

Chapter 1

Indian Economy on The Eve of Independence

Q. 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 colonial government in India were concerned mainly with protection and promotion of economic interest of their home country and it was not at all related with the development of our economy.

So when we got independence in 1947 our country was a poor and underdeveloped country, the impact of economic policies of colonial government were -

- a) In spite of being rich in resources, India became the supplier of raw material to Britain and the consumer of the finished goods produced there.
- b) The agricultural sector was undeveloped and was in a very poor condition.
- c) The per capita income of India was the lowest in the world.
- d) The industrial sector was not at all developed and modernized; it consisted of few industries and many small scale and cottage industries.
- e) Unemployment and poverty were at the peak.

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

Answer:

The Economist who estimated per capita income of India during colonial period were -



- Dada Bhai Naoroji
- V.K.R.V Rao
- R.C Desai
- William Digby and
- Findlay Shirras

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

Answer:

The main causes of Agricultural stagnation in India during colonial period are stated below-

1) Land tenure system: The British rulers introduced three forms land tenure system in India which were - Zamindari system, Mahalwari system, and Ryotwari system.

a. In zamindari system, the zamindars were the owners of land. The profit accruing out of agriculture went to zamindars instead of cultivators. This led to exploitation of peasants and they were in a very bad condition.

b. In ryotwari system, the ownership rights of the land was given to peasants and the British government collected tax directly from them @ 50% where the lands were dry and 60% in irrigated land.

c. In Mahalwari system, there were the provisions of both zamindari system and ryotwari system. In this system the land was divided into Mahal and each Mahal comprises one or more villages, the ownership rights were vested with peasants and the village committee was held responsible for collection of taxes.

The system that badly affected agriculture sector was the zamindari system.

2) Commercialization of agriculture: It means producing crops for sale in the market and not for self-consumption. Farmers were forced to cultivate commercial crops like Indigo which was required by the textile industry in Britain, this resulted in fall in the production of food crops and the farmers had to suffer famine frequently.

3) Partition: In 1947 the division of country between India-Pakistan affected India's agricultural production adversely. The areas which were rich in producing food crops like East Punjab and Sind went to Pakistan and it created food crisis in the country. The whole of the fertile land under jute production went to East Pakistan and the jute industry was severely affected.

4) Low level technology: Technology used in agricultural sector was not at all developed and there was the lack of irrigation facilities and high-quality fertilizers were also not available which were adversely affecting the productivity of land.

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

Answer:

The modern industry which were in operation in India at the time of independence are –

1) TISCO, The Tata Iron and Steel Company; which was incorporated in August 1907 and established its first plant in Jamshedpur, Bihar (now Jharkhand).

2) Cotton and jute textile mills; the cotton textile mills were located in western part of India like Maharashtra and Gujarat whereas Jute mills in Bengal.

3) Some other upcoming industries after Second World War were –

- Sugar Industry



- Cement Industry
- Chemical Industry
- Paper industry, etc.

Q. 5 What was the two-fold motive behind the systematic deindustrialization effected by the British in pre-independent India?

Answer:

Before the arrival of British, India was very famous for its handicraft industry all over the world. During the colonial period, the British followed the policy of de-industrialization and it declined the handicraft industry of India. The main motive behind this de-industrialization was -

- To make India the raw material market for British Industries as they could get it from here at cheap rates.
- To make India the market for British industries and to sell the products manufactured in Britain in Indian market at high prices.

In this way the British exploited India and it was double exploitation

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

Answer:

India was very famous for its handicraft Industries all over the world. The de-industrialization introduced by British rulers in India was the main cause of exploitation of this industry.

They exported raw materials from India to Britain at cheap rates and had made India merely raw material market for British industries and they sold British made goods in India at higher prices.

Their tariff Policy was also quite different for export of Indian handicraft. The export of raw material to Britain and the import of

finished goods from Britain were free but a heavy export duty was levied on Indian handicraft.

In this way Indian handicraft lost both domestic and foreign market and ultimately this industry declined.

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

Answer:

During colonial period the basic infrastructure development was in the sector of –

- Railways
- Water transport
- Port
- Post and Telegraph

and it was all with an intention to serve their own colonial interest. The main motives behind these infrastructure developments in India were -

- 1) They developed Railway services for mobilizing the army so as to have effective control and administration over the vast Indian territory.
- 2) The ports and marketing centers were developed and linked with Railways to earn profit through foreign trade.
- 3) The roads were made and improved to mobilize Army within India and for carrying out raw materials to the nearest railway station or port to send it to Britain.

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

Answer:

The shortfall of the industrial policies pursued by the British colonial administration are listed below -

1. Neglect of Indian handicraft industries - The British had discriminatory tariff policy for the handicraft exports of India. The export to and import from Britain was duty free whereas they imposed heavy export duties on India's export of handicraft product, which made it costlier and the international demand for our leading industry collapsed.

2. Lack of investment - The modern industries in India required investment in capital goods which was not within the means of Indian investors and British government was least interested in investing in Indian industries. So the lack of investment in capital goods hampered the growth of Indian Industries.

3. Limited operation of public sector - The growth in public sector was limited up to the development required for smooth functioning of British government like Railways, Ports, Post and Telegraph, etc.

4. Lack of modernization - The British neither encouraged nor permitted the modernization of Indian Industries.

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

Answer:

The drain of wealth theory was propounded by Dada Bhai Naoroji in 19th century.

- During the colonial period the British exploited the Indian resources and their prime motive to conquer India was that they could make it a source for cheap raw materials for their own industries.
- Large export surplus was generated by India's foreign trade but it benefitted Britain more than that it did to India.
- The other reasons for drain of wealth were



- The income of Indians was spent on expensive imports of finished goods from Britain, which made Britain richer at the expense of India.
- The Indians were employed in British army at low salaries.
- The expenses of War and administration incurred by British government to manage their Colonial rule in India were drawn from the revenue collected from India.

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

Answer:

1921 is regarded as the defining year to mark the demographic transition from its first to the second decisive stage. It is also called the year of "great divide" because before 1921 the population growth in India was stagnant and it had high birth rate as well as high death rate but after 1921 India's population growth never declined and has always shown upward trend.

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

Answer:

India's demographic profile during colonial period can be summarized as below –

- 1) High death rate and birth rate: Both death rate and birth rate were very high at 40 and 48 per thousands of persons respectively.
- 2) High infant mortality rate: It was about 18 per thousands of live births.
- 3) Low life expectancy: It was as low as 32 years.
- 4) Illiteracy: It was about 83% of total population.

5) Low standard of living: Even after spending 80 to 90% of income on basic necessities people were not able to get adequate quantity of food, shelter and clothing.

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

Answer:

The salient features of Pre-Independence occupational structure of India were –

- More than 70% of population was engaged in agriculture whereas manufacturing and service sector had only 15 - 20% of workforce.
- There was regional imbalance in the occupational structure of India. In Madras Presidency, Bombay and Bengal, the workforce has shifted from agriculture to manufacturing and service sector whereas in the states like Odisha, Rajasthan and Punjab there was increase in agricultural workforce.

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

Answer:

Indian economy was under developed and backward at the time of independence. Some crucial economic challenges that Indian economy has to face at the time of independence are -

- 1) Low agricultural productivity: Agriculture was the main occupation at that time and more than 70% of the total population was engaged in agriculture but the total output was very low and as the result of partition the major productive land was under the territory of Pakistan.
- 2) Industrial sector: There were not many industries in India and the investing power of Indians was also not very strong. The capital was generally invested by the foreigners in the existing industries.

3) An important economic challenge for India was to increase the share of industrial sector in India's GDP.

4) Low infrastructure development: Though the British brought significant infrastructure development in the country but it was all for their own interest and not sufficient to improve the performance of agricultural and industrial sector of India. So it became necessary to upgrade and modernize the existing infrastructure

5) Some other challenges were -

- a. Decline of the handicraft industry
- b. Low national income and per capita income
- c. Unemployment and poverty
- d. The economic inequalities

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

Answer:

India's first official census operation was undertaken in the year 1881 and after that the Census has been conducted in every 10 years.

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

Answer:

At the time of independence India became exporter of primary products like raw silk, cotton, wool, sugar, Indigo, jute, etc. and importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machineries produced in the factories of Britain. This was all due to the restrictive policies of the colonial government in India.

Britain maintained a monopoly control over India's exports and imports and more than half of India's foreign trade was restricted to Britain and

some other countries with which India was allowed to do foreign trade were China Sri Lanka (Ceylon), Iran (Persia).

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

Answer:

The British rule exploited India in many terms and its policies were totally centralized for the benefit of its own country but some of its policies had positive impact on India. The positive contributions made by the British policies are -

- 1) They introduced commercialization in agriculture, which benefited Indian agriculture in many ways.
- 2) The development of infrastructure done by the British was for their own benefit but it generated new economic opportunities for India.
- 3) The division of labour concept or dividing work on the basis of a specialization increased the productivity.
- 4) The monetary system of Indian economy was expanded. The barter system came to an end and a common currency was adopted for trade.
- 5) The introduction of free trade increased the volume of India's Exports.

