



INDIAN ECONOMIC DEVELOPMENT

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CHAPTER 1st

INDIAN ECONOMY

ON THE

EVE OF INDEPENDENCE

The structure of India's present day economy is not just of current making; it has its roots steeped in history, particularly in the period when India was under British rule. The sole purpose of the British colonial rule in India was to reduce the country to being a raw material supplier for Great Britain's own rapidly expanding modern industrial base.

LOW LEVEL OF ECONOMIC DEVELOPMENT UNDER THE COLONIAL RULE

India had an independent economy before the advent of the British rule. 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. Such policies brought about a fundamental change in the structure of the Indian economy — transforming the country into supplier of raw materials and consumer of finished industrial products from Britain.

AGRICULTURAL SECTOR

India's economy under the British colonial rule was mainly agrarian. However, despite being the occupation of such a large population, the agricultural sector continued to experience stagnation and, not infrequently, unusual deterioration.

Caused mainly because of the various systems of land settlement that were introduced by the colonial government. Particularly, zamindari system, the profit accruing out of the agriculture sector went to the zamindars instead of the cultivators. 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.

There was relatively higher yield of cash crops in certain areas of the country due to commercialisation of agriculture.

INDUSTRIAL SECTOR

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

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.

FOREIGN TRADE

India has been an important trading nation since ancient times. But the restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.

DEMOGRAPHIC CONDITION

Before 1921, India was in the first stage of demographic transition. The second stage of transition began after 1921. However, neither the total population of India nor the rate of population growth at this stage was very high. The various social development indicators were also not quite encouraging. 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. Public health facilities were either unavailable to large chunks of population or, when available, were highly inadequate. The overall mortality rate was very high and in that, particularly, the infant mortality rate was about 218 per thousand. Life expectancy was also very low—32 years.

OCCUPATIONAL STRUCTURE

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

INFRASTRUCTURE

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 sub serve various colonial interests. 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 too far away England or other lucrative foreign destinations.