

Chapter 1 - Indian Economy On The Eve Of Independence

Question 1:

What was the focus of the economic policies pursued by the colonial government in India? What were the impacts of these policies?

Answer:

The main focus of the economic policies pursued by the colonial government was to make India a mere supplier of Britain's own flourishing industrial base. The policies were concerned mainly with the fortification and advancement for their home country. The interests of the Indian economy were completely ignored. Such policies brought structural changes in the Indian economy by transforming it to a supplier of raw materials and consumer of finished products from Britain. The impacts of these policies are discussed as follows in detail;

i. Low Economic Development

Throughout the British rule, Indian economy experienced very low level of economic development. As per some researches, Indian economy grew at even less than two percent during 1900-50. The reason for such a low level of development was that the British government was more concerned with the promotion of economic interests of their home country. Consequently, the colonial rule transformed India's agriculture sector to a mere supplier of raw materials for the British industries. This not only affected the production of the agricultural sector but also ruined the small manufacturing units like handicrafts and cotton industries. These manufacturing units faced a stiff competition from the British machine made textiles and handlooms.

ii. Backwardness of Indian Agriculture

Under the colonial rule, India was basically an agrarian economy employing nearly 85% of its population. Nevertheless, the growth of the agriculture sector was meager. This was due to the prevalence of various systems of Land Settlement, particularly *Zamindari* system. Under this system, the zamindars (owners of land) were required to pay very high revenue (*lagaan*) to the British government, which they used to collect from the peasants (landless labourers, who were actually cultivating). The zamindars were mainly concerned with extracting high revenues from the peasants but never took any steps to improve the productivity of the land. Moreover, in order to feed British industries with cheap raw materials, the Indian peasants were forced to grow cash crops (such as, indigo, cotton, etc.) instead of food crops (such as, rice and wheat). This commercialisation of agriculture not only increased the burden of high revenues on the poor peasants but also led India to face shortage of food grains. Therefore, Indian agriculture remained backward and primitive.

iii. Deindustrialisation of Indian Economy

India failed to develop a sound and strong industrial base during the colonial rule. The status of industrial sector during the British rule can be well defined by the term 'systematic deindustrialisation'. The cause of deindustrialisation can be attributed to the downfall of India's handicraft industry and the cause of bleak growth of modern industry was the lack of investment. On one hand, the British government imposed heavy tariffs on the export of Indian handicraft products and on the other hand, allowed free exports of Indian raw materials to Britain and free imports of British products to India. As a result of the heavy tariffs, the Indian exports became costlier and its demand in the international market fell drastically that led to the collapse of Indian handicrafts industries. Simultaneously, the demand for the handicrafts products also fell in the domestic markets due to stiff competition from the

machine made textiles of Britain. As a result, the domestic industries lacked investment and growth initiatives.

iv. Regression in Foreign Trade

During the colonial rule, the British government owned the monopoly power over India's foreign trade. The British government used the trade policy according to the interests of their home country. The exports and imports transactions were restricted only to India and Britain. On one hand, the exports from India provided the cheap raw materials to the British industries and on the other hand, India's imports from Britain provided a virgin market for Britain's products. In either ways, British industries were benefitted. Moreover, the surplus generated from the foreign trade was not invested in the Indian economy; instead it was used in administrative and war purposes by Britain to spread their colonial power.

Question 2:

Name some notable economists who estimated India's per capita income during the colonial period.

Answer:

As the British government was never interested in upliftment of our country, so they never took any initiative to measure India's national and per capita income. Though some of the economists tried to estimate India's national income and per capita income during the colonial rule, but the results are mixed and conflicting. The following are some of the notable economists who were engaged in estimation of national income and per capita income:

- i. Dadabhai Naroji
- ii. William Digby
- iii. Findlay Shirras
- iv. V.K.R.V Rao
- v. R.C. Desai

Out of these, V.K.R.V Rao's estimates are considered to be significant. Most of these studies revealed that Indian economy grew at even less than two percent during 1900-50 with half per cent growth in per capita output per year.

Question 3:

What were the main causes of India's agricultural stagnation during the colonial period?

Answer:

Under the colonial rule, India was basically an agrarian economy, employing nearly 85% of its population. Nevertheless, the growth of the agriculture sector was meager. The following are the causes explaining stagnancy in Indian agriculture sector during the colonial rule:

1. Introduction of Land Revenue System

This was due to prevalence of various systems of Land Settlement, particularly *Zamindari* system. This system was introduced by Lord Cornwallis in Bengal in 1793. Under this system, the *zamindars*(owners of land) were required to pay very high revenue (*lagaan*) to the British government, which they used to collect from the peasants (landless labourers, who were actually cultivating). The *zamindars* were mainly concerned with extracting high revenues from the peasants but never took any steps to improve the productivity of the land. This resulted in low agricultural productivity and worsened the peasants economically.

2. Forceful Commercialisation

Initially before the British rule, the farmers were practicing conventional subsistence farming. They used to grow crops like rice and wheat for their own consumption. But afterwards, in order to feed British industries with cheap raw materials, the Indian farmers were forced to grow commercial crops (like indigo required by British industries to dye textiles) instead of food crops (like rice and wheat). This led to the commercialisation of Indian agriculture. This commercialisation of Indian agriculture not only increased the burden of high revenues on the poor farmers but also led India to face shortage of food grains, resources, technology and investment. Therefore, Indian agriculture remained backward and primitive.

3. Lack of Irrigation Facilities and Resources

Besides the above factors, Indian agricultural sector also faced lack of irrigation facilities, insignificant use of fertilisers, lack of investment, frequent famines and other natural calamities, etc. that further exaggerated the agricultural performance and made it more vulnerable.

Question 4:

Name some modern industries which were in operation in our country at the time of independence.

Answer:

The second half of the nineteenth century witnessed the emergence of modern industries. At the initial stage, development was confined to setting up of cotton and jute textile mills. The western parts of the country Maharashtra and Gujarat was the hub for cotton textile mills which were mainly dominated by the Indians whereas the jute industries were mainly concentrated in Bengal and were dominated by the British. In the beginning of the 20th century, Iron and steel industries also started emerging gradually. It was incorporated in 1907. Some other industries that were operating at a smaller scale during the British era were sugar industry, cement industry and paper industry.

Question 5:

What was the two-fold motive behind the systematic deindustrialisation affected by the British in pre - independent India?

Answer:

The following are the two-fold motives behind the systematic deindustrialisation affected by the British:

1. **Making India a Supplier of Raw Materials:** The main motive of the British government was to make India a mere supplier of cheap raw materials to feed its own flourishing industrial base.

2. Making India a Market for Finished Goods: Another important objective of the British government was to use India as a virgin market to sell the finished goods produced by the British industries.

Question 6:

The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reasons in support of your answer.

Answer:

Yes, we do agree with the above statement that the traditional handicrafts industries were ruined under the British times. The following are the reasons in favour of the statement.

- 1. Discriminatory Tariff Policy:** The British rule in India corresponded with its industrialisation. The British rule used India both as a source of cheap raw materials as well as easy accessible market for their finished products. Thereby, they imposed heavy tariffs (export duties) on India's export of handicraft products, while allowed free export of India's raw material to Britain and free import of British products into India. This made Indian exports costlier and its international demand fell drastically leading to the collapse of handicrafts industries.
- 2. Competition from Machine made Britain Goods:** The demand for the handicrafts products experienced a downward trend in the domestic markets as well. This was due to stiff competition from the machine made textiles from Britain. This was because of the reason that the goods produced mechanically in Britain were comparatively cheaper and of superior quality than the Indian handicraft goods. This narrowed the market for Indian industries.
- 3. Emergence of New Class:** The British rule in India popularised western lifestyle in India. There was an emergence of a new section of population (consisting mainly of zamindars) in India who liked the British goods. This section used to spend lavishly on the British products that provided impetus for the development of British industries at the cost of the domestic industries. Hence, gradually Indian industries perished away.
- 4. Disappearance of Princely State:** Prior to the advent of British, India was ruled by princely states. They used to patronise handicrafts industries and consequently, Indian handicrafts gained reputation in the international markets. But during the British rule, these princely states were ruined thereby ruining the protection of these handicrafts industries. Thus, gradually Indian handicrafts lost its reputation and its importance deteriorated.

Question 7:

What objectives did the British intend to achieve through their policies of infrastructure development in India?

Answer:

One cannot deny the fact that under the British rule, there was significant change in the infrastructural development in the country. But the bonafide motive of the British behind the infrastructure development was only to serve their own colonial interests. There was infrastructural development in the fields of transport and communication. The roads served the purpose of facilitating transportation of raw materials from different parts of the country to ports, and ports were developed for easy and fast exports to and imports from Britain. Similarly, railways were introduced and developed for the

transportation of finished goods of British industries to the interiors of India. Railways assisted British industries to widen the market for their finished products. Post and telegraphs were developed to enhance the efficiency and effectiveness of the British administration. Hence, the aim of infrastructural development was not the growth and development of the Indian economy but to serve their own interest.

Question 8:

Critically appraise some of the shortfalls of the industrial policy pursued by the British colonial administration.

Answer:

The focus of the industrial policies pursued by the colonial government in India was to make our country a mere supplier of Britain's own flourishing industrial base. The policies were concerned mainly with the fortification and advancement for their own country. The industrial policy pursued by the British colonial administration has the following shortfalls:

1. Neglect of Indian Handicraft Industries: The British followed a discriminatory tariff policy under which they imposed heavy tariffs (export duties) on India's export of handicraft products while allowed free export of India's raw material to Britain and free import of British products to India. This made Indian exports costlier and its international demand fell drastically leading to the collapse of handicrafts industries. Also, Indian handicrafts faced a stiff competition from machine made textiles of Britain. The emergence of a new section of people who liked the British goods more in comparison to the domestic goods encouraged British industries at the cost of Indian industries. This led to the declining demand for Indian products and encouraged foreign products.

2. Lack of Investment in Indian Industries: The modern industries in India demanded investments in capital goods that were beyond the means of Indian investors. On the other hand, British government was least interested in investing in Indian industries. Thus, due to the lack of sufficient investment, the growth of Indian industries was acutely constrained.

Question 9:

What do you understand by the drain of Indian wealth during the colonial period?

Answer:

Dadabhai Naroji advocated the theory of 'Drain of Wealth' in the 19th century. The colonial period was marked by the exploitation of Indian resources. The sole motive of Britain to conquer India was to own a perennial source of cheap raw materials to feed its own industrial base in Britain. Further, British government used India's manpower to spread its colonial base outside India. Also, the administrative expenses that were incurred by the British government to manage the colonial rule in India were borne by Indian Exchequer. Thus, the British rule drained out Indian wealth for the fulfillment of its own interests.

Question 10:

Which is regarded as the defining year to mark the demographic transition from its first to the second decisive stage?

Answer:

The year 1921 is regarded as the defining year or the 'Year of Great Divide' because prior to 1921, population growth in India was never consistent. India was in the first phase of demographic transition till 1921 that was characterised by high birth rate and high death rate. It implies low survival rate (or low life expectancy), which was nearly 8 per thousand per annum. Therefore, the period before 1921 witnessed stagnant population growth rate. After 1921, India's population growth never declined and showed a consistent upward trend.

Question 11:

Give a quantitative appraisal of India's demographic profile during the colonial period.

Answer:

India's Demographic conditions during the British rule depict our economy as stagnant and backward. Both the birth rate and death rate were as high as 48 and 40 per thousand. Due to high birth rate and high death rate the population growth was stagnant. The Infant Mortality Rate was also very high of about 218 per thousand. The Life Expectancy Rate was as low as 32 years while presently it is 63.5 years. The literacy rate was less than 16 percent which denotes social backwardness and gender bias in the economy. We can infer from the above figures that India was featured with massive poverty, low standard and quality of living and low survival rate in the country. The lack of health care facilities and lack of health awareness were the main causes behind such demographic conditions of India.

Question 12:

Highlight the salient features of India's pre-independence occupational structure.

Answer:

The occupational structure that refers to the distribution of population engaged in different occupations, showed no variation throughout the British rule. The following are the salient features of India's pre-independence occupational structure:

1. Agriculture- The Prime Occupation: Under the colonial rule, India was basically an agrarian economy, employing nearly 85% of its population. As India had a massive poverty during the colonial rule, so a large proportion of the population was engaged in agricultural sector to earn their subsistence. But due to the prevalence of *Zamindari* system, agricultural sector lacked investment and, thereby, its growth was highly constrained. Thus, in other words, despite employing a significant proportion of the population, the growth of agriculture sector was meager.

2. Industry- The Bleak Occupation: Apart from agriculture, a small proportion of population was employed in manufacturing sector. Nearly 10% of the total workforce was engaged in manufacturing and industrial sector. This was due to the stiff competition that the Indian industries faced from the machine made cheap goods from Britain. Further, the lack of investment, initiatives and the unfavourable tariff structure constrained industrial sector. Thus, the Indian industrial sector failed to contribute significantly to India's GDP.

3. Unbalanced Growth: The three sectors of Indian economy, i.e. agricultural, industrial and tertiary sector were unequally developed. While the agricultural sector was relatively developed, whereas, the other two sectors were at their infant stage. In addition, there was regional variation in the occupational structure of India. While on the one hand, states like Tamil Nadu, Andhra Pradesh and Bombay experienced a fall in the agricultural work force on the other hand states like Orissa, Rajasthan and Punjab experienced a rise in the agricultural workforce.

Question 13:

Underscore some of the India's most crucial economic challenges at the time of independence.

Answer:

The exploitative colonial rule of the British hampered almost every spheres of Indian economy badly. As an end-result, India faced acute economic challenges at the time of independence. The following are some of the economic challenges faced by the Indian economy:

1. Low Level of Agricultural Productivity: During the colonial rule Indian agricultural sector was used by the British to suit to their own interest. Consequently, Indian agricultural sector experienced stagnancy, low level of productivity, lack of investment, poor condition of landless farmers and peasants. Thus, the immediate concern for India was to develop its agricultural sector and its productivity. Some of the immediate reforms needed at the time of independence were abolition of *Zamindari* system, need of land reforms, reducing inequality of land ownership and upliftment of the peasants.

2. Infant Industrial Sector: India failed to develop a sound industrial base during the colonial rule. In order to develop the industrial sector, India needed huge capital, investments, infrastructure, human skills, technical knowhow and modern technology. Further, due to stiff competition from the British industries, India's domestic industries failed to sustain. Thus, developing small scale and large scale industries simultaneously was the main concern for India to develop its industrial sector. Moreover, the need to increase the share of industrial sector to India's GDP was one of the important economic challenges for India.

3. Lack in Infrastructure: Although there was a significant change in the infrastructural development in the country but this was not sufficient to improve the performance of agricultural and industrial sector. Also, there was a need to upgrade the existing infrastructure and to modernise the infrastructure to enhance its efficiency and effectiveness.

4. Poverty and Inequalities: India was trapped in the vicious circle of poverty and inequality. The colonial rule drained out a significant portion of India's wealth to Britain. Consequently, majority of India's population was poverty trodden. This further exaggerated economic inequalities across the country.

Question 14:

When was India's first official census operation undertaken?

Answer:

India's first official census operation was undertaken in the year 1881. After that the census has been conducted after every 10 years. It involves a detailed estimation of population size, along with a complete demographic profile of the country.

Question 15:

Indicate the volume and direction of trade at the time of independence.

Answer:

During the colonial rule, the British followed a discriminatory tariff policy under which they imposed heavy tariffs (export duties) on India's export of handicraft products, while allowing free export of India's raw material to Britain and free import of British products to India. This made Indian exports costlier and its international demand fell drastically. India's export basket during the colonial rule comprised mainly of primary products like sugar, jute, silk, etc. and the imports comprised of finished consumer goods like cotton, woolen clothes, etc, from Britain. As the monopoly power of India's export and import rested with Britain, so, more than half of India's trade was restricted to Britain and the remaining imports were directed towards China, Persia, and Srilanka. The opening up of Suez Canal further intensified the monopoly power of the British over India's foreign trade. It led to the fast movement of goods from India to Britain and vice-versa. The surplus generated from India's foreign trade was not invested in Indian economy; rather it was used for administrative and war purposes. This led to the drain of Indian wealth to Britain.

Question 16:

Were there any positive contributions made by the British in India? Discuss.

Answer:

Yes, there were various positive contributions that were made by the British in India. The contributions were not intentional but purely the effects of colonial exploitation of the British. The following are the positive contributions made by the British:

1. Introduction of Railways: The introduction of railways by the British was a breakthrough in the development process of Indian economy. It opened up the cultural and geographical barriers and facilitated commercialisation of Indian agriculture.

2. Introduction of Commercialisation of Agriculture: The introduction of commercial agriculture is an important breakthrough in the history of Indian agriculture. Prior to the advent of the British, Indian

agriculture was of subsistence nature. But with the commercialisation of agriculture, the agricultural production was carried out as per the market requirements. It was due to this factor that today India can aim at attaining self-sufficiency in food grains production.

3. Introduced Free Trade to India: British forced India to follow free trade pattern during the colonial rule. This is the key concept of globalisation today. The free trade provided domestic industry with a platform to compete with the Britain industries. The introduction of free trade led to an increase in the volume of India's export rapidly.

4. Development of Infrastructure: The infrastructure developed in India by the British proved as useful tool to check the spread of famines. The telegram and postal services served Indian public.

5. Promoted Western Culture: English as a language promoted westernised form of education. The English language acted as a window to the outside world. This has integrated India with the rest of the world.

6. Role Model: The way and the technique of British administration acts as a role model for the Indian politicians and planners. It helped Indian politicians to govern the country in an efficient and effective manner.