

NCERT Solutions for Class-XI Economics

Chapter 2 - Indian Economy (1950 - 1990)

1. Define a plan.

Sol. Plan is referred to as the list of actionable goals and specific objectives that a nation wants to achieve over a specific period of time.

2. Why did India opt for planning?

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

3. Why should plans have goals?

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

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

Sol. These are the seed varieties which have high yielding characteristic. The seeds produce more crop than the normal varieties. Seeds need proper irrigation facility along with more fertilizers and pesticide in order to get the best yield. HYV seeds grow at a faster rate than the normal varieties and are able to generate 10-20 times more crop per hectare than normal varieties.

5. What is marketable surplus?

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

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

Sol. Need of land reforms in India are discussed as follows:

1. In India there existed three types of land tenure systems namely Zamindari, Ryotwari and Mahalwari systems. In these systems revenue needed to be paid for cultivating in the land. This resulted in exploitation of the farmers.

2. The land holdings were very small and fragmented which hindered in the use of modern techniques

3. The farmers had a lack of initiative as the land was owned by landlords

4. The basic purpose of farming was to earn for survival and not for making profit, hence it needed to change.

Type of land reforms undertaken by Government are:

1. Abolishing of Intermediaries: The land reforms put an emphasis on abolishing intermediaries like Jagirdar and Zamindars, and make the tillers or farmers, the owners of the land.

2. Rent regulation: The farmers were charged exceptionally high rents. After independence, in the first five year plan it was decided that rent for cultivating on the land will be reduced to one-fourth or one fifth.

3. Land Holding Consolidation: The land pieces being very fragmented, modern technology could not be used. Hence land consolidation was done to provide them with land pieces which was total of the land plot they owned. It allowed for implementation of modern technology and better production.

4. Land Ceilings: This aimed at providing a fixed amount of land to an individual in order to promote equality of land holdings and promote development.

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

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

Sol. India after Independence was recovering from the implications of being under foreign rule. The initial years saw low productivity, coupled with wars with neighbors China and

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

Benefit to Farmers:

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

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

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

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

9. Does modernization as a planning objective create

contradiction in the light of employment generation? Explain.

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

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

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

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

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

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

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

1. As the development project for a country which has recently gained independence was tough, there was no foreign

investment and no fund support, so the government had decided to take the initiative and as the projects were high risk along with long turnaround time, it was the public sector that had to step in to provide the framework of the future industries.

2. Indian economy was at a very nascent stage, the level of income was very less for majority of the people of nation. As a result of that, the demand was less and for such a market no one was willing to invest. Public sector was the only option by which the demands can be raised.

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

Sol. Green revolution helped in substantial increase in food grain production and ended India's reliance of imports from USA for food grains. Importing of HYV seeds from Mexico lead to surplus food crop production and subsequently made India self-sufficient. The farmers also had easy access to credit, were offered subsidies infertilizer and land reforms that made life much easier for them. These farmers were able to save their surplus production and sell them to Government of India earning profit and also making the government stock enough food grains for an emergency situation like famines, drought etc.

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

Sol. Whenever a new technology is being introduced, people are hesitant at first to try it out. The most common thinking is if someone invests in new technology and it backfires or doesn't give the desired results, it will be loss for the investor. Therefore subsidies were introduced. Economists believe that a technology when found to be profitable should not be subsidised. Subsidies meant for farmers will also benefit the fertilizer industry and it will be benefitting those farmers who are from more prosperous regions. Government bears the burden by providing such subsidies. The proper way to provide subsidy is to determine which farmers are really in need of subsidy through a proper verification system. It will ensure the needy gets the subsidy and the government doesn't have to bear large expenses.

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

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

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.

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

- 1. The main purpose of PSU is to provide goods and services which are useful for the society and help in country's welfare in addition to paving the path for economic development. For instance, school, hospitals etc. .**
- 2. Projects that require high investment and long gestation periods are not undertaken by any private companies. Hence, PSUs are the best choice for such projects.**
- 3. Public sectors form the basic framework of the nation with respect to industrialisation, which will provide assistance to private firms at the next stage of industrialisation**
- 4. India followed a socialistic government which allowed for equal right for everyone, therefore government controlled businesses will be leading to economic growth. PSU's will produce goods as per the social needs of the country.**

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

17. Explain how import substitution can protect domestic industry.

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

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

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

Schedule A: Industries that are exclusive responsibility of the state

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

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

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

17. Match the following:

1.	Prime Minister	A.	Seeds that give large proportion of output
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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.

Sol. The correctly matched answer are shown below:

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