

# **INDIAN ECONOMY (1950-1990)**

## **INTRODUCTION**

On 15<sup>th</sup> August 1947, India won independence. The leaders of Independent India had to decide, among other things, the type of economic system most suitable for our country, **a system which shall promote welfare of all rather than welfare of few.** There are different types of economic system and among them India decided to be a **socialistic society with a strong public sector but also with private sector playing a major role in the economy.**

## **ECONOMIC PLANNING**

**In 1950, Planning Commission was set up** under the chairmanship of Jawaharlal Nehru. Main objective of Planning Commission (now NITI AAYOG) is to make five-year plans with given goals and objectives which govt. needs to achieve in coming years.

**Plans should have goals or objectives** which the country wants to achieve in a specific time period. Without goals, the planners would not know which sectors of the economy should be developed on a priority basis.

## **GOALS OF FIVE-YEAR PLANS**

In the year 1950, Planning Commission was set up to prepare plans for five years which should consist of goals which are to be meant to be achieved within a given time period.

All different five year plans focused on different set of targets such as **Second Five Year Plan (1956-1961) focused on development of strong industrial base**; Third Five Year Plan focused mainly on development of agriculture sector and so on. But all the different five year plans had some goals in common and they are:

### **(a) GROWTH**

- In every five-year plan govt. plans to **increase the GDP growth rate.**
- **GDP is market value of all final goods and services produced in a country during a particular financial year.**
- An **increase in GDP** is an indicator of growth as it represents **increase in level of production** in the country and **thus an increase in level of employment.**
- Thus, people will get an opportunity to earn income for themselves and thus improve their standard of living.

### **(B) MODERNIZATION**

- To increase production of goods and services, the producers have to adopt new technology. **Adopting new and advanced technology is called modernization.**
- It is the responsibility of govt. to make plans in such a manner that promotes modernization and for this **govt. has to spend a lot on research and development.**

- Modernization should also take place in context of **social outlook such as recognizing women should have same right as men.**

### **(C) SELF RELIANCE**

- A nation on a whole can prosper when it is self-reliant i.e. **it is using its own resources or using resources imported from abroad to set up factories and industries and businesses at home.**
- During the first seven five-year plans (1950-1991); India gave importance to self-reliance i.e. **we avoided imports of many goods and tried to produce them at home.**
- Due to our continuous efforts, we were able to achieve self-sufficiency in food sector by 1980's i.e. we were producing more than what was required.

### **(D) EQUITY**

- High GDP growth rate is of no use if the growth is enjoyed by few and major population is still living below poverty line.
- Thus govt. policies should promote **equitable distribution of income** i.e. benefits of growth should reach to the poor sections of society also. Govt. has to make sure that every individual is able to meet his or her basic needs such as food, shelter, education, proper health care facilities etc. This will help the govt. to reduce the gap between rich and poor over time.
- For this purpose, govt. **impose tax on the rich and provide subsidies to the poor.**

## **AGRICULTURE SECTOR**

- Agriculture sector witnessed stagnation throughout 200 years of British rule. British govt. did nothing to improve the situation of agriculture sector – **productivity remained low, lack of proper irrigation system; use of outdated technology etc.**
- About 3/4<sup>th</sup> population earned their livelihood from agriculture sector (directly or indirectly) during Independence. Thus, after Independence, first sector which required major attraction from policy makers was agriculture sector.

### **Problems of agriculture (Features of Agriculture Sector after Independence)**

- (a) Disguised unemployment** – There were many cases of disguised unemployment between 1950-1990. It refers to a state in which more people are engaged in work than what is actually required.
- (b) Use of outdated technology and lack of irrigation facilities** – Farmers used outdated and obsolete technology for farming and harvesting (labour intensive technology) and they used to mainly depend on monsoon rains for water.

(C) **Subsistence farming** – It means practise of growing crops only for one's own use without any surplus for sale in the market. **As a result, supply of food grains in the market was limited and prices were high for the general public to afford them.**

(D) **Small land holdings**- Most of the land holdings of the farmers were small. In such a case farming can only be done manually; use of heavy and advanced machine is not possible. As a result, agricultural output remained stagnant year after year.

**Some of the policy initiatives taken by govt. to improve the health of agriculture sector were:**

### **(A) LAND REFORM MEASURES**

- At time of Independence maximum land were owned by intermediaries like zamindars, jagirdars etc., whose main focus was to just collect rent from farmers and exploit them.
- **Equity in agriculture sector** called for **land reforms which means change in ownership of land holdings**. Thus, **land was taken from those who had surplus land and provided to small farmers and land less farmers**. Thus government tried to abolish the intermediaries and to make tenants (tillers), the owner of land.
- Tenants do not have any incentive to make improvements on land and to increase the output because landlord will enjoy all the benefits of higher output.
- When ownership is given to farmers then it will act as an incentive to the farmers because now entire land is owned by them and whatever surplus is extracted is theirs. This will give them incentive to increase agricultural output and this contributed to growth in agriculture.

### **LAND CEILING**

To reduce concentration of land ownership in a few hands, maximum size of land which can be owned by an individual was fixed. Land ceiling helped to **promote equity in agriculture**.

### **OBJECTIVES OF LAND REFORMS**

1. **Redistribute the land** in order to **remove inequality** in ownership of land.
2. To **ensure land ceiling** and take away surplus land to be distributed among the small farmers.
3. To **remove rural poverty**.
4. To **increase productivity** of agriculture.

### **Results of Land Reform Measures**

#### **POSITIVES**

- (a) Due to such measures, the **zamindars have become non-existent**. Thus peasants are now free from their exploitation.
- (b) Due to redistribution of land, **there is decrease in level of inequality**.
- (c) Due to increase in no. of land owners, there is **increase in revenue for the state govt.**

## **NEGATIVES**

- (a) Land reform measures were **successful in Kerela and West Bengal** because these states had left dominated govt. which were committed towards successfully implementing the land reforms. For other states inequality still exists in terms of land holdings.
- (b) Many big landlords continued to own large areas of land by **registering land in name of their relatives**.
- (c) In some cases, tenants were evicted and zamindars claimed to be self-cultivators.

## **(B) GREEN REVOLUTION**

- Even after two decades of Independence, **productivity in agriculture sector was very low because of use of old technology, dependence on monsoon, lack of proper irrigation system etc.** Productivity was so low that India had to **import food grains from America. (PL-480)**
- Govt. adopted **use of High Yielding Variety (HYV) seeds from mid 1960's (1966)** which resulted in massive crop production mainly **wheat and rice**. In the first phase it was mainly **restricted to some states which had proper irrigation system such as Haryana; Punjab; Andhra Pradesh etc.**

## **BENEFITS OF GREEN REVOLUTION**

- (a) After success of Green Revolution, **India became self-sufficient in production of food grains.** HYVP was restricted to only **five crops: wheat, rice, jowar, bajra and maize**. Production increased by so much that it allowed farmers to sell surplus amount in market and earn for themselves.
- (b) Due to large marketed surplus, **prices of food grains declined** in the market and it benefited poor people and middle-class people.
- (c) Huge crop production **allowed the govt. to maintain stock of food grains** which could be used at times of shortage.
- (d) Success of green revolution led to **increase in income of farmers** in many states and thus it allowed them to break the barriers of poverty.

## **FAILURES OF GREEN REVOLUTION**

- (a) **Led to increase in regional inequality:** Green revolution was mainly **successful in case of few crops and in few states**. Thus, these states became rich. Other states where green revolution did not spread, remained poor.
- (b) **Led to partial removal of poverty:** Green revolution **benefitted the big and rich farmers** to a large extent who were able to afford expensive inputs whereas **for poor farmers it was difficult as they didn't have the required finance**. Thus, it led to reduction in poverty up to a limited extent.

## **RISKS OF GREEN REVOLUTION**

- (a) Green revolution **will increase the gap between Rich and Poor farmers** since only big farmers can afford expensive inputs and mainly benefit from it.

**Address: Equilibrium classes, 50 meters from pahari mandir, Rani sati mandir lane, Ratu Road, Ranchi (Jharkhand) - Ph. No. 9840885790.**

- (b) HYV crops were more prone to pest attack and thus small farmers will **lose everything in case of a pest attack.**

### **STEPS TAKEN BY GOVT. TO OVERCOME SUCH RISKS**

- (a) Govt. provided loans to farmers at very **low interest rate.**  
(b) Govt. provided **fertilisers** to farmers at **subsidized rate.**

### **SUBSIDIES – SHOULD BE CONTINUED OR DISCONTINUED**

**Govt. started providing HYV seeds, fertilisers, pesticides etc. to small farmers at subsidized rates** because they were expensive and it was not possible for small farmers to buy them at market rate.

However, these subsidies are **proving to be a major burden for Government's Exchequer.**

#### **Arguments in favour of Subsidies:**

Many economists argue that govt. should continue with subsidies because as per their argument **maximum farmers in India are still small or marginal farmers, who in absence of subsidies will not be able to afford the required inputs.** This will increase the gap between big farmers and small farmers and thus violate the goal of equity.

#### **Arguments against continuing subsidies:**

Many economists are of the view that govt. should discontinue with subsidies. As per them, **benefits of these subsidies are being enjoyed by fertilizer industry and big farmers who live in developed states.** It is not benefitting the small and marginal farmers and proving to be a huge burden on govt. treasury.

#### **Conclusion:**

**Rather than completely abolishing subsidies, govt. should take steps to ensure that only poor farmers enjoy from subsidies.**

### **INDUSTRIES**

At time of Independence, India hardly had an industrial base. Our Industrial sector was mainly limited to cotton textile mills and jute mills. There were few iron and steel plants.

But if India wanted to be a prosperous country, it was necessary to develop a strong Industrial base consisting of many different types of Industries.

**In the initial decades after Independence, India adopted Socialist pattern. Public sector took the major role to develop a strong industrial base. Private sector either did not have required capital or market was not large enough to encourage them to invest huge capital.**

## **ROLE OF INDUSTRIES IN THE ECONOMY**

Industrialization plays an important role in overall growth of a country due to following reasons:

- (a) **Provides Employment:** Many industries are labour intensive i.e. work is done by human beings and not with the help of machines. Thus these industries generate employment on large scale and give an opportunity to individuals to earn income for themselves.
- (b) **Meeting the Increased Demand:** As income of individual rises; demand for industrial products rises in the economy. **This increased demand can only be met by setting industries and undertaking industrial production.**
- (c) **Infrastructure development:** Development of industrial sector leads to development of infrastructure in the economy. **As industries grows, the need for transportation; communication; power etc. grows.**
- (d) **Promotes Regional Balance:** By setting up industries in backward areas, govt. can develop those areas and provide employment opportunities to people living in all those areas.

## **INDUSTRIAL POLICY RESOLUTION (IPR 1956)**

Industrial Policy Resolution was adopted during the second five-year plan.

**Some of the main objectives of IPR 1956 are as follows:**

- (a) To accelerate the rate of growth and to **speed up industrialization.**
- (b) To **develop heavy industries** and capital goods industries.
- (c) To **expand public sector.**
- (d) To **prevent monopolies** and concentration of wealth and income in few hands.
- (e) To **reduce disparities** in income and wealth.

### **Features Of IPR, 1956**

**(A) Classification Of Industries:** Industries were classified into **three categories:**

- (a) **First Category:** It consisted of Industries which were **fully owned by the government.** It includes defence industries; heavy industries like steel, machinery, railways, tele-communication, airways etc.
- (b) **Second Category:** It consisted of Industries in which **private sector could supplement the efforts of public sector with govt. having the sole responsibility for starting new units.** It included fertilizers, drugs and pharmaceuticals etc.
- (c) **Third category:** It consisted of **industries which were left open for private sector.**

(B) **Industrial Licensing:** Govt. kept **control over private sector through the system of licensing.**

- **No new industry was allowed** unless a license was obtained from the govt.
- **In order to develop backward areas**, govt. started giving various benefits to industries such as tax benefits, electricity at subsidized rate etc.
- License was needed even if existing industry wants to **expand output or to diversify production.**

(C) **Stress on Small Scale Industries:** In the year 1955, **Village and Small-Scale Industries Committee (Karve Committee)** gave a suggestion to establish small scale industries in order to generate employment and develop rural areas.

**At present small-scale industry is one where maximum investment limit is ₹1 Crores.** However, in order to improve technology and to enhance competitiveness, the investment limit has been raised from ₹1 crores to ₹10 crores and turnover should not exceed ₹50 crores.

### **Role / Benefits of Small-Scale Industries**

- (a) **Labour Intensive:** These industries are more labour intensive i.e. they require more use of labour and less use of machines in production and thus are **best suited to solve the problem of unemployment.**
- (b) **Self-Employment:** Since amount of investment required to set up small scale unit is limited, thus **many individuals having limited capital can start a small-scale unit and generate self-employment** for themselves and many others.
- (c) **Promotes Exports:** **Goods produced by small scale industries are in great demand in foreign countries.** Around 30-40% of India's exports consist of goods produced by small scale units.
- (d) **Equal distribution of income and regional development:** **Small scale industries promotes the concept of equality.**

### **Problems / Shortcomings of Small-Scale Industries**

- (a) **Difficulty of Finance:** Small businessman had to close their business due to **scarcity of funds** or they were **caught in a debt trap** due to loans taken from moneylenders at very high interest rates.
- (b) **Competition from large scale industries:** **Products of large-scale units were of better quality and were available at cheaper prices.** Thus, small scale units found it difficult to stand up against large scale industries.
- (c) **Outdated machines and Equipment's:** Methods of production used are old and inefficient. They result in low productivity, poor quality and high costs.



## **Steps taken by govt. to help small scale industries**

- (a) Govt. **reserved production of various goods** only for small scale industries.
- (b) Small scale industries were given concession in many areas such as:
  - **Loans were provided at subsidized rate.**
  - **Cheap electricity**
  - **Low excise duties.**

## **FOREIGN TRADE POLICY [POLICY OF IMPORT SUBSTITUTION]**

Since Independence and till 1991, India adopted an **inward-looking trade policy**, popularly known as **Import Substitution Policy**.

As per this policy, Imports were substituted/replaced by producing products within the country.

Protection from Imports was done through two tools:

- (a) **Tariffs**: Tariffs refers to **tax imposed by govt. on imported items**. This will make imports expensive.
- (b) **Import Quotas / Quotas**: Quotas **restricted the quantity that could be imported from abroad**.

Thus, Tariff and Quotas restricted the imports and thus protected domestic industries from foreign competition.

## **Arguments in favour of Import Substitution Policy**

- (a) **Infant Industry Argument**: Indian policy makers feared that **in absence of protection**, Indian industries won't be able to compete with products produced by foreign industries as **domestic industries were new and far less experienced** in comparison to their foreign counterparts.
- (b) It will **help govt. to save foreign exchange** i.e. foreign currency.
- (c) Govt. will be able to **build a strong industrial base** in the country which will provide employment to large no. of people.

## **Arguments against Import Substitution Policy**

- (a) This policy **did not led to Industrial development as expected**.
- (b) In absence of any competition from foreign industries, **Indian industries remained inefficient**.
- (c) Govt. **hardly took any steps to promote exports**. Thus, demand for Indian products in international markets was limited.



## **TERMS USED IN THE CHAPTER**

- **Miracle Seeds (HYV Seeds)**: Miracle seeds are high yielding variety of seeds which when combined with adequate water supply; fertilizers etc. **would result in high production level.**
- **Marketed (Marketable) Surplus**: It refers to **additional farm produce which is sold by farmers in the market.**
- **Plan**: Plan is a document which consist of programs and schemes made in advance in order to fulfill an objective or goal over the years.
- **Perspective Plan**: Perspective plans are long term plans which consist of goals or objectives that are to be achieved over 20 years period.
- **Sectoral Composition of an economy**: The contribution made by each sectors in the GDP of an economy.

## **TYPES OF ECONOMIC SYSTEM**

- **Economic system refers** to an arrangement by which central problems of an economy are solved.
  - **Three main types of economic system are:**
- (a) **Capitalist Economy**: It is form of economic system where the three central problems of what, how and for whom to produce are **solved by forces of market demand and supply.**
- There is **minimum govt. interference** in the form of rules and regulations.
  - **Main objective** of private producers is to **earn profits.**
- (b) **Socialistic Economy**: It is a form of economic system where the three central problems of what, how and for whom to produce **are solved by Govt. or a central authority appointed by govt.**
- There is **maximum govt. interference.**
  - Main objective of govt. is to **work for the welfare of public and society.**
- (c) **Mixed Economy**: It is a form of economic system where central problems of an economy are **solved by both govt. and market forces.**

Govt. tries to maximize social welfare and private produces aims to maximize individual profits.

## **NCERT QUESTIONS**

### **1. Define a Plan.**

**Ans.** A plan is a list of goals that an economy wants to achieve within a given period of time. It suggests the optimum ways to efficiently utilize the scarce resources in order to achieve the goals.

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

**Ans.** India inherited a backward and stagnant economy from the British. It was backward as the level of output and production was very low, maximum population was living below poverty line and was dependent primarily on agriculture sector. It was stagnant as the GDP growth rate was very low.

Such an economy could not be left to the market forces of demand and supply in order to trace its path of growth and development. It needed a huge investment and which was only possible for the government sector. Thus India opted for socialism whereby public sector will play the dominant role and will be supported by the private sector. Hence, we opted for economic planning.

**3. Why should plans have goals?**

**Ans.** Planning is defined as a strategy that explains how to efficiently allocate the scarce resources of the country among different uses in order to achieve the desired goals. Plans have specific goals as well as common goals such as increase in GDP growth rate, self-reliance etc. Achievement of goals will only give an idea about the success and failure of a plan. Thus, without goals there is no planning.

**4. What are HYV seeds?**

**Ans.** HYV seeds were developed by Dr. Norman Borlaug. These seeds are more productive and need regular and adequate irrigation facilities along with greater use of fertilisers and pesticides.

**5. What is marketable surplus?**

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

**Ans.** Land reforms were necessary due to the following reasons:

- (a) Land Tenure System** – There were three types of land tenure systems (the zamindari system, the mahalwari system and the ryotwari system) that were prevalent in the agriculture sector at the time of Independence. The common feature of these three systems was that the land was mainly cultivated by the tenants and they had to give revenues generated from the land to their landlords. This led to exploitation of tenants.
- (b) Size of Land Holdings** – The size of land holdings owned by the farmers was very small and were fragmented. This made the use of machines impossible.
- (c)** In order to remove poverty and inequality that was prevailing in the rural areas.

**Some of the steps taken by government in this regard are:**

- (a) Abolition of intermediaries** – Intermediaries have been abolished. Ownership rights have been given to those who actually cultivate the farm.
- (b) Regulation of rent** – The cultivators were exploited in the form of very high rents. In the first five-year plan, the maximum rent was fixed at  $1/4^{\text{th}}$  or  $1/5^{\text{th}}$  of the total farm produce. Thus, it not only reduced burden on the tenants but it also enabled them to invest money in their farm.

- (c) **Land Ceiling** – In order to promote equality in the distribution of land, govt. has imposed ceiling on the holding size. **Ceiling is the maximum size of cultivable land holding that an individual or a family can own.**

The surplus land has been taken away by the government and distributed among small land-holders or landless labourers.

- (d) **Consolidation of holdings** – Consolidation is a practice to allot land to the farmer at one place as a replacement for his scattered land holdings. It saves the cost of cultivation.

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

**Ans.** During the 1960's, government introduced the use of HYV seeds, modern techniques and inputs like fertilisers, pesticides etc. in order to increase the food production.

Due to such efforts, there was substantial increase in food grains production, this outcome was known as Green Revolution.

**Need for Green Revolution**

- (a) **In order to attain self-sufficiency in production of food grains.** Use of outdated technology, low productivity and dependence on monsoon lead to very low production of food grains which was insufficient to feed the growing population. Thus we had to import food grains from abroad.
- (b) Agriculture was mainly done for self-consumption and very less produce was sell in the market. Thus there was a need to encourage the farmers to increase the production so that they can sell surplus in the market.
- (c) Due to less production and less supply in the market, prices of essential food grains started increasing in the market and it led to famines of small scale throughout the country.

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

**Ans.** Both growth and equity are two important aspects of every five year plan.

Growth refers to the increase in level of GDP over a period of time whereas equity refers to equitable distribution of GDP so that benefits of high economic growth is shared by all the sections of the society. Equity implies social justice.

**Growth is desirable but it may not guarantee welfare of people.** It may be possible that benefits of higher growth is restricted in few hands and scattered over few regions whereas maximum population and portion of the country is still lagging behind.

Thus government has to make sure that benefits of economic growth reaches to each sections and region of the country if India wants to stand in the league of developed nations. Thus government has to give utmost importance to the objective of growth with equity. **(Sabka Saath – Sabka Vikas)**

- 9. Does modernization as a planning objective creates contradiction in the light of employment generation? Explain.**

**OR**

**“Modernisation as a planning objective shows a dichotomy with employment generation.” Justify.** [CBSE 2020]

**Ans. No,** modernization as a planning objective does not contradict employment generation. Modernization refers to the use of new and modern technology in production process that may make some people lose their jobs in the initial stages. But over time, the use of

modern and advanced technology will raise the productivity of the labour force and thus will lead to increase in their income. This will lead to an increase in demand for different type of goods and services which were earlier not demanded. In order to fulfil the increased demand, new factories and offices are needed to be set up which will lead to increase in employment opportunities.

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

**OR**

**Discuss briefly the rationale behind choosing “Self-reliance” as a planning objective for Indian Economy. [CBSE 2020]**

**Ans.** Self-reliance means discouraging the imports of those goods which can be produced within the country.

Dependence on foreign goods and services in order to satisfy domestic needs and wants will develop industries in foreign countries and will lead to employment generation in those countries. Thus it's important to promote establishment of domestic industries in order to generate employment within the country.

Secondly, imports will lead to outflow of foreign exchange reserves which is a scarce resource. Thus achieving self-reliance is an important objective for developing countries if they do not want to be ruled by developed nations.

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

**Ans.** Sectoral composition of an economy refers to contribution of different sectors to total GDP of an economy during a year i.e. the share of agriculture sector, industrial sector and service sector in GDP.

Yes, it is necessary that as the economy progresses, service sector should contribute the maximum to the total GDP. This process is known as Structural Transformation. This implies that the gradually country's dependence on the agriculture sector will decrease and the share of industrial and service sector in the total GDP will increase.

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

**Ans.** At the time of Independence, Indian economic condition was very poor and weak. In the initial decades after Independence, India adopted Socialist pattern. Public sector took the major role to develop a strong industrial base. Private sector either did not have required capital or market was not large enough to encourage them to invest huge capital. Some of the reasons behind promoting public sector:

- (a) **Need of heavy investment** – Heavy investment was required to develop a strong industrial base. It was very difficult for private sector to invest such a big amount because risks were very high and these projects had long gestation period. Thus, the govt. played the leading role in development of such industries.

- (b) **Low level of demand** – At the time of independence, India was a very poor country where people had very low level of income. Thus, private sector will hesitate to invest because of low level of demand in the economy. Thus, it was responsibility of public sector to undertake investments and generate employment so that level of income and demand can rise over time.
- (c) **To develop backward and underdeveloped areas:** Private sector was not interested in setting up industries in backward areas due to poor working conditions and low profits. Thus, public sector was given the job for the same.
- (d) **Promote equality of Income and Wealth:** By setting up public sector enterprises, govt. made sure that income is not concentrated in the hands of few private individuals only. Govt. used income generated through public sector enterprises towards welfare of poor people.

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

**Ans.** After the success of green revolution there was a significant increase in agricultural production. This gave an opportunity to the farmers to sell their surplus food grains in the market after retaining some part of food grains for their self-consumption.

Government also took advantage of this situation and they also started maintaining buffer stocks of food grains by acquiring them from farmers. These stocks government will use at time of shortages so that price levels do not rise in the market.

**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.**

**Ans.** Subsidy means providing inputs to farmers at a concessional rate which is much lower than market rate. From the start of 1960's, government is providing subsidies to farmers so that they can afford to buy necessary inputs required during the production process.

**Arguments in favour of subsidy**

- (a) Subsidies are given to marginal and small farmers so that they can buy necessary inputs from market. In absence of subsidies, maximum farmers will not be able to buy essential inputs at market rate.
- (b) Government used subsidies as a means to encourage farmers to use the new modern techniques and inputs such as fertilizers, HYV seeds, pesticides etc. Otherwise, they may hesitate in using such inputs.
- (c) Government provides subsidies in order to remove rural poverty and reduce level of inequality in the economy. Because in absence of subsidies only the big farmers will be able to buy the necessary inputs and thus the gap between rich and poor farmers will increase over time.

**Arguments against subsidy**

- (a) Subsidies have proved to be more beneficial to fertilizer industries than the farmers. After implementation of subsidies these industries are less concerned about their market share and competition.

- (b) Benefits of subsidies are enjoyed by such farmers who do not need them. This leads to wastage of scarce resources.

**Conclusion:**

Rather than completely abolishing subsidies, govt. should take steps to ensure that only poor farmers enjoy from subsidies.

15. Why, despite the implementation of green revolution, 65% of our population continued to be engaged in the agriculture sector till 1990?
16. Though public sector is very essential for industries; many public sector undertakings incur huge losses and act as a drain on the economy's resources. Discuss the usefulness of public sector in the light of this fact.
17. Explain how import substitution can protect domestic industry.
18. Why and how was private sector regulated under the IPR 1956?

## **HOMEWORK SET**

### **QUESTIONS:**

1. The goal of Equity was fully served by 'Abolition of Intermediaries'. Comment. [3 MARKS]
2. State with reason whether the following statements are True or False:
- (i) Under Mixed Economy, the central problems are solved by the government.
  - (ii) Land Ceiling refers to change in the ownership of landholdings.
  - (iii) The period of first five year plan was 1956-61.
  - (iv) The President was the chairman of the Planning Commission setup in 1950.
  - (v) Land reforms were successful in the states of Kerala and West Bengal.
  - (vi) Green revolution enabled the Indian Government to build buffer stock of food grains.
3. 'Government took various steps to protect Small-scale Industries from Big Firms.' Defend or Refute. [3 MARKS]
4. "Subsidies put a huge burden on government's finances, but are necessary for poor and marginal farmers." Do you agree that granting subsidies justify the objective of social justice? [3-4 MARKS]
5. Discuss briefly, the rationale behind "Equity with Growth" as planning objectives for Indian Economy. [CBSE 2020] [3-4 MARKS]
6. Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture. [CBSE 2020] [4-6 MARKS]

OR

Discuss briefly the rationale behind implementation of land reforms in the post-independence era.



7. "Import restrictions were imposed in India with the dual objective to save foreign exchange reserves and to be self-sufficient." Justify the given statement with valid arguments. [CBSE 2020] [4-6 MARKS]
8. 'Atamnirbhar Bharat' had been at the roots of the Indian planning process in the form of 'self-reliance' as an objective of the planning process. Do you agree with the given statement? Justify the rationale of the given statement. [CBSE SAMPLE PAPER 2021]
9. The objectives of growth, modernization and self-reliance may not improve the kind of life, until and unless the fourth objective of five-year plans is achieved. Identify and discuss the fourth objective. [3-4 MARKS]
10. How did government ensure that the small farmers also benefit from the Green Revolution? [3 MARKS]
11. The protection of domestic industries through import substitution suffered from two drawbacks. Mention them. [3 MARKS]
12. How was the licensing policy misused by some industrial houses? [2-3 MARKS]
13. Why was goal of equity not fully achieved even after abolition of Intermediaries?
14. "Green Revolution experienced the success in two phases." Comment. [3-4 MARKS]
15. State the meaning of Import Substitution. Explain how import substitution can protect the domestic industries. [CBSE 2020] [4 MARKS]
16. Discuss the risks involved under green revolution. Also state the steps taken by the Government to overcome these risks. [3-4 MARKS]
17. Critically appraise the development of agriculture between 1950 and 1990. [4-6 MARKS]
18. Critically evaluate the industrial development during the period of 1950 to 1990. [4-6 MARKS]

**FILL IN THE BLANKS:**

- (i) \_\_\_\_\_ (Planning Commission/RBI) was engaged in the formulation of Five Year Plans in India.
- (ii) \_\_\_\_\_ refers to a policy of replacement or substitution of imports by domestic production.

OR

\_\_\_\_\_ policy was implemented in the first seven five-year plans of India, to protect domestic industries. [CBSE 2020]

- (iii) \_\_\_\_\_ refers to fixing the specified limit of land, which could be owned by an individual.
- (iv) India's First Five Year Plan was launched in the year \_\_\_\_\_ (1951/1961).



- (v) Import substitution has replaced imports with the \_\_\_\_\_ (Domestically/ Foreign) produced goods.
- (vi) \_\_\_\_\_ refers to fixing the maximum limit on the import of a commodity by a domestic producer.
- (vii) Policy of 'Import Substitution' was targeted to protect \_\_\_\_\_ industries.
- (viii) \_\_\_\_\_ policy followed in first seven five year plans of India, aimed at substituting imports with domestic production.
- (ix) Fixing of maximum land holdings (ownership) for an individual is known as \_\_\_\_\_.  
[CBSE 2020]
- (x) In the Industrial Policy Resolution of 1956, industries were classified in \_\_\_\_\_ (two/three) categories.

### MATCHING TYPE QUESTIONS

1. Identify the correct sequence of alternatives given in Column II by matching them with respective terms in Column I:

Column I	Column II
(i) Land Ceiling	(a) Increase in production of food grain using high yielding variety seeds
(ii) Land reforms	(b) Portion of agricultural produce sold in the market
(iii) Green Revolution	(c) Fixing the maximum limit of land holding for an individual
(iv) Marketed Surplus	(d) Change in the ownership of land (land to tillers)

2. Match the given statement under A with the correct options given under B:

(A)	(B)
(i) Tariffs	(a) Refer to fixing the maximum limit on the imports of a commodity by a domestic producer
(ii) Quotas	(b) Refer to taxes levied on imported goods

3. Match the given statement under A with the correct options given under B according to Industrial Policy Resolution 1956:

(A)	(B)
(i) Schedule A	(a) In this schedule, 12 industries were placed, which would be progressively state-owned

(ii) Schedule B	(b) This schedule consisted of the remaining industries which were to be in the private sector
(iii) Schedule C	(c) In this schedule, industries would be exclusively owned by the state.

### **MULTIPLE CHOICE QUESTIONS:**

1. Capitalist Economy is controlled and operated by:

- (a) Private Sector (b) Public Sector  
(c) Both (a) and (b) (d) Neither (a) nor (b)

2. Schedule \_\_\_\_\_ comprise of industries which would be exclusively owned by the state:

- (a) A (b) B (c) C (d) None of these

3. The first Industrial Policy Resolution in Independent India was introduced in the year \_\_\_\_\_.

- (a) 1948 (b) 1950 (c) 1954 (d) 1956

### **ASSERTION REASON QUESTIONS:**

1. Read the following statements: Assertion(A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Government made use of 'Tariffs' and 'Quotas' to protect goods produced in India from imports.

Reason (R): Restriction on imports of general goods was necessary as the planners wanted to encourage import of luxury goods.

Alternatives:

- (a) Both Assertion(A) and Reason(R) are True and Reason (R) is the correct explanation of Assertion (A)  
(b) Both Assertion(A) and Reason(R) are True and Reason (R) is not the correct explanation of Assertion (A)  
(c) Assertion(A) is True but Reason(R) is False.  
(d) Assertion(A) is False but Reason(R) is True.

2. Assertion (A): Industries were reclassified into three categories, viz., Schedule A, Schedule B, and Schedule C in the Industrial Policy Resolution 1956

Reason (R): The system of Industrial Licensing was used for all types of industries after the Industrial Policy Resolution 1956.

3. Assertion (A): In the first phase of Green Revolution, all the states received the HYV seeds.

Reason (R): The use of HYV seeds primarily benefited the wheat growing regions only.

4. Assertion (A): HYV seeds were the main reason for agricultural revolution in India.  
Reason (R): The major benefit of HYV seeds was that they needed less irrigation facilities.
5. Assertion (A): During Industrial Development (1950-1990), many public sector firms incurred huge losses and were therefore, shut down.  
Reason (R): Public sector firms continued to function even though they were putting drain on nation's limited resources because of difficulty in closing a government undertaking.
6. Assertion (A): Land reforms were successful in Uttar Pradesh and Haryana  
Reason (R): Governments of these states were committed to the policy of land reforms.

## **QUESTIONS OF 1-1 MARKS OF CHAPTER 2**

1. What economic system appealed to Jawahar Lal Nehru the most?
2. In which year Planning Commission was set up and who is the Chairperson? [HEHAL]
3. Which country is considered as pioneer in national planning and from where we borrowed the concept of five-year plan?
4. What is perspective plan.
5. Define structural composition.
6. Who is considered as "Architect of Indian Planning"?  
Ans. **PC Mahalanobis**.....Planning in real sense started from the second five year plan and the **second five year plan was based on idea of Mahalanobis** and that's why he is called Architect of Indian Planning
  - **Started Indian Statistical Institute** in Kolkata
  - Started a Journal, **Sankhya**
7. For how many five year plans we gave importance to self-reliance?
8. India used to import food from which country.
9. States where Land reform measures were successful. [DPS RANCHI]
10. At time of Independence what % of population was dependent on agriculture.
11. What do you mean by Consolidation of land holdings?
12. Inward looking trade strategy is also known as a policy of .....  
(a) Import substitution (b) Import relaxation  
(b) Export quota (d) Import promotion [KDPS RANCHI]
13. When was the village and small-scale industries committee set up?  
(A) 1955 (B) 1958 (C) 1949 (D) 1950 [DPS/HEHAL RANCHI]
14. The objective of self-reliance means reducing dependence on:  
(A) Foreign trade (B) Foreign aid (C) Foreign investment (D) All of the above [DPS RANCHI]

15. To protect goods produced in India from imports, government made use of:  
 (a) Tariffs (B) Quotas (C) Both (a) and (b) (D) None of these  
 [GURUNANAK RANCHI]
16. .... economy focuses on equality in the distribution of income.(Capitalist/Socialist) [DPS RANCHI]
17. The maximum size of cultivable land holding that an individual can own is known as:  
 (a) Subsistence farming (b) Small holding  
 (b) Consolidation holding (d) Ceiling on holding [DPS RANCHI/SBPS RANCHI]
18. In 1955, Karve committee was set up for ..... [DPS /BARIATU RANCHI]
19. In which five-year plan of India, Industrialisation was given the topmost priority? [DPS]
20. Green Revolution introduced during the first phase was restricted mainly to:  
 (A) Wheat and Rice (B) Cereals and Pulses  
 (C) Cotton and Jute (D) Jowar and Bajra [BARIATU]
21. Which system of land revenue settlement led to agricultural stagnation under British rule? [KAIRALI]
22. The purpose of ..... was to reduce concentration of land in few hands.
23. In which year India adopted HYV programme for the first time?
24. In which year Second Industrial Policy resolution was adopted in India?
25. .... resulted in abolition of Zamindari system.
26. What is the investment limit for small scale industries at present?
27. What is MSP?
28. According to the IPR, 1956, how many industries are exclusively owned by the state?
29. What is the basic aim of the policy of import substitution?
30. Which goal is achieved by the policy of import substitution?
31. Fixing the maximum limit on the imports of a commodity is known as .....
32. .... refers to taxes imposed on imported goods.
33. To protect goods produced in India from imports, government made use of ..... And .....
34. Abolition of intermediaries and land ceiling are part of ..... measures in India.
35. Who is the father of "Green Revolution" In India?
36. When was NITI Aayog formed?
37. Mahalanobis model was started in ..... Five-year plan.

38. In which five-year plan, priority was given to the development of Industrial sector?
39. The Industrial Policy Resolution ..... divided the industries into ..... categories.
40. Which goal of five-year plan; aims to raise the standard of living of all people and promote social justice?
41. Types of goods that are exported and imported by a nation is called ..... of trade.
42. The main objective of the zamindars during the land settlement system was to:
- Improve the economic condition of the cultivators
  - Improve the crop yield by making significant contributions in technology and fertilisers usage
  - Collect rent with no interest in the economic condition of the cultivators
  - Cooperate with colonial government to improve the condition of agriculture
43. \_\_\_\_\_ means designing and shaping the socio-economic processes in such a way so as to achieve an objective.
- (A) Economic growth                      (B) Economic development
- (C) Economic planning                      (D) Economic process
44. \_\_\_\_\_ industries were reserved for the public sector under Industrial policy resolution, 1956.
- a. 17                      B. 21                      C. 15                      D. 2
45. The other name of village and small-scale industries committee set up in 1955 is \_\_\_\_\_
- a. Lakdawala committee                      b. Karve committee
- C. Narasimham committee                      d. Hussian committee
46. \_\_\_\_\_ is a form of market intervention by the government of India to insure agricultural produces any sharp fall in farm prices.
- a. Minimum support price                      b. Adequate prices
- b. Quality assured prices                      d. Structural adjustment prices
47. First industrial policy was declared in 1956
- The statement is true
  - The statement is false but first industrial policy was declared in 1947
  - The statement is false but first industrial policy was declared in 1959
  - None of the above
48. Out of the following. Which industry is reserved for the public sector?
- a. Atomic energy                      b. Industrial explosive                      C. Medicines                      d. Automobile
49. Aatmanirbhar Bharat can be considered as a new type of \_\_\_\_\_
- a. Import substitution (self-reliance)                      b. Import promotion                      c. Liberalisation

#### D. Export substitution

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