

## CHAPTER 1

# ON THE EVE OF INDEPENDENCE

### Colonialism

Colonialism refers to a system of political and social relations between two countries, of which one is the ruler and the other is its colony. The ruling country not only has political control over the colony, but it also determines the economic policies of the dominated country.



### Low Level of Economic Development Under the Colonial Rule .

- ❖ India was an independent economy before the British rule.
- ❖ However, the British rule adversely affected the Indian economy in the sense that the economic policies pursued by the colonial government served the economic interests of their home country rather than those of India.
- ❖ They exploited India by using it as a supplier of raw materials and consumer of British-made finished goods.
- ❖ The colonial government made no efforts in estimating India's national and per capita income. However, notable economists such as Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V Rao and R.C. Desai estimated India's per capita income during the colonial period. Among them, Rao's estimates were considered more significant.

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Chapter 1.1 Agricultural Sector

- ❖ During Independence, India was an agrarian economy with nearly 85% of its workforce involved directly or indirectly in agriculture.
- ❖ Massive poverty and a low literacy level forced a large proportion of population to engage in farming and related activities to earn their subsistence.
- ❖ The British government took advantage of India's agricultural sector for its own profitability.
- ❖ India's agricultural sector was badly exploited and experienced stagnancy, a low level of productivity and a lack of investment.

### Features of Agriculture Sector on the Eve of Independence

#### Low Level of Productivity

Low productivity implies per hectare low level of output. It signifies that farmers are not getting as much yield from their farms as they could with better practices or inputs.

#### High Vulnerability

High vulnerability in agriculture refers to the increased susceptibility of the agricultural system and farmers to adverse impacts and their limited capacity to cope and adapt to these challenges.

#### Indebtedness of tillers of the soil

"Indebtedness of tillers of the soil" refers to the situation where farmers (tillers of the soil) are in significant debt and struggle to repay their loans.



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**Small and fragmented  
Land Holdings**

Small and fragmented land holdings refer to agricultural plots of land that are both small in size and geographically scattered. This fragmentation can lead to inefficient farming practices, increased costs, and reduced overall productivity.

**Prominent consumption  
of Owners of the soil**

Prominent consumption by owners of the soil refers to the consumption patterns of landowners, especially when those patterns are considered conspicuous or excessive

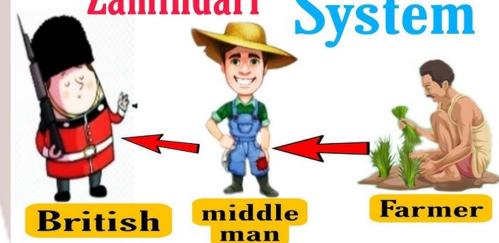
**Causes of India's agriculture stagnation during the colonial period**

**1. Land revenue system**

- The colonial government in India introduced various systems of land settlement. The zamindari system was one such land settlement system.
- Under the zamindari system, the zamindars were the owners of the land and used to collect rent from Tillers of the Soil (cultivators).
- They were also required to pay a certain specified sum of revenue to the colonial government.
- Despite using agricultural land as a source of income, neither the colonial government nor the zamindars made any attempt to improve the condition of the land.
- They did not focus on developing the agricultural sector, hence; it remained underdeveloped during the colonial government



**Zamindari System**



**2. High dependency on monsoon**

- India's agricultural sector was deprived of irrigation facilities and technology advancement.
- As a result, the production of the agricultural sector was solely dependent on the monsoon.
- This created an adverse situation for farmers and led to a low level of agricultural productivity.



**3. Lack of resources**

- Low levels of technology, land settlement system, lack of irrigation facilities and negligible use of fertilisers led to worst conditions for farmers.
- Hence, it contributes to the dismal level of agriculture.



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#### 4. Commercialisation of agriculture

##### 1. What do you mean by commercialisation of agriculture?

Ans: Commercialization of agriculture refers to the process of transitioning agricultural production from primarily meeting the needs of a farming household (subsistence farming) to producing crops and livestock for sale in markets, aiming for profit generation.

##### 2. What is meant by subsistence agriculture?

Ans: Subsistence agriculture is a form of farming in which the crops raised are intended to provide for the basic needs of the family with little surplus for marketing.

- To maintain the continuous cheap supply of raw materials from India, the colonial government forced Indian farmers to grow commercial crops such as indigo, tea and coffee instead of food crops.
- This resulted in the shortage of food grains and a dismal state of the agricultural sector

##### DIFFERENT TYPES OF COMMERCIAL FARMING



MONOCULTURE FARMING

POULTRY FARMING

AQUACULTURE

COMMERCIAL FLORICULTURE

#### How was Commercialization of Agriculture resulted in Famines?

- During the British rule, agriculture was commercialized to cater to the needs of the British industries for necessary raw materials.
- The British industrialists were always in need of raw materials like cotton, jute, groundnut, sugarcane etc. to keep their factories running.
- By offering high prices, the Indian peasants were attracted to production of commercial crops instead of food crops.
- The extent of commercial agriculture went so far as to make many peasants purchase their food requirements from shops in towns.
- This fall in production of food crops was responsible for frequent famines in India during the British days.

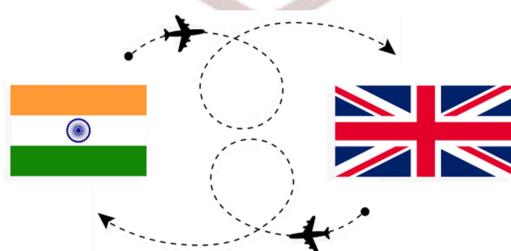
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#### Chapter 1.2 Industrial Sector

The industrial sector on the eve of independence was affected by systematic deindustrialisation. The colonial government followed an industrial policy which made India a mere supplier of raw materials and a market for finished goods for British industries.

The twofold motive behind systematic deindustrialisation effected by the British:

Export of Raw Material  
From India to Britain



Import of Final Product  
From Britain to India

Some short falls of industrial policy pursued by the British colonial rule were decline in the Indian handicraft industry and lop-sided modern industrial growth.



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### **Decline in the Indian handicraft industry**

During the eighteenth century, the demand for handicraft products was high in both domestic and international markets. However, the policies introduced by the colonial government significantly reduced the demand for handicraft products.

### **Reason for Devastation of Indian Handicraft Industries**

**(A) Biased tariff policy:** The colonial government followed a biased tariff policy. It

- Levied high tariffs on export of Indian handicraft goods
- allowed duty-free export of India's raw material into British markets
- Freely exported finished goods in the Indian market. So, Indian handicrafts faced tough competition from foreign goods and could not survive in the market. Hence, Indian handicrafts were ruined under the British rule.

**(B) Unfair competition:** Britain produced machine-made goods using cheap raw materials from India which enabled Britain

- to sell its machine-made goods at cheaper rates
- carry goods to the remotest areas by railways. Hence, the traditional handicrafts industry faced severe competition from machine-made British goods, and eventually, the demand for Indian handicrafts fell drastically because of comparatively low quality and high prices.

**(C) Disappearance of princely courts:** Before the British rule, the princely court used to patronage handicrafts. However, the beginning of the colonial government indicated the end of princely courts, and therefore, the end of state patronage to handicrafts.

**(D) Western lifestyle:** The colonial government promoted western lifestyle in India which led to an increase in the demand for British goods. Zamindars mainly demanded British goods

### **Lop-sided Modern Industrial Growth**

- ❖ British rulers never encouraged modernisation of industries or the growth of heavy industries in India. During 1850–55, jute mills, cotton mills and coal mines were established for the first time.
- ❖ The colonial government did not show any kind of interest in investing in India. The growth and development of the Indian industry was significantly constrained because of a lack of investment in Indian industries.
- ❖ India had attained a well-known place in the foreign trade activities before the British rule. However, the policies pursued by the colonial government adversely affected the volume and direction of foreign trade in the following ways:

- Policies made India an importer of final consumer goods such as silk, cotton, woollen clothes and other capital goods from British industries and an exporter of raw materials such as cotton, wool, silk, sugar, indigo and jute.
- In 1869, the Suez Canal was opened. It was convenient to operate ships between India and Britain, and thus, Britain exploited the Indian market.
- The colonial government maintained monopoly over India's foreign trade for its own economic interests.
- This practice resulted in the restriction of more than 50% of India's foreign trade to British and the rest to other countries such as Persia (Iran), Ceylon (Sri Lanka) and China.



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### Chapter 1.3 Demographic Condition

1921 is regarded as the year of great divide or the defining year to mark the demographic transition from the first to the second decisive stage. This is due to the stagnant population growth before 1921.

- In the first decisive stage till 1921, there was a high birth and death rate, i.e. a low expectancy rate.
- The higher death rate caused a dip in the growing population of India before the period of 1921.
- After 1921, there has been significant increase in the population because of a low death rate and higher birth rate in India.

#### Quantitative details of India's demographic profile

##### High Birth and Death Rate

- ✓ Birth Rate was 48 per Thousand and
- ✓ Death Rate is 40 per Thousand

It Implied Stagnant Population Growth

##### High Infant Mortality Rate

Infant mortality rate is an estimate of the number of infant (children below the age of one year) death for every 1,000 live births.

- ✓ It was 218 per thousand

##### Low Life expectancy Rate

Life expectancy is defined as the average number of years that a person can expect to live.

- ✓ Life expectancy was also very low – 32 years

##### Mass Illiteracy

The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about 7 per cent.

##### Low Standard of Living and Widespread Poverty:

There was no reliable data about the extent of poverty. But, there is no doubt that extensive poverty prevailed in India during the colonial period. The overall standard of living of common people in India was very low and there was widespread poverty in the country.

##### Poor health Facilities

Public health facilities were either unavailable to large mass of population or, when available, were highly inadequate. As a result, water and air-borne diseases were widespread and took a huge toll on life.

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### Chapter 1.4 Occupational Structure

Occupational structure refers to distribution of working population across primary, secondary, and tertiary of the economy.

#### Agricultural sector

- Prime occupation during the colonial government was farming.
- Under farming, approximately 70–75% of the population depended on the agricultural sector for their subsistence.
- There existed regional variation in the occupational pattern.
- States such as Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Maharashtra and West Bengal showed a declining trend of dependency on the agricultural sector.
- Punjab, Odisha and Rajasthan showed an increase in the share of workforce engaged in agriculture.



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## 2. Manufacturing sector

- Approximately 10% of the total population was engaged in the manufacturing sector during the colonial government.
- India had a well-developed industrial base before British entry.
- However, the colonial government's unfair policies ruined the industrial sector of India.

## 3. Service sector

- Approximately 15–20% of the total population was engaged in the service sector during the colonial period.

Thus, we can conclude that agriculture, industry and service sectors were not equally developed in India

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## Chapter 1.5 Infrastructure

Growth and development of an economy depends on basic infrastructure facilities. Roads, water transport, power, railways, irrigation, posts and telegraphs were developed under the colonial rule. However, the objective of infrastructure development was not for the welfare of the Indian economy but to serve its own economic interests.

- ❖ **Roads** : Roads constructed during the colonial period were not convenient for modern industry. They were built only to mobilise the army from one place to another and to draw out raw materials from the countryside to the nearest railway station or ports..
- ❖ **Railway** : The British introduced the railway system in India in 1850 which enabled commercialisation of agriculture and adversely affected the self-sufficiency of the village economies in India. Their main motive was to enable movement of Britain-made finished goods to different places of India
- ❖ **Communication** : Development of the post and telegraphs system aimed to maintain law and order in the country. This facilitated the integration of different parts of India and helped to develop trade, commerce and industry.

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## Chapter 1.6 Must Revise

### What was the negative impact of British Rule ?

OR

### How can you say that during British Rule Indians was Systematic Exploit ?

**Ans:** The various forms of exploitation by the Britishers on the - Indian economy can be broadly analyzed with the following points:

- India remained an agricultural -country throughout the British period and its agricultural sector remained totally backward. There was commercialization of agriculture, to serve the interests of Great Britain.
- British rulers never tried to modernize the prevailing industrial structure of India. There was large-scale destruction of world famous handicrafts and cottage industries of the country.
- By following the policy of discriminating protection, Britishers gained complete control over the entire Indian markets.
- British rulers gradually transformed the Indian economy into a primary producing country, exporting only agricultural products and raw materials necessary for industries in Britain and importing finished goods from Britain.

- (v) To promote foreign trade and to exploit natural resources of India to their advantage, British ruler built up economic infrastructure, which includes roads and railway network, ports and shipping, irrigation and electricity, etc.
- (vi) The British rulers thoroughly exploited the Indian economy through economy drain.

### Explain positive contributions of British rule

Ans: British Rule also had some positive effects on the Indian economy. They are discussed as under:

- a) **Self-sufficiency in food grain production:** Commercialization of agriculture initiated by British Government resulted in self-sufficiency in food grain production.
- b) **Better means of transportation:** Development of roads and railways provided cheap and rapid transport system and opened up new opportunities of economic and social growth.
- c) **Check on Famines:** Roads and railways worked as a great check on the occurrence and impact of famines as food supplies could be transported to the affected areas in case of droughts.
- d) **Shift to Monetary Economy:** British rule helped Indian economy to shift from barter system of exchange (exchange of goods for goods) to monetary system of exchange.
- e) **Effective administrative setup:** The British Government had an efficient administration system, which served as a ready reckoner- politicians.

### Critically appraise some of the shortfalls of the industrial policy pursued by the British colonial administration?

Ans. *The industrial policy pursued by the British colonial administration suffered from the following shortfalls:*

- (i) **De-industrialization – Decline of handicraft Industry:** British Government systematically destroyed Indian handicraft industries and no modern industrial base was allowed to come up. *The primary motive of British rule behind the de-industrialization was two-fold:*
  - (a) To get raw materials from India at cheap rates to be used by upcoming modern industries in Britain'
  - (b) To sell finished products of British industries in Indian market at higher prices. The two-fold policy of British rule was enforced to ensure the maximum advantage of their home country
- (ii) **Adverse affects of decline of handicraft Industry:** Decline of handicraft industries adversely affected the Indian economy in the following ways: (a) *it resulted in unemployment on a mass scale;* (b) *It encouraged import of manufactured goods from Britain as Indian made goods could not withstand foreign competition of machine made cheap goods.*
- (iii) **Lack of Capital Goods Industries:** During the British rule, there was hardly any capital goods industry to promote further industrialization in India.
- (iv) **Limited role of public Sector:** The limited area of operation of the public sector was also a significant reason for drawback of the industrial sector. The Public sector remained confined only to the railways, power generation, communications, ports and some other departmental undertakings.

### Discussed the India's foreign trade during British rule.

*The state of India's foreign trade during British rule is discussed as under;*

1. **Exporter of Primary Products and Importer of Finished Goods:** 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 like machinery, produced in the British Industries
2. **Monopoly Control of British Rule:** British Government maintained a monopoly control over India's exports and Imports.



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- More than  $\frac{1}{2}$  India's foreign trade was restricted to Britain while the rest was allowed with few other countries like China, Ceylon (Sri Lanka) and Persia (Iran).
- The opening of Suez Canal in 1869 served as a direct route for the ships operating between India and Britain.

**3. Drain of Indian wealth during British rule:** Under the British rule, India became an exporter of primary products (raw materials) and an importer of finished goods. There was huge export surplus due to excess exports. However, export surplus was used:

- (i) To make payments for expenses incurred by an office set up by the colonial government in Britain.
- (ii) To meet expenses on war fought by the British government.
- (iii) To import invisible items.

### What was Main Reasons for Stagnation in Agricultural Sector on Indian economy on eve of independence ?

Ans: The stagnation in the agricultural sector was caused due to the following reasons:

**1. Land Settlement System:** The most important reason for stagnation in agricultural sector was the introduction of 'Zamindari System' by the colonial government.

- Under this system, profits accruing out of agricultural sector went to the zamindars in the form of 'lagaan'.
- The main interest of the zamindars was only to collect lagaan regardless of the economic condition of the cultivator.
- The dates for depositing specified sums of lagaan to British Government were also fixed, failing which the zamindars were to lose their rights.
- The zamindars and the colonial government did nothing to improve the condition of agriculture.

**2. Commercialization of Agriculture:** Commercialization of agriculture means production of crops for sale in the market rather than for self -consumption.

During the British rule, farmers were given higher price for producing cash crops (like cotton or jute), so that such crops could be used as raw material for British Industries.

Thus. British rule promoted shifting of crops from food crops to cash crops.

**3. Low Level of Productivity:** Low levels of technology, lack of irrigation facilities and negligible use of fertilisers resulted in low level of productivity.

- The cultivator had neither the means nor any incentive to invest in agriculture.
- The zamindar had no roots in the villages, while the British rule spent little on agricultural, technique or mass education.
- All this made it difficult to introduce modern technology, which caused a perpetually low level of productivity.

**4. Adverse- affects of partition:** India's agricultural production received a further set back due to the country's partition at the time of independence.

- A sizeable portion of the undivided country's highly irrigated and fertile land went to Pakistan.
- Almost, the whole of Jute producing area became part of East Pakistan (now Bangladesh). India's Jute goods industry, which had enjoyed a world monopoly so far, suffered heavily for lack of raw material
- 

**During the British rule, the Britishers transformed the Indian economy into a**

**(1) Colonial Economy , (2) Backward Economy, (3) Semi-feudal Economy, (4) Stagnant Economy, (5) Depleted Economy and (6) amputated Economy. Discuss.**



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- Colonial Economy:** In India, colonial exploitation is a long history, spread over nearly 200 years.
  - British rule resulted in huge drain of wealth from India, in order to facilitate growing British industry with the supply of raw materials from India.
  - They also encouraged commercialization of Indian agriculture to transform Indian economy into a British colony.
  - The impact of the British colonial policy was deep on India, even at the time of Independence.
- Semi-feudal Economy:** By the close of the British period, there were two aspects of the Indian economy.
  - Introduction of Feudal System:* The land settlement system gave birth to feudal relations (landlord-tenant relations). The landlords used to charge very high rate of lagan and were very cruel to the cultivators.
  - Introduction of Capitalist System:* The establishment of modern industries led to creation of two classes-capitalist and labourers.
- So, India inherited the features of both feudal and capitalized system in the Indian economy.
- Stagnant Economy:** A stagnant economy is one which is growing at a very low rate. On the eve of independence, Indian economy was a stagnant economy as country's growth of aggregate real output during the first half of 20<sup>th</sup> century was less than 2 per cent and growth in per capita output was only 0.5 per cent.
- Backward Economy:** At the end of British rule, Indian economy was backward and underdeveloped. The main reasons for the backwardness of Indian economy were;
  - Low level of productivity;
  - Low per capita income;
  - Traditional methods of agriculture;
  - High birth and death rate;
  - Mass illiteracy.
- Depleted (or Depreciated ) Economy:** At the time of independence, Indian economy was a 'Depleted Economy'. Depleted Economy refers to an economy, where no arrangements have been made to replace the physical assets, depreciated due to excessive use.
  - During the 2<sup>nd</sup> World War, Indian industries had to work beyond their capacities to meet the increased demand of plant, machinery, equipments, etc. for the war.
  - However, British rulers did not make any arrangements to replace the depreciated physical assets. As a result, British rulers had left a seriously depleted economy.
- Amputated Economy:** The Britishers policy of 'divide and rule' always promoted discrimination between groups on the basis of religion, caste, language and culture.
  - As a result, on the eve of Independence, country was geographically divided into two parts; India and Pakistan.
  - Partition of the country virtually disrupted the economy due to: (i) problem of rehabilitation of large number of refugees from Pakistan ; and (ii) Shortage of raw materials for jute and cotton mills as most of the cotton and jute growing areas went to Pakistan.

## How Indian handicrafts were systematically destroyed owing to discriminatory policies of the British government?

**Ans:** Following observation highlight how Indian handicrafts were systematically destroyed owing to discriminatory policies of the British government, besides other factors:

- Discriminatory Tariff Policy of the State:** Britishers allowed tariff-free industrial products into India, but placed a heavy duty on the export of Indian handicraft products. As a consequence, while the British products started penetrating the Indian markets, the Indian handicraft products started losing their domestic as well as foreign market.



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- b) **Disappearance of Princely Courts:** before British rule, nawabs rajas, rule at different parts of the country. They used to promote the handicrafts, enabling to acquire international reputation. But during British rule princely courts come to end, and therefore, promotion of handicraft come to end because of that the handicrafts started decaying.
- c) **Competition from Machine-made Products:** Machine-made products from Britain were low-cost products as well as they were of good quality than handicraft product. Because of hard Competition the Indian craftsman had shut-down their enterprises forever.
- d) **New Patterns of Demand:** Owing to the impact of British culture, a new class emerged in India which was keen to adopt the western lifestyle. This changed the pattern of demand against the Indian products and in favour of the British products. In the process, the Indian industry tended to perish.
- e) **Introduction of Railways in India:** after introduction of railways in India transportation of British products across different parts of the country becomes very easy. Consequently, low-cost British product give very high competition across India. This hastened the process of decay of the Indian handicrafts.

### What was the Impact of Railways in India?

- (i) Railways enabled people to break the barriers of distance and undertake journeys to far off places. This promoted cultural affinity among the countrymen.
- (ii) Through long distance movement of goods, Railways facilitated commercialization of agriculture. Accordingly, the farmers started growing cash crops for money (like indigo) rather than focusing only on food crops for self-subsistence. Their outlook towards farming started changing, even though the change was very modest. However, it also implied disintegration of self-sufficient village economies. Production of cash crops exposed farmers to the uncertainties of the market and in many cases endangered their self-sufficiency in food grain production.
- (iii) Railways facilitated expansion of the market. Accordingly, exports and imports of the country showed a significant rise. However, the composition of exports and imports was colonial in character. Export of raw material and import of finished goods