



**Ready For Boards**  
10th & 12th Exam Prep

## CHAPTER 1

# Indian Economy on the Eve of Independence

CBSE Class 12 · Indian Economic Development ·  
Chapter 1

CBSE · Economics (Indian Economic Development) ·  
Class 12

### WHAT THIS CHAPTER DOES



State the condition of agriculture +  
industry + foreign trade at 1947.



Critically appraise the impact of British  
rule.

*Boards prep that builds confidence, not anxiety.*

## TODAY'S MISSION

# Today's mission

1

State the condition of agriculture + industry + foreign trade at 1947.

2

Critically appraise the impact of British rule.

3

Name key facts: 72% workforce in agri, 1943 Bengal famine, drain of wealth.

4

Score 5/6 marks on this chapter.

## WHY THIS MATTERS

# Why this chapter matters

1

4-6 marks every CBSE board paper.

2

Sets the stage for the entire IED book — every later chapter (Five Year Plans, Green Revolution, Reforms) builds on this baseline.

3

Real-world: explains why India's per-capita income still lags developed economies — historical inheritance.

TOPIC

**A**

# Agriculture at Independence

TOPIC

# Stagnant despite heavy dependence

## DEPENDENCE

On the eve of Independence in August 1947 roughly 72% of India's working population depended on agriculture for its livelihood, yet the sector contributed only about 50% to national income — the gap pointing to crippling disguised unemployment and labour productivity that was a fraction of the industrial worker's output

## PRODUCTIVITY

Foodgrain yields in 1947 averaged barely 700 kg per hectare against more than 1500 kg/ha in contemporary Western Europe — an outcome of poor irrigation (only 17% of cultivable land was irrigated, the rest being monsoon-dependent), zero use of modern inputs (chemical fertiliser, improved seeds, pesticides), primitive

## ZAMINDARI SYSTEM

The Zamindari system, formalised under the Permanent Settlement of 1793, created a chain of revenue-collecting intermediaries between the British state and the actual cultivator — Zamindars extracted high fixed rents from peasants but had little incentive to reinvest in irrigation, drainage, or productivity-improving

## COMMERCIALISATION

British rule pushed Indian agriculture toward cash crops — cotton for Lancashire mills, indigo for European dye-vats, jute for sacks and military supplies, tea and opium for global trade — at the explicit cost of food crops. This commercialisation served British industrial needs but increased Indian famine vulnerability: when world

## WORKED EXAMPLE

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# The 1943 Bengal Famine

- 1 Caused by: wartime food redirection to military + British policy of denial of food + scorched-earth response to feared Japanese invasion.
- 2 Death toll: estimated 3 million Indians died of starvation and disease.
- 3 Context: food was AVAILABLE but inaccessible to the poor — a classic case of policy failure rather than natural disaster.
- 4 Lesson: high agricultural workforce share did NOT mean food security. British policy actively worsened the situation.

TOPIC

**B**

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# Industry — deindustrialisation

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THEOREM · LOAD-BEARING RESULT

# Deindustrialisation



*The systematic decline of India's traditional handicraft industries (textiles, metalwork) and the failure to develop a modern industrial base — caused PRIMARILY by British colonial economic policy, NOT by technological inferiority of Indian crafts.*

## STATEMENT

**Mechanism: (1) Heavy EXPORT duties on Indian-made goods to Britain. (2) Zero or minimal IMPORT duties on British factory products entering India. (3) British markets closed to Indian textiles via prohibitive tariffs. (4) Indian**

## WHY THIS MATTERS

- Pre-British India had a thriving manufacturing sector exporting goods worldwide
- British rule deliberately destroyed it to (a) eliminate competition for British manufactures and (b) turn India into a raw-material supplier + market for British finished goods.

## WATCH OUT FOR

**NOTE** Don't blame Indian technology — Dhaka muslin was widely acknowledged as the world's finest cotton fabric. The destruction was POLICY-driven.

## TOPIC

# What modern industry there was

### COTTON TEXTILES

The first modern Indian-owned cotton textile mills came up in the second half of the nineteenth century — Cowasji Davar's Bombay Spinning Mill (1854) and Ranchhodlal Chhotalal's Ahmedabad Mill (1861) are the founding milestones. Mills clustered around Bombay's deep-water port and Ahmedabad's cotton-growing hinterland. The

### JUTE

Jute manufacturing, concentrated overwhelmingly along the Hooghly river around Calcutta, was the largest modern industry in colonial India by employment but was almost entirely British-owned and -capitalised — Indians supplied the raw jute from East Bengal peasants but did not own the processing. Output was

### IRON AND STEEL

The Tata Iron and Steel Company (TISCO), founded by Jamsetji Nusserwanji Tata at Sakchi (later renamed Jamshedpur) in 1907 and operational from 1912, was the first major Indian-owned heavy industry — a deliberate act of economic nationalism, financed by Indian capital and producing steel for Indian railways and bridges.

### GEOGRAPHIC CONCENTRATION

By 1947 India's modern industrial base was concentrated in just four-or-five port and inland cities — Bombay (cotton textiles), Calcutta (jute and engineering), Madras (light manufactures), Ahmedabad (cotton textiles), and Jamshedpur (steel) — with vast swathes of rural India having essentially no

TOPIC

**C**

# Foreign trade — colonial pattern

TOPIC

# Raw materials out, finished goods in

## EXPORT COMPOSITION

India's exports during British rule were overwhelmingly primary commodities — raw cotton for Lancashire spindles, raw jute for Dundee sack-mills, indigo for European dye-houses, tea from Assam and Darjeeling plantations, raw silk, oilseeds, foodgrains in surplus years. This was the classical colonial export pattern:

## IMPORT COMPOSITION

Indian imports were the structural mirror image — overwhelmingly finished manufactures from Britain: Manchester cottons (sold in India at prices that destroyed local weavers), Birmingham machinery, Sheffield steel goods, light engineering products, and consumer goods. India served as a captive, tariff-protected market for British

## GEOGRAPHIC CONCENTRATION

Roughly half of all Indian foreign trade by value was with Britain alone — China, Persia, Ceylon, and the other European powers got most of the rest, with very limited diversification toward markets that might have helped Indian producers. This concentration made Indian peasants and merchants

## TRADE SURPLUS DRAINED OUT

Counter-intuitively, India ran a trade SURPLUS for most of the British period — exporting more than it imported in value terms. Yet the surplus never enriched India because it was systematically absorbed by 'Home Charges' (British administration costs payable from Indian revenues), repatriated

TOPIC

**D**

# Drain of Wealth

**THEOREM · LOAD-BEARING RESULT**

# Drain of Wealth (Dadabhai Naoroji)



*The systematic transfer of India's wealth to Britain without economic return. A theory developed by Dadabhai Naoroji (1825-1917) in his book 'Poverty and Un-British Rule in India' (1901).*

## STATEMENT

**Mechanisms of drain: (1) HOME CHARGES — cost of British administration (salaries, pensions of British officials, India Office expenses) charged to Indian taxpayers. (2) Profits from British investments in India repatriated**

## WHY THIS MATTERS

- Drain explains why India remained poor despite being one of the largest economies in the world before British rule
- Wealth that could have funded education, irrigation, industry left the country.

## WATCH OUT FOR

**NOTE** Drain was a POLICY OUTCOME, not theft. It was built into the colonial financial architecture. Don't describe it as 'British soldiers taking money home'.

TOPIC

**E**

# Demographics + Infrastructure

TOPIC

# Population profile at 1947

## POPULATION

India's population at Independence in 1947 was approximately 357 million, growing at about 1.25% annually under a demographic regime of high birth rates balanced by high death rates — the classic 'first stage' of demographic transition. The post-Independence population explosion of the 1950s-60s came only after

## LIFE EXPECTANCY

Life expectancy at birth in 1947 was only about 32 years — barely half today's 70+ — reflecting catastrophic public-health conditions: chronic malnutrition affecting roughly half the population, endemic disease (malaria, smallpox, cholera, tuberculosis), inadequate sanitation, and a medical workforce of perhaps one

## LITERACY

Overall literacy at Independence stood at approximately 17%, with female literacy collapsing to about 7% and rural female literacy below 5% in most provinces — a near-complete failure of mass education. The British education policy after Macaulay's 1835 Minute deliberately created a thin English-educated elite to

## INFANT MORTALITY

Infant mortality in 1947 was approximately 218 deaths per 1000 live births — meaning roughly one in five Indian children died before their first birthday. Today's figure is about 30, an over-seven-fold improvement and one of the genuine triumphs of post-Independence policy (immunisation, oral rehydration, institutional

## TOPIC

# What the British built — and for whom

### RAILWAYS

Indian railway construction began on 16 April 1853 with the 34-kilometre Bombay–Thane line laid by the Great Indian Peninsula Railway, and by Independence in 1947 the network had grown to about 66,000 route-kilometres — the fourth-largest rail system in the world. Crucially, the layout was designed not for internal

### TELEGRAPH + POST

The British introduced modern communication networks — the electric telegraph reached India in 1851 and a unified postal system was created by Lord Dalhousie's 1854 Post Office Act, with a uniform half-anna rate that survived for decades. By 1947 every district headquarters was connected by telegraph. As with railways, the primary

### IRRIGATION

British irrigation works covered only about 17% of India's cultivated land at Independence, with major canals in the Indo-Gangetic plain (Upper Ganga Canal 1854, Sirhind Canal 1882) and the Indus basin (Triple Canal Project, Punjab). Outside these zones, Indian agriculture remained almost entirely dependent on the monsoon — and one failed

### LEGAL + EDUCATIONAL FRAMEWORK

The British bequeathed India a substantial framework of legal codes — the Indian Penal Code 1860 (drafted by Macaulay), the Code of Civil Procedure 1908, the Indian Contract Act 1872, the Indian Evidence Act 1872 — that India still uses with amendments today. They also founded the three

TOPIC

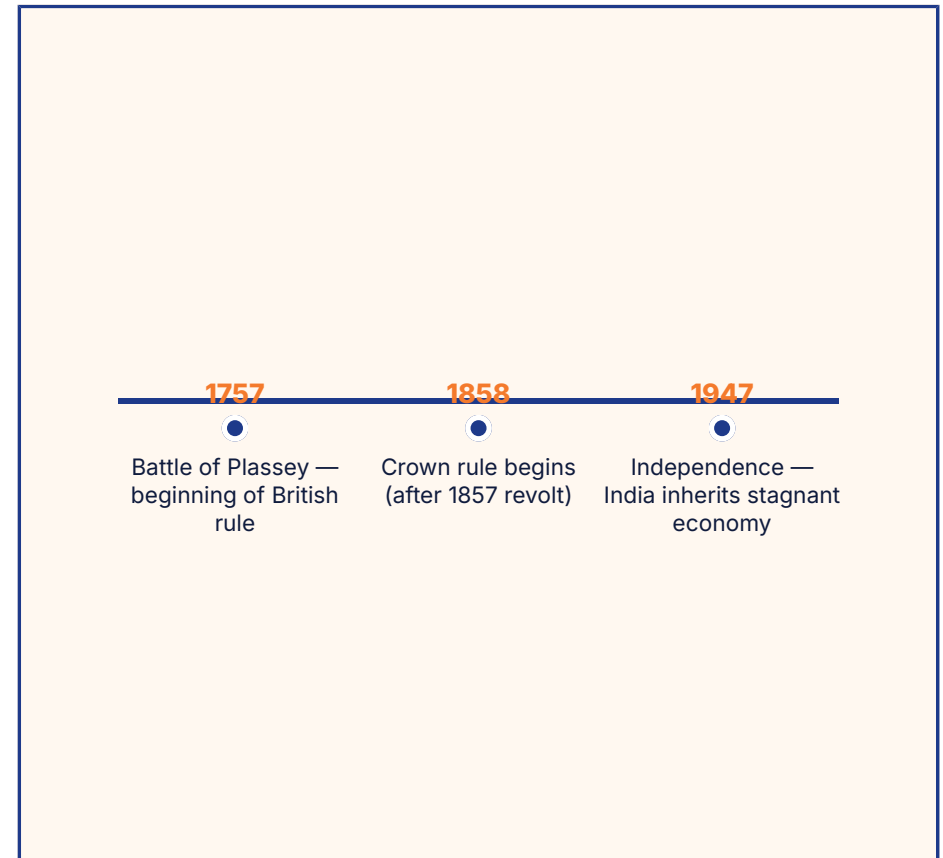
**F**

# Conclusion — the inheritance

**WORKED EXAMPLE**

# What India inherited from British rule (1947)

- 1 Stagnant agriculture (low productivity, Zamindari structure, famine-prone).
- 2 Backward industry (destroyed handicrafts, minimal modern sector).
- 3 Distorted foreign trade (raw materials out, finished goods in).
- 4 Low human-development indicators (32-year life expectancy, 17% literacy, 218/1000 IMR).
- 5 Some modern infrastructure (railways, legal codes) — but built for colonial purposes.



TOPIC

# Deindustrialisation

TRAP → TRUTH

× **MISTAKE** Indian handicrafts declined because they were technologically inferior.

✓ **CORRECT** Indian handicrafts (cotton textiles, metalwork) were WORLD-CLASS and globally exported BEFORE British rule. They DECLINED because of (a) heavy export duties on Indian goods to Britain; (b) zero/low import duty on British manufactured goods; (c) destruction of Indian markets via cheap British competition; (d) policy bias against Indian industry. NOT technology — POLICY.

**TOPIC**

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# Drain of wealth

TRAP → TRUTH

× **MISTAKE** Drain of wealth means money was physically removed from India by British soldiers.

✓ **CORRECT** DRAIN OF WEALTH (Dadabhai Naoroji's term) refers to the **SYSTEMATIC** transfer of India's wealth to Britain **WITHOUT** economic return. Mechanisms: (a) excessive 'Home Charges' (cost of British administration billed to India); (b) profits from India sent to Britain; (c) Indian taxpayers funded British wars; (d) one-way capital flow. It was a **SYSTEMATIC POLICY** drain, not theft.

TOPIC

# Agriculture at independence

TRAP → TRUTH

× **MISTAKE** Agriculture was thriving because most Indians were farmers.

✓ **CORRECT** Agriculture was STAGNANT and IMPOVERISHED despite employing ~72% of the workforce. Reasons: (a) ZAMINDARI system extracted wealth from peasants without reinvestment; (b) low productivity (~700 kg/hectare for grains, vs 1,500+ in Europe); (c) frequent famines (1943 Bengal famine killed 3 million); (d) commercialisation forced cash-crop production (cotton, indigo) at the cost of food crops. Heavy dependence ≠ thriving.

TOPIC

# Population growth

TRAP → TRUTH

× **MISTAKE** Population was growing rapidly at independence.

✓ **CORRECT** Indian population GROWTH RATE was LOW pre-independence (~1.25% per year). High birth AND high death rates kept growth modest. The 'population explosion' came POST-1947 with better medicine reducing mortality while birth rate stayed high. At independence: 357 million people, low life expectancy (32 years), high IMR (218/1000).

TOPIC

# Foreign trade pattern

TRAP → TRUTH

× **MISTAKE** India was a major exporter at independence.

✓ **CORRECT** India HAD high export volumes — but the COMPOSITION was distorted. Exports = primarily RAW MATERIALS (cotton, indigo, jute, tea). Imports = FINISHED GOODS (textiles, machinery) and consumer items. India was a 'colony' supplier — not a sovereign industrial exporter. Trade favoured Britain disproportionately (~50% with Britain).

TOPPER TEMPLATE · MARK-BY-MARK

# 6-mark: 'Critically appraise the impact of British rule on the Indian economy.'

- 1 INTRODUCTION + THESIS**  
1 m  
British rule (1757-1947) transformed India's economy in ways that were systematically EXPLOITATIVE rather than developmental. The overall impact was net NEGATIVE despite some incidental modern infrastructure.
- 2 NEGATIVE IMPACTS (ANY 3)**  
2 m  
(1) DEINDUSTRIALISATION: World-class Indian handicrafts (textiles, metalwork) destroyed by discriminatory tariffs and cheap British imports. (2) AGRICULTURAL STAGNATION: Zamindari extracted wealth without reinvestment; commercialisation forced cash crops over food; productivity remained low. (3) DRAIN OF WEALTH (Dadabhai Naoroji): Excessive 'Home Charges' + profits + war funding flowed from India to Britain. Estimated drain: significant percentage of India's GDP annually.
- 3 SPECIFIC EVIDENCE**  
1 m  
By 1947: per capita income stagnant at ~₹200/year (1940s prices); 47% literacy gender gap; 32-year life expectancy; 70%+ workforce in agriculture but agriculture stagnant; foreign trade favoured Britain (50% of trade).
- 4 SOME 'POSITIVE' ASPECTS (CONCEDE + CRITIQUE)**  
1 m  
Railways (1853 onwards), telegraph, postal system, modern legal framework were introduced. BUT these were built primarily for BRITISH economic and military purposes (move troops, transport raw materials), not for Indian development. Net benefit limited.
- 5 CONCLUSION**  
1 m  
British rule left India a backward, primarily agricultural, low-income economy. Independence in 1947 began the long process of rebuilding industry, modernising agriculture, and addressing the infrastructure gap.

TOPPER TEMPLATE · MARK-BY-MARK

# 4-mark: 'Explain the state of agriculture at independence.'

- 1 HEAVY DEPENDENCE**  
1 m  
About 72% of India's workforce depended on agriculture in 1947, but agriculture contributed only ~50% of national income — indicating LOW productivity per worker.
- 2 LOW PRODUCTIVITY**  
1 m  
Yields were ~700 kg/hectare for grains (vs 1,500+ in Europe). Reasons: (a) lack of irrigation (~17% of land), (b) no modern inputs (chemical fertilisers, HYV seeds were absent), (c) primitive techniques, (d) fragmented land holdings.
- 3 ZAMINDARI + COMMERCIALISATION**  
1 m  
Zamindars (intermediaries) extracted high rents from peasants without reinvesting. Commercialisation under British rule forced peasants to grow cash crops (cotton, indigo, jute) at the expense of food crops, increasing famine vulnerability.
- 4 FAMINES + POST-1947 IMPLICATIONS**  
1 m  
Frequent famines (1943 Bengal famine killed 3 million). Independent India inherited a stagnant, low-productivity agricultural sector that took the Green Revolution (1960s) to transform.

TOPPER TEMPLATE · MARK-BY-MARK

# 4-mark: 'Why was Indian industry in a poor state at independence?'

- 1 DECLINE OF HANDICRAFTS**  
1 m  
Pre-British India was a major exporter of fine cotton textiles, silk, metalwork. British policy systematically destroyed these by (a) heavy export duties on Indian goods, (b) low/zero import duty on British manufactures, (c) flooding Indian markets with cheap British factory products.
- 2 LIMITED MODERN INDUSTRY**  
1 m  
Some modern industry developed — cotton textiles (Bombay), jute (Bengal), iron & steel (TISCO in Jamshedpur, 1907). But on a tiny scale, geographically concentrated, mainly to serve British needs.
- 3 LACK OF CAPITAL-GOODS INDUSTRY**  
1 m  
India had NO heavy or capital-goods industry (no machine tools, no steel for further manufacturing). British policy was to prevent India from becoming a competitor; capital goods had to be imported.
- 4 EFFECTS + CONCLUSION**  
1 m  
Industry employed only ~10% of workforce; contributed ~17% of national income. India entered independence as an industrially BACKWARD economy — heavy lifting (Five Year Plans, public-sector investment in steel, machinery, etc.) had to begin from a low base.

## PYQ PATTERNS

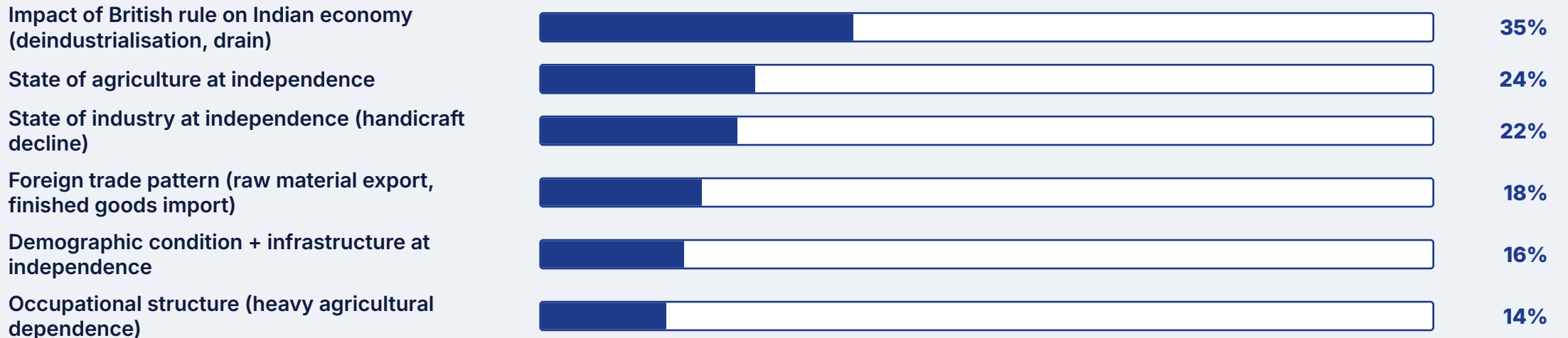
# Top PYQ patterns to drill

#1	Critically appraise the impact of British rule on the Indian economy. (6-8 marks)	Annual
#2	Explain the state of agriculture in India at independence. (4-5 marks)	2018, 2020, 2022, 2024
#3	Why was Indian industry in a poor state at independence? Explain. (4 marks)	2017, 2019, 2022
#4	Describe the foreign trade structure at independence. (3-4 marks)	Most years
#5	Comment on the occupational structure at independence. (3 marks)	2018, 2023

## MARKS DISTRIBUTION

# 10-year marks distribution

### 10-YEAR PYQ MARKS DISTRIBUTION



RECAP · MEMORISE THESE

# Recap

**1** Agriculture — 72% of workforce but only 50% of NI. Stagnant, low productivity, Zamindari extraction, famine-prone (Bengal 1943).

**2** Industry — Deindustrialised (handicrafts destroyed by British tariff policy). Limited modern industry — cotton, jute, TISCO. Concentrated geographically.

**3** Drain of wealth — Naoroji's theory: systematic transfer of wealth Britain ← India via Home Charges + profits + war funding. ~4-9% of national income annually.

## WHAT'S NEXT

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# What's next



- Chapter 2 — Indian Economy 1950-1990 (the Five Year Plans era, ISI strategy, Green Revolution).
- Sit the 15-MCQ Quick Drill.



**Ready For Boards**  
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# You've mastered the colonial baseline.

*Deindustrialisation, drain, agriculture — now prove it.*

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