

Chapter

Indian economy on the eve of Independence

1. Condition of the Indian economy during the pre-British period:

- India had an independent economy before the advent of British rule.
- Agriculture was the main source of livelihood.
- The country's economy was characterized by various kinds of manufacturing activities.
- India was particularly well known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works, etc.
- These products enjoyed a worldwide market based on its reputation.

2. Indian economy during the colonial rule:

- The economic policies followed by the colonial government were concerned more with the protection and promotion of the economic interests of their home country than with the development of the Indian economy.
- It will result in our economy into suppliers of raw materials and consumers of finished industrial products from Britain.
- The colonial government never made any sincere attempt to estimate India's national and per capita income.
- Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai were made to measure India's national and per capita income during the colonial period.

(a) AGRICULTURE SECTOR

- Indian economy under the British colonial rule was fundamentally agrarian.
- Agriculture during this period was under stagnation.

- Agricultural productivity became low
- Stagnation in the agricultural sector was caused mainly because of the various systems of land and revenue settlement (eg: zamindari system) introduced by the colonial government.
- The profit accruing out of the agriculture sector went to the zamindars instead of the cultivators
- The interest of the zamindars was only to collect rent without considering the economic condition of the cultivators.
- Inadequate technology, lack of irrigation facilities, and fertilizers contributed to the low level of agricultural productivity.
- The commercialization of agriculture: instead of producing food crops, farmers were producing cash crops that were ultimately used by the British for their development.
- Indian agriculture faces low investment, flood-control, drainage, etc.

(b) INDUSTRIAL SECTOR

- India could not develop a sound industrial base under the colonial rule.
- The country's handicraft industries declined.
- The colonial government systematically de-industrializing India was two-fold:
 - First, make India a mere exporter of raw materials, second, to turn India into a wide market for their finished products.
- The decline of the indigenous handicraft industries created massive unemployment in India.
- During the second half of the nineteenth century, the modern industry began to take root in India. (setting up of cotton and jute textile mills).
- The Tata Iron and Steel Company (TISCO) was incorporated in 1907.
- There was no capital goods industry to help promote further industrialization in India.
- The growth rate of the new industrial sector and its contribution to the Gross Domestic Product (GDP) remained very small.

- Area of operation of the public sector limited in railways, power generation, communications, ports, and some other departmental undertakings.

(c) FOREIGN TRADE

- India is an important trading nation since ancient times.
- The policies of commodity production, trade, and tariff followed by the colonial government adversely affected the structure, composition, and volume of India's foreign trade.
- India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute, etc. and an importer of finished consumer goods like cotton, silk and woolen clothes, and capital goods.
- The opening of the Suez Canal further made more British control over India's foreign trade. (Suez Canal is an artificial waterway running from north to south across the Isthmus of Suez in north-eastern Egypt. It connects Port Said on the Mediterranean Sea with the Gulf of Suez, an arm of the Red Sea. It is one of the most important waterways in the world. It's opening in 1869 reduced the cost of transportation and made access to the Indian market easier).
- The most important characteristic of India's foreign trade during the colonial period was the generation of a large export surplus. But this surplus came at a huge cost to the country's economy, this export surplus did not result in any flow of gold or silver into India.

(d) DEMOGRAPHIC CONDITION

- Various details about the population of British India were first collected through the census in 1881.
- Before 1921, India was in the first stage of demographic transition. The second stage of transition began after 1921.
- The mortality rate was very high and the infant mortality rate was quite alarming.

(About 218 per thousand in contrast to the present infant mortality rate of 40 per thousand)

- Life expectancy was also very low. (44 years in contrast to the present 68 years.)

(e) OCCUPATIONAL STRUCTURE

- The occupational structure means the distribution of working persons across different industries and sectors.
- The agricultural sector accounted for the largest share of the workforce (70-75%).
- The manufacturing and the services sectors accounted for only 10 and 15-20 percent respectively.

(f) INFRASTRUCTURE

- Under the colonial regime, basic infrastructure such as railways, ports, water transport, posts, and telegraphs was developed.
- The real motive behind this development was not to provide basic amenities to the people but to meet the various colonial interests.
- The roads that were built to mobilize the army within India and draw out raw materials from the countryside to the nearest railway station or the port to send these to far away from England.
- The British introduced the railways in India in 1850 and it is considered as one of their most important contributions.
- The railways affected the structure of the Indian economy in two important ways. (i) it enabled people to undertake long-distance travel (ii) it speeds up the commercialization of Indian agriculture which adversely affected the self-sufficiency of the village economies in India.
- The volume of India's exports expanded due to the introduction of the railway but its benefits rarely benefit the Indian people.

- Along with the development of roads and railways, the colonial rulers also took measures for developing the inland trade and sea lanes. However, these measures were far away from satisfactory.

