

## Class- XII

### Subject- Economics

#### Chapter-1

#### Indian Economy

##### State of Indian Economy on the Eve of Independence:

- 1 **Colonial Economy-** Indian economy was a colony of British government. It implied exploitation of the Indian economy for the benefits of the British economy. India economy was used as a source of raw material for the British industries British govt. curved domestic industries by imposing heavy taxes.
- 2 **Stagnant Economy-** On the eve of independence, Indian economy was compatibly a stagnant economy on account of this stagnation, bulk of Indian people lived in poverty standard of living of the people remained miserable and low epidemics and starvation were a recurring phenomenon.
- 3 **Backward Economy-** At the end of British rule, Indian economy was backward and underdevelopment the main reason for the backwardness of Indian economy were:-
  - 1 Law level of productivity
  - 2 Law per capital income.
  - 3 Traditional method of agriculture.
  - 4 High birth rate and death rate.
  - 5 Mass illiteracy

- 4 **Lopsided Economy-** Indian economy was the feeder economy for the British. British developed only those industries which would help the imperial economy grow. Indian economy was the supplier of only raw material. There was no development of capital industries.
- 5 **Depleted Economy-** When British left the India. India owed a large debt. This debt had accumulated because a large expenditure had been incurred in maintaining the army (that helped the British rule) and the administrative staff of British. Because of that India paid heavy taxes and high prices for the import of raw material.
- 6 **Dependent Economy-** At the end of the British rule the once self-sufficient economy was depending on the other countries for everything food, raw material for modern industries machinery and equipment and even administration known how, education and health facilities.

### **State of primary sector (Agriculture) on the Eve of Independence**

- 1 **Low level of productivity-** In agriculture level of productivity was very low due to old farming method. There was no use of HYV seeds and chemical fertilizers.
- 2 **Dependence on rainfall-** There were no proper irrigation facilities agriculture was completely dependent on rainfall which was highly unpredictable.
- 3 **A gulf between tillers of the soil and owners of the soil-** Agriculture during British was characterized by a gulf between the owners of soil. Because owners of the land were not actual tillers of the soil. That's why they were not interested in the improvement of the soil.
- 4 **Small and Scattered land holdings-** Land holdings were sub divided and people have a no of small piece of scattered land Accordingly, most land holdings were uneconomic yielding low output at high cost.

- 5 **Forced commercialization of Agriculture-** commercialization of agriculture refers to a shift to commercial crops (indigo) from the Conventional subsistence crops (like rice and wheat). Now they needed cash to buy good grains. But they have seldom have cash owing to their mounting ineptness. Consequence perpetual indebtedness of the formers and perpetual stagnation of farming.
- 6 **Land Revenue system under the British Raj-** It led to unlimited exploitation of the tiller of soil by zamidars. Backwardness of tillers (as land less labors) meant that they have no means and little interest in improving agriculture. On the other hand, Zamidars spent all their revenue on luxuries of life and improvement of agriculture was totally neglected.

### **Industrial sector on the Eve of Independence**

- 1 **Decline of handicraft Industry-** Prior to British rule, handicraft in India enjoyed the worldwide reputation of excellence and quality. The British govt. imposed heavy duty on exports of Indian handicrafts products. It increased the rate/cost of products consequently. India handicraft products started losing their domestic as well as foreign market.
- 2 **Bleak growth of modern Industries-** during British rule very few industries were developed like iron and steel, few textile mills and sugar mills. There was no capital goods industry worth the name. Capital goods industry produces goods like machines and industrial plants which are used for further industrialization. In the absence of this industry industrialization in India remained lopsided.
- 3 **Limited operation of Public sector-** During the British period the role of public sector was very limited the public sector remained confined only to the railways, power generation, communication, parts and some other departmental undertakings.
- 4 **Agriculture based Industries-** Cotton, jute, sugar and vegetable oil industries contributed to 41% of the real output of the industrial sector. This show its nascent stage.

## Causes of Decay of Handicrafts

- 1 Discriminatory Tariff Policy of the state.
- 2 Disappearance of Princely courts.
- 3 Competition from machine made products.
- 4 New Patterns of demand.
- 5 Introduction of railway in India.

## State of foreign trade at the eve of Independence

- 1 **Net exporter of raw material and importer of finished goods-** India was a well-known exporter of finished products (such as cotton, silk etc.) But the British rule in India converted India into a net exporter of raw material and importer of finished goods.
- 2 **Monopoly of British govt.-** Since India was being ruled by British govt. Exports and imports of the country became a monopoly of British govt. more than 50% of Indians foreign trade was restricted to Britain.
- 3 **Surplus Trade but only to benefits the British-** The trade surplus was not used for growth and development of the country instead it was used to meet the administrative expenses of the British govt. in India and expenses were bought by the British govt.

## Demographic profile During the British rule

- 1 **Birth rate and Death rate-** Both birth rate and death rate were very high nearly 48 and 40 per thousand respectively.
- 2 **Infant Mortality rate-** Infant mortality rate (death rate of children below the age of one year) was very high. It was about 48 per thousand, while at present, it is 34 per thousand. High infant mortality is a sign of poor health care associated with extreme poverty.

- 3 **Life Expectancy-** Life expectancy (average life of a person) was as low as 32 years, while present it is 68 years. Low life expectancy reflected lack of health care facilities lack of awareness as well as lack of means to avail them.
- 4 **Literacy rate-** Literacy rate (referring to those who can read and write) was nearly 16 percent, reflecting social backwardness as a reflection of economic backwardness. Female literacy rate was still worse. Only 7%. This indicted gender bias in the society.

### **Occupational structure on the Eve of Independence**

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

#### **Features of Occupational Structure**

- 1 **Principal source of occupation was Agriculture-** On the eve of independence, about 72.4 percent of working population was engaged in agriculture. % of population depending on agriculture is much less in advanced countries of the world. For ex- In England and America 2 percent, in Japan 12% and in Germany 4% of the population depend on agriculture.
- 2 **Industry an insignificant source of occupation-** On the eve of independence, barely 9.0% of the Working population in India was engaged in manufacturing industries, mining etc.  
  
It further proves How backward Indian economy was at the time of independence
- 3 **Unbalanced Growth-** The label 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.
- 4 **Regional Variation-** Another striking aspect was the growing reason variation.

## State/Reasons for infrastructural Development

**Roads-** The colonial administration could not accomplish much on construction of roads due to scarcity of funds. The road that were built primarily served the interests of mobilizing the army and shifting raw materials.

**Railways-** The most important contribution of the British rule was to introduce railways in India in 1850. The railways affected the structure of the Indian economy it enhanced commercialization of Indian agriculture and enabled people to undergo long distance travel.

**Air and water transport-** British govt. took measures for developing the water and air transport. However, their development was far from satisfactory.

**Communication-** Posts and telegraphs were the most popular means of communication. It served the purpose of maintaining law and order.

## Positive contribution of British rule

- 1 **Self-sufficiency in food grain Production-** Commercialization of agriculture initiated by British govt. resulted in self-sufficiency in food grain production.
- 2 **Better means of transportation-** development of roads and railways, cheap & rapid transport system opened up new opportunities of economic and social growth.
- 3 **Check on famine-** Roads and railways reduces the impact of famine as food supply could be transported to the affected areas in case of draughts.
- 4 **Effective administrative system-** British govt. play an important role to set up a effective administrative system in India. The law and order made by British govt. are effective even today.