

# ECONOMICS

**CLASS XI**

**CHAPTER TWO**

**INDIAN ECONOMY 1950–1990**

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## CHAPTER 2 - INDIAN ECONOMY 1950–1990

### 1. Define a plan.

A plan is a list of actionable goals and specific objectives that a nation wants to achieve over a specific period of time.

### 2. Why did India opt for planning?

After achieving independence in 1947, India was faced with the task of reviving the poor, backward state in which the colonial government had left India. Efforts were made to solve people's problems through interventions by a democratic government. A country is said to be on the path of development when there is economic prosperity. To attain that prosperity, the Planning Commission was set up in 1950 to establish a development framework for the nation where both public and private sectors would contribute towards economic development.

### 3. Why should plans have goals?

A plan without a goal is like a ship without a radar. The plan specifies ways in which resources need to be allocated in order to achieve the target defined by goals. Goals are achievements that help us visualize the successful execution of plans. Thus goals are a must-have in planning.

### 4. What are high Yielding Variety (HYV) seeds?

These are the seed varieties which give a higher yield compared to others. The seeds produce more yield than the normal varieties. Seeds need proper irrigation facilities along with more fertilizers and pesticides in order to get the best yield. HYV seeds grow at a faster rate than the normal varieties and are able to generate 10-20 times more crop per hectare than normal varieties.

## **5. What is marketable surplus?**

The portion of the harvest that a farmer can sell in the market in order to earn a profit is known as Marketable Surplus. The profit thus earned can be reinvested into farming operations.

## **6. Explain the need and type of land reforms implemented in the agriculture sector.**

The needs for land reforms in India are discussed below:

1. In India, there existed three types of land tenure systems, namely Zamindari, Ryotwari and Mahalwari systems. In these systems, revenue needed to be paid for cultivating the land. This resulted in the exploitation of the farmers.
2. The land holdings were very small and fragmented, which hindered the use of modern techniques.
3. The farmers had a lack of initiative as the land was owned by landlords.
4. The basic purpose of farming was to earn for survival and not to make a profit. Hence it needed to change.

Type of land reforms undertaken by the Government are as follows:

1. Abolishing of Intermediaries: The land reforms put an emphasis on abolishing intermediaries like Jagirdar and Zamindars and making the tillers or farmers, the owners of the land.
2. Rent regulation: The farmers were charged exceptionally high rents. After independence, in the first five-year plan, it was decided that the rent for cultivating the land would be reduced to one-fourth or one-fifth.
3. Land Holding Consolidation: The land pieces being very fragmented, modern technology could not be used. Hence land consolidation was done to provide them with land pieces which was the total of the land plot they owned. It allowed for the implementation of modern technology and better production.
4. Land Ceilings: This is aimed at providing a fixed amount of land to an individual in order to promote equality of land holdings and promote development.

5. Co-operative Farming: Small-scale farming by a farmer was not at all profitable, encouraging farmers to work together on farmlands. This enhanced productivity, and profit sharing also increased.

**7. What is Green Revolution? Why was it implemented and how did it benefit the farmers? Explain in brief.**

India, after Independence, was recovering from the implications of being under foreign rule. The initial years saw low productivity, coupled with wars with neighbours China and Pakistan and natural disasters such as famines for two consecutive years. India was over-reliant on the US for the import of food grains under the PL 480 law. On being denied the assistance, India devised a plan to attain self-sufficiency in crop production by importing more than 18000 tonnes of High Yield Variety or HYV from Mexico. This resulted in significant crop production the following year, which ended India's reliance on grain imports. It is known as Green Revolution.

Benefits to Farmers:

1. Increase in income followed the green revolution as most of the areas that cultivated wheat and rice were witnessing great production, which helped in removing poverty from these areas.
2. With the increase in the production of crops, age-old customs were abolished, and the farmers began to adopt new agricultural methods, which were instrumental in bringing change in productivity.
3. It helped reduce unemployment as the lands were used for growing two varieties of the crop as per season, and therefore, it helped removed seasonal unemployment.
4. With nationalising of banks, farmers were given subsidies on loans for cultivation, which improved production as more farmers were able to take a loan.

**8. Explain 'growth with equity' as a planning objective.**

Economic growth can be defined as an increase in the total output of goods and services in the country for a given time period. Growth with equity is said to be growth with equal distribution. Growth refers to an increase in GDP, and equity means social justice. Only growth will not be able to guarantee the welfare of

the people of the country. The GDP is not a good measure of the development of the people of a nation. Therefore growth along with equity which means development for all, is a good parameter for economic planning and paves the way for development with social justice.

**9. Does modernisation as a planning objective create contradiction in the light of employment generation? Explain.**

Modernisation as a planning objective does not create contradictions in employment generation as modernisation is a medium to generate more employment. It may use new and modern technology, and as a result, there will be some job losses upfront. But, as people adopt modern technology and get skilled in the process, it will create demand for such skilled professionals which will create more job opportunities.

**10. Why was it necessary for a developing country like India to follow self-reliance as a planning objective?**

Self-reliance as a planning objective was necessary for India because, without self-reliance, a country will have a dependency on foreign products, which will never improve the domestic sector, and the country will be at the mercy of other nations. From an economic perspective, dependence on foreign goods causes a reduction in foreign reserves. These reserves can be used for the development of the country. Therefore self-reliance is an essential characteristic that needs to be adopted by any country for overall development.

**11. What is sectoral composition of an economy? Is it necessary that the service sector should contribute maximum to GDP of an economy? Comment.**

The proportionate contribution of each sector towards the Gross Domestic Product (GDP) of the country during a year is known as sectoral composition. It comprises shares from the industrial sector, agricultural sector and service sector. Out of all the three sectors, the service sector needs to be the one contributing the maximum for GDP at the later stages. A phenomenon called structural transformation implies a gradual shift of dependence from agriculture towards an increase in the industrial and service sectors.

## **12. Why was public sector given a leading role in industrial development during the planning period?**

Public sector was given a leading role due to following reasons:

1. The development project for a country which had recently gained independence was tough. There was no foreign investment and no fund support, so the government had decided to take the initiative as the projects were high-risk and had a long turnaround time. It was the public sector that had to step in to provide the framework of the future industries.
2. Indian economy was at a very nascent stage, and the level of income was very less for the majority of the people of the nation. As a result of that, the demand was less and for such a market, no one was willing to invest. The public sector was the only option by which the demands could be raised.

## **13. Explain the statement that green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during times of shortage.**

The green revolution helped in a substantial increase in food grain production and ended India's reliance on imports from the USA for food grains. Importing HYV seeds from Mexico led to surplus food crop production and subsequently made India self-sufficient. The farmers also had easy access to credit, and were offered subsidies for buying fertilizers. Also, land reforms made life much easier for them. These farmers were able to save their surplus production and sell them to the Government of India, earning profit and also enabling the government to stock enough food grains for emergency situations like famines, droughts, etc.

## **14. While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact.**

Whenever a new technology is introduced, people are hesitant at first to try it out. The most common thinking is if someone invests in new technology and it backfires or doesn't give the desired results, it will be a loss for the investor. Therefore subsidies were introduced. Economists believe that a technology, when found to be profitable, should not be subsidised. Subsidies meant for farmers will also benefit the fertilizer industry, and it will benefit those farmers

who are from more prosperous regions. The government bears the burden by providing such subsidies. The proper way to provide subsidies is to determine which farmers are really in need of subsidy through a proper verification system. It will ensure that the needy get the subsidy, and the government doesn't have to bear large expenses.

**15. Why, despite the implementation of the green revolution, 65 per cent of our population continued to be engaged in the agriculture sector till 1990?**

Indian agriculture witnessed tremendous growth in crop production which made India self-sufficient in food grain production. Still the number of people engaged in agriculture has not come down in the 40 years. It was 67.5 % of the total population in 1950, and the figure stood at 64.9% in 1990. Growth was hindered as people were not absorbed in the secondary and tertiary sector. Such a large number of people engaged in agriculture would have generated much more productivity, which it didn't. It shows that technological advancement was lacking. Also it showed the short-sightedness of the economic policies that were in effect from 1950-1990. The result was that the contribution of agriculture to GDP was reduced to 44% in the 1970s while it was 51% in the 1960s.

**16. Though public sector is very essential for industries, many public sector undertakings incur huge losses and are a drain on the economy's resources. Discuss the usefulness of public sector undertakings in the light of this fact.**

Lack of proper planning and mismanagement led to the wastage of resources and also monetary loss in forms of revenue by the PSU's. Still they are having some benefits which are as follows:

1. The main purpose of a PSU is to provide goods and services which are useful for the society and help in the country's welfare in addition to paving the path for economic development. For instance, schools, hospitals, etc.
2. Projects that require high investment and long gestation periods are not undertaken by any private companies. Hence, PSUs are the best choice for such projects.
3. Public sectors form the basic framework of the nation with respect to industrialisation, which will provide assistance to private firms at the next stage of industrialisation

4. India followed a socialistic government which allowed for equal rights for everyone, therefore government-controlled businesses led to economic growth. PSU's will produce goods as per the social needs of the country.

5. Inequalities in income will lead to a higher standard of living, eradicate the existing poverty. Therefore the government should invest in PSU's.

### **17. Explain how import substitution can protect domestic industry.**

Import substitution refers to the process of discouraging the import of goods that can be produced domestically. This strategy makes an economy less dependent on imported goods and at the same time, provides financial facilities, subsidies, know-how and licenses to produce those goods in the country, allowing the producers to sustain and develop. There will be no competition as international producers are out of the equation and this gives them monopoly status. By earning more profits, they can enhance their knowledge which will be beneficial in expanding to international markets.

### **18. Why and how was private sector regulated under the IPR 1956?**

IPR or Industrial Policy Resolution, 1956, was a resolution that was adopted by the Indian parliament for industrial development in India. This resolution aimed at creating a socialistic pattern of society. Under this rule there were three categories of industries which were:

Schedule A: Industries that are exclusive responsibility of the state

Schedule B: Industries that will be pre-dominantly owned by the public sector while private sector will be supplementing the efforts of the public sector

Schedule C: The remaining industry types that will be managed by private sector

Although the government wanted to define a separate category for the private sector, it wanted to keep the sector under state control and hence created a rule that in order to open a new industry or to expand an existing one, a license was required to be obtained from the government. If the industry was opened in a backward area, the government would offer subsidy and other facilities such as easy licensing. This step was taken to maintain regional equality. In order to increase production, a license was required so that no socially undesirable goods were produced.



**19. Match the following:**

1. Prime Minister	A. Seeds that give large proportion of output
2. Gross Domestic Product	B. Quantity of goods that can be imported
3. Quota	C. Chairperson of the planning commission
4. Land Reforms	D. The money value of all the final goods and services produced within the economy in one year
5. HYV Seeds	E. Improvements in the field of agriculture to increase its productivity
6. Subsidy	F. The monetary assistance given by government for production activities.

## **FILL IN THE BLANKS**

(i) Employment in the service sector \_\_\_\_\_ increased to the same extent as production. **(has not)**

(ii) Workers in the \_\_\_\_\_ sector do not produce goods. **(tertiary)**

(iii) Most of the workers in the \_\_\_\_\_ sector enjoy job security. **(organized)**

(iv) A \_\_\_\_\_ proportion of laborers in India are working in the unorganized sector. **(large)**

(v) Cotton is a \_\_\_\_\_ product and cloth is a \_\_\_\_\_ product.  
**(natural )**

(vi) The activities in primary, secondary, and tertiary sectors are\_\_\_\_\_  
**(independent)**

## MCQ QUESTION AND QUESTION

1. **Which of the following statements is true about the licensing policy followed by the Indian Economy in the 1950-1990 era?**
- a. It helped to promote regional equality in the industry
  - b. It helped to check the undue expansion of the industrial sector
  - c. It helped to promote regional equality in the industry as well as to check the undue expansion of the industrial sector
  - d. None of the above

**Answer: c**

2. **Which of the following is the main differentiation between the small scale units and large scale units?**
- a. The amount of investment
  - b. The volume of output
  - c. The size of the unit area
  - d. The volume of sale

**Answer: a**

3. **What was the main reason behind the private sector not coming forward to start the capital goods industries?**
- a. The private sector suffered from a lack of capital
  - b. The private sector suffered from a lack of demand for their finished goods
  - c. The private sector suffered from a lack of capital as well as a lack of demand for their finished goods
  - d. None of the above

**Answer: c**

4. **Which of the following statements about the Indian Economy is true during the Era of 1950-1990?**
- a. The abolition of intermediaries was a part of the industrial reforms in India
  - b. The abolition of intermediaries was a part of the external sector reforms in India

- c. The abolition of intermediaries was a part of the land reforms in India
- d. The abolition of intermediaries was a part of the banking reforms in India

**Answer: c**

**5. Which of the following statements is true about the Indian Economy in the 1950-1990 era?**

- a. India had adopted the socialist form of economic system in the 1950-1990 era
- b. India had adopted the capitalist form of economic system in the 1950-1990 era
- c. India had adopted the mixed form of economic system in the 1950-1990 era
- d. India had adopted the traditional form of economic system in the 1950-1990 era

**Answer: a**

**6. Which of the following statements accurately reflects the trade policy followed by the Indian Government during the 1950-1990 era?**

- a. The Government made use of quotas to protect the goods produced in India from the imports
- b. The Government made use of tariffs to protect the goods produced in India from the imports
- c. The Government made use of export promotion to protect the goods produced in India from the imports
- d. All of the above

**Answer: d**

**7. Which of the following statements is true about land ceilings?**

- a. The land ceiling refers to fixing rural landholdings at their existing levels
- b. The land ceiling refers to fixing the land areas for the purpose of irrigation
- c. The land ceiling refers to fixing the urban landholdings at the existing levels
- d. The land ceiling refers to fixing the total quantum of land that is held by an individual

**Answer: d**

**8. Which of the following is not true about the planning commission of India?**

- a. The main aim of the planning commission is to ensure economic growth in the country
- b. The main aim of the planning commission is to ensure equity in the country
- c. The main aim of the planning commission is to ensure the conservation of resources in the country
- d. The main aim of the planning commission is to ensure self-reliance in the country

**Answer: c**

**9. Which of the following is a good indicator of the economic growth of a country?**

- a. Gross domestic product
- b. Gross national product
- c. Net domestic product
- d. Net national product

**Answer: a**

**10. Which of the following statements is true about the industrial policy adopted by the Indian Government in the first seven five year plans?**

- a. The Indian Government adopted a trade strategy that was partially outward looking
- b. The Indian Government adopted a trade strategy that was partially inward looking
- c. The Indian Government adopted a trade strategy that was totally outward looking
- d. The Indian Government adopted a trade strategy that was totally inward looking

**Answer: d**

**11. What was the main reason behind providing protection to the small scale industries by the Indian Governments during the 1950-1990 era?**

- a. They are not able to compete with the large industries

- b. They are much more suitable for the purpose of rural development
- c. They help to keep a check on the private sector
- d. They help to provide large scale employment in the rural sector

**Answer: a**

**12. Which of the following statements is true about the central problem of an economy?**

- a. The central problem of an economy is what to produce
- b. The central problem of an economy is how to produce
- c. The central problem of an economy is for whom to produce
- d. All of the above

**Answer: d**

**13. When was the first five-year plan launched in India?**

- a. 1959 to 1964
- b. 1948 to 1953
- c. 1955 to 1960
- d. 1951 to 1956

**Answer: d**

**14. Which of the crops benefited the most as a result of the green revolution?**

- a. Rice
- b. Wheat
- c. Both a and b are correct
- d. Both a and b are incorrect

**Answer: c**

**15. Which of the following statements was the main aim of land reforms undertaken in the Indian Economy in the 1950-1990 era?**

- a. To solve problems related to the distribution of land
- b. To solve problems related to the ownership of land
- c. To solve problems related to the exploitation of farmers
- d. All of the above

**Answer: d**