



Economic History of India

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Introduction : Indus valley civilization, which flourished between 2800 BC and 1800 BC, had an advanced and flourishing economic system. The Indus valley people practiced agriculture, domesticated animals, made tools and weapons from copper, bronze and tin and even traded with some Middle East countries.

Agriculture was the main economic activity of the people in the Vedic age but with the second urbanization a number of urban centers grew in North India. This gave a major fillip to trade and commerce. The ancient Indians had trade contacts with far off lands like the Middle East, the Roman Empire and the South East Asia. Many Indian trading colonies were settled in other countries.

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Most of the Indian population resided in villages and the economy of the villages was self-sustaining. Agriculture was the predominant occupation of the populace and satisfied a village's food necessities. It also provided raw materials for industries like textile, food processing and crafts. Besides farmers, other classes of people were barbers, carpenters, doctors, goldsmiths, weavers, etc. In towns and urban centers trade took place through coins but in villages barter was the main system of economic activities.

The system of castes and sub-castes ensured division of labor and functioned much like guilds, providing training to apprentices. The caste system restricted people from changing ones occupation and aspiring for an upper caste's lifestyle. Traditionally, there was joint family system and the members of a family pooled their resources to invest in business ventures.

Products like the muslin of Dhaka, calicos of Bengal, shawls of Kashmir, textiles and handicrafts, agricultural products like pepper, cinnamon, opium and indigo were exported to Europe, Middle East and South East Asia in return for gold and silver.



With the coming of Europeans in the 16th century trade and commerce was completely transformed. The Europeans concentrated mainly on spices, handicrafts, cotton clothes, indigo etc. Of all the European powers the British proved most strong and drove their competitors out of India. Slowly and gradually the British acquired political supremacy and hold over India and subverted the Indian economy according to their own needs. With the establishment of British rule in India the drain of wealth from India began. There was poor industrial infrastructure when the British left India.

After independence, India opted for planned economic development. The key concern was to develop thrust and heavy industries. With this there began rapid industrialization. Here, it is important to note that our economic policies were socially oriented and controlled by the state. India began to follow a mixed economy pattern. But in the late eighties and in the beginning of the 1990s, the Indian policy makers realized that state controlled economy was not able to produce desired results in almost 45 years. It was decided to pursue economic policy based on liberalization, privatization and globalization. In this era of liberalization, privatization and globalization, India has witnessed rapid growth in some sectors of economy, even though better results were expected when India began to follow the new economic policy.

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