

CLASS 12 ECONOMICS

**INDIAN ECONOMY ON THE EVE
OF INDEPENDENCE**

COMPLETE EXPLANATION

Presented by - thesocialclass.in

CHAPTER OVERVIEW

This chapter helps you understand the state of the Indian economy in 1947 when India gained independence. We'll explore how British colonial rule for nearly 200 years affected India's economy and what challenges the newly independent country faced.

1. INTRODUCTION

Key Point

The British Rule Purpose: The main goal of British colonial rule was to make India a supplier of raw materials for Britain's growing industries and a market for their finished products.

Important Facts

- Independence Date: August 15, 1947
- British Rule Duration: Almost 200 years (1757-1947)
- Economic Impact: Today's Indian economy still shows effects of this colonial period

PRE-BRITISH INDIA (BEFORE 1757)

- India had a self-sufficient economy
- Agriculture was the main occupation
- Famous handicrafts: Cotton textiles, silk, metalwork, precious stones
- Global reputation for high-quality products

Example: Bengal's Textile Industry

- Daccai Muslin was world-famous
- Malma was the finest variety
- Royal quality textiles worn by kings and queens

UNDER BRITISH RULE

- Economic policies focused on British interests, not Indian development
- India became a raw material supplier and consumer market
- No proper estimates of national income were made by the government
- Economic Growth Statistics
- Aggregate real output growth: Less than 2% per year
- Per capita income growth: Only 0.5% per year
- These were very low growth rates showing economic stagnation

3. AGRICULTURAL SECTOR

- 1. Land Settlement Systems

Zamindari System (Bengal Presidency):

Zamindars collected profits instead of actual farmers

No interest in improving agriculture

- 2. Technical Problems

Low technology use

Lack of irrigation facilities

No fertilizers used

- 3. Commercialization Issues

Farmers started growing cash crops instead of food crops

These cash crops were sent to British industries

No benefit to Indian farmers

4. INDUSTRIAL SECTOR

- British Strategy (Two-fold motive)
- Make India a raw material supplier for British industries
- Turn India into a market for British finished products
- **Process of De-industrialization**
- Local handicraft industries declined
- Created new demand in Indian market
- This demand was met by cheap British imports
- Economic loss for India, profit for Britain

MODERN INDUSTRIES THAT STARTED

- Late 19th Century
 - Cotton textile mills (Maharashtra, Gujarat) - mostly Indian-owned
 - Jute mills (Bengal) - mostly foreign-owned
- Early 20th Century
 - Iron and steel: Tata Iron and Steel Company (TISCO) - 1907
 - Other industries: Sugar, cement, paper (after World War II)
- Major Problems
 - No capital goods industry (machines to make other machines)
 - Very small contribution to GDP
 - Limited public sector - only railways, power, communications, ports

5. FOREIGN TRADE

- Exports (What India Sent Out)
- Primary products: Raw silk, cotton, wool, sugar, indigo, jute
- Raw materials for British industries
- Imports (What India Brought In)
- Finished consumer goods: Cotton, silk, woollen clothes
- Capital goods: Light machinery from Britain

TRADE CONTROL

- Britain had monopoly control over Indian trade
- More than half of India's trade was with Britain only
- Rest of trade: China, Ceylon (Sri Lanka), Persia (Iran)
- Suez Canal (opened 1869) made British control stronger
- Export Surplus Problem
- India had large export surplus (exported more than imported)
- But this surplus didn't benefit India
- Essential items (food grains, clothes, kerosene) were scarce in India
- No gold or silver came to India

DEMOGRAPHIC CONDITIONS

- Population Data
- First census: 1881
- Census frequency: Every 10 years after 1881
- Demographic transition:
- First stage: Before 1921
- Second stage: After 1921

DEMOGRAPHIC CONDITIONS

- Literacy
 - Overall literacy: Less than 16%
 - Female literacy: About 7% (very low)
- Health Conditions
 - Public health facilities: Unavailable or inadequate
 - Water and air-borne diseases: Very common
 - High mortality rate: Especially among children
- Life Statistics
 - Infant mortality rate: 218 per 1000 (vs. 28 per 1000 today)
 - Life expectancy: 32 years (vs. 69 years today)

8. INFRASTRUCTURE DEVELOPMENT

- Roads
- Pre-British roads: Not suitable for modern transport
- British roads: Built for:
 - Moving army within India
 - Taking raw materials to railway stations/ports
 - Sending materials to England
- Problem: Shortage of all-weather roads to rural areas
- Result: People suffered during natural disasters and famines

8. INFRASTRUCTURE DEVELOPMENT

- Railways
- Introduction: 1850
- Considered: One of the most important British contributions
- Positive Effects:
 - Enabled long-distance travel
 - Broke geographical and cultural barriers
- Negative Effects:
 - Encouraged commercialization of agriculture
 - Destroyed self-sufficiency of villages
 - Benefits rarely reached Indian people
 - Economic loss outweighed social benefits

8. INFRASTRUCTURE DEVELOPMENT

- Water Transport
- Inland waterways: Developed but often unsuccessful
- Example: Coast Canal in Orissa - built at huge cost but abandoned because railways were better
- Communication
- Electric telegraph: Expensive system mainly for law and order
- Postal services: Useful but remained inadequate

IMPORTANT ECONOMISTS AND THEIR CONTRIBUTIONS

- Dadabhai Naoroji: Early economist who estimated Indian income
- William Digby: Made income estimates during colonial period
- Findlay Shirras: Contributed to income estimation
- V.K.R.V. Rao: Most significant estimates during colonial period
- R.C. Desai: Also made income estimates