



British Economic Policy in India (1757-1857)

For Prelims: [Battle of Plassey](#), [Revolt of 1857](#), [Permanent Settlement](#), [Revenue Farming](#), [Ryotwari System](#), [Mahalwari System](#), [Dadabhai Naoroji](#), RC Dutta

For Mains: Phases of Colonial Exploitation of India and Its Impact on India, Major Economic Policies of British Rule, Land Revenue System during British Rule, Economic Impacts of British Imperial Policy in India, Major Economic Critiques of British Imperialism

From **1757 to 1857**, **British economic policies** in India drastically **changed the country's economy to serve the interests of the British Empire**. This period began with **British control after the [Battle of Plassey](#) in 1757** and ended with the **first major Indian [revolt of 1857](#) against colonial rule**. During these years, British policies transformed India's agriculture, industry, and trade in ways that benefited the Empire.

What were the Different Phases of Colonial Exploitation of India?

- **Mercantilist Phase (1757-1813):**
 - This phase involved **direct exploitation** of Indians by colonial rule in which **surplus Indian revenues were used to buy Indian finished goods to be exported to England**.
 - In this stage, a significant **drain of wealth from India occurred**, amounting to **2-3% of Britain's national income**, which helped to finance Britain's industrial revolution.
 - After acquiring diwani rights over Bengal, Bihar, and Orissa in 1765, the **[British East India Company](#)** focused on **maximizing revenue through agricultural taxation**, leading to various **land revenue experiments**.
- **Mercantile Capitalism Phase (1813 to 1858):**
 - This stage is also termed as **Colonialism of Free Trade**. It started with the **[Charter Act of 1813](#)** and continued till the 1860s. The **trade monopoly** of the East India Company ended.
 - **India was converted into a source of raw material** and a **market for British manufactured goods** causing **deindustrialization** and **creating a colonial economy**.
- **Finance Capitalism Phase (1858 to 1947):**
 - The third phase (1858 onwards) marked **British India's direct control under the crown** and saw the **rise of financial imperialism**.
 - British capital was organized through **banks and export-import firms**, consolidating existing exploitation trends.

What were the Major Land Revenue Policies of British Rule During 1757-1857?

- **Revenue Farming (1772):**
 - **About:**
 - It was also known as the **"Ijaradari System"**. This revenue collection system was **used during the [Mughal](#) period** and later adopted by the British in India.

- It was introduced in **1772 by Warren Hastings**, the Governor of Bengal.
- In this system the **revenue collection rights were auctioned annually to the highest bidder.**
- **Issues:**
 - Contractors often **exploited farmers**, leading to **oppression and impoverishment.**
 - Many contractors promised high payments but were **unable to collect even after exerting pressure** on farmers.
 - **Nepotism in the awarding of contracts** resulted in significant losses for the government. Thus resulted in **failure and devastation for cultivators** due to arbitrarily high revenue demands.
- **Permanent Settlement or Zamindari System (1793):**
 - **About:**
 - It was introduced by **Lord Cornwallis in 1793** through **Permanent Settlement** that **fixed the state's demand** for land revenue permanently without any provision for fixed rent or occupancy rights for actual cultivators.
 - The land revenue was collected from the farmers by the **intermediaries** known as **Zamindars.**
 - The **share of the government** in the total land revenue collected by the zamindars was kept at **10/11th**, with the remainder going to zamindars.
 - The system aimed to **create a loyal class of landowners** to improve agricultural production, **simplifying tax collection for the state.**
 - It was most prevalent in **West Bengal, Bihar, Odisha, UP, Andhra Pradesh** and **Madhya Pradesh.**
 - It led to **increased impoverishment of tenant-cultivators** due to **high assessments**, causing **many zamindars to lose their lands** and contributing to the **rise of intermediaries**, which **worsened the plight of peasants.**
 - **Issues:**
 - The zamindari system imposed **high rents on cultivators** with **insecure land rights**, **forced** them into loans and risked eviction for non-payment.
 - **Zamindars struggled with excessive revenue demands**, leading to **loss of zamindari for defaults.** They showed little interest in land improvement, focusing mainly on rent collection.
 - Although cultivation and market prices rose, the **Company couldn't increase revenue demands due to the fixed nature** of the zamindari system, limiting its financial gains.
- **Ryotwari System (1792):**
 - **About:**
 - The **Ryotwari system** was implemented by **Alexander Read** in the **Madras Presidency**. This system **collected revenue from cultivators directly**, establishing them as property owners.
 - In this system, **individual cultivators** known as **ryots** held **full rights over the sale, transfer, and leasing of their land.**
 - As long as they paid their rent, ryots could not be evicted from their holdings.
 - This system was prevalent in **most of southern India**, initially introduced in Tamil Nadu and later extended to Maharashtra, Berar, East Punjab, Coorg, and Assam.
 - Its advantage was the **elimination of middlemen**, who often exploited the villagers.
 - **Issues:**
 - Although it **increased state revenue**, assessments were often **faulty, overburdening peasants** and allowing landed intermediaries to thrive.
 - The Ryotwari System conferred significant **power to subordinate revenue officials**, whose activities were often poorly supervised.
 - The system was **heavily influenced by mahajans and moneylenders**, who provided loans to cultivators in exchange for mortgaging their land.
 - Moneylenders frequently **exploited cultivators and evicted them from their land** in cases of loan default.
- **Mahalwari Settlement (1822):**
 - **About:**

- In 1822, Englishman **Holt Mackenzie** introduced the **Mahalwari System** in the **North Western Provinces** of the Bengal Presidency, primarily in present-day Uttar Pradesh.
- Under this system, land revenue was collected from farmers **by village headmen on behalf of the entire village** rather than through zamindars.
- The village was organized into a **larger unit called a "Mahal,"** which was treated as a single entity for land revenue payments.
- The revenue under the Mahalwari System was to be **revised periodically** rather than fixed permanently.
- The system was **popularized by Lord William Bentick** in Agra and Awadh and was later extended to Madhya Pradesh and Punjab.
- **Issues:**
 - The system was based on **incorrect survey assumptions,** enabling **manipulation and corruption.**
 - The Company often **spent more on revenue collection** than the revenue generated.

What were the Major Economic Policies of British Rule During 1757-1857?

- **Commercialisation of Agriculture:**
 - The emergence of the **new land relations and revenue system post-1860** led to a **shift from production for village uses to production for the market.**
 - The peasants cultivated **specialized cash crops** such as **indigo and cotton** for sale in the national and international market
 - They were also forced to pay **land revenue and debts,** exploited by middlemen and faced economic instability due to fluctuating global prices.
- **Railways:**
 - In **1853, Lord Dalhousie** decided to initiate the construction of railways in India.
 - Though this was seen as modernization, it primarily **served British colonial interests** by **connecting interior markets and raw materials to port cities** for foreign trade, not internal development.
 - The railways were **built with British capital,** with **investors guaranteed a 5% return, funded by Indian revenues.**
 - **Lord Hardinge in 1844** supported railway development for the **efficient prosecution of the war** and the empire's security which could facilitate **British military movement.**
- **Deindustrialisation:**
 - The British **imposed high tariffs** that **restricted Indian commodities in their markets,** while the **Industrial Revolution** flooded India with cheap machine-made goods.
 - This **loss of competitiveness increased pressure on agricultural land** and led to **deindustrialization.**
 - The **disappearance of indigenous courts** that previously supported handicrafts led to significant **deindustrialization,** resulting in the **decline of Indian handicraft industries,** widespread unemployment and severe poverty across the country.

What were the Economic Impacts of British Imperial Policy in India?

- **Disruption of the Traditional Economy:** British policies reshaped India's economy into a colonial system, dismantling traditional economic structures and alienating Indians from their way of life.
- **Decline of Artisans and Craftsmen:** Indian handicrafts declined rapidly due to **competition from cheap British goods. Railways extended access to rural areas,** worsening the decline. The **loss of traditional patrons** further worsened the situation.
- **Impoverishment of the Peasantry:** Heavy **land revenue demands** led to severe hardships for peasants, making them **dependent on zamindars and landlords,** who often exploited them, pushing many into debt.
- **Ruin of Zamindars and Rise of New Landlordism:** Many traditional zamindars faced financial ruin during the early years of British rule. The **auctioning of revenue collection rights** and the imposition of **rigid collection laws** led to **land transfers to wealthier classes,** creating a **new**

class of landlords and further **burdening the peasantry**.

- **Stagnation of Agriculture: Overcrowding, high revenue demands, and landlordism** led to stagnation and deterioration in agriculture, significantly decreasing yields and worsening farmer conditions.
- **Emergence of Modern Industries:** Large-scale industries, such as **textiles and coal mining**, emerged but were predominantly controlled by British capital, **limiting Indian involvement** and hindering local industrial growth.
- **Poverty and Famines:** British economic policies led to widespread poverty in India, with recurring famines in the late 19th century worsening food shortages and deepening economic backwardness.

What were the Major Economic Critiques of British Imperialism?

- **Dadabhai Naoroji (1825-1917):**
 - **Dadabhai Naoroji** was also known as the "**Grand Old Man of India**" and introduced the '**drain theory**' in his renowned book "**Poverty and the Un-British Rule in India (1901).**"
 - He highlighted how British rule resulted in the continuous and **systematic outflow of wealth from India to Britain** without any reciprocal benefit.
 - He estimated that nearly **one-third of India's revenue was drained to Britain** in the form of salaries, savings, pensions, payments to British troops in India and profits from British companies leading to the economic exploitation of the country.
- **Romesh Chandra Dutt (1848-1909):**
 - In his **Economic History of India (1901-03)**, Dutt provided a detailed analysis of the **destructive effects of British policies** on India's economy particularly focusing on **deindustrialization and agricultural decline**.
 - He argued that British **exploitative taxation policies destroyed India's indigenous industries** and **oppressive land revenue systems** led to widespread poverty.
 - Dutt highlighted the **destruction of India's textile manufacturing industry** and the **oppression of traditional handloom weavers** due to British economic policies.
 - He was also **critical of the introduction of railways**, arguing that it facilitated the **influx of imported goods, further draining India's wealth**.
- **Mahadev Govind Ranade (1842-1901):**
 - **MG Ranade** was a renowned economist and social reformer, described India's economy as a "**dependent colonial economy.**"
 - He argued that British economic policies **transformed India into a supplier of raw materials and a consumer of British manufactured goods**, leading to the **destruction of local industries**.
 - Ranade emphasized the **need for industrialization and infrastructure development** to revive the Indian economy.
- **Gopal Krishna Gokhale (1866-1915):**
 - **Gopal Krishna Gokhale** critiqued the **British tax policies**, stating that the **high tax burden** in India was disproportionately large relative to the country's wealth.
 - He argued for a **more just fiscal system** and demanded a **reduction in military expenditure**.
 - Gokhale also called for **investment in education and infrastructure** to help India progress economically.
- **G. Subramaniya Iyer (1855-1916):**
 - He was a strong advocate of economic nationalism and focused on the **role of foreign trade in India's economic subjugation**.
 - In his book **Some Economic Aspects of British Rule in India**, G. Subramania Iyer argued that India's economic backwardness was a **direct result of colonization**, rather than its pre-colonial past.
 - Iyer advocated for the **protection of indigenous infant industries** to counter the economic dominance of British commercial interests.
 - He emphasized the **need for non-agriculture-based industries** to reduce monsoon dependency and **criticized the exploitation of peasants** by middlemen.

Conclusion

British economic policies reshaped India into a colonial economy, dismantling traditional systems and suppressing local industries. Land revenue policies burdened peasants, while deindustrialization and exploitative trade practices deepen poverty. India was reduced to a supplier of raw materials and a market for British goods. Thinkers like Naoroji and Dutt criticized the massive wealth drain and economic subjugation. The legacy of this exploitation left India impoverished, with long-lasting challenges after independence.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q) With reference to land reforms in independent India, which one of the following statements is correct? (2019)

- a) The ceiling laws were aimed at family holdings and not individual holdings.
- b) The major aim of land reforms was to provide agricultural land to all the landless.
- c) It resulted in the cultivation of cash crops as a predominant form of cultivation.
- d) Land reforms permitted no exemptions to the ceiling limits.

Ans: (b)

Q) Who among the following was/were associated with the introduction of the Ryotwari Settlement in India during British rule? (2017)

1. Lord Cornwallis
2. Alexander Read
3. Thomas Munro

Select the correct answer using the code given below:

- a) 1 only
- b) 1 and 3 only
- c) 2 and 3 only
- d) 1, 2 and 3

Ans: (c)

Mains

Q) Why was there a sudden spurt in famines in colonial India since the mid-eighteenth century? Give reasons. (2022)

Q) Examine critically the various facets of economic policies of the British in India from the mid-eighteenth century till independence. (2014)

