

Class 11

Economics

( Indian

Economic

Development)

## Indian Economy on the Eve of Independence –

1) The sole purpose of British colonial rule was to reduce India into a feeder economy for Britain's rapidly growing industrial sector. as a result Indian economy at the time of independence was in a very bad shape.

### (1) Low level of income and economic development during British rule

- (1) The Indian economy of the 18th century was primarily an agricultural economy. Agriculture was in a good shape and looking up. India was also known for its handicraft industries in the whole world.
- (2) The prominent handicraft industries which gave prime place to India in the world market were cotton and silk textile; metal industries; precious stone works; gold and silver jewellery; perfumery etc.
- (3) British government pursued economic policies for the protection and promotion of economic interests of Britain's rather than the development of the Indian economy
- (4) British government changed the whole structure of the Indian economy and transformed it into a supplier of raw materials and consumer of finished product of British industries
- (5) The growth of the aggregate real output (GDP) was less than 2% during the first half of the 20th century and growth of per capita income was just 0.5%

### (2) Agricultural Sector

1) The main cause of the stagnation of agricultural sector were as follows:-

- (i) The new land tenure that was introduced by British rulers in India. This land tenure system had three forms: Zamindari, Mahalwari and Ryotwari system. This gave birth to two classes – the landlords and the landless cultivators. Especially under the zamindari system the zamindars used to exploit the cultivators to the maximum. They used to charge a very high rate of land revenue from the agriculturalists as a result the surplus left with the cultivators was insufficient even for their barest minimum sustenance.
- (ii) The British rulers did not give much of attention to increase irrigation facilities and technological up gradation in India.
- (iii) British rulers initiated commercialisation of agriculture in which they encouraged the production of cash crops. As a result Britisher transformed Indian agriculture into a raw material activity to England .As a result of reduction in the production of food crops and lack of proper policies the country had to suffer from frequent occurrence of famines.
- (iv) The partition of the country had also adversely affected the India's agricultural production. It created a serious problem of shortage of raw material for jute mills of Calcutta and textile mills of Bombay and Ahmedabad. Also, rich food producing areas of the west Punjab and Sindh went to Pakistan which created food crises in the country.

### (3) Industrial Sector

1) the prime motive behind the de-industrialisation by the colonial government in India was done

- (i) To get raw material from India at cheap rate and thus to reduce India into a mere exporter of raw material to the British industries
- (ii) To sell British manufactured goods in India at higher prices

(2) Decline of the handicraft industries made the following impacts:

(i) It created large scale unemployment in the country

(ii) Unemployed craftsmen migrated from cities to villages. This increased the burden of population on villages and agriculture.

(iii) Consumer demand in the Indian market could not be met by the supply of locally made goods. This encouraged the imports of goods made in Britain.

(3) The credit of beginning of iron and steel industries in India during the British rule goes to Jamshedji Tata. Tata iron and steel company known as TISCO was incorporated in August 1907 and it established its first plant in Jamshedpur in Bihar. The plant started producing iron in 1912.

(4) Two main drawbacks of the industrial sector during colonial rule were:-

(i) The growth rate of the industrial sector and its contribution towards the GDP was very small.

(ii) There was very limited area of operation of the public sector in the new industrial sector of the country. Public sectors in those days remained confined to railways, power generation, communication, ports, and some other departmental undertaking.

#### (4) Foreign Trade

(1) Before the advent of British rule in India, India used to get gold, silver, and other precious stones.

(2) A very significant feature of India's foreign trade during colonial rule was the generation of a large surplus. Export surplus implies that the country's total exports were greater than the imports. But this export surplus was disadvantageous to the country's economy on the following bases:-

(i) Because of more exports several commodities were not available in the domestic market to the common consumer.

(ii) This export surplus did not bring in gold or silver in the country. Rather this surplus was used to make payments for the expenses war fought by Britain and to finance the deficit in invisible items like tourism, transport, insurance and banking services.

#### (5) Demographic Condition

(1) India was in the first stage of demographic transition till 1921. The first stage implies that there was high birth rate and high death rate in pre 1921 India. Since in this stage both birth rate and death rate were high, the growth of population remained slow. Because of very slow growth in population this period was termed as the period of stagnant population.

(2) The main reason for the slow rate of growth of population during the British rule were poverty, malnutrition, famines, epidemics and poor health facilities.

(3) After 1921 India entered the second stage of demographic transition. The average literacy rate was 16% and woman literacy rate was only 7%. Infant mortality rate was as high as 218 and life expectancy was as low as 32 years.

#### (6) Occupational Structure

(1) There are two important features of India's occupational structure during the British period:-

(i) 70% to 75% of India's working population was involved with agricultural sector. 10% were engaged with manufacturing sector and 15% to 20% were with service sector.

(ii) Growing regional variation.

## (7) Infrastructure

(1) The state of infrastructure facilities especially in the field of transport, communication and energy was very poor in India during the British rule in India. However some efforts were made to develop basic infrastructure like roads, railways, ports, water transport, and post by the Britishers.

(2) The British rulers introduced railways in 1850 and Indian railways begun operations in 1853.

(3) The development and the construction of railways by the British rulers had affected the Indian economy in the following ways:-

- (i) It provided cheap and rapid transport system especially for distant travel.
- (ii) It broke geographical barriers and thus promoted national unity and understanding
- (iii) It created new employment opportunities
- (iv) It helped in controlling famines
- (v) It promoted foreign trade but benefited British more than Indians
- (vi) It encouraged the process of industrialisation

4) The main reason of British rulers behind the beginning of railways in India were as following:-

(i) To have effective control and administration over the vast country. In view of this Britisher tried to link important administrative and military centres through railway.

(ii) Earning profit