

Indian Economy on the Eve of independence (XII)

Q1. What is the primary objective of Indian economic development?

Ans. The objective is to familiarize with the basic features of Indian economy, and its development as it is today in the aftermath of independence.

Q2. What was the sole purpose of British Rule?

Ans. The sole purpose of British colonial rule in India was to reduce the country to being a raw material supplier for Great Britain's own rapidly expanding industrial base.

Q3. Name the items for which India was famous for before the advent of British rule?

Ans. India was particularly well known for handicraft industries in field of cotton and silk textiles, metal and precious stones works etc.

Q4. Name the place of origin of Muslin .

Ans. Bengal around Dhaka capital city of Bangladesh.

Q5. What were the economic policies pursued by the colonial government in India?

Ans. 1) The economic policies pursued by the colonial government in India were concerned more with the protection and promotion of the economic interests of their home country than with the development of the Indian economy.

2) Such policies brought change in the structure of Indian economy – transforming the country into supplier of raw materials and consumer of finished industrial products from Britain.

Q6. Name some notable estimators who made individual attempts to estimate national and per capita income of India

Ans. Dadabhai Naoroji, William Digby, Frindlay Shirras, V.K.R.V. Rao and R.C. Desai

Q7. Whose estimates are considered most significant during colonial period.

Ans. V.K.R.V. Rao

Q8. What was country's growth of aggregate real output during first half of the 20th century and what was per capita output per year?

Ans. Less than 2 percent growth and per capita output was 0.5 Percent per capita output.

Q9. What was the percentage of population which lived in villages during British period?

Ans. 85 percent

Q10. What was the condition of agriculture during colonial period?

Ans. Agricultural productivity became low though, in absolute terms, the sector experienced some growth due to the expansion of the aggregate area under cultivation. This stagnation in the agricultural sector was caused mainly because of

- 1) **The various systems of land settlement** -: Many systems that were introduced by the colonial government. Particularly, under the *zamindari* system which was implemented in the then Bengal Presidency comprising parts of India's present-day eastern states, the profit accruing out of the agriculture sector went to the *zamindars* instead of the cultivators. However, a considerable number of *zamindars*, and not just the colonial government, did nothing to improve the condition of agriculture. The main interest of the *zamindars* was only to collect rent regardless of the economic condition of the cultivators; this caused immense misery and social tension among the latter. To a very great extent, the terms of the revenue settlement were also responsible for the *zamindars* adopting such an attitude; dates for depositing specified sums of revenue were fixed, failing which the *zamindars* were to lose their rights.
- 2) **Low levels of technology**:- Besides this, low levels of technology, lack of irrigation facilities and negligible use of fertilisers, all added up to aggravate the plight of the farmers and contributed to the dismal level of agricultural productivity.
- 3) **Commercialisation of agriculture**:- There was, of course, some evidence of a relatively higher yield of cash crops in certain areas of the country due to commercialisation of agriculture. But this could hardly help farmers in improving their economic condition as, instead of producing food crops, now they were producing cash crops which were to be ultimately used by British industries back home.

Q11. What was the two fold motive behind the systematic de-industrialisation effected by the British in pre-independent India?

Ans. The primary motive of the colonial government behind this policy of systematically deindustrializing India was two-fold.

- 1) The intention was, first, to reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain
- 2) To turn India into a sprawling market for the finished products of those industries so that their continued expansion could be ensured to the maximum advantage of their home country — Britain.

Q12 What were the effects of deindustrialization in India during colonial rule?

Ans. 1) In the unfolding economic scenario, the decline of the indigenous handicraft industries created not only massive unemployment in India but also a new demand in the Indian consumer market, which was now deprived of the supply of locally made goods.

2) This demand was profitably met by the increasing imports of cheap manufactured goods from Britain.

Q13. What was the condition of Industrial sector during colonial rule?

Ans. A. **De-industrialization**- Decline of Indian handicraft industry.-

- 1) The intention was, first, to reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain

2) To turn India into a sprawling market for the finished products of those industries so that their continued expansion could be ensured to the maximum advantage of their home country — Britain

B. Capital good industries were lacking:- there was hardly any capital goods industry to help promote further industrialisation in India. Capital goods industry means industries which can produce machinetools which are, in turn, used for producing articles for current consumption. The establishment of a few manufacturing units here and there was no substitute to the near wholesale displacement of the country's traditional handicraft industries.

C. Limited operation of public sector -: Another significant drawback of the new industrial sector was the very limited area of operation of the public sector. This sector remained confined only to the railways, power generation, communications, ports and some other departmental undertakings

D. Discriminatory tariff policy:- During the colonial rule, the British followed a discriminatory tariff policy under which they imposed heavy tariffs (export duties) on India's export of handicraft products while allowing free export of India's raw material to Britain and free import of British products to India.

E. Competition from Machine made products:- This was due to stiff competition from the machine made textiles from Britain. The goods produced mechanically in Britain using cheap raw material from India were comparatively lower in price and of superior quality than the Indian handicraft goods. This narrowed the market for Indian handicrafts industries.

F. Lack of Heavy and Basic Industries:- Due to the confined growth of the PSUs and the unbalanced industrial formation, the growth of the modern industry was stagnant. In addition, there was a scarcity of basic and heavy industries.

Q14. Which industries were established during 19th century in India?

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

- 1) Initially, this development was confined to the setting up of cotton and jute textile mills.
- 2) The cotton textile mills, mainly dominated by Indians, were located in the western parts of the country, namely, Maharashtra and Gujarat, while the jute mills dominated by the foreigners were mainly concentrated in Bengal.
- 3) Subsequently, the iron and steel industries began coming up in the beginning of the twentieth century. The Tata Iron and Steel Company (TISCO) was incorporated in 1907. A few other industries in the fields of sugar, cement, paper etc. came up after the Second World War.

Q15. Which Indian industry was adversely affected due to the partition of India and why?

Ans. Jute industry was adversely affected due to the partition of India because :

(a) The whole of the jute producing area became part of East Pakistan (now Bangladesh); and

(b) India's jute goods industry suffered heavily for lack of raw material.

Q16. What is drain of Indian wealth during british rule?

Ans. Drain of wealth means that economic policies of the British in India were primarily motivated to snatch maximum benefits from India's trade. India's foreign trade generated

large export surplus. This export surplus did not result in any flow of gold or silver into India. There was drain of India's wealth into Britain.

It is clear from the following facts :-

- a) The surplus was used to make payments for the expenses incurred by the office set up by the colonial government in Britain.
- b) The surplus was used to pay expenses on war fought by the British government.
- c) Surplus was used to pay for the import of invisible items.

Q17. What was the structure, volume and composition of foreign trade during British rule?

Ans. Structure-: India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute etc. and an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machinery produced in the factories of Britain. For all practical purposes, Britain maintained a monopoly control over India's exports and imports. As a result, more than half of India's foreign trade was restricted to Britain while the rest was allowed with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran). The opening of the Suez Canal further intensified British control over India's foreign trade. The most important characteristic of India's foreign trade throughout the colonial period was the generation of a large export surplus. But this surplus came at a huge cost to the country's economy. Several essential commodities—food grains, clothes, kerosene etc. — were scarcely available in the domestic market. Furthermore, this export surplus did not result in any flow of gold or silver into India. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war, again fought by the British government, and the import of invisible items, all of which led to the drain of Indian wealth.

Q18. When was the first official census conducted in India?

Ans. 1881

Q19. When was Suez Canal constructed?

Ans. 1869. Its opening in 1869 reduced the cost of transportation and made access to the Indian market easier.

Q20. Which year is marked as the year of Great divide and why?

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

Q21. Mention the demographic profile of pre-independent India.

Or

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

Ans. 1) The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about seven per cent.

2) Public health facilities were either unavailable to large chunks of population or, when available, were highly inadequate. Consequently, water and air-borne diseases were rampant and took a huge toll on life.

3) No wonder, the overall mortality rate was very high and in that, the infant mortality rate was quite alarming—about 218 per thousand in contrast to the present infant mortality rate of 40 per thousand.

4) Life expectancy was also very low—44 years in contrast to the present 68 years.

5) Extensive poverty prevailed in India during the colonial period which contributed to the worsening profile of India's population of the time.

Q22. Highlight the salient features of India's pre-independence occupational structure.

Ans. The occupational structure of India, i.e., distribution of working persons across different industries and sectors, showed little sign of change.

- 1) The agricultural sector accounted for the largest share of workforce, which usually remained at a high of 70-75 per cent while the manufacturing and the services sectors accounted for only 10 and 15-20 per cent respectively.
- 2) Another striking aspect was the growing regional variation. Parts of the then Madras Presidency (comprising areas of the present-day states of Tamil Nadu, Andhra Pradesh, Kerala and Karnataka), Bombay and Bengal witnessed a decline in the dependence of the workforce on the agricultural sector with a commensurate increase in the manufacturing and the services sectors. However, there had been an increase in the share of workforce in agriculture during the same time in states such as Orissa, Rajasthan and Punjab.

Q23. What objectives did the British intend to achieve through their policies of infrastructure development in India?

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

- 1) Roads:- Roads constructed in India prior to the advent of the British rule were not fit for modern transport. The roads that were built primarily served the purposes of mobilising the army within India and drawing out raw materials from the countryside to the nearest railway station or the port to send these to far away England or other lucrative foreign destinations. There always remained an acute shortage of all weather roads to reach out to the rural areas during the rainy season. Naturally, therefore, people mostly living in these areas suffered grievously during natural calamities and famines
- 2) Railways:-The British introduced the railways in India in 1850 and it is considered as one of their most important contributions. The railways affected the structure of the Indian economy in two important ways. On the one hand it enabled people to undertake long distance travel and thereby break geographical and cultural barriers while, on the other hand, it fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India. The volume of India's exports undoubtedly expanded but its benefits rarely accrued to the Indian people. The social benefits which were accrued were outweighed by the country's huge economic loss.
- 3) Waterways:- the colonial dispensation also took measures for developing the inland trade and sea lanes. However, these measures were far from satisfactory. The inland waterways, at times, also proved uneconomical as in the case of the Coast Canal on the Orissa coast. Though the canal was built at a huge cost to the government exchequer, yet, it failed to compete with the railways, which soon traversed the region running parallel to the canal, and had to be ultimately abandoned.
- 4) Post and telegraph:- The introduction of the expensive system of electric telegraph in India, similarly, served the purpose of maintaining law and order. The postal services, on the other hand, despite serving a useful public purpose, remained all through inadequate.

Q24. Were there any positive contributions made by the British in India? Discuss.

Ans. Yes, there were various positive contributions that were made by the British in India though these contributions were not made with the objective of welfare for Indians but for the British interests. Some of the positive contributions made by British are

- (i) Introduction of Railways -: The introduction of railways by the British was a breakthrough in the development process of Indian Economy. It opened up the cultural and geographical barriers and facilitated commercialization of Indian agriculture.
- (ii) Introduction of Commercialization of Agriculture -: The introduction of commercial agriculture is an important breakthrough in the history of Indian agriculture. Prior to the advent of the British, Indian agriculture was of subsistence nature. But with the commercialization of agriculture the agricultural production was named out as per the market requirements leading to higher agricultural incomes.
- (iii) Introduction of Free Trade -: British forced India to follow free trade pattern during the colonial rule. This is the key concept of globalisation today. The free trade provided domestic industry with a platform to compete with the British industries. The introduction of free trade led to an increase in the volume of India's exports.
- (iv) Development of Infrastructure-: The infrastructure developed in India by the British proved to be useful for Indian people. The telegram and postal services served Indian public and the roads built by British provided connectivity to interior regions.

Q25. Underscore some of India's most crucial economic challenges at the time of independence.

Ans. a) The agricultural sector continued to experience stagnation and deterioration despite the fact that the largest section of Indian population depended on it for sustenance.

- b) The rule of the British-India government led to the collapse of India's world famous handicraft industries without contributing, in any significant manner, to its replacement by a modern industrial base.
- c) Lack of adequate public health facilities, occurrence of frequent natural calamities and famines pauperized the hapless Indian people and resulted in engendering high mortality rates.
- d) The industrial sector was crying for modernisation, diversification, capacity building and increased public investment.
- e) Prevalence of rampant poverty and unemployment required welfare orientation of public economic policy

Indian economy 1950-1990

Q1. How central problems are solved in a capitalist economy? Why did it not appeal to leaders of India?

Ans. Every society has to answer three questions

- a) What goods and services should be produced in the country?
- b) How should the goods and services be produced? Should producers use more human labour or more capital (machines) for producing things?

c) How should the goods and services be distributed among people?

One answer to these questions is to depend on the market forces of supply and demand. In a market economy, also called capitalism, only those consumer goods will be produced that are in demand, i.e., goods that can be sold profitably either in the domestic or in the foreign markets. If cars are in demand, cars will be produced and if bicycles are in demand, bicycles will be produced.

If labour is cheaper than capital, more labour-intensive methods of production will be used and vice-versa.

In a capitalist society the goods produced are distributed among people not on the basis of what people need but on the basis of Purchasing Power—the ability to buy goods and services. That is, one has to have the money in the pocket to buy it. Low cost housing for the poor is much needed but will not count as demand in the market sense because the poor do not have the purchasing power to back the demand.

As a result this commodity will not be produced and supplied as per market forces. Such a society did not appeal to Jawaharlal Nehru, our first prime minister, for it meant that the great majority of people of the country would be left behind without the chance to improve their quality of life.

Q2. How central problems are solved in a socialist economy? Why did it not appeal to leaders of India?

Ans. Every society has to answer three questions

- a) What goods and services should be produced in the country?
- b) How should the goods and services be produced? Should producers use more human labour or more capital (machines) for producing things?
- c) How should the goods and services be distributed among people?

A socialist society answers the three questions in a totally different manner. In a socialist society the government decides what goods are to be produced in accordance with the needs of society. It is assumed that the government knows what is good for the people of the country and so the desires of individual consumers are not given much importance.

The government decides how goods are to be produced and how they should be distributed.

In principle, distribution under socialism is supposed to be based on what people need and not on what they can afford to purchase. Unlike under capitalism, for example, a socialist nation provides free health care to all its citizens. Strictly, a socialist society has no private property since everything is owned by the state. In Cuba and China, for example, most of the economic activities are governed by the socialistic principles.

The leaders were not in favour of the kind of socialism established in the former Soviet Union where all the means of production, i.e. all the factories and farms in the country, were owned by the government. There was no private property. It is not possible in a democracy like India for the government to change the ownership pattern of land and other properties of its citizens in the way that it was done in the former Soviet Union.

Q3. What type of economic system did India opt for?

Ans. India adopted mixed economic system i.e. the government and the market together answer the three questions of what to produce, how to produce and how to distribute what is produced. In a mixed economy, the market will provide whatever goods and services it can produce well, and the government will provide essential goods and services which the market fails to do.

Q4. What is a plan?

Ans. A plan spells out how the resources of a nation should be put to use. It should have some general goals as well as specific objectives which are to be achieved within a specified period of time.

Q5. From where did India borrow its five year plans?

Ans. Soviet Union

Q6. What is a perspective plan? What is the basis of perspective plan?

Ans. Our plan documents not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. This long-term plan is called 'perspective plan'. The five year plans are supposed to provide the basis for the perspective plan.

Q7. When was planning commission set up? Who was the chairperson of planning commission?

Ans. In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson.