

12. Ever since the end of the war, and indeed during the war itself, considerable thought has been given in South and South-East Asia to the need for development. Much useful experience has been gained without which it would have been impossible to proceed with the formulation and execution of realistic programmes. The problems of the whole area have been in the forefront of discussions in the United Nations and its Specialised Agencies, and valuable expert investigations have been made, particularly by the Economic and Social Council and the Economic Commission for Asia and the Far East. Now, for the first time, it is possible, as is shown by such detailed programmes as have been submitted, to proceed with the comprehensive attack on the problem which the situation demands. The different countries have of course approached their problems differently, but there is a common strand which runs through the whole. In Chapters IV-VII there is a brief description of each of the Commonwealth countries' Development Programmes, as prepared for discussion and analysis in this Report; additional statistical material will be found in the Appendices.

CHAPTER IV

THE DEVELOPMENT PROGRAMME OF INDIA

1. India has a population of some 350 million and an immense variety of natural resources. It is predominantly an agricultural country, and about 70 per cent. of its working population depend on the land for their livelihood. Agricultural yields are, however, low in comparison with most other countries, and there is evidence of a further decline over the last two decades. A number of industries became established between the wars, among them iron and steel, cotton textiles, sugar, cement and matches, but organised large-scale industry of this kind provides employment only for about 10 per cent. of the working population; medium and small-scale industry engages another 10 per cent., and the remaining 10 per cent. are employed in services and the distributive trades. According to rough estimates the annual income per head in real terms has declined in recent years, and in terms of 1945-46 prices it is estimated at Rs.237 in 1945-46, Rs.233 in 1946-47, and Rs.200 in 1948-49.

2. An extraordinarily severe strain was imposed on the Indian economy by the war and the partition of the country. Under the stimulus of war demand, some increase in agricultural and industrial production did take place. This was, however, more than counterbalanced by the diversion to war purposes of a large proportion of total supplies available, as India became the supply base for the Allied armies East of Suez. The value of goods and services provided by the economy of undivided India for war purposes was roughly equivalent to Rs.22,000 million (£1,650 million). Inevitably severe shortages of goods for civilian use developed; this, combined with a six-fold increase in money supply arising from the needs of war finance, produced a serious inflation. In spite of controls, the wholesale price index rose from 100 in 1939 to 400 in 1950, and the cost of living index reached 320. The effects of the war on the external balance of payments became apparent in the emergence after the war of a large deficit such as the economy seldom experienced in pre-war years. This deficit arose from heavily increased imports—of foodgrains to meet the domestic shortage, of consumer goods to meet the backlog of pent-up demand, and of capital goods to meet accumulated industrial maintenance and replacement needs. Although the use made of sterling balances to satisfy these import demands has helped to hold inflation in check, at the end of five years it still remains a major obstacle to economic progress.