

INDIAN ECONOMY - SCRIPT

Hari : Hii Giri, Do you know how our Indian economy changed drastically before and after independence ?

Giri : No, I don't. Could you just tell me about it .

Hari : Yes, for sure. Lets make a comparative study of the Indian Economy before and after independence and how it is now. Before India got Independence in 1947, it was ruled by the British for about 2 centuries. British reduced India to just a supplier of raw materials for their own country and thus developing their economy. The economic development of India during the colonial rule was very low.

Giri : India had an independent economy before the advent of the British rule. Though agriculture was the main source of livelihood for most people, yet, the country's economy was characterised by various kinds of manufacturing activities. India was particularly well known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works etc. These products enjoyed a worldwide market based on the reputation of the fine quality of material used and the high standards of craftsmanship seen in all imports from India.

Hari : Yeah. Also at that time, the economic policies of the Britishers was biased towards their own country. This reduced India to a supplier of raw materials and India's economic development was brought to a stop. Obviously, the colonial government never made any sincere attempt to estimate India's national and per capita income. Some individual attempts which were made to measure such incomes yielded conflicting and inconsistent results. Among many notable estimators, it was the work of V.K .R.V Rao whose estimates during the colonial period

d was very significant. Other sources confirm that the country's growth of aggregate real output was very low during the colonial period.

Giri : India's economy under colonial rule, remained predominantly agrarian. Around 85 % of the population depended on Agriculture for their livelihood. Agricultural productivity however went low, during the colonial period. It was mainly due to the Zamindari settlement system. This system was very much prominent in the North Eastern States of India including Bengal. Most of them were not interested in the agricultural output of the farmers, they were keen in only collecting revenue/rent from the farmers and no way bothered to look into their conditions. This led to a lot of problems and the contribution of agriculture to the Indian economy started declining. Other reasons for such a decline include the low levels of technology, lack of irrigation facilities and negligible use of fertilisers etc.

Hari : But this is not the case everywhere in India. In some regions higher yields of cash crops was reported due to commercialisation of agriculture. But this type of farming did not help them. Its because they are going to give away the crops to the British after harvest and with the low money they get, they can't buy the food crops which they need. A small section of farmers changed their cropping pattern from food crops to commercial crops, but a large section of tenants, small farmers and sharecroppers neither had resources and technology nor had incentive to invest in agriculture. This was the state of Indian Agricultural sector during colonial rule. Do you know what happened to the Industrial sector that time ?

Giri : Yes. As in the case of agriculture, so also in manufacturing, India could not develop a sound industrial base under the colonial rule. Here also the Britishers treated us as a source of raw mat

erials. During the second half of the nineteenth century, modern industrialisation started in India.

This was initiated by the setting up of more number of cotton and jute textile industries all over the country. Most of the cotton mills were concentrated in and around Maharashtra and Gujarat, whereas the most of the jute mills were concentrated around West Bengal. Not only that capital goods industries had no chance to produce tools for current consumption, no substitute for traditional handicraft industries. Therefore gross domestic product became small. One more drawback was that the area of operation of the public sector was limited. This sector remained confined to railways, power generation etc.

Hari : India has been an important trading nation since ancient times. But the restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade. As a result India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute etc. and an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machinery produced in the factories of Britain.

Giri : Yes. For all practical purposes, Britain maintained a monopoly control over India's exports and imports. As a result, more than half of India's foreign trade was restricted to Britain while the rest was allowed with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran). The most important characteristic of India's foreign trade throughout the colonial period was the generation of a large export surplus. But this surplus came at a huge cost to the country's economy.

Several commodities like food grains, clothes etc were scarcely available in the domestic market. All these were used to make payments for the expenses incurred by an office set up by the colonial go

vernment in Britain, expenses on war, again fought by the British government, and the import of invisible items. All these led to the drain of Indian wealth.

Hari : Various details about the population of British India were first collected through a census in 1881. It revealed unevenness in Indian population growth. After that, census operations were held once in every ten years. Before 1921, India was in the first stage of demographic transition. The second stage of transition began after 1921. However, neither the total population of India nor the rate of population growth at this stage was very high. The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about seven percent.

Giri : Public health facilities were not available to a large fraction of population. As a result water and air-borne diseases spread in various parts of the country resulting deaths of many people. The mortality rate was very high and in that the infant mortality rate was quite alarming—about 218 per thousand in contrast to the present infant mortality rate of 63 per thousand. Life expectancy was also very low—44 years in contrast to the present 66 years.

Hari : Coming to the Occupational structure during the colonial rule, 70-75 % was agriculture based as expected, and the remaining was due to manufacturing and services sector. Under the colonial regime, basic infrastructure such as railways, ports, water transport, posts and telegraphs did develop. However, the real motive behind this development was not to provide basic amenities to the people but to subserve various colonial interests. Still there was a lacking for all weather roads and many rural areas lacked even basic transportation facilities.

Giri : One of the significant contributions made b

y the British was the introduction of railways in 1850. The railways affected the structure of the Indian economy in two important ways. On the one hand it enabled people to undertake long distance travel and thereby break geographical and cultural barriers while, on the other hand, it fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India. The volume of India's exports increased many-fold times, but still the poor were deprived of its benefits.

Hari : Thus the social gain which the Indian people gained owing to the introduction of the railways, were thus outweighed by the country's huge economic loss. Not only railways, British set up inland trade facilities through shipping, but these were completely uneconomical and scarcely used. Even postal services were not used that often because people found it inadequate, even though it served a useful purpose.

Giri : All these showcase what was India's condition during the colonial rule. By the time India won its independence, the impact of the two-century long British colonial rule was already showing on all aspects of the Indian economy. The agricultural sector was already saddled with surplus labour and extremely low productivity.

Hari : Yes, the industrial sector on the other hand needed modernisation and more public investment. Foreign trade was oriented toward the Industrial Revolution in Britain. Infrastructure facilities, including the famed railway network, needed upgradation, expansion and public orientation. The economic conditions of the people was completely uneven and many people lived in extreme poverty. So, India had a lot of economic and social challenges just by the end of colonial rule.