



INDIAN ECONOMY ON THE EVE OF INDEPENDENCE.

XII-CBSE

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OBJECTIVE:-

- **To Become familiar with the state of the Indian Economy in 1947, the year of Independence.**
- **Understand the factors that led to the underdevelopment and stagnation of the Indian Economy.**

TOPICS TO BE COVERED:-

- **Level of Economic Development under the Colonial Rule.**
- **Agricultural Sector**
- **Industrial Sector**
- **Foreign Trade**
- **Demographic Condition**
- **Occupational Structure**
- **Infrastructure**



INTRODUCTION:-

The basic purpose of the *British colonial rule* over India was to compliment and serve the industrialization process in Britain.

Thus, the sole aim of colonial government was to reduce India to -

1. Mere supplier of the raw materials.
2. As a consumer of finished goods (supplied from British industries).

COLONIALISM

- Colonialism is the policy of a nation seeking to extend or retain its authority over other people or territory.
- The ruling country not only has political control, but it also determines the economic policies of the dominated country.
- The colonising country seeks to benefit from the colonised country or land mass.
- In case of India, colonialism is one of the major factor responsible for its underdevelopment.



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British Indirect Rule in India

LEVEL OF ECONOMIC DEVELOPMENT

BEFORE BRITISH RULE

Based on the reputation for use of fine quality raw materials, finished products and the high standards of craftsmanship India was well known for its handicraft industries in the field of cotton and silk textile, metal and precious stone works etc.

India also enjoyed a world wide market(seen through all imports from India) during this period.

DURING BRITISH RULE{LOW LEVEL OF ECONOMIC DEVELOPMENT}:

- According to British economist *Angus Maddison*, India's share of the world economy declined from 24.4% to 14.2% between 1700 and 1913.
- The economic policies implemented by the colonial government in India which were mainly concerned with the protection and promotion of the economic interest of their home country than India, this was main reason behind the downfall of Indian economy.
- The country's growth rate during the 1st half of the 12th century was less than 2% and growth rate of per capita output was only 0.5%.

ESTIMATION OF NATIONAL INCOME DURING COLONIAL ERA

- The colonial government never made a sincere attempt to estimate India's national income or per capita income.
- There were some individual attempts made to measure the national income by-
 1. Dadabhai Naoroji(1868)
 2. William Digby(1899)
 3. Findlay Shirras(1911,1922,1934)
 4. Shah and Khambatta(1921)
 5. V.K.R.V. Rao(1925-29)
 6. R.C. Desai(1931-40)

<i>National Income Estimates</i>	<i>Year of Estimates</i>	<i>National Income (Rs. crore)</i>	<i>Per Capita Income (Rs.)</i>
1	2	3	4
1. Dadabhai Naoroji	1868	370	20
2. F. J. Atkinson	1875	574	31
3. Baring and Barbore	1882	525	27
4. Lord Curzon	1897-98	675	30
5. William Digby	1889	390	17
6. Findley Shirras	1911	1,942	80
7. Wadia and Joshi	1913-14	1,067	44
8. A. Lipton	1919-20	2,954	144
9. Shah and khambatta	1921-22	2,364	74
10. V.K.R.V. Rao	1931-32	1,689	62
11. B. Natarajan	1938-39	1,482	67
12. Ministry of Commerce (Government of India)	1945-46	6,234	198

DRAWBACK:

All these estimates of national income were conducted out of individual effort and were subjected to some of its arbitrary assumptions.

AGRICULTURE SECTOR

Agriculture has always been accorded an important position in Indian society. About 85% of the country's population lived in village having agriculture as their main occupation. There's endless evidence including several British and European accounts, to show the flourishing state of our agriculture in the Pre-British period.

IMPACT ON THE AGRICULTURE OF INDIA:

- **Britishers introduced a new class of landlords called zamindars who regarded land as their private property and aimed at obtaining maximum monetary gains out of it, making cultivators the actual tillers of the land mere tenants.**
- **Farmers were forced to produce cash crop to feed the industries in England.**

- **It ruined the self-sufficiency of the village as much of the agricultural production were sent to market for sale.**
- **The new revenue system led to the peasant indebtedness.**
- **Commercialisation of agriculture.**
- **This ultimately resulted in mass poverty and problem of landlessness.**

REASONS FOR STAGNATION:

- ***Land settlement system-*** In Zamindari system the profits occurring out of the agricultural sector went to the Zamindars instead of the cultivators.
- **Commercialisation of agriculture.**
- **Lack of irrigation facilities.**
- **Low level of technology due to lack of knowledge, means and incentives for modernization.**

COMMERCIALIZATION OF AGRICULTURE:

- **Commercialization of agriculture became prominent around 1860 A.D., this brought about a change from cultivation for home consumption to cultivation for the market.**
- **Many commercial crops like cotton, jute, tea, tobacco were introduced to meet the demand of factories running in Britain.**
- **Forced commercialization**
- **Lead to shortage of food crops.**
- **Cash transactions became the basis of exchange and largely replaced the existent barter system.**



INDUSTRIAL SECTOR:

- **India could not develop a sound industrial base under the Colonial Rule.**
- **Even the country's famous handicraft industries declined.**
- **Lack of capital good industry.**

The de-industrialization policy adopted by British served two purposes:

1. Indian export volume was made dominant with raw materials directed to Britain. Effectively, from a prominent exporter of manufactured handicraft items, India was reduced to a mere exporter of raw materials.

1. This ensured that there was a low level of local supply to meet Indian demands for finished goods.

FOREIGN TRADE:

At the beginning of 19th century, the share of India in the world economy was around 20% which was steadily increasing. By the time British left India the share was reduced to around 4%.

Thus the colonial rule paralyzed the foreign trade also by large proportion.



THE COLONISATION EFFECT ON FOREIGN TRADE:

- In the light of British era, the foreign trade of India with rest of the world was cut off with the implementation of restrictive trade policies.
- As much as half of the foreign trade was restricted to Britain.
- India was reduced to supplier of raw materials like jute, cotton, indigo, wool, sugar etc. and importer of finished goods like silk and woollen clothes.

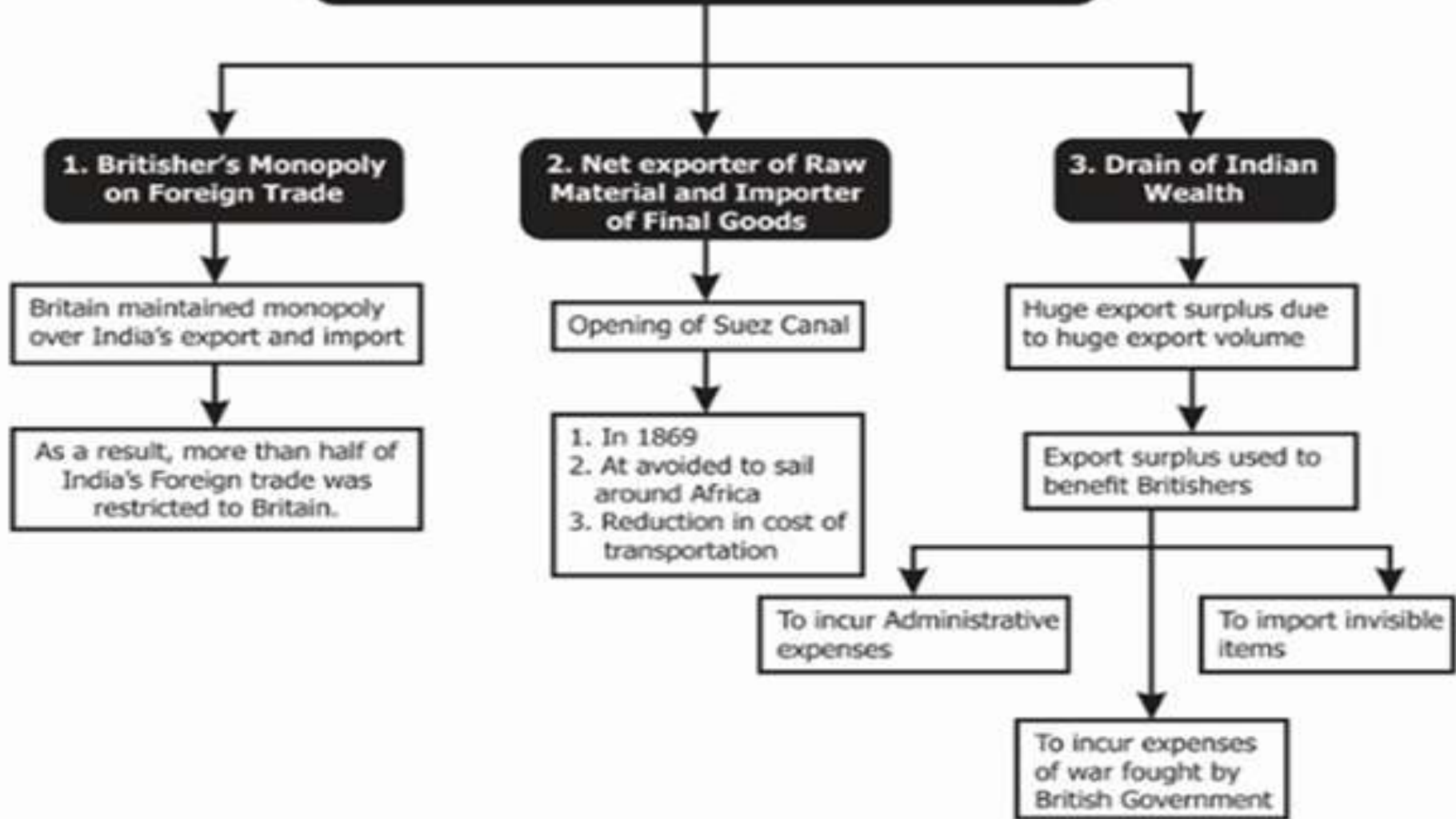
DRAIN OF INDIAN WEALTH:

India's foreign trade generated huge export surplus but this surplus came at a huge cost to the country's economy as it led to the drain of Indian wealth.

The export surplus was used for-

- Making payments for the expenses incurred by an office set up by the colonial government in Britain.
- Expenses on war fought by the British government.
- Import of invisible items.

STATE OF FOREIGN TRADE DURING THE COLONIAL RULE



DEMOGRAPHIC PROFILE:

The demographic conditions during the British rule suggested all the features of a backward economy. Various details about the population was 1st collected through a census in 1881. Before 1921, India was in first stage of demographic transition. The 2nd stage of transition started after 1921. However neither the local population of India nor the rate of population growth at this stage was very high. The year 1921 is described as the “Year of great divide”. It is because after 1921 population grew continuously and rapidly.

The demographic conditions were as under:-

- The overall literacy level was less than 16%.**
- Female literacy was 7%.**
- Overall mortality rate was high.**
- Infant mortality rate was 218 per thousand (present rate is 44 per 1000).**
- Extensive poverty.**
- Public health facilities were either unavailable to large chunks of population or were highly inadequate when available.**
- Water and air borne disease were rampant.**

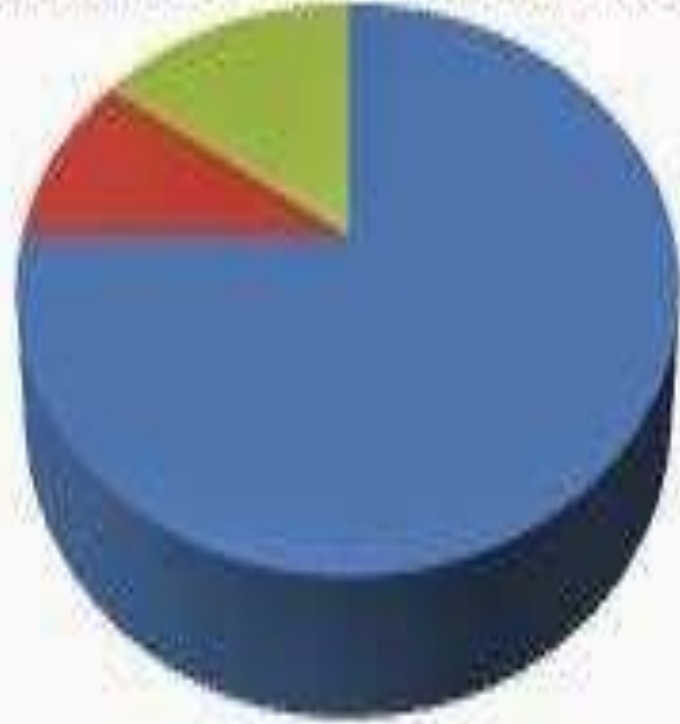
OCCUPATIONAL STRUCTURE:

Occupational structure means the distribution of working population across different sectors.

Occupational structure of india during colonial period-

- The largest share of workforce(70-75%) was in agricultural sector.
- The manufacturing sector and service sector accounted for 10% and 15-20% respectively.
- Regional disparities was also an important feature.
- There was decline in the dependence of work force on agriculture sector in parts of then madras presidency(present day- Tamil Nadu, Andhra Pradesh, Kerala and Karnataka), Maharashtra and west Bengal coupled with increase in manufacturing and service sector.
- There was increase in share of work force in states such as Orissa, Rajasthan and Punjab.

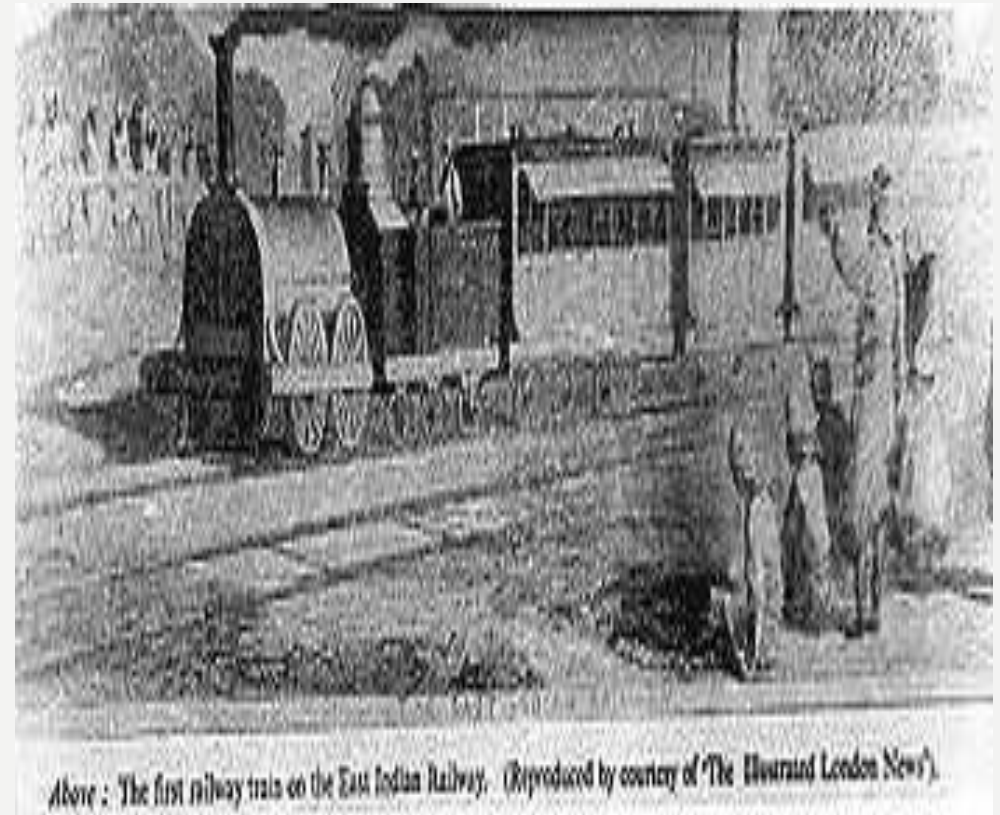
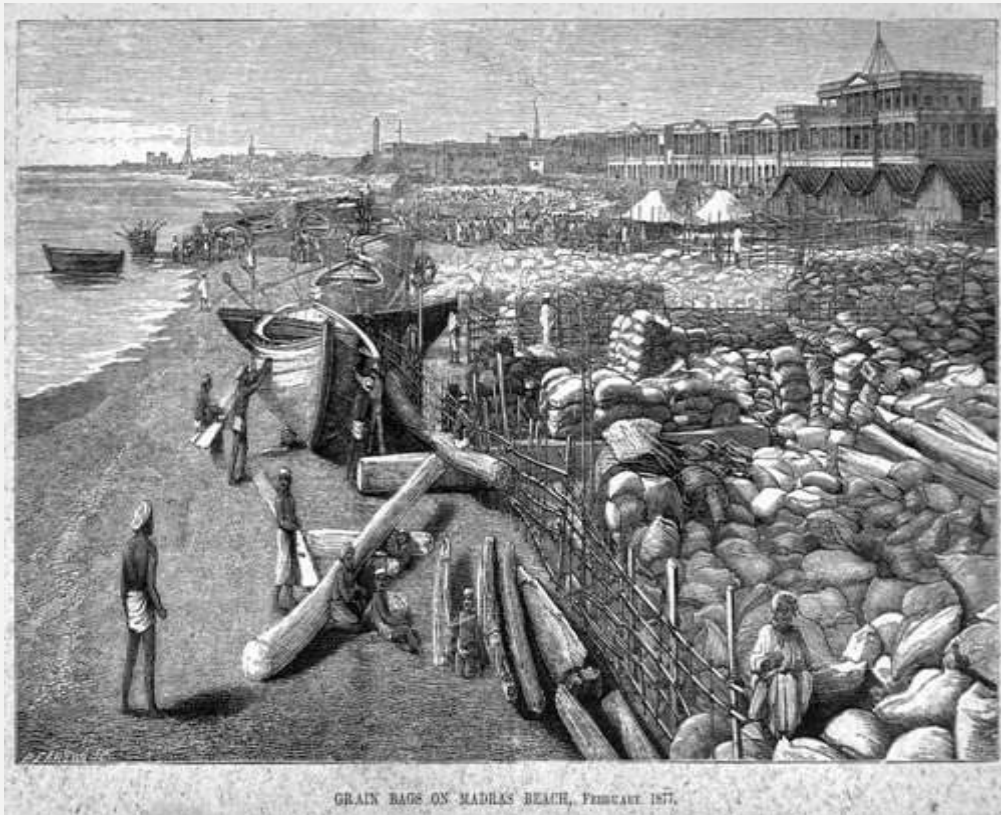
Occupational Structure during Colonial Period



- Agriculture (70-75%)
- Manufacturing (10%)
- Services (15-20%)

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INFRASTRUCTURE



WHAT IS INFRASTRUCTURE?

Infrastructure can be referred to the basic supporting structure of a nation such as communication, transportation, water, sewage, etc. This operation can be highly expensive investments and an important aspect of the economic development of a country.

- During colonial period in India, the basic infrastructure water transport, railways, post & telegraph, and ports were developed.**
- But the motive behind this development was simply to foster the colonial interest of the British government.**
- They were never interested in the growth of the Indian economy.**

REASONS FOR DEVELOPMENT OF INFRASTRUCTURE:

1. Railways	<ul style="list-style-type: none">• Railways were developed to move finished goods physically from Britain to different interior parts of colonial India.• Britishers wanted to widen the size of the market for their own goods.
2. Roads	<ul style="list-style-type: none">• Roads were developed for mobilizing British army within India.• To facilitate transportation of raw material from different parts of the country to the nearest railway station or to the port to send it to Britain.
3. Ports	<ul style="list-style-type: none">• Ports were developed to export raw materials and import finished goods from Britain.
4. Communication	<ul style="list-style-type: none">• Post and telegraphs were developed for the purpose of maintaining law and order.• The expensive system of the electric telegraph in India was developed to enhance administrative efficiency.

Thank
You!!!