

Class-12 Indian Economics

Ch-1- Indian Economy on the Eve of Independence

QUESTIONS FOR PRACTICE

1. Per capita income is calculated
 - a. $\frac{\text{National income}}{\text{Population of state}} \times 1000$
 - b. $\frac{\text{National income}}{\text{Population of the country}} \times 100$
 - c. $\frac{\text{National income}}{\text{Population of state}} \times 100$
 - d. $\frac{\text{National income}}{\text{Population of the country}} \times 1000$
2. _____ refers to the annual percentage increase in real national income during that period
 - a. Rate of national income
 - b. Rate of growth
 - c. None
 - d. Rate of development
3. In which year railways was introduced in India?
 - a. 1892
 - b. 1890
 - c. 1850
 - d. 1853
4. Green NNP
 - 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
5. What do you mean by low productivity in agriculture?
6. Indicate the volume and direction of trade at the time of Independence.
7. What do you mean by economic structure?
8. What was the main cause of food shortage in India after partition?
9. What were the main causes of slow growth of population during British rule?
10. 'Composition of foreign trade of any country tells us about the nature of commodities that are exported and imported.' What can you state about the composition of foreign trade at the time of Independence?

- 11.** Discuss occupational structure of Indian economy at the time of Independence.
- 12.** Explain positive effects of introduction of railways by colonial Government in India.
- 13.** Mention the state of Indian industries on the eve of independence.
- 14.** 'The railways affected the structure of the Indian economy positively, as well as negatively.' Discuss.
- 15.** Critically appraise some of the shortfalls the industrial policy pursued by the British colonial rule.

Answer key

1. b.

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

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

2. 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. d. 1853

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

4. 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. Low output per hectare of land is called Low productivity.

6. 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. 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. 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. During British rule India was in first stage of demographic transition. In this stage India's birth rate 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.

10. India's foreign trade under the British rule is described as below:

Thus, India was reduced to being a source of food for the British, a supplier of raw materials for the British industries and a market for their finished products.

- i. India exported raw materials to the home country of the British for their expanding industries.
- ii. The British followed a typical colonial pattern of trade in India, where it was made to serve their interests.
- iii. India was also developed as a market for the finished goods of the British industries.

11. The occupational structure, which refers to the distribution of population working in different sectors, showed no variation throughout the British rule. The following are the salient features of India's pre-independence occupational structure

- i. **Predominance of agriculture:** Under the colonial rule, India was basically an agrarian economy, with nearly 70.75% of its workforce engaged directly or indirectly in agriculture. Due to massive poverty and widespread illiteracy during the colonial rule, a large proportion of the population was engaged in farming and related activities to earn their subsistence. But agricultural sector suffered from low productivity and, thereby its growth was highly constrained despite employing a significant proportion of the population.
- ii. **Lack of Opportunities in Industry:** Only a small proportion of population was employed in manufacturing sector. Nearly 10% of the total workforce was engaged in manufacturing and industrial sector. This was due to the stiff competition that the Indian industries faced from the machine-made cheap goods from Britain. Further, the lack of investment initiatives and the unfavourable tariff structure constrained industrial sector. Thus, the Indian industrial sector failed to provide significant employment opportunities.

12. The founding stone of one of the largest railway networks in the world was laid by the British. Most of the central stations were the work of the British Infrastructure. Indian Railways is very large and complex, it connects several distant regions of the country, it's the primary form of transportation. Thus we can say that railways were intended to serve only British interests, but it is proving useful to each and every Indian.

13. State of industries in India on the eve of Independence is explained below :

- i. The role of the public sector in development of industries was restricted to the railways, power generation, communications, ports and some other departmental undertakings. There was no growth of industrial base in India.
- ii. Before the advent of British in India, the traditional handicraft industries enjoyed a world wide reputation for their quality and standards of craftsmanship.
- iii. There were hardly any capital goods industries to promote further industrialisation, since the British had no interest in the development of Indian economy.

14. The railways affected the structure of the Indian economy positively in the following ways:

- i. It enabled people to undertake long distance travel and thereby break geographical and cultural barriers.
- ii. Railways enabled the government to supply food grains speedily to famine affected areas.
- iii. It fostered commercialisation of Indian agriculture as agricultural produce could be sent to distant places. Farmers started viewing agriculture as a business rather than a way of subsistence.

The railways affected the Indian economy negatively in the following ways:

- i. Commercialisation of agriculture affected the self-sufficiency of the rural areas.
- ii. It enabled the goods from British factories to be transported to various parts of the country, thereby expanding their market.
- iii. It facilitated the transport of raw materials to the port cities and ensured their easy exportability.

15. The focus of the industrial policies pursued by the colonial government in India was to make our country a mere supplier of Britain's own flourishing industrial base. The policies were concerned mainly with the advancement of the British economic and political power. The industrial policy pursued by the British colonial administration had the following shortfalls:

- i. Neglect of Indian Handicraft Industries: The British followed a discriminatory tariff policy under which they imposed heavy tariffs (export duties) on India's export of handicraft products while allowed free export of India's raw material to Britain and free import of finished products from Britain to India. This made Indian exports costlier and its international demand fell drastically leading to the collapse of handicrafts industries. Also, Indian handicrafts faced stiff competition from machine-made textiles of Britain.

- ii. Lack of Investment in Modern Indian Industries: The modern industries in India demanded investments in capital goods and technology that were beyond the means of Indian investors. British Government was least interested in investing in Indian industries as they never wanted India to become self reliant. Thus due to the lack of sufficient investment, the growth of Indian industries was severely constrained.