

ECONOMICS

CLASS XI

CHAPTER ONE

INDIAN ECONOMY ON THE EVE OF
INDEPENDENCE

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CHAPTER 1- INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

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

The economic policies developed by the British government in India were aimed at merely making India a supplier to Britain's growing industries. The policies were targeted towards the development of Britain and boosting its economic status. India and its growth were completely ignored. Due to such policies, India became a supplier of raw materials and a market for finished goods from Britain. The impact of such a policy in India is as follows:

1. The Indian economy witnessed very low economic growth. Studies reveal that the economy was growing at a speed of two per cent during the period 1900-1950. The British government was more interested in maintaining and developing the economy of Britain. British rule ruined the agriculture sector and handicrafts and transformed India into a supplier of raw materials.
2. The Indian agriculture system was not developed before independence, it followed old techniques, and it was majorly affected by colonial rule when the farmers were instructed to grow commercial crops instead of food grains. These commercial crops, like cotton and indigo, were used in industries in Britain for manufacturing textiles. The peasants did not get any monetary benefit from growing these crops, and hence no economic development happened.
3. The British programmed systematic deindustrialization leading to the downfall of the handicraft industry, and with the lack of investment, other industries also failed to develop. Imposing heavy export tariffs on Indian-made goods led to a decrease in demand in the international market, ultimately leading to the collapse of the handicraft industry.
4. The money that Indian goods earned from foreign trade were not invested in the Indian economy; it was used for managing the British army and expanding their colonial reach across Asia.

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

The following economists estimated India's per capita income during the colonial period:

1. Dadabhai Naoroji
2. R.C Desai
3. V.K.R.V. Rao
4. William Digby
5. Findlay Shirras

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

The reasons for the stagnation of Indian agriculture during the colonial period are as follows:

1. The British introduced the Land Revenue system in 1793. As per this system, zamindars (landowners) needed to pay a high amount of revenue to the British Government, and the source of revenue collection was the peasants. The zamindars did not focus on improving land productivity, which resulted in low agricultural growth and subsequently made the life of peasants worse.
2. Indian farmers grew food crops like rice and wheat for consumption. The British Government was forcing Indian farmers to grow commercial crops like indigo for British Industries, which led to agriculture turning commercial and caused a shortage of food grains.
3. Lack of irrigation facilities and other important factors like the unavailability of fertilizers also impacted the agriculture industry and made it more vulnerable.

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

India witnessed the growth of some industries before independence, the most prominent of which is Tata Iron and Steel Company (TISCO). India was also witnessing a growth of textile mills and ancillary products. Maharashtra,

Gujarat, and Bengal were areas where cotton and jute industries were set up. Apart from these industries, some other industries that started operating are sugar, paper and cement.

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

The two-fold motives behind de-industrialisation by the British were as follows:

1. Obtaining raw materials from India at rock-bottom prices and reducing the status of India as a supplier of raw materials for feeding its industries back in Britain.
2. Selling the finished goods in India and thereby making India a market for selling items produced by British industries.

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

Yes, the traditional handicraft industry was ruined under British rule. The following points are in agreement with this statement:

1. The British had introduced a discriminatory tariff policy. This led to a high export tariff on Indian-made goods, which made the price of products high in international markets, leading to less demand for Indian-made goods. Consequently, this ended up ruining the handicraft industry.
2. As Britain began importing duty-free goods from Britain to India, the demand for locally made goods started decreasing as the mechanically produced goods were much cheaper. This resulted in ruining the market for handicrafts.
3. The princely states of India used to provide patronage to local art and handicraft, but during British rule, the princely states were ruined by the East India Company, which thus resulted in a decrease in demand for Indian-made goods. Indian handicrafts gradually lost their market and diminished.

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

During British rule over India, there were a lot of infrastructural changes in the country. But all these changes were only done to serve the cause of the British

Empire. Development was seen in transport and communication. Roads helped in facilitating the transportation of raw materials from different parts of the country to ports where they would be shipped for industries in Britain. In a similar way, railways were developed for transporting finished goods from Britain to different parts of the country. The railways helped in widening the reach of goods across India. Posts and Telegraph were developed to increase the effectiveness and reach of the British administration in India. So, it can be said that although there was growth in infrastructure, it was only for the British Empire and not for India.

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

The aim of British rule was to make India a source of raw materials to feed the industries back in Britain and present India as a virgin market for the finished goods from Britain. The policies created by them were for the development of industries in Britain. The industrial policy had the following shortfalls:

1. British neglected the developed handicraft industries to deprive India of revenue from exports. Indian handicrafts had high demand all over the world, but due to the high export tariffs imposed on goods exported from India, the price of products raised exponentially, which impacted its demand and led to the collapse of the handicraft industry.
2. Indian industries suffered from a lack of investment in machinery, and the British government was not at all interested in assisting the growth of industries. Therefore, growth significantly decreased.

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

The economic policies of the British Government were primarily aimed at amassing wealth from India. India had extensive resources, which the British found highly useful for fulfilling the industrial requirements of Britain. Britain also utilized India's manpower to increase its industrial operations and expand bases outside of India. All these expenses were borne by the Indian exchequer. Therefore, it can be said that British rule drained wealth from India during the 19th Century (colonial period).

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

The year 1921 is regarded as the defining year. It is also known as the year of the Great Divide, as population growth was scarce before that time. After 1921, India's population growth was consistent.

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

The demographic profile of India during the colonial period is as follows:

1. The Birth Rate was high at 48 per thousand and the Death Rate at 40 per thousand, respectively.
2. Infant Mortality Rate was 218 per thousand, which is very high.
3. Life Expectancy rate was 32 years on average.
4. The literacy rate was below 16 per cent, which shows the backwardness of the society.

From the above data, it can be inferred that India was undergoing a phase of poverty, low standard of living and low survival rate. This situation was aggravated by the absence of healthcare facilities and a lack of health-related awareness among the Indian population.

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

It refers to the distribution of the workforce among the different sectors of the economy. The following points define India's occupational structure at the time of pre-independence:

1. India was primarily an agrarian economy, which consisted of more than 75 % of the population involved in agriculture as a source of sustenance, while the rest was divided among the manufacturing and service sectors. The number of people in the manufacturing and industrial sectors was less due to the tough competition they got from cheap goods from Britain, which were machine-made. Britain imposed a high tariff on export, thereby restricting the growth of industries. Hence, industries did not contribute well to the GDP of India.

2. India witnessed regional variation in occupational structure; it was seen that states like Andhra Pradesh, Tamil Nadu, West Bengal and cities like Bombay had experienced more concentration of work in production and manufacturing while states like Punjab, Orissa and Rajasthan had more population that was shifting towards agriculture.

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

Crucial challenges at the time of independence are as follows:

1. Low Agricultural Output was one factor which was due to the colonial impact on the country. Only items that were of monetary importance to the government were grown
2. Low level of industrialisation and decline in handmade products
3. Low levels of national income and per capita income
4. A low standard of living, low expectancy and high infant mortality rate
5. High level of unemployment and gross underemployment

14. When was India's first official census operation undertaken?

It was completed in the year 1881 under British Viceroy Lord Mayo.

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

India was a country with ample resources during the colonial period. Various products were produced in India, like sugar, silk, jute, etc. The British government's restrictive policies on foreign trade and the export of products affected the structure, composition and volume of foreign trade in India. The state of foreign trade during independence was as follows:

1. India became a market for exporting primary products such as sugar, raw silk, indigo, jute, etc. India also started importing finished goods like cotton, silk and woollen clothes along with machinery produced in Britain. Britain served as the major market for imports for India, with food grains being the most imported item.

2. Britain established a monopoly on foreign trade when the Suez Canal was opened in 1869. It helped establish a direct connection between India and Britain. This reduced the time necessary for transportation, and so the result was more exploitation of the Indian market. All of India's trade was maintained by the British, with more than half being traded to Britain and the remaining to China, Persia and Ceylon.

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

The following are the contributions made by the British in India:

1. The commercialisation of Agriculture was an important point in Indian agriculture history. It helped achieve self-sufficiency in food grain production. Production happened as per market requirements, and this helped India in creating a sustainable economy from agriculture.
2. India was forced to follow free trade during colonial rule, which helped gain a foothold to compete with industries in Britain and also increased the volume of exports.
3. The establishment of railways helped to connect people to distant places and also increased the business of the people due to the expansion of the geographical horizons.
4. The promotion of the English language helped connect with the outside world and allowed India to become a part of the global diaspora.
5. There was a marked improvement in the monetary system and production due to the division of labour.

FILL IN THE BLANKS

1. Economic growth without _____ is possible.
(**Economic development**)
2. In modern times the _____ is an economic leader
(**entrepreneur**)
3. Industrial development increases _____
(**urbanization**)
4. Per capita income is _____ divided by the total population.
(**national income**)

MCQ QUESTION AND ANSWERS

Q1. What do you mean by the supply of goods?

- a) Stock available for sale
- b) Total stock in the warehouse
- c) The actual production of the goods
- d) Quantity of the goods offered for sale at a particular price per unit of time

Answer:- d

Q2. What do you mean by ‘under conditions of a perfect competition in the product market’?

- a) $MRP = VMP$
- b) $MRP > VMP$
- c) $VMP > MRP$

d) None of the above

Answer:- a

Q3. Which of the following is the relation that the law of demand defines?

- a) Income and price of a commodity
- b) Price and quantity of a commodity
- c) Income and quantity demanded
- d) Quantity demanded and quantity supplied

Answer:- b

Q4. What do you mean by a mixed economy?

- a) Modern and traditional industries
- b) Public and private sectors
- c) Foreign and domestic investments
- d) Commercial and subsistence farming

Answer:- b

Q5. What do you mean by the demand of a commodity?

- a) Desire for the commodity
- b) Need for the commodity
- c) Quantity demanded of that commodity
- d) Quantity that consumers are able and willing to buy at various prices during any particular period of time

Answer:- d

Q6. Starting from the time of independence, why did India follow a planned economy?

1. India followed a five-year plan and required an outlook.

2.Directive Principles of Indian Constitution indicated the planned vision of India.

3.There was no indication whatsoever from the five year plans regarding how much of each and every good and service is to be produced.

Choose the correct statements from the given options

- a) Only 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Answer:- b

Q7. What do you mean by Gross National Product?

- a) The total value of goods and services produced in the country
- b) The total value of all the transactions in the country
- c) The depreciation in the total value of goods and services produced in the country
- d) The total value of goods and services produced in the country and the net factor income from abroad

Answer:- d

Q8. Which of the following is the reason for the decline in the child sex ratio in India?

- a) Low fertility rate.
- b) Female foeticide
- c) Incentives for a boy child from the government
- d) None of the above

Answer:- b

Q9. What factors are taken into consideration while revising the poverty line periodically?

- a) By conducting a survey every five years
- b) Survey carried out by National Sample Survey Organisation
- c) Both a and b
- d) None of the above

Answer:- c

Q10. In India, which banks/institutions have the highest share in the disbursement of credit to agriculture and allied activities?

- a) Cooperative banks
- b) Regional Rural Banks
- c) Commercial banks
- d) Microfinance institutions

Answer:- c

Q11. Which of the following is/are linked with the financial sector of India and controlled by the Reserve Bank of India (RBI)?

- a) Commercial bank
- b) Money lenders
- c) Stock exchange operations
- d) All of the above

Answer:- c

Q12. When price floor is set above equilibrium price it will result in?

- a) Shortage
- b) Surpluses

- c) Equilibrium
- d) None of the above

Answer:- b

Q13. What is Gross Domestic Product?

- a) The total value of goods and services manufactured in the country
- b) The total value of all the transactions in the country
- c) The reduction in the total value of goods and services produced in the country
- d) The monetary value of all finished goods and services made within a country during a specific period.

Answer:- d

Q14. Why is the unemployment rate low in India statistically?

1. Unemployment is calculated only from the age group of 15 years to 59 years.
2. Unemployment survives only when an individual cannot find a job.
3. People are not interested in working outside the domestic area.

Choose the correct option.

- a) Only 3
- b) 2 and 3
- c) Only 2
- d) All of the above

Answer:- c

Q15. What does the bowed-out shape of the production possibilities curve illustrate?

- a) Law of increasing opportunity cost
- b) The production is inefficient

- c) The production is unattainable
- d) The demand is relatively elastic

Answer:- a