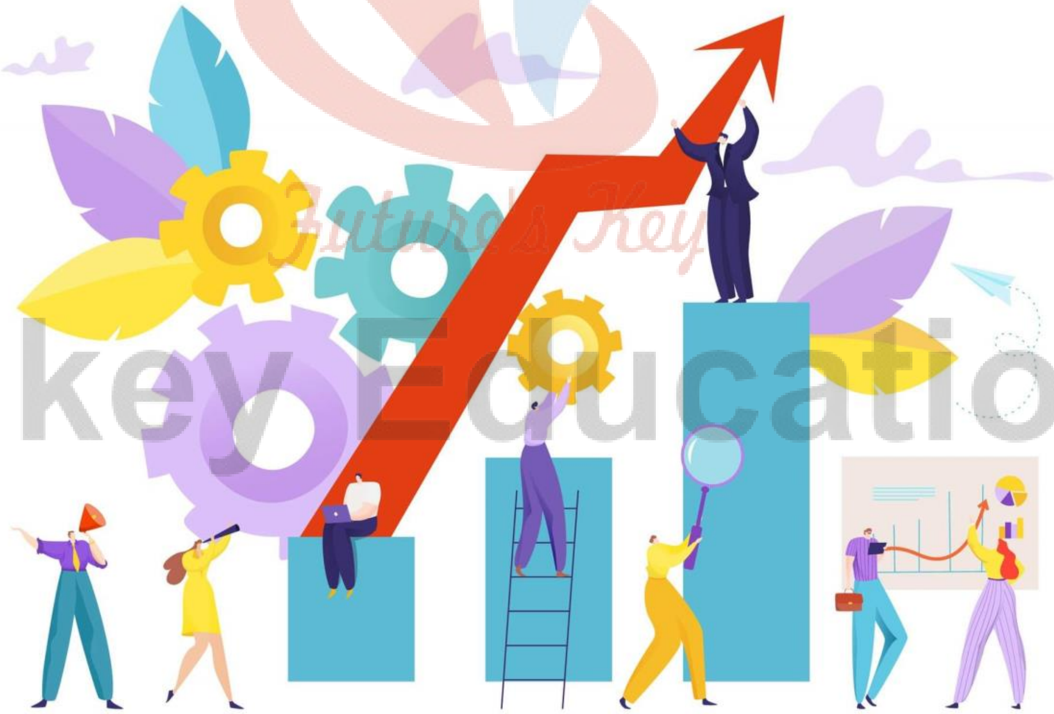
ECONOMICS

(Indian Economic Development)

Chapter 2: Indian Economy 1950-1990



INDIAN ECONOMY 1950-1990

Indian Economy (1950-1990):

- Before independence, Indian economy was stagnant in nature
- India was an under-developed country
- Hence to eliminate the existing problems and to promote economic development the first and foremost task of the government was to decide the most feasible 'Economic system' for the economy
- In order to remove the problems and to grow the economy, the government adopted the technique of Progressive economic planning.
- Indian government with the prime minister as a chairman formed the planning commission (which is now known as Niti Aayog) on march 1950 and adopted five year plans for the development of the country.

Economic problem/ Central Problem of the economy:

It is a problem which every economy has to face in the path of its development.

Basic Reasons: The reasons due to which a country faces economic problems are as follows:

- Unlimited Wants (unlimited ends).
- Limited resources (scarce resources).
- Alternative use.

Unlimited Wants:

Human wants are unlimited regardless to the nature of available resources, if one of his want gets satisfied than another want crops up.

Example: if a teenager wants a mobile phone for convenience and if his parents provided him so. Then his wants doesn't restricts after that, One of his new wants comes upon, such as regular recharges new bike new laptop etc.

Limited Resources:

- In order to fulfil unlimited wants of human, the resources are limited.
- That is the resources are scarce in relation to our wants, so we should get best out of what we have.

Alternative use: The scarce resources are used alternatively. And hence it becomes important to decide the allocation/distribution of resources effectively and efficiently.

General example: the salary of an individual is to used in different sectors such as home expenses, medicine, installment of house, child fee and son on. Hence it should be carefully decided how much resource should be devoted for each purpose in order to get maximum possible benefit.

Standard example: Coal, petroleum etc.

The above 3 reasons creates different economic problem in an economy which are as follows:

- What to produce
- How to produce
- Whom to produce

What to produce: The first and foremost problem that is faced by an economy is 'What to produce', that is what type of goods is to be produced more than the other. Due to scare resources, the economy can't produce unlimited goods and hence the quantity and priority of goods must be decided. Wants for those goods which society decided not to produce will remains unsatisfied, Generally, the economy has 2 types of goods. i.e., consumer goods or producer goods.

If the country starts producing more quantity of producer of producer goods with less quantity of consumer goods, then the demand for consumer goods will increase and vice versa.

How to produce: It is related to choice of technique of production.

The goods must be produced in such a way that it gives most efficient output to the economy Basically there exist 2 types of techniques of production which are as follows:

- Labour Intensive Technique {LIT} (Use of labour more than machines in the process of production)
- Capital Intensive Technique{CIT} (Machines are used to maximize the output)

If a country selects LIT then the units of labour employed will be greater than the units of goods produced as a result, the employment opportunities will increase but the total production of the economy will goes down. And if CIT is selected then the production goes up lacking behind the employment opportunities which results the introduction of problem of unemployment and poverty.

Whom to produce: It is related to the distribution of national product in the economy.

- **Personal distribution:** Under this the distribution of output depends upon the ownership of the property.

  The one who owes more gets more share of output in the economy than the one who has less amount of property.

- **Functional distribution:** In personal distribution the total output of the country will be distributed among all the individuals in the country according to their share of ownership. Whereas in functional distribution the total output is distributed between the factors of production.

  Such as:

  - Land will be paid by rent.
  - Labour will be paid wages.
  - Capital interest.
  - Organizer will be paid profit

Market economy:

It is a type of economy in which the total allocation of resources is made by private capitalist or businessman for producing goods and services. As they are basically guided for making profit hence the central problem of the economy will not be solved by the market economy. Under such economy, the prices of the product are determined by the demand and supply of goods and services, government does not play any role to control market economy.

Mixed economy: It is a type of economy in which both private and public sector are participating in production activities. The allocation of resources is made by the government for removing the central problem of economy with the help of private sector. Since, Private sector is guided for maximizing their profit.

Central planned economy: It is a type of economy in which the total allocation of resources is made by central government of the country. The government is basically guided for Solving the central problem of the economy. Hence it promotes social welfare with minimum cost.

Economic Planning: According to planning commission of India, "Economic planning refers to the utilization of country's resources in different development activities in accordance to the national priorities."

Goals of Planning of India:

The planning commission of India has adopted Five year plans strategy for the development of the economy.

India launched its first five year plan on 1st April 1951 for the period 1951- 1956. Since then we have completed 12 five year plans (recent 5 year plan was in operation from 1st April 2012 for the period of 2012-2017) The planning commission decided 2 type of goals

Long term goals (objective of planning): It refers to the goals which are to be achieved over a period of 20 years. They are common to all the five year plan and hence they are studies as common goals of five year plans.

Short term goals (objective of plan): It refers to the goals that are to be achieved in a specific plan (plan-specific goals).

It differ according to the need and requirement of the economy

Main Objectives of Five year plans are as follows:

- **Economic Growth:** During colonial period Indian economy was stagnate in nature so the first and foremost objective of economic planning is economic growth. Economic growth refers to the increase in productive capacity of the economy The basic criteria of measuring economic growth is the change in level of GDP (Gross domestic product)
- **Modernization:** It refers to both adoption of modern technology in the process of growth and also to put forth changes in social outlook and ancient meaningless rituals For examples- girls are not allowed to take education, child marriage etc.
- **Full employment:** It doesn't refer to zero unemployment, but it refers to a situation when all those who at able and willing to work at the market wage rate get work. the objective of full employment is to make people participate in the process of growth of the economy.
- **Equity:** The concept of economic growth means nothing if the benefits of growth restricted to handful of people in the society. It is important to ensure that the benefits of economic growth should reach the poor sections of society also, as that it will reduce the unequal distribution on income and wealth.
- **Self-reliance:** It refers to more and more dependence on domestic goods rather than importing from rest of the world. The concept of self-reliance emphasis on avoiding imports of such goods and services which can be produced domestically. Promoting domestic production and industries will give rise to economic growth and prosperity in the economy.

Short term goals

They are those objectives which vary from plan to plan according to the need and requirement of the economy.

Example are following:

- **1st plan (1951-1956):** Increase in agricultural production Equitable distribution of production, income and wealth.
- **2nd plan (1956-1961):** Increase in industrial production Development of heavy industries.
- **7th plan (1985-1990):** Generation of employment opportunity Increase in

agriculture productivity.

- **11th plan (2007-2012):** Growth and poverty reduction Generation of high quality of job Protection of environment Improving quality of education and public health services

Importance of Agriculture in Indian economy:

India is an agriculturally based economy; nearly 72% of working population id engaged in agriculture (at the eve of employment).

The importance of agriculture sector in Indian economy is as follows:

- **Contribution to GDP:** Agriculture sector contributes a significant share in the GDP of the economy. However, at the time passes the contribution of agriculture in GDP declines, in spite that agriculture plays a dominant role in economy GDP (15% in 2014 – 2015)
- **Supply of food grains:** India is one of those countries which is self sufficient in food grains. Indian agriculture sector is capable enough to meet almost the entire food requirement of the population.
- **Source of employment:** As stated earlier, India is an agriculture based economy so the main source of employment for the population comes from agriculture sector. According to the survey of 2013, nearly 47 % of working population is engaged in agriculture sector.
- **Supply of raw materials:** Besides food grains production, agriculture sector also provides industrial raw material like cotton for textile, seed for oil, sugarcane for sugar mills.
- **Share of exports:** Due to the prime exporter of raw material, agriculture sector plays an important role as a earner of foreign exchange through export of commodities like tea, cotton, jute, coffee etc.
- **Source of revenue:** The government generates revenue from agriculture sector through land revenue and other taxes on the commodities produced.
- **Market for industrial sector:** Due to higher dependence of population on agriculture, the demand for industrial product use in agriculture is also high. (Products like fertilizers, tractors, pesticides etc).

Problems of Indian agriculture

- **Lack of irrigation facility:** The first and foremost problem of indian agriculture is the lack of irrigation facility. Farming in india was heavily dependent on rainfall. The criteria of rainfall decide the condition of crops, i.e., heavy rainfall means good harvest, whereas drought causes loss in output.

- **Small and scattered holdings:** The backwardness of farming is mainly due to small holding of lands. Small farmers won't be able to adopt modern technology which restricts them from increasing their productivity.
- **Deficiency of institutional finance:** Institutional finance refers to the arrangement of finance by registered banks or any other financial institutes. During that period, farmers are dependent upon non institutional sources of finance (such as zamindar, moneylenders, and Mahajan's) for fulfilling their requirement of money. They charge very high rate of interest from farmers. High cost of borrowing leads from farmers.
- **Conventional outlook:** Despite innovative farming techniques, indian farmers still rely on traditional method of farming. Moreover, Indian farmer continues to consider farming more as means of subsistence and less as a business venture.
- **Lack of organized marketing system:** Huge number of small farmers continues to sell their output in the local market at reduced rates due to unorganized marketing system for agriculture in the economy. They are restricted to sell their output to Mahajan's and money lender at lower price in order to repay loans.

Reforms in Indian Agriculture

After analyzing the problems of indian agriculture, the next step is to cure them.

The government of india has taken a series of reforms for the development of agriculture sector in the economy. These reforms measures are popularly known as Agrarian reforms.

Land reforms (Institutional reforms)

It refers to change in the ownership of landholdings. Land reforms basically focused upon the objective of equity in agriculture:

Abolition of intermediaries:

- The first and the most important action taken by the government is the removal of intermediaries (Zamindars). As stated in the previous chapter, the colonial government appoints zamindars, who were the nominal head of the land and they collect land revenue from the tillers without making any initiative to improve the land.
- Give incentives The basic idea behind this step was that ownership of land would to the actual tillers to make improvements.
- This policy brought 200 lakh tenants into direct contact with the government.
- Also, this ownership right gives them the incentive the increase output (there is no zamindar in between who takes their share of profit) and this contributes to growth in agriculture.

Ceiling on land holding (land ceiling): It refers to fixing the maximum amount of land, which could be owned by the individual. In order to promote equity in the agriculture sector, the government specified the maximum limit of land that any individual can hold. Any excess land beyond that limit would be taken over by the government and will be alloted to the landless cultivators and small farmers.

Consolidation of holdings: It refers to a practice to allot land to the farmer at one place as a replacement for his scattered holdings here and there. Moreover, small and scattered land is now converted into a big piece of land so that modern and innovative technology can be applied which will increase the productivity.

Cooperative farming: Joint farming by small cultivators by polling their land and other resources to enjoy the benefits of large-scale farming is known as cooperative farming. Together farmers can buy inputs at a lower price and sell their products at a higher cost.

General reforms:

Expansion of irrigation facility: In order to increase the productivity of agriculture, the government of india specially focused on providing proper and permanent irrigation facility. In 1951, approx. 17% of land was under permanent means of irrigation. According to World Bank, about 35% of total agricultural land in india reliably irrigated in 2012.

Institutional credit: Regional rural banks have been set up by the government of india to fulfill the requirements of agricultural credit. A national bank for agriculture and rural development (NABARD) has been set- up as an apex instituition in the field of rural credit in 1982.

Support price policy: According to this policy, the government assured a Minimum support price (MSP) to the farmers for their excess output. The farmers are free to sell their products in the market at prevailing rate, but in case the market rate is lower than the MSP, then the government will purchase their output.

Regulated markets and co-operative marketing societies:

A regulated market or controlled market is a system where the government controls the forces of demand and supply, such as who is allowed to enter and what prices may be charged.

They are set-up by the government with the objective of offering a standardizes price to the farmers and protect them against the exploitation of middlemen. Cooperative marketing societies are also established to increase the bargaining power of farmers in the market. They ensure that farmers output is graded and sold only when acceptable price is available.

Storage and warehousing facilities have been expanded to build up adequate buffer stocks.

Green Revolution or Technical Reforms:

Green Revolution refers to sudden and spectacular increase in agriculture productivity due to the use of high yielding variety of seeds. After independence, although around 72% of population was engaged in agriculture sector, but the level of productivity was very low.

The government initiated many technological measures, this continuous and intensive efforts break the stagnancy in agriculture sector which was regarded as green revolution.

It includes:

- Use of High yielding variety of seeds.
- Use of chemical fertilizers.
- Use of pesticides for crop protection.
- Scientific crop Rotation.
- Modernized means of cultivation.

Achievements of Green Revolution:

- **Increase in production 1 ton=1000kg:** The basic and the fundamental achievement of green revolution is a massive increase in production and productivity of food grains in the economy. It increases from 82 million tons in 960-1961 to 176 million tons in 1990-91
- **Increase in national income:** The economic condition automatically incresed with the increase in production and level of productivity of food grains in the economy.
- **Increase in Marketable surplus:** It refers to the portion of agriculture production which is sold in the market by the farmers after self-consumption. Due to increase in the level of productivity, higher amount of food grains can be produced on the same amount of land, due to which farmers can now sell their food grains in the market even after self-consumption.
- **Benefit to low-income groups:** Due to availability of large amount of food grains in the market, their price declines a comparison to other items of consumption. The The low income group who spend large proportion of their income on food, benefited from this decline in relative price.
- **Change in farmers outlook:** Due to increase in production and productivity the outlook of farmers towards agriculture is now changed. Farming is no longer viewed as a source of subsistence; it is considered as commercial venture as well.
- **Buffer stock of food grains:** The green revolution enabled the government to produce sufficient amount of food grains to build a stock which could be used in times of food shortage in the market.

Failure of Green Revolution:

- **Limited crops only:** Sudden rise in output due to green revolution mainly restricted to the production of food grains only (wheat and rice). There is no such increment in the production other crops like pulses, jute, cotton etc.
- **Uneven benefits:** The concept of using HIV seeds and modern technology comes with huge investment, whereas the majority of farmers in india are small and marginal. The gains of green revolution mainly attracted towards big farmers only. It ultimately leads to increase in income inequality between small and big farmers.
- **Soil degradation:** Intensive use of Pesticides and chemical fertilizers has negative effect on land. Production of wheat and rice requires huge amount of water, fertilizers and pesticides which results in alarming rate of groundwater depletion and soil degradation.
- **Uneven spread:** The concept of green revolution is not spread over the whole country, only few states like Punjab, Haryana, Tamil Nadu, Maharashtra had made a great impact. While the impact on other states was relatively significance.

Industrial reforms:

In the context of growth and development of a country, industrial sector always plays a dominant role. In the economy like India, the growth of industrial sector is necessary for the economic and monetary prosperity of country.

Industrial sector provides:

- More stable source of employment
- Promotes modernization
- Increases national income
- Boost the growth potential of an economy
- Increase the amount of exports
- Helps to modernize agriculture

At the time of independence, the industrial sector was in the immature stage, only few industries represent the whole sector. So, the government of india decides to put attention on the development of this sector.

Role of public/government sector in industrial development:

The development of industrial sector or the process of industrialization cannot be left over solely in the hands of private entrepreneurs.

Direct involvement of public sector is also necessary for its development as

- **Lack of capital:** Handful of private industries won't be able to arrange and invest capital up to the limit which is required for the development of whole economy. Hence the involvement of government sector becomes mandatory for the process of industrialization.

- **Lack of incentive:** At the time of independence, the market of india was not much big enough to encourage private businessman to undertake huge investment. Moreover due to limited size of market of market, the demand for industrial goods was at very low which restricts the industrialist to earn more.
- **Social justice:** A private industrialist always aims at maximizing wealth, whereas in order to grow the industrial sector along the growth of economy the main objective is to provide more and more employment opportunities rather than concentration of wealth in few hands.
- **Development of infrastructure:** Due to huge investment and low profitability, private sector does not undertake many infrastructural projects. So, it became mandatory for the public sector to involve in the process of industrial development.

Industrial Policy Revolution (1956):

According to the Industrial policy 1956, government of india increases the role of public sector in the industrial development of the economy. The main objective of this revolution is to accelerate the growth of industrial sector and prevent the concentration of wealth and income in the hands of few individuals only.

Features of IPR 19561.

Three-tier classification of industries: According to this, the industrial policy 1956 divides total industries into 3 categories i.e.,

Schedule A-17 industries Complete control by public sector Schedule B-12 industries Those which could be established both as a private and public sector enterprises. However, the role of public sector is more dominant than of private sector.

Schedule C Remaining industries, which are to be left open for private sector.

Introduction of Industrial licensing: It refers to a written permission from the government for opening or for expansion an industrial unit. According to this policy, no new industry was allowed to survive unless and until license is obtained from government. Moreover, license was also needed if an existing industry wants to expand or diversify production.

Industrial concession: Incentives like tax rebate and subsidized rate of power supply were offered to private entrepreneurs for establishing industries in backward and rural areas of the country. The basic motive behind this policy is to encourage equality in income.

Small Scale Industries (SSI):

A small-scale industries is presently defined as the one whose investment does not exceed rupees 5 crore. (Earlier it was rupees 5 lakhs in 1951).

The government also focuses on developing and strengthening small industries as it plays an important role in the development and equitable distribution of income in the economy.

Role of Small-Scale Industries or Characteristics of SSI

Labour intensive: Small scale industries provide huge amount of employment in the economy as the amount of labour in such industries are proportionately high as comparison to big industries. i.e., SSI are labour intensive, whereas big industries are capital (machines incentive)

Promotes balanced regional growth: These industries are locational friendly, unlike big industries which are required to be set up near the raw material hub in reduce the cost of transportation these industries can be easily set up at the door step of the owner. (Due to small requirements).

Promotes equity: SSI requires less amount of investment as compared to big industries, which does not concentrate the power of economy in few hands. Moreover any one start a small scale industry (low investment) which will bring equal distribution of income and wealth in the economy.

Source of raw materials: SSI are the source of raw materials for big industries. Majority of big industries get raw materials from them only. It builds the eco-system of flow of income in the economy.

Foreign trade policy:

During the colonial period India was the prime exporter of raw materials and the importer of finished goods. But after independence, india's foreign trade undergo with a massive change. In order to be self-sufficient, India has followed a policy of imports substitution which is also known as inward looking trade strategy.

Import Substitution: Import Substitution refers to a policy of replacement of imports by domestic production. According to this policy, instead of importing foods from foreign country, domestic industries are encouraged by giving different incentives to produce them in India.

Government of India uses 2 ways to protect domestic goods from imports:

Tariff It refers to the taxes levied on imported goods. The goods can be imported in india after paying heavy amount of taxes on such goods; imposition of tax increases the price of such goods which automatically reduces its demand in the market.

Quota It refers to the government imposed trade restriction that limits the number or monetary value.

Things to remember:

Impact of import substitution.

- Saves foreign exchange.
- Creates protected market for domestic producers.
- Build industrial sector.
- Increases demand of domestic products.

Bad impacts of import substitution

- Restricts growth.
- Reduces efficiency of domestic producers.
- Creates local monopoly (due to no other alternative).
- Low competition implies lack of development and modernization.

Summary:

- Planning commission
- Economic problem
- What to produce
- How to produce
- Whom to produce
- Market economy
- Mixed economy
- Central planned economy
- Economic Planning
- Goals of Planning of India
- Long term goals
- Short term goals
- Objective of Five-year Plans
- Economic Growth
- Modernization
- Full employment
- Equity
- Self-reliance
- Importance of Agriculture in Indian economy
- Contribution to GDP
- Source of employment
- Supply of raw materials
- Share of exports
- Source of revenue
- Market for industrial sector

- Problems of Indian agriculture
- Lack of irrigation facility
- Small and scattered holding
- Deficiency of institutional finance
- Conventional outlook
- Lack of organized marketing system
- Reforms in Indian agriculture
- Achievements of Green Revolution
- Failure of Green Revolution
- Small scale industries and Foreign trade policy

Class : 12th Economics (Indian Economic Development)
Chapter-2 : Indian Economy 1950-1990

Indian Economy 1950-1990

Foreign Trade

Import Substitution (Production of alternate or close substitute of imported goods in country itself)

Need of import substitution:
- Scarcity of foreign exchange
- Devaluation of rupee
- Scarcity of foreign aid
- Shortage of essential commodities
- Need of industrial development
- Need of self-sufficiency

Problems
- Adverse balance of trade
- Rapid increase in imports
- Increase in domestic demand

Industry

Industrial Policy Resolution, 1956
- Classification of industries into public and private sectors
- Stress on the role of SSIs
- Reduction in regional disparities
- Facilities for labourers

Problems
- Shortage of capital
- Regional disparity
- Failure of PSUS
- Negligence to SSIs

Common Goals of Five Year Plans
- Growth
- Modernization
- Self-sufficiency and equity

Agriculture

Green Revolution
Large increase in production of food grains resulting from the use HYV seeds supported with the judicious use of chemical fertilizers and pesticides.

Problems
- Lack of permanent means of irrigation
- Deficiency of finance
- Conventional outlook towards farming
- Lack of modern inputs
- Small and scattered holdings
- Lack of organized marketing system
- Exploitative agrarian relations

Agrarian Reforms

Land Reforms
- Abolition of intermediaries
- Land ceiling
- Co-operative farming

General Reforms
- Expansion of irrigation facilities
- Expansion of credit facilities
- Regulated markets and cooperative marketing societies
- Price support policy

Technical Reforms
- Use of high yielding variety seeds (HYV)
- Establishment of research institutes
- Use of chemical fertilizers and pesticides
- Mechanised means of cultivation

Important Questions

Multiple Choice questions-

Question 1. Which one of the following measures was not a part of tenancy reforms?

(a) fixation of land ceiling

(b) regulation of rent

(c) ownership rights for tenants

(d) security of tenure

Question 2. Which of the following industry was not reserved for the government in industrial policy resolution, 1956?

(a) iron and steel

(b) transport

(c) atomic energy

(d) railway transport

Question 3. The motive behind the introduction of land reforms in india was ___________

(a) self-sufficiency in food grains

(b) agricultural development

(c) equity in agriculture

(d) industrial development

Question 4. When was niti aayog established?

(a) 1991

(b) 2001

(c) 2011

(d) 2015

Question 5. Land ceiling refers to __________

(a) fixing rural landholding at the existing level

(b) fixing the quantum of land held by an individual

(c) fixing urban landholdings at the existing level

(d) fixing land area for irrigation purposes

Question 6. In which of the following types of economy are resources owned privately and the main objective behind economic activities is profit-making?

(a) capitalist

(b) socialist

(c) mixed

(d) global

Question 7. Which of the following is the main objective of carrying out various economic activities?

(a) profit

(b) public welfare

(c) competition

(d) equality

Question 8. When was the national development council (ndc) set up as an adjunct to the planning commission?

(a) 1950

(b) 1969

(c) 1952

(d) 1979

Question 9. What is needed to provide protection against natural calamities like floods, drought, locusts, thunderstorms, etc.?

(a) multiple cropping

(b) green revolution

(c) crop insurance

(d) hyv

Question 10. How many industries have been reserved for the public sector under industrial policy resolution, 1956?

(a) 17

(b) 21

(c) 15

(d) 2

Very Short:

1. What is capitalism?
2. What is mixed economy?
3. Define socialism.
4. What type of economic system does india have?
5. Name the plan formulating organisation in india.
6. When was the planning commission constituted?

7. Who is the chairman of planning commission?
8. Which institution has replaced the planning commission?
9. Define economic planning.
10. Who is regarded as the architect of indian planning?

Short Questions:

1. Define capitalistic economy. Why was pt. Jawaharlal nehru not in the favour of capitalism?
2. Define socialism.why did our leaders not follow the path of socialism at the time of independence?
3. Explain the concept of mixed economy.
4. Discuss the outcomes of india's five year plans over the years.
5. What is economic planning?
6. What were the objectives of land reforms in india?
7. Differentiate between tariff and quota.
8. Discuss the need for import substitution.

Long Questions:

1. Discuss the problems related to agriculture in India.
2. Suggest some measures to remove the problems of agriculture in india.
3. Explain the policies which were adopted to promote equity in the agricultural sector,
4. Discuss the impact of green revolution.
5. Why is it important to promote small scale industries? Explain.

Case Study Based Question-

1. Read the following case study paragraph carefully and answer the questions based on the same.

   A plan spells out how the resources of a nation should be use. It should have some general goals as well as specific objectives which are to be achieved within a specified period. In India plans were of five years duration and were called five-year plans (we borrow this from the former Soviet Union, the pioneer in national planning). Our plan documents up to the year 2017 not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. This long-term plan is called 'perspective plan'. The five-year plans were supposed to provide the basis for the perspective plan.

   Questions:

1. When did India give its first five-year plan ___________?

   a) 1950

   b) 1951

   c) 1947

   d) 1949

2. Planning commission, the erstwhile central planning authority in the country, has been replaced by ________.

   a) NITI Aayog

   b) UGC

3. 'Government decides what goods are to be produced in accordance with the needs of society'. Under what type of economic system does this take place _________.

   a) Capitalistic economy

   b) socialist economy

   c) Both (a) and (b) d) None of these.

4. When was Indian planning commission constituted?

   a) 6 th August 1952

   b) 15th March 1950

   c) 15th August 1947

   d) 1st April 1997

2. Read the following case study paragraph carefully and answer the questions based on the same.

The Green Revolution started in 1965 with the first introduction of HYV seeds in India agriculture. This was coupled with better and efficient irrigation and the correct use of fertilizers to boost the crop. The result of the Green Revolution was to make India selfsufficient when it came to food grains.

After 1997 India had to rebuild its economy. Over three-quarters of the population depended on agriculture in some way. But agriculture in India was faced with several problems. Firstly, the productivity of grains was very low, and India was still monsoon dependent because of lack of irrigation and other infrastructure.

There was also an absence of modern technology. And India had previously faced severe famines during the British Raj, who has only promoted cash crops instead of food crops. The idea was to never depend on any other country for food sufficiency.

So in 1965, the government with the help of Indian geneticists M.S.

Swaminathan, known as the father of Green Revolution, launched the Green Revolution. The movement lasted from 1967 to 1978 and was a great success.

Questions:

1. Green revolution is related with ____________.

    a) Modern technology.

    B) Better irrigation facilities

    c) HYV seeds

    d) All of the above.

2. Britishers encouraged Indian farmers to grow food crops.

    a) true

    b) false

3. What was the need of green revolution to make India ________?

    a) Sufficient production

    b) Modernisation

    c) Self- sufficient

    d) None of these.

Assertion Reason Type Question-

1. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**
    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
    c. Assertion (A) is true but Reason (R) is false.
    d. Assertion (A) is false but Reason (R) is true.

    Assertion: Growth and social justice is the central objective of Indian plans.

    Reason: India opted for planning to utilize available resources efficiently and to establish social justice.

2. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**
    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

Assertion: Subsidies were, needed to encourage farmers.

Reason: Any new technology is looked upon as being risky by farmers.

Answers key

MCQ answers:

1. (A) fixation of land ceiling
2. (a) iron and steel
3. (c) equity in agriculture
4. (d) 2015
5. (b) fixing the quantum of land held by an individual
6. (a) capitalist
7. (b) public welfare
8. (c) 1952
9. (c) crop insurance
10. (a) 17

Very Short Answers:

1. Answer: Capitalism refers to the economic system in which resources are owned privately and the main d objective behind economic activities is profit-making.
2. Answer: Mixed economy is an economic system in which production, distribution and consumption decisions are left to the free play of the market forces. However, a large part of economic activities are regulated by the government to maximise the social welfare along with individual welfare or self-interest.
3. Answer: Socialism is that economic system in which resources are owned by the government and the main objective behind economic activities is.social welfare.
4. Answer: India has mixed type of economic system.
5. Answer: Planning Commission is the India's plan formulating organisation.
6. Answer: Planning Commission was constituted in 1950.
7. Answer: The Prime Minister of India is the Chairman of Planning Commission.
8. Answer: NITI Aayog, established in 2015, has replaced the Planning Commission.
9. Answer: Economic planning is the process through which economic decisions are made by the government for economic growth and development.
10. Answer: Prof. P.c. mahalanobis is regarded as the architect of indian planning.

Short Answers:

1. Answer: In capitalistic economy, resources are owned privately and the main objective behind economic activities is profit-making. Problems of the economy are solved through free price mechanism, independent of government intervention. Under this type of economy, goods are produced and distributed among the people not on the basis of what they need but on the basis of what the people can afford or are willing to purchase.

   The poor people are usually ignored under such a system as they do not have the purchasing power to back their demand. As a result, such goods are not produced. According to pt. Jawaharlal nehru, a vast majority of people would not get the chance to improve their quality of life under capitalism and hence, he was not in the favour of such a system.

2. Answer: Socialism is that economic system in which resources are owned by the government and the main objective behind economic activities is social welfare. In this economy, the government decides what goods are to be produced in accordance with the needs of the country and distribution is based on what the people need. With the collapse of the soviet system in the last decade of the 20th century, our leaders preferred not to follow*the clear path of socialism.

3. Answer: Mixed economy is an economic system in which production, distribution and consumption decisions are left to the free play of the market forces. However, a large part of economic activities are regulated by the government to maximise the social welfare along with individual welfare or self-interest. It is a combination of capitalism and socialism.

   The government and the market together answer the three basic questions of, what to produce, how to produce and for whom to produce in the mixed economy. In this type of economy, private sector or market will provide those goods and services, which it can produce well and the government sector will provide those goods and senices, which are essential for the welfare of the society as a whole.

4. Answer: The first seven five-year plans, covering the period 1951 – 1990, attempted to attain the four main goals, i.e. Growth, equity, modernisation and self-sufficiency. Of these four main goals, these plans have succeeded mainly in achieving self-sufficiency. However, healthy growth rates, modernisation and equity have not been fully achieved.

   Growth rates are still not sufficient to meet the development criteria for the country. Modern facilities and technology are available only to a limited section of the society. Despite various efforts, plans have failed to reduce the gap between the rich and the poor. The main reason for failure in achieving the planned targets is the rapidly increasing population and the existence of corruption in the whole system of the country.

5. Answer: Economic planning is the process through which economic decisions are made by the government for economic growth and development. In india, the duration of plans is five years. This form of plans was adopted from the former

soviet union. In economic planning, a central authority defines a set of targets to be achieved related to growth and development of the nation, keeping in view.

I the resources available to the country, within a specified period of time. According to planning commission, "economic planning means utilisation of country's resources i into different activities in accordance with national priorities."

6. Answer: The following were the objectives of land reforms
   - To achieve egalitarian social structure by restructuring agrarian relations
   - To eliminate the exploitation in .land relations
   - To provide the ownership of land to the tiller
   - To improve the socio-economic-conditions of the rural poor by widening their land base
   - To increase agricultural productivity and production
   - To facilitate land-based development of the rural poor
   - To promote the agriculture sector
7. Answer: Tariffs are the tax paid on imported items. They curb the use of imported goods by making them too expensive. Quota, on the other hand, is the specific quantity of commodities that can be imported from other countries.
8. Answer: India adopted 'inward-looking trade strategy' or import substitution' during the first seven five year plan period (1951 -90). The main objective of the policy was to restore positive balance of payments by replacing or substituting imports with domestic production.

   This also enabled the government to safeguard the interest of domestic industries from foreign competition and equip them well until they learn to compete with the global giants. Moreover, government imposed tariffs and quotas in order to control imports.

Long Answers:

1. Answer: India is a developing country. Agriculture plays a vital role in its development. Most of the population is engaged in agriculture and allied activities. But the agricultural sector is not fully developed. There are many problems which are responsible for the backwardness of indian agriculture. These problems are as follows:

   (i) lack of proper marketing channels: marketing system of agricultural products is not good in india. As a result of it, farmers could not get sound prices of their crops. Farmers sell their products in villages at lower prices as a result of it they remain poor. Markets are far from the villages and transportation facilities are not up to the mark

   (ii) lack of credit facilities: credit problem is one of the main problems of indian farmers. They find it easy to borrow from local money lenders at exorbitant rate of interest as taking loan from banks and co-operative societies involve long and complicated procedures. This tendency of loan taking makes them fall in debt traps.

(iii) rural indebtedness: indebtedness is also the main problem of indian agriculture. Indian farmer always remains in debt. They have to take loans for cultivation and even for the sale of their products. In the words of m.l. darling, “indian peasant born in debt, lives in debt and dies in debt.”

(iv) illiteracy: large number of indian farmers is illiterate. Hence, they are unable to use the mechanised system of agriculture. As a result, their productivity remains low.

(v) disguised unemployment: disguised unemployment exists on a large scale in agriculture. The productivity of disguisedly unemployed people remains zero. Farmers cannot gain surplus from their fields due to disguised unemployment

(vi) lack of irrigation facilities: of the total cultivated area in the country, a little less than 40 per cent is irrigated even today. In the remaining areas, farming is largely dependent on rainfall.

2. Answer: The following measures can be adopted to improve the state of indian agriculture and farm productivity:

(i) new techniques of production: new agricultural technology with emphasis on high yielding varieties and improved inputs must be adopted on a much wider scale.

However, we do not have to adopt capital intensive techniques of the west, rather our own research institutions and experts should invent suitable techniques keeping in view the differences in topography, climate, soil and other socio-economic conditions of different regions.

(ii) land reforms: land reforms providing a land system conducive for agricultural development should not only be enacted but also be faithfully implemented. The official land tenure system must aim at ‘land to the tiller’ as self-cultivation can induce maximum improvement in farming.

(iii) creation of economic holdings: most states have already passed acts relating to consolidation of holdings in order to create economic holdings through removing the problem caused by sub-division and fragmentation of holdings. However, the progress has not been satisfactory in many states.

Even in states like punjab, where the entire task of consolidation was completed years ago, new sub-division and fragmentation have taken place. Therefore, fresh measures like change in law of inheritance are required to overcome the difficulties caused by sub-division and fragmentation.

(iv) crop insurance: crop insurance is needed to provide protection against natural calamities like floods, drought, locusts, thunderstorms, etc. Some states are already taking steps in this direction. For example, haryana government is thinking of setting up a fund for this purpose.

(v) cooperative farming and other agricultural cooperatives: small and marginal farmers can adopt scientific large scale commercial farming only through cooperative farming.

This will also solve the problem of uneconomic size of farms and act as a very powerful measure to combat the problem of sub-division and fragmentation of holdings. Cooperative societies can also enable the farmers to purchase modern inputs at cheap rate and store, process and market their produce advantageously.

(vi) extension of irrigation facilities: expansion of irrigation facilities can contribute significantly towards improving the agriculture. Along with starting more major and medium irrigation projects to explicit our vast irrigation and hyde! Power potential, minor irrigation facilities should also be expanded on a much larger scale.

(vii) agricultural inputs: provision of improved inputs like certified seeds, fertilisers and pesticides, etc. In adequate quantities and at fair prices is also essential for increasing farm productivity.

(viii) improved implements: large scale mechanisation of indian agriculture is neither possible nor desirable under existing conditions but use of improved implements and machines like improved ploughs, drills, chaff cutters, threshers, small tractors and pumping sets can certainly increase the efficiency of agricultural operations.

3. Answer: The following policies can be adopted to promote equity in agricultural sector:

(i) abolition of intermediaries: intermediary tenures like zamindarsjagirdars, etc., which prevailed over 40 per cent of the country were abolished and the ownership of land was given to the i actual tillers or tenants. This ownership of land gives incentives to invest in making improvements to the tillers.

(ii) tenancy reforms: it envisages provision of security to tillers or tenants and conferring ownership rights on them. Under tenancy reforms, following three types of measures were adopted:

Regulation of rent: before independence, the rent charged by zemindars from the tenants was exorbitant. Legislations were enacted after independence to regulate the limits of rents and reduce the burden on tenants.

Security of tenure: security of tenure to tenants had been given in all states through tenancy reforms. For the security of tenure, legislations have been passed in most of the states.

Ownership rights for tenants: ownership rights for tenants have been conferred in areas of andhra pradesh, bihar, west bengal, punjab, haryana and tamil nadu.

(iii) land ceiling: it was another policy to promote equity in the agricultural sector. The purpose of land ceiling is to reduce the concentration of land ownership in a few hands. Land ceiling laws were first enacted in the 1950s and the 1960s. It was further revised in 1972.

(iv) updating and maintenance of land records: for the promotion of equity in the agricultural sector, a drive was taken up in 1985-86 for updating land records. Potto passbooks with legal status are to be issued to land owners and tenants. Thus, without updating and maintenance of land records, land reforms cannot be properly implemented.

(v) consolidation of holdings: this measure is designed to solve the problem of fragmentation of holdings. The method adopted is to grant one consolidated holding to the farmer equal to the total of the land in different scattered plots under his possession.

(vi) cooperating farming: cooperating farming has been advocated to solve the problems of subdivision of holdings. Under this system, farmers having very small holdings joined their hand and pooled their lands for the purpose of cultivation, in this way, they can reap profits of large scale farming.

4. Answer: Following is the impact of green revolution.

(i) increase in production: after introduction of green revolution, the production of many crops has increased many folds. Among foodgrains, crops of wheat and rice draw maximum benefit from green revolution.

(ii) control over imports: after independence, india was dependant on other countries for its food grains requirements. However, india has gained self-sufficiency over the years, especially after the advent of green revolution.

(iii) overflowing buffer stocks: the surplus production of foodgrains enabled government to buy and build buffer stock that could be used in times of shortage.

(iv) increased employment: green revolution created diverse job opportunities as multiple cropping increased the need for hired workers.

(v) link between agriculture and industry: the linkage between agriculture and industry has strengthened with increased demand for inputs produced and supplied by industries.

5. Answer: It is important to promote small scale industries due to the following reasons:

(i) greater employment opportunities: small scale industries are more labour intensive. With less earmarked investment of capital, more persons can be employed in these industries.

(ii) equity in the distribution of income: due to small scale of production, there remains equity in the distribution of income. There is no concentration of capital in a few hands but it is distributed among all the people engaged in production. The profit of these industries is shared by many people.

(iii) decentralisation: small scale industries are situated in villages and towns. They reduce the regional imbalances. As a result, benefits of these industries go to the masses.

(iv) less pressure on agriculture: small scale industries have great importance in india. Most of its population is engaged in agricultural activities. Every year about 30 lakhs of people increase as dependents on agriculture in india. Therefore, it is necessary to reduce the increasing pressure on agricultural land. It can be achieved only by establishing more small scale industries.

(v) less capital requirements: small scale industries need less capital as compared to large scale industries. In country like india where capital is scarce, small scale industries can be established with less amount of capital.

(vi) immediate increase in production: the gestation period of small scale industry is short. As a result, production starts immediately after the establishment of these industries, in india, 40 per cent of the industrial production is produced in small scale industries.

(vii) production of artistic goods: more manual work is done in these industries. As a result, production of artistic goods is only possible in small scale industries.

(viii) importance in exports: small scale industries have great importance in india's exports. In 1990's, the contribution of these industries in total exports was 35 per cent.

(ix) industrial peace: industrial peace is the feature of these industries because there is less possibilities of labour exploitation.

Case Study Answer-

1. Answer:

   1. b) 1951
   2. a) National institution for transforming India Aayog
   3. b) Socialist economy
   4. b) 15th March 1950

2. Answers:

   1. d) All of the above
   2. b) False
   3. c) Self-sufficient.

Assertion Reason Answer-

1. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct.
2. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).