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**FIRST DECADE OF POST BRITISH RULE IN INDIA-**  
**A valuation of foreign trade before and after British rule in India**

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## **ABSTRACT**

Indian economy was the healthiest economy in the ancient world. Our economy was the rich source of such items that attracted many of foreign rulers to visit and rule in India. Since 1987 British government took over all the liabilities of company and started utilized Indian economy on many profit purposes. For this our industries and agriculture were exploited in many ways. An attempt has been made in the present research paper to examine the first decade foreign trade and growth of Indian economy after British rule in India. The present research paper also highlights a comparison between foreign trade composition of different goods within a decade before and after British rule in India. It can be concluded that the demand of manufacturing article was higher before independence and after independence the demand of raw material was high. In case of domestic production and export it can be concluded that raw material was highly exported before independence and after independence it was manufacturing goods. Finally it can be concluded that Indian foreign trade faced high variation before and after independence.

**Key Words-** Trade, British Rule, Export, Import, Decade

## **Introduction**

Indian economy was the healthiest economy in the ancient world. Our economy was the rich source of such items that attracted many of foreign rulers to visit and rule over India. Since 1987 British government took over all the liabilities of company and started utilized Indian economy for many profit purposes. For these overcome with this purposes our industries and agriculture was being exploited in many ways. The domestic production reflected on exports and imports of the country if we compare it with rest of world. The production in turn depends on endowment of factor availability. For long, India has been endowed with labor and land, but capital was always a scarce factor. With this backdrop, India remained better off in the production of labor-intensive commodities during British period.

India's foreign trade started to gain significance during the latter half of the 19th century. The period 1900-1914 saw expansion in India's foreign trade. The First World War was a serious setback to India's foreign trade. In the immediate post-war period, India's exports increased due to rise in world demand for raw materials and removal of war time restrictions. The imports, too, increased to satisfy the pent-up demand. India's foreign trade was severely hit by the great depression of 1930s. It was mainly due to: sharp fall in commodity prices, decline in consumer's purchasing power and discriminatory trade policies adopted by the colonial government, to name but a few. During the Second World War, India achieved huge export surplus, enabling her to accumulate substantial amount of sterling balances. The period 1857-1914 marks of modern period in the history of India's foreign trade. The most striking features of this period was the steady growth, both in the volume and value of the trade – the value increased from Rs. 69.6 crore in 1859-60 to Rs. 440.3 crores in 1913-14 an increase of over six times in a span of less than sixty years. The first fourteen years of 20<sup>th</sup> century saw a more rapid expansion when value of foreign trade more than doubled from Rs. 213.27 crore in 1900 to Rs.440.31 crore in 1913-14 because of opening of Suez Canal, adoption of free trade, abolition of export and import duties etc. (*K.T.Shah's Wealth and Taxable capacity of India pp. 125-135*)

There was a huge pressure of pent-up demand in India during the Second World War. These shortages were to some extent counter-balanced by increased exports of primary commodities such as spices, mica and vegetable oil. However, volume of exports in 1946-47 was still only about two-thirds of pre-war level.

Before the independence, India's foreign trade was typical of a colonial and agricultural economy as 79 % of population was living in rural areas. Exports consisted mainly of raw materials and plantation crops, while imports composed of light consumer goods and other manufactures. The structure of India's foreign trade reflected a systematic exploitation of the country by the foreign rulers. The raw materials were exported from India and finished products imported from the U.K. The production of final products was discouraged. For example, cotton textiles, which at one time constituted bulk of India's exports, accounted for the largest share of her imports during the British rule. This resulted in the decline and decay of Indian industries. (*Mathur, Vibha, (2006), Foreign Trade of India, 1947 to 2007, Trends, Policies and Prospects, New Century Publications, New Delhi*)

In 1950, it was estimated that more than 70 per cent of the population lived in rural areas and the agriculture accounted for about 56 per cent of the GDP. Per capita income was among the lowest in the world, life expectancy at birth was about 32 years and literacy rate was 18 per cent. Gross domestic savings were about 8 per cent of the GDP; exports were just over 6 per cent of the GDP. India was considered to be a poor country by all standards. During the period of FFYP, attention was given to economic policy and direction was set which was to be followed for the next several decades. It was decided that there should be a "socialist pattern of society" in which the government should take leading role in the economy. Planning the role of the state was the foremost objective. The Planning Commission set output targets for a wide array of commodities. In some cases public sector firms were established or expanded. In others, it was expected that expansion would come from controlled private sector firms. (*Bhagwati, J.N. and T.N. Srinivasan, (1975), Foreign Trade Regime and Economic Development: India, Chapter 2, The Macmillan Company of India Limited, Del*)

**Objective-** An attempt has been made in the present research paper to examine the first decade foreign trade and growth of Indian economy after British rule in India. The present research paper also highlights a comparison between foreign trade composition of different goods within a decade before and after British rule in India. The basic purpose of the researcher is to highlight the new born economy in world trade context just after a long British rule in India.

### Research Methodology

The basic objective of the study is to examine the foreign trade of Indian economy after the independence. To examine the foreign trade just after the independence seems very important as it represents the actual picture of our country as it is about both society and economy.

The present research paper is based on secondary data and report. That is collected from many government institutes. Simple tools via average and percentage have been used to present the data in simple and clear manners. The present research paper has been divided into two sections.

**Section A** explains the export and import growth rate along with the economy growth rate. An attempt has been made to highlight the relationship of economic growth with foreign trade.

**Section B** explains the composition of foreign trade as composition of foreign trade and comparison of foreign trade composition of different goods within a decade before and after British rule in India

### Section A

#### Table 1.1

GDP, Export and Import Growth Rates, 1951-52 to 1960

Period	GDP	EXPORT	IMPORT
1950-51	2.5	17.4	45.5
1951-52	2.9	-18.7	-20.5
1952-53	6.1	-8.1	-13.1
1953-54	4.2	10.7	13.8
1954-55	2.7	3.4	11.3
1955-56	5.7	-1.3	8.0
1956-57	-1.3	-7.0	23.4
1957-58	7.5	4.1	-12.0
1958-59	2.0	10.2	6.0
1959-60	7.0	0.2	-3.1

Source: Economic Survey, 2009-10, Government of India

**Table 1.2****Trends in Export, Import, Trade Balance and Ratio of Export to Import**

Period	Export	Import	Trade Balance	Ratio of Export to import
1950-51	1269	1273	-4	0.9969
1951-52	1490	1852	-362	0.8045
1952-53	1212	1472	-260	0.8234
1953-54	1114	1279	-166	0.8710
1954-55	1233	1456	-223	0.8468
1955-56	1275	1620	-345	0.7870
1956-57	1259	1750	-491	0.7194
1957-58	1171	2160	-989	0.5421
1958-59	1219	1901	-682	0.6412
1959-60	1343	2016	-674	0.6662

*Source: Director General of Commercial Intelligence & Statistics a Growth rate on provisional over revised basis and based on Department of Commerce methodology  
Export, Import and Trade Balance are in US \$ million*

In this section of paper an attempt has been made to highlight the trade with growth rate.

India's foreign trade policy was highly restrictive and central to the growth strategy. It was a major factor in India's poor growth performance. After independence in 1947, India's primary task was to end disruptions caused by partition and the establishment of a new government. In 1950-51 period, when the First Five Year Plan (FFYP) was promulgated, consists largely of a listing of infrastructure and other government projects which were under way. Table 1 gives the evolution of real gross domestic product (GDP) over the years, as well as share of gross domestic capital formation in GDP and per capita net national product. The growth targets were fixed for each plan and in most cases the achievements were below the targeted rates of growth as it was higher in 1957 and 1959 as given in table 1.1.

Further the table highlights that during the first decade import remained all time high as the gap was maximum in 1951. Maximum growth rate in export was reported in 1951, followed by 1953 and 1958. In case of import, it was high in 1951 followed by 1956 and 1953. The growth rate of GDP was negative in 1956-57 where import was high in this year. That indicates a inverse relationship between GDP and import.

It is indicated in table 1.2 the balance deficit was maximum in 1957 as we can correlate it with growth rate that it was lowest in 1957 as indicated by table 1.1.

## Section B

In this section of the paper researcher highlights the composition of foreign trade as composition of foreign trade and comparison of foreign trade composition of different goods within a decade before and after British rule in India.

**TABLE 1.3**

**Composition of India's Exports 1950-51 (share in %)**

<b>Product categories</b>	<b>1950-51</b>
1 Agricultural and allied products	24.61
2 Ores and minerals	3.59*
3 Manufactured goods	46.05
4. Mineral fuels and lubricants (including coal)	-

Note: \* For 1950-51 includes coal, mica and manganese ore. From 1960-61 onwards coal is excluded. Source: RBI Handbook 1952-53, 1926-63

**TABLE 1.4**

**Composition of India's Imports 1950-51, 1960-61 (share in %)**

<b>Product categories</b>	<b>1950-51</b>
1. Food and live animals (excluding raw cashew	15.48*
2. Raw materials and intermediate munf.	36.57***
3. Capital goods	23.10

Source: Economic Survey, Government of India, Various years

**TABLE 1.5**

**Percentages Share of various commodities in exports and imports**

Commodity	Imports	Exports	1914-15 to 1918-19	1914-15 to 1918-19		
	1909 to 1913-14	1914-15 to 1918-19				
Food, drinks and tobacco	14	16	28	27		
Raw materials	6	5	46	38		
Articles, wholly manufactured	73	68	23	31		

Source: Calculated on the basis of data given in fiscal commission 1921-22, Report, P.18

The above tables conclude a comparison between before and after the British rule in India. The decade before independence has been selected 1909 to 1919 as this decade commonly known as peace business decade for world trade. After this decade world faced two wars and great recession. Keeping these two worldwide economic crisis in mind, researcher selected 1909 to 1919 decade for study purposes.

Tables highlighted that share of Manufactured goods was higher followed by agriculture and raw material in imports before independence. After independence, it was raw material followed by capital goods and agricultural (food) items.

In case of export, before independence table highlighted raw material was higher followed by manufacturing and agricultural (food items) and after independence it was manufacturing goods followed by agricultural (food items and raw material).

**Conclusion-**

It can be concluded from the study that during first decade, import remained all time high as the gap was maximum in 1951. Maximum growth rate in export was reported in 1951, followed by 1953 and 1958. In case of import it was high in 1951 followed by 1956 and 1953. The growth rate of GDP was negative in 1956-57 where import was high in this year. That indicates an inverse relationship between GDP and import.

The Study concluded that the share of manufactured goods was higher followed by agriculture and raw material in imports before independence. After independence it was raw material followed by capital goods and agricultural (food items). In case of export before independence, study shows that raw material was higher followed by manufacturing and agricultural (food items) and after independence it was manufacturing goods followed by agricultural (food items and raw material).

It can be concluded that the demand of manufacturing articles was higher before independence and after independence the demand for raw material was high. In case of domestic production and export it can be concluded that raw material was highly exported before independence and after independence it was manufactured goods. Finally it can be concluded that Indian foreign trade faced high variation before and after independence.

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