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Colonial Impact on Small-Scale Industries in Mumbai-Karnataka: And India's Response

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Abstract: ***This article examines how British colonial rule shaped the growth and survival of small-scale industries in the Mumbai, Karnataka region, now known as Kittur Karnataka. It brings together different historical views that describe colonial rule as both a source of new commercial opportunities and a cause of serious economic disruption. The discussion reviews the influence of transport networks, expanding markets, and administrative reforms alongside the harmful effects of imported factory goods, changing agricultural policies, environmental degradation, and declining employment among artisans. Attention is also given to the ways local producers responded to these pressures through product specialization, local market orientation, flexible production methods, selective use of technology, family labour, and community-based trade and credit networks. The article argues that although colonial policies altered traditional economic structures, many indigenous enterprises adapted to changing conditions and continued to operate by combining established skills with new commercial practices. The experience of Kittur Karnataka illustrates both the pressures created by colonial economic change and the enduring capacity of local industries to adjust and survive.***

Keywords: Colonial Administration, village-based systems of cooperation, community-based institutions, Informal credit network.

Colonial Administration's Contribution to Small-Scale Industries

Some studies argue that colonial rule provided improved market opportunities for small-scale industries in India. According to Tirthankar Roy, "colonial economic changes did not uniformly destroy traditional industries; rather, many artisan-based industries adapted to expanding markets and technological changes, resulting in a positive transformation of manufacturing in colonial India" (Roy, 1999: 221). Countering the view that colonial rule led to the decline of small-scale industries in India, these scholars contend that colonial administration facilitated the growth and expansion of small-scale enterprises.

Haynes argues that the transportation infrastructure established by the colonial administration played a crucial role in enabling this development, stating: "colonial investments in railways, roads, communications, and commercial institutions integrated artisan-producing towns of the Bombay Presidency into wider markets, enabling the continued growth of handloom weaving and other small-scale industries despite competition from factory production" (Haynes, 2012: 150). On this matter, the report *Administration of the Bombay Presidency for the Year 1909–1910* provides the following observation: "The extension of railways and commercial infrastructure increased the movement of agricultural and industrial products, benefiting indigenous industries dependent on regional trade networks" (Government of Bombay.1910:20).

Several scholars argue that colonial rule promoted economic modernization through the development of railways, roads, postal networks, and organized markets. These infrastructural improvements integrated Mumbai-Karnataka into wider regional and global trade networks, creating new opportunities for industries such as handloom weaving, cotton ginning, oil processing, leather work, and other agro-based enterprises. Proponents of this view regard colonialism as a catalyst for commercial expansion and industrial transformation.

Colonial Administration: A Threat to Small-Scale Industries

This interpretation is not accepted by all scholars. Several researchers have advanced arguments that challenge the above view. Studies have shown that the impact of colonial administration on the agrarian economy of Bombay Karnataka extended beyond the agricultural sector and significantly influenced the region's industrial development: "The trajectory of cotton expansion now converged spatially with that of the equally momentous colonial project of timber extraction to produce widespread deforestation in the Dharwar region. This exacerbated local drought-prone conditions and increased rainfall unpredictability. Requiring greater inputs of moisture for growth than Kumta, Dharwar-American cotton began to degenerate, providing an additional rationale for peasants to cut back cultivation. In contrast, Kumta proved far more resistant to changes in the local climate, and its cultivation was further boosted by a new pattern of demand from the emerging Bombay cotton textile industry. The repeal of colonial cotton legislation and the demise of the institutions set up to promote improvement crowned the failure of cotton imperialism in nineteenth-century Dharwar" (Hazareesingh, 2018:17).

Thus, the agricultural policies and decisions implemented by the colonial administration contributed to deforestation, which intensified drought conditions and adversely affected the agricultural livelihoods of local communities. The colonial government also sought to introduce and cultivate American cotton; however, owing to its high-water requirements and the prevailing environmental conditions, the crop failed to produce satisfactory yields. This failure had wider economic repercussions and negatively affected the industries associated with cotton production. The study therefore underscores the adverse impact of colonial agricultural policies on both the agrarian economy and the industrial development of the region.

“Cotton textiles, the largest industry in the region, did have to cope with competitive imports from mills in England. Hand tools were pitted against machinery, and, in the ensuing battle, hand tools lost much employment and income” (Roy, 1999: 4).

Thus, the study argues that the expansion of large-scale industries in England had an adverse impact on India’s small-scale industries. The nature and extent of this impact are discussed below.

“In Dharwar itself, a steam-spinning mill was established in 1881 in the town of Hubli. The increased Kumta cultivation was geared to meeting the demand for local weaving and the requirements of the Bombay and other Indian mills. Virtually none of it went into the export market. In contrast to Kumta’s resurgence, Dharwar-American cotton lost favour with Lancashire as supplies from the United States recovered towards the end of the 1860s, while the appearance of another cheap and abundant variety from the States, known as 'Middling New Orleans,' deprived it of even a role as an efficient substitute” (Hazareesingh 2012:14). Thus, the effects on agriculture and industries have been discussed above. Further, “Cotton textiles, the largest industry in the region, did have to cope with competitive imports from mills in England. Hand tools were pitted against machinery, and, in the ensuing battle, hand tools lost much employment and income” (Ibid).

The study explains that hand-crafted products, being relatively more expensive, were unable to compete with machine-manufactured goods. As a result, artisans and skilled craftsmen experienced a significant loss of employment and livelihood.

Resilience and Adaptation of Small-Scale Enterprises under Colonial Rule

Some studies explain that although colonialism disrupted indigenous industries, it did not completely destroy them. Many small-scale enterprises adapted to changing market conditions and survived by serving local demand or exploiting new commercial opportunities. This perspective highlights the resilience and adaptability of local entrepreneurs and artisans.

“Many small-scale enterprises adapted to changing market conditions and survived by serving local demand or exploiting new commercial opportunities. This perspective highlights the resilience and adaptability of local entrepreneurs and artisans” (Roy, 2010: 170; Haynes, 1991: 126). In this way, Indians responded to colonial rule in their own distinctive ways and were able to preserve their traditional occupations. These strategies can be explained more clearly as follows:

- Niche specialization: Small producers moved into product lines where large-scale or machine production had real disadvantages items requiring customization, intricate handwork, quick style changes, or catering to specific local tastes (certain textile patterns, religious or ceremonial goods, regionally specific food or craft items). Large firms could not easily compete on flexibility for small, varied orders.
- Serving local and regional demand: Rather than competing head-on in national or export markets, many artisans and small firms focused on local consumers whose needs were not well served by distant, large-scale producers filling gaps in rural or peri-urban markets that big industry considered unprofitable.
- Flexibility and quick adaptation: Small scale meant lower fixed costs and the ability to shift production relatively quickly in response to changes in demand switching between goods, adjusting quantities, or changing quality tiers in ways that large, capital-intensive firms could not.
- Exploiting new commercial openings: Infrastructure changes, such as railways, and expanding trade networks opened up new markets and supply chains. Enterprising local traders and artisans made use of these opportunities sourcing raw materials more cheaply, reaching new buyers, or acting as intermediaries.
- Family and low-cost labour: Reliance on family labour and small workshops kept overhead low, allowing these enterprises to remain profitable at volumes or margins that would not sustain a larger factory operation.
- Selective or hybrid technology use: Rather than rejecting new technology outright, many artisans adopted select mechanized inputs (an imported tool, a treadle machine, cheaper machine-spun yarn) while retaining craft-based finishing blending old and new methods rather than being fully displaced by them.
- Community and credit networks: Caste-, kinship-, or community-based trade and credit networks gave small entrepreneurs access to capital, information, and trust-based transactions, enabling them to respond to opportunities without relying on formal banking or large capital reserves.

Small-scale enterprises adopted a range of adaptive strategies that enabled them to survive and remain economically viable despite the structural challenges imposed by colonial rule. They developed niche specialization by concentrating on products that required skilled craftsmanship, customization, and responsiveness to local cultural preferences, thereby occupying market segments in which large-scale mechanized industries possessed limited competitive advantage. Rather than competing directly in national or international markets, many enterprises focused on satisfying local and regional demand, particularly in areas neglected by large industrial producers. Their relatively small scale of operation provided greater flexibility, allowing them to respond rapidly to fluctuations in market demand by modifying product lines, production volumes, and quality. Furthermore, improvements in transport infrastructure, particularly the expansion of railways, and the integration of regional markets created new commercial opportunities that entrepreneurial artisans and traders successfully exploited. Reliance on family labour and low-cost production systems enabled these enterprises to maintain profitability despite operating on a limited scale. In

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addition, many producers selectively incorporated appropriate mechanized technologies while preserving traditional artisanal skills, thereby combining innovation with continuity.

Finally, community-based institutions, including caste, kinship, and informal credit networks, facilitated access to capital, market information, and trust-based commercial relationships, strengthening the resilience and adaptability of small-scale enterprises within the colonial economy. This represents a significant example of how village-based systems of cooperation and mutual support effectively mitigated the adverse consequences of colonial policies. It demonstrates the resilience of rural communities in adapting and responding to the structural challenges imposed by colonial rule.

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