**INDUSTRIAL SECTOR DURING COLONIAL RULE**

The Britishers systematically destroyed the existing industries in India with the help of de-industrialisation policy. The traditional handicraft industries were ruined under British rule.

The major changes introduced in the industrial sector are:

* They imposed heavy duties & taxes on Indian handicraft & handloom industries so that the goods became more expensive than British manufactured goods.
* They followed a policy of "Duty free exports" which means Raw materials & resources were exported without taxes.
* But they imposed heavy taxes on the import of finished goods sold in India.
* Indian handicraft industries had to face competition from machine made goods from Britain. All these factors led to ruin of Indian handicraft & handloom industries.
* During the 2nd half of the 19th Century cotton, jute, sugar, cement & paper industries were established in west Bengal & parts of South India to generate profit for England.
* They established TATA Iron & Steel company (TISCO) in 1908 to supply polished Iron & Steel to England’s defence industries to produce war equipment.

**Conclusion**

The main objective of British industrial policy was to convert India to supplier of Raw materials & make them the consumers of finished goods of England.

**TRADE SECTOR DURING COLONIAL RULE**

Before colonial rule, India had good trade relations with all the neighbouring countries. India was exporting cotton, Jute, wool, spices, gold, precious stones, Jewellery, handloom & handicraft items to many countries.

The British government introduced changes in the name of trade sector reforms & they are:

i) The British maintained monopoly control over India’s foreign trade. 90% of trade was with England only.

ii) Limited trade was allowed with Ceylon (Sri Lanka), Persia (Iran) to import petroleum products & essential items.

iii) They constructed the Suez Canal across the Atlantic Ocean for easy trade & transfer of wealth from India to England.

iv) Resources & Raw material were exported to England without any taxes & they collected huge taxes on India’s imports.

v) The profits of exports earned by the trade were used to build a strong army for England.

The foreign trade policy of England was planned to transfer the wealth, resources & money to England. They created scarcity of essential commodities in India. The foreign policy of the British rule caused “Drain of Indian wealth” where all the wealth of India was transferred to England & they converted India into a poor or underdeveloped country at the time of independence.

**DEMOGRAPHIC CONDITION**

The major changes found in India’s population during colonial rule are:

1. The British government didn’t take any measures to study India’s demography. They conducted the first census in 1881 but it was not adopted.
2. In the year 1921, India reached the second stage of Demographic transition, which proves the birth rate increased & the death rate declined.
3. Indians were not allowed to pursue education as a result the rate of illiteracy increased to 85% during British rule.
4. The infant mortality rate (IMR) was very high (280 per 1000 children). Small children would die before they complete one year due to non availability of medical facilities. At present IMR in India is 38 per 1000 children.
5. The life expectancy of an adult was 40 to 44 years in contrast to 68 to 70 years before colonial rule.
6. The majority of the population suffered from various communicable diseases. They also suffered from poverty, starvation & the majority of the population was physically weak due to exploitation from British rule.

**OCCUPATIONAL STRUCTURE**

The occupational structure of India was static & imbalanced during colonial rule. The structure of employment in India during the British rule was as follows:

1. The work force dependent on agriculture reduced from 85% to 70% due to the introduction of the Zamindari system.
2. Establishment of modern industries in parts of West Bengal created 10% of employment opportunities to skilled labourers.
3. Establishment of telegraph department, banks, post offices, provided employment to 3% of educated youth of India.
4. There was regional indifference in the distribution of occupation. Parts of Madras presidency, South India saw a shift in the employment from primary to secondary & service sector. States like Punjab, Haryana, Orissa & other northern states had extra work force employed in the agricultural sector.
5. Introduction of cotton & Jute industries in West Bengal & parts of Maharashtra created employment in the industrial sector.

**Conclusion**

On the whole many farmers did not have regular employment throughout the year & closing of small-scale industries & handloom industries created large scale unemployment in India.

**INFRASTRUCTURE DEVELOPMENT**

In order to transfer the wealth & resources from India to England following infrastructural facilities were developed.

i) **Road transport:** The British government constructed state highways & national highways to connect the major seaports to have easy trade b/w India & England.

ii) **Railway transport:** The first railway was constructed in 1850 from Mumbai for a length of 33 kms. Later on, railway transport was developed throughout the country.

iii) **England waterways:** Canals were built across the major rivers of India to transport the essential items & war equipment during the time of emergency.

iv) **Air Aviation:** The Britishers also introduced air transportation in 1939 in the name of Air Aviation. It was renamed as ‘Air India’ Limited after independence.

v) **Post telegraph & print media:** The British government developed the post & telegraph department in the major cities of India. It also introduced newspapers to provide information about the world war.

The post & telegraph department was used to transfer important documents, messages & information from India to England.

Though the British government promoted infrastructure for their benefits it was useful to India in the following ways:

a) The road transportation laid the foundation for the freedom struggle by creating connectivity b/w the states.

b) Railway transport helped people to take long distance travel, break geographical boundaries/barriers & it created unity among the Indians to start the freedom movement in the country.

c) The waterways development was used by the freedom fighters to initiate freedom struggle in small towns & villages of India.

d) The media & postal department played an important role in creating awareness to carry out the freedom struggle & fight for independence of our country.

The infrastructural facilities provided by the British government was very significant because it helped India to gain independence on 15th August 1947.

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The infrastructural facilities provided by the British government was very significant because it helped India to gain independence on 15th August 1947.

**PART - B** **CHAPTER - 1** **INDIA DURING 1950 - 1990**

**INTRODUCTION**

India became an independent nation on 15th August 1947. The political leaders of independence. India had a major challenge of building India into one nation & finding solutions for all economic problems.

The Congress Govt declared India as a "Democratic Republic Nation". It adopted a mixed economic system where there is co-existence of both public & private sectors in economic activities.

Prime minister Jawaharlal Nehru & president Dr Rajendra Prasad announced **"5-year Economic plans"** to promote economic development of India. To implement the 5-year plans they established the planning commission to design the framework of India's Economic Development.

**OBJECTIVES OF FIVE-YEAR PLANS**

The five year plans which were introduced from 1950 had the following objectives & they are.

**i.** **Economic Growth**

**ii.** **Modernisation**

**iii.** **Self – reliance**

**iv.** **Equity**

**1. Economic growth**

When a country has the ability to increase the production of goods & services, National income, Employment, Expansion of infrastructure, etc. A country is said to achieve economic growth.

The main objective of India's five year plans was to achieve economic growth by increasing the GDP [Gross Domestic product]. GDP is defined as "The market value or the money value of all final goods & services produced in a year. An increase in GDP will indicate the good economic condition of a country". It also indicates the prosperity & development of a country. Hence economic growth was the first objective of the 5 year plan.

**2. Modernisation**

Modernisation means introducing science & Technology in all economic activities. Modern Technology enables large scale production, it improves the quality of goods & services & increases the skill & efficiency of the work force.

Modernisation also means to bring a change in the outlook of the people. Rational thinking & scientific application in all activities & giving equal opportunity for both men & women in all the activities is called modernisation.

**3. Self - reliance**

The term self - reliance means reduce the dependence on imports & encourage domestic production of goods & services in all the sectors.

The main objective of self reliance was to achieve self - sufficiency in food production & to produce other goods & services within the country only.

**4. Equity.**

The real prosperity of a country is achieved when the national income & other resources are distributed equally among the total population. The goal of equity is not yet achieved in India beg. of unequal distribution of resources & there is a wide gap b/w rich & poor in the economy. The failure to achieve this objective is bcz of inefficient administration, management corruption & lack of public participation.

**AGRICULTURE SECTOR REFORMS - [1950 - 1990]**

Agricultural stagnation caused during colonial rule called for immediate reforms in the agriculture sector. The major reforms introduced in the 1st 5 year plan are as follows.

**a) Land reforms.**

Following changes were introduced to promote the agriculture sector in India.

i) The Indian government abolished the zamindar system & Land tenure system which was introduced by the British government.

ii) The constitution of India abolished the bonded labour system & declared freedom to all the workers working as slaves.

iii) The planning commission also declared the policy that "Tiller is the owner of the land".

iv) The government also introduced a land ceiling system which means deciding the maximum size of land that can be owned by individual farmers. The excess land after land sealing was redistributed to landless labourers of the farming community.

**b) Subsidies**

Subsidy is a special financial assistance provided by the government to farmers. Under this scheme the government will purchase the seeds, fertilizers, pesticides & farming implements at market price & sell the same to farmers at a lower price therefore "The difference b/w the market price & the government price on all agricultural items is called 'subsidies'".

Modern economists believe that subsidies should be removed bcz it is a financial burden to the government & the benefits of subsidies are not reaching the poor farmers. But the government is strongly supporting the policy of subsidy for three important reasons.

i) Agriculture is the major occupation in India which requires financial assistance.

ii) Subsidies are an important assistance which will help to improve the economic & living conditions of farmers.

iii) The objective of equity can be reached by granting subsidies to the farming community.

**c) Green revolution.**

A remarkable increase in the production of food grains in the short period of time with the help of scientific cultivation is called the green revolution.

Because it was implemented with the help of "HYV" seeds [High yielding variety seeds]. It was introduced by Dr. Swaminathan who is also called the father of the green revolution.

The green revolution was introduced in different phases. The 1st phase of green revolution was introduced b/w "1960 - 1970" in the states of Punjab, Haryana, parts of west bengal & Maharashtra. The HYV seeds were introduced to increase the production of wheat & paddy [rice].

The 2nd phases of the green revolution during 1970 to 80 extended the green revolution to all the states & for all the major crops of India.

During the 3rd phases b/w 1980 to 1990 India witnessed a remarkable increase in the production of food grains. India became self & sufficient in the production of wheat & paddy & these food grains are no longer imported from any foreign country. In fact India is the largest exporter of many agricultural commodities after the introduction of the green revolution.

**INDUSTRIAL SECTOR REFORM [1950 - 1990].**

The industrial sector reforms were introduced from 1906. That is during the second five year plan. The govt had to play an extensive role to develop the industrial sector bcz the British government had destroyed all the Indus treaties during colonial rule. It was the responsibility of the government to raise capital [money] for the establishment of Industries. Industrialisation is an important activity for the country to achieve economic growth. Hence, the government introduced the following majors to develop the industrial sector in India.

The imp reforms are

**i. Classification of Industries**

**ii. Industrial reforms**

**iii. Promotion of small scale industries**

**Industrial sector Reforms [1950 - 1990]**

1. Classification of Industries

a) Schedule - A [Central Govt]

b) Schedule - B [State Govt]

c) Schedule - C [Joint/Private Govt]

1. Industrial reforms

a) Licensing policy

b) Import substitution policy

c) priority lending

1. Promotion of small scale industries [SSI]

**CLASSIFICATION OF INDUSTRIES**

To bring out overall industrial development they were classified into 3 groups.

**a. Schedule - A Industries :-**

All the capital goods & core industries like Iron & steel, railways, defence industry, pharmaceutical [medicine produce], Air aviation etc. was included in schedule - A & all these industries are owned & managed by the central govt of India.

**b. Schedule - B Industries**

Other major industries like cotton textile, jute, sugar, cement, electronics, Automobile, & other modern industries were included in schedule - B. And they are managed by the state government in the name of public sector units.

**c. Schedule - C**

All the remaining industries like small scale industries, industries which produce spare parts, Components & tools, required by large scale industries, hand loom & handicraft industries were included in schedule - C. These industries can be operated by the private sectors or it can be established as a joint sector managed by both public & private sector.

**INDUSTRIAL REFORMS**

The major reforms introduced during 1950 - 1990 are as follows.

**a. Licensing policy**

The government made it compulsory to obtain licenses for all types of industries before the establishment.

**b. Import substitution Policy.**

The main aim of this policy was to encourage domestic production of goods by establishing industrial units in India.

**c. Priority Lending.**

The planning commission issued guidelines to RBI & all commercial banks to extend loans & advances to all those units interested in establishment, expansion & modernisation of existing industries.

**PROMOTION OF SMALL SCALE INDUSTRIES [SSI]**

The industrial act of 1956 defined SSI "An industrial unit established with a capital investment of ₹ 25 lakhs to 1 crore & gives the minimum of 50 labourers".

The government is promoting small scale industry bcz of the following advantages.

* SSI is a capital light industry which requires less capital when compared to large scale industries.
* It is a skill light industry, which means it requires less technology.
* It can be established with the help of domestic or indigenous technology.
* It is a labour intensive industry, which means it will create more employment opportunities.
* The SSI can be established in any part of the country as it does not require huge infrastructure.
* It helps in removing regional imbalances bcz the industries can be established in villages & backward regions of our country.
* The SSI products are earning foreign exchange reserves by exporting the commodities to different parts of the world. Therefore SSI will help industrialisation & also promote the economic growth of India.

**TRADE SECTOR**

The five year plans also introduced reforms in the trade sector to protect India from the negative impact of foreign trade.

The 3. Important changes introduced in India's external trade are:-

**a. Protected trade policy** - India announced protected trade policy which means India will follow a close economic system which means it "have minimum trade relations. Other countries & import only those goods which are essential for India's economic growth.

**b. RESTRICTIVE TRADE POLICY**

**Tariff** **Quotas**

The Restrictive trade policy was followed by introducing the policy of "quotas" are contributive instructions imposed on the volume of goods to be imported in a particular time period.

**C. Tariff :-** Tariffs are taxes imposed on Export & import of goods & services. The Indian government levied high taxes which made our imports expensive. As a result the volume of imports will be reduced.

On the other hand, the taxes on exports were reduced in order to earn foreign exchange reserves by exporting essential commodities to specific countries for the trade sector.

The trade sector reforms also encourage the import substitution policy by encouraging & establishing industrial units in India & producing various types of goods & services within a country only.

**ASSESSMENT of reforms of 1950 - 1990.**

The changes introduced by the government with the help of 5-year plans were witnessed in 3 major sectors.

**1) Agriculture sector :-**

Reforms introduced in the agriculture sector in the form of the green revolution brought a positive impact on the primary sector as follows.

* Green revolution enabled India to achieve self sufficiency in food grains production.
* Import of food items reduced considerably.
* Green revolution helps in improving the living & economic conditions of many farmers.
* Agricultural reforms created employment opportunities in rural areas.
* The primary sector was no more stagnant & there was improvement in agriculture & other related activities of the farming community.

**2. INDUSTRIAL SECTOR**

Between 1950 - 1990 the industrial sector had advantages & disadvantages.

i) **The advantages are:-**

* Indian industries saw diversification which means many industries were established in large, medium & small scale both by the government & private sectors.
* The number of iron & steel industries increased from one to six industries by the end of 1990.
* The industrial sector provided 15% of employment every year.
* The contribution of industries to GDP. increased from 8% - 24.6% by the end of 1990.
* Many small scale industries, cottage & household industries were established in rural areas & small towns.
* By 1980 modern industries were established in Electronic & Automobile units.

**ii) The disadvantages are:-**

The industries reforms had the following disadvantage

* Monopoly of major industries by the central govt led to the problem of administration & management.
* The industries also witnessed delay in completing the project & the production of goods & services.
* Many industries suffered from shortage of raw materials.
* Many state govt managed industries were declared "sick units" which means they were incurring financial loss. But the government continued these industries in order to avoid the problem of unemployment. It added to the financial burden of the government.
* The licensing policy was very rigid during the reform period. Industries had to wait for a period of 5 to 10yr to obtain licence. This is considered the major reason for less industrial development.
* Inefficient management, corruption & non-availability of funds led to slow growth of industries in India.

**1. GDP meaning**

**Answer:** GDP stands for Gross Domestic Product. It's a widely used indicator of a country's economic performance and growth. GDP represents the total value of all final goods and services produced within a country's borders over a specific time period, usually a year.

In simpler terms, GDP calculates the size of a country's economy by adding up:

* Consumer spending
* Government spending
* Investments
* Net exports (exports minus imports)

GDP helps policymakers and economists understand the economy's performance, make comparisons with other countries, and track changes over time.

**2. Land ceiling**

**Answer:** Land ceiling, also known as land reform or land ceiling act, refers to a government-imposed limit on the maximum amount of land an individual or organization can own. The purpose of land ceiling laws is to:

1. Reduce inequality: By limiting large landholdings, land ceiling aims to reduce economic and social disparities.
2. Promote social justice: Land ceiling laws aim to provide land to landless farmers, tenants, and marginalized communities.
3. Encourage efficient land use: By redistributing land, land ceiling laws can promote more efficient and productive use of land.

Land ceiling laws vary across countries and regions, but their primary goal is to promote equitable land distribution and reduce concentration of land ownership.

**3. Market surplus**

**Answer:** Market surplus refers to a situation where the supply of a product or service exceeds its demand in the market. This can lead to:

1. Excess inventory: Unsold goods accumulate, tying up resources.
2. Price pressure: Sellers may lower prices to encourage sales.
3. Waste: Perishable goods might spoil or become obsolete.

Market surplus can occur due to various factors, such as:

1. Overproduction
2. Changes in consumer preferences
3. Increased competition
4. External factors like weather or economic shifts

Producers and suppliers often need to adjust their strategies to manage market surplus, such as reducing production, finding new markets, or innovating products.

**4. Public Sector examples**

**Answer:** Here are some examples of public sector organizations:

1. Government departments (e.g., Ministry of Education, Ministry of Health)
2. Public schools and universities
3. Hospitals and healthcare services
4. Public transportation systems (e.g., buses, trains, airports)
5. Postal services
6. Public utilities (e.g., electricity, water, gas)
7. Law enforcement agencies (e.g., police departments)
8. Public libraries
9. State-owned enterprises (e.g., oil companies, telecom providers)

These organizations are typically funded by the government through taxes or other public funds and provide essential services to citizens.

**5. Permit Licence Raj**

**Answer:** "Permit Licence Raj" refers to a system where the government exercises significant control over industries or businesses through permits, licenses, and regulations. This can lead to:

* Bureaucratic hurdles
* Complex and time-consuming procedures
* Corruption and rent-seeking behavior
* Barriers to entry for new businesses or entrepreneurs

The term "Raj" implies a system of governance or control, often associated with the British Raj in India. In modern contexts, Permit Licence Raj is often criticized for stifling economic growth, innovation, and competition. Reforms aimed at reducing bureaucratic red tape and promoting ease of doing business often seek to address these issues.

**6. Goals of 5 year plans in India**

**Answer:** India's Five-Year Plans aimed to promote economic development and social welfare through strategic planning and resource allocation. Some key goals included:

1. Economic Growth: Increase GDP, industrialization, and infrastructure development.
2. Poverty Reduction: Alleviate poverty through employment, income generation, and social services.
3. Social Justice: Promote equality, reduce income disparities, and ensure social welfare.
4. Self-Reliance: Reduce dependence on foreign aid, promote domestic industries, and enhance national self-sufficiency.
5. Infrastructure Development: Improve transportation, communication, energy, and irrigation infrastructure.
6. Agricultural Development: Increase agricultural productivity, food security, and rural development.
7. Human Resource Development: Enhance education, healthcare, and skill development.

These goals guided India's economic planning and policy-making, shaping the country's development trajectory.

**7. Two states implemented land reforms**

**Answer:** The two states in India that successfully implemented land reforms are:

* **West Bengal:** Implemented "Operation Barga" in 1979, which recorded sharecroppers' rights and protected them from eviction, providing better security and ownership rights.
* **Kerala:** Enacted the Land Reforms Act of 1963, which gave full ownership to tenants and protected tribal lands from alienation. The Kerala Land Reforms (Amendment) Act of 1969 was particularly significant, ending the feudal system and ensuring tenant rights.

These states demonstrated effective implementation due to:

* **Political Will:** Strong government commitment to land reform policies.
* **Legislative Support:** Enactment of laws like the Kerala Land Reforms Act and West Bengal's Operation Barga.
* **Tenant Rights:** Protection of tenants from eviction and exploitation, with ownership rights granted to tillers.

Other states, such as Jammu and Kashmir, Uttar Pradesh, and Himachal Pradesh, also implemented land reforms, but Kerala and West Bengal are notable for their success.

**8. What do you understand by self-reliance? Why is it needed in India?**

**Answer:** Self-reliance refers to the ability of a country, community, or individual to meet their own needs and solve their own problems without excessive dependence on external assistance. It involves building internal capabilities, resources, and resilience to reduce vulnerability to external factors.

Why self-reliance is needed in India:

1. **Economic Independence:** Reduces reliance on foreign aid, loans, and imports, allowing India to make its own economic decisions.
2. **National Security:** Enhances defense capabilities and reduces dependence on foreign countries for critical supplies.
3. **Sustainable Development:** Encourages domestic innovation, entrepreneurship, and resource utilization, promoting long-term sustainability.
4. **Pride and Dignity:** Fosters national pride and self-respect by demonstrating India's ability to solve its own problems.
5. **Reducing External Influences:** Minimizes the impact of external economic or political pressures, allowing India to pursue its own interests.

Key areas for self-reliance in India:

1. **Economic self-sufficiency:** Promoting domestic industries, reducing imports, and increasing exports.
2. **Food security:** Achieving self-sufficiency in food production to reduce dependence on imports.
3. **Energy security:** Developing domestic energy sources, such as renewable energy, to reduce reliance on imported fuels.
4. **Defense and security:** Enhancing domestic defense production and capabilities to reduce dependence on foreign suppliers.

By promoting self-reliance, India can build a stronger, more resilient economy and nation, better equipped to address its own challenges and opportunities.

**9. High Yielding Variety (HYV) seeds of which crops were used in first phase of Green Revolution**

**Answer:** High-Yielding Variety (HYV) seeds played a crucial role in the Green Revolution in India, particularly in the first phase. The crops that benefited most from HYV seeds were:

* **Wheat:** This crop saw significant yield increases, making India self-sufficient in food grains. Wheat production rose from 11 million tonnes in 1960 to 55 million tonnes in 1990.
* **Rice:** HYV seeds also substantially increased rice yields, contributing to food security across different regions.

These crops were the primary focus of the Green Revolution due to:

* **Research efforts:** Development of HYV seeds concentrated on major food grains like wheat and rice.
* **Irrigation infrastructure:** HYV seeds require adequate irrigation, which was prioritized for these crops.
* **Government policies:** Supportive policies, such as minimum support prices, promoted the adoption of HYV seeds for wheat and rice.

The introduction of HYV seeds, coupled with better irrigation and fertilizer use, transformed Indian agriculture and significantly increased food production.

**10. Write the two advantages of Small-Scale Industries.**

**Answer:** Two advantages of Small-Scale Industries (SSIs) are:

1. **Employment Generation:** SSIs provide employment opportunities to a large number of people, especially in rural and backward areas, contributing to poverty reduction and economic development.
2. **Flexibility and Innovation:** SSIs are agile and can quickly adapt to changing market conditions, allowing them to innovate and respond to local needs, which can lead to niche market opportunities.

These advantages make SSIs an important part of the economy, particularly in developing countries like India.

**11. Give the meaning of tariffs and quotas.**

**Answer:** Tariffs and quotas are trade barriers used to regulate imports and protect domestic industries. Here's what they mean:

* **Tariffs:** Taxes imposed by a government on imported goods or services. Tariffs increase the cost of imported goods, making them less competitive in the domestic market. They can be used to:
  + Protect domestic industries
  + Raise revenue for the government
  + Influence trade policies
* **Quotas:** Quantitative restrictions on the amount of a particular good or service that can be imported within a specific period. Quotas limit the quantity of imports, making it difficult for foreign producers to sell their products in the domestic market. They can be used to:
  + Control the volume of imports
  + Protect domestic industries
  + Manage trade balances

Both tariffs and quotas can affect international trade, prices, and the availability of goods in a country.

**12. Why did the State have to play an extensive role in promoting the industrial sector?**

**Answer:** The state had to play an extensive role in promoting the industrial sector for several reasons:

* **Infrastructure Development:** The state invests in critical infrastructure like roads, ports, and energy, which is essential for industrial growth.
* **Regulatory Framework:** The state creates and enforces regulations to ensure fair competition, protect workers' rights, and promote industry standards.
* **Investment and Funding:** The state provides financial support through subsidies, grants, or loans to encourage industrial development, especially in key sectors.
* **Market Stability:** The state can implement policies to stabilize markets, manage risks, and prevent market failures that could hinder industrial progress.
* **Human Capital Development:** The state invests in education and training programs to develop a skilled workforce that meets the needs of industries.

By playing an active role, the state helps create a favorable environment for industries to thrive, driving economic growth and development.

**13. Write about land reforms in India**

**Answer:** Land reforms in India aimed to promote social justice and reduce economic inequality by restructuring land ownership and distribution. The main objectives were to:

* Abolish intermediaries: Eliminate zamindars and other intermediaries who exploited farmers.
* Tenancy reforms: Provide security to tenants and reduce rent.
* Land ceiling: Impose a limit on landholdings to redistribute surplus land to landless farmers.
* Consolidation of holdings: Combine fragmented landholdings to improve agricultural productivity.

The government enacted various laws, such as the Zamindari Abolition Acts and Land Ceiling Acts, to implement these reforms. Some states, like West Bengal and Kerala, successfully implemented land reforms, while others faced challenges due to loopholes and resistance from landowners. Despite progress, land reforms in India have been incomplete, and issues like land inequality and insecurity persist. Further efforts are needed to address these challenges and ensure equitable land distribution. Land reforms remain crucial for promoting agricultural growth, reducing poverty, and enhancing social justice. Effective implementation is key to achieving these goals.

**14. Write the economic justification of the policy of Subsidies.**

**Answer:** The economic justification for the policy of subsidies lies in their ability to:

* **Correct market failures:** Subsidies can address market imperfections, such as externalities or information asymmetry, where the market fails to allocate resources efficiently.
* **Promote public goods:** Subsidies can support the production and consumption of public goods, like education, healthcare, or renewable energy, which benefit society as a whole.
* **Support vulnerable populations:** Subsidies can help low-income households or marginalized groups access essential goods and services, reducing poverty and inequality.
* **Encourage strategic industries:** Subsidies can foster the growth of strategic industries, such as agriculture, technology, or renewable energy, which are crucial for economic development and national interests.

By providing subsidies, governments can influence market outcomes, promote social welfare, and achieve specific policy objectives. However, subsidies can also have drawbacks, such as creating market distortions or inefficiencies, if not designed and implemented carefully.

**15. Explain the import substitution trade policy.**

**Answer:** Import substitution is a trade policy that aims to promote domestic production by reducing imports of goods that can be produced locally. The policy involves:

* **Tariffs and quotas:** Imposing trade barriers to limit imports and protect domestic industries.
* **Subsidies and incentives:** Providing financial support to domestic producers to encourage local production.
* **Import restrictions:** Restricting imports of certain goods to give domestic industries a competitive advantage.

The goals of import substitution include:

* **Promoting self-sufficiency:** Reducing dependence on foreign goods and promoting domestic production.
* **Encouraging industrialization:** Fostering the growth of domestic industries and creating employment opportunities.
* **Improving trade balance:** Reducing imports and improving the trade balance by promoting domestic production.

However, import substitution can also have drawbacks, such as:

* **Inefficiencies:** Domestic industries may become inefficient due to lack of competition.
* **Higher prices:** Trade barriers can lead to higher prices for consumers.
* **Limited access to technology:** Domestic industries may not have access to the latest technology and innovations.

Import substitution policies have been used by various countries to promote economic development and industrialization.

**16. Explain the goals of Five Year Plans.**

**Answer:** The Five Year Plans in India were a series of plans implemented by the government to achieve specific economic and social objectives. The main goals of these plans were:

* **Rapid Economic Growth:** Increase the country's GDP and per capita income through industrialization and infrastructure development.
* **Poverty Reduction:** Alleviate poverty by creating employment opportunities and improving living standards.
* **Self-Reliance:** Reduce dependence on foreign aid and promote domestic industries.
* **Social Justice:** Promote equality and reduce income disparities through land reforms and social welfare programs.
* **Infrastructure Development:** Improve transportation, communication, energy, and irrigation infrastructure to support economic growth.
* **Agricultural Development:** Increase agricultural productivity and food security through irrigation, fertilizers, and high-yielding varieties.
* **Industrialization:** Promote industrial growth through investment in key sectors like textiles, steel, and manufacturing.
* **Employment Generation:** Create employment opportunities in various sectors to reduce unemployment.
* **Human Resource Development:** Improve education, healthcare, and skill development to enhance human capital.

These goals were aimed at transforming India's economy and society, and the Five Year Plans played a crucial role in shaping the country's development trajectory. The plans helped establish India as a major industrial and economic power, and their impact is still felt today. By focusing on these key areas, the government sought to create a more prosperous and equitable society. The plans also helped build a strong foundation for India's future growth and development. Overall, the Five Year Plans were instrumental in driving India's economic progress and social change.

**17. Write about the Green Revolution.**

**Answer:** The Green Revolution was a transformative agricultural movement in the 1960s that aimed to increase food production and reduce hunger and poverty. Key features include:

* **High-Yielding Varieties (HYVs):** Introduction of HYV seeds for crops like wheat and rice, which significantly increased yields.
* **Increased Use of Irrigation:** Expansion of irrigation facilities to support intensive farming.
* **Fertilizers and Pesticides:** Widespread use of chemical fertilizers and pesticides to enhance crop growth and control pests.
* **Mechanization:** Adoption of modern farming equipment, like tractors and threshers, to improve efficiency.

The Green Revolution had a profound impact:

* **Increased Food Production:** India became self-sufficient in food grains, reducing dependence on imports.
* **Improved Food Security:** Increased production helped alleviate hunger and malnutrition.
* **Economic Benefits:** The Green Revolution contributed to economic growth and improved livelihoods for farmers.

However, it also had challenges:

* **Environmental Concerns:** Overuse of chemicals and water led to soil degradation and water scarcity.
* **Inequitable Distribution:** Benefits were not evenly distributed, with some farmers and regions lagging behind.

Despite these challenges, the Green Revolution was a significant milestone in India's agricultural development, transforming the country's food production landscape.

**18. Explain the effect of economic policy on industrial development.**

**Answer:** Economic policies significantly impact industrial development by influencing the business environment, investment, and growth. Key effects include:

* **Investment Climate:** Policies like tax incentives, subsidies, and infrastructure support can attract investments, stimulating industrial growth.
* **Regulatory Framework:** Streamlined regulations and reduced bureaucracy can facilitate business operations, while excessive regulations can hinder growth.
* **Trade Policies:** Tariffs, quotas, and trade agreements can affect the competitiveness of domestic industries, influencing their growth and development.
* **Innovation and Technology:** Policies supporting research and development, innovation, and technology adoption can enhance industrial productivity and competitiveness.
* **Employment and Labor:** Labor laws and policies can impact employment, wages, and working conditions, affecting industrial development.

Effective economic policies can:

* **Promote Industrial Growth:** By creating a favorable business environment and encouraging investments.
* **Enhance Competitiveness:** By supporting innovation, technology adoption, and productivity improvements.
* **Create Employment Opportunities:** By fostering industrial growth and development.

However, poorly designed policies can:

* **Hinder Growth:** By creating barriers to entry, increasing costs, and reducing competitiveness.
* **Discourage Investment:** By increasing uncertainty, risk, and regulatory burdens.

Overall, economic policies play a crucial role in shaping industrial development, and their design and implementation can significantly impact the growth and competitiveness of industries.

**19. Identify the Public sector industries and Private sector industries in the following list,** **a) Larsen and Turbo Ltd.** **b) Bharath Earth Movers Ltd.** **c) HDFC bank Ltd.** **d) Bharath Heavy Electricals Ltd.** **e) Reliance Industries Ltd.** **f) Hindustan Aeronautics Ltd.** **g) Bharti Airtel Ltd.** **h) Infosys Ltd.** **i) Indian Oil Corporation Ltd.** **j) Bharat Sanchar Nigam Ltd.**

**Answer:**

**Public Sector Industries:**

1. **d) Bharat Heavy Electricals Ltd. (BHEL)** - a state-owned enterprise in the heavy electrical equipment industry.
2. **f) Hindustan Aeronautics Ltd. (HAL)** - a state-owned aerospace and defense company.
3. **i) Indian Oil Corporation Ltd. (IOCL)** - a state-owned oil and gas company.
4. **j) Bharat Sanchar Nigam Ltd. (BSNL)** - a state-owned telecommunications company.
5. **b) Bharath Earth Movers Ltd. (BEML)** - a public sector undertaking (PSU) under the Ministry of Defence, although it may have undergone changes in ownership or structure. For the purpose of this classification, it can be considered a public sector industry.

**Private Sector Industries:**

1. **a) Larsen and Turbo Ltd. (L&T)** - a private sector conglomerate with interests in construction, engineering, and manufacturing.
2. **c) HDFC Bank Ltd.** - a private sector bank.
3. **e) Reliance Industries Ltd.** - a private sector conglomerate with interests in energy, petrochemicals, and retail.
4. **g) Bharti Airtel Ltd.** - a private sector telecommunications company.
5. **h) Infosys Ltd.** - a private sector IT consulting and services company.

**PART – B**

**CHAPTER – 3**

**ECONOMIC REFORMS SINCE 1991**

**INTRODUCTION**

After independence India adopted a mixed economic system. It also followed the protected trade policy with minimum international trade. India adopted a 'Closed economic system' which means India followed domestic production of goods & services & did not encourage external trade.

India also announced "five year economic plans" to achieve economic growth & economic development. The Indian economy was functioning smoothly till 1980's. After 1980 India witnessed slow economic growth & while 1990 India reached a stage of 'Great Depression'. India faced many political & economic "problems". These problems led to the introduction of new economic reforms in the years "1991".

**Background of Economic reforms: 1985 - 1990**

India faced major problems in the form of

**a) Gulf war -** The war declared in gulf countries created shortage of oil & petroleum products in India & it affected our industries & transportation sector on a large scale.

**b) The Great famine** - In the same time period north India experienced a great famine or drought there was no rain for 2 years. It created a shortage of wheat & India was forced to import wheat from America to address the issue of food scarcity.

**c) Political instability -** Indian economy saw political unrest without a stable government during the same period. The government did not have an efficient leader to address the problem of 'great depression'.

**d) Poor financial position -** with industries closed, no stable government & no development activities the revenue of the government was very less & the government deficit [borrowing] increased by 25%.

**e) External debt -** Increase in petrol prices and import of wheat increased the burden of external debt to the government.

All these problems pushed India to the condition of great depression associated with other problems like bankruptcy [No money in banks], closed industries, mass poverty, unemployment & stagnant economic growth.

At that time the newly elected congress government with Dr. P. V. Narasimha Rao as the prime minister, Dr. Manmohan Singh the finance minister of 1991 approached the world bank to help India with finance to overcome the problem of great depression.

The world bank agreed to help India on one condition that India will introduce the Economic reforms in the name of 'New Economic policy' [NEP] & also implement LPG policy (that is liberalization, privatisation & Globalisation policy & bring major changes in the Economic reforms of India.

**OBJECTIVES OF NEP**

On July 1st 1991 the government announced 2 imp Objectives of NEP namely:

**a) Stability -** To use the financial help of the world bank & achieve economic growth with stability.

**b) Structural reforms -** It means to introduce major changes in all the economic activities in the international trade of India with the help of LPG policy.

**LIBERALISATION, PRIVATIZATION & GLOBALISATION [LPG]**

According to the guidelines of the World Bank, LPG policy was implemented in 1991. It is important to understand the meaning of the teams - LPG.

**a) LIBERALISATION:-**

It is a process of reducing & removing govt control in economic activities.

Liberalisation also means removing the restrictions on a country's external trade by adopting an open economic system.

The main objective of liberalization was to reduce the burden of the government & to follow liberal external trade.

**b) PRIVATIZATION:-**

The process of converting the public sector & private sector units & giving greater freedom to private individuals & private sectors to take economic decisions & conduct economic activities is called privatization.

Privatization was encouraged by 2 methods:-

**(i) Disinvestment -** The method of selling govt shares & securities in the stock market to private sectors & converting the public sector into 'joint sector' operated both by the public & private sector.

**(ii) Denationalization -** It is a process of transferring the ownership by outright sale of public sector units to private sector units.

**c) GLOBALISATION:**

In common terms 'Extension of markets' is called globalisation. In broader perspective it is defined as "Integration of Domestic market with the global market". Globalisation also provides an opportunity for inflow & outflow of foreign investment from one country to another. It also enables the establishment of foreign companies in various parts of the world.

The main objective of globalisation is to create favourable social, economic & political conditions for global trade among the member countries of the world bank.

**MAJOR SECTOR REFORMS OR MAJOR LIBERALISATION POLICY OF 1991**

To achieve the objectives of NEP & to implement the LPG policy successfully reforms were introduced in the following sectors:

1. Deregulation of the Industrial sector.
2. Financial sector reforms.
3. Trade & investment Sector reforms.
4. Taxation reforms.
5. Foreign exchange reforms.

**DEREGULATION OF INDUSTRIAL SECTOR**

The industrial sector in India was dominated by the public sector & was subject to various restrictions. To deregulate the industrial sector following reforms was announced & these are:

* The industrial licensing policy was replaced by MoU Memorandum of understanding.
* The licensing policy was abolished for all the industries except the industries producing alcohol, tobacco products, hazardous chemical, industrial explosives, Defence units, Cosmetics & Pharmaceuticals industries.
* The industries which have been under the public sector (central govt.) since 1991 are Indian Railways, defence industries, Atomic energy, post & telegraph department.
* The government also announced dereservation policy for the product of small scale industries.
* All the industries are allowed to determine the price of products according to the changes in the market trends.
* FINANCIAL SECTOR REFORMS :
* Institutions like RBI, commercial banks, investment banks, cooperative banks, stock exchange market, foreign exchange market all put together constitute the financial sector of an economy.
* The major changes introduced in the financial sector are :-
* Before 1991 RBI was the regulator & controller of all financial institutions, one of the major reforms introduced was changing the role of RBI from regulator to facilitator of the financial sector.
* The commercial banks and other financial institutions were allowed to make decisions on things like savings, investment, rate of interest, & other activities without the interference of RBI.
* Reforms also allowed the establishment of commercial banks in the private sector HDFC Bank, ING Vysya bank, Karnataka bank etc. & foreign sector banks CITIBank, USA, HSBC Bank of Japan, Northern trust bank of UK etc. in India
* Commercial banks, insurance companies, mutual funds, foreign institutional investors, foreign companies etc were allowed to trade & invest money in the Indian financial market. (stock market)

**TRADE AND INVESTMENT SECTOR REFORMS**

In order to increase international competitiveness, industrial development & to bring in foreign investment & Technology following measures were announced in the name of Trade & investment sector reforms, The major changes are:

i) Removal of Quotas/Quantitative restrictions on export & import of goods & services.

ii) Reduction of tariffs rates: The taxes on export & import of goods & services was gradually reduced.

iii) Import licensing policy was abolished from all items except hazardous & medical related imports.

iv) Export duties have been removed to increase the volume of exports of Indian goods.

v) The investment reforms were introduced in the name of FDI [Foreign Direct Investment] & FII [Foreign Institutional Investment] to increase the capital investment in the secondary & service sector of the Indian economy.

vi) The govt of India also signed 'The foreign collaboration contract Act', in order to import technology, capital resources & latest machineries to gain the advantages of global trade.

**TAX REFORMS**

Tax is a compulsory payment made by the citizens of a country in various forms to the govt. without expecting any special benefits.

The two types of taxes collected by the people are

**a) Direct taxes -** The tax that is collected on the income, wealth, property & profits of business enterprises are called Direct taxes.

**b) Indirect tax -** The tax which is collected by all the people on the goods & services purchased by them is called Indirect tax.

The major changes introduced in the tax reforms are:

* The govt. of India has reduced the rate of income tax from 1991, as it felt that high rate of direct taxes is the major cause of tax evasion.
* The rate of corporate tax has been revised & reduced from 1991 onwards to increase the tax collection.
* The tax payment procedure has been simplified and individual tax payers can file the income tax returns with the help of digital technology.
* The Indirect tax was collected in the name of sales tax.
* Later it was replaced by Value added tax [VAT]. From 2016 onwards [VAT] is replaced by [GST] Goods & Services taxes with an objective of 'One Nation, One Tax'.

**FOREIGN EXCHANGE REFORM**

The foreign exchange reforms was introduced with 2 major changes:

**a) Devaluation :-** It means reducing the value of Indian currency against all foreign currencies. It was announced with an objective of reducing the deficit in India's balance of payment [BOP].

* Announcement of devaluation encouraged exports & discouraged imports because exports became cheaper & imports became costlier. As a result the deficit in BOP was reduced in India's international trade.

**b) Floating exchange rate -** Before 1991 India followed a fixed exchange rate, which means the exchange rate was decided by the RBI and the central bank of another country.

* After 1991 India announced a flexible exchange rate. In this system the exchange rate of Indian currency against foreign currency was decided on the basis of demand & supply of foreign exchange reserves in the foreign exchange market.

**CONCEPT OF OUTSOURCING**

The most important outcome of globalization is outsourcing. **Outsourcing is defined as 'A process of hiring various types of services from external sources, mostly from other countries'.** Hence, outsourcing is a service given by developed countries to developing countries.

Outsourcing can be done from one country to another with the help of Telecommunication & Internet services. Outsourcing is also known as 'BPO's' that is Business Processing outsourcing services. The BPO's can render voiced, based or Internet based services from one country to another.

The important services of outsourcing are:

a) Banking service.

b) Insurance service.

c) Marketing & sales.

d) Legal service.

e) Medical service.

f) Song recording.

g) Film editing.

h) Book editing.

i) Teaching, etc.

Many multinational companies [MNCs] are outsourcing these services to India because the cost of these services in India are much less than in developed countries & the skilled Labour force with technical knowledge & accuracy are available at lower wages. India is welcoming outsourcing because it has increased employment opportunities, income of the people and it has contributed to economic growth and development of India.

**WORLD TRADE ORGANISATION [W.T.O]**

The GATT [General Agreement on Tariff & Trade] was replaced by the WTO on 1st January 1995. The headquarters of WTO is located in Geneva, Switzerland. It is a statutory organisation established by UNO to promote international trade. At present 149 Countries are members of the WTO. & India is the founder member of the organisation. WTO was established with the following objectives they are:

1. It provides equal opportunity for all the countries in international trade.
2. It implements multilateral trade agreements among all the member countries.
3. To settle disputes among the countries on issues related to international trade.
4. To promote optimum utilization of world resources & to increase production & trade of member countries.
5. To reduce tariffs [taxes], trade restrictions & subsidies for all the member countries.
6. To introduce LPG policy among all member countries & remove trade restrictions.

India being a founder member of WTO has witnessed the following favourable impact such as India's export of textiles & service sector has increased. The foreign exchange reserves of India have increased. The balance of payment position has improved & India is experiencing rapid progress in information Technology, biotechnology & the major sectors of the Indian economy.

**ASSESSMENT OF NEP/LPG Policy**

The government of India appointed a committee in 2001 to assess and evaluate the performance of NEP policy in the year 2001. The committee policy in the submits the report in 2003 and the assessment was made for four important sectors of India & they are:

**a) Agriculture sector:** The impact of the primary sector from 1991 to 2001 can be summarized as follows.

* The government reduced investment in the primary sector during the reform period.
* There was less development of irrigation, transportation, marketing & warehousing facilities during this period.
* The government reduced subsidies on seeds & fertilizers as a result the cost of producing crops increased & added to the financial burden of farmers.
* Removal of quotas on imports & free imports of food items affected the farmers because they had to face international competition.
* Encouragement was given for cash crops & traditional crops were neglected. This led to an increase in the price of essential food products.
* In a nut shell NEP lost agricultural backwardness & had a negative impact on the lives of small farmers & agricultural labourers.

**b) Industrial sector:** The major changes witnessed in this sector from 1991 onwards are:

* Modern industries & Iron & steel industries were developed in this period.
* Complete industrialization was not possible because of inadequate infrastructure, capital & high cost of importing mechanisms and equipment.
* Free imports of manufactured & consumer goods at a low cost also caused less industrial development.
* Announcement of de-Reservation policy also led to slow development of small scale industries.
* The IMF restrictions in the name of environmental issues & sustainable development is also another reason for less industrial development in India.

**c) Service sector:** The NEP saw positive changes in the service sector of the Indian economy. The major changes are:

* Promotion of IT sector, establishment of BPO's & MNC brought significant improvement in service sector.
* Services like banking, Insurance, trade, marketing, & transportation etc were developed during the reform period.
* Companies like Wipro, Infosys, TCS [Tata Consultancy services] have become the world leaders in providing software & other services in the global market.
* The service sector generated more than 30% percent of unemployment to the skilled labor force of India from 1991 to 2001.
* At present the service sector is contributing more than 50% to national income. Therefore the service sector is called the 'Engine of India's economic growth'.

**IMPACT ON THE GOVERNMENT**

The changes in the role of government after 1991 can be discussed with following points:

* The role of government was reduced gradually in many economic activities.
* The privatisation policy has reduced the responsibility & financial burden of the government. & many activities are managed by the private sectors.
* Introduction of tax reforms in both direct & indirect taxes has increased the revenue of the government.
* India being a founding member of W.T.O and IMF has enabled the inflow of foreign reserves in the form of FDI & FII which are used for implementing the five year economic plans & achieving economic growth & development.

**CONCLUSION**

* The NEP had a positive impact on the economic growth of India. The major changes during the reform period are :-
* The national income of the country increased from 3.8% to 8% from 1991 to 2001.
* The inflow of foreign exchange reserves increased by 331 billions till July 2001.
* The volume of exports increased & India started exporting software service automobile components, textiles, engineering goods, electrical items along with agricultural commodities, handloom & handicraft products.
* Top executives of India were employed in global companies indicating the efficient human calculating formation of India.
* The service sector generated 30% of employment & became the major contributor of national income.
* All these factors will clearly indicate that India achieved economic growth & development during the reform period.

**ANSWER THE FOLLOWING QUESTIONS IN A SENTENCE / WORD.**

**(1 MARK EACH)**

1. **IBRD - Expand.** **Answer:** International Bank for Reconstruction and Development.
2. **What is Liberalization?** **Answer:** It is a process of reducing and removing government control in economic activities.
3. **Give the meaning of Direct Tax.** **Answer:** The tax that is collected on the income, wealth, property and profits of business enterprises.
4. **Give the meaning of Privatization.** **Answer:** The process of converting the public sector into private sector units and giving greater freedom to private individuals and private sectors to take economic decisions.
5. **What do you mean by Disinvestment?** **Answer:** The method of selling government shares and securities in the stock market to private sectors and converting the public sector into ‘joint sector’.
6. **What is Globalization?** **Answer:** Integration of domestic market with the global market.
7. **What do you mean by Outsourcing?** **Answer:** A process of hiring various types of services from external sources, mostly from other countries.
8. **GATT - Expand.** **Answer:** General Agreement on Tariff and Trade.

**ANSWER THE FOLLOWING QUESTIONS IN ABOUT 4 SENTENCES.**

**(2 MARKS EACH)**

1. **State any two sources of Government deficit finance.** **Answer:**

* Borrowing (Government deficit increased by 25% due to poor financial position).
* External debt (Increased petrol prices and wheat imports increased the burden of external debt).

1. **Give the meaning of Industrial Licensing.** **Answer:** Industrial licensing was a policy where industries needed government permission to start, expand or operate industries; this was replaced by Memorandum of Understanding (MoU) in 1991.
2. **Mention the industries which are reserved for the public sector in India.** **Answer:** Indian Railways, Defence industries, Atomic energy, and Post & Telegraph Department.
3. **What is Fiscal Policy?** **Answer:** Fiscal policy refers to government measures related to taxation and public expenditure to achieve economic objectives.
4. **Give an Example for Direct tax and Indirect tax each.** **Answer:**

* Direct Tax: Income Tax.
* Indirect Tax: Goods and Services Tax (GST).

1. **State any two Objectives of Trade Policy Reforms.** **Answer:**

* To increase international competitiveness and industrial development.
* To bring in foreign investment and technology.

1. **Mention the special status granted to Public Sector Undertakings (PSUs) by the Government.** **Answer:** Certain industries like Railways, Defence, Atomic Energy, Posts and Telegraphs are reserved exclusively for the public sector.
2. **Mention any two examples of Outsourcing.** **Answer:** Banking service and Insurance service.

**ANSWER THE FOLLOWING QUESTIONS IN ABOUT 12 SENTENCES.**

**(4 MARKS EACH)**

1. **Discuss Trade and Investment policy reforms.** **Answer:** In order to increase international competitiveness, industrial development and bring in foreign investment and technology, major measures were introduced:

* Removal of quotas/quantitative restrictions on export and import of goods and services.
* Reduction of tariff rates gradually.
* Abolished import licensing policy except for hazardous and medical items.
* Removed export duties to increase exports.
* Introduced investment reforms like Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII) to boost capital inflow.
* Signed Foreign Collaboration Contract Act to import technology, capital resources and machinery to benefit from global trade.

1. **Briefly explain about Privatisation.** **Answer:** Privatisation means converting public sector units into private sector units and giving greater freedom to private individuals and private sectors to take economic decisions.  
    Two methods were encouraged:

* *Disinvestment* — selling government shares and securities in the stock market and converting the public sector into a ‘joint sector’.
* *Denationalisation* — outright sale of public sector units to private sector units.  
   The aim was to reduce the burden on the government and improve efficiency.

1. **What are the objectives of the WTO? Explain the role of India as its member country.** **Answer:** Objectives of WTO:

* Provide equal opportunity for all countries in international trade.
* Implement multilateral trade agreements.
* Settle disputes among member countries.
* Promote optimum use of world resources and increase production and trade.
* Reduce tariffs, trade restrictions and subsidies.
* Introduce LPG policy globally.  
   **Role of India:** India is a founder member and has benefited with increased exports, higher foreign exchange reserves, improved balance of payments, and growth in IT, biotechnology and major sectors.

**ANSWER THE FOLLOWING QUESTIONS IN ABOUT 20 SENTENCES.**

**(6 MARKS EACH)**

1. **Briefly explain the background of Economic reforms in India.** **Answer:** After independence, India followed a closed economy with minimum international trade and relied on domestic production. Five-Year Plans guided growth. By the 1980s, India experienced slow economic growth and by 1990 faced a severe crisis called the ‘Great Depression’. Reasons:

* The Gulf War led to oil shortage affecting industries and transport.
* North India faced drought for two years, causing wheat shortage and forced imports from America.
* Political instability without strong leadership to tackle the depression.
* Poor financial position with low revenue and increased borrowing by 25%.
* External debt increased due to oil prices and wheat imports.  
   The economy faced bankruptcy, closed industries, poverty, unemployment and stagnant growth. The new Congress government under P.V. Narasimha Rao and Dr. Manmohan Singh sought help from the World Bank which agreed on the condition that India implement economic reforms called NEP with the LPG policy — Liberalisation, Privatisation and Globalisation.

1. **Explain about the following liberalization measures,**

**a) De-regulation of Industrial sector** **Answer:**

* Industrial licensing policy replaced with MoU.
* Licensing abolished for all except alcohol, tobacco, hazardous chemicals, explosives, defence, cosmetics and pharmaceuticals.
* The public sector retained only Railways, Defence, Atomic Energy, Posts & Telegraph.
* Deregulation allowed industries to fix prices freely and small-scale product reservation was removed.

**b) Financial sector reforms** **Answer:**

* RBI changed from regulator to facilitator.
* Banks are allowed to decide interest rates, savings and investments freely.
* Private banks like HDFC, ING Vysya, and foreign banks like Citibank, HSBC are allowed to operate in India.
* Commercial banks, insurance companies, mutual funds, FIIs and foreign companies are permitted to invest in Indian stock markets.

1. **List out the important areas of Liberalization. Explain Tax reforms and Foreign exchange reforms.** **Answer:** Important areas: Industrial, Financial, Trade & Investment, Taxation and Foreign Exchange.  
    **Tax Reforms:**

* Reduced income tax rates to reduce tax evasion.
* Corporate tax rates revised downwards.
* Simplified procedures and digital filing introduced.
* Sales Tax replaced by VAT, which was replaced by GST in 2016 — *One Nation, One Tax*.  
   **Foreign Exchange Reforms:**
* **Devaluation:** Reduced the value of the Rupee to boost exports, discourage imports and improve BOP.
* **Floating Exchange Rate:** Shifted from fixed rates to flexible rates based on demand and supply in the market.

1. **Discuss the effects of economic reforms on agriculture and the industrial sector.**

**Answer:** **Agriculture:**

* Govt. investment reduced → poor irrigation, transport and storage.
* Subsidies on seeds and fertilizers cut → higher cost for farmers.
* Free import of food items → farmers faced international competition.
* Cash crops encouraged, traditional crops neglected → food prices rose.
* Overall, small farmers and labourers suffered.

**Industry:**

* Growth in modern and core industries like Iron & Steel.
* Incomplete industrialisation due to poor infrastructure, capital shortage, costly imported machinery.
* Free imports of manufactured goods reduced demand for local industry.
* Deregulation slowed small-scale industries.
* IMF restrictions for sustainability added more hurdles.

**ASSIGNMENT AND PROJECT ORIENTED QUESTION (5 MARKS)**

**Identify the following banks as agriculture, industry, nationalized, private and foreign banks.**

* **ICICI** – Private Bank
* **SBI (State Bank of India)** – Nationalised Bank
* **HSBC** – Foreign Bank
* **NABARD** – Agriculture Bank
* **IDBI** – Industry Bank

**Chapter 4**

**Presentation of Data**

**Introduction**

After classification & organization of data, the next step is **presentation of data**. Presentation means arranging a data in a particular form which is easy to understand & analyse the data. Presentation of data will also help in converting bulk data into a neat presentation.

The data can be presented by 4 main methods & they are:-

1. **Textual presentation**
2. **Tabular presentation**
3. **Diagramatic presentation**
4. **Graphical presentation**
5. **Textual presentation**: When the data is described within the text in the form of words, phrases & paragraph, it is called textual presentation of data.

In this method important information like numbers, years, percentage, keywords etc are high lighted in bold font or in different colours. Textual presentation is easy to understand because it explains the causes, effects, identifies problems & provides solution with statistical information.

It is useful when the data is small which requires description. Therefore, it is also called **descriptive data**.

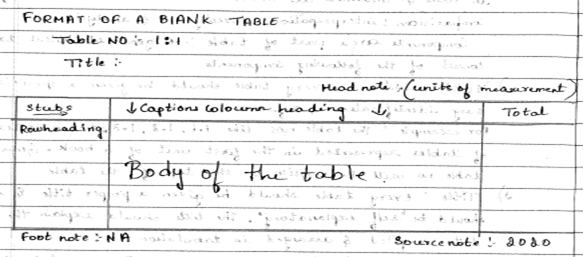
The greatest disadvantage of this method that it is not suitable when the data is lengthy or it has so many numerical values. A person has to go through the entire data in order to understand it.

**2) Tabular Presentation**

Tabular presentation is the systematic arrangement of data in horizontal rows and vertical columns. This method, also known as **tabulation**, is used for a variety of purposes, including comparison, interpretation, investigation, and analysis.

A good statistical table consists of the following components:

* **Table Number:** Every table should be given a specific number for easy identification and reference. For example, 'The table no. like 1.1, 1.2, 1.3 etc. indicates the number of tables represented in the first unit of a book. Generally, the table no. will be written on the top of the table'.
* **Title:** Every table must have a proper title that is self-explanatory. The title should clearly explain the nature of the data compiled and arranged in the table, such as 'National income of a country,' 'Population of a country,' etc.
* **Head Note:** This is generally written below the title. It provides additional information, such as the units of measurement, like 'in rupees,' 'in thousands,' etc.
* **Captions & Stubs:** The headings given to the vertical columns are called **captions**, and the headings given to the horizontal rows are called **stubs**. The heading of the horizontal row is called the stub. It's written on the left side of the table. The captions are written in the middle of the vertical column.
* **Body of the table:** This is the most important component of the table. It contains the **quantitative data** arranged systematically for a particular variable.
* **Footnote:** This is used to explain any specific features or symbols mentioned in the body of a table. For example, 'QE' for 'Quick Estimate' or 'NA' for 'Non-Availability.'



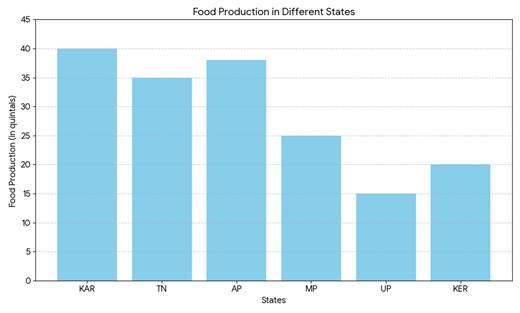
**3) Diagrammatic Presentation**

When data is presented with the help of geometric diagrams, frequency diagrams or pie diagrams, it is called **diagrammatic presentation**.

The geometric diagrams are generally presented as **bar diagrams**. The bar diagram can be constructed by four main methods, and they are:

1. **Simple bar diagram**
2. **Double bar diagram**
3. **Percentage component bar diagram**
4. **Multiple bar diagram**

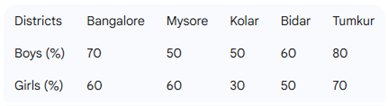
**Simple bar diagram**: When data is presented with a group of equidistant and equal width rectangular bars, it is called a **simple bar diagram**. The height of each bar represents the magnitude of the data. The simple bar diagrams are constructed from 0 units, hence they will always touch the base line on the x-axis. The data with or without frequency can be presented in the form of a simple bar diagram. For example, for the production of food grains produced in different states construct a simple bar diagram.

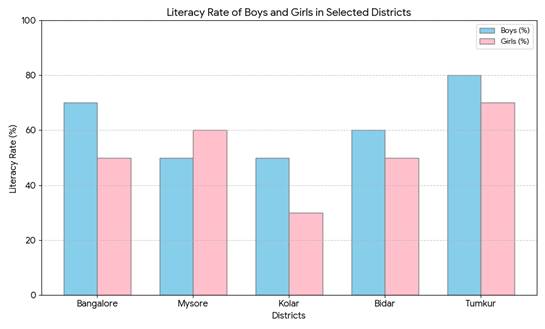


**Double Bar Diagram**

When two sets of data are presented together for comparison and analysis it is called a **Double Bar Diagram**. Variables like exports & imports, revenue & expenditure, income & savings, etc. are represented together & are called **Double Bar Diagrams**.

Ex: For the following data of literacy rate of boys & girls in selected districts construct a double bar diagram.





**3. Percentage or Component Bar Diagram**

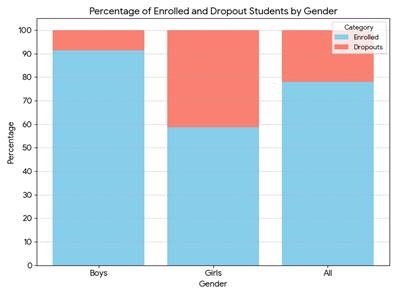
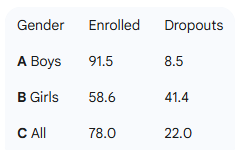
A **component bar diagram** will show the subdivisions in the rectangular bar. When there are more than two components, each component will show the proportion of observed data. This type of diagram is used to present multiple components which are interrelated to each other. If the rectangular bars are of the equal height then it is called the **'Unilateral' method of presenting a component bar diagram**.

Economic variables like production in major sectors, expenditure of a family, growth of different sectors, etc. are represented in the form of component bar diagrams.

**Ex:** For the following observations of contributions made by a major sector in 4 different countries, construct a component bar diagram.

**A. Following statements...**

Draw a component bar diagram using the data



**Pie Chart / Pie Diagram**

A **pie chart** is also called an **angular diagram**. It is used to present the total values into broken values which represent various components.

A pie chart is defined as "A diagram in which each component of the total is expressed in terms of degree or percentage."

The following steps are to be followed to construct a pie chart:

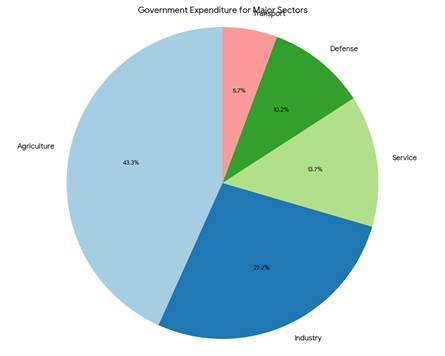
* The value of all the components are added to obtain a **total value**.
* Each component is converted into a degree or angle by using the formula: Angle = (Individual value / Total value) x 360

· A circle of appropriate radius has to be drawn.

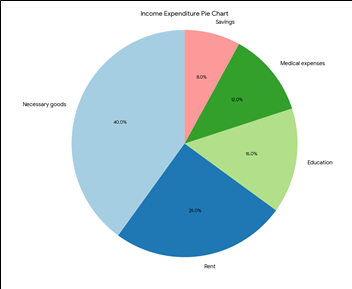
· The area of each angle must be marked in an anti-clockwise direction.

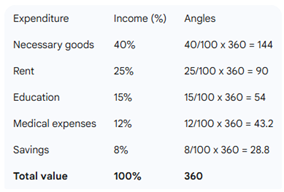
· Each angle area should be shaded differently & present it with an index or key note.

**Ex:** For the govt. expenditure for major sectors in crores, construct a pie chart.



**Draw a pie chart for government expenditure.**

For the monthly expenditure of a family in terms of percentage, construct a pie chart.



**Frequency polygon & Histogram**

A **frequency polygon** is a 'plane' bonded diagram obtained by the histogram. A frequency polygon is derived by drawing straight lines, and it is derived from the histogram itself.

The simplest method of drawing a frequency polygon is to join the midpoint of the top side of consecutive rectangular bars on the histogram. A **frequency polygon** is an alternative method of presenting the frequency distribution of an observation with class intervals.

**Histogram** - A histogram is a 2-dimensional diagram. It is a set of rectangular bars constructed from the x-axis taking the class boundaries with area proportional to class frequencies. A histogram looks similar to a bar diagram but they are different from each other. The bar diagrams are constructed at an equal distance, but a histogram is constructed without any space. A histogram is used to present the data for continuous variables. It is also used to find out the highest frequency or **mode** of an observation. To construct a histogram graphically, the **CI** are measured on the x-axis and **frequencies** on the y-axis.

**Ex:** For the following data construct a histogram, derive a frequency curve, and also find out the mode of the observation.

