

# From Trade to Control: The Role of The British East India Company in Shaping Colonial Development

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**Abstract.** The British East India Company played a pivotal role in shaping India's colonial history, transitioning from a trading corporation to an imperial force with considerable economic and political control. This paper examines this transformative role of the British East India Company in shaping India's colonial history, focusing on its transition from a trading entity to an imperial power with significant economic and political control. The paper also explores how the Company established monopolies, redirected agricultural production toward cash crops, and built infrastructure to facilitate British trade, contributing both to India's modernization and economic distress. These changes contributed to India's modernization but also led to economic hardships, including the decline of local industries and increased social inequality. The research further analyzes the Company's influence on India's social structure, highlighting how Western education fostered a new elite class and facilitated cultural exchange. The paper concludes that, while the Company brought modernization, it also caused exploitation, leaving a complex legacy that continues to influence modern India.

**Keywords:** Colonialism; British East India Company; Indian economy; social hierarchies; cultural exchange.

## 1. Introduction

The Age of Exploration is one of the most significant eras in global history. As an important milestone, this period was marked by countless European voyages, the extraction of resources, and the expansion of territories. European powers spread their influence globally from the 15th century to the mid-20th century, spanning 35% of the Earth's land by 1800 and peaking at 84% by the beginning of World War I [1].

A key factor in Europe's successful expansion was the establishment of trade stations along exploration routes and the connection of various trade network. During their rule in colonies, European powers set up factories and production lines and linked them to their home economies. This allowed them to maximize the exploitation of labor and resources in the colonies for the benefit of their own nations, and to maintain their power. Among these overseas companies, the most representative example is the East India Company.

Performing both political and economic purposes, the East India Company's influence reached its peak in the 18th century. Operating with quasi-governmental authority, it wielded power over vast territories and extravasated wealth during trade. This paper explores how the British East India Company played a crucial role in shaping colonial trade practices in India and Southeast Asia and how it impacted local economies, social structures, and international trade dynamics.

## 2. The British East India Company: Targets and Steps

### 2.1. Formation and Early Years' Target

The British East India Company was founded in 1600, an age when merchants and explorers from different European powers stepped onto new colonies, seeking opportunities for wealth, hoping their country could win this intense Asia commerce competition among European countries. In 1612, after defeating Portuguese and other rivals, they became the most important European traders in India [2]. The company's initial goal was to make money only for the company, focusing on businesses in cotton, silk, saltpeter, indigo, and tea.

Gradually, the company set up trading posts and expanded its operations. It founded an Indian factory at Masulipatnam on the Andhra Coast of the Bay of Bengal and Surat. As its wealth accumulated, more and more trading posts were established. By 1647, the company had 23 factories in India. Around 1670, King Charles II of England granted them rights to run their territories in India as they saw fit, and the rights of owning private soldiers [3].

Rapidly, the company formed its own military power which helped them to stand its foot on the Indian mainland. However, its power remained limited in a larger range. With the tension between European powers for the territory of India increased, the company's strategy shifted from mere trade to the establishment of political control.

## **2.2. Expansion of Influence**

With the political and financial support from the British government, The British East Indian Company shifted its target from mere profit to military expansion, gradually turning from a trading organization with an army to protect its business to an imperial force that expanded its power and territory. It started to engage in many military actions, for instance, the company defeated the Nawab of Bengal and established dominance in Bengal, a region rich in resources and trade opportunities [4]. The British East Indian Company began to exert political authority alongside its economic interests, expanding territories and trading opportunities for the British.

On the other hand, as its military forces increased, the British East Company gradually monopolized the trade of spices in Asia, and it started to build trading with China and other Asian countries [5]. By the late 18th century, the company had become an imperialist authority and had control of trade, taxation, law and order, and even the military in India.

## **2.3. Governmental Authority and Military Power**

The British East Indian Company started to form a complete monopoly, and it became a representation of British military power and authority. The Company maintained its own army, and it used this force to enforce laws and policies. Furthermore, as great wealth was being brought by officials of the company back to Britain and new trading connections were being established, the relationship between the East Indian Company and the British government evolved [6].

This official authority of the British crown that stood behind the company owned it more power in India. For instance, On 14 January 1773, the directors of the EIC asked for a government loan and unlimited access to the tea market in the American colonies, both of which were granted. This led to a more complex interplay of power that shaped the colonies' economics and politics.

# **3. The British East India Company: The Economy Impact**

## **3.1. Monopolization of Trade**

The British East India Company's expansion brought monopolization of manufactured commodities and other businesses in India, prioritizing the accumulation of wealth for Britain through a mercantilist approach, which had a huge negative impact on local industries and artisans. As mentioned previously in the first section, the company established trading posts in key locations, enabling it to exert control over the local market. In addition, the military force the company had also helped its monopolization.

For instance, Indian artisans, who had previously thrived in industry, largely relied on the production of textiles. In the 17th century, before Britain's colonization, India was a relatively urbanized and commercialized nation with a buoyant export trade devoted largely to cotton textiles, and its GDP was around 25% of the world's whole GDP, more than all of Europe combined [7]. However, they found it increasingly difficult to compete with British manufactured goods that flooded the market at lower prices, which did not need to pay tariffs and duties when exporting. The British enforced tariffs and duties of 70-80% on textiles produced in India, making them impractical for export [8].

This introduction of cheap textiles from Britain emerged in India's textile market, which heavily devastated the local textile industry, leading to widespread unemployment and economic decline for many skilled artisans. In fact, when Britain left India in 1900, India's share of global industrial output declined to 2 %, while Britain's share of the world economy rose from 2% to 10% [9]. This not only diminished the local economy's vibrancy but also led to widespread unemployment and poverty among Indian artisans who could not compete with the influx of cheaper British products.

### **3.2. Transformation of Local Economics**

The British East India Company fundamentally transformed the major market of local economics, mainly by shifting the focus from subsistence agriculture to cash crops. As the Industrial Revolution began in Britain around 1760, the British Empire needed not only huge investments but also large amounts of raw materials and markets [10]. Therefore, India, with a large population, free market, and abundant resources, was the first choice.

The company carried policies from Britain's government, forcing the colonized to grow cash crops, such as indigo, opium, cotton, and jute, first in Bengal and then throughout India, in order to provide raw materials for native British producers [11]. This shift in agriculture production had a large impact on the agrarian economy of India.

Moreover, agriculture remains the largest employer as a sector in India. The World Bank data suggests that more than 50% of Indian families are dependent on agriculture for their livelihood [12]. Therefore, when the traditional independent agriculture market was abandoned, it led to the instability of the economy and a shortage of crops in India's mainland. Many local farmers were forced into debt in order to maintain their lives during this transition, which further heaved their dependence on the East India Company, the European market, and local British moneylenders.

### **3.3. Economic Disparities**

Due to transformation of local economics and monopolization of the rule of Company, these economic practices performed by British East India Company created disparities between the wealth accumulated by the Company and the poverty experienced by local Indian residents and manufacturers. Due to the imperialism Britain posed on India, British investors and producers completely controlled the market; as mentioned in section 1, they reaped enormous profits from the exploitation of Indian resources. Some local Indians, who aligned themselves with British interests, also benefited from the colonial economy, securing positions of power and wealth.

As in 1840, the chairman of the East India and China Association told the English parliament: "This company has succeeded in converting India from a manufacturing country into a country exporting raw produce" [13]. These policies and situations heavily skewed India's Economy, turning it a chain in British interests. The wealth generated by local Indians and through trading practices all contributed to Britain industrial revolution, which further entrenched poverty in colonize regions and accumulated wealth in Britain. From 1600 to 1871 the ratio of GDP per capita in India to that in Britain fell from more than 60% to less than 15% [14]. This huge gap of economic disparities during the colonial period penetrated the whole Indian history, persisting into modern times.

### **3.4. Infrastructure Development**

Despite many negative impacts, in order to facilitate its trade, Britain also brought in infrastructure projects, such as ports, railways, and roads, as well as many factories and investments. Although the true target of Britain-built these public projects was their own interests, which was to efficiently transport raw materials from the interior of India to ports for export to Britain, these infrastructures also had complex implications for local economies and societies.

For instance, the establishment of railroads covering many ports and important markets of India also laid the groundwork for future economic and industrial development in India. In addition, infrastructure development fostered urbanization, as towns and cities grew with populations, and

the establishment of telegraphs for transportation improved communication across vast distances in local India, facilitating later governance.

## **4. British East India Company: Social and Cultural Impact**

### **4.1. Class Structures and Social Hierarchies**

Britain not only heavily impacted India's local economic system, but it also brought a lot of Social and Cultural change during colonialism. As the British East India Company spread its influence in India mainland, many British officials and merchants came to India, seeking opportunities and wealth. Through the rise of British officials and merchants, a new elite class was created that was closely associated with colonial power and intersected with the old Indian class system. Cooperated with the British East India Company, this new group of people, zamindars, or landlords, were rewarded with wealth and power. The zamindars created by the British government, with landlords, agricultural laborers, merchants, and many other local social groups, together formed the intermediary class that helped the British to maintain control in India. With the new middle class coming into existence to form the main force of industry, this transformation in Indian class structures by outside capitalists' force later led to the establishment of modern Indian class structure [15].

Social Hierarchies were also significantly altered by the coming of Britain. Britain viewed money and wealth as their most important goal in India, and they often oversimplified or overlooked the local social hierarchies. Meanwhile, they brought their own British-style system, and they applied this system in India. For instance, rather than adapt to the Indian system to adjudicate disputes between various local groups, the British ditched the practices of local governance, in which issues of taxation, business, and justice were often seen as negotiations, in favor of an increased emphasis on written laws. It is hard to state a theory of whether the interference of British social hierarchies is beneficial for Indians. Many people in India took a lot of time to adapt to the system, but the thing that can't be denied is this also benefited the few who could adapt to or understand British legal principles, such as Europeans in India and some well-connected Indians [16].

### **4.2. Cultural Exchange and Syncretism**

The East Indian British, through its long-standing presence in India, inadvertently facilitated the introduction of British customs, lifestyle, and values, particularly among the upper classes, who had close relationships with British outcomers. Among the many cultures, traditions, and new systems the British brought, the most significant one is their advanced Western education system. In 1835, Lord Macaulay introduced a system of education which was known as Macaulay's System of Education [17].

Although the main target of the British East India Company was to make a profit, their control and existence in India also brought a few changes in the education system [18]. The British made English the official language in India and made English the medium of instruction in schools and universities. English gradually spread into Asia, being used more often in higher education, law, and administration, and it still holds its influence in India and the whole of Asia. This may link back to the change in class structures and social hierarchies in India since English created a class of English-born, English-educated, and English-dependent Indians who were dependent on British power.

Before British rule, during early times in India, although education was available and open to all people, the lessons taught to each caste were different. Their education largely relied on religious texts and other ancient literature instead of advanced scientific advances in Western countries. The arrival of the company and the British completely changed the situation, as they brought in advanced transportation technologies and construction technologies for the benefit of their sales, they also brought liberal arts, sciences, and humanities. Famous colleges such as Elphinstone College in Bombay and Presidency College in Calcutta were established [19], which became centers of learning, and helped the later development of India's education system.

Indians were exposed to Western education, which broke the traditional view of using castes and born to distinct people. It gave Indian students ideas of enlightenment, human rights, and liberalism, leading to the rise of social reformers such as Raja Ram Mohan Roy, which led to the promotion of women's rights in later eras. Therefore, although the arrival of British people broke and shamed many traditional values, it also introduced new ideas and advanced theories to India.

### 4.3. Resistance and Adaptation

In this essay, many changes in policies, cultures, and economy were discussed, but many policies the British East India Company established actually met with resistance, both subtle and overt. Especially at the beginning of rule, many rebellions were constructed. For instance, in 1855, the Santhal rebellion in India reflected the discontent with oppressive taxation and exploitative land policies imposed by the East India Company [20]. There were many similar rebellions during this period, this reflected the contradictions between the Indian's will and the British's target on this land.

However, despite many rebellions and resistance at the beginning of the British reign, after the British sustained their control, many local rulers and elites chose to collaborate with the British and adopted European-style economic models, techniques, and military strategies. Although this way of aligning with the British may be a method of seeking protection and accessing economic privilege, this combination and blending of various aspects led to the formation of hybrid systems that combine the economic, cultural, and politics of both Britain and India.

## 5. Conclusion

The British East India Company's presence in India left a significant and lasting legacy that shaped the nation's economic, social, cultural, and political trajectory. The Company, expanding its history for about 300 years, from formation in the early years, and expansion of influence, gradually changed from a commerce company to a tool of British imperial control. It created a real governmental authority and military power, which all stand the authority of Britain.

It fundamentally changed the original economic style and system, pushing monopolization of British trade; led to the transformation of local industries and economies, shifting subsistence agriculture to cash crops; developed and invested fractures and push constructions, leading to huge changes in local economies. These changes and transformations included both positive effects, such as advanced technologies and infrastructures that helped India into a modernized worldwide country, and negative impacts, such as the ruin of the local economy and the creation of economic disparities.

From a social and cultural aspect, it is challenging to assess whether British influence on India was positive or negative. British rule changed class structures and social hierarchies, leading to the emergence of new social classes. It also led to cultural exchange and syncretism, introducing Western culture, language, and education. These changes were met with both resistance and adaptations, and their impact still lingers in India's post-colonial and contemporary economy.

Carried these embedded influences from Britain, India gradually transformed into a modern country nowadays. The long and complex history of colonization make it difficult to distinguish the right and wrong sides, or to state whether Britain's influence on India was positive or negative. The legacy of the British East India Company is, therefore, a dual one—marked by both exploitation and modernization. Understanding the importance and significance of its role during the colonial age offers important insights into the complexities of colonialism and its enduring influence on modern India.

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