

ATOMIC ENERGY EDUCATION SOCIETY

CHAPTER-1

**INDIAN ECONOMY ON THE EVE OF
INDEPENDENCE**

MODULE (1/2)

CLASS : XII

SUBJECT: ECONIMICS

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Introduction

Indian economy on the eve of independence deals with the Indian economy as we inherited it from the British in 1947.

It focus on the following points.

State of agriculture and industrial sectors on the eve of independence.

India's foreign trade under the British rule.

Demographic profile during British rule.

Occupational structure and infrastructure on the eve of independence.

AGRICULTURAL
SECTOR

INDUSTRIAL
SECTOR

FOREIGN
TRADE

DEMOGRAPHIC
CONDITION

OCCUPATIONAL
STRUCTURE

INFRASTRUCTURE

Policies of British rulers that led to exploitation of Indian economy

- British rulers grossly neglected irrigation facilities and technological upgradation *in India's* agriculture.
- British rulers forced the Indian farmers to pay more attention to the production of cash crops than food crops
- Deliberate policy measures were adopted to destroy the handicraft industries of India.

Policies of British rulers that led to exploitation of Indian economy

- No protection was provided to India's infant industries for a quite long time.
- Heavy import duties were imposed on the use of Indian ships for trading between England and India.
- Financial and banking institution were not promoted in the country.

AGRICULTURAL SECTOR ON THE EVE OF INDEPENDENCE

Indian agriculture became backward, stagnant and non-vibrant under the British rule.

1. Weak productive accumulation.
2. Unemployment and underemployment
3. Low levels of production and productivity.
4. Subdivision of landholdings.

Indian agriculture was primitive and stagnant. The main causes of stagnation of agriculture sector was as follows:

1. Land Tenure system
2. Zamindari system
3. Mahalwari system and
4. Ryotwari system
5. Commercialization of agriculture
6. Partition of the country

Agriculture plays an important part in economic development. It provides the food security to the country. Also, it's a backbone for many industries.

At the time of independence, almost 85% of the total population was depended on the agriculture. India's agriculture sector saw no growth during the colonial period. Productivity was stagnant. In fact, it was deteriorating. The total output increased by just 0.5% per annum before independence. Farm output from year 1891 to 1947 was not more than 0.11%.

Many reasons were behind that. But prominent were the land settlement and exploitation of Indian farming by the British India for their benefit. In the Zamindari system the real benefits of the agriculture went straight in the hands of Zamindar's. Farmers end up getting nothing, even after toiling hard for it.

Lack of fertilizers, inferior quality of seeds and less use of modern technology were also responsible for the murky state of agriculture. Adding fuel on that was the commercialization of it.

British India compelled Indian farmers to grow more of cash crops instead of main crop. This eventually helped the British industries back home as they were getting raw material at very low prices. But farmers were still on the darker side with no real benefits.

Neither the Britishers nor the Zamidars did any thing for the farmers or farming. Their main interest was only to collect taxes. Even in the conditions of drought, Famine or floods there was no mercy upon farmers.

Further jolt happened to agriculture because of the partition. Highly irrigated land went to Pakistan. On the western front Punjab, which was rich in producing wheat and East Pakistan (now Bangladesh) known for jute production, went to divided nation. Thus, Indian jute industry suffered heavily.

In a sense contribution from agriculture sector to Indian economy was nil at the time of independence.

INDUSTRIAL SECTOR

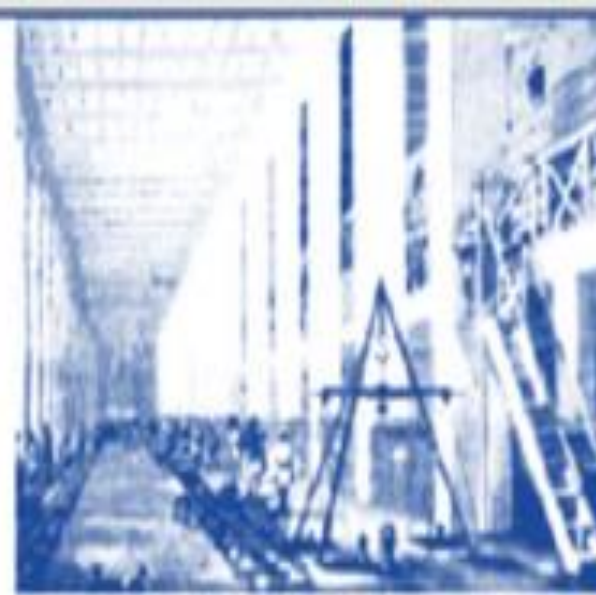
Indian Industrial sector was also crying off for the development in the colonial rule. Like agriculture. No importance was given for the development of Industries.

To see India growing industrially was against British rule. There were two reasons for keeping India away from modern Industries.

One was to keep India reduced to just as an exporter of prime raw materials for the major Industries in Britain.

Two, it was to turn the domestic market of India into a prime consumer of finished British goods. And industrialization of India could have weighed down both the prospects of British India.

But these unfavorable policies lead to decline in the indigenous handicraft industry. This created enormous unemployment in the country. Also, a market which was now deprived of the supply of locally made goods.



Second half of the 19th century saw a little progress in industrial development. But the pace was very slow and was confined to certain sectors only. Jute and cotton textile mills were the first ones. Later, paper, sugar, cement etc. were set up.



Major development came in the form of Tata Iron and Steel Company (TISCO) in 1907. However, there were hardly any capital goods industries to promote further industrialization of India.



Decline of handicraft industries made the following adverse impacts

- **It created large scale unemployment. The most adverse impact was on cotton textile industry. A large number of weavers become unemployed**
- **These unemployment craftsman migrated from urban to villages. This increased the burden of population on agriculture in village.**
- **Consumer demand in the Indian market could not be met by the supply of locally made goods, which encouraged the import of manufactured goods from Britain.**

Two main drawback of the industrial sector

- The growth rate of industrial sector and its contribution to GDP was very small.
- There was very limited area of operation of the public sector in the country. Public sector in those days was confined only to the railways, power generation, communication, ports and a few departmental undertakings.

Slow growth of Modern Industries

- The cotton textile mills were mainly dominated by the Indians and they were located in the western parts of India namely Maharashtra and Gujarat.
- On the other hand, jute mills in Bengal were established during British capitalists
- The credit for the iron and steel industry beginning goes to Jamshetji Tata in AUGUST 1907. It began its production from 1912.
- No attention was paid by the British rulers to the promotion of capital goods industries in India.
- British focused mainly on the construction of infrastructure like Railways, development of ports, means of communication etc.

Thank you