

CBSE Class 11 Economics

Revision Notes

Chapter - 9

INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

Points to remember

Economy of a country includes all production, distribution or economic activities that relate with people and determines the standard of living. On the eve of independence Indian economy was in very bad shape due to the presence of British colonial rule.

The sole purpose of the British colonial rule in India was to reduce the country to being a feeder economy for Great Britain's own rapidly expanding modern industrial base. Thus, in 1947, when British transferred power back to India, we inherited a crippled economy.

Conditions in the Indian economy on the eve of independence:

(i) Low level of economic development: The colonial govt., never made any sincere attempt to estimate India's national and percapita income.

The estimates given by Dr. V.K.R.V. Rao suggested that growth rate of GDP was about 2% per annum while the growth of per capita output was just 1/2 (0.5) percent per annum.

(ii) Backward agricultural sector: Due to

- A. Land tenure system- Zamindari system, Mahalwari system and Ryotwari system.
- B. Forced commercialisation of Agriculture
- C. Partition of the country.

(iii) Less developed Industrial sector

- A. De-industrialization- Decline of Indian handicraft industry.
- B. Capital good industries were lacking
- C. Limited operation of public sector
- D. Discriminatory tariff policy.
- E. Competition from Machine made products
- F. Introduction of Railways in India
- G. Lack of Heavy and Basic Industries

(iv) Foreign trade characteristic

- A. Net exporter of raw material and importer of finished good.
- B. Britain had the monopoly control on foreign trade.
- C. Drain of India's wealth.

(v) Adverse demographic condition

- A. High death and Birth rate-40 and 48 per thousand respectively.
- B. High infant mortality rate-218 per thousand.
- C. Mass Illiteracy-84% illiterate.
- D. Low life expectancy- 44 years
- E. Low standard of living- People used to spend 80% to 90% of their income on basic needs.
- F. Lack of public health facilities
- G. Female Literacy level was about 7%.

(vi) Underdeveloped infrastructure

Absence of good roads, electricity generation, health, education and communication.

However, some efforts have been made to develop basic infra-structure like roads, railways, ports, water transport, post & telegraph by the British rulers. The main motive was not to provide basic amenities to the Indian people but for their colonial interest.

(vii) More dependence on primary sector

Largest share of work force which was 72% was engaged in agriculture.
10% in manufacturing while 18% workforce were engaged in service sector.

Some positive side-effects of the British rule in India

- A. Provided transport facilities, largely in terms of railway.
- B. Development of ports.
- C. Provision of post and telegraph services.
- D. British Govt. left a base of a strong and efficient administrative set up.
- E. Political and economic unification of the country.
- F. Evolution of banking and monetary system.