



CBSE

CLASS-11th

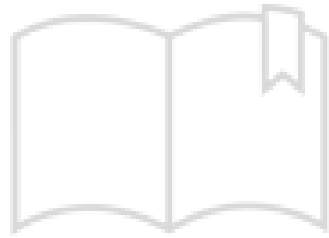
THE CENTRAL BOARD OF SECONDARY EDUCATION

ECONOMICS



CONTENT

Chapters	Page no.
1. Indian Economy on the Eve of Independence	1
2. Indian Economy (1950 – 1990) Indian Economic Development	51
3. Liberalization, Privatization and Globalization – An Appraisal	69
4. Poverty	114
5. HUMAN CAPITAL FORMATION IN INDIA	142
6. Rural Development	186
7. EMPLOYMENT: GROWTH, INFORMALISATION AND OTHER ISSUES	223
8. INFRASTRUCTURE	256
9. ENVIRONMENT AND SUSTAINABLE DEVELOPMENT	294
10. COMPARATIVE DEVELOPMENT EXPERIENCE OF INDIA WITH ITS NEIGHBOURS	316



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Indian Economy on the Eve of Independence

CONTENTS

- POINTS TO REMEMBER
- MCQ QUESTIONS
- SHORT AND LONG ANSWER QUESTIONS

Agricultural Sector on the Eve of Independence India's agricultural sector (on the eve of independence) exhibited three principal characteristics, these characteristics pointed to backwardness of India's agriculture as well as its stagnation

Low level of productivity

High degree of vulnerability

A wedge between owners of the soil and tillers of the soil.

Factors causing backwardness and stagnation of Indian agriculture during the British rule **Land revenue settlement under the British Raj Forced commercialization of agriculture** Industrial Sector "Systematic de-industrialization" is the term that describes the status of industrial sector during the British rule. It implied two things Decay of world famous traditional handicraft industry owing to discriminatory policies of the British Government.

Bleak growth of modern industry now to lack of investment opportunities.

Two-fold motive behind the systematic industrialization during the British Rule in India.

To exploit India's wealth of raw material and primary products. It was required to fulfill the emerging needs of industrial inputs in the wake of industrial revolution in Britain.

To exploit India as a potential market for the industrial products of Britain.

Foreign Trade India had occupied a place of eminence in the area of Foreign trade, since ancient times. But the British rule in India ended this eminence.

Drain of India's Wealth Huge administrative expenses were incurred by the British Government to manage their colonial rule in India. Also huge expenses were incurred by the British Government to fight wars in pursuit of their policy of imperialism.

Demographic Condition Demographic conditions during the British rule exhibited all features of a stagnant and backward economy. Both birth rate and death rate were very high nearly 48 and 40 per thousand respectively.

Occupational Structure Greater dependence on agriculture as suggested by occupational structure on the eve of independence implied lesser availability of land per head for the farming population. Accordingly agriculture was taken largely as means of subsistence and less as an occupation for profit.

Infrastructure

Infrastructure refers to the elements of economic change as well as elements of social change which serve as a foundation for growth and development of a country. Development of infrastructure is a precondition to the economic and social development of a country.

Economy of a country includes all production, distribution or economic activities that relates with people and determines the standard of living. On the eve of independence Indian economy was in a very bad shape due to the presence of British colonial rule.

The Britishers generally framed policies that favored England. The only purpose of Britishers was to unjustly enrich themselves at the cost of India's economic development. Thus, in 1947, when British transferred power back to India, we inherited a crippled economy.

India's National and Per Capital Income Under Colonial Rule there was no efforts from the part of the colonial government to measure the national and

per capital income of India. Some individual attempts were made to measure such incomes but produced conflicting and inconsistent results. The contribution of VKRV Rao and Dadabhai Naoroji are considered very significant in this context.

Low Economic Growth under Colonial Rule India had an independent economy before the arrival of British rule. But the Britishers dominated it for over a period of 200 years. Britishers framed policies that protected and promoted the economic interests of their own country. They transformed India into supplier of raw materials and consumer of finished goods from the factories of Britain. Such policies affected Indian economy very adversely.

In this context, we will discuss the conditions of certain sectors that were badly affected by the presence of colonial rule, i.e. on the eve of independence.

State of Agriculture Sector Agriculture was the main source of livelihood for most of the people of India, and about 85% of the country's population lived mostly in villages and derived livelihood directly or indirectly from agriculture. In spite of such a large segment of the population being dependent of agriculture, either directly or indirectly, this sector was facing stagnation and constant deterioration, as is brought forward through the following points.

Low Level of Productivity i.e. output per hectare of land was very low. This led to a low level of output, in spite of a large area under cultivation.

High degree of Vulnerability Agriculture was vulnerable to climatic factors and mostly affected by erratic rainfall. Poor rainfall generally led to a low level of output and also to crop failures. No effort was made by British Government to provide permanent source of irrigation facilities for the farmers.

The reasons for stagnation of agricultural sector were:

(i) Land Revenue System

The Britishers introduced the Zamindari system. The Zamindars were recognized as permanent owners of the soil. Zamindars were to pay a fixed sum

to the government as land revenue and they were absolutely free to extract as much from the tillers of the soil as they could.

Their main interest was in rent collection regardless of the economic conditions of cultivators and this caused misery and social tension among the latter. Apart from this there are two more systems namely; the Ryotwari and the Mahalwari were prevalent.

(ii) Lacking of Resources

Because the tillers had to pay huge amount of rent, referred to as 'Lagaan', they were not left with any surplus to be able to provide for resources needed in agriculture in the form of fertilizers or providing for irrigation facilities. This further lowered the agricultural productivity.

(iii) Commercialization of Agriculture

Commercialization of agriculture refers to shift from cultivation for self-consumption to cultivation for sale in the market. It also refers to cultivation of cash-crops like cotton, indigo, etc. Due to commercialization of agriculture, there were some evidences of a relatively higher yield of cash crops in certain areas of the country. But this could not help in improving the conditions of Indian farmers.

Instead of producing food crops, farmers were producing cash crops, which were ultimately to be used by British industries

State of Industrial Sector In the pre-British period, India was particularly well-known for its handicraft industries, in the fields of cotton and silk textiles, metal and precious stone works, etc. These products enjoyed a worldwide market based on the reputation of the fine quality of material used and the high standards of craftsmanship.

But the Britishers followed a policy of systematic de-industrialization by creating circumstances conducive to the decay of handicraft industry and not taking any steps to promote modern industry and reduced India to a mere

exporter of raw material and importer of finished goods. The following points bring forward the state of the industrial sector at the eve of independence

1. Decay of Handicraft Industry

The traditional handicraft industry in India enjoyed worldwide reputation, but the British misrule in India led to the decline of Indian handicraft industry. The Britishers adopted the following policies to systematically destroy the handicraft industry.

Discriminatory Tariff Policy of the State The Britishers followed a discriminatory tariff policy by allowing tariff free exports of raw material from India (to provide for the requirements of their industries in Britain) and tariff free import of British Industrial products (to promote British goods in India), but placed a heavy duty on the export of handicraft products. So, Indian handicraft products started losing their domestic as well as foreign markets.

Competitions from Machine-made Products Machine-made products from Britain were cheap and better in quality than the handicraft products. This competition forced many a handicrafts to shut down their business.

Introduction of Railways in India the Britishers introduced Railways in India, to expand the market of its low priced industrial products. Consequently, the demand of high-priced handicraft products started to fall, thus leading to the downfall of handicraft industry.

2. Slow Growth of Modern Industry

Under second half of 19th century, modern industry showed slow growth. This development was confined to the setting up of cotton and jute textile mills.

Subsequently, the iron and steel industries began coming up in the beginning of the 20th century.

In this context, the Tata Iron and Steel Company (TISCO) was incorporated in August, 1907 in India. It established its first plant in Jamshedpur [Bihar, at present Jharkhand].

But, these industries were the result of private endeavor. The state participation in the process of modern industrialization was very limited, as is evident from the following points

Limited Growth of Public Sector Enterprises The public sector enterprises such as railways, power, post and telegraph were confined to areas which would enlarge the size of market for British products in India.

Lopsided Industrial Structure The industrial growth was lopsided, in the sense that consumer goods industry was not adequately supported by the capital goods industry.

Lack of Basic and Heavy Industries No priority was given for the development of basic and heavy industries. Tata Iron and Steel Mills was the only basic industry in India.

Textile Industry in Bengal Muslin is a type of cotton textile which had its origin in Bengal, particularly, places in and around Dhaka (now the capital city of Bangladesh). Daccai Muslin had gained worldwide fame as an exquisite type of cotton textile.

The finest variety of muslin was called malmal. Foreign travellers also used to refer to it as malmal shahi or malmal khas meaning that it was worn by or fit for, the royalty.

State of Foreign Trade

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

Following were the reasons behind the poor growth of foreign trade

1. Exporter of Primary Products and Importer of Finished Goods

Under the colonial rule, India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute, etc and an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machinery produced in the factories of Britain.

2. Britain's Monopoly Control

Britain maintained a monopoly control over India's exports and imports. Due to this, more than half of India's foreign trade was restricted to Britain while the rest was allowed with a few other countries like; China, Ceylon (Sri Lanka) and Persia (Iran). The opening of Suez Canal in 1869 further intensified British control over India's foreign trade.

3. Drain of India's Wealth

An important characteristic of foreign trade throughout the colonial period was the generation of a large export surplus. But this surplus came at a huge cost to the country's economy several essential commodities like food grains, kerosene, were scarcely available in the domestic market.

Also, this surplus was not used in any developmental activity of India. Rather, it was used to maintain the administrative set-up of the Britishers or bear the expenses of war fought by Britain. All of this, led to the drain of Indian wealth.

State of Occupational Structure

During the colonial period, the occupational structure of India exhibited its backwardness. The agricultural sector accounted for the largest share of the work force which remained at a high of 70-75% of the work force and the manufacturing and services sectors accounted for only 10 and 15-20% respectively.

There existed a growing regional disparity with few states such as Orissa, Rajasthan and Punjab witnessing an increase in agricultural workforce while the states which were the parts of Madras presidency. Bombay and Bengal witnessed a decline in the percentage of work force dependent on agriculture.

State of Infrastructure

Infrastructure comprises of such industries which help in the growth of other industries. Under the colonial period, basic infrastructure such as railways, port per transport, posts and telegraphs developed. However, the real motive behind this development was not to provide basic amenities to the people but to sub serve various colonial interests. The state of infrastructure under the colonial rule can be understood with the help of following points

1. Roads

Roads constructed before independence were not fit for modern transport. It was very difficult to reach rural areas during rainy season. The roads were built only to serve the purpose of mobilizing the army within India and transporting raw materials from the countryside to the nearest railway station or the port for exporting it.

2. Railways

British rulers introduced railways in India in 1850 and it began its operation in 1853. It is considered as one of the important contribution of Britishers. The railways affected the structure of the Indian economy in the following two ways It enabled people to undertake long distance travel and thereby break geographical and cultural barriers.

It fostered commercialization of Indian agriculture which adversely affected the self-sufficiency of the village economies in India.

So, the social .benefits provided by the Railways was outweighed by the country's huge economic loss.

3. Water and Air Transport

The colonial rulers took measures for the development of water transport. The inland waterways, at times, also proved uneconomical as in the case of the coast canal on the Orissa coast. The main purpose behind their development was to serve Britain's colonial interest. The colonial government also showed way to the air transport in 1932 by establishing Tata Airlines. Thus, in this way it inaugurated the aviation sector in India.

4. Communication

Modern postal system started in India in 1837. The first telegraphy line was opened in 1857. The introduction of the expensive system of electric telegraph in India served the purpose of maintaining law and order.

Demographic Condition various details about the population of British India were first collected through a census in 1881. Before 1921, India was in the first stage of demographic transition. The second stage began after 1921. However neither the total population of India nor the rate of population growth at this stage was very high. Though suffering from certain limitations, it revealed the Unevenness in India's population growth. The population grew at a rate of 1.2% up to the year 1951.

- - On the eve of independence the demographic condition was as follows
 - The overall literacy level was less than 16%.
 - The female literacy level was at a negligible low rate of about 7%.
 - Public health facilities were either unavailable to large chunks of population or when available, were highly inadequate. Infant mortality rate was 218 per thousand in contrast to present infant mortality rate of 63 per thousand.
 - Life expectancy was very low 44 years in contrast to the present 66 years.
 - Both birth rate and death rate were very high at 48 and 40 per thousand of persons respectively.

MCQ QUESTIONS

Q.1) Poor variety of seeds and low productive seeds were mainly the reason for

- A. Slow growth of all the above three sectors
- B. Slow growth of Agriculture sector
- C. Slow growth of Industrial sector
- D. Slow growth of Tertiary sector

Correct Answer: Slow growth of Agriculture sector

Q.2) Which of the following is false regarding Positive effect of British rule was

- A. Provision of post and telegraph service
- B. Monopoly on foreign trade
- C. Development of ports
- D. Provide transport facilities

Correct Answer: Monopoly on foreign trade

Q.3) What do you mean by infant mortality rate?

- A. Number of deaths of children
- B. Number of deaths of children below the age of ten year per thousand live birth
- C. Number of birth of children below the age of one year per thousand live death
- D. Number of deaths of children below the age of one year per thousand live birth

Correct Answer: Number of deaths of children below the age of one year per thousand live births

Q.4) What is meant by commercialization of agriculture?

- A. None
- B. Production of crop for sale in the market
- C. Production of crop for self consumption
- D. Both

Correct Answer: Production of crop for sale in the market

Q.5) Cotton textile mills were mainly located in

- A. Eastern
- B. Western
- C. North
- D. South

Correct Answer: Western

Q.6) What was the motive behind the de-industrialization by the colonial Govt. in India?

- A. Both
- B. None
- C. To sell British manufactured goods in Indian market at high rate prices
- D. To get raw material from India at cheap rate

Correct Answer: Both

Q.7) What does the export surplus mean?

- A. When export of current year of a country is more than previous year export
- B. Total export of a country
- C. When export of a country is more than import
- D. When import of a country is more than export

Correct Answer: When export of a country is more than import

Q.8) What was the condition of agriculture at the time of independence

- A. High level of technology
- B. High use of Fertilizers
- C. Low level of productivity
- D. Low dependence on monsoon

Correct Answer: Low level of productivity

Q.9) Reason behind the decay of handicrafts industry in India was

- A. All of these
- B. More tariff on export of raw material from India

- C. Heavy duty on Indian handicrafts products
- D. More tariff on import of British goods into India

Correct Answer: Heavy duty on Indian handicrafts products

Q.10) How is the literacy rate is calculated

- A. $\frac{\text{No of literates}}{\text{Total percentage of population}} \times 10$
- B. $\frac{\text{No of literates}}{\text{Total population}} \times 10$
- C. $\frac{\text{No of literates}}{\text{Total population}} \times 100$
- D. $\frac{\text{No of literates}}{\text{Total percentage of population}} \times 100$

Correct

Answer: $\frac{\text{No of literates}}{\text{Total population}} \times 100$

Q.11) What was the condition of foreign trade under British rule

- A. Net exporter of raw materials
- B. Net importer of finished goods reproduced by British India
- C. All of these
- D. Surplus on account of foreign trade was spent on war expenses

Correct Answer: All of these

Q.12) Which of the following statement is true regarding the condition of Infrastructure

- A. Barter system was still prevailing
- B. No developments in the areas of roads and railways
- C. Development in the area of transport and communication
- D. Balanced regional development in infrastructure in all areas

Correct Answer: Development in the area of transport and communication

Q.13) _____ refers to relative distribution of a country's workforce among various sectors of economic activity

- A. Demographic structure

- B. Occupational structure
- C. Income structure
- D. None of these

Correct Answer: Occupational structure

Q.14) Industrial sector creates infrastructure which helps in growth of

- A. Secondary
- B. All of these
- C. Primary
- D. Tertiary

Correct Answer: All of these

Q.15) India on the eve of independence was

- A. Vibrant economy
- B. Stagnant economy
- C. None
- D. Both

Correct Answer: Stagnant economy

1. Per capita income is calculated (1)
 - a. $\frac{\text{National income of state} \times 1000}{\text{Population of state}}$
 - b. $\frac{\text{National income of the country} \times 100}{\text{Population of the country}}$
 - c. $\frac{\text{National income}}{\text{Population of state} \times 100}$
 - d. $\frac{\text{National income of the country} \times 1000}{\text{Population of the country}}$

(b) $\frac{\text{National income of the country} \times 100}{\text{Population of the country}}$

Explanation: Per capita income, also known as income per person. It is calculated by national income and dividing it by the total population.

2. _____ refers to the annual percentage increase in real national income during that period (1)

- a. Rate of national income
- b. Rate of growth
- c. None
- d. Rate of development

(b) Rate of growth

Explanation: The real economic growth rate is expressed as a percentage that shows the rate of change for a country's GDP from one period to another, typically from one year to the next.

3. In which year railways was introduced in India? (1)

- a. 1892
- b. 1890
- c. 1850
- d. 1853

(d) 1853

Explanation: The first passenger train in India ran between Bombay (Bori Bunder) and Thane on 16 April 1853.

4. Green NNP (1)

- a. Green NNP = NNP + Net fall in the stock of natural capital
- b. Green NNP = GDP – Net fall in the stock of natural capital
- c. Green NNP = NNP – Net fall in the stock of natural capital
- d. Green NNP = NDP – Net fall in the stock of natural capital

(c) Green NNP = NNP – Net fall in the stock of natural capital

Explanation: "Green NNP" is a national accounting concept that subtracts off from GNP not just depreciation of capital, but also depletion of environmental assets.

5. What do you mean by low productivity in agriculture? (1)

Low output per hectare of land is called Low productivity.

6. Indicate the volume and direction of trade at the time of Independence. (1)

The volume and direction of trade at the time of Independence are indicated below:

- i. India was a major exporter of raw material such as wool, sugar, cotton, jute, raw silk, indigo etc. at the time of Independence.
- ii. India used to import finished consumer goods such as silk, light machinery and cotton from factories of Britain.
- iii. More than half of India's foreign trade was restricted to Britain while the rest was targeted to countries like China, Ceylon (Sri Lanka) and Persia (Iran).

7. What do you mean by economic structure? (1)

Economic structure is a term that describes the changing balance of output, trade, incomes and employment drawn from different economic sectors – ranging from primary (farming, fishing, mining etc) to secondary (manufacturing and construction industries) to tertiary and quaternary sectors.

8. What was the main cause of food shortage in India after partition? (1)

The main cause of food shortage in India after partition was that the food surplus areas of West Punjab and Sindh went to Pakistan.

9. What were the main causes of slow growth of population during British rule? (3)

During British rule India was in first stage of demographic transition. In this stage India's birth rates as well as death rates were very high counter balancing each other and thereby keeping the growth rate of population to be low. It is not so that British made any effort for controlling India's population. It was due to their utter ignorance that health facilities were extremely poor making death rates high and population growth rate slow.