

ECONOMICS

(Indian Economic Development)



Important Questions

Multiple Choice questions-

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

- (a) fixation of land ceiling
- (b) regulation of rent
- (c) ownership rights for tenants
- (d) security of tenure

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

- (a) iron and steel
- (b) transport
- (c) atomic energy
- (d) railway transport

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

- (a) self-sufficiency in food grains
- (b) agricultural development
- (c) equity in agriculture
- (d) industrial development

Question 4. When was niti aayog established?

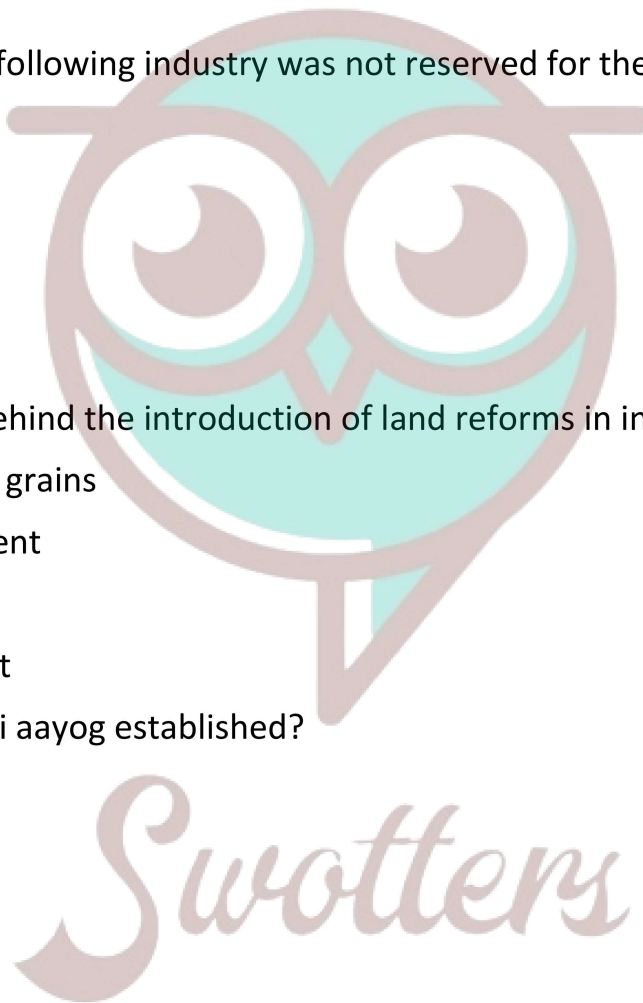
- (a) 1991
- (b) 2001
- (c) 2011
- (d) 2015

Question 5. Land ceiling refers to _____

- (a) fixing rural landholding at the existing level
- (b) fixing the quantum of land held by an individual
- (c) fixing urban landholdings at the existing level
- (d) fixing land area for irrigation purposes

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

- (a) capitalist



- (b) socialist
- (c) mixed
- (d) global

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

- (a) profit
- (b) public welfare
- (c) competition
- (d) equality

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

- (a) 1950
- (b) 1969
- (c) 1952
- (d) 1979

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

- (a) multiple cropping
- (b) green revolution
- (c) crop insurance
- (d) hyv

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

- (a) 17
- (b) 21
- (c) 15
- (d) 2

Very Short:

1. What is capitalism?
2. What is mixed economy?
3. Define socialism.
4. What type of economic system does india have?

5. Name the plan formulating organisation in india.
6. When was the planning commission constituted?
7. Who is the chairman of planning commission?
8. Which institution has replaced the planning commission?
9. Define economic planning.
10. Who is regarded as the architect of indian planning?

Short Questions:

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

Long Questions:

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

Case Study Based Question-

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

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

long-term plan is called 'perspective plan'. The five-year plans were supposed to provide the basis for the perspective plan.

Questions:

1. When did India give its first five-year plan _____?
 - a) 1950
 - b) 1951
 - c) 1947
 - d) 1949
 2. Planning commission, the erstwhile central planning authority in the country, has been replaced by _____.
 - a) NITI Aayog
 - b) UGC
 3. 'Government decides what goods are to be produced in accordance with the needs of society'. Under what type of economic system does this take place _____.
 - a) Capitalistic economy
 - b) socialist economy
 - c) Both (a) and (b)
 - d) None of these.
 4. When was Indian planning commission constituted?
 - a) 6 th August 1952
 - b) 15th March 1950
 - c) 15th August 1947
 - d) 1st April 1997
2. Read the following case study paragraph carefully and answer the questions based on the same.

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

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

There was also an absence of modern technology. And India had previously faced severe famines during the British Raj, who has only promoted cash crops instead of

food crops. The idea was to never depend on any other country for food sufficiency. So in 1965, the government with the help of Indian geneticists M.S. Swaminathan, known as the father of Green Revolution, launched the Green Revolution. The movement lasted from 1967 to 1978 and was a great success.

Questions:

1. Green revolution is related with _____.
 - a) Modern technology.
 - B) Better irrigation facilities
 - c) HYV seeds
 - d) All of the above.
2. Britishers encouraged Indian farmers to grow food crops.
 - a) true
 - b) false
3. What was the need of green revolution to make India _____?
 - a) Sufficient production
 - b) Modernisation
 - c) Self- sufficient
 - d) None of these.

Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of assertion (A)
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.

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

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

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

- 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: Subsidies were, needed to encourage farmers.

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

Answers key

MCQ answers:

- (A) fixation of land ceiling
- (a) iron and steel
- (c) equity in agriculture
- (d) 2015
- (b) fixing the quantum of land held by an individual
- (a) capitalist
- (b) public welfare
- (c) 1952
- (c) crop insurance
- (a) 17

Very Short Answers:

- Answer: Capitalism refers to the economic system in which resources are owned privately and the main objective behind economic activities is profit-making.
- Answer: Mixed economy is an economic system in which production, distribution and consumption decisions are left to the free play of the market forces. However, a large part of economic activities are regulated by the government to maximise the social welfare along with individual welfare or self-interest.
- Answer: Socialism is that economic system in which resources are owned by the government and the main objective behind economic activities is social welfare.
- Answer: India has mixed type of economic system.
- Answer: Planning Commission is the India's plan formulating organisation.
- Answer: Planning Commission was constituted in 1950.
- Answer: The Prime Minister of India is the Chairman of Planning Commission.

8. Answer: NITI Aayog, established in 2015, has replaced the Planning Commission.
9. Answer: Economic planning is the process through which economic decisions are made by the government for economic growth and development.
10. Answer: Prof. P.c. mahalanobis is regarded as the architect of indian planning.

Short Answers:

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

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

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

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

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

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

Growth rates are still not sufficient to meet the development criteria for the country. Modern facilities and technology are available only to a limited section of the society. Despite various efforts, plans have failed to reduce the gap between the rich and the

poor. The main reason for failure in achieving the planned targets is the rapidly increasing population and the existence of corruption in the whole system of the country.

5. Answer: Economic planning is the process through which economic decisions are made by the government for economic growth and development. In India, the duration of plans is five years. This form of plans was adopted from the former Soviet Union. In economic planning, a central authority defines a set of targets to be achieved related to growth and development of the nation, keeping in view.

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

6. Answer: The following were the objectives of land reforms

- To achieve egalitarian social structure by restructuring agrarian relations
- To eliminate the exploitation in land relations
- To provide the ownership of land to the tiller
- To improve the socio-economic conditions of the rural poor by widening their land base
- To increase agricultural productivity and production
- To facilitate land-based development of the rural poor
- To promote the agriculture sector

7. Answer: Tariffs are the tax paid on imported items. They curb the use of imported goods by making them too expensive. Quota, on the other hand, is the specific quantity of commodities that can be imported from other countries.

8. Answer: India adopted 'inward-looking trade strategy' or import substitution' during the first seven five year plan period (1951-90). The main objective of the policy was to restore positive balance of payments by replacing or substituting imports with domestic production.

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

Long Answers:

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

(i) lack of proper marketing channels: marketing system of agricultural products is not good in India. As a result of it, farmers could not get sound prices of their crops. Farmers

sell their products in villages at lower prices as a result of it they remain poor. Markets are far from the villages and transportation facilities are not up to the mark

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) land ceiling: it was another policy to promote equity in the agricultural sector. The

purpose of land ceiling is to reduce the concentration of land ownership in a few hands. Land ceiling laws were first enacted in the 1950s and the 1960s. It was further revised in 1972.

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

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

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

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

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

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

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

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

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

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

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

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

(iii) decentralisation: small scale industries are situated in villages and towns. They reduce

the regional imbalances. As a result, benefits of these industries go to the masses.

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

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

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

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

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

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

Case Study Answer-

1. Answer:

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

2. Answers:

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

Assertion Reason Answer-

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