Chapter 1: Indian Economy on the Eve of Independence

Exercises — Indian Economy on the Eve of Independence

Q1 What was the focus of the economic policies pursued by the colonial government in India? What were the impacts of these policies?

SOLUTION

The economic policies of the British colonial government were concerned more with the protection and promotion of the economic interests of their home country, Britain, than with the development of the Indian economy.

The primary goal was two-fold: first, to reduce India to a supplier of raw materials for Britain's expanding modern industries; and second, to turn India into a large market for the finished products of those British industries.

The impacts of these policies were far-reaching and damaging. They brought about a fundamental change in the structure of the Indian economy, transforming India from a country with diverse manufacturing activities into a mere exporter of raw materials and an importer of finished goods from Britain.

India's world-famous handicraft industries — particularly in cotton and silk textiles and metal works — declined severely under these policies. No corresponding modern industrial base was built to replace them, resulting in massive unemployment.

Agriculture experienced stagnation and deterioration under extractive land revenue systems such as the zamindari system. The export surplus generated during this period did not benefit the Indian people; instead, it was used to pay for British administrative expenses, wars, and the import of invisible items — amounting to a drain of Indian wealth.

Infrastructure like railways and roads was built primarily to serve British commercial and military interests, not for the welfare of Indian people. Overall, the colonial policies led to underdevelopment, widespread poverty, and stagnation of the Indian economy.

Answer: Colonial policies focused on serving British economic interests by making India a raw material supplier and a market for British goods. Their impact included destruction of handicraft industries, agricultural stagnation, lack of modern industrialisation, drain of wealth, and widespread poverty.

Q2 Name some notable economists who estimated India's per capita income during the colonial period.

SOLUTION

The colonial government never made any sincere attempt to estimate India's national and per capita income. Individual attempts that were made yielded conflicting and inconsistent results.

Among the notable economists who estimated India's per capita income during the colonial period were: Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai.

Of these, V.K.R.V. Rao's estimates during the colonial period were considered very significant.

Answer: Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai. Rao's estimates were considered most significant.

Q3 What were the main causes of India's agricultural stagnation during the colonial period?

SOLUTION

Agricultural stagnation during the colonial period was caused by several interrelated factors.

First, the various systems of land settlement introduced by the colonial government were a primary cause. Under the zamindari system implemented in the Bengal Presidency, the profit from agriculture went to the zamindars rather than the cultivators. Zamindars had little interest in improving agricultural conditions; their only concern was collecting rent regardless of the economic situation of the cultivators. The rigid terms of revenue settlement — with fixed dates for depositing revenue, failing which zamindars would lose their rights — further discouraged investment.

Second, there were low levels of technology and negligible use of fertilisers, which kept agricultural productivity very low.

Third, there was a lack of irrigation facilities and inadequate investment in terracing, flood control, drainage, and desalinisation of soil.

Fourth, the commercialisation of agriculture forced a section of farmers to shift from food crops to cash crops meant for British industries, rather than investing in improving productivity. Meanwhile, a large section of tenants, small farmers, and sharecroppers neither had the resources and technology nor the incentive to invest in agriculture.

These factors together resulted in dismal agricultural productivity and recurring misery for the farming population.

Answer: Main causes of agricultural stagnation included the exploitative zamindari land settlement system, low levels of technology, negligible use of fertilisers, lack of irrigation, and forced commercialisation of agriculture with no reinvestment in productivity.

Q4 Name some modern industries which were in operation in our country at the time of independence.

SOLUTION

During the second half of the nineteenth century, modern industry began to take root in India, though its progress remained very slow.

The following modern industries were in operation at the time of independence:

Cotton textile mills, mainly dominated by Indians, located in the western parts of the country — particularly Maharashtra and Gujarat.

Jute mills, dominated by foreigners, mainly concentrated in Bengal.

Iron and steel industry — the Tata Iron and Steel Company (TISCO), incorporated in 1907, was a prominent example.

After the Second World War, a few other industries also came up in the fields of sugar, cement, and paper.

Answer: Modern industries in operation at independence included cotton textile mills (Maharashtra and Gujarat), jute mills (Bengal), the Tata Iron and Steel Company (TISCO, est. 1907), and industries in sugar, cement, and paper.

Q5 What was the two-fold motive behind the systematic de-industrialisation effected by the British in pre-independent India?

SOLUTION

The British systematically de-industrialised India with a clear two-fold motive.

First, the intention was to reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain. India's handicraft industries and other production capacity were destroyed so that raw materials would flow unhindered to British factories.

Second, the intention was to turn India into a sprawling market for the finished products of those British industries, so that their continued expansion could be ensured to the maximum advantage of Britain.

In effect, this policy transformed India from a producer of fine manufactured goods into both a raw material supplier and a captive consumer market for British manufactured goods.

Answer: The two-fold motive was: (1) to make India a supplier of raw materials for British industries, and (2) to turn India into a large market for finished goods produced in Britain.

Q6 The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reasons in support of your answer.

SOLUTION

Yes, this view is well supported by the evidence presented in the chapter.

Before British rule, India was particularly well known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works. These products enjoyed a worldwide market based on the reputation of fine quality of material and high standards of craftsmanship. For example, 'Daccai Muslin' from Bengal had gained worldwide fame as an exquisite type of cotton textile.

Under British colonial rule, the economic policies pursued were aimed at protecting and promoting British economic interests. As a result, indigenous handicraft industries were systematically dismantled. The colonial government's policy of de-industrialising India meant that no modern industrial base was allowed to come up to replace the handicrafts.

The decline of indigenous handicraft industries created massive unemployment in India. It also created a new demand in the Indian consumer market, which was now deprived of locally made goods. This demand was met by increasing imports of cheap manufactured goods from Britain.

The handicraft industries could not survive competition from cheap, machine-made British goods, combined with the deliberate policy of the colonial government to reduce India to a raw material supplier. Thus, the world-famous handicraft industries of India were effectively ruined under British rule.

Answer: Yes. India's renowned handicraft industries in textiles, metal works, and other fields were deliberately undermined by British policies, causing massive unemployment. No modern industry was built to replace them, and the market was flooded with cheap British manufactured goods instead.

Q7 What objectives did the British intend to achieve through their policies of infrastructure development in India?

SOLUTION

The colonial government did develop basic infrastructure such as railways, roads, ports, water transport, posts, and telegraphs in India. However, the real motive behind this development was not to provide basic amenities to the people but to serve various colonial interests.

Roads constructed in India were primarily meant for mobilising the army within India and for drawing out raw materials from the countryside to the nearest railway station or port, from where these would be exported to England or other foreign destinations.

The British introduced the railways in India in 1850. While railways did enable people to undertake long-distance travel and break geographical and cultural barriers, they also fostered the commercialisation of Indian agriculture, which adversely affected the self-sufficiency of village economies. Importantly, the volume of India's exports expanded through railways, but the benefits rarely accrued to the Indian people.

The electric telegraph was introduced to serve the purpose of maintaining law and order.

In short, the infrastructure built by the British was designed to integrate India into the British imperial economic system — facilitating the extraction of raw materials and the suppression of any resistance — rather than for the genuine economic development or welfare of the Indian population.

Answer: The British developed infrastructure primarily to serve colonial interests: roads and railways to move raw materials to ports for export to Britain, mobilise the army, and maintain law and order — not for the welfare of the Indian people.

Q8 Critically appraise some of the shortfalls of the industrial policy pursued by the British colonial administration.

SOLUTION

The industrial policy of the British colonial administration had several serious shortfalls that left India without a sound industrial base at the time of independence.

First, the colonial government deliberately de-industrialised India by destroying its world-famous handicraft industries without allowing a modern industrial base to replace them. The policy was designed to benefit British industries at India's expense.

Second, although some modern industries did come up during the colonial period — cotton and jute mills, iron and steel — their growth rate and contribution to GDP remained very small. The progress of modern industry was very slow.

Third, there was a near-complete absence of capital goods industries. Capital goods industries

(which produce machine tools used to manufacture consumer articles) are essential for promoting further industrialisation. Without them, India remained dependent and could not build industrial capacity independently.

Fourth, the public sector remained confined only to railways, power generation, communications, ports and some departmental undertakings. There was very limited area of operation for the public sector in productive industries.

Fifth, the displacement of traditional handicraft industries was near-wholesale, resulting in massive unemployment with no adequate modern sector to absorb the displaced workers.

In summary, the colonial industrial policy stifled India's industrialisation, created structural dependency on Britain, and left the country with an extremely weak and narrow industrial base at independence.

Answer: Key shortfalls: systematic destruction of handicraft industries without building a modern replacement, very slow growth of new industries, no capital goods sector, extremely limited public sector activity in industry, and massive unemployment from de-industrialisation.

Q9 What do you understand by the drain of Indian wealth during the colonial period?

SOLUTION

The drain of Indian wealth refers to the process by which India's economic resources and surplus were transferred to Britain during the colonial period, without any adequate return or benefit to India.

The most important characteristic of India's foreign trade throughout the colonial period was the generation of a large export surplus — that is, the value of India's exports exceeded the value of its imports. One might expect this surplus to bring gold or silver into the country, strengthening its economy.

However, this export surplus did not result in any flow of gold or silver into India. Instead, it was used to make payments for: expenses incurred by an office set up by the colonial government in Britain, expenses on wars fought by the British government, and the import of invisible items — all of which led to the outflow or drain of Indian wealth.

Furthermore, several essential commodities such as food grains, clothes, and kerosene were scarcely available in the domestic market as a result of these export-oriented policies. The Indian people bore the cost of the export surplus without receiving any of its benefits.

Dadabhai Naoroji was one of the notable economists who highlighted and estimated this drain of wealth from India to Britain.

Answer: The drain of Indian wealth refers to India's large export surplus during the colonial period not generating any gold or silver inflow; instead, the surplus was used to pay for British administrative expenses, wars, and invisible imports, transferring India's resources to Britain without return.

Q10 Which is regarded as the defining year to mark the demographic transition from its first to the second decisive stage?

SOLUTION

Before 1921, India was in the first stage of demographic transition. The second stage of demographic transition began after 1921.

Therefore, 1921 is regarded as the defining year that marks the transition from the first to the second decisive stage of demographic transition in India.

Answer: 1921 is the defining year marking the demographic transition from the first to the second stage in India.

Q11 Give a quantitative appraisal of India's demographic profile during the colonial period.

SOLUTION

Various details about the population of British India were first collected through a census in 1881. Subsequently, census operations were carried out every ten years.

The overall literacy level in India was less than 16 per cent. Of this, female literacy was at a negligible low of about seven per cent.

Public health facilities were either unavailable to large sections of the population or, where available, were highly inadequate. As a result, water and air-borne diseases were rampant.

The overall mortality rate was very high. The infant mortality rate was particularly alarming — about 218 per thousand live births, in contrast to the present infant mortality rate of 28 per thousand.

Life expectancy was very low — only 32 years, in contrast to the present 70 years.

Before 1921, India was in the first stage of demographic transition; the second stage began after 1921. Neither the total population nor the rate of population growth at that time was very high.

Extensive poverty prevailed during the colonial period, which further worsened the demographic profile of the Indian population.

Answer: Colonial India had: literacy below 16% (female literacy ~7%), infant mortality ~218 per thousand, life expectancy only 32 years, high overall mortality, rampant disease, and widespread poverty. The second stage of demographic transition began only after 1921.

Q12 Highlight the salient features of India's pre-independence occupational structure.

SOLUTION

During the colonial period, the occupational structure of India — i.e., the distribution of working persons across different industries and sectors — showed little sign of change.

The agricultural sector accounted for the largest share of the workforce, which usually remained at a high of 70-75 per cent. The manufacturing sector and the services sector accounted for only 10 and 15-20 per cent respectively.

A second salient feature was the growing regional variation in the occupational structure. Parts

of the then Madras Presidency (comprising areas of present-day Tamil Nadu, Andhra Pradesh, Kerala and Karnataka), as well as Bombay and Bengal, witnessed a decline in the dependence of the workforce on the agricultural sector, with a commensurate increase in the manufacturing and services sectors.

In contrast, states such as Orissa, Rajasthan, and Punjab saw an increase in the share of the workforce engaged in agriculture during the same period.

Overall, the occupational structure was heavily skewed towards agriculture with very limited diversification into manufacturing or services — reflecting the underdeveloped and stagnant nature of the colonial economy.

Answer: Key features: agriculture employed 70-75% of the workforce; manufacturing and services held only 10% and 15-20% respectively; the structure showed little change; and there was growing regional variation, with some areas diversifying while others became more agricultural.

Q13 Underscore some of India's most crucial economic challenges at the time of independence.

SOLUTION

By the time India won its independence, the impact of two centuries of British colonial rule had created enormous social and economic challenges.

First, the agricultural sector was already saddled with surplus labour and extremely low productivity. The majority of the population depended on a stagnant agriculture for sustenance.

Second, the industrial sector was crying for modernisation, diversification, capacity building, and increased public investment. No sound industrial base had been built during colonial rule, and what existed was narrow and limited.

Third, the handicraft industries had been ruined, causing massive unemployment, and no adequate modern sector existed to absorb the displaced workers.

Fourth, foreign trade was oriented to feed the Industrial Revolution in Britain rather than to serve India's development needs.

Fifth, infrastructure facilities — including the railway network — needed upgradation, expansion, and public orientation. Roads, irrigation, and communication systems were inadequate.

Sixth, the prevalence of rampant poverty and unemployment required a welfare-oriented public economic policy. Low literacy, poor public health, high mortality, and widespread poverty all demanded urgent attention.

In a nutshell, the challenges were enormous across every sector of the economy.

Answer: Crucial challenges at independence included: stagnant and over-dependent agriculture, lack of a modern industrial base, mass unemployment from de-industrialisation, exploitative foreign trade structure, inadequate infrastructure, and widespread poverty, illiteracy, and poor public health.

Q14 When was India's first official census operation undertaken?

SOLUTION

Various details about the population of British India were first collected through a census in 1881. Though this census suffered from certain limitations, it revealed the unevenness in India's population growth.

Subsequently, census operations were carried out every ten years.

Answer: India's first official census operation was undertaken in 1881.

Q15 Indicate the volume and direction of trade at the time of independence.

SOLUTION

At the time of independence, India's foreign trade had been shaped by the restrictive policies of commodity production, trade, and tariff pursued by the colonial government.

In terms of composition, India had become an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, and jute, and an importer of finished consumer goods like cotton, silk, and woollen clothes, as well as capital goods such as light machinery produced in British factories.

Regarding direction, Britain maintained a near-monopoly control over India's exports and imports. More than half of India's foreign trade was restricted to Britain. The remaining trade was allowed with a few other countries like China, Ceylon (Sri Lanka), and Persia (Iran).

The most important characteristic of India's foreign trade during the colonial period was the generation of a large export surplus. However, this surplus did not benefit India — it was used to meet British administrative and war expenses and resulted in a drain of Indian wealth.

The opening of the Suez Canal in 1869 further intensified British control over India's foreign trade by reducing transportation costs and making access to the Indian market easier for British goods.

Answer: India exported primary products (raw cotton, silk, jute, indigo, sugar) and imported finished and capital goods from Britain. Over half of India's trade was with Britain; the rest with China, Ceylon, and Persia. The trade generated a large export surplus that drained wealth rather than benefiting India.

Q16 Were there any positive contributions made by the British in India? Discuss.

SOLUTION

While the overall impact of British colonial rule on India was exploitative and damaging, the chapter does acknowledge certain developments that may be considered positive, though even these were primarily driven by British self-interest.

The introduction of the railways in 1850 is considered one of the most important contributions of the British. Railways enabled people to undertake long-distance travel and thereby break geographical and cultural barriers. They also fostered the commercialisation of Indian agriculture, though this had mixed effects.

Along with railways, the colonial government also developed roads, ports, inland trade lanes, and sea lanes. The introduction of posts and telegraphs also contributed to improved communication.

However, the chapter makes it clear that even these developments came with significant caveats. The real motive behind infrastructure development was to serve colonial interests — to move raw materials to ports for export and to maintain law and order — not to provide basic amenities to the Indian people. The social benefits gained by Indians owing to railways were outweighed by the country's huge economic loss.

The postal services, despite serving a useful public purpose, remained inadequate throughout. The electric telegraph served mainly to maintain law and order. The Coast Canal on the Orissa coast, built at great expense, failed to compete with railways and was ultimately abandoned.

Modern industries such as cotton and jute textile mills and the Tata Iron and Steel Company (TISCO) did come up, but their growth was slow and their contribution to the GDP remained very small.

In conclusion, while the British did leave behind some infrastructure and a few modern industries, these contributions were incidental to their primary goal of exploiting India. They cannot be considered genuine efforts at development, and the economic losses to India far outweighed any benefits.

Answer: The chapter acknowledges railways (introduced 1850), roads, ports, posts, and telegraphs as infrastructure contributions, and the establishment of some modern industries. However, these were driven by colonial self-interest — to extract resources and maintain control — and the economic losses to India far outweighed any benefits.