
CHAPTER 1

INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

- ❖ The British rule in India lasted for almost two centuries till 15 August 1947 when India got its independence.
- ❖ The focus of the economic policies pursued by the colonial government in India was to make our country a mere supplier of Britain's own flourishing industrial base.

❖ Low Level of Economic Development under Colonial Rule

- Indian economy grew at even less than two percent per annum during 1900-50.
- The per capita output grew by 0.5% during 1900-1950.
- The reasons for India's low economic growth rate were:
 1. Low Agricultural Performance and Productivity due to *Zamindari* system.
 2. The Pursuance of Discriminatory Tariff Policy.
 3. Using agriculture merely as a cheap source of raw materials without any investments and infrastructures such as irrigation facilities.
 4. Forced Commercialisation of Indian agriculture- forced cultivation of cash crops such as, indigo, jute, etc.
 5. High dependence on the vagaries of monsoon along with frequent famines hampered agricultural growth prospects.
 6. Bleak industrial growth due to lack of investments and initiatives.
 7. Ruin of handicrafts and cottage industries due to stiff competition from mechanised British products.
 8. Restricted foreign trade policy between India and Britain, narrowed the scope for Indian exports to other countries.
 9. Drain of India's wealth to Britain trapped India under the vicious circle of poverty and inequalities.

❖ Estimates of India's Per Capita Income During Colonial Rule

Notable economists who estimated India's per capita income are Dadabhai Naroji, William Digby, Findlay Shirras, V.K.R.V Rao (considered to be the most significant research) and R.C. Desai.

❖ Agriculture Sector on the Eve of Independence

- About 85% of the population relied on the agricultural sector for their livelihood directly or indirectly.
- The growth of agricultural sector was meagre and remained stagnant during the colonial period.
- The two main reasons responsible for the backwardness of agricultural sector were Land Settlement System and forceful commercialisation.
- The three main Land Settlement Systems prevailed during the colonial rule were *Zamindari* system, *Mahalwari* system, *Ryotwari* system.
- ***Zamindari System***: Under this system, the *zamindars* (owners of land) used to collect high taxes (*lagaan*) from the peasants (landless labourers) to pay to the British government.
- As the *zamindars* were mainly interested in extracting high revenues from the peasants, so they never took any steps to improve the land productivity, consequently, agricultural sector remained backward.



- **Commercialisation of Indian Agriculture:** In order to feed British industries with cheap raw materials, the Indian peasants were forced to grow cash crops (such as, indigo, cotton, etc.) instead of food crops (such as, rice and wheat).
- This not only increased the burden of high revenues on the poor peasants but also made India vulnerable to face famines (due to shortage of food grains).

❖ Industrial Sector on the eve of independence

- The two-fold motive of British rule behind the systematic de-industrialisation of India are:
 1. to make India a mere supplier of cheap raw materials to feed British growing industrial base.
 2. to develop India as a virgin market for Britain's finished products
- The traditional handicrafts industries were ruined under the British rule due to:
 1. **Discriminatory Tariff Policy** that imposed heavy tariffs on India's export of handicraft products, while allowing free export of India's raw materials to Britain and free import of British products into India.
 2. The stiff **competition from machine-made products** that were comparatively cheaper narrowed the domestic demand for Indian handicraft products.
 3. **Emergence of new class** (consisting mainly of *zamindars*) in India encouraged the demand for the British products at the cost of domestic products.
 4. The **disappearance of Princely States** (who used to protect and patronise Indian handicrafts) deteriorated the importance of the Indian handicrafts.
 5. The **lack of investment, initiatives and the unfavourable tariff structure** constrained industrial sector.

❖ Foreign Trade under British Rule

- British owned monopoly over India's foreign trade by pursuing a discriminatory tariff policy.
- The tariff policy made Indian exports costlier and its international demand fell drastically.
- The export and import transactions were restricted only to India and Britain.
- India's export basket during the colonial rule comprised mainly primary products like sugar, jute, silk, etc. and the imports comprised finished consumer goods like cotton, woollen clothes, etc, from Britain.
- The opening up of Suez Canal further intensified the monopoly of the British over India's foreign trade.
- The surplus generated from the foreign trade was used in administrative and war purposes by Britain to spread their colonial power leading to the drain of Indian wealth to Britain.

❖ Demographic Condition

- The first census was collected in the year 1881 that revealed the unevenness in India's population growth.
- Till 1921, India witnessed a stagnant growth rate
- India was in the first phase of demographic transition till 1921 featured by high birth rate and high death rate.



-
- The overall mortality rate was very high, and the infant mortality rate was quite alarming i.e. 2 per thousand in comparison to 63 per thousand.
 - The Life Expectancy Rate was as low as 32 years.

❖ Occupational Structure

- The occupational structure refers to the distribution of population engaged in different occupations such as, agriculture, industries and service sector.
- The occupational structure throughout the British rule showed almost no variations.
- Agriculture (the main occupation) engaged 70-75%.
- Manufacturing sector engaged 10%.
- Tertiary sector engaged 15-20% of India's workforce.
- States such as, Tamil Nadu, Andhra Pradesh, Bombay experienced fall in the work force engaged in the agricultural sector.
- States such as, Orissa, Rajasthan and Punjab experienced an increase in agricultural workforce.

❖ Infrastructure

- The bonafide motive of the infrastructure development by the British in India was limited to serve their own colonial and administrative interests.
- The sectors such as, transport and communication experienced infrastructural development.
- Roads and Railways were developed to facilitate transportation of raw materials and intensify the British colonial welfare.
- Ports were developed to make the export to Britain and import from Britain possible.
- Post and telegraphs were developed to enhance the efficiency and effectiveness of the British administration.

❖ Positive contributions made by British

- The **introduction of railways** opened up the cultural and geographical barriers and facilitated the commercialization of Indian agriculture.
- The **introduction of commercialisation of Indian agriculture** transformed the nature of India's agriculture from subsistence to market-oriented.
- The **introduction of free trade** to India was on the same track as that of the globalisation concept prevailing today.
- British **developed infrastructure** such as, telegram, postal services and canals like, The Ganges Canal.
- The colonial rule **promoted western culture** in India. The promotion of English as a language promoted advance westernised form of education.
- The way and the technique of British administration acts as a **role model** for the Indian politicians and planners to govern the country in a efficient and effective manner.
- Various **social reforms** such as, The Hindu Widows' Remarriage Act of 1856, etc. led to the foundation to break the shackles of traditional and primitive society.

