

## Major Features Of The Indian Economy Before Independence

Before India became independent in 1947, the British ruled for two centuries. The prime objective of British economic policy was to turn India into a feeder economy for the expansion of the United Kingdom's modern industrial base. India had a strong economy focused on agriculture and handicrafts before independence. The exceptional quality of field handiwork on textiles and precious stones led to a global market for Indian items.

### Indian Economy – Pre-Independence era

- Prior to British rule, **India had a self-contained economy.**
- India was known for its **handicraft industry in cotton and silk textiles, metal and precious stone production**, and other sectors.
- The goal of the British colonial administration in India was to convert the country to a feeder economy for the fast-increasing modern industrial base of the United Kingdom.
- **British economic policies** are more focused on **safeguarding and promoting Britain's economic interests** than on the development of India's economy.
- A significant shift in the Indian economy: India became a **net supplier of raw materials and a net consumer of completed industrial products** from the United Kingdom.
- The colonial government never attempted to assess India's national and per capita income.
- Dadabhai Naoroji (Poverty and Un-British Rule in India), William Digby, Findlay Shirras, V.K.R.V. Rao (considered very significant), and R.C. Desai were among the notable estimators.

### Agriculture Sector

- **Agrarian Economy** - The Indian economy was mainly agrarian under British rule. About **85% of the country's people lived in villages** and relied on agriculture for their living, either directly or indirectly.
- **Stagnated agriculture sector:** due to overcrowding with maximum population participation, resulting in extremely **low agricultural productivity** in absolute terms.
- However, due to the expansion of the total area under cultivation, the sector saw modest development.
- **Poor investment in agriculture:** In terms of **land settlement arrangements**, the profits from the agriculture sector flowed to the **zamindars** rather than the cultivators, with **no zamindars beginning efforts to develop agriculture**.
- Agriculture in India lacked investment in terracing, flood control, drainage, and soil desalination.
- **Agricultural inputs are in short supply:** Low levels of technology, a lack of irrigation systems, and a lack of fertilizer application resulted in poor agricultural output and efficiency.
- **Agriculture's commercialization:** could scarcely help farmers improve their economic situation because they were growing cash crops that would be used by British companies back home.
- **Post-independence division:** A significant chunk of the undivided country's **well-irrigated and fertile land moved to Pakistan**, reducing India's agricultural output, particularly in the **jute industry** (the whole of the area went away to East Pakistan)

## Industrial Sector

### Industrial Sector

- Even though it had a tradition of producing the best handicrafts in the world, India was unable to **create a sound industrial base**, and no equivalent modern industrial base was allowed to take its place.
- **Deindustrialization policy** by the British to lower India to the status of a mere exporter of critical raw materials for Britain's emerging modern industries.

- To convert India into a vast **market for the final goods** of those businesses in order to secure their continuous expansion to the benefit of Britain.
- The **decline of India's indigenous handcraft industries** resulted in widespread unemployment and rural suffering.
- **Textile mills for cotton and jute** were mostly located in **Maharashtra and Gujarat**, in the western half of the country (Indians).
- **Modern manufacturing** began to take root in India in the second part of the nineteenth century, but progress was gradual and stagnant.
- The **Tata Iron and Steel Company (TISCO)**, founded in **1907**, was one of the first iron and steel companies to emerge. Following World War II, other industries such as **sugar, cement, and paper arose**.
- Despite the fact that it was necessary to encourage further industrialization, the **capital goods industry did not flourish**.
- The rate of growth of the new industrial sector, as well as its contribution to GDP, remained dismal and fragmented.
- **As a result, the industrial sector has been left out in the cold, screaming out for modernization, diversification, capacity expansion, and higher public investment.**
- The public sector operated in a small region, **limited to railways, power generation, communications, ports**, and a few other governmental projects.

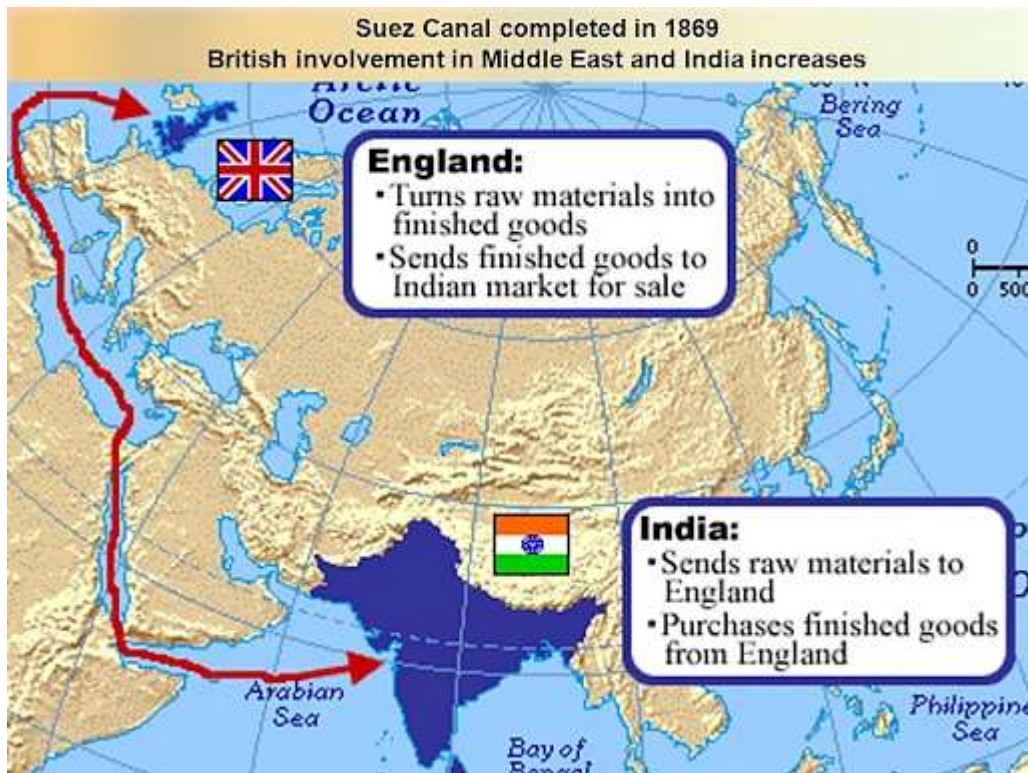
## Foreign Trade

### Foreign Trade

- Since ancient times, India has been a major trading nation.
- **India became an exporter of primary products (raw silk, cotton, wool, sugar, indigo, jute, etc.) and an importer of finished consumer goods (cotton, silk, and woolen clothing, as well as capital goods like light machinery) produced in British factories due to restrictive commodity production, trade, and tariff policies.**
- Because Britain had a monopoly on India's exports and imports, more than half of India's foreign trade was restricted to Britain, while the rest

was allowed with a few other countries such as China, Sri Lanka, and Persia (Iran).

- The **Suez Canal's** opening strengthened British control over India's overseas trade.



- Several critical items, including food grains, clothing, and kerosene was in short supply in the home market.
- Revenue from India was used to pay for an office established by the colonial government in Britain, as well as expenses for wars undertaken by the British government.

## Demographic Trend

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- The **1881 (decennial) census** was the first attempt to document the population of British India. The census shows India's population growth to be uneven. India's demographic transition stages:
- **First stage:** before **1921**
- **Second stage:** After **1921** – At this point, neither India's total population nor its rate of population growth was particularly high, and several social development indices were likewise not particularly encouraging.

- **Less than a quarter of the population is literate; (the female literacy level was at about seven percent)**
- **Public health facilities** were either inaccessible to the general public or extremely inadequate when they were offered.
- **Water and airborne infections** were rampant, exacting a large toll on life. The **general mortality rate was very high**, and the **newborn mortality rate was quite alarming – over 218:1000**.
- The **average lifespan** was also relatively short — **32 years**.
- During the colonial period, India was plagued by widespread poverty, which contributed to the country's population profile deteriorating.

### Occupational Structure

#### Occupational Structure

- The distribution of workers across industries and sectors is referred to as occupational structure.
- During the colonial period, there were few indicators of changes in the occupational organization.
- **Agriculture employs the largest percentage of the workers, around 70-75 percent.**
- In terms of geographical variance, manufacturing and services accounted for barely **10% and 15-20%** increase, respectively.
- The **workforce's reliance on the agricultural sector declined** in areas of the then **Madras Presidency, Maharashtra, and West Bengal**, with a corresponding expansion in the manufacturing and service sectors.
- During the same period, the proportion of workers employed in agriculture increased in Orissa, Rajasthan, and Punjab.

### Infrastructure

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- In India, fundamental infrastructure (railways, ports, water transport, posts, and telegraphs) was developed to serve various colonial interests (rather than to offer basic comforts to the people).

- **Roads** — To help the **army** mobilize within India.
- To transport raw commodities from the countryside to the nearest railway station or port for shipment to England.
- During the rainy season, reach out to rural areas.
- **Railways** —
  - **Lord Dalhousie introduced railways in the 1850s.**
  - People were able to travel large distances, overcoming geographical and cultural barriers, facilitating the commercialization of Indian agriculture, which had a negative impact on the relative self-sufficiency of India's village economies.
  - The **volume of India's export commerce increased**, but benefits to the Indian people were rarely realized.
  - With the 'railways' in need of further up-gradation, enlargement, and public orientation, the social benefits exceeded the country's massive economic loss.
- The **electric telegraph** was used to keep law and order in the most remote areas.
- Although **postal services** were useful, they were still insufficient.
- **Development of inland trade and sea lanes** — There was a mixed reaction to the development of them, as they were sometimes unprofitable (Coast Canal on the Orissa coast)

## Mixed Economy

### **Indian Economy post-independence: Mixed Economy**

- India's economy is diversified. Agriculture employs about half of India's working population, indicating a traditional economy.
- The services industry employs one-third of India's workforce and accounts for two-thirds of the country's output.
- The change to a market economy in India has enabled this segment's productivity.

- Several industries in India have been deregulated during the 1990s. Many state-owned firms have been privatized, and foreign direct investment has been welcomed.

Reasons for Adoption of Mixed Economy

### **Reasons for Adoption of Mixed Economy**

- To ensure that the public and private sectors are in a healthy equilibrium. This guarantees that they work together and compete, which is beneficial to achieving high growth targets.
- It provides an effective allocation of resources in the economy through its price systems, as well as freedoms of production, consumption, occupation, and the presence of a profit motive.
- By working to reduce income, wealth, and other inequities.
- Unemployment and poverty will be eradicated.
- The social welfare of a mixed economy is maximized. It possesses all of the hallmarks of a welfare state.

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