

CHAPTER - 1

INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

Question 1. What was the focus of the economic policies pursued by the colonial government in India? What were the impacts of these policies?

Answer. The economic policies pursued by the colonial government in India were concerned more with the protection and promotion of the economic interests of their home country rather than with the development of the Indian economy.

Thus, at the time of independence in 1947, India was a poor and underdeveloped country. At that time, agriculture was in a poor condition and mineral resources were not fully used. There were only a few industries and many of the cottage and small-scale industries had declined under the British rule. Millions of people were unemployed, not because they were unwilling to work but because there were no jobs to be found. The per capita income of Indians was one of the lowest in the world, indicating that the average Indian was extremely poor and could not afford even the basic necessities of life. For instance, the staple food of average Indian consisted of rice, wheat and millets (like jowar and bajra). Most Indians could not afford to buy nutritious and balanced diet. The vast majority of people in India led a miserable life.

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

Answer. Dadabhai Naoroji, V.K.R.V. Rao, William Digby, Findlay Shirras and R.C. Desai.

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

Answer. Indian agriculture was primitive and stagnant. The main causes of stagnation of agriculture sector were as follows:

1. Land Tenure System. There were three forms of Land tenure system introduced by the British rulers in India. These were:
 - (a) Zamindari system
 - (b) Mahalwari system
 - (c) Ryotwari systemIn the Zamindari system, Zamindars or landlords were the owners of land. The actual collections by Zamindars was much higher than what they had to pay to the Government. Zamindari system led to multiplication of middlemen between cultivators and Government, absentee landlordism, exploitation of peasants by unsympathetic agents and enmity between landlords and tenants. Under the system, intermediaries benefited at the cost of both actual cultivators and the state.
2. Commercialisation of Agriculture. Commercialisation of agriculture means production of crops for sale in the market rather than for self consumption. Farmers were forced to

cultivate commercial crops like Indigo. Indigo was required by the textile industry in Britain for dyeing of the textile. As a result, there was fall in the production of food crops. The farmers had to suffer from frequent occurrence of famine. Indian agriculture was transformed into a raw material exporting sector for England.

3. Partition of the Country. Partition of the country in 1947 also adversely affected India's agricultural production. The rich food producing areas of West Punjab and Sindh went to Pakistan. It created food crisis in the country. Also, the whole of fertile land under jute production went to East Pakistan. The jute industry was most severely affected due to partition.

Thus, Indian agriculture became backward, stagnant and non-vibrant under the British rule. Indian Economy on the Eve of Independence .

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

Answer. The Tata Iron and Steel company (TISCO) was incorporated in August 1907 in India. It established

its first plant in Jamshedpur (Bihar). Some other industries which had their modest beginning after Second World War were: sugar, cement, chemical and paper industries.

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

Answer. De-industrialisation-Divide of India Handicraft Industry. Britishers followed the policy of systematically de-industrialising India. The primary motive behind the de-industrialisation by the British government was two-fold:

1. to get raw materials from India at cheap rates in order to reduce India to a mere exporter of raw materials to the British industries.
2. to sell British manufactured goods in Indian market at higher prices. In this way, they exploited India through the device of double exploitation.

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

Answer. The main cause of exploitation of traditional handicraft industries was de-industrialisation introduced by British rulers in India. They got raw materials from India at cheap rates and reduced India to a mere exporter of raw materials to the British industries. They sold British manufactured goods in Indian market at higher prices.

It resulted in decline of world famous traditional handicrafts. Britishers followed discriminatory tariff policy. It allowed free export of raw materials from India and free import of British final goods to India, but placed heavy duty on the export of Indian handicrafts. In this way, Indian markets were full of manufactured goods from Britain which were low priced. Indian

handicrafts 1 started losing both domestic market and export market. Ultimately, the handicraft industry declined.

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

Answer. During the British rule, some basic infrastructure was developed in the form of railways, water transport, ports, post and telegraph, etc. However, the real intention behind these developments 1 was to serve their own colonial interest.

The main motives of British rulers behind the development of infrastructure in India were:

1. To have effective control and administration over the vast Indian territory. For this, Britishers linked important administrative and military centres through railway lines.
2. To earn profits through foreign trade. For this they linked railways with major ports and the marketing centres (or Mandies).
3. To create an opportunity for profitable investment of British funds in India.
4. To mobilise army within India and carrying out raw materials through roads to the nearest railway station or to the port to send it to Britain.

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

Answer. The state of Indian industrial sector on the eve of independence was as follows:

1. De-industrialisation—Decline of Indian Handicraft Industry. Britishers followed the policy of systematically de-industrialising India. The primary motive behind the de-industrialisation by the British government was two-fold.
 - (a) to get raw materials from India at cheap rates in order to reduce India to a mere exporter of raw materials to the British industries.
 - (b) to sell British manufactured goods in Indian market at higher prices.In this way, they exploited India through the device of double exploitation. It resulted in decline of world famous traditional handicrafts. Britishers followed dis-criminatory tariff policy. It allowed free export of raw materials from India and free import of British final goods to India, but placed heavy duty on the export of Indian handicrafts. In this way, Indian markets were full of manufactured goods from Britain which were low priced. Indian handicrafts started losing both domestic market and export market. Ultimately, the handicraft industry declined.
2. Lopsided Modern Industrial Structure. Unbalanced and lopsided structure of Indian industries is again a legacy of the British rule in India. British rulers neither permitted modernisation of industries nor did they encourage the growth of heavy industries in India. The period 1850-55 saw the establishment of the first cotton mill, first jute mill and the first coal mine. By the end of 19th century, there were 194 cotton mills and 36 jute mills. The cotton textile mills were located in the western parts of the country, in the

states of Maharashtra and Gujarat.

Jute mills in Bengal were established mainly by British capitalists. First iron and steel industry during British rule was Tata Iron and Steel company (TISCO) incorporated in August 1907 in Jamshedpur (Bihar). Some other industries which had their modest beginning after Second World War were: sugar, cement, chemical and paper industries.

3. Capital Goods Industries were Lacking. The policy of Britishers was simply to develop those industries which would never be competitive to the British industry. They always wanted Indians to be dependent on Britain for the supply of capital goods and heavy equipments. Thus, the development of a few consumer goods industries was witnessed during the British rule. The heavy industries were, by and large, conspicuous by their absence. This resulted in an unbalanced and lopsided growth of industries in India.
4. Limited Operation of the Public Sector. Public sector was confined to railways, power generation, communication, ports and some other departmental undertakings.

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

Answer. Drain of wealth means that economic policies of the British in India were primarily motivated to snatch maximum benefits from India's trade. India's foreign trade generated large export surplus. This export surplus did not result in any flow of gold or silver into India. There was drain of India's wealth into Britain. It is clear from the following facts :

1. The surplus was used to make payments for the expenses incurred by the office set up by the colonial government in Britain.
2. The surplus was used to pay expenses on war fought by the British government.
3. Surplus was used to pay for the import of invisible items.

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

Answer. 1921 is the defining year. It is called 'Year of Great Divide'.

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

Answer. The demographic condition on the eve of independence was as follows:

1. High Birth Rate and Death Rate. High birth rate and high death rate are treated as indices of backwardness of a country. Both birth rate and death rate were very high at 48 and 40 per thousand of persons respectively.
2. High Infant Mortality Rate. It refers to death rate of children below the age of one year. It was about 18 per thousand live births.

3. **Low Life Expectancy.** Life expectancy means the number of years that a new born child on an average is expected to live. It was as low as 32 years.
4. **Mass Illiteracy.** Mass illiteracy among the people of a country is taken as an indicator of its poverty and backwardness. The population census of 1941 (which was the last census under the British rule) estimated the literacy rate at 17 per cent. This means that 83 per cent of the total population was illiterate.
5. **Low Standard of Living.** At the time of independence, people used to spend between 80 to 90 percent of their income on basic necessities, that is on food, clothing and housing. Even then, people did not get adequate quantity of food or clothing or housing and millions of people starved, went naked and lived in huts or in the open. Moreover, some parts of India came under severe famine conditions. The famines were so severe that millions died. One of the worst famines in India was the Bengal famine of 1943, when three million people died.

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

Answer. Occupational structure means the distribution of work-force among different sectors of an economy. The state of occupational structure on the eve of independence was as follows:

1. **Pre-dominance of Agriculture Sector.** The agricultural sector accounted for the largest share of work-force, which was 72 per cent. The manufacturing and service sectors accounted for 10 per cent and 18 per cent respectively.
2. **Growing Regional Variations.** There was growing regional variation. In the states of Tamil Nadu, Andhra Pradesh, Kerala, Karnataka, Maharashtra and West Bengal, the dependence of the workforce on the agricultural sector declined. On the other hand, there was increase in the share of work force in the agriculture sector in the states of Orissa, Rajasthan and Punjab.

Thus, India's occupational structure was static and imbalanced.

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

Answer. Most crucial economic challenges at the time of independence were:

1. Little industrialisation and decline of handicrafts.
2. Low agricultural output and high imports of grains.
3. Low figure of national income and per capita income which showed extreme poverty.
4. Very sluggish economic progress.'
5. Unemployment and underemployment.
6. Very high infant mortality rate, low life expectancy and low standard of living.

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

Answer. First official census was undertaken in the year 1881.

Question 15. Indicate the volume and direction of trade at the time of independence.

Answer. India has been an important trading nation since ancient times. But the restrictive policies of commodity production, trade and tariff pursued by the British government adversely affected the structure, composition and volume of India's foreign trade. The state of India's foreign trade on the eve of independence was as follows:

1. Net Exporter of Raw Material and Importer of Finished Goods. 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. UK was the chief supplier to India contributing to over 31 per cent of total import at the time of independence. The principal item of import was food grains and by 1947 food grain imports had touched the level of 3 million tonnes.
2. Britain had Monopoly Control on Foreign Trade. Opening of Suez Canal in 1869 served as a direct route for the ships operating between India and Britain. The canal connected Port Said on the Mediterranean Sea with the Gulf of Suez. It provided a direct trade route for ships operating between European or American ports and ports located in South Asia, East Africa and Oceania.
It reduced the cost of transportation and made access to the Indian market easier. In other words, the exploitation of Indian market was now easier. British maintained monopoly control over India's foreign trade. More than half of India's foreign trade was with Britain. British allowed trade with few other countries like China, Ceylon (Sri Lanka) and Persia (Iran).

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

Answer. British rule exploited India in many ways. But, the ways to achieve the motives sometimes yield positive effects. Their exploitative programmes and policies resulted in some positive impact on India. Some of these positive effects were:

1. Commercialisation of agriculture implied a good breakthrough in agriculture and resulted in self-sufficiency in food grain production.
2. The development of infrastructure, railways and roadways generated new opportunities for economic and social growth and broke cultural and geographical barriers.
3. Railways promoted commercialisation of agriculture through long distance movement of goods and it enabled people to move from one place to another easily.
4. The supply of food and essentials could be made available to drought affected areas through transportation.
5. Indian economy witnessed a huge expansion of monetary system and growth in production through division of labour and specialisation.