

MODULE 1/2 - SUMMARY

The Company Become the Diwan

The East India Company became the Diwan of Bengal, on 12 August 1765. As Diwan, the Company became the chief financial administrator of the territory under its control. The Company needed to administer the land and organize its revenue resources. It needed to be done in a way that could yield enough revenue to meet the growing expenses of the company.

Revenue for the Company

The Company's aim was to increase the revenue to buy fine cotton and silk cloth as cheaply as possible. Within a span of five years, the value of goods bought by the Company in Bengal doubled. The Company, before 1865, purchased goods in India by importing gold and silver from Britain. Now it was financed by the revenue collected in Bengal. Artisanal production was in decline, and agricultural cultivation showed signs of collapse. Then in 1770, a terrible famine killed ten million people in Bengal.

The need to improve agriculture

In 1793, the Company introduced the Permanent Settlement. By the terms of the settlement, the rajas and taluqdars were recognised as zamindars, who were asked to collect rent from the peasants and pay revenue to the Company. The amount to be paid was fixed permanently. This settlement would ensure a regular flow of revenue into the Company's coffers and at the same time encourage the zamindars to invest in improving the land.

The problem

The Permanent Settlement created problems. Soon, the company officials discovered that the zamindars were not investing in the improvement of land because the fixed revenue was very high. By the first decade of the nineteenth century, the situation changed. The prices in the market rose and cultivation slowly expanded. Even then the zamindars were not interested in improving the land.

In the villages, the cultivator found the system extremely oppressive. The rent they paid to the zamindar was high so they took a loan from the moneylender, and when they failed to pay the rent they were evicted from the land.