

COMPREHEHNSIVE COURSE ON MODERN  
INDIAN HISTORY

# BRITISH CONQUEST- ECONOMIC IMPACT

## DE-INDUSTRIALISATION DRAIN OF WEALTH



WORKBOOK- CLASS HANDOUT



*By- Pratik Nayak  
(PNLIVE)*





## PRATIK NAYAK

EDUCATOR- HISTORY,  
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EXPERIENCE

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UNIVERSITY)

WORKED AT GOVT. OF GUJARAT

Sources of Reading-  
Pratik Nayak- Workbook  
Running notes of the class

Comprehensive Coverage-  
Previous Years Questions

Hello Learners- please find this  
workbook containing topics to covered

This workbook contains the compiled  
information/facts/analysis sourced from  
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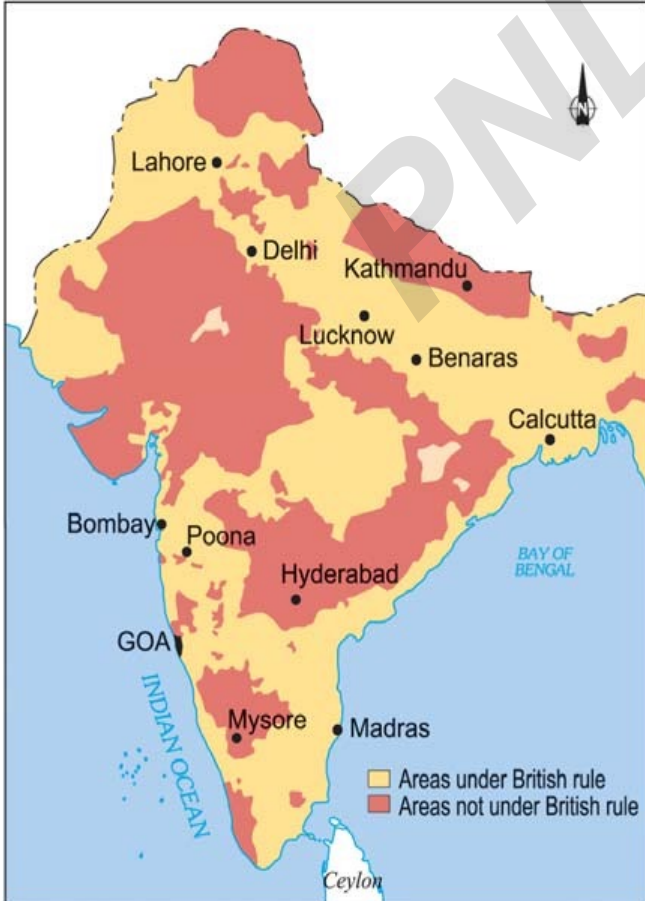
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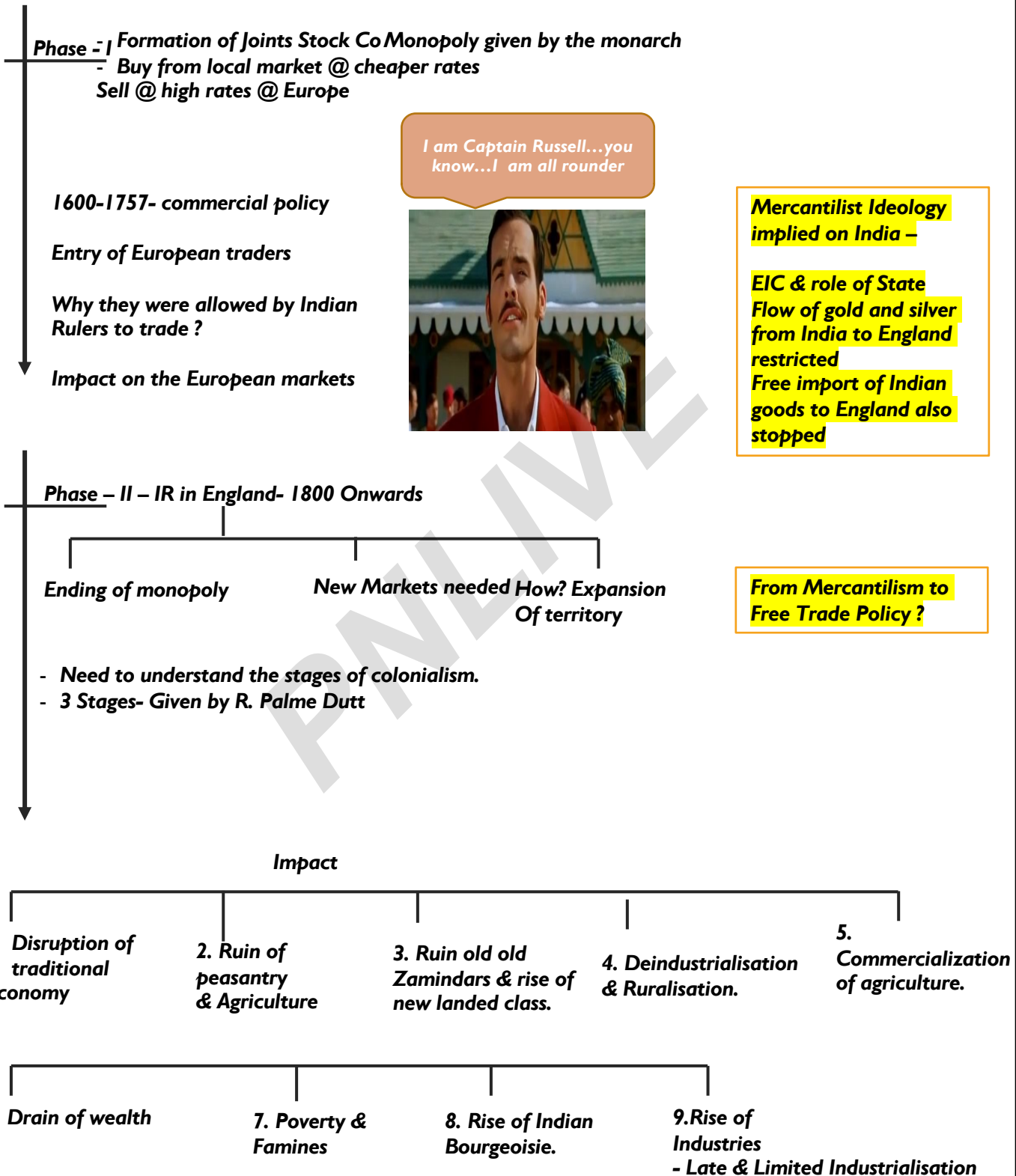
# British Conquest

**What was the Economic Impact of this conquest ?**



## Economic Impact of Colonial Rule On India.

### Q. Trends / Features.



## Economic Impact of Colonial Rule On India.

### Q. Deindustrialisation & Ruralisation.

Background → Indian Industry in 17<sup>th</sup> Century

Agriculture+ Industry → Developed

Almost everything that used to be made of wool or silk, relating either to dress of the women or the furniture of our houses, was supplied by Indian trade

In 1720, the British government enacted a legislation banning the use of printed cotton textiles – chintz – in England. Interestingly, this Act was known as the Calico Act.

As a result, the European mercantilists & manufacturers complained to English government

1700 → English government passed an act

Banned all kind of cloth, silk, muslin, calicos from India, Persia, China

1720 Act → Penalty of £5 who wore Indian Silk, £20 who sold it

Q. Objective → Ruralisation of India Economy?

- Deindustrialization
- Ruralisation

People getting jobless → More Dependence on rural areas

Q. How did Deindustrialisation took place?

- Conspiracy? How?
- Make India into agriculture farm

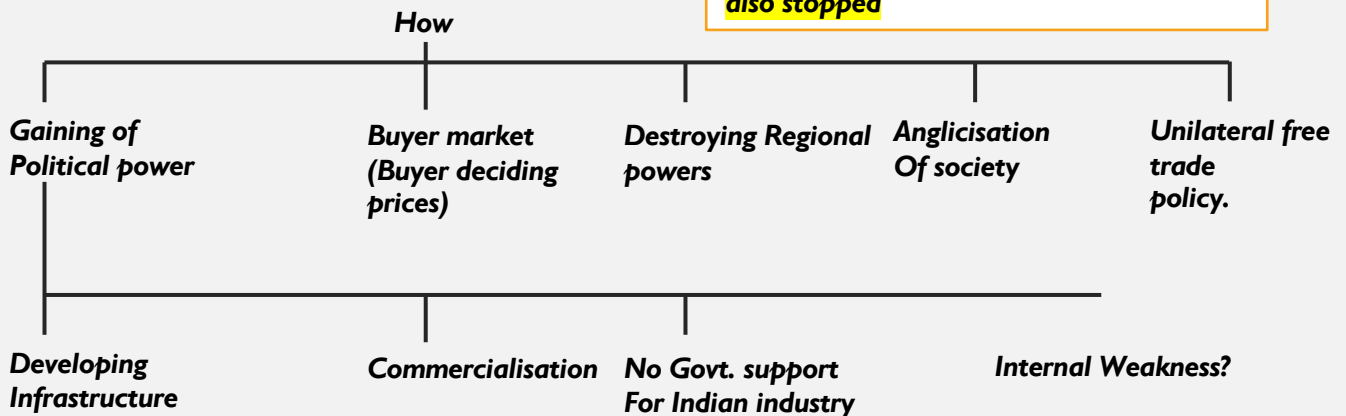


Indian traditional Industries → Handicrafts etc.

Mercantilist Ideology implied on India –

EIC & role of State  
 Flow of gold and silver from India to England restricted  
 Free import of Indian goods to England also stopped

Q. Deindustrialisation & Ruralisation.



## Economic Impact of Colonial Rule On India.

### Q. Deindustrialisation & Ruralisation.

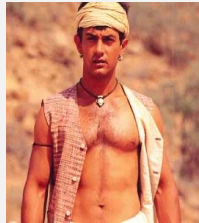
Q. How did Deindustrialisation took place?

Cheap and machine-made imports flooded the Indian market after the Charter Act of 1813

1813- GBP 11000 export to India  
1856- GBP 656000 export to India

One-way free trade for the British goods → Unilateral free trade policy

India's exports changed –



By 1856  
GBP 43,00,000- Raw Cotton  
GBP 8,10,000- Cotton cloth

GBP 2,90,000- Food Grains  
GBP-17,90,000- Indigo

GBP – 7,70,000- Raw Silk

### Q. Deindustrialisation & Ruralisation.

Deindustrialisation → Process

Deindustrialisation

Deurbanisation

Ruralisation

Peasantisation

Landless Labourers

Agriculture + Industry

Loss of traditional art & craftsmanship → Cultural loss

### Q. How did Deindustrialisation took place?

After 1820, European markets were virtually closed to Indian exports

Newly introduced Rail network helped the European products to reach the remotest corners of the country

Indian products found it more and more difficult to penetrate the European markets

loss of traditional livelihood was not accompanied by a process of industrialisation in India

As a result, deindustrialisation of India took place

Indian artisans and handicraftsmen were already feeling the crunch due to loss of patronage by princes and the nobility, who were now under the influence of new western tastes and values

### Q. Deindustrialisation & Ruralisation.

### Q. Why Deindustrialisation?

Decline of traditional ruling class

New Middle class fond of English goods

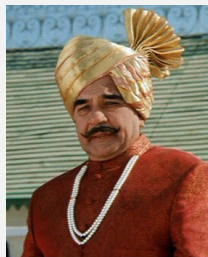
Industrial revolution → influx of machine goods

Unilateral free trade policy

All this was done without compensating development of machine industry

From being a net exporter, India became a net importer

Me too.....



I am fond of English.....



Q. Internal Weakness behind Deindustrialisation ?

**Q. Internal Weakness behind Deindustrialisation ?**

**Q. Why Deindustrialisation?**

**Internal Weakness also responsible**

**Indian manufacturers failed to find new markets**

**Did not explored other countries & continents**

**Missing "Adventurist trader"**

**Indian rulers failed to make any effort for any trade policy**

**Focus only on land revenue & income**

**Though, Tipu sultan tried developing trade**

**No priority of developing Navy by Indian rulers**

**Indian coastal trade monopolised by the Europeans**

**If coastal trade under Indian control, than difficult for Europeans**

**Q. Which Industries were affected ?**

**cotton weaving and spinning industries, silk and woollen industries, pottery, glass, paper, metals, shipping, oil-pressing, tanning and dyeing industry**

**Q. Data- Deindustrialisation?**

**proportion of the population dependent on industry declined significantly in the course of the nineteenth century**

**Buchanan Hamilton- Conducted a Survey proportion of people deriving their sustenance from industry, declined from 18.6 per cent in 1809 to 8.5 per cent in 1901**

**Golu ...Drain of Wealth → De Industrialisation → Late & Limited Industrialisation ye sab saath mein ho raha tha**

**Sil...De Industrialisation ke saath aur kya hua ?**



**Q. Drain of Wealth ?**

**Q. What is it?**

Refers to a portion Of national product of India which was not available for consumption of its people

But was being drained away to Britain for political reasons and India was not getting adequate economic or material returns for it

The drain theory was put forward by Dadabhai Naoroji

2 May 1867, Meeting of East Indian Association @ London

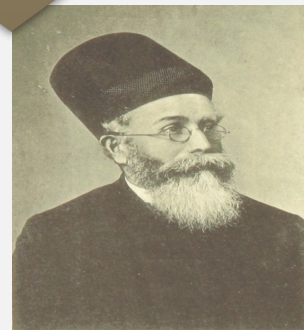
Paper → English Debt to India

The Wants and Means of India (1870)

On the Commerce of India (1871)

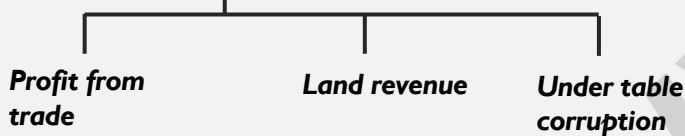
Book → Poverty and Unbritish Rule in India

It is not the pitiless operations of economic laws, but it is the **thoughtless and pitiless action of the British policy**; it is the pitiless eating of India's substance in India, and the further pitiless drain to England; in short, it is the pitiless **perversion of economic laws by the sad bleeding to which India is subjected, that is destroying India.**



**Q. The Drain of wealth?**

- But by 1757 → Plassey took place:-  
Got political power:



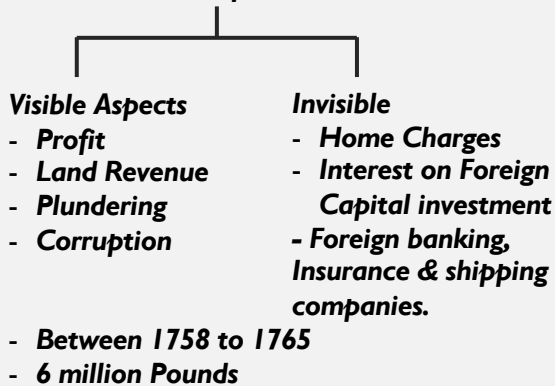
- By 1813 Charter Act → Exports of British Goods in Indian Markets
- This became the focal point – Indian national income is not Available for our own consumption

**Q. What were the constituents of the drain?**

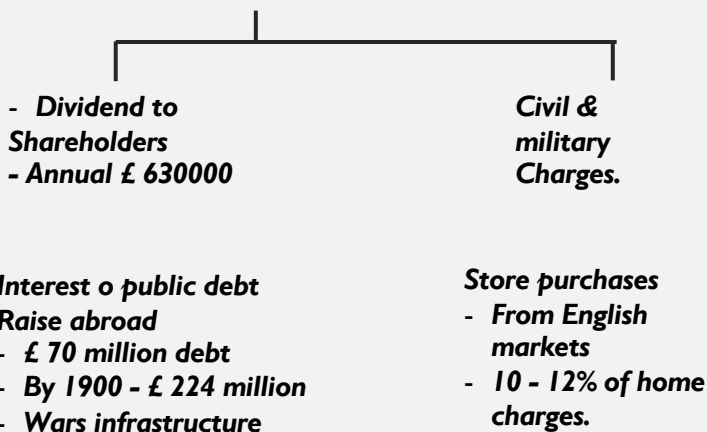
- India → → → England

- How it started?
- 1757 plassey, but before 50 years.
- 1700s EIC → £ 20 million bullion to India
- but why?
- Balance of trade → Infavourable for the EIC
- Govt. thought of restricting sales of Indian goods in the British market.

**Drain of Wealth**



- Home Charges?
- Expenditure incurred in England by the secretary of state on behalf of India.
- 10 to 13% ← 1857 → 25% to 40% of the total revenue
- Early 1900s it was £17.36 Million
- Constituents of home Charges



**Q. The Drain of wealth?**



**Where foreign capital has been sunk in a country, the administration of that country becomes at once the concern of the bondholders. (The Hindu 1889)**



**POVERTY AND UN-BRITISH RULE IN INDIA**

DADABHAI NAOROJI

**Q. Estimates of economic Drain- Nationalist Critique of the Colonial Economy**

**Dadabhai Naoroji**

**1867 → 8 Million Pounds**

**1870 → 12 Million Pounds**

**1905 → 51.34 Crore ( 34 Million Sterling) Annually**

**GV Joshi (1888) → 25 Crores/year**

**DE Wacha → 30 to 40 Crores/year**

**RC Dutt- ret'd ICS**

**Wrote Economic History of India**

**Mentions @ Parliamentary committee, 1812**

**Target to change Export-Import structure**

**Wrote- Open Letters to**

**Curzon on Famines ad Land Assessments in India**

**Gopal Krishna Gokhale,  
G. Subramaniya Ayer and  
Prithwishchandra Ray  
GV Joshi  
Surendranath Banerje  
Bholanath Chandra**

**Q. Entry of British finance capital in India.**

- Present times – welcoming of FDI.
- Why we welcome? – Technology
  - Forex
  - Eco development
- But colonial times      **Exploitation**
- How? Uptil 1813      No large scale investment**
- But charter Act 1813 & 1833 – Opening of flood gates**
- After 1857 – Entry of British capital in finance form, But**

**Q. Impact of this Drain of Wealth ?**

- **March 1769 → CoD → Asking EIC.**
- **Make raw silk rather than fabric**
- **Silk factories will softer, forcing silk weavers to work from homes, rather work for EIC Factory**
- **By 1813 EIC monopoly weakened**
- **By 1833 charter Act – end of Monopoly**
- **Entry of British Financial capital**

**Q. How it Entered?**

**Q. What were the forms of investment?**

**Q. Forms of Investment ??**

**India's share of world manufacturing exports fell from 27 per cent to 2 per cent under British rule.**

## Economic Impact of Colonial Rule On India.

Invest in India..get assured returns

### Q. The Drain of wealth?

#### Forms of investment

Loans raised by the secy of state  
Investment in railways, irrigation,  
Ports Etc.

Business investment by  
Foreign companies.



By 1914 →

97% of British capital

Different sectors

Sectors causing  
Economic overheads

Mining industry

Financial Houses

Promoting auxiliaries

- Capital invested into that sector that was complementary the British industries.

- Method of exploitation – Ownership retained with British

E.g. Foreign Banks 2/3 of Deposits  
Indian Banks 1/3 of Deposits

Industries Foreign capital – No Discrimination

Indian Owner – Discrimination

- No credit given
- Restricted market access

- Multinational companies operating via subsidiary companies

Hindustan lever Ltd.

Dunlop

ITC

Ashok Leyland

Union carbide

- By June 1948 RBI liabilities Rs.474 Crores

- Managing Agency Houses System
- Raised funds in England and India
- Took responsibility on behalf of clients (investors)
- Run industries/trading establishments in India

### Q. Rise of modern Indian industry? → Rise of Indian Capitalist Class

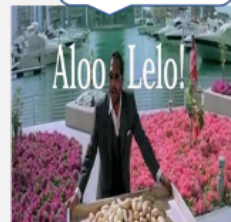
- Rise of Indian national Bourgeoisie



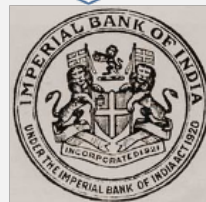
Paise to milenge lekin 50% interest charge hoga



Sells imported products to end users



Banking Channel



- Acted as junior facilitator to British needs.
- But British didn't permit to compete with foreign firms
- Hence couldn't flourish
- Still there was little growth of Indian capitalist enterprise.

## Economic Impact of Colonial Rule On India.

### Q. The Drain of wealth → Indian Connection

**First cotton textile mill was set up in 1853 in Bombay by Cowasjee Nanabhoy**

There was a rush of foreign capital in India at this time due to prospects of high profits, availability of cheap labour, cheap and readily available raw material, ready market in India

### Q. Reality?

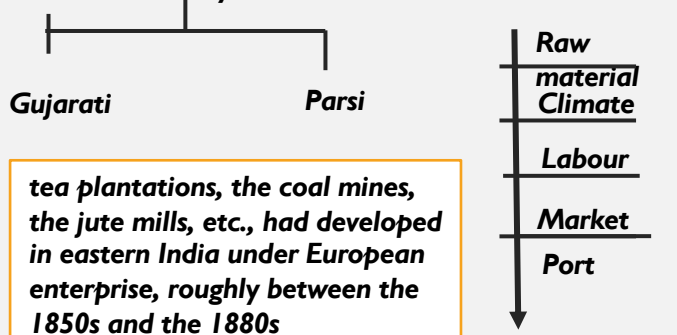
Industrial development → lopsided pattern—core and heavy industries and power generation were neglected

Some regions were favoured more than the others causing regional disparities

- Origin – 1850s
- Catalyst → 1860 onward → American civil war
- By 1880 → 56 textile mills, by 1900 – more than 260 textile mills, 2 lakh workers
- But challenges continued from Manchester, Lancashire
- Discriminatory tariff policies,
- Important parts & machineries
- Absence of state protection

### Q. Growth of Indian capitalist enterprise

- How it all began – Place?
- Who began it?
- Textile industry

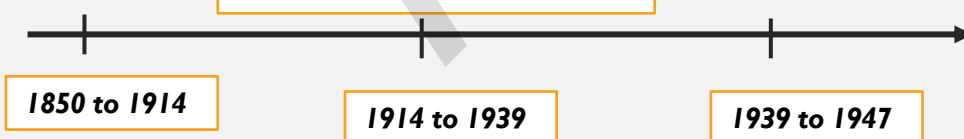


tea plantations, the coal mines, the jute mills, etc., had developed in eastern India under European enterprise, roughly between the 1850s and the 1880s

### Facts

1. 1907 → Tisco by Jamshedji Tata  
1911 – Pig Iron  
1913 – Steel
2. By 1914-18 WW-I supply increased profits for Indian enterprises
3. 1918-1938 → Mont-Ford reforms-fiscal autonomy  
1921 Fiscal commission Sir Ibrahim Rahimtoola  
↓  
Triple formula for claiming protection.
4. 1938-1947 → National planning committee  
WW-II Profit period  
By 1947 → Poverty & under developed economy

### Phases of Indian Industrialisation- Late & Limited



Rise of Indian Capitalist Class ?

Cotton textile  
Coal Mining  
Timber mills  
Woollen textiles  
Paper and sugar mills  
Iron and Steel Industries

1855, first Jute factory in India was set up at Risra near Serampur, Bengal  
1877, JN Tata set up Ampress Mill Nagpur  
1870, KT Telang and Ferozeshah Mehta opened soap factory in Mumbai  
Lala Lajpat Rai, as director of Punjab National Bank

Mahadev Govind Ranade

Rise of Ghansyam Das Birla

1907- Rise of TISCO @ Jamshedpur

Other industries also followed

**Q. Impact of Drain of Wealth ?**

**Political Effect**

Post 1850s to 1900s

Nationalist leaders highlighted the drain theory

Through papers, book, news papers etc

Drain Theory → Highlighted the political conflict between India & England

Drain → Requires Political Solution

Therefore, it created awareness among common the people

Naoroji → highlighted 'moral drain', consisting of the exclusion of Indians from positions of trust and responsibility in their own land

**Economic Effect**

Real cause of backwardness → Drain

Not only loss of wealth, but loss of capital

Drain → loss of employment & income

How?

Loss of Capital → This would have used for employment generation & income generation

Slow growth of modern Industry

De-industrialisation in India

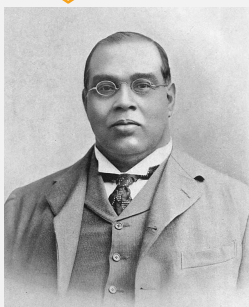
Peasants were also affected, as high rate of revenue

Per Capita Income-  
Dadabhai Naoroj- Rs. 20  
William Digby- Rs 18  
Rippon Council- Rs 27  
Curzon- Rs 30

Taxation raised by the King, says the Indian poet, is like the moisture sucked up by the sun, to be returned to the earth as fertilising rain; but the moisture raised from the Indian soil now descends as fertilising rain largely on other lands, not on India

British rule is like Knife made out of Sugar. All smooth and sweet... but it is the knife, notwithstanding

Developing railways in India by the British is equal to 'decorating another's wife'



**Stages of Colonialism**

**Given by R. Palme Dutt → Marxist Historian**

**Colonialism → 3 Stages/Phases**

**Phase I → Mercantile Phase 1757-1813**

**Phase II → Industrial Phase 1813-1860**

**Phase III → Financial Phase 1860-1947**



**Phase- I- Mercantile Phase**

**1<sup>st</sup> Phase Commencement with the establishment of British rule in 1757**

**Objective → Monopoly in trade & Direct Plunder**

**Securing trade & commercial interests by focussing on:**

- a. Eliminating rival European power's present in India
- b. Eliminating native rulers who create obstacles

**Strengthening trade through charters & rights issued by the British government**

**Initially- till 1753- European Companies and 'free traders' depended on the Indian merchants to procure cloth**

**Dadni merchants- gave them advance money called as dadan to the artisans**

**Weavers/artisans reduced to indenture/bonded labourers**

**1<sup>st</sup> Phase Commencement with the establishment of British rule in 1757**

**Strengthening trade through charters & rights issued by the British government**

**Started creating base for direct plunder by way of establishing political control over Indian territories**

**Made no major change in existing system in India**

**Use of Gomasta System- agents of the East India Company) who were paid commission on the cloth collected by them**

**Used after the Plassey- 1757 onwards**

**Khatbandi System- the artisans were indentured to sell exclusively to the Company under Regulations passed by the Bengal government  
35% penalty if failed to supply the goods**

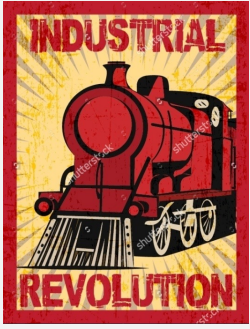
**1789 onwards- Direct Agency System**

**Company dispensed with the Indian middleman**

**Stages of Colonialism**

**Phase- 2- Industrial Phase**

Change in approach becomes visible → **Industrial Revolution**



**Demand of Raw Material & Market for Finished goods**  
**Birth of Industrial Capitalism**

Reform the laws... Open up the market

Why only East India Co. Has monopoly???



**Industrial capitalist class**

**Moderate Imperialistic Political line of thought came into existence**

Change in approach becomes visible

**Industrial Revolution** → **Demand of Raw Material & Market for Finished goods**



**Industrial Capitalist** → **Showed Critical attitude towards EIC monopoly**



**Created pressure on government**

**Enactment of Charter Act 1813**  
**First step towards free trade**

**Effort was made towards establishing India as a great source of raw material & huge market for manufactured goods**

**Effort was made towards establishing India as a great source of raw material & huge market for manufactured goods**

**Free trade**

**Indian Economy getting integrated with British Capitalist + World Economy**

**New Colonial Approach**

**Setting up of New Politico- Administrative Approach**

**Objective: linked with fulfilment of free trade**

**New Colonial Approach**

**Setting up of New Politico- Administrative Approach**

**Objective: linked with fulfilment of free trade**



**Changes in Judicial System, Political System**

**Need to develop Indian Social structure in accordance to the capitalistic & commercial structure**

**Expansion of Trade & Commerce**

**New Education Policy**



**Development of Transport & Communication**  
**Railways, Telegraphs, Posts etc.**

# Phase II → Industrial Phase (1813-1860)

**Managing Agency System-**  
existence during the second half of the 19<sup>th</sup> century

Managing Agency Houses raised funds in England and India and took responsibility on behalf of the clients

Managing Agency Houses raised funds in England and India and took responsibility on behalf of the clients

Who were the clients ?

Clients who had retired from service in India after making lot of money and generally resided in England

run industries or trading establishments in India

clients who provided finance but were not in the position to undertake day-to-day responsibility of running the industrial or trading activities of the Company

## Phase 3- Financial Phase

Aaiye....Make in India  
Karte hain....  
#Atmanirbal Bharat....



Protecting the foreign capital → By strengthening British rule in India

Use of new techniques, acts & policies

More Money → Strong Administration → Expansion of rule

Curbing process of Modernisation & stop spreading of modern & progressive ideas

White Man's Burden theory propogated

Availability of cheap labour was an added advantage

Post 1860 → Promoting of Foreign Capital

Increasing Investment Base in:

Railway

Providing loan/debt to government

Tea Plantation, Jute Mill

Coal Mining

Shipping

Protecting the foreign capital → By strengthening British rule in India

also the time when 'the Communist Manifesto' by Marx and Engels had been published

heaviest capital investment in railways in India as development of railways was considered necessary for commercial and administrative needs of the British

invested in activities that were complementary to British industries

# Railways

**Q. Impact of Railways on India ?**  
Negative Impact  
Positive Impact



We are **DEVELOPING** India, through Railways



**Q. How did the Railways served the British Government?**

**Investment → British Capital**  
**Raw material supply → From Sourcing Areas to Ports**  
**Bringing British goods to Indian Markets**  
**Strategic Purpose**  
**Benefitted heavy Industries of England**

**Calcutta to Raniganj (120 miles); the Great Indian Peninsular Railway, from Bombay to Kalyan (32 miles); and the Madras Railway, from Madras to Arkonam (30 miles)**

**British Railway Policy**  
**Railways → Industrialisation in England**  
**Industrialisation → Development of Allied Sectors**  
**But in India ?? → Nothing happened**  
**1910 → Rail Track Imported from England**  
**1940 → Engines & Machinery Imported from England**

**British Railway Policy**

**Raw Material → Mostly Exported through Railways**  
**Finished goods → Market through Railways**

**Monopoly of English Traders**

**Traditional Industries → Already in trouble, Final blow by Railways**

**Railways → Also responsible for Famines**  
**Railways → Grains were brought to Port City from Rural Areas**

We are **DEVELOPING** India, through Railways

**From Ports, Grains were Exported**

**Due to Export of Grains, Scarcity in Local Market**

**Peasants also encouraged to grow Cash Crops**



**British Railway Policy**

**Railways → Who was the Investor of Capital ?**

**British Government & Businessmen**

**Government Incentive → Assured 5% Dividend**

**But Q. From where does this dividend paid off?**

**Indian Peoples tax → Drain of Wealth**

**Q. Impact of Railways on India**

**British Railway Policy**

**Neglect of Other Infrastructure**

**Irrigation → 75 Crores Rupees (Till 1902-03)**

**Railways → 359 Crores Rupees (Till 1905)**

- (i) the 'old guarantee system', 1849-69;
- (ii) state construction and ownership, 1869-82;
- (iii) the 'modified guarantee system', 1882-1924;
- (iv) nationalisation, 1924-48;
- (v) integration and regrouping, 1948-52

**Started during Dalhousie → State ownership recommended by John Lawrence**

**By 1905- Railway Board Constituted during the tenure of Curzon**

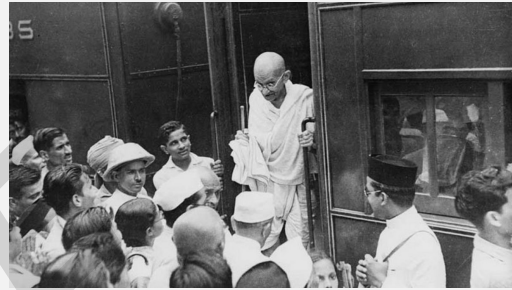
**1907- James Mackay Committee**

**1920- William Acworth Committee – Separate Budget for Railways**

**3 Indians- VS Srinivas Sastri**

**Rajendranath Mukherjee**

**Purshottamdas Thakurdas**



**Q. Positive Impact of Railways?**

**Connected different Parts of India**

**People of different parts could meet each other**

**Rural Areas Connected with Cities**

**Challenge to orthodoxy and Social customs**

**Emergence of Nationalist Feelings**

**Provided Employment Opportunity**

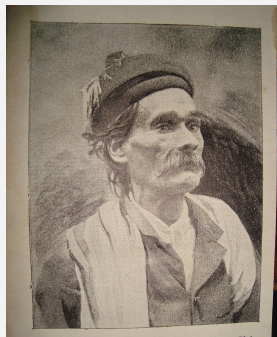


**Railways Has 90,000 Jobs. More People Than Australia's Population Apply**

PM Modi was voted into power in 2014 on promises to reignite growth in Asia's third-largest economy and provide jobs.

All India | Reuters | Updated: March 30, 2018 12:36 pm IST

**Railways are like Indian subsidy to British industries'**



**GV Joshi**

**ON THE TRACK TO RAIL JOBS**

**MASSIVE RECRUITMENT DRIVE: 2.8 crore competing for 90,000 rail jobs**

**2.8 cr** candidates have made 'primary registrations' with their name and address

**2.12 crore** have made final applications by filling other details and depositing the exam fee

**26,502** posts of assistant loco pilot (engine drivers) and technicians in Level 2 of the 7th Pay Commission

**PAY BAND: ₹19,000 to ₹63,200 per month**



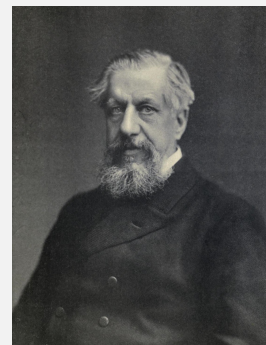
**62,907** posts of gangmen, switchmen, trackmen, cabinmen, welder, helpers and porters in in Level 1

**PAY BAND: ₹18,000 to ₹56,000 per month**

**20,000 MORE VACANCIES ARE EXPECTED TO OPEN IN THE COMING MONTHS**

**Bring out the socio-economic effects of the introduction of railways in different countries of the world (दुनिया के विभिन्न देशों में रेलवे की शुरुआत के सामाजिक-आर्थिक प्रभावों को बाहर लाएं) (150 words/10m) (2023, GS 1- UPSC CSE)**

**Railways may do for India what dynasties have never done what the genius of Akbar could not effect by government, nor the cruelty of Tipu Saheb by violence, they have made India a nation**



**Edwin  
Arnold**

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**Examine how the decline of traditional artisanal industry in colonial India crippled the rural economy. (2017- GS-1, UPSC CSE)**

**Examine critically the various facets of economic policies of the British in India from mid-eighteenth century till independence. (2014, GS-1, UPSC CSE)**

**Sil...toh fir Post Independence Indian Economy ko revive kaise kiya gya ?**



**Golu ... uske liye you need to attend my Post Independence India ka course...tab bataunga why we adopted State-Command economy model with Planning system**



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