India on the eve of independence

Colonial Exploitation of the Indian Economy: Indian economy under the British rule was subjected to colonial exploitation. It implied a targeted exploitation of all sectors of the economy by the British Government. This is how it was achieved:

(i) Colonial Exploitation of Agricultural Sector: Agriculture was exploited through Zamindari System of land revenue. Zamindars were declared as owners of the soil. They were to pay a fixed sum to the government by way of land revenue, and were free to extract as much as they wished (or as much as they could) from the tillers of the soil.

(ii) Colonial Exploitation of Industrial Sector: Industrial sector in India implied the predominance of handicrafts. But these were systematically destroyed by allowing tariff-free import of machine-made goods from Britain.

(iii) Colonial Exploitation of International Trade: India's international trade was exploited through discriminatory tariff policy. Duty-free export of Indian raw material was encouraged to cater to industrial needs in Britain. On the other hand, duty-free import of British goods was encouraged to enhance access to the Indian markets by the British industrialists.

State of Agriculture under the British Rule: Indian agriculture under the British rule showed these characteristics:

(i) Low productivity,

(ii) High volatility: good harvest when it rains good and bad harvest when it rains bad,

(iii) Dominance of subsistence farming: tillers of the soil took to agriculture merely as a source of subsistence, never as a source of profit,

(iv) Widening gulf between owners of the soil (Zamindars) and tillers of the soil. Production relations were antagonistic because the Zamindars always exploited the tillers,

(v) Wastage of revenue income on conspicuous consumption. Implying 'low or no' investment for the growth of agriculture. Net consequence: backwardness of farmers as well as farming.

State of Industry under the British Rule: Indian industry (as dominated by handicrafts) which at one time enjoyed global reputation, suffered a systematic destruction during the British rule. It was largely owing to discriminatory policy of the British government. While cheaper industrial goods were allowed tariff-free access to the Indian markets, handicraft products from India were subjected to heavy export-duty. Handicrafts in India lost both domestic as well as international market. Growth of the modern industry was tardy. It lacked state-initiative. Capital-goods industry was almost non-existent. Process of industrialisation remained lopsided.

State of International Trade under the British Rule: International trade of India took a hit in two ways:

(i) it was monopolised by the British government, ending multinational exports from India, and

(ii) composition of trade showed a shift from the export of finished goods to the export of raw material and from the import of bullion (gold and silver) to the import of finished industrial products, largely from Britain.

Demographic Profile under the British Rule: India's demographic profile showed high birth rate, high death rate,
high infant mortality rate, low expectancy of life and low rate of literacy. These characteristics point to economic and social backwardness of the country.

**Occupational Structure under the British Rule:** More than 70 per cent of working population was engaged in agriculture. Industry offered employment merely to 9 per cent of the working population. This is yet another pointer to economic and social backwardness of a country.

<table>
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<th>Table: Occupational Distribution of India at the Time of Independence</th>
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Above Table offers the following observations:

1) **Agriculture-The Principal Source of Occupation:** On the eve of independence, about 72.7 per cent of working population was engaged in agriculture. Percentage of population depending on agriculture is much less in advanced countries of the world. For instance, in England and America 2 per cent, in Japan 12 per cent and in Germany 4 per cent of the population depend on agriculture. This establishes backwardness of the Indian economy at the time of independence.

2) **Industry-an insignificant Source of Occupation:** On the eve of independence, barely 9.0 per cent of the working population in India was engaged in manufacturing industries, mining, etc. As against it, 32 per cent in the USA, 42 per cent in England and 39 percent in Japan are engaged in these activities. It further proves how backward the Indian economy was at the time of independence.

3) **Unbalanced Growth:** The Table shows unbalanced growth of the Indian economy. Growth is said to be balanced when all sectors of the economy are equally developed. In case of India, secondary and tertiary sectors were in their infant stage of growth. Hence, the conclusion that Indian economy at the time of independence was lopsided and therefore, backward.

**Infrastructure on the Eve of Independence:** Infrastructure—economic as well as social—continued to be highly deficient. There was a modest change, but only to facilitate colonial exploitation of the Indian economy.
Some Positive Side-effects of the British Rule in India: With a view to enlarging size of the market for British goods in India, the British government needed to provide some infrastructural facilities in India. These included:
(i) Transport facilities, largely in terms of railways,
(ii) Development of ports,
(iii) Provision of post and telegraph services. Besides, the British government left a legacy of a strong and efficient administrative set-up.

Questions Related to Concepts & Definitions

1. 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.

2. What do you mean by commercialisation of agriculture?
Ans. Commercialisation of agriculture refers to a shift from cultivation for self consumption to cultivation for the market.

3. Define occupational structure.
Ans. Occupational structure refers to distribution of working population across primary, secondary and tertiary sectors of the economy.

4. What does low productivity in agriculture mean?
Ans. Low productivity means low output per hectare of land.

5. What is infant mortality rate?
Ans. Infant mortality rate is an estimate of the number of infant deaths for every 1,000 live births (infants refer to children below the age of one year).

6. What is life expectancy?
Ans. Life expectancy is defined as the average number of years that a person can expect to live.

Reason-based Questions with Answer

State whether the following statements are True or False. Give reason.

1. Railways during the British rule in India promoted colonial exploitation of the Indian economy.
Ans. True. Railways promoted colonial exploitation of the Indian economy in two ways, as under:
   (i) Railways facilitated the movement of raw material from their source of supply to the ports for further transportation to England.
   (ii) Railways led to expansion of the market for the British products in India.

2. The year 1921 was the year of Great Divide with regard to the growth of population in India.
Ans. True. The year 1921 was the year of Great Divide. Because, prior to 1921, population growth in India was not consistent. It was only after 1921 that the population in India recorded a consistent rise.

3. Zamindari system brought stability to cultivation during the British rule in India.
Ans. False. The Zamindari system during the British rule did not bring stability. Instead, it brought instability to Indian cultivation. Because, this system led to frequent ejection of the tillers of the soil. They lost their permanent rights of cultivation, and accordingly, lost permanent interest in cultivation.

4. The tillers of the soil could not leave agriculture even when they always exploited.
Ans. True. The tillers of the soil could not leave agriculture despite their continuous exploitation. This was because of the lack of vocational avenues outside agriculture.

**HOTS (Application-based) Questions with Answers**

1. How did Railways applied a check on the occurrence of famines during the colonial period?
   Ans. Railways facilitated the movement of food grains from the surplus zones or from the government warehouses (Godowns) to the areas afflicted with famines.

2. How would you support the view that the destruction of handicraft in India coincided with the industrial revolution in Great Britain?
   Ans. The destruction of the Indian handicrafts was systematically planned by the British government, to coincide with the industrial revolution in Great Britain. The success of industrial revolution depended on (i) growth of Indian market for the British products, and (ii) export of raw material from India to Britain. Achievement of both these objectives (largely through discriminatory trade policy) led to the destruction of Indian handicrafts.

3. The policy of colonial exploitation of the Indian economy during the British Raj had some positive side-effects for the Indian economy. Do you agree?
   Ans. It is true, of course, that the policy of colonial exploitation during the British Raj had some positive side-effects for the Indian economy. Start of Railways, development of ports, improvement of the means of communication and a robust system of administration were some critical elements of the policy of colonial exploitation. But all these implied a growth-oriented change in the Indian economy.

4. How did discriminatory trade policy contribute to the success of industrial revolution in Great Britain?
   Ans. Discriminatory trade policy contributed to the success of industrial revolution in Great Britain in two ways: (i) Low duty on the import of British industrial goods into India led to the growth of domestic demand for these goods, and (ii) Low duty on the export of raw material from India ensured availability of low-cost inputs for the British industry.

**Value-based Questions (Evaluation) with Answer**

1. Legally, Zamindari System of Land Revenue has been abolished in independent India. Yet Indian agriculture continues to be in a state of backwardness. What in your opinion is the principal reason for this situation?
   Ans, Abolition of zamindari system has definitely abolished the intermediaries between the state and the cultivators. But poverty continues to be pervasive in Indian agriculture owing to two reasons: (i) The bulk of the Indian farmers are small and marginal holders. Small and marginal holdings are not conducive to the adoption of innovative techniques of farming, and (ii) The delivery mechanism related to financial help by the state is grossly inefficient and ineffective.

2. MNCs (Multinational Corporations) are dominating the Indian industrial sector and are offering stiff competition to the small scale industry. How do you compare this situation with the one under the British rule when the Indian handicrafts were exposed to stiff competition from the machine-made products of Britain?
   Ans. Competition prompts the adoption of innovative technology and is therefore, expected to open new vistas of growth for the small scale enterprises. But the adoption of new technology needs a level playing field. Do the small enterprises in India have it? 'No' is the answer. Small enterprises in India do not get
enough funds at a low rate of interest as the MNCs can manage. Accordingly, they often fail to upgrade their technology to make it competitive. Also, they fail to spend as much on advertisement and publicity as the MNCs can do to capture the market. Thus, survival of small enterprises in the face of stiff competition from the MNCs seems to be doubtful. This situation is definitely comparable with the one when the Indian handicrafts were exposed to the stiff competition from machine-made products of Britain during the British rule in India. However, the difference is that whereas during the British rule, destruction of small enterprises could be taken as a consequence of the colonial exploitation by the foreign government in India, no such situation exists in India now. It is all a matter of competition in the wake of NEP (new economic policy) promoting liberalisation, privatisation and globalisation of the industrial sector.

**Questions with Answer.**

1. Name some notable economists who estimated India's per capita income during the colonial period.
   **Answer.** Dadabhai Naoroji, William Digby, VKRV Rao and RC Desai.

2- Name some modern industries which were in operation in our country at the time of independence.
   **Answer** Cotton textile, jute textile, sugar industries, cement industries and paper industries.

3 • When did modern postal system started in India?
   **Answer.** In India, modern postal system started in 1837.

4. Why was Indian economy called an agricultural economy on the eve of independence?
   **Answer** Indian economy was called an agricultural economy on the eve of independence because about 85% of population was dependent on agriculture for their livelihood, either directly or indirectly.

5- How was the zamindari system of land settlement responsible for the stagnation of Indian agriculture?
   **Answer** The zamindari system of land settlement was responsible for the stagnation of Indian agriculture because of the below mentioned reasons
   (i) The zamindars were recognised as permanent owners of the soil.
   (ii) The zamindars were to pay a fixed sum to the government as land revenue.
   (iii) The zamindars were absolutely free to extract as much from the tillers of the soil as they could.

6 . When was the Suez Canal opened? How did it affect the Indian economy?
   **Answer.** Suez Canal was opened in 1869. Suez Canal is an artificial waterway running from North to South across the Isthmus of Suez in North-Eastern Egypt. It is one of the most important waterways in the world. Its opening reduced the cost of transportation and made access to the Indian market easier and economical. A significant reduction in transport cost prompted monopoly control of India's foreign trade by the British Government.

7. What was the focus of the economic policies pursued by the colonial government in India? What was the impact of these policies?
   **Answer** The focus of economic policies pursued by the colonial government in India was to make India an exporter of raw material for feeding the rapidly expanding modern industrial base and to target India as a market for its finished goods.
   The British policies had the following impact on India
   (i) Agricultural sector had a lot of surplus labour and had extremely low productivity.
   (ii) Industrial sector was backward and lacked diversification.
   (iii) Poverty and unemployment were high.
   (iv) Infrastructural facilities needed upgradation.
   (v) Foreign trade was beneficial for the Britishers.
8. How did the construction of railways affect the structure of the Indian economy?

**Answer** In India, railways was introduced by British in 1851, however it began its operation in 1953. It affected the structure of the Indian economy in many ways:

(i) It enabled people to undertake long distance travel and thereby break geographical and cultural barriers.
(ii) It fostered commercialisation on Indian agriculture which adversely affected the self-sufficiency of the village economies in India.

9. What were the main causes of India's agricultural stagnation during the colonial period?

**Answer** The main causes of India's agricultural stagnation during the colonial period were:

(i) **Land Revenue System** There were several land revenue systems. According to zamindari system, the zamindars were recognised as permanent owners of the soil. The profit accruing out of the agriculture sector went to the zamindars instead of cultivators. However, both zamindars and colonial government did nothing to improve the condition of agriculture. Zamindars were to pay a fixed sum to the government as land revenue and they were absolutely free to extract as much from the tillers of the soil as they could.

(ii) **Lacking of Resources** Along with the land settlement system, low levels of technology, lack of irrigation facilities and negligible use of fertilisers, all added up to the bad condition of the farmers and contributed to the dismal level of agricultural productivities.

(iii) **Commercialisation of Agriculture** Due to commercialisation of agriculture, there was some evidence of a relatively higher yield of cash crops in certain areas of the country. Instead of producing food crops, now farmers were producing cash crops, which were ultimately to be used by British Industries.

10. Explain the state of Industries in India on the eve of Independence.

**Answer** State of industries in India on the eve of independence is explained below:

(i) The role of the public sector in development of industries was restricted to the railways, power generation, communications, ports and some other departmental undertakings. There was no growth of industrial base in India.

(ii) The traditional hand-craft industries were decaying.

(iii) There were hardly any capital goods industries to promote further industrialisation, since the British had no interest in the development of Indian economy.

11. What objectives did the British intend to achieve through their policies of infrastructure development in India?

**Answer** Under the British rule, basic infrastructure such as railways, ports, water-transport, postage and telegraph developed, but the objective behind the development of infrastructure was not to provide basic amenities to the people but to cater to their colonial interests.

The objectives of the Britishers behind the development of infrastructure were:

(i) Roads were developed for the purpose of mobilising armies and transporting raw materials to the nearest railway station or port.

(ii) Railways were developed to encourage commercialisation of agriculture.

(iii) Postage and telegraph were introduced to enable them to control the large sub-continent.

12. Which year is regarded as the defining year to mark the demographic transition from its first to the second decisive stage?

**Answer** The year 1921 is regarded as the defining year or the 'Year of Great Divide', because prior to 1921, population growth in India was stagnant. India was in the first phase of demographic transition till 1921, that was characterised by high birth rate and high death rate. After 1921, India's population growth never declined and showed a consistent upward trend.

13. What was the two-fold motive behind the systematic de-industrialisation effected by the British in pre-independent India?

**Answer** The following are the two-fold motives behind the systematic de-industrialisation effected by the British:

(i) **Making India a Supplier of Raw Materials** The main motive of the British Government was to make India a mere supplier of cheap raw materials to feed its own rapidly expanding industrial base.
Another important objective of the British Government in de-industrialising Indian economy was to use India as a large and growing market to sell the finished goods produced by the British industries, so that their industries never face a demand shortage and could keep on flourishing.

14. Underscore some of India's most crucial economic challenges on the eve of independence. NCERD

**Answer** The Indian economy was a backward economy on the eve of independence as over 85% of the population was engaged in agriculture. There were not many industries and capital was mostly invested by foreigners. There was a complete absence of any infrastructure for imparting knowledge on technical skills to the labourers.

The following statistics reveal the extent of backwardness in the economy

(i) Per capita income was low.

(ii) Large scale unemployment and under employment existed,

(iii) Agricultural sector and industrial sector both were in a dismal condition.

15. What do you understand by drain of Indian wealth during the colonial period?

**Answer** The Britishers exploited India in every possible way. Raw material from India was exported at reduced prices and expensive finished goods were imported to India. Also, the heavy administrative costs related to running the colonial rule in India, in the form of wages and salaries of the administrative staff, and the expenses borne by Britishers in fighting wars were borne by revenues generated in India. All this led to a drain of India's wealth.

16. Give a quantitative appraisal of India's demographic profile during the colonial period.

**Answer** The first census in colonial India was conducted in 1881. The first census showed that India's population was about 22 crores. It rose to 23.87 crores in 1891, but fell to 23.83 crores in 1901. It rose to 25.21 crores in 1911 and again fell to 25.14 crores in 1921. From 1921 onwards it has shown a consistent rise. Therefore, 1921 is regarded as the defining year to mark demographic transition from first stage to second stage. The other social development indicators were also not quite encouraging.

(i) The overall literacy level was less than 16%

(ii) Female literacy rate was about 7%.

(iii) Infant mortality rate was quite high at 218 per thousand,

(iv) Life expectancy was also quite low at 32 years.

17. Indicate the volume and direction of trade at the time of independence.

**Answer** At the time of independence, India was a major exporter of raw material such as rawsilk, cotton, wool, sugar, indigo, jute, etc and an importer of finished consumer goods, cotton, silk and light machinery from factories of Britain more than half of India's foreign trade was restricted to Britain while the rest was targeted to countries like China, Ceylon (Sri Lanka) and Persia (Iran).
18. Was there any positive contributions made by the British in India? Discuss.

**Answer** Although the motive behind the British rule in India was colonial exploitation, but the means resulted in some positive side effects which are as under,
(i) Commercialisation of agriculture helped to change the outlook of farmers who started to treat it as a profitable venture rather than a means of subsistence,
(ii) Spread of railways and other means of transport helped break geographical and cultural barriers and also emerged as a support system to fight droughts and famines,
(iii) The economy witnessed a transition from barter system to monetary system which facilitated exchange transactions and promoted specialisation and large-scale production,
(iv) They left an efficient system of administration.

19. 'Composition of foreign trade of any country tells us about the nature of commodities that are exported and imported,' What can you state about the composition of foreign trade at the time of independence?

**Answer** India's foreign trade under the British rule is described as below
(i) The British followed a typical colonial pattern of trade in India, where it was made to serve their interests.
(ii) India exported raw materials to the home country of the British for their expanding industries,
(iii) India was also developed as a market for the finished goods of the British industries.
Thus, India was reduced to being a source of food for the British, a supplier of raw materials for the British industries and a market for their finished products.

20. Is it correct to say that the Indian economy was turned into a colonial economy by the Britishers?

**Answer** Because of the following reasons it can rightly be said that the about statement is true
(i) It had a typical pattern of trade of the colonial economy i.e., it was exporting raw materials and importing manufactured goods.
(ii) Foreign capital was controlling the major sectors of our economy i.e., banking, insurance and trade.

21. The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reasons in support of your answer.

**Answer** But the Britishers followed a policy of systematic de-industrialisation by creating circumstances conducive to the decay of handicraft industry and not taking any steps to promote modern industry and reduced India to a mere exporter of raw material and importer of finished goods. The following points bring forward the state of the industrial sector at the eve of independence
(i) **Decay of Handicraft Industry** The traditional handicraft industry in India enjoyed worldwide reputation, but the British misrule in India led to the decline of Indian handicraft industry. The Britishers adopted the following policies to systematically destroy the handicraft industry.
(ii) **Discriminatory Tariff Policy of the State** The Britishers followed a discriminatory tariff policy by allowing tariff free exports of raw material from India (to provide for the requirements of their industries in Britain) and tariff free import of British Industrial products (to promote British goods in India), but placed a heavy duty on the export of handicraft products. So, Indian handicraft products started loosing their domestic as well as foreign markets.
(iii) **Competition from Machine-made Products** Machine-made products from Britain were cheap and better in quality than the handicraft products. This competition forced many a handicrafters to shut down their business.
(iv) **Introduction of Railways in India** The Britishers introduced Railways in India, to expand the market of its low priced industrial products. Consequently, the demand of high-priced handicraft
products started to fall, thus leading to the downfall of handicraft industry.

22. Highlight the salient features of India's pre-independence occupational structure.

**Answer** The occupational structure, refers to the distribution of population working in different sectors. It showed no variation throughout the British rule.

The following are the salient features of India's pre-independence occupational structure:

(i) **Predominance of Agriculture** Under the colonial rule, India was basically an agrarian economy, with nearly 85% of its workforce engaged directly or indirectly in agriculture. Due to massive poverty and widespread illiteracy during the colonial rule, a large proportion of the population was engaged in farming and related activities to earn their subsistence.

(ii) **Lack of Opportunities in Industry** Only a small proportion of population was employed in manufacturing sector. Nearly 10% of the total workforce was engaged in manufacturing and industrial sector.

(iii) **Unequal Distribution Among Sectors** The three sectors of Indian economy, i.e., agricultural, industrial and service sector were unequal in terms of occupational structure. While the agricultural sector employed majority of the workforce, the other two sectors were not contributing much to employment with 10% of the workforce in industries and 15-20% in service sector.

(iv) **Regional Imbalance** There was regional variation in the occupational structure of India. On the one hand, the Madras Presidency (comprising of present day states of Tamil Nadu, Andhra Pradesh, Kerala and Karnataka), Bombay and Bengal experienced a fall in the agricultural workforce and increase in occupational share of manufacturing and services. On the other hand, states like Orissa, Rajasthan and Punjab experienced a rise in the agricultural workforce.

23. Critically appraise some of the short falls by the industrial policy pursued by the British colonial administration.

**Answer** The industrial policy pursued by the Britishers under the colonial administration aimed at promoting the modern industries in Britain. This was achieved through:

(i) **Decay of Handicraft Industry** The traditional and important handicraft industry of India, in the absence of any patronage and incentives started to decline. The decline of handicraft industry, not only created massive unemployment but also resulted in a spur of demand in the Indian consumer market which was now deprived of supply of locally made goods. This demand was met through goods produced in British Industries.

(ii) **Limited Growth of Public Sector Enterprises** Only those public sector enterprises which subserved the interests of the Britishers were developed such as railways, postage and telegraph, etc.

(iii) **Absence of Capital Goods Industries** The consumer goods industries were not supported by the capital goods industry. There was also a dearth of basic and heavy industries.

(iv) **Bleak Growth of Modern Industry** Because no initiative was taken by the British Government to industrialise the Indian economy, therefore modern industries registered a negligible growth rate. A few enterprising entrepreneurs opened iron and steel industry, sugar, cement and paper mills.