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Trade in the Madras Presidency, 1941-1947
A Doctoral Dissertation

R. Jayasurya, Ph.D.

TRADE IN THE MADRAS PRESIDENCY 1941 – 1947

THESIS

Submitted in partial fulfillment for the Award of Degree of Doctor of Philosophy
of the Bharathiar University, Coimbatore.

By

R. JAYASURYA, M.A., M.Phil.,

Under the Guidance of
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Trade in the Madras Presidency

R. Jayasurya, Ph.D.

DECLARATION

I **Mrs. R. Jayasurya** hereby declare that the thesis, entitled “**TRADE IN THE MADRAS PRESIDENCY FROM 1914-1947 AD**”, submitted to the Bharathiar University, in partial fulfillment of the requirements for the award of the **Degree of Doctor of Philosophy in History** is a record of original and independent research work done by me during August 1996 – July 2004 under the Supervision and guidance of **Dr. K. Kamal Mustafa, M.A., Ph.D., Professor and Head (Retired)**, Department of History, Government Arts College (Autonomous), Coimbatore and it has not formed the basis for the award of any Degree/ Diploma/ Associateship / Fellowship or other similar title to any candidate in any University.

Signature of the Candidate

CERTIFICATE

This is to certify that the thesis, entitled “**TRADE IN THE MADRAS PRESIDENCY FROM 1914-1947 AD**”, submitted to the Bharathiar University, in partial fulfillment of the requirements for the award of the **Degree of Doctor of Philosophy in History** is a record of original research work done by Mrs. R. Jayasurya during the period from August 1996 to July 2004 of her study in the Department of History at Government Arts College (Autonomous), under my supervision and guidance and the thesis has not formed the basis for the award of any Degree / Diploma / Associateship / Fellowship or other similar title to any candidate of any University.

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ABBREVIATIONS

IAR	Indian Annual Register
CEHI	The Cambridge Economic History of India
FR	Fortnightly Reports on Internal Situation
PMLA	Proceedings of the Madras Legislative Assembly
PMLC	Proceedings of the Madras Legislative Council
TNA	Tamilnadu Archives
NNR	Native Newspaper Reports
USSF	Under Secretary's Secret Safe
SICC	South Indian Chamber of Commerce
CWT	Hundred weight, 1/20 th of one ton.

PREFACE

The thesis entitled “ Trade in the Madras Presidency” – (1914 -1947 A.D) is the outcome of my research work under the guidance and supervision of Dr. K. Kamal Mustafa, M.A., Ph.D., Professor of History and Head of the Department, Government Arts College (Autonomous), Coimbatore – 641 018. The period 1914 – 1947 marks the significant stage in the economic history of the Madras Presidency witnessing far-reaching economic changes not only in the Presidency but also in India and in other nations of the world. The year 1914 the outbreak of the First World War caused tremendous impact on the trade of India and the Madras Presidency as well. The year 1947 witnessed the end of the old colonial economic policy in India and the beginning of free India’s new economic policy. Thus the period undertaken for research covers a comprehensive study of the British trade policies in its internal and external trade. An honest attempt has been made to find out whether the British Government in India was genuinely interested in developing the Indian trade in general and the Presidency trade in particular or her own.

The thesis has been divided into five chapters excluding introduction and conclusion. The introduction deals with the backdrop of the British Colonial

Policy. The first chapter examines the causes of the first World War and its impact on trade in India and the Madras Presidency. The second chapter explains about the inter-war period (1920-1939) and the trade of the Presidency in details. The third chapter gives a succinct account of World War II and its profound effect on the inland and international trade of the Presidency. The next chapter is a discussion on the trade of the Presidency with Sterling areas in respect of its imports and exports. The last chapter evaluates trade policies and problems faced by the industries in the Presidency. The Conclusion is a derivation of the preceding chapters.

The scholar has reviewed to a very great extent the Annual, Fort Nightly and Weekly Reports on trade, which provided every kind of detail to write out the thesis. Equally important and useful have been the government orders available in the Tamilnadu Archives, Chennai. No other source reflects the mind and mood of the Government more than the Government Orders and the notes thereon. Besides, Despatches, Dairies, Minutes, Proceedings of the Legislative Assembly and the Council, Letters and Acts were highly useful in writing the thesis. The information they supply is not exhaustive and complete. A few published unpublished M.Litt and Ph.D thesis and some important secondary and tertiary sources have been consulted. Among them mention may be made about the following.

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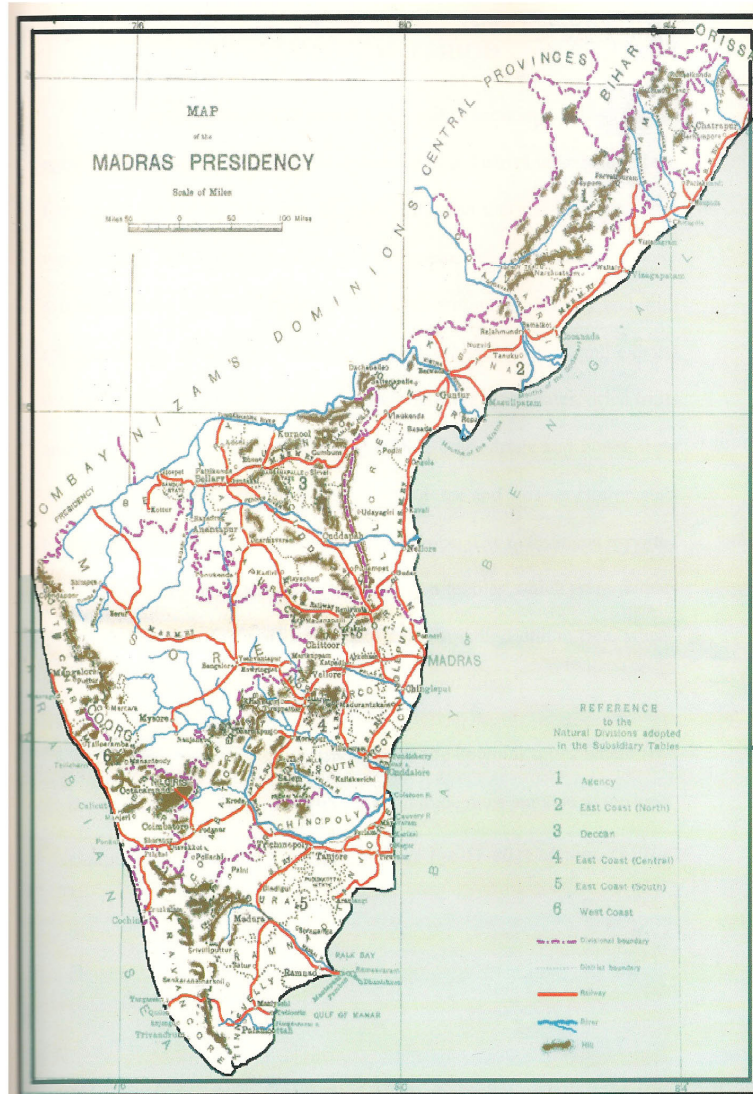
Trade in the Madras Presidency

R. Jayasurya, Ph.D.

John E. “War – Time Development in Indian Currency”, M.Litt dissertation, University of Madras, 1982, Krishnamoorthy .R “India through Slump and Recovery” -1929 -1937; Being a study of the trade cycle in relation to India – M.Litt, dissertation, University of Madras, 1940, malathivaratharajan; “Foreign Trade of India since 1939”, M.Litt. diss, University of Madras, 1955, Meenakshi, T, “The Finance of Madras Government Since, 1919”, M.Litt, dissertation, University of Madras, 1950, Natarajan, K.V: “Economic and Financial Condition of the Residuary Madras State”, M.Litt, dissertation, University of Madras, 1956, Ponniah, J.S: “The Production and Marketing of Raw Cotton in the Madras Presidency with special Reference to the Districts of Bellary, Karnool, Coimbatore, Madura Rammnad and Tirnelvelly”, D. Litt, dissertation, University of Madras, 1944 and Shantha, M.C: “State and Industry in Madras – 1800 -1940”, Ph.D. Thesis, University of Madras, 1966, Sivasankara Reddy, Y, War Time Public Finance in india -1939- 1945, M.Litt, dissertation, University of Madras, 1950, Vallisaroyal, C, Labour Disputers in Tamil Nadu during the First Congress Ministry (1937-1939)”, M.Litt, dissertation, University of Madras, 1987.

However, none of these works give an indepth study of the topic undertaken for research. The prime object of the thesis is to find out whether the British government willingly or grudgingly or indifferently rendered help to accelerate or

to hamper the industrial growth and to examine how the economic or trade policy of the British Government became the roots for the present industrial growth of the Madras Presidency.



PRE-COLONIAL PERIOD

India in the pre-colonial period had a stable economy. Self –sufficient agriculture, flourishing trade and rich handicraft industries were some of the features of the Indian economy. In spite of the fact that the Indian villages were largely self-sufficient units and the means of communication were primitive, India enjoyed extensive trade both within the country and with other countries of Asia and Europe. A balance of the imports and exports was maintained. The items imported into India were wool, dates, dried fruits and rose-water from the Persian Gulf; coffee, gold, drugs and honey from Arabia; tea, sugar and silk from China; gold muck and woolen cloth metals like copper, iron and lead and paper from Europe. The main items exported from India were cotton textiles. Besides cotton textiles which were famous all over the worlds, India also exported raw silk indigo opium rice, wheat, sugar, pepper and other spices precious stones and drugs¹

The major features of Indian trade in pre-colonial times where (i) a favourable balance of trade and (ii) a foreign trade most suitable to the level of manufacturing in India. A favourable balance of trade meant an excess of exports over the imports i.e., India exported more than it needed to import. Since the economy on the whole was self sufficient in handicrafts and agricultural products.

¹ Gadgil, D.R. *Industrial Evolution in India*, Pp:57-60 (Calcutta, 1950)

India did not need foreign imports on a large scale and continued to enjoy a healthy trade. Secondly, India's foreign trade suited its requirements very well. In other words, the commodity pattern, so important to any country's foreign trade was in India's favour. India exported the items it specialized in and imported ones it needed.

One major change that occurred in India's foreign trade from pre-colonial to colonial times was in its commodity pattern. Although India continued to have an export surplus, the pattern of foreign trade turned up side down and thereby ruining India's rich traditional handicrafts.

India was a land of extensive manufacture. Indian artisans were famous for their skills all over the world. In fact, the reason for India's favourable foreign trade was its excellence in indigenous production. India involved in a large scale manufacture of cotton and silk fabrics, sugar, jute, dyestuffs, mineral and metallic products like arms metal wares and oil. Towns like Dacca and Murshidabad in Bengal, Patna in Bihar, Surat and Ahmedabad in Gujarat, Jaunpur Varanasi, Lucknow and Agra in UP; Multan and Lahore of the Punjab, Masulipattnam and Visakapatnam, of Andhra; Bangalore of Mysore and Coimbatore and Madurai of Madras were flourishing centers of textiles industry. Kashmir specialized in

wooden manufacture Maharashtra, Andhra and Bengal were prominent centers of ship building industry. Many European companies brought India's ships for their use.

Towards the end of the 18th century India was undoubtedly one of the main centers of world trade and industry. This status of India was completely destroyed under colonial times. Its beginnings can be traced to the aftermath of the industrial revolution in England. The machine-made cloth of England began to replace indigenous manufacture, Indian artisans were forced out of production. It was this pressure from British goods, which led to the decline of India's traditional centers of economic activity mentioned above. The number of weavers also declined.²

Colonialism is a system of domination, exploitation and underdevelopment of one society by another. The stages of colonialism may be classified into three:

The first stage of the colonial rule was that no basic changes were introduced in the colony in administration, the judicial system, transport and communication, methods of agricultural or industrial production, forms of business management or economic organization, education, culture and social organization.

² Bipan Chandra, *The Rise and growth of Economic Nationalisation in India*, Pp. 70-77, New Delhi, 1966.

The second stage of colonialism was the making of the colony into a subordinate trading partner which would export raw materials and import manufacture. The colony's social surplus was to be incorporated through trade on the basis of selling cheap and buying cheap.

Politically and administratively, the third stage of colonialism meant renewed and more intensive control over the colony.

Regarding colonialism in India, the crucial role was played by the colonial state i.e. Britain in the subordination of India to her and in constructing, determining and maintaining other features of the colonial structure. India's policies were determined in Britain in the interest of British economy and the British capitalist class.³

It may be stated here that sharp differences have always existed and continue to persist among scholars and historians of the west regarding their evaluation of the impact of the British colonial rule over the economy society and policy of India. According to many western scholars, British rule provided political unity

³ Bipan, Chandra, *Essays on Colonialism*. Pp: 63-65 and 69, Oriental Longman Ltd, 1999, New Delhi.

and stability of governance to India. British scholars have maintained that the British rescued India from chaos and provided political stability.

Indian political unity was at first myth, an abstract concept that was characterized into reality by British rulers. In the absence of political unity, eighteenth century India had a very low level of commerce and capital accumulation and its implication was that British rule to India has to deal with a very low level of economy. This argument of western writers challenges the nationalist argument that India was economically very attractive and profitable for British.

Western writers have suggested that the history of India revealed a very low level of agricultural productivity because it was based on a 'nonanimalpowered agriculture'. According to many Western historians the absence of any worthwhile technology kept a large proportion of India virgin land as late as 1870. The British in India introduced Tobacco, potato and peanut cultivation.

According to them, India could not claim any great achievements in manufacturing because it lacked technology. Although India had some excellent craftsmen and produced textiles and few other manufactured goods, but they were the result of hard work and not of any developed technology. The evidence for this

viewpoint is gathered from the seventeenth century records of the English that point out to the inelasticity of textile productivity in India. W.H. Moreland and many other scholars have used the evidence of early European travelers to prove that Indian technology was poor. On the basis of such evidence, Morris observes that, “The Indian sub continent was a region in which per capacitor income was relatively low in the country before 1800. Given the lack of political stability, low agricultural and non agricultural productivity and insignificant commerce no other conclusion is supportable.”⁴

If the opinion of Morris D, W.H. Moreland, or European travelers or British factory records are accepted that India was underdeveloped when the British gradually conquered it, then the implication is that the British conquest of India was beneficial for the economy, society and polity of this country. India achieved benefits from British rule and they are enumerated by the western scholars thus: The British provided political unity; they developed a system of roads and rail transport which had a positive impact on the economic development of India; they developed irrigation and other public works which facilitated the growth of agriculture, commerce and manufacturing activities in India.

⁴ Basu, B.D. *The ruin of Indian Trade and Industries*, p. 210, Calcutta, Second Edition, 1993.

The western writers made two points clear regarding the impact of British rule over India. First, on the eve of colonial expansion, the British found a highly underdeveloped India with productivity in agriculture very low per capita income and absence of any developed technology or tools for manufacturing. The benevolent policies of the British helped in the establishment of political unity, a system of governance and it laid the foundations of economic development in India.

As against the western view-point, the Indian nationalist scholars put forward a different hypothesis. Dababhai Naoroji, Ramesh Chandra Dutt in the nineteenth century and Rajni Palme Dutt in the twentieth century represented the Indian nationalist perspective. The two important aspects of British colonial rule over India highlighted by them were the 'drain theory', and the theory of 'de-industrialization'.

The drain theory, as formulated by the Nationalists, referred to the process by which, a significant part of India's national wealth, was being exported to England for which India got no economic returns. In other words, India was made to pay an indirect tribute to the English nation. Needless to say, this drain of India's wealth to England in the form of salaries to the British officers posted in

India, home-charge and the profits made on the British capital invested in India, benefited England and diminished the sources for investment in India. The British benefited immensely from the plunder and exploitation of India. Lord Curzon wrote: “India is the pivot of Europe..... if the empire loses any other part of the Dominion we can survive, but if we lose India the sun of our Empire will have set”⁵

The company obtained Dewani or Civil administration rights over Bengal, Bihar and Orissa in 1765 and this opened new opportunities for plunder by the Company because of Diwani rights caused land revenue to be remitted by the Company to England. This monopoly of plunder and exploitation by the Company continued till the end of the eighteenth century when England moved from mercantile capitalism to the industrial revolution and the emerging industrial capitalists in Britain started demanding the end of Company rule in India.

Besides the external drain theory, the nationalists argue that British rule led to the de-industrialization of India. India was an exporter of cotton manufacture and this was how the Company started its trade but gradually India became an exporter of cotton manufacture and thus Indian artisans, craftsmen and important

⁵ Gopal, S. – *British Policy in India, 1858-1905*, Pp: 175-77, New Delhi, 1975.

trading centers collapsed and whatever manufacturing activity existed was destroyed under the impact of imports of cotton manufacture almost exclusively from Britain. Amiya Bagchi observed ---- “for more than seventy –five up to 1913, India remained the major importer of cotton goods from Britain, often taking more than forty percent of the British exports”⁶

Thus the industrialization of England was accompanied by the decline and destruction of the Indian cotton on manufacturer. From the early 19th century onwards India witnessed a steady decline in population dependent on indigenous industries and consequent over burdening on agriculture as a result, Sumit Sarkar has summed up these proved injurious to both political ramifications up.

“The sufferings of artisans have to be kept in mind as a significant factor in the understanding of many movements of our period; both in the way in which de-industrialization stimulated patriotic sentiments among intellectuals alike in the Moderate Extremists and Gandhian era, as well as more directly, in occasional urban and rural explosions of various types”⁷

⁶ Bipin, Chandra, Colonialism, Stage of Colonialism and the Colonial State

⁷ Chandra, Bapin, *Essays on Colonialism*, Pp : 62-69, Oriental Long man Ltd, New Delhi, 1999

The decay of Dacca, Surat, Murshidabad and many other flourishing towns bear testimony to de-industrialization of India. Sir Charles Trevelyan observed in 1840.

“The population of the town of Decca has fallen from 1,50,000 to 30,000 or 40,000 and the jungle and malaria are fast encroaching upon the town..... Decca which was the Manchester of India, has fallen off from a very flourishing town to a very poor and small one; ‘the distress there has been very great indeed’”⁸

The twin processes of the drain and de-industrialization were carried out extensively through the various stages of colonial rule. The process itself started from 1757 when, with the battle of Plassey, the East India Company, representing the British mercantile class, took over Indian control. During the same period a fundamental change was taking place in Britain by a series of inventions leading to the Industrial Revolution. Before the inventions, the Bank of England was established in 1694 and the plunder of India helped capital accumulation and inventions helped in generating the Industrial Revolution. The transformation in England created new interests and to East India Company became the target of

⁸ *Ibid.* Pp: 70-71

attacks in England and finally its fate was sealed by the war of Indian Independence in 1857.

The impact of British rule in the initial stage has been summed up by R.P. Dutt.

“While machine-made cotton goods from England ruined the weavers machine-made twist ruined the spinners. Between 1818 and 1836, the export of cotton twist from England in India rose 5200 times. The same process could be traced in respect of silk goods, woolen goods, iron, pottery, glass and paper.

The effects of this wholesale destruction of the manufacturing industries of India on the economy of the country can be imagined. In England the ruin of the old handloom weavers was accompanied by the growth of the new machine industry. But in India, the ruin of the millions of artisans and craftsman was not accompanied by any alternative growth of new forms of industry..... The old populous manufacturing towns, Dacca, Murshidabad... Surat and the like, were in

a few years rendered desolate under 'Pan-Britanica' with a completeness which no ravages of the most destructive war or foreign conquest could have accomplished"⁹

The merchant capital of Britain, found new opportunities in India, when the Company started its conquests in which monopolistic buying of Indian materials was undertaken by the revenue earned from India and they were exported to foreign markets with maximum profits. The pre-industrial British capital, instead of making so called 'investments' were buying Indian commodities for profitable exports on the basis of money earned from revenue in India. Thus the conquest of India by the British East India Company gave it the 'power to levy and collect and revenue and other taxes' and on the basis of the gross profits the Company exploited Indian commodities. This 'Semi-bondage' situation in India made by British mercantile capitalism earns 'tribute from conquest'. According to professor Habib, during the later half of the eighteenth century the total British imports from India increased from 12 percent to 24 percent and the British exports to India increased from 6.4 percent to only 9 percent of the total British exports.¹⁰

⁹ Dutt, R.P. *India Today*, Pp. 131-132, Bombay, 1979

¹⁰ Dutt, R.C. *The Economic History of India*, Vol.II, Pp: 173-175 (Reprint), Delhi, 1956.

The phase of merchant capitalism gave way to the phase of Industrial capitalism towards the beginning of the 19th century. Now the emphasis shifted from revenue collection and trade to new forms of surplus appropriation. Indian economy was now geared to serve the interests of industrial England. India was now used to provide new material to the industries of England and a market for the ready made British manufactured industrial goods. Indian resources continued to be drained out in England, although in different forms. Similarly the process of de-industrialization also got accelerated.

After 1857, when the British government took on direct control of India, some British capital also started pouring into the Indian market, along with the manufactured goods. This was the result of accumulation of capital at an unprecedented level in the leading industrial countries. Now England needed India, not only as a market for their goods but also as a favourable ground for the investment of their capital. As a result India started getting industrialized but only on foreign capital. All the major industries like Railways, Jute Iron and Steel (With the exception of cotton textiles) were being run by British Capital. Its result was a further drain of wealth, as all the profits made on British capital were going back to England. Thus up to the end of nineteenth century India was sucked by the British

during both phases of colonialism i.e. during mercantile capitalism and the industrial revolution in England.

The term 'Madras Presidency' was applied to certain areas in South India which passed to the British through historical causes, in course of time and its basic formation was completed by the beginning of the 19th century. Before that the East India Company's possessions included the northern circars, the Jagir of Chingleput district and a number of isolated 'factories' along the coast. Then the company obtained a large number of portions of Tipu's Kingdom including Malabar, Salem and parts of Dindigal. There was another considerable accession of territory, comprising Coimbatore, Canara and Wynad after the Mysore Wars. The administration of Tanjore was taken over from the Raja. The Nizam of Hyderabad relinquished the districts to the British. Then, the Nawab of the Karnatak was relieved of his territories and Nellore, North Arcot, South Arcot, Tiruchirappali, Madurai and Tirunelveli were added to the company's possessions. These areas constituted the Madras Presidency. Except North Canara which was transferred to the Bombay Presidency, the area continued as it, when India became independent in 1947.¹¹

¹¹ Rathnasamy .N, *some influences that made the British administration in Madras*. 1939, Page -2.

The establishment of the three Presidencies of Madras, Calcutta and Bombay was the natural outcome of the efforts of a foreign naval power to secure footholds on the Indian subcontinent for enlarging its commercial prospects. These original factory settlements, meant purely for establishing trade contacts with the natives, later became three vital strategic points from which the British after eliminating the rivalry of the French advanced simultaneously in the North, South and West in India. They formed the nuclei around which were grouped the territories that the British came to acquire by cession or conquest. Of the three Presidencies, Madras held a place of prime importance in the early history of British India. Fort St. George was built before the cession of Bombay and the founding of Calcutta. Above all, Madras was strategically the most vital place for English in the early stages of these consolidations. The Presidency of Madras was formed by the acquisition of territories from the native rulers through conquest and cession. Both war and diplomacy, played their parts in its formation.¹²

Commerce, in the full sense of the dictionary definition, is “the interchange of merchandise on a large scale between nations and individuals”. Commerce may

¹² Sadasivam, D. *The Growth of Public Opinion in the Madras Presidency 1958-1909*. M. Litt. Thesis Published, Madras, 1974, 807.

be said to have been born in Madras only towards the end of the year 1639¹³ Indian trade and crafts had been an important contributory factor from time immemorial to her immense wealth in the past. The finished products of Indian industry as well as her natural products such as pearls perfumes, dyestuff, spices, sugar, etc, were exported to distant countries and Indian imported gold, copper, zinc, tin, lead, wine, horses, etc., but there was always an excess of exports over imports, which meant necessarily the influx of a large quantity of gold. In the first country Pliny, the Greek Geographer bitterly complained of the drain of gold from the Roman Empire caused by the use of Indian luxuries.

During the first hundred years of this survey, the trade and general prosperity of Madras increased with astronomic rapidity. But from the middle of the eighteenth century a long period of trade recession set in and the forward march was, for nearly a century, seriously checked. The main reasons for this are not for to seek, and may be recorded under three main headings.

Firstly, War and misrule in the interior as a result of which many thousands of the tillers of the soil left their villages and fled to the hilly tracts.

¹³ Hodgson G.H. *Three Hundred Years of Madras Commerce in Madras, Trycentenary Commemoration Volume*, P. 235, Madras.

Secondly, the industrial revolution in Europe resulted in the gradual introduction of the steam – driven loom, and the growth of the factory system.

Thirdly, the result of the ‘revolution’ led to the ‘policy of protection’.¹⁴ One might also add a fourth cause, namely the long drawn – out wars in Europe resulting in the struggle for supremacy in India between France and England which centered mainly round Madras.

The indigenous industries declined by the 19th century. This was partly due to the competition of cheap goods produced by machinery and partly due to the unwillingness of the Government or the Company to protect or encourage Indian trade and crafts.

So, by the first half of the 19th century, India lost the proud position of supremacy in the trade and industry of the world which she had been occupying for well over two thousand years and, gradually transformed into a plantation for the production of raw materials and dumping ground for cheap manufactured goods from the West.

The position did not improve even under the rule of the Crown. The Government did not think of protecting the rendering aid to indigenous industries

¹⁴ I bid, P. 237

because this would have adversely affected British trade and industry which was flourishing after the Industrial Revolution. This non-interference was defended on the academic ground that the British Government adhered to the policy of Laissez Faire as the best policy to be followed by the state in economic matters. This policy suited the interests of British, traders and industrialist admirably well, who were able to exploit the raw materials and the rich resources of undeveloped countries like India.

The Indian spinning and weaving trades were the most badly affected by foreign competition. Raw materials like cotton were exported to England where they were made into cloth. Finished cloth was imported into India and sold in Indian markets at competitive rates. This ruined the Indian cotton industry and rendered the weaving community unemployed. “The rapid development of machinery and manufacturers and the cheapness with which cotton clothes were produced in England led to India being flooded with Manchester goods to the injury of the weaving classes”¹⁵

Another industry which had suffered foreign competition was the manufacture of iron. In this essay of Indian economics Mr. Justice Ranade wrote

¹⁵ Srinivasa Raghvaingar S. *The memorandum on the progress of the Madras Presidency during the last forty years of British Administration* PP. 117-118.

“The iron industry not only supplied all local wants, but it also enabled India to export its finished products to foreign countries. The quality of material tuned out had also world – wide fame. The famous iron pillar near Delhi, which is at least fifteen hundred years old, indicates an amount of skill in the manufacture of wrought iron, which has been the marvel of all who have endeavored to account for it.... The Indian Steel found once considerable demand for cutlery even in England. The manufacture of steel and wrought iron had reached a high perfection at least two thousand years ago.¹⁶

The Salem District Gazetteer states, “Iron – smelting in Salem District is an art of extreme antiquity. The remains of slag mounds and furnaces in numerous villages, not only in Attur, Salem, Omalur and Tiruchengodu but also on the border line of Hosur and Krishnagiri taluks, and even in the heart of Anchette jungles, testify to the wide extent and importance to the industry.”¹⁷

It is a fact that British did not develop this industry. Of course elaborate enquiries were made in the last decade of the nineteenth century as to whether the iron ores of Salem District could be exploited on a commercial scale. But the idea was dropped on the pretext of the heavy expenditure to be incurred on fuel.

¹⁶ As quote in B.D. Basu – *The Ruine of Indian Trade and Industries* Pp. 3-4.

¹⁷ *The Salem District Gazetteer*, P. 272.

The destruction of indigenous manufacturers had the effect of impoverishing the artisan classes and driving them to agriculture which owing to the capriciousness of the seasons was a precarious industry and the result was that the population as a whole was growing poorer and poorer everyday and losing in stamina. The position of the laborers had thus deteriorated under the rule of the Crown.

Not merely did industries suffer but indigenous trade also declined. Foreign trade rapidly increased during the nineteenth century. Internal trade was accelerated on account of marvelous improvements in communications Nicholson in his *Manual of the Coimbatore District* has so well described the revolution in trade effected by the improvement of communications in that district that his remarks may be usefully quoted. He stated 'from various reports it is known that in 1800 there were practically no roads, but merely tracks, there was not a cart in the district and what the traffic existed was carried on by pack bullocks, and by ponies and by basket boats on the Cauvery.'¹⁸

Laying of roads, the gradual introduction of railways and other communications like the post and telegraph have increased the volume of trade during the nineteenth century but, in the absence of real industrial development in

¹⁸ *The Manual of the Coimbatore District* - Vol. II, P. 131

the country, this development of trade only benefited Western industrialists, helping the exports of raw materials from India and import of Western manufacture.

The volume of overseas trade began to increase enormously with the opening of the Suez Canal. In 1855-60 the average annual value of Indian trade was about fifty –two lakhs of rupees.¹⁹

During the five years beginning with 1869 when the Suez Canal was opened. The average annual value of exports amounted to nearly crores of rupees. The average in 1900 exceeded two hundred crores. But, this did not satisfy the Indians because trade was to a large extent monopolized by foreigners who had ousted the natives of the soil from their legitimate fields of enterprises. Further these improvements were utilized for impoverishing the people still further. They were able to procure raw materials from remote parts of the Presidency and export them to their country in order to import them as finished products.²⁰

The State took no interest in industrial development till the 20th century. The following instance shows this apathy. Alfred Chatterton, Director, Public

¹⁹ Sadasivan, D. *The growth of public opinion in the Madras Presidency (1958-1909)*, M.Litt, Published Thesis. P. 104, Madras, 1974.

²⁰ Venkatraman, T.K - *Histry of India*, vol. II, P. 30.

Instructions of the Madras Presidency, wanted to improve technical education in the Madras Presidency and even set up a department of industries in 1906. Handloom- weaving, chrome tanning and aluminum industries were encouraged and pioneer government enterprises were even set up. This roused the alarm of European business interests.

Lord Morley, the Secretary of State for India in London ordered the closing of the department. The government was confined to collect industrial information and provide some technical education.²¹

The efforts of Alfred Chatterton to improve indigenous industries were not encouraged by Britain. The public resented this anti-national economic policy of the Government, hence developed the Swadeshi Movement.²²

An ardent advocate of Swadeshism in South India was V.O. Chidambaram Pillai who with devoted patriotic followers spread the ideals of swaraj and swadeshism all over South India. He did not content himself with merely addressing meetings exhorting these ideals to the people. He also took concrete

²¹ *Manual of the Coimbatore District*, Vol.II, P.135.

²² *Madras Year Book*, 1924,P.344

steps in that direction and started a Swadeshi Steam Navigation Company at Tuticorin.

In 1906, the National Fund and Industrial Association was formed in Madras “for fostering and improving indigenous industries for the promotion of scientific and technical education and diffusion of knowledge on industrial matters among the people by means of demonstrations, lectures, leaflets and the like, provision of scholarships for the study of industries in India or in any foreign country, the helping of students trained as above in the starting of industries, the establishment of a Bureau of Information relating to the industries, trade and commerce in India.

Chennai Jana Sangam was started on the 11th of January 1908, with an object similar in scope and aim to the National Fund and Industrial Association and also having its special purpose in furthering nationalism in the city by delivering lectures on Swadheism, and boycott of foreign goods, by founding a school for physical culture, a reading room and library and by training young men to preach on Swadeshism. Such Sangams were established in different parts of the Presidency.

The British Government resorted to all sorts of tactics to put down the Industrial Association’s activities. Besides, in the absence of facilities for technical

instructions industrial advance could not develop. Another cause was the lack of sufficient capital. It is only gradually that Indian capitalists got over their shyness to seek investment in industries. However, the most important reason was that not only was the Government indifferent to industrial interests, it was generally antagonistic to the development of industry in India.

CHAPTER – I

The world war started by the news that Germany had declared war on France and Russia. The war arose over the assassination of an Austrian Archduke in Serbia. The Austrians wanted to punish Serbia. The Russians, who were friendly to the Serbs, interfered. Germany supported Austria and France supported Russia. England would not have intervened, had not Germany decided to march through Belgium in order to attack France on her undefended flank. By doing this, Germany violated a treaty signed by all the Great Powers, guaranteeing the neutrality of Belgium. The Kaiser of Germany spoke of this as a ‘scrap of paper’. Belgium appealed to England for protection and Great Britain war on Germany on 4th August 1914, the most fateful day, perhaps, in the history of the world. Almost all the nations of the World, whether big or small, had taken part in it under one pretext or other. The war was fought from August 1914 to November 1918 lasting for 1565 days²³.

²³ Davies, H.A. – *An outline History of the world*, London, 1950, P. 533;
The Hindu dated 4th August 1914,
The Hindu, dated, 11th November 1918.

It was a total war in the sense that the warring nations were compelled to mobilize totally their resources, their man power, manufacturing industries, their farming, shipping, and transport and communication system²⁴.

The First World War led to a great dislocation in the economic life of the world. Masses of people had been killed or made unfit for work. Many men died through a series of epidemics of influenza. The generation was affected by a lack of nutrition. There had been colossal destruction of property. Many areas had been devastated²⁵. Production had suffered by industrial organization being diverted to the purpose of war. Merchant shipping had suffered being turned to serve War organizations and through destruction by submarines and mines. High taxation was necessary as the war also increased the cost of living. All this dislocation led to the rise of prices all through the world and trade became disrupted; but this shows that modern Wars were highly injurious to the life of the community²⁶. England had borrowed large sums from the United States and had lent money to her allies out of this amount. These inter-allied debts became mixed up with the reparations which

²⁴ Venkatraman, T.K – *A Manual of British History, Vol. II, Recent Times (1789-1945)*, Madras, 1950, P. 247-248.

²⁵ *Ibid*

²⁶ Bhagavti, Jagadesh (ed) and Srinivasan, - *Foreign Trade and Economic Development – India*, Columbia University, New York, 1976, P. 17.

were claimed by Germany and worsened the economic situations²⁷. In nearly the belligerent countries, the war had led to experiments of public control. The Government regulated trade, fixed prices, taxed profits and confiscated private property for war purposes. Hence socialist thought received further strength. One of the results of the war was that labour hereafter became important. The example of the Communist Revolution in Russia also stimulated labour agitation. Labour became a political power and Socialist Governments appeared in several countries.

The First World War brought about disruption of normal international trade channels because of the fact that the countries involved in the war directed much of their natural and human resources for the production of goods necessary for the prosecution of war. There was also scarcity of shipping space and there was danger arising out of submarine warfare in the oceans²⁸.

The outbreak of the war resulted in immediate setback to India's international trade. Trade with Germany ceased immediately and trade with Great Britain became difficult because of shortage of shipping space. The immediate impact was decline in both India's imports and exports. But soon exports started

²⁷ Dharma Kumar:- *Cambridge Economic History of India*, Vol.2, (1757-1970), page 27.

²⁸ G.O. Ms. No.3239, Trade and Customs, dated 21st September, 1914, T.N.A.

moving up as there was increasing demand from foreign countries for Indian's Cotton Textiles, iron, and steel, Mica, Saltpetre, Wolfram and Wheat. The volume of India's exports gradually started rising from 1915 onwards in relation to 1914²⁹; but India's imports continued to decline. On the whole, during the war, both India's exports and imports declined until the end of war in 1918³⁰.

It is difficult to summaries briefly the effect brought about by the outbreak of hostilities on trade of India, but an attempt may be made to indicate the main features. At first the cessation commercial relations with Central European Powers caused considerable dislocation. Exporters of raw cotton from Bombay and of raw jute from Calcutta lost in Germany, one of their best customers. The prices of both these staple commodities fell and among articles of secondary importance had created a serious situation. At the same time, the exclusion of invaded Belgium and the military pre-occupations of Marseilles upset the oil-seed trade and the trade in groundnuts in particular for a time. The activities of the "Emden" in the Bay of Bengal and in the neighbourhood of the Laccadives during the first five months of the war and the meance of the "Konigberg" in the Arabian Sea paralysed exports generally. Further, there was a great shortage of freight due to vessels being

²⁹ G.O. Ms No.3735, Trade and Customs, dated 28th September, 1914, T.N. A.

³⁰ G.O. Ms. No.3742, Trade and Customs, dated 30th November, 1918, T.N. A.

commandeered for military transport and the inability of neutral shipping visiting Indian ports to make good all at once the elimination of the German and Austrian Mercantile Marine. The jute mills were working short time and were faced with a reduced demand for their manufacture³¹.

With the allies entering upon an in terminate period of trench warfare on the Western Front, an enormous demand arose for sand bags. Unlimited quantities of hides were required for the manufacture of boots for the new armies and more extensive orders from Japan for raw cotton coincided with an unusually abundant Indian crop. The Government of India found themselves the fortunate possessors of large treasury balances in August 1914 which they placed freely at the disposal of trade through the Presidency, banks and a run on deposits in the Postal Savings Banks by small depositors though severe, was soon arrested. Emergency legislation was passed to strengthen the gold standard reserve and sterling exchange was supported by selling reverse Councils³².

The War affected the trade of India both directly and indirectly. The first direct effect was naturally to stop the considerable trade with Germany and

³¹ G.O. Ms. No.373, Trade and Customs, dated 218th October, 1914, T.N. A.

³² Madras Administration report for the year 1914-15, pp. 64-67

Austria. The total foreign import trade of the Madras Presidency in private merchandise was in 1913-1914 at Rs. 1,635.46 lakhs of which Rs. 92.32 lakhs or 5.6 per cent was with Germany and Rs. 27.35 lakhs or 1.6 per cent with Austria – Hungary. Similarly, the total value of exports in 1913-14 was Rs. 2, 590.93 lakhs and of this Rs. 247.19 or 9.5 per cent was with Germany and Rs. 43.64 lakhs or 1.7 per cent with Austria – Hungary³³. In the Presidency as in the rest of India, closing of the export trade to these countries was more serious than before because the latter could be replaced from other sources, but the loss of these two customers caused a serious drop in values as well as in quantities, quite apart from the question of exchange³⁴.

There was further a complete stoppage of trade with Belgium and a large diminution of the same with France. Trade with Turkey had also ceased. In addition to the loss of trade with enemy countries, the export trade with allied and neutral countries had also suffered. There was a serious tonnage arising partly from the taking up of vessels for military transport purposes and partly due to the increased demand elsewhere; freight rates had in consequence been high and in addition war risks had to be paid³⁵.

³³ Ibid, pp 84-85

³⁴ Ibid

³⁵ Ibid

TABLE-I SHOWING THE RISE OR FALL IN EXPORT AND IMPORT TRADE DURING THE WAR PERIOD

S.No	Year	Import / Export in Private merchandise	Fall / Rise
01	1913-1914	Exports	17 % Fall
02	1914-1915	Import of private Merchandise Export,	10 % expanded 13 % increased
03	1915-1916	Import of Merchandise, Export	9 % decreased 35 % declined
04	1916-1917	Import of Merchandise, Export	16 % declined 35 % declined
05	1917-1918	Import Export	55 % declined 21 % declined

(Source: - Report on the Administration of the Madras Presidency for the years 1913-14 to 1917-18).

The causes for the rise or fall may be thus given here. During 1913-14, the German Cruiser “Emden” made several successful raids on trading vessels in the Bay of Bengal and Arabian Sea and caused a temporary dislocation of trade. The net result was the foreign trade declined.³⁶

It must be borne in mind that the increase in the year 1915 was largely due to the high prices prevailing almost every where and that the quantity of trade by sea was in most cases materially less than the previous years. The United Kingdom had increased her trade with Madras both in imports and exports and this was also

³⁶ G.O. Ms. No.3773, Trade and Customs, dated 26th November, 1917, T.N.A.

true in the case of the United States of America and Japan. Therefore foreign trade including Government transactions improved.³⁷ The volume of trade actually declined during the period of the First World War to a much larger extent because the value of most of the commodities imported and exported were considerably higher than in the previous year.³⁸ As the war advanced, it became necessary to impose restrictions on the exports by food stuffs and articles capable of being turned to warlike uses to neutral destinations owing to the risk of their being diverted to the enemy.³⁹ The amount of import duty was enhanced under the revised tariff and as a result of the high prices of the articles. The restrictions imposed on a variety of imports and exports on account of military and political considerations and with exchange difficulties, helped to hinder trade. As regards internal trade, there were constant complaints over the unavoidable shortage of raw products formerly exported to Europe were seriously help up.⁴⁰

Shipping and weaving concerns were fully employed in meeting the orders of the military authorities. The tanning and leather industries, at first adversely affected, recovered owing to the placing of large orders for coir screening for

³⁷ Madras Administration Report for the year 1917-19, PP-64-69, T.N.A

³⁸ Ibid

³⁹ G.O. Ms. No. 1852, Trade and Customs, dated 25th June, PP-71-73, T.N.A.

⁴⁰ G.O. Ms. No.507, Trade and Customs, dated 1st September 1917, PP 61-64, T.N.A.

camouflage purpose in France. Rice factories, especially, in the northern districts were hard hit by the shortage of rolling – stock and many were forced to close down. Factory situation made a marked advance, but with factories working intermittently. There was regular demand for factory labour and factory wages, as compared with those outside, ruled low.⁴¹

The Government pencil factory and the soap works increased their turnout and profits to a considerable degree. There was a tendency to multiply the installation of small rice milling and other plants beyond the limits of economic conditions. The Department of Industries devoted its attention to the centralization or correlation of such plants rather than to further installation.⁴²

The First World War revealed the industrial potentiality of India and also the military importance of industrialization. As the Montague Chelmsford Report observed; “Nowadays the products of an industrially developed community coincided so nearly in kind, though not in quantity, with a catalogue of munitions of War that the development of India’s national resources became a matter of military necessity.” It also revealed the dangers of depending up on imports of

⁴¹ G.O. Ms. No. 4140, Revenue, dated 1st September, 1917, PP 65-66, T N A.

⁴² Madras Administration Report for the year 1917-18, PP 64-71 T.N.A

essential goods such as iron, steel, machinery etc. At the same time, fall in imports and the consequent encouragement given to Indian Industries led to the rise and progress of many new industries. But the fillip given to industries during the war India had to face foreign competition.⁴³

The successful adoption of protective tariff in many countries particularly Germany, Japan and the United States, revealed how indispensable the protection was to backward countries like India. Indian leaders began to agitate for protection of political reforms under the Act of 1919 would be inconsistent without some fiscal freedom⁴⁴.

The great awakening of interest in industrial development in Southern India was reflected in the considerable number of new companies. With the object of introducing improved methods and machinery among handloom weavers, the Government sanctioned the starting off ten additional weaving parties, of which six actually began work. A notable development of the manufacture of finished leather goods, including footwear, was signaled by the establishment of three leather-manufacturing firms in Madras. A company was newly formed for the manufacture

⁴³ Gandgil, D.R. – *Industrial Evolution in India*, Calcutta, 1950, PP 182-185

⁴⁴ Anstey, Vera.- *The Economic Development in India* (London) 1952, PP 203-214.

of salt on improved methods and a movement was on foot to revive the glass-making industry, which made an unsuccessful beginning in Madras⁴⁵.

The visit of the Indian Industrial Commission helped to throw light on the happenings, but did not do much in the way of removing the difficulties of getting expert assistance for the stoppage of imports from Europe. One important event was the transfer of pumping and boring to the control of Agricultural Department. A proposed demonstration of a gas suction engine had to be postponed owing to the impossibility of shipping the plant from England.⁴⁶

Arrangements had been made for systematic survey of the rice mill industry with a view to improve the methods of manufacture. The attempt to establish a glass bottle industry in Madras was reluctantly abandoned, the main difficulty lying in the fact that it was impossible to obtain the services of a glass expert and the more or less amateur suppression must necessarily result in commercial failure. Similarly it had been found necessary to terminate the attempts to manufacture lime, sand and bricks on a commercial scale since it was not found feasible to produce bricks cheaply enough to compete with the superior quality of Clay-

⁴⁵ G.O. Ms. No. 1791, - Trade and Customs, dated 24th October, 1918, PP 61-63, T.N.A.

⁴⁶ Report of the India Industrial Commission 1916-18, Calcutta, 1918, (reprinted, 1980), New Delhi PP 66-72.

bricks. Hitherto efforts to use Indian wood and Indian graphite had not been encouraging, but the raw material for the industry had been obtained from East Africa and Ceylon. The position of dyes was unchanged. It found it unfeasible to replace synthetic dyes even when their price was prohibitive by use of natural and indigenous colours⁴⁷.

There were difficulties and obstacles in the way of the development of industrial enterprise. Tonnage became scarce and was strictly controlled from the British Home Government. The shortage of costing steamers imposed a heavy burden on the railways which were themselves handicapped by a shortage of rolling stock and by heavy military traffic. Most industrial concerns felt serious anxiety in respect to coal and coke and also experienced difficulty in obtaining wagons to move their finished products. Imports of hardware and metals from the United Kingdom almost ceased. Local stocks became depleted and prices went up correspondingly⁴⁸.

The Government had to take control over industry and trade. Coal and coke railway traffic, the tanning industry, tanstuff, wool, pig iron all came under some

⁴⁷ G.O. Ms. No.637, - Revenue (Special) Department, dated 7th December, 1918, T.N.A.

⁴⁸ . G.O. Ms. No.791, - Revenue (Special) Department, dated 28th April, 1919.

control which was extended in further directions. Notwithstanding these difficulties, there was considerable activity particularly in Madras itself. The weaving mills were for the Indian Munitions Board and the demand for yarn owing to the shortage of imports from England, kept all the spinning mills fully active⁴⁹.

The tanning of skins was prohibited owing to the necessity of conserving the supplies of avaram bark, but immense quantities of hides were tanned for army requirements. The finished leather industry also was very brisk owing to the urgent need for accoutrements and army equipments generally. Large quantities of metal fittings were also required for the army and most of the blacksmiths, as well as Engineering shop of Madras were busily engaged in making buckets, shackles and similar articles for the Madras Arsenal. A new company was established to assist in meeting this demand and the manufacture of webbing and tape was organized in a European firm for the purpose of supplying army demands. Tent making was revived in a small scale at the Madras Arsenal and a private firm was also taking up this industry as a war enterprise. Among, other new developments may be mentioned the manufacture of lather, looms and loom parts and of pruning knives

⁴⁹ *Indian Annual Resister* – 1914-1919, Vols. II

and planters tools. A new large textile factory entirely financed by an Indian Syndicate was opened on the West Coast⁵⁰.

The energies of the department of industries continued to concentrate on the supply of ammunitions up to the end of the War found it possible to devote attention to problems of industrial development. The Madras Presidency, not being rich in mineral wealth industries, had been for the most part depending on agricultural product and utilization. The questions of occupying the forefront of the department's programme were the treatment of vegetable oils, the manufacture of leather, mechanical engineering as applied to agriculture and hand-loom weaving⁵¹.

The Secretary of States gave his general assent to the recommendations of the Indian Industrial Commission and accepted the two fundamental principles underlying those recommendations viz., that in future that the Government should play an active part in the industrial development of the country and for that purpose, it should provide itself with adequate administrative equipment and reliable scientific and technical advice. The publication of the Commission's report

⁵⁰ Natesan, G.A. – *Indian Review*, Madras, 1919 Vol. II, PP 411-13.

⁵¹ Swaminthan, Padmini, - *State Intervention in Industrial Development: A case study of the Madras Presidency*, proceedings of the seminar on South Indian Economy, 1914-1945, Vol. 1. Tiruvananthapuram, 1985, PP 85 to 87.

and of those Despatches of the Government of India and the Secretary of States thereon led to a great awakening of interest in such development as was evidenced⁵².

The total number of factories during the war period is given below:-

S.No	Year	Factories	Fall / Rise	Reasons
01	1914	385	--	War restrictions
02	1915	417	Increase	Due to the starting of new factories
03	1916	460	Increase	-do-
04	1917	492	Increase	-do-
05	1918	482	Decrease	Due to the removal of factories
06	1919	483	Decrease	-do-

(Source: Report on the Administration of the Madras Presidency for the years 1914-1919)

The Table above indicates that during the World War I, there was no increase in the number of industries, factories and mills nor the expansion. This was because of the difficulty of obtaining new machineries and securing raw materials⁵³. In the case of entrepreneurs who intended to start industries, the lack of provision of

⁵² Swaminathan, Padmini, - Cit, PP-112-151

⁵³ G.O. Ms. No. 791, Revenue (special), dated 28th April, 1919, T.N.A

technical assistance facilities for the supply of raw materials, assistance in marketing etc., were also conspicuously absent in the Madras presidency during the World War I. In the case of industries aided by the state, the Government did not arrange for the selection and import of machineries and plant them nor helped the firms with their engineers and technical personnel in their erection⁵⁴.

It cannot be said that the Madras Presidency suffered from paucity of business talents. Promoters of new industries, who had any reasonable prospect of securing help from private financial agencies hardly thought of approaching the Board of Industries. Hesitant and reluctant generally to apply for state aid, they could not have been encouraged when application of some enterprising firms were turned down.⁵⁵

During the war, it was realized that drastic steps were necessary to increase the revenue. Hence in 1917, the general import duty was further raised from 5% to 7 ½ % the cotton excise duties and excise remaining unaltered, at 3 ½ %. Excise duties were imposed on both tea and jute⁵⁶. In 1917, the attitude towards cotton excise was modified. In 1917, the duty on imported cotton piece goods was raised

⁵⁴ Ibid

⁵⁵ G.O. Ms. No. 1166, Revenue (Special) Department, dated 12th June, 1919., T.N.A

⁵⁶ Boag, G.T.- The Madras Presidency, 1881-1931, Madras 1933, PP 81-84

from 3 ½ % to 7 ½ % and the export duty on jute was doubled. It was at this point the first change in policy appeared as the countervailing was left at 3-½%⁵⁷.

One of the results of the war naturally had been to increase the British Empire's share of the aggregate trade of the Madras Presidency. This share was 63 per cent before the War, 75 per cent in 1916-1917 and 81 per cent in 1917-18. The value of imports declined by 2 per cent and that of exports by 27 per cent giving a total decline in trade of 18 per cent. The trade with other countries also declined by 44 per cent⁵⁸. The trade with the United Kingdom represented 40 per cent of the total trade compared with 48 per cent in 1916-1917 and declined by 37 per cent. If the tanned hides and skins shipped under the Government control were included, the fall in the total trade was reduced to 22 per cent. The trade with the British Empire representing 81 per cent of the aggregate trade of the Presidency declined by 18 per cent. The trade with the continent of Europe showed a decline of 73 per cent and the decline occurred mainly by the trade with France and Italy. Smaller trade with the Philippines, Java and Japan resulted in a decrease of 7 per cent in the trade with Asiatic Ports. The trade with Africa declined by Rs. 3.05 lakhs owing to

⁵⁷ Ibid

⁵⁸ Baliga, B.S – Compendium on History of Handloom Industry in Madras, Madras, 1960 PP 143-145.

cessation of exports to reunion and that with America, which was practically confined to the United States of America declined by 45 per cent⁵⁹.

To total value of coastal trade excluding Government transactions improved by 13 per cent. Imports of private merchandise improved slightly by Rs. 1.24 lakhs, larger imports of tanned and rawhides, cotton twist and yarn and kerosene oil having been counterbalanced by smaller imports of grain and pulse and teakwood. Exports rose by 27 per cent, the result of larger shipments of raw cotton, groundnut, coffee and spices⁶⁰.

The relative importance of the trade of the out ports remained much the same as in 1915-1916. Mangalore improved its position from sixth to fifth place at the expense of Calicut. Dhanushkodi was the only port to show an appreciable increase of trade but Mangalore and Cannanore both handled more merchandise than in 1916-1917. The value of the sea-borne trade on account at the port of Madras represented nearly 42 per cent of the trade of the whole Presidency compared with 45 per cent in the previous year and 11 per cent in 1915-16⁶¹.

⁵⁹ Ibid

⁶⁰ Ibid

⁶¹ Madras Administration Reports for the year 1916-1917, PP 64-65

The total revenue receipts for the Presidency increased from Rs.107.86 lakhs to Rs. 115.03 lakhs or by 7 per cent. The total disbursements on account of customs for the whole Presidency amounted to Rs. 6.65 lakhs compared with Rs. 70.01 lakhs in 1916-1917. There were no customs cases of particular importance. The number of offences dealt with under the Sea Customs Act during the year was 936 against 1,494 in the previous year. Penalties realized amounted to Rs. 19,175 against Rs. 27,019 in 1916-17. Five hundred and four cases occurred at Madras and 432 at the out ports⁶².

The dislocation of trade during the war was enormous. The coasting trade, whose recrudescence was the result of the war, had of course suffered severely, freights for timber, for instance, had fallen from Rs. 120 per ton in 1918 to the low figure of Rs. 30. Super dues on exports and imports were still necessary to maintain the solvency of the Port of Madras in view of the depleted volume of trade. The shortage on land naturally affected the movement of products by sea; thus an enormous and unprecedented quantity of Burma rice was imported while no Indian rice was exported owing to the prohibition. There was a notable decrease in imports of sugar owing to the retrial from the market of the Bombay buyers; the

⁶² Ibid

general increase of the value of sea-borne trade over the figures for 1918 was as forty per cent. An interesting feature of the year was the persistent smuggling of gold from the Straits of Settlements in contravention of the prohibition-a business rendered extremely profitable by the prevailing rates of exchange⁶³.

The rise in the price of machinery and restriction on imports with the scarcity of liquid fuel to retard any advance in the mechanical engineering branch. A tendency was there to multiply the installation of small rice milling and other plants beyond the limits of economic conditions and the energies of the department may be devoted to the centralization or combination of such plants rather than to further installations. So far as the unsatisfactory nature of the prevailing conditions had permitted, the activities of the department had been vigorous and comprehensive and the financial results had been everywhere favourable, the soap works presenting a specially promising record⁶⁴.

The cotton mills in the Presidency had nearly 4,100 power looms and 1,95,000 spindles at work and gave employment to about 30,000 operatives. Two of the concerns worked as Joint Stock companies. The number of spinning and

⁶³ Madras Administration Reports for the year 1919-20, PP 64-65

⁶⁴ G.O. Ms. No. 130, Trade and Customs, dated 19th January, 1920, T.N.A

weaving concerns, which were not worked by mechanical power and were therefore not closed as mills decreased by two to four. Handloom weaving was an important cottage industry in the Presidency and the Department of Industries endeavoured as usual to introduce improved methods and machinery amongst the weavers. An investigation was also undertaken into the condition of industry in its technical aspects and to the social and economic condition of the weavers. The three jute mills in the Northern Circars continued to work during this period. Owing to the boom in the leather trade, the number of tanneries increased from 24 to 46 of which three, together with the two leather works came under the Factories Act⁶⁵. There additional leather manufacturing firms had been established in Madras City, and it was probable that the manufacture of finished leather goods would develop considerably in Madras during the next few years and that an export trade in foot-ware might be developed; especially in South Africa where there was a large market for this class of leather goods. The prohibition on the tonnage of sheep and goat skins by the Madras tanners, which had been in force during the great, part of 1917-18 and 1918-19 was removed early in 1919 with the result that certain tanners immediately stopped the input of hides and turned their attention to skins, but owing to the exceedingly high price of raw skins, many continued

⁶⁵ G.O.Ms. No.1111, Revenue (Special), dated 15th June, 1920, T.N.A

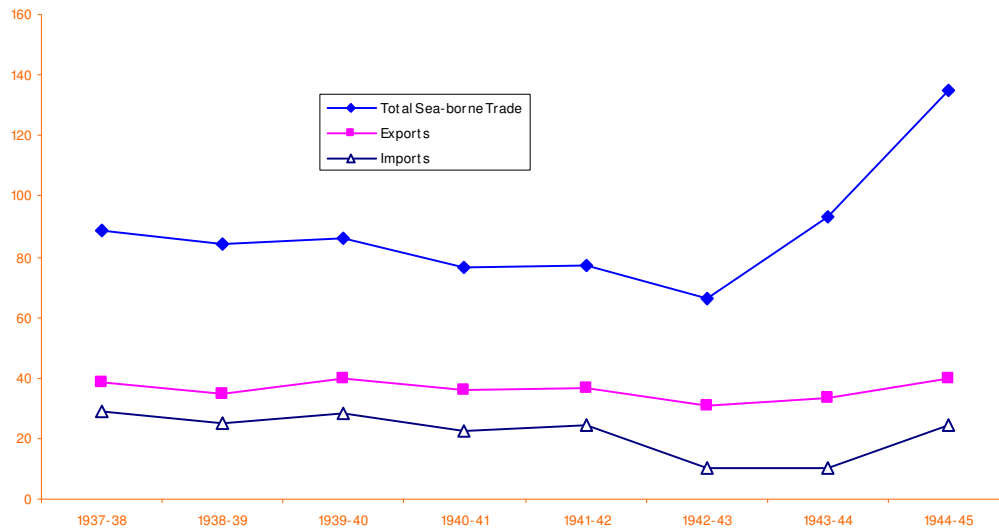
tanning hides and skins so long as they could dispose of them to Government under the scheme of control⁶⁶. An important event of the year in connection with the trade in hides and skins was the passing of an Act by the Government of India imposing a tax of 15 per cent on all hides and skins exported from India but providing for a rebate of 10 per cent on hides and skins as were exported within the British Empire.

The coir industry was represented by 22 concerns as against 18 in the previous year. The number of cotton, ginning and pressing factories remained almost the same as in the previous year. For some time past attention had been devoted to the question of controlling and licensing cotton gins and presses in order to reduce the advantage of the lint which resulted from the bad condition of the small ginneries and to prevent the mixture of short and long staple cotton. The Indian Cotton committee recommended that all ginning and pressing factories should be required to take out licenses and laid down a series of conditions to which such factories should be required to conform. The government of India accepted the Committee's recommendations⁶⁷.

⁶⁶ G.O. Ms. No.829, Revenue (Special), dated 29th April, 1920, T.N.A

⁶⁷ Report of the Department of Industries for 1919-20; See also: G.O. No. 1206 Revenue (special) dated 2nd July 1920, T.N.A.

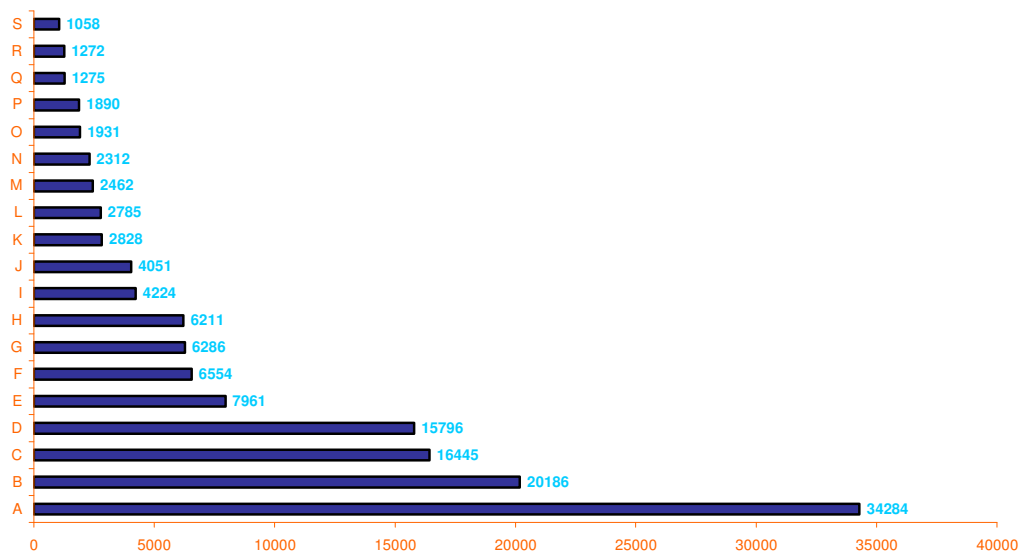
CHART - VIII
SEA - BORNE TRADE 1937 -38 TO 1944-45



Source : Madras Administration Report for the year 1944-45

- A. ORDNANCE FACTORIES
- B. COACH BUILDING AND MOTOR REPAIRING WORKS
- C. ARMY CLOTHING, HOSIERY, SILK AND OTHER TEXTILE FACTORIES
- D. TANNERIES AND LEATHER INDUSTRIES
- E. TOBACCO FACTORIES
- F. SUGAR FACTORIES
- G. ROPE WORKS
- H. CHEMICALS, OIL MILLS BONES AND MANURE WORKS ETC
- I. TEA FACTORIES
- J. GROUDN NUT DECORATICATING, PADDY BOILING, CHEST NUT CURING, CONDIMENTS AND GRAM MILLS
- K. COFFEE CURING WORKS
- L. JUTE MILLS
- M. PRINTING, BOOK BINDING ETC
- N. ENGINEERING INCLUDING ELECTRICAL ENGINEERING ELECTRICAL GENERATING STATIONS, FOUNDRIES MINERAL AND METAL WORKS, KEROSINE TINNING AND PACKING ETC
- O. BRICKS AND TILES SAW MILLS, PENCIL AND CABINET WORKS
- P. RICE MILLS
- Q. RAILWAYS AND TRAMWAY WORKSHOPS AND DOCUKYARDS
- R. COTTON GINNING AND BALING PRESSES, JUTE FIBRE AND FORAGE PRESSES
- S. COTTON SINNING, WEAGVING AND OTHER FACTORIES

CHART - I RELATIVE IMPORTANCE OF THE DIFFERENT CLASSES OF FABTORIES
IN MADRS DURING 1931 (VALUE IN LAKHS)



CHAPTER – II

Import and Export trade in the Madras Presidency during 1920-21 was more abnormal than any of the war years, consequent on the dramatic collapse of the European exchanges, the depreciation in the value of rupee as a result of the adverse balance of trade, the accumulation of large stocks bought at high prices by overseas customers and in the first year of 1921-22, the reduced purchasing power of the country consequent on the unsatisfactory monsoon of the previous year coupled with the high price of imported goods presented absorption of the heavy stocks in the market. Owing to the increase in the general rate of import duty and imposition of enhanced duties on luxuries, fresh imports received a check. The export trade failed to come up to general expectations. In the next two years, the trade of the Presidency was passing through a period of recuperation and although under the stimulus of high prices, the value of the export trade expanded above 10 crores of rupees, the value of imports declined by over 1 ½ crores of rupees⁶⁸. The depression in Europe generally restricted the Presidency's outlet for produce and in turn diminished her purchasing power.

⁶⁸ G.O.No. 310 *Trade and Customs*, dated 15.12.1921;
G.O.No. 372, *Trade and Customs* dated 27.12.1922. T.N.A.

The year 1924-25 witnessed a further expansion in the export trade owing to fairly good crops in that year, the large demand for them as a result of the improved economic conditions in buying countries and the consequential rise in the prices of most of the exported produce while a partial revival in the export trade also was in evidence. In the next year, the import trade in most articles was depressed despite favourable exchange and the tendency of the fall in prices considerably restricted imports, especially cotton piece goods, the price paid by the consumer was still above the general average before the war. In the case of exports, however, there was satisfactory progress. The prosperity of the rubber and tea industries and the large crops of groundnut and cotton were contributory factors. Exports in many staple articles were adversely affected by the depreciation of the franc. Consequent on a market improvement in the imports of cotton manufacture, sugar, dyes and colours, machinery and work, paper and paste board, there was an expansion in the foreign import trade of the year 1926-27⁶⁹. The total value of this trade would no doubt have been still higher, had the world prices of staple articles such as cotton, sugar and steel remained at the previous year's level and had not the coal strike in Britain retarded the forward progress of the cotton steel and other industries of that country. On the other hand, there was an

⁶⁹ G.O. No. 313 Revenue (Special), dated 20.01.19256, T.B.A; *The Samarasa Bhodhini* (Tanjore), 7th Jan 1926, NNR.

appreciable decline in the foreign export trade by over 6 crores, chiefly under cotton and groundnuts, owing to the competition resulting from a plentiful supply of cheap American cotton in the case of former (cotton) and unsettled state of the continental exchanges, the difficulty of securing freights owing to the coal strike in England⁷⁰.

In the next two years, the trade assumed prosperous dimensions. Exports and imports in the year 1928 – 29 in particular attained a level (4,659 and 2,759 lakhs respectively) never reached previously or subsequently. This was due to a general stability in the financial condition of the world, a stable exchange and a comparatively good supply of freight at reasonable rates. The year 1929-30, however, showed a slight dimension in the foreign trade of the Presidency⁷¹. In the beginning of the year 1928-29, the conditions appeared favourable for a steady development in trade, but these hopes were not fulfilled owing to phenomenal financial stringency in the chief money markets of the world brought about by over speculation and the resultant failure and adverse effects on credit and purchasing power. It was, however, only in the year 1930-31 judging from the trade figures that the effects of the world-wide depression made themselves fully felt and unfortunately for this country, certain additional factors such as Civil Disobedience

⁷⁰ G.O.No.321, Trade and Customs dated 27.01.1928, T.N.A.

⁷¹ *Census of India* 1931, Vol.XIV, Madras Report, Part I, pp 216-217.

Movement and boycott of British goods accentuated further and the general economic distress⁷².

The Madras Presidency in common with the rest of the world had since been passing through a period of unprecedented economic depression and like all producers, of primary products had suffered severely from the fall in prices. Following Great Britain's departure from the gold standard in September 1931 and the linking of the rupee with the depreciated sterling, there was an immediate rise in price of all principal commodities and this afforded a definite stimulus to the export trade. It was though in some quarters that the improvement was a sign of better times but more cautious observers took the spirit of optimism but there had been a definite retrogression in the situation. Practically all commodities had declined in price during the last few months. Tanned hides, one of the principal exports of the Presidency, had actually declined below the September level. The production of agricultural products seemed to have run ahead of demand and the real problem was the correct of oversupply extending over a wide range of commodities. The rise in the value of gold and as a corollary, the fall in prices of commodities was still further accentuated by the unfortunate position of the counties engaged in primary production. The general basis of world prosperity

⁷² *Ibid.* Part II, pp 224-225.

undoubtedly was in a satisfactory level of commodity values whereby the primary produced could earn satisfactory profits, but this could only be affected when excess production was overtaken by an increase in consumption and the expansion of consumer's demand which was so greatly desired. It would be folly to overlook or minimize the gravity of the present situation. It would be also unwise to exaggerate it for there was no instance in economic history of a crisis that was not followed by a period of stability and prosperity. The long delayed improvement came and India became one of the first countries to spare it⁷³.

COTTON

It will be seen from the following statement which shows the area on which cotton was grown during the last ten years, with the weight and volume of the cotton exported, that the value of the export trade had undergone considerable fluctuations during the period⁷⁴.

In the Madras Presidency, the cultivation of cotton was largely carried on in the districts of Tirunelveli, Ramnad, Madurai, Coimbatore, Tiruchirapalli, Salem, Cuddapah, Anantapur, Bellary, Nellore, Kurnool, Guntur, Kirshna, Godawari and Vizagapattnam. The trade name of the several varieties grown were 'Cambodias',

⁷³ *The Indian Annual Register*, Calcutta, 1931, Vol.I, pp 434-435.

⁷⁴ G.O.Ms. No. 805, *Trade and Customs*, dated 13.06.1932, T.N.A.,

'Tinnevellies', 'Salem', 'Northerns' and 'Western' and 'Coconadas'. 'Cambodia' were grown in Tiruchirapalli and portions of Coimbatore and Madura, 'Tinnevellies' in Tinnevelly, 'Salems' (Uppam) in Salem and portions of Coimbatore, 'Northerns' and 'Westerns' in Bellary, Kurnool, Anantapur, Cuddapah and Chittoor and 'Cocanadas' in Krishna and Guntur. Of the Southern India Cotton, 'Tinnevellies' were well situated for the production of 40s counts and below, while others were suitable for 24s counts and below. The 'Northern' staple was 7/8s, the 'Eastern' 3/4s, the Cocnada 5/8s, the Karunganni 7/8s, the Tinneveli 3/4s and 7/8s and the Salem 3/4s. There were about 2,500,000 acres of land and normally the yield was about 5,00,000 bales of 400 Lb each⁷⁵.

There were 28,905 persons engaged in cotton ginning, cleaning and pressing in 1931 while the corresponding figures for 1921 was 20,844 representing an increase of about 40 per cent. The number of ginning factories and presses in the Madras Presidency coming under the Factories Acts was 424 in 1931 against 205 in 1921⁷⁶.

⁷⁵ G.O. Ms. No.153, *Trade and Customs*, dated 02.02.1932, T.N.A.,

⁷⁶ G.O. Ms. No.637, *Trade and Customs*, dated 09.05.1932, T.N.A.,

The industry of hand spinning was as old as the Vedas and had been in existence from time immemorial. Hand spinning was still largely carried on in the coir, wool and industries. As regards cotton, however, when cheap and superior mill-made yarns were placed on the market, the handloom weavers gradually abandoned the use of hand-spun yarn. Hand spinning of cotton then ceased to be a remunerative occupation and consequently fell into destitute. In the last decade, however, there had been a partial revival of cotton hand-spinning industry. It was estimated by the 'All India Spinners Association' that in 1930-31, Khadi was produced in the Madras Presidency (Andhiradesam, Tamilnad and Keraladesa) to the value of Rs.31,08,302 out of a production for the whole of India valued at Rs.57,81,952. Taking 6 annas per yard as the average cost price or 2½ yards per rupee, the production of khadi in the Presidency amounted to 8,448,800 yards. The industry of hand-spinning was carried on chiefly in the districts of Cuddapah, Karnool, Anantapur, Ramand, Madura, Tinnevelly, South Kanara, Salem, Guntur, Tanjore, South Arcot, Chittoor, Krishna, West Godawari, East Godawari, Nellore, Vizagapattnam and Ganjam. Generally in the Ceded Districts and Northern Circars, the industry was more developed than in the southern districts.

The average annual imports of Madras during the last few years had been 7 million pounds of yarn and 70 million yards of cotton piece goods. The following table shows the progress made by the mill industry since 1919.

Statement showing the progress of Cotton Spinning and Weaving Mill Industry:

Year	Number of Mills	Number of Looms	Number of Spindles	Number of hands employed daily
1919	12	423,232	2,727	24,118
1929	23	775,928	5,233	32,866
1930	-	-	-	-
1931	25	-	5,493	-

(Sources – Report on the Administration of the Madras Presidency for the year 1919 to 1931).

The textile cotton industry of the Madras Presidency afforded a means of subsistence to a large number of people and ranked in importance and magnitude next only to agriculture. Except the Nilgiris, all other districts of the Presidency

were handloom-weaving areas. Fourteen districts contained more than 10,000 looms each⁷⁷.

The various classes of people engaged in the industry from time immemorial were Devangar, Sourashtras, Kaikolas and Padmasalis and also the depressed classes and the industry provided work for men, women and children. The importance of the industry to the Presidency can be gathered from the fact that although there were only 1,69,451 looms in the Madras Presidency in 1921 out of a total of nearly two million looms in the whole of India, the consumption of yarn in the province was only a little less than one quarter of that the whole of India in the decade ending with the year 1920-21 and an increase of 15 per cent to 1,73,474 in 1931⁷⁸

There were twenty Hosiery factories in the Presidency which were generally run by power⁷⁹. The more important factories were situated in Malabar and at Karur and Salem, the Malabar and Karur concerns manufacturing mainly net banians while those at Salem were engaged mainly on the manufacture of knitted

⁷⁷ *Annual Report, Department of Industries*, 1919-1931.

⁷⁸ N.G. Ranga, *The Cotton Mill Industry to the Madras Presidency – The Indian Journal of Economics*” Vol.XI, 1930-1931.

⁷⁹ *Ibid*

banians. The factories appeared to be fairly well employed as although they experienced severe competition from the cheap and inferior Japanese goods some benefit was derived from the preference shown for the Swadeshi article. Competition was, however, very keen and prices were often non remunerative to the manufacturers. Consignments of hosiery goods were frequently forwarded by manufacturers for payment as and when they were sold and sales conducted on these lines were expensive. The market for hosiery goods in India was a growing one, only the fringe of the potential demand having yet been touched. India was Japan's principal customer for knitted goods⁸⁰.

Certain places in the Presidency had attained a reputation for dyeing different kinds of fabrics and in select colours; Kumbakonam and Conjeevaram for dyeing silk and artificial silk, Nagapatnam for its black dye, Madura for certain fast bright red and its Chungadi sarees and Saya Veshties and Coconada and Nellore for certain kinds of dyed clothes. The location of the industry in particular places had been chiefly due to the patronage of the rich in the neighbourhood and the facilities available, particularly, the suitability of water in the area for dyeing purposes. The classes of people engaged in the industry were chiefly Telugu,

⁸⁰ *Ranga*, N.G. Opct, p.50

Baliya and Kapu in the northern districts, washerman in Godawari and Vizagapatnam District, Rangarajus or Rangaries in the central districts and several classes, eg. Mudaliyas, Yadavars, Banias, Nattars, Woddars, Pallas etc., in northern districts⁸¹.

The jute grown in the Madras Presidency was not the crochorus variety but Deccan hemp. The area under this variety had averaged about 65,0000 acres of which Vizagapatnam District contributed about 75 percent Guntur District over 15 per cent. There were two jute mills in 1921 in Chuttivasal and Ellore; the mill at Nellimaria was not started until 1922 while at Guntur which was started in 1904, was not working at the time of 1911. The number of looms and spindles employed in these four mills at the close of 1930-31 was 941 and 20,394 spindles, giving employment to nearly 6,500 hands an increase of about 4,000 over the figure for 1921⁸².

The importance of the tanning industry to the Madras Presidency may be gauged from the fact that there were 400 to 500 tanneries giving employment in normal times to about 40,000 hand with an estimated wages roll of over Rs.95

⁸¹ Bhogendranath, N.C., *Development of the Textile Industry in Madras* (Upto 1950), Madras, 1957, pp12.

⁸² *Annual Report*, Department of Industries, 1921-1931.

lakhs per annum. Tanned hides and skins had been one of the most important exports of Madras ever since the figures of sea-borne trade were published. The trade during the previous decade had been abnormal in many respects owing to the effects of the war⁸³.

The production of cashewnut kernels was an important industry on the west and east coasts, particularly the former, Mangalore being the chief centre. The production of raw nuts in South Kanara was estimated of about 70,000 to 80,000 bags of 140lbs., each, while an equal quantity was produced in the adjacent parts of Malabar, Cochin and Travancore some of which was imported into Mangalore. The East Coast districts accounted for 50,000 bags, while Goa and Coastal tracts of Bombay Presidency probably accounted for 110,000 bags⁸⁴. The total production in India of Cashewnut was therefore about 300,000 bags. The requirements of the industry in Mangalore alone were stated to be about 200,000 to 300,000 bags, the deficiency was made good by the importation of African nuts which came into the Mangalore market from December to April., i.e., when the Indian crop was exhausted and thus served to keep the factories going throughout the year. There were five or six factories in Mangalore engaged in the industry which provide

⁸³ *Census of India*, 1931, Vol. XIV, Madras Report, Part II, Page 232.

⁸⁴ *Ibid.*, pp.235

deployment for about 4,000 persons, mostly women and the annual wage amounted to about 4½ lakhs of rupees. This industry had shown marked development during the decade as will be seen from the table below which shows the total exports of cashew kernels for the past ten years⁸⁵.

Exports of Cashew Kernels from Mangalore Port

Year	Quantity Cwt	Year	Quantity Cwt	Year	Quantity Cwt
1922	10,637	1925	16,671	1928	26,063
1923	8,735	1926	13,533	1929	26,432
1924	9,586	1927	19,546	1930	30,733
				1931	37,663

(Sources: Report on the Administration of the Madras Presidency for the years 1922-1931).

The above figures did not, however, represent the total production of cashewnut kernels in Mangalore, since during the south-west monsoon when the port of Mangalore was closed; a considerable quantity of cashew kernels was railed to Cochin and other parts for shipment⁸⁶.

⁸⁵ *Census of India*, 1931, Vol.XIV, Madras Report, Part II, pp.222-223.

⁸⁶ Bhoag G.T., - *The Madras Presidency*, 1881-1931, Madras, 1933, pp.207-209.

The expression, “coconuts, the consols of the East” aptly indicates the value placed on the products of the coconut palm and the part these play in the economic life of the people in several parts on South India, Ceylon, etc., for there is or was no essential requirement of the people which some part of it cannot or could not supply. Apart from several uses of the chief products, viz., coir, copra, coconut oil and oil cake, the hollowed trunk serves as a canoe, the nut forms a staple article of diet and a very wholesome one, the leaves may be used for many of the purposes of paper, are frequently employed as thatch and for the manufacture of brooms, baskets, umbrellas, tattis and fans and utilized as crude torches in a dried form or burnt as fuel or for manufacture. The shell is also used as fuel either as it is or in the form of charcoal. The fresh or fermented juice of the stem is consumed as a beverage, by evaporation it is made into jaggery and by subsequent treatment refined sugar is obtained. When distilled, the toddy becomes spirit or arrack and finally vinegar. The jaggery is not in frequently mixed with lime to make a strong ferment which takes into fine polish and so on⁸⁷.

The area under coconuts in the Presidency had averaged over 550,000 acres during the last ten years vide statement of acreage given below:

⁸⁷ *South India Chamber of Commerce*, Golden Jubilee – 1910 – 1960 (SICC, 1961) Madras, Page 223.

Year	Acs	Year	Acs	Year	Acs
1921-22	559,404	1925-26	555,465	1929-30	576,083
1922-23	543,263	1926-27	552,815	1930-31	565,971
1923-24	520,552	1927-28	557,102		
1924-25	525,445	1928-29	570,330		

(Source: Report on the Administration of the Madras Presidency for the year 1921-22 to 1930-31)

Malabar, South Kanara, East Godawari and Tanjore were in order of importance, the chief districts growing coconut⁸⁸.

During 1921, the pride of place among coconut products exported was held by Copra, but in 1931, the first position had been taken by Coir and Coir products.

Table-shows the export of coir (unmanufactured) during the last ten years⁸⁹

⁸⁸ G.O. M.S.No.798, *Trade and Customs*, dated 11.06.1932 – T.N.A.,

⁸⁹ G.O.Ms.No.1116, *Trade and Customs*, dated 17.07.1932, T.N.A.,

Coir (Unmanufactured) - Foreign Trade

Year	Quantity Tons	Value (Rs)	Year	Quantity Tons	Value (Rs)
1922-23	460	1,11,816	1926-27	245	75,290
1923-24	368	87,481	1927-28	194	57,088
1924-25	340	84,481	1928-29	3.34	1,02,327
1925-26	397	1,09,141	1929-30	229	75,147
			1930-31	190	60,004

(Source: Report on the Administration of the Madras Presidency for the year 1922-23 to 1930-31, TNA)

Table II

Foreign			Coastwise	
Year	Quantity	Value	Quantity	Value
1921-22	27,208	90,14,937	15,378	31,20,360
1922-23	32,575	1,07,41,614	13,478	26,16,890
1923-24	31,163	1,00,88,531	15,151	30,26,385
1924-25	36,286	1,20,25,754	13,002	25,46,793
1925-26	29,561	1,05,83,341	13,875	31,37,894
1926-27	27,655	97,99,076	13,023	28,85,819
1927-28	33,069	1,11,56,924	13,538	28,82,385
1928-29	31,767	1,03,97,287	13,533	29,32,065
1929-30	31,176	1,02,54,195	-	-
1930-31	25,862	87.13 lakhs	-	-

(Source: Report on the Administration of the Madras Presidency for the year 1922-23-1930-31, T.N.A.,)

The United Kingdom and Belgium were the Chief importers of Coir (unmanufactured) while manufacture a coir was mainly utilized by Germany, the United Kingdom Netherlands, Belgium, France, Italy and the United States of America. It will be seen that foreign exporters alone of manufactured coir had exceeded Rs.1 crore in value, except in three years, while the value of coastwise exports had always been over 25 lakhs. Cochin and Calicut were the principal ports of shipment, the former accounting for about 80 percent and the later for almost the entire balance. Foreign and coastwise exports of coir rope and the cordage had averaged about 10 lakhs of rupees in value, cordage preponderating⁹⁰.

The production of coffee in India was confined to Mysore, Madras, Coorg, Cochin and Travancore in the order of importance, the Madras share being less than one-fourth of the total. The following statement shows the production and export of coffee in the Presidency during the decade.

⁹⁰ G.O.Ms. No.1173, *Trade and Customs*, dated 1718/1932, T.N.A.,

PRODUCTION AND EXPORTS OF COFFEE

Year	Acres	Production of cured coffee LBS	Export CWT	Value of exports Rs.(lakhs)
1921-22	25,655	5,163,158	219,153	129.86
1922-23	27,452	7,642,406	162,045	119.63
1923-24	38,487	3,598,396	208,885	152.59
1924-25	34,235	9,669,289	235,135	202.62
1925-26	35,430	4,525,736	196,638	178.22
1926-27	37,173	6,914,970	145,244	128.48
1927-28	38,159	11,533,164	270,495	226.88
1928-29	38,104	4,827,302	193,432	165.77
1929-30	37,583	8,068,408	179,730	141.87
1930-31	38,377	-	287,414	188.35

The area had increased by about 50 per cent within the last 10 years. Production had also increased, the output during the first five years of the decade being slightly less than that for the next four years. The Nilgiris, Salem, Madurai, Malabar and Coimbatore were the important coffee growing districts⁹¹. The exports in 1930-31 were highest in quantity but the pride of place in regard to the

⁹¹ G.O. Ms. No.1392, *Trade and Customs*, dated 01.09.1932, T.N.A.,

value of coffee exported belonged to 1927-28 in which year, the value was higher by 38 lakhs although the quantity was less by 17,000 cwt. The United Kingdom and France were the important customers, Germany, Netherlands, Norway, Belgium, Iraq, Bahrein, Islands, etc., taking smaller quantities. Trade also had suffered greatly during the last few years of the decade owing to the trade depression, a heavy fall in the price having occurred owing to the inability of Brazil to maintain its valorization scheme in the face of economic causes⁹².

Machinery imports and Mill work afforded a reliable index of the industrial development of the Presidency. Of the machinery imported, textile and electrical machinery and prime movers were the most important. The average imports of these classes had been 42,40 and 24 lakhs during the decade. The other machinery and mill stores imported included sewing and knitting machines, belting for machinery, boilers, tea machinery, rice and flour machinery, typewriters and agricultural machinery⁹³.

The Depression affected trade and commerce. Industrial production in the world decreased almost without a break from the last quarter of 1929 to the middle

⁹² G.O. Ms. No.1209, *Trade and Customs*, dated 10.06.1932, T.N.A.,

⁹³ *Census of India, 1931*, Vol. XIV, Madras Report, Part II, p.234

of 1932. But in India, the Depression did not have the same effect on industry as in many industrial sectors. During this period, industrial production in India did not contract but increased in some cases. At a national level, cotton, sugar, steel and cement industries expanded rapidly, while in Madras, cotton, sugar and banking were the growing industries. But the same was not the case with small-scale and cottage industries. Hosiery, tanning, matches and handlooms had to face rough weather in this period⁹⁴.

P.J. Thomas, an economist in the University of Madras at that time, noted that the period 1928-29 to 1936-37 was one of great industrial activity, with production of cotton piece goods increasing of 89 percent, sugar by 1,016 percent pig iron by 213 percent and steel by 151 percent⁹⁵. D.R. Gadgil also observed like thus 'Indian Capital has become distinctly bolder during the period (1929-39) and with large investment facilities available, more of it being sunk in the industrial enterprises⁹⁶.

The striking industrial growth of this period can be attributed to a variety of causes. The most important was the discriminating protection given to a select

⁹⁴ *Economic Depression Enquiry Report*, Madras, 1930 Part I & II, pp.179-181, 185-187.

⁹⁵ Thomas P.J., - *Papers on Currency and Depression*, Madras, University of Madras, 1985, pp.241.

⁹⁶ Gadgil, D.R., - *Industrial Evolution of India in Recent Times*, London, Oxford University Press, 1954, Pp 304.

number of industries. On the basis of the recommendations of the Tariff Board set up in 1923, the Government had granted specific protection to nine industries, namely, steel, cotton textiles, sericulture, paper, sugar, silver, thread and wire, magnesium chloride, heavy chemicals and matches⁹⁷. The protective measures were considered to have paved the way for a marked growth in industrial sectors, but the available studies indicate that hardly any Indian firm gained from it. Besides, industrial development of colonies was still anathema to the British Government, as it was beginning to feel threatened by the reports of such, developed in the wake of the Depression.

There was no change of policy until 1939, and imperial interests continued to govern England's policy towards colonies. Therefore, industrial growth in the Presidency occurred mainly because of certain special conditions created by the Depression. First, owing to the steep fall in prices of agricultural goods, raw materials were available at very low prices, second, faced with all round unemployment, labour was willing to work for subsistence wages. Third, money was available at low rates of interest, as funds lying with banks sought an outlet. The bank rate of interest stood at 8 percent in November 1931 to 3.5 per cent⁹⁸. A

⁹⁷ Narayanasamy Naidu, B.V. – Edited – *Indian Trade*. Annamalai University Economic Series No.9, Annamalai Nagar, Annamalai University, 1942, pp.171-173.

⁹⁸ Thomas, P.J. Op. Cit, Page 240

further condition was that the rupee's high exchange rate enabled the manufacturers to obtain machinery and other essential imports at comparatively cheap prices, this was especially at the time. Finally, the real income of fixed income groups, such as rented classes, high government officials and chieftains of the princely states had increased greatly due to the Depression and the fall in prices. They were able to save a large amount of their income and invest it in banks and industries⁹⁹

In the Madras Presidency, under the system of diarchy industry had become a provincial subject, which enabled the government to actively participate in industrial enterprise. The introduction of cheap electric power through hydro electric schemes, such as the Pykara Hydro electric scheme and Mettur Project, helped the industrialists who already had an abundant supply of cheap labour. During the Depression the wage rates were very low on account of falling prices, and there was flooding of the labour market with workers repatriated from Burma, Malaya and Ceylon¹⁰⁰. Another factor that encouraged the growth of industry was the agricultural depression leading to an extreme degree of indebtedness of peasants.

⁹⁹ Narain, Lakshmi, *Price Movements in India*, 1929-1957, Meerut: Shri Prakasham Publishers, 1957, pp34-35

¹⁰⁰ Baker, C.J. - *The Politics of South India. (1920-1937)* New Delhi, Vikas Publishing House, 1976, P. 184

Many men with liquid capital to employ found lending to peasants risky and thus transferred their attention to industry¹⁰¹

The census of India in 1931 noted the industrial developments that were taking place in the Madras Province. The companies to come up first were those set up for the transmission of electricity to the towns of the province. Then came the petroleum distribution companies, banks, insurance companies cotton, sugar and jute mills and cinema enterprises.¹⁰² While the depression was paralysing agriculture and trade in the Presidency, the number of industrial undertakings registered kept increasing every year. The aggregate joint stock capital in the province grew by 37.2 percent between 1935 and 1940, five times faster over the previous twenty years. The newly registered joint stock companies in Madras between 1928-29 and 1936-37 are shown in table.

¹⁰¹ Amitya Kumar, Bagchi, - *Private Investment in India (1900-1939)*, New Delhi, Logman, 1982, p.

¹⁰² 210
The Indian Annual Register. 1933. Vol II Calcutta: p. 419

Year	Total	Banking and credit	Insurance	Transport	Trade & manufacture	% of total	Cotton mills	Other mills	Sugar mills	Others
1928-29	64	9	5	9	20	31.25	4	3	-	14
1929-30	98	9	18	8	19	19.39	3	4	-	14
1930-31	109	27	7	11	40	36.70	-	5	-	19
1931-32	93	27	10	7	38	40.86	2	3	-	6
1932-33	146	38	33	6	8	32.33	5	3	-	13
1933-34	159	34	24	6	61	38.86	3	8	4	19
1934-35	189	44	12	17	86	45.50	8	9	2	11
1935-36	174	34	4	5	75	43.10	14	5	3	34
1936-37	235	39	8	10	112	47.66	4	8	2	52

Cotton and sugar industries recorded remarkable growth during the period. In 1929-30, there were only nineteen spinning and weaving mills in the Presidency, with 697,564 spindles and 5,039 looms at work. But by 1937, there were forty-seven mills at work with 1,134,222 spindles and 5,866 looms¹⁰³

The history of the textile industries in Madras dates back to the later half of the nineteenth century. But the greatest expansion of industry seems to have taken place during the nineteen thirties, as the equipment of mills and the labour force employed increased.

¹⁰³ *Annual Report. Department of Industries. 1929 to 1937.* P - 17
The Swadesamitran (Madras), 2nd September 1936, NNR
The Andhra Patrika (Madras), 7th September 1936, NNR

Progress of textile industry in Madras Presidency

Year	No of mills	Capital (in Rs. Million)	Looms	Spindles	Labourers
1929-30	20 (100)	24.62 (100)	4,039 (100)	697,564 (100)	34,513 (100)
1930-31	22 (HO)	29.61 (120)	5,033 (100)	753,520 (108)	34,670 (107)
1031-32	24 (120)	27.65 (112)	5,143 (102)	714,404 (102)	37,872 (116)
1032-33	23 (115)	28.33 (115)	5,13 (102)	794,564 (114)	38,769 (119)
1933-34	29 (145)	30.30 (123)	4,083 (81)	846,230 (121)	41,208 (127)

(Source: Report on the Administration of the Madras Presidency for the years 1929-30, 1933-34)

Twenty nine mills and ginning factories were floated in Coimbatore area during 1929-37. Coimbatore began to function as the chief centre of the Cotton Textile Industry in Madras. As the number of cotton mills in Coimbatore increased, several adjoining towns also registered growth. Tirupur, for instance, emerged as the major cotton mart in Coimbatore district¹⁰⁴. Two

¹⁰⁴ Baker, C.J. - Op. Cit, p. 190

cotton mills, namely, Sri Ramalinga Choodambigai Mills and Dhanalakshmi Mills Limited, had come into being in Tirupur during the Depression.

In 1932, the Tariff Board recommended a protective tariff which the Government adopted for the sugar industry. Within the next five years, the industry grew at a very rapid rate. The number of sugar factories in the Presidency rose from two or eleven between 1934-35 and 1936. In Tamilnadu, the Coimbatore Lakshmi Sugar Mill, an old sugar refinery at Podanur was reconstructed during 1933-34 re-equipped with a cane-crushing plant. During 1936-37, the Southern India sugar Company Ltd, in the Karur area and the Srimathi Sugar Mills Ltd., in the Lalgudi area of Tiruchirapalli district were started.¹⁰⁵

A cement factory started at Madukkarai in Coimbatore district in 1932 gave fillip to the industry in the state.¹⁰⁶ The Mettur Chemicals and Industrial Corporation Ltd, established in 1937, undertook production of caustic soda.¹⁰⁷ The Indian Steel Rolling Mills was started at Nagapattinam for the manufacture of Steel in 1933-34.

¹⁰⁵ *Annual Report, Department of Industries, 1933-34*. Ibid-1936-37, P- 34 The Hindu (Madras), 20th Century, 1936, NNR

¹⁰⁶ Natarajan, K.V - *Economic and Financial condition of the Presidency, Madras State*. (M.Litt, Dis. University of Madras, 1956). P. 76

¹⁰⁷ *Ibid*

The number of oil presses in the Presidency increased from 34 to 238 between 1931 and 1938¹⁰⁸ A survey undertaken in 1939 found 153 full time groundnut dealers in the groundnut cultivating areas. These dealers who survived the crash invested in groundnut decorticating plants. In Salem there was an enormous increase in the construction of groundnut decorticating mills.¹⁰⁹ The oil mill industry was hit in view of the low prices prevailing for all varieties of vegetable oils. Several mills either stopped working or reduced their output considerably. The price of coconut oil declined from Rs. 387 to Rs. 287.

The aggregate value of the sea borne trade, foreign trade in private merchandise and treasure imports, exports and the coasting trade declined and contracted considerably in the Madras Presidency during 1930 and 1931 due to smaller arrivals of principal articles of merchandise, though these were counter balanced by increased arrivals of mineral oils, instruments, apparatus, appliances and parts of those artificial silk, grain, pulse and flour. The decline was due to world trade Depression, fall in prices, the Non-Cooperation and Civil Disobedience Movements in India throughout the period and the inability of certain foreign exchanges and the suspension of the gold standard by Great Britain. But during the

¹⁰⁸ Baker, C.J. - *An Indian Rural Economy (1880-1955)*. Tamilnadu Countrywide Oxford University, 1984, p. 373.

¹⁰⁹ Baker, C.J. - *Politics of South India. (1920-1937)*, New Delhi 1976, P. 186.