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The Company Becomes the Diwan

In 1765, the Mughal emperor granted the British East India Company the Diwani rights over Bengal, Bihar, and Orissa. This meant the Company became the chief financial administrator of these territories, responsible for collecting revenue and managing fiscal matters. This marked a major shift from the Company being a mere trading entity to a political power controlling land and revenue.

The Company had to organize revenue collection to meet its growing expenses. It had to balance increasing revenue demands with maintaining local authority by pacifying traditional rulers and landholders. This period marked the beginning of British colonial administration in rural India.

Exam Question

Q: What was the significance of the Company becoming the Diwan in 1765?

A: It marked the beginning of British political and economic control over Bengal, Bihar, and Orissa, as the Company gained the right to collect revenue and administer these regions.

Revenue for the Company

After becoming Diwan, the Company sought to maximize revenue without establishing a regular system of assessment. The value of goods purchased by the Company in Bengal doubled within five years, financed by revenue collected locally instead of gold and silver from Britain.

However, this led to economic distress: artisans left villages due to low prices, peasants struggled to pay dues, and agricultural production declined. The 1770 famine killed about ten million people, showing the deep crisis in Bengal's economy.

Exam Question

Q: What were the economic consequences of the Company's revenue policies in Bengal?

A: The policies caused economic distress, including decline in artisanal production, agricultural collapse, and a devastating famine in 1770.

The Permanent Settlement

Introduced in 1793 by Charles Cornwallis, the Permanent Settlement recognized zamindars as landowners responsible for collecting rent and paying fixed revenue to the Company. The revenue demand was permanently fixed to ensure steady income and encourage zamindars to invest in land improvement.

However, zamindars often failed to invest, and many lost their estates due to inability to pay revenue. The fixed revenue prevented the Company from increasing its income

despite rising market prices. Zamindars preferred to lease land to tenants rather than improve it themselves.

Exam Question

Q: What was the main objective of the Permanent Settlement and why did it fail to achieve it?

A: The objective was to secure fixed revenue and encourage zamindars to improve land. It failed because zamindars did not invest in land improvement and the fixed revenue limited the Company's income.

Mahalwari and Ryotwari Systems

In the early 19th century, new revenue systems replaced the Permanent Settlement in some regions. The Mahalwari system, introduced in the North Western Provinces, fixed revenue demands for villages (mahals) and assigned collection to village headmen.

The Ryotwari system, developed by Thomas Munro in South India, dealt directly with cultivators (ryots), assessing revenue based on individual landholdings. Both systems aimed to improve revenue collection but often imposed high demands, causing peasants to flee and villages to be deserted.

Exam Question

Q: How did the Mahalwari and Ryotwari systems differ from the Permanent Settlement?

A: Mahalwari fixed revenue at the village level with collection by headmen, while Ryotwari dealt directly with cultivators and assessed revenue individually. Both allowed periodic revision, unlike the permanently fixed revenue in the Permanent Settlement.

Crops for Europe

The British expanded cultivation of cash crops like opium, indigo, jute, tea, sugarcane, wheat, cotton, and rice to meet European demand. Indigo, a blue dye plant, became especially important, with Bengal dominating the world market by the early 19th century.

Indigo cultivation was done through two systems: *nij* (planter-controlled land) and *ryoti* (peasants forced to grow indigo under contract). The *ryoti* system involved loans that trapped peasants in debt and forced them to grow indigo on part of their land, often at the expense of food crops.

Exam Question

Q: What were the two systems of indigo cultivation and their impact on peasants?

A: *Nij* cultivation was planter-controlled, while *ryoti* forced peasants to grow indigo under contract and debt. The *ryoti* system was oppressive, leading to debt and reduced food cultivation.

Indigo Production Process

Indigo plants were harvested and transported to factories near the fields. The leaves were soaked in vats to ferment, releasing indican which converted to indoxyl. Oxidation then produced the blue indigo dye. Workers called vat-beaters stirred the vats for hours to keep the dye active. The indigo pulp was then pressed into blocks for sale.

Exam Question

Q: Describe the main steps in the traditional indigo dye production process.

A: Harvesting indigo plants, soaking and fermenting leaves in vats, stirring the solution, oxidation to form blue dye, and pressing the dye into blocks for sale.

The Indigo Rebellion

In 1859, peasants in Bengal rebelled against oppressive indigo cultivation. They refused to grow indigo, attacked factories, and resisted planters' agents. The rebellion was supported by local zamindars and village headmen unhappy with planters' power. The British government, fearing unrest, set up the Indigo Commission which condemned planter practices and allowed peasants to refuse future indigo cultivation.

The rebellion marked a significant peasant uprising against colonial exploitation and led to a decline in indigo production in Bengal.

Exam Question

Q: What caused the Indigo Rebellion and what was its outcome?

A: Oppressive contracts, low prices, and forced cultivation caused the rebellion. The Indigo Commission condemned planters and allowed peasants to refuse indigo cultivation, leading to a decline in production.

Solved Examples

Example 1: Explain why the Permanent Settlement was introduced and its effects.

Answer: The Permanent Settlement was introduced to secure a fixed revenue for the Company and encourage zamindars to invest in land improvement. However, zamindars often failed to invest, and the fixed revenue limited the Company's income, causing economic problems for peasants.

Practice Set

Easy

- What was the Diwani granted to the British East India Company?
- Who were zamindars under the Permanent Settlement?

Moderate

- Describe the differences between the Mahalwari and Ryotwari systems.
- What were the economic impacts of indigo cultivation on peasants?

Challenging

- Analyze the causes and consequences of the Indigo Rebellion of 1859.
- Discuss why the Permanent Settlement failed to encourage zamindars to improve agriculture.

Answer Key

- **Diwani:** The right to collect revenue and administer fiscal matters.
- **Zamindars:** Landlords recognized as landowners responsible for collecting rent and paying fixed revenue.
- **Mahalwari vs Ryotwari:** Mahalwari fixed revenue at village level with collection by headmen; Ryotwari dealt directly with cultivators with individual assessments.
- **Indigo impacts:** Peasants trapped in debt, forced to grow indigo on fertile land, leading to food crop decline and economic hardship.
- **Indigo Rebellion:** Caused by oppressive contracts and exploitation; led to government inquiry and decline in indigo cultivation.
- **Permanent Settlement failure:** Zamindars did not invest in land improvement due to fixed revenue and risk of losing land.

Quick Reference

- **1765:** Company granted Diwani rights.
- **1770:** Bengal famine.
- **1793:** Permanent Settlement introduced by Cornwallis.
- **1822:** Mahalwari system introduced.
- **1859:** Indigo Rebellion.

Glossary

- **Diwani:** The right to collect revenue and administer fiscal matters.
- **Zamindar:** Landlord recognized as landowner under Permanent Settlement.
- **Mahal:** Revenue estate, a village or group of villages.
- **Ryot:** Cultivator or peasant farmer.
- **Indigo:** A plant used to produce blue dye.
- **Permanent Settlement:** A land revenue system fixing revenue permanently.
- **Mahalwari System:** Revenue system fixing village revenue, collected by headmen.
- **Ryotwari System:** Revenue system dealing directly with cultivators.
- **Indigo Rebellion:** Peasant uprising against oppressive indigo cultivation.

Year	Event	Significance
1765	Company granted Diwani rights	Start of British political and economic control in Bengal, Bihar, and Orissa
1770	Bengal famine	Massive loss of life due to economic crisis and agricultural failure
1793	Permanent Settlement introduced	Fixed revenue system recognizing zamindars as landowners
1822	Mahalwari system introduced	Village-based revenue system with periodic revision
1859	Indigo Rebellion	Peasant uprising leading to government inquiry and reforms