Unique Notes on Indian Economy on the Eve of Independence

Pre-British Economy: India was a prosperous, though an agrarian economy, known for its handicraft Industry. Bengal was famous for Muslin (a fine cotton fabric), especially for Dacca Muslin (called Malmal).

Estimates of National Income: Many Economists like Dada Bhai Naoroji, William Digby, Findlay Shirass, Dr. V.K.R.V. Rao and R.C. Desai estimated National Income. Dada Bhai Naoroji was first to estimate NI while Dr.Rao's estimates were considered more significant. India's growth was less than 2% while per capital growth was only 0.5% during first half of 20th century.

Agriculture Sector: Indian agriculture was stagnant and backward due to land settlement systems (Zamindari, Mahalwari, Ryotwari), low productivity (lack of irrigation facilities and less use of fertilizers), scarcity of investment by farmers, zamindars and government. Moreover, commercialization of agriculture (in Jute, Cotton, Indigo etc.) diverted land from food-grain production which led to shortage of foodgrains, ultimately resulting in many famines.

Industrial Sector: The well-developed Handicraft Industry was destroyed by Discriminatory Tariff Policy of the colonial government which focused on duty free export of raw material, duty free import of finished goods and heavy duty on export of finished handicraft products. This de-industrialization process had two motives – making India (i) an exporter of cheap raw material to Britain and (ii) an importer of finished goods from Britain.

There was lack of capital and modern industries. Before 20th century, some Indian Dominated Cotton factories established in western India (Maharashtra & Gujarat) while European Dominated Jute factories came up in Bengal. TISCO was established in 1907 while sugar, cement, paper etc. industries came up during World War-2. Public sector had only railways, power, communication, posts and some departmental undertakings.

Foreign Trade: India became an exporter of raw material and importer of finished goods. However, India had surplus balance of trade which did not benefit to Indians and was used by colonial government to meet expenses of war, its offices, and import of invisible items. Opening of Suez Canal (1869) decreased cost of trade. Apart from Britain, India had other major trading partners like China, Sri Lanka (Ceylon) and Iran (Persia).

Demographic Condition: 1st Census conducted in 1881. 1921 was the Year of Great Divide as India entered into 2nd stage of demographic transition and its population never decreased after 1921.

Both birth rate and death rates were high. Overall literacy rate was 16% with female literacy only 7%. Infant mortality rate (218/1000) was high while life expectancy at birth (32 years) was very low.

Occupational Structure: More than ¾ of population derived their livelihood from agriculture. Some states like Southern States, Maharashtra and West Bengal witnesses decline of workforce in agriculture while Orissa, Rajasthan and Punjab saw an increase.

Infrastructure: Railways was introduced in 1850 and first train ran in 1853 from Bombay to Thane. Post and telegraph were also developed by government. However, whatever infrastructure was developed, it was for the benefit of Britishers, like railways which was used to transport raw material to ports and finished goods to different parts of the country.

Positive contribution by Britishers: Unintentionally, Britishers provided India better means of transport & communication, effective administrative set-up, expansion of area under agriculture.

Conclusion: We can say that Britishers made India a colonial (British Rule over India), Semi Feudal (Zamindars), stagnant (2% GDP & 0.5 per capita growth), backward (low productivity & high literacy), depleted (rapid depreciation of physical assets) and an amputated (partition) economy. However, it laid foundation for modern education system, industries, transportation, communication system and administrative set-up.

Some Key Concepts:

Colonialism: Colonialism is a system in which a country rule over another country and used the resources of ruled country for its own benefit.

Zamindari System: Introduced in 1793, under this system Zamindars (landlords) were made intermediaries between peasants and government for the purpose of collecting rent (Lagaan). These Zamindars had to deposit a fixed share of collected rent to the Government, failing which their Zamindari would be withdrawn.

Life Expectancy: It refers to the expected number of years a person is likely to live.