

Gujarat Board Textbook Solutions Class 12 Economics

Chapter 10 Industrial Sector

1. Choose the correct option for the following questions :

Question 1. How much was the contribution of industries in 2013-14 in national income of India?

- (A) 16.6%
- (B) 27%
- (C) 40%
- (D) 60%

Answer:

- (B) 27%

Question 2. What was the proportion of employment in industries in 2011-12?

- (A) 10%
- (B) 24.3%
- (C) 27%
- (D) 49%

Answer:

- (B) 24.3%

Question 3. How much investment is needed in large scale industries?

- (A) 2 crores
- (B) 5 crores
- (C) More than 10 crores
- (D) 100 crores

Answer:

- (C) More than 10 crores

Question 4. What is public sector?

- (A) Sector run by people
- (B) Sector run by government
- (C) Sector run on co-operation
- (D) International sector

Answer:

- (B) Sector run by government

Question 5. When was the implementation of special economic zones?

- (A) 1947
- (B) 1991
- (C) 2000
- (D) 2011

Answer:
(C) 2000

2. Answer the following questions in one line :

Question 1. Which type of production techniques are being utilized by small scale industries?

Answer:
Labour intensive production technique.

Question 2. What is medium scale industries?

Answer:
Industries that run on either labour intensive production technique or capital intensive production technique and with an investment of Rs. 5 crores to Rs. 10 crores are known as medium scale industries. E.g. Industries producing machinery, chemicals, electronic equipment, etc.

Question 3. Define public corporation.

Answer:
An industrial unit owned by either central or state government but established for administering certain public programs or for a specific purpose is called a public corporation. E.g. Life Insurance Corporation, state transport corporation, Air India and fertilizer producing and selling units are examples of public corporations.

Question 4. Australia is known as which type of nation in the world?

Answer:
Agriculturally developed nation.

Question 5. How many special economic zones are in India?

Answer:
There are 8 special economic zones in India.

They are:

1. Santa Cruz (Maharashtra),
2. Kochin (Kerala),
3. Kandla (Gujarat)
4. Surat (Gujarat),
5. Chennai (Tamil Nadu),
6. Visakhapatnam (Andhra Pradesh),
7. Falta (West Bengal) and
8. (Noida (Uttar Pradesh)]

3. Answer the following questions in brief :

Question 1. What is small scale industry?

Answer:

Small scale industries (SSI):

- Industries that run on labour intensive production technique and with an investment of ₹ 25 lakhs to ₹ 5 crores are called small scale industries (SSI).
- These industries work as ancillary industries for bigger industries.

Example:

Industries producing tools and simple consumer goods like bread and biscuits, furniture, garments, etc.

Question 2. Give examples of joint stock companies.

Answer:

Joint sector industries:

- Industries owned jointly by the government and the private individuals who have contributed in the capital and managed by private individuals are called joint sector industries.
- Government gives ownership rights of such industries to people and institutes but holds 51% or more shares of that company. So, even when the industry is a joint sector one, the government has the control over it.

Example: Gujarat State Petroleum Corporation (GSPC).

Question 3. How does social sector being changed by industrialisation?

Answer:

Change in social structure:

- Industrialization also brings certain important changes in the social set-up.
- Industrialization develops feeling of discipline, hard work, competition, team work, self-dependency, co-operation, understanding and innovation among people.
- With development of such positive traits, negative traits like blind beliefs, fatalism, narrow psychology, orthodox behaviour, etc.
- These types of social changes inspire people to attain economic development

Question 4. How does industries are helpful to modernize agriculture?

Answer:

Modernization of agriculture:

- It becomes extremely important to modernize agriculture in order to increase the development of agriculture sector and to increase land and labor productivity.

- Industries can provide technology to help in the development of agriculture sector. Some of the commonly used modern machines in agriculture are tractor, thresher, submersible pumps, equipment to spray pesticides, etc.
- Chemical based fertilizer, pesticides, etc. are also produced by industries.
- Hence, it can be said that by the use of modern technology, development of agriculture sector become possible.

Question 5. What is a special economic zone?

Answer:

Special Economic Zone (SEZ):

- A Special Economic zone (SEZ) is an area in which business and trade laws are different from the rest of the country. It is created to increase trade, increase investment, job creation, provide tax benefits and for effective administration.
- In India, Special Economic Zone (SEZ) was implemented from 1st April 2000.
- The main objective of setting up SEZ in India was to attract foreign investment and to develop free environment for exports.
- SEZ is implemented to make Indian industrial sectors compete with world economy and hence to increase our exports.
- To attract foreign investors the government provide various tax benefits for people who set-up their industries in special economic zones.
- There are also some special economic zones which were developed from the model of special economic zones of China. These SEZs helped a lot to develop export oriented producing sector with foreign direct investment (FDI).
- Countries like China, India, Jordan, Poland, Philippines, Russia and North Korea have made good use of special economic zones.

4. Give answers to the point of the following questions :

Question 1. Explain any three matters (points) about importance of industry.

Answer:

1. Contribution in national income:

- At the time of independence, agriculture sector dominated in India because India was an agriculture oriented country from the very beginning.
- After the development of industries, the agriculture economy was reduced and the contribution of industries increased in comparison with agriculture.
- Government has put various systematically planned efforts to boost the economy which in turn has increased share of industries in national income.
- In the year 1951, industrial sector had contributed 16.6% in national income. This rose to 27% (at constant prices) in the year 2013-14.



2. Employment:

- India is a highly populated nation. The country is not able to provide employment to its entire labour force. However, India has increased employment opportunities with the planned efforts in the development of industrial sectors.
- Through the planned effort in industrial sector, India has increased employment opportunities.
- In the year 1951, 10.6% labourers were employed in industries. It rose to 24.3% in 2011-12.
- There was a rapid increase in small scale industries which mainly work on labour intensive methods. With increase in small scale industries employment problem has been solved to a great extent. This can be further increased by proper planning.

3. Export income:

- As the agriculture sector increased it also led to the development of industrial sector. When the volume of industrial production increased, the surplus started getting exported. This earned us export income. Foreign exchange also helps to import products that are scarce.
- In 2013-2014, about 2/3rd of export income was earned through industries.

Question 2. Explain industrial structure on ground of investment.

Answer:

Types of industries on the basis of investment:

On the basis of investment, industries are classified into five types.

They are discussed below.

1. Cottage industry:

An industry run only by the family members using simple tools and with very less use of electricity, machine and investment is called cottage industry.

Example:

Industries producing khadi cloth, papad, khakhra, incense sticks, etc.

2. Tiny industries:

Industries which run on labour intensive production technique along with the investment limit up to ₹ 25 lakhs are known as tiny industries.

Example:

Industries producing artistic products made from metal, leather and clay



3. Small scale industries (SSI):

- Industries that run on labour intensive production technique and with an investment of ₹ 25 lakhs to ₹ 5 crores are called small scale industries (SSI).
- These industries work as ancillary industries for bigger industries.

Example:

Industries producing tools and simple consumer goods like bread and biscuits, furniture, garments, etc.

4. Medium scale industries:

Industries that run on either labour intensive production technique or capital intensive production technique and with an investment of ₹ 5 crores to ₹ 10 crores are known as medium scale industries.

Example:

Industries producing machinery, chemicals, electronic equipment, etc.

5. Large scale industries:

Industries that run on capital intensive production technique and with an investment of more than ₹ 10 crores are known as large-scale industries.

Example:

Industries producing railway coaches and engines, big vehicles, iron and steel, petroleum, etc.

Question 3. Explain industrial structure on the ground of ownership.

Answer:

Industries on the basis of ownership can be divided as follows:

1. Public Sector Units (industries):

Industries which are owned and managed by the government or say the industries that have ownership and administration of government are known as Public Sector Units (PSUs).

Example:

Railways, Telecommunication, Post, Insurance, etc.

Public sector units are further classified in three categories.

They are:

(A) Departmental industries:

- The industries run, financed and managed by government departments are called departmental industries.



- The minister of the specific department is the ultimate in-charge of such an enterprise. Civil servants look after the operations.
- Government decides the management of expenditure and income of such industries through its budget.

Example:

Railways, post and telegraph, radio and television broadcasting, etc.

(B) Public corporations:

- An industrial unit owned by either central or state government but established for administering certain public programs or for a specific purpose is called a public corporation.
- Government plays the supreme role in administration and decision of such industries.

Example:

Life Insurance Corporation (LIC), state transport corporation, Air India and fertilizer producing and selling units are examples of public corporations.

(C) Government company:

- A company owned by central and/or state government is called a government company. It operates as per the Company Law, 2013.
- Either whole of the capital or majority of the shares are owned by the government. In some cases, private investment is also encouraged but at least 51% shares are held by the government.
- These units do not work under direct control of government.

Example:

Hindustan Machine Tools, Oil and Natural Gas Limited, Indian Oil Corporation, etc.

2. Private sector industries:

- Industrial units owned and run by private sector or say private owners are known as private sector industries.
- Such industries might be owned by private individuals or partners.

Example:

Units manufacturing car, TV, shoes, etc.

3. Joint sector industries:

- Industries owned jointly by the government and the private individuals who have contributed in the capital and managed by private individuals are called joint sector industries.
- Government gives ownership rights of such industries to people and institutes but holds 51% or more shares of that company. So, even when the industry is a joint sector one, the government has the control over it.
Example: Gujarat State Petroleum Corporation (GSPC).

4. Co-operative Sector Industries:

Industries that run on cooperative basis with an aim to stop exploitation of small (marginal) owners, to stop the exploitation of laborers or to stop exploitation of consumers and to provide benefit to all are known as industries of co-operative sector.

Example: Amul, IFFCO, KRIBHCO, etc.

Question 4. Explain any things/matters/points to prove importance of small scale industries.

Answer:

Importance of small scale industries:

Small scale industries are extremely important for social and economic development of India economy.

Some of the importance and contributions of SSI are discussed below.

1. Employment generation:

- Since small scale industries are primarily labour intensive industries they have huge potential for generating employment.
- In the year 1994-95 small scale industries generated 191.40 lakhs employment opportunities. It rose to 249.33 lakhs in 2001-02 and it sharply increased to 1,012.59 lakhs in the year 2011-12.
- So, small scale industries have continuously increased their employment generation capacity which is serving like a blessing for the nation.

2. Increase In production:

- Generally, large scale industries produce machinery and small scale industries produce essential goods for the nation using these machineries. Owing to a very large number of small scale industries in India, their production capacity is very huge.
- Small scale industries produced goods worth ₹ 4,22,154 crores in 1994-95. It rose to ₹ 2,82,270 crores in the year 2001-02 and to ₹ 18,34,332 crores in the year 2011-12.
- Thus, small scale industries contribute significantly in India's total production that too using very less capital.



3. Increase in production units (industries):

- Rise in production is only possible with rise in production units i.e. rise in number of industries.
- India had 79.60 lakh small industrial units in 1994-95. It increased to 105.21 lakhs in 2001-02. It then rose to 447.73 lakhs units in 2011-12.
- The number clearly shows that development of small scale industries has led India towards industrialization.

4. Exports:

- Small scale industries have noticeable role in exports of India.
- Small scale industries of India had exported goods and services worth Rs. 29,068 crores in 1994-95. It reached to ₹ 71,244 crores in the years 2001-02 and it rose to ₹ 1,77,600 in the year 2006-07.
- The numbers tell that small scale industries helps India earn a huge foreign exchange. This is extremely beneficial for India to manage import-export balance.

5. Labour intensive production technique:

- Labour intensive production technique makes maximum use of labourers for production.
- It utilizes more labour and less capital and helps in maintaining the 'land to entrepreneur proportion'.
- In a country like India which has a huge population these techniques serve as blessing.

6. Saves foreign exchange:

- Small scale industries on one hand generate export incomes and on the other hand reduce India's import expenditure by producing many necessary goods locally.
- This helps to improve balance of payment and save spending foreign exchange unnecessarily.

7. Short period of time:

- Small scale industries can be started within very short time.
- A very big advantage is that these industries can start producing goods within a very short time of investment. This helps to quickly overcome scarcity of goods.
- Shorter set-up and production time are the key factors to achieve production targets of the nation.

8. Balanced regional development:

In contrast to large scale industries, small scale industries can be started with less capital,



less material and less resources at any part of nation. This is a unique advantage since the development does not remain concentrated to large cities and can be spread to any region the nation wishes. This results in balanced regional development.

This unique advantage also helps to reduce imbalance between rich and poor and developed and developing regions.

9. Decentralization:

- Large scale industries need very large amount of capital. So, they can be started only by very few people who are extremely rich. This results in centralization of capital and wealth.
- In case of small scale industries very less amount of capital is needed and so it can be started by small producers.
- Moreover, small scale industries can also make use of such resources and equipment which are otherwise dormant, unutilized and scattered. As a result, resources of every nook and corner are put into use and hence overall production volume increases.
- When such resources are used for production, they generate employment and income for people who were otherwise deprived.
- In all these senses we can say that small scale truly does the task of decentralization.

10. High rate of development:

- Large scale industries are few. Also they invest very huge capital and so they need high profits to run their expenses.
- These industries develop the economy at an irregular rate because they cannot change their products and production methods as per the changes of market.
- Contrast to this, small scale industries are set up with small amount of capital. So, several producers are producing a given product. This increases the volume of production and income in the economy.
- Additionally, small scale industries are more capable to bring change in products and production techniques as per market changes because they do not need very huge capital or long term investment.
- Owing to these benefits small scale industries give very high rate of development highly needed to develop nation.

Question 5. Explain in brief special economic zone.

Answer:

Special Economic Zone (SEZ):

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- In India, Special Economic Zone (SEZ) was implemented from 1st April 2000.



- The main objective of setting up SEZ in India was to attract foreign investment and to develop free environment for exports.
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India has set up 8 Special Economic Zones.

They are:

1. Santa Cruz (Maharashtra),
2. Kochin (Kerala),
3. Kandla (Gujarat)
4. Surat (Gujarat),
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8. (Noida (Uttar Pradesh)

Any individual, government, private and public sector jointly, state government or their representative body may start special economic zone. Even foreign institution can start special economic zone.

All special economic zones are ultimately controlled by government.

5. Answer the following questions in detail :

Question 1. Discuss importance of industries.

Answer:

Industrialization is extremely important in order to develop agriculture sector, to increase employment opportunities, to attain optimum utilization of internal resources, to have quick increase in income and to improve living standard of people.

Following points discuss in detail the importance of industrialization in various areas:

1. Contribution in national income:

- At the time of independence, agriculture sector dominated in India because India was an agriculture oriented country from the very beginning.
- After the development of industries, the agriculture economy was reduced and the contribution of industries increased in comparison with agriculture.
- Government has put various systematically planned efforts to boost the economy which in turn has increased share of industries in national income.

- In the year 1951, industrial sector had contributed 16.6% in national income. This rose to 27% (at constant prices) in the year 2013-14.

2. Employment:

- India is a highly populated nation. The country is not able to provide employment to its entire labour force. However, India has increased employment opportunities with the planned efforts in the development of industrial sectors.
- Through the planned effort in industrial sector, India has increased employment opportunities.
- In the year 1951, 10.6% labourers were employed in industries. It rose to 24.3% in 2011-12.
- There was a rapid increase in small scale industries which mainly work on labour intensive methods. With increase in small scale industries employment problem has been solved to a great extent. This can be further increased by proper planning.

3. Export income:

- As agriculture sector increased it also led to the development of industrial sector. When the volume of industrial production increased, the surplus started getting exported. This earned us export income. Foreign exchange also helps to import products that are scarce.
- In 2013-2014, about 2/3rd of export income was earned through industries.

4. Balanced economic development:

- Industries play a very important role to attain speedy and balanced economic growth.
- Government establishes several public sector enterprises in less developed or backward areas to increase employment opportunities and to raise the standard of living of that area.
- When the basic needs of people are satisfied, they move towards savings and buying luxurious products. This gives rise to industries involved in such services and products.
- Thus, along with the industries for primary commodities the demand of industries related to luxury and entertainment increases.

5. Modernization of agriculture:

- It becomes extremely important to modernize agriculture in order to increase development of agriculture sector and to increase land and labor productivity.
- Industries can provide technology to help in the development of agriculture sector. Some of the commonly used modern machines in agriculture are tractor, thresher, submersible pumps, equipment to spray pesticides, etc.
- Chemical based fertilizer, pesticides, etc. are also produced by industries.

- Hence, it can be said that by the use of modern technology, development of agriculture sector become possible.

6. Strengthens the structure of economy:

- Industries produce products like iron and steel, cement, etc. which are useful to build infrastructure such as dams, roads, bridges, etc.
- These industries also produce vehicles such as buses, trucks, railway, plane, car, two wheelers, etc. used for transportation.
- Instruments of safety-protection i.e. arms and ammunition such as rifles, bullets, tanks, etc. are also produced by industries. This reduces dependency on other nations and makes our nation much stronger.
- So, industries form a base for strengthening the structure of our economy.

7. Change in social structure:

- Industrialization also brings certain important changes in the social set-up.
- Industrialization develops feeling of discipline, hard work, competition, team work, self-dependency, co-operation, understanding and innovation among people.
- With development of such positive traits, negative traits like blind beliefs, fatalism, narrow psychology, orthodox behaviour, etc.
- These types of social changes inspire people to attain economic development.

Question 2. Explain structure of industry.

Answer:

Types of industries on the basis of investment:

On the basis of investment, industries are classified into five types. They are discussed below.

1. Cottage industry:

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Example:

Industries producing khadi cloth, papad, khakhra, incense sticks, etc.

2. Tiny industries:

Industries which run on labour intensive production technique along with the investment limit up to ₹ 25 lakhs are known as tiny industries.

Example:

Industries producing artistic products made from metal, leather and clay.

3. Small scale industries (SSI):

- Industries that run on labour intensive production technique and with an investment of ₹ 25 lakhs to ₹ 5 crores are called small scale industries (SSI).
- These industries work as ancillary industries for bigger industries.

Example:

Industries producing tools and simple consumer goods like bread and biscuits, furniture, garments, etc.

4. Medium scale industries:

Industries that run on either labour intensive production technique or capital intensive production technique and with an investment of ₹ 5 crores to ₹ 10 crores are known as medium scale industries.

Example:

Industries producing machinery, chemicals, electronic equipment, etc.

5. Large scale industries:

Industries that run on capital intensive production technique and with an investment of more than ₹ 10 crores are known as large scale industries.

Example:

Industries producing railway coaches and engines, big vehicles, iron and steel, petroleum, etc.

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Example:

Gujarat State Petroleum Corporation (GSPC).

4. Co-operative Sector Industries:

Industries that run on co-operative basis with an aim to stop exploitation of small (marginal) owners, to stop exploitation of laborers or to stop exploitation of consumers and to provide benefit to all are known as industries of co-operative sector.

Example:

Amul, IFFCO, KRIBHCO, etc.

Types of industries on the basis of products:**1. Consumers goods industries:**

Industries that produce goods used directly by the consumers are called consumer goods industries.

Example:

Industries producing ghee, oil, cosmetics such as soaps and shampoo, etc.

2. Intermediate goods industries:

Industries producing semi-finished goods that are not consumed directly by the consumers but are sent to other industries for further processing are called intermediate goods industries.

Example:

Industries producing yarn, steel sheets, machines, etc.

Question 3. Discuss the importance of small scale industries.

Answer:

Small scale industries (SSI):

- Industries that run on labour intensive production technique and with an investment of ₹ 25 lakhs to ₹ 5 crores are called small scale industries (SSI).
- These industries work as ancillary industries for bigger industries.

Example:

Industries producing tools and simple consumer goods like bread and biscuits, furniture, garments, etc.

Medium-scale industries:

Industries that run on either labour intensive production technique or capital intensive production technique and with an investment of ₹ 5 crores to ₹ 10 crores are known as medium scale industries.

Example:

Industries producing machinery, chemicals, electronic equipment, etc.

Question 4. Discuss steps of government to develop industries.

Answer:

Steps taken by government for developing industries:**1. State-owned enterprise:**

- Certain industries such as infrastructural industries, iron and steel plants, insurance, etc. are called key industries of an economy. These industries form the platform for economic development.
- These industries require very huge amount of investment and skills and also are very risky. Hence, private sector fears entering such industries.
- Hence, government itself set-up such industries to boost and maintain the economy.

2. Encouragement to private sector industries:

- To encourage private sectors, government provide various type of assistance to private individuals like purchasing land at concessional rate, electricity, water, tax benefits and finance at lower rates.
- This way government encourages competition and creates a favourable market environment.
- Government has also given entry to private sector in several areas which initially were restricted to public sector only.

3. Import tariff:

- The rate of import duty (tax) charged for importing the goods is called the import tariff.
- To save the local companies from foreign companies, the government charges high import duty on foreign goods. This makes imported items costlier than the local made. As a result, the local industries can survive properly.

4. Technical skills and training:

- Government provides various types of technical and professional training to domestic industries. This helps them to upgrade their products and services at par with international products which in turn helps the local industries to compete against the foreign products.
- These trainings were given largely during the period of liberalization and globalization.
- By such trainings the government makes the local industries aware about new global technologies, goods, selling techniques, management, etc.
- Technical skills also help to create values in the domestic industries.

5. Economic help:

- Government provides various types of economic helps to industries to reduce their production cost.
- This helps the domestic industries to reduce their production costs and sell their products in international market at competitive prices with products of other countries.
- The various forms in which the government provides economic help could be providing concession on land rates, water, electricity, telephone, transport charges, etc. It may also provide finance at a subsidized rate and various other subsidies.

6. Basic facilities/services:

- Government provides basic facilities like road, water, electricity, banks, insurance, sewage and many more to develop industries.
- By availing these basic facilities industries can save their money, time and efforts to produce and sell products faster and more efficiently.

7. Establishing various institutions and policies:

- Government makes industrial policies and also makes necessary changes time to time to help industries grow properly.
- Government frames several favourable policies like import policy, export policy, monetary policy, fiscal policy, tax policy, etc.
- Government drafts laws like Industries Act, Company Act, Competition Act, etc. to prevent unfair competition.
- Government has also created institutions such as IDBI, SIDBI, ICICI, IFCI, GIC, etc. to provide financial help to various industries.
- It also makes efforts and policies to attract foreign investment in India.

