

## INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

### BACKGROUND CHECK: BRITISH RULE IN INDIA COLLIDED WITH THE INDUSTRIAL REVOLUTION IN BRITAIN.

#### Feature of Indian economy on the eve of independence:

- 1. Stagnant economy:** There was very slow or no economic growth in the country. As the result of stagnation there was unemployment, death and suffering due to lack of food.
- 2. Backward economy:** Indian economy was a backward and per capita income was very low and in India it was just Rs. 230 from 1947-1948.
- 3. Agricultural backwardness:** With 70% people engaged in agriculture, its contribution in GDP was only 50%. Productivity and production too were extremely low.
- 4. Industrial backwardness:** Industrial sector was not developed, there was lack of basic and heavy industries in the country.
- 5. Widespread Poverty:** The people in the country could not even meet their basic needs i.e food, shelter and clothing. Unemployment and Illiteracy were other issues faced by the country.
- 6. Poor Infrastructure:** Infrastructure like communication, transport, power or energy was underdeveloped.
- 7. Major dependence on imports:** As a result of industrial backwardness in the country several consumer goods like medicines were imported from abroad.
- 8. Limited Urbanisation:** Majority of the population lived in villages meaning that they lacked opportunities outside agriculture.
- 9. Colonial economy:** As India was a British colony, Britishers exploited Indian economy for their own benefits.

## AGRICULTURE ON THE EVE OF INDEPENDENCE

### 1. Low Production and Productivity:

Production refers to the total output and Productivity refers to output per hectare hand, both were very low at the time of Independence.

**2. High Degree of Uncertainty:** Agriculture in India was heavily dependent on the rainfall, due to the lack of permanent means of irrigation (dams, wells) and no efforts by Britishers were made to strengthen the agricultural sector.

**3. Dominance of Subsistence Farming:** Subsistence farming means the farming that is done just to meet the basic needs of the farmer (and his family). In India subsistence based farming was done resulting in little or no surplus left for sale meaning that there was lack of commercial outlook. This led to the backwardness of the agricultural sector and the nation.

### 4. Difference/Gulf between the Owners of the Soil and the Tillers of the

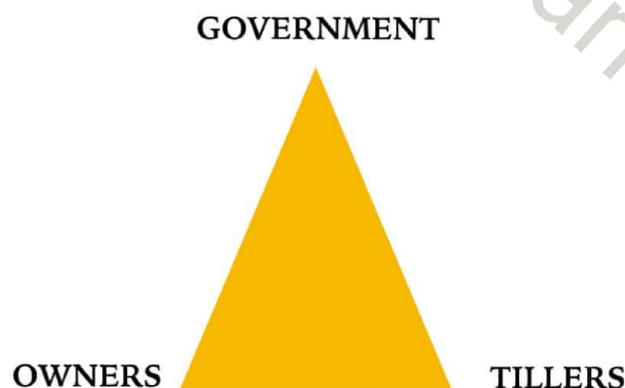
**Soil:** The owners of the soil shared the output with the tillers but they did not share the cost of production. The owners were simply interested in increasing their income in terms of share of output. For tillers agriculture was a source of subsistence and for the owners it was a source of income without investment creating a wide economical gap between two.

### 5. Small and Fragmented Holdings:

There were small and fragmented landholdings leading to low output at high cost of production therefore landholdings were uneconomical.

### 6. Zamindari System or Land Revenue System under the British Raj:

During the British Rule, a unique land revenue system was introduced in India. Under this system a triangular relationship was set up between the government, the owners and the tillers of the soil.



This system was called "**The Zamindari System**". Features of the Zamindari system are as follows:

- i) Zamindars were recognised as the permanent owners of the soil.
- ii) Zamindars had to pay fixed sum or revenue to the government as land revenue and if they were unable to do so they stood in danger of losing their rights.
- iii) Zamindars were free to extract as much as they want from the tillers of the soil as they wished and could.

#### **Problems with the Zamindari System:**

- i) Unlimited exploitation of the tillers of the soil by the zamindars.
- ii) High rates of land revenue to be paid by tillers.
- iii) Tillers were reduced to the status of landless labourers resulting in earning just to meet the basic needs.

#### **7. Forced Commercialisation of Agriculture:**

Commercialisation meant that there was Shift from cultivation for:

SELF- CONSUMPTION



MARKET

**REASON:** As mentioned in the beginning of the chapter that the British rule in India collided with the Industrial Revolution in Britain, therefore this commercialisation of crops was done to meet the requirement of the Indigo that was used by the textile industry in Britain for the purposes of dying/bleaching.

#### **How was this done?**

1. The farmers were forced to accept the advance payments for the cultivation of the Indigo.
2. Earlier farmers grew grain for their family's consumption but now they needed cash to buy it from the market.
3. There were uncertainties in the market due to which the farmers became indebted.
4. This indebtedness of farmers led to the stagnation and backwardness of the agriculture.

**CONCLUSION:** All these reasons combined showed that the Agriculture sector on the eve of independence was backward and stagnant.



## INDUSTRIAL SECTOR ON THE EVE OF INDEPENDENCE

### Key points to remember about industrial sector on the eve of independence:

- "Systematic de-industrialisation. Decay of India's world famous Handicraft industry due to the discriminatory policies of the Britishers. Bleak growth of modern industry due to lack of investment opportunities.

### DECAY OF HANDICRAFTS

Before the Britishers came to India, our country was worldwide famous for its excellence and quality of handicrafts.

### REASONS BEHIND THE DECAY OF THE HANDICRAFTS :

**1. Discriminatory Tariff (Tax) Policy of the State** - Britishers found India best source of raw materials and best market for their finished goods. They started the following discriminatory tariff policies according to which:

- The export of raw materials from India tariff-free.
- The import of British Industrial products in India tariff-free.
- Heavy duty (taxes) was placed on the export of the Indian Handicraft products.

British finished products captured Indian markets. Therefore, decay of the handicrafts was the result.

**2. Disappearance of the Princely Courts** - At the time of Independence India was divided into two sets of territories:

- The law of British India was placed in both the central and the local governments which means that the Princely states somehow existed under the influence of the law.
- Local rulers encouraged (patronised) the handicrafts making them reputed worldwide, with the greater influence of British law and their discriminatory policy the decay of handicrafts took place.

**3. Competition from Machine-made Products**- The machine-made products from Britain were low-cost and gave tough competition to handicrafts products in India. This competition forced the Indian craftsmen to shut their enterprises forever.

**4. New Patterns of Demand**- The impact of the Britishers can be seen on our culture and thinking too. This led to emergence of new class and new patterns of class that preferred British products against Indian products.

**5. Introduction of Railways in India-** Railways was introduced in India by the Britishers for their own selfish motives in order to expand their markets for the finished products in India. Their expansion led to decay in handicrafts.

#### **BLEAK GROWTH OF MODERN INDUSTRY:**

- Only few industries like Tata Iron and Steel, sugar etc industries were established.
- Limited state participation in the process of industrialisation.
- Absence of Capital goods (that are used for industrialisation) in the country.

#### **FOREIGN TRADE UNDER BRITISH RULE**

British rule in India brought an end to India's foreign trade as India primarily became a net exporter of raw materials and importer of finished goods produced by British industry.

Observations:

- 1. Net Exporter of Primary Products and Importer of Finished Goods-** India under British rule became an exporter of raw materials (cotton, wool, indigo etc) and importer of finished goods. Composition of exports and imports showed backwardness of the economy.
- 2. Monopoly control of India's Foreign Trade-** British government monopolised the exports and import of the country in a way that, More than 50% trade with Britain only. Imports of Britain's finished goods provided a huge market to British industry in India.
- 3. Surplus Trade but only to Benefit the British-** Despite the exports exceeded our imports there was mass export of primary goods which is a sign of economic backwardness.
  - Trade surplus used for administrative and war expenses of Britishers and not for growth and development of the country.

## DEMOGRAPHIC PROFILE DURING BRITISH RULE

**Four parameters that are studied here:**

- 1. Birth Rate and Death Rate-** Both were very high and this suggests a state of massive poverty in the country.
- 2. Infant Mortality Rate-** Which means the death rate of children below the age of one year was very high owing to poor healthcare facility and poverty.
- 3. Life Expectancy-** Average life of a person living in India at that time was just 32 years which meant that there were poor medical facilities, lack of awareness and means to avail them.
- 4. Literacy Rate-** It was as low as 16% and female illiteracy rate was even worse reflecting social and economic backwardness along with gender-bias.

It means the structure of working population across all three sectors of an economy i.e. primary, secondary and tertiary. Following observations here:

## OCCUPATIONAL STRUCTURE ON THE EVE OF INDEPENDENCE

- 1. Agriculture as Principal source of Occupation-** With a large number of working population engaged in agriculture, it became the source of livelihood and their only source of occupation. This shows the backwardness of country in terms of lack of employment outside agriculture.
- 2. Industry as an Insignificant Source of Occupation-** Very few people were engaged in the industrial sector, this proves the backwardness of the Indian economy on the eve of Independence.
- 3. Unbalanced Growth-** Only when all the sectors of the economy are equally developed there is balanced growth, but in case of India except agriculture all the other sectors were in infant stage leading to backwardness of the country.



## INFRASTRUCTURE ON THE EVE OF INDEPENDENCE

The economical and social elements of Infrastructure remained undeveloped except the Railways, Ports and few roads made and introduced by the Britishers for the transportation of raw materials from one place to another smoothly.

## POSITIVE IMPACT OF BRITISH RULE IN INDIA

If studied with reference to motive, there was no positive impact however few observations are important-

- 1. Commercial Outlook of Framers-** Forced commercialisation of agriculture by the Britishers forced the farmers to have commercial outlook as they starting producing more(in terms of quantity and diversity) for the market and not just for subsistence.
- 2. New Opportunities of Employment-** Introduction of railways meant new employment opportunities outside agriculture.
- 3. Control of Famines- Not more starvation** or death due to lack of food grains was there because of rapid means of transport reaching out in different areas.
- 4. Monetary System of Exchange-** Monetary system instead of barter system was introduced by them which facilitated division of labour, specialisation and large-scale production.
- 5. Efficient Administration-** Britishers had a well efficient system of administration that provided a base for the country's future politicians and planners.