
UNIT 27 SOCIAL STRUCTURE IN THE URBAN AND RURAL AREAS

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27.0 INTRODUCTION

The transformation of Indian society under the impact of colonialism has been a subject of intense debate among scholars. Some argue that colonialism and its edifice were built on the foundations of pre-existing social-institutions, identities and class-structure. They refuse to concede any sharp break or qualitative change in Indian social structure after assumption of power by the British. Others stress the basic socio-economic changes due to colonial needs and requirements. But, according to them, colonialism had a double mission in India- one destructive and the other regenerative. The colonial penetration not only modified the social class-structure of India but also selectively retained certain indigenous elements of social physiognomy.

Colonialism was a system under which the Imperial country exploited markets and resources of their colonies. It benefited the traders, capitalists and bankers of the Imperial country and subordinated all the indigenous social classes of a colony. Peasants of the colonized countries were forced by various means to specialize in the production of agricultural raw produce for the industries located in the Imperial country. The artisans were rendered unemployed in the face of competition from imported industrial goods from the metropolitan country. Despite these economic dislocations, the new colonial economy and administrative structure offered new economic opportunities and risks. This resulted in the rise of some new social classes and modifications in the position of surviving old classes. We will analyse these changes in the class-structure of Indian society due to colonial penetration in the next sections.

27.1 RISE OF MIDDLE CLASS

The configuration of social classes under colonialism changed as a result of the basic economic transformation and the administrative needs of the colonial state. The rise of middle class was a product of internal changes and external pressures associated with colonialism. According to Prof. B.B. Mishra, there was a lack of middle class in the modern sense of professionals in the pre-colonial period in India. He relates this to lack of sufficient urbanization in the pre-colonial period, rigidity of indigenous caste system and nature of aristocratic bureaucracy, dominance of clergy and lack of professional character of service-gentry in medieval towns. Although colonialism produced economic stagnation and backwardness in India, it also created the professional classes comprising modern lawyers, doctors, teachers, managers, engineers, journalists and so on. This modern intelligentsia was different in tastes, outlook and behavior from the service-gentry of the pre-colonial societies. The changes in social and administrative structures required a new class of educated Indians who could manage social affairs and institutions that were established by the British. New educational institutions- schools, colleges, universities and professional training institutions were started to meet the needs of colonial state and society. The number of those studying English rose rapidly from 298,000 in 1887 to 505,000 in 1907. This was directly linked to increase in the circulation of English-language newspapers during the period. This class of intelligentsia constituted only a 'microscopic minority' of Indian population. Yet, it was an integral part of the new colonial society and administrative set-up. This social group, therefore, enjoyed fair amount of importance- far in excess of its size. English education gave them competence to develop cross-regional and cross-lingual networks as many of them worked outside their hometowns. They played prominent role in public affairs and occupied newly created public spaces under colonialism. They were the pioneers, organizers and leaders of social-religious reforms. They also played significant role in political initiatives of modern mass mobilization during different phases of colonial rule in India. The educated middle class was the product of new western education initiated by the colonial state for practical administrative expediency. The educated middle class grew and expanded after 1858 with the establishment of universities and engineering and other professional institutes. It also developed its own sectional interests, which culminated in formation of association and organizations of various professions.

The western education also brought with it an increased awareness of currently fashionable ideologies, which in turn influenced the ideological framework of Indian nationalism. The intelligentsia also suffered the pangs of separation from the womb of traditional, indigenous culture and identities as a result of alienating effects of education through foreign medium. The professional middle class and intelligentsia were forced to come to terms with a particular variant of colonial modernization. Many of them still clung to traditional social values and institutions. Others reposed their faith in the doctrines of reason and humanism. They thought that western science and technology would provide the key to the regeneration of their own society.

The English-educated professionals' generally came from the upper-caste families especially from the traditional Brahmin and Kayastha families. They took the new education more easily. The early Cambridge school of historians like Anil Seal and J.H. Broomfield interpreted nationalism in terms of such regional educated elites and their factional struggle to gain power, status and influence. However, the real

power and privileges in colonial society lay with the white Europeans. The Indians educated middle class was not a homogeneous class. They never tried to restrict entry to it and in fact, helped in expansion of education through their voluntary efforts and establishment of schools and colleges. Moreover, the growth of middle class educated intelligentsia was an uneven process. There were regional disparities in the spread of education with Bengal and Madras provinces well ahead of rest of India. There were also differences in the social-roots of middle classes in different regions. In some cases, they combined their government-service or independent profession with control over landed resources and trading activities. They were a hybrid of agrarian-based middle classes enjoying rent in-comes in Bengal and Northern India. In Western and Southern India, they were sometimes linked to commercial and business interests. Due to their link with the propertied classes and their specific social roots, they often opposed anti-tenancy legislation, for instance the tenancy legislation of Bengal in 1885. The educated intelligentsia wished for modernization of India in the liberal image of Britain, yet because of their petty rent-collecting rights, they did not want radical transformation of agrarian relations. In places where landlord-tenant relations were communally defined in the sense that they belonged to different religious communities, it had momentous consequence for development of communalism.

27.2 GROWTH OF CAPITALIST CLASS

The growth of indigenous capitalist class in India was very slow on account of the British capital's domination. Traditional Indian business communities did survive and in some cases flourished despite this control of foreign capital. Some of them found, with their lack of sufficient capital resources, that investment in certain non-industrial sectors was more lucrative. The British controlled the upper layer of Indian economy represented by the big joint-stock companies, stock markets, big managing agency houses, major banking and insurance sectors as well as foreign trade and shipping. Initially the Indian businessmen were relegated to small private trade, money lending and in the positions of subordinate agents to the foreign capital. However, such a dual economy of colonialism was not a permanent feature of India. Despite a host of problem and structural constraints, the white 'collective monopoly' was breached and the Indian capitalist class grew slowly, utilizing opportunities and overcoming obstacles created by colonial economy. The rise and growth of Indian capitalist class was organically linked to the basic structure of colonialism and bore the imprints of that linkage.

27.2.1 The Role of Colonial State: Stagnation or Market-led Growth

Historians generally relate slow growth of capitalist class and modern industries to colonialism. In his famous 'drain of wealth' argument Dadabhai Nauroji criticized several channels of 'leakage' of potentially investible capital resources. The nationalists saw that the British government in India made certain payments or remitted money abroad for which no goods or services of equivalent value were offered. It was argued that such resources could have been used to create productive assets in India. Shortage of capital and lack of profitable investment opportunities are cited as two basic reasons for slow growth of capitalist class in India during the colonial period. The unilateral transfer of resources by the colonial state to meet the cost of Secretary of State establishment in London, cost of defending the Empire in the east, purchase of military stores, pensions and salaries

of an alien bureaucracy, a guaranteed annual interest to the British railway companies that constructed the railways in India and interest on public debt raised by the colonial government in London money-markets were all part of this capital-transfer. However, we must take this economic critique of colonialism with a pinch of salt. For example, many British 'sahibs' were paid high salaries for work that involved power but no great skills and expertise. This was a pure waste of Indian potential resources. But high salary to a European engineer or university professor, who provided technical skills not available in India, may not be called wasteful.

Another aspect of colonial state that hindered capitalist growth in India was lack of positive action of the type undertaken by state in the other advanced capitalist countries. The discriminatory intervention of the colonial state helped only the interests of British capital. It failed to provide tariff protection to Indian capital and did not foster demand for indigenous industrial products by guaranteeing purchase through state and its agencies. Another crippling effect was poorly developed institutions, especially financial ones such as sufficient banking and insurance sectors. There was also considerable dependency of Indian capitalist class on British industrial methods and technology. As England was no longer a leader of the global industrial technology especially after 1880s, such dependence proved costly for the Indian enterprises.

Within all these structural constraints, colonialism also guaranteed the security of private property and sanctity of contract, basic legal elements for a market-led growth. It accelerated commercialization. The capital constraint eased somewhat due to expansion of foreign trade. This capitalist growth was generally based on sectors where cost of raw materials was low (textile, jute, cotton, sugar, leather, cement, tobacco and even steel).

27.2.2 Origin of Capitalist Class and Sources of Capital

There was a significant level of developed merchant capital in pre-British India. Certain communities such as Chettis of Tamilnadu, Konkani Saudagars, Bohra, Parsi and Jain merchants, Marwaris of Shekhawati region in Rajasthan and Lohana and Khattris of Punjab were prominent in such businesses. The establishment of East India Company's monopoly did not completely wipe them out. Many of Indian traders started acting as middlemen or subordinate agents in the new colonial economy as the British had to rely on the existing indigenous commercial networks and money-markets to carry out their commercial operations. When modern industrialists emerged in India after 1850s, the capital for them came partly from internal accumulation in the wake of commercialization fostered by colonial penetration. The trading communities of Bombay and Calcutta benefited from the enormous growth of foreign trade especially with China. This was a direct result of end of company's monopoly in India-China trade after 1833. It was in these two cities that modern capitalist class developed initially in India capitalizing on huge profits they earned as the 'brokers' of European trading firms. Another important factor was trading profits that emerged in cotton-export during the American Civil War. The rise of two great industrial houses- Birlas and Tatas can be traced to these developments.

The capitalist class did not always originate from among the traditional business communities engaged in trade and banking. Commercial and financial capital did seldom venture outside their established fields of economic activity. When it stepped out of its field, it went into purchase of idle assets such as gold ornaments or such

spiritual assets as building temples. On the other hand, certain other communities utilized new opportunities of profit-making as a result of contact with the Europeans as brokers. For instance, the Parsis were traditionally not traders or financiers, but artisans, carpenters, weavers, and ship-builders. Yet, they profited the most from export of cotton and opium from the Western coast. In Ahmadabad, the Khojas, the Bhatias, and Gujrati traders and financiers also benefited from collaboration with Europeans. They later on pumped their profits into cotton-mills to become pioneer capitalists. The main source of capital in two large-scale industrial complexes of Coimbatore and Madras in Southern India was the savings of the rich cotton farmers-cum-traders. The traditional business communities of the region, the Chettiars, migrated to Burma in the nineteenth century and entered as capitalists in industry only in the 1930s. In Calcutta and Eastern India, Europeans dominated the large-scale industry. The main interests of the Marwari houses were in jute baling, mining, zamindari, and import agency before the First World War. It was only during the interwar period, that Marwaris started entering industry in a big way.

Capital for industry was always in short supply in India. A modern banking system was poorly developed. The banks, dominated by European capital and management followed an implicit ethnic preference of helping only European clients. They avoided giving loans for fixed capital to the Indian capitalists. The other major source of capital- the capital market was also a rather small and insignificant institution. It was also plagued by speculation. Given such high cost of capital, it is not surprising that modern capitalist class mostly developed entirely from communities that had specialized in trading and banking activities. To be a successful capitalist, it was necessary to raise money easily. A strong co-operative community, like one that Parsis and Marwaris had, was needed for this venture.

27.2.3 Business Structure and Management

The traditional Indian business was rooted within the family and community. The business organization and the joint family were frequently indistinct entities. This helped the earlier capitalist in easier access to supply of credit and other skills. Until 1850, partnership was the general form of ownership-cum-management. But some sort of formal corporate management became necessary to overcome the problems of raising finance and managing firms efficiently. The most common institution was the managing agency system. It was a system of vesting the management of joint-stock companies in the hands of a firm of professional managers. Such a firm of professional managers helped the promotion, financing, underwriting and organization of a joint stock company. Under this system, the Directors or representatives of the capitalist owners of a company contracted a firm to manage that company for a fee. The fee was usually a certain fraction of total sales or output. As already pointed out, Indian firms found it hard to meet their needs of capital. They had to rely heavily on loans and deposits from the public. The owners of firms and managing agents supplied large amount of capital. The rest of the capital had to be mobilized from banks and the public. However; loans from banks required reputed guarantor and the deposits from public required that the borrower was a trusted name. The managing agents served these purposes. The system was prone to a number of abuses. The managing agents could operate the company to the advantage of their own private fortune, and not to the advantage of shareholders. The managing agents routinely and illegally speculated in commodity

trade in goods and raw materials in which the company was involved. Such speculation was often against the interest of the company. Despite these abuses the system survived and dominated the economic organization of diverse productive firms.

27.3 NEW INDUSTRIAL LABOUR CLASS

The modern working class in India was the offspring of modern industries, plantation, mines and transport that developed in Indian colonial economy. Their poor standard of living and miserable working conditions were testified by official and non-official sources. The industrial labour in India was predominantly concentrated in textile industry (jute and cotton) and mines. We will refer to its origins, role and composition in this section.

27.3.1 Origins, Markets and Composition

Factory labour provided a new form of employment that emerged with the rise of industries in the middle of the nineteenth century. It represented a shift from rural and traditional occupations such as agriculture and crafts to modern ones such as mechanized industry. Most workers in urban centres like Calcutta and Bombay migrated from rural hinterlands. An important feature of this labour force was temporary nature of industrial employment for the majority of these labourers. Morris D. Morris, in the study of Bombay industrial labour, found that the proportion of workers working in cotton mills for more than ten years in 1890 was only 26.7%. It rose to 39.1% in 1927-28. The shift to urban centres resulted in changes in the nature of work, work place and life styles. The industrial workers comprised of general manual labour capable of performing only particular mechanical tasks and another group of technically trained who could operate a single machine for a variety of purposes and repair the machine. The skilled labourers tended to be more in permanent employment while unskilled consisted of casual or temporary workers. The skilled technical labour generally came from the upper caste with high school education. Unskilled labourers, on the other hand came mainly from agrarian and artisan castes with little or no formal education.

Even though there was an abundant labour supply in a colonial economy like India, and there was no inadequate supply of labour in the long run, the intermediaries in the big industrial centers maintained supply. Initially, shortage of labour forced employers to obtain labour through the Jobbers or intermediaries. But, the practice continued even when labour was easily accessible at the factory gates. The Bombay cotton mills continued to rely until the interwar on 'labour contractors' who brought workers from the areas to which they themselves belonged. They sometimes even managed the workers on the factory floor. The labour contractor was paid for his services both by the mill owners and workers whom he gave employment.

The industrial labour of Bombay cotton mills came mainly from the Konkan, the Deccan and United Province. Jute- industry, on the other hand, employed migrants from Bihar, eastern UP and Orissa. The labourers were employed from these regions because price of labour was low in these regions. The factories utilized the cheap labour from these poor agricultural areas, instead of employing local labour. The mill owners to keep the bargaining power and wages of workers low also used the institution of employment through an intermediary thus creating a

kind of 'labour lordism'. However, the purpose of seeking industrial employment could be to augment family income, reduce and spread risk especially in famine-prone districts, and to retain a grip in the rural economy.

Such linkage with the rural world meant that social and ethnic divisions among labourers remained powerful. The workers did not acquire a proper 'industrial' mentality or a habit of disciplined use of time. Instead of evolving into a homogeneous working class, it remained divided into castes, communities and regions. Adaptation to the factory discipline happened in an imperfect way and workers brought peasants-like mentality into the factory floor and urban life. Compared to rural areas, however, industrial-employment offered better wages, security from famine, better social mobility and lesser caste oppression.

The conditions of workers in tea plantations of Assam and coalmines had shades of semi-slavery and semi-serfdom in them. Most of the workers of tea plantations came from Chota Nagpur and other areas of Greater Bengal during 1860-1890. Later, senior workers or sardars also recruited workers. The labourers generally came from the socially marginal groups and rural labourers. The miserable conditions forced them to leave their homes as the contractors painted rosy pictures of plantations. The workers understood little of terms of contract. The extreme poverty, lack of information on the part of workers, and the employers' greater legal power were common features of indenture system.

The profits of the coal- industry were divided between landlords and colliers. The lands were owned by Zamindars who received fixed rents from the owners of coal- mines. They had no interest either in mining or productivity of the industry. The labourers for mines were available easily and cheaply from among the poorest rural strata of Chota Nagpur region. The availability of labour at low wages with conditions of semi- servitude attached to it made the mining costs very low in India. The mining technology remained manual and crude due to low labour costs. The colliers relied on labour contractors who hired workers at piece rates.

27.3.2 Labour Force and Occupational Structure

Occupational structure depicts proportion of labour force employed in various sectors of an economy. India being an underdeveloped colonial economy, its occupational structure was more or less stagnant. Employment of labour in industrial and mining hovered around 9-10% of total work force between 1911 and 1951. However, the contribution of industrial sector to the national income from 1900-01 to 1946-47 improved slightly from 21 to 25%. This might be due to some organizational and technological changes that led to growth in labour productivity. Sometimes the improvement in education and health might also lead to increase in labour efficiency and productivity. The record of colonial India in these respects was among the poorest in the world. Another significant feature of occupational structure was the drop in the proportion of women in cotton and jute mills especially after 1920s. Employment legislation made special provisions for women, such as maternity benefits and prohibition of night work. These often discouraged employers when male labourers were available for the same work.

27.4 DIFFERENTIAL RESOURCE-ENDOWMENTS IN RURAL AREAS

During the initial decades of colonial rule in India, British colonial state pursued the policy of maximization of land revenue. The colonial state acted as the supreme landlord. Revenue demand on land was fixed in cash and tended to be abnormally high. The burden was felt more as the agricultural prices fell. The colonial state not only collected taxes more efficiently but also changed the terms of relationship between the tenants and landlords and the cultivators vis-à-vis moneylenders. The colonial judiciary defended the sanctity of contractual relationship. The commercial transaction in the rural economy expanded as the markets for agricultural inputs including land expanded. The high assessments of revenue stimulated production of cash crops like sugarcane, cotton, indigo, etc. The improved transport networks- the railways and 'cotton roads' and new institutional arrangements like creation of ports, export-import companies, bank financing such trade, etc. all facilitated increasing commercialization. Sale and auction of land tended to increase with the operation of market forces. The colonial state also further elaborated and redefined property rights in land. The position of rural creditors, usurers and grain dealers was strengthened. They were able to acquire some of the lands that were transferred as result of operation of market forces.. As a result of these basic changes in agrarian relations, the class- structure of rural society was transformed. The small poor cultivators suffered in general, and so also the pastoral communities who lived primarily on livestock rearing and who cultivated lands only as subsidiary work. However, the impact of expansion in market opportunities was not uniform. Here we will examine the differential impact of commercialization on the different sections of rural society.

27.4.1 Effects of Commercialisation

There were significant changes in the cropping pattern, their marketability and the composition of rural classes especially after 1850s. Large-scale commercialization started taking place. Peasants shifted their production of agricultural goods from subsistence needs of their own families or local use for communities to sale for distant markets. Trends towards commercialization were fairly pronounced in pre- colonial period also, but the British linked Indian agriculture to global markets. Earlier phase of commercialization was based on indigo and opium- non bulk-items. The second wave of commercialization in Indian agriculture, based on cotton, wheat, oilseeds, groundnuts and sugarcane, affected peasant life in a more substantial way. The land became a saleable commodity and number of land-transfers increased dramatically in all regions in the nineteenth century. As a result of rising agricultural prices and land-values, and relatively lighter burden of land revenue after 1860, rents in nominal and real terms increased. Area under cropped area also increased in most areas. There were also widespread developments of tenancy or markets for user rights in land all over India. Commercialization increased the profitability of land and hence its demand- especially among these with insufficient lands. In other words, inequality of landowner-ship was responsible for growth of tenancy. The most important effect of commercialization was that it increased the demand for working capital credit as well as consumption loans for several purposes. The commercial production of crops needed more investment in agricultural inputs. Due to regional specialization of cropping pattern, farmers became dependent on their consumption needs and food requirements before

harvests on the markets. Farmers also borrowed money to make payments of rent and revenue in cash. The marketing costs of commercial crops also increased because of transport cost and growth of intermediaries in the market structure between the peasant and the global markets.

There were favorable factors on the supply side that increased supply of credit. New markets and profit opportunities became available to usurer and moneylenders due to increased possibilities of spatial mobility. The value of land increased as a result of creation of new proprietary rights in land by the colonial state and as a result of expansion of canal irrigation in some areas. Thirdly, new judicial arrangements gave creditors more powers to recover loans. Some British officials were concerned that increasing sale of land passed the ownership rights to non-cultivating classes through the operation of credit mechanism. Indian nationalist leader, M.G Ranade, on the other hand, favored transfer of land to rich, resourceful and efficient peasants. Nationalist leaders in general opposed land-alienation legislation on the ground that it would affect credit facilities and values of land.

27.4.2 Was Commercialisation a Forced Process?

Some historians argue that need to pay excessive revenue or rent in cash forced the cultivators to shift to the cultivation of commercial crops in place of food crops in the nineteenth century. They believe that production of such crops was not economically beneficial to the peasants, so they borrowed money from the moneylenders who influenced their production decisions. The professional usurers and moneylenders established control over their produce, cattle and land. Peasants were often forced to mortgage their lands due to debt trap and large-scale transfer of land to moneylenders reduced the cultivators to the status of agricultural labourers or sharecroppers. This view re-echoes a powerful official opinion in the last quarter of nineteenth century. Surendra Patel and R.P. Dutt, two radical historians, traced the substantial growth of agricultural labourers during colonial rule to the working of this process of forced commercialization. Dharma Kumar, in her classic work, *Land and Caste in South India*, however, proved the existence of sizable population of agricultural labourers in the pre-colonial South India on the basis of correlation of certain castes to labour status. It is also true agricultural labourers failed to attain any substantial improvement in wages and social status. Castes and status differences persisted and were strongly related to socio-economic opportunities. Commercialization, in other words, strengthened the rich peasants coming from middle or upper castes while it tended to reduce certain groups to bondage and servitude.

Moreover, there was relative decline of land-revenue burden after 1860. In such circumstances, peasants were induced to produce for markets due to incentive of increasing prices of agricultural products. Cash crops were produced primarily because they were the more profitable crops. The beneficial fruits of commercialization, however, were reaped differently. The rich farmers forced smaller farmers and tenants to produce cash crops even if the latter did not benefit from such production. Again, although, non-cultivating moneylending *sahukars* such as Marwaris, Baniyas and Chettiars played significant role in marketing of commercial crops and owned lands; rich peasants and landowners controlled rural credit markets. Commercialization created rich peasants and consolidated their positions in many regions.

27.4.3 Class-Structure in Rural Areas

The older group of rural gentry underwent a change in composition and in some cases their wings were clipped away under the colonial rule. The decline of power and social status of older mobility and hereditary elites, especially outside Zamindari settlement areas was directly linked with the British policy of settling 'revenues' with the dominant cultivating groups. In Zamindari areas, the definition of property rights generally strengthened the pre-existing groups of Zamindars and taluqdars who enjoyed rights of revenue collections under pre-colonial regimes.

In other areas, the practice was to settle with dominant cultivating groups. In the Upper Doab and Rohilkhand, for instance, village communities were recognized as proprietary bodies. In Southern and Western India, *mirasdars* or the holders of shares in village land were reorganized. Ryotwari was, in principle, a direct contract between the ryot or cultivator and the state. It was from the dominant cultivating groups that a class of rich farmers emerged. They took advantage of expanding market networks under colonial economy. They had resources like sufficient arable land, livestock, implements and superior access to credit. They also became less dependent on the moneylenders, and began to lend themselves. The Jat peasants of Punjab and Upper Doab, the Vellalas in Tamil Nadu, the Kunbi Patidars of South Gujarat, the rich Kamma Reddy farmers in Madras-Deccan, and the Lingayats in Karnataka belonged to this group.

The other cultivators belonged to small marginal farmers and sharecroppers who did not have enough resources for investment or did not enjoy any security of tenure and were helpless victims of frequent famines despite the fact that expanding markets and infrastructure made food availability much easier. They had no marketable surplus to sell and the incidence of debt weighed too heavily on them.

The lowest in the hierarchy, the agricultural labourers were the most unfortunate, as they did not get any real benefit of commercialization as their wages stagnated and their employment was never secure. Landed groups commanded labour at artificially low cost. The lack of alternative employment opportunities and persistence of caste-oppression made them subject to obligations to supply labour cheaply. The most wretched of them had to suffer the agony of servitude as Halis, Khatbandhi Majdoor, Kamia or Panniyals as the bonded labourers came to known in the different regions.

27.5 MERCHANTS AND TRADING CLASSES

Some prominent business and trading communities were thriving in India when the Europeans trading companies tried to establish their commercial empires and trading monopolies. Some such prominent trading communities were the Khatri and Lohanas, Marwaris of Rajasthan, Chettis or Chettiars of Tamil Nadu, Bohras of Gujarat, the Konkani merchants and so on. Apart from local market network exchanging rural produce; the traders were also active at limited regional level in small towns with permanent markets known as *qasba*. Long distance trade in low-value high bulk goods through carvanas of peck bullocks was also fairly developed despite high cost of overland transport and insecurity. In the last range came the entirely urban-centred, long distance trade in luxuries including trade in exportable commodities. The rise of many regional states in the eighteenth century strengthened a financial sector dominated by *shroffs* or banking families. These

families converted currencies, discounted bills of exchange or *hundis*, remitted money in advance for land-revenue and lend money to local elite. They played a very significant role in urban economy and long- distance trade. The Jagat Seth house of Bengal was only a better known such family of bankers. The indigenous merchants used the system of *dadni* or advance payment for procuring goods from artisans. Now let us see what happened to these people under colonial rules.

27.5.1 Subordination to the European Capital or New Opportunities

The small European trading community was initially confined to port cities. The European companies, through they wanted to monopolize Indian trade, made use of existing network of production and procurement available in India to obtain exportable commodities. In the course of time, they introduced some modifications and innovations in the indigenous system. This was intended to solve some specific problems. The Europeans, for instance, utilized services of *dalal* or broker, an Indian employee with an intricate knowledge of both the local markets and intermediary merchant communities in their relations with the local merchants. The European trade proved beneficial to the country because the company imported gold and silver into India to buy exportable goods. This led to a substantial increase in the supply of money. The increasing monetization in the Indian economy facilitated commutation of land-revenue demand from kind into cash, which led to further increase in trading activities. It also helped in the coming up of banking families so crucial to the expanding world of commerce. The weaver-cum-merchants around Calcutta especially the *Basaks* were prominent beneficiaries of textile exports by East India Company, for example. Therefore, the nationalist story of retreat of Indian merchants from trade is not entirely true.

However, by the end of the eighteenth century, the East India Company was less a trading house and more a rentier. It had acquired rights to revenue of a big empire. The company financed its export of Indian textiles from such revenues. This could have created an adverse impact on the Indian traders. However, the real subordination of Indian traders and merchants began when India was more fully integrated with the inter-national trade. After 1800, the value of India's foreign trade and its composition underwent a phenomenal change. It was the era of indigo-opium trade and the relative decline of cotton textile trade. European firms supplied the capital and handled these new exports as far more profitable. The export of indigo, often produced under extra-economic coercion grew rapidly until 1850's when artificial dyes gradually started replacing indigo. Opium again was produced under state monopoly and the company used it as a convenient means for payment for the Chinese tea, silk and porcelain it exported to Europe. The free trade ideology of colonial rulers served the interests of the exporters of British manufactures especially Lancashire textile millowners in the nineteenth century. All these development reduced the position of Indian merchant classes to some sort of subservience. However, the expanding scale of marketing operations also helped many Indigenous traders to act as intermediaries in opium trade in the first half of nineteenth century and in cotton export during the cotton boom of 1860's. They were not only able to survive but accumulated enough wealth to become the pre- cursors of Indian capitalist class. Some portion of merchant capital was transformed under the colonial rule into usury capital, which again was a very profitable avenue of investment during the colonial rule.

27.6 SUMMARY

The penetration of Indian economy and society by the forces of colonialism resulted in a number of socio-economic dislocations. The old model of European impact and Indian response cannot explain the nature of social change in India during colonial rule. The colonial impact reshaped Indian social institutions but the agency of Indian social forces also played a key role in the process of social-transformation. The market forces unleashed by colonialism broke the insularity of Indian society and limited colonial variant of modernization left its imprint on the genesis and growth of various social classes in India. Despite a general tendency to subordinate all the indigenous social classes to the imperial interests, the new colonial economy and administrative structure established by the colonial state also offered new opportunities and risks. The colonial social engineering and intervention led to the importing of a number of social initiatives from abroad. However, the colonial state also provided its support to the principles of traditional hierarchy and ritual distinctions, thus consolidating the pre-existing powerful group of landed gentry in the rural areas.

27.7 GLOSSARY

Differential Resource-Endowments: Differential entitlement to the resources of land, labour and credit etc. among various social classes.

Indenture System: A system of contractual labour in the plantations.

Labour-Lordism: Employing labourers through intermediaries who also controlled the bargaining power of labour.

Managing Agency System: A firm of professional managers that helped in the promotion, financing and organization of a joint stock company and charged commission from the enterprises for these services.

Occupational Structure: structure of labour force showing proportion of labour force employed in different sectors of an economy.

27.8 EXERCISES

Answer the following questions briefly in about 150 words.

- 1) How did the organizational-structure of business affect Indian industries?
- 2) How did colonialism affect the class-structure in rural areas?
- 3) How did the Indian Capitalist class mobilize its sources of Capital?
- 4) Explain the nature and composition of industrial labour force in India.

SUGGESTED READINGS

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