

# Gujarat Board Textbook Solutions Class 11 Economics

## Chapter 7 Indian Economy

**1. Choose correct option for the following from the options provided :**

**Question 1. Railway was started in which year in India?**

- (A) 1847
- (B) 1853
- (C) 1901
- (D) 1947

Answer:

- (B) 1853

**Question 2. In which year the Reserve Bank of India (RBI) was set up?**

- (A) 1847
- (B) 1857
- (C) 1935
- (D) 1947

Answer:

- (C) 1935

**Question 3. According to Human Development Report of 2013, what was India's per capita Income?**

- (A) \$ 5150
- (B) \$ 9250
- (C) \$ 43,049
- (D) \$ 52,308

Answer:

- (A) \$ 5150

**Question 4. In 2014-15 which sector contributed the maximum to national income?**

- (A) Agricultural
- (B) Industrial
- (C) Service
- (D) Foreign trade

Answer:

- (C) Service

**Question 5. Which type of unemployment is found in India?**

- (A) Cyclical
- (B) Structural
- (C) Absolute
- (D) Relative

Answer:

(B) Structural

**Question 6. In 2011 what percentage of population got employment in agricultural sector?**

(A) 48.9%

(B) 55%

(C) 72%

(D) 27%

Answer:

(A) 48.9%

**Question 7. Indian Railways stands at which rank in the largest railway networks of the world?**

(A) First

(B) Second

(C) Third

(D) Fourth

Answer:

(D) Fourth

**Question 8. According to census of 2011, what was the percentage of literate people in India?**

(A) 55%

(B) 62%

(C) 73%

(D) 88%

Answer:

(C) 73%

**Question 9. In 2011-12 what was the percentage of poor people in India?**

(A) 80%

(B) 55%

(C) 37%

(D) 21.9%

Answer:

(D) 21.9%

**Question 10. Which of following is not a primary service?**

(A) Education

(B) Transport

(C) Import-Export

(D) Irrigation



Answer:  
(C) Import-Export

## 2. Answer the following questions in one sentence :

**Question 1. When was the public works department set up in India?**

Answer:  
In July 1854 by the British.

**Question 2. When was banking started in India?**

Answer:  
In 1770 A.D.

**Question 3. Which civilization originated in Ancient India?**

Answer:  
Indus Valley Civilization which is also known as Hara'ppan civilization.

**Question 4. How much was the employment in agriculture in the year 2011-12.**

Answer:  
48.9%

**Question 5. Who prepares the Human Development Report?**

Answer:  
The Human Development Report office of the United Nations Development Programme (UNDP) prepares the Human Development Report.

## 3. Answer the following questions in short :

**Question 1. What is meant by 'Home Charges'?**

Answer:  
**Payment burden:**

- Over and above the huge salaries that the British used to draw from income earned from India, they were also paid a large sum as 'home charges' to the British personnel in India.
- The home charges included expenses of the British administration, maintenance of the British Army, war expenses, pensions to retired British officers and other expenses made by Britain for maintaining her colonies.
- These home charges were made of three components, They are:
  1. Interest payments for debts incurred in maintaining Indian colony,
  2. Interest on the railways and
  3. Civil and military charges.

**Question 2. 'India is predominantly an agricultural nation', Explain this statement.**

Answer:

- Since ancient time agriculture in India was quite prosperous. India used to and till date grow variety of crops.
- Indian villages produce several items of basic necessities like grains, vegetables, fruits, clothes, shoes, etc.
- Villagers also involve in cattle rearing and dairy farming.
- Although the share of agricultural sector in employment has gradually declined but still it is relatively higher.
- As per Human Development Report, during independence about 72% of the population was dependent on agriculture. This declined to 58% in 2001-02.
- As per the latest data of 2013-14, even today about 49% of our population is dependent on agriculture.
- Hence, we can say that India is predominantly an agricultural nation.

**Question 3. State the export items in ancient India.**

Answer:

Exports items of India are -spices, wheat, sugar, indigo, opium, sesame oil, cotton, parrot, live animals and animal products such as hides, skin, furs, horns, tortoise shells, pearls, sapphires, quartz, crystal, lapis, lazuli, granites, turquoise and copper etc.

**4. Answer the following questions in brief points :****Question 1. Write a short note on Ancient India.**

Answer:

- Indian civilization has emerged from the influence of Aryans and Indus Valley Civilization.
- Indus Valley Civilization is also called the Harappan Civilization and it influenced the ancient India.
- The remains of this civilization were first found at 'Harappa' and 'Mohen-jo- Daro'. In Gujarat we can find its remains at Lothal and Dholavira.
- From this civilization one can obtain evidences of the beautiful organization, prosperity, wonderful urban planning and development that existed in India.
- India was quite famous for cloth, muslin, jute, indigo, etc. that it produced. With the arrival of the British, India learnt tea plantation too. Today, India is one of the biggest tea producer and exporter.
- Thus, before the British rule, India was quite rich in agriculture, industry and civilization.



## **Question 2. Write a short note on Progress of Railways in India.**

Answer:

### **Railway:**

- The British established the railway infrastructure in India.
- The first rail ran in India between Boribandar (presently, CST in Mumbai) and Thane on 16th of April, 1853.
- By 1947 i.e. when India became independent, India's rail network spread to 53,000 km. and served 68 lakh people.

## **Question 3. Explain the tax policy of British Rule in India.**

Answer:

### **High rates of taxes:**

As per a calculation made by Dadabhai Naoroji, in 1876, the rich contributed only about 8% of the national income as taxes while the poor Indians contributed 15% of the national income as taxes.

### **High rates of excise and customs:**

- The British collected high excise on match sticks, sugar, steel, silver and all such commodities.
- Though salt was easily available and produced in India, the British termed its production illegal. Then they monopolized salt trade, imported salt to India by charging high custom duties and made it an expensive commodity for poor Indians.
- To suppress the Indian cotton industry, the British levied high custom duty of upto 15% on cotton cloth exported from India. On the other hand, the British imported the cotton cloth from Manchester (England) at a much lower import duty of only about 2.5%.
- The British used to buy and export cotton from India at cheap rates to England and after manufacturing clothes from same cotton used to import and sell those clothes in India and earn huge profits.
- Thus, India's raw materials were exported so that British industry could thrive at the cost of Indian industry.

## **Question 4. Describe the basic utilities of India.**

Answer:

### **Improvement in basic (primary) utilities:**

Indian has shown significant improvement in providing various utilities in the urban as well as in the rural areas. These are discussed below.

#### **(a) Irrigation:**

In 1950-51, only 22.6 million (m) hectare of land across India used to get irrigation facility. This increased to 63 m hectares i.e. 45% of total agricultural land by 2012-13.



**(b) Literacy:**

In 1950s there were 20 universities and 500 colleges. This increased to 719 universities and 35,000 colleges by 2013-14. This indicates that higher education increased considerably in India.

In 1951, India's literacy rate was 18.33%. This increased to 73% in 2011 (Source: Economic Survey, 2013-14).

**(c) Electricity:**

In 1950-51, India used to generate around 2300 MW electricity. This increased to 2,43,000 MW in 2011-12.

**(d) Road network:**

Today, India falls among the list of countries with longest road network. -> India has approximately 48.6 lakh km. of concrete roads today.

**(e) Railway:**

Today, Indian railway network is the fourth largest in the world with a length of 65,000 km.

**Question 5. Write short note on : Share of various sectors in National Income.**

Answer:

**Changing share of various sectors in national income and employment:**

- A less develop nation's major income comes from agriculture. As a nation develops the contribution of various sectors in national income and employment changes.
- Under such condition, the contribution of industrial and service sectors in employment and hence national income increases compared to agricultural sector.
- People's dependency on agriculture reduces. Growth in industrial sector improves technology and increases capital. This generates more employment in the industrial sector and service sector rather than agriculture.

**Share of various sectors in National Income (NI)**

	1950-51	1990-91	2000-01	2014-15
Agriculture and allied activities	53.1	29.6	22.3	17.6
Industries	16.6	27.7	27.3	29.7
Services (excluding construction)	30.3	42.7	50.4	52.7

**Source: Economic Survey (2014-15)**

From the data we can conclude that post-independence, the share of agriculture in the National Income (NI) has decreased over the years and that of industrial and service sectors has increased.



## 5. Answer the following questions in detail :

**Question 1. Explain the characteristics of India as a developing country.**

Answer:

**Characteristics of India as a developing economy:**

Although India's progress has been slow it cannot be considered as a less developed country.

**Indian economy shows several characteristics of a progressing economy. Some of them are discussed below:'**

### 1. Growth rate:

- The .growth rate of the economy, especially after the LPG i.e. the policy of Liberalization, Privatization and Globalization in 1991, has increased.
- During the period between 1950-51 and 1990-91 the average annual growth rate was around 3.5%. But, after the economic reforms of 1991 through the LPG, the average annual growth rate has remained above 6.8% which is an important achievement.
- After 2012-13, the growth rate had slowed down. In 2014-15, the average annual growth rate was less than 5%.
- In 1950-51 the Net National Product at factor cost i.e. (NNPFC) at constant /rice level was ₹ 2,69,724 crores. It increased to ₹ 87,51,834 crores in the year 2013-14. Thus, in a period of 63 years, the NNP has grown by 18 times.

### 2. Changing share of various sectors in national income and employment:

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### Share of various sectors in National Income (NI)

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From the data we can conclude that post-independence, the share of agriculture in the National Income (NI) has decreased over the years and that of industrial and service sectors has increased.



### 3. Per capita income:

- In 1950-51, the per capita income of India (PCI) at constant prices was ₹ 7,114. It increased to ₹ 69,959 in 2013-14.
- Thus, in a period of 63 years PCI increased by approximately 5.6 times.
- Between 1950-51 and 1990-91 PCI increased by about 1.6 percent while after 1991 it increased by 5.5%.

### 4. Level of employment:

In India, employment is studied in three sectors. They are:

#### (a) Primary sector:

This sector includes agriculture and allied activities, dairy farming and animal husbandry.

#### (b) Industrial sector:

All activities that consist of production such as manufacturing, construction, mining, quarrying, etc. are included in service sector.

#### (c) Service sector:

Service sector includes all activities related to trade, banking, transport, information and broadcasting, health, education, etc.

### Share of various sectors in employment

	1951	1991	2001	2011-12
Primary/Agricultural sector	72.1	66.9	56.7	48.9
Secondary/Industrial sector	10.6	12.7	18.1	24.2
Tertiary/Service sector	17.3	20.4	25.2	26.9

Source: Economic Survey (2014-15) Volume-II.

From the table it can be seen that primary sector provided highest employment among all the sectors in 1950-51. This reduced drastically by 2011-12 with the increased contribution of industries and service sector. Thus, it can be seen that from the years 1951 to 2011-12, the employment largely shifted from primary sector to industrial and service sectors.

### 5. Improvement in basic (primary) utilities:

Indian has shown significant improvement in providing various utilities in the urban as well as in the rural areas. These are discussed below.

#### (a) Irrigation:

In 1950-51, only 22.6 million (m) hectare of land across India used to get irrigation facility. This increased to 63 m hectares i.e. 45% of total agricultural land by 2012-13.

#### (b) Literacy:

In 1950s there were 20 universities and 500 colleges. This increased to 719 universities and



35,000 colleges by 2013-14. This indicates that higher education increased considerably in India.

In 1951, India's literacy rate was 18.33%. This increased to 73% in 2011 (Source: Economic Survey, 2013-14).

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In 1950-51, India used to generate around 2300 MW electricity. This increased to 2,43,000 MW in 2011-12.

**(d) Road network:**

Today, India falls among the list of countries with longest road network. -> India has approximately 48.6 lakh km. of concrete roads today.

**(e) Railway:**

Today, Indian railway network is the fourth largest in the world with a length of 65,000 km.

**Conclusion:**

- Overall, India is progressing fast and is emerging as a country having strong economy.
- On the brighter side, India's per capita consumption of essential commodities and average life expectancy has increased, we are progressing in areas of science, research and technology development and so on.

As per the International Comparison Programme (ICP) initiated by the World Bank, in 2011 India was identified as the third largest country after USA and China. In 2005 India was at the 10th position

**Question 2. Specify the state of Industries of ancient India.**

Answer:

**Agriculture:**

- Agriculture in India was quite prosperous. India used to grow variety of crops.
- Indian villages were self-reliant and basic necessities like grains, vegetables, fruits, clothes, shoes, etc. were produced in the villages itself.
- Villagers" also used to practice cattle rearing and dairy farming.
- Thus, village life was happy and economy was prosperous.

**Industries:**

- As per historian Rai Chaudhary, before 19th century, India was an important manufacturing centre for some items.
- India was famous for its cotton, jute, muslin, wool, idols, indigo, terracotta, earthenware, etc. Some of these goods were even exported.



### **Question 3. Explain the state of the Indian economy before Independence.**

Answer:

During the British rule, India's economy got ruined and people became poor. There were several negative and some positive aspects of British Rule in India. They are discussed below.

#### **(A) Positive aspects:**

##### **1. Railway:**

- The British established the railway infrastructure in India.
- The first rail ran in India between Boribandar (presently, CST in Mumbai) and Thane on 16th of April, 1853.
- By 1947 i.e. when India became independent, India's rail network spread to 53,000 km. and served 68 lakh people.

##### **2. Roadways:**

The British created a good network of roadways in India.

- -> They set-up Public Works Department (PWD). PWD used to raise several important and basic utilities needed by a city or town.
- -> By the end of 19th century, Indians roads were spread to 2,78,420 km. This increased to 4,47,105 by 1943. 32% of these roads were concrete ('pakka') roads and 68% were 'kachcha' roads.

##### **3. Banks:**

- In India, private banks started in 1770 A.D. By 1946 A.D. there were more than 700 banks in India.
- The Reserve Bank of India (RBI) which is the apex bank today was set up in 1935.

##### **4. Social structure:**

Certain wrong social practices that existed in India such as prevention of female infanticide, sati pratha, etc. were abolished during the British rule.

#### **(B) Negative aspects:**

##### **1. Agriculture:**

- Agriculture in Indian suffered from low revenues, 'Zamindari' (landlordship) system and cruel acts of the British.
- The poor farmers were exploited in several ways and they became poorer.
- For example, when industrial revolution began in Britain, the British needed indigo for their textile industries. So, they forced Indian farmers grow more indigo. However if farmers took a loan to grow indigo and incurred loss, the British government



neither helped them nor waived off their loans. This way the farmers started getting suppressed under the burden of debts.

## **2. Land revenue:**

- The East India Company got the right to collect land revenue from Indian kings. With this they also got the right to collect land revenue from farmers who owned lands.
- Later, the British started collecting land revenues from the farmers via. the Zamindars. The British punished the farmers who failed to give revenues by confiscating their land, charging fines and so on. Land revenues were as high as half of the produce of farmers. All these ruined the agricultural economy of India and made it poorer.

## **3. High rates of taxes:**

As per a calculation made by Dadabhai Naoroji, in 1876, the rich contributed only about 8% of the national income as taxes while the poor Indians contributed 15% of the national income as taxes.

## **4. High rates of excise and customs:**

- The British collected high excise on match sticks, sugar, steel, silver and all such commodities.
- Though salt was easily available and produced in India, the British termed its production illegal. Then they monopolized salt trade, imported salt to India by charging high custom duties and made it an expensive commodity for poor Indians.
- To suppress the Indian cotton industry, the British levied high custom duty of upto 15% on cotton cloth exported from India. On the other hand, the British imported the cotton cloth from Manchester (England) at a much lower import duty of only about 2.5%.
- The British used to buy and export cotton from India at cheap rates to England and after manufacturing clothes from same cotton used to import and sell those clothes in India and earn huge profits.
- Thus, India's raw materials were exported so that British industry could thrive at the cost of Indian industry.

## **5. Industrial policy:**

- The period from 1750 to 1830 was the period of Industrial Revolution in the west.
- Also, during this period the East India Company started establishing its rule in India. By 1858 it established its rule completely.
- Due to unjust policies of the British Government, the Indian investors had lost their confidence.
- Due to these reasons, the Indian industries did not develop much. Our industries produced only few light and consumer goods. We did not have heavy and basic



industries that could produce machines, engineering equipment, heavy chemicals and other such key products.

### **6. Economic exploitation:**

The British adopted policies to ruin India's economy and fill its own pockets and industries. As a result, Indian resources and agriculture were ruined under the heavy burden of taxes and revenues and cruel and unjust policies.

### **7. Exploitation of artisans:**

- The East India Company used to buy goods from Indian artisans at 15% to 40% lower prices and sold them in the world at higher prices. This way they exploited Indian artisans and made high profits.
- Moreover, after the British Government rule was set-up, the British started selling goods manufactured in England at quite cheap rates in India. This ruined the small scale industries of India.

### **8. Investment pattern:**

- The British invested only in those sectors of India which benefited Britain. For example, they created railways and roadways to move their raw materials and goods for their industry.
- They invested in education to educate Indians so that such educated Indians could run the British administration. On the other hand, they did not allow Indians to obtain education in science and technical fields to restrict India's growth.
- They needed civil engineers for public works departments in India and in Britain and doctors for their treatment in India. So, they started colleges for medicine and civil engineering in India for their own benefit.
- Thus, the investment pattern of the British was very selfish and they invested only in selected areas that could benefit them.

### **9. Payment burden:**

- Over and above the huge salaries that the British used to draw from income earned from India, they were also paid a large sum as 'home charges' to the British personnel in India.
- The home charges included expenses of the British administration, maintenance of the British Army, war expenses, pensions to retired British officers and other expenses made by Britain for maintaining her colonies.
- These home charges were made of three components, They are:
  1. Interest payments for debts incurred in maintaining Indian colony,
  2. Interest on the railways and
  3. Civil and military charges.



**Conclusion:**

The British ruined the healthy and prosperous Indian agriculture and economy -and made India a very poor country. It came to India for trade but strictly did only those activities which benefitted only the British.

**Question 4. Explain the state of Indian economy after Independence.**

Answer:

**Indian economy after independence:**

- After the British rule, India was ruined economically. Post-independence there were several major economic challenges before India.
- Today, India exhibits characteristics of a developing country with some areas having lesser development and some showing much development.
- Overall, in current times, India can be termed as a mixture of less developed as well as a developing country.

**India's post-independence economy is discussed below:****1. Per capita income:**

- According to Human Development Report, the per capita income of India in 2013 at purchasing power parity was \$ 5,150.
- This was not only lower than that of developed countries but also lower than many developing countries like China with per capita income of \$11,477 and Sri Lanka with per capita income of \$9,250.

**2. Agriculture:**

- India has always been an agrarian country. Although the share of agricultural sector in employment has gradually declined but still it is relatively higher.
- India's higher agriculture development and lesser development of industries and service sector have resulted in lower economic development.
- Developed nations have lesser percentage employment in agriculture and higher in the industrial and service sectors.
- As per Human Development Report, during independence about 72% of the population was dependent on agriculture. This declined to 58% in 2001-02 and to 49% in 2013-14.

**3. Industries:**

Post-independence India developed well in industrial sector. The contribution of industrial sector in employment and national income has increased over time.

**Contribution in employment:**

In 1950-51, the share of industries in employment was 10.6%. This increased to 18.2% in 2001 and further to 24.3% in 2011-12.



### **Contribution in national income:**

- In 1950-51, the share of industries in national income was 16.6%. This increased to 26% in 2013-14  
(Source: CSO i.e. Central Statistical Organization).
- Today, 2/3rd of the export earnings are earned from the industrial sector.
- Although the industrial sector is progressing, India cannot be called a completely industrialized nation.

### **4. Service sector:**

#### **Contribution in employment:**

In 1951, the share of service sector in employment was 17.3%. This increased to 25.2% in 2001 and further to 27% in 2011-12.

#### **Contribution in national income:**

- In 1951, the share of service sector in national income was 30.3%. This increased “to 38% in 1980-81, 50.4% in 2000-‘01 and further to 52.7% in 2014-15.
- From such a rapid increasing share of service sector we can say that India is moving fast on the path of growth and development.

### **5. Population growth:**

- The growth rate of population in India is one of the reasons for its lesser development.
- After independence, population in India has grown annually by 1.5% which means there is population explosion in India.
- In 1901, the population of India was 23.84 crores. It increased to 36.1 crores in 1951, 102.7 crores in 2001 and further to 121.02 crores in 2011, Such high growth rate of population has always remained a matter of concern for Indian development.

### **6. Poverty:**

- One of the main characteristics of Indian economy is a very high level of absolute poverty.
- Though percentage of population living below poverty line has declined , over years it is still quite high.
- In 1973-74, about 54.9% of population lived below poverty line. It then declined to 45.3% in 1993-94, to 37.2% in 2004-05 and further to 21.9% in 2011-12.

### **7. Unemployment:**

- India has been a facing a severe problem of structural unemployment.



- Structural unemployment refers to a form of unemployment caused by a mismatch between the skills that workers in the economy have, and the skills, demanded by employers.
- In 1951, 33 lakh people were unemployed.
- In 1999-2000, 7.31% of the total population was unemployed. This increased to 8.2% in 2004-05 (Source: NSSO-National Sample Survey Organization).
- The good side is that the unemployment decreased to 6.6% in 2009-10 and further to 5.6 in 2011-12.
- The proportion of disguised unemployment is higher in rural areas. Disguised unemployment cannot be exactly measured.

## 8. Human development:

- Average life expectancy, literacy, gender ratio, infant mortality rate, etc. are various indices that measure the human development. On studying these indices one can see that India- stands at lower rank in human development. ‘
- One such index is the Human Development Index (HDI). India’s HDI in 2000 was 0.463, in 2010 was 0.547, in 2012 was 0.554 and in 2013 was 0.586. These measures on the HDI are very low.
- In 2013 India’s rank was the 136 in a list of 187 countries, which confirms that India’s HDI is very low.

