

Chapter - 1 Indian Economy On the Eve of Independence

Introduction

The foundation of British Empire in India was laid by battle of Plassey fought in 1757.

Basic Purpose of British Rule :

The main purpose of British rule in India was to use Indian economy as a feeder economy for the development of Britishers. Britishers exploit natural and human resources of India for their own benefit.

It must be noted that here Britain is a ruling country and India is a colony.

Level of Economic Development During British Rule

Before the British rule Indian Economy was characterised as following :

1. Agrarian Economy :

Agriculture was the main source of livelihood and around 2/3rd of total population was engaged in agriculture.

2. Prosperous Economy:

India was self dependent and prosperous economy.

3. Handicraft Industries:

India was also known for its handicraft industries in the field of cotton, silk and other matters.

HOWEVER DURING BRITISH RULE

During british rule the economic policies of india were developed by britishers for the promotion and protection of britishers. They transformed the india into a supplier of raw material and consumer of finished goods which ultimately exploited the Indian trade.

Agriculture Sector During British Rule

During british rule the agriculture sector was stagnant because of following reasons:

1. Zamindari System:

(OR)
Land Revenue System

(OR)
Land Settlement System

The most important reason for stagnation of agriculture was introduction of Zamindari System.

- Under this system the zamindars were declared as the permanent owners of land and the profit of agriculture sector went to zamindars in the form of lagan.
- The main motive of zamindars was ~~no~~ only to collect lagan from farmers irrespective of condition of farmer.
- zamindars ~~were~~ ^{had} to deposit these lagans to the british govt.
- The zamindars and britishers did nothing to improve the farming.

2. Commercialization of Agriculture:

Commercialization of agriculture means production of crops for sale in the market rather for self consumption.

During British rule farmers were given higher

price for producing cash crops like cotton and jute. These cash crops were produced so that businessmen can use these crops as a raw material in their industries.

By offering higher prices the farmers were attracted to produce cash crops instead of food crops.

3. Low level of Productivity:

Low level of technology, lack of irrigation facility and lack of fertilisers resulted in low level of productivity in the agriculture.

The cultivators were not interested to invest in agriculture and the zamindars had no roots in the villages, which results in decline in productivity.

4. Scarcity of Investment:

The agriculture system in India was facing scarcity of investment in flood control system and drainage system. It leads to decline in productivity and moreover farmers shifted from food crops to cash crops, which again resulted in decline in productivity.

Adverse Effect on Agriculture Due to Partition:

Note: Due to partition of India and Pakistan, a large portion of fertile land and highly irrigated area went to Pakistan.

Almost whole Jute producing area became part of East Pakistan.

Industrial Sector During British Rule:

The poor state of industrial sector during British rule can be described as following:

1. De-industrialization:

British govt systematically destroyed Indian handicrafts industries. The main motive of British rule behind the de-industrialization was:

- To get raw material from India at cheaper rate.
- To sell finished goods of Britain in Indian market at higher price.

The main reason for decline of handicraft industries was the introduction of discriminatory tariff policy. This policy allowed export of raw material to Britain and import of finished goods from Britain with no tax (tariff). But heavy duties

were imposed on the exports of handicrafts.

2. Adverse effect of decline of Handicraft Industry:

Decline of handicraft industry adversely effect the indian economy in followings ways:

- The decline of ^{Indian} handicraft industries resulted in unemployment on a mass scale.
- Due to import of finished goods from Britain, there was a large outflow of foreign currency.

3. Lack of Capital Goods Industry:

Capital good industry refers to those industry which can produce machine, tools, equipments etc. During the British rule there was hardly ^{any} capital good industry to promote the industrialization.

4. Low Contribution in GDP:

The growth rate of new industries and its GDP was very small.

5. Limited Role of Public Sector :

The limited role of public sector was a significant reason for the drawback of industries. The public sector was limited only to railway, electricity and communication.

Foreign Trade Under British Rule

The india's foreign trade during british rule can be described as follows:

1. Exporter of raw material and importer of finished goods :

India became the exporter of raw material like silk, cotton, indigo, jute etc. and the importer of finished goods from Britain.

2. Monopoly Control of British rule :

British govt. maintained a monopoly control on the export and import of India.

- Around half of india's foreign trade was restricted to Britain and the another half was restricted to few countries like Ceylon (Ceylon), Persia (Iran) and China.

- The opening of Suez Canal in 1869 provided a direct route from India to Britain.

3. Drain of Indian Wealth During British Rule:

Under the British rule India became the exporter of raw material and importer of finished goods. It leads to surplus of exports and this surplus was used by Britishers for foll. purposes:

- a) To make payments for expenses incurred by Britishers.
- b) To meet expenses on war fought by Britishers.
- c) To import invisible items.

Ques Write a short note on Suez Canal?

Suez Canal is an artificial waterway running from north to south in the north-eastern Egypt.

The opening of Suez Canal in 1869 reduced the transportation cost and made ~~excess~~ access to Indian market easier.

This Canal provided a direct route for ships between India and Britain.

and avoiding to ~~see~~^{sail} around africa.

Demographic Profile During British

Rule :

Demographic condition during british rule implies that the indian economy was stagnant and a backward economy.

1921 is called Year of Great divide because before 1921 india was in the first stage of demographic profile but after 1921 the second stage of demographic profile began and population is continuously rising. (fluctuate of lines)

a) High Birth And Death Rate :

Birth rate refers to no. of children born per thousand in a year and death rate refers to no. of people dying per thousand in a year. Both birth rate and death rate were very high around 48 per thousand and 40 per thousand respectively.

b) Extremely low literacy Rate :

The Overall literacy level was around 16%. Out of this female literacy level was just around 7%. A person who is able to read and write is called literate.

c) Poor Health Facilities:

Health facilities were unavailable to large section of population and if available then they were totally inadequate. It leads to water and air borne diseases.

d) High Infant Mortality Rate:

Infant mortality rate refers to no. of infants dying before the age of one year per one thousand births. The infant mortality rate was alarming around 218 per thousand. Recently in 2011 its just 44 per thousand.

e) Life Expectancy:

Life expectancy refers to average no. of years for which people are expected to live. Life expectancy was very low i.e 44 yrs as compared to this, recently it is 68 yrs.

f) Widespread Poverty:

There was no doubt that extensive poverty prevailed in India during the British rule and the standard of living was extremely low.

So, we can conclude that British rule was the main reason behind poor demographic profile of India.

INFRASTRUCTURE

The infrastructure facilities during British rule were very poor but some efforts were made to develop this infrastructure. The infrastructure condition during British rule can be described as follows:

a) Roads:

The British govt. could not accomplish much on construction of roads due to scarcity of funds. The roads were built in order to mobilize the army and raw material from one place to another.

However, ~~there~~ ^{there} always remained the shortage of roads in the rural areas and they suffered badly during natural calamities.

b) Railways:

The railways were introduced in India in 1850. Railways affected the Indian economy into two important ways:

- Railway enabled people to undertake long distance travel and helps in removing cultural barriers also.

- It enhanced commercialization of Indian agriculture.

c) Air And Water Transport:

British govt. took various measures for developing air and water transport however their development was not satisfactory because the canals were built at a very huge cost.

d) Communication:

Postal and telegraph services were the most popular means of communication. The introduction of electric telegraph with a purpose of maintaining law and order and the postal services for economic benefits, was a great achievement but at a huge cost.

Reasons Behind Infrastructural Development During British Rule:

1. Reason behind development of Roads:

The roads were built to mobilize the army within india and shifting the raw material from

Countryside to the nearest railway stations and port.

2. Reason behind development of Railways :
- Railways were developed by the Britishers for three reasons :
- i) To have effective control and administration on India.
 - ii) To spread machine made goods (developed by Britishers) all over the India.
 - iii) To earn profit through foreign trade by linking railways with ports.
3. The reason behind development of electric telegraph was just to maintain law and order in India.

OCCUPATIONAL STRUCTURE

DURING BRITISH RULE

It refers to distribution of working population across different sectors of economy. During British Rule

- The agricultural sector accounted for 75% of working population of India and the

remaining 25% were involved in secondary and tertiary sectors.

- there were some regional variation like
 - a) States of Tamil Nadu, Andhra Pradesh, Kerala, Karnataka, Maharashtra & West Bengal showed a decline in dependence on agriculture.
 - b) States like Orissa, Rajasthan & Punjab showed a great increase in the agriculture.

Positive Contributions of British Rule

1. Self sufficiency in food grain production?

Commercialization of agriculture initiated by Britishers resulted in self-sufficiency in food grain production.

2. Better means of transportation?

Development of roads and railways provided cheap and rapid transport system which opened up new opportunities for India.

3. Check on famine:

Roads and railways was the greatest achievement during british rule which resulted in food supplies to the affected areas in case of drought.

4. Shift to monetary system:

British rule helped indian economy to shift from barter system to monetary system.

5. Effective administration:

The british govt had an efficient administration which provided benefits to indian politicians.

INDIAN ECONOMY ON THE EVE OF INDEPENDENCE (6M)

1. Colonial economy:

In india british exploitation is a long history.

- Britishers during their ruling resulted in drain of indian wealth for the

growth and development of britishness.

- they also encouraged commercialization of Indian agriculture.

2. Semi-feudal Relations (economy):

By the end of british ruling there were two aspects of Indian economy:

- Feudal Systems

The zamindari system gave birth to the feudal relations between landlords and tenants (tillers) where landlords used to charge very high rate of jagar.

- Capitalist system:

During the british rule there was creation of two classes capitalist and labourers.

3. Stagnant Economy:

A stagnant economy is one which is growing at a very low rate. On the eve of independence Indian economy was stagnant because real output was less than 2% and growth in per capita income was 0.5%.

4. Backward Economy:

At the end of british rule indian economy was backward and underdeveloped due to following reasons:

- a) Low level of Productivity
- b) low per capita income
- c) Traditional methods of agriculture
- d) High birth rate and death rate
- e) mass illiteracy.

5. Depleted Economy:

At the time of independence indian economy was a depleted economy. Depleted economy refers to an economy where no arrangements have been made to replace the assets.

During british rule britishers did not make any arrangement to replace the depreciated asset.

6. Amputated Economy:

The British policy of divide and rule always promoted discrimination between various groups on the basis caste, religion, language and culture. On the eve of independence country was divided into two parts indian & pakistan.

It resulted in shortage of raw material in india because most of the jute producing area and fertile land went to pakistan.

Important Updates of Chapter - 1

- The estimation of national income and per capita income by Dr. Rao was significant during british rule.
- The first ^{official} census was conducted in 1881.
- Modern industries during Independence:
 - a) The industries established during independence was cotton textiles and jute mills.
 - b) The cotton textile mills were dominated by indians and were located in maharashtra and gujarat.
 - c) The jute mills were dominated by foreigners and were located in Bengal.
 - d) Tata iron and steel company was established in year 1907 in jamshedpur Bihar.