1500	1600	1700	1820	1870	1913	1950	1973	2003
India	450	450	590	550	550	533	533	673	619	653	2160
U.K	400	400	714	974	1250	1700	3190	4921	6939	12025	21310

Source: Maddison, 2007, The Contours of the World Economy, OUP

For over 1000 years, Indian per capita GDP exceeded that of U.K. but remained at stagnant levels. Thereafter, education, trade and technology, colonial prowess and slavery ensured that the British per capita GDP became 10 times that of India's per capita GDP, in the next

thousand years. How did the Indian economy fare in comparison with other countries in the world? It would be interesting to study the share of India and UK in the world's GDP over 2000 years (from Angus Maddison, 2003), as at Table 2 below:

Table 2. Share of World GDP (%)

Year	1	1000	1500	1600	1700	1820	1870	1913	1950	1971	2003
India	32	28	24.4	22.4	24.4	16.0	12.1	7.5	4.2	3.1	5.5
U.K	0.3	0.7	1.1	1.8	2.9	5.2	9.0	8.2	6.5	4.2	3.1

Source: Maddison, 2007, *The Contours of the World Economy*, OUP

Even taking into account the size of India in area and population, the decline since 1500 A.D. of India's share in the world's GDP, had started; by 1900 the British share of the world GDP, had overtaken India's share of world GDP (in 400 years) and is today about half of Indian Share of World GDP. The rapid decline of India's fortunes coincided with the British rise in fortunes. Thus colonial rule by the British over India did benefit the British economically while at the same time, it impoverished India, totally. India which provided 25% of the world's GDP for 1500 years started decaying, while the other countries forged ahead. China, the USA and Canada, Australia and the colonial powers of Europe managed their economies better while India was bent on self-destruction and poor governance for about 500 years. We also need to study the per capita GDP of India from 1600 to 1870 in Table 3 below;

Table 3. India's Per Capita Growth (1600-1870)

Year	GDP	Population	Per Capita GDP
1600	82.4	55.5	148.5
1650	77.6	55.5	139.9
1700	87.5	64.1	136.6
1751	93.2	74.2	125.6
1801	98.1	80.9	121.3
1811	97.1	84.0	111.1
1821	88.2	80.1	110.1
1831	93.8	84.4	111.1
1841	91.9	82.8	111.0
1851	101.0	90.6	111.4
1861	100.4	95.3	105.3
1871	100.0	100.0	100.0

Source: Maddison, 2007, *the Contours of the World Economy*, OUP

The stagnation in the economy and the growing population ensured that per capita GDP fell rapidly since 1751. So we may have to delve deeper to analyze the acceleration in pauperisation levels during the colonial dominance of England (1757-1947). For 1500 years since 1 AD, India had a stable and strong economy with

stable agriculture, flourishing internal and external trade and rich handicrafts industries. Subsistence farmers settled in small village communities, carried on agricultural operations. Landlords were not land owners, they only had the right to collect taxes on behalf of the governing authority. A village was mostly self-sufficient and the barter trade was prevalent (jajmani system). The farmer raised crops for his family consumption and shared the same with the village artisans who provided simple goods for his consumption, the oil-crusher, the carpenter, the barber, the black -smith, the potter, etc. The means of communication were primitive and agriculture trade produce was limited. Money was only needed to pay revenue & taxes as it was largely a non-monetised economy. India had extensive domestic and export trade with countries in Asia, Europe and Africa. There was a balance between imports and exports. India imported horses, pearls, wool, dates, dried fruits, attar from Arabia as also coffee, gold, drugs and honey, tea, silk from China and gold, musk, woolen cloth, paper, copper, lead and iron from Europe.

The major items of Indian exports were handloom cotton and silk textiles, spices, raw silk, diamonds, indigo, opium, rice, wheat, sugar, drugs and other precious stones. Though experts were risky due to poor quality ships and pirate activity, both overland and marine trades were well-financed (due to hundis) and rich merchants, kings and the nobility also financed such trade. A favorable balance of trade and an indigenous manufacturing/ production system was the major strength of Indian economic dominance for over 1500 years. India's artisans were famous for their skills and India's foreign trade balance was favorable due to this manufacturing excellence and excelled in large-scale manufacture of cotton and silk cloth, sugar, jute, dyestuffs, minerals and metal products like any, metal wares and oil.

By 1700, India was a land with excellent manufacturing skills and the British destroyed this base due to the domestic economic compulsions in the aftermath of the Industrial Revolution in Great Britain, when machine-made cloth from Manchester began replacing indigenously produced cloth. Indian cloth experts faced a 30% import duty while cheaper mill-produced cloth from England had no import duties to pay in India. Indian skilled artisans were forced out of the production system and this led to India's economic decline (Dutt, 1990).

Irrigation Systems

Under the Mughals, only 5% of India's agriculture was under irrigated conditions but with 2 monsoon seasons, Kharif (June-Sept) and Rabi (Nov.-Jan.), rain-fed farming dominated. Creation of large tanks for storing rain-water for irrigation and drinking water since ancient times, by kings and other rulers, were common and the village administration maintained these tanks. Over time, these tanks fell into dis-repair and were neither de-silted nor maintained. In Fatehpur Sikri and Hampi, lifting and channeling of water for palaces and others, construction of large tanks in Deccan and Gujarat, Hauz Khas in Delhi and construction of canals near Delhi and Gaur (Bengal), are examples of the interest taken in public works. The Grand Anicut on the Cauvery by the Cholas in the 11th century AD is the world's oldest irrigation system still in use after a thousand years while Firozshah Tughlaq's water works system, connecting the Indus in Punjab with the Ganga-Jamuna system near Delhi, was a massive irrigation system with a 200 mile long canal connecting various towns and these canals even allowed navigation and water was used for irrigation. These canals enabled Haryana to grow winter crops like wheat, gram and sugarcane. The East India Company administration ensured that these ancient systems were repaired and restored many of them.

The restored irrigation systems were on the Jamuna Doab (1817-40), the Cauvery Delta (1830-40) and the Godavari Krishna Deltas (1840-50) by Sir Arthur Cotton. The company benefitted by increased land revenue, water rates and also by reducing the risk of famines. Thereafter, a huge amount of money was spent in Sind and Punjab for resettling army veteran soldiers so that there was a buffer against the Afghans but the economic value due to these canals on the Indus was huge as harvesting of wheat, cotton, sugarcane was possible on what was formerly deserts. However, it must be

mentioned that the building of essential infrastructure such as canals, rail and roads systems, telegraphs and postal systems, formulated by Lord Dalhousie ensured the flow of more private capital flowed into India as investments from Britain. The Mahanadi canal, the Sone canal were example of canals which were not well-designed. Later, excellent canals built were the Agra canal and the lower Ganga canal in UP, the Sirhind Canal in Punjab and the Mutha Canal in Pune. But the canal investments by private companies did not prove to be remunerative and declined while investment for railways increased. However the large scale irrigation works ensured that minor millets like jowar, bajra and ragi gave way to cultivation of paddy wheat and sugarcane due to availability of water (Roy, 2006).

Colonial Land Revenue System

The Mughal system of land revenue which Raja Todarmal had devised was scientific and suited for the Indian agricultural system where the owners of land were the peasants and the zamindars had only the right to collect revenues/taxes and pass it onto the central governing authority. After the Battles of Buxar/ Plassey, the British became the rulers of the Bengal Presidency and they continued the Mughal system of tax administration to get a fixed amount of land revenue collected by the Zamindars; however, there were the Jagirdars or feudal landlords who had been allotted jagirs or land titles by the state in lieu of certain obligations (raising of troops etc.). All this ensured the promotion of a very powerful landlord lobby in the agrarian society. In view of the need to earn revenues and send profits to the East India Company in London, the English policy was to maximise land revenue and all freedom was given to the zamindars to collect rent. The system of collection was crude and oppressive as the Zamindars fixed rents at will and cultivators rarely enjoyed security of tenure. To pay off taxes, farmers often borrowed money from zamindars or money-lenders and were reduced to the status of bonded laborers or slaves as the borrowed amounts could not be repaid due to the high rates of interest levied by the moneylenders.

In 1775, Lord Cornwallis introduced the Rayatwari System with the Permanent Settlement Act wherein individual settlements were made with which each holder of land title (ryot or rayat) by the state with the farmers having the right to sublet, mortgage and transfer land and if the fixed rent was paid, he could not be evicted from the

land. In UP/Punjab, another land tenure system – the “Mahalwari” was introduced. The village was the basis of settlement and farmers paid revenue on the basis of their % of land holding as per village records. Villages were the unit of taxation and property ownership was jointly held or singly held by the farmer community. The colonial system of land revenue was as under:

- Zamindari System – 48% land largely in North India with 50% land owned by zamindars.
- Rayatwari System – 33% land largely in Central / South India.

Thus over 80% of the land was covered by these two systems of land revenue which were feudal in nature. But In the zamindari system, the landowners were vested with resources and had absolute proprietary rights and they had the resources to take over the farmers land; zamindars tried to extract maximum amount of revenue from the farmers and were neither interested in improving the productivity levels of farmers nor in innovations. The Ryotwari system in India was a colonial imposition and surplus agriculture produce was siphoned off to pay off the land revenue, to the detriment of the smallholder farmers.

Impact on Agriculture

The impact of the land revenue systems (Ryotwari/ Mahalwari, etc.) led to the agrarian controlled structure with property rights leading to under-utilisation of land and of manpower and led to inefficient use of land and low agriculture productivity. This led to different forms of land ownership as under

- Expropriatory tenants – earlier owners of land who had lost their status
- Occupancy tenants – these who acquired tenancy right as per the 1935 Act
- Non- Occupancy tenants- these were tenants at will and paid cash rents which were not regulated by administrators
- Share-croppers – who paid rent in kind @50% of gross produce and unprotected

The various Tenancy Acts in force were:

- Bengal Tenancy Act 1885-12 year’s continuous occupancy conferred rights to tenants.
- Agra Tenancy Act 1901-7 years continuous occupancy conferred lights to tenants.
- Agra Tenancy Act 1926 – life tenancy rights.
- UP Tenancy Act 1939 – tenants for life and inheritable.

The leasing out and leasing in of land led to feudal

relationships and a stagnant set up (between 1870 and 1920, agriculture grew @ 0.04%) and was not on commercial lines due to the existing economic, soil, irrigation and cultural set-ups. Agriculture suffered as there was mass exploitation of the tenant cultivators, extraction of the marketable surplus produce in the form of arbitrary rents and no investment in enhancing land productivity. Summing up, the colonial legacy led to continuation of outdated cultivation methods, low agricultural yields and abnormally high rents paid by farmers to the zamindars. Family labour had to necessarily work in the fields and no organised marketing system except the weekly / bi-weekly ‘haats’ or ‘shandies’. This led to subsistence level agriculture and eviction of farmers at the will of the zamindars and added to the plight of the smallholder farmer and laid the foundation for the growing numbers of landless laborers in India. The agrarian society then became a hindrance to encouraging productive forces in the rural economy and the productive capacity of farmers reached a state of stagnation.

Famines in Colonial India and their Effects

India is a vast country with different cropping systems and agricultural products with its fair share of famines, floods and droughts as also other natural calamities like earthquakes, hailstones, pest/locust attacks etc. Farming is risky business and more so in rain-fed areas. In Mughal India (around 1600 AD) only 5% of India had irrigation systems for farming and the rest depended on the bounty of the monsoon. Though famines occurred frequently and created havoc among the rural population, India did not have an aggregate food shortage and famines were due to localised crop failures resulting in mass deaths among the landless laborers, rural artisans and petty traders (decimating between 35-55% of the poor). As per Paul Greenough’s checklist of Indian famines, between 298 BC and 1943, there were 121 major famines recorded as at Table-4 below.

Table 4. Famines in India

Before 1000 A.D	4
1000 AD - 1499	24
1500 AD - 1599	18
1600 AD - 1699	27
1700 AD - 1799	18
1800 AD - 1899	30
121 famines	

Source: Bhatia, 1963, Famines in India, Asia Publishing House.

During the colonial period, the major famines recorded and some important administrative decisions taken were as under:

- 1770 – Great Famine of Bengal (33% of population killed)
- 1860-61 – Upper Doab Famine
- 1866 – Orissa Famine
- 1869 – Rajputana Famine
- 1867 – Imperial Forest service created
- 1870 – Creation of Department of Irrigation
- 1869-72 -Department of Agriculture created
- 1873-74 -Bihar Famine
- 1876-80 Great Famine with 5.3 million dead
- 1878-80 Famine Commission Report
- 1880-84 Repeal of Import Duty on Cotton + Most Tariffs
- 1884-88 - Passage of Bengal Tenancy Act
- 1896-97- Bundelkhand Famine
- 1899-1900- Great Indian Famine
- 1904 - Agriculture Credit commences with Cooperative Credit Societies Act.

The effects of recurring droughts/famines etc. had an effect on the rural economy and on the rural people as India had a non-monetized exchange economy with wages being paid in cash or cash and kind. In the village, the 'jajmani' system ensured arrangements for payment for essential services between castes and resulted in appropriating a fixed share of the harvest. For a large proportion of the rural population, food supply depended on employment entitlements or the demand among the landed producers of food for services. This demand was severely curtailed at time of food shortages due to natural calamities. A crop failure could create a famine not due to the aggregate shortage of available food grains but because of dependency of a significant proportion of the population on the 'Exchange System' as these people had no means to acquire food. Thus it was seen that food grains were still being exported in areas of famine hit-regions and that food grain prices in famine-hit regions during affected years were higher but not very much higher than normal. The Famine Commission (1880) concluded that famines were the result of the socio-economic systems break-down in the wake of local crop failures. Also as populations grew, the economy grew about 1% per year in-between 1880-1920, due to the subsistence agriculture practiced. Irrigation impetus gave rise to cash crops like jute,

cotton, sugarcane, coffee, tea, indigo, opium etc. (Roy, 2006, the Economic History of India (1857-1947, OUP)

British Colonial Legacy and Impact

The British are a nation of shopkeepers, as observed by Napoleon; the British entered India during Mughal rule as traders and they were determined to obtain pole position over the other colonial powers the Portuguese, the Dutch, The Danes and the French. Due to the astute leadership and the inability of other colonial powers and Indian rulers to counter the strong British navy and the Company traders, the British after the Battles of Buxar and Plassey, gained control over India and Indians must remain grateful to the British whose rule was pragmatic and they did not attempt to ensure cultural domination like the French and Americans or religious fanatics like the Spanish and Portuguese or the harsh domination of the Belgians, the Dutch, the Germans and the Italians. The British largely did not interfere with Indian traditions unless their economic/trading interests were affected.

To further their trading interests and later treating India as a monopolistic market for British manufactured goods and a supplier of raw materials, they brought in the postal system, the telegraph system and the railways and to a lesser extent, water-borne trade (river/marine shipping) but the British engaged a monopoly in banking, plantations, shipping, export trade etc. The British balance of payments was favorable vis-à-vis India and the army and the civil services were totally ruled by the upper clans of British society. Their greatest contribution was in education but they largely ignored technical education. Overall they did not hamper Indian economic development, permitting Indian indigenous trading system, the hundi system and money-lenders but wherever there was a conflict with their economic/security interest, they did interfere. The civil service was not corrupt and efficient but there was an interest in development, due possibly to cost consideration, however another lasting legacy was the irrigation system. Up to the Mughals, only 5% of Indian agriculture was irrigated (by tanks/canals) but in 1947 when the British left, about 35% of India had irrigated agriculture (Naoroji, 1993).

As long as the East India Company ruled (1757-1857) the British went about grabbing kingdoms but after 1857, this policy was discontinued under the Crown. An elite lot were able to access western education while the masses had no access to education and

literacy was only 12% in 1947. During Company rule, some British did many and merge into Indian systems. But after Crown rule this was frowned upon. They become more insular and despised Indian cultures, customs, and education as inferior. This also enabled them to rule over India, with a handful of British civil and army officials and was never more than 0.05% of the population. Even the Muslim rulers in India had more numbers. R.C Dutt, Dadabhai Naoroji wrote

extensively about heavy British Taxes and siphoning off of India’s wealth. However it must be noted that the Mughals exacted land revenue of 16% of the national income while the British exacted land tax at 1% of the national income and the total tax burden was low at 6%. Those who owned land benefitted from this benign tax regime but benefits were not passed on to the masses.

Social Structure at the end of Mughal at British Rule

Percentage of Labor Force		Strata of Economy	Percentage of National Income after Tax	
1707	1947		1707	1947
(A) Non-Village Economy				
18	18	Mughal: Emperor/Court, Mansabdar, Jagirdar, Zamindar British: Civil/Military official, Businessmen, traders, Bankers, Plantation Owners	52	44
1	0.06	Mughal: Merchants/ Bankers, traders, courtiers, soldiers, artisans, menials, labourers	15	5
17	0.94	British: Native princes, Zamindars + Jagirdars, traders, Indian professional class , Managers	37	3
	17	British: Petty traders, small entrepreneurs, govt. petty officials , manual workers, labourers, artisans		6
				30
(B) Village Economy				
72	-	Mughals: Dominant class, cultivators, rural artisans, landless laborers	45	-
-	75	British:		54
	1) 9	1) Zamindars , rural money lenders		1) 20
	2) 20	2) Proprietor/owners of land		2) 18
	3) 29	3) Tenants, sharecroppers, artisans, laborers		3) 12
	4) 17	4) Others		4) 4
10	7	(c) Tribal Economy	3	2

Source: Maddison, 2007, Contours of the World Economy, OUP

The British inherited the Mughal system of tax administration as formulated by Raja Todar Mal and destroyed the existing administrative system as the ruling class or Jagirdars were abolished (except in princely states); but the tax collection and the zamindars’ rights were reinforced by giving them hereditary status if they paid their taxes while their judicial and administrative functions were taken away. This enabled the British to do away with the military power of the Jagirdars and balanced this divide-and-rule policy by strengthening the zamindars who became richer and more powerful under the British. In 1772, there were only 100 zamindars in Bengal but in 1872, there were 154200 zamindars of whom 11% had over 500 acres of estates, each. The social structure did not change radically under the British who were basically status-quoists and favored the ‘tenancy rights’ approach. The British had no interest in land reforms and were

more concerned with guaranteed revenue by way of taxes. They did not wish to create political disturbances by increasing agricultural productivity or bringing about agrarian reforms; moneylenders proliferated during the colonial regime as funds from banks were available only for corporates and for plantation owners and not for the smallholder farmers. Land values sharply rose due to lowering of taxes and increasing land scarcity due to the population boom. The Mughals exacted 30% of the crop value as revenue while in 1947, land tax was only 2% of agricultural income. This was more so in Bengal, Bihar and Orissa (due to the Permanent Settlement in 1793) but also true in other areas.

But this created an income divide in the villages and rapidly growing classes of agriculture laborers as traditional rights were curtailed, rent was increased arbitrarily by zamindars and land became costlier. The colonial government did not provide credit or extension

services or research, but did boost canal irrigation and tube-wells irrigation. Inefficient Jagirdars were rooted out as also inefficient zamindars, due to their increasing dependency on moneylenders. Productivity and savings may have been increased but not much. Wastelands were taken up for development and to feed a rapidly growing population which increased from 165 million in 1757 to 420 million in 1947. Irrigation was concentrated in Punjab and Sind as cultivable land had to be provided to retired army-men which would act as a buffer zone to the Afghan Raiders. Besides, this led to increased land revenue and a hedge against starvation/ famine. Due to the Indus Valley irrigation system, lands which were deserts now became fertile and produced wheat and cotton for exports. To encourage trade, substantial improvements in transportation systems helped the cash crops which the British encouraged due to the plantations developed for jute, indigo, tea and sugar all of which contributed to export increases and incomes but which did not boost agriculture as such. Though yields did increase, the farmers stuck to subsistence farming and did not go in for scientific agriculture. In view of the high domestic demand, export earnings were limited while in other Asian countries like Ceylon, Burma and Thailand, enlargement of international markets were a major stimulus to agricultural incomes. There is no data to show that agricultural productivity rose or fell and it can be assumed that it remained stagnant as was the case during Mughal rule. The famines in 1876-78 and in 1899-00, killed millions of poor rural people. Also, in the 1890's, bubonic plague and the influenza epidemic in 1919, were also catastrophic. 38 famines in the nineteenth century had an impact but due to railways/roadways, food and water could be transferred from other regions and the population remained static.

With better medical facilities, better food availability and relative peace during British rule, the Indian population in 1947 was 2.5 times the population in 1757. Thus, Indian agriculture as such did not prosper but the landlords did prosper under British colonial rule as did zamindars and money lenders.

The De-Industrialization of India

India had the largest industries than any other country in the world was a major exporter in the pre-colonial times (1 A.D. – 1700 A.D). India had its great manufacturing centers apart from being agriculturally fertile and India's handlooms experts were prized in Asian and European

markets. But to help British manufacturers from Manchester, the British followed a policy of heavy taxation of Indian imports (30%) while exporting cheap mill-manufactured cloth on no taxation basis, to India and this effectively finished off Indian indigenous cloth manufacturers and made India a supplier of raw materials to the British cloth industries at the same time. the cotton mills and factories could not compensate for the destruction of the handloom industry in India. Pandit Jawaharlal Nehru wrote (in *The Discovery of India*)" that the British de-industrialized India and this was the fundamental cause of the appalling poverty of the Indian People and it is of comparatively recent origin". A review of the decline of Indian industries reveals that the destruction of the Jagirdars (who were the Mughal ruling class and who had to be destroyed by the British to legitimize their rule) ensured that the market for luxury goods was also destroyed (fine muslins, jewelry, silk and other fabrics, footwear, decorative weapons etc.). The export market for these goods was also a lot due to fashion changes in Europe after 1815. Also massive imports of cheaper textiles from Britain supplied about 60% of Indian cloth consumption and destroyed the handloom industry(a secondary source of income for rural women) as these mill- woven clothes were cheaper and of better quality than the handloom clothes.

A review of Indian exports revealed that cotton goods export dominated till 1800 and then started falling and the East India Company had to search for additional revenues and thus resorted to exports of raw materials like sugar, silk, indigo and saltpeter and after 1850, also tea and jute and from the 1860's onwards, grain exports, hides + skins, oil cakes were also exported. The Second World War gave a tremendous boost to Indian industry but there was not much increase in capacity due to non-availability of capital goods. Indian traders and industrialists did emerge but they were dominated by British corporates in the major sectors like shipping, insurance, banking, coal, plantation crops and jute. Indian cloth declined in quality and could not compete with China and Japan who earlier depended heavily on Indian cloth imports. Thus, Indian industry could not develop much due to the general level of poverty, poor domestic market sizes, lack of political will by the Government which did not give any preferential treatment to local industries, neither created development banking institutions nor created engineering colleges and industrial plants.

Also, impoverished agricultural laborers without land migrated to towns and cities and became a cheap source of unskilled labor for factories/urban India. (Roy, 1999).

Perspectives

The British rulers had no taste for India-produced luxury goods and they preferred importing European Luxuries / Goods and their purchasing power helped European manufacturers and not the Indian ones. Another factor was that the potential savings were deposited abroad and transferred to England and did not remain in India between 1757-1947, to meet educational and family expenses. Huge extraneous charges were levied by the East India Company and later the Crown to meet administrative expenses in India from 1858 onwards. The Crown levied "Home Charges" for all wars fought, railway goods imports and all Government procurement.

The British changed the economic and social structure in favor of the urban areas, created a plantation agricultural sector to meet their need for funds from exports and helped the agriculture sector by reducing land taxes, land tenures and improved irrigation considerably. The village economy was reduced as was the tribal economy. The trend towards rapid urbanization was set by the British and the rural economy was reduced considerably. The trend towards modernization and urbanization was cast and the trend continues even today. The trend towards commercialization of agriculture was also due to the British impetus to maximize their incomes and balance their imports from China.

The shift from food crops to cash crops like cotton, indigo, tea and opium, was the contribution of the British to Indian agriculture. Production of crops for the market was needed for supplying cotton to the Manchester mills (due to absence of American cotton as a result of the American Civil War and abolishment of slavery). This helped in the production of cotton in India but gained momentum with the railways being built for transportation and mills for production of cloth and better development of rural roads, as necessary for trade and commerce. Some results of this conversion of subsistence agriculture to a plantation or commercial agriculture ensured that many existing systems which had become inconvenient to the British were duly changed as under:

- The land revenue system was totally re-oriented and

the farmers had to pay land tax in cash and this led to increased monetization in the rural economy as hitherto most farmers paid land revenue in kind. So farmers had to switch over to production of those agricultural commodities which had a ready market.

- A new class of money lenders came up in the economy. All the changes in Indian agriculture did not add up to development of the crucial primary sector, Agriculture. The colonial British administration did not talk about improvement of socio-economic conditions in India and development for them meant the creation of markets for absorption of British capital and bumper returns for their elite.
- The increasing monetization of the rural economy and arbitrary land revenues spelled out the death of the 'jajmani' system in the villages and led to pauperization and creating a class of agricultural laborers who remained indebted and steeped in poverty and in perpetual bondage over generations.
- The destruction of the cottage industries and handloom industries pushed the rural people deeper into poverty as within 50 years, India changed from an exporter of exquisite textiles to an importer of Mill cloth. The Luxury goods segment of Indian industry could no longer compete with European goods as the ruling class now had no taste for Indian goods deemed to be of inferior quality.
- With no access to modern education for the masses and massive changes in livelihoods, technologies and systems, the income sources for the common people in rural areas were reduced and this resulted in mass impoverishment as the inclusive "village economy" was shattered and people were forced to migrate to towns and cities in search of livelihoods and sustenance.

The Svarna Bhumi that was the Madhya Desa in ancient times, thus ceased to exist.

Dr. K G Karmakar

Professor and ex-MD, NABARD

REFERENCES

- Bhatia, B.M. (1963). *Famines in India: A Study in some Aspects of the Economic History of India - 1860-1945*. Bombay: Asia Publishing House.
- Dutt, R.C. (1990). *The Economic History of India*. New Delhi: South Asia Books.
- Maddison, Angus. (2007). *Contours of the World Economy, 1-2030 AD: Essays in Macro-Economic*

- history*. Oxford: Oxford University Press.
- Naoroji, Dadabhai. (1993). 'Poverty and Un-British Rule in India'. Google.books.com
- Roy, Tirthankar. (1994). *The Economic History of India (1857-1947)*. OUP: Oxford University Press.
- Roy, Tirthankar. (1999). *Traditional Industry in the Economy of Colonial India*. Oxford: Oxford University Press.
- Washbrook, D. (1994, February). 'The Commercialization of Agriculture in Colonial India: Production, Subsistence and Reproduction in the 'Dry South', c. 1870-1930'. *Modern Asian Studies* 28(1), 129-164.