

- Indian Economy on the Eve of Independence

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The Indian economy at the time of independence in 1947 was characterized by several structural weaknesses and challenges inherited from colonial rule. It was primarily agrarian with low agricultural productivity, limited industrial development, poor infrastructure, and widespread poverty.

Key Definitions and Features

- **Colonial Economy:** An economy structured to serve the interests of the British Empire, focusing on raw material export and import of manufactured goods.
- **Semi-feudal Economy:** Predominantly agrarian with feudal land tenure systems like Zamindari, Ryotwari, and Mahalwari.
- **Backward Economy:** Low levels of industrialization and technological advancement.
- **Stagnant Economy:** Minimal growth in productivity and income levels.

Sector-wise Overview

Agriculture Sector

The agricultural sector was the backbone but suffered from stagnation due to:

- **Land Tenure Systems:**
 - *Zamindari System:* Landlords (zamindars) collected taxes from peasants and paid to the British.
 - *Ryotwari System:* Direct settlement between the government and the cultivator.
 - *Mahalwari System:* Village communities collectively responsible for land revenue.
- **Commercialisation of Agriculture:** Driven by industrial revolution, British commercial policies, increased foreign trade, cash payments of land

revenue, improved transport, and expansion of agricultural markets.

Industrial Sector

- De-industrialisation due to high taxes and competition from British manufactured goods.
- One-sided industrial structure focusing on consumer goods rather than capital goods.
- Lack of capital goods industries and limited public sector operations.
- Dominance of foreign capital and concentration of enterprises in few hands.

Foreign Trade

- Export of primary products and import of finished goods.
- Monopoly control by Britain over foreign trade.
- Drain of Indian wealth to Britain.

Demographic Conditions

- High birth and death rates.
- High infant mortality rate.
- Low life expectancy and literacy rates.
- Low standard of living.

Occupational Structure

- Predominance of agriculture as the main occupation.
- Growing regional variations in employment.

Infrastructure

- Developed mainly to serve British interests, including railways, roads, water and air transport, and communication systems.

Illustrative Examples

During British rule, 14 major famines occurred, including the Great Bengal Famine of 1943, which was exacerbated by British policies such as grain requisitioning by Winston Churchill's government.

India's share of world GDP declined from 25–35% before British rule to about 2% at independence.

Practice Set

Level 1 – Easy

- Define the Zamindari system and explain its impact on Indian agriculture.
- List the main characteristics of the Indian industrial sector at independence.

Level 2 – Moderate

- Explain the causes of stagnation in Indian agriculture during British rule.
- Discuss the features of foreign trade on the eve of independence.

Level 3 – Challenging

- Analyze the demographic challenges faced by India at independence and their implications for economic development.
- Evaluate the positive contributions of British rule to India's economy.

Answer Key

Level 1

- **Zamindari System:** A land revenue system where landlords collected taxes from peasants and paid to the British. It led to exploitation of peasants and agricultural stagnation.
- **Industrial Sector Characteristics:** De-industrialisation, dominance of consumer goods industries, lack of capital goods industries, foreign capital dominance, and regional imbalances.

Level 2

- **Causes of Agricultural Stagnation:** Exploitative land tenure systems, commercialization pressures, lack of modern technology, and inadequate infrastructure.
- **Foreign Trade Features:** Export of raw materials, import of finished goods, British monopoly, and drain of wealth.

Level 3

- **Demographic Challenges:** High mortality rates, low life expectancy, and low literacy hindered human capital development, affecting economic growth.
- **Positive Contributions:** Development of transport infrastructure, introduction of monetary economy, administrative systems, and some food grain self-sufficiency.

Quick Reference

- **Land Tenure Systems:** Zamindari, Ryotwari, Mahalwari.
- **Economic Features:** Colonial economy, semi-feudal, backward, stagnant.
- **Industrial Issues:** De-industrialisation, lack of capital goods industries.
- **Foreign Trade:** Export raw materials, import finished goods, British monopoly.

Glossary

- **De-industrialisation:** Decline of traditional industries due to competition and policies.
- **Monopoly:** Market condition with a single seller controlling trade.
- **Commercialisation of Agriculture:** Shift from subsistence to market-oriented farming.
- **Drain of Wealth:** Transfer of resources from India to Britain during colonial rule.

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