

Discuss the Growth of Modern Large Scale Industries in Colonial India. Was the Pace of Industrialization Slow?

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Abstract

This paper reviews the nature and growth of industries in India and how global affairs, both economic and political affected industrialization in India. The growth and development in India were varied, where production of steel, cotton and jute etc. were important. The paper also talks about India's industrial transition – on how India from being one of the most commercially affluent economies observed a steady growth in production. The latter part of the paper discusses the reasons for this steady growth.

Keywords: Vacuum, Advancements, Monetization, Monopoly, Attributed, Machineries, Labour Intensive, Impetus, Venture, Hampered, Diversification, Turbulence, Constraints, Ventures, Mechanized, Aggravated, Cartelization, Plummeting, Undercapitalized, Swadeshi, Bankruptcy, Influx, Aggravated, Detrimental, Hindered, Lopsided, Disparity, Bloomer.



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Introduction

The emergence of large-scale industries in India was not a sudden phenomenon. It was a result of numerous factors as well as an impact of what happened in Europe during the 18th-19th centuries. This period in Europe was the period of Industrial Revolution. Europe witnessed the emergence of large-scale industries and factories along with a change in the patterns of family as well as work.

During this period, we see two different yet simultaneous events regarding industries taking place in India as changes were taking place in Europe. In India, some historians have argued, that this period was marked by darkness and chaos and a general decline in the industries. This was a view held by most Nationalist historians. The decline of the Mughal Empire is said to have led the country to a general economic decline, with trade and commerce being adversely affected along with the preexisting industries. This decline created a vacuum in the Indian markets.

At the same time, in Europe, there was Industrial Revolution taking place in full swing, with massive technological advancements and monetization of commodities. The rapid development of industries in Europe, especially in Great Britain, demanded markets for their finished products. This demand led to a race for monopoly and control of market overseas. It set the grounds for the establishment of colonies and colonial empires in the countries which were not developed yet; India was one of them.

India did have a number of small-scale industries, like paper and perfumery industries. The cotton textile industry in India in the pre-colonial times was second to none. Indian artisans produced the best quality muslin and brocade that was exported to parts of Asia as well as Europe. These industries, however, were small scale industries run by families of the artisans. It would not be incorrect to say that there were no large-scale industries in India prior to the colonial period. The Industrial Revolution in Europe and the growth of such large-scale industries can be attributed to the relation of India's economy with Britain during colonial times. The origin of large-scale industries can be traced back to the countries which had faced the industrial revolution, especially in Great Britain, which is considered to be the birthplace of the revolution. This development was a result of the scientific advancements in all over Europe and its usage in favour of economic conditions. The technological developments, especially the advent of steam powered machineries opened up all kinds of new possibilities and conditions favourable for the emergence of industries and the subsequent entry of Britain in world market.

India on the other hand, was not a country with such development. On the contrary, the industries in India were extremely labour intensive. Although India did have a number of industries like cotton and spices and tobacco, whose demands in foreign market was very high, there were no major large scale industries established in the

country yet. This could be attributed to the lack of technological development in the country along with a lack of impetus for such growth. India, much like of North America, was a supplier colony with rich resources and raw materials it possessed like cotton to Britain and a potential candidate of industrialization by 1850's.

India saw industrialization in five periods or stages during the course of history.

1. 1850's to 1914, also known as the pre-war period.
2. World war 1
3. The war and shift in policy
4. 1920's to 39, the inter-war period and The Great Depression
5. World War 2.

During these five stages India changes in the national as well as international landscape in terms of industrialization and specifically the emergence of large-scale industries.

The growth of large-scale industries, as Tirthankar Roy argued, started from the middle of 19th century with the transition from trade between China and India.¹ During 1861-65, with the American Civil war being in the picture, there was a great demand for Indian cotton. America was one of the leading countries for cotton supply, but the war had adversely affected the venture and the cotton supply to Britain was cut off. There was a cotton boom and by the time the boom got subsided, the venture found its way to cotton mills industries in India, especially the western part, making cotton an important industry, leading to be one of the most important large-scale industries along with jute in Bombay, Ahmedabad and Calcutta.

During World War 1, there was a dual development in the Indian industries. There was a high demand for the Indian goods as Britain and Germany were at war. War had hampered the import of machine-made goods from Europe. At the same time, the import of machinery and chemicals were stopped, leading to high demands and low supply of Indian goods in international markets. This was a big setback to various industries, like the weaving industries. However, steel, jute and cotton industries flourished during the war years due to their increased demand followed by a constant supply. At the same time, during the inter-war period, there was a shift in government policy regarding the industries. Until the war, the government had followed a policy of non-intervention in the promotion of industries. However, during the inter-war period, there was a diversification of the industrial structure in India.

The years from 1920's to 1939 saw another sort of development in the India in terms of the large-scale industries. The industries started expanding and diversifying during this time. Sugar, cement, Iron and Steel industries were expanded out. More developed infrastructures like railways and electricity had extended to the interiors of the country, hence establishing factories in Kanpur, Madras, and Jamshedpur etc.²

During the period of the Great Depression, the industries worldwide were affected at various levels. Steel, paper and sugar industries were expanding, while jute industries seemed to have been facing a decline. This development had a deep and a lasting impact on the financial markets in India; there was a rise in debt amount. The period was one of economic turbulence and uncertainty.

The period of Second World War was much like the first one in terms of quality and the shifts. There was a rise in demand again, with prices for products soaring up, with similar constraints in supply. However, the only change in Indian industries was that this time, they were better equipped and diversified, which only worked to their advantage. However, like the developments were high and profitable, so was the stress of this new war. This time, there was huge scarcity of food grains and was really a bad time for labour intensive occupations. This growth of the Indian industries during the war period was mostly due to the fact that resources in Europe were diverted towards war efforts. This left a vacuum that had to be filled in terms of large-scale industrial production. One could say that the war created an artificial boom for the industries in India as the demand only went down after the end of the war with the European countries as well as the US entering the market again after then conclusion of the war.

According to Tirthankar Roy, throughout these aforementioned stages, there were two conditions that were faced by the large-scale industries that changed in a very slow pace. Firstly, the dependence on the import of manufactured inputs, like electrical machinery and transport equipment and chemical products. Secondly, the dependence on foreign technicians.³

The major industries, as mentioned earlier, which flourished all the way were cotton, jute and iron and steel industries in India. These three industries had significantly expanded over the stages of industrializations in the colonial period and had made a large contribution in the economy of India during and after the colonial period.

Starting with cotton mills, the first factory of cotton yarn production was established in Calcutta in 1817-18. Initially, the ventures were setup by Europeans, but they did not last for long. In 1854, a Parsi merchant named Cowasjee Nanabhoy Davar started the first successful cotton mill. The success had attracted other merchants and by 1865, there were ten cotton mills, most of them were in Bombay. The American civil war had provided a sufficient boost to the cotton production and sale as result of cotton boom which also crashed after the war had ended, yet after that, there was a massive expansion of cotton mills and by 1880, there were 58 mills which then rose to a good number of 271 by 1914. Between 1870-1914, the mills were selling cotton yarn to the handloom weavers in India and China but the completion was getting more stringent by the years. And the expansion in China was overtaken by the Japanese mills. This loss of Chinese market and the growing competition in homeland posed by the newly emerging mills in Kanpur, Nagpur, Madurai etc led to some important changes in the Bombay mills; they started spinning more yarn, there was an attempt to weave even finer yarns and finally there was an attempt to cut down labour costs, leading to an unrest. These changes did more harm than good and during the interwar period there was unemployment, labour unrest etc amongst the other things. All these led to the bankruptcy of the Bombay cotton mills. One needs to note that not only was India producing cotton yarn, it also acted as a major exporter of raw cotton to feed the industries in Britain.

Jute mills were established in Bengal for the production and export of jute to international market. Jute was used as a raw material for sacking cloth and for making ropes and sail canvas. The demand for jute increased with the growth of international commerce. Until 1870's, raw jute was processed into products in Dundee, Britain and in Germany, but by then mechanized jute spinning and weaving was already being done in Calcutta. In a very short span of time, Calcutta and India became the monopoly of jute. After 1870, there was an enormous and rather rapid growth in jute industries in India. By 1913, there were 64 jute mills with European managers, unlike the Bombay cotton mills with Indian management.

Yet, this industry too faced a very rough time during the interwar period. The demand for jute in world market had declined rapidly with the advent of plastic, which replaced jute as the packaging commodity. The problems in the industry were aggravated by the internal cartelization of jute. The cartelization played a significant part in the industry's fall. The cartelization resulted in an excess production of jute and an increase in competition. The resultant failure of the jute cartel to secure a profitable industry called in for a government intervention but like Bombay, the intervention was too late.

Of all the large-scale industries that emerged in India during the colonial period, it was the Iron and Steel industry which flourished the most with rather outstanding achievements in large scaled industries. With the rising demand for iron and steel, the first steel plant in Bengal came up in 1874. This plant was called the Bengal Iron and Steel Company (BISCO), which was a European venture. Although it was the first plant for iron works, it was very causally drawn and planned. So much so, that by the time the company became functional in 1877, it was forced to borrow around Rs. 400000/- with 10% of interest rate. The problem with BISCO was that they were producing too much iron but the price of iron in world market was plummeting. The company became a high-cost producer and the product they manufactured was not at par with the standards of the international markets. The plant was inefficient and was undercapitalized. And just as fast the company came up, it was shut down in an equal pace; the economic and technical planning was as defective as they could be. The company was shut down permanently in November, 1904.⁴

But the shutting down of BISCO paved a way for the emergence of a new steel industry in 1904, the Tata Iron and Steel Company (TISCO). Established in 1904, the company became functional in 1911. J.N.Tata, the founder of the Company was from a family of Bombay merchants and was a creative genius. Prior to the iron and steel venture, the Tatas were already a successful industry in the field of textiles, with established and running cotton textiles mills in Bombay and Nagpur and it was Jamshedji's persistent mindset that led to his entry in iron and steel industry for homemade or swadeshi iron products. Initially Tata had to face many difficulties to acquire concessions for setting up the industry but ultimately, especially with BISCO

out of the picture as competitor, TISCO finally became an established name in iron and steel industry. The company was able to produce steel at lower cost than other companies and thereby becoming the largest steel importer in due time. During the war period, TISCO profited and expanded heavily. TISCO did not rely on import of raw materials from outside the country. This was perhaps one of the reasons why the company was able to expand even at the face of adversity. TISCO was one of the industries that flourished along with cotton and paper industries. The expansion of the company took place in the years of 1925-35.

During the Great Depression era, like every other company TISCO too had to face hardships, especially fall in prices of steel in the world markets. In 1923 there was an influx of Belgian steel which posed a threat of severe bankruptcy to TISCO, but due to the goodwill that the company had gained from Britain for its valuable input in the war, the company was saved despite objections. The Depression although bad could not entirely disrupt the functioning as well as the gains of TISCO. The Second World War period too proved profitable for the company with more profits than before. This was especially so as it was a heavy industry.

However, even though the colonial times did bring about the opportunity of industrializing India, providing enough scopes, it is true indeed that the pace was relatively slow. A number of factors can be seen as the reason for such a slow development in the country.

Firstly, the low level technology that was being used in the factories; outdated machinery posed a hindrance to the much needed development. The problems were aggravated by the fact that labour was still used on a very large scale. This was done instead of trying and achieving innovative ideas. In a contrast to Europe and its scientific developments, India during the 18th century saw no such or very minimal developments, and while the science was used for economic upliftment in Europe, India had no such scenario, consequently lagging much behind in field of industrial developments.

The large scale use of labour was detrimental for the growth of industries as production would just be hindered in the case of a labour strike as in the case of the Bombay Mills strike of 1892. On top of this issue, the availability of labour was seasonal and was determined by other factors like middle men.

Apart from this, the Indian-owned industries suffered from all kinds of obstructions, like credit problems posed by the government, no tariff protection was provided, and there was a massive unequal competition from foreign companies which was slowing down the industrial development. Along with that there was a stiff opposition from the British capitalists, who had the back of financial and technological infrastructure from home, which India did not have.

Also, the industries were mainly controlled by European capital, especially British capital instead of Indian capital. India had to borrow money from Britain which was provided on high interest rates.

The industrial development in India was characterised by a lopsided pattern; some regions were favoured over others which created a regional disparity amongst each other. For example, the rice mills in Bengal were heavily affected due to the wheat mills in Punjab which was favoured, as because wheat has been a favoured commodity over rice. Similar disparity was seen in Cotton mills, where Bengal again was neglected over Maharashtra, as the soil there was seemed more appropriate for cotton cultivation.

These disparities which were created by the European policies hampered the industrial growth and to a major extent, hampered the nation building. The absence of technical education in India was a leading reason in the lack of technical manpower in the industries, which in turn obstructed the way of industrialization in India.

A view that gained great prominence during the colonial period was the idea of the "Drain of Wealth"⁵. This was an idea that was propounded by Dadabhai Naoroji in his book, Poverty and un-British Rule in India. His view was supported by Nationalist historians. He said that the sole aim of the British rule in India was to drain all the wealth from the country for the benefit of the mother country, which was Great Britain. All the policies and the laws that the colonial government made was in favour of the British capitalists as well as British industries. This was a contributory factor to the slow growth of the large-scale industries in India during the colonial period.

India was a late bloomer when it came to the rise of industries. The pre colonial times saw India having a flourishing industry, be it cotton textile or other industries. This

was however followed by a period of de-industrialisation as these industries declined at the face of competition from British Mill made goods. As for the emergence of large-scale industries in India, that also did not happen without issues as mentioned in the essay.

The pace of industrialization was indeed slow during the colonial factors due to numerous reasons that have been mentioned earlier. Real growth of industries in India happened only in the post-independence period during the second five-year plan.

Aim of the Study To understand the nature and growth of Indian industries and factors that impacted its steady growth.

Conclusion In conclusion, Industrialisation in India wasn't a conscious process for the economic development of India, but was for facilitating Britain's economic growth. Large-scale industries didn't develop the way they developed in Japan, but grew in phases for the British empire. An interesting observation is that the large-scale industries grew during wars as the supply for resources significantly increases during wars. Both the American Civil War and World War I in Europe demanded cotton and other products. The growth of large scale industries led to the rise of industrial towns like Kanpur and Jamshedpur, both the towns important different kinds of industries. With the growth of large-scale industries, certain changes were bound to appear. The process of industrialisation in India was so, courtesy to the colonial policies that made it difficult for Indian industrialists to retain advance technology and also compete in the Indian market due to zero protectionism. Such hurdles made sure India's gradual pace in industrial growth. Credit problems too have been deemed as important impediments to industrial growth as capital came in for high interest rates.

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