

Economic Impact of British Rule in India

Modern Indian History — Drain of Wealth • Land Revenue • Deindustrialization • Famines • Railways

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BPS

SSC CGL

SSC CHSL

RRB NTPC

State PSC

UPSC Pre

★★★★★ High-Yield Topic — 4–6 questions per exam

1. Introduction & Economic Overview (आर्थिक प्रभाव)

Why This Topic Is Critical: The economic impact of British rule is one of the most asked topics in SSC CGL, BPSC, and RRB NTPC. Questions come from Drain of Wealth, Land Revenue systems, Deindustrialization, Major Famines, and Railways. **India's share of world GDP** fell from ~24% (1700) to ~4% (1947) under British rule.

24%

India's GDP Share 1700

4%

India's GDP Share 1947

£30M

Annual Drain (Naoroji est.)

30L+

Deaths in 1943 Famine

1853

First Railway (Bombay-Thane)

3

Land Revenue Systems

12

Major Famines 1765–1943

1901

Naoroji's Book Published

★ Key Figures at a Glance



Dadabhai Naoroji

Grand Old Man of India



R.C. Dutt

Economic History of India



M.G. Ranade

Economic Nationalist



Lord Cornwallis

Permanent Settlement 1793



Lord Bentinck

Mahalwari Reforms 1833



Robert Clive

Plunder of Bengal (1757)

Three Phases of British Economic Exploitation:

Phase 1 (1757–1813): Plunder & tribute — direct loot, forced gifts, Black Hole, Battle of Plassey aftermath

Phase 2 (1813–1858): Industrial capitalism — free trade, deindustrialization, forced cash crops, opium trade

Phase 3 (1858–1947): Finance capitalism — railways, managing debt, drain through Home Charges

2. Drain of Wealth Theory (धन निष्कासन सिधांत)

Who coined it? Dadabhai Naoroji (1825–1917) — "Grand Old Man of India" — first systematically argued that British rule was draining India's wealth. He presented this idea in his paper "*England's Debt to India*" (1867) and his landmark book "*Poverty and Un-British Rule in India*" (1901). He estimated an annual drain of about **£30 million (Rs 50 crores)** per year.

What is the Drain of Wealth?

- **Definition:** Export of wealth from India to Britain for which India received NO economic or material return
- **Naoroji called it:** "Bleeding India white" — a continuous flow of resources to Britain with nothing coming back
- **R.C. Dutt** estimated the drain at £13 million annually in "Economic History of India" (1901–02)
- **William Digby** exposed the myth of prosperity in "Prosperous British India" (1901)

Forms of the Drain of Wealth

- **Home Charges:** India paid for British administration in India, wars abroad, interest on loans taken in India's name
- **Salaries & Pensions:** All top officials were British; their salaries + pensions drained to Britain
- **Railway Profits:** British investors got **guaranteed 5% interest** on railway investment — paid by Indian taxpayers
- **Civil Service costs:** ICS training in England paid by India; every British soldier cost 3× more than Indian soldier
- **War costs:** Indian taxpayers funded Afghan Wars, Burma Wars, Opium Wars — wars fought FOR Britain
- **Commercial drain:** Raw material exports at low prices; imported British goods at high prices

⚡ Home Charges — Most Important Form

- **India Office expenses** in London (maintained by India's revenue)
- **Interest on India Debt** — loans taken by EIC/Crown, interest paid from India
- **Dividends** to EIC shareholders (till 1858) from Indian surplus
- **Military charges** — India paid for its own conquest and for British imperial wars
- Home Charges averaged **£30 million/year** in the late 19th century

2. Drain of Wealth – Continued

Thinker	Work	Year	Key Argument
Dadabhai Naoroji	Poverty and Un-British Rule in India	1901	Drain = £30M/yr; coined term "Un-British Rule"
R.C. Dutt	Economic History of India (2 vols)	1901–02	Land revenue policy ruined peasants; drain £13M/yr
M.G. Ranade	Essays on Indian Economics	1898	Called for industrial policy; not just trade reform
William Digby	"Prosperous" British India	1901	Exposed myth: India NOT prosperous under British
G.V. Joshi	Writings on Indian Economics	1880s	Economic nationalist; argued for fiscal autonomy



Memory Trick

DRAIN Critics: "ND RW DG"

Naoroji (Poverty & Un-British Rule, 1901) → Dutt (Econ. History, 1901) → Ranade (Essays, 1898) → Wedderburn → Digby (Prosperous India, 1901) → G.V. Joshi

All written between 1895–1905 – peak of Indian economic nationalism

"India is being bled from every pore – every rupee raised in India is spent OUTSIDE India for British benefit. – Dadabhai Naoroji, 1867"

🚨 PYQ Alert – Previous Year Questions

- Who coined the term "Drain of Wealth" in the context of British India? SSC CGL 2019 | Easy
- Dadabhai Naoroji's book "Poverty and Un-British Rule in India" was published in: RRB NTPC 2020 | Easy
- Which form of the drain included payments for British administration made from India's revenue? BPSC 2021 | Med
- R.C. Dutt's "Economic History of India" primarily argued that British policy had ruined Indian: SSC CHSL 2022 | Med

Answers: 1-(B) Dadabhai Naoroji | 2-(C) 1901 | 3-(B) Home Charges | 4-(A) Agriculture and peasantry

3. Land Revenue Systems (भूमि राजस्व प्रणाली)

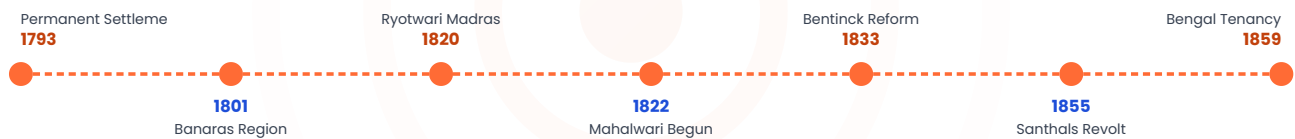
Background: Land revenue was the **single largest source of British income in India** — often 50–60% of total state revenue. Three main systems were introduced in different regions: **Permanent Settlement** (Bengal), **Ryotwari** (Madras, Bombay), and **Mahalwari** (Punjab, NW Provinces). These systems transformed Indian agrarian structure, creating poverty and indebtedness.

1. Permanent Settlement (Zamindari System) – 1793

- **Introduced by:** Lord Cornwallis in 1793 in Bengal, Bihar and Orissa
- **Key feature:** Land revenue fixed **permanently** with Zamindars (no future revision)
- **Zamindars** became hereditary owners of land (never before in Indian history)
- **Peasants** had NO rights — completely at the mercy of zamindars
- **Sunset Clause:** Zamindars who failed to pay revenue by sunset of the due date lost their land
- **British motive:** Create a loyal class of landlords who had stake in maintaining British rule
- **Extended to:** Parts of Madras, Banaras division, N. Bihar later
- **Coverage:** About 19% of total cultivated land

⚡ Effects of Permanent Settlement

- Created **absentee landlordism** — zamindars lived in cities, had no interest in improving land
- Old zamindars lost land rapidly — new capitalists/moneylenders bought at auction
- Peasants became **tenants-at-will** — could be evicted anytime
- Agriculture stagnated — no investment in land improvement
- Zamindars collected maximum rent, paid fixed revenue — pocketed the difference as land value rose



3. Land Revenue — Ryotwari & Mahalwari

2. Ryotwari System — 1820

- **Introduced by:** **Thomas Munro** in Madras (1820); **Elphinstone** in Bombay
- **Key feature:** Revenue settled directly with individual peasants (*ryots*) — no intermediary zamindars
- **Reassessment:** Revenue revised every 20–30 years based on soil quality
- **Coverage:** About **51% of total cultivated land** (largest of the three systems)
- **Applied in:** Madras, Bombay, Assam, Coorg, some parts of Punjab
- **Problem:** Revenue demands set too high → peasants borrowed from moneylenders → chronic indebtedness
- **Benefit:** Removed zamindari exploitation; peasant directly dealt with government

3. Mahalwari System — 1833

- **Conceived by:** **Holt Mackenzie** (1822); revised by **Lord Bentinck** (1833) and R. Martin Bird
- **Key feature:** Revenue settled with the **entire village** (*mahal*) collectively
- **Village headman** (*lambardar*) was responsible for collecting and paying government revenue
- **Coverage:** About **30% of total land**
- **Applied in:** Punjab, NW Provinces, Central India, parts of Gangetic plains
- **Revenue revised:** Every 30 years; higher than Permanent Settlement, somewhat lower than Ryotwari
- **Effect:** Village community still somewhat intact, but high revenue led to debt and distress

Memory Trick

Land System Trick: "PRM" — 19-51-30

Permanent (Cornwallis 1793, Bengal) = **19%** land | Ryotwari (Munro, Madras/Bombay) = **51%** | Mahalwari (Holt Mackenzie, Punjab) = **30%**

Lord = "Cornwallis did Permanent, Munro did Ryotwari, Mackenzie/Bentinck did Mahalwari"

🔔 PYQ Alert — Previous Year Questions

1	The Permanent Settlement of 1793 was introduced by which Governor-General?	SSC CGL 2021 Easy
2	In which regions was the Ryotwari system primarily introduced?	RRB NTPC 2019 Med
3	Who introduced the Mahalwari system of land revenue?	BPSC 2022 Med
4	Under the Permanent Settlement, land revenue was fixed permanently with:	SSC CHSL 2020 Easy

Answers: 1-(C) Lord Cornwallis | 2-(B) Madras and Bombay | 3-(A) Holt Mackenzie (revised by Bentinck 1833) | 4-(B) Zamindars

3. Land Revenue — Comparison Table

Feature	Permanent Settlement	Ryotwari	Mahalwari
Introduced by	Lord Cornwallis	Thomas Munro / Elphinstone	Holt Mackenzie / Bentinck
Year	1793	1820 (Madras)	1822/1833
Area covered	Bengal, Bihar, Orissa	Madras, Bombay, Assam	Punjab, NW Provinces, CP
Revenue with	Zamindars (hereditary)	Individual Ryots (peasants)	Village community (mahal)
% of land	~19%	~51%	~30%
Revenue revision	Never (permanent)	Every 20–30 years	Every 30 years
Main problem	Absentee landlordism; peasant eviction	High revenue; moneylender trap	Village debt; community burden

⚡ Zamindari Sub-Settlement

- **Talukdari Settlement:** variant of zamindari in Awadh after 1856 annexation
- **Malguzari system:** similar to Mahalwari in Central Provinces (CP)
- **Jagirdari / Inamdari:** revenue-free grants in Maratha regions
- All these systems had one common effect: **increasing poverty of actual cultivators**

“The Permanent Settlement was a great mistake. The British trusted zamindars to invest in land, but zamindars only increased rent — the peasant got nothing. — R.C. Dutt, Economic History of India”

Region / Year	Peasant Movement	Cause
Bengal, 1859–60	Indigo Revolt (Neel Bidroh)	Forced indigo cultivation; exploitative contracts
Deccan, 1875	Deccan Riots (Poona, Ahmednagar)	Moneylender exploitation after 1875 famine
Bengal, 1859	Bengal Tenancy Act	Zamindars evicting peasants; no security of tenure
Punjab, 1907	Pagri Sambhal Jatta (Ajit Singh)	Colonization Bill; Canal Colonies Act oppression

4. Deindustrialization (उद्योगीकरण का पतन)

What is Deindustrialization? The process by which India's traditional industries — especially textiles, handicrafts, and metallurgy — were systematically destroyed by British policies, turning India from an industrial/manufacturing country into a supplier of raw materials. India's share of world manufacturing fell from **24.5% (1750)** to **1.7% (1900)**.

Causes of Deindustrialization

- **One-way Free Trade (after Charter Act 1813):** British machine-made goods entered India DUTY-FREE (or very low duty); Indian goods exported to Britain faced 70–80% tariff
- **Industrial Revolution in Britain:** Machine-made cloth was cheaper than handloom — Indian weavers could not compete in price
- **Loss of royal patronage:** Decline of Mughal courts and Indian princes removed the main buyers of fine handicrafts
- **Raw material export:** Raw cotton, jute sent to British mills; processed goods returned to India at higher prices
- **EIC monopoly policies:** Before 1813, EIC had monopoly; forced artisans to sell to EIC at low fixed prices (*Dadni* system)
- **British cotton duties abolished:** In 1882, even the small import duty on cotton goods was removed under pressure from Manchester interests

Impact on Specific Industries

- **Dacca Muslin:** World's finest fabric; population of Dacca fell from 1.5 lakh to 30,000; weavers' thumbs reportedly cut off (disputed but symbolic of destruction)
- **Murshidabad Silk:** Major silk weaving center; collapsed as cheap British imports flooded market
- **Surat Textiles:** Surat's 1 lakh weavers reduced to <10,000 by 1850s
- **Iron & Steel:** Indian iron smelting (Wootz steel) destroyed; raw ore exported to Britain
- **Salt monopoly:** Indian salt makers destroyed; salt manufactured under EIC monopoly at inflated prices

⚡ Shift from Industry to Agriculture

The % of population dependent on agriculture **INCREASED** from ~55% (1800) to ~75% (1900). This reverse-industrialization (known as "**de-urbanization**") was noted by R.C. Dutt. Cities like Dacca, Murshidabad, Surat shrank; rural dependence on farming grew, making India more vulnerable to famines.

4. Deindustrialization – Continued

Industry	Before British Rule	After British Rule	Cause
Dacca Muslin	World No.1 fine textile; 1.5L population	Population fell to 30,000; industry extinct	Manchester cloth + loss of royal courts
Indian Cotton Cloth	~27% world export share (1750)	~3% by 1900	Free trade + British duties on Indian goods in Britain
Indian Iron/Steel	Wootz steel – globally famous	Destroyed by 1860s; raw ore exported	British steel imports; EIC monopoly
Salt Production	Independent Indian salt makers	EIC/Crown monopoly 1759; Indian makers ruined	Forced to buy costly British monopoly salt
Silk Weaving (Murshidabad)	Major export center pre-1757	Collapsed post-Plassey; weavers became farmers	Loss of Nawab patronage + imports

Memory Trick

Deindustrialization Key Sequence: "FCDRM"

Free trade (1813) → Cheap British goods flood India → Destruction of Indian handicrafts → Rural migration of artisans → More dependence on agriculture → More vulnerable to famines

Remember: Charter Act 1813 ended EIC monopoly, opened India to free trade = death blow to Indian industry

"The British did to India what no foreign invader before them had done – they destroyed its manufacturing base and turned it into a colonial supplier of raw materials. – Jawaharlal Nehru, Discovery of India"

🔔 PYQ Alert – Previous Year Questions

- India's share of world manufacturing fell from 24.5% (1750) to just 1.7% by 1900. This is called: SSC CGL 2022 | Easy
- The destruction of Dacca muslin industry was due to competition from: RRB NTPC 2021 | Med
- The Charter Act of 1813 ended the monopoly of which company, opening India to free trade? BPSC 2020 | Med
- The Dadni system under EIC forced artisans to: SSC CHSL 2023 | Hard

Answers: 1-(C) Deindustrialization | 2-(B) Machine-made British cotton textiles | 3-(A) English East India Company (EIC) | 4-(D) Sell finished goods to EIC at fixed low prices

5. Agriculture, Cash Crops & Famines (कृषि आर्थिकव्यवस्था एवं अकाल)

British Agricultural Policy: British policy forced Indian farmers to shift from food crops to commercial/cash crops – cotton, indigo, opium, jute, tea. This served British industrial needs but caused food scarcity and made India vulnerable to famines. Between 1765 and 1943, **12+ major famines** occurred, killing tens of millions.

Major Cash Crops & Their Impact

- **Indigo:** Forced cultivation in Bihar & Bengal under *Nij* and *Ryoti* system; exploitative contracts; led to **Indigo Revolt 1859–60** (Neel Bidroh); depicted in *Neel Darpan* play (1858)
- **Opium:** Grown in Bihar & Bengal under EIC monopoly; sold to China to balance trade deficit; **Opium Wars** (1839, 1856) fought by Britain to force China to accept opium
- **Cotton:** American Civil War (1861–65) shortage boosted Indian cotton exports; Deccan peasants got into debt expecting permanent high prices; prices crashed after war → **Deccan Riots 1875**
- **Jute:** Bengal jute cultivated entirely for export to British mills in Dundee; peasants got minimal price
- **Tea & Coffee:** Plantation system in Assam, Nilgiris; indentured labour; Workmen's Breach of Contract Act 1859 trapped workers

Major Famines Under British Rule

Famine	Year	Region	Deaths	Viceroy / Context
Great Bengal Famine	1770	Bengal, Bihar	~1 crore (1/3 Bengal pop)	EIC rule; grain exported despite famine
Chalisa Famine	1783–84	Delhi, Punjab, UP	Millions	Warren Hastings era
Orissa Famine	1866	Odisha	~10 lakh	Lawrence as Viceroy
Deccan Famine	1876–78	Madras, Bombay	55–58 lakh	Lord Lytton; exported food during famine
Indian Famine	1896–1900	All India (worst since 1770)	~1–2 crore	Elgin II then Curzon
Bengal Famine	1943	Bengal	~30 lakh	Linlithgow/Churchill; war-time grain diversion

5. Famines — Commissions & Response

Commission	Year	After Which Famine	Key Recommendation
Strachey Famine Commission	1878	Deccan Famine (1876–78)	Recommended Famine Code ; preventive works; relief measures
Lyall Commission	1896	Famine of 1896–97	Extended famine relief; test relief works
MacDonnell Commission	1900	Famine of 1899–1900	Revised Famine Code; food imports recommended

⚡ Lord Lytton's Response to 1876 Famine

- Organized **Delhi Durbar (Jan 1877)** — lavish celebration costing crores — while 55 lakh died in Deccan
- Continued **exporting food grain** from India during the famine
- Passed **Vernacular Press Act (1878)** to suppress reporting of famine conditions
- British journalist **William Digby** exposed this in "The Famine Campaign in Southern India" (1878)
- Dadabhai Naoroji used famine mortality as evidence of the drain theory

🧠 Memory Trick

Famine Years: "1770 — 66 — 76 — 1900 — 43"

1770 (Bengal, 1 crore) → **1866** (Orissa, 10L) → **1876–78** (Deccan, 55L, Lytton) → **1896–1900** (All India, Elgin II/Curzon) → **1943** (Bengal, 30L, WW2)

Key: 1876 Lytton held Delhi Durbar same time as famine — classic exam trap!

"If famine is the verdict of Providence, the British government of India has made every act of God into an act of Empire. — Romesh Chunder Dutt"

🔔 PYQ Alert — Previous Year Questions

1	The Deccan Famine of 1876–78 occurred during the tenure of which Viceroy?	SSC CGL 2021 Med
2	The Strachey Famine Commission (1878) is primarily known for recommending:	BPSC 2022 Hard
3	The Indigo Revolt of 1859–60 (Neel Bidroh) occurred primarily in:	RRB NTPC 2020 Easy
4	Neel Darpan, a Bengali play depicting plight of indigo farmers, was written by:	SSC CHSL 2021 Med

Answers: 1-(C) Lord Lytton | 2-(B) Famine Code and preventive relief works | 3-(A) Bengal and Bihar | 4-(C) Dinabandhu Mitra (1858)

6. Railways, Trade & Public Works (रेलवे, व्यापार एवं सार्वजनिक कार्य)

Railways — A Double-Edged Sword: Lord Dalhousie introduced railways primarily to serve British imperial interests — move troops rapidly, drain raw materials to ports. However, railways also inadvertently **integrated India's markets**, facilitated nationalist movement, and enabled famine relief. First railway: **Bombay to Thane, 16 April 1853** (34 km).

Key Railway Facts

- **First railway:** Bombay to Thane — 16 April 1853 — Lord Dalhousie — 34 km
- **First electric railway:** Bombay (1925)
- **Network growth:** 34 km (1853) → 14,000 km (1880) → 51,000 km (1920) — world's 4th largest
- **Guaranteed Interest System:** British private companies guaranteed **5% annual return** on capital — paid by Indian taxpayers even if railways ran at loss
- **Key railway decisions:** Gauge, routes designed to serve British interests (ports, cantonments) not Indian needs
- **Drain via railways:** Naoroji calculated railways alone drained £5 million/year via guaranteed interest

Trade Policy — Discriminatory Tariffs

- **Before 1813:** EIC monopoly trade; Indian goods exported; Britain got Asian goods
- **After 1813:** Free trade — British industrial goods flooded India without customs barriers
- **Indian cotton duty in Britain:** 70–80% tariff on Indian cotton goods entering England; but British cotton entered India at low/zero duty
- **1882 Manchester Pressure:** Even 5% import duty on cotton goods removed from India under pressure from Manchester textile lobby
- **1894–96 Countervailing Excise Duty:** When India imposed 5% duty on imported cloth, Britain forced an equal *excise duty* on Indian cotton produced in India — so Indian cloth still disadvantaged!
- **Opium trade:** EIC monopoly on Bengal opium; exported to China; funded 1/7 of British Indian revenues

⚡ Public Works Department — Ambiguous Legacy

- **Irrigation:** Canal systems in Punjab (Upper Doab Canal 1830), Madras; helped agriculture but charged high water rates
- **Telegraphs:** Lord Dalhousie introduced telegraph (1853); primarily for military and administrative use
- **Roads:** Grand Trunk Road improved; again primarily for military movement, not trade
- All public works built using Indian labour at low wages; profits went to British companies

6. Railways & Trade — Continued

Year	Policy / Event	Significance
1853	First railway: Bombay to Thane (Lord Dalhousie)	Opened era of British railway in India; Guaranteed Interest System begins
1813	Charter Act ends EIC monopoly; free trade begins	Opened India to British industrial goods; death blow to Indian handicrafts
1882	Import duty on cotton goods abolished	Manchester lobby forced removal; Indian weavers further devastated
1894	5% import duty reimposed on cloth	Revenue need; but immediately offset by Countervailing Excise on Indian cloth
1896	Countervailing Excise Duty on Indian cotton	Indian industry taxed same as British imports — ultimate discrimination
1925	First electric railway in Bombay	Modernization; but network still controlled by British companies

Memory Trick

Railway Key Numbers: 1853 — 34 km — 5% — 51,000 km

1853 = First railway (Bombay-Thane) | **34 km** = first line length | **5%** = guaranteed interest to companies | **51,000 km** = network by 1920

Remember: Dalhousie = railways + telegraphs + post office + annexation (Doctrine of Lapse)

“The railways were not built for India but for Britain. They were built to drain India of its raw materials and to bring British goods into every corner of India. — Dadabhai Naoroji”

🚩 PYQ Alert — Previous Year Questions

1	The first railway in India ran between Bombay and Thane in which year?	SSC CGL 2020 Easy
2	Under the Guaranteed Interest System for railways, who bore the financial burden of paying 5% return?	BPSC 2021 Med
3	The Countervailing Excise Duty (1896) was imposed on Indian cotton cloth to:	SSC CHSL 2022 Hard
4	Opium cultivation under the EIC was mainly carried out in which region for export to China?	RRB NTPC 2021 Med

Answers: 1-(B) 1853 | 2-(C) Indian taxpayers | 3-(D) Neutralize the competitive advantage of Indian cloth over imported British cloth | 4-(A) Bengal and Bihar

7. Key Economists & Critics of British Rule (मुख्य अर्थशास्त्री)

Person	Life	Key Work	Main Contribution
Dadabhai Naoroji	1825–1917	<i>Poverty & Un-British Rule in India</i> (1901)	Coined "Drain of Wealth"; calculated national income; "Grand Old Man of India"; first Indian MP in Britain (1892)
Romesh Chunder Dutt	1848–1909	<i>Economic History of India</i> (2 vols, 1901–02)	Detailed destruction of agriculture and industry; blamed land revenue for peasant poverty; first systematic economic history
M.G. Ranade	1842–1901	<i>Essays on Indian Economics</i> (1898)	Advocated industrial policy; protectionism for Indian industry; founder of Indian Social Conference; argued against pure free trade
William Digby	1849–1904	<i>"Prosperous" British India</i> (1901)	British journalist who exposed India was NOT prosperous; documented famine deaths; used sarcastic quotes in title
G.K. Gokhale	1866–1915	Budget speeches; economic nationalism	Argued for increased expenditure on education; reduced military spending; moderate economic nationalist
B.G. Tilak	1856–1920	<i>The Economist</i> newspaper	Radical economic nationalist; swadeshi movement; boycott of British goods as economic weapon

⚡ Naoroji — Grand Old Man of India

- First Indian elected to British Parliament (Finsbury, 1892, as Liberal MP)
- Presented "**Poverty and Un-British Rule in India**" before the Welby Commission (1897)
- Estimated India's annual per capita income at Rs. 20 (one of the first such calculations)
- Presided over Indian National Congress (1886, 1893, 1906)
- Called himself a "**Congressman, a Liberal, and an Indian**" — loyal to all three

🧠 Memory Trick

Economists: "ND — RD — MR — WD"

Naoroji (Drain, 1867–1901) → **Dutt** (Economic History, 1901) → **Ranade** (Essays, 1898) → **W. Digby** (Prosperous India, 1901)

All **FOUR** published major works between 1898–1902 — the golden era of Indian economic thought

8. Economic Impact Map – Key Zones



Legend: **D** Drain Port **I** Industry Ruined **C** Cash Crops **F** Famine Zone

MAP

9. Master Comparison Tables

Key Policies & Their Economic Effects

Policy	Year	Viceroy/GG	Economic Effect
Permanent Settlement	1793	Lord Cornwallis	Created zamindari landlordism; peasant dispossession; land alienation
Charter Act (Free Trade)	1813	Lord Minto	Ended EIC monopoly; British goods flooded India; death of handicrafts
Ryotwari System	1820	Lord Hastings	Direct peasant taxation; high revenue caused indebtedness
Mahalwari System	1833	Lord Bentinck	Village revenue; moderate improvement but high rates still harmful
Doctrine of Lapse	1848–56	Lord Dalhousie	Annexation of states; disrupted local economies; pensioned off princes
Railways (Guaranteed Interest)	1853	Lord Dalhousie	Drained £5M/yr as guaranteed interest; served British not Indian needs
Cotton Duty Abolished	1882	Lord Ripon	Manchester lobby; destroyed remaining Indian textile industry
Countervailing Excise	1896	Lord Elgin II	Indian cotton taxed to make it expensive = protect British imports
Partition of Bengal	1905	Lord Curzon	Disrupted Bengal economy; sparked Swadeshi movement & economic nationalism

Impact on India's Economy — Before vs After

Indicator	Pre-British (c.1750)	At Independence (1947)	Change
Share of World GDP	~24%	~4%	↓ 20%
World Manufacturing Share	~24.5%	~1.7%	↓ 22.8%
Textile Export (world %)	~27%	~3%	↓ 24%
Famine deaths (per century)	Rare; localized	~30 million+ (1757–1947)	Catastrophic increase
Railway (km)	0	~51,000 km	Built but for British benefit

10. Quick Facts — Last-Minute Revision (त्वरित तथ्य)

1901

Dadabhai Naoroji's "Poverty and Un-British Rule in India" published; estimated drain at £30M/year

1793

Permanent Settlement introduced by Lord Cornwallis in Bengal, Bihar, Orissa — fixed revenue with zamindars forever

24%→4%

India's GDP share fell from ~24% (1700) to ~4% (1947) — 145 years of British rule caused this collapse

1820

Ryotwari System introduced by Thomas Munro in Madras — direct revenue from peasants

1853

First railway: Bombay to Thane (34 km), 16 April 1853, under Lord Dalhousie

51%

Ryotwari covered largest area (~51%); Mahalwari ~30%; Permanent Settlement ~19% of Indian land

1770

Great Bengal Famine — ~1 crore died (1/3 of Bengal's population) — under EIC rule

1813

Charter Act ended EIC monopoly — opened India to British free trade; killed Indian handicrafts

1859

Indigo Revolt (Neel Bidroh) in Bengal/Bihar; depicted in "Neel Darpan" play by Dinabandhu Mitra (1858)

1876

Deccan Famine (55–58 lakh died) under Lord Lytton — while he hosted the Grand Delhi Durbar 1877

1882

Import duty on cotton goods abolished under Manchester lobby pressure — Indian weavers further ruined

1896

Countervailing Excise Duty imposed on Indian cotton — penalised Indian cloth to help British imports

1901

R.C. Dutt published "Economic History of India" — first systematic account of British economic exploitation

5%

Guaranteed Interest System — British railway companies got 5% return guaranteed — paid by Indian taxpayers

1943

Bengal Famine — ~30 lakh died; occurred during WW2 under Churchill; grain diverted for war effort

1898

M.G. Ranade published "Essays on Indian Economics" — argued for protective industrial policy for India

10. Exam Traps — Common Mistakes (परीक्षा में गलतियाँ)

Common Trap

Wrong belief: Dadabhai Naoroji's book "Poverty and Un-British Rule in India" was published in 1867

Correct fact: Naoroji published his PAPER "England's Debt to India" in 1867; the BOOK "Poverty and Un-British Rule" was published in 1901

Why it matters: Two different publications — the paper (1867) and the book (1901). Exams often test the 1901 date for the book.

Common Trap

Wrong belief: Mahalwari System was introduced by Lord Bentinck

Correct fact: Mahalwari was CONCEIVED by Holt Mackenzie (1822); Bentinck only REVISED it in 1833. Full credit goes to Mackenzie.

Why it matters: Exams often ask "who introduced Mahalwari" — correct answer is Holt Mackenzie (1822), not Bentinck (who revised it).

Common Trap

Wrong belief: The Ryotwari system was introduced in Bengal

Correct fact: Ryotwari was introduced in MADRAS (Thomas Munro, 1820) and Bombay (Elphinstone). BENGAL had Permanent Settlement.

Why it matters: Bengal = Permanent Settlement (Zamindari). Madras/Bombay = Ryotwari. Punjab/UP = Mahalwari. Never confuse the regions!

Common Trap

Wrong belief: Lord Lytton's Delhi Durbar (1877) was held to celebrate Indian prosperity

Correct fact: The Delhi Durbar (Jan 1877) was held by Lord Lytton to proclaim Queen Victoria as Empress of India — while 55 lakh people died in the Deccan Famine of 1876–78

Why it matters: Classic exam trap — Durbar = celebration + famine at same time. Nationalists like Naoroji used this contradiction as proof of British callousness.

Common Trap

Wrong belief: First railway in India was built under Lord Ripon or Lord Curzon

Correct fact: First railway in India was built under LORD DALHOUSIE (Bombay to Thane, 16 April 1853)

Why it matters: Dalhousie = Railways + Telegraphs + Post + Doctrine of Lapse. All in 1848–1856. Remember: Dalhousie = infrastructure + annexation.

Common Trap

Wrong belief: Neel Darpan depicted the plight of jute farmers

Correct fact: Neel Darpan (1858) by Dinabandhu Mitra depicted the plight of INDIGO (neel = indigo in Bengali) cultivators in Bengal/Bihar

Why it matters: Neel = Indigo in Bengali. The play depicted forced indigo cultivation contracts (Nij and Ryoti systems), not jute farmers.

Common Trap

Wrong belief: The Countervailing Excise Duty (1896) was imposed on British cloth

Correct fact: The Countervailing Excise Duty was imposed on INDIAN cotton cloth — to make Indian cloth as expensive as imported British cloth

Why it matters: This was a truly discriminatory policy: India imposed 5% import duty on foreign cloth → Britain forced India to impose the SAME 5% on its OWN cloth!

11. MCQ Practice – 12 Questions

1. Who coined the term "Drain of Wealth" to describe British economic exploitation of India?

- (A) Bal Gangadhar Tilak (B) Dadabhai Naoroji
(C) M.G. Ranade (D) Gopal Krishna Gokhale

SSC CGL 2019 | Easy | Easy ●○○

2. The Permanent Settlement of 1793 was introduced by which Governor-General?

- (A) Lord Dalhousie (B) Lord Curzon
(C) Lord Cornwallis (D) Lord Bentinck

RRB NTPC 2020 | Easy | Easy ●○○

3. The Ryotwari System of land revenue was primarily introduced in:

- (A) Bengal and Bihar (B) Punjab and UP
(C) Madras and Bombay (D) Assam and Orissa

BPSC 2021 | Easy | Easy ●○○

4. The first railway in India (Bombay to Thane) was inaugurated in which year?

- (A) 1849 (B) 1851
(C) 1853 (D) 1857

SSC CHSL 2020 | Easy | Easy ●○○

5. The Deccan Famine of 1876–78 in which lakhs died occurred during the tenure of:

- (A) Lord Ripon (B) Lord Curzon
(C) Lord Lytton (D) Lord Dufferin

SSC CGL 2022 | Med | Med ●●○

6. R.C. Dutt's "Economic History of India" primarily blamed British policy for ruining Indian:

- (A) Railways and trade (B) Agriculture and industry
(C) Education and culture (D) Military strength

RRB NTPC 2021 | Med | Med ●●○

11. MCQ Practice — Continued

7. The Mahalwari system of land revenue was conceived by:

- (A) Thomas Munro (B) Holt Mackenzie
(C) Lord Cornwallis (D) John Shore

BPSC 2020 | Med | Med ●●○

8. Under the Guaranteed Interest System for railways in India, private British companies received what % return?

- (A) 3% (B) 4%
(C) 5% (D) 7%

SSC CGL 2021 | Med | Med ●●○

9. "Neel Darpan" (1858), a famous Bengali play, depicted the plight of:

- (A) Jute farmers (B) Tea plantation workers
(C) Indigo cultivators (D) Cotton weavers

RRB Group D 2022 | Hard | Hard ●●●

10. The Countervailing Excise Duty (1896) on Indian cotton was imposed to:

- (A) Raise government revenue from Indian industry (B) Neutralize the advantage of Indian cloth over imported British cloth
(C) Promote Indian cotton in British markets (D) Protect Indian weavers from foreign competition

BPSC 2022 | Hard | Hard ●●●

11. India's share of world manufacturing fell from ~24.5% (1750) to approximately 1.7% by 1900. This process is called:

- (A) Industrialization (B) Deindustrialization
(C) Commercialization (D) Modernization

SSC CHSL 2023 | Hard | Hard ●●●

12. Dadabhai Naoroji presented his argument on the Drain of Wealth before which Commission that investigated Indian finances?

- (A) Simon Commission (B) Strachey Commission
(C) Welby Commission (D) MacDonnell Commission

SSC CGL 2023 | Hard | Hard ●●●

11. Answer Key with Explanations


✔ Answer Key with Explanations


- Q1. (B)** Dadabhai Naoroji coined "Drain of Wealth"; published "Poverty and Un-British Rule in India" (1901); paper "England's Debt to India" (1867)
- Q2. (C)** Lord Cornwallis introduced Permanent Settlement (1793) in Bengal, Bihar, Orissa; zamindars became hereditary land owners
- Q3. (C)** Ryotwari was introduced in Madras by Thomas Munro (1820) and in Bombay by Elphinstone; covered ~51% of total land
- Q4. (C)** 1853 — Bombay to Thane (34 km) on 16 April 1853 under Lord Dalhousie; India's first passenger railway
- Q5. (C)** Lord Lytton — Deccan Famine 1876-78 killed 55-58 lakh; Lytton simultaneously held Delhi Durbar (Jan 1877) proclaiming Queen Victoria as Empress
- Q6. (B)** R.C. Dutt's "Economic History of India" (1901-02) comprehensively showed how land revenue policy and free trade destroyed Indian agriculture and industry
- Q7. (B)** Holt Mackenzie conceived the Mahalwari system (1822); Lord Bentinck revised it in 1833; R. Martin Bird also associated with its implementation
- Q8. (C)** 5% — British railway companies got guaranteed 5% return on capital invested; if actual returns were lower, Indian taxpayers made up the difference
- Q9. (C)** Neel Darpan by Dinabandhu Mitra (1858) depicted exploitation of indigo (neel) cultivators in Bengal/Bihar under the Nij and Ryoti cultivation systems
- Q10. (B)** The 1896 Excise Duty made Indian-made cloth bear the same 5% tax as imported cloth, neutralizing India's natural cost advantage and protecting British imports
- Q11. (B)** Deindustrialization — the process by which British policy destroyed India's traditional manufacturing; India's world manufacturing share fell from 24.5% to 1.7%
- Q12. (C)** Welby Commission (1895-1900) was the Royal Commission on Indian Expenditure; Naoroji presented his drain theory evidence before it; Strachey Commission was about famines




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