



INDIAN ECONOMY ON THE EVE ON INDEPENDENCE

TOPIC 1 – COLONIAL EXPLOITATION OF INDIAN ECONOMY UNDER BRITISH RULE

Due to colonial exploitation, the Indian economy became both stagnant and backward. This is how it happened.

1. Colonial Exploitation of Agricultural Sector

- Agriculture was exploited through the zamindari system.
- In the zamindari system, zamindars were owners and they had to pay a fixed sum to the government.
- The tillers of the soil got the bare minimum and were exploited by the zamindars.
- Zamindars led a lavish life.



2. Colonial Exploitation of Industrial Sector (mainly handicrafts)



- Foreign demand for handicrafts was destroyed by heavy taxes on exports.
- The domestic demand for handicrafts was destroyed tax-free imports of British goods.

3. Colonial Exploitation of International trade

- Tax-free exports of Indian raw material to Britain.
- Tax-free imports of British finished goods in Indian markets.
- India had become an exporter of raw material and importer of Finished Goods.



TOPIC 2 – FEATURES OF INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

1. Stagnant economy

- A stagnant economy is an economy where there is little or no growth.





- On the eve of Indian independence, growth in India was just about 0.5%. So, India was a stagnant economy.

2. Backward economy

- The backward economy is an economy where per capita income is very low.
- On eve of independence, par capita income was just Rs. 230.



3. Agriculture backwardness

- Nearly 72% of the population was engaged in agriculture. But the contribution to GDP was only 50%
- Productivity was also very low.



4. Industrial backwardness

- Production of machines in India was almost nil.
- Maximum capital goods were imported from Britain.
- Small Scale Industries were destroyed.



5. Rampant poverty

- The maximum population was poor.
- Many people did not get 2 meals per day.



6. Poor infrastructure

- The means of transportation and the generation of power were very poor.
- On eve of independence, pucca roads had coverage of only 155 thousand km.



7. Heavy dependence on imports

- Machines, defense equipment, and even consumer goods (such as sewing machines, medicines, oil, etc.) were imported from Britain.



8. Colonial economy

- Colonial Exploitation of Agricultural Sector
- Colonial Exploitation of Industrial Sector (mainly handicraf
- Colonial Exploitation of International trade





TOPIC 3 – AGRICULTURAL SECTOR ON EVE ON INDEPENDENCE

1. Low production and productivity



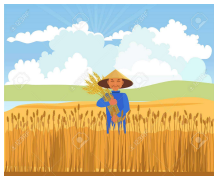
- Production refers to the total output. Productivity refers to output per hectare of land.
- On eve of independence, both production and productivity were very low.
- From independence until now, production and productivity have improved many times.



2. High degree of uncertainty

- Agriculture was highly dependent on rainfall.
- No efforts were made by the British government to develop irrigation system.

3. Dominance of Subsistence farming



- Subsistence farming means crops are produced to provide the basic needs of farmers.
- On the eve of independence, major farming was done to feed to the family. There was little surplus to sell in the market.

4. Gulf between owners of soil and tillers of the soil



- Zamindars were owners of the soil. They shared the output of crops but did not bear the costs(expenses)
- The tillers of the soil got the bare minimum and were exploited by the zamindars.
- Zamindars led a lavish life.

5. Small and fragmented holdings



- Land with farmers was really small and fragmented (distributed in places)
- So, most landholdings yielded low output at a high cost.

6. Land revenue system (Zamindari system)

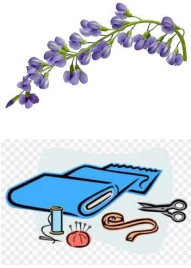
- In the zamindari system, Zamindars were owners and they had to pay a fixed sum to the government.
- The tillers of the soil got the bare minimum and were exploited by the zamindars.





- Zamindars led a lavish life.

7. Forced Commercialization of agriculture

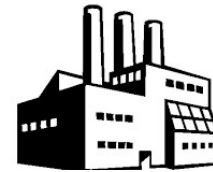


- Commercialization of agriculture means a shift from the cultivation of self-consumption to cultivation for the market.
- Farmers were forced to grow commercial crops such as indigo as it was required by the textile industry in Britain.
- As the farmers grew commercial crops, they needed cash to buy grains from the market. This resulted in indebtedness.

TOPIC 4 – INDUSTRIAL SECTOR ON EVE ON INDEPENDENCE

Industrial sector had main 2 features.

- Decay of handicrafts industry
- Low growth of modern industry



TOPIC 5 – DECAY OF HANDICRAFTS

The British raj contributed to the decay of the handicrafts. The reasons were as follows:

1. Discriminatory tariff policy of the state

- Foreign demand of handicrafts was destroyed by heavy taxes on exports.
- Domestic demand of handicrafts was destroyed tax free imports of British goods.
- As a result, while British products started gaining the Indian markets, the Indian products started losing their domestic as well as foreign market.



2. Disappearance of princely courts

- Before British rule, nawabs, rajas, princes rules different parts of India.
- They used to admire the handicrafts as handicrafts had international reputation.





- When the Britishers came to India, princely courts came to end and handicrafts started decaying.

3. Competition from machine made goods

- Goods made by machines in Britain were cheaper. This resulted in intense competition and Indian craftsmen were forced to shut down their businesses.



4. New patterns of demand

- Slowly, a new class emerged in India who were keen to adopt the western lifestyle. This resulted in Indian handicraft industry to decay.



5. Introduction to railways in India



- When railways were introduced in India, it became easier for cheaper British goods to expand all over India. This resulted in Indian handicraft industry to decay.

TOPIC 6 – LOW GROWTH OF MODERN INDUSTRY

Under British raj, modern industry showed only bleak growth.

1. Government participation was very less



- British Government participated in only those areas which would increase the size of market for British products in India e.g. Railways, power generation, development of ports etc.

2. Few industries established by private entrepreneurs

- Only a few industries established by private entrepreneurs such as Tata iron and steel Company



TOPIC 7 – FOREIGN TRADE UNDER BRITISH RULE

1. Net exporter of primary products and importer of finished goods





- During British rule, India became net exporter of raw material such as silk, cotton, wool, jute, indigo, sugar, etc.
- On the other hand, India became importer of finished goods, such as silk and woollen clothes and other capital goods.

2. Monopoly control of India's foreign trade

- During British rule, India foreign trade (imports and exports of India) came under monopoly of British government.
- More than 50% of India's trade was with Britain



3. Surplus Trade, but only to benefit the British

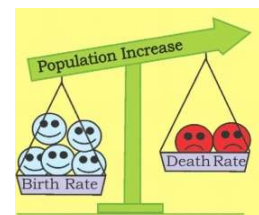
- India exported all the raw materials, such as silk, cotton, wool, jute, indigo, etc and imported all the finished goods produced in Britain such as Silk and woollen clothes.
- During British rule, exports of India exceeded the imports. There was a surplus in trade.
- Trade surplus was not used for growth and development of India. Instead, it was used for administration and war expenses of British government.



TOPIC 8 – DEMOGRAPHIC PROFILE DURING BRITISH RULE

1. Birth rate and death rate

- Both birth rate and death rate were very high which resulted in massive poverty.
- Birth rate was 48% and death rate was 40%.



2. Infant mortality rate

- Infant mortality rate is the death rate of children below age of 1 year.
- It was very high in India (it was 218 per 1000).
- It was a symbol of poor health care.



3. Life expectancy

- Life expectancy means the average life of person.
- It was as low as 32 years.
- It was a symbol of poor health care in India.



4. Literacy rate





- a. It means those who can read and write.
- b. It was nearly just 16%.
- c. It reflected social backwardness.

TOPIC 9 – OCCUPATIONAL STRUCTURE OF EVE OF INDEPENDENCE

1. Agriculture – A principle source of occupation



- a. On the eve of Independence, about 72% of the population was engaged in agriculture. But, it only contributed 50% of the GDP.
- b. In other countries, it was much less.
- c. This showed backwardness of Indian Economy.

2. Industry – An insignificant source of occupation

- a. On the eve of independence, only 9% of the population was engaged in manufacturing industries.
- b. It was much higher in other countries.
- c. This showed backwardness in Indian economy.



3. Unbalanced growth



- a. There are 3 sectors in every economy – Primary, Secondary and Tertiary sectors.
- b. Growth is balanced when all three sectors of economy are equally developed.
- c. In India, secondary and tertiary sectors were not that significant on the eve of Independence.

TOPIC 10 – POSITIVE IMPACT OF BRITISH RULE

Commercial outlook to farmers

- a. Forced commercialization of agriculture changed the outlook of farmers.
- b. They started considering market price as important for decision making



2. New opportunities for employment

- a. As railways and roadways emerged in India, employment opportunities improved significantly.





3. Efficient system of administration

- a. British government left a very good system of administration in India
- b. After the Britishers left, India adopted their administration system.



4. Control of famines



- a. Improved transportation helped movement of food grains to famine affected areas.

5. Monetary system of exchange

- a. There was a transition from barter system to monetary system

