

ANANTAM IAS · OPTIONAL NOTES

History Optional Economic Impact of British Colonial Rule

Paper 2 · Unit 4

The single biggest unit in Paper 2 at 120 marks in four years: land revenue systems, deindustrialisation, commercialisation and the drain, with both sides of each argument.

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UPSC SYLLABUS

Economic impact of British colonial rule: land revenue settlements, commercialisation of agriculture, rise of landless agrarian labourers, dislocation of trade and handicraft industries, decline of traditional artisans, drain of wealth, economic transformation of India, railroad and communication network including telegraph and postal services, famine and poverty in the rural interior, European business enterprise and its limitations.

The three land revenue settlements

Every question in this unit eventually touches revenue, because revenue was the mechanism through which colonial rule reached the village. Get the three systems, their dates, their architects and their coverage exactly right; the rest of the unit builds on them.

- Associated with **Lord Cornwallis** and **John Shore**, the **Permanent Settlement of 1793** in Bengal, Bihar and Orissa and **John Shore**, fixed the revenue demand in perpetuity and recognised zamindars as proprietors.
- It rested on **Physiocratic** assumptions imported from France, that land was the sole source of net product and that a secure proprietor would invest in improvement, which is precisely what the 2025 paper asked you to evaluate.
- Under the **Sunset Law**, payment was required by a fixed date on pain of the estate being auctioned, which transferred a great deal of land from old zamindar families to Calcutta merchants and officials in the first decades.
- Because the state's share was fixed in nominal terms while prices rose, the government's real revenue fell steadily, and the intended investment in improvement largely did not happen; subinfeudation produced layers of intermediaries instead.
- Developed by **Thomas Munro** in Madras and **Alexander Read** in the Baramahal, the **Ryotwari system**, and extended by **Elphinstone** in Bombay, settled revenue directly with the cultivator and revised it periodically, usually every thirty years.
- Ryotwari is often described as more benign because it cut out the zamindar, but assessments were high, revision meant the state captured rising prices, and the ryot bore the full risk of harvest failure.
- Associated with **Holt Mackenzie's** Regulation VII of 1822, the **Mahalwari system** and revised by **R. M. Bird** and **James Thomason** under Regulation IX of 1833, settled revenue with the village or mahal collectively in the North Western Provinces and Punjab.
- Coverage matters for a comparison question: roughly nineteen per cent of British India was under Permanent Settlement, about fifty one per cent under ryotwari and about thirty per cent under mahalwari.
- **Utilitarian** thinking, especially **Ricardo's** rent theory transmitted through **James Mill** at the India House, shaped ryotwari and mahalwari assessment, replacing the Physiocratic reasoning behind 1793.

System	Date and architect	Settled with	Where	Core defect
Permanent Settlement	1793, Cornwallis and Shore	Zamindar as proprietor	Bengal, Bihar, Orissa	Fixed nominal demand, subinfeudation, no investment
Ryotwari	From 1792 onwards, Read and Munro	Individual cultivator	Madras, Bombay	High assessment, all risk on the ryot
Mahalwari	1822 Mackenzie, revised 1833 Bird and Thomason	Village or mahal jointly	North Western Provinces, Punjab	Over-assessment, joint liability

The three settlements. The architect and the counterparty are what most comparison questions turn on.

KEY TERMS

Physiocracy — The French school holding that agriculture alone produces a net surplus, so taxation should fall on land; the intellectual parent of 1793.

Subinfeudation — The creation of successive layers of intermediate tenure between the zamindar and the cultivator, each taking a share of rent.

Sunset Law — The rule that revenue unpaid by sunset on the appointed day triggered the auction of the estate.

Commercialisation of agriculture

Asked directly in 2024 and implied in several other years. The examinable question is never whether commercialisation happened but whether it was a voluntary market response or a coerced one, and the honest answer is that it was both in different places.

- Cash revenue demand was itself the primary driver: a peasant who owed money rather than grain had to sell, and often had to sell immediately after harvest when prices were lowest.
- **Indigo** in Bengal and Bihar was the clearest case of coercion, grown under the **tinkathia** system in Champaran which obliged the ryot to plant indigo on three kathas of every bigha.
- Asked about in 2023, the **Indigo Revolt of 1859 to 1860** in Bengal was a mass refusal to sow, supported by the Bengali intelligentsia and by Harish Chandra Mukherjee's *Hindoo Patriot*, and it led to the Indigo Commission of 1860.
- **Dinabandhu Mitra's** play **Nil Darpan** (1860), translated under Michael Madhusudan Dutt's hand and published by Rev. James Long, made the indigo system a public scandal and got Long imprisoned.
- **Cotton** boomed in the Deccan during the **American Civil War of 1861 to 1865** when Lancashire lost its American supply, then collapsed when American cotton returned, leaving peasants who had borrowed against high prices deeply indebted.
- That indebtedness produced the **Deccan Riots of 1875** against Marwari and Gujarati moneylenders, and the **Deccan Agriculturists Relief Act of 1879** in response.
- **Opium** in Bihar and Malwa was a state monopoly whose export to China financed a large part of the Company's China trade and, indirectly, the purchase of Chinese tea.
- Other commercial crops included **jute** in Bengal, which supported the only substantial modern industry in the east, **tea** in Assam grown on plantations using indentured labour under penal contract, and **groundnut and oilseeds** in the south.

- Distribution is the point for a good answer: commercialisation raised aggregate output and integrated Indian agriculture into world markets, while shifting risk onto the cultivator and concentrating gains among traders, moneylenders and exporters.
- **Food security** deteriorated as acreage shifted to non-food crops in a period of recurring famine, so commercialisation and famine belong in the same answer rather than in separate ones.

KEY TERMS

Tinkathia — The Champaran obligation to plant indigo on three kathas of every bigha of holding, abolished after Gandhi's 1917 satyagraha.

Deccan Riots — The 1875 agrarian disturbances in Poona and Ahmednagar directed at moneylenders' bonds and account books rather than at persons.

Deindustrialisation and the decline of handicrafts

This is the most repeated theme in the whole unit, appearing in 2023, 2025 and 2026, and it also crossed into Section B in 2026. Treat it as a genuine historical controversy with quantitative evidence on both sides.

- Nationalist argument was made by **Dadabhai Naoroji, R. C. Dutt** in *The Economic History of India* (1901 and 1903), and later by **Rajni Palme Dutt**: British policy destroyed Indian manufacturing and forced a reversion to agriculture.
- Mechanisms usually listed are the loss of court and aristocratic patronage after annexation, discriminatory tariffs favouring British goods, the flooding of the Indian market with Lancashire machine yarn and cloth, and the ending of the Company's own procurement of Indian textiles.
- **Tariff asymmetry** is concrete: Indian cotton goods entering Britain faced heavy duties in the early nineteenth century while British goods entered India at low rates, and India's own tariff autonomy was not restored until 1919 and 1923.
- One classic quantitative claim is the rise in the share of the workforce dependent on agriculture across the nineteenth century, together with the collapse of the export of Indian cotton piece goods and their replacement by yarn and cloth imports.
- **Morris D. Morris** challenged the thesis in the 1960s, arguing that per capita cloth consumption rose, that machine yarn benefited handloom weavers as an input, and that the census data behind the workforce claim is unreliable.
- **Amiya Kumar Bagchi's** study of **Gangetic Bihar** between 1809 and 1901, using Buchanan-Hamilton's survey against later census data, found the share of the population in industry roughly halved, which remains the strongest regional evidence for deindustrialisation.
- **Tirthankar Roy** offers the most influential recent qualification: spinning collapsed but weaving survived and in places grew, so what occurred was a restructuring of the textile industry rather than its destruction, with weavers moving up into coarser and finer niches.
- **Prasannan Parthasarathi** attacked the premise from the other end, showing that eighteenth century south Indian weavers had real wages comparable with their Lancashire equivalents, which undermines the idea that Indian producers were simply outcompeted by superior efficiency.
- The defensible synthesis: hand spinning, overwhelmingly women's work, was destroyed; handloom weaving contracted and restructured but survived; and the absence of countervailing modern industrial employment is what made the transfer of labour to agriculture permanent.

- Keep the gender dimension, because it is information gain most scripts lack. The destruction of hand spinning removed a major source of independent income for rural women, and no comparable employment replaced it.

Position	Historians	Principal evidence
Destruction thesis	R. C. Dutt, Rajni Palme Dutt, Amiya Bagchi	Gangetic Bihar 1809 to 1901, export collapse, tariff asymmetry
Sceptical revision	Morris D. Morris	Rising cloth consumption, unreliable census occupational data
Restructuring thesis	Tirthankar Roy	Spinning destroyed, weaving adapted and survived
Pre-colonial competence	Prasannan Parthasarathi	Comparable weaver real wages before conquest

The deindustrialisation debate. A strong answer names at least one historian from each column.

The drain of wealth

The 2026 paper asked whether Indian poverty was a product of geography or of history, which is the drain thesis in a quotation. Know the components, the estimates and the criticisms.

- **Dadabhai Naoroji** developed the theory across the 1870s and set it out fully in *Poverty and Un-British Rule in India* (1901), calling the unrequited transfer the drain.
- The components conventionally listed are **Home Charges**, meaning the India Office establishment, pensions and furlough allowances of British officials; **interest on public debt** raised in London; **guaranteed returns to railway investors**; and **military expenditure** on campaigns outside India.
- The **Council Bills** mechanism is the technical heart: Indian exports earned sterling that was used to settle Home Charges in London rather than returning to India as payment, so India's export surplus financed the transfer.
- Naoroji's own estimate of the drain was in the region of thirty to forty million pounds a year in the late nineteenth century; **R. C. Dutt** and later **Rajni Palme Dutt** produced comparable orders of magnitude.
- **William Digby** in *Prosperous British India* (1901) supplied supporting figures from the British side, and **Naoroji's** estimate of Indian per capita income at around twenty rupees a year became a standard nationalist datum.
- The critics' case, made in its time by officials such as **Theodore Morison** and later by economic historians, is that some Home Charges were payment for genuine services, that railway investment brought real assets, and that a colony would in any case have paid for administration.
- Nationalists replied, and this is the stronger case, that the issue was not whether anything was received but that the terms were set by the colonial state itself, that the services were priced without Indian consent, and that the transfer was made in a period of recurring famine.
- The political significance exceeds the accounting. The drain theory gave Indian nationalism an economic explanation of poverty, replacing the colonial account that attributed poverty to climate, caste and improvidence, and this is exactly what the 2026 quotation is testing.

- **Utsa Patnaik's** recent recalculation, running into the trillions of pounds at compound interest, is widely publicised and methodologically contested; cite it if you wish but flag the contestation rather than presenting it as settled.

KEY TERMS

Home Charges — Expenditure incurred in Britain on India's account: India Office costs, pensions, furlough pay, debt service and stores purchases.

Council Bills — Instruments sold in London against Indian revenues, the practical channel through which India's export surplus settled sterling obligations.

Railways, telegraph and the transport revolution

Infrastructure is where the balance sheet of colonial rule is most argued over. Give both the developmental case and the structural criticism, because an answer with only one looks partisan.

- The first passenger railway ran from **Bombay to Thane on 16 April 1853** over about thirty four kilometres, followed by Howrah to Hooghly in 1854 and Madras to Arcot in 1856.
- **Lord Dalhousie's Railway Minute of 1853** set out the plan, and construction proceeded under the **guarantee system** by which private British companies were assured a return, commonly five per cent, on capital, paid from Indian revenues if earnings fell short.
- The guarantee is the crux of the criticism: risk sat with the Indian taxpayer while returns went to British shareholders, so there was little incentive to build economically.
- Route selection followed **ports and cantonments** rather than internal market integration, producing a network that moved raw materials outward and troops inward more efficiently than it connected Indian regions to each other.
- **Freight rate policy** systematically favoured long haul traffic to ports over short haul internal movement, which disadvantaged Indian manufacturers relative to importers.
- The **telegraph**, begun in 1851 and extended by William O'Shaughnessy, proved its strategic value in 1857 when it allowed the rapid concentration of force, a point rebel leaders themselves recognised.
- Reorganised in 1854 with a uniform half anna rate, the **Post Office**, and the postal and telegraph networks together underwrote the later national movement's capacity to organise across provinces.
- The developmental case is real: railways created an integrated grain market, reduced famine mortality where relief could reach, and supported the coal and later the steel industry.
- **Daniel Thorner** and later economic historians accept the productivity gains while insisting that the financing terms, the route logic and the absence of backward linkages to Indian engineering meant the multiplier stayed largely outside India.
- The comparison that clinches an answer: India had one of the world's largest rail networks by 1900 and almost no domestic locomotive or rail manufacture until the twentieth century, so the network was consumed rather than generative.

Famine, poverty and the rural interior

Famine is not a separate topic from revenue and commercialisation; it is where they meet. Marks come from linking policy to mortality rather than listing dates.

- The **Bengal famine of 1770** under early Company rule killed an estimated one third of the population of the affected districts, and revenue collection continued through it.
- Later nineteenth century famines include **Orissa in 1866**, the **Bihar famine of 1873 to 1874**, the **Great Famine of 1876 to 1878** across Madras, Bombay, Mysore and Hyderabad, and the famines of **1896 to 1897** and **1899 to 1900**.
- The 1876 to 1878 famine, with mortality estimates commonly in the range of five to eight million, coincided with continued grain exports and with the **Temple wage**, a relief ration set by Richard Temple at a level below subsistence.
- Official doctrine was shaped by **laissez faire** and by fear of dependency, so relief was tied to labour tests on public works and interference with the grain trade was avoided on principle.
- The **Famine Commissions** of 1880 under Richard Strachey, 1898 under James Lyall and 1901 under Anthony MacDonnell progressively produced the **Famine Codes**, which did improve response, and large scale famine mortality declined after 1900 until 1943.
- The **Bengal famine of 1943**, with mortality estimates between two and three million, occurred under war conditions with the denial policy, the diversion of shipping and a functioning administration that chose not to declare a famine.
- **Amartya Sen's** entitlement analysis in *Poverty and Famines* (1981) reframed 1943 as a failure of exchange entitlements rather than of food availability, and this is the most citable analytical frame in the whole unit.
- **Mike Davis** in *Late Victorian Holocausts* (2001) connected the nineteenth century famines to El Nino events and to market integration, arguing that policy converted climatic shock into mass death.
- The link back to revenue is direct: fixed cash demands, absent buffer stocks, commercialised acreage and a transport network built to move grain to ports together removed the traditional cushions against a bad monsoon.

European business enterprise and its limits

The syllabus names this explicitly and it is the least prepared part of the unit, which makes it a good place to gain marks. The question is why European capital in India stayed in a narrow band of activities.

- The **managing agency system** was the characteristic institutional form: a firm such as Andrew Yule, Bird and Company or Gillanders Arbuthnot floated and then managed multiple companies on commission, controlling them with very little of its own capital.
- European enterprise concentrated in **jute, tea, coal, indigo, shipping, banking and insurance**, all of them export-facing or infrastructural, and largely avoided sectors serving the domestic mass market.
- **Racial exclusion** operated through access to credit from the exchange banks, to government contracts, to the managing agency networks and to the chambers of commerce, so Indian capital faced a structural disadvantage rather than merely stronger competition.
- Indian capital nonetheless built substantial enterprises where it could: the **Bombay cotton mills from 1854** under Cowasjee Nanabhoy Davar, **Tata's Empress Mills** at Nagpur in 1877, and **Tata Iron and Steel at Jamshedpur in 1907**.

- The regional pattern is examinable. Bombay and Ahmedabad developed Indian-owned cotton textiles, Bengal's jute stayed overwhelmingly European, and this divergence shaped where Indian business supported nationalism most strongly.
- The **First World War** was the turning point, since interrupted imports created a protected space in which Indian industry expanded, and the **Fiscal Autonomy Convention of 1919** and tariff protection from 1923 consolidated the gain.
- **Discriminating protection** after 1923 was granted selectively on the recommendation of the Tariff Board, and steel was the notable beneficiary, which is why Tata Steel survived the 1920s.
- The limitation to state clearly: even at independence, modern industry employed a small fraction of the workforce, capital goods production was minimal, and the economy that the National Planning Committee inherited was structurally the one this unit describes.

KEY TERMS

Managing agency — A firm that promoted and then ran companies for a commission on output or profit, controlling them with minimal equity of its own.

Discriminating protection — The policy from 1923 of granting tariff protection selectively to industries the Tariff Board judged capable of eventually standing unaided.

The historiography you should be citing

This unit rewards named authority more than almost any other in Paper 2, because the facts are agreed and the interpretations are not. Carry a short roster into the hall.

- **Dadabhai Naoroji, R. C. Dutt and Mahadev Govind Ranade** constitute the nationalist school; Ranade is the one to cite for the argument that India needed industrial protection, not free trade.
- **Bipan Chandra** in *The Rise and Growth of Economic Nationalism in India* (1966) is the standard modern account of how that nationalist economic critique was constructed and what it achieved politically.
- **Irfan Habib** connects the colonial period back to Mughal agrarian structures and argues for a sharp break in the terms of surplus extraction.
- **Amiya Kumar Bagchi** provides the quantitative deindustrialisation evidence and the study of private investment in India between 1900 and 1939.
- **Tirthankar Roy** is the leading revisionist, emphasising market integration, regional variation and the survival of small-scale industry, and any strong answer engages rather than ignores him.
- **Dharma Kumar** on south Indian land and labour showed that landless labour was not purely a colonial creation, which complicates the simplest version of the immiseration argument.
- **Amartya Sen** on famine entitlements and **Mike Davis** on the political ecology of late Victorian famine are the two most useful non-specialist citations.
- **Utsa Patnaik and Prabhat Patnaik** continue the drain tradition in a modern form; cite with the caveat that their quantification is disputed.
- A caution about balance: examiners reward a candidate who can state the revisionist case fairly and then explain why they still find the structural critique persuasive, and penalise one who writes propaganda in either direction.

Last-mile revision

- 1793 Permanent Settlement, Cornwallis and Shore, zamindar, nineteen per cent of British India, Physiocratic parentage.
- Ryotwari Munro and Read, cultivator, about fifty one per cent; Mahalwari Mackenzie 1822 and Bird and Thomason 1833, village, about thirty per cent.
- Indigo Revolt 1859 to 1860, Nil Darpan 1860, Indigo Commission 1860, tinkathia in Champaran.
- Cotton boom during the American Civil War 1861 to 1865, Deccan Riots 1875, Deccan Agriculturists Relief Act 1879.
- Deindustrialisation: Bagchi for the destruction case in Gangetic Bihar, Morris for scepticism, Roy for restructuring, Parthasarathi for pre-colonial wages.
- Drain components: Home Charges, debt interest, railway guarantees, military expenditure; mechanism is Council Bills.
- First railway Bombay to Thane 16 April 1853; guarantee system commonly five per cent paid from Indian revenues.
- Great Famine 1876 to 1878, Temple wage, Famine Commissions 1880, 1898 and 1901; Bengal 1943 and Sen's entitlement analysis.
- Managing agency system; Bombay mills 1854, Empress Mills 1877, TISCO 1907; fiscal autonomy 1919, discriminating protection 1923.

Common errors to avoid

- Dating the Permanent Settlement to 1765 or 1772. It is 1793; 1765 is the diwani and 1772 is the Company's assumption of direct collection.
- Attributing ryotwari to Cornwallis. Read and Munro built it in the south precisely as a reaction against the Bengal model.
- Writing deindustrialisation as settled fact. Morris and Roy have to be engaged; the strongest formulation is that spinning was destroyed and weaving restructured.
- Treating the drain as simple theft. The argument is about unrequited transfer and about who set the terms, not about the absence of any service rendered.
- Praising railways without the guarantee system, the route logic and the freight rates, or condemning them without the grain market integration. Both halves are needed.
- Separating famine from revenue and commercialisation. Examiners reward the causal link, not a chronology of famines.
- Forgetting the gender dimension of deindustrialisation. Hand spinning was overwhelmingly women's work and its destruction has no counterpart in the weaving story.
- Quoting Utsa Patnaik's trillions without noting the methodological dispute.

Mains Practice

Underline the various factors for the decline of Indian cottage industries during the nineteenth century.

20 marks · 250 words · 2026

Do you agree that the idea of permanent fixation of land revenue of 1793 in Bengal was highly influenced by the Physiocratic school of thinking?

20 marks · 250 words · 2025

The pace of commercialisation of agriculture increased as a result of British revenue policies in India. Critically examine.

20 marks · 250 words · 2024

Do you agree that 'the decline of traditional Indian artisan production was a fact, sad but inevitable'? Discuss.

20 marks · 250 words · 2023

“Permanent settlement policy resulted in an unfair distribution of assessment, particularly when there was no survey.”

10 marks · 150 words · 2026

“The poverty of India was not a product of geography or of the lack of natural resources; it was mainly a product of the history of the last two centuries.”

10 marks · 150 words · 2026