



A Study of Economic impact of British colonial rule

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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.

Key words: economic, policies, traditional, political, colonial etc.

Introduction

A significant aspect of global history is the rise of European empires beginning around the close of the 15th century. Large swaths of Africa and Asia were colonized by European powers around the turn of the twentieth century. Unfortunately, many of these places are now among the world's poorest. In 1995, twenty of the world's nations had the lowest per capita gross domestic product (GDP). There are competing theories as to whether or not colonial control in the past is to blame for present-day underdevelopment.

The British Empire's governmental rule over the Indian subcontinent started in 1757 and lasted until 1947. While the British had sway over most of India, Indian dynasties were responsible for governing significant swaths of the country. Because of the nature of indirect colonial rule, the British had full authority over the defense and foreign policy of these local republics while allowing them substantial autonomy in domestic administration. It seems to me that the calibre of internal administration accounts for whatever discrepancies I may detect. Since the British withdrew in 1947, India has had a unified government with consistent laws and policies throughout all of its formerly separate states. So, I don't think that institutional disparities are what's behind my findings.

Yet, colonialism's effects on development were not limited to the colonizing cultures alone. Societies that were colonized were likewise impacted. We found that the consequences of this were also variable. The reason for this is that colonization produced radically diverse types of societies over the globe. Most notably, colonialism's lingering institutional legacies have had



wildly varying effects on economic growth in various regions of the globe. It's not because the different European powers imported different types of “institutions, with North America thriving thanks to the legacy of British rule and Latin America collapsing under the weight of Spanish rule. The available information reveals, in reality, that the goals and methods of many colonial powers were quite similar. Inconsistencies in the colonies' beginnings led to strikingly varied results.

Disruption of Traditional Economy

The economic policies pursued by the British resulted in a dramatic shift from the traditional structure of the Indian economy to a colonial economy whose character and structure were defined by the requirements of the British economy.

Ruin of Artisans and Craftsmen

- The urban handicrafts that had made India a byword in the marketplaces of the whole civilized world for millennia suddenly and quickly collapsed.
- Compared to mass-produced items created by powerful steam-operated machines, Indian products made using traditional methods just couldn't hold their own.
- The expansion of railroads allowed British factories to reach even the most distant parts of the nation, displacing long-established local businesses.
- The slow decline of rural crafts led to the demise of the self-sufficient village economy by severing the link between agriculture and home-based manufacturing.
- One-third of Bengal had been turned into a forest inhabited exclusively by wild creatures, Cornwallis lamented, as a result of Clive and Warren Hastings' goal of collecting the most possible land income from the very outset of British control in Bengal.
- Property ownership could be transferred from one person to another during British control, and the British revenue system made it possible for a moneylender or affluent peasant to acquire land.
- Land was taken from farmers at an accelerated rate during times of hunger and shortage.
- To a large extent, the increased poverty of rural people may be traced back to the proliferation of moneylenders at the end of the 19th century.
- Rural debt rose from an estimated Rs 300 crores in 1911 to Rs 1,800 crores in 1937.



- The growers fell further into debt as a result of mounting levies and worsening economic conditions.
- Moneylenders and shady merchants were able to take advantage of farmers with the rising commercialization” of agriculture.
- There was no difference in severity between the Ryotwari Settlement in the rest of Madras and the Permanent Settlement in North Madras.

Stagnation and Deterioration of Agriculture

“Following were the major reasons for stagnation and deterioration of agriculture –

- Overcrowding of agriculture;
- Excessive land revenue demand;
- Growth of landlordism;
- Increasing indebtedness; and
- The growing impoverishment of the cultivators.
- Poverty and Famines
- The poverty of the people found its culmination in a series of famines which ravaged all parts of India in the second half of the 19th century.
- The first of these famines occurred in Western U.P. in 1860-61 and cost over 2 lakh lives.
- In 1865-66, a famine engulfed Orissa, Bengal, Bihar, and Madras and took a toll of nearly 20 lakh lives; Orissa alone lost 10 lakh people.
- Perhaps the worst famine in Indian history till then occurred in 1876-78 in Madras, Mysore, Hyderabad, Maharashtra, Western U. P., and Punjab”

India: The British Colony

The British colonized India as their primary goal when they first arrived. They intended India to serve as a source of cheap labor to support the expanding British economy. To win our freedom on August 15, 1947, we were subjected to this kind of exploitation for close to two centuries. Since then, our national economy has been in shambles. Therefore, in order to comprehend India's recent progress and potential future outcomes, it is necessary to examine the bond between its colonizers and its colony.

Colonialism is characterized by long stretches of oppression and abuse. To advance and protect British interests, the British government took the necessary measures. There was zero worry



on their part for India's economic future. The actions we took changed our economy for the worse, making us a supplier of raw resources and a consumer of completed products.

Indians were degraded to the status of servants by the colonial monarchs, who stole their freedom and possibilities. They undoubtedly never attempted to guess about the national and per capita GDP of colonial India. Findlay Shirras, Dadabhai Naoroji, William Digby, V.K.R.V. Rao, and R.C. Desai are only few of the people who have attempted to estimate these sorts of numbers.

While there was some variation in the findings, V.K.R.V. Rao's calculations are still generally accepted as being reliable. In the first half of the twentieth century, India had a rise in aggregate real production of less than 2 percent and a growth of half a percent in per capita output each year. Rebuilding India's economy after two centuries of colonial domination was an enormous challenge.

The impact of direct colonial rule

- **The Doctrine of Lapse**

According to Lord Dalhousie (1848-1856): "I believe that on all instances when heirs natural should fail, the territory should be compelled to lapse and adoption should not be authorized, unless in those circumstances where some compelling political motive may make it necessary to diverge from this general norm." With this strategy, he annexed numerous Indian kingdoms whose former rulers had no surviving children. During Lord Dalhousie's term as Governor, eight native states (equivalent to 20 contemporary districts) lost their monarchs without a clear line of succession. In all, 16 districts were taken from 4 original states. Lord Dalhousie only acquired three of the other 65 native states (161 districts) when such a death did not occur (18 districts).

- **Instrumental variable estimates**

Estimates of the effect of British rule on agricultural investment and production using instrumental variables. The OLS findings for the whole sample and the subsample gathered after 1847 are shown in columns (2) and (3), respectively. Due to the policy of lapse introducing exogenous variance, the OLS estimates are less in the post-1847 sample. Once selection in British annexation is accounted for, British regions do not demonstrate considerably superior performance than native state areas, as shown by the reduced form findings in columns (4) and (5). Estimates from the IV model are consistently less than those from the OLS model and lack statistical significance.



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

Analysis of the effect of British rule on agricultural investments and output, using instrumental variables. The OLS findings for the whole sample are shown in Column 2, while the results for the subsample that was collected after 1847 are displayed in Column 3. Exogenous variance caused by the policy of lapse is a significant driver of British empire status, leading to reduced OLS estimates in the post-1847 sample. Once selection in British annexation is accounted for, British regions do not demonstrate considerably superior performance than native state areas, as shown by the reduced form findings in columns (4) and (5). We find no statistically significant difference between the OLS and IV values, and all IV estimates are lower.

Conclusion

To conclude, it's worth noting that our empirical results have substantial implications for alternative theories of comparative development. Long-term patterns of development are said to be largely explicable by variations in geography, according to these theorists. However, our research shown that geographical determinants do not predict development outcomes if the function of institutions is taken into consideration. A correlation between latitude and geography, for example, does not prove a causal link between the two. The simple explanation for this is that European colonization produced a latitude-dependent structure of institutions. If this is taken into account, then the effect of geography is nullified. Others contend that cultural distinctions play a crucial role in propelling progress. Cultural differences, as evaluated in a variety of ways, had no effect in our findings. First, how various populations' religious make-ups compare to one another. Second, the nature of the colonial power has been emphasized. Thirdly, the percentage of a country's population that is descended from Europeans. It is true that Europeans flocked to the United States and Canada, but we argue that this was a result of the quality of their institutions. Modern progress is not being pushed forward by the sheer number of individuals of European origin.

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