

# FROM TRADE TO TERRITORY (THE COMPANY ESTABLISHES POWER)

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## INTRODUCTION

The Europeans had always been attracted by the legendary wealth of India. For some time, the Portuguese, among other Europeans, had been looking for a sea route to India for commercial reasons. The Indian subcontinent was famous for its spices, cloth, indigo. They were sold at a high price in Europe while they were purchased at a low price in India. The high profits attracted the European nations towards India. The Muslim Ottoman Empire of Turkey ruled the Middle East, and they caused lots of problems to the European merchants who tried to pass through their land.

Therefore, the Europeans tried to find other routes to reach India. Among these European powers, the Portuguese were the first to arrive in India after they had circled the whole of the African continent. Vasco da Gama arrived in Calicut on May 20, 1498. For the first time, a foreign power had come to India by sea. Soon, they set up a trading post. The Portuguese then founded settlements in Goa, Cochin and Daman and Diu. However, the Portuguese dominance only extended to the coasts. They never made any significant inroads into the Indian interior. Once the Portuguese set up trading posts in India, other European powers like the Dutch, the French and the British followed suit.

## FORMATION OF THE ENGLISH EAST INDIA COMPANY

- ◆ The most astonishing story in Indian History was the advent of the British. It was not the result of a deliberate planning. It had a humble beginning as a joint-stock trading company set up to trade with the East. Later, it developed political interests and ended up ruling the entire country.
- ◆ The English East India Company was chartered by Queen Elizabeth I on December 31, 1600 for developing trade and commerce with Asia for a period of 15 years. The principle cause for introducing the English East India Company was to break the monopoly of the Dutch in the spice trade with the East Indies.
- ◆ British ships first arrived in Surat, India in 1608. In 1612, they set up a trading post at Surat. Initially, the British had rivalry with the Dutch

and the Portuguese. They defeated the Portuguese in the Battle of Swally in 1612. In 1615, Sir Thomas Roe was sent as an ambassador to the Mughal Emperor Jahangir's court asking for permission to build trading posts in India. They wanted to trade in commodities like cotton, silk, indigo dye, saltpetre, tea and opium. By the middle of the 1600s the East India Company had established trading posts or 'factories' in three more cities-Madras (Chennai), Bombay (Mumbai) and Calcutta (Kolkata). They were called factories but actually they were godowns and the residences of the Company officials. In 1652, the British had 23 factories in India. They were granted permission. Bombay came under the possession of the British Crown in 1662 and was handed over to the East India Company for 10 pounds a year in 1668. The main factories were Fort St George in Madras, walled forts of Fort William in Calcutta and the Bombay Castle. In the beginning, trade with the East India Company was of mutual benefit. The British filled the treasuries of the Mughals with large amounts of silver to pay for the exports. The craftsmen also prospered. Gradually, the Company came to rule large areas of India, exercising military power and assuming administrative functions, and it changed from a commercial trading association to a political power.

#### ➤ ENGLISH EAST INDIA COMPANY BEGINS TRADE IN BENGAL

The first English factory was set up on the bank of the river Hugli in 1651. This was the base from which the company's traders, known at that time as "factors" operated by 1696 Company began building a fort around the settlement two years later it bribed Mughal officials into giving the company zamindari right over three villages. It also persuaded the Mughal emperor Aurangzeb to

issue a farman granting the company the right to trade duty free.

The Company tide continuously to press for more concessions and manipulate existing privileges. Aurangzeb's farman, for instance had granted only the Company the right to trade duty free. But official of the company, who were carrying on private trade on the side were expected to pay duty refused to pay, thus causing an enormous loss of revenue for Bengal.

#### ➤ HOW TRADE LED TO BATTLES

Bengal was ruled by Nawabs who were virtually independent of Mughal rule now. Since 1740, the ruler of Bengal, Alivardi Khan, had been the virtually self-appointed Nawab. Bengal was a prosperous land and the British now wanted control over it. In 1717, the Mughal Emperor Farukhsiyar had granted special privileges to the East India by a *royalfarman*<sup>1</sup>. According to this, the British were allowed to trade without paying taxes and could issue *dastaks*<sup>2</sup> or passes for the movement of goods. However, private trade by the Company servants was not included in this farman. The *dastaks* were issued to the Company servants who were using these for private trade. The Nawabs were not very happy with the wrong interpretation of the royal farman and this led to a conflict between the East India Company and the nawabs. Also, the East India Company now fortified Calcutta without the permission of Siraj-ud-Daulah, the Nawab of Bengal They also imposed taxes on goods entering Calcutta. Moreover, they stocked ammunition within the fort without the ruler's permission. Sirajud-Daulah was young and impulsive. He asked them to demolish these fortifications, but when the British did not pay any heed, he marched to Fort William and defeated the British easily



## BATTLE OF PLASSEY

- ◆ The Company worried about its power, started interfering in the political affairs of Bengal. An infuriated Sirajuddaulah asked the Company to stop meddling in the political affairs of his dominion, stop fortification and pay the revenues. After negotiations failed, the Nawab marched with 30,000 soldiers to the English factory at Kassim Bazar, captured the Company officials, locked the warehouse, disarmed all Englishmen and blocked English ships. Then he marched to Calcutta to establish control over the company's fort there.
- ◆ On hearing the news of the fall of Calcutta, Company officials in Madras sent forces under the command of Robert Clive, reinforced by naval fleets. Prolonged negotiations with the Nawab followed. Finally, in 1757, Robert Clive led the Company's army against Sirajuddaulah at Plassey. One of the main reasons for the defeat of the Nawab was that the forces led by Mir Jafar, one of Sirajuddaulah's commanders, never fought the battle. Clive had managed to secure his support by promising to make him Nawab after crushing Sirajuddaulah. The Battle of Plassey became famous because it was the first major Victory the Company won in India. It was fought on 23 June 1757.
- ◆ After the defeat at Plassey, Mir Jafar was made the Nawab. Soon the Company discovered that the puppet Nawabs were not always as helpful as the Company wanted them to be. What could the Company do? When Mir Jafar protested, the Company deposed him and installed Mir Qasim in his place. When Mir Qasim complained, he in turn was defeated in battle fought at Buxar (1764), was driven out of Bengal, and Mir Jafar was reinstalled. The Nawab had to pay Rs. 500,000 every month but the Company wanted more money to finance its wars, and meet the demands of trade and its other expenses. It wanted more territories and more revenue. Mir Jafar died in 1765. The victory of battle of Plassey turned the history of India and a mere trading company became a ruling force in Bengal. Having failed to work with puppet Nawabs, Clive declared "We must indeed become Nawabs ourselves."
- ◆ Finally in 1765 the Mughal emperor appointed the Company as the Diwan of the provinces of Bengal. The Diwani allowed the Company to use the vast revenue resources of Bengal. This solved the major problem of purchasing the goods. Earlier Company had to buy the goods with gold and Silver imported from Britain. The outflow of gold from Britain slowed after the Battle of Plassey, and entirely stopped after the assumption of Diwani. Now revenues from India could finance Company expenses. These revenues could be used to purchase cotton and silk textiles in India, maintain Company troops, and meet the cost of building the Company fort and offices at Calcutta.
- ◆ The causes of the defeat of the Nawab were mainly: (i) the British had entered to conspiracy with Mir Jafar, the commander-in-chief of Siraj-ud-Daulah; (ii) the dubious role played by a local financier called Jagat Seth. After the victory, Mir Jafar, as promised to him, was made the next Nawab of Bengal.
- ◆ The British first openly started misusing the trading privileges granted to them by the Nawab of Bengal. In AD 1760, Mir Jafar was also deposed and his son-in-law, Mir Qasim was made the Nawab. Mir Qasim, the new Nawab of Bengal granted the British more favours and jagir of Burdwan, Midnapore and Chittagong. They also obtained gifts worth Rs. 29 lakh from the new Nawab. Mir Qasim was an efficient and capable ruler. His activities were not to the liking of the British. This ultimately led to the Battle of Buxar in 1764 which the Company ultimately won.



## THE BATTLE OF BUXAR

- ◆ In this battle, Nawab of Awadh, Shuja-ud-Daulah and Shah Alam, the Mughal Emperor who was then at Allahabad under the former's protection, also took part. Though Mir Qasim fled, he died shortly thereafter. Battle of Buxar came to an end with , the Treaty of Allahabad (1765). Under the terms of this treaty:

- (i) Shah Alam was to continue to reside at Allahabad under the protection of British troops .
- (ii) Allahabad and Kara were ceded to the English. These two territories were assigned to the Mughal Emperor
- (iii) Awadh was restored to Shuja-ud-Daulah in lieu of a sum of Rs. 50 lakh to the company.
- (iv) The company further secured a farman from the Mughal Emperor by which they were granted the Diwani of Bengal, Bihar and Orissa.
- (v) Robert Clive introduced the dual Government in Bengal in 1764 which lasted upto 1772. They placed Mir Jafar on the throne but did not give him any power



## EXPANSION OF COMPANY RULE

### ◆ Subsidiary Alliance

Bengal suffered very much under the dual government policy of Clive. The situation also became worse due to the famine. Finally, it was Warren Hastings who ended the dual government and brought Bengal directly under the control of East India Company.

After two battles, the British adopted different policies to expand their control. One such was the **Subsidiary Alliance**. This was introduced by Lord Wellesley who was the Governor General of India between 1798 and 1805. According to this policy :

- (i) King must maintain an army of British at his cost.
- (ii) To allow British resident in the court
- (iii) To keep only British and remove all other Europeans.
- (iv) To abide and consult with British on any issues of the Kingdom

In return to the above conditions, the 'British promised to protect the state from any other invasions. Under this alliance, the ruler lost his independence.'

- ◆ The King were to be protected by the company but had to pay for the "subsidiary forces" that the Company was supposed to maintain for the purpose of this protection. If the Indian rulers failed to make the payment. then part of their territory was taken away as penalty. The Nawab of Awadh was forced to give over half of his territory to the company in 1801 as he failed to pay for the subsidiary. Hyderabad was also forced to cede territories on similar grounds.

### ◆ Anglo-Mysore wars

In 1760 Hyder Ali, the General of Mysore Army became the king of Mysore and ruled up to 1782. After his death his son Tipu Sultan ruled from 1782 to 1799. He controlled the profitable trade of the Malabar coast where the Company purchased pepper and Cardamom. In 1785 Tipu sultan stopped the export of sandalwood, pepper and cardamom through the ports of his kingdom and disallowed local merchants from trading with the Company. He also established a close relationship with the French in India, and modernized his army with their help.

There were mainly three reasons for Anglo-Mysore conflict :

- (i) The friendly relations of Tipu and French and modernisations of his army with their help.
- (ii) Restriction on sandalwood, cardamom, spice and pepper trade for British on Malabar Coast by Tipu Sultan

- (iii) The British saw Haidar and Tipu as ambitious, arrogant and dangerous - rulers who had to be controlled and crushed.

Due to these factors the British were furious. Four wars were fought with Mysore (1767-69, 1780-84, 1790-92 and 1799). The Company forces were defeated by Haidar Ali and Tipu Sultan in several battles. Only in the last - the Battle of Seringapatam - did the company ultimately win a victory. Tipu Sultan was killed, Mysore was placed under the former ruling dynasty of the Wodeyars and a Subsidiary alliance was imposed on the state.

#### ◆ **War with the Marathas :**

The Marathas were subdued in a series of wars : In the first war that ended in 1782 with the Treaty of Salbai there was no clear victor. The Second Anglo-Maratha War (1803-05) was fought on different front, resulting in British gaining Orissa and the territories north of the Yamuna river including Agra and Delhi. Finally the Third Anglo-Maratha War of 1817-19 crushed Maratha power. The Company now had complete control over the territories south of the Vindhyas.

#### ◆ **The Claim to Paramountcy :**

- ◆ From the early nineteenth century the Company pursued an aggressive policy of territorial expansion. Under Lord Hastings (Governor - General from 1813 to 1823) a new policy of "Paramountcy" was initiated. Now the Company claimed that authority was paramount, supreme, hence its power was greater than that of Indian states. This view continued to guide later British policies as well.
- ◆ The policy of Paramountcy was continuously challenged. For example, when the British tried to annex the small state of Kitoor (in Karnataka today) Rani Channamma took to arms and led an anti-British resistance movement. She was arrested in 1824 and died in prison in 1829. But Rayanna, a poor chowkidar of Sangoli, in Kitoor carried on the resistance. With popular support he

destroyed many British camps and records. He was caught and hanged by the British in 1830.

- ◆ In the late 1830s the Company became worried about Russia. So they wanted to secure their control over the north-west. They fought a prolonged war with Afghanistan between 1838 and 1842 and established indirect rule there. Sind was taken over in 1843. Next in line was Punjab. After the death of Maharaja Ranjit Singh in 1839 two prolonged wars were fought with the Sikh kingdom. Ultimately, in 1849, Punjab was annexed.

#### ◆ **The Doctrine of Lapse :**

- ◆ Lord Dalhousie, the Governor - General from 1848 to 1856 introduced the Doctrine of Lapse. This policy refuted the customary adoption of son and stated that a dependent state would pass into British hands in the absence of a natural born heir. Satara (1848), Sambalpur (1850), Udaipur (1852), Nagpur (1853) and Jhansi (1854) were all annexed under this policy only.
- ◆ In 1856, the company also took over Awadh. They said they were "obliged by duty" to take over Awadh in order to free the people from the "misgovernment" of the Nawab.



### **SETTING UP A NEW ADMINISTRATION**

British territories were broadly divided into administrative units called Presidencies. There were three Presidencies : Bengal, Madras and Bombay. Each was ruled by a Governor. The supreme head of the administration in India was the Governor-General. Warren Hastings, the first Governor - General, introduced several administrative reforms notably in the sphere of justice.

#### ◆ **Judiciary :**

- ◆ From 1772 a new system of justice was established. Each district was to have two courts a

criminal court (faujdari adalat) and a civil court (diwani adalat). Maulvis and Hindu pandits interpreted Indian laws for the European district collectors who presided over civil courts. The criminal "courts were still under a qazi and 'a mufti but under the supervision of the collectors.

were ignored in building a force of professional soldiers

- ◆ In 1775 eleven pandits were asked to compile a digest of Hindu laws. N B Halhed translated this digest into English. By 1778 a code of Muslim laws was also compiled for the benefit of European judges. Under the Regulating Act of 1773, a new Supreme Court was established, while a court of appeal - the Sadar Nizamat Adalat - was also set up at Calcutta.
- ◆ The principal figure in an Indian district was the Collector. His main job was to collect revenue and taxes and maintain law and order In his district with the help of judges, police officer and darogas. His office - the Collectorate - became the new centre of power.

#### ◆ **The Company army :**

- ◆ The power of Colonial rule in India rested on its military strength
- ◆ In the eighteenth century the Company began recruitment for its own army. It started recruiting peasants into armies and training them as professional soldiers. This came to be known as the sepoy army.
- ◆ As warfare technology changed from the 1820s, the cavalry requirements of the Company's army declined. The soldiers of the Company's army had to keep pace with changing military requirements and its infantry regiments now became more important.
- ◆ In the early nineteenth century the British began to develop a uniform military culture. Soldiers were increasingly Subjected to European-style training drill and discipline that regulated their life far more than before. Often this created problems since caste and community feelings