CHAPTER-2

Historical Background of Rural Development

The prominent features of Indian economy which were in the course of forties and fifties of the 18th century are as follows:

Agricultural based Economy

During this period also Indian economy was based on agriculture. A greater part of our population relied on agriculture for its livelihood. The condition of these people was miserable owing to recurring famines, use of outdated techniques and equipments of agriculture, etc. Apart from this, the means of transportation were not sophisticated. The inferior kinds of crops such as Gawar, Maize, Bajra-Jawar, etc. were grown. Over and above, the system of land revenue collection was faulty and arbitrary.

Balanced diet and fine clothes

During this period a lion's share of rural population relished good food and wore good clothes. Besides this, a larger part of our rural population was vegetarian. In the seventeenth century, people used to enjoy fine quality of coffee, milk, tea, etc.

Gulf between the Rich and the poor

There was unequal distribution of national income between the rich and the poor. The rich were rolling in wealth, but on the other hand, the
condition of the poor was rather deplorable that they did not have sufficient food to eat. Their living standard was at the lowest ebb.

**Cotton Mills**

At that time, the Cotton-Textile Industry was leading one. The cloth manufactured in these Industries was of superb quality. For instance, Dacca muslin was of the top quality throughout the world. The cotton industry was located chiefly in the Western States such as Gujrat and Maharashtra.

**Other Industries:**

Among the other industries, Woolen Industry, Silk Industry, Copper and Brass Industries were important ones, and were concentrated at Ahmedabad, Lahore, Madurai and Tanjore.

**Condition of Labourers:**

The condition of labourers was rather shocking. They were lowly paid, and as a result, their living standard was very low. They were working in the unhealthy and harsh conditions. Pensions and other facilities were not made available to them.
(A) **Internal System:** It was not to the satisfaction of the people. Banjaras who were engaged in the field of trade mainly plied the International trade. A few salient features of this type of trade are as follows:

i) **Fear of Plundering:**

The plying of trade was not safe and secure. There was a great fear of thieves and robbers all over the country. Plundering of merchants was on a large scale and widespread.

ii) **Poor Transport Facilities:**

The roads were not in good condition and the rivers had no bridges across them. Under such conditions it was really difficult to supply goods from one place to another.

iii) **Costly Transportation:**

The transportation of goods was rather costly. High rates were charged for transporting goods from one place to another. For example, about Rupees 40 were charged for carrying 22 mounds for the distance of 275 miles.

iv) **Octroi - Tax:**

The octroi tax was also very high and it was most often beyond all the means of the merchants. That was why the merchants were not happy.
(B) **External Trade:** Our country had international trade on large scale in the reign of Mughals. The trade was carried on chiefly with Asia and Europe. In the North Western sector, goods were transported to alien lands by land and to the Persian Gulf and the Red sea ports by sea.

**Exports and Imports:**

The raw goods such as muslin, silk, fancy things, indigo, spices; pepper, etc. were among the important ones that were exported to other countries. On the other hand, the items such as gold, silver, cotton silk and tobacco were imported from European and other Asian countries. As far as the balance of payments is concerned, it was favorable for the goods that were transported by Indian ships, and there were also Insurance Companies and Bankers controlled by Indians, which contributed to bring about favorable balance of payment situation. The custom duties were not very high and the rates varied from the merchants of one religion to another religion. Hindus had to pay 5%, Muslims 2.5% and Europeans 3.5% if the goods were imported by sea-routes.

**Monetary System**

Coins of various metals were in circulation. Besides, gold mohurs were also in circulation but in a limited use. Value of currency differed from state to state. This variation in the value of currency caused great confusion.
Also no fixed Exchange Ratio maintained between different coins in circulation. As for the prices, there were great fluctuations owing to dearth of means of transportation.

**System of Banking**

There used to be moneylenders, such as Jagat Seths, Nagar Seths and Banias. In the urban areas, there were Kathiawala banks. All these bankers or financiers enjoyed a great political influence. In the public sector, there was no bank.

**Feudalistic Nature of Society**

The society at that time was of feudalistic nature. The peasants had to pay dues either in cash or kind to the middlemen who were authorized by the government to collect money as revenue. They were fleecing the poor peasants so much that the peasants were leading their lives in poverty. So to speak, by and large the society was divided in two groups - the noblemen and peasants.

**Urbanization:**

Nearly 10% of total population inhabited the urban areas. The urban folks imported food and other edible items from the rural people. In the towns, there were certain industries like art and luxury goods' industries, but the towns had a little influence on the Indian economy. The towns were mainly classified as Pilgrimage, Capitals of Provinces and Industrial towns.
Self-reliant Rural Folks

The rural folks were largely self-dependents. They earned their livelihood from the cottage industries manufacturing shoes, cloths, etc., but there was a great occupational rivalry among them.

Emergence of New Classes

The new classes of doctors, teachers, landlords and commission agents emerged substantially. They were well versed and well equipped in their respective fields. In fact, these new classes were making progress at a tremendous pace. Besides, a new class of capitalists out of able entrepreneurs and skilled workmen was emerging rapidly.

Pre-Independent Period and Rural Life

In the course of 18th century, about 90% of the total population consisted of rural population. The salient features of the rural life are as follows:

i) **Poor condition of Farmers**: Most of the rural population was engaged in agriculture and its allied activities. They were squarely relied on agriculture for their subsistence. The farmers were poor because of lack of irrigation, transport and financial facilities. Besides,
the out-dated methods of cultivation were still being used on a large scale.

ii) **Feudalism**: The feudal lords captured the rural economy, and the poor peasants had to pay the lords in cash or kind. Greed of the overlords made the life of poor people miserable. They were greatly exploited by the overlords in one or the other way.

iii) **Caste System**: The rural society was mainly divided into four castes that were based on their different occupations. The people of upper castes hated the people of lower castes. The people of low castes, especially untouchables were not provided with good jobs. During this period, it was not socially acceptable to change the caste.

iv) **Child Marriage**: Apart from the early marriage, there was also the system of multi marriage. Consequently, the period witnessed a tremendous increase in the rural population. Besides this, on the contrary, the mortality rate was also high owing to lack of medical facilities.

v) **Artisans Class**: The artisans like carpenters, blacksmiths, goldsmiths, potters, wearers, etc. were entirely relied on their respective crafts for earning livelihood. They supplied the farmers with tools and equipments to procure food grains and other edible items.
vi) **Self-Governance:** As for village administration, it was self-governing. The village assemblies used to settle disputes among the villagers and looked after the welfare of the villages. The headmen of the villages were responsible for paying revenue to the State Government. There was no interference of the State Government in the functioning of village administration. The village headmen were called by different names in different states. For instance, Patel in Bombay and Lambardars in Punjab.

vii) **Other features:** There was found division of labour in the rural areas, especially in the cottage and handicraft industries. The people were greatly attached to their birthplace, and because of this intense attachment they found it rather difficult to leave their birthplaces in order to seek better opportunities somewhere else.

**Urban Life in Pre-Independent Period**

Urbanization in that period was not too much. About 10% population was residing in the urban areas. Towns were categorized as Pilgrimage, Capital and Industrial towns. In the Industrial towns, Karkhanas were set up on a large scale, as the demands for arts and crafts was in a great quantity. In these Karkhanas, there was division of labour, but the workers were paid low wages and they had to accept poor wages because they had no option.
As for trade, the internal trade was very limited. Firstly, transport and communication facilities were least. Secondly, it was quite insecure, as there was a great fear of dacoits and plunders throughout the country.

**Diabolic role of the Company**

There came a drastic change in the role of the East India Company after the battle of Plassey. Its role as a trader changed into the role of a plunderer. With the coming into power, it started plundering country's wealth and continued this shameful act till 1947 when India got freedom. As a result of this exploitation and plundering, Indian economy shattered. The role of the company has been discussed under the heads as follows:

(i) **Extraction by the English Employees**

The company's employees were extracting money and gifts from the trading class, landlords and Indian rulers. The employees of the company were utterly corrupt and they were amassing wealth by unfair and corrupt means. For example, William Bolts, amassed about 90 thousands pounds in the span of half-a-year. They plundered India immensely and then returned to their own country to lead a life of luxury. Lord Clive is taken to be responsible for this kind of plundering.

Later on the Nawabs were nominated to pay a huge amount of money to the English officials. In addition to this, landlords were also nominated to collect money in the form of revenue. These nominations were accorded to
those who succeeded in keeping the officials in good humour by presenting them expensive gifts. Over and above, the **East India Company** got **exemption** from paying all sorts of taxes. The Mughal Emperor provided them with a certificate named as 'Dastak' to pay internal trade without paying any duty or tax. A little later the English employees started granting these certificates to others to ply the trade free of duty by receiving huge gifts from them. Also they started trade of essential goods and earned extra-
ordinary profits.

(ii) **Exploitation of Weavers**

The artisans, especially the weavers were leading a very miserable life, as they were being exploited or beaten up. The company agents named as 'Munshis' used to supply the company with cloths taken from the weavers at very low rates. They made the weavers sign the Agreement to supply them with clothes at cheap rates and to manufacture only what the agents wanted from them. So, the weavers were leading a slavish life like prisoners. On the other hand, the government had monopoly over raw material, and it was supplied to the weaver at a very high rate. At that time the very famous industry, the silk industry suffered a great loss. Some weavers in this industry cut down their thumbs to keep themselves away from the oppression of the middlemen and the English officials. Apart from this, there
prevailed bonded labour. The farmers had to sell even their children to pay the rent.

(iii) Oppression of farmers by Indigo Planters

The Indigo Industry flourished in this period, as indigo was the main export from India. The farmers were forced to bring more tea area under indigo cultivation. The indigo plants were purchased at very low rates. As a result, the tenants were poor and like slaves.

(iv) Company's Monopoly over Revenue

After Lord Clove had got orders from Shah Alam in 1766, the Company controlled the revenue of Bengal, Bihar and Orissa. Lord Clive devised such plans that benefited only the English people. Subsequently, there started draining of wealth from India to England.

British Exploitation in the latter Half of the 19th Century

The colonial people exploited Indians in a planned and systematic way. They resorted to different forms of exploitation to amass wealth. The chief forms of the exploitation were as follows:

i) Exploitation of poor people and Natural Resources: The British exploited labour and natural resources in the way that suited them. The labourers were employed in mines or tea gardens. They were
badly treated at these work places. Their condition was no better than slaves. Minerals, water resources and fertile land were exploited in a systematic way.

ii) **Drain of India's Wealth:** India's wealth was drained to England in a great quantity. The English people earned huge profits here by investing foreign capital in industries. A part of the profits was re-invested in the local industries and a greater part of these profits was supplied to their own land.

iii) **Monopolized Economic Control:** The English people controlled the economic set up of India with the help of Managing Agency System. The leading companies, Martin & Co., Andrew Yale & Company controlled most of the indigenous companies.

iv) **Monopoly over Business:** The Englishmen established a strong hold on both the foreign and local business. Several checks were put on the local business and industries. This retorted the growth of Indian industries and business immensely.

v) **Profit Making Policy:** Under the New Purchase Policy of Government all sorts of requirements in the Ministry, Railways and other prominent fields were supplied from England, and earned a good deal of profit. The policy hampered the local production to a great extent.
vi) **Discriminatory Employment Policy:** The English officials discriminated against Indians in the distribution of jobs. The officers in the Armed Forces were the Englishmen, but the soldiers were recruited from India. In the Civil Services also, they held the coveted posts, and the lowest ranks were allotted to Indians.

vii) **Oppressive Trade Policy:** Their Trade Policy aimed at establishing market for their finished goods. They purchased raw material at low prices for their industries from India. They always encouraged export of raw material and import of finished goods. They imposed high duties on the things that were to be exported, and import of their finished goods was left duty free. Besides, they forced Indian farmers to switch over to cash crops like cotton, sugarcane, jute etc. at the cost of traditional crops.

viii) **Arbitrary Exchange Rates:** They converted rupee into pound and fixed a high rate of exchange. A large amount of money was supplied to England in form of interest on debt, pensions of British employees and expenses on the offices in India. The exchange rates were arbitrarily fixed to burden India's budget. The value of rupee declined in comparison of pound because of higher and arbitrary exchange rates.
ix) **Burdened India with Wars:** The English rulers imposed several successive wars on India. The wars were fought at the cost of India. Apart from this, India also financed the two World Wars.

**Emergence of Market Economy**

Before the arrival of the English in India, Market Economy appeared, but for a short duration and disappeared with their advent. But little later, it emerged once again owing to developments trends of economy. The factors responsible for the growth of this sort of economy are enumerated here as follows:

(i) **Diffusion of Money Economy:**

Money was being used on a large scale as a leading medium of exchange. Almost all sorts of payments in forms of rent, wages, interests were made in terms of money. To some extent, this new economy included the rural life in its fold as well. The value of different coins was fixed and rupee was divided into four parts. Granting and repayment of loans, and saving of money were made in form of coins and rupees.

(ii) **Intensification of Trade**
In that period the trade both internal and external got intensified owing to diffusion of money economy and inflated rates of goods and services. Both the trades swelled to crores under the direct reign of the British Government from 1835 onwards owing to the development of banking and transport facilities.

(iii) **Spread of Commercial Farming**

With the passage of time, Commercial Farming grew on a large scale as the farmers switched over to the cash crops like rice, cotton, jute, etc. The commercialization of Indian agriculture increased as a result of spread of money economy and improvement in the means of transportation of goods.

(iv) **Establishment of National Market**

Prior to the British Rule in India, there was no unified national market for buying and selling of agricultural goods and the goods were brought and sold at different places with no uniformity in rates. But with the passage of time, there evolved out a unified national market for goods due to commercialization of agriculture and a substantial increase in production of these goods.

(v) **Emergence of Labour Market**
Under the Zamindari System — Mahalwari and Ryotwari System — the cultivators did not have their own lands and they worked on the land belonged to the groups of owners and individuals. As for labour on land, it was employed on the basis of daily wages, which resulted in a new class of farming labourers — landless labourers. With the time, this trend in agriculture sector led to formulation of labour market. This feature of the agriculture sector added an important manifestation to the market economy.

(vi) Commercialization of Agriculture and Its Dire Consequences

During the Industrial Revolution in England, there was a considerable demand for raw materials, such as cotton, jute, sugarcane, groundnuts and other commercial crops, and the Indian farmers were forced to switch over to cash crops from traditional ones. Apart from this, the development of railway network in India also contributed to the promotion of commercialization of Indian agriculture. Besides, transportation of agriculture goods by the Railways from villages to towns, it also facilitated the distribution of imported machine-made goods in India, leading to the ruin of indigenous small and cottage industries. Thus the commercialization put adverse effects on the Indian agriculture in particular and on Indian village community in general. Here are some of the dire consequences of the commercialization of agriculture, which are as follows:

(a) It decreased the production of food grains to the great extent.
(b) It proved detrimental to the Indian handicrafts and cottage industry to the extent that it reached on the verge of closure.

(c) In certain areas, it forced the Indian farmers to switch over to cash crops at the cost of food grains, and as a result, they had to buy food grains from shops at higher prices. Besides, the decline in the production of food grains also owed to the series of frequent famines during the rule of East India Company.

Factors Behind the Growth of Market Economy During the English Period

There were certain remarkable factors that boosted the growth of Market Economy in India under the British Rule. The prominent factors are as follows:

(i) Atmosphere of Peace and Security

A lion's share of India's population was under the British Rule, and the rest of population was under the Nawabs, but they were not free from the British control. By and large, there was an atmosphere of peace and security that enabled the growth of communication and transport facilities. Besides, the period witnessed a remarkable development in the fields of agriculture, banking and trade both internal and external. These developments further led to the growth of Market Economy.

(ii) Centralization of Power and Growing Competition
Under the direct rule of the British, Indian trade flourished immensely, partly because of centralization of power and partly because of competition in the field of trade. With the increase in competition among traders or sellers, the markets widened the sphere of these activities that resulted in establishment of Market Economy.

(iii) **Cash Payment of Land Revenue**

The land revenue was strictly required to be paid in cash only under the Zamindari System. Prior to this it was generally paid in kind. But then it became compulsory to pay the land revenue in cash only. This change in the mode of payment forced the farmers to sell their crops and other products in the market for money in cash, which resulted in the widening of market in general and market economy in particular.

(iv) **Rural Indebtedness**

Under the British Rule, the Indian farmers were not able to pay the land revenue in cash as the debts of the farmers were increasing rapidly. Ultimately they had to sell some part of their produce to pay back the debts. They were caught in the vicious circle of debt. According to Darling, "The farmer of India takes birth in debt, dies in debt." It was estimated that about 70% of the farmers were in the trap of debt in 1880. Under the pressure of moneylenders, they had to sell some of their valuable things in addition to agricultural produce, that leading to the widening of market economy.
(v) Trade both internal and external increased with the development of means of communication and transport. Local markets were interconnected with each other. Commercialization of agriculture with increase in production in agriculture as well in industries widened the scope of market economy in India under the British Raj.

(vi) Uniform Monetary System

With the coming of British to India, the monetary system was made uniform. Prior to this, there were many kinds of coins with different values at different places, which produced difficulties in the way of trade and financial exchange. But during the English Raj, single monetary system was introduced, which helped in increasing internal as well as external trade and facilitated financial transactions. In 1806, the East India Company circulated silver coins deemed to be standard ones contributed to the evolution of market economy in India.

(vii) Banking System

Several banks were opened in the big cities of India to facilitate the trade both internal and external. Presidency Bank of Bengal and Presidency Bank of Bombay were set up in 1840. And a similar bank was opened in Madras three years later. It inculcated and developed saving habits among people. Loans were granted to people to invest in agriculture and industrial
sector. As a result, production in these sectors increased, that helped in the growth of market economy in our country.

Growing Agriculture Indebtedness During the English Raj

During the English reign, indebtedness in agriculture sector kept increasing manifolds with the passage of time. The Famine Commission discovered a very horrible condition that about 70% of peasants were trapped in the vicious circle of debts. According to Maclagm's estimate, it was about Rs. 300 crores in 1911, and it swelled to Rs. 600 crores in the early twenties of the 19th century. Several factors combined together led to rapid growth of indebtedness in this sector. The leading factors are given below:

(i) **Privatization of Land:** With the introduction of new tenure system, the land became private property of the farmers. Then it became easy for the peasants to borrow loans against the security of land, but it was difficult to pay it back owing to crops' failure and high rates of interest.

(ii) **Increasing Value of Land:** With the growth of trade under the British Rule, the indigenous industries suffered a heavy blow that brought them to the stage of closure. Consequently, the value of land increased rapidly that made the farmers borrow more loans against the
same measure of land, but with this it became more difficult to repay the loans.

(iii) **Temporary Prosperity:** During the 'cotton boom' of 1860 or in the war time, agriculture yields were purchased at greater rates that increased the capacity of farmers to secure more and more loans, but it was a brief spell that came to an end shortly. Afterwards the rates again fell to the previous level and it became rather difficult to repay the loans with the money obtained from reduced prices.

(iv) **Heavy Burden of Land Revenue and Rent:** Under the British Rule, the land revenue was too heavy to pay in the stipulated time, and the farmers forcibly resorted to borrowing loans at high rates to pay the revenue in time.

(v) **Low Per-capita Income:** The peasants had low income owing to low produce from land and decline in handcrafts and other cottage industries. With this income it was difficult for them to manage household. So they had to borrow money at high interest rates to support their families.

(vi) **Natural Calamities:** The recurring famines, onslaughts of floods, spread of diseases and failure of crops spoiled the chances of agricultural production. As a result, the farmers received the food
grains far less than what they had expected and they had to borrow money or food grains to support in their families.

(vii) **Expensive Litigation:** With the emergence of privatization of agriculture land, there arose feuds between the landlord and tenants, and there started legal battles between creditors and debtors. These litigations, besides being slow in process, were expensive too much that increased indebtedness among Indian farmers to the great extent.

(viii) **Socio-Religious Factors:** For the sake of name and fame the villagers most often spent a good deal of money on marriages and other rituals. But with their low income, they could not afford the huge expenditure without borrowing money from others.

(ix) **Inherited Debt:** It is often said that the Indian peasant born, lived and died in debt. They had to clear the leftover loans that could not be repaid by their fathers and forefathers. That was why; they were always trapped in debt.

(x) **Dishonest and Unfair Moneylenders:** The financiers and moneylenders were known for their dishonesty and villainy. First, they used to make wrong entries of the amount borrowed by the
peasants. Secondly, they charged high rates of interest on the loan received by the poor farmers. When the farmers failed to repay the loan in the stipulated period, they were forced to sell their land at nominal rates. In fact, it was rather difficult task for the villagers to escape the cruel clutches of the moneylenders.

Impact of British Rule on Indian Economy

During the British Rule, Indian economy suffered many severe blows in certain areas, but in some other spheres, it attained a marked development. So to speak, the Indian economy under the British Rule was marred as well as made simultaneously. The factors that affected the Indian economy are enumerated below:

(i) **Drain of Indian Wealth**: Raw materials in huge quantity were exported to England but at very low rates. The English people purchased India's raw material and minerals at cheap rates and exported the same to England to shape them into finished goods so as to sell them at high prices in India. The home charges consisted of interest on debt, charges in respect of civil department, expenditure incurred on Indian office and gratuities, expenditure on defense, etc. were too high. The drain of money was estimated to be ranged from 2% to 3% till the outbreak of the World War-II. This loss of capital impeded economic development in India.
(ii) **Adverse Effect on Agriculture:** Under the British rule, Indian agriculture suffered severe blows that kept it backward. Under Lord Cornwallis's Land Tenure System, Zaminadari system took birth that led to the exploitation of Indian peasants and tenants at the hands of landlords. Apart from this, irrigation was completely overlooked, which contributed to the low production in the field of agriculture. Thus the negative role of the British in the field of agriculture led to backwardness.

(iii) **Decline of the Indigenous Industries:** With the advent of British Rule, Indian Cottage and small industries like handicrafts industry declined. The British set up heavy industries at the cost of cottage and small industries in India. As a result, there arose a sharp competition between the goods manufactured in the British industries and indigenous industries. But the Indian goods couldn't survive this fierce competition, resulted in decline of the indigenous industries. In addition to this, the British Industrial Policy also favoured the British Government, which protected the British industries and neglected the indigenous industries.

(iv) **Arbitrary Trade Policy:** During the British period Indian trade both internal and external was not conducive to the development of Indian economy. The internal trade was mainly in the interest of the British
Government. They earned a lot by importing raw material and exporting manufactured goods.

(v) Development of Transport and Communication Facilities: With the advent of British era in India, transport and communication facilities started developing. For their own benefit they developed Railways and Shipping industry. Besides, they paid much attention to the development of road transportation. They also established the Postal System in India. They did all this in order to facilitate their trade with India.

(vi) Stagnation in National and Per-Capita Income: Under the British Rule, national as well as per-capita income increased slightly. The increase in per-capita income ranged from 5% to 9% per annum on an average. Thus it can be said that there was a state of almost stagnation as far as national and per-capita incomes were concerned.

Dwindling of Handicrafts Industry Under the British Raj in India

Before the advent of British Rule in India, there had been many sorts of indigenous industries — Cottage and small industries — in which skilled hands were engaged for earning their livelihood. But the Indian industries
suffered a great blow in the British period owing to the factors enlisted below:

(i) Gradual Weakening of Indian Kings and Nasals: The Indian industries underwent a drastic change under the British Rule. With the establishment of the East India Company in India, the Nawabs and Emperors lost their pristine glory. In their heydays, they always demanded the goods and luxury items manufactured in the industries for displaying them in their courts. They had also a great taste and words of appreciation for these goods. So they patronized these industries for the sake of their artistic taste, but with their disappearance, there came a sharp decline in the handcrafts industry as there decreased demand for these goods.

(ii) Fatal Competition with Mechanized Goods: During the Industrial Revolution, industrial production increased but production cost decreased. Firstly, the machine-made goods were cheaper than the goods produced in the indigenous industries. Secondly, the machine-made things were well designed and well shaped. So the goods produced by hands could not withstand the competition with the things manufactured in the machine-run industries. This competition led to the fall in demand for the hand-made goods.
(iii) **Emergence of Newly Rich Class:** With the passing of time, there came changes in the tastes of the people. The newly rich class and educated people started imitating the English culture in the manners and modes of their living. With this, the demand for both foreign goods and goods manufactured in heavy industries rose, and the demand for indigenous and hand-made things declined, resulting in the fall of indigenous industries.

(iv) **Biased Industrial Policy:** The Industrial Policy of the British Government was not only apathetic but also detrimental to the Indian industries. The British always favoured and supported the English industrialists, but on the contrary, they disfavoured and discouraged the Indian industries. The Indian artisans were asked to produce only raw materials at very low costs. This exploitation of the local artisans forced them to abandon their traditional jobs, resulted in decline of the Indian industries.

(v) **Partial Transport Policy:** The British Government developed transportation system in India while keeping in view the benefits of the British industries, and to facilitate the external trade. The network of means of transport was widely used for the transportation of imported goods to the different parts of the country. This led to the retrogression of the Indian industries.
(vi) **Dire Consequences of Fall of Indigenous Industries**

1. It rendered the local artisans jobless.
2. It speeded up poverty in India.
3. It caused a great setback to the prospects of industrialization in India.
4. It enhanced the dependence of population on agriculture for earning livelihood.
5. It led to further disintegration and division of land holdings.
6. It caused unfavourable balance of payments that led to financial crises in India.
7. It widened the gap between the rulers and the ruled.

**Phase of Stagnation in Indian Economy**

Indian economy came to standstill during the British period owing to apathetic and indifferent attitude of the British towards indigenous industries and agriculture. Apart from this, the Indian natural resources were largely exploited for the benefit of the British Empire only. The Indian industries got step-motherly treatment at the hands of the British, and agriculture was overlooked to the greatest extent. As a result, national as well as per-cápita income did not display any sign of increase. By and large, the Indian economy witnessed a prolonged stagnation owing to the factors mentioned below:
(i) **Improper Use of Natural Resources:** It is generally argued that economic development of a country largely depends on its natural resources and their proper utilization. We had in abundance the natural resources like mineral resources, water resources, power resources and agriculture land, but these were tapped for the benefit of the British Empire, not for the Indian people. That was why; the Indian economy remained as it had been.

(ii) **Low Level of Technology:** Besides the negative role of the British in exploitation of our natural resources, low level of technology also contributed to the backwardness of Indian economy under the British Rule. And we couldn't develop any production technique, as we had not enough money to invest in the field of science and technology.

(iii) **Pressure of Large Population:** It is the view of many scholars that large population has been the main cause of backwardness of Indian economy. But on the contrary, it is said that in mid 19th century Indian population was not very high and the growth rate was also not high. It is also said that population stimulates economic development as it leads to increase in demand and growth of output. It is well known fact that human capital acts as a vital determinant in economic development. So the pressure of population cannot be termed as the cause of stagnation in Indian economy.
(iv) **Socio-religious Factors:** Socio-religious factors also play vital role in economic development of a country. The factors such as caste-system, joint family system, religious orthodoxy, etc. and some other unhealthy traditions and customs developed anti-economic culture that kept Indian economy backward. To some extent this argument holds water, but this cannot solely be attributed to the cause of backwardness.

(v) **Drain of Economic Resources:** Transfer of economic resources in the form of home charges, Indian office expenses and gratuities to England caused poverty in India. As a result, capital could not be accumulated in India that led to slow growth of Indian economy.

(vi) **Faulty Government Policies:** The government policies were made while keeping in view the interest of the British. Their sole motive was to transfer raw material from India to England.

The Industrial Policy of the British destroyed the indigenous industries. They developed only the industries that benefited them optimally and discouraged those ones, which were beneficial for the development of Indian economy. As a result, the rate of industrialization got retarded in India.
The British followed the policy of free trade under which goods produced in Indian industries could not compete with industrial goods brought from England.

The land revenue system was faulty, and it was in the interest of the British. It was high in nature, and the collection was not fair. As a result, a great number of farmers turned into tenants. The farmers were forced to grow only the cash crops that benefited the British.

The British destroyed the handicraft industry by exploiting the artisans. Their industrial policy-favoring machine made goods put adverse effect on the hand-made goods. The artisans on the verge of starvation turned to agriculture, but this sector was also in the phase of decline.

Occurrence of famine after famine broke the back of Indian agriculture. Between 1757 and 1858, about twelve severe famines ravaged Indian agriculture, and put adverse impact on the growth of Indian economy. A great number of people died, as they could not purchase goods at higher rates. Besides, the British apathetic and indifferent attitude towards Indians increased the severity of the famines. The following causes were responsible for the famines:

(i) Commercialization of Agricultural Goods: The farmers were compelled to grow the cash crops like jute, cotton etc. As a
result, the growth of food grains declined and this caused starvation like situation in India.

(ii) **Dearth of Irrigation Facilities:** The irrigation facilities were not developed to increase the growth of food grains. The farmers had to depend entirely on monsoons, which were not regular and timely. So failure of monsoon led to retardation in the growth of agricultural goods, especially food grains.

(iii) **The Changed Land Policy:** Under the changed land policy, land became a private property. This new policy created the class of landowners and big cultivators that caused poverty among small farmers.

(iv) **Export of Food grains:** The British did not hesitate to export food grains to England, while there was a great scarcity of food grains at home. Export of food grains in the slump period led to starvation of farmers in India.

(v) **Decreasing Handicrafts:** Favouring the machine-made goods discouraged the production of Indian handicrafts. The Indian handicrafts could not compete with machine made goods imported from England. It compelled the farmers to turn to agriculture for their livelihood that put tremendous pressure on
the agriculture sector, which was already undergoing the dwindling phase.

(vi) **Arbitrary Land Revenue:** The land revenue was high and unaffordable. Besides the collection of land revenue was arbitrary and rigid. The farmers were left with no savings to survive any failure of the crops. The crop failure was the hallmark of Indian agriculture at that time. So the arbitrary land revenue policy caused famine like conditions.

(vii) **Hoarding of Food grains:** The black-marketers and hoarders hoarded a large quantity of food grains, and the government did not take any action against them. It aggravated the food scarcity conditions.

**Famine Relief Measures**

The government followed certain measures to improve the conditions of the masses. Some of the measures taken by the government were as follows:

(i) Free distribution of food grains to children and the aged people.

(ii) Able-bodied persons were given employment.

(iii) Land revenue was remitted and loans were given to farmers.

(iv) Import of food grains from surplus areas was encouraged.
But these measures could not prove effective for lack of funds and proper governance. The Famine Commission was constituted to take effective steps and measures to alleviate the conditions of farmers. Two types of measures were taken — preventive and protective. Under the preventive measures the suggestions made are as follows:

(i) A famine code should be formulated.
(ii) A special famine fund should be created.
(iii) A famine commission should be created.
(iv) Agricultural data should be collected properly.

The Protective measures are as follows:

(i) The irrigation facilities and railway network should be developed.
(ii) Pressure of population on land should be diverted/shifted to other areas.
(iii) Liberal loan facilities should be extended.

Consequent upon these recommendations, a code was prepared in 1883 to implement the same. The provincial governments were empowered to prepare their own code on the pattern of this model. Provisions were made
for remission of land revenue, and the famine fund was created. As a result, famines ceased to occur frequently after 1920.