

Indian Economic Development NCERT CLASS 11

For UPSC/PCS & SSC exams

CHAPTER 1

Indian Economy on the eve of Independence

Short Notes

mentored by:



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The structure of India's present-day economy has its roots steeped in history, when India was under British rule. The British rule lasted for almost two centuries before India finally won its independence on 15 August 1947.

Sole purpose of the British colonial rule in India: was to reduce the country to being a raw material supplier for Great Britain's own rapidly expanding modern industrial base.

ECONOMIC DEVELOPMENT UNDER THE COLONIAL RULE

- In Indian economy, agriculture was the main source of livelihood for most people.
- India was well known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works etc. These possessed its fine quality and high standards of craftsmanship, hence they enjoyed worldwide market.

Changes brought by the economic policies of the colonial government in the structure of the Indian economy were:

It transformed the country into

- ✓ supplier of raw materials
- ✓ consumer of finished industrial products from Britain

Most studies found the country's growth of aggregate real output during the first half of the twentieth century was **GDP Growth < 2%** and rise in **GDP/Capita < 0.5%**.

○ **Agriculture Sector**

- About 85% of the country's population derived livelihood directly or indirectly from agriculture.
- Despite this the agricultural sector continued to experience stagnation and unusual deterioration because of the various systems of land settlement that were introduced by the colonial government particularly the zamindari system.
- Low levels of technology, lack of irrigation facilities and negligible use of fertilisers, all added up to aggravate the plight of the farmers and contributed to the dismal level of agricultural productivity.
- Due to commercialisation of agriculture, there were some evidence of relatively higher yield of cash crops, but this did not improve the farmers' economic condition.
- Instead of producing food crops, now farmers were producing cash crops which were to be ultimately used by British industries back home.
- India's agriculture was starved of investment in terracing, flood-control, drainage and desalination of soil.
- A large section of tenants, small farmers and sharecroppers neither had resources and technology nor had incentive to invest in agriculture.

○ **Industrial Sector**

- India could not develop a sound industrial base under the colonial rule.
- The country's world-famous handicraft industries declined resulting in massive unemployment and created demand in the Indian market which was fulfilled by imports of cheap manufactured goods from Britain.
- In the second half of nineteenth century, modern industries began to take root in India but were confined to the setting up of cotton (western parts), jute textile mills (eastern parts)

- Iron and steel industries began in the beginning of the twentieth century, the Tata Iron and Steel Company (TISCO) was incorporated in 1907.
- Few other industries in the fields of sugar, cement, paper etc. came up after the Second World War.
- There was hardly any capital goods industry (which can produce machine tools used for producing articles for current consumption) to help promote further industrialisation in India.
- The contribution of Industrial sector to the Gross Domestic Product (GDP) or Gross Value Added remained very small.
- The area of operation of the public sector was very limited under the new industrial sector. It remained confined only to the railways, power generation, communications, ports and some other departmental undertakings.

○ **Foreign Trade**

- The restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.
- Britain maintained a monopoly control over India's exports and imports. More than half of India's foreign trade was restricted to Britain while the rest was allowed with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran).
- Large export surplus was generated which was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war and the import of invisible items.

○ **Demographic Condition**

- First census in British India was conducted in 1881 (carried out in every ten year thereafter). It revealed the unevenness in India's population growth.
- The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about seven per cent.
- Public health facilities were either unavailable or, when available, were highly inadequate.
- The overall mortality rate was very high and particularly, the infant mortality rate was quite alarming (about 218 per thousand).
- Life expectancy was also very low (44 year).

○ **Occupational structure**

- The agricultural sector accounted for the largest share of workforce i.e 70-75%, while the manufacturing and the services sectors accounted for only 10 and 15-20% respectively.
- There was growing regional variation like Madras Presidency, Bombay and Bengal witnessed a decline workforce in the agricultural sector and increase in the manufacturing and the services sectors.

○ **Infrastructure**

- Under the colonial regime, basic infrastructure, such as railways, ports, water transport, posts and telegraphs developed. The real motive behind this development was to subserve various colonial interests.

- The roads that were built primarily served the purposes of mobilising the army within India and drawing out raw materials from the countryside to the nearest railway station or the port to send these to far away England or other lucrative foreign destinations.
- The British introduced the railways in India in 1850 and it is considered as one of their most important contributions and affected the structure of the Indian economy in two important ways, one it enabled people to undertake long distance travel and thereby break geographical and cultural barrier, second it fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India
- They (Colonial Government) also took measures for developing the inland trade and sea lanes but they also proved uneconomical and failed to compete with the railways, and had to be ultimately abandoned.
- The postal services served a useful public purpose but remained all through inadequate.

CONCLUSION

- ✓ By the time India won its independence, the impact of long British colonial rule was showing on all aspects of the Indian economy.
- ✓ The agricultural sector was already saddled with surplus labour and extremely low productivity.
- ✓ The industrial sector was crying for modernisation, diversification, capacity building and increased public investment.
- ✓ Foreign trade was oriented to feed the Industrial Revolution in Britain.
- ✓ Infrastructure facilities, including the famed railway network, needed upgradation, expansion and public orientation.
- ✓ Prevalence of rampant poverty and unemployment required welfare orientation of public economic policy.

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