

6

Development Experience (1947-90) and Economic Reforms Since 1991

Fastrack Revision

Development Experience (1947-90)

► Indian Economy on the Eve of Independence

All the sectors of the Indian economy like agriculture sector, industrial sector and foreign trade were badly hit by the colonial rule. The critical indicators of change such as the demographic profile of the country was adversely affected by the colonial rule.

► **State of Agricultural Sector:** Indian economy under the British colonial rule remained fundamentally agrarian. Agriculture was the main source of livelihood for about 75% of the country's population.

The main causes of stagnation of agricultural sector were as follows:

- Agricultural productivity was low because of low levels of technology.
- India's agriculture was starved of investment in terracing, flood-control, drainage and desalination of soil.
- The profit accruing out of agriculture sector went to zamindars instead of the cultivators.
- The zamindars were not interested to improve the condition of agriculture. This may create misery and social tension amongst the cultivators.
- Due to the term revenue settlement, the zamindar were required to deposit specified sums of revenues on fixed dates, failing which, they lost their rights.
- The Britishers encouraged commercialisation of agriculture. Commercialisation of agriculture means that farmers growing crops for sale in the market and not for self consumption.

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Land Settlement System

Three major systems of land revenue collection existed in India. They were:

- Zamindari System
- Ryotwari System
- Mahalwari System

► **State of Industrial Sector:** Like agriculture, industrial sector of India could not develop. At the time of independence, the condition of industrial sector was as follows:

- De-industrialisation or decline of Indian handicraft industry.
- Low progressed modern industrial structure.
- Some cotton textile mills were established in Maharashtra and Gujarat by Indians while jute mills were established in Bengal by Britishers.

- There were no capital goods industry to help promote further industrialisation.
- Public sector was operational in a very small area.

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TISCO was incorporated in 1907.

► Two Fold Motivate to Stagnate Industrial Sector

- To exploit India's wealth of raw material and primary products (like cotton and jute).
- It was required to fulfil the emerging needs of industrial inputs in the wake of industrial revolution in Britain.
- To exploit India as a potential market for the industrial products of Britain.

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Industrial sector's contribution to Gross Domestic Product (GDP) remained very small.

► **State of Foreign Trade:** India was a trading nation before the advent of colonial rule. But due to restrictive policies adopted by the colonial government, India's foreign trade was affected adversely.

Foreign trade conditions on the eve of independence were as follows:

- India was exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute, etc.
- India was importer of finished consumer goods and capital goods.
- India generated an export surplus but it did not result in any flow of gold or silver into the country.
- Monopoly control of Britain on foreign trade.

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Suez canal is an artificial waterway running from North to South across the Isthmus of Suez North-Eastern Egypt. This canal provides a direct trade ship route between European and American ports.

► Demographic Condition

Demographic condition refers to various indicators related to the population of the country such as life expectancy, literacy rate, birth rate, etc.

First census of population British India was made in 1881. At the time of independence, the features of demographic conditions were as follows:

- ▶ Life expectancy was very low at 32 years to the present expectancy of 69 years.
- ▶ Infant mortality rate was quite high at about 218 per thousand in contrast to the present infant mortality rate of 33 per thousand.
- ▶ Literacy rate was less than 16% female literacy level was at a negligible low level of 7%.
- ▶ Low standard of living.
- ▶ India's population exhibited a continuous increase pattern subsequent to 1921.

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1921 is referred to as the 'Year of Great Divide'. This year signifies that India has entered the second stage of demographic transition.

- ▶ **State of Occupational Structure:** Occupational structure refers to the distribution of working population across different industries and sectors. During colonial rule, occupational structure did not change much.

The state of occupational structure during the British rule was as follows:

- ▶ The primary sector accounted for the largest share of the workforce which remained at a high of 70-75% of the workforce.
- ▶ The secondary and tertiary sectors accounted for only 10 and 15-20% respectively.
- ▶ High degree of regional variation.
- ▶ **State of Infrastructure:** During the colonial period in India, the basic infrastructure such as water transport, railways, posts and telegraphs and parts were developed, but to serve the colonial interest rather than common people.

The state of infrastructure under the colonial rule can be understood with the help of the following points:

- ▶ There was acute shortage of all weather roads.
- ▶ Railways enabled the people to undertake long distance journeys and helped to break geographical and cultural barriers.

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The British introduced railways in India in 1850.

- ▶ They took steps to develop inland trade and sea lanes.
- ▶ The postal services were initiated by inadequate way.
- ▶ Electric telegraph system was developed for the purpose of maintaining law and order.
- ▶ **Positive Impact of the British Rule in India**
 - ▶ Commercial outlook of the farmers
 - ▶ Employment opportunity
 - ▶ Famines control
 - ▶ Monetary exchange system
 - ▶ Efficient system of administration
- ▶ **Features of Indian Economy on the Eve of Independence**
 - ▶ Stagnant economy
 - ▶ Backward economy
 - ▶ Poor infrastructure
 - ▶ Heavy dependence on imports
 - ▶ Limited urbanisation
 - ▶ Colonial economy
- ▶ **Indian Economic System and Common Goals of Five Year Plans**
 - ▶ **Socialist Economy:** A socialist economy is a system of production where goods and services are produced directly of use and all economic decisions are taken by the government according to the needs of the society.

- ▶ **Capitalist Economy:** It depends upon the market forces of demand and supply. In this economic system, government does not intervene in the market.
- ▶ **Mixed Economy:** It is a system that combines aspects of both capitalism and socialism. Public and private sector exist side-by-side in this economy.

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After independence, our leaders decided to choose 'Mixed economy'.

- ▶ **Economic Planning:** "It means utilisation of country's resources in different development activities in accordance with national priorities."—Planning Commission
- ▶ **Economic Planning in India:** To initiate economic planning in India, planning Commission was set up in 1950 under the chairmanship of Prime Minister Jawaharlal Nehru. It formulated Five year Plans to achieve the objectives of economic planning.
- ▶ **Common Objectives of Five Year Plans**
 - ▶ **'Growth' in terms of Increase in GDP and Per Capita GDP:** Increase in GDP implies increase in the level of output and increase in the flow of goods and services in the economy.
 - ▶ Economic growth refers to the consistent increase in GDP over a long period of time.
 - ▶ **Equitable Distribution or Equity:** Economic growth would become meaningless if the benefits of it accrue to only few people in the society. Benefits of growth must spread across larger sections of the society, so that the distribution of income becomes equitable. Equitable distribution of income implies social equality.
 - ▶ **Modernisation:** It means updating our technical know how, and adoption of new technology in the growth process along with empowerment of women so that they also participate in the process of production and contribute to the process of economic and social prosperity.
 - ▶ **Self-sufficiency:** Self-sufficiency means dependence on domestically produced goods, particularly foodgrains. This goal was accorded a high priority during the first seven plans. The basic aim was to save India from political pressures from rest of the world.
- ▶ **The Reasons for Failure of Planning in India**
 - ▶ **Poverty:** The central theme of planning was removal of poverty but in India 21.9% of population still lives below the poverty line. These are those people who are not able to get basic needs of food, shelter, clothing, etc. Nearly 50% of world's poor are living in India.

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According to NITI Aayog, 25% of the population in India are poor. Every fourth person of the total population of India is in poverty.

- ▶ **Inflation:** The Planning Commission made plans for controlling inflation and maintaining price stability in the country, but because of high rate of inflation during Five Year Plans, real income of people tends to fall. All rich people became more rich and poor people became more poorer.
- ▶ **Unemployment:** The Planning Commission made plans and created more and more employment opportunity in the country, but the problem of unemployment remained unsolved. At the end of first plan, 80 lakh people were unemployed. This has risen to over 4 crore at the end of 11th Plan.

- **Infrastructure:** Indian Planning Commission made many plans for the development of infrastructure like power generation, school and college, hospital, road, etc., but still there is a shortage of infrastructural resources.
- **Skewed Distribution:** There is economic and social inequality in the country. The plans failed to provide economic and social equality.
- **Unrealistic Goals:** Indian plans failed because some plans were unrealistic and they did not take future uncertainties into consideration. There was no backup plans and alternative solutions.

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National Institution for Transforming India (NITI) Aayog was formed via a resolution of the Union Cabinet on 1st January 2015. It formulates strategic and long-term policies and programmes for the Government of India.

➤ Agriculture: Features, Problems and Policies

During the colonial rule, there was neither growth nor equity in agriculture sector. The policy-makers of independent India addressed the issues of low agricultural productivity through land reforms and promoting the use of High Yielding Variety (HYV) seeds. It resulted in Green Revolution in Indian agriculture.

➤ Features of Agriculture in Indian Economy

- Agriculture is the main occupation. It provides employment to nearly 61% persons of total population. It contributes 25% to national income.
- Agriculture in India mainly depends on monsoon. If monsoon is good, the production will be more and if monsoon is less than average then the crops fail.
- Due to increase in population the pressure on land holding increased.
- Due to large scale sub-division and fragmentation of holdings, land holding size is quite small.
- Traditional technology is the main cause of low production.

➤ Importance of Agriculture in Indian Economy

- Agriculture makes important contribution in industrial development because it supplies industrial raw material like cotton for the textile industry, seeds for the oil industry and sugarcane for the sugar mills.
- During planning era, due to agricultural development, India has become self-sufficient in foodgrain supply.
- After Green Revolution the purchasing power of the farmers increased due to their enhanced income. This may lead to expansion of market for industrial products.
- The government is getting a substantial income from rising land revenue.
- Many services like transport, banking, storage are dependent on agriculture.
- A significant component of the country's wealth belongs to agricultural sector. In terms of fixed assets land occupies the highest rank in India.

➤ Reforms in Agriculture in the Indian Economy

- **Land Reforms:** Land reforms primarily refer to change in ownership of holdings. It was done with the purpose of increasing agricultural production, the direct intervention of government in agrarian structure.

The land reforms include the following steps taken by the government:

- Abolition of intermediaries.
- Regulation of rent.
- Consolidation of holdings.
- Ceiling on landholdings.

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A ceiling or a maximum limit was imposed on the landholdings belonging to a particular family, to promote equitable distribution of landholdings.

- **Green Revolution:** Green Revolution implies the strategy related to improving production technique and productivity in agriculture.

Green Revolution in India was direct consequence of land reforms and use of HYV seeds. Two major effects of Green Revolution are:

- A substantial rise in foodgrain production.
- Rise in productivity.

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Green Revolution starting from 1967-68. In this year, foodgrain production increased by about 25%. Green Revolution in India is marked by two distinct phases.

• **Phase-1 (Mid-60s to Mid-70s):** Green Revolution was restricted mainly to rice and wheat growing areas of the country. Namely; Punjab, Andhra Pradesh and Tamil Nadu.

• **Phase-2 (Mid-70s to Mid-80s):** Green Revolution spread to almost the whole country and included all types of crops.

- **HYV Seeds:** High Yielding Variety (HYV) seeds are better quality seeds which have a low maturity period, are highly productive and are disease resistant. The government encouraged the use of these seeds to increase crop productivity.

➤ Features of Green Revolution

- A spurt in crop productivity.
- A substantial rise in area under cultivation.
- A shift from subsistence farming to commercial farming.
- Change in farmer's outlook.
- Self-sufficiency in food grain production.

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To promote Green Revolution, the government offered subsidies to farmers on purchase of HYV seeds and fertilizers. A current debate should subsidy continue or we may go without subsidy. Arguments are put forward both in favour and against subsidies.

- **Strategy of Industrial Growth (1947-1990):** At the time of independence, India had a weak industrial base, poorly developed infrastructure and a stagnant economy. There were only two well managed iron and steel industries and the contribution of this sector towards GDP was also very low.

➤ Importance of Industrial Growth

- Industry imparts dynamism to the growth process. So, industrialisation is often taken as *sine-qua-non* of growth.
- Commanding heights of the economy refers to the industries of strategic significance.

► **Features of the Strategy of Industrial Growth (1950-1990)**

- Central role of public enterprises.
- Secondary role of private enterprises.
- Import substitutions.
- Protection from foreign competition.
- Industrial base.
- Employment opportunities.

► **Industrial Policy Resolution-1956 (IPR-1956)**

- Three-fold classification of industries.
- Industries were classified into the following three categories:
 - Those industries which could be established only in public sector.
 - Those industries which could be established in both, public and private sectors.
 - All other industries other than those specified above were left for private sector.

► **Industrial Licensing:** Industries in private sector could be established only after getting license from the government.

► **Industrial Concessions:** Private entrepreneurs were given the following concessions for establishing industries in backward regions:

- Tax holidays.
- Power supply at concessional rates.

S. No.	Good or Positive Effect of IPR-1956	Bad or Negative Effect IPR-1956
(i)	Economic growth got a big push.	Dead social weight.
(ii)	Diversification in the industrial sector.	Fail to achieve international quality standards.
(iii)	Growth of large scale and small scale industry.	Inefficient policy instrument.

► **Small Scale Industry (SSI):** A small scale industry is presently defined as one whose investment does not exceed ₹ 1 crore. Earlier it was under ₹ 5 Lakh in 1951.

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In 1955, the Village and Small Scale Industries Committee also called the Karve Committee, noted the possibility of using small scale industries for promoting industrial as well as rural development.

► **Characteristics of SSI**

- SSI is labour-intensive and therefore employment friendly.
- SSI shows locational flexibility and is therefore referring to inter-regional equality.
- SSI needs small investment and is therefore referring to inter-personal equality.

► **India's Foreign Trade (1947-1990)**

Foreign trade refers to buying and selling of goods and services beyond the geographical boundaries of the country. During the first seven Five Year Plans (FYPs), India's foreign trade was characterised by inward looking trade strategy.

► **Export Promotion:** It refers to the strategy of government to earn foreign exchange (\$, ¥, £, €). This is done by promoting India's export and by making India's industries competitive to international market.

► **Import Substitution:** It refers to the strategy of the government to save foreign exchange [\$, ¥, €]. This is done by setting up new industries which produce those goods that we used to import from other countries of the world.

► **Direction and Volume of Import-Export from India**

- Before 1991, India had the highest exports and imports with the USA.
- India's highest exporting category was gems and Jewellery.
- India's share in world's export was 2%.
- India's share in world's import was more than 2%.
- India adopted protection policy of Tariffs and Quotas.

• **Tariffs**

- Tariff is a duty on imported goods.
- It increases the price of imported goods.
- It makes imported goods costlier than Indian goods.
- It protects Indian industry from foreign competition.

• **Quotas**

- It is the restriction or limit to import a commodity from foreign country.
- It is fixed by the government keeping in view the needs of the country.
- Quota protect Indian Industries from foreign competition.

► **Composition of Trade:** It refers to the types of goods and services imported and exported:

- **Conventional Items:** There was a decrease in percentage share of conventional items like foodgrains, minerals, tea, etc.
- **Agricultural Export:** There was decrease in percentage share of agricultural export.
- **Manufacturing Goods:** There was an increase in percentage share of manufacturing goods. It includes gems and Jewellery. The share of gems and Jewellery is highest in the exporting category of goods.

► **Benefits of International Trade**

- International trade helps to earn foreign currency.
- International trade helps in expanding market in the rest of the world.

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The permit license raj was the system of Licenses, Regulations that hindered the set up and running of the business in India between 1947 and 1990.

- International trade helps in getting essential goods from rest of the world.
- International trade helps to transfer the state of technology.
- International trade increases the opportunity for the investment in rest of the world.

► **Import Substitution/Inward Looking Trade Strategy**
Import substitution is a strategy to save foreign exchange by encouraging domestic production of such goods which the country has been importing from rest of the world.

- **Good Impact of Inward Looking Trade Strategy**
 - The contribution of industrial sector has increased from 13% in 1950-51 to 24.6% in 1991 approx [GDP].
 - The opportunities of investment has increased small scale industries and self-employment. It promoted growth and equity.
 - There was a diversification of industries in the country. The sunrise industry such as electronics was developed along with textile industry.
 - There was a structural transformation in the country.
- **Bad Impact of Inward Looking Trade Strategy**
 - **Growth of Inefficient Public Monopolies:** Protection of domestic industry from foreign competition, led to the growth of inefficient public monopolies. For example, till 1990, telecommunication was a government monopoly.

It was so inefficient that people had to wait for years in order to get a new telephone connection. But now you get repeated SMS for Airtel, Jio, etc., offering you a new telephone connection free of charge.

- There was a lack of modernisation. Only two car models were sold in the market. For example, Fiat and Ambassador.
- Public sector had started swallowing up opportunities of investment for the private sector. For example, public sector has started producing bread and shoes which could easily be left for the private sector.
- **Unviable State Enterprises:** Any private sector enterprise incurring loss will be closed or shut down. But in case of public enterprise, it was a political compulsion that the public enterprise will not be closed even if it is incurring loss.



Practice Exercise



Multiple Choice Questions

- Q 1. The Tata Iron and Steel company was established in:
a. 1857 b. 1907 c. 1921 d. 1951
- Q 2. About.....percent of the country's population obtained livelihood from agriculture at the time of independence.
a. 60% b. 70% c. 72% d. 75%
- Q 3. When was India's first official census undertaken?
a. 1853 b. 1881 c. 1901 d. 1921
- Q 4. Suez canal was opened in:
a. 1907 b. 1869 c. 1921 d. 1901
- Q 5. At the time of independence most of the land was owned by:
a. farmers b. zamindars
c. labour d. All of these
- Q 6. During the first half of the 20th Century, the growth rate of National Income was:
a. less than 2% b. more than 2%
c. 2% d. None of these
- Q 7. National Planning Commission was adopted in:
a. 1945 b. 1947
c. 1950 d. 1951
- Q 8. National Development Council was constituted in
a. 1992 b. 1948
c. 1952 d. 1950
- Q 9. Who is the Chairperson of the Planning Commission of India?
a. President b. Prime Minister
c. Finance Minister d. Leader of Opposition
- Q 10. After independence India opted for:
a. capitalist economy b. socialist economy
c. Both a. and b. d. mixed economy
- Q 11. is known as the architect of Indian Planning. (CBSE 2023)
a. Jawaharlal Nehru
b. Prasanta Chandra Mahalanobis
c. Dr. Manmohan Singh
d. Dr. Rajendra Prasad
- Q 12. Identify the correct combination of the 'Goals of Indian Five Year Plans'. (CBSE SQP 2023-24)
a. Growth, Equality, Modernisation, Self-reliance
b. Development, Equality, Modernisation, Sustainability
c. Good Health, Education, Modernisation, Sustainability
d. Growth, Equity, Modernisation, Self-reliance
- Q 13. From the following, identify the incorrect statement in the light of India's pre-independence occupational structure: (CBSE 2021, Term-1)
a. Agricultural sector accounted for the largest share of workforce.
b. Industrial and service sectors grew at a faster rate than the agriculture sector.
c. Agriculture sector was marked with disguised unemployment.
d. Unbalanced growth was created due to unequal distribution of workforce.
- Q 14. Identify the correct statement from the following: (CBSE 2021, Term-1)
a. India developed sound industrial base under the colonial rule.
b. India had very developed capital goods Industries structure on the eve of Independence.
c. Under the colonial rule, India generated export surplus.
d. The real motive of development of infrastructure under the British rule was to ensure development of India.



- Q 15. Arrange the following event in the correct chronological order:
 (i) The year of great divide.
 (ii) Establishment of Tata Iron and Steel Company (TISCO).
 (iii) Introduction of Railways in India by the British.
 (iv) Opening of Suez Canal. (CBSE SQP 2021, Term-1)
 a. (iv), (ii), (i), (iii) b. (i), (iv), (iii), (ii)
 c. (ii), (iii), (iv), (i) d. (iii), (iv), (ii), (i)
- Q 16. was the objective of Import Substitution policy in India. (CBSE 2021, Term-1)
 a. Production of high quality products
 b. Protection of domestic industries from foreign competition
 c. Promote Imports
 d. Promote privatisation
- Q 17. Identify the incorrect statement from the following: (CBSE SQP 2021, Term-1)
 a. Diversification in agriculture sector provides sustainable livelihood rural population.
 b. Diversification includes—change in cropping pattern, shift of workforce from agriculture to other allied activities and non-agriculture sector.
 c. Objective of investment in new agricultural avenues (non-farm activities) increases financial risks for the rural population.
 d. Diversification reduces the proportion of unemployed population in the rural areas to considerable limits.
- Q 18. Industrial Policy Resolution (IPR) 1956 formed the basis of the Five Year Plan. (CBSE SQP 2021, Term-1)
 a. First b. Fourth c. Second d. Third
- Q 19. Occupational structure refers to (CBSE SQP 2021, Term-1)
 a. size of labour force in a country
 b. number of people living in a country
 c. distribution of workforce among different sectors of an economy
 d. nature of different occupations
- Q 20. is the portion of agricultural produce which is sold in the market by the farmers, after meeting their self-consumption requirements. (CBSE SQP 2021, Term-1)
 a. Trade surplus b. Marketable surplus
 c. Producer surplus d. Consumer surplus
- Q 21. Which of the following is not a valid statement in the context of Industrial Policy Resolution (IPR) 1956? (CBSE 2021, Term-1)
 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 deserved
- Q 22. On the eve of Independence, India's demographic condition was characterised by which of the following statement? (CBSE 2021, Term-1)
 a. Low level of literacy, low mortality rates and high life expectancy
 b. High level of literacy, high mortality rates and low life expectancy
 c. Low level of literacy, high mortality rates and high life expectancy
 d. Low level of literacy, high mortality rates and low life expectancy
- Q 23. "In India, agricultural subsidies have always been a topic of debate among the economic thinkers." Identify, which of the following statement is not an argument in favour of continuation of the agricultural subsidies in India. (CBSE 2021, Term-1)
Alternatives:
 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 fertilizer industry and big farmers
- Q 24. Which of the following statement is correct with reference to the mixed economy system in India? (CBSE 2021, Term-1)
 a. Predominance of free market economic system over the government regulated economy
 b. Absence of economic planning
 c. Ownership of factors of production only to private sector
 d. Co-existence of public and private sector
- Q 25. Identify, which of the following indicates the adverse impact of British rule in India? (CBSE SQP 2022-23)
 a. Introduction of communication networks in India
 b. Change in composition of India's foreign trade
 c. Introduction of modern administrative system in India
 d. Introduction of railways in India
- Q 26. committee was set up for the development and promotion of small scale industries in India. (CBSE SQP 2022-23)
 a. Karve b. Tapas Majumdar
 c. Mahalanobis d. TRYSEM
- Q 27. During the British rule in India, Indian agricultural output witnessed stagnation due to (Choose the correct alternative) (CBSE 2023)
 a. Decline in handicrafts
 b. Drain of Indian wealth
 c. Land settlement
 d. Introduction of railways
- Q 28. In the first phase of Green Revolution, output was restricted mainly to (Choose the correct alternative) (CBSE 2023)
 a. Cereals and Pulses b. Wheat and Rice
 c. Cotton and Jute d. Jowar and Bajra

- Q 29. Which of the following was NOT the benefit accruing from 'Golden Revolution'? (CBSE 2023)
(Choose the correct alternative)
- Increase in the income of the farmers.
 - Increase in production of milk and related products.
 - Increase in production and exports of fruits and vegetables.
 - Employment for women in rural areas.

- Q 30. Which of the following is NOT true about foreign trade during the colonial rule? (CBSE 2023)
(Choose the correct alternative)
- India suffered from large trade deficit.
 - Restrictive policies of commodity production, were followed.
 - Britain maintained a monopoly control over India's exports and imports.
 - India became an exporter of primary products and an importer of finished consumer goods.

Statement Based Questions

- Q 31. **Statement I:** India is often called as the 'outsourcing hub' of the world.
Statement II: Availability of skilled manpower is one of the prime factors responsible for the status gained by India at the international platform.
In the light of the given statements, choose the correct alternative from the following:
(CBSE SQP 2021, Term-1)
- Statement I is true, but statement II is false.
 - Statement II is true, but statement I is false.
 - Both statements are true.
 - Both statements are false.

- Q 32. Read the following statements carefully:
Statement I: Zamindari was introduced by the British, to ensure proper control over the revenue system in India.
Statement II: Zamindars were given full freedom to collect and keep the rent collected by them.
In the light of the given statements, choose the correct alternative from the following:
(CBSE 2021, Term-1)
- Statement I is true, but statement II is false.
 - Statement II is true, but statement I is false.
 - Both statements are true.
 - Both statements are false.

- Q 33. Read the following statements carefully:
Statement I: The official data on poverty in India is issued by NITI Aayog.
Statement II: Since Independence the number of poor people in India has declined.
In the light of the given statements, choose the correct alternative from the following:
(CBSE 2021, Term-1)
- Statement I is true, but statement II is false.
 - Statement II is true, but statement I is false.
 - Both statements are true.
 - Both statements are false.



Fill in the Blank Type Questions

- Q 34. First Industrial Policy Resolution of Independent India was announced in the year
(Fill in the blank with the correct alternative)
(CBSE SQP 2022-23)
- 1947
 - 1948
 - 1951
 - 1956
- Q 35. Opening of canal significantly reduced the cost of transportation of goods between India and Britain.
(Choose the correct alternative to fill up the blank)
- Suez
 - Ganga
 - Both a. and b.
 - None of these
- Q 36. is one of the main positive contribution made by British in India.
(Choose the correct alternative to fill up the blank)
- Education
 - Railways
 - Technology
 - Computer
- Q 37. may be defined as the measure of the extent of demographic participation in the social and political decision-making.
(Choose the correct alternative to fill up the blank)
(CBSE SQP 2022-23)
- Economic Indicator
 - Liberty Indicator
 - Health Indicator
 - Demographic Indicator
- Q 38. The shackles of agriculture during the colonial rule were permanently broken by the Green Revolution that resulted from the application of
(Choose the correct alternative to fill up the blank)
- High Yielding Varieties (HYV)
 - Mechanization of Agriculture
 - Chemical Fertilizers and Pesticides
 - Organic Fertilizers and Pesticides
- Alternatives: (CBSE SQP 2022-23)
- (i), (ii) and (iv)
 - (i), (ii) and (iii)
 - (ii), (iii) and (iv)
 - (i), (iii) and (iv)
- Q 39. is regarded as the Year of Great Divide.
(Choose the correct alternative to fill up the blank)
- 1929
 - 1933
 - 1921
 - 1930
- Q 40. The first official census was conducted in the year
(Choose the correct alternative to fill up the blank)
- 1839
 - 1881
 - 1818
 - 1988
- Q 41. The Indian economy is economy.
(Choose the correct alternative to fill up the blank)
- Capitalist
 - Mixed
 - Social
 - None of these
- Q 42. Directive Planning is economy.
(Choose the correct alternative to fill up the blank)
- Capitalist
 - Mixed
 - Social
 - None of these

- Q 43. Comprehensive planning is followed in economy.
(Choose the correct alternative to fill up the blank)
a. Mixed and Capitalist b. Capitalist and Socialist
c. Mixed and Socialist d. None of these
- Q 44. Seeds that give large production of output are called of seeds.
(Choose the correct alternative to fill up the blank)
a. Big Variety b. Small Variety
c. Mixed Variety d. High Yielding Variety
- Q 45. Green Revolution in India refers to the large increase in production of foodgrains due to use of High Yielding Variety (HYV) for the first time in
(Choose the correct alternative to fill up the blank)
a. 1966 b. 1967
c. 1965 d. 1969



True/False Type Questions

- Q 46. Dadabhai Naoroji, V.K.R.V. Rao, William Digby, Findlay Shirras and R.C. Desai were some notable economists who estimated India's per capita income during the colonial period. However, the estimates of Dadabhai Naoroji was the most significant.
- Q 47. Commercialisation of agriculture did not help farmers in improving their economic condition.
- Q 48. Handicraft industries lost both domestic market as well as international markets.
- Q 49. 1991 is regarded as the Year of Great Divide.
- Q 50. On the eve of independence, Indian economy was Stagnant economy.
- Q 51. NITI Aayog follows 'top-down' approach, instead of 'bottom-up' approach.
- Q 52. During the period of the Third Five Year Plan, India had wars with China in 1962 and with Pakistan in 1965. And also India had to face severe drought conditions. India had to devalue its rupee in 1966. So, Fourth Five Year Plan could not be started on scheduled time. We had a period of two annual plans for 1966-68. This period of annual plans is known as 'Plan holiday.'
- Q 53. 'Growth with maximum profit' is the central objective planning in India.
- Q 54. Equitable distribution of income means every individual in society gets the same share in the country's national income.
- Q 55. Green Revolution was started only in few states like Eastern Uttar Pradesh, Bihar, Madhya Pradesh and Odisha. Other states like Punjab, Haryana, Western Uttar Pradesh, Maharashtra and Tamil Nadu remain unaffected.

- Q 56. In the first phase of the Green Revolution (mid 1960s upto mid 1970s), the use of HYV seeds was restricted to the more rich states such as Punjab, Andhra Pradesh and Tamil Nadu. Further, the use of HYV seeds mainly benefited the rice growing regions only.
- Q 57. Disguised unemployment is that unemployment in which the number of persons required are more than the number of persons employed.
- Q 58. There is a lack of permanent irrigation facilities is an importance of agriculture.
- Q 59. At the time of independence, there were basic and heavy industries in India.
- Q 60. First Industrial Policy was made on 15th August, 1947.
- Q 61. IDRA 1951 empowered government to give license to private entrepreneurs.
- Q 62. Industrial concessions were given in IDRA 1951.
- Q 63. Small Scale Industries are equity oriented.
- Q 64. Quota protects foreign industries from Indian competition.
- Q 65. Tariffs make imported goods costlier than Indian goods.
- Q 66. The Year of Great Divide is 1991, whereas the Year of Divide is 1921.
- Q 67. Till 1990 telecommunication was a government's monopoly. It was so efficient that people got a new telephone connection very easily.



Match the Column Type Questions

- Q 68. From the set of the events given in Column I and the corresponding year in Column II, choose the incorrect pair:
(CBSE 2023)

Column I	Column II
A. Introduction of Railways in India	1. 1850
B. Incorporation of TISCO	2. 1807
C. First Official Census of India	3. 1881
D. Opening of Suez Canal	4. 1869

Alternatives:

- a. A-1 b. B-2
c. C-3 d. D-4

- Q 69. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. Battle of Plassey	1. 1853
B. Zamindari System	2. 1850
C. Introduction of Railways	3. 1793
D. First Railway bridge between Thane and Bombay	4. 1757

- A B C D A B C D
a. 1 2 3 4 b. 4 3 2 1
c. 4 2 1 3 d. 1 4 3 2



Q 70. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. Opening of Suez Canal	1. 1921
B. First Official Census	2. 1869
C. TISCO	3. 1881
D. Year of Great Divide	4. 1907

- A B C D
 a. 1 2 3 4
 b. 4 3 2 1
 c. 2 3 4 1
 d. 3 4 1 2

Q 71. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. Prior to 1921	1. Death rate
B. After 1921	2. Birth rate
C. The number of deaths per 1,000 persons in a year	3. First stage of demographic transition
D. The number of births per 1,000 persons in a year	4. Second stage of demographic transition

- A B C D
 a. 1 2 3 4
 b. 3 4 1 2
 c. 4 3 2 1
 d. 2 4 1 3

Q 72. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. People were not getting two square meals a day	1. Iran
B. Semi Feudal Economy	2. Sri Lanka
C. Ceylon	3. Rampant Economy
D. Persia	4. Mixed Economy

- A B C D
 a. 1 2 3 4
 b. 4 3 1 2
 c. 3 4 2 1
 d. 4 3 2 1

Q 73. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. In FYP 1	1. Price stability in the country
B. In FYP 2	2. Self-sufficiency of foodgrains
C. In FYP 3	3. Industrial production
D. In FYP 4	4. Agricultural production

- A B C D
 a. 4 3 2 1
 b. 1 2 3 4
 c. 4 1 3 2
 d. 3 4 1 2

Q 74. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. 1950	1. National Development Council
B. 1951	2. NITI Aayog
C. 1952	3. First Five Year Plan
D. 2015	4. Planning Commission

- A B C D
 a. 1 2 3 4
 b. 4 3 2 1
 c. 4 3 1 2
 d. 2 3 4 1

Q 75. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. IDRA	1. 1955
B. IRR 1956	2. First Industrial Policy
C. IPR 1948	3. Second Industrial Policy
D. Karve Committee	4. 1951

- A B C D A B C D
 a. 1 2 3 4 b. 3 4 2 1
 c. 1 4 3 2 d. 4 3 2 1

Q 76. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. TISCO	1. 12 Industries
B. IISCO	2. 17 Industries
C. Schedule A	3. Jamshedpur
D. Schedule B	4. Kolkata

- A B C D A B C D
 a. 1 2 3 4 b. 3 4 2 1
 c. 4 3 2 1 d. 1 4 3 2

Q 77. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. Commanding Heights	1. Karve Committee
B. Sunrise Industries	2. Strategic Importance
C. Importance to Industries	3. Electronic Industries
D. Small Scale Industries	4. Second FYP

- A B C D
 a. 2 3 4 1
 b. 1 2 3 4
 c. 4 3 2 1
 d. 4 1 3 2

Q 78. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. $X > M$	1. Balanced Trade Balance
B. $X = M$	2. Surplus Trade
C. $X < M$	3. Deficit Trade
D. Export and import	4. Foreign Trade

- A B C D
 a. 1 2 3 4
 b. 4 3 2 1
 c. 3 2 1 4
 d. 2 1 3 4

Q 79. From the following statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
A. Quantum of Exports and Imports	1. Composition of trade
B. Types of goods and services exported and imported	2. Volume of trade
C. Countries to which India exports and from which India imports	3. Gains of trade
D. Benefits arising out of exports and imports	4. Direction of trade

- A B C D
 a. 1 2 3 4
 b. 2 1 4 3
 c. 4 3 2 1
 d. 1 4 3 2



Assertion & Reason Type Questions

Directions (Q.Nos. 80-90): There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:

- 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, but 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.

Q 80. Assertion (A): On the eve of independence Indian economy was Stagnant economy.

Reason (R): Between 1860-1925 it was as low as 0.5% per annum and between 1925-1950 it was 0.1% per annum.

Q 81. Assertion (A): On the eve of independence, Indian agriculture was backward.

Reason (R): Indian agriculture was backward because neither the Britishers nor the Zamindars

invested any money for the development of agriculture.

Q 82. Assertion (A): Commercialisation of agriculture means production of crops for sale rather than for family consumption.

Reason (R): Cash crops are food crops like wheat, rice, etc.

Q 83. Assertion (A): India become an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.

Reason (R): Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.

(CBSE SQP 2021, Term-1)

Q 84. Assertion (A): Infant mortality rate refers to the number of infants living per 1,000 live births.

Reason (R): Infant mortality rate refers to number of Infants die before reaching one year of age per 1,000 live births.

Q 85. Assertion (A): During colonial period, India's export trade was export surplus.

Reason (R): During colonial period, India's export were more than its import.

Q 86. Assertion (A): Equity in agriculture called for land reforms which primarily refer to change of ownership from fillers to zamindars.

Reason (R): The zamindari system introduced by the British Raj led to the destruction of the agricultural sector in India so the land reforms had to be introduced.

Q 87. 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 agricultural did not decline as expected.

(CBSE SQP 2020)

Q 88. Assertion (A): Green Revolution though improved the production of crops but did not increase the Income of the farmers.

Reason (R): The farmers sold more crops at lesser price.

Q 89. Assertion (A): Green Revolution increased the productivity due to the extensive use of fertilizers.

Reason (R): The government gives economic subsidy in the fertilizers to ensure that farmers have adequate availability of fertilizers.

Q 90. Assertion (A): Major policy initiatives (land reforms and Green Revolution) helped India to become self-sufficient in foodgrains production.

Reason (R): The proportion of people depending on agriculture did not decline as expected after the Green Revolution.

Answers

1. (b) 1907
2. (c) 72%
3. (b) 1881
4. (b) 1869
5. (b) zamindars
6. (a) less than 2%
7. (c) 1950
8. (c) 1952
9. (b) Prime Minister
10. (d) mixed economy
11. (a) Jawaharlal Nehru
12. (d) Growth, Equity, Modernisation, Self-reliance
13. (b) Industrial and service sectors grew at a faster rate than the agriculture sector.
14. (c) Under the colonial rule, India generated export surplus.
15. (d) (iii), (iv), (ii), (i)
16. (b) Protection of domestic Industries from foreign competition
17. (c) Objective of investment in new agricultural avenues (non-farm activities) increases financial risks for the rural population.
18. (c) Second
19. (c) distribution of workforce among different sectors of an economy
20. (b) Marketable surplus
21. (d) Goods produced by the small scale industries were deserved
22. (d) Low level of literacy, high mortality rates and low life expectancy
23. (d) Subsidies mainly benefits the fertilizer industry and big farmers
24. (d) Co-existence of public and private sector
25. (b) Change in composition of India's foreign trade
26. (a) Karve
27. (c) Land settlement
28. (c) Cotton and Jute
29. (d) Employment for women in rural areas.
30. (a) India suffered from large trade deficit.
31. (c) Both statements are true.
32. (a) Statement I is true, but statement II is false.
33. (a) Statement I is true, but statement II is false.
34. (b) 1948
35. (a) Suez
36. (b) Railways
37. (b) Liberty Indicator
38. (b) (i), (ii) and (iii)
39. (c) 1921
40. (b) 1881
41. (b) Mixed
42. (a) Capitalist
43. (c) Mixed and Socialist
44. (d) High Yielding Variety
45. (a) 1966
46. False: The estimates of V.K.R.V. Rao was the most significant.
47. True: Farmers were producing cash crops instead of food crops but food crops were in short supply so they had to buy them at high price.
48. True: Britishers followed discriminatory foreign trade policy which means heavy duty on Indian Export and no tariffs on Indian Imports. There was elimination of Nawabs and Rajas who were the major buyers of handcraft goods.
49. False: 1921 is regarded as the Year of Great Divide.
50. True: Between 1860-1925 It was as low as 0.5% per annum and between 1925-1950 it was 0.1% per annum.
51. False: NITI Aayog follows 'bottom-up' approach instead of 'top-down' approach.
52. False: We had a period of three annual plans for 1966-69. This period of annual plans is known as 'Plan holiday'.
53. False: 'Growth with Social Justice' is the central objective planning in India.
54. False: Equitable distribution of Income means a situation in which income is distributed according to the qualifications and abilities of the people.
55. False: Green Revolution was started only in few states like Punjab, Haryana, Western Uttar Pradesh, Maharashtra and Tamil Nadu. Other states like Eastern Uttar Pradesh, Bihar, Madhya Pradesh and Odisha remain unaffected.
56. False: In the first phase of the Green Revolution (mid 1960s up to mid 1970s), the use of HYV seeds was restricted to the more rich states such as Punjab, Andhra Pradesh and Tamil Nadu. Further, the use of HYV seeds mainly benefited the wheat growing regions only.
57. False: Disguised unemployment is that unemployment in which the number of persons employed are more than the number of persons required.
58. False: There is a lack of permanent irrigation facilities is a problem of agriculture.
59. False: At the time of Independence, mostly cotton and jute industries were there. India lack heavy industries.
60. False: First Industrial Policy was made in 1948.
61. False: IDRA 1951 empowered Indian government to give license for setting up an industry by the private sector.



62. True: Industrial concessions were given for setting up industrial backward areas.
63. True: SSI require much smaller investments as compared to large scale industries. So they do not lead to concentration of economic power and promote equity across different sections of the society.
64. False: Quota protects Indian Industries from foreign competition.
65. True: Tariffs are the taxes imposed by the government on imported goods.
66. False: The Year of Great Divide is 1921 whereas the Year of Divide is 1991.
67. False: Till 1990 telecommunication was a government's monopoly. It was so inefficient that people had to wait for months or even for an year in order to get a new telephone connection. But now you get repeated SMS for Airtel. VI. JIO offering you a new connection free of charge.
68. (b) B-2
A B C D
69. (b) 4 3 2 1
70. (c) 2 3 4 1
71. (b) 3 4 1 2
72. (c) 3 4 2 1
73. (a) 4 3 2 1
74. (c) 4 3 1 2
75. (d) 4 3 2 1
76. (b) 3 4 2 1
77. (a) 2 3 4 1
78. (d) 2 1 3 4
79. (b) 2 1 4 3
80. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
81. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
82. (c) Assertion (A) is true, but Reason (R) is false.
83. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
84. (d) Assertion (A) is false, but Reason (R) is true.
85. (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
86. (d) Assertion (A) is false, but Reason (R) is true.
87. (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
88. (d) Assertion (A) is false, but Reason (R) is true.
89. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
90. (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).



Case Study Based Questions

Case Study 1

Read the extract given below and answer the questions on the basis of the same:

With the dawn of independence India lost the West Punjab, the Granary of India. There was acute shortage of foodgrains and we had to import large quantities of wheat from abroad. In order to increase the production of foodgrains, agriculture was given top priority in the First Five Year Plan. The government took up many schemes to improve agriculture. Arid and semi-arid areas were brought under cultivation. Big and small projects of irrigation were undertaken. The farmers were encouraged to adopt new and scientific methods of farming. High Yielding Varieties of seeds were developed. The use of manures and fertilizers brought about surprising results. There was a record production of wheat in the Punjab and Haryana. This surprising progress of agriculture is known as the 'Green Revolution'. As a result of this revolution, Punjab and Haryana have become the grain bowls of India once again. Our main achievement is the self-sufficiency in foodgrains in 1977-78.

- Q 1. Which of the following crop is not part of High Yielding Varieties Programme?**
- Rice
 - Wheat
 - Jowar
 - Pulses
- Q 2. Which of the following states has the highest irrigation coverage?**
- Punjab
 - Karnataka
 - Uttar Pradesh
 - Uttarakhand
- Q 3. Identify the right order of highest to lowest irrigation coverage.**
- Punjab, Uttar Pradesh, Haryana, Bihar
 - Punjab, Haryana, Uttar Pradesh, Bihar
 - Haryana, Punjab, Uttar Pradesh, Bihar
 - Haryana, Uttar Pradesh, Punjab, Bihar
- Q 4. Which of the following was a part of the Green Revolution strategy?**
- High yielding variety seeds
 - Chemical fertilizer and pesticides
 - Irrigation
 - All of the above

Answers

1. (d) 2. (a) 3. (b) 4. (d)

Case Study 2

Read the extract given below and answer the questions on the basis of the same:

According to Population Surveys during Pre-independence period there was unevenness in the population growth. Up to 1921, we were in the

first stage of demographic transition. At this stage both the birth rate and death rate are high, so there is slow growth of population. Birth rate is high due to social and economic reason. Death rate is also high due to poverty, low income, malnutrition and lack of medical facilities, etc.

After 1921, second stage of demographic transition began. At this stage birth rate is high and the death rate is low. High birth rate and declining death rate resulted in high population growth. The following table shows the growth of population in India:

Birth Rate, Death Rate and Natural Growth Rate of India (Pre-independence)			
Period	Crude Birth Rate	Crude Death Rate	Natural Growth Rate
1901-1910	49.2	42.6	6.6
1911-1920	48.1	47.2	0.9
1921-1930	46.4	36.3	10.1
1931-1940	45.2	31.2	14.0
1941-1950	39.9	27.4	12.5

Per annum, per thousand Population

Other feature shows our literacy level was less than 16%. The female literacy was 7%. Public health facilities were unavailable. In fact mortality rate was 218 per thousand. Life expectancy was as low as 32 years. There was extensive poverty everywhere. Thus, the demographic conditions of India at the eve of independence can be summarised with the help of the following points:

- (i) High birth rate and death rate.
- (ii) High infant mortality rate.
- (iii) Low longevity (Life expectancy).
- (iv) Illiteracy among the masses.
- (v) Poor and inferior standard of living.

Case Study 3

Read the extract given below and answer the questions on the basis of the same:

After independence we adopted planned developmental economy and committed ourselves to bring economic prosperity to our people. India at that time was predominantly agriculture country. For rapid industrialisation, import of developed technology and equipment was must. The first Seven Plans reveal that India adopted an **Inward looking trade strategy**. This strategy is known as import substitution it laid emphasis on substitution of imports by domestic production. The main motive behind was to encourage domestic producers and to protect them from unnecessary foreign competition. In order to restrict the volume of imports tariffs and quotas were introduced. The taxes on imported goods were raised and **Quotas imposed** a restriction on the quantity of goods which can be imported. Such measures were taken in order to avoid trade competition with developed Economies with a belief that if provided adequate time domestic producers will learn to compete with their international competitors. The major concentration of the Indian Economy now was on restriction of imports rather than promotion of Exports. Import substitution can be explained with the help of an example. It is a simple concept of producing goods within the domestic territory of a country instead of importing them. Like instead of importing televisions from foreign countries domestic producers should be encouraged to produce the same within the country.

Q 1. Which of the following cannot be drawn from the population Pyramid of a country?

- a. Dependency ratio
- b. Population growth rate
- c. Gender distribution within population
- d. Total population size

Q 2. Total Fertility Rate refers to:

- a. the number of children a woman has given birth to since marriage
- b. total number of children born minus total number of children that died in a given year
- c. birth rate minus death rate
- d. the number of live births by a woman during the entire reproductive period

Q 3. Which of the following periods is considered as a period of steady population growth in India?

- a. 1981-2001
- b. 1921-1951
- c. 1951-1981
- d. 1981-2011

Q 4. Till which year was India in the first stage of demographic transition?

- a. 1931
- b. 1901
- c. 1911
- d. 1920

Answers

1. (d) 2. (d) 3. (b) 4. (d)

Q 1. What is the tax or duty on imports called?

Ans. The tax or duty on imports is called Tariff.

Q 2. What does Quota mean in trade?

Ans. A quota is a government imposed trade restriction that limits the number or monetary value of goods that can be imported or exported during a particular time period.

Case Study 4

Read the extract given below and answer the questions on the basis of the same:

The Second Industrial Policy Resolution was adopted in April 1956. For providing more employment and equitable distribution of national income the importance of cottage and small scale industries was recognised. Industrial Policy Resolution emphasised on the need of balanced regional development and development of technical and managerial cadres. Stress was also given to maintain industrial peace by providing more amenities in incentives for industrial workers. It was assured that government will not discriminate between foreign and Indian units. In case of nationalisation of foreign units due compensation will be paid. Foreign capital will be welcomed keeping in view the national interest. Provisions of the policy are summarised herewith IPR 1956 classified industries into three categories the first category included into industries which were exclusively owned by the state. The second category included industries in which private sector cooperated with the efforts of the state and the state playing a key role in establishing new units. The third category included all those industries which didn't fall in the first two categories and were managed and controlled exclusively by the private sector. The industries operated by the private sector were strictly watched by the state through licensing measures. No new industry was allowed to operate until it had the necessary license.

Q 1. Explain the main objective of the 1956 industrial policy.

Ans. The main objective of Industrial policy 1956 is to classified industries into public sector, private sector, and mixed sector.

Q 2. Which industries are to be given compulsory licensing?

Ans. Alcohol, Tobacco, Drugs and Pharmaceuticals.

Case Study 5

Read the extract given below and answer the questions on the basis of the same:

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 Borlaug 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 marginalised 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 foodgrains 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.

(CBSE SQP 2022-23)

Q 1. Why was Green revolution implemented and how did it benefit the farmers?

Ans. The Green revolution ensured food security to the Indian population. The motive behind implementing the Green revolution was to increase agricultural productivity and production of foodgrains.

It helped in improving the income of the farmers by creating marketable surplus, increased employment and output.

Q 2. Justify the following statement with valid explanation:

'Green revolution enabled the government to procure sufficient foodgrains to build its stocks that could be used during time of shortage.'

Ans. The given statement is appropriate as the Green revolution helped government to procure and preserve more foodgrains through agencies like Food Corporation of India. Increase in foodgrains 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.



Case Study 6

Read the extract given below and answer the questions on the basis of the same:

India urged the World Trade Organisation (WTO) to relax rules to allow the country to export food grains from its public stocks to the nations facing food crises. India can help, reduce food insecurity but there is hesitation on the part of the WTO, in relaxing its rules. India's Finance Minister said food, fuel and fertilizers are global public goods and ensuring access of these for developing and emerging economies is critical. She also shared India's experiences, including robust gains in agriculture production, citizen centric food security programmes and innovative delivery mechanisms such as the 'One Nation One Ration Card' Scheme.

(Source: The Economic Times; July 16, 2022)
(CBSE 2023)

Q 1. State and discuss any two objectives of World Trade Organisation.

Ans. Following are the objectives of World Trade Organisation.

- (i) One of the primary objectives of the WTO is to facilitate international trade by promoting the free flow of goods and services across borders. The organisation works to reduce trade barriers, such as tariffs and quotas and promotes fair and open trade practices among its member countries.
- (ii) Another important objective of the WTO is to ensure that trade practices among its member countries are fair and non-discriminatory. The organisation works to ensure that its member countries comply with the WTO's rules and regulations, which are designed to promote fair and open trade.

Q 2. Name any two steps taken by India to strengthen the food security.

Ans. The steps taken by India to strengthen food security:

- (i) Pradhan Mantri Kisan Samman Nidhi (PM-KISAN).
- (ii) One Nation. One Ration Card Scheme.



Very Short Answer Type Questions

Q 1. What is stagnant economy?

Ans. That economy in which there is a very little or no scope of growth in income is known as stagnant economy.

Q 2. Define occupational structure.

Ans. Occupational structure refers to distribution of working population across industrial sector of the economy.

Q 3. What is meant by subsistence agriculture?

Ans. Subsistence agriculture is that system of farming in which crops are grown for self-consumption. The crops are grown to fulfil the basic needs of the family with no or little surplus for marketing.

Q 4. What do you mean by commercialisation of agriculture?

Ans. Commercialisation of agriculture means production of crops for sale rather than for family consumption.

Q 5. Why did the British government insist on the production of cash crops in India?

Ans. The British government insisted on the production of cash crops in India in order to get the raw material for their industries.

Q 6. What was the main reason for the stagnation in the agricultural sector under the British rule?

Ans. The main reason for the stagnation in the agricultural sector under the British Rule was the Zamindari system.

Q 7. Mention two causes of downfall of the Indian handicrafts during the British rule.

Ans. The causes of downfall of Indian handicrafts are:

- (i) The elimination of Nawabs and Rajas who were the major buyers of handicraft goods.
- (ii) Competition with machine made British goods.

Q 8. Name the different land tenure system that existed at the time of independence.

Ans. At the time of independence, three land tenure systems. These are as follows:

- (i) Zamindari system
- (ii) Mahalwari system
- (iii) Ryotwari system

Q 9. What is economic planning?

Ans. Economic planning means a system under which central authority sets targets and specify a set of programmes and policies in order to achieve them within the given period of time.

Q 10. What is a capitalist economy?

Ans. Capitalist economy is that economy in which the resources are owned, managed and controlled by private individuals. They undertake production in order to earn maximum profits.

Q 11. What is a socialist economy?

Ans. Socialist economy is that economy in which the resources are owned, managed and controlled by central authority. They undertake production in order to provide maximum social welfare.

Q 12. What is mixed economy?

Ans. Mixed economy is that economy in which the resources are owned, managed and controlled by both private individuals as well as central authority. They undertake production in order to earn maximum profits along with social welfare.

Q 13. What is the central objective of planning in India?

Ans. 'Growth with Social Justice'.

Q 14. What do you mean by long-term objectives of Indian planning?

Ans. Long-term objectives of Indian planning are those objectives in which no changes are made in different plans.

Q 15. Distinguish between objectives of planning and objectives of plans.

Ans. Objectives of planning refer to long period objectives of growth which are common to all plans. Where as on the other hand, Objectives of plans refer to specific objectives related to each plan.

Q 16. Why did India opt for planning?

Ans. India opted for planning because of the following reasons:

- (i) To utilise available resources effectively and efficiently.
- (ii) To achieve the objective of growth with social justice.

Q 17. What is Green Revolution?

Ans. The term 'green' refers to 'crops' and 'revolution' refers to 'large increase'. These terms taken together means a large increase in crop production.

Q 18. Why was Green Revolution implemented in India?

Ans. In India, the production and productivity in the agriculture sector was very low. India was dependent on other countries especially USA for the supply of foodgrains. To achieve self-sufficiency in food grains, Green Revolution was implemented.

Q 19. What is meant by agricultural subsidy?

Ans. Agricultural subsidy refers to the supply of agricultural inputs (like chemical fertilizers) by government to farmers at reasonable or low prices.

Q 20. Give arguments against of continuation of agricultural subsidies.

- Ans.**
- (i) The purpose of subsidies was to enable farmers to get new technology. Now, most of the farmers are using the new technology. So it should not offered.
 - (ii) Subsidies do not benefit the poor and small farmers. It mainly benefits the farmers in the prosperous regions.

Q 21. What is consolidation of land holdings?

Ans. It means a land is given to the farmer at one location, in lieu of his scattered pieces of land at several places.

Q 22. What is ceiling on land holdings?

Ans. It means fixation of maximum size of a land which a farmer could own, as prescribed by the law.

Q 23. What is minimum support price?

Ans. Minimum support price is the price of agricultural commodities fixed by the Commission for Agricultural Cost and Price (CACPC) so that it should not fall below these prices.

Q 24. Name two industries which were mostly developed in India, at the time of independence.

Ans. (i) Cotton textile industry (ii) Jute industry

Q 25. How many iron and steel industries were there at the time of independence?

Ans. At the time of independence, there were only two well managed iron and steel industries—TISCO and IISCO the former in Jamshedpur and the later in Kolkata.

Q 26. What do you mean by commanding heights?

Ans. Commanding heights refers to the industries of strategic significance. It includes transport, communication, defence goods, etc. The government decided to develop these industries as PSUs.

Q 27. What is export promotion?

Ans. It refers to the strategy of government to earn foreign exchange (S, ¥, £, ₹) by exploring foreign buyers or Indian products.

Q 28. What is import substitution?

Ans. It refers to the strategy of the government to save foreign exchange (S, ¥, ₹) by setting up new industries which produces those goods that we use to import from other countries of the world.

Q 29. What is tariff?

Ans. Tariff is a duty on imported goods. It increases the price of imported goods. It makes imported goods costlier than Indian goods. It protect Indian industry from foreign competition.



Short Answer Type-I Questions

Q 1. 'Land ceiling promotes equity'. Support the given statement with valid explanation. (CBSE SQP 2022-23)

OR

'In India, after 1947 land reforms were introduced on a large scale'. In the light of the given statement, discuss any one such land reform. (CBSE SQP 2023-24)

Ans. Land ceiling means fixing the maximum size of land which could be owned by 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.

Q 2. State the conditions of agriculture under British rule.

Ans. Under the British rule, Indian agriculture had the following features:

- (i) There was low production and low productivity.
- (ii) There was a high degree of uncertainty. Harvest mainly depends upon rainfall that is when it rains good, good harvest and when it rains bad, bad harvest.
- (iii) Subsistence farming i.e., farming was mainly done for self-consumption and not for sale in the market to earn profit.
- (iv) Zamindari system of land revenue was introduced.
- (v) No step was taken for the improvement of agriculture, no investment was made for the development of agriculture.
- (vi) Land holdings were small as well as fragmented.

Q 3. What was the state of industry under British rule?

Ans. Under British rule, the state of industry had the following characteristics:

- (i) Britishers destroyed the Indian handicraft industries.
- (ii) Britishers followed discriminatory foreign trade policy which means heavy duty on Indian export and no tariffs on Indian imports.
- (iii) Handicraft industries lost both domestic market as well as international markets.
- (iv) No heavy industry or capital good industry was established by the Britishers in India.



(v) The elimination of Nawabs and Rajas who were the major buyers of handicraft goods.

(vi) Competition with machine made British goods.

COMMON ERROR

Many times, students write the problems that India faced due to the deindustrialisation.



TIP

The focus needs to be the motive that the British had while deindustrialising the economy for their benefit.

Q 4. "Britain had a monopoly control over India's foreign trade". In the light of given statement, explain the condition of foreign trade under British rule.

OR

"Britishers followed discriminatory foreign trade policy which means heavy duty on Indian exports and no tariffs on Indian imports".

Briefly outline the condition of foreign trade under British rule.

Ans. Britishers followed discriminatory foreign trade policy which means heavy duty on Indian export and no tariffs on Indian imports. Under British rule, foreign trade shows following characteristics:

(i) Britain had a monopoly control over India's foreign trade. Half of the trade was restricted to Britain.

(ii) India was net exporter of raw material and net importer of finished goods.

(iii) India had large export surplus which however, could not result in flow of gold and silver into India. On the other hand, this was used to make payments for the expenses incurred by the colonial government in Britain.

Q 5. State the occupational structure under British rule.

OR

"The pre-independent India's occupational structure experienced growing regional variation."

Justify the above statement with valid explanation.

(CBSE SQP 2023-24)

Ans. State of Occupational Structure: Occupational structure refers to the distribution of working population across different industries and sectors. During colonial rule, occupational structure did not change much.

The state of occupational structure during the British rule was as follows:

(i) The primary sector accounted for the largest share of the workforce which remained at a high of 70-75% of the workforce.

(ii) The secondary and tertiary sectors accounted for only 10 and 15-20% respectively.

(iii) High degree of regional variation.

(iv) Parts of the Madras Presidency, Bombay and Bengal witnessed a decline in the dependence of the workforce on the agricultural sector with a commensurate increase in the manufacturing and the services sectors.

(v) There had been an increase in the share of workforce in agriculture in states such as Odisha, Rajasthan and Punjab.

COMMON ERROR

Many students write about the benefits that outsourcing had on the Indian Economy.



TIP

Students should focus on the benefits that other countries have when they outsource in India.

Q 6. What is meant by equal distribution of income?

Ans. Equal distribution of income, means every individual in society gets the same share in the country's national income.

For example, Equal distribution says that the Principal of a school gets the same salary as a teacher in the school. No society would ever want such an equal distribution of income.

Q 7. What is equitable distribution of income?

Ans. Equitable distribution of income, means a situation in which income is distributed according to the qualifications and abilities of the people.

For example, A Principal gets ₹ 50,000 as salary. On the other hand, a Teacher gets ₹ 20,000 as salary.

Equitable distribution of income is accepted by the society because it implies economic growth with social justice.

Q 8. What is modernisation?

Ans. Modernisation means, a shift from backward technology to the use of advanced technology.

Modernisation is not only confined to technology but also it is related to the change in thinking of the people, change in social outlook of the people of the country, specially women empowerment.

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

Ans. The use of science and advanced technology in production increases the level of production and increases the economic growth rate.

Modernisation does not mean a fall in the level of employment in the economy.

Modernisation i.e., (adoption of advanced technology) may make some people out of their job in the initial stage.

But finally, modernisation will generate more employment in the country. It is because, with increases in productivity level, the level of income tends to increase. Rising income means more demand for goods and services which in turn will lead to higher levels of output and employment.

Thus, modernisation and employment generation are not contradictory.

Q 10. State the main features of agriculture.

Ans. The main features of agriculture are as follows:

(i) There was a low production and low productivity.

(ii) There was a dependence on rainfall.

(iii) There was disguised unemployment.

- (iv) There was subsistence farming.
- (v) There was a conflict between landlords and tenants.
- (vi) There was small and fragmented land holdings.

Q 11. State any three importance of agriculture.

"During planning era, due to agricultural development India has become self-sufficient in food-grain supply". In the light of above statement explain the importance of agriculture in Indian Economy.

Ans. The importance of agriculture are as follows:

- (i) Agriculture is the source of livelihood to a large proportion of country's population.
- (ii) It supplies basic raw materials for some of our leading industries like cotton textiles, jute, sugar, tea, etc.
- (iii) It earns foreign exchange through exports of agricultural commodities like tea, coffee, raw cotton, raw jute, fruits, vegetables, etc.

Q 12. State the problems of Indian agriculture.

OR

"Agriculture sector has been adversely affected by the economic reform process." Comment. (CBSE 2023)

Ans. The economic reforms of 1991 have not been able to benefit agriculture and the growth rate was decelerating because of the following reason:

- (i) There were lack of permanent irrigation facilities.
- (ii) Agriculture was conventional outlook towards farming.
- (iii) There were lack of organised market.
- (iv) There was disguised unemployment.
- (v) There were small and scattered land holdings.
- (vi) There were exploitative agrarian relations.

Q 13. What are agrarian reforms? State them.

OR

What is meant by reforms in Indian agriculture?

Ans. The measures taken by government to overcome the problem of Indian agriculture are known as agrarian reforms.

The main agrarian reforms are as follow:

- (i) Technical reforms.
- (ii) Institutional reforms or land reforms.
- (iii) General reforms.

Q 14. Why was there a need for land reforms?

Ans. At the time of independence, agriculture sector was in the state of backwardness. There was low level of productivity and production. The tillers of the soil were exploited by the intermediaries. There was inequality in the rural areas. All these causes called for introduction of land reforms.

Q 15. What do you mean by inward looking trade strategy?

OR

Describe the policy of the import substitution that India adopted during the period 1950-90?

Ans. Inward looking trade strategy, means the policy of protecting India industries from foreign competition. Inward Looking Trade Strategy (ILTS) involves import substitution and imposition of import duties

quantitative restrictions on foreign goods.

Q 16. What were the good impact of inward looking trade strategy?

Ans. The good impact of inward looking trade strategy were:

- (i) The contribution of industrial sector was increased from 13% to 24.6% in 1991 approx (GDP).
- (ii) The opportunities of investment was increased. Small scale industries and self-employment promoted growth and equity.
- (iii) There was a diversification of industries in the country. The sunrise industry electronics was developed along with textile industry.
- (iv) There was a structural transformation in the country.

Q 17. "During the colonial period, a number of socio-economic indicators were in a dilapidated state."

List any three such indicators that led to the worsening of India's demographic profile.

(CBSE SQP 2023-24)

Ans. India's demographic indicators were in a dilapidated state during the colonial period as:

- (i) The overall literacy level was less than 16%. Out of this, the female literacy level was at a negligible low of about 7%.
- (ii) Infant mortality rate was quite alarming about 218 per thousand (218/1000).
- (iii) Life expectancy was very low (32 years).

Q 18. "Green revolution transformed India from a subsistent foodgrain economy to a food surplus economy."

Justify the statement, giving reasons in support of your answer.

(CBSE SQP 2023-24)

Ans. Before the advent of Green Revolution, a large proportion of agricultural produce was consumed by the farmers themselves instead of being sold in the market.

- (i) Green Revolution has resulted in increase in both agricultural production and productivity.
- (ii) By the late 1960s Indian agricultural productivity has increased sufficiently to enable the country to be self-sufficient in food grains.

Q 19. "In order to protect domestic industries, India followed the regime of restrictions on imports."

Briefly outline and discuss such steps taken by the government to promote import substitution policy.

(CBSE SQP 2023-24)

Ans. In order to protect domestic industries, India followed the import substitution policy. This policy aimed at substituting imports with domestic production. The domestic industries were protected from foreign competition by using the following tools:

- (i) **Tariffs**
 - (a) Tariff is a duty on imported goods.
 - (b) It increases the price of imported goods.
 - (c) It makes imported goods costlier than Indian goods.
 - (d) It protects Indian industry from foreign competition.

(ii) Quotas

- (a) It is the restriction or limit to import a commodity from foreign country.
- (b) It is fixed by the government keeping in view the needs of the country.
- (c) Quota protect Indian industries from foreign competition.



Short Answer Type-II Questions

Q 1. Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture. (CBSE SQP 2022-23)

Ans. On the eve of independence, the whole economic sector of Indian economy was controlled by agriculture. At that time, the initiation of agricultural reforms bring a sudden change, 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.

Q 2. Why is 1921 regarded as the year of great divide?

Ans. 1921 is regarded as the year of great divide because prior to 1921 population growth in India was never consistent.

The size of population kept on fluctuating, increasing in one census and decreasing in the other.

After 1921, the size of total population of India never declined and it showed a consistent rise.

Census	Rise in Population (In Crore)
1931	2.76
1941	3.96
1951	4.24

Due to rising population, there was an excessive burden of maintenance investment on government. The government has to spend money on the maintenance of the existing population.

As a result of this, the government was not in a position to increase growth oriented investments.

Thus, high maintenance investment and low growth-oriented investment made Indian economy a backward and a stagnant economy.

Q 3. Write a short note on infrastructure on the eve of independence.

Ans. On the eve of independence, the state of India's infrastructure are as follows:

- (i) Railways were developed for transporting finished goods from Britain to India. This was done for benefit of Britishers.
- (ii) Roads were developed to transport raw material from different parts of the country to the ports.
- (iii) Ports were developed to handle exports of raw material to Britain and imports of finished goods from Britain.
- (iv) Post and Telegrams were developed for administrative purpose.

Although the infrastructure was developed by the Britishers in India but the motive behind this was not for the growth and development of Indian economy. But it was done for the benefits of Britishers. Indian economy remained to be backward.

Q 4. State and explain any two main causes behind infrastructural development by British rule.

(CBSE 2023)

Ans. The British colonial rule in India was marked by significant infrastructural development, which had far-reaching implications for the country's economy, politics and society.

The two main causes behind infrastructural development by British rule in India are:

- (i) **Facilitating Trade and Commerce:** The British aimed to establish an extensive network of transport and communication infrastructure, including roads, railways, ports and telegraph lines, to facilitate trade and commerce. The development of these infrastructure facilities helped to connect different parts of the country and facilitate the movement of goods and people.
- (ii) **Promoting Modernisation:** The British believed that the development of infrastructure would promote modernisation and bring India closer to the West. They saw India as a backward country and believed that the development of infrastructure would help in bringing the country up to par with the West.

Q 5. What were the positive impact of British rule in India?

Ans. The positive impact of British rule in India were:

- (i) **Commercialisation of Agriculture:** Britishers change the outlook of the farmers from subsistence farming to commercial farming.
- (ii) **Employment Opportunities:** Due to railways and roadways many employment opportunities was created in the country.
- (iii) **Administration:** Britishers provided an efficient system of administration. This served as a reference for the politicians and planners of India.
- (iv) **Controls of Famines:** The transportation facilities like railways and roadways help to control the negative impact of famines by quickly transporting food material to the famines affected areas.

Q 6. What is self-sufficiency?

Ans. Self-sufficiency means dependence on domestically produced goods rather than on imported goods. The main purpose of this was related to the production of food grains in India. In the year 1965, Pakistan attacked India USA threatened India that it will stop sending foodgrains to India. If India did not stop the war with Pakistan.

Self-reliance was considered necessary by India because of two reasons:



- (i) To reduce our dependence on foreign countries, especially for food grains.
- (ii) Dependence on imported food supplies, foreign technology and foreign capital would increase foreign interference in the policies of our country.

Q 7. Explain 'growth with equity' as a planning objective.

- Ans.** (i) Economic growth is the main objective of Indian planning. Growth refers to increase in the country's capacity to produce the output of goods and services within the country. It leads to the availability of more goods and services for the people.
- (ii) Growth would become meaningless, if its benefits do not reach to all the sections of the society. For this, the gap between rich and poor should be reduced.

Q 8. What is sectoral composition of an economy? Is it necessary that the service sector should contribute maximum to GDP of an economy? Comment.

OR

"Is it necessary that the service sector should contribute maximum to GDP of an economy"? Do you agree with this statement? Give valid reason in support of your answer.

- Ans.** Sectoral composition of an economy means the contribution made by the different sectors of the economy, namely; the primary sector, the secondary sector and the tertiary sector.

In some countries, growth in agriculture contributes more to GDP growth, while in some other countries the growth in the service sector or the industrial sector contributes more to the GDP growth.

When an economy develops, its share of agriculture sector in GDP decreases and the share of industry increases.

At higher levels of development, the service sector contributes more to GDP growth compared to other two sectors.

However, this is not always true.

For example, India is a developing country in which the contribution of the service sector is maximum i.e., 58% of the total GDP but the level of development is low in India.

Q 9. Discuss any two merits and demerits of the Green Revolution in the agricultural sector in the Indian economy. (CBSE 2023)

OR

Mention any two advantages of Green Revolution in India.

OR

Mention three drawbacks of Green Revolution in India.

- Ans.** Two advantages of Green Revolution in India are:
- (i) Green Revolution has resulted in increase in both agricultural production and productivity.
 - (ii) By the late 1960s Indian agricultural productivity has increased sufficiently to enable the country to be self-sufficient in food grains.

The drawbacks of Green Revolution are as follows:

- (i) Green Revolution has remained limited of wheat and rice crops only. It did not cover pulses. Progress in our major commercial crops, viz. cotton, jute, oilseeds has been very slow.
- (ii) Increase in food production has taken place only in Rajasthan, Punjab, Maharashtra, Tamil Nadu, Western Uttar Pradesh and in some districts of Andhra Pradesh has increased regional inequalities.
- (iii) Only big farmers have benefited most from the application of new technology. The new technology, therefore, has increased the inequalities of income.

Q 10. Explain three main features or importance of small scale industries.

Ans. The three main features or importance of small scale industries are as follows:

- (i) **Generates Employment:** Small scale industries generate more employment as compared to large scale industries because large scale industries use capital-intensive technique of production whereas small scale industries labour-intensive technique of production.
- (ii) **Balanced Regional Growth:** Small scale industries promote balanced regional growth as compared to large scale industries because small scale industries shows location flexibility. Large scale industries are established on those places which are close to the source of raw material. However, small scale industries can be established easily and thus contribute to balanced regional growth.
- (iii) **Equity Oriented:** Small scale industries require much smaller investment as compared to large scale industries. So small scale industries does not lead to concentration of economic power. On the other hand, small scale industries promotes equality across different sections of the society.

Q 11. Why was public sector given a leading in industrial development during the planning period? (NCERT)

Ans. Public sector was given a leading role in industrial development during the planning period due to the following reasons:

- (i) **Lack of Capital:** At the time of independence, Tata and Birla were the only big industrial houses in India. The requirement of capital needed for industrial growth of the country was far beyond the capacity of these industrial houses. So, it became essential for the government to achieve industrial growth through public sector undertaking.
- (ii) **Small Size of Market:** At the time of independence, there was a limited size of the market, the limited or small size of market means low level of demand and low level of income. So, the private entrepreneurs were not ready to make huge investments. Thus, it became essential for the government to initiate the process of industrialisation.

- (iii) **Growth with Social Justice:** At the time of independence, the objective of government was to achieve growth with social justice. But the aim of private sector was to earn maximum profits. Thus, government took a leading role in industrial development in order to generate employment rather than investment that maximises profit.

Q 12. Write down the bad impacts of inward looking trade strategy.

Ans. The bad impact of inward looking trade strategy are:

- (i) Protection of domestic industry from foreign competition led to the growth of inefficient public monopolies.
For Example, Till 1990 telecommunication was a government's monopoly. It was so inefficient that people had to wait for months or even for an year in order to get a new telephone connection. But now you get repeated SMS for Airtel VI offering you a new connection free of charge.
- (ii) There was a lack of modernisation. Only two car models were sold in the market. For Example, FIAT, Ambassador.
- (iii) Public sector had started swallowing up opportunities of investment for the private sector.
For Example, Public sector has started producing bread and shoes which could easily be left for the private sector.
- (iv) Any private sector enterprise incurring loss will be closed or shut down. But in case of public enterprise it was a political compulsion that the public enterprise will not be closed even if it is incurring loss.



Long Answer Type Questions

Q 1. Explain the features of Indian economy on the eve of independence.

Ans. The features of Indian economy on the eve of independence are:

- (i) **Backward Economy:** Indian economy was a backward economy because the per capita income was very low it was just ₹ 230 in 1947-1948. Also, the majority of population was very poor. There was unemployment in the country.
- (ii) **Stagnant Economy:** Indian economy was stagnant economy because the per capita income was very low. Between 1860-1925, it was as low as 0.5% per annum and between 1925-1950 it was 0.1% per annum.
- (iii) **Rampant Economy:** Poverty was wide spread in India. There was unemployment in the country due to decay of handicraft industries. Majority of people were not getting two square meals a day. They lacked shelter and clothing.
- (iv) **Semi-feudal Economy:** Indian economy was neither socialist economy nor a capitalist economy. It was a mixed economy or semi-feudal economy.
- (v) **Agriculture Backwardness:** Indian agriculture was backward because neither the Britishers nor the Zamindars invested any money for the development of agriculture. The productivity was

very low. The per hectare output of wheat was 660 kg and that of rice was 665 kg per hectare. The foodgrains production was just 527 lakh tonnes which was hardly enough for subsistence.

(vi) **Industrial Backwardness:** The industrial sector was backward because:

- (a) There was a lack of basic and heavy industries in the country.
- (b) Small scale and cottage industries were almost ruined.
- (c) Heavy dependence on import for Medicines, Arms and Ammunition, Machines, Bicycles, etc.

(vii) **Poor Infrastructure:** Indian economy had a poor infrastructure:

- (a) Power generation capacity was 2,100 MW.
- (b) Length of Indian Railways was 53,596 km.
- (c) Pucca roads had coverage of 155 thousand kilometers.

(viii) **Limited Urbanisation:** Most of the population of India lived in rural areas or villages. Around 86% of population lived in villages whereas 14% of population lived in urban areas in 1948.

(ix) **Colonial Economy:** Indian economy was considered as a colony of Britishers. They exploited Indian economy for their own benefits.

- (a) They destroyed Indian handicraft industries.
- (b) They destroyed Indian exports by imposing heavy tariffs.
- (c) They sold their product in India at duty free prices.
- (d) They made India a source of raw material for the British industries.

Q 2. Explain the reasons responsible for failure of Planning in India?

Ans. The reasons responsible for failure of Planning in India are as follows:

- (i) **Poverty:** The central theme of planning was removal of poverty. But in India 21.9% of population still lives below the poverty line, these are those people who are not able to get basic needs of food, shelter, clothing, etc.
- (ii) **Inflation:** The Planning Commission made plans for controlling inflation and maintaining price stability in the country, but because of high rate of inflation during Five Year Plans, real income of people tends to fall. All rich people become more rich and poor people become more poorer.
- (iii) **Unemployment:** The Planning Commission made plans and created more and more employment opportunities in the country, but the problem of unemployment remain unsolved. At the end of First Five Year Plan, 53 lakh persons were unemployed this number rose to 4 crore at the end of 11th Five Year Plan.
- (iv) **Infrastructure:** Indian Planning Commission made many plans for the development of infrastructure like power, school, hospital, roads, etc., but still there is a shortage of infrastructural resources.

(v) **Skewed Distribution:** There is economic and social inequality in the country. The plans were failed to provide economic and social equality. The government offer reservations in the jobs to the economically and socially weaker section of the society.

(vi) **Unrealistic Goal and Unfair seen Event:** Indian plans were failed because some plans were unrealistic and they lack future uncertainties. There was no backup plans and alternative solutions.

Q 3. Explain the positive and negative effects of Green Revolution?

Ans. Positive Effects of Green Revolution:

The positive effect of Green Revolution are:

- (i) **Foodgrains:** The spread of Green Revolution helped India to achieve self-sufficient food grains. India was no longer at the mercy of America or any other nation for the foodgrain requirements. The Green Revolution helped the government to procure sufficient amount of foodgrains to build buffer stock which could be used in times of food shortage.
- (ii) **Marketable Surplus:** Green Revolution resulted in 'marketable surplus'. Marketable surplus refers to that part of agricultural produce which is sold in the market by the farmers after meeting their own consumption requirements. A good amount of rice and wheat were produced which were sold by the farmers in the market.
- (iii) **Low Price of Wheat and Rice:** As large proportion of foodgrains was sold by the farmers in the market, their prices declined relative to other items of consumption. The low income groups who spend a large proportion of their income on food, benefited from this decline in relative prices.

Negative Effects of Green Revolution:

The negative effect of Green Revolution are:

- (i) **Limited Crops:** Green Revolution is confined largely to wheat and rice crops. There has been no similar increase in the production of pulses and commercial crops like jute, cotton, tea, etc.
- (ii) **Confined to Limited Area:** Green Revolution was started only in few states like Punjab, Haryana, Western Uttar Pradesh, Maharashtra and Tamil Nadu. Other states like Eastern Uttar Pradesh, Bihar, Madhya Pradesh and Odisha remain unaffected.
- (iii) **Economic Divide:** The gap between the rich and poor farmers has increased. Green revolution leads to the use of costly inputs like fertilizers, intensive irrigation of HYV seeds. Though these inputs have been subsidised by the government, poor farmers are unable to use them. Mainly, the rich farmers are benefited from HYV technology.

(iv) **Ecological Effect:** Due to Green Revolution, increase in saltiness-alkalinity of soil, soil erosion, lowering of groundwater level, loss in soil fertility, and loss in biodiversity, etc.

Q 4. Does India need second Green Revolution? Give reasons. Also, suggest some measures that India should consider for second Green Revolution.

Ans. Need for second Green Revolution are as follows:

(i) Levels of productivity and production in Indian agriculture are very low as compared to other countries of the world.

For example, productivity of wheat in India is 3.034 kg per hectare in 2015. This figure for China and Egypt are 4.995 kg and 6.516 kg respectively. Likewise, productivity of rice in India is 2,400 kg as against 6,744 kg in China and 5,391 kg in Japan. Similar is the case for most of the other crops. So, we need another Green Revolution.

(ii) Growth rates as observed in the agricultural sector have been quite lower than those of manufacturing and service sector. Lower growth rate in agricultural sector keeps the overall growth rate of the economy at low level.

(iii) Agricultural performance in India has been quite fluctuating. So, we need a second Green Revolution.

Some of the suggestions or issue that India needs to consider during the second Green Revolution are as follows:

(i) Improving water management and rainwater harvesting.

(ii) Reclaiming degraded land and focusing on soil quality.

(iii) Reducing the dependence of population on agriculture.

(iv) Diversifying to high value outputs, fruits, vegetables, flowers, herbs, etc., while taking adequate measures to ensure food security.

(v) Promoting animal husbandry and fishery.

(vi) Promoting easy access to credit at affordable rates.

(vii) Improving the functioning of agricultural marketing.

(viii) Use of multiple cropping technique.

Q 5. What were the salient features of the strategy of industrial growth during the period 1950-1990?

Ans. The salient features of the strategy of industrial growth during the period 1950-1990 were as follows:

(i) **Leading Role:** The public sector played a leading role in the process of industrialisation because of the objective of growth with social justice. Also, private sector was not ready to make huge investments because of lack of capital and small size of market for industrial goods.

(ii) **Secondary Role of Private Sector:** Due to Industrial Policy Resolution 1956 private enterprises were to play only a secondary role in the process of industrialisation. Also, Industries Development Regulation Act 1951, empowered government to give licence to private entrepreneurs if they want to set a new industry, expand existing industry or want to bring diversification of goods.

(iii) **Focus on Import Substitution:** The process of industrialisation focused on import substitution. India should produce those goods inside the country for which we have to depend on foreign countries. The aim was to achieve self-reliance and to save foreign currency.

(iv) **Protection of Domestic Industry from Foreign Competition:** Another strategy of industrial growth was to protect domestic industries from foreign competition. For this purpose, tariffs and quotas were used. Heavy tariffs were imposed on imported goods and there was fixation of quotas, i.e., quantitative restrictions on imports and exports.

(v) **Infrastructural Base:** Large scale industries were established by the government in order to build an infrastructural base in the country.

(vi) **Small Scale Industries:** Small scale industries were developed in order to generate employment opportunities, balanced regional growth and to avoid concentration of wealth among the few.

Economic Reforms Since-1991

► New Economic Policy, 1991 was declared by the P.V. Narasimha Rao's government by the then Finance Minister, Dr. Manmohan Singh. Policy is also known as U-turn policy. This policy was implemented under pressure from the World Bank, whom the Indian government had approached because it had only two week's worth of foreign exchange reserve.

Knowledge BOOSTER

Economic Crisis of 1991

- The government was not able to make repayments on its borrowings from abroad.
- Foreign exchange reserves are used to import petrol.
- The prices of essential goods were rising.
- The main causes of Economic Crisis are:
 - Rising deficit
 - Unproductive spendings
 - Unproductive use of debt

► Elements of New Economic Policy/Economic Reforms

- **Liberalisation:** Liberalisation refers to freedom from direct or physical controls imposed by the government.
- **Privatisation:** It is the general process of involving the private sector in the ownership of a state owned enterprise.
- **Globalisation:** Globalisation means integrating the economy of a country with the economies of other countries under conditions of free flow of trade and capital across borders.

► Need of New Economic Policy/Economic Reforms

- Large fiscal deficit
- Huge deficit in balance of payment
- Gulf crisis
- Fall in foreign exchange reserves
- Rise in general price (inflation)
- Poor performance of PSUs

Knowledge BOOSTER

The Government of India accorded the status of Maharatna, Navratna and Miniratna to certain Public Sector Undertakings (PSUs). A few examples of PSUs which have been granted this status are as follows:

- **Maharatnas:** Indian Oil Corporation Limited and Steel Authority of India Limited.
- **Navratnas:** Hindustan Aeronautics Limited and Mahanagar Telephone Nigam Limited.
- **Miniratnas:** Bharat Sanchar Nigam Limited, Airport Authority of India and Indian Railway Catering and Tourism Corporation Limited.

► Appraisals and Criticisms of LPG Policies (Economic Reforms)

► Appraisals of Economic Reforms

- Increase in rate of economic growth
- Inflow of foreign investment
- Rise in foreign exchange reserves
- Rise in exports
- Control on inflation
- Increase in role of private sector

► Criticisms of Economic Reforms

- Growth and employment
- Reform in agriculture
- Reform in industry
- Reform in fiscal policy
- Disinvestment
- Unbalanced growth

► **Demonetisation:** First demonetisation in India took place in 1946 and the second one in 1978. In its third phase, on 8th November 2016, Prime Minister Narendra Modi banned ₹500 and ₹1,000 currency notes with immediate effect. It was undertaken to curb black money and a step towards digitisation. The announcement led to cash-crunch with huge crowds in front of banks and ATMs.

Knowledge BOOSTER

RBI on 19 May, 2023 announced to withdraw the ₹ 2000 denomination banknotes from circulation. However, the ₹ 2000 notes will continue to be legal tender.

► **Goods and Services Tax (GST):** GST has been implemented from 1st July 2017. It is an indirect tax used on the supply of goods and services. It is a value added tax levied on most goods and services sold for domestic consumption, but it is remitted by the businesses selling the goods and services to the government.



Practice Exercise



Multiple Choice Questions

- Q 1. Economic reforms in India were started in India.
a. 1951 b. 1985 c. 1991 d. 2001
- Q 2. was the Indian Finance Minister in 1991.
a. Dr. Subramanian Swamy
b. Dr. Manmohan Singh
c. Pranab Mukherjee
d. Dr. Urjit Patel
- Q 3. New Economic Policy, 1991 is also called:
a. L-turn Policy b. U-turn Policy
c. S-turn Policy d. None of these
- Q 4. Deregulation of the economy and to introduce the policy of Laissez-Faire can be achieved through:
a. liberalisation b. globalisation
c. privatisation d. None of the above
- Q 5. Which of the following is not a method of privatisation?
a. Liberalisation b. Globalisation
c. Disinvestment d. Privatisation
- Q 6. Globalisation and Liberalisation are:
a. contradictory b. complementary
c. independent d. None of the above
- Q 7. Which was not the objective of demonetisation 2016?
a. To curb corruption
b. To curb counterfeit currency
c. To stop the use of low denomination notes for terrorist activities
d. To discourage the accumulation of 'black money'
- Q 8. GST has been implemented from
a. April 1, 2018 b. January 1, 2018
c. January 1, 2017 d. July 1, 2017
- Q 9. What kind of tax is GST?
a. Direct tax
b. Indirect tax
c. Depends on the type of goods and services
d. None of the above
- Q 10. Which of the following statement is not true regarding the benefit of GST?
a. GST provides comprehensive and wider coverage of Input credit set-off.
b. All indirect taxes in State and Central level has been included by GST.
c. Uniformity of tax rates across the states.
d. Ensure better compliance due to aggregate tax rate reduction.
- Q 11. From the following statements regarding Goods and Services Tax (GST), identify the income statement:
a. It ensures uniformity of tax rates across all states.
b. It ensures better tax compliance and tax collection.
c. All types of direct and indirect taxes have been subsumed by it.
d. It is imposed on the supply of goods and services.



Statement Based Questions

- Q 12. Read the following statements carefully:
Statement I: Economic Reforms of 1991 paved the way for the liberalisation of Indian Economy.
Statement II: Economic Reforms of 1991 relaxed the restrictions imposed by the government on private sector.
In the light of the given statements, choose the correct alternative from the following:
(CBSE 2021, Term-1)
a. Statement I is true, but statement II is false.
b. Statement II is true, but statement I is false.
c. Both statements are true.
d. Both statements are false.
- Q 13. Read the following statements carefully:
Statement I: Industrial sector growth has slowed down during planning period.
Statement II: Economic reforms initiated by Indian economy in 1991.
In the light of the given statements, choose the correct alternative from the following:
a. Statement I is true, but statement II is false.
b. Statement II is true, but statement I is false.
c. Both statements are true.
d. Both statements are false.



Fill in the Blank Type Questions

- Q 14. The main source of in India is USA.
(Choose the correct alternative to fill up the blank)
a. Direct investment
b. Domestic investment
c. Foreign direct investment
d. Autonomous investment
- Q 15. means reduce the value of home currency in other currency.
(Choose the correct alternative to fill up the blank)
a. Revaluation b. Appreciation
c. Depreciation d. Devaluation
- Q 16. means transfer of ownership and control from public sector to private sector.
(Choose the correct alternative to fill up the blank)
a. Liberalisation b. Privatisation
c. Globalisation d. Socialisation
- Q 17. All restrictions on imports by the government in the form of other than taxes are called
(Choose the correct alternative to fill up the blank)
a. Barriers b. Government duties
c. Non-tariff barriers d. Tariff barriers
- Q 18. is the process of detaching a currency from its status as legal tender in the country.
(Choose the correct alternative to fill up the blank)
a. Demonetisation b. Delegation
c. Centralisation d. Decentralisation

True/False Type Questions

- Q 19. The transfer of ownership from private sector enterprises to public sector enterprises is known as privatisation.
- Q 20. The number of industries reserved for public sectors is 17.
- Q 21. GST has been implemented from 24th July, 1991.
- Q 22. During 1990 to 1991 was war between America and Iraq. Due to this petrol price decrease in India.
- Q 23. The role of RBI has been changed from 'A FACILITATOR' to 'A REGULATOR' of the financial sector.

Match the Column Type Questions

- Q 24. Identify the correctly matched pair in Column I and Column II from the following:

Column I	Column II
A. GST	1. 2016
B. Demonetisation	2. 2017
C. Liberalisation of Trade Policy	3. 1991
D. Nationalisation of Banks	4. 1980

- A B C D
a. 2 1 3 4
b. 3 2 4 1
c. 1 2 3 4
d. 3 4 2 1

- Q 25. Identify the correctly matched pair in Column I and Column II from the following:

Column I	Column II
A. Liberalisation of Trade Policy	1. July 24, 1992
B. Liberalisation of Industrial Policy	2. July 24, 1991
C. Privatisation of Public Sector	3. July 24, 1990
D. Removal of Licensing	4. July 24, 1993

- A B C D A B C D
a. 4 3 2 1 b. 1 2 3 4
c. 3 2 4 1 d. 1 4 3 2

- Q 26. Identify the correctly matched pair in Column I and Column II from the following:

Column I	Column II
A. Uniformity of taxes	1. Effect of 2016 demonetisation
B. At the State Level	2. Benefit of GST
C. One Point Single Tax	3. Objective of GST
D. Brought an end to black money	4. SGST

- A B C D A B C D
a. 1 2 3 4 b. 4 3 2 1
c. 2 4 3 1 d. 3 1 4 2

Assertion & Reason Type Questions

Directions (Q.Nos. 27-33): There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:

- 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.
- Q 27. Assertion (A): All before demonetisation has occurred in the context of hyperinflation, wars, political upheavals or other extreme circumstances. Reason (R): Demonetisation was introduced in November 2017 to curb corruption.
- Q 28. Assertion (A): Navaratna Policy of the government helped in improving the performance of public sector undertakings in India. Reason (R): Navaratna Policy boosted the public sector industries and helped them to produce more efficiently and also made them competitive in the market.
- Q 29. Assertion (A): India's pre-1990 economic strategy dismantles the vast network of controls and permits that dominated the economic system. Reasons (R): The 1991 reforms unleashed the energies of Indian entrepreneurs, gave untold choice to consumers and changed the face of the Indian economy. *(CBSE SQP 2021, Term-1)*
- Q 30. Assertion (A): The 1991 reforms released the vitalities of Indian business persons. Reason (R): The reform agenda established a paradigm shift and defined the broad outlines of economic policy making for years to come. *(CBSE SQP 2021, Term-1)*
- Q 31. Assertion (A): Every year government fixes a target for disinvestment of Public Sector Enterprises (PSEs). Reason (R): Disinvest is an excellent tool for discarding the loss incurring Public Sector Enterprises (PSEs).
- Q 32. Assertion (A): Demonetisation was an initiative taken by the Government of India to curb black money, terrorism and circulation of fake currency. Reason (R): Demonetisation has led people to shift from cash payments to electronic payments. *(CBSE 2021, Term-1)*
- Q 33. Assertion (A): In 1991, as an immediate measure to resolve the Balance of Payments crisis, the rupee was devalued against foreign currencies. Reason (R): Devaluation of currency was eminent, to replenish the deteriorated foreign exchange reserves. *(CBSE SQP 2023-24)*

Answers



Case Study Based Questions

Case Study 1

Read the extract given below and answer the questions on the basis of the same:

Demonetisation is the process of stripping down a currency of its status as a legal tender (a legal tender is anything that is recognised by the law of a country as a means to settle public, or private, debt; or to meet any financial obligation). In doing so, the current form of currency is removed from circulation and is retired; usually, a new currency replaces it.

On 8th November 2016, led by Prime Minister Narendra Modi, the Government of India announced the withdrawal of ₹1,000 and ₹500 rupee notes from circulation. The government also announced the issuance of new ₹500 and ₹2,000 rupee notes in exchange for the demonetised notes.

Even after four years, the impact of demonetisation can be seen in various segments of the economy. The main objective of demonetisation in 2016 was to reduce and prevent circulation of black money in the market.

- (c) 1991
 - (b) Dr. Manmohan Singh
 - (b) U-turn Policy
 - (a) Liberalisation
 - (c) Disinvestment
 - (b) complementary
 - (c) To stop the use of low denomination notes for terrorist activities
 - (d) July 1, 2017
 - (b) Indirect tax
 - (b) All indirect taxes in State and Central level has been included by GST.
 - (c) All types of direct and indirect taxes have been subsumed by It.
 - (c) Both statements are true.
 - (c) Both statements are true.
 - (c) Foreign direct investment
 - (d) Devaluation
 - (b) Privatisation
 - (c) Non-tariff barriers
 - (a) Demonetisation
 - False: The transfer of ownership from public sector enterprises to private sector enterprises is known as privatisation.
 - False: The number of industries reserved for public sector is 2.
 - False: GST has been implemented from 1st July, 2017.
 - False: During 1990 to 1991 was war between America and Iraq. Due to this, petrol price increase in India.
 - False: The role of RBI has been changed from 'A REGULATOR' to 'A FACILITATOR' of the financial sector.
- | | A | B | C | D |
|---------|---|---|---|---|
| 24. (a) | 2 | 1 | 3 | 4 |
| 25. (b) | 1 | 2 | 3 | 4 |
| 26. (c) | 2 | 4 | 3 | 1 |
- (c) Assertion (A) is true, but Reason (R) is false.
 - (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
 - (d) Assertion (A) is false, but Reason (R) is true.
 - (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).
 - (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
 - (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Q1. The latest demonetisation event in India took place in:

- 2014
- 2020
- 2011
- 2016

Q2. Who was the Prime Minister of India during the demonetisation of 2016?

- Manmohan Singh
- Atal Bihari Vajpayee
- Narendra Modi
- H.D. Deve Gowda

Q3. The new denominations introduced after demonetisation in 2016 were:

- ₹1,000 and ₹5,000
- ₹5,000 and ₹10,000
- ₹500 and ₹2,000
- ₹2,000 and ₹5,000

Q4. Which one of the following was one of the objectives of demonetisation in 2016?

- To gift new notes to people of India
- To reduce and prevent circulation of black money in the market
- To increase the interest rate
- To increase the value of currency

Answers

- (d)
- (c)
- (c)
- (b)

Case Study 2

Read the extract given below and answer the questions on the basis of the same:

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. The Goods and Services Tax Act was passed in the Parliament on 29th March, 2017 and came into effect on 1st July, 2017. Goods and Services Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. All the inter-state sales are chargeable to the integrated GST.

Q 1. What is the full form of GST?

- a. Goods and Supply Tax
- b. Goods and Services Tax
- c. General Sales Tax
- d. Government Sales Tax

Q 2. GST was implemented in India from:

- a. 1st January, 2017
- b. 1st April, 2017
- c. 1st March, 2017
- d. 1st July, 2017

Q 3. GST is a consumption of Goods and Services Tax based on:

- a. Development
- b. Dividend
- c. Destiny
- d. Destination

Q 4. The number of structures in India's GST model is?

- a. 6
- b. 4
- c. 3
- d. 5

Answers

1. (b) 2. (d) 3. (d) 4. (b)

Case Study 3

Read the extract given below and answer the questions on the basis of the same:

India's post-1990 economic strategy entailed three important breaks with the past.

To dismantle the vast network of controls and permits that dominated the economic system.

To redefine the role of the state as a facilitator of economic transactions and as a neutral regulator rather than the primary provider of goods and services.

To move away from a regime of import substitution and to integrate fully with the global trading system. The 1991 reforms unleashed

the energies of Indian entrepreneurs and gave untold choice to the consumers and changed the face of the Indian economy. The reform agenda constituted a paradigm shift and has defined the broad contours of economic policy making for three decades.

Liberalisation was adopted as the guiding principle of governance and all governments since 1991, have broadly stuck to that path.

Today we don't need a paradigm shift. We need to look at individual sectors and see which one of these needs, reforms to create a competitive environment and improve efficiency. The power sector, the financial system, governance structures and even agricultural marketing need reforms.

Today's reforms also require much more discussion and consensus-building. The Central Government needs to work in tandem with State Governments and consult different stakeholders impacted by reform decisions. Timing and sequencing are critically important in the new reforms' agenda.

Source: Excerpts from 'Like 1991, the 2021 crisis presents an opportunity, by C.Rangarajan, 22nd January, 2021 (livemint.com).

(CBSE SQP 2021, Term-1)

Q 1. According to the given text, was adopted as the guiding principle of governance and all governments since 1991.

- a. Modernisation
- b. Liberalisation
- c. Privatisation
- d. Globalisation

Q 2. Statement I: 1991 was a landmark moment in India's post-independence history as that changed the nature of the economy in fundamental ways.

Statement II: India's economic establishment launched a multi-pronged reforms agenda to repair India's macroeconomic balance sheet and ignite growth.

- a. Both the statements are true.
- b. Both the statements are false.
- c. Statement I is true, but Statement II is false.
- d. Statement II is true, but Statement I is false.

Q 3. In the light of the given text and common knowledge, identify the incorrect statement.

- a. A severe balance of payments problem triggered an acute economic crisis in 1991.
- b. In 1991, the economic and political leadership launched a multi-pronged reforms agenda to repair the macroeconomic situation of the nation.
- c. In post 1991 situation, the state was given the role of primary regulator of the economy.
- d. Post pandemic, individual sectors should be looked closely. Sectors that need reforms should be identified and corrective action should be taken.



- Q 4. **Statement I: Timing and sequencing are critically important in the post-economic reform agenda. Statement II: Post pandemic reforms in India require a paradigm shift.**
- Both the statements are true.
 - Both the statements are false.
 - Statement I is true, but Statement II is false.
 - Statement II is true, but Statement I is false.

Answers

1. (b) 2. (a) 3. (c) 4. (c)

Case Study 4

Read the extract given below and answer the questions on the basis of the same:

IMF was conceived at the Bretton Woods Conference held in 1944 and setup in 1946. The main objective of setting up of such an organisation was to administer a code of good conduct in international liquidity of its member countries and to grant short-term loans to economies, experiencing temporary deficit in Balance of Payments (BoP). IMF started to function from March, 1947.

Its headquarters is located in Washington DC. There are 189 member countries including India. The highest authority of the IMF is the Board of Governors, which consists of the most part of Ministers of Finance or Central Bank Governors of the member countries. Each member country appoints one governor. The board generally meets only once in a year.

Q 1. When was IMF established?

Ans. The IMF was established in 1944 in the aftermath of the Great Depression of the 1930s.

Q 2. Where is the headquarter of IMF?

Ans. Washington DC. (United States).

Case Study 5

Read the extract given below and answer the questions on the basis of the same:

To increase the production of goods and services the producers have to adopt new technology. For example, a farmer can increase the output on the farm by using new seed varieties instead of using the old ones. Similarly, a factory can increase output by using a new type of machine. Adoption of new technology is called modernisation.

However, modernisation does not refer only to the use of new technology but also to changes in social outlook, such as the recognition that women should have the same rights as men. In traditional society, women are supposed to remain at home

while men work. A modern society makes use of the talents of women in the work place-in banks, factories, school, etc., and such a society in most occasions is also prosperous.

Q 1. What do you mean by modernisation?

Ans. Modernisation is a process which takes a country from underdevelopment to development.

Q 2. What is modernisation in education?

Ans. Modernisation in education refers to the process focused on transformation of society and values as attributes of culture. Globalisation trends lead to unification of transformation process in the sphere of culture and society.

Case Study 6

Read the extract given below and answer the questions on the basis of the same:

The stabilisation and structural adjustment measures, initiated under the 1991. 'Economic Reforms' mark a watershed moment in India's economic policies. For almost three decades since independence, India's development strategy and economic policies were guided by the objectives of accelerating the growth of output and employment with social justice and equity.

Ever since the 1970's, it was realised that many of the regulations on economic activities have outlived their usefulness and were in fact hampering economic growth and development. In response to this, the government initiated some milder liberalisation reforms for almost a decade since the early 1980's.

However, the Indian economy soon had to face the Gulf crisis and consequently:

- The uncertainties about the oil prices;
- The external payment problems;
- The serious inflationary pressures;
- The scarcities of essential commodities;
- The deterioration of fiscal discipline, etc.

These led to the Indian economy on the verge of Economic crisis.

In response to this emerging crisis, the Government initiated a set of stabilisation and structural reforms like:

- Reduction in fiscal deficit;
- Containment of growth in money supply;
- An exchange rate adjustment system, etc.

The key objective of stabilisation policy was to bring the growth of aggregate demand in line with long-term growth path of the economy.

In conjunction, the structural adjustment measures like:

- (i) Industrial delicensing
- (ii) Liberalisation of policy regime governing international trade
- (iii) Deregulation of financial sector

Were taken to improve the supply side of the economy. This shifted the long-term growth path of the economy itself completely.

(Adapted and modified)

Source:

<https://niti.gov.in/planningcommission.gov.in/docs/reports/genrep/arep9099/at94.95h.tm>

(CBSE 2023)

Q 1. Briefly outline any two reasons for the initiation of Economic Reforms in 1991.

Ans. The reasons for the initiation of Economic Reforms in 1991 are as follows:

- (i) Economic Reforms in 1991 Intended to move towards higher economic growth rate and to build sufficient foreign exchange reserves.
- (ii) Economic Reforms wanted to achieve economic stabilisation and convert the economy into a market economy by removing all kinds of unnecessary restrictions.

Q 2. Government introduced a set of stabilisation and structural reforms to solve the economic crisis. State the key initiatives and objectives of these policies adopted by the Government of India.

Ans. (i) Stabilisation Measures:

- (a) These are short-term measures aimed at solving the immediate cause of 1991 economic crisis.
- (b) These included correcting the weakness which resulted in the balance of payments crisis and steps to bring the inflation under control.

(ii) Structural Measures:

- (a) These are long-term measures aimed at improving the efficiency of the economy and increasing its international competitiveness by removing the rigidities in various segments of the Indian economy.
- (b) These reforms fall under three leads:
 - Liberalisation
 - Privatisation
 - Globalisation

Very Short Answer Type Questions

Q 1. Name any one maharatna company.

(CBSE SQP 2022-23)

Ans. Indian Oil Corporation Limited.

Q 2. In which year new economic policy was formed?

Ans. New economic policy was formed in 1991.

Q 3. State the policy replaced by LPG in 1991.

Ans. LQP is replaced by LPG in 1991.

Q 4. What is the full form of LQP?

Ans. L: Licensing Q: Quotas P: Permits

Q 5. What is liberalisation?

Ans. It means freedom of producing goods from direct control imposed by the government.

Q 6. What is privatisation?

OR

State the meaning of privatisation. (CBSE 2023)

Ans. The transfer of ownership from public sector enterprises to private sector enterprises is known as privatisation.

Q 7. What is globalisation?

Ans. Globalisation means integrating our economy with economics of the rest of the world.

Q 8. What is outsourcing?

Ans. It means a system of hiring business services from the outside world. e.g., BPO and KPOs.

Q 9. What is meant by demonetisation?

Ans. Demonetisation is the process of stripping a currency unit of its status to be used as legal tender.

Q 10. When was the first demonetisation done in India after independence?

Ans. First demonetisation after independence in India occurred in 1978.

Q 11. What do you mean by GST?

Ans. GST is an indirect tax used on the supply of goods and services.



Short Answer Type-I Questions

Q 1. Why was there a need for new economic policy or economic reforms in India?

Ans. There was a need for new economic policy because of the following reasons:

- (i) There was a high rate of inflation in India.
- (ii) There was a very high fiscal deficit.
- (iii) There was a huge deficit in balance of payment.
- (iv) There was a poor performance of public sector in India.

Q 2. Explain industrial sector reform under liberalisation?

Ans. Industrial sector reform under liberalisation are as follows:

(i) Abolition of Industrial Licensing: Due to liberalisation, there is an abolition of industrial licensing for the five industries.

- (a) Define equipment
- (b) Industrial explosive
- (c) Liquor
- (d) Cigarette
- (e) Dangerous chemicals

(ii) Freedom to Import Machines from Abroad: Due to liberalisation, the industrialist were given freedom to import advance machine, new technology from abroad without taking permission from the government.

(iii) **Contraction of Public Enterprises:** The number of industries which was strictly reserved for public sector has been reduced to only two industries. Namely: Atomic energy and Railways.

Q 3. How does liberalisation help to bring financial sector reforms?

Ans. Financial sector includes banking institutions, non-banking institutions, stock exchange market, foreign exchange market.

Financial sector reforms. The Reserve Bank of India is an apex bank. The role of RBI has been changed from 'A REGULATOR' to 'A FACILITATOR' of the financial sector.

Q 4. Write short note on Goods and Services Tax (GST).

Ans. GST has been implemented from 1st July, 2017. It is an indirect tax used on the supply of goods and services. It is a value added tax levied on most goods and services sold for domestic consumption, but it is remitted by the business selling the goods and services to the government.

Q 5. "In the late 1990's India experienced a widening gap between the growth of GDP and employment generation." Discuss. (CBSE 2023)

Ans. India's economic growth story since 1990's has been steady, stable, diversified and resilient and reflect strong macro economic fundamentals despite fluctuations in recent quarters due to disruptions caused by two major structural reforms—demonetisation and the GST.

The World Bank projected a growth rate of 7.3% in the year 2018-19 and 7.5% in 2019-20. The World Bank in its biannual publication, said that India's average economic growth in the past 50 years provides a long-term perspective that it has accelerated slowly but steadily across all sectors—agriculture, industry and services and become more stable.

Q 6. "In the post-reform period, the Government of India decided to retain profit making Public Sector Undertaking (PSUs). It provided a special status to PSUs to enable them to expand in the global market."

Do you agree with the given statement? Give valid reasons in support of your answer. (CBSE SQP 2023-24)

Ans. Yes, during post-reform period, Indian government decided to retain profit making Public Sector Undertakings (PSUs) and provided them with special status to enable them to expand in the global market. The decision was based on several factors, including the contribution of PSUs to the economy, the need for strategic industries to remain under government control and potential for PSUs to become global players. Government declared them as Maharatnas, Navratnas and Miniratnas. PSUs were given greater managerial and operational autonomy. In taking

various decisions.

As a result, over the years these Maharatnas, Navratnas and Miniratnas have performed exceedingly well and established themselves as market leaders.



Short Answer Type-II Questions

Q 1. How does liberalisation help to make fiscal reforms in India?

Ans. Fiscal Reforms: The revenue expenditure policy of government was also changed. Prior to liberalisation, the tax structure in the country was very complex. Tax rates were so high in India. People face heavy burden of taxation and they evade tax.

But due to liberalisation, the tax structure has been simplified. This has increased the number of tax payers in the country.

Also, the tax revenue of the government has increased in the country. For example, Income tax, GST.

Q 2. Explain external sector reforms due to liberalisation.

OR

"Liberalisation helped Indian economy to come out of foreign exchange crisis". In the light of above statement, explain external sector reforms due to liberalisation.

Ans. Before 1991 India's foreign exchange reserves were at the bottom level so in order to fill up India's foreign exchange reserves India devalued Indian rupees in terms of US dollars and pound. As a result of this, flow of foreign currencies was increased in India. Supply of foreign currency was increased by way of higher exports. Thus, liberalisation helped Indian economy to come out of foreign exchange crisis.

Before 1991, India was following inward looking strategy in order to protect Indian industries from foreign competition. But since 1991 foreign trade policy was changed from inward looking trade strategy to policy of survival of the fittest. Market competition has replaced the policy of quotas and tariffs.

Q 3. State the demerits of privatisation.

Ans. The demerits of privatisation are as follows:

- (i) There is a loss of social interest.
- (ii) There is a gap between rich and poor.
- (iii) Goods are mainly produced for status symbol and not for basic needs.
- (iv) Prices are determined by free play of market forces which may be harmful for weaker section of society.

For example, 'Sircilla Tragedy'.

Sircilla, in Andhra Pradesh, is a small town, known for its powerloom industry. This industry is the main source of livelihood for most people in the town. Privatisation of power supply to this industry

led to a substantial hike in power tariff. Imposing an unsustainable burden on the industry. Cut in wages has been a serious consequence, as wages are linked to the production of cloth which has suffered a huge decline. When wages are cut beyond the point of subsistence, what do the workers do? Committing suicide is considered as a desperate option. This is what the workers did in Sircilla. About 50 workers committed suicide which is known as Sircilla Tragedy.

Q 4. Write short note on demonetisation in India.

Ans. Demonetisation is the process of stripping a currency unit of its status to be used legal tender.

- (i) Zamindari system
- (ii) Mahalwari system
- (iii) Ryotwari system

First Demonetisation in India took place in 1946 and the second one in 1978. In its third phase, on 8th November 2016, Prime Minister Narendra Modi banned ₹500 and ₹1,000 currency notes with immediate effect. It was undertaken to curb black money and step towards digitalisation. The announcement led to cash-crunch with huge crowds in front of banks and ATMs.



Long Answer Type Questions

Q 1. Explain the reason for new economic policy.

Ans. The reason for new economic policy are as follows:

- (i) **Large Fiscal Deficit:** India's fiscal deficit was increased. In order to cope up with fiscal deficit, government had to borrow and paid the interest on it. The foreign lenders had doubts and their faith had started shaking. Also, government was getting into a debt trap. Thus, there was a great need of new economic policy to restore fiscal discipline.
- (ii) **Huge Balance of Payment:** India was following inward working trade strategy, the Indian exports were not increased Indian imports were not decreased. As a result of this, there was a huge BoP deficit. India has to take loan from foreign countries again government was getting into a debt trap. Thus, there was a need of new economic policy.
- (iii) **Gulf Crisis:** During 1990-1991 was war between America and Iraq. Due to this, petrol price increase in India. Also, the gulf countries have decreased remittances to India, this has increased the burden on Indian government. Thus, there was a need of new economic policy.
- (iv) **Inflation:** Prior to 1990 there was a good monsoon in the country even then price of food grains has started increasing. The main reason for this was deficit financing and a rapid increase in money supply. The annual rate of inflation was found to be 13.8%.

(v) **Fall in Foreign Exchange Reserve:** During 1990-91 Indian foreign reserve had fallen to such a low level that they were not enough even to pay import bills of even 10 days. Foreign exchange reserves decrease from rupees 8,151 crore in 1986-87 to rupees 6,252 crore in 1989-90. The situation was so bad that government mortgaged Indian's gold reserves with the World Bank to pay of its foreign debts.

(vi) **Performance of Public Sector Undertakings:** Indian government gave central role to the public sector for industrialisation in the country. Initially, public sector undertaking's performance was encouraging but later on most of them had shown losses. But, sick industries were not shut down due to political compulsion. They became liability of the government thus, there was a need for economic policy.

Q 2. What is privatisation? What were the benefits of privatisation?

Ans. The transfer of ownership from public sector enterprises to private sector enterprises is known as Privatisation.

Privatisation is done in two ways:

- (i) Outright sale of equity shares of PSU to private sector.
- (ii) Mixed enterprises—Jointly owned by both the sector.

Benefits of Privatisation

The main benefits of privatisation are as follows:

- (i) **Competition:** Privatisation was done to remove the monopoly of PSUs and to make a competitive market. When there is a competition in the market, producers produce better quality products, provide better after sale services at reasonable price.
- (ii) **Efficiency:** Privatisation implies self-interest over social interest so, when a producer work for self-interest then he gives his 100% with full dedication, motivation and efficiency. This leads to high productivity.
- (iii) **Product Diversification:** Privatisation leads to the production of varieties of product in the economy. Each firm produce different types of products in order to capture a large share of the market. In a competitive market, the Survival Mantra is producing good quality and diversified products. For example, Cars, soft drinks, mobiles.
- (iv) **Consumer Sovereignty:** Privatisation made consumer as a king. All products are made as per the need, likes, taste and fashion of the consumer. Privatisation has changed the principle of market from 'Sell what you can make' to 'Make what you can sell'.





Chapter Test

Multiple Choice Questions

- Q 1. **Problem of small scale industries is:**
- shortage of raw material
 - inadequate use of capacity
 - shortage of capital and credit
 - All of the above
- Q 2. **During British regime, which one of the following works was not performed?**
- Establishment of railways
 - Establishment of telephone system
 - Establishment of wire less system
 - Establishment of Metro in Delhi

Fill in the Blank Type Questions

- Q 3. **The portion of agricultural produce which is sold in the market by the farmers is called**
(Choose the correct alternative to fill up the blank)
- Surplus market
 - Productivity
 - Marketable surplus
 - Output
- Q 4. **Regional equality was the main purpose of**
(Choose the correct alternative to fill up the blank)
- Industrial Policy Resolution, 1956
 - Trade Policy Resolution, 1956
 - Industrial Policy Resolution, 1980
 - Trade Policy Resolution, 1980

True / False Type Questions

- Q 5. **Mixed economy is an economic system in which major economic decisions are taken by the Central Government Authority as well as is left to free play in the market.**
- Q 6. **Equity refers to reduction in equality of income, uplifting weaker sections of the society and a more even distribution of economic power.**

Match the Column Type Question

- Q 7. **Identify the correctly matched pair of Column I to that of Column II:**

Column I	Column II
A. Items of Imports and exports	1. Import substitution
B. Outward oriented policy	2. Composition of foreign trade
C. Inward oriented policy	3. Export promotion
D. Import exceeds exports	4. Unfavourable balance of trade

- a. A-1 b. B-2 c. C-3 d. D-4

Assertion and Reason Type Question

- Q 8. *There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:*
- Assertion (A):** Finished goods were exported from India during the Colonial Era.
- Reason (R):** India was a hub for raw materials for the British Industries.
- 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, but 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.

Case Study Based Questions

- Q 9. **Read the extract given below and answer the questions on the basis of the same:**

Asserting that there have been record GST collections in the past few months, Union Finance Minister Nirmala Sitharaman on Monday announced a proposal to remove 400 old exemptions and take every possible measure to reduce anomalies.

Sitharaman's assertions came a day after the Finance Ministry on Sunday announced that Goods and Services Tax (GST) collections for January 2021 touched an all-time high of ₹ 1.19 lakh crore since the introduction of GST regime.

"A record GST collection has been recorded in the last few months. As chairperson of the GST Council, I want to assure the government will take every possible measure to reduce anomalies. The government is focused to further ease the process", Sitharaman said during her budget. "A proposal will be brought to remove 400 old exemptions this year. From 01 October, 2021, a revised customs duty structure free of distortions will be there," she added.

She also said that the definition of small companies will be revised by raising the capital base to ₹ 2 crore from the current limit of ₹ 50 lakh.

"FM announces removal of 400 old exemptions, measures to reduce anomalies in GST"—The Economic Times – 01 February, 2021

- (i) **The full form of GST is**

- Goods and Sales Tax
- Goods and Services Tax
- Goals and Services Tax
- Goals and Sales Tax

(ii) Why has the Finance Minister Nirmala Sitharaman proposed to remove 400 old exemptions?

- a. To reduce anomalies
- b. To curb frauds
- c. To simplify the tax payment
- d. To digitalise the tax payment

(iii) What is the new definition of small companies?

- a. Capital base of ₹ 50 lakh
- b. Capital base of ₹ 50 crore
- c. Capital base of ₹ 2 crore
- d. Capital base of ₹ 2 lakh

(iv) Which of the following is the benefit of small companies?

- a. Shortage of capital
- b. Need less technology
- c. Undeveloped production system
- d. Problem of raw material

Q 10. Read the extract given below and answer the questions on the basis of the same:

In a 40 minute long speech Prime Minister Narendra Modi announced the demonetisation of existing notes of ₹ 500 and ₹ 1,000 during a televised address on Tuesday evening.

Modi announced that the notes of ₹ 500 and ₹ 1,000 “will not be legal tender from midnight tonight” and these will be “just worthless pieces of paper. PM also urged people to join this Mahayojna against the ills of corruption.

Here is a guide for you explaining everything about the move.

What is demonetisation of currency?

Demonetisation for us means that Reserve Bank of India has withdrawn the old ₹ 500 and ₹ 1,000 notes as an official mode of payment,

demonetisation is the act of stripping a currency unit of its status as legal tender.

What was the reason?

The reasoning given by Modi was:

- To tackle black money in the economy.
- To lower the cash circulation in the country which “is directly related to corruption in our country,” according to PM Modi.
- To eliminate fake currency and dodgy funds which have been used by terror groups to fund terrorism in India.
- The move is estimated to scoop out more than ₹ 5 lakh crore black money from the economy, according to Baba Ramdev, a staunch Modi supporter.

“What is demonetisation and why was it done” – The Economic Times – 09 November, 2020

(i) Why is demonetisation termed as the ‘Mahayojna’ by the Prime Minister?

(ii) How much black money is to be moved estimated to be scooped out?

Very Short Answer Type Questions

Q 11. Why do we need economic reforms?

Q 12. What are the effects of economic reforms in India?

Q 13. Explain the primary activities of agriculture.

Short Answer Type-I Question

Q 14. State any two reasons for failure of planning in India.

Short Answer Type-II Question

Q 15. Explain demonetisation in India.

Long Answer Type Question

Q 16. Explain the foreign trade conditions on the eve of independence.