

Indian Economy

1. Read the following statements – Assertion (A) and Reason (R). Choose the correct alternative given below : (2024)

Assertion (A) : The excessive regulation of permit license raj prevented certain private firms from becoming fairly competitive.

Reason (R) : Private sector wasted huge amounts in obtaining licenses rather than on improving the product quality and international competitiveness.

Alternatives :

(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, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

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

2. “Despite the implementation of Green Revolution, 65 per cent of India’s population continued to be engaged in the agriculture sector till the 1990s.”

Justify the given statement with valid explanation. (2024)

Ans. Some economists argue that Green Revolution did not make much impact on the occupational structure of the country, as 65% of India’s population continued to find its livelihood in agriculture. A major reason for this fairly large proportion of population in agricultural sector as the industrial and service sector were not able to absorb the people working in the agricultural sector.

3. State the importance of “Growth with equity” as the objective of Indian economic planning. (2024)

Ans. For a nation, both growth of Gross Domestic Product (GDP) and equity in distribution of income are equally important. Growth refers to an increase in a country’s capacity to produce goods and services. Equity refers to reductions in inequality of income and wealth. Growth with equity ensures that the fruits of economic development are enjoyed by all sections of society equitably. Hence, achieving equitable growth is an important objective that was taken into consideration in the Indian economic planning.

Previous Years' CBSE Board Questions

2.1 Indian Economic System and Common Goals of Five Year Plans

MCQ

- Identify which of the following alternative is not associated with goals of economic planning in India?
(a) Ensuring equitable standard of living
(b) Technological advancement
(c) Increase in economic growth
(d) Promoting imports of luxury goods. (2023)
- _____ is known as the architect of Indian Planning.
(a) Jawahar Lal Nehru
(b) P.C. Mahalanobis
(c) Dr. Manmohan Singh
(d) Dr. Rajendra Prasad (2023) (R)

VSA (1 mark)

- Economic growth combined with _____ (equity/disparity) was the principal goal of planning in India. (2023)

SA II (4 marks)

- Discuss briefly, the rationale behind "equity with growth" as planning objectives for Indian Economy. (2020)
- Discuss briefly the rationale behind choosing 'Self-reliance' as a planning objective for the Indian economy. (2020)

2.2 Agriculture

MCQ

- In 1951, agricultural contribution to India's National Income was _____.
(a) Highest among the three sectors.
(b) Lowest among the three sectors
(c) Lower than the industrial sector
(d) Lower than the service sector (2023)
- In the first phase of Green Revolution output was restricted mainly to _____.
(a) Cereals and Pulses
(b) Wheat and Rice
(c) Cotton and Jute
(d) Jowar and Bajra (2023) (R)
- '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.

- (a) Subsidies encourage farmers to adopt newer technologies.
- (b) Subsidies help farmers to face the uncertainties of future.
- (c) Subsidies aim to reduce the inequalities between rich and poor farmers.
- (d) Subsidies mainly benefits the fertiliser industry and big farmers. (Term-I, 2021-22)

VSA (1 mark)

- State the meaning of 'Marketed Surplus'. (2020)
- State the meaning of 'Subsidy'. (2020) (R)
- State whether the following statement is true or false.
"Land ceiling means fixing the minimum limit of land holding for an individual." (2020)

SA II (4 marks)

- Explain the need and types of land reforms implemented in the agriculture sector. (2023)
- Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture? (2020)
- "Agriculture sector appears to be adversely affected by the economic reform process." Explain the given statement. (2020) (U)

2.3 Industry and Trade

MCQ

Question no. 15 to 20 are to be answered on the basis of the following text.

To make India a globally competitive economy, there must be a larger focus on exporting to the most demanding markets. A stronger participation of Indian Micro, Small and Medium Enterprises (MSMEs) in the global market can accelerate such a growth. This will lead to more opportunities in scaling up production, will speed up innovation and productivity. The MSME sector in India is the backbone of our country's economic structure and without this, the country cannot progress. With over 63 million, MSME units, this sector covers 80% of the industries. This sector accounts for 31% GDP and 45% of total exports. It is also the second largest employer in India providing jobs to over 120 million people. The MSME's should work towards becoming a part of global value chains (GVCs). It must also, find new opportunities to integrate themselves with the GVCs as exporters.

(Term-I, 2021-22) (Ap)

- Given below are two statements. One is labelled Assertion (A) and other is labelled as Reason (R).
Assertion (A) : Globalisation has resulted in higher inflows of foreign exchange in the Indian economy.



Reason (R) : Globalisation implies integration of domestic economy with rest of the world through trade and capital flow.

In the context to the above two statements, which of the following is correct:

- (a) Both A and R are true and R is the correct explanation of A.
 (b) Both A and R are true but R is not the correct explanation of A.
 (c) A is true but R is false.
 (d) A is false but R is true.
16. Which of the following is not a feature of MSMEs?
 (a) It involves use of more labour and less capital
 (b) It aims at balanced regional development
 (c) It leads to concentration of wealth in few hands
 (d) Promotion of social welfare
17. On the basis of the given text and common knowledge, identify the incorrect statement.
 (a) A stronger participation of MSMEs helps in fulfilling export demand and accelerating growth in India.
 (b) Globalisation brings innovation and hence, enhances productivity.
 (c) MSMEs is a part of global value chains.
 (d) MSMEs are the normal source of employment in India.
18. Identify the incorrect statement from the following:
 (a) MSMEs covers 80 percent of industries in the country.
 (b) MSMEs accounts for more than 50 percent of exports.
 (c) MSMEs provides job to over 120 million people.
 (d) MSMEs accounts for 31 per cent of Gross Domestic Product.
19. Vocal for local initiative of the Government of India is a boon for the MSMEs segment as it _____.
 (i) reduces dependence on other countries for import
 (ii) boost entrepreneurship in the country
 (iii) save foreign exchange
 (iv) uses superior technology
 (a) (i) and (ii) only
 (b) (i), (ii) and (iv) only
 (c) (i), (ii) and (iii) only
 (d) (i), (ii), (iii) and (iv)
20. _____ is the outcome of structural measure under new economic policy.
 (i) Improves efficiency
 (ii) Increase International Competitiveness
 (iii) Remove rigidities
 (a) (i) only (b) (i) and (ii) only
 (c) (iii) only (d) (i), (ii) and (iii)
21. Which of the following is not a valid statement in the context of Industrial Policy Resolution (IPR) 1956?
 (a) Ownership and management of the core industries were given to the public sector.

- (b) Tax benefits were given to industries being established in backward region to promote regional equalities.
 (c) A few industries were allowed to be owned by the private sector.
 (d) Goods produced by the small scale industries were dereserved. (Term-I, 2021-22)

22. The first Industrial Policy Resolution in Independent India was introduced in the year _____.
 (a) 1948 (b) 1954
 (c) 1950 (d) 1956 (2020)

SA I (3 marks)

23. Why was public sector given a leading role in industrial development during the planning period? Explain. (2023)

SA II (4 marks)

24. Explain the reasons why the industrial sector has performed poorly in the reform period. (2023)

2.4 Trade Policy

MCQ

25. _____ was the objective of Import Substitution policy in India.
 (a) Production of high quality products
 (b) Protection of domestic industries from foreign competition
 (c) Promotes imports
 (d) Promote privatisation (Term-I, 2021-22)
26. Choose the correct pair of statements given in columns I and II below:

Column I		Column II	
A.	Subsidies	i.	Maximum quantity of goods that can be imported
B.	Karve Committee, 1955	ii.	Using small-scale industries to promote rural development
C.	Import Substitution Policy	iii.	To encourage farmers for adopting new technology
D.	Quota	iv.	To protect domestic firms

- (a) A-i (b) B-ii
 (c) C-iii (d) D-iv (2021 C)

VSA (1/2 mark)

27. Distinguish between the Bilateral and Multilateral trade. (2023)
28. "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. (2020)

2.1 Indian Economic System and Common Goals of Five Year Plans

SA II (4 marks)

1. '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. (2020-21) **U**

2.2 Agriculture

MCQ

2. _____ committee was set up for the development and promotion of Small Scale Industries in India.
 (a) Karve (b) Tapas Majumdar
 (c) Mahalanobis (d) TRYSEM
 (2022-23)
3. First Industrial Policy Resolution of Independent India was announced in the year _____.
 (a) 1947 (b) 1948 (c) 1951 (d) 1956
 (2022-23)
4. _____ is the portion of agricultural produce which is sold in the market by the farmers, after meeting their self-consumption requirements.
 (a) Trade surplus (b) Marketable surplus
 (c) Producer surplus (d) Consumer surplus
 (Term-I, 2021-22)
5. Before the advent of Green Revolution in 1960's, India was primarily dependent on _____ for the supply of food grains.
 (a) United States of America (USA)
 (b) Britain (United Kingdom)
 (c) Mexico
 (d) Union of Soviet Socialist Republic (USSR)
 (Term-I, 2021-22) **R**
6. Given below are two statements. One is labelled Assertion (A) and other is labelled as Reason (R).
Assertion (A) : Major policy initiatives (land reforms and Green Revolution) helped India to become self-sufficient in food grains production.
Reason (R) : The proportion of people depending on agriculture did not decline as expected.
 In the context to the above two statements which of the following is correct:
 (a) Both A and R are true and R is the correct explanation of A.
 (b) Both A and R are true but R is not the correct explanation of A.
 (c) A is true but R is false.
 (d) A is false but R is true. (Term-I, 2021-22)
7. Given below are two statements. One is labelled Assertion (A) and other is labelled as Reason (R).
Assertion (A) : The goal of equitable distribution of land was fully served by abolition of intermediaries, in the post-independence India.
Reason (R) : Big landlords challenged the land ceiling legislation, delaying the implementation and subsequently escaping from the legislation.
 In the context to the above two statements which of the following is correct?
 (a) Both A and R are true and R is the correct explanation of A.
 (b) Both A and R are true but R is not the correct explanation of A.
 (c) A is true but R is false.
 (d) A is false but R is true. (Term-I, 2021-22) **Ap**
8. Given below are two statements. One is labelled Assertion (A) and other is labelled as Reason (R).
Assertion (A) : Since Independence, the economic conditions of many farmers across India has improved as they have adopted horticulture as a secondary source of income.
Reason (R) : Varying climatic and soil conditions have given India an added advantage to be the producer of diverse horticulture crops.
 In the context to the above two statements which of the following is correct:
 (a) Both A and R are true and R is the correct explanation of A.
 (b) Both A and R are true but R is not the correct explanation of A.
 (c) A is true but R is false.
 (d) A is false but R is true. (Term-I, 2021-22)
9. Given below are two statements. One is labelled Assertion (A) and other is labelled as Reason (R).
Assertion (A) : The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production.
Reason (R) : The proportion of people depending on agriculture did not decline as expected.
 In the context to the above two statements which of the following is correct :
 (a) Both A and R are true and R is the correct explanation of A.
 (b) Both A and R are true but R is not the correct explanation of A.
 (c) A is true but R is false.
 (d) A is false but R is true. (2020-21)

SA I (3 marks)

10. 'Land ceiling promotes equity.' Support the given statement with valid explanation. (2022-23)

SA II (4 marks)

11. Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture. (2022-23) **An**

LA (5/6 marks)

12. Read the following text carefully and answer the given questions on the basis of the same and common understanding: The Green Revolution in India began in the mid-1960s marking a transition from traditional agriculture in India to high-yielding varieties of seeds and the associated modern agricultural techniques. The need for introduction of Green Revolution in India arose due to a shortage of food-grains in the post-independent period. The government in the post-independent India wanted to ensure self-dependence in terms of food-grain production. Such efforts coincided with the development of high-yielding varieties of seeds of wheat developed by Dr. Norman Borleng and his associates in Mexico. These seeds also necessitated changes in farming techniques such as the addition of fertilizers, pesticides and better irrigation facilities. High yielding varieties of seeds were first introduced in India in the states of Punjab, Haryana and parts of western Uttar Pradesh.

In the early period of the green revolution in India, the focus was to acclimatise the new system with

the more resource-intensive agricultural methods. The argument for introducing the new crop varieties was to increase agricultural production in terms of higher crop yields. The seeds introduced during the early period of the green revolution in Punjab were not high yielding by themselves. These high yields were possible due to the seeds being highly responsive to certain inputs such as irrigation water and fertilizers. The green revolution in India, thus, necessitated a resource-intensive process whereby, those who could make significant capital investments could benefit, whereas, those others became more marginalized in regions affected by practices of the green revolution in India. On one hand, the results derived from the green revolution helped farmers to increase their yield and income and on the other hand, it helped the government to procure and preserve more food grains through agencies like Food Corporation of India. These food grain reserves were helpful in creation of buffer stocks in India, which helped in the situations of adversities.

- (a) Why was Green Revolution implemented and how did it benefit the farmers?
 (b) Justify the following statement with valid explanation: 'Green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during time of shortage'. (2022-23)

Detailed SOLUTIONS

Previous Years' CBSE Board Questions

- (d) : Promoting imports of luxury goods
- (b) : P.C. Mahalanobis
- equity
- Growth refers to increase in country's capacity to produce the output of goods and services in an economy. Equity refers to reductions in equality of income and wealth. This objective ensures that the benefit of high growth are shared by all the people equally and hence inequality of income reduced along with growth in income. 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.

Commonly Made Mistake

- ⇒ Students must not get confused with long period goals of planning and short period goals of planning. Short period goals vary from plan to plan. Example: In the first plan, principle objective was overall development of agriculture.

- Self reliance implies discouraging the imports of those goods that could be produced domestically. The objectives behind choosing self-reliance were :
 (i) To reduce foreign dependence : Planning objective of 'self-reliance' targeted to promote economic growth and modernisation. The Indian five years plan in the early years of post independence era stressed on the use of domestic resources in order to reduce our dependence on foreign countries.
 (ii) To avoid foreign interference : In the post independence era 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.
- (b) : Lowest among the three sectors
- (b) : Wheat and Rice
- (d) : Subsidies mainly benefits the fertiliser industry and big farmers.
- The quantity of agricultural produce which is sold in the market by the farmers irrespective of his requirements for family consumption, farm needs & other payments is called marketed surplus.
- Subsidy is the financial assistance provided by the government to producers to fulfill its social welfare objectives.

11. False, land ceiling means fixing the maximum limit of land holding for an individual.

12. The need for land reforms in India was very necessary due to the following reasons :

(i) There were three types of land tenure system namely, the Zamindari system, the Mahalwari system and the Ryotwari system prevalent in the Indian agricultural sector which led to the exploitation of tenants in the form of exorbitant rents.

(ii) The size of land holdings owned by the farmers was very small. In addition, the land holdings were fragmented. This obstructed the use of modern techniques.

(iii) As most of the land was owned by the landlords, so the farmers lacked initiative and neither had enough means to undertake mechanised methods of cultivation.

(iv) Indian farmers used to rely on the conventional and the traditional inputs and methods and climate conditions that hampered the productivity of agricultural sector.

13. 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 Zamindari system - It focused on elimination of farmers' exploitation and promotion of agricultural growth. These reforms have led to stability of farming as an occupation and promoted equity.

(iii) Regulations of rent

(iv) Consolidating of holding

(v) Cooperative farming.

14. The agricultural sector was adversely affected by the reform process in the following manner :

(i) Public investment in agriculture sector especially in infrastructure like irrigation, power etc., has been reduced in the reform period.

(ii) Removal of fertilizer subsidy has increased the cost of production affecting thereby the small and marginal farmers.

(iii) Increased international competitiveness due to liberalisation and reduction of import duties.

(iv) Shift from food crops to cash crops due to export-oriented policy in agriculture led to a rise in prices of food-grains.

15. (a) : Both A and R are true and R is the correct explanation of A.

16. (c) : It leads to concentration of wealth in few hands.

17. (d) : MSMEs are the normal source of employment in India.

18. (b) : MSMEs accounts for more than 50 percent of exports.

19. (c) : (i), (ii) and (iii) only

20. (d) : (i), (ii) and (iii)

21. (d) : Goods produced by the small scale industries were dereserved.

22. (a) : 1948

23. At the time of independence, Indian economic conditions were very poor and weak. There were neither sufficient foreign reserve nor did India had international investment credibility. The following are the reasons that explain the driving role of the public sector in the industrial development.

(i) Need of heavy investment : There was a need of heavy investment for industrial development. It was very difficult for the private sector to invest such a big amount. Further, the risks involved in these projects were also very high and also these projects had long gestation period. Thus, the government played the leading role to provide the basic framework of heavy industries.

(ii) Low level of demand : At the time of independence, the majority of population was as poor and had low level of income. Consequently, there was low level of demand and so there was no impetus for any private sector to undertake investment in order to fulfill these demands. Thus, India was trapped into a vicious circle of low demand. The only way to encourage demand was by public sector investments.

24. Gap between Targets and Achievement : For example, in sixth five year plan, it attained 5.9 percent growth rate while it was fixed at 7 percent. In particular, industrial sector failed to absorb a higher proportion of labour force.

(i) A large number of industries suffer from under-utilisation of capacity.

(ii) The production of industrial goods only caters to the need of rich consumers while the requirements of common masses have been marginally expanded.

(iv) Industries has remained concentrated in a few advanced state of Maharashtra, Gujarat, West Bengal and Tamil Nadu.

(vi) The productivity performance in the industrial sector has been poor and dismal.

25. (b) : Protection of domestic industries from foreign competition.

26. (b) : B-ii

27.

	Bilateral Trade	Multilateral Trade
(i)	It is a trade agreement between two countries.	It is an agreement among more than two countries.
(ii)	This is an agreement that provides equal opportunities to both the countries.	This is an agreement that provides equal opportunities to all the member of countries in the international market.

28. 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.

CBSE Sample Questions

1. 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 'Atamirbhar Bharat' is also to make India an economy that is self-reliant and self-sufficient. (4)

2. (a) : Karve (1)

3. (b) : 1948 (1)

4. (b) : Marketable surplus (0.80)

5. (a) : United States of America (USA) (0.80)

6. (b) : Both A and R are true but R is not the correct explanation of A. (0.80)

7. (d) : A is false but R is true. The goal of land reforms was not fully served, as there were regional variations in implementation of equal distribution of land. (0.80)

8. (a) : Both A and R are true and R is the correct explanation of A. (0.80)

9. (b) : Both A and R are true but R is not the correct explanation of A. (1)

10. Land ceiling means fixing the maximum size of land which could be owned by an individual, beyond which it would be taken over by the government and would be allotted to landless and small farmers. The purpose of land ceiling was to reduce the concentration of land ownership in few hands and promote equity. (3)

11. 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 Zamindari system - It focused on elimination of farmers' exploitation and promotion of agricultural growth.

These reforms have led to stability of farming as an occupation and promoted equity. (4)

12. (a) Green revolution was implemented in India to overcome the shortage of food-grain availability in the post-independence period. Green revolution has increased the production and productivity in the agriculture sector which was otherwise very low. It helped in improving the income of the farmers by creating marketable surplus, increased employment and output. (2)

(b) The given statement is appropriate as the Green Revolution helped government to procure and preserve more food grains through agencies like Food Corporation of India. Increase in food grain production has been so substantial that India not only started maintaining buffer stocks of food grains but also became a dominant player in food grain exports market. (3)