

Process of Industrialisation During British Period

Subject Matter of Industrial Development:

Underdeveloped countries are greatly handicapped by shortage of capital for industry and enterprise.

Finance is the prime maker of growth. Anyway, capital for industry and entrepreneurial zeal were severely and conspicuously scarce in India when the East India Company (1600-1874) stepped into this country.

It was very difficult to raise capital on private initiative in the days of the Company rule and, thereafter, because of damped forces of demand and supply capital remained shy.

Naturally, under the circumstance, the state is supposed to act as a godfather for promoting and financing industries. Since India was under the British rule for almost 200 years (1757-1947), the British Government, found it unprofitable and unnecessary to go for industrialization in India. However, imperialist capital came in this country as a matter of colonial policy—the policy of subordination of Indian to British capital. It was only after the First World War (1914-1918), that state patronage for industrial development was visible as Britain's supremacy all over the globe came under serious threat.

Against this backdrop, a “new” pattern was evolved to overcome the obstacles of (i) shortage of entrepreneurship; (ii) non-availability of, mainly, venture capital; and (iii) dearth of managerial skill and knowhow.

This new pattern of industrial organisation that evolved came to be known as the Managing Agency System (MAS)—a peculiar business entity in the early years of the nineteenth century. Before we embark upon this form of industrial organisation, we will make a brief review of the industrial development during the British rule.

Early Efforts of Industrialisation:

Modern industry or the large-scale industry is a mid-19th century phenomenon. Before the British conquest, India's supremacy in the industrial field reached its high watermark—India was called 'the industrial workshop of the world' during the 17th and 18th centuries. Demand for Indian cotton goods in England during this time was unprecedented. Indian cotton cloth was considered by Englishmen as the badge of 'style and fashion' of the time.

Woollen and silk items were also in huge demand. All this development brought untold miseries in England and other parts of Europe. Firstly, import of Indian goods destroyed the prospect of woollen and silk industries. Secondly, unemployment and suffering among the weavers mounted up. Thirdly, change in the composition of India's trade led to the export of treasure from England to India.

To counteract these unhappy developments, some measures were taken to pacify the British nationals, but with little relief. Ultimately, the way out was found through legislations. Acts were passed, first in 1700, then again in 1720, to prohibit or restrict import trade of Indian cotton goods, silks, calicos, etc., by total prohibition or by imposing heavy duties. As these measures did not yield desired result, one British author commented in 1728: "two things amongst us are ungovernable: our passions and our fashions".

What was the net effect of this state of industrial development? What was 'industrialisation' to India by the standards of time was 'de-industrialisation' to Britain. India, however, had not been fortunate enough as soon as the 'ugliest' thing came on us in 1757—the loss of freedom through British conquest of India.

Growth of Indian Industries till World War I:

India had never been an industrial country in the modern sense of the term. In this sense, even England and other industrialised countries of today had not been so, until recently. What strikes most about India was that even being predominantly an agrarian country large varieties of industries existed in India and some of them competed quite successfully with many other countries.

But her industrial supremacy started crumbling when the English cotton industry raised its head rapidly by the mid-18th century.

Two important developments of this were:

(i) The beginning of the era of industrial revolution in England around 1750 and

(ii) The battle of Plassey in 1757 that established the Company (foreign) rule.

As soon as the battle was won, the foreign ruler started abusing both economic and political power in an un-sympathetic and hostile way. Under pressure from the powerful rising English manufacturing interests, EIC dealt a severe blow to Indian industries that led to final extinction—the phase of India's 'deindustrialization'. Now the cycle turned inside out. It employed the arm of political injustice on Indian products (one-way free trade) to strangle a competitor with whom she could not contend 'on equal terms'.

The last nail in the coffin was hammered in 1813 when the trading monopoly of the EIC was withdrawn. It was the political domination and the commercial policy of Britain that threw open India to all. India now suddenly was reduced to an importing country from an exporting nation. Indian market now became flooded with machine-produced goods at a lower price and also witnessed the loss of export markets. Further tragedy was in store.

Being a colonial country, she had to pay a large sum for England's industrialization scheme. India was forced to supply raw materials for

triggering industrial revolution with greater rapidity in England. India was then forcibly transformed from being a country of combined agricultures and manufactures into an agricultural colony of British manufacturing capitalism.

A history of modern Indian large scale private industry between 1850 and 1914 is associated with the developments in mainly plantations like jute, cotton, and steel. Beginning of these modern Indian industries was the ‘product of India’s economic contact with Britain’.

There was also a limited development of mining, especially coal. One thing that is worth noting is that most of these industries, except textile factories, were under European control.

In the early days of the Company rule, Indian raw jute had been in great demand for the Dundee mills. World conditions after 1850 were quite propitious for the growth of jute manufacturing and the credit for jute spinning firm in Rishra, near Serampore, Bengal, went to George Acland—a Scottish. The foundations of cotton textile industry were laid also during the early 1850s. Though the jute industry was dominated by the foreigners the cotton industry was shaped and cared by the natives, mainly the Parsee entrepreneurs.

Some abortive attempts were made by the East India Company in the 19th century to develop iron and steel industry. However, the credit for the development of large scale manufacture of steel in India goes to Jamshedji Tata and his son Dorabji. Tata Iron and Steel Company were set up in 1907 and it started function of producing pig iron in 1911 and steel ingots in 1912.

The progress or the achievements of modern large scale industries can be visualised by considering the output produced and the employment data. Between 1880 and 1914 large scale industrial output grew at the rate of 4-5 p.c. p.a. —a rate of growth that is comparable to other contemporary countries of the world. But in the light of total economic activity in India, output produced was rather insignificant. This is also

true about the employment situation; it came to less than eight-tenths of 1 p.c. of the total labour force in 1913-14.

Meanwhile India's industrial structure started diversifying. In spite of inadequacy of domestic demand and high production costs, industries like woollen mills, breweries, and paper making industries made significant march during this time. Though these industries were recorded officially as the large industries, they were small in character.

Other industries having small-scale character that operated were tanning, vegetable oil processing, glass-making, leather goods manufacturing, etc. Despite diversification, India's modern manufacturing industry could not develop on a sound footing before the outbreak of the World War I.

The three important reasons behind such industrial development were:

- (i) Young in experienced entrepreneurs,
- (ii) Absence of State aid towards industrialisation,
- (iii) Steep uninhibited competition with developed foreign machine manufactures.

R. C. Majumder then adds: "The pattern of industrial development which had emerged in the 19th century—confined to a limited sector and concentrated in a few unevenly distributed areas—remained virtually unchanged till the beginning of World War I, though within these narrow limits the years 1905-14 witnessed a relatively rapid growth".

Industries in the Inter-War Period (1919-38):

No country under colonial dependence could undertake any industrial transformation, if not all-round development. Up to the First World War, India experienced the classic period of imperialism of free trade and the British Government's unsympathetic, hostile policy against industry.

In addition, shortage of capital, management experience and technical expertise, as well as the absence of a growing indigenous market, and, above all, general poverty, caused slow expansion of Indian industries. Even then, one can safely conclude that during 1850-1914, the foundations of modern industries were laid in India.

Meanwhile, the outbreak of the First World War exposed the weakness of Britain's strategic position in the East as India had been deprived to develop the most elementary basis of modern industry. In order to impress upon the Indian people and the (industrial) bourgeoisie, Britain granted some political and economic concessions, particularly future industrialisation during the War and immediately after the War.

As the issue of tariff protection crept into the heads of Indians, the British Government appointed the Industrial Commission in 1916 and assured that industrialisation efforts would henceforth continue with utmost sincerity. Unfortunately, industrialisation scheme as prepared by the Industrial Commission ultimately came to nothing.

However, during the war-period, industries like cotton and jute made much headway. Steel industry also experienced substantial growth. Consumer goods industries like chemicals, cement, fertilisers, mineral acids, etc., for which India depended on foreign countries, also progressed during the War.

However, such prosperity of Indian industries was not a long-lasting one. Above all, promises made by the foreign ruler remained, however, unaddressed—as usual. On the contrary, faced by the intense foreign competition, Indian industries in the mid- 1920s demanded protection in an unwavering manner. To this end, the Fiscal Commission was appointed in 1921 that ushered in a policy of discriminating protection.

This was indeed a belated response to repeated demand made by the Indians from at least since the 1880s. The policy definitely helped some industries to develop. But the end result was rather a haphazard development of certain industries and not general economic

development as such. In 1936, 'The Economist' observed India's industrialisation effort: **“Although India has begun to modernise her industries, it can hardly be said that she is as yet being industrialised”**.

On the whole, during the inter-war period, output of cotton piece goods, steel ingots, paper, etc., increased substantially. Many other industries also progressed even in terms of employment and the number of factories. But as far as diversification was concerned, it was indeed slow and the state of transformation of the economy was only 'marginal'.

Industries during 1939-47:

The Second World War, however, opened a new phase in India's industrial history. As the character of the World War II was different from that of the First, the latter created a far more urgent and intense demand for the rapid growth of India's basic and key industries. Against the backdrop of this favoured ambience of industrial development and the near-cessation of imports due to war operations, Indian industries somehow came to take pleasure in having a quasi- monopoly situation in the home market.

As a result, not only industrial output of large scale industries expanded significantly, but also a more widening of the industrial diversification became possible during the war-time years. During 1938-39 and 1945-46, the general index of output of all large scale manufacturing activity (at 1938-39 prices) rose from 100 to 161.6 and that of factory employment increased from 100 to 159.

Despite this headway, India's manufacturing before independence displayed many frailties. Firstly, India did not possess capital goods industries worth the name. This, therefore, hampered her potentiality to reproduce its existing productive capacity. Secondly, import dependence of the Indian manufacturing sector was enormous.

Thirdly, possession of technical skill and institutes offering technical education were virtually negligible. Industrial development is largely conditioned by the stock of 'human capital'—the stock of scientific and

technical cadre. India was still a country denied to grow by the apathetic foreign government.

However, the prospect for industrial development in India after independence must not be undermined as she had already constructed enough possibilities for industrial development.

Reasons for Low Industrial Development in India:

In this connection, it is better to point out some reasons behind the low level of industrial development in India.

It was the result of:

- (i) Inadequate capital accumulation;
- (ii) Mobilisation of unproductive investment; (Keynes castigated inordinate love for liquidity of Indians. Male people were desirous of seeing jewellery in the neck of their female counterparts);
- (iii) Undue preference for quick-return yielding commerce and trading activities of the Indian capitalist classes; and
- (iv) Concentration of entrepreneurship in the hands of a few small sections of Indians.

In addition, shortage of capital goods and absence of skilled personnel also acted as drag on India's industrial development.

Though these acted as strong depressants, colonial status seemed to be the most strong stumbling block for India's drive for industrialisation. Above all, the contribution of the British Government towards India's industrialisation was minimal before 1916, that is, before the establishment of the Industrial Commission. The industrial policy of the imperial power could be described as 'a case of too little and too late'.