



THE HISTORY OF INDIAN ECONOMY

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ABSTRACT

This paper contains the history of the Indian economy from Indus valley civilization to British rule. We've covered all the major segments for the youth to understand the golden history of the Indian economy. The colonial era of India is a significant part of the India Economy history. It brought a considerable change in the process of taxation from the revenue taxes to the property taxes which resulted in large scale economic breakdown. In fact, a number of industries like the Indian handicrafts industry suffered huge losses. During India's freedom struggle, the Indian Nationalists advocated for the Swadeshi Movement in which the British products were boycotted.

KEYWORDS: British products, Civilization, Indian economy

INTRODUCTION

The 12th largest economy in the world in terms of the market exchange rate, the Indian economy has come a long way to become one of the fastest growing economies. In order to have an idea of the various economic stages, one needs to make an analysis of the Indian economy's history India is one of the world's oldest civilizations. The main source of economy and income for the people in the ancient ages was agriculture. The fertile plains, rivers and water bodies and a favorable climate provided a wonderful scope for agricultural produce in the country. The ancient civilizations of India like Indus Valley, the Aryan civilization, Mauryan Empire, Gupta Empire and most other dynasties had a planned economic system. In some dynasties, even coins were issued. However, the chief form of trading in those times was the barter system. According to the economic rule, the farmers and villagers were required to provide a part of their crops or produce to the kings or the landlords.

Even in the Muslim rule, the economy of India was mainly based on agricultural produce. Towards the later part of the Mughal period, some trade relations were established between the Mughal Empire and the British, French and Portuguese merchants. Eventually, after the Battle of Plassey, the British East India Company eventually came into power. Thus the colonial rule in India started.

The colonial era of India is a significant part of the India Economy history. It brought a considerable change in the process of taxation from the revenue taxes to the property taxes which resulted in large scale economic breakdown. In fact a number of industries like the Indian handicrafts industry suffered huge losses. During India's freedom struggle, the Indian Nationalists advocated for the Swadeshi Movement in which the British products were boycotted.

ECONOMY DURING INDUS VALLEY CIVILISATION AND GREAT MAURYA EMPIRE

Ancient India was a little further to the east and extended across the valley of the Indus River and neighbouring rivers. Dating back to around 4000 B.C., these civilizations flourished for centuries before declining around 1900 B.C. to 1500 B.C. Excavations indicate that it was a resource-rich, fertile and densely populated area that was considerably larger than its contemporaries (e.g., Egypt and Mesopotamia). The Indus region civilizations were highly developed with advanced urban planning and water management systems far in advance of contemporary civilizations. In

addition, the inhabitants of the Indus region were actively engaged in mutual trade and with civilizations to the west (both by land and by sea).

The economy during this period was flourishing and India contributed approx. 40% of world's economy. We don't have much figures from that period but Indus valley civilization was very advanced from its time.

MAP OF EARLY WORLD CIVILIZATIONS

During the Maurya Empire (c. 321–185 BCE), important changes and developments affected the Indian economy. It was the first time that most of India was united under one ruler. With the

empire in place, trade routes became safer. The empire spent considerable resources on building and maintaining roads. Improved infrastructure, combined with increased security, greater uniformity of measurement, and the growing



use of coins as currency, improved trade. It is estimated that India accounted for 32% to 35% of the world economy during this time.

The Mauryan Empire was the world's largest land empire at the time; the unification of disparate kingdoms including some parts of South India who were vassals led to an exponential increase in revenue flowing to the central source; namely the Mauryan Treasury which can be considered synonymous with India's GDP.

Mauryan ships sailed to the Arabs, Egypt, the Australian continent, etc., traded with the Greeks, and most of the Mauryan Empire followed the prescriptive instructions of the master strategist **Kautilya (Chanakya)** with his **Arthashastra**. Actually; this text has been revered as a guide for over a thousand years; until the arrival of the British and even the Britishers took guide from Chanakyaniti and his economic reforms. As is typical of Western people; they believe all fables from the Greeks or Romans; but they treat any Indian or non-European story with extreme doubt and distrust; despite much evidence to prove the same.

Let me take you on to the economic activities during the Maurya Dynasty, we will take a closer look on the industries and their and their contribution to the economy.

1. Mining Production

During the period under discussion we also notice that the society saw the development of artisanal industries. According to the Arthashastra of Kautilya, mines and mining productions / industries were under the state control. It was exercised by the Ākaradhyakṣa. This officer was to have the expertise on metallurgy and mining. Kautilya also advised the king to take up the task of mining which was less expensive. But in the case of expensive mining the king was advised to welcome the private enterprise. But it was conditional. The condition was that a certain part of the mining production was to be given to the royal exchequer. It was called bhāga. Thus two benefits were ensured. Firstly, the state was beneficial with investment and secondly, the non-involvement of the state in expensive mining led to less expenditure for the state. However the Ākaradhyakṣa sent the mining products to the state-owned workshops for the production of minerals etc. These workshops were under the supervision of the officers called Lohādhyakṣa, Khanyadhyakṣa etc who were subordinate to the Ākaradhyakṣa.

2. Craftsman fees and taxes

Laborers, artisans, merchants and artisans paid tribute and worked for the king. Shipbuilders, sailors and armor makers paid taxes.

Some of the Astynomoi officers collected one-tenth as a tax on the commodities sold. We found that if a merchant could not pay this tax, he was to be found guilty of a misdemeanor and therefore put to death. Collecting this type of tax could be equivalent to collecting a "sales tax" from a merchant.

3. Weaving and Liquor

The state also played its role in the production sectors of weaving and liquor. These two sectors were under the supervision of the Sūtrādhyakṣa and Surādhyakṣa as found in the Arthashastra of Kautilya. The Sūtrādhyakṣa supervised the production of cotton-thread in the state farms. In this task the female labourers were employed in the farms. Their wages were fixed on the basis of how much yarn they could produce within the stipulated time. In these two sectors also the private enterprise was welcomed but with administrative attention thereto. And the production of the industrial goods of lesser importance was under the state control through the imposition of taxes thereon.

4. Trade and Commerce

Trade and enterprise were government affairs, with the government being able to own and operate businesses in the same way that regular individuals might. Traded items included indigo, medicinal substances, cotton as well as silk. Trade with foreign countries was carried through both lands and a sea route. Trade routes were facilitated with special arrangements like the security of trade routes, provisions of warehouses, go-downs, and other means of transport.

The state had a special responsibility in the matter of trade. His income depended on the profitable disposal of vast quantities of various goods, which, under the circumstances described, were constantly piling up in his hands in his factories and workshops. The state thus became the largest trader in the country and had to control all its trade to protect its own interests. Trade control was based on state price control.

The control system was based on certain unavoidable provisions. The goods could not be sold at the place of origin, in the field or in the factory. They were to be transported to designated markets (panya-sala), where the merchant had to declare the quantity, quality and prices of his goods, which were examined and entered in the books of accounts. Every merchant had to obtain a license to sell. The trader from the outside also had to get a passport.



The Superintendent of Commerce (Panyadhyaksha) fixed the wholesale prices of the goods as entered at the customs office. He allowed profit margins to set retail prices. Smuggling and counterfeiting of goods were severely punished. Speculation and cornering to influence prices were not allowed. Workers' strikes for higher wages were declared illegal.

The state had to assume a heavy and unpleasant responsibility to protect the public, customers and consumers from unauthorized pricing and fraudulent transactions. She had to send an army of spies or market inspectors on trade routes to detect misrepresentations of goods and familiarize merchants with them (II. 21). In addition to state control of prices, there was state control of weights and measures.

The official standard was slightly lower than the public one, so as to provide a comfortable source of revenue in the difference, which amounted to vyaji 5 per cent. It was like a seigniorage fee in coinage. The trade was taxed throughout with export and import duties, excise duties and excise taxes. His progress in the country was punctuated by halts enforced for the payment of taxes at various stages.

5. Urbanization

The development of agriculture, industry, trade and commerce under the control of the Mauryan state continued the process of urbanization during the period. It is well known that Pataliputra became a large urban center with a well-organized administrative system. The city had an administrative department that took care of foreigners. We should note that Megasthenes was present in this city. Kausambi (Kosam near Allahabad) was another urban center of the Mauryas. A royal road was discovered in this city. It is dated to approx. 300 BC. Taksasila (present-day Taxila) became an important center of Mauryan provincial administration in the northwestern region. Urbanization took place in the east during the time of the Mauryas. This is supported by an epigraphic record from Mahasthan in the Bogra district of northern Bangladesh. The inscription refers to the well-fortified city of Puṇḍanagara or Puṇḍranagara. The archaeological remains of Puṇḍranagara were brought to light by K. N. Dikshit.

During this time India was the richest of all richest countries in the world and had the largest contribution in the world GDP and we are not sure about the accurate numbers but many historians believe that the number can be much higher, and also believed that the Mauryan dynasty is one of the richest dynasty to have ever ruled the world and they made India the hub of all major trades and economic activities in the world.

India was the one of the largest economies in the world, for about two and a half millennia starting around the end of 1st millennium BC and ending around the beginning of British rule in India.

The Indian subcontinent had the largest economy of any region in the world for most of the interval between the 1st and 18th centuries. Until 1000 AD, India had less significant GDP growth as per recorded but it had the most advanced technology and mathematical growth during the same time as compared to its contemporaries.

GDP (PPP) in 1990 international dollars

Year	GDP (PPP) (1990 dollars)	GDP per capita (1990 dollars)	Avg %GDP growth	% of world GDP (PPP)	Population	% of world population	Period
1	33,750,000,000	450	—	32.0	70,000,000	30.03	Classical era
1000	33,750,000,000	450	0.0	28.0	72,500,000	27.15	Early medieval era
1500	60,500,000,000	550	0.117	24.35	79,000,000	18.0	Late medieval era

In 1000 AD, according to Maddison's calculations, China and India together contributed 50.5% of world GDP (GDP being computed in 1990 dollars and in purchasing power parity (PPP) terms). By 1600, that share had gone up to 51.4%, with China accounting for 29% and India 22.4% of world GDP. A hundred years later, China's GDP had fallen but India's went up to 24.4% of world output. By 1820, however, India's share had fallen to 16.1%. By 1870, it went down to 12.2%. International Monetary Fund (IMF) projections indicate that India's share of world GDP would be 6.1% in 2015.

The Mughal Period

The Mughal rule brought a significant growth in the Indian economy with surpassing China during 1600s.

In my opinion, yes, we can say that Mughals were somehow responsible for a lot of economic development and building a lot of infrastructure, but they also came to use the rich resources of India and a lot of Muslim rulers did loot



our country and took a lot of our treasuries and numerous golds, diamonds, sapphires, etc. Let's have a in depth look at economy during the period.

Under the rule of the Mughal emperors, India's economy was dependent on agricultural growth. By improving the socio-economic life of the urban and rural areas of India, the emperors of this particular dynasty were able to improve the economy of India. This present study aimed to discuss the overview of Mughal dynasty. This study will include an economic assessment of Indian trade in relation to India's industrial and foreign trade relations at that time. As mentioned earlier, under Mughal rule, the Indian economy focused on improving India's agriculture.

On the basis of this particular factual information, farmers and other parts of rural areas at the time demanded that they produce several products for the markets that helped the empire rise to the top of the world economy.

As soon as farmers began exporting highly valuable agricultural products such as cotton, silk and pepper, commodity values began to rise.

After this improvement in trade and other transactions, India's economy has been placed at the forefront of the global economy.

State of the Urban and Rural Economy

Records show that the urban economy depended primarily on agricultural improvements in rural areas. Farmers were encouraged to expand agricultural land in rural areas by clearing forests.

Agriculture has thus become a central part as it can provide the most important complement to improve trade in India. It can be said that it affected trade.

Primary and Secondary Sectors

According to historian Shireen Moosvi, in the late 16th century, during the Mughal era, the primary sector accounted for 52%, the secondary sector 18% and the tertiary sector 29%. 18% of the total workforce came from urban areas and 82% from rural areas. According to Stephen Broadberry and Bishnupriya Gupta, grain wages in 16th- and 17th-century India were comparable to England. Moosvi also states that Mughal India in the late 16th century had his per capita income on wheat 1.24% higher than he did in British India in the early 20th century. In Mughal India, there was generally a tolerant attitude towards manual labor, and some religious cults in northern India proudly claim that manual labor is highly valued. Slavery existed, but it was mainly confined to domestic workers.

Industry and Trade

Till 1750, India produced approximately 25 percent of the world's industrial output, and key industries covered textiles, shipbuilding, and steel. In early modern-day Europe, there was huge call for products from Mughal India, particularly cotton textiles, in addition to goods which includes spices, peppers, indigo, silks, and saltpetre.

From the late seventeenth century to the early 18th century, Mughal India accounted for 95 percent of British imports from Asia, and the Bengal Subah province by itself accounted for forty in keeping with cent of Dutch imports from Asia.

However, in Mughal India, there has been little or no demand for European items. Indian items, particularly the ones from Bengal, have been additionally exported in big portions to other Asian markets, consisting of Indonesia and Japan.

The most important production industry inside the Mughal Empire became textile manufacturing, particularly cotton fabric manufacturing. Both Akbar and Jahangir caused the growth of overseas seaborne trade, and Akbar himself took part in commercial activities for a time. The Mughals welcomed overseas buyers, supplied enough safety and security for their transactions, and levied a very low custom responsibility. With the aid of and large, in go back for their items, Indian merchants insisted on fee in gold or silver. Obviously, this changed into now not famous in England and the relaxation of Europe, and writers on economic affairs in the 17th century frequently complained, as did Sir Thomas Roe, that "Europe bleedeth to enrich Asia." The demand for articles furnished by way of India changed into so splendid, however, and its necessities for European goods so restrained, that Europe turned into obliged to exchange on India's own terms till the 18th century when special measures have been taken in England and somewhere else to discourage the demand for Indian goods.

Akbar took a special interest inside the development of the indigenous industry and turned into without delay liable for the enlargement of silk weaving in Lahore, Agra, Fatehpur Sikri, and Gujarat. He opened a lot of factories at crucial centres, uploading master weavers from Persia, Kashmir, and Turkistan. Akbar regularly visited the workshops near the palace to watch the artisans at work, which advocated the craftsmen and raised their popularity. It's far said that he took such an interest inside the enterprise that to foster demand he ordered humans of sure rank to put on particular forms of locally woven coverings, an order which resulted inside the establishment of a massive number of scarf manufactories in Lahore; and inducements were represented to foreign carpet-weavers to settle in Agra, Fatehpur Sikri, and



Lahore, and manufacture carpets to compete with the ones imported from Persia." Furthermore, the Mughals constructed an intensive street device, which changed into crucial to the monetary infrastructure. The Mughals set up a public works department which designed, constructed and maintained roads linking towns and cities throughout the empire, making alternate simpler to behaviour. Overall, it can be safely said that India saw the most glorious era in trade and economic improvement during the reign of the Mughal Empire.

The British Rule

Drawing on nearly two centuries of detailed data on tax and trade, Patnaik calculated that Britain drained a total of nearly \$45 trillion from India during the period 1765 to 1938.

It's a staggering sum. For perspective, \$45 trillion is 17 times more than the total annual gross domestic product of the United Kingdom today. The colonizers were only interested in exploiting India's natural resources as they transported items such as coal, iron ore, cotton and other natural resources to ports for the British to ship home to use in their factories. Indians were prohibited from riding in first class compartments in the trains that they helped build even if they could afford it as the first compartments were labeled as "Dogs and Indians are not allowed." Thousands of Indian workers died during the construction of the railroads.

The Conquest of India by A Corporation

The collapse of Mughals and unstable leadership of India in the 18th gave rise to the British East India Company to take control over the political situation of the country. The British took over a vast area of land through their immorality and to be precise on the point of their gun. They bought the Maharajas and Nawabs and emptied their treasuries, they took advantage of cynical 'Doctrine of Lapse', and took over farmers land which they had for ages. The British played divide and rule to basically separate the kingdoms and take over the entire nation.

The Britishers took over India which was not just a barren land but a glittering treasury of the medieval world. The prosperity of then India is described in the book "An Era of Darkness" by diplomat and politician Mr Shashi Tharoor, currently Member of Parliament for Thiruvananthapuram, Kerala. Where he quotes, Yorkshire-born American Unitarian minister, J. T. Sunderland:

"Nearly every kind of manufacture or product known to the civilized world—nearly every kind of creation of man's brain and hand, existing anywhere, and prized either for its utility or beauty—had long been produced in India. India was a far greater industrial and manufacturing nation than any in Europe or any other in Asia. Her textile goods—the fine products of her looms, in cotton, wool, linen and silk—were famous over the civilized world; so were her exquisite jewellery and her precious stones cut in every lovely form; so were her pottery, porcelains, ceramics of every kind, quality, color and beautiful shape; so were her fine works in metal—iron, steel, silver and gold. She had great architecture—equal in beauty to any in the world. She had great engineering works. She had great merchants, great businessmen, great bankers and financiers. Not only was she the greatest shipbuilding nation, but she had great commerce and trade by land and sea which extended to all known civilized countries. Such was the India which the British found when they came."

The contribution India had to the world economy before the arrival of the Britishers according to British economic historian Angus Maddison was 23 per cent as large as all Europe put together. (It had been 27 per cent in 1700, where the Mughal Emperor Aurangzeb treasury in tax revenue alone accounted for £100 million, and it was even more during the Mauryan empire where historians estimate the contribution to 40 per cent). By the time of independence it had dropped to mere 3 per cent. So, it can be correctly said that India was used and consumed and exploited for THE GREAT BRITAIN'S growth for over 200 years. They made their economy and fought the wars in the depredations of Indian economy and its people.

The Deindustrialization of India

Britain's Industrial Revolution was built on the destruction of India's thriving manufacturing industries. The Indian textile industry was symbolic at that point and the great Indian

craftsmanship was systematically destroyed by the Britishers, they killed India's textile manufacturing and exports, substituting Indian textiles by British ones manufactured in England. Ironically, the British used Indian raw material and exported the finished products back to India and the rest of the world, the industrial equivalent of adding insult to injury.

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