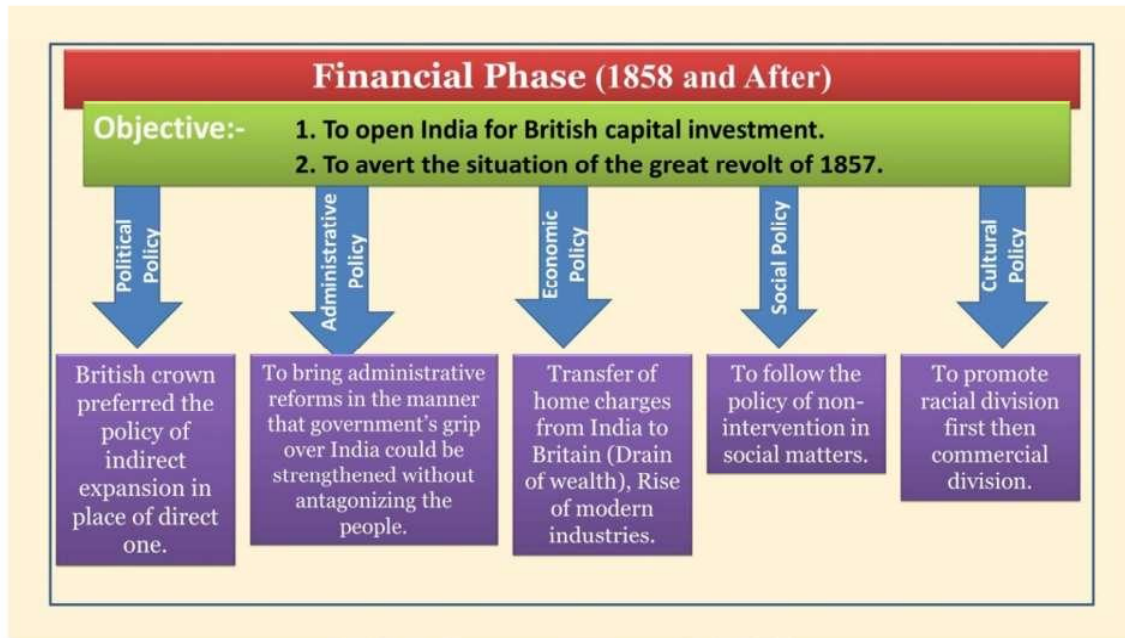


History of Modern India Part-2 (Sub Part-III)

Third Phase of Colonialism (Financial Phase)



The financial phase of colonialism

Objective:

1. To open Indian Economy for British capital investment:

As a result of industrialization, huge amount of capital was accumulated in Britain. So, the capitalists of Britain were in search of investment avenues where the maximum profit over capital could be earned. In fact, as labor was cheap, so the scope of profit was more in the colonies. Thus, after 1858, there was large scale influx of British capital in India which was invested in railways, mining, shipping, government expenditure, plantation of tea and coffee etc. Moreover, a major responsibility of the Indian government during this phase was to promote British capital investment in India and repayment of loan from India to Britain.

2. To prevent recurrence of an event like the Great Revolt of 1857 in India

During the course of the Great Revolt of 1857, the British rule in India was almost on the verge of decline. Thus, the British learnt a big lesson, so after 1857, the main emphasis of British policy post had been to prevent the recurrence of any event like the Great Revolt of 1857.

Political Policy

The Revolt of 1857 emerged to be a major landmark in terms of the British political policy towards India. The British came to realize that, the revolt was violent only in those regions, where the British had established their direct control, while the regions under indirect control were relatively at peace. Thus, in future, the British crown preferred the policy of indirect control over direct control.

In this sequence, there was a proclamation from Queen Victoria on 1st November 1858, and in this proclamation, it was lauded clearly that, the British crown had discarded the policy of annexation of Indian States. Also, the Indian states were given the assurance that any past agreement or contract between them and the Company would be honored.

But, this declaration did not imply any change in the basis of relationship between the British crown and the Indian states, rather only the approach of British had changed i.e. it emphasized on indirect control instead of direct control. In fact, this declaration was more about continuity than change. In reality, it developed an asymmetrical relation between the British

crown and Indian states whereby the British crown was gaining power, while the Indian states were losing it. This could be proved on the following basis-

1. In 1876, Lord Lytton introduced the Royal Title Act of 1876. On the basis of this Act, the title of 'Kaiser-i-Hind' was conferred on Queen Victoria. Thus, Queen Victoria now became the Queen of India i.e. an insider from an outsider. Moreover, in 1877 the Delhi Durbar was organized, in which Indian rulers also had to participate. In reality, the Indian rulers were reduced to the status of feudatories under the supreme authority of the British crown and even the titles as well as the accompanying paraphernalia (e.g. gun salute) for the Indian kings and princes were decided by the British crown.
2. After the Great Revolt, Lord Canning came up with a new policy towards Indian rulers. He realized that, the Indian kings and nobles were leaders of the masses in India. Thus, he believed, as long as they were controlled by the British, the British rule would be safe in India. So, the British provided protection to the Indian states. However, it was indicated to the rulers of the princely states that, the protection of the British would last only till the point they exercise effective control over the masses, because, otherwise these rulers were of no use to the British.
3. Also, railways and telegraph developed, as a means of modern transport and communication during this period. Thus, the Indian rulers were compelled to allow the passage of railway and telegraph lines through their states. In this way, through railways and telegraph lines, the Indian princely states were enchained with the British India.

Administrative Policy

During this period, the main objective of the British administrative policy was to establish strong hold over administration in India, without creating any discontent among the masses-

1. After the Revolt of 1857, the control over Indian administration was transferred from the Company to the British crown.
2. For establishing control over the Indian administration, the office of 'Secretary of State' was constituted in London. He was placed at the apex of administrative structure in India and for his assistance a 15 member council was constituted.
3. However, the administration of India was still in the hands of Governor General of India and the Governors were present in the provinces, but the post of Governor General of India came to be called as the Viceroy of India, as now he represented British crown in India.
4. Then, the process of decentralization began with the Indian Council Act of 1861. For instance, the power to legislate was transferred again to the provinces. This process was completed by the Government of India Act of 1919.
5. The process of financial devolution began in the reign of Lord Mayo, later Lord Lytton and Lord Ripon encouraged it further.
6. Initiatives were taken even for the civil services reforms. In fact, a new category of service was created in the form of 'Statutory Civil Services', in which some Indian aristocrats were to be recruited on the higher posts.

7. Following steps were taken for the military reforms:

- A better balance was created between the number of Indian and European soldiers in the Army.
- Important departments like artillery etc. were placed only under British command.
- Indian regiments were consciously classified on the basis of race and caste.
- The concept of 'martial race' was put forward so that, the recruitment from the politically conscious regions like Awadh, and Bengal could be discouraged.

8. Through the Act of 1861, the Police administration was reorganized in India.

Question: After 1858, the basic objective of the administrative reforms brought about by the British Crown in India, was to prevent the recurrence of an event like the Great Revolt of 1857. Examine the Statement.

Answer: The year 1858 marked the beginning of a new era of British rule in India. In 1858, the British crown took the control of administration of India and also inducted many administrative reforms in India. But on close observation, we realize that, these were only superficial in nature, while basic objective remained the same.

For the administration of India, the office of Secretary of State of India was created and to assist him a council of 15 member was also constituted. However, the post of Governor-General of India and Governor in provinces continued to exist, but the Governor-General of India was now called the Viceroy.

Then, on the basis of the Act of 1861, legislative decentralization was initiated and later the financial decentralization was also encouraged, but Indians were not allowed to participate.

Moreover, initiatives were also taken for military and police reforms, but

the objective was to maintain a strict control over India. Similarly, reforms in the civil services or in local government were initiated just to pacify the Indian nationalists.

In the end, we can conclude that, all the reforms carried out by the British crown were superficial in nature and their major objective was to establish a strict control over India without giving birth to any discontent among the masses.

Economic Policy

▪ **Agriculture**

1. The British continued with the old land revenue systems including the Permanent Settlement, Ryotwari system and Mahalwari system.
2. The government, in order to expand the sphere of dominance, took measures to protect the interest of peasants in India. Through the Bengal tenancy legislations of 1859 and 1885, efforts were made to protect interest of peasants against zamindars, whereas through the Dekkhan Relief Act of 1879 and the Punjab Land Alienation Act of 1900, the efforts were made to protect peasants from the moneylenders.
3. The issues of famine and rural indebtedness were raised by the nationalists.

▪ **Home Charges:** Every year money in the form of repayment of debt and payment of interest was transferred from India to Britain.

▪ **Industrialization in India:** It was on the initiatives of Indian capitalists that, the Industrialization in India began.

Influx of British Capital in India and the issue of Home Charges

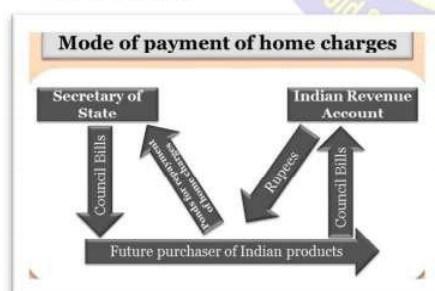
- After 1858, a huge amount of British capital was being brought to India. This capital was brought in following way-
 - I. **In the form of debt:** Loans were taken for the purpose of investment in the construction of railways as well as to meet with

the government expenditure. Thus, the money was draining back to Britain in the form of repayment of debt and payment of interest.

- II. **In the form of investment:** Investment in shipping industry, mining industry, tea and coffee plantation industry etc. This investment along with profit was taken back to Britain.

What does Home Charges imply?

- Home Charges implies the regular transfer of a substantial amount of money from India to Britain. The payment of this amount was liability of the Indian government. It consisted of different items of payments -
 1. Guaranteed profit of railway.
 2. Interest on government loans.
 3. Military expenditure for Indian Army done in Britain, expenses of the office of Secretary of State for India etc.
 4. Pensions to retired British officers (it is to be noticed that Home Charges include the loan amount borrowed from Britain but not the investment.)



Debate regarding Home Charges

- Dadabhai Naoroji, while criticizing Home Charges, declared it to be the drain of wealth. He criticized Home Charges on the following grounds-
 1. The British borrowed money on a higher rate and invested that in railway and not in development of irrigation infrastructure, while the utmost priority of investment in

India must have been irrigation projects.

2. Also, the capital invested by the British in India was the money they had taken back as the part of profit and remittance. So, no additional capital was added from the British pockets.
 3. Apart from that, if there was indigenization of the civil services, then there would have been no need to send the amount of pension to retired officers in Britain.
- However, the British apologist scholars like Morrison denied the phenomena of drain of wealth. He argued that, the amount of money transferred as Home Charges was not much and also it was a necessity for the development of India.
 - **A balanced view:** Even though the entire amount of Home Charges did not constitute Drain of Wealth, but definitely a large part of it was appropriated by the British.

Should only Home Charges be included under the sphere of drain of wealth or other items should also be considered as a part of it?

Following items should be included under it-

1. The remittances transferred to Britain by British officials working in India.
2. The profit earned by the British merchant which they transferred to Britain.
3. During 1870s, there was devaluation of Indian rupee against pound sterling. Consequently, the real value of drained wealth to Britain also increased.

Explain the limitations of Dadabhai Naoroji's view on drain of wealth -

1. He was intended to prove that the amount transferred from India to Britain was not simply money, but capital.
2. He held only handful of British responsible for exploitation of India.

3. He only accounted for the amount transferred by the Indian government, but not by the private capitalists.

Still, the contribution of Dadabhai Naoroji can never be undermined, as he was the only thinker after Marx to strongly criticize the colonial model of economy.

Emergence of modern industries in India

- The Indian capitalists led the foundation of cotton goods industries on west coast of India. For instance, Cowasjee Nanabhai is credited for the establishment of first cotton textile industry in India, in Bharuch, Bombay Presidency. After that, very soon many cotton textile industries got established in western India.
- Then, in 1855, a British entrepreneur, George Auckland founded a jute mill in Risra, Bengal Presidency. Following that, Bengal emerged to a center of jute mill industries in India.
- The emphasis of British policy was not on the industrialization in India. Thus, there were many bottlenecks on the way of Industrialization, which were as follows-
 1. Lack of scientific and technical education and lack of skilled labor in India.
 2. Unavailability of credit to finance the Indian industries.
 3. Biased approach of British management agencies.
 4. The British government avoided giving protection to the Indian industries.

Growth of industrialization in India

1. **First World War-** As an aftermath of the First World War, a crisis had emerged in European economy. However, Indian economy was benefitted from this situation of Crisis in Europe. During this period, Indian

capital was invested in cement industry, paper industry, glass industry, iron and steel industries etc.

2. **World Economic Depression (1929-30 AD)** - This event is considered to be the second crisis of capitalism. During the global economic depression, supply chains in western capitalist countries, were disrupted badly. As a result, there was significant reduction in imports from Europe. Consequently, indigenous capitalists got the benefit. In fact, these capitalists established new industries in order to fulfil the domestic demands in India.
3. **Second World War-** During this period also, Indian industries developed further.

Question: The British used to express benevolent approach towards Indians, but frequent famines under the British rule seemed to expose their reality. Comment

Answer: British put strong efforts for Indians to realize that, they were well-wishers of Indians. But frequent famines and response of the government during that phase, reflects a different picture all together.

While most of the famines during the course of Indian history have been caused by climatic factors but during the colonial rule British economic policies became instrumental behind famine. For example-excessive burden of land revenue on peasants, decline of artisanal industries, cultivation of cash crops and thus decline in production of coarse grains, export of food grains from India etc.

Most of all, the British government did not take concrete steps to deal with the menace of famines. However, after the famines of Gujrat and Deccan, Strachey Commission was constituted. On the basis of its recommendation, Famine Code was prepared. It had a provision that, if three fourth of the crop was destroyed, then land

revenue would not be collected, but in practice, generally it was not followed.

Moreover, the most pressing demand was to reduce the burden of land revenue on peasants, but the British government was not ready to give any concessions to the overburdened peasants.

Thus, what government expressed and what government followed in context of Indians, were miles apart.

Question: Critically comment on the growth of modern industries in India under the British rule.

Answer: The British imperialist scholars, give credit to the British for the industrialization of India. But on minute observation, following things can be highlighted. First, the British government consciously discouraged growth of industries in India so that, the market of the British manufactured goods was not disrupted. Thus, the British officials, in the fields of banking, managing agencies etc., adopted a biased approach against the Indian industrialists.

Secondly, Indian capitalists, even after strong British resistance, took initiatives for industrialization on their own. However, the real growth of indigenous industries became possible only when the British industrial control on India was weakened. For this, following reasons can be held responsible-

1. Impact of the First World War: During this period, the focus of British capitalism was on Britain and thus India was released from the burden of the British capital. As a result, Indian capitalist, while grabbing this opportunity, invested their capital in new areas including iron and steel industries, paper industries, glass industries, matchbox industry etc. Apart from that, initiative were taken for establishing industries in Bengal by Ghanshyam Das Birla and Hukum Chand. Thus, a natural consequence of Indian capitalism during this period was formation of FICCI organization in 1927.

2. The World Economic Depression of 1928-30: During this period, there was outflow of British capital from India, as a result indigenous capital received space to grow.

3. Second World War: During the Second World War, Indian capitalists took advantage of the crisis of British capitalism and invested in new sectors.

Question: Explain how did the Revolt of 1857 prove to be a landmark event in conduct of the British policy towards India?

Answer: The Great Revolt of 1857 had posed an existential threat for the British rule in India. Thus, after this revolt, the major objective of the British policies towards India was to avoid recurrence of any such revolt again.

So, the British policy in relation to India adopted after 1858 should be understood with the following perspectives

1. The administration of India was now under the direct control of the British crown. Also, the famous proclamation of Queen Victoria tried to create a trust between the crown and the Indian rulers.
2. The administrative changes were meant to ensure on one hand, that a strict British control could be established over India and on the other, no discontent among the masses was fueled. It can be understood with the following examples- the office of the Secretary of State for India was created, administrative decentralization on the basis of the Act of 1861 and the beginning of financial decentralization by 1870s and also, introduction of the Statutory Civil Services, whereby for the first time, some Indians were allowed on higher posts.
3. Then, in order to provide a strong base for the British rule in India, it was also necessary to strengthen apparatus of internal security. So, the measures for police and military reforms were taken.

For military reforms, following decisions - creating a better balance between the Indian and European soldiers, keeping arsenal under the control of British officials and dividing the regiments on the basis of cast and region were taken.

4. Last but not the least, the policy of divide and rule was adopted in order to make the British rule permanent. Thus, the efforts were made to divide Hindus and Muslims.

In this way, the Great Revolt of 1857 became a watershed in the conduct of British policy towards India.

Social Policy

- As the lesson was learnt from the Revolt of 1857, the British crown adopted the policy of non-intervention into the social aspects of India. However, even if some reforms were carried out by the British, they were under the pressure created by the Indian nationalists. For example, it was due to the initiatives of B M Malabari, the Age of Consent Bill was introduced in 1891. On the basis of this act, the minimum age of marriage for girls was increased. Similarly, later as the result of initiatives of Harvilas Sharda, the Sharda Act was passed in 1929-30. On the basis of this Act, the age of marriage for both boys and girls was increased.

Cultural Policy

- The British, while adopting the policy of racial discrimination, declared Indians to be savage and uncivilized. Even the 'Victorian racial sciences' supported this racial division.
- British adopted the policy of divide and rule against the Hindu and Muslim unity.
- British consciously adopted the population census based on religion.
