

NCERT Solutions Class 12 Economics

Indian Economic Development

Chapter 1: Indian Economy on the Eve of Independence

Question 1 :

What was the focus of the economic policies pursued by the colonial government in India? What were the impacts of these policies?

Solution :

The impacts of these policies are discussed as follows in detail;

i. Low Economic Development

Throughout the British rule, Indian economy experienced very low level of economic development. The reason for such a low level of development was that the British government was more concerned with the promotion of economic interests of their home country.

Consequently, the colonial rule transformed India's agriculture sector to a mere supplier of raw materials for the British industries. This not only affected the production of the agricultural sector but also ruined the small manufacturing units like handicrafts and cotton industries.

These manufacturing units faced a stiff competition from the British machine made textiles and handlooms.

ii. Backwardness of Indian Agriculture

Under the colonial rule, India was basically an agrarian economy employing nearly 85% of its population. Nevertheless, the growth of the agriculture sector was meager. This was due to the prevalence of various systems of Land Settlement,

particularly *Zamindari* system. Under this system, the zamindars (owners of land) were required to pay very high revenue (*lagaan*) to the British government, which they used to collect from the peasants (landless labourers, who were actually cultivating). The zamindars were mainly concerned with extracting high revenues from the peasants but never took any steps to improve the productivity of the land. Moreover, in order to feed British industries with cheap raw materials, the Indian peasants were forced to grow cash crops (such as, indigo, cotton, etc.) instead of food crops (such as, rice and wheat). This commercialisation of agriculture not only increased the burden of high revenues on the poor peasants but also led India to face shortage of food grains. Therefore, Indian agriculture remained backward and primitive.

iii. Deindustrialisation of Indian Economy

. The status of industrial sector during the British rule can be well defined by the term 'systematic deindustrialisation'. The cause of deindustrialisation can be attributed to the downfall of India's handicraft industry and the cause of slow growth of modern industry was the lack of investment. On one hand, the British government imposed heavy tariffs on the export of Indian handicraft products and on the other hand, allowed free exports of Indian raw materials to Britain and free imports of British products to India. As a result of the heavy tariffs, the Indian exports became costlier and its demand in the international market fell drastically that led to the collapse of Indian handicrafts industries.

Simultaneously, the demand for the handicrafts products also fell in the domestic markets due to stiff competition from the machine made textiles of Britain. As a result, the domestic industries lacked investment and growth initiatives.

Question 2 :

Name some notable economists who estimated India's per capita income during the colonial period.

Solution :

The following are some of the notable economists who were engaged in estimation of national income and per capita income:

- i. Dadabhai Naroji
- ii. William Digby
- iii. Findlay Shirras
- iv. V.K.R.V Rao
- v. R.C. Desai

Out of these, V.K.R.V Rao's whose estimates during the colonial period was considered very significant.

Question 3 :

What were the main causes of India's agricultural stagnation during the colonial period?

Solution :

India's economy under the British colonial rule remained fundamentally agrarian, about 85 percent of the population lived mostly in villages and derived livelihood directly or indirectly from agriculture. Nevertheless, the growth of the agriculture sector was meager. The following are the causes explaining stagnancy in Indian agriculture sector during the colonial rule:

1. Introduction of Land Revenue System

This was due to prevalence of various systems of Land Settlement, particularly *Zamindari* system. Under this system, the *zamindars* (owners of land) were required to pay very high revenue (*lagaan*) to the British government, which they used to collect from the peasants (landless labourers, who were actually cultivating). The *zamindars* were mainly concerned with extracting high revenues from the peasants but never took any steps to improve the productivity of the land. This resulted in low agricultural productivity and worsened the peasants economically.

2. Forceful Commercialisation

Initially before the British rule, the farmers were practicing conventional subsistence farming. They used to grow crops like rice and wheat for their own consumption. Afterwards, in order to feed British industries with cheap raw materials, the Indian farmers were forced to grow commercial crops (like indigo required by British industries to dye textiles) instead of food crops (like rice and wheat). This led to the commercialisation of Indian agriculture. This commercialisation of Indian agriculture not only increased the burden of high investment costs for the poor farmers but also led India to face shortage of food grains, resources and technology. Therefore, Indian agriculture remained backward and primitive.

3. Lack of Irrigation Facilities and Resources

Besides the above factors, Indian agricultural sector also faced lack of irrigation facilities, insignificant use of fertilisers, lack of investment, frequent famines and other natural calamities, etc. that further exaggerated the agricultural performance and made it more vulnerable.

Question 4:

Name some modern industries which were in operation in our country at the time of independence.

Solution :

The second half of the nineteenth century witnessed the emergence of modern industries. At the initial stage, development was confined to setting up of cotton and jute textile mills. The western parts of the country Maharashtra and Gujarat was the hub for cotton textile mills which were mainly dominated by the Indians whereas the jute industries were mainly concentrated in Bengal and were dominated by the British. In the beginning of the 20th century, Iron and steel industries also started emerging gradually. The Tata Iron and Steel Company (TISCO) was incorporated in 1907 in India. Some other industries that were operating at a smaller scale during the British era were sugar industry, cement industry and paper industry.

Question 5 :

What was the two-fold motive behind the systematic deindustrialisation affected by the British in pre - independent India?

Solution :

The following are the two-fold motives behind the systematic deindustrialisation affected by the British:

1. Making India a Supplier of Raw Materials: The main motive of the British government was to make India a mere supplier of cheap raw materials to feed its own flourishing industrial base.
2. Making India a Market for Finished Goods: Another important objective of the British government was to use India as a virgin market to sell the finished goods produced by the British industries.

Question 6 :

What do you understand by the drain of Indian wealth during the colonial period?

Solution :

Dadabhai Naoroji advocated the theory of 'Drain of Wealth' in the 19th century. The colonial period was marked by the exploitation of Indian resources. The sole motive of Britain to conquer India was to own a perennial source of cheap raw materials to feed its own industrial base in Britain. Further, British government used India's manpower to spread its colonial base outside India. Thus, the British rule drained out Indian wealth for the fulfillment of its own interests.