

INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

INTRODUCTION

British rule started after they won the **Battle of Plassey in the year 1757** and it lasted for 200 years till 1947.

LOW LEVEL OF ECONOMIC DEVELOPMENT UNDER BRITISH RULE

Before the arrival of Britishers, **India was an agrarian economy**. For maximum population main source of living was agriculture.

India was also **popular for its handicraft industries**, particularly in the fields of cotton and silk textiles, metals, precious stones etc.

However with arrival of Britishers, economic development throughout the country slowed down. To Some extent, growth in many areas were in the negatives.

Economic policies pursued by British govt. were more concerned with **promotion and protection of economic interest of their home country rather than development of Indian economy.**

Through their economic policies, **they transformed India into a net supplier of raw materials** i.e. they used to export raw materials from India to Britain to establish Industries set up in Britain and **as a consumer of Finish products** i.e. **India** was used as a market where Britishers used to sell finish products produced in Britain.

ESTIMATION OF INDIA'S GDP AND NATIONAL INCOME [QUESTION NO. 2]

During the British rule, no sincere attempts were made by British govt. to estimate the National Income and Per Capita Income.

Some Economists such as **Dadabhai Naoroji, V.K.R.V Rao, Findlay Shiras** etc. tried to estimate India's National Income but results obtained by them contradicted one another.

As per most studies, **India's Real GDP growth rate (Increase in level of production) was less than 2%;** whereas **per capita growth rate (Increase in level of per capita income) was less than 0.5%.**

AGRICULTURE SECTOR

- During the British rule, Indian Economy remained agrarian as about 85% population of the country earned their livelihood directly or indirectly through agriculture sector.
- Throughout the 200 years of British rule, agricultural productivity remained low coupled with famines and drought during many years.

REASONS FOR LOW AGRICULTURAL PRODUCTIVITY [NCERT QUESTION NO. 3]

- (a) **Low level of advanced technology and negligible use of fertilizers:** Indian farmers used old and outdated technologies to do farming due to which output remained stagnant.
- (b) **Lack of Irrigation facilities:** Throughout British rule no concrete steps were taken by Britishers to set up a proper irrigation network throughout the country. Apart from building few canals in the north and south, entire country was still dependent on proper monsoon for a good harvest.
- (c) **Land Settlement laws:** The stagnation in agriculture sector was mainly observed due to various land settlement laws introduced by the government. Some of these were:

Zamindari system: It was introduced in Bengal presidency (Present day Eastern India).

- Profits arising out of agriculture sector were taken away by the zamindars irrespective of financial condition of the farmers.
- Zamindars also did nothing to improve the condition of agriculture sector. Their main interest was just to collect rent.

Revenue Settlement Laws: As per revenue settlement, Zamindars were asked to submit a fixed amount of revenue with the British govt. If they failed to then their Zamindari rights were taken.

- (d) **Commercialization of agriculture:** British govt. promoted cultivation of cash crops such as coffee, raisins, cashew etc. However revenue generated from sale were used by Britishers to develop industries back home.

- Production of food crops decreased and thus resulting in famines in many parts of India and causing deaths on a massive scale.

POST INDEPENDENCE

- Country's large area of highly irrigated and fertile land went to Pakistan due to partition.
- Entire Jute producing area went to East Pakistan (now Bangladesh). India's jute industry suffered heavily as there was lack of raw materials.

INDUSTRIAL SECTOR

During British rule, India could not develop a sound Industrial base.

Features of industrial sector during British rule:

(a) Britishers followed the policy of de-industrializing India - Primary motive behind deindustrializing India was **twofold**: [QUESTION NO. 5 OF NCERT]

- **Turn India into an exporter of raw materials** so that requirement of raw materials of industries set up in Britain can be fulfilled.
- **Turn India into a market** where finished products produced in Britain can be sold.
- Due to discriminating policies of British govt., **Handicraft industries of India declined** and it led to massive unemployment throughout the country.
- Indian market were flooded with foreign made cheap products and it replaced domestic products from the market.

(b) No sound modern industrial base: Britishers did not allowed modern industries to set up in India.

- **Few cotton textile mills and jute textile mills were set up in the late 19th century.** Cotton textile mills were located in states of Maharashtra and Gujarat and were mainly owned by Indians whereas Jute textile mills were located in states of Bengal and were mainly owned by foreigners.
- Few Iron and Steel industry were set up particularly TISCO which was set up by Jamshed Ji Tata in 1907.

(c) No. of Capital Goods industries (Industries which produces heavy machines) were also limited in nos. This hindered growth of industrial sector as many industries faced shortage of machines required for production.

(d) Govt. Public Undertakings were also limited. They operated in only those areas which were seemed profitable from their own point of view.

Conclusion: During the 200 years of British rule, India's traditional handicraft industries collapsed completely whereas no substitute industrial base came up. At the same time Industrial revolution took place in Britain.

FOREIGN TRADE [QUESTION NO. 15 OF NCERT]

India has been an important trading nation since ancient times. But the restrictive policies of British govt. has adversely affected India's foreign trade.

Some of the features of India's foreign trade during British rule were:

(a) Britain maintained monopoly (sole) control over India's exports and imports. **More than half** of India's foreign trade was restricted to Britain while rest was allowed with few neighboring countries like China, Ceylon (Sri-Lanka) and Persia (Iran).

Opening of Suez Canal in 1869 served as a direct route for ships operating between India and Britain.

(b) India became an exporter of primary goods like raw silk, cotton, wool, jute etc. and a **consumer of finished goods** like cotton, silk, woolen clothes, capital goods produced in Britain.

(c) India's foreign trade generated large export surplus (India's revenue from exports was greater than cost of imports). However, it was not beneficial for Indians.

This extra revenue generated was not used for welfare of India, rather there was **drain of wealth into Britain.**

The surplus was used by Britishers to make payments for the expenses incurred by them on war, administration and development in their home country.

DEMOGRAPHIC CONDITIONS

- (a) First official population census** of India took place during the British rule in the year **1881**. After that it takes place after every 10 years.
- (b) Before 1921 India was in first stage of demographic transition.** India's population and rate of growth of population was not that high.
- (c) After 1921 the second stage of demographic transition started.** After 1921, birth rate increased but death rate slowed down. It resulted in population explosion. Hence, 1921 is called year of great divide.
- (d) Overall literacy rate** was less than 16% (as compared to 84% today). Female literacy rate was even lower at 7% (as compared to 74-76% today). [Literacy rate – It is the percentage of population over 7 years of age who can read and write].
- (e) Infant mortality rate** (No. of deaths per thousand before reaching the age of 1 year) was as high as 218 per thousand live births.
- (f) Life expectancy** (Number of years a new born child is expected to live on an average) was as low as 32 years as compared to 64 years today.

OCCUPATIONAL STRUCTURE [QUESTION NO. 12 OF NCERT]

Occupational structure means distribution of workforce among different sectors of the economy i.e. Primary sector, Secondary and tertiary sector.

During British rule, occupational structure of India showed little or no change.

India remained an agrarian economy. About 70-75% of population earned their livelihood from agriculture sector whereas manufacturing and service sector accounted for 10% and 15-20% workforce.

There was growing regional variations i.e. in some states one sector was dominant and in other states other sector was dominant.

In Madras presidency (consisting of Tamil Nadu, Andhra Pradesh, Kerala and Karnataka), Maharashtra and West Bengal there was decline in workforce dependent on agriculture sector. There was shift to manufacturing and service sector.

In states of Punjab, Rajasthan, Orissa etc.; there was an increase in workforce dependent on agriculture.

INFRASTRUCTURE

Infrastructure refers to such basic facilities which helps in growth of other industries.

During British rule, basic infrastructure such as railways, water transport, roadways, ports, post and telegraph etc. **was built**. However, the **real motive** behind this development was not to provide basic services to Indian people but to **serve various colonial interests**.

(A) RAILWAYS: Britishers **introduced railways in 1850** and it **started operation from 1853**.

Positive impact of railways on Indian economy:

- (a) It allowed people to undertake long distance journeys. Thus it broke geographical and cultural barriers and thus promoted national unity.
- (b) It encouraged commercialization of agriculture i.e. farm products were now produced for markets.

However, the main motive of Britishers behind construction of railways were:

- (a) To maintain proper control and administration on entire country, Britishers linked important administrative and military centres through railway lines.
- (b) To encourage trade, Britishers linked railways with major ports and marketing centres.

(B) ROADWAYS

Roads built by Britishers were used to move army within India and to take raw materials from various parts of India to the nearest railway stations or ports so that it can be sent to England or other foreign countries.

Absence of all-weather roads. During heavy rains many parts of India was cut down from other parts.

(C) OTHER DEVELOPMENTS

Few steps were taken by Britishers to develop inland trade and sea lanes. However, all proved uneconomical.

Postal services and telegraph systems were also developed but were only used for government purposes.

NCERT QUESTIONS

- 1. What was the main focus of the economic policies pursued by the colonial government in India? What was the impact of these policies?**

Ans. Economic policies pursued by British govt. were more concerned with promotion and protection of economic interest of their home country rather than development of Indian economy.

Through their economic policies, **they transformed India into a net supplier of raw materials** i.e. they used to export raw materials from India to Britain to establish Industries set up in Britain and **as a consumer of Finish products** i.e. **India** was used as a market where Britishers used to sell finish products produced in Britain.

At time of Independence, India was a poor and underdeveloped country. Agriculture sector was in poor condition, there were only a few industries and many of the traditional handicraft industries collapsed. Millions of people were unemployed. National income and per capita income was one of the lowest in the world.

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

Ans. Refer Page no. 1 of the notes

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

Ans. Refer Page no. 2 of the notes

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

Ans. TISCO, Jute mills, cotton textile mills, sugar mills etc.

5. What was the two-fold motive behind the systematic de-industrialization effected by the British in pre-independent India?

Ans. Refer Page no. 3 of the notes

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

Ans. Yes, we do agree with the above statement that the traditional handicrafts industries were ruined under the British rule. The following are the reasons that led to the downfall of handicraft industries in India:

(a) Discriminatory tariff policies: Britishers imposed heavy export duties i.e. taxes on export of handicraft products from India which made Indian exports expensive and thus their demand in International markets fall drastically.

(b) Competition from machine made British goods: The demand for handicraft products decreased in the domestic markets also because they had to face stiff competition from machine made British goods which were comparatively cheaper and of superior quality.

(c) Emergence of new class: The Britishers popularized western lifestyle in India. There was emergence of new section of population who used to prefer British goods over Indian made handicraft products.

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

Ans. One cannot deny the fact that under the British rule there was significant change in the infrastructure development in the country. But the main motive of the British behind the infrastructure development was only to serve their own colonial interests.

RAILWAYS: Britishers introduced railways in 1850 and it started operation from 1853.

The main motive of Britishers behind construction of railways were:

(a) To maintain proper control and administration on entire country, Britishers linked important administrative and military centers through railway lines.

(b) To encourage trade, Britishers linked railways with major ports and marketing centers.

ROADWAYS

Roads built by Britishers were used to move army within India and to take raw materials from various parts of India to the nearest railway stations or ports so that it can be sent to England or other foreign countries.

OTHER DEVELOPMENTS

Few steps were taken by Britishers to develop inland trade and sea lanes. However, all proved uneconomical.

Postal services and telegraph systems were also developed but were only used for government purposes.

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

Ans. The main focus of the industrial policies pursued by the British government in India was to make India a supplier of Britain's own flourishing industrial base. The industrial policy pursued by the Britishers has the following shortfalls:

- (a) Neglect of Indian Handicraft Industries:** Britishers imposed heavy export duties i.e. taxes on export of handicraft products from India which made Indian exports expensive and thus their demand in International markets fall drastically. The demand for handicraft products decreased in the domestic markets also because they had to face stiff competition from machine made British goods which were comparatively cheaper and of superior quality.
- (b) No sound modern industrial base:** Britishers did not allowed modern industries to set up in India.

Few cotton textile mills and jute textile mills were set up in the late 19th century. Cotton textile mills were located in states of Maharashtra and Gujarat and were mainly owned by Indians whereas Jute textile mills were located in states of Bengal and were mainly owned by foreigners.

Few Iron and Steel industry were set up particularly TISCO which was set up by Jamshed Ji Tata in 1907.

- (c) No. of Capital Goods industries (Industries which produces heavy machines) were also limited** in nos. This hindered growth of industrial sector as many industries faced shortage of machines required for production.

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

Ans. Dadabhai Naoroji gave the theory of “Drain of Wealth” in 19th century.

Britain **maintained monopoly (sole) control** over India's exports and imports. **More than half** of India's foreign trade was restricted to Britain while rest was allowed with few neighboring countries like China, Ceylon (Sri-Lanka) and Persia (Iran).

India became an **exporter of primary goods like** raw silk, cotton, wool, jute etc. and a **consumer of finished goods** like cotton, silk, woolen clothes, capital goods produced in Britain.

India's foreign trade **generated large export surplus** (India's revenue from exports was greater than cost of imports). However, it was not beneficial for Indians.

This extra revenue generated was not used for welfare of India, rather there was **drain of wealth into Britain.**

The surplus was used by Britishers to make payments for the expenses incurred by them on war, administration and development in their home country.

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

Ans. 1921

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

Ans. India's demographic conditions during the British rule depicts our economy as stagnant and backward. Both the birth rate and death rate were as high and as a result the population growth was stagnant.

Overall literacy rate was less than 16% (as compared to 84% today). Female literacy rate was even lower at 7% (as compared to 74-76% today).

Infant mortality rate (No. of deaths per thousand before reaching the age of 1 year) was as high as 218 per thousand live births.

Life expectancy (Number of years a new born child is expected to live on an average) was as low as 32 years as compared to 64 years today.

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

Ans. Refer page no. 5 of the notes

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

Ans. Some of the economic challenges at the time of Independence were:

- (a) Government had to take measures to improve the condition of agriculture sector so that production of food grains increases and possibility of famines decreases.
- (b) There was no modern industrial base at the time of Britishers. Government had to take measures to industrialize the Indian economy on a large scale.
- (c) More than 50% of population was living below poverty line. Government had to take necessary measures to bring them above poverty line and improve their economic condition.
- (d) Unemployment was on a massive scale at that time. Government had to take necessary steps to create both self-employment and wage employment for its people.

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

Ans. 1881

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

Ans. Refer page 4 of the notes

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

Ans. Some of the positive contributions made by the Britishers were:

- (a) Introduction of railways:** Britishers introduced railways in 1850 and it started operation from 1853.

Positive impact of railways on Indian economy:

It allowed people to undertake long distance journeys. Thus, it broke geographical and cultural barriers and thus promoted national unity.

(b) **Promoted western education**: Britishers encouraged teaching of English language in schools. This has integrated India with the rest of the world.

(c) **Introduction of commercialization of agriculture**: Britishers encouraged commercial farming i.e. producing the food grains for the market rather than subsistence farming.

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