


# CBSE Class 12 Indian Economic Development Revision Notes Chapter 1 – Indian Economy on the Eve of Independence

---

 [coolgyan.org/revision-notes/cbse-class-12-indian-economics-development-notes-chapter-1/](https://coolgyan.org/revision-notes/cbse-class-12-indian-economics-development-notes-chapter-1/)

CoolGyan.Org

## Points to remember

---

Economy of a country includes all production, distribution or economic activities that relate with people and determines the standard of living. On the eve of independence Indian economy was in very bad shape due to the presence of British colonial rule. The sole purpose of the British colonial rule in India was to reduce the country to being a feeder economy for Great Britain's own rapidly expanding modern industrial base. Thus, in 1947, when British transferred power back to India, we inherited a crippled economy.

## Conditions in the Indian economy on the eve of independence:

---

**(i) Low level of economic development:** The colonial govt., never made any sincere attempt to estimate India's national and percapita income. The estimates given by Dr. V.K.R.V. Rao suggested that growth rate of GDP was about 2% per annum while the growth of per capita output was just 1/2 (0.5) percent per annum.

**(ii) Backward agricultural sector:** Due to  
A. Land tenure system- Zamindari system, Mahalwari system and Ryotwari system.  
B. Forced commercialisation of Agriculture  
C. Partition of the country.

**(iii) Less developed Industrial sector**  
A. De-industrialization- Decline of Indian handicraft industry.  
B. Capital good industries were lacking  
C. Limited operation of public sector  
D. Discriminatory tariff policy.  
E. Competition from Machine made products  
F. Introduction of Railways in India  
G. Lack of Heavy and Basic Industries

**(iv) Foreign trade characteristic**  
A. Net exporter of raw material and importer of finished good.  
B. Britain had the monopoly control on foreign trade.  
C. Drain of India's wealth.

**(v) Adverse demographic condition**

- A. High death and Birth rate-40 and 48 per thousand respectively.
- B. High infant mortality rate-218 per thousand.
- C. Mass Illiteracy-84% illiterate.
- D. Low life expectancy- 44 years
- E. Low standard of living- People used to spend 80% to 90% of their income on basic needs.
- F. Lack of public health facilities
- G. Female Literacy level was

about 7%.

**(vi) Underdeveloped infrastructure**

Absence of good roads, electricity generation, health, education and communication. However, some efforts have been made to develop basic infra-structure like roads, railways, ports, water transport, post & telegraph by the British rulers. The main motive was not to provide basic amenities to the Indian people but for their colonial interest.

**(vii) More dependence on primary sector**

Largest share of work force which was 72% was engaged in agriculture. 10% in manufacturing while 18% workforce were engaged in service sector.

**Some positive side-effects of the British rule in India**

---

- A. Provided transport facilities, largely in terms of railway.
- B. Development of ports.
- C. Provision of post and telegraph services.
- D. British Govt. left a base of a strong and efficient administrative set up.
- E. Political and economic unification of the country.
- F. Evolution of banking and monetary system.



## **Part B: Indian Economic Development**

### **Learning objectives**

- 1 Introduction
- 2 Low level of economic development under the colonial rule
- 3 Agricultural Sectors
- 4 Industrial sectors
- 5 Foreign sectors
- 6 Demographic conditions
- 7 Occupational Structures
- 8 Infrastructures
- 9 State of Indian economy on the eve of independence
- 10 Positive contribution of British rule

### **1. What was the condition of agriculture sector at the time of Independence?**

Ans : 1) Low level of agricultural productivity :-

Agricultural productivity became very low and this stagnation in agriculture sector was mainly due to systems of land settlement that were introduced by the British Government. The Zamindari system, the profit accruing out of the agriculture sector went to Zamindaris instead of the cultivators. This led to discouragement amongst the cultivators to produce less.

### **2. High dependence on Monsoon :-**

Agriculture sector was mainly dependent on monsoon. No effort was ever made under the British rule to develop permanent means of irrigation.

### **3. Lack of Proper Input:-**

Low level of technology, lack of irrigation facility and negligible use of fertilizers, added to aggravate the plight of the farmers and contributed to the dismal level of agricultural productivity.

### **Q.2 What was the condition of Industrial sector at the time of Independence?**

Ans :- 1) Discriminatory Tariff Policy :-

The British Government allowed tariff free export of raw materials from India and tariff free import of British industrial products into India. But a heavy duty on the export of Indian handicrafts products. It led to decay of handicrafts industry in India.

### **(ii) Competition from machine :-**

Industrial revolution in Britain gave a stiff competition to the handicraft industries in India. Due to low cost and better quality product produced by machine forced the Indian craftsmen to shut down the handicraft Industry in India.

**(iii) New Patterns of Demand :-**

Owing to British rule in India, a new class of people emerged in India. This changed the pattern of demand in India against the Indian products and in favour of British products. As a result, the Indian Industry tended to Perish

**(iv) More market for British Goods :-**

An introduction of railways facilitated the transportation of the British products to different parts of the country. As a result, the size of the market for the low cost British product expanded while it started shrinking for the high cost Indian products. This led to decay of Industry in India.

**Q3. What was the condition of foreign trade under the British rule ?**

Ans 1) Due to discriminative tariff policy adopted by the British Government, India became net exporter of raw materials and primary products.

On the other hand, it became net importer of finished goods reproduced by the British Industry.

**(ii)** Composition of exports and imports showed the backwardness of Indian economy. Exports and imports were largely restricted to Britain only due to monopoly control of India's foreign trade.

**(iii)** Surplus profit made and account of foreign trade during the British rule was distributed on administrative and as well as on war expenses. It was only used to increase the pursuits of the British Government.

**Q 4 Mention the demographic profile during the British rule.**

**Ans : 1)** High birth and High death rate implied low survival rate, which was nearly 8 per thousand per annum.

2) Life expectancy was as low as 32 years which shows the lack of health care facilities, lack of awareness as well as lack of means for health care.

3) Literacy rate was as low as 16 percent, which reflects the social and economic backwardness of the country.

**Q5. Mention the condition of occupation structure at the time Independence.**

Ans:- (i) Agriculture was the principal source of occupation and about 72.7 percent of working population was engaged in agriculture.

(ii) Only 10.1% of the working population were engaged in the manufacturing sector, which showed the backwardness of Indian Industry at the time of Independence.

(iii) only 17.2 percent of the working population were engaged in the service sector, which also proved the slow growth of tertiary sector at the time of Independence.

(iv) There was an unbalanced growth of Indian economy at the time of Independence

**Q6 What was the condition of Infrastructure at the time of Independence.**

Ans : 1) There was some infrastructural development during the British in the area of transport and communication.

2) Introduction of railways, was a major break through followed by the development of some ports and the construction of some roads.

3) But the main motive of the British government was to foster the interest of the British Government rather than to accelerate the growth of Indian economy.

4) There was transition from barter system of exchange to monetary system of exchange, which facilitated division of labour & large scale production.