

Indian Economy on the Eve of Independence Class 11

Notes Chapter 1 Indian Economic Development

Agricultural Sector on the Eve of Independence

India's agricultural sector (on the eve of independence) exhibited three principal characteristics, these characteristics pointed to backwardness of India's agriculture as well as its stagnation

- Low level of productivity
- High degree of vulnerability
- A wedge between owners of the soil and tillers of the soil.

Factors causing backwardness and stagnation of Indian agriculture during the British rule

- Land revenue settlement under the British Raj
- Forced commercialisation of agriculture

Industrial Sector

“Systematic de-industrialisation” is the term that describes the status of industrial sector during the British rule. It implied two things

- Decay of world famous traditional handicraft industry owing to discriminatory policies of the British Government.
- Bleak growth of modern industry now to lack of investment opportunities.

Two-fold motive behind the systematic de-industrialisation during the British Rule in India.

- To exploit India's wealth of raw material and primary products. It was required to fulfill the emerging needs of industrial inputs in the wake of industrial revolution in Britain.
- To exploit India as a potential market for the industrial products of Britain.

Foreign Trade India had occupied a place of eminence in the area of Foreign trade, since ancient times. But the British rule in India ended this eminence.

Drain of India's Wealth

Huge administrative expenses were incurred by the British Government to manage their colonial rule in India. Also huge expenses were incurred by the British Government to fight wars in pursuit of their policy of imperialism.

Demographic Condition

Demographic conditions during the British rule exhibited all features of a stagnant and backward economy. Both birth rate and death rate were very high nearly 48 and 40 per thousand respectively.

Occupational Structure

Greater dependence on agriculture as suggested by occupational structure on the eve of independence implied lesser availability of land per head for the farming population. Accordingly agriculture was taken largely as a means of subsistence and less as an occupation for profit.

Infrastructure

Infrastructure refer to the elements of economic change as well as elements of social change which serve as a foundation for growth and development of a country. Development of infrastructure is a precondition to the economic and social development of a country.

Economy of a country includes all production, distribution or economic activities that relates with people an determines the standard of living. On the eve of independence Indian economy was in a very bad shape due to the presence of British colonial rule.

The Britishers generally framed policies that favoured England. The only purpose of Britishers was to unjustly enrich themselves at the cost of India's economic development. Thus, in 1947, when British transferred power back to India, we inherited a crippled economy.

India's National and Per Capital Income

Under Colonial Rule There were no efforts from the part of the colonial government to measure the national and per capital income of India. Some individual attempts were made to measure such incomes but produced conflicting and inconsistent results. The contribution of VKRV Rao and Dadabhai Naoroji are considered very significant in this context.

Low Economic Growth Under Colonial Rule

India had an independent economy before the arrival of British rule. But the Britishers, dominated it for over a period of 200 years. Britishers framed policies that protected and promoted the economic interests of their own country. They transformed India into supplier of raw materials and consumer of finished goods from the factories of Britain. Such policies affected Indian economy very adversely.

In this context, we will discuss the conditions of certain sectors that were badly affected by the presence of colonial rule, i.e. on the eve of independence.

State of Agriculture Sector

Agriculture was the main source of livelihood for most of the people of India, and about 85% of the country's population lived mostly in villages and derived livelihood directly or indirectly from agriculture.

Inspite of such a large segment of the population being dependent of agriculture, either directly or indirectly, this sector was facing stagnation and constant deterioration, as is brought forward through the following points.

- Low Level of Productivity Productivity, i.e. output per hectare of land was very low. This led to a low level of output, inspite of a large area under cultivation.

- High degree of Vulnerability Agriculture was vulnerable to climatic factors and mostly affected by erratic rainfall. Poor rainfall generally led to a low level of output and also to crop failures. No effort was made by British Government to provide permanent source of irrigation facilities for the farmers.

The reasons for stagnation of agricultural sector were

(i) Land Revenue System

The Britishers introduced the zamindari system. The zamindars were recognised as permanent owners of the soil. Zamindars were to pay a fixed sum to the government as land revenue and they were absolutely free to extract as much from the tillers of the soil as they could.

Their main interest was in rent collection regardless of the economic conditions of cultivators and this caused misery and social tension among the latter.

Apart from this there are two more systems namely, the Ryotwari and the Mahalwari were prevalent.

(ii) Lacking of Resources

Because the tillers had to pay huge amount of rent, referred to as 'Lagaan', they were not left with any surplus to be able to provide for resources needed in agriculture in the form of fertilisers or providing for irrigation facilities. This further lowered the agricultural productivity.

(iii) Commercialisation of Agriculture

Commercialisation of agriculture refers to shift from cultivation for self-consumption to cultivation for sale in the market. It also refers to cultivation of cash-crops like cotton, indigo, etc.

Due to commercialisation of agriculture, there was some evidences of a relatively higher yield of cash crops in certain areas of the country. But this could not help in improving the conditions of Indian farmers.

Instead of producing food crops, farmers were producing cash crops, which were ultimately to be used by British industries.

State of Industrial Sector

In the pre-british period, 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.

But the Britishers followed a policy of systematic de-industrialisation by creating circumstances conducive to the decay of handicraft industry and not taking any steps to promote modern industry and reduced India to a mere exporter of raw material and importer of finished goods.

The following points bring farword the state of the industrial sector at the eve of independence

1. Decay of Handicraft Industry

The traditional handicraft industry in India enjoyed worldwide reputation, but the British misrule in India led to the decline of Indian handicraft industry. The Britishers adopted the following policies to systematically destroy the handicraft industry.

- **Discriminatory Tariff Policy of the State** The Britishers followed a discriminatory tariff policy by allowing tariff free exports of raw material from India (to provide for the requirements of their industries in Britain) and tariff free import of British Industrial products (to promote British goods in India), but placed a heavy duty on the export of handicraft products. So, Indian handicraft products started losing their domestic as well as foreign markets.
- **Competition from Machine-made Products** Machine-made products from Britain were cheap and better in quality than the handicraft products. This competition forced many a handicrafts to shut down their business.
- **Introduction of Railways in India** The Britishers introduced Railways in India, to expand the market of its low priced industrial products. Consequently, the demand of high-priced handicraft products started to fall, thus leading to the downfall of handicraft industry.

2. Slow Growth of Modern Industry

Under second half of 19th. century, modern industry showed slow growth. This development was confined to the setting up of cotton and jute textile mills.

Subsequently, the iron and steel industries began coming up in the beginning of the 20th century.

In this context, the Tata Iron and Steel Company (TISCO) was incorporated in August, 1907 in India. It established its first plant in Jamshedpur [Bihar, at present Jharkhand].

But, these industries were the result of private endeavour. The state participation in the process of modern industrialisation was very limited, as is evident from the following points

- **Limited Growth of Public Sector Enterprises** The public sector enterprises such as railways, power, post and telegraph were confined to areas which would enlarge the size of market for British products in India.
- **Lopsided Industrial Structure** The industrial growth was lopsided, in the sense that consumer goods industry was not adequately supported by the capital goods industry.
- **Lack of Basic and Heavy Industries** No priority was given for the development of basic and heavy industries. Tata Iron and Steel Mills was the only basic industry in India.

Textile Industry in Bengal

Muslin is a type of cotton textile which had its origin in Bengal, particularly, places in and around Dhaka (now the capital city of Bangladesh). Daccai Muslin had gained worldwide

fame as an exquisite type of cotton textile.

The finest variety of muslin was called malmal. Foreign travellers also used to refer to it as malmal shahi or malmal khas meaning that it was worn by or fit for, the royalty.

State of Foreign Trade

India has been an important trading nation since ancient times.

But when the restrictive policies of commodity production, trade and tariff were imposed by the colonial government, it adversely affected the structure, composition and volume of India's foreign trade.

Following were the reasons behind the poor growth of foreign trade

1. Exporter of Primary Products and Importer of Finished Goods

Under the colonial rule, 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.

2. Britain's Monopoly Control

Britain maintained a monopoly control over India's exports and imports. Due to this, 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 opening of Suez Canal in 1869 further intensified British control over India's foreign trade.

3. Drain of India's Wealth

An important characteristic of 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 essential commodities like food grains, kerosene, were scarcely available in the domestic market.

Also, this surplus was not used in any developmental activity of India. Rather, it was used to maintain the administrative set-up of the Britishers or bear the expenses of war fought by Britain.

All of this, led to the drain of Indian wealth.

State of Occupational Structure

During the colonial period, the occupational structure of India exhibited its backwardness. The agricultural sector accounted for the largest share of the work force which remained at a high of 70-75% of the work force and the manufacturing and services sectors accounted for only 10 and 15-20% respectively.

There existed a growing regional disparity with few states such as Orissa, Rajasthan and Punjab witnessing an increase in agricultural workforce while the states which were the parts of Madras presidency. Bombay and Bengal witnessed a decline in the percentage of work force dependent on agriculture.

State of Infrastructure

Infrastructure comprises of such industries which help in the growth of other industries. Under the colonial period, basic infrastructure such as railways, port for transport, posts and telegraphs developed.

However, the real motive behind this development was not to provide basic amenities to the people but to sub serve various colonial interests.

The state of infrastructure under the colonial rule can be understood with the help of following points

1. Roads

Roads constructed before independence were not fit for modern transport. It was very difficult to reach rural areas during rainy season.

The roads were built only to serve the purpose of mobilising the army within India and transporting raw materials from the countryside to the nearest railway station or the port for exporting it.

2. Railways

British rulers introduced railways in India in 1850 and it began its operation in 1853. It is considered as one of the important contribution of Britishers.

The railways affected the structure of the Indian economy in the following two ways

- It enabled people to undertake long distance travel and thereby break geographical and cultural barriers.
- It fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India.

So, the social .benefits provided by the Railways was outweighed by the country's huge economic loss.

3. Water and Air Transport

The colonial rulers took measures for the development of water transport. The inland waterways, at times, also proved uneconomical as in the case of the coast canal on the Orissa coast. The main purpose behind their development was to serve Britain's colonial interest.

The colonial government also showed way to the air transport in 1932 by establishing Tata Airlines. Thus, in this way it inaugurated the aviation sector in India.

4. Communication

Modern postal system started in India in 1837. The first telegraphy line was opened in 1857. The introduction of the expensive system of electric telegraph in India served the purpose of maintaining law and order.

Demographic Condition

Various details about the population of British India were first collected through a census in 1881. Before 1921, India was in the first stage of demographic transition. The second stage began after 1921. However neither the total population of India nor the rate of population growth at this stage was very high. Though suffering from certain limitations, it revealed the Unevenness in India's population growth. The population grew at a rate of 1.2% up to the year 1951.

On the eve of independence the demographic condition was as follows

- The overall literacy level was less than 16%.

- The female literacy level was at a negligible low rate of about 7%.
- Public health facilities were either unavailable to large chunks of population or when available, were highly inadequate. Infant mortality rate was 218 per thousand in contrast to present infant mortality rate of 63 per thousand.
- Life expectancy was very low 44 years in contrast to the present 66 years.
- Both birth rate and death rate were very high at 48 and 40 per thousand of persons respectively.