**Economic exploitation of India**

**India’s Place in the Global Economy**

Beginning in the 1500s, the Portuguese were the first Europeans to try to get their hands on India’s wealth. They operated out of Goa, their colony on the west coast. In the 1600s, the English, Dutch, and French got involved, working primarily out of costal settlements. These European powers competed with each other and sought to intercept the flow of trade between Southeast Asia, India, and the Middle East.

Like India’s Muslim conquers and rulers before them, Europeans desired India’s wealth. And the potential spoils were massive: By 1700, roughly one-quarter of the world’s total commerce passed through the Indian subcontinent. The Indian economy was buoyant, and it hummed along with commercial vibrancy.

India in the 1700s was an exciting place for business and opportunity. Its economy linked villages with larger all-Indian networks of commercial exchange and mobility. Letters of credit could originate in Bengal and be cashed across the subcontinent in western India. Merchant families had branches across India and into central Asia.

Beginning in the 1500s, the Portuguese were the first Europeans to try to get their hands on India’s wealth. The most sought-after items in the Indian economy in this period were textiles made from cotton and [jute](https://en.wikipedia.org/wiki/Jute). The India artisanal economy was designed primarily for export, and Europeans increasingly demanded Indian-made cloth for shirts, trousers, tablecloths,  napkins, and tapestries. In some part of Southeast Asia, Indian  textiles were accepted as a form of currency. Similarly, the English used Indian textiles to pay for slaves on the coast of West Africa.

One entity represented English—and after 1707, British— commercial interests in India: the [East India Company](https://en.wikipedia.org/wiki/East_India_Company). Founded in 1600 by Queen Elizabeth I at the behest of leading London merchants and traders, the East India Company was one of the world’s first publicly traded joint- stock companies. The company was granted a monopoly on trade between India and England. If you were an English subject (or a British subject, after 1707), and you wanted to trade legitimately in India, you had to go through the East India Company.

Initially, the East India Company did not have any political aims. If fact, the company wanted to avoid politics and power because such pursuits could eat away at profit. The company had shareholders, so returns and dividends were paramount. As a result, the British avoided getting involved in political a airs until the 1750s. Unlike the Arabs, Persians, and Chinese, the British had certain advantages when it came to trading with India. One of these was silver. Silver was the standard backing India’s various rupee currencies, and massive volume of silver were available to Europeans from South America. Another advantage was the powerful British navy, which ensured that Britain could command the long-term maritime trade between India and the outside world.

[**Elizabeth I (1533–1603)**](https://en.wikipedia.org/wiki/Elizabeth_I_of_England)

The East India Company also had its own private mercenary force, which was made up primarily of Indian soldiers. These mercenaries protect the company’s interests against various nawabs’ armies and the border incursions that came to define 18th-century India. And because the company had no political responsibilities, it did not have to abide by formal treaties or the rules of warfare. Being from far away, the British (and Europeans more generally) were not taken seriously by Indians and the Mughals. Europeans were not feared by Indian rulers and traders, who saw them as crude, violent barbarians who loved drink.

Another disadvantage was that the British at first knew little about Indian customs, rituals, and religions. It wasn’t until after the conquests of the late 1700s that India’s great civilization and traditions were opened up to scholars and, eventually, the wider world.

**India’s Great Commercial Families**

India was not an innocent victim of colonial conquest. There was a wider collection of indigenous capitalists, merchant banker castes, and moneylenders who were later crucial in securing British domination by 1800. These merchant and banking families had started to become very influential at court and for regional Indian kingdoms in the 1700s.

In the 1700s, the regional kingdoms of [Bengal](https://en.wikipedia.org/wiki/Bengal), [Awadh](https://en.wikipedia.org/wiki/Awadh), [Mysore](https://en.wikipedia.org/wiki/Mysore), and the [Maratha](https://en.wikipedia.org/wiki/Maratha) confederacy all needed more money and revenue to build up their administrations and bolster their rule. They needed bureaucrats, scribes, accountants, artillery, stores, provisions, and more. Fiscal might and access to credit were crucial, lest newly won territory and influence fall to regional rivals.

Because Muslims largely abstained from charging interest (considering it usury), Hindus and Jains served as India’s primary moneylenders. Hindu and Jain banking families had crucial advantages in the Indian economy, particularly in the Indian interior where all of India’s scale and material wealth lay. They moved grains, goods, and—crucially—long-distance credit bills called hundis, which were honored across India. By the mid-1700s, some of these families had become extremely wealthy and influential.

India’s powerful commercial families began to bankroll regional kingdoms. [Nawabs](https://en.wikipedia.org/wiki/Nawab), kings, and princes were extended lines of credit to finance wars and build up administrations. Coupled with overall Indian economic growth and European silver, these banking families were projected into new positions of influence.

Even though India’s great commercial families were becoming more important and influential, they tended to bump up against the prerogatives of royal courts. Regional kings in Awadh, Mysore, and Bengal, for example, required generous lines of credit to maintain their armies and administrations between harvests. They tended to squeeze Hindu and Jain banking families with their demands and terms. As a result of these dynamics, India’s commercial families slowly withdrew their support for regional kingdoms throughout the 1700s. And there was always the possibility that they might throw their lot in with an external power who offered better agreements in terms of security and profitability—which is, of course, where the British came in.

**The British Raj**

The British economic policy in India led to impoverishment of the country. The main object of British policies was a systematic destruction of traditional Indian economy. The Indian reaction to the discriminatory economic policy of the British government was the rise of economic nationalism in India. India became a supplier of raw materials to the British industries, a market for the sale of British goods and a place for investment of British capital. Indian economy was sacrificed for British economic interests. Economic exploitation by the British was increasing India's poverty.

The British Indian administration was extremely costly. Systematic attempts were made to destroy the indigenous industries of India to make room for manufactured goods from England. Gradually the people realized that it was the drain of wealth from India which made India poor. As all classes suffered economically because of the British rule, they realized the necessity of uprooting the British rule from India. It gave a great impetus to the spirit of nationalism.