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Indian national movement and the British finance capital: An analysis of irreconcilable contradiction (1915-1939)

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Abstract

This paper examines the economic conflict between the Indian national movement and British finance capital during the period from 1915 to 1939. It highlights how the colonial economic system, primarily designed to serve British imperial interests, directly opposed the economic aspirations of Indian nationalists. The exploitation of India's resources by British finance capital, including the extraction of wealth through trade imbalances, high land taxes, and interest on loans, created a structural contradiction with the Indian nationalist movement, which sought not only political independence but also economic sovereignty. Leaders like Mahatma Gandhi and Jawaharlal Nehru promoted economic nationalism, calling for the development of indigenous industries and self-reliance, with Gandhi advocating for rural self-sufficiency and Nehru pushing for industrialization and state-run enterprises. The paper explores the rise of economic nationalism and critiques of British policies, including the drain of wealth theory and the call for decolonization of the Indian economy. It also examines the role of Indian capitalists in challenging British control and the contradictions between British finance capital and the nationalist economic vision. This conflict, as the paper argues, made cooperation between the two interests impossible, and shaped India's post-independence economic policies, especially in areas like industrialization, self-reliance, and social welfare.

Keywords: Economic nationalism, British finance capital, Indian national movement, colonial economic exploitation, self-reliance and industrialization

Introduction

The Indian struggle for independence from British colonial rule during the early 20th century was marked by an evolving conflict that extended beyond political control to include significant economic and social dimensions. From 1915 to 1939, as the national movement gained momentum under the leadership of figures like Mahatma Gandhi and Jawaharlal Nehru, it sought not only political sovereignty but also economic independence. At the same time, British finance capital, deeply embedded within the colonial structure, sought to maintain India's role as a resource supplier and captive market. The contradiction between the economic aspirations of Indian nationalists and the interests of British finance capital reached a peak during this period, with British colonial policies ensuring economic subjugation through the exploitation of India's resources, land, and labor. The nationalists' demands for self-reliance, decolonization of the economy, and industrial development stood in direct opposition to the continued economic exploitation of India by the British Empire. This paper aims to examine this fundamental contradiction focusing on the structural and material conflicts that arose between British finance capital and the Indian national movement, making cooperation between the two virtually impossible. The analysis will also explore how this conflict shaped the economic and political strategies of Indian leaders during this crucial period.

British Finance Capital and Colonial Exploitation

The British colonial regime established a comprehensive economic system to serve imperial interests, heavily reliant on finance capital. British investment, banking and trade monopolies were significant extractors of Indian wealth. They made substantial contributions to the financing of imperial expenditure and growth of British industry.

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According to scholars like Lenin and Hobson, the economic theory of “imperialism” shows us how finance capital product dependencies serving British economic interests (Lenin, 1917) ^[4]. The East India Company was largely responsible for the creation of economic imperialism in India and had control over trade until the mid-19th century. Dada Bhai Naoroji was one of the earliest critics of this system and had given the drain of wealth theory. Naoroji explained that the wealth created in India was not used for the country’s development. In fact, it was transferred to Britain through various means - trade imbalance, interest, salaries of British officials (Naoroji, 1901) ^[5]. Naoroji analysis laid the foundation for nationalists not just to critique British economic policies but also enabled a lens through which Indian leaders will understand the colonial economy.

2. Materials and Methodology

This section outlines the materials and methods used to conduct this research on the conflict between British finance capital and the Indian national movement between 1915 and 1939. The study employs a combination of qualitative research methods, historical analysis, and critical review of primary and secondary sources to explore the irreconcilable contradictions between British economic policies and the aspirations of Indian nationalists.

2.1 Materials

The materials for this study consist of various primary and secondary sources that provide historical, economic, and political context to the Indian national movement and British finance capital during the colonial period. These materials include:

A. Primary Sources

- a) **Speeches and Writings of Indian Nationalists:** The works of Mahatma Gandhi, Jawaharlal Nehru, Subhas Chandra Bose, and other prominent nationalist leaders will be central to understanding their economic vision and critiques of British economic policies. Key documents such as Gandhi’s *Hind Swaraj* and Nehru’s *Discovery of India* will be analyzed for their economic philosophy.
- b) **British Government Records and Reports:** Official records, including economic reports, trade statistics, and policy documents from the British colonial administration, will be analyzed to understand how British finance capital shaped India’s economic landscape. This will include documents related to colonial economic policies, trade imbalances, and revenue systems.
- c) **Economic Theories and Critiques:** Key works such as Dadabhai Naoroji’s *Poverty and Un-British Rule in India* and the writings of other economists like V.I. Lenin’s *Imperialism: The Highest Stage of Capitalism* will be reviewed to understand the theoretical frameworks of British economic exploitation and Indian critiques.

B. Secondary Sources

- a) **Books and Articles:** A wide range of scholarly articles, books, and journals will be used to understand the historical context and the evolution of economic nationalism in India. This includes works on the role of

finance capital in imperialism, the development of the Indian economy under British rule, and the rise of Indian economic nationalism.

- b) **Historical Analyses and Economic Studies:** Studies by historians and economists on the economic subjugation of India, including analysis of the drain of wealth theory and the role of Indian capitalism in challenging British control, will provide additional insights into the research question.

C. Case Studies

The study will examine specific case studies such as the Swadeshi Movement, the growth of Indian capitalism (with focus on key figures like G.D. Birla and J.R.D. Tata), and the critique of British economic policies to provide concrete examples of the conflict between British finance capital and Indian nationalism.

2.2 Methodology

The methodology employed in this research is primarily qualitative, focusing on historical analysis, comparative approaches, and documentary analysis to address the key research question. The following methods will be used:

2.2.1 Historical and Documentary Analysis: A historical analysis of the period between 1915 and 1939 will form the foundation of the research. This will involve:

- a) **Content Analysis of Primary Documents:** Speeches, articles, and writings of nationalist leaders will be critically analyzed to extract their economic philosophies and critiques of British economic policies. This analysis will help understand the economic dimensions of the Indian national movement.
- b) **Colonial Economic Policies:** British government documents, including reports on trade, land revenue, and industrial policies, will be analyzed to understand the mechanisms of economic exploitation. The "Drain of Wealth" theory, which critiques the transfer of resources from India to Britain, will be a key focus.

2.2.2 Literature Review

A comprehensive review of the existing literature will be conducted to understand previous scholarship on the Indian national movement, British finance capital, and economic nationalism. The review will highlight the theoretical frameworks used to analyze colonial exploitation and the economic demands of Indian nationalists. Scholars such as Lenin, Naoroji, and other historians will provide the theoretical context for this study.

2.2.3 Case Study Analysis

- a) **The Swadeshi Movement:** The impact of the Swadeshi Movement on Indian economic nationalism will be explored, focusing on the boycott of British goods and the promotion of indigenous industries. This case study will illustrate the growing conflict between British interests and Indian aspirations.
- b) **Indian Capitalists and Industrialization:** The role of Indian capitalists like G.D. Birla and J.R.D. Tata in challenging British economic control will be examined. Their efforts to build industries and reduce reliance on British capital will be analyzed as part of the broader nationalist economic strategy.
- c) **Gandhi’s Economic Philosophy:** Gandhi’s emphasis

on self-reliance and rural development will be compared with Nehru's advocacy for industrialization and modernization. This comparison will shed light on the differing economic strategies within the Indian nationalist movement.

2.2.4 Comparative Analysis

- a) **Gandhi vs. Nehru's Economic Vision:** A comparative analysis will be conducted to explore the contrasting economic visions of Gandhi and Nehru. Gandhi's focus on rural self-sufficiency and swadeshi (self-reliance) will be compared with Nehru's modern industrialization strategy. This comparison will highlight the internal contradictions within the Indian nationalist movement and its economic goals.
- b) **British Finance Capital and Economic Exploitation:** The study will also compare the economic exploitation strategies employed by British finance capital in India with those in other colonies, using theories of imperialism and colonialism to contextualize the Indian experience.

2.2.5 Qualitative Data Interpretation: The data collected from the primary and secondary sources will be interpreted qualitatively to understand the historical and economic dimensions of the conflict between British finance capital and the Indian national movement. This will involve thematic analysis to identify key issues such as the economic subjugation of India, the role of finance capital in colonial exploitation, and the emergence of economic nationalism.

This methodology integrates historical analysis, documentary research, and case study analysis to explore the conflict between British finance capital and the Indian national movement. By combining these methods, the study will provide a nuanced understanding of the economic dimensions of India's struggle for independence and the irreconcilable contradictions that defined this period. The findings will contribute to the broader historical discourse on colonialism, nationalism, and economic independence.

Result and Discussions

Nationalist Economic Critique

The critique of British economic policies by nationalist leaders was not merely political but deeply rooted in the realization that economic independence was essential for India's freedom. Gandhi, Nehru, and other leaders recognized that unless India reclaimed its economic sovereignty, it would remain subordinated to British imperialism, even after political independence was achieved.

Mahatma Gandhi's economic philosophy was closely tied to his broader political vision of Swaraj, which included both political and economic self-rule. Gandhi emphasized swadeshi (self-reliance) as the foundation of Indian economic independence. He called for the revival of indigenous industries, particularly hand-spinning and hand-weaving, as a means to not only challenge British economic control but also address rural poverty and unemployment (Gandhi, 1929). Gandhi's approach was rooted in rural self-sufficiency and rejected the notion that industrialization in the Western sense was necessary for India's progress. Jawaharlal Nehru, on the other hand, had a more modern vision of economic development, which focused on industrialization and the establishment of state-run

industries. Nehru believed that India's economic future lay in large-scale industrialization, scientific development, and the creation of a welfare state that would ensure equality and justice for all (Nehru, 1946) ^[6]. Nehru's vision was built upon the idea that industrialization could lead to economic self-sufficiency and reduce dependency on foreign capital.

The Economic Underpinnings of the Indian National Movement

The national movement, by the early 20th century, increasingly intertwined with economic concerns. The formation of the All India Trade Union Congress (AITUC) in 1920, the growing demand for labor rights, and the rise of the Congress Socialist Party in the 1930s all signalled the incorporation of economic struggles into the broader political agenda for independence. The nationalist call for self-rule was no longer confined to political autonomy but had expanded to include economic sovereignty — a direct challenge to British finance capital. Scholars have explored the economic underpinnings of the Indian national movement, particularly how the critique of colonial economic policies influenced the strategic decisions of nationalist leaders. It has been argued that the national movement's economic critique evolved from simple calls for reform to demands for a comprehensive transformation of India's economic structure (Chandra, 1989) ^[1].

British Finance Capital and the Colonial Economy: 1915-1939

The Colonial Economy under British Finance Capital

By the First World War, British colonial economy of India had completely integrated India into global capitalist economy. British financial capital has made sure that the Indian economy stays a source for British industry, as well as, a fixed market for British products. By means of monopolizing trade, tariffs as well as the land revenue system British capitalists established their control on Indian resources. The agricultural system in India was part of the colonial system. India was made a net exporter of raw material by British revenue system which took away bulk of agricultural production. Most important of these raw materials was cotton, jute, indigos, etc., which were processed in British factories. This structure created obstacles for India to manufacture its goods & also led to rural poverty. Many British banks and financial institutions controlled much of India's credit system, especially the Imperial Bank of India. This prevented India from escaping British imperialism. The British system of economic governance made sure that Indian economic development was subordinated to British finance, and consequently, it was almost impossible for India to become economically independent.

Wealth Drain: The Methods of the Exploiter

The concepts regarding the "Drain of Wealth" were encapsulated aptly by the nationalist leaders and thinkers to assert economic exploitation of India by Britain. This drain was facilitated through several mechanisms.

- i British trading companies dominated the foreign trade of India to the detriment of Indian traders. The British charged high tariffs on Indian goods and subsidized British goods. They wanted India to ever remain an importer of finished goods and an exporter of raw materials.

- ii The colonial government imposed high land taxes, collected in cash, preventing investment in agriculture productivity and development.
- iii The British colonial government borrowed heavily from British banks, and the interest on these loans was paid by Indian taxpayers, draining India's wealth to finance British imperial projects.
- iv Colonial policies made Indians work in low-paying industries to benefit the British in the colonial era. As a result, India also created a class of poor people. Their poor concentration whose labour exploited British had rich profits.

Economic Nationalism and the Demand for Self-Sufficiency

As the Indian national movement intensified, economic nationalism became an important part of the Indian struggle for freedom. The critique of British exploitation had a profound impact on the economic demands of the nationalist movement. Gandhi's promotion of swadeshi and Nehru's support of industrialization were important components of the independence movement's economic vision.

The swadeshi movement started gaining ground after the Partition of Bengal in 1905. It was initiated in response to the economic policies that made India dependent on British goods. The movement called for the boycott of British goods and the support of local industries. This change started a larger movement by nationalists for economic self-sufficiency.

Indian Capitalists and their Fight with British Finance Capital.

British finance capital was still controlling much of India's economic infrastructure, yet Indian capital started to challenge the control of British finance capital. Figures such as G.D. J.R.D. Tata, Birla and others were at the vanguard of the attempts to industrialize India and lessen dependence on British capital. Despite the helpful attempts from natives, they were hindered in their efforts due to the money and political power of the British.

Indian business owners often attempted to build industries in steel, textiles, chemicals etc. But the British colonial state opposed these attempts. This led to the continuous tension between Indian capitalism's development and British finance capital's hegemony.

Contradiction between British Finance Capital and Indian Nationalism

Through its economic policies, the British colonial state instilled a structural contradiction between the objectives of British finance capital and the Indian nationalists' expectations. The British finance capital of the time was determined to maintain its stranglehold over Indian resources, trade, and especially labour. The Indian nationalists, on the contrary, wanted to reclaim these resources in the interests of national development. This contradiction was increasingly reflected in the escalating tension between the two sides. Increasingly, the nationalist movement was demanding not only an end to British economic control but also the establishment of an economy that would serve Indian needs. The contradiction reached its peak in the decade of 1930 as the nationalists moved the masses and economic self-sufficiency became the principal demand. Nevertheless, the British resisted making any

serious concessions which would jeopardize their financial control over India, creating a situation of irreconcilable conflict.

Conclusion

Between 1915 and 1939, a key moment in the Indian freedom struggle, British finance capital conflict with Indian nationalism was entangled with the political and economic future of India. British capital's exploitation of India's resources and labour created a structural contradiction that made any meaningful cooperation between the two sides impossible. Indian economic development strategies mainly emerged through the nationalist demand for economic sovereignty and the criticism of British economic policies. Although the battle for independence was won politically in 1947, British finance capital continues to shape India's economic policies even today. The focus on economic nationalism during this time would also play a role in post-independence India. For instance, factors include industrialisation, self-reliance, and social welfare.

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