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# Impact Of British Economic Policies on Traditional Indian Industry (1757–1857)

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**Abstract**
This study analyses the impact of British economic policies on traditional Indian industry during the period 1757–1857, a century marked by the transition from indigenous economic systems to colonial domination. Prior to British rule, India possessed a diverse and resilient industrial base, particularly in textiles, metalwork, shipbuilding, and artisanal crafts, which supported both domestic consumption and international trade. The introduction of British economic policies, driven by mercantilist and later free-trade principles, fundamentally altered this structure. Policies such as discriminatory tariffs, the dismantling of protective regulations, and the forced integration of India into the global market as a supplier of raw materials and a consumer of British manufactured goods led to the systematic decline of traditional industries. The collapse of the handloom textile sector, especially in regions like Bengal, serves as a critical illustration of this process of deindustrialisation. Furthermore, the revenue settlements and commercialisation of agriculture reduced artisans' access to raw materials and local markets, exacerbating economic distress. The study argues that British economic interventions not only weakened indigenous industrial production but also transformed India's economy into a colonial dependency, marked by unemployment, impoverishment of artisans, and loss of technological skills. By examining these developments, the paper highlights the long-term structural consequences of colonial economic policies on India's industrial trajectory.

**Keywords:** British colonialism, deindustrialisation, traditional industry, economic policies, colonial economy

## Introduction

The period between 1757 and 1857 represents a crucial turning point in the economic history of India, marking the gradual transformation of a vibrant, self-sustaining economy into a colonial appendage of Britain. Prior to British dominance, India possessed a well-developed system of traditional industries rooted in skilled artisanal labor, indigenous technology, and decentralized village economies. Indian textiles, metalwork, shipbuilding, pottery, and handicrafts enjoyed strong domestic demand and international recognition, with Indian cotton and silk fabrics dominating global markets across Asia, Africa, and Europe. Production was organized through hereditary crafts, community-based guilds, and localized markets that ensured both economic stability and social cohesion. This industrial structure not only supported large sections of the population but also generated substantial state revenue and foreign exchange through trade.

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However, the political victory of the British at Plassey in 1757 laid the foundation for colonial economic control, fundamentally altering India's traditional production and trade systems.

With the consolidation of power by the British East India Company, British economic policies increasingly prioritized imperial interests over indigenous development. India was systematically integrated into the global capitalist system as a supplier of raw materials and a market for British manufactured goods. Colonial policies dismantled protective mechanisms that had sustained traditional industries, including royal patronage, tariff safeguards, and institutional support for artisans. At the same time, discriminatory trade practices, monopolistic control over procurement, and heavy land revenue demands weakened both producers and consumers within the Indian economy. The influx of machine-made British goods following the Industrial Revolution intensified competition, leading to the rapid decline of traditional manufacturing, especially in textiles. As artisans lost livelihoods and skills, India experienced widespread deindustrialization, forcing a growing population back into agriculture and creating chronic underemployment. Understanding this historical process is essential for analyzing the roots of India's long-term economic underdevelopment, regional inequalities, and structural dependence that persisted even after the end of Company rule in 1857.

**Need of the study**

The need for a study on the impact of British economic policies on traditional Indian industry between 1757 and 1857 arises from the necessity to critically reassess the structural transformation of the Indian economy under early colonial rule and to understand the long-term consequences of colonial intervention on indigenous productive systems. This period marks the transition from a pre-colonial economy characterised by diverse, regionally embedded artisanal and manufacturing traditions to a colonial economy increasingly subordinated to the interests of British industrial capitalism. British revenue, trade, and tariff policies systematically altered existing production relations by privileging raw material extraction and discouraging value-added manufacturing within India. Traditional industries such as handloom textiles, metalwork, shipbuilding, and artisanal crafts faced severe disruption due to unequal tariff regimes, the influx of machine-made British goods, and the reorientation of markets in favour of metropolitan manufacturers. Studying this process is essential to move beyond simplistic narratives of "natural decline" and instead highlight the role of deliberate policy choices, including discriminatory taxation, monopoly trading practices, and infrastructural investments designed primarily for resource export. Moreover, an in-depth examination of this phase helps explain the roots of regional deindustrialisation, rising unemployment among artisan communities, and the widening imbalance between agrarian and industrial sectors. The study is also necessary to situate India's colonial economic experience within broader debates on imperialism, underdevelopment, and economic dependency, thereby

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contributing to a more nuanced understanding of how colonial economic structures constrained indigenous industrial growth and shaped post-independence developmental challenges.

**Historical Background of Indian Economy before 1757**

Before 1757, the Indian economy was one of the most prosperous and diversified in the world, characterized by a strong manufacturing base, vibrant internal trade networks, and extensive overseas commerce. Under the Mughal Empire, India functioned as a largely self-sufficient economy supported by flourishing traditional industries such as textiles, metalwork, shipbuilding, leather goods, pottery, and handicrafts. Indian cotton and silk textiles were globally renowned for their quality and craftsmanship and were exported widely to Europe, Southeast Asia, West Asia, and Africa, earning substantial foreign exchange. Production was decentralized and organized through village-based systems and urban craft centers, where skilled artisans operated within hereditary occupations and guild-like structures. Agriculture formed the backbone of the economy, but it was closely linked with industry, as rural households often combined farming with artisanal production. Land revenue systems were relatively stable, allowing peasants and craftsmen to retain sufficient income to sustain demand for manufactured goods. Trade was facilitated by indigenous merchant communities, well-developed inland routes, ports, and financial institutions such as hundis (credit instruments).

The state largely played a regulatory and protective role, providing patronage to artisans and maintaining market stability rather than directly controlling production. This balanced economic structure ensured employment, technological continuity, and social stability. India's share in global manufacturing output was among the highest in the world during the early eighteenth century, reflecting its economic strength. Thus, on the eve of British political intervention, India was not an underdeveloped or stagnant economy but a dynamic manufacturing and trading society, capable of sustaining growth through its indigenous economic institutions and skilled human resources.

**Significance of the Period 1757–1857**

The period from 1757 to 1857 holds exceptional significance in Indian economic history as it marks the decisive transition from indigenous economic autonomy to structured colonial domination. Beginning with the Battle of Plassey in 1757, the political ascendancy of the British East India Company enabled the systematic reorganization of India's economy to serve British commercial and industrial interests. During this century, India was transformed from a leading manufacturing and exporting economy into a subordinate colonial market supplying raw materials and absorbing British manufactured goods. This phase witnessed the introduction of colonial trade monopolies, discriminatory tariff policies, and coercive procurement systems that undermined traditional industries, particularly textiles and handicrafts. The era also coincided with Britain's Industrial Revolution, intensifying competition from machine-made goods and accelerating the process of deindustrialization in India.

Economically, this period laid the structural foundations of long-term underdevelopment by dismantling indigenous production systems and redirecting surplus away from domestic reinvestment through mechanisms such as revenue extraction and wealth drain. Socially, the decline of artisanal industries led to widespread unemployment, skill erosion, and forced migration of craftsmen into low-productivity agriculture, altering India's occupational structure. Administratively, the Company introduced new land revenue and legal systems that prioritized fiscal extraction over economic sustainability. The period culminated in the Revolt of 1857, which symbolized widespread resistance to colonial economic exploitation and marked the end of Company rule. Thus, 1757–1857 represents a formative epoch during which colonial economic policies reshaped India's economic trajectory, creating persistent patterns of industrial stagnation, rural distress, and dependency that continued to influence India's economy well into the post-colonial era.

**Literature Review**

Scholarly analysis of the impact of British economic policies on traditional Indian industry has consistently emphasized the structural transformation imposed by colonial rule. Bagchi (2014) provides a foundational critique of colonialism by arguing that British rule systematically subordinated India's economy to imperial interests. According to Bagchi, colonial economic policies were not neutral administrative measures but deliberate strategies designed to extract surplus, suppress indigenous enterprise, and prevent industrial competition with Britain. His work situates deindustrialization within a broader framework of political economy, highlighting how fiscal policies, trade regulations, and institutional restructuring dismantled India's pre-colonial

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manufacturing base. This perspective challenges earlier interpretations that attributed industrial decline to internal stagnation, instead demonstrating that colonial interventions disrupted historically dynamic production systems. Bagchi's analysis sets the conceptual groundwork for understanding the decline of traditional industries as a consequence of externally imposed economic restructuring rather than endogenous failure.

Expanding on macroeconomic trends, Basu and Maertens (2016) examine patterns of economic growth under colonial rule, arguing that limited growth occurred in ways that failed to benefit indigenous industries. Their study highlights how colonial growth was uneven and sectorally skewed, favoring export-oriented agriculture and extractive activities over manufacturing. They demonstrate that while certain regions experienced infrastructural expansion, this development did not translate into industrial diversification or employment generation for artisans. Instead, growth reinforced dependency on British manufactured goods. Their findings complement Broadberry, Custodis, and Gupta (2015), who provide a quantitative comparison of GDP per capita between India and Britain from 1600 to 1871. This study shows that India's relative economic decline accelerated during the colonial period, coinciding with Britain's industrial ascent. The authors argue that the loss of India's manufacturing competitiveness was closely linked to colonial trade policies and technological asymmetries rather than to declining productivity among Indian artisans.

**British Conquest and Economic Objectives**

The British conquest of India was driven less by territorial ambition in its initial stages and more by economic objectives rooted in the commercial interests of the East India Company. Following the Battle of Plassey in 1757, the Company transformed from a trading corporation into a political power, securing revenue rights that enabled it to finance its expanding commercial operations. Control over Bengal's rich agrarian surplus allowed the Company to procure Indian goods, particularly textiles, without the outflow of bullion, fundamentally altering existing trade patterns. The conquest facilitated the monopolisation of trade, the imposition of coercive contracts on Indian producers, and the elimination of European and indigenous competitors. These measures ensured a steady supply of raw materials and manufactured goods at artificially low prices, aligning Indian production with British commercial priorities. As political authority expanded, economic policies increasingly served metropolitan interests, subordinating local economic needs to imperial profit.

Over time, British economic objectives evolved in response to industrialisation in Britain and shifts in imperial policy. By the early nineteenth century, the emphasis moved from mercantilist control to free-trade ideology, particularly after the Charter Act of 1813, which ended the Company's monopoly over Indian trade. India was gradually restructured into a market for British manufactured goods and a source of raw materials such as cotton, indigo, and opium. Infrastructure development, including roads and ports, was designed primarily to facilitate extraction and export

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rather than indigenous industrial growth. Revenue settlements further reinforced these objectives by maximising land revenue collection, often at the expense of productive investment. Thus, British conquest established an economic framework that integrated India into the global capitalist economy in a subordinate position, ensuring that colonial rule functioned primarily as an instrument for British economic expansion.

**Deindustrialization and Decline of Traditional Industry**

The process of deindustrialisation in India during the period of British rule was a direct consequence of colonial economic policies that systematically undermined traditional industries. Indian handicrafts, particularly the handloom textile industry, had flourished prior to British domination and were internationally competitive in terms of quality and cost. However, the imposition of discriminatory tariff policies, coupled with the unrestricted entry of cheap machine-made British goods into Indian markets, severely disrupted indigenous production. While Indian textiles faced heavy duties in Britain, British manufactured cloth entered India either duty-free or at nominal rates, creating an uneven playing field. This led to the rapid decline of artisanal centres in regions such as Bengal, Awadh, and the Coromandel Coast. Artisans were further weakened by coercive practices under Company rule, including forced contracts and delayed payments, which eroded their economic independence and capacity for sustained production.

The decline of traditional industry had profound socio-economic consequences, extending beyond the collapse of crafts to the restructuring of the colonial economy itself. As artisanal livelihoods disappeared, large sections of the population were forced to abandon skilled occupations and seek survival in agriculture or unskilled labour, intensifying pressure on land and contributing to rural impoverishment. Revenue settlements and the commercialisation of agriculture aggravated this crisis by diverting resources away from local industry and limiting access to raw materials. Urban craft centres that had once thrived as hubs of manufacturing and trade experienced stagnation and decay. Deindustrialisation thus did not represent a natural transition to modern industry but rather a regressive transformation imposed by colonial priorities. It reduced India to a supplier of raw materials and a consumer of British goods, arresting indigenous industrial development and creating long-term structural imbalances that continued to shape the Indian economy well beyond the end of colonial rule.

**Conclusion**

The impact of British economic policies on traditional Indian industry between 1757 and 1857 was profound, systematic, and long-lasting, fundamentally altering the structure and trajectory of the Indian economy. During this period, the consolidation of power by the British East India Company transformed India from a leading manufacturing and trading economy into a dependent colonial market serving British industrial interests. Discriminatory trade practices, monopolistic control over procurement, heavy land revenue demands, and the absence of protective tariffs undermined indigenous industries, particularly textiles, metal crafts, and village-based handicrafts. The influx of machine-made British goods following the Industrial Revolution intensified competition, rendering traditional artisanal production economically unviable. As a result, millions of skilled artisans lost their livelihoods, leading to widespread unemployment, erosion of craftsmanship, and forced migration into low-productivity agriculture. This process of deindustrialization disrupted the balance between agriculture and industry that had sustained India's pre-colonial economy and weakened internal markets by reducing purchasing power.

Beyond immediate economic decline, British policies reshaped India's socio-economic foundations by institutionalizing patterns of extraction and dependency. Infrastructure development during this period primarily served colonial objectives of resource extraction and market integration rather than fostering indigenous industrial growth. The redirection of surplus away from domestic reinvestment prevented technological advancement and capital formation within India, entrenching structural underdevelopment. By 1857, the cumulative effects of these policies had generated widespread economic distress, contributing to popular resistance against colonial rule. The legacy of this era persisted long after the end of Company rule, influencing post-colonial challenges such as industrial stagnation, rural poverty, and regional inequality. Thus, the study concludes that British economic policies during 1757–1857 were not merely administrative arrangements but deliberate instruments of colonial domination that dismantled traditional Indian industries and reshaped the Indian economy in ways that continued to affect its development trajectory well into the modern era.

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