



ACADEMICIA
**An International
 Multidisciplinary
 Research Journal**
 (Double Blind Refereed & Peer Reviewed Journal)



DOI: 10.5958/2249-7137.2021.01762.6

STUDY OF ECONOMIC IMPACT OF BRITISH COLONIAL RULE

Virender Singh*

INDIA

ABSTRACT

The British ruler's new land system also had a significant effect on the Indian economy. During the reign of the East India Company, the corporate administrations levied excessive rates on land revenues and thus achieved higher land returns. The British Government subsequently implemented the land settlement in 1793. In Bengal and other neighbouring regions, permanent settlement was established and eventually spread to other states. This settlement led to the establishment of zamindar systems, in which the zamindar collection and transfer of land income to the British authorities was carried out.

KEYWORDS: *Economic, Policies, Traditional, Political, Colonial Etc.*

INTRODUCTION

An significant aspect of global history has been the growth of European empires from the end of the 15th century. In the early 20th century, significant portions of Africa and Asia were European colonies. Many of these regions are very impoverished today: the poorest 20 nations in the world are former colonies in terms of per capita GDP in 1995. There are different opinions as to whether colonial authority in the past was responsible for such underdevelopment.

British governmental rule of the Indian subcontinent started in 1757 and continued until 1947. However, not all parts of India were directly under British administrative authority; vast portions were under Indian governance. Indirect colonial authority in this environment meant that the British fully controlled the defence and foreign policy of these local countries but had significant autonomy in the field of domestic administration. Any variations I find are thus most likely related to the quality of internal administration. All the native states were incorporated into independent India in 1947 after the British departed, and since then have been subject to an unified administrative, legal and political framework. So it is doubtful that variations in existing institutions would drive my findings.

However, colonialism did not just influence the growth of those colonising nations. More visibly, it also impacted the colonised cultures. We have shown that this again has diverse impacts in our study. This is because colonialism has created in various locations very diverse kinds of societies. Colonialism, in example, left extremely diverse institutional legacies in various regions of the globe with radically varied economic development implications. This is not because different European nations imported distinct kinds of institutions — such that North America thrived by the legacy of British institutions, while Latin America failed because of its Spanish institutions. Indeed, the data indicates that different colonial powers had comparable objectives and tactics. The results were significantly diverse because of variations in colonial starting circumstances.

Disruption of Traditional Economy

The economic policies pursued by the British transformed India's economy quickly into the colonial economy, the type and structure of which had been dictated by the requirements of the British economy, which had completely disturbed the traditional structure of the Indian economy.

Ruin of Artisans and Craftsmen

- A sudden and rapid collapse of city crafts which had made India's name a byword for ages on the marketplaces of the whole civilised world.
- Indian products created using rudimentary technology could not compete with goods manufactured by strong steam-operated machines on a large scale.
- The construction of railroads allowed British manufacturing in the distant regions of the nation to reach and root out traditional industries.
- The progressive loss of rural crafts has breached the rural agricultural-domestic unity and therefore helped to destroy the self-sufficient village economy.
- The politics of Clive and Warren Hastings in Bengal at the very outset of British rule led to such destruction that even Cornwallis lamented that one third of Bengal had been turned into "a forest of wilderness-only animals."
- The British rule established throughout time the idea of land transferability; the British revenue system also allowed a money lender or a wealthy farmer to acquire ownership of land.
- During times of shortage and hunger the practise of land transfer from farmers was increased.
- The money lender had become by the end of the 19th century a significant rural scourge and a key reason for the increasing impoverishment of the rural populations.
- Total rural debt of Rs 300 crores was projected in 1911 and of 1 800 crores by 1937.
- Taxation pressure and rising poverty have driven farmers to debt, thereby increasing their poverty.
- The increasing marketing of agriculture also enabled the money lender trader to abuse the grower.

- In northern Madras, the permanent settlement and in the remainder of Madras the Ryotwari Settlement were equally severe.

Stagnation and Deterioration of Agriculture

The main causes for stagnation and degradation of agriculture followed –

- Agriculture overcrowding;
- Excessive demand for land income;
- Landlordism growth;
- Increased debt; and
- Cultivators' increasing poverty.
- Poverty and hunger
- People's poverty culminated in a succession of famines that devastated the whole of India in the second half of the 19th century.
- The first famine took place in Western U.P. It cost over two lakhs in 1860-61.
- Orissa, Bengal, Bihar and Madras were consumed by hunger from 1865 to 1866, killing over twenty lakhs; Orisa alone lost ten lakhs.
- Perhaps India's greatest famine till 1876-78 took place in Madras, Mysore, Hyderabad, Maharashtra, Western U. P. and Punjab.

India: The British Colony

The British arrived to India for colonial purposes. They planned to use India as a feeder colony for their own thriving British economy. The farm lasted for nearly two hundred years until we eventually gained freedom on 15 August 1947. This made the economy of our nation hollow. Therefore, it is essential to examine this connection between the colonisers and their colony in order to comprehend India's current advancements and future perspectives.

The colonial era is characterised by severe exploitation episodes. The British have taken measures to guarantee the growth and promotion of their country's interests. They were not worried about the Indian economy in any manner. These actions made our economy worse – it was essentially a provider of raw resources and a consumer of completed products.

The colonial rulers had stolen India from education, possibilities etc., which reduced Indians to just servants. They never attempted to determine the national and per capita income of colonial India. Some people including Findlay Shirras, Dadabhai Naoroji, William Digby, V.K.R.V. Rao and R.C. Desai were trying to find this out.

The findings were incoherent, but V.K.R.V. Rao's estimations are deemed accurate. Throughout particular, in the first half of the twentieth century Indian growth in aggregate real production was less than 2 percent combined with half a per capita output increase each year. India has mostly faced a herculean task to recover from the blows of its economy during two hundred years of colonial control.

The impact of direct colonial rule

- **The Doctrine of Lapse**

Lord Dalhousie (1848-1856) stated his policy of “lapse” as follows: “I hold that on all occasions where heirs natural shall fail, the territory should be made to lapse and adoption should not be permitted, excepting in those cases in which some strong political reason may render it expedient to depart from this general rule.” He utilised the strategy to conquer many states in which Indian kings without a natural successor died. Eight native states (including 20 contemporary districts) were killed without a natural successor under Lord Dalhousie's governorship. Of them, four indigenous states were successfully annexed (with 16 districts). Lord Dalhousie seized just three of the remaining 65 native states (161 districts) where such death did not occur (18 districts).

- **Instrumental variable estimates**

Instrumental variable estimates of the effect on agricultural investments and production under the British reign. The findings of the OLS for the entire sample and the post-1847 sample are shown in columns (2) and (3). In the post-1847 sample OLS estimates are lower, when an exogenous fluctuation due to lapse policy is a major driver of the position of the British Empire. The reduced shape results in column (4) and IV results in column (5) corroborate which column (2) shows that British regions are not substantially more able to perform when the selection is checked in the British attachment than in the native states. All IV estimates are lower and statistically insignificant than OLS estimates

- **Validity of ruler death as an instrument**

Instrumental variable estimates of the effect on agricultural investments and production under the British reign. The findings of the OLS for the entire sample and the post-1847 sample are shown in columns (2) and (3). In the post-1847 sample OLS estimates are lower, when an exogenous fluctuation due to lapse policy is a major driver of the position of the British Empire. The reduced shape results in column (4) and IV results in column (5) corroborate which column (2) shows that British regions are not substantially more able to perform when the selection is checked in the British attachment than in the native states. All IV estimates are smaller and statistically insignificant than the OLS estimates.

CONCLUSION

Lastly, our empirical results have significant implications for altering comparative development theories. Some believe that regional differences dominate the way long-term patterns of development are explained. In contrast, we have shown that geographical variables do not correspond with developments when the function of institutions is taken into account. For example, the fact that a correlation exists between latitude and geography does not indicate a causal connection. It is motivated simply by the fact that European colonisation has established a latitude-related structure of institutions. Once controlled, geographical factors have no causal impact. Others believe that cultural variations are of vital importance in promoting growth. We found no role at all for several measurements of cultural differences. First of all, the religious makeup of various populations. Secondly, as we stressed, the colonial power identity. Thirdly, the percentage of the population of a European nation of descent. With course, the US and

Canada were full of Europeans, but this was a result in our thesis that they had excellent institutions. Today, progress is not driven by the numerical preponderance of Europeans.

REFERENCE

- [1] Acemoglu, D, S Johnson and J A Robinson (2001), “The Colonial Origins of Comparative Development: An Empirical Investigation”, *American Economic Review*, 91, 1369-1401.
- [2] Acemoglu, D, S Johnson and J A Robinson (2002), “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution”, *Quarterly Journal of Economics*, 118, 1231-1294.
- [3] Acemoglu, D, S Johnson and J A Robinson (2005), “The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth”, *American Economic Review*, 95, 546-579.
- [4] Acemoglu, D and J Robinson (2012), *Why Nations Fail*, New York: New York.
- [5] Dell, M (2010), “The Persistent Effects of Peru’s Mining Mita”, *Econometrica*, 78, 1863-1903.
- [6] Putnam, R H (with R Leonardi and R Y Nanetti) (1994) *Making Democracy Work*, Princeton: Princeton University Press.
- [7] R. A. Huttenback, *The British Imperial Experience* (1966);
- [8] J. A. Williamson, *A Short History of British Expansion* (2 vol., 6th ed. 1967);
- [9] C. E. Carrington, *The British Overseas* (2d ed. 1968);
- [10] C. Cross, *The Fall of the British Empire* (1968);