

2

CHAPTER

Indian Economy (1950 - 1990)

2.1 INTRODUCTION

In the previous chapter, we have learnt that on the eve of independence, Indian economy was completely undeveloped. After two hundred years of British rule and their exploitative policies, India finally got freedom on 15th August, 1947.

Now, it was necessary to reconstruct the backward and stagnant Indian economy into a developed economy. Therefore, the most

important task before the Government of independent India was to decide the type of 'Economic System', which would be most suitable for India. *Economic System refers to an arrangement by which central problems of an economy are solved.*

Let us first understand the various "Central Problems" of an economy, before we proceed to different types of economic systems.

Central Problems of an Economy

The three major central problems of an economy are:

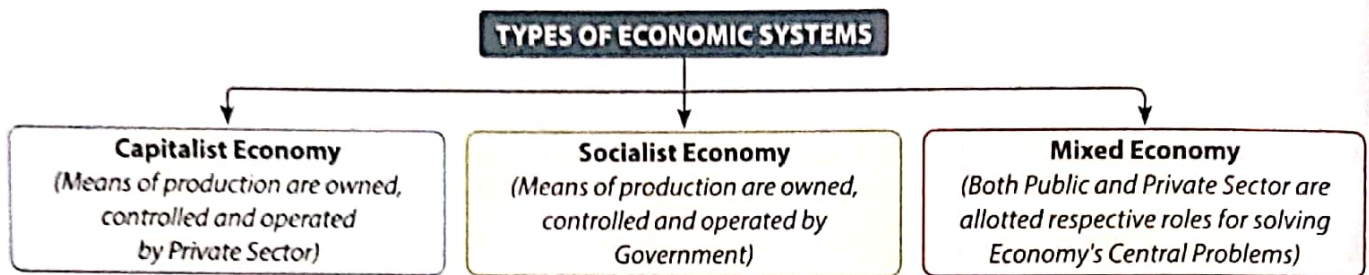
1. **What to Produce:** It involves deciding the final combination of goods and services to be produced, i.e., it involves selection of goods and services and the quantity of each, that the economy should produce.
2. **How to Produce:** It involves deciding the technique of production, i.e. whether selected goods should be produced with more labour and less capital (known as Labour Intensive Technique) or with more capital and less labour (known as Capital Intensive Technique).
3. **For whom to produce:** It involves deciding the distribution of output among people, i.e., it involves selection of the category of people who will ultimately consume the goods.

LEARNING OBJECTIVES

- 2.1 Introduction
- 2.2 Economic Planning
- 2.3 Goals of Five Year Plans
- 2.4 Agriculture
- 2.5 Industrial Development
- 2.6 Foreign Trade
- 2.7 Critical Appraisal of Industrial Development (1950 - 1990)

Types of Economic Systems

Economic Systems are generally of 3 different types:



1. Capitalist Economy: A capitalist economy is the one in which the means of production are owned, controlled and operated by the private sector. Production is done mainly to earn profits. So, the central problems (what, how and for whom to produce) are solved through the market forces of demand and supply.

Under capitalist economy, the three central problems are solved in the following manner:

- *What to Produce:* Under this system, only those goods are produced that can be sold profitably either in the domestic or in the foreign market.
- *How to Produce:* Goods are produced using cheaper techniques of production. In case of cheap labour, labour-intensive methods of production are used and in case of costly labour, capital-intensive methods of production are used.
- *For whom to Produce:* In a capitalist society, goods produced are distributed among people not on the basis of their needs but on the basis of their income or purchasing power. This means that a sick person will be able to get medicine only when he can afford to buy it, otherwise not, even if there is an urgency.

2. Socialist Economy: A socialist economy is the one in which the means of production are owned, controlled and operated by the government. Under socialist economy, the three central problems are solved in the following manner:

- *What to Produce:* In a socialist society, the government decides what to produce in accordance with needs of the society.
- *How to Produce:* The government decides how the goods will be produced.
- *For whom to Produce:* Distribution under socialism is supposed to be based on what people need and not on what they can afford to purchase. A socialist nation provides free health care to the citizens, who need it.

3. Mixed Economy: A mixed economic system refers to a system in which the public sector and the private sector are allotted their respective roles for solving the central problems of the economy.

- In mixed economy, the government and the market together solve the 3 central problems: what to produce, how to produce and for whom to produce.
- The private sector provides whatever goods and services, it can produce well, and the government provides essential goods and services, which the market fails to do.

Indian Economic System

After the freedom, leaders of independent India (like Jawaharlal Nehru) were confused with regard to economic system, to be followed in India.

- Some leaders were in favour of the *Socialist Economy*. However, in a democratic country like India, complete dilution of private ownership was not possible (as was possible in case of the former Soviet Union).
- *Capitalist Economic System* did not appeal to Jawaharlal Nehru, our first Prime Minister, as under this system, there would be fewer chances for improvement in quality of life of majority of people.
- As a result, *Mixed Economy* (with best features of both *Socialist and Capitalist Economy*) was adopted by the Indian Economy. In this view, India would be a socialist society, with a strong public sector, but also with private property and democracy.

2.2 ECONOMIC PLANNING

After adopting the 'Mixed Economic System', the next important step for the Government was to revive the poor, backward and stagnant economy, inherited from the British rule.

- For the development of Indian economy, it was necessary for the Government to 'plan' for the economy, known as Economic Planning.
- (*Economic planning can be defined as making major economic decisions (what, how and for whom to produce) by the conscious decision of a determinate authority, on the basis of a comprehensive survey of the economy as a whole.*)

'P. C. Mahalanobis' is known as the Architect of Indian Economic Planning.

Mahalanobis: The Architect of Indian Economic Planning

Many distinguished thinkers contributed to the formulation of our five year plans. Among them, Prasanta Chandra Mahalanobis stands out.

About Prasanta Chandra Mahalanobis

- Mahalanobis was born on 29th June 1893 in Calcutta (now Kolkata).
- He was educated at the Presidency College in Calcutta and at Cambridge University in England.
- In 1946, he was made a Fellow (member) of Britain's Royal Society, one of the most prestigious organisations of scientists.
- Mahalanobis established the Indian Statistical Institute (ISI) in Calcutta and started a journal, Sankhya, which still serves as a respected forum for statisticians to discuss their ideas.
- He is best remembered for the Mahalanobis distance, a statistical measure. He made pioneering studies in anthropometry in India. His contributions to the subject of statistics brought him international fame.
- Mahalanobis died on 28th June, 1972, a day before his seventy-ninth birthday. Even at this age, he was still active in doing research work and discharging his duties as the Secretary and Director of the ISI & as the Honorary Statistical Advisor to the Cabinet of Indian Government.



P.C. Mahalanobis
(1893-1972)

Contribution of Mahalanobis in Indian Planning

In India, planning in the real sense, began with the Second Five Year Plan. The Second Plan laid down the basic ideas regarding goals of Indian planning, which was based on the ideas of Mahalanobis. In that sense, he can be regarded as the architect of Indian planning.

During the second plan period, Mahalanobis invited many distinguished economists from India and abroad to advise him on India's economic development. *Mahalanobis will always be remembered for playing a vital role in putting India on the road to economic progress.*

- The Industrial Policy Resolution of 1948 and the Directive Principles of the Indian Constitution assigned a leading role to the public sector. Private sector was also encouraged to participate in the plan's efforts.
- To make economic planning effective, the Government of India set up Planning Commission in 1950, under the chairmanship of the then Prime Minister Pandit Jawaharlal Nehru.
- The purpose of the Commission was to carefully assess the human and physical resources of the country and to prepare the Plans for the effective use of resources.
- The Planning Commission fixed the planning period at five years, which began the era of 'Five Year Plans'.

Note: It must be noted that 'Planning Commission' is no more in existence. On 1st January, 2015, a Cabinet Resolution was passed to replace the Planning Commission with the newly formed NITI Aayog (National Institution for Transforming India). Prime Minister is the ex-officio Chairman of NITI Aayog.

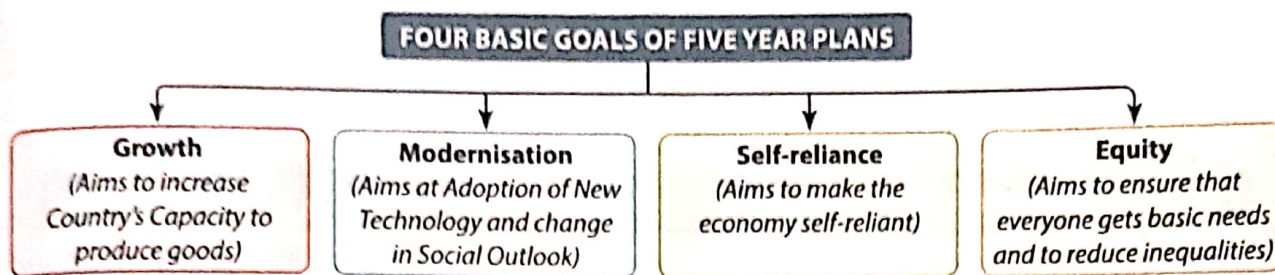
Explore More About "Plan"

- ✓ **Meaning of Plan:** Plan is a document showing detailed scheme, program and strategy, worked out in advance for fulfilling an objective.
- ✓ **Reason for Making Plans:** Planning is done to achieve some predetermined goals within a specified time period. It involves detailed analysis of the problems at hand and making conscious decisions to solve them.
- ✓ **Duration of Each Plan:** In India, plans are made for duration of five years and are known as 'Five Year Plans' (The concept of Five Year Plans was borrowed from the former Soviet Union).
- ✓ **Content in Plans:** Our plan documents 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 are supposed to provide the basis for the Perspective Plan.

✈️ 2.3 GOALS OF FIVE YEAR PLANS

The five year plans have been concerned with the removal of economic backwardness of the country and making India a developed economy.

- The five year plans have also taken care to ensure that the weaker sections of the population benefit from the economic progress of the country.
- The first five year plan was launched by our first Prime Minister, Pandit Jawaharlal Nehru in the parliament. It was launched for a period starting from 1st April, 1951 and ending on 31st March, 1956. 12th Five Year Plan of the Government of India (2012–17) was India's last Five Year Plan. In between these years, some annual plans were also introduced.
- Each five year plan listed the basic *Goals* of India's development, which served as the guiding principles of Indian planning.
- These basic *Goals* are:
 - (i) Growth
 - (ii) Modernisation
 - (iii) Self-reliance
 - (iv) Equity



As all the goals cannot be given equal importance in all the plans, different goals are emphasised in different plans in India. However, the planners have to ensure that, as far as possible, the policies of the plans do not contradict the four goals mentioned above.

Let us now discuss these four goals in detail.

Growth

The stagnation during the British rule forced the planners to make *Economic Growth* as the first and foremost objective of Indian plans.

- Growth refers to an increase in the country's capacity to produce the output of goods and services within the country.
- Growth implies:
 - ♦ Either a larger stock of productive capital;
 - ♦ Or a larger size of supporting services like transport and banking;
 - ♦ Or an increase in the efficiency of productive capital and services.
- A good indicator of economic growth, in the language of economics, is steady increase in the **Gross Domestic Product (GDP)**.
- (GDP refers to market value of all the final goods and services produced in the country during a period of one year) Increase in GDP or availability of goods and services enables people to enjoy a more rich and varied life.
- (The GDP of a country is derived from the different sectors (Agricultural sector, Industrial sector and Service sector) of the economy) -
- In some countries, growth in agriculture contributes more to the GDP growth, while in some countries, growth in service sector contributes more to GDP growth.
- The contribution of each economic sector to the GDP makes up the structural composition of the economy. 'Structural Composition' refers to number of people engaged in different sectors.

Share of Service Sector in GDP increased: By 1990, the share of the service sector was 40.59%, more than that of agriculture or industry. This phenomenon of growing share of the service sector was accelerated in the post 1991 period, which marked the beginning of globalisation in the country.

Modernisation

Indian planners have always recognised the need for modernisation of society to raise the standard of living of people. Modernisation includes:

- **Adoption of New Technology:** Modernisation aims to increase the production of goods and services through the use of new technology. For example, a farmer can increase the output on the farm by using new seed varieties instead of using the old ones. Similarly, a factory can increase output by using a new type of machine.

- **Change in social outlook:** Modernisation also requires a change in social outlook, such as gender empowerment or providing equal rights to women. A society will be more civilised and prosperous if it makes use of the talents of women in the work place.

Modernisation in the words of Draft outline of 6th Plan

"The term modernisation connotes (indicates) a variety of structural and institutional changes in the framework of economic activity." Modernisation implies:

- The shift in sectoral composition of production and diversification of activities;
 - Advancement of technology and institutional innovations.
- So as to transform a feudal and colonial economy into a modern and independent economy.

Self-reliance

The third major objective is to make the economy self-reliant.

- Self-reliance under Indian conditions means overcoming the need for external assistance. In other words, it means developing through domestic resources.
- To promote economic growth and modernisation, the five year plans stressed on the use of own resources, in order to reduce our dependence on foreign countries.
- The policy of self-reliance was considered a necessity because of two reasons:
 - *To reduce foreign dependence:* As India was recently freed from foreign control, it is necessary to reduce our dependence on foreign countries, especially for food. So, stress should be given to attain self-reliance.
 - *To avoid Foreign Interference:* It was feared that dependence on imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country.

Equity

The objectives of growth, modernisation and self-reliance, by themselves, may not improve the kind of life that people live.

- ✦ So, it is important to ensure that benefits of economic prosperity are availed by all sections (rich as well as poor) of the economy.
- ✦ In addition to the objectives of growth, modernisation and self-reliance, equity is also important.
- ✦ According to Equity, every Indian should be able to meet his or her basic needs (food, house, education and health care) and inequality in the distribution of wealth should be reduced.
- ✦ In short, Equity aims to raise the standard of living of all people and promote social justice.

Let us now discuss, how the first seven five-year plans (from 1950 to 1990) attempted to attain the four goals and the extent, to which they succeeded in doing so, with reference to 'Agriculture', 'Industry' and 'Trade'.

2.4 AGRICULTURE

In the previous chapter, we have learnt that there was neither growth nor equity in the agricultural sector, during the colonial rule.

- At the time of independence, the land tenure system was characterised by intermediaries (like zamindars) who merely collected rent (lagaan) from the actual tillers of the soil.

- The low productivity of the agricultural sector forced India to import food from the United States of America.
- The agricultural sector accounted for the largest share of workforce with approximately 70-75 per cent. So, agricultural development was focused right from the First Five Year Plan.

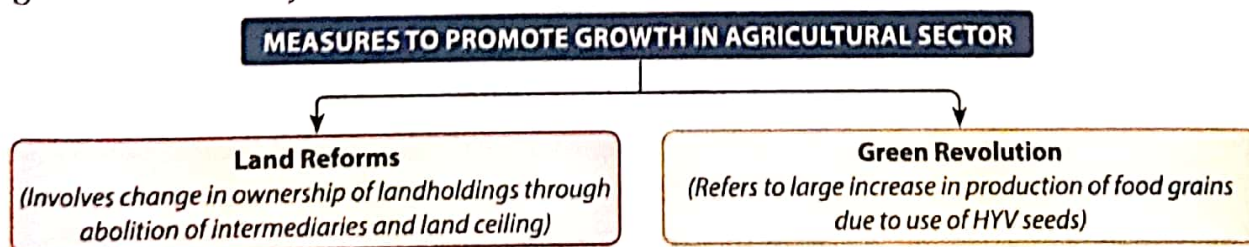
Features (or Problems) of Agriculture

Following were some of the main features (or Problems) of Indian agricultural sector between 1950 and 1990:

1. **Low Productivity:** Indian agricultural sector was known for its low productivity. Lack of knowledge was responsible for stagnation in this sector.
2. **Disguised Unemployment:** It refers to a state in which more people are engaged in work than are really needed. There were very high incidents of disguised unemployment in the sector during 1950 and 1990.
3. **High dependency on Rainfall:** Due to poor agricultural techniques, farmers depended largely on rainfall. There was minimum growth of this sector in the year that receives the least rainfall.
4. **Subsistence Farming:** It is the practice of growing crops only for one's own use without any surplus for trade. There were also very high incidents of subsistence farming.
5. **Outdated Technology:** There were many obsolete technologies and harvesting machines. Harvesting was generally done manually and was very tedious.
6. **Conflicts between Tenant and Landlords:** Farmers were often a part of a critical contract that bound them to their landlords. Landlords used to extract huge amounts of interest from farmers and deprived them of their necessities.
7. **Small Land Holdings:** Most of the land holdings of the farmers were small. Small land holding is a hindrance in the process of agricultural growth as farming can be carried out by only labour intensive techniques, i.e. use of machines become difficult. Moreover, farmers use their produce (which is obviously less due to small holdings) more for their own use rather for sale in the market.

Policies for Growth of Agriculture

The measures undertaken to promote the growth in the agricultural sector can be broadly categorised as 'Land Reforms' and 'Green Revolution'.



Land Reforms

Land Reforms primarily refer to change in the ownership of landholdings. Land reform measures have been introduced by various underdeveloped and developing countries, for attaining a rational land distribution pattern and viable farming structure.

- There was a great need for land reforms in a country like India, where majority of its population still depends on agriculture.
- Land reforms were needed to achieve the objective of Equity in agriculture.

Abolition of Intermediaries

Indian Government took various steps to abolish intermediaries and to make tillers, the owners of land.

- **Aim behind 'Land to the Tiller':** The idea behind this step was that ownership of land would give incentives to the actual tillers to make improvements and to increase output (provided sufficient capital was made available to them). Tenants do not have any incentive to make improvements on land since it is the owner of the land who benefits more from higher output. Ownership of land will enable the tiller to make profit from the increased output.
Just for Reference: The importance of 'Land to the Tiller' can be justified by the following incident that took place in the former Soviet Union. The farmers in the former Soviet Union used to be very careless while packing fruits for sale. Quite often, rotten fruits were packed by them along with the fresh fruits in the same box. Every farmer was aware that the rotten fruits would spoil the fresh fruits if they were packed together. Since farmers did not own any land, they neither enjoyed the profits nor suffered the losses. In the absence of ownership rights, there was no incentive on their part to be efficient.
- The abolition of intermediaries brought 200 lakh tenants into direct contact with the government.
- The ownership rights granted to tenants gave them the incentive to increase output and this contributed to growth in agriculture.
- **However, the goal of equity was not fully served** by abolition of intermediaries because of following reasons:
 - (i) In some areas, the former zamindars continued to own large areas of land by making use of some loopholes in the legislation;
 - (ii) In some cases, tenants were evicted and zamindars claimed to be self-cultivators;
 - (iii) Even after getting the ownership of land, the poorest of the agricultural labourers did not benefit from land reforms.

Let us now discuss 'Land Ceiling', which was one of the very important measures towards land reforms in the country.

Land Ceiling

Land Ceiling refers to fixing the specified limit of land, which could be owned by an individual.

- Beyond the specified limit, all lands belonging to a particular person would be taken over by the Government and will be allotted to the landless cultivators and small farmers.
- The *purpose* of land ceiling was to reduce the concentration of land ownership in a few hands.
- Land ceiling *helped to promote equity* in the agricultural sector.
- However, the land ceiling legislation was challenged by the big landlords. They delayed its implementation. This delay time was used by them to get the land registered in the name of close relatives, thereby escaping from the legislation.

Conclusion

Land reforms were successful in Kerala and West Bengal because governments of these states were committed to the policy of land reforms. Unfortunately, other states did not have the same level of commitment and vast inequality in landholdings continued.

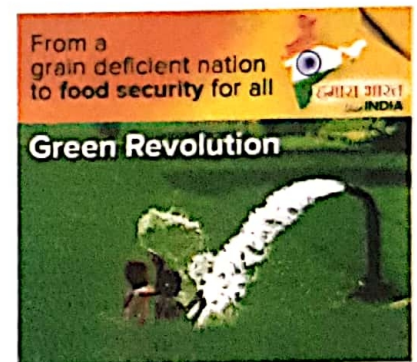
New Agricultural Strategy: Green Revolution in India

The new agricultural strategy was adopted in India during the Third Plan, i.e., during 1960s. The traditional agricultural practices followed in India were gradually being replaced by modern technology and agricultural practices. The aim of this strategy was to raise agricultural production and productivity in selected regions of the country through the introduction of modern inputs like fertilizers, credit, marketing facilities, etc.

Green Revolution

At the time of independence, about 75% of the country's population depended on agriculture.

- India's agriculture vitally depends on the monsoon and in case of shortage of monsoon, the farmers had to face lot of troubles.
- Moreover, the productivity in the agricultural sector was very low due to use of outdated technology and absence of required infrastructure.
- As a result of the intensive and continued efforts of many agricultural scientists, this stagnation in agriculture was permanently broken by the 'Green Revolution'.



Green Revolution refers to the large increase in production of food grains due to use of High Yielding Variety (HYV) or miracle seeds especially for wheat and rice. Green Revolution is the spectacular advancement in the field of agriculture.

Dr. Norman E. Borlaug, an American agricultural scientist, is considered to be the 'Father of the Green Revolution'. He was awarded the Nobel Peace Prize in 1970 for breeding higher-yielding varieties. In India, it was mainly found by M.S. Swaminathan.

Explore More: Origin of Green Revolution

In the kharif season (1966), India adopted High Yielding Varieties Programme for the first time. The programme was successful due to:

- High Yielding Varieties (HYV) of seeds;
- Adequate irrigation facilities;
- Application of fertilizers, pesticides, insecticides, etc.

In this way, a new technology was gradually adopted in Indian agriculture. This new strategy is also popularly known as modern agricultural technology or Green Revolution. In the year 1967-68, food grain production increased by nearly 28.8% more than 1966-67 level. This success was attributed to new agricultural strategy and India became self-sufficient in the production of food grains.

HYV Seeds: Main Reason for Agricultural Revolution

Agricultural revolution occurred primarily due to the miracle of new wonder seeds (high yielding varieties (HYV) of seeds), which raised agricultural yield per acre to incredible heights.

- These seeds can be used in those places where there are adequate facilities for drainage and water supply.
- As compared to other ordinary seeds, these seeds need heavy doses of chemical fertilizers (4 to 10 times more fertilizers) to get the largest possible production.
- So, to derive benefit from HYV seeds, Indian farmers need to have:
 - Reliable irrigation facilities; and
 - Financial resources (to purchase fertilizers and pesticides).



With introduction of HYV seeds, the yield multiplied on an average three-fold

Indian Economy experienced the success of Green Revolution in 2 phases:

1. **In the first phase** (Mid 60s to Mid 70s), the use of HYV seeds was restricted to more affluent states (like Punjab, Andhra Pradesh, Tamil Nadu, etc.). Further, the use of HYV seeds primarily benefited the wheat growing regions only.
2. **In the second phase** (Mid 70s to Mid 80s), the HYV technology spread to a larger number of states and benefited a wider variety of crops.

Important Effects of Green Revolution (or Merits of Green Revolution)

The spread of Green Revolution technology enabled India to achieve self-sufficiency in food grains. India was no longer at the mercy of America, or any other nation, for the food requirements.

1. **Attaining Marketable Surplus:** Green Revolution resulted in 'Marketable Surplus'. *Marketable or Marketed surplus refers to that part of agricultural produce which is sold in the market by the farmers after meeting their own consumption requirement.*
 - Growth in agricultural output makes a difference to the economy only when large proportion of this increase is sold in the market.
 - Fortunately, a good proportion of rice and wheat produced during the green revolution period was sold by the farmers in the market.
2. **Buffer Stock of Food Grains:** The green revolution enabled the government to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.
3. **Benefit to low-income groups:** As a large proportion of food grains were sold by farmers in the market, their prices declined relative to other items of consumption. The low-income groups, who spend a large percentage of their income on food, benefited from this decline in relative prices.

Risks involved Under Green Revolution (or Demerits of Green Revolution)

While the nation had immensely benefited from the green revolution, the technology involved was not free from risks.

(i) **Risk of Pest Attack:** The HYV crops were more prone to attack by pests. So, there was a risk that small farmers who adopted this technology could lose everything in a pest attack. However, this risk was considerably reduced by the services rendered by research institutes established by the government.



HYV Crops were prone to attack by Pests

(ii) **Risk of Increase in Income Inequalities:** There was a risk that costly inputs (HYV seeds, fertilizers, etc.) required under green revolution will increase the disparities between small and big farmers since only the big farmers could afford the required inputs.

However, due to favourable steps taken by the government, these fears did not come true. The government provided *loans at a low interest rate to small farmers* so that they could also have access to the needed inputs.

Since the small farmers could obtain the required inputs, the output on small farms equalled the output on large farms in the course of time. As a result, the green revolution benefited the small as well as rich farmers.

Debate over Subsidies to Agriculture

Subsidy, in the context of agriculture, means that the farmers get inputs at prices lower than the market prices. In other words, Subsidy is the financial assistance provided by the government to producers to fulfil their social welfare objectives.

- During the initial phases of Green Revolution, new technology was looked upon as being risky by the farmers.
- So, it was necessary for the Government to grant subsidies to provide an incentive for adoption of the new HYV technology.
- However, with the passage of time, there has been debate over the huge amount of subsidies granted by the government.

Let us discuss the points in favour and against the grant of subsidies.

Economists in Favour of Subsidies

1. The government should continue with agricultural subsidies as farming in India continues to be a risky business.
2. Majority of the farmers are very poor and they will not be able to afford the required inputs without the subsidies.
3. Eliminating subsidies will increase the income inequality between rich and poor farmers and violate the ultimate goal of equity.

In brief, subsidies in India are necessary for poor and small farmers to enable them to make use of modern agricultural techniques. Necessary steps should be taken to ensure that only the poor farmers enjoy the benefits of subsidies, not the fertilizer industry and big farmers.

Economists Against the Subsidies

1. **Benefit to fertilizer industries and prosperous farmers:** Subsidies do not benefit the poor and small farmers (target group) as benefits of substantial amount of subsidy go to fertilizer industries and prosperous farmers.
2. **Fiscal Burden:** Economists argue that subsidies are a huge burden on government's finances.

According to some economists, subsidies were granted by the Government to provide an incentive for adoption of the new HYV technology. So, after the wide acceptance of technology, subsidies should be phased out as their purpose has been served.

Some Important Observations

1. **Prices as Signals:** Prices act as signals about the availability of goods. When a good becomes scarce, its price tends to rise and those who use this good are required to make efficient decisions about its use based on the price. For example, with the outspread of coronavirus, sanitizers, infrared thermometers, oximeters, masks, etc., became very costly due to their short supply or scarcity in relation to demand. Similarly, when price of petrol increases, it reflects a greater scarcity of petrol and the price rise is a signal that less petrol is available. It provides an incentive to use less petrol or look for alternate fuels.
2. **Subsidies may also be beneficial for the economy and society:** According to some economists, there are some positive points in favour of agricultural subsidies like:
 - (i) By providing agricultural subsidies (for seeds, fertilizers, etc.), the government aims to make sure that everyone get the food they need.
 - (ii) Through subsidies, the government wants to ensure steady income for farmers, even during price changes or bad harvests.
 - (iii) Agricultural subsidies facilitate the growth of the local economy by helping farmers and people living in the rural area.
3. **Subsidies may lead to wasteful use of resources:** According to some economists, there are some points against the agricultural subsidies, like:
 - (i) When electricity is provided at a subsidised rate or free, it will be used wastefully without any concern for its scarcity.
 - (ii) When water is supplied free to the farmers, then they may cultivate water-intensive crops, even though the water resources in that region may be scarce. As a result, such cropping pattern will further deplete the already scarce resources. If water is priced to reflect scarcity, farmers will cultivate crops suitable to the region.
 - (iii) Fertilizer and pesticide subsidies result in overuse of resources which can be harmful to the environment.
 - (iv) At times, agricultural subsidies increase the production of some foods which have subsidies. Farmers might grow too much of those and it may cause problems with storing them and selling them at a fair price.
 - (v) Subsidies influence the market prices of food articles, which leads to confusion in the market and causes problems with buying and selling globally.

Critical Appraisal of Agricultural Development (1950 – 1990)

Indian economy inherited a stagnant and backward agricultural sector from the British rule. So, immediately after the independence, Indian Government undertook various measures to improve the condition of agriculture.

- The 'Land Reform' measures and 'Green Revolution' were the greatest achievements of the Indian Government, in enhancing the agricultural production and productivity.
- Between 1950 and 1990, there had been a substantial increase in the agricultural productivity. Agricultural Productivity refers to output per hectare of land. As a result of Green revolution, India became self-sufficient in food production. Land Reforms resulted in abolition of zamindari system.
- The Proportion of GDP between 1950 and 1990 contributed by agriculture declined significantly, but not the population dependent on it (67.5% in 1950 to 64.9% by 1990).
- Around 65% of the country's population continued to be employed in agriculture, until 1990. *Agricultural output could have been grown with much less people working in the sector, but industrial and service sectors could not absorb the extra workforce involved in agriculture.* The involvement of such a large proportion of the population in agriculture was regarded as the important failure of policies followed during 1950-1990.

2.5 INDUSTRIAL DEVELOPMENT

Developing countries (like India) can progress only if they have a good industrial sector. Industry provides employment, which is more stable than the employment in agriculture. Industrialisation promotes modernisation and overall prosperity. *Due to this reason, Five Year Plans stressed a lot on the industrial development.*

At the time of independence, the variety of industries was very limited. The cotton textile and jute industries were mostly developed in India. There were only two well-managed iron and steel firms: one in Jamshedpur and the other in Kolkata. So, there was a strong need to expand the industrial base with a variety of industries.

For "Benefits of Industrialisation", refer Power Booster.

Role of Public Sector in Industrial Development

At the time of independence, the big question facing the policy makers was to decide the role of government (public sector) and the private sector in industrial development.

There was a need for a leading role of the Public Sector due to the following reasons:

1. **Shortage of Capital with Private Sector:** Private entrepreneurs did not have the capital to undertake investment in industrial ventures, required for the development of Indian economy. At the time of independence, Tatas and Birlas were the only well known Private entrepreneurs. As a result, Government had to make industrial investment through Public Sector Undertakings (PSU's).
2. **Lack of Incentive for Private Sector:** The Indian market was not big enough to encourage private industrialists to undertake major projects, even if they had capital to do so. Due to the limited size of the market, there was a low level of demand for industrial goods.

3. **Objective of Social Welfare:** The objective of equity and social welfare of the Government could be achieved only through direct participation of the state in the process of industrialisation.

As a result, state had complete control over those industries, that were vital for the economy. The policies of the private sector had to be complementary to those of the public sector, with public sector leading the way.

Industrial Policy Resolution 1956

Industrial Policy is a comprehensive package of policy measures that covers various issues connected with different industrial enterprises of the country.

- Industrial Policy is essential for devising various procedures, principles, rules and regulations for controlling industrial enterprise of the country.
- After the Industrial Policy of 1948, the Indian economy had to face a series of economic and political changes, which necessitated the need for a fresh industrial policy for the country. So, on 30th April, 1956, a second Industrial Policy Resolution was adopted in India, which also formed the basis of Second Five Year Plan. The 1956 Policy emphasised the need to expand the Public Sector.

Classification of Industries

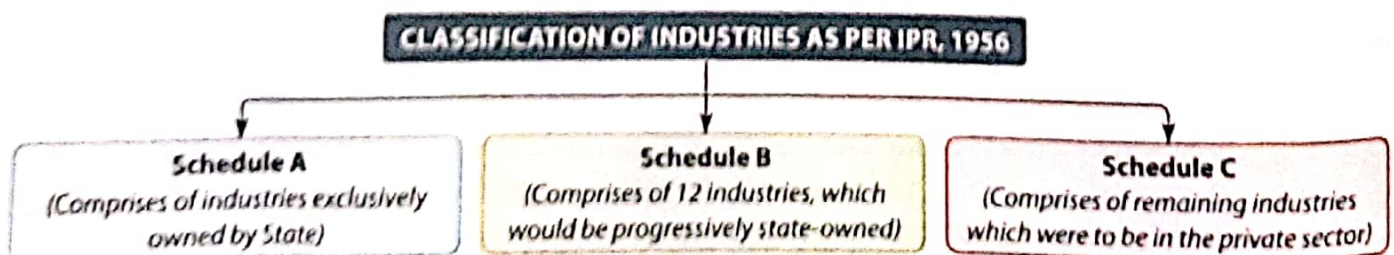
According to Industrial Policy Resolution 1956, the industries were reclassified into three categories, viz., Schedule A, Schedule B and Schedule C.

1. **Schedule A:** This first category comprised industries which would be exclusively owned by the state. In this schedule, 17 industries were included, like arms and ammunitions; atomic energy; heavy and core industries; aircraft; oil; railways; shipping; etc.

2. **Schedule B:** In this schedule, 12 industries were placed, which would be progressively state-owned. The state would take the initiative of setting up industries and private sector would supplement the state's efforts. This schedule includes industries like aluminium, other mining industries, machine tools, fertilizers, etc.

3. **Schedule C:** This schedule consisted of the remaining industries which were to be in the private sector. The state would facilitate and encourage the development of all these industries. These industries were controlled by the state through a system of licences*, enforced under Industries (Development and Regulation) Act, 1951.

*The system of licences or Licence Raj was introduced under the Industrial Policy Resolution 1956 with the objective of keeping private sector under control. No new industry was allowed unless a licence was obtained from the Government. This policy was used to ensure regional equality.



Industrial Licensing

An industrial licence is a written permission from the government, to an industrial unit to manufacture goods. The Industries (Development and Regulation) Act, 1951, empowered the government, to issue licences for:

- Setting up of new industries;
- Expansion of existing ones; and
- Diversification of products.

According to Industrial Licensing

1. No new industry was allowed unless a licence is obtained from the government.
2. It was easier to obtain a licence if the industrial unit was established in an economically backward area. In addition, such units were given certain concessions, such as tax benefits and electricity at a lower tariff. *The purpose of this policy was to promote regional equality.*
3. Licence was needed even if an existing industry wanted to expand output or diversify production. Licence to expand production was given only if the government was convinced that there was a need for larger quantity of goods in the economy.

Small-Scale Industry (SSI)

In 1955, the Village and Small-scale Industries Committee (Karve Committee) recognised the possibility of using small-scale industries to promote rural development. A 'small-scale industry' is defined with reference to the maximum investment allowed on the assets of a unit. This limit has changed from rupees five lakh in 1950 to present limit of rupees one crore.

Important Points about Small-scale Industries

1. **Employment Generation:** Small-scale industries are more labour intensive, i.e., they use more labour than the large-scale industries and, therefore, they generate more employment. After agriculture, small-scale industries provide employment to the largest number of people in India.
2. **Need for Protection from Big Firms:** Small-scale industries cannot compete with big industrial firms. They can flourish only when they are protected from the large firms. So, various steps were taken by the government for their growth.
 - *Reservation of Products:* Government reserved production of a number of products for the small-scale industry. The criterion for reserving the products depended on the ability of these units to manufacture the goods.
 - *Various Concessions:* Small-scale industries were also given concessions, such as lower excise duty and bank loans at lower interest rates.



Small-Scale Industries generate more Employment

2.6 FOREIGN TRADE

Foreign trade in India includes all imports and exports to and from India. India entered a planned development era in the 1950's and at that time 'Import Substitution' was a major element of India's Trade and Industrial Policy. In 1950, India's share in the total world trade was 1.78%.

Trade Policy: Import Substitution

In order to be self-reliant in vital sectors, India has followed the strategy of replacing many imports with domestic production.

- In the first seven plans, trade was characterised by an inward-looking Trade Strategy. Technically, this strategy is called 'Import Substitution'.
- *Import Substitution refers to a policy of replacement or substitution of imports by domestic production.*
- For example, instead of importing vehicles made in a foreign country, domestic industries would be encouraged to produce them in India itself.
- The **basic aim** of the policy was to protect domestic industries from foreign competition.
- The policy of Import Substitution can serve 2 definite *objectives*:
 - (i) Savings of precious foreign exchange; and
 - (ii) Achieving self-reliance.

Protection from Imports through 'Tariffs' and 'Quotas'

Government made use of two ways to protect goods produced in India from imports:

1. **Tariffs:** Tariffs refer to taxes levied on imported goods. The basic aim for imposing heavy duty on imported goods was to make them more expensive and discourage their use.
2. **Quotas:** Quotas refer to non-tariff barriers imposed on the quantity of imports and exports. They fix the maximum limit on the imports of a commodity by a domestic producer.)

The tariff on imported goods and fixation of quotas helped in restricting the level of imports. As a result, the domestic firms could expand without fear of competition from the foreign market.

Reason for Import Substitution

1. The policy of protection (in the form of Import Substitution) is based on the notion that industries of developing countries, like India, are not in a position to compete against the goods produced by more developed economies. With protection, they will be able to compete in the due course of time.
2. Restriction on imports was necessary as there was a risk of drain of foreign exchange reserves on the import of luxury goods.

Arguments against Import Substitution

The policy of import substitution also suffers from certain drawbacks:

1. The policy of import substitution encourages the production of goods for domestic consumption only and prohibits sale to other countries. It can cause a loss of money due to the absence of world trade.
2. Some domestically manufactured products can be more costly (due to scarcity of some resources) in the country, while at the same time, they can be imported at a cheaper rate from other countries. Moreover, due to the lack of competition, the inefficiency in the domestic industries might decrease.
3. The economy can be less productive if it tries to manufacture everything domestically.

2.7 CRITICAL APPRAISAL OF INDUSTRIAL DEVELOPMENT (1950 - 1990)

The achievements of India's industrial sector during the first seven plans are impressive indeed.

1. The **proportion of GDP** contributed by the industrial sector increased in the period from 11.8% in 1950-51 to 24.6% in 1990-91. This rise in the industry's share of GDP is an important indicator of development. The *6% annual growth* rate of the industrial sector during the period is also admirable.
2. Indian industry was no longer restricted to cotton textiles and jute. It also included engineering goods and a wide range of consumer goods. The **industrial sector became well diversified** by 1990, largely due to the public sector.
3. The promotion of **small-scale industries** gave opportunities to people with small capital to get into business. New investment opportunities helped to generate more employment. It promoted growth with equity.
4. **Protection from foreign competition** (through Import Substitution) enabled the development of indigenous industries in the areas of electronics and automobile sectors, which otherwise could not have developed. However, this protection had two drawbacks:
 - (i) *Inward-Looking Trade Strategy*: Our policies were 'inward-oriented' and so we failed to develop a strong export sector.
 - (ii) *Lack of Competition*: Due to restrictions on imports, some domestic producers made no sincere efforts to improve the quality of their goods, which forced Indian consumers to purchase whatever they produced. The domestic industry failed to achieve international standards of product quality.

According to some economists, we should protect our producers from foreign competition as long as the rich nations continue to do so.

5. **Licensing Policy** helped the government to monitor and control the industrial production. However, excessive regulation by the government created two difficulties:
 - (i) *Misuse*: It was misused by industrial houses. Some big industrialists would get a licence, not to start a new firm, but to prevent competitors from starting new firms.
 - (ii) *Time Consuming*: The cumbersome and complex procedure for obtaining a licence was very time consuming. A lot of time was spent by industrialists in trying to obtain a licence.
6. **Public sector** made a remarkable contribution by creating a strong industrial base, developing infrastructure and promoting development of backward areas.
 - However, the public sector continued to monopolise (that too ineffectively) in certain non-essential areas, which could be well handled by the private sector. For example, telecommunication, hotel industry, production of goods (like Modern Bread).
 - As a result, precious funds of public sector channelised into areas, where private sector could have been easily engaged.
 - Many public sector firms also incurred huge losses but continued to function because of difficulty in closing a government undertaking.

- The monopoly of public sector in such non-essential areas was criticized by many scholars. According to them, the role of public sector should be limited to strategic areas (like national defence) and private sector should be given the opportunity for other non-essential areas.

According to some economists, public sector is not meant to earn profits but to promote the welfare of the nation. So, it should be evaluated on the basis of its contribution to the welfare of the people, not on the basis of the profits it earns.

Conclusion

The progress of the Indian economy in the three sectors can be summarised as under:

In Agriculture Sector:

- India became self-sufficient in food production due to the green revolution.
- Land reforms resulted in abolition of zamindari system.

In Industrial Sector:

- The industries became far more diversified compared to the situation at independence. However, excessive government regulation prevented their growth.
- Many economists were dissatisfied with the performance of public sector enterprises.

In Trade Sector:

- Our policies were 'inward oriented' and so we failed to develop a strong export sector.
- The domestic producers were protected against foreign competition in order to gain self-reliance. However, this did not give them the incentive to improve the quality of goods that they produced.

The need for reform of economic policy was widely felt in the context of changing global economic scenario. So, the New Economic Policy (NEP) was initiated in 1991, to make our economy more efficient. This is the subject of the next chapter.



REVISION OF KEY POINTS

- **Types of Economic Systems:** Economic Systems are generally of 3 different types:
 - (i) *Capitalist Economy:* A capitalist economy is the one in which the means of production are owned, controlled and operated by the private sector.
 - (ii) *Socialist Economy:* A socialist economy is the one in which the means of production are owned, controlled and operated by the government.
 - (iii) *Mixed Economy:* A mixed economic system refers to a system in which the public sector and the private sector are allotted their respective roles for solving the central problems of the economy.
- **India adopted the Mixed Economy:** In this view, India would be a socialist society, with a strong public sector, but also with private property and democracy.
- **Economic Planning:** For the development of Indian Economy, it was necessary for the Government to plan for the economy. Economic Planning can be defined as making major economic decisions (what, how and for whom to produce) by the conscious decision of a determinate authority, on the basis of a comprehensive survey of the economy as a whole.
- **Plan** is a document showing detailed scheme, program and strategy, worked out in advance for fulfilling an objective.
- **Goals of Five Year Plans:** The five year plans aimed at removal of economic backwardness of the country and to make India a developed economy. Each five year plan listed the basic Goals of India's development. These basic Goals are: (i) Growth; (ii) Modernisation; (iii) Self-reliance; (iv) Equity.
- **Growth:** Growth refers to an increase in the country's capacity to produce the output of goods and services within the country.
 - ♦ Growth implies either a larger stock of productive capital or a larger size of supporting services or an increase in the efficiency of productive capital and services.
 - ♦ A steady increase in the Gross Domestic Product (GDP) is a good indicator of economic growth.
 - ♦ In some countries, growth in agriculture contributes more to the GDP growth, while in some countries, growth in service sector contributes more to GDP growth.
- **Modernisation** is needed to raise the standard of living of people. Modernisation includes:
 - (i) *Adoption of New Technology:* Modernisation aims to increase the production of goods and services through the use of new technology.
 - (ii) *Change in Social Outlook:* Modernisation also requires a change in social outlook, such as gender empowerment or providing equal rights to women.
- **Self-reliance** under Indian conditions means overcoming the need for external assistance.
 - ♦ The five year plans stressed on use of own resources to reduce dependence on foreign countries.
 - ♦ The policy of self-reliance was considered a necessity because of two reasons: (a) To reduce foreign dependence; (b) To avoid foreign interference.
- **Equity** aims to ensure that every Indian should be able to meet his or her basic needs (food, house, education and health care) and inequality in the distribution of wealth should be reduced. Equity aims to raise the standard of living of all people and promote social justice.
- **Agriculture:** The agricultural sector accounted for the largest share of workforce. So, agricultural development was focused right from the First Five Year Plan.
- **Policies for Growth of Agriculture:** The two main measures undertaken to promote growth in the agricultural sector can be broadly categorised as: (i) Land Reforms; and (ii) Green Revolution.

- **Land Reforms** primarily refers to change in the ownership of landholdings. Land reforms were needed to achieve the objective of Equity in agriculture.
 - (i) *Abolition of Intermediaries*: Indian Government took various steps to abolish intermediaries and to make tillers, the owners of land. The ownership rights granted to tenants gave them the incentive to increase output and this contributed to growth in agriculture.
 - (ii) *Land Ceiling*: It refers to fixing the specified limit of land, which could be owned by an individual. Beyond the specified limit, all lands belonging to a particular person would be taken over by the Government and will be allotted to the landless cultivators and small farmers. It helped to promote equity in the agricultural sector.
- **New Agricultural Strategy: Green Revolution in India**: Green Revolution refers to the large increase in production of food grains due to use of High Yielding Variety (HYV) seeds. HYV Seeds raised agricultural yield per acre to incredible heights. HYV seeds need reliable irrigation facilities and financial resources to purchase fertilizers and pesticides.
- **Important Effects of Green Revolution**
 - (i) Attaining Marketable Surplus
 - (ii) Buffer Stock of Food Grains
 - (iii) Benefit to low-income groups
- **Risks involved Under Green Revolution**
 - (i) *Risk of Pest Attack*: The HYV crops were more prone to attack by pests.
 - (ii) *Risk of Increase in income inequalities*: There was a risk that costly inputs required under green revolution will increase the disparities between small and big farmers.
- **Favourable steps by Government to Overcome the Risks**: Government provided loans at low interest rate to small farmers so that they could buy needed inputs. As a result, the green revolution benefited the small as well as rich farmers.
- **Economists in Favour of Subsidies**: Government should continue with agricultural subsidies because:
 - ♦ Farming in India continues to be a risky business.
 - ♦ Majority of farmers are very poor and are unable to afford required inputs without subsidies.
 - ♦ Eliminating subsidies will increase income inequalities.
- **Economists Against the Subsidies**: According to some economists, there is no case for continuing with subsidies because:
 - ♦ It benefits the fertilizer industries and prosperous farmers and not the target group.
 - ♦ It is a huge burden on government's finances.
- **Critical Appraisal of Agricultural Development (1950 – 1990)**
 - ♦ Land Reform measures & Green Revolution helped in enhancing agricultural production and productivity.
 - ♦ India became self-sufficient in food production due to Green Revolution.
 - ♦ Land Reforms resulted in abolition of zamindari system.
 - ♦ Proportion of GDP contributed by agriculture declined significantly, but not the population dependent on it.
- **Industrial Development**: Five Year Plans stressed a lot on the industrial development. The cotton textile and jute industries were mostly developed in India. However, there was a strong need to expand the industrial base with a variety of industries.
- **Role of Public Sector in Industrial Development**: There was a need for leading role of Public Sector due to the following reasons:
 - (i) *Shortage of Capital with Private Sector*: Private entrepreneurs did not have the capital to undertake investment in industrial ventures.

- (ii) *Lack of Incentive for Private Sector:* The Indian market was not big enough to encourage private industrialists to undertake major projects.
- (iii) *Objective of Social Welfare:* Such objective could be achieved only through direct participation of state in the process of industrialisation.
- **Industrial Policy** is a comprehensive package of policy measures that covers various issues connected with different industrial enterprises of the country.
- **Classification of Industries:** According to Industrial Policy Resolution 1956, the industries were reclassified into three categories:
 - (i) *Schedule A:* This category comprised of industries which would be exclusively owned by the state.
 - (ii) *Schedule B:* In this schedule, 12 industries were placed, which would be progressively state-owned.
 - (iii) *Schedule C:* This schedule consisted of the remaining industries which were to be in the private sector.
- **Industrial Licence** is a written permission from the government, to an industrial unit to manufacture goods. The Industries (Development and Regulation) Act, 1951, empowered the government, to issue licences for: (a) Setting up of new industries; (b) Expansion of existing ones; and (c) Diversification of products.
- **According to Industrial Licensing,** no new industry was allowed unless a licence is obtained from the government. It was easier to obtain a licence if the industrial unit was established in an economically backward area. Licence was needed even if an existing industry wanted to expand output or diversify production.
- **Small-Scale Industry (SSI):** Small-scale Industry is defined with reference to maximum investment allowed on the assets of a unit.
 - (i) Small-scale industries are more labour intensive, i.e., they generate more employment.
 - (ii) **Need for Protection from Big Firms:** Small-scale industries cannot compete with big industrial firms. So, Government reserved production of a number of products for them and they were also given concessions.
- **Foreign Trade:** Foreign trade in India includes all imports and exports to and from India. In order to be self-reliant in vital sectors, India has followed the strategy of replacing many imports by domestic production.
 - ♦ **Import Substitution** refers to a policy of replacement or substitution of imports with domestic production. This policy can serve 2 definite objectives: (a) Savings of precious foreign exchange; and (b) Achieving self-reliance.
 - ♦ **Protection from Imports** made through 'Tariffs' and 'Quotas'.
- **Tariffs** refer to taxes levied on imported goods. The aim was to make them expensive and discourage their use.
- **Quota** refers to non-tariff barriers imposed on the quantity of imports and exports.
- **Reason for Import Substitution**
 - (i) To enable them to compete against the goods produced by more developed economies.
 - (ii) To prevent drain of foreign exchange reserves on the import of luxury goods.
- **Critical Appraisal of Industrial Development (1950 - 1990):** The following points highlight the achievements of India's industrial sector:
 - ♦ The proportion of GDP increased from 11.8% to 24.6%.
 - ♦ Industrial sector became well diversified by 1990, largely due to the public sector.
 - ♦ Promotion of small-scale industries gave opportunities to people with small capital to get into business.
 - ♦ Protection from foreign competition through Import Substitution enabled development of indigenous industries
 - ♦ Licensing Policy helped the government to monitor and control the industrial production.
 - ♦ Public sector made a remarkable contribution by creating a strong industrial base, developing infrastructure and promoting development of backward areas.

Important Dates Relevant to this Chapter

First Industrial Policy Resolution	1948
Setting up of Planning Commission in India with Prime Minister as its Chairperson	1950
Launch of First Five Year Plan	1951
Industries (Development and Regulation) Act	1951
Karve Committee or Village & Small-Scale Industries committee constituted	1955
Duration of First Five Year Plan	01.04.1951 to 31.03.1956
Second Industrial Policy Resolution	30 th April, 1956
First Phase of Green Revolution (Adopted High Yield Variety Programme)	1966
New Economic Policy (NEP)	1991
Planning Commission replaced by NITI Aayog	2015

**HOTS: HIGHER ORDER THINKING SKILLS QUESTIONS**

Q. 1. Goals of Equity was fully served by 'abolition of the intermediaries' in agriculture in the post-independence period of India. Do you agree with given statement? Support your answer with valid arguments.

{CBSE, 2024 (58/4/1)}

Ans. The given statement is incorrect. The goal of equity was not fully served by abolition of intermediaries because of following reasons:

- (i) In some areas, the former zamindars continued to own large areas of land by making use of some loopholes in the legislation;
- (ii) In some cases, tenants were evicted and zamindars claimed to be self-cultivators;
- (iii) Even after getting the ownership of land, the poorest of the agricultural labourers did not benefit from land reforms.

Q. 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.

Ans. (i) False. Government and market together solve the central problems of the economy.
(ii) False. Land Ceiling refers to fixing the specified limit of land, which could be owned by an individual.

Q. 3. Green Revolution enabled the government to maintain buffer stock of food grains. Do you agree?

Ans. Yes, I agree with the given statement. Green Revolution raised agricultural yield per acre to incredible heights. It enabled the government to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.

Q. 4. 'Government took various steps to protect Small-scale Industries from Big Firms.' Defend or Refute.

Ans. The given statement is defended. Following steps were taken by the government to protect Small-scale Industries from big firms:

- (i) Reservation of Products: Government reserved production of a number of products for the small-scale industry. The criterion for reserving the products depended on the ability of these units to manufacture the goods.
- (ii) Various Concessions: Small-scale industries were also given concessions, such as lower excise duty and bank loans at lower interest rates.

Q. 5. "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?

Ans. Yes, I agree with the given statement. Subsidy means that the farmers get inputs at prices lower than the market prices. Indian Government has always provided massive subsidies to farmers. Subsidies are essential because:

- (i) Majority of the farmers are very poor and will not be able to afford the required inputs without the subsidies. Subsidies provide them the equality of opportunity to use the inputs as used by rich farmers.
- (ii) Subsidies help to reduce the income inequality gap between rich and poor farmers and help to achieve the ultimate goal of equity.

So, the government should continue with agricultural subsidies as farming in India continues to be a risky business.

Q. 6. Discuss briefly, the rationale behind "Equity with Growth" as planning objectives for Indian Economy. (CBSE, 2020 (58/5/1))

Ans. **Growth** refers to increase in country's capacity to produce the output of goods and services in an economy. **Equity** refers to reductions in inequality of income and wealth. When the objective of economic growth and equity are achieved, it may lead to development with social justice, which may increase the per capita availability of goods and services.

Q. 7. Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture. (CBSE, 2020 (58/2/1), Sample Paper 2022-23)

OR

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

(CBSE, 2020 (58/3/3))

Ans. After independence the government of India took several institutional / land reforms to ensure transformation of Indian agriculture, such as:

- (i) **Land Ceiling:** It ensured reduction of concentration of land ownership in few hands.
- (ii) **Abolition of Intermediaries (Zamindari System):** Indian Government took various steps to abolish intermediaries and to make tillers, the owners of land. It focused on elimination of farmers' exploitation and promotion of agricultural growth. The main aim behind this step was that ownership of land would give incentives to the actual tillers to make improvements.

These reforms have led to stability of farming as an occupation and promoted equity.

Q. 8. "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 (58/2/1))

Ans. The given statement is appropriate as the policy aimed at:

- (i) Protecting the domestic industries from foreign competition by substituting imports with domestic production.
- (ii) Saving scarce foreign exchange by restricting the volume of imports.

Thus, in the early post-independence era, the dual objectives helped India to move towards the goal of self-reliance.

Q. 9. 'Atmanirbhar 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)

Ans. The given statement is correct. In the early post-independence period, the aim of the government's policy was to reduce the dependence on the foreign countries for goods, services, technology and capital. It stressed on the use of domestic resources to avoid foreign interference as it was feared that the dependence on the imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country. Similarly, the main thrust of the 'Atmanirbhar Bharat' is also to make India an economy that is self-reliant and self-sufficient.

Q. 10. 'Benefits of Green Revolution were restricted to few states.' Defend or refute.

Ans. The given statement is defended. The Green Revolution implied use of High Yielding Varieties (HYV) of seeds, which required adequate irrigation facilities and financial resources to purchase fertilizers and pesticides. Because of that, the use of HYV seeds was restricted to more affluent states like Punjab, Andhra Pradesh, Tamil Nadu, etc. Hence, benefits of Green Revolution were restricted to few states.

Q. 11. Discuss briefly the rationale behind the 'Licence Raj' under the Industrial Policy Resolution, 1956.

{CBSE, Delhi & AI Comptt. 2021}

Ans. The policy of 'Licence Raj' was implemented under the Industrial Policy Resolution 1956, in accordance with the goal of the 'state controlling commanding heights' of the economy. No new industries were allowed without approval from the authorities so as to benefit the backward regions of the country.

The need to obtain a licence to start an industry was misused by industrial houses; a big industrialist would get a licence not for starting a new firm but to prevent competitors from starting new firms.

Q. 12. "Green Revolution made India self-sufficient in food grains, but was criticized on ecological grounds." Do you agree with the given statement? Present valid reasons in support of your answer.

{CBSE, Delhi & AI Comptt. 2024}

Ans. Yes. Green Revolution in India increased agricultural production and productivity leading to self-sufficiency of food grains through the use of HYV seeds, chemical fertilisers, pesticides, etc. These chemical fertilisers and pesticides led to soil degradation/contamination of food products and various water bodies. Thus, although Green Revolution made India self-sufficient in food grain production but was criticised on ecological grounds.



GUIDELINES TO NCERT QUESTIONS

Q. 1. Define a plan.

Ans. Plan is a document showing detailed scheme, program and strategy, worked out in advance for fulfilling an objective.

Q. 2. Why did India opt for planning?

Ans. After gaining independence, the next important step for the Indian Government was to revive the poor, backward and stagnant economy, inherited from the British rule. So, for the systematic and overall development of Indian economy, India opted for planning.

Q. 3. Why should plans have goals?

Ans. Planning is done to achieve some predetermined goals within a specified time period. Without goals, the planners won't be able to know which sector of the economy needs to be developed on the priority basis. So, plans should have goals.

Q. 4. What are High Yielding Variety (HYV) seeds?

Ans. High Yielding Variety (HYV) seeds are the miracle seeds, which raised agricultural yield per acre to incredible heights. These seeds are more productive and need regular and adequate irrigation facilities along with greater use of fertilizers and pesticides. HYV seeds grow faster than the normal seeds and crops can be harvested in a much shorter time period.

Q. 5. What is marketable surplus?

Ans. The portion of agricultural produce, which is sold in the market by the farmers, after meeting their own consumption requirement, is known as marketable surplus.

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

Ans. *Need for Land Reforms:* The land reforms were needed in a country like India because: (i) Majority of its population depends on agriculture; and (ii) To achieve the objective of equity in agriculture.

Types of Land Reforms: The major measures taken under land reforms include:

(a) Abolition of Intermediaries: Indian Government took various steps to abolish intermediaries and to make tillers, the owners of land. The ownership rights granted to tenants gave them the incentive to increase output and this contributed to growth in agriculture.

- (b) Land Ceiling: Land Ceiling refers to fixing the specified limit of land, which could be owned by an individual. The purpose of land ceiling was to reduce the concentration of land ownership in few hands. It helped to promote equity in the agricultural sector.

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

Ans. Green Revolution refers to the large increase in production of food grains due to use of high yielding variety (HYV) seeds.

It was implemented because:

- The agricultural sector accounted for the largest share of workforce with approximately 70-75 per cent.
- The productivity in the agricultural sector was very low due to use of outdated technology and absence of required infrastructure and India was forced to import food from the United States of America.

Benefits of Green Revolution

The spread of Green Revolution benefitted the farmers.

1. Attaining Marketable Surplus: Green Revolution resulted in 'Marketable Surplus'. Marketable surplus refers to that part of agricultural produce which is sold in the market by the farmers after meeting their own consumption requirement.
2. Buffer Stock of Food Grains: The green revolution enabled to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.
3. Benefit to low-income groups: As large proportion of food grains was sold by the farmers in the market, their prices declined relative to other items of consumption. The low-income groups, who spend a large percentage of their income on food, benefited from this decline in relative prices.

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

Ans. Growth refers to an increase in the country's capacity to produce the output of goods and services within the country. Growth implies:

- Either a larger stock of productive capital;
- Or a larger size of supporting services like transport and banking;
- Or an increase in the efficiency of productive capital and services.

A good indicator of economic growth is steady increase in the Gross Domestic Product (GDP). Increase in GDP or availability of goods and services enables people to enjoy a more rich and varied life.

According to Equity, every Indian should be able to meet his or her basic needs (food, house, education and health care) and inequality in the distribution of wealth should be reduced. Equity aims to raise the standard of living of all people.

So, 'growth with equity' helps to achieve planning objective of development with social justice.

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

OR

"Modernisation as a planning objective shows a dichotomy with employment generation." Justify the statement. (CBSE, 2020 (58/5/2))

Ans. The given statement is appropriate. Modernisation implies use of advanced technology to enhance productivity at a faster pace. With application of modern technology, higher output is obtained at a relatively lower cost. However, in a labour abundant country like India modernisation may lead to an increase in unemployment as modern technology requires lesser labour per unit of output.

Q. 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 (58/4/1))

Ans. The main rationale behind choosing 'self-reliance' as a planning objective for the Indian economy were:

- (i) To reduce foreign dependence: As India was recently freed from foreign control, it is necessary to reduce our dependence on foreign countries, especially for food. So, stress should be given to attain self-reliance.
- (ii) To avoid Foreign Interference: It was feared that dependence on imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country.

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

Ans. Sectoral composition refers to contribution made by agricultural, industrial and service sector in the gross domestic product of the country.

- No, it is not necessary that the service sector contributes maximum to GDP of an economy. However, by 1990, the share of the service sector was the maximum at 40.59%. This phenomenon of growing share of the service sector marked the beginning of globalisation in the country.

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

Ans. The public sector was given a leading role in industrial development during the planning period because of following reasons:

1. Shortage of Capital with Private Sector: Private entrepreneurs did not have the capital to undertake investment in industrial ventures, required for the development of Indian economy. At the time of independence (Tatas and Birlas were the only well known Private entrepreneurs. As a result, Government had to make industrial investment through Public Sector Undertakings (PSU's).

2. Lack of Incentive for Private Sector: The Indian market was not big enough to encourage private industrialists to undertake major projects, even if they had capital to do so. Due to limited size of the market, there was low level of demand for the industrial goods.

3. Objective of Social Welfare: The objective of equity and social welfare of the Government could be achieved only through direct participation of the state in the process of industrialisation.

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

OR

Clarify, how the Green Revolution enabled the government to procure sufficient food grains to build stocks to be used during the times of food shortages. (CBSE, 2024 (58/1/2))

Ans. The Green Revolution resulted in the manifold increase in the agricultural production and productivity. As a result, India was able to achieve self-sufficiency in food grains. Green revolution helped in building buffer stocks, which could be used in case of shortage of production.

Q. 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. In India, subsidies are necessary because:

- Majority of the farmers are very poor and they will not be able to afford the required inputs without the subsidies.
- To reduce the income inequality between rich & poor farmers and to achieve the ultimate goal of equity. So, the government should continue with agricultural subsidies as farming in India continues to be a risky business. However, necessary steps should be taken to ensure that only the poor farmers enjoy the benefits of subsidies and not the fertilizer industry and big farmers.

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

Ans. 65 per cent of our population continued to be engaged in the agriculture sector till 1990 because industrial and service sectors were unable to absorb the extra people involved in agriculture.

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

Ans. It is true that many public sector undertakings are incurring huge losses. However, they are still very useful and crucial for the economy. They are needed:

- To create a strong industrial base. Public sector plays an important role in development of those industries which require heavy investment and have long gestation period.
- To develop infrastructure.
- To promote development of backward areas.
- To generate employment opportunities.
- To control and manage industries of strategic areas (like national defence, atomic energy, etc.).

Moreover, public sector is not meant for earning profits but to promote the welfare of the nation. So, they should be evaluated on the basis of their contribution to welfare of the people & not on the profits they earn.

Q. 17. Explain how import substitution can protect domestic industry.

Ans. The domestic industries of India were not in a position to compete against the goods produced by more developed economies. So, the policy of import substitution helped in protecting them in two ways:

- (a) **Tariffs:** Heavy duty or tariff was imposed on imported goods in order to make them more expensive and to discourage their use.
- (b) **Quotas:** Quotas refer to fixing the maximum limit on the imports of a commodity by a domestic producer.

The tariff on imported goods and fixation of quotas helped in restricting the level of imports. As a result, the domestic firms could expand without fear of competition from the foreign market.

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

Ans. According to Industrial Policy Resolution (IPR) 1956, the industries were reclassified into three categories: Schedule A, Schedule B and Schedule C. Out of the three categories, the third category (Schedule C) consisted of the industries which were to be in the private sector. These industries were controlled by the state through a system of licences, enforced under Industries (Development and Regulation) Act, 1951.

According to Industrial Licensing:

1. No new industry was allowed unless a licence is obtained from the government.
2. It was easier to obtain a licence if the industrial unit was established in an economically backward area as it will promote regional equality.
3. Licence was needed even if an existing industry wants to expand output or diversify production.

Q. 19. Match the following:

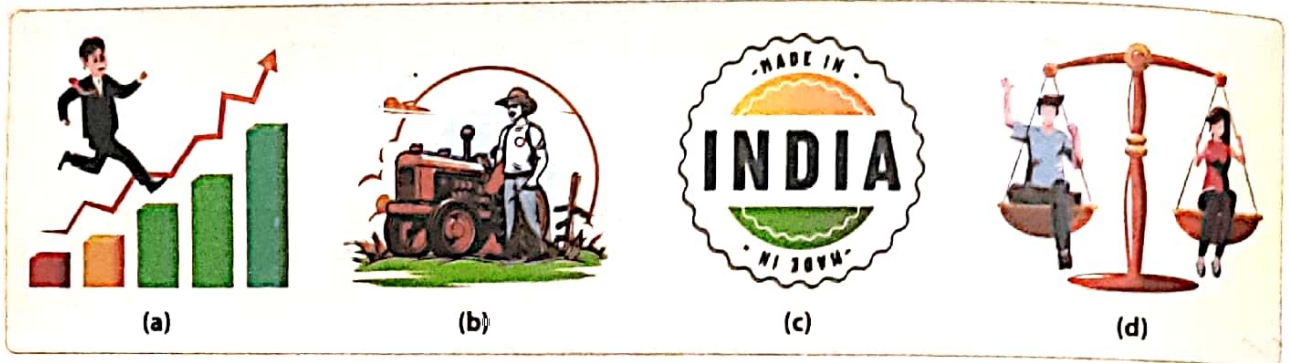
Column I	Column II
1. Prime Minister	(A) Seeds that give large proportion of output.
2. Gross Domestic Product	(B) Quantity of goods that can be imported.
3. Quota	(C) Chairperson of the Planning Commission.
4. Land Reforms	(D) The money value of all the final goods and services produced within the economy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

Ans. 1. (C); 2. (D); 3. (B); 4. (E); 5. (A); 6. (F)



PICTURE BASED QUESTIONS (PBQs)

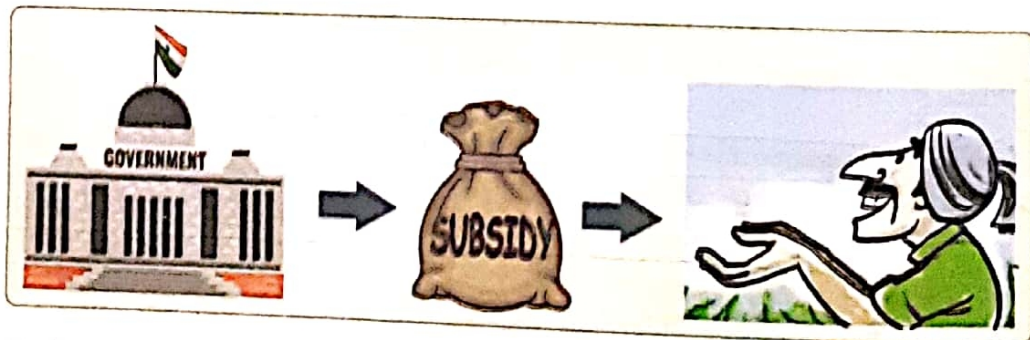
Q. 1. From the given pictures, answer the following questions:



- (i) Identify the Goals of Five Year Plans as shown by pictures in (a), (b), (c) and (d).
- (ii) Out of the Goals identified in (i) above, which Goal was not given any importance in the Five Year Plans?
- (iii) Which Goal out of the identified in (i) above is considered necessary to reduce foreign dependence and avoid foreign interference?

- Ans.**
- (i) (a) Growth; (b) Modernisation; (c) Self-Reliance; (d) Equity.
 - (ii) The four basic goals, Growth, Modernisation, Self-Reliance, and Equity were the basic goals of each Five Year Plans, which served as the guiding principles of Indian Planning. As all the goals cannot be given equal importance in all the plans, different goals were emphasised in different plans in India.
 - (iii) Self-Reliance.

Q. 2. From the given pictures, answer the following questions:

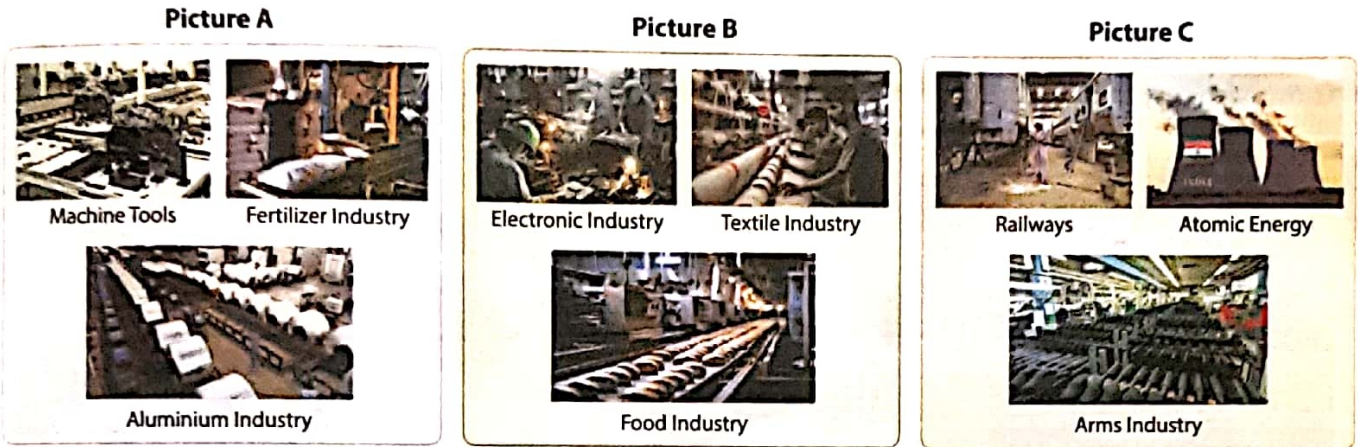


- (i) During Green Revolution, the government granted subsidies to the farmers to encourage them to use HYV technology. What does HYV Stand for?
 - (ii) State three arguments in favour of subsidies and two arguments against them.
- Ans.**
- (i) High Yielding Variety.
 - (ii) Favour of Subsidies:
 - (a) The government should continue with agricultural subsidies as farming in India continues to be a risky business.
 - (b) The majority of the farmers are very poor and they will not be able to afford the required inputs without the subsidies.
 - (c) Eliminating subsidies will increase the income inequality between rich and poor farmers and will violate the ultimate goal of equity.

Against the Subsidies:

- (a) *Benefit to fertilizer industries and prosperous farmers:* Subsidies do not benefit the poor and small farmers (target group) as benefits of a substantial amount of subsidy go to fertilizer industries and prosperous farmers.
- (b) *Fiscal Burden:* Economists argue that subsidies are a huge burden on the government's finances.

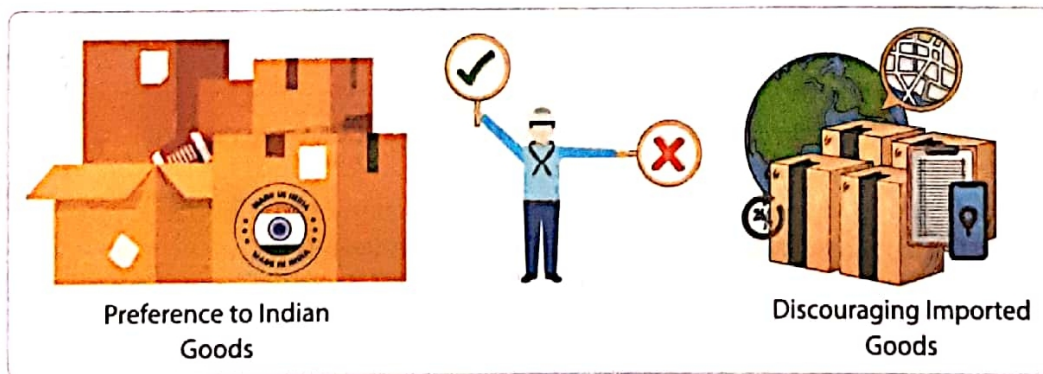
Q. 3. From the given pictures, answer the following questions:



- (i) According to Industrial Policy Resolution _____ (1948/1956), the industries were reclassified into three categories.
- (ii) Categorise the given Picture A, Picture B, and Picture C as industries categorised under Schedules A, B and C.
- (iii) In which type of category identified in (ii) above, industries were controlled under the industries (Development and Regulation) Act, 1951.

- Ans.**
- (i) 1956.
 - (ii) Picture A: Schedule B; Picture B: Schedule C; Picture C: Schedule A.
 - (iii) Schedule C.

Q. 4. From the given pictures, answer the following questions:



- (i) Identify the trade policy as highlighted in the given picture.
- (ii) The policy identified in (i) above is also known as _____ (Inward-looking/Outward-looking) trade strategy.
- (iii) State the two objectives of trade policy identified in (i) above.
- (iv) Mention the two ways used to implement the trade policy identified in (i) above.

- Ans.**
- (i) Import Substitution.
 - (ii) Inward-looking.

- (iii) The policy of Import Substitution can serve 2 definite objectives:
- Savings of precious foreign exchange; and
 - Achieving self-reliance.
- (iv) The government made use of two ways to protect goods produced in India from imports:
- Tariffs:** Tariffs refer to taxes levied on imported goods. The basic aim for imposing heavy duty on imported goods was to make them more expensive and discourage their use.
 - Quotas:** Quotas refer to non-tariff barriers imposed on the quantity of imports and exports. They fix the maximum limit on the imports of a commodity by a domestic producer.

Q. 5. From the given pictures, answer the following questions:

Picture A



The maximum size of landholding was fixed beyond which no individual farmer or farm household could hold.



The abolition of Zamindari System removed the layer of intermediaries who stood between the cultivators and the state.

Picture B



High-Yielding Varieties (HYV) seeds

Irrigation Facilities

Use of fertilizers

This revolution boosted food production, especially wheat and rice, by introducing new High-Yielding Varieties seeds.

- Identify the two measures undertaken by the government to promote agricultural sector during 1950 to 1990 as highlighted in Picture A and Picture B.
- Which of the two measures identified in (i) above, involves the abolition of intermediaries? What was the basic aim behind abolishing intermediaries?
- Indian economy experienced the success due to one of the measures identified in (i) above in two phases. State the two phases.

Ans. (i) Picture A: Land Reforms; Picture B: Green Revolution.

- Land Reforms involved the abolition of intermediaries. The basic aim behind abolishing intermediaries was to provide ownership of land to the actual tillers in order to encourage them to make improvements and to increase output. Tenants do not have any incentive to make improvements on land since it is the owner of the land who benefits more from higher output. Ownership of land will enable the tiller to make a profit from the increased output.
- Indian Economy experienced the success of Green Revolution in 2 phases:
 - In the first phase (Mid-60s to Mid-70s), the use of HYV seeds was restricted to more affluent states (like Punjab, Andhra Pradesh, Tamil Nadu, etc.). Further, the use of HYV seeds primarily benefited the wheat growing regions only.
 - In the second phase (Mid-70s to Mid-80s), the HYV technology spread to a larger number of states and benefited a wider variety of crops.



OBJECTIVE QUESTIONS

Fill in the Blanks

- _____ (Planning Commission / RBI) was engaged in the formulation of Five Year Plans in India.
- Four basic goals of five year plans were Growth, _____, Self-reliance and _____.

3. _____ primarily refers to change in the ownership of landholdings.
 4. _____ 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 (58/2/1)}
 5. A _____ (Capitalist/Socialist) economy is the one in which the means of production are owned, controlled and operated by the private sector.
 6. _____ refers to fixing the specified limit of land, which could be owned by an individual.
 7. _____ refers to that part of agricultural produce which is sold in the market by the farmers after meeting their own consumption requirement.
 8. India's First Five Year Plan was launched in the year _____ (1951/1961).
 9. _____ refers to the large increase in production of food grains due to use of high yielding variety seeds.
 10. After the independence, _____ (Capitalist/Socialist/Mixed) Economy was adopted by the Indian Economy.
 11. In 1955, Karve Committee was constituted for aiming the _____. {CBSE, Sample Paper 2020}
 12. High Yielding Variety (HYV) seeds are also known as _____ seeds.
 13. When a farmer produces just for his self-consumption and not for commercial purpose, it is known as _____.
 14. Import substitution has replaced imports with the _____ (Domestically/Foreign) produced goods.
 15. _____ refers to fixing the maximum limit on the import of a commodity by a domestic producer.
 16. Inward-looking trade strategy is also known as the policy of _____.
 17. A program which focused on enhancing agricultural productivity is _____ (Green Revolution/White Revolution).
 18. Taxes imposed on imported goods are known as _____ (Quotas/Tariffs).
 19. According to Industrial Policy Resolution 1956, Schedule A consists of Industries _____.
 20. Policy of 'Import Substitution' was targeted to protect _____ industries. {CBSE, 2020 (58/5/1)}
 21. _____ policy followed in first seven five year plans of India, aimed at substituting imports with domestic production. {CBSE, 2020 (58/4/1)}
 22. Fixing of maximum land holding (ownership) for an individual is known as _____. {CBSE, 2020 (58/3/1)}
 23. Economic growth combined with _____ (equity/disparity) was the principal goal of planning in India. {CBSE, Delhi & AI Comptt. 2020}
 24. In the Industrial Policy Resolution of 1956, industries were classified in _____ (two/three) categories. {CBSE, Delhi & AI Comptt. 2020, 2021}

True or False (with Reasons)

1. The period of first five year plan was 1956-61.
2. The President was the chairman of the Planning Commission setup in 1950.
3. Chemical fertilizers were the main reason for Green Revolution.
4. Land reforms were successful in the states of Kerala and West Bengal.
5. The purpose of land ceiling was to concentrate land ownership in few hands.
6. Socialist economy was adopted by India as an economic system after independence.

7. In the first seven five year plans, foreign trade was characterised by an inward-looking Trade Strategy, known as 'Export Promotion'.
8. According to Industrial Policy Resolution 1956, the industries were classified into 3 categories.
9. There was risk of pest attack under Green Revolution.
10. Green Revolution enabled the Indian Government to build buffer stock of food grains.
11. "Land ceiling means fixing the minimum limit of land holding for an individual." (CBSE, 2020 (58/2/1))

Matching Type Questions

Q. 1. Identify the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: (CBSE, Sample Paper 2020)

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)

Q. 2. Match the statements given under A with the correct options given under B.

(A)	(B)
(i) Green Revolution	a. Main reason was use of organic seeds
	b. Main reason was use of High Yielding Varieties (HYV) of seeds

Q. 3. Match the statements given 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

Q. 4. Match the statements given 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

Q. 5. Which of the following are not matched correctly?

(A)	(B)
(i) Marketed Surplus	a. Large increase in production of food grains resulting from use of HYV seeds
(ii) Green Revolution	b. Portion of agricultural produce which is sold in the market by the farmers
(iii) HYV Seeds	c. Raised agricultural yield per acre to incredible heights
(iv) Land Reforms	d. Change in the ownership of landholdings

(a) (i), (ii) and (iv)

(b) (iii) and (iv)

(c) (i) and (ii)

(d) (ii) and (iv)

6. The first five year plan was launched for a period from _____.
- (a) 1948 – 1953 (b) 1959 – 1954 (c) 1951 – 1956 (d) 1955 – 1960
7. To protect goods produced in India from imports, Government made use of:
- (a) Quotas (b) Tariffs (c) Both (a) and (b) (d) Neither (a) nor (b)
8. Land Ceiling refers to:
- (a) Fix rural landholdings at the existing level (b) Fix land area for irrigation purposes
(c) Fix urban landholdings at the existing level (d) Fix quantum of land held by an individual
9. In a _____ economy, resources are owned and operated by both public and private sectors. {CBSE, 2023 (58/3/1)}
- (a) Socialist (b) Capitalist (c) Democratic (d) Mixed
10. Schedule _____ comprise of industries which would be exclusively owned by the state:
- (a) A (b) B (c) C (d) None of these
11. _____ refer to taxes levied on imported goods.
- (a) Quotas (b) Tariffs (c) Lagaan (d) None of these
12. In which year, India adopted High Yielding Varieties programme for the first time.
- (a) 1977 (b) 1966 (c) 1986 (d) 1956
13. GDP stands for:
- (a) Gross Domestic Product (b) Gross Domestic Process
(c) Gross Development Process (d) None of these
14. Which one of these is a central problem of an economy?
- (a) What to produce (b) How to produce (c) For whom to produce (d) All of these
15. Structural composition refers to the _____. {CBSE, 2021-22 (Term 1) 058/3/4}
- (a) Number of people engaged in training (b) Number of people engaged in different sectors
(c) Number of people engaged in tertiary sector (d) Number of people facing unemployment
16. What was the period of plans prepared by the Planning Commission?
- (a) 3 years (b) 4 years (c) 5 years (d) 6 years
17. The economy in which Central Authority plans all the important activities can be termed as:
- (a) Mixed Economy (b) Socialist Economy
(c) Capitalist Economy (d) Developing Economy
18. According to some economists, which of the following arguments against the subsidies is correct?
- (a) Subsidies do not benefit the poor and small farmers
(b) Substantial amount of subsidies go to fertilizer industry
(c) Subsidies put a huge burden on government finances
(d) All of these
19. The Policy of _____ is another name for Inward-Looking Trade Strategy.
- (a) Import Promotion (b) Import Substitution (c) Import Stabilisation (d) None of these
20. The measures undertaken by Indian Government to promote growth in agricultural sector can be broadly categorised as:
- (a) Green Revolution (b) Land Reforms (c) Both (a) and (b) (d) None of these
21. The spread of _____ technology enabled India to achieve self-sufficiency in food grains.
- (a) White Revolution (b) Blue Revolution (c) Yellow Revolution (d) Green Revolution
22. Planning Commission was set up under the chairmanship of:
- (a) President (b) Vice-President (c) Prime Minister (d) None of these

23. The goal of equity was not fully served by abolition of intermediaries because:
- Some zamindars claimed to be self-cultivators by evicting the tenants.
 - The former zamindars continued to own large areas of land by using loopholes in the legislation in some areas.
 - The poorest of agricultural labourers did not benefit from land reforms even after getting land ownership.
 - All of these
24. Small Scale Industries are characterised by which of the following point?
- Capital Intensive
 - Labour Intensive
 - Small Investment
 - Both (b) and (c)
25. In response to rising energy costs and environmental concerns, a nation decided to invest heavily in renewable energy technologies domestically instead of importing traditional energy sources. What positive impact is expected from this import substitution approach? *[CBSE, Practice Paper 2023-24]*
- Lower energy costs for consumers due to subsidised imports.
 - Promotion of domestic green energy sector through targeted investments.
 - Enhanced self-sufficiency in energy production and greater sustainability.
 - Increased dependence on foreign technology for renewable energy implementation.
- I and II
 - II and III
 - III and IV
 - IV and I
26. There was a need for a leading role of the Public Sector in the industrial development in India because:
- Private entrepreneurs did not have capital to undertake investment in industrial ventures
 - There was lack of Incentive for Private Sector
 - The objective of social welfare was needed
 - All of these
27. Inward-looking trade strategy aimed at protecting domestic industries from _____ competition.
- National
 - International
 - Both (a) and (b)
 - Neither (a) nor (b)
28. In 1955, the Village and Small-scale Industries Committee (Karve Committee) was formed for:
- Using small-scale industries to promote urban development
 - Using small-scale industries to promote rural development
 - Both (a) and (b)
 - Neither (a) nor (b)
29. Which of the following industries were exclusively reserved for the public sector in the Industrial Policy Resolution, 1956?
- Atomic Energy
 - Aircraft
 - Both (a) and (b)
 - Aluminium
30. Arrange the following events in the correct chronological order: *[CBSE, 2021-22 (Term 1) 058/1/4]*
- Constitution of Karve Committee 1955
 - Beginning of First Five Year Plan 1951
 - Establishment of Planning Commission 1950
 - Establishment of NITI Aayog 2015
- Alternatives:
- (i), (ii), (iv), (iii)
 - (ii), (i), (iii), (iv)
 - (ii), (iii), (iv), (i)
 - (iii), (ii), (i), (iv)
31. _____ has replaced the Planning Commission in 2015.
- Planning Aayog
 - Finance Commission
 - National Institution for Transforming India (NITI Aayog)
 - Central Statistical Organisation

Author's Note: In MCQ 30, dates are also given along with the events, which makes the answer to the MCQ quite obvious. So, students are advised to remember the dates of important events of Indian Economy, so that they can answer such questions, even if dates are not mentioned.

32. The role of _____ sector has been emphasised in the Industrial Policy Resolution, 1956.
 (a) Private (b) Public (c) Both (a) and (b) (d) None of the above
33. Which of the following statements about the land ceiling policy is True? [CBSE, Practise Paper 2021 (Term 1)]
 (a) It led to equity in the agricultural sector.
 (b) Many landlords were able to escape the legislation.
 (c) The implementation of the legislation was challenged by small tenants.
 (d) It was successful in Kerala and West Bengal because it met no resistance.
34. What kind of tariff policy was needed to protect domestic producers from foreign competition, after independence? [CBSE, Practise Paper 2021 (Term 1)]
 (a) Low import tariffs, reduced import quota (b) Low import tariffs, increased import quota
 (c) High import tariffs, reduced import quota (d) High import tariffs, increased import quota
35. Industrial Policy Resolution (IPR) 1956 formed the basis of the _____ Five Year Plan.
 [CBSE, Sample Paper 2021-22 (Term 1)]
 (a) First (b) Fourth (c) Second (d) Third
36. _____ is the portion of agricultural produce which is sold in the market by the farmers, after meeting their self-consumption requirements. [CBSE, Sample Paper 2021-22 (Term 1)]
 (a) Trade Surplus (b) Marketable Surplus (c) Producer Surplus (d) Consumer Surplus
37. Before the advent of Green Revolution in 1960's, India was primarily dependent on _____ the supply of food grains. [CBSE, Sample Paper 2021-22 (Term 1)]
 (a) United States of America (USA) (b) Britain (United Kingdom)
 (c) Mexico (d) Union of Soviet Socialist Republics (USSR)
38. _____ were needed to achieve the objective of equity in agriculture.
 (a) Land Ceiling (b) Land Reforms (c) Land Tenure (d) None of these
39. _____ was the objective of Import Substitution policy in India. [CBSE, 2021-22 (Term 1) 058/3/4]
 (a) Production of high quality products
 (b) Protection of domestic industries from foreign competition
 (c) Promote imports
 (d) Promote privatisation
40. Identify which of the following is not an advantage of Green Revolution. [CBSE, 2021-22 (Term 1) 058/1/4]
 (a) India has become self-sufficient in the production of food grains.
 (b) India has built sufficient buffer stock of food grains.
 (c) Increased marketed surplus.
 (d) Increase in the price of food grains.
41. _____ was known as Architect of Indian Economic Planning.
 [CBSE, 2021-22 (Term 1) 058/2/4, 2023 (58/5/1)]
 (a) Pandit Jawahar Lal Nehru (b) Dr. Manmohan Singh
 (c) P. C. Mahalanobis (d) Dr. B. R. Ambedkar
42. Which of the following statement is correct with reference to the mixed economy system in India?
 [CBSE, 2021-22 (Term 1) 058/3/4]
 (a) Predominance of free market economic system over the government regulated economy.
 (b) Absence of economic planning.
 (c) Ownership of factors of production only to private sector.
 (d) Co-existence of public and private sector.

43. 'In India, agricultural subsidies have always been a topic of debate among the economic thinkers.' Identify, which of the following statement is not an argument in favour of continuation of the agricultural subsidies in India. *{CBSE, 2021-22 (Term 1) 058/3/4}*
- Subsidies encourage farmers to adopt newer technologies.
 - Subsidies help farmers to face the uncertainties of future.
 - Subsidies aim to reduce the inequalities between rich and poor farmers.
 - Subsidies mainly benefit the fertilizer industry and big farmers.
44. Which of the following is not a valid statement in the context of Industrial Policy Resolution (IPR), 1956? *{CBSE, 2021-22 (Term 1) 058/3/4}*
- Ownership and management of the core industries were given to the public sector.
 - Tax benefits were given to industries being established in backward region to promote regional equalities.
 - A few industries were allowed to be owned by the private sector.
 - Goods produced by the small scale industries were deserved.
45. _____ committee was set up for the development and promotion of small scale industries in India. *{CBSE, Sample Paper 2022-23}*
- Karve
 - Tapas Majumdar
 - Mahalanobis
 - TRYSEM
46. First Industrial Policy Resolution of Independent India was announced in the year _____. *{CBSE, Sample Paper 2022-23}*
- 1947
 - 1948
 - 1951
 - 1956
47. Which of the following is not the feature of economic policies pursued under economic planning of India till 1991? *{CBSE, Delhi & AI Comptt. 2023 (I)}*
- Import substitution
 - Self-reliance
 - Unrestricted flow of foreign capital
 - Land reforms
48. The shackles of agriculture during the colonial rule were permanently broken by the Green Revolution that resulted from the application of _____. *{CBSE, Sample Paper 2023-24}*
- High Yielding Varieties (HYV)
 - Mechanization of Agriculture
 - Chemical Fertilizers and Pesticides
 - Organic Fertilizers and Pesticides
- Alternatives:
- I, II, IV
 - I, II, III
 - II, III, IV
 - I, III, IV
49. Identify the incorrect statement from the following: *{CBSE, 2023 (58/1/1)}*
- Import substitution was the strategy used to save foreign exchange
 - Licence policy ensured regional equality
 - Russian economic model was the base for the Indian economic system
 - Small Scale Industries are one of the essential tools for employment generation
50. In 1951, agricultural contribution to India's National Income was _____. *{CBSE, 2023 (58/4/1)}*
- Highest among the three sectors
 - Lowest among the three sectors
 - Lower than the industrial sector
 - Lower than the service sector
51. From the following alternatives, identify the correct full form of 'NITI' in NITI Aayog: *{CBSE, 2023 (58/3/1)}*
- National Institution for Tribal India
 - National Institution for Technical India
 - National Institution for Transforming India
 - National Institution for Training India
52. Identify, which of the following alternative is not associated with goals of economic planning in India. *{CBSE, 2023 (58/4/1)}*
- Ensuring equitable standard of living
 - Technological advancement
 - Increase in economic growth
 - Promoting imports of luxury goods

53. Which of the following is the overarching objective of equitable distribution goals in planning? [CBSE, Practice Paper 2023-24]
- Enhance economic growth through targeted investments in specific sectors
 - Foster competition by reducing government intervention in markets
 - Focus on short-term gains rather than long-term societal benefits
 - Ensure a fair and just society for all citizens
54. Identify the correct combination of the 'Goals of Indian Five Year Plans': [CBSE, Sample Paper 2023-24]
- Growth, Equality, Modernisation, Self-Reliance
 - Development, Equality, Modernisation, Sustainability
 - Good Health, Education, Modernisation, Sustainability
 - Growth, Equity, Modernisation, Self-Reliance
55. In the first phase of Green Revolution, output was restricted mainly to _____. [CBSE, 2023 (58/5/1)]
- Cereals and Pulses
 - Wheat and Rice
 - Cotton and Jute
 - Jowar and Bajra
56. Modernization is an important economic planning objective that focuses on _____. [CBSE, 2024 (58/2/1)]
- Adoption of innovative technology
 - Equal distribution of income and wealth
 - Bringing positive changes in the social outlook
- Alternatives:
- Only (i)
 - (i) and (ii)
 - (i) and (iii)
 - (i), (ii) and (iii)

Assertion Reason Questions (ARQs)

INSTRUCTIONS

In the following Questions, read the following statements: Assertion (A) and Reason (R). Choose the correct alternative among those given below:

Alternatives:

- Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A).
 - Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A).
 - Assertion (A) is True but Reason (R) is False.
 - Assertion (A) is False but Reason (R) is True.
- 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.
 - Assertion (A):** The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production. [CBSE, Sample Paper 2021]
Reason (R): The proportion of people depending on agriculture did not decline as expected.
 - Assertion (A):** Land Reforms were needed in India as majority of its population depended on agriculture.
Reason (R): Ownership of land would give incentives to the actual tillers to make improvements.
 - Assertion (A):** Industries were reclassified into three categories, viz., Schedule A, Schedule B and Schedule C in Industrial Policy Resolution (IPR) 1956.
Reason (R): The system of Industrial Licensing was used for all types of industries after the IPR 1956.

5. **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.
6. **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.
7. **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.
8. **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.
9. **Assertion (A):** The concept of Socialist Economy for the country's growth and development was adopted by Soviet Union.
Reason (R): There was no difference in the nature of planning model adopted by India compared with the Soviet Union.
10. **Assertion (A):** India's Green Revolution is an example of how the productivity of scarce land resources can be increased with improved production technology. *{CBSE, Practise Paper 2021 (Term 1)}*
Reason (R): Because of the Green Revolution, farmers produced far larger quantities of food grains than was possible earlier, on the same piece of land.
11. **Assertion (A):** In a capitalist economy, private entities own resources, whereas in a socialist economy resources are owned by the state. *{CBSE, Practise Paper 2021 (Term 1)}*
Reason (R): In a socialist economy, it is assumed that the government knows the exact needs of the people.
12. **Assertion (A):** Major policy initiatives (land reforms and Green Revolution) helped India to become self-sufficient in food grains production. *{CBSE, Sample Paper 2021-22 (Term 1)}*
Reason (R): The proportion of people depending on agriculture did not decline as expected after the Green Revolution.
13. **Assertion (A):** The goal of equitable distribution of land was fully served by abolition of intermediaries, in the post-independence India. *{CBSE, Sample Paper 2021-22 (Term 1)}*
Reason (R): Big landlords challenged the land ceiling legislation, delaying the implementation and subsequently escaping from the legislation.
14. **Assertion (A):** Import substitution prevents drain of foreign exchange reserves.
Reason (R): Import substitution promotes the goods to be produced in the country itself.
15. **Assertion (A):** Government granted subsidies to encourage farmers to adopt new HYV technology.
Reason (R): New HYV technology was looked upon as being risky by the farmers.
16. **Assertion (A):** The purpose of licence policy was to promote regional equalities.
Reason (R): The motive of licensing system was to monitor and control the industrial production. *{CBSE, 2021-22 (Term 1) 058/2/4}*
17. **Assertion (A):** Post independence, public sector was given a prominent rôle, due to requirement of huge investments in the secondary sector. *{CBSE, 2023 (58/3/1)}*
Reason (R): Industrial sector is the backbone of any economy.
18. **Assertion (A):** Licence Permit Raj was a major obstacle for growth of private sector.
Reason (R): Private sector wasted huge amount in obtaining licences, rather than on improving the product, quality and international competitiveness. *{CBSE, 2024 (58/4/1)}*

Statement Based Questions

INSTRUCTIONS

In the following Questions, read the following statements and choose the correct alternative among those given below:

Alternatives:

- (a) Both the Statements are true. (b) Both the Statements are false.
 (c) Statement 1 is true and Statement 2 is false. (d) Statement 2 is true and Statement 1 is false.

- Statement 1:** To make economic planning effective, the Indian Government set up Planning Commission in 1950, with the Prime Minister as the Chairman.
Statement 2: In 2015, Planning Commission was replaced with NITI Aayog.
- Statement 1:** The low productivity of the agricultural sector forced India to import food from the United States of America.
Statement 2: Agricultural development was focused right from the First Five Year Plan as it accounted for the largest share of workforce.
- Statement 1:** As compared to ordinary seeds, high yielding varieties of seeds required less doses of chemical fertilizers.
Statement 2: The spread of Green Revolution technology enabled India to achieve self-sufficiency in food grains.
- Statement 1:** Between 1950 and 1990, there had been substantial increase in the agricultural productivity.
Statement 2: The GDP proportion between 1950 and 1990 contributed by agriculture declined significantly, but not the population depending on it.
- Statement 1:** According to Industrial Policy Resolution 1956, the industries were reclassified into two categories.
Statement 2: Schedule A comprised of industries which would be exclusively owned by the state.
- Statement 1:** Land Reforms were initiated by the government to support the actual tillers of the soil.
Statement 2: Land reforms were needed to achieve the objective of equity in agriculture.
- Statement 1:** Subsidies do not add any burden on the financial health of a nation.
Statement 2: Complete removal of subsidies may violate the aim of equitable distribution of income.
[CBSE, Sample Paper 2021-22 (Term 1)]
- Statement 1:** India followed mixed economic system after Independence.
Statement 2: Under mixed economic system, the central problems are solved by the private sector.
- Statement 1:** Objective of modernisation has helped in setting up of various types of technology oriented industries.
Statement 2: Modernisation refers to the change in technology along with positive change in social outlook of the people.
[CBSE, 2021-22 (Term 1) 058/1/4]
- Statement 1:** In the first seven plans, trade was characterised by an inward-looking Trade Strategy, known as Import Substitution.
Statement 2: The basic aim of policy of Import substitution was to protect domestic Industries from foreign competition.
- Statement 1:** Indian Agriculture experienced low productivity.
Statement 2: Britishers made significant efforts to improve the agriculture sector in India because it was the source of raw material for their industries.

12. Statement 1: Modernisation refers to the use of new technology only.

Statement 2: To enhance the productivity in an economy, women must be given equal opportunities at work place.

[CBSE, 2021-22 (Term 1) 058/3/4]

Author's Note: There is a possibility that the sequence of the options are interchanged in the examination (i.e. not like the standardize sequence we follow). So, students are advised to carefully read all the 'Alternatives' before choosing the correct option. For example, alternatives are different in 13 and 14.

13. Read the following statements carefully and choose the correct alternative: [CBSE, 2021-22 (Term 1) 058/1/4]

Statement 1: Indian planners gave more importance to public sector during the period of 1950-1990.

Statement 2: Under Industrial Policy Resolution, 1956, the public sector was given leading role in Industrial development.

Alternatives:

- (a) Both the statements are true. (b) Both the statements are false.
(c) Statement 1 is true, but statement 2 is false. (d) Statement 2 is true, but statement 1 is false.

14. Read the following statements carefully:

[CBSE, 2024 (58/3/1)]

Statement 1: Land ceiling was one of the Government policies to promote equity in the agriculture sector.

Statement 2: Land reforms resulted in abolition of the Zamindari system in the post independence period.

Alternatives:

- (a) Statement 1 is true and Statement 2 is false. (b) Statement 1 is false and Statement 2 is true.
(c) Both statements 1 and 2 are true. (d) Both statements 1 and 2 are false.

Very Short Answer Type Questions

Q. 1. What are the three main central problems of an economy?

Ans. The three major central problems of an economy are: (i) What to Produce; (ii) How to Produce; (iii) For whom to produce.

Q. 2. Define Mixed Economy.

[CBSE, 2020 (58/4/1)]

Ans. Mixed Economy is a system in which the public sector and the private sector are allotted their respective roles for solving the central problems of the economy. In this system, private sector provides whatever goods and services, it can produce well, and the government provides essential goods and services, which the market fails to do.

Q. 3. What is meant by "Economic Planning"?

Ans. Economic planning can be defined as making major economic decisions (what, how and for whom to produce) by the conscious decision of a determinate authority, on the basis of a comprehensive survey of the economy as a whole.

Q. 4. When was the Planning Commission set up?

Ans. The Planning Commission was set up in 1950.

Q. 5. Name the basic goals of India development, which serve as guiding principles of Indian planning.

OR

Quote the four goals of the five year plans process of India.

[CBSE, 2023 (58/3/1)]

Ans. The basic goals are: (i) Growth; (ii) Modernisation; (iii) Self-reliance; and (iv) Equity.

Q. 6. What do you mean by growth?

Ans. Growth refers to an increase in the country's capacity to produce the output of goods and services within the country.

Q. 7. Define Gross Domestic Product.

Ans. Gross Domestic Product (GDP) refers to market value of all the final goods and services produced in the country during a period of one year.

- Q. 8.** What is meant by sectoral composition of an economy?
Ans. The contribution made by each sector of the economy to GDP of a country is termed as sectoral composition.
- Q. 9.** "Service sector contributed maximum to the GDP in 1990." What does it indicate about a country?
Ans. It indicates that the country is economically developed.
- Q. 10.** What do we mean by import substitution?
Ans. Import substitution refers to a policy of replacement or substitution of imports by domestic production.
- Q. 11.** What are the two ways by which domestic industries can be protected from imports?
Ans. Two ways to protect goods produced in India from imports are: (i) Tariffs; (ii) Quotas.
- Q. 12.** Define 'Tariffs'. {CBSE, Delhi & AI Comptt. 2021}
Ans. Tariffs are defined as a tax imposed on the goods imported from abroad so as to make them expensive and discourage their usage in the domestic market.
- Q. 13.** Define "Quota". {CBSE, 2020 (58/5/2)}
Ans. Quota refers to non-tariff barriers imposed on the quantity of imports and exports.
- Q. 14.** What was the basic aim for abolition of intermediaries?
Ans. The basic aim was to confer ownership rights of the agricultural land to the tiller to give him incentive for improvement.
- Q. 15.** Name the two measures undertaken to promote the growth in the agricultural sector.
Ans. (i) Land Reforms; (ii) Green Revolution.
- Q. 16.** What do you mean by land ceiling?
Ans. Land ceiling refers to fixing the specified limit of land, which could be owned by an individual. Beyond the specified limit, all lands belonging to a particular person are taken over by the Government and allotted to the landless cultivators and small farmers.
- Q. 17.** State the meaning of 'Marketed Surplus'. {CBSE, 2020 (58/5/1), Delhi & AI Comptt. 2020}
Ans. Marketed surplus is the portion of agricultural produce which is sold in the market by the farmers after meeting their own consumption requirement.
- Q. 18.** State the meaning of 'Subsidy'. {CBSE, 2020 (58/5/1)}
Ans. Subsidy is the financial assistance provided by the government to producers to fulfil its social welfare objectives.
- Q. 19.** Define 'Green Revolution'. {CBSE, 2020 (58/5/1), Delhi & AI Comptt. 2020}
Ans. Green Revolution refers to the large increase in production of food grains due to use of high yielding variety (HYV) seeds especially for wheat and rice.
- Q. 20.** What is meant by Agricultural Productivity? {CBSE, Delhi & AI Comptt. 2020}
Ans. Agricultural Productivity refers to output per hectare of land.



REVISION EXERCISE

Short Answer Type Questions

1. Why did India opt for mixed economy?
2. State the importance of "Growth with equity" as the objective of Indian economic planning.

{CBSE, 2024 (58/1/1)}

3. The objectives of growth, modernisation 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.
 4. Discuss briefly the rationale behind choosing 'Modernisation' as a planning objective for the Indian Economy. {CBSE, 2020 (58/3/2), 2024 (58/4/2)}
 5. "Land reforms were more successful only in two states." Why?
 6. How did government ensure that the small farmers also benefit from the Green Revolution?
 7. The protection of domestic industries through import substitution suffered from two drawbacks. Mention them.
 8. How was the licensing policy misused by some industrial houses?
 9. Discuss briefly the role of small-scale industries in the growth Journey of India. {CBSE, 2024 (58/4/1)}
 10. Why there was a need for protection of small-scale industries? State the steps undertaken by the government for their growth.
 11. Discuss any two salient features of Indian industrial sector during the period of 1950-1990. {CBSE, 2024 (58/3/1)}
 12. "Green Revolution experienced the success in two phases." Comment.
 13. Discuss any two merits and demerits of the Green Revolution in the agricultural sector in the Indian economy. {CBSE, 2023 (58/2/1)}
 14. How were the industries classified according to the Industrial Policy Resolution 1956?
 15. Define the following terms: (a) Import Substitution; (b) Quota. {CBSE, Sample Paper 2020}
 16. State the meaning of import substitution. Explain how import substitution can protect the domestic industries. {CBSE, 2020 (58/1/1)}
- OR
- "In order to protect domestic industries, India followed the regime of restrictions on imports." Briefly outline and discuss such steps taken by the government to promote import substitution policy. {CBSE, Sample Paper 2023-24}
- OR
- "India's inward-looking trade policy during the post independence period was well supported by various tariff and non-tariff barriers." Do you agree with the given statement? Justify your answer with valid arguments. {CBSE, 2024 (58/3/2, 3)}
17. Discuss briefly the rationale behind choosing 'Self-reliance' as an objective for the planning process of the Indian economy. {CBSE, Delhi & AI Comptt. 2020, 2024 (58/4/3), Sample Paper 2024-25}
 18. 'Land ceiling promotes equity.' Support the statement with valid explanation. {CBSE, Sample Paper 2022-23}
 19. "Green revolution transformed India from a subsistent food grain economy to a food surplus economy." Justify the statement, giving reasons in support of your answer. {CBSE, Sample Paper 2023-24}
 20. Explain the need and types of land reforms implemented in the agriculture sector. {CBSE, 2023 (58/4/1), 2024 (58/5/1)}
 21. 'Under the Industrial Policy Resolution (IPR) 1956 in India, the system of industrial licensing was introduced to promote regional equality.' Justify the given statement with valid arguments. {CBSE, Sample Paper 2024-25}
 22. Consider the concept of Agricultural Subsidies, which are financial aids provided by governments to support farmers and agricultural production. As a policymaker, evaluate the virtues and analyze the vices of agricultural subsidies on the agricultural sector, the economy, and society as a whole. {CBSE, Practice Paper 2023-24}

23. Elaborate the reasons owing to which the private sector was regulated under the Industrial Policy Resolution, 1956. *(CBSE, 2024 (58/1/1))*
24. As a researcher specializing in economic analysis, critically examine the concept of Import Substitution as an economic strategy in developing countries and thoroughly assess its potential three adverse effects on their economies. *(CBSE, Practice Paper 2023-24)*
25. "Direct and active participation of state was considered essential in Industrial development process in period 1950-1990." Justify the given statement with valid explanation. *(CBSE, 2024 (58/3/3))*
26. "Every coin has two sides — debate over farm subsidies is one such classic example of the same." Justify the given statement with two arguments each in favour of and against the continuation of the farm subsidies. *(CBSE, 2024 (58/1/1))*

Long Answer Type Questions

1. "Subsidies put a huge burden on the government's finances, but are necessary for poor and marginal farmers." Comment.
2. Discuss the risks involved under green revolution. Also state the steps taken by the Government to overcome these risks.
3. Critically appraise the development of agriculture between 1950 and 1990.
4. Briefly discuss the policy of industrial licensing.
5. Critically evaluate the industrial development during the period of 1950 to 1990.
6. Briefly discuss the progress of Indian economy during the first seven plans in the agriculture, industrial and trade sector.

ANSWERS OF OBJECTIVE QUESTIONS

Fill in the Blanks

- | | | |
|---|---|------------------------------|
| 1. Planning Commission | 9. Green Revolution | 17. Green Revolution |
| 2. Modernisation, Equity | 10. Mixed | 18. Tariffs |
| 3. Land Reforms | 11. Development of small scale industries | 19. Exclusive Owned by State |
| 4. Import Substitution / Inward-Looking Trade | 12. Miracle | 20. Domestic |
| 5. Capitalist | 13. Subsistence Farming | 21. Import Substitution |
| 6. Land Ceiling | 14. Domestically | 22. Land Ceiling |
| 7. Marketable surplus | 15. Quotas | 23. Equity |
| 8. 1951 | 16. Import Substitution | 24. Three |

True or False

1. **False.** The period of first five year plan was 1951-56.
2. **False.** Prime Minister was the chairman of the Planning Commission setup in 1950.
3. **False.** High Yielding Variety (HYV) seeds were the main reason for Green Revolution.
4. **True.** Land reforms were successful in Kerala and West Bengal because governments of these states were committed to the policy of land reforms.
5. **False.** The purpose of land ceiling was to reduce the concentration of land ownership in few hands.
6. **False.** India adopted mixed economy as an economic system after independence.
7. **False.** Foreign trade was characterised by an inward-looking Trade Strategy, known as 'Import Substitution'.
8. **True.** Industrial Policy Resolution 1956 reclassified the industries into 3 categories, viz., Schedule A, Schedule B and Schedule C.
9. **True.** The HYV seeds used in green revolution were more prone to attack by pests.
10. **True.** Green Revolution enabled the government to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.
11. **False.** Land Ceiling refers to fixing the specified limit of land, which could be owned by an individual.

Matching Type Questions

- | | | | |
|------------------------------------|----------------------------|---------------------------------|--------------------------|
| 1. (i) c; (ii) d; (iii) a; (iv) b. | 3. (i) b; (ii) a. | 5. (c) (i) and (ii) | 7. (b) B-ii; or (d) D-iv |
| 2. (i) b. | 4. (i) c; (ii) a; (iii) b. | 6. (c) - (iv), (i), (iii), (ii) | |

Multiple Choice Questions (MCQs)

- | | | | | | | | | | |
|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (b) | 7. (c) | 13. (a) | 19. (b) | 25. (b) | 31. (c) | 37. (a) | 43. (d) | 49. (c) | 55. (b) |
| 2. (c) | 8. (d) | 14. (d) | 20. (c) | 26. (d) | 32. (b) | 38. (b) | 44. (d) | 50. (a) | 56. (c) |
| 3. (c) | 9. (d) | 15. (b) | 21. (d) | 27. (b) | 33. (b) | 39. (b) | 45. (a) | 51. (c) | |
| 4. (b) | 10. (a) | 16. (c) | 22. (c) | 28. (b) | 34. (c) | 40. (d) | 46. (b) | 52. (d) | |
| 5. (c) | 11. (b) | 17. (b) | 23. (d) | 29. (c) | 35. (c) | 41. (c) | 47. (c) | 53. (d) | |
| 6. (c) | 12. (b) | 18. (d) | 24. (d) | 30. (d) | 36. (b) | 42. (d) | 48. (b) | 54. (d) | |

Assertion Reason Questions (ARQs)

- | | | | | | | | | |
|--------|--------|--------|--------|---------|---------|---------|---------|---------|
| 1. (c) | 3. (a) | 5. (d) | 7. (d) | 9. (c) | 11. (b) | 13. (d) | 15. (a) | 17. (a) |
| 2. (b) | 4. (c) | 6. (c) | 8. (d) | 10. (a) | 12. (b) | 14. (a) | 16. (b) | 18. (a) |

Statement Based Questions

- | | | | | | | |
|--------|--------|--------|--------|---------|---------|---------|
| 1. (a) | 3. (d) | 5. (d) | 7. (d) | 9. (a) | 11. (c) | 13. (a) |
| 2. (a) | 4. (a) | 6. (a) | 8. (c) | 10. (a) | 12. (d) | 14. (c) |

POWER BOOSTER

BENEFITS OF INDUSTRIALISATION

The various benefits of industrialisation are:

1. Industrialisation leads to an increase in per capita income and provides goods to meet high income demands;
2. It provides increasing avenues for employment of new and skilled labour force;
3. It enables diversification of the market, required at higher stages of development;
4. It provides infrastructural facilities like railways, power generation, etc. for further economic development;
5. It helps in earning foreign exchange as income elasticity of demand for industrial products is much higher than that for agricultural products.