



Mains Practice Question

Q. Examine the economic policies of the British East India Company and the subsequent British Raj. How did these policies shape India's agrarian, industrial, and commercial development? (250 words)

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Approach

- Introduce the answer by outlining the scope of the answer as a period of economic exploitation.
- Delve into the economic policies of the British East India Company and its impact on agrarian, industrial, and commercial development.
- Conclude suitably.

Introduction

The economic policies implemented by the **British East India Company (EIC) and later the British Raj** represent a pivotal chapter in India's economic history, profoundly shaping the nation's developmental trajectory for centuries.

- These policies were instrumental in transforming India from a **self-sufficient economy into a colonial market** and raw material supplier for British industrial and commercial interests.

Body

The East India Company (1773-1858):

The East India Company's primary objective was **profit maximization through trade**. Its economic policies revolved around:

- **Monopoly and Trade:** The company established monopolies in specific goods, particularly textiles and spices.
 - For instance, the Company acquired exclusive **rights to trade in Bengal's salt and opium**, leading to exorbitant prices for the local populace.
- **Land Revenue System:** The **Permanent Settlement, Mahalwari, and Ryotwari systems** were introduced to maximize revenue collection.
 - The Permanent Settlement in Bengal, for example, granted **Zamindars the right to collect land revenue**, leading to exploitation of peasants and hindering agricultural development.
- **Commercialization of Agriculture:** The company promoted cash crop cultivation (**indigo, cotton, opium**) to meet European demands.
 - The cultivation of **indigo, a labor-intensive crop**, led to widespread indebtedness and agrarian unrest, as exemplified by the **Indigo Revolt**.
 - Commercialization led to land fragmentation, indebtedness, and famines. The **Great Famine of 1876-78** is a stark example of the consequences of this agrarian distress.

The British Raj (1858-1947):

With the British Crown taking over, economic policies became more systematic and exploitative:

- **Deindustrialization:** The British adopted policies to **dismantle India's textile industry**, a major economic backbone.
 - The imposition of **heavy duties on Indian textiles** and the **influx of cheap British machine-made cloth** destroyed the livelihoods of millions of weavers.
- **Raw Material Supplier:** India was transformed into a primary producer of raw materials like **cotton, jute, and indigo for British industries**.
 - The cultivation of cotton in areas unsuitable for it led to **soil exhaustion and decreased agricultural productivity**.
- **Infrastructure Development:** While some infrastructure like **railways and irrigation** was developed, these were primarily for **resource extraction and export**, rather than benefiting the Indian economy.
 - The railways, for instance, facilitated the transportation of **raw materials to ports for export**, rather than connecting rural areas for domestic trade.
- **Drain of Wealth:** The **Home Charges**, a massive transfer of wealth to Britain, further impoverished India.
 - This included salaries of British officials, dividends to shareholders, and payments for war reparations.
 - **Dadabhai Naoroji's Theory of the Drain of Wealth** stated that the main reason behind poverty was the colonial rule that was draining the wealth and prosperity of India.

Conclusion

The economic policies of the British East India Company and the British Raj fundamentally reshaped India's economic landscape. While there were some modernizing influences, the overall impact was **largely exploitative**, hindering India's balanced economic development and self-sufficiency.

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