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The Role of Dadabhai Naoroji in Indian National Movement

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ABSTRACT

This paper traces the thought and career of Dadabhai Naoroji, arguably the most significant Indian nationalist leader in the pre-Gandhian era. Naoroji (1825-1917) gave the Indian National Congress a concrete political goal in 1906 when he declared its objective to be self-government or swaraj. I identify three distinct phases in the development of his political thought. In the first phase of his career, lasting from the mid-1860s until the mid-1880s, Naoroji posited the “drain of wealth” theory, which argued that British colonialism was dramatically impoverishing India by siphoning off its resources. Naoroji embedded a political corollary into his economic ideas, arguing that empowering Indians through political reform was the only way to stop the drain. As early as 1884, Naoroji declared that the ultimate objective of such reform was Indian self-government. Naoroji contended that the best chance for achieving political reform lay through influencing the British Parliament. In the second stage of his career, beginning in 1886, Naoroji took up this task by contesting a parliamentary seat. He constructed a broad alliance among various progressive British leader’s Irish home rulers, socialists, and women’s rights activists and relied upon them and Indian allies to win election to the House of Commons in 1892. In Parliament, Naoroji pushed for the implementation of simultaneous civil service examinations, which he envisaged as the first step toward Indian self-government. Naoroji’s time in the Commons, however, was brief and disappointing, and in the third and final phase of his career, beginning in 1895, he radicalized considerably. He propounded his views on Indian poverty with renewed force while strengthening his ties with socialists and anti-imperialists in Britain and abroad. Concluding that imperialism was inherently economically exploitative, Naoroji declared that only swaraj could stop the drain of wealth.

I. INTRODUCTION

Dadabhai Naoroji (1825-1917) was an Indian scholar, merchant and politician who was the founding member of the Indian National Congress. Naoroji’s major contribution to the Indian independence movement was his “*Drain of Wealth*” theory: A detailed analytical study of

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how the colonial rulers of the subcontinent pillaged its economic resources and shattered its industrial capacity. The theory was most clearly demonstrated in his 1901 work, “*Poverty and Un-British Rule in India*”². Naoroji was also the first Asian Member of Parliament in the British House of Commons from 1892 to 1895, representing the London constituency of Finsbury Central. Naoroji’s shock upon witnessing the wealth of Britain during his first visit in 1855 prompted him to develop his economic analysis. Naoroji used the British imperial state’s own data to prove its historical impoverishment of the subcontinent by mapping Indian net profit alongside different ventures being undertaken by the British Raj. He calculated that there were six major factors to the drain of India’s wealth. Some of the major factors were, that there was a lack of immigration into India (which, coupled with the lack of capital, stymied the development of any industrial capacity); that the major and miscellaneous expenses of the British army and its colonial civil infrastructure was borne by India and not supported by taxes from the metropole; that India’s resources had been plundered in the name of free trade, and that most income earners were foreign nationals which exacerbated the existing tremendous loss of capital. In Naoroji’s book ‘Poverty’ he estimated a 200–300 million pounds drain of India’s revenue to Britain that was not recirculated into India.³ When referring to the drain, Naoroji stated that he believed some tribute was necessary as payment for the services that Britain brought to India such as the newly-constructed railways. According to Naoroji, India was paying tribute for something that was not bringing profit to the country directly. Instead of paying off foreign investment which other countries did, India was paying for services rendered despite the operation of the railway being already profitable for Britain. Furthermore, the East India Company was purchasing Indian goods with money drained from India to export to Britain, which was a way that the opening up of free trade allowed India to be exploited.⁴ Over the time, Naoroji became more inflammatory in his comments as he began to lose patience with Britain over the seemingly lack of progress regarding reforms. Naoroji once rhetorically questioned whether or not the British government would be willing to award French youths all the high-ranking posts in the British economy. He also pointed to historical examples of Britain being opposed to the “wealth drain” concept, including the English objection to the wealth drain to the papacy during the 1500’s. Naoroji’s work on the drain theory was the main reason behind the creation of the Royal Commission on Indian Expenditure in 1896 in which he was also a member. This commission reviewed financial burdens on India and in some cases came

² Naoroji, Dadabhai, “Poverty and un-British rule in India”, (1988)

³ Dadabhai Naoroji, “The Poverty of India”, (1878)

⁴ Dr. Adi H., “Political Thinkers of Modern India”, New Delhi Mittal Publications, (1997)

to the conclusion that those burdens were misplaced.⁵ Dadabhai Naoroji is regarded as one of the most important Indians during the birth of the nascent independence movement. In his writings, he came to the conclusion that the exertion of foreign rule over India was not favorable for the nation, and that independence (or at the very least, responsible government) would be the better path for India. Naoroji is often remembered as the “*Grand Old Man of Indian Nationalism.*”

(A) Research Question

1. What were the major contributions of Dadabhai Naoroji?
2. Why Dadabhai Naoroji is also called as “*Grand Old Man of India*”?
3. What does Naoroji’s drain theory and poverty explains us?
4. What are the views of Dadabhai Naoroji on Independence?

(B) Research Objectives

- To study the contributions made by Dadabhai Naoroji.
- To analyze the drain theory.
- To study their work on poverty.
- To study role in organizing political parties

(C) Research Methodology

The research is based on Non-Emperical/Doctrinal research method in which analysis of the facts and justification of research is done. Due to ongoing pandemic crisis, empirical research was not possible as it requires more field work. This research involves secondary data. In this research I’ve referred various books, articles, journals. Etc. The sources and data’s are collected with the help internet. The analysis of various research articles and reports are done to shape up the project.

II. LIFE OF “DADABHAI NAOROJI” BEFORE INM

Dadabhai Naoroji was born in a Gujarati-speaking Parsi family, and completed his education from the Elphinstone Institute School. He was supported by the Maharaja of Baroda, *Sayajirao Gaekwad III* and started his career life as Dewan (Minister) to the Maharaja in 1874. In 1854, he also founded a Gujarati fortnightly publication, *the Rast Goftar* (means The Truth Teller), to clarify Zoroastrian concepts and promote Parsi social reforms. In this time, he also published another newspaper called “The Voice of India”. In December 1855, He was appointed as the

⁵ Chishti, M. Anees ed., “Committees And Commissions in Pre-Independence India 1836–1947” (Volume 2: 1882–1895), New Delhi Mittal Publications, (2001)

Professor of Mathematics and Natural Philosophy in Elphinstone College in Bombay, also becoming the first Indian to hold such an academic position. Then he travelled to London in 1856 to become a partner in Cama & Co, opening a Liverpool location for the first Indian company to be established in Britain. Later, he resigned and became the Professor of Gujarati subject in University College London.

In 1865, Naoroji directed and launch the *London Indian Society*, with the purpose discuss Indian political, social and literary subjects. Later, in 1867, He also helped to establish the East India Association, which was one of the predecessor organizations of the Indian National Congress with the aim of putting across the Indian point of view before the British public. This Association soon won the support of eminent Englishmen's and was able to exercise considerable influence in the British parliament. In 1874, Naoroji became Diwan (Minister) of Baroda and was a member of the Legislative Council of Bombay (1885–88). He was also a member of the Indian National Association, a few years before the founding of the Indian National Congress in Bombay, with the same objectives and practices. The two groups later merged into the INC, and Naoroji was elected as President of the Congress in 1886.

Few years ago, Naoroji moved back to Britain once again and continued his political involvement. He further got elected for the Liberal Party in Finsbury Central for general elections in the year 1892, and thus he was the “First British Indian MP” and also the “first Asian” to be a British MP. During the oath ceremony, he refused to take the oath on the Bible as he was not a Christian, but was allowed to take the oath of office in the name of God on his copy of “Khordeh Avesta” (It is a religious texts of Zoroastrianism). During the time of parliamentary debates, he puts his efforts towards improving the situation in India. He always had a very clear vision and was an effective communicator. He set forth his views about the situation in India over the course of the history of the governance of the country and the way in which the colonial rulers rule. In Parliament, he spoke on “Irish Home Rule” and related it with the condition of the Indian people. During his period in the British Parliament, Naoroji talked about this wealth drain, the benefits of giving equal employment opportunities to Indians and industrialisation of the country.

III. THE DRAIN THEORY AND ITS POLITICAL CONSEQUENCE

The “Drain Theory” was first introduced by Dadabhai Naoroji in a series of speeches and writings which was subsequently published in volume entitled “*Poverty and un-British Rule in India*” in 1901, which estimates drain of wealth to be around 9% of India's GDP in 18th century and 6% of GDP in 19th century. There were various contributions to this theory which

were also made by *R.C. Dutt, G. S. Iyer, G.K. Gokhale* and *P.C. Ray*.

Naoroji stated that he believed some tribute was necessary as payment for the services that Britain brought to India such as the newly-constructed railways. However, the money from these services were being drained out of India, for instance the money being earned by the railways did not belong to India, which supported his assessment that India was sending too much to Britain.⁶

Dadabhai Naoroji was an economic critic and his work on economic exploitation gave a boost to Indian national movement and unmasked the real face of imperial rule. He proposed Indianization of the bureaucracy, separation of powers of the executive and judiciary and greater representation of Indians in the House of Common.

During the late 19th and early 20th century, 'The Drain Theory' came to be seen as the symbol of Indian economic nationalism. It highlighted the financial mechanisms by which British rule in India was maintained led to a transfer of wealth and income from India to Britain, imposing a 'bleeding drain' on the Indian economy. The essence of the drain theory was that the unilateral transfers that India was compelled to make to Britain systematically stripped the country of resources and thus perpetuated poverty. Naoroji observed that 'the chief cause of India's poverty, misery, and all other material evils is the exhaustion of its wealth, which continuously and increasingly exhausting and weakening its production, by the excessive expenditure on the European portion of all its sources and the burden of a large amount each year to be paid to foreign countries for interest on the public debt, which is chiefly caused by the British rule'.⁷ The "Drain of Wealth" Theory was more than a formidable statistical analysis; it was a full-on rejection of British colonial claims to moral legitimacy by demonstrating how it impoverished, not enriched, India and left its inhabitants hungry and destitute.

Naoroji emphasised three types of drains. First, the most important element was the payment to England of a proportion of salaries, incomes, and saving by civil, military employees of the British origin, as well as by professionals such as lawyers and doctors. These, together with the payment in sterling by the government of India of the pensions and allowances of British officials, constituted a heavy burden on the resources of India.

The second item was military expenditure. Just as in the case of civil servants, the remittances

⁶ Kozicki, Richard P.; Ganguli, B. N. (1967). "Reviewed work: Dadabhai Naoroji and the Drain Theory"

⁷ Ganguli B.N. (1965). "Dadabhai Naoroji and the Mechanism of 'External Drain'". *The Indian Economic & Social History Review*.

of a proportion of salaries, incomes and savings by British military personnel and the payment in sterling by the government of India of pensions and other allowances to the army officers, constituted an item of drain.

It was observed that a poor country like India was made to subsidise the imperial defence. The third item was the remittances made in sterling of interest on loans for construction and maintenance of public works such as railways, irrigation works, etc. The drain theory served as a basis for wide protests, and nationalist mobilisation against the British rule.

As a result of his work on the drain theory, A Royal Commission on Indian Expenditure was set up in 1896. Naoroji himself was a member of this commission which reviewed the financial burdens on India. In his many papers and speeches, he gave statistical data to prove his drain theory. He got his figures from authentic sources like the Parliamentary Returns of Indian Accounts and the Second Customs Report, 1858. He is credited to be the man who brought statistics into politics.

Dadabhai Naoroji spoke often about how the colonial system of education and laws had a positive impact in the gestation of a new social and legal order within India. But he made it clear that it was no compensation for the poverty unleashed upon the subcontinent as a result of the greed of Britain.

Various constituents of drain of wealth are as follows:

- Territorial Expansion enabled the Company to generate greater commercial revenues to access Indian goods for export purposes.
- The drain also included the movement of private funds to England. For Example – Earnings of Englishmen from plunders during wars, bribes obtained from the native states according to G.A. Princep were over Rs. 1 crore was sent away from India every year between 1813 and 1820 as private wealth.
- Another form of movement of wealth away from India was the money paid to banks, insurance companies, shipping companies in England for the services they render in India.
- The Company's remittances to England (Home Charges) also formed a major part of the drain. This included, salaries/ pensions paid to the Company's employees in England.

Consequence of Drain of wealth were as follows:

- It impoverished all the section of Indian society particularly the peasants, who bore the brunt of the taxes raised by the Britishers.
- It drained India of its precious capital which could have otherwise been invested in industrialization and modernization of India.
- The drain of Indian wealth was used for financing the Industrial Revolution in England and was also the reason of why industrial revolution did not take place in India.
- The economic criticism of British rule had helped in shocking the myth of benevolence of British administration in India.
- It was instrumental in laying the foundations for the demand for Swaraj and ensuing freedom struggle.

Thus, British methods of exploitation though less painful but resembled the blood-sucking leeches.

IV. ROLE OF DADABHAI NAOROJI IN ORGANIZING POLITICAL PARTIES

Dadabhai Naoroji started his political career as the Dewan of the Maharaja of Baroda *Sayajirao Gaekwad III* in 1874. When he was in London, he formed the *London India Society* in 1865 to put forth the views on Indian political, social and literary subjects. The purpose of the organization was to promote awareness of the rising Indian social and political aspirations in England, and to raise the profile of India related matters amongst the British public.⁸ Later, The London Indian Society was superseded by the East India Association, which was founded by Dadabhai Naoroji in 1866. The East India Association, one of the predecessor organizations of the Indian National Congress with the aim of putting across the Indian point of view before the British public. This Association was instrumental in counter-acting the propaganda by the Ethnological Society of London which in its session in 1866, had tried to prove the inferiority of the Asians to the Europeans. This Association was soon supported by renowned Englishmen's and was able to exercise considerable influence in the British parliament. Naoroji was the member of the Legislative Council of Bombay (1885–88). He was also a member of the Indian National Association which was founded by *Sir Surendranath Banerjea* from Calcutta a few years earlier the establishment of the *Indian National Congress* in Bombay, with the same objectives and practices.⁹

Later in the year 1886, INC was merged in two groups and Naoroji was elected as the President

⁸ Tarique, Mohammad, "Modern Indian History", Delhi (2003)

⁹ Nanda, B. R., "Gokhale: The Indian Moderates and the British Raj", Legacy Series, Princeton University Press, (2015) [1977]

of the Congress in 1886.

Naoroji moved back to Britain once again and continued his political participation. He further Elected from the *Liberal Party* in Finsbury Central at the 1892 general election, he was the First British Indian MP. Naoroji repeated what he had been propagating in England: ‘the all-encompassing issue of Indian poverty was due the unnatural and suicidal system of administration. During his stay in Britain in the 1860s, Naoroji’s most significant contribution was his work on Indian poverty and the drain of wealth India suffered under British imperialism. His material critique made waves outside of India as well. Using the data of the Empire against it silenced the arguments of pro-colonial voices, and gradually shifted public perception in Britain of the role the state was playing in India. It also caught the attention of labour and socialist movements across the world, who invited Naoroji to be part of the Second International in 1889. But, as Rao has remarked, Naoroji’s real contribution to the Indian independence struggle was in providing the *raison d’être* of the fight against colonialism. The “Drain of Wealth” Theory was more than a formidable statistical analysis; it was a full-on rejection of British colonial claims to moral legitimacy by demonstrating how it impoverished, not enriched, India and left its inhabitants hungry and destitute.

In 1906, Naoroji was again elected president of the Indian National Congress. He thrice served as the President of Indian National Congress (1886, 1893 and 1906) besides representing India at International Congress of Social Democrats at Amsterdam in 1905.

He belongs to the “moderate” wing of the INC’s first wave of leaders; men who belonged to the educated “middle class” in the colonial English system and used their skills to produce rigorous systematic critiques of colonialism. Naoroji played a crucial role in mentoring future moderate INC leaders, like Bal Gangadhar Tilak, Gopal Krishna Gokhale, and, of course, Gandhi. In particular, the Grand Old Man’s 1904 declaration of Swaraj (“self-rule”) and conceptions of boycotting English goods as protest and patronizing indigenous products via Swadeshi would prove to have a lasting impact. After this, He permanently returned to India from Britain in 1908 at the ripe age of 83, ‘*Grand Old Man of India*’ passed away in Bombay on June 30, 1917 leaving a big legacy of experience and achievements behind.

Dadabhai Naoroji was been mentor to Bal Gangadhar Tilak, Gopal Krishna Gokhale and Mohandas Karamchand Gandhi and many more leaders.

Mohandas Karamchand Gandhi wrote to Naoroji in 1894, saying that “*The Indians look up to*

you as children to the father. Such is really the feeling here”.¹⁰

Today, he occupies a footnote in the public history of the INC but his work was critical for providing an intellectual and moral foundation for the Indian freedom struggle, and his economic analysis as a blueprint for other anti-colonial movements. In an age where colonial apologists still adhere to the facile argument that the British Empire benefitted its colonies, Naoroji’s cutting rebuttal is more relevant than ever.

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¹⁰ Bakshi, Shiri Ram, “Gandhi and Indians in South Africa”, (1988)