

INDIAN ECONOMY (1950-1990)

STUDY-NOTES

- **Economy:** An economy is an organization of economic activities which provide people with the means to work and earn a living.

Types of Economy:

1. Capitalist
2. Socialist
3. Mixed

- **Capitalist Economy:** In which major economic decisions (what to produce, how to produce and for whom to produce) are left to the free play of the market forces.
 - **Socialist Economy:** In which major economic decisions are taken by the Government keeping in view the collective interest of the society as a whole.
 - **Mixed Economy:** In which major economic decisions are taken by the central Government authority as well as are left to the free play of the market forces.
- **Economic Planning:** Economic Planning means utilization of country's resources in different development activities in accordance with national priorities.
 - Economic Planning is a system under which a set of targets is defined by the Government and these targets are to be achieved within a specified period of time, taking resources of the country in consideration.
 - **Goals of Planning in India:**
 - **Short-term and Long-term Objectives/Goals:** Short- term goals are plan specific and are to be achieved over a period of 5 years. Long-term objectives are common to all plans and are to be achieved over a period of 20 years.
 - **Long-term Goals of Planning in India:**
 - Modernization: Adoption of new technology.
 - Self-reliance: Reducing dependence on imports.
 - Economic Growth: Increase in the aggregate output of Goods & services.
 - Equity: Reduction inequality of income or wealth.
 - Full employment: Refers to a situation when all the people in the working age group are actually engaged in some gainful employment.
 - **Short-term Goals of Planning in India:** Short term objectives vary from plan to plan depending on current needs of the country. For example first plan (1951-56) focused on higher agricultural production while in second plan (1956-61) shifted the focus from agriculture to Industry. In India growth and equity are the objectives of all the five year plans. The goal of current five year plan (11th, 2007-2012) is faster, broad-based and inclusive growth.
 - **Conditions of Agriculture (1950-1990):** Main Features of Indian Agriculture:
 1. Low productivity
 2. Disguised unemployment.
 3. Dependence on rainfall
 4. Subsistence farming - objective of farmer is to secure subsistence for his family not to earn profit.
 5. Traditional inputs
 6. Small holdings
 7. Backward technology.
 8. Landlord tenant conflict. Problems of Indian Agriculture:

- **Institutional Problems:**
 1. Small and scattered holdings.
 2. Poor implementation of land reforms.
 3. Lack of credit and marketing facilities.
- **Technical Problems:**
 1. Lack of irrigation facilities.
 2. Wrong cropping pattern.
 3. Outdated technique of production.
- **General Problems:**
 1. Pressure of population on land.
 2. Land degradation.
 3. Subsistence farming
 4. Social environment.
 5. Crop losses- by pest, insect, flood, draught etc.
- **Reforms in Indian Agriculture: Institutional Reforms/ Land reforms:**
 1. Abolition of intermediaries.
 2. Ceiling on land holdings.
 3. Regulation of rent.
 4. Consolidation of holdings.
- **General reforms:**
 1. Expansion of irrigation facilities.
 2. Provision of credit.
 3. Regulated markets and co-operative marketing societies.
 4. Price support policy.
- **Technical Reforms/ Green Revolution:**
 1. Use of HYV seeds.
 2. Use of domical fertilizers.
 3. Use of insecticides and pesticides for crop protection.
 4. Scientific rotation of crops.
 5. Modernized means of cultivation.
- **Achievements of Green revolution:**
 1. Rise in production and productivity.
 2. Increase in income.
 3. Rise in commercial farming.
 4. Impact on social revolution - use of new technology HYV seeds, fertilizers etc.
 5. Increase in employment.
- **Failures of green revolution:**
 1. Restricted to limited crops and areas such as two crops wheat & rice growing states like Punjab, Haryana, U.P and Andhra Pradesh.
 2. Partial removal of poverty.
 3. Neglected land reforms.
 4. Rise in un- employment.
 5. Ecological degradation.

QUESTION BANK

MULTIPLE CHOICE QUESTIONS

1. Objectives of planning in India are _____
 - (a) Growth
 - (b) Self-reliance
 - (c) Modernisation
 - (d) All of these
2. Who is the Chairperson of the Planning Commission of India?
 - (a) President
 - (b) Prime Minister
 - (c) Finance Minister
 - (d) Leader of Opposition
3. After independence India opted for:
 - (a) Capitalist economy
 - (b) Socialist economy
 - (c) Both (a) and (b)
 - (d) Mixed economy
4. Who among the following is considered as the chief architect of Indian Planning?
 - (a) Pt. Jawaharlal Nehru
 - (b) Sir Benegal Rama Rau
 - (c) Prasanta Chandra Mahalanobis
 - (d) Rajendra Prasad

5. The Twelfth Five Year Plan covered the period:
 (a) 1997-02 (b) 2002-07 (c) 2007-12 (d) 2012-17
6. Mention the period of the Third Five Year Plan.
 (a) 1956-61 (b) 1961-66 (c) 1951-56 (d) 1967-74
7. NITI Aayog is headed by:
 (a) Finance Minister (b) President (c) Prime Minister (d) Governor of RBI
8. Equity refers to
 (a) Equitable distribution of GDP (b) Development of Backward regions
 (c) Both (a) and (b) (d) None of the above
9. Post-independence, India has always focused to become a self-sufficient or a self-reliant nation. This goal in the present Modi-era has been termed as
 (a) Safal Bharat (b) Kaushal Bharat (c) Atmanirbhar Bharat (d) Apna Bharat
10. Who is the originator of Green Revolution in India?
 (a) Shri Jawahar Lal Nehru (b) Shri M.S.Swaminathan
 (c) DR.Manmohan Singh (d) None of these
11. Green Revolution was introduced in India in _____.
 (a) 1966 (b) 1951 (c) 1995 (d) 1991
12. The constant decline in average size of holding in India is caused by:
 (a) Law of inheritance (b) Consolidation of holding
 (c) Mechanisation of agriculture (d) Love for land
13. Green Revolution includes:
 (a) HYV (b) Mechanisation of agriculture
 (c) Chemical fertilizer (d) All of the above
14. Land reform measures were successful in which of the given states?
 (a) Punjab and Haryana (b) Maharashtra and West Bengal
 (c) Uttar Pradesh and Madhya Pradesh (d) Kerala and West Bengal
15. Indian agriculture is characterised by which of the following features?
 (a) Dependence on monsoon (b) Disguised unemployment
 (c) Sub-division and fragmentation of land holdings (d) All of the above
16. Which one amongst these is not a part of Land Reforms in India?
 (a) Abolition of Tenancy (b) Consolidation of Holdings
 (c) Land Redistribution (d) Cooperative Farming
17. Which of the given statements explain the major hurdles faced by the land reform and the land ceiling legislation?
 (i) Big landlords registered their land in the name of close relatives, thus escaping from the land ceiling legislation.
 (ii) There have been cases in which tenants were evicted and landlords claimed to be the actual tillers.
 (iii) Landlords used loopholes in the legislation to their comparative advantage to own large areas of land.
 (a) Only (i) and (iii) (b) Only (ii) and (iii)
 (c) Only (i) and (ii) (d) All (i), (ii) and (iii)
18. Which of the following alternative(s) explain the debate regarding the provision of subsidies during 1960's and 70's?
 (a) Substituting fertiliser subsidies with seed subsidies as the former was benefitting big farmers than small farmers.
 (b) Substituting fertiliser subsidies with agricultural subsidies as the former was benefitting fertiliser industry and not the target group.
 (c) Shifting agricultural subsidies from production to consumption and thus benefit the prospective consumers
 (d) All of the above are true
19. Industries Development Regulation Act was constituted in:
 (a) 1950 (b) 1951 (c) 1955 (d) 1956

20. Karve committee was established in:
 (a) 1950 (b) 1956 (c) 1954 (d) 1955
21. IPR 1956 laid emphasis on the role of:
 (a) Public sector (b) Private sector
 (c) cooperative sector (d) Large scale industries
22. What was the investment limit for small-scale industries in 1950?
 (a) ₹5lakh (b) ₹25 lakh (c) ₹01crore (d) ₹50 Lakh
23. Which particular trade policy India adopted during first-seven five-year plans?
 (a) Inward looking trade policy (b) Partially inward looking trade policy
 (c) Outward looking trade policy (d) Partially outward looking trade policy
24. How many industries have been reserved for the public sector under Industrial Policy Resolution, 1956?
 (a) 17 (b) 21 (c) 15 (d) 2
25. Public sector failed as it could not:
 (a) Keep costs low (b) Produce new goods
 (c) Compete with imported goods (d) All of the above
26. Which among the following were the major industrial concessions as provided by the government in order to bring about balanced regional development?
 (i) Tax holiday for the newly established units in backward regions.
 (ii) Supply of power at concessional rates
 (iii) Provision of cheap labour and technology
 (iv) Support from the government towards using more capital intensive Techniques
 (a) (ii) and (iii) (b) (i) and (iv) (c) (i) and (ii) (d) (iii) and (iv)
27. During 1950-90, India adopted:
 (a) export promotion policy (b) free trade policy
 (c) policy of imports substitution (d) None of the above
28. During 1950-90:
 (a) The share of agricultural products in country's exports increased
 (b) The share of manufactured goods in country's exports increased
 (c) The share of agricultural products increased while that of manufacturers decreased
 (d) None of the above
29. A strategy to earn foreign exchange by making domestic industries competitive in the international market is called:
 (a) Export promotion (b) Import substitution
 (c) Inward looking trade strategy (d) Both (a) and (b)
30. The trade reforms were :
 (a) Removal of quotas (b) Taking away control over foreign exchange use
 (c) Both (a) and (b) (d) None of the above
31. Protection from foreign competition enabled the establishment of which particular indigenous industry?
 (a) Electronics and Petrochemicals (b) Electronics and Telecommunications
 (c) Electronics and Automobiles (d) Electronics and Chemicals
32. Inward looking trade strategy is also known as a policy of
 (a) Import relaxation (b) Import substitution
 (c) Import promotion (d) None of these
33. National Development Council was constituted in _____
 (a) 1992 (b) 1948 (c) 1952 (d) 1950

34. _____ Policy followed in the first seven five year plans of India, aimed at substituting imports with domestic production.
- (a) Inward looking trade (b) Outward looking trade
(c) Import substitution (d) Both (a) and (c)
35. _____ refers to fixing the specified Limits of Land, which could be owned by an individual.
- (a) Consolidation of holdings (b) Cooperative farming
(c) Tariff (d) Land ceiling
36. In 1955, Karve committee was constituted for aiming the _____
- (a) Promotion of rural development using small scale industries
(b) Promotion of agriculture using modern inputs
(c) Promotion of banking services through higher infrastructural support
(d) Promotion of land settlement system with modifications in the existing norms
37. The two well managed iron and steel firms during 1950-90's were located in _____
- (a) Mumbai and Nagpur (b) Kolkata and Jamshedpur
(c) Mumbai and Jamshedpur (d) Nagpur and Bhopal
38. The main issue(s) with protectionist or trade restrictive policies is/are _____
- (a) There is very less incentive for the domestic producers to improve the quality of their products
(b) Consumer sovereignty narrows down
(c) Both (a) and (b) (d) It result in huge amount of capital inflows
39. The economic system adopted in India is _____.
- (a) Mixed (b) Capitalist (c) Socialist (d) Both (a) and (c)
40. Under which system the goods are distributed among people not on the basis of what people need but on the basis of purchasing power?
- (a) Capitalistic system (b) Socialistic system (c) Mixed system (d) Dual system
41. The share of agriculture in India's GDP has _____ over the years.
- (a) Remained constant (b) Decreased
(c) Increased (d) First decreased and then increased
42. Who is known as the architect of 'Indian Planning'?
- (a) Jawaharlal Nehru (b) DR. BR Ambedkar
(c) PC Mahalanobis (d) Sardar Vallabh bhai Patel
43. From the following which is not the goals of planning in India?
- (a) Growth (b) Correcting BOP (c) Self-reliance (d) None of the above
44. A good indicator of growth is steady increase in the
- (a) Gross domestic product (b) Net domestic product
(c) Population (d) National income
45. _____ implies use of advanced technology.
- (a) Modernisation (b) Globalisation (c) Privatisation (d) Liberalisation
46. Modernization means
- (a) Increase the production of goods and services by adopt new technology.
(b) A voiding imports of those goods which could be produced in India itself
(c) Recognition that the women should have the same rights as men.
(d) Both (a) and (c)
47. Self-reliance is does not include
- (a) To reduce our dependence on foreign countries, especially for food
(b) To reduce our dependence on foreign countries, especially for defense items
(c) Avoiding imports of those goods which could be produced in India itself
(d) To reduce the foreign interference in our policies

48. Import substitution refers to a policy of substitution of imports by _____ production.
 (a) Domestic (b) Foreign (c) State (d) District
49. Land ceiling refers to
 (a) Fixing the maximum size of land owned by the owner
 (b) Abolition of intermediaries
 (c) Portion of agricultural produce sold in the market
 (d) None of the above
50. _____ refers to fixing the specified limits of land, which could be owned by an individual.
 (a) Consolidation of holdings (b) Cooperative farming
 (c) Tariff (d) Land ceiling
51. Which factor led to the breaking up of the stagnation of agriculture?
 (a) Land reforms (b) Green revolution (c) Buffer stocks (d) Land ceiling
52. Marketed surplus refers to the
 (a) Portion of agricultural produce which is sold in the market by the farmers
 (b) Portion of agricultural product which is sold by the government in the market
 (c) Earning of the farmers which is left with the farmers
 (d) Portion of agricultural product which is left with the farmer after selling in the market
53. During the initial stages of planning, special concession were given to the industries producing goods to be used as substitutes for imported goods. This strategy was named as:
 (a) Inward looking trade strategy (b) Outward looking trade strategy
 (c) Export promotion strategy (d) None of the above
54. Protection of domestic industries took the form of:
 (a) Quotas (b) Tariffs (c) Both (a) and (b) (d) None of the above
55. Inward looking trade strategy is also known as a policy of _____.
 (a) Import relaxation (b) Import substitution (c) Import promotion (d) None of these
56. Principal elements of Industrial Policy Resolution of 1956 _____.
 (a) Threefold Classification (b) Industrial licensing (c) Industrial concessions (d) All of the above
57. In 1955, the Village and Small-Scale Industries Committee, also called the Karve Committee, noted the possibility of using small-scale industries to
 (a) Increase the role private sector (b) To increase the taxes
 (c) Both A and B (d) To generate employment in rural areas
58. Maximum limit to start small scale industries in present scenario is
 (a) 5 lakh (b) 50 lakh (c) 1 crores (d) 5 crores

INPUT TEXT BASED MCQs

Read the following passage and write answers of Q59–Q61

The performance of Indian economy during the period of first seven five year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy of import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. Although public sector expanded to a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no competition, no innovation and no modernisation on the front of the industrial sector. Many Public Sector Undertakings (PSUs) incurred huge losses due to operational inefficiencies, red tapism, poor technology and other similar reasons. These PSU's even continued to function because it was difficult to close a government undertaking even if it is a drain on country's limited resources. On the agricultural

front, due to the measures taken under the Green Revolution, India more or less became self-sufficient in the production of food grains. So the need for reforms of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country.

59. Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian economic planning?
- (a) Private entrepreneurs lacked sufficient capital for investment
 - (b) Government aimed for social welfare
 - (c) The market was big enough to encourage private industrialists for investment
 - (d) The government wanted to protect the indigenous producers from foreign competition
60. Inward looking trade policy aimed at
- (a) Substituting imports with domestic production
 - (b) Substituting imports of consumer goods with capital goods
 - (c) Following an open economy model
 - (d) Restrictions on movement of currency flows
61. Mechanisation of the Indian agriculture was one of the cause of Green Revolution in India. The given statement is
- (a) True
 - (b) False
 - (c) Partially true
 - (d) Partially false

Read the following passage and write answers of Q62–Q64

Criticism on the effects of the green revolution includes the cost for many small farmers using HYV seeds, with their associated demands of increased irrigation systems and pesticides. A case study is found in India, where farmers are buying Monsanto BT cotton seeds—sold on the idea that these seeds produced ‘non-natural insecticides’. In reality, they need to still pay for expensive pesticides and irrigation systems, which might lead to increased borrowing to finance the change from traditional seed varieties. Many farmers have difficulty in paying for the expensive technologies, especially if they have a bad harvest. These high costs of cultivation push rural farmers to take out loans—typically at high interest rates. Over-borrowing commonly entraps farmers into a cycle of debt.

On top of this, India’s liberalized economy further exacerbates the farmers’s economic conditions. Indian environmentalist Vandana Shiva writes that this is the “second Green Revolution”. The first Green Revolution, she suggests, was mostly publicly funded (by the Indian Government).

Farmer’s financial issues have become especially apparent in Punjab, where its rural areas have witnessed an alarming rise in suicide rates. Excluding the countless unreported cases, there has been estimated to be a 51.97% increase in the number of suicides in Punjab in 1992–93, compared to the recorded 5.11% increase in the country as a whole. According to a 2019 Indian news report, indebtedness continues to be a grave issue affecting Punjabi people today, demonstrated by the more than 900 recorded farmer committed suicide in Punjab in the last two years.

62. The green revolution includes the cost for many small farmers using _____ seeds, with their associated demands of increased irrigation systems and pesticides.
- (a) Good quality
 - (b) High yielding variety
 - (c) Both (a) and (b)
 - (d) None of the above
63. There has been estimated to be a 51.97% increase in the number of suicides in Punjab in 1992–93.
- (a) True
 - (b) False
 - (c) incomplete info
 - (d) can’t say
64. According to a 2019 Indian news report, indebtedness continues to be a grave issue affecting Punjabi people today, demonstrated by the more than _____ recorded farmer committed suicide in Punjab in the last two years.
- (a) 1000
 - (b) 1100
 - (c) 900
 - (d) 800

Read the following passage and write answers of Q65–Q67.

Usually the economy of the country is based on who shall answer the questions like what to produce? How to produce? How to distribute what is produced? These questions when answered by the market forces mean a capitalist economy, when answered by government then a socialist economy and a mixed economy is where jointly these questions are answered. India opted for socialism as Indian leaders were motivated by the success of Soviet Union’s planning. Indian planners were well aware of the shortage of private capital and lack of incentive for the private sector to function

in the social sector. Comprehensive planning for the country was made by the government with specific objectives of five-year plans. Hence, planning was initiated to make the public sector to work within the basic economic framework, and private sector firms were encouraged towards economic growth.

65. Indian planners after independence were attracted to which Economy System?
(a) Socialist (b) Capitalist (c) Market (d) None
66. India's First Five Year Plan was launched in the year _____
(a) 1951 (b) 1948
(c) 1956 (d) 1950
67. India has a mixed economy with a _____
(a) Small public sector (b) Large public sector (c) Large private sector (d) None of these

Read the following passage and write answers of Q68–Q70.

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

After 1947 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 had 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.

68. Green revolution is related with
(a) Modern technology (b) Better irrigation facilities
(c) HYV seeds (d) All of the above
69. _____ is known as the father of green revolution in India.
(a) Dilbagh Singh Athnol (b) Chidambaramy Subramaniam
(c) MS. Swaminathan (d) Norman Borlaug
70. Britishers encouraged Indian farmers to grow food crops.
(a) Partially True (b) True (c) False (d) Incomplete information

Read the following passage and write answers of Q71–Q73.

During the colonial rule, there was neither growth nor equity in the agricultural sector. The policy makers of independent India had to address these issues which they did through land reforms and promoting the use of 'High Yielding Variety' (HYV) seeds which ushered in a revolution in Indian agriculture.

The stagnation in agriculture during the colonial rule was permanently broken by the green revolution. This refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice. The use of these seeds required the use of fertiliser and pesticide in the correct quantities as well as regular supply of water. Also, the application of these inputs in correct proportions is vital. The spread of green revolution technology enabled India to achieve self-sufficiency in food grains and we no longer had to be at the mercy of America, or any other nation, for meeting our nation's food requirements.

Thus, land reform measures along with green revolution promoted equity in the agricultural sector.

71. Which among the following crops chiefly benefitted as a result of green revolution?
(a) Rice and Maize (b) Wheat and Sugarcane
(c) Wheat and Rice (d) Rice and Sugarcane
72. _____ refers to change in the ownership of land holdings.
(a) Land ceiling (b) Land reforms
(c) Land fragmentation (d) None of these

73. What do you mean by marketed surplus?
- Sale of consumer goods in the domestic market
 - Portion of agricultural produce sold in the market by farmers
 - Portion of industrial produce sold in the market
 - A certain proportion of both industrial and domestic produce sold in the market

Read the following passage and write answers of Q74–Q76.

Prime Minister Narendra Modi in recent weeks has emphasises on the idea of an ‘Atmanirbhar Bharat’ or a self-reliant India. However, the government has faced a volley of questions since then, about whether the aim is to drag India back to import substitution and isolationism. The aim to make India self-reliant was outlined by the Prime Minister while announcing that his government will help the Indian economy get back on its feet with ₹ 20 lakh crore economic packages. March towards a self-reliant India should not be taken as a return to the licence-permit raj and inspector raj of the socialist era. “Far from suggesting a centralised”, top-down model directed from the “commanding heights” of the Planning Commission, the Prime Minister spoke of freeing Indian entrepreneurship and innovation from bureaucratic hurdles. This is about decentralised localism that pride in local brands, emphasises resilience and flexibility, and encourages local capacity-building.

74. ‘Atmanirbhar Bharat’ emphasises the objective of _____
- Self-reliance
 - Isolationism
 - Flexibility
 - None of these
75. The first seven five year plans gave importance to self-reliance which means avoiding _____ of goods to reduce our dependence on foreign countries.
- Exports
 - Imports
 - Manufacture
 - None of these
76. During 1950-90, import restrictions were desired to:
- Save foreign exchange
 - Protect domestic industries
 - Independent India
 - Both (a) and (b)

ANSWERS

Multiple Choice Questions

- | | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (d) | 2. (b) | 3. (d) | 4. (c) | 5. (d) | 6. (b) | 7. (c) | 8. (c) | 9. (c) | 10. (b) |
| 11. (a) | 12. (a) | 13. (d) | 14. (d) | 15. (b) | 16. (d) | 17. (d) | 18. (b) | 19. (b) | 20. (d) |
| 21. (a) | 22. (a) | 23. (a) | 24. (a) | 25. (b) | 26. (c) | 27. (c) | 28. (b) | 29. (a) | 30. (c) |
| 31. (c) | 32. (b) | 33. (c) | 34. (d) | 35. (d) | 36. (a) | 37. (b) | 38. (c) | 39. (a) | 40. (a) |
| 41. (b) | 42. (c) | 43. (b) | 44. (a) | 45. (a) | 46. (d) | 47. (b) | 48. (a) | 49. (a) | 50. (d) |
| 51. (b) | 52. (a) | 53. (a) | 54. (c) | 55. (b) | 56. (d) | 57. (d) | 58. (d) | | |

Input Text Based MCQs

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|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 59. (c) | 60. (a) | 61. (a) | 62. (c) | 63. (a) | 64. (c) | 65. (c) | 66. (a) | 67. (b) | 68. (d) |
| 69. (c) | 70. (c) | 71. (c) | 72. (b) | 73. (b) | 74. (a) | 75. (b) | 76. (d) | | |

