

INDIAN ECONOMY 1950-1990

Multiple Choice Type Questions

1. In which of the following type of economy are resources owned privately and the main objective behind economic activities is profit-making?
 - a. Capitalist
 - b. Socialist
 - c. Mixed
 - d. Global
2. Which of the following is the main objective of carrying out various economic activities?
 - a. Profit
 - b. Public welfare
 - c. Competition
 - d. Equality
3. When was the National Development Council (NDC) set up as an adjunct to the Planning Commission?
 - a. 1950
 - b. 1969
 - c. 1952
 - d. 1979
4. Which of the following had been responsible for the heavy burden of the debt and its interest?
 - a. BOP deficit
 - b. BOP surplus
 - c. Equilibrium
 - d. None of these
5. Agriculture sector contributed _____ percent to the GDP in 1990-91.
 - a. 24.6
 - b. 34.9
 - c. 40.5
 - d. 59.0

Answer

1. (a) 2. (b) 3. (c) 4. (a) 5. (b)

SHORT ANSWER QUESTIONS

1. Give a brief account of India's direction of trade.

Answer:

The direction of trade means the countries with which India exchanges its goods and services. After independence, significant changes took place in the direction of India's foreign trade. The share of British

Empire (U.K. and her colonies), which was as high as nearly half of our total foreign trade before Second World War, has declined significantly. Share of England alone was about one-third in our exports and imports but it is now much smaller. Since 1950, America has almost maintained its share in our exports.

Even now America is the most important customer of Indian goods. Russia's share increased extraordinarily in the beginning. In 1950-51 this country had no trade relation with India, but in 1990-91 its share in Indian exports increased to 16.1 percent. After the split of the Soviet Union its share sharply came down. India has mainly trade relations with European Union, North America, Australia, New Zealand, Japan and OPEC countries like Saudi Arabia, Iraq, Iran, etc.

2. Explain any two features of Indian agriculture.

Answer: Features of Indian agriculture are:

(i) Disguised Unemployment: Disguised unemployment is a situation in which more than required workers are absorbed. For example, in two hectare of land 3 workers can cultivate efficiently but there are 6 workers engaged on that land. These 3 extra workers are called disguisedly unemployed. If these 3 workers are removed from the work, the production will not be affected.

(ii) Seasonal Occupation: Indian agriculture is a seasonal occupation. In other words, its productivity is dependent upon season. Indian farmers find work for only six months period in a year and for remaining six months, they remain unemployed.

3. What were the objectives of land reforms in India?

Answer:

The following were the objectives of land reforms

- To achieve egalitarian social structure by restructuring agrarian relations
- To eliminate the exploitation in land relations
- To provide the ownership of land to the tiller
- To improve the socio-economic-conditions of the rural poor by widening their land base
- To increase agricultural productivity and production
- To facilitate land-based development of the rural poor
- To promote the agriculture sector

4. Define capitalistic economy. Why was Pt. Jawaharlal Nehru not in the favor of capitalism?

Answer: In capitalistic economy, resources are owned privately and the main objective behind economic activities is profit-making. Problems of the economy are solved through free price mechanism, independent of government intervention. Under this type of economy, goods are produced and distributed among the people not on the basis of what they need but on the basis of what the people can afford or are willing to purchase.

The poor people are usually ignored under such a system as they do not have the purchasing power to back their demand. As a result, such goods are not produced. According to Pt. Jawaharlal Nehru, a vast majority of people would not get the chance to improve their quality of life under capitalism and hence, he was not in the favour of such a system.

5. Explain the concept of mixed economy.

Answer: Mixed economy is an economic system in which production, distribution and consumption decisions are left to the free play of the market forces. However, a large part of economic activities are regulated by the government to maximize the social welfare along with individual welfare or self-interest. It is a combination of capitalism and socialism.

The government and the market together answer the three basic questions of, what to produce, how to produce and for whom to produce in the mixed economy. In this type of economy, private sector or market will provide those goods and services, which it can produce well and the government sector will provide those goods and services, which are essential for the welfare of the society as a whole.

LONG ANSWER QUESTION

1. Why is it important to promote small scale industries? Explain.

Answer: It is important to promote small scale industries due to the following reasons:

(i) Greater Employment Opportunities: Small scale industries are more labour intensive. With less earmarked investment of capital, more persons can be employed in these industries.

(ii) Equity in the Distribution of Income: Due to small scale of production, there remains equity in the distribution of income. There is no concentration of capital in a few hands but it is distributed among all the people engaged in production. The profit of these industries is shared by many people.

(iii) Decentralisation: Small scale industries are situated in villages and towns. They reduce the regional imbalances. As a result, benefits of these industries go to the masses.

(iv) Less Pressure on Agriculture: Small scale industries have great importance in India. Most of its population is engaged in agricultural activities. Every year about 30 lakhs of people increase as dependents on agriculture in India. Therefore, it is necessary to reduce the increasing pressure on agricultural land. It can be achieved only by establishing more small scale industries.

(v) Less Capital Requirements: Small scale industries need less capital as compared to large scale industries. In country like India where capital is scarce, small scale industries can be established with less amount of capital.

(vi) Immediate Increase in Production: The gestation period of small scale industry is short. As a result, production starts immediately after the establishment of these industries, In India, 40 per cent of the industrial production is produced in small scale industries.

(vii) Production of Artistic Goods: More manual work is done in these industries. As a result, production of artistic goods is only possible in small scale industries.

(viii) Importance in Exports: Small scale industries have great importance in India's exports. In 1990's, the contribution of these industries in total exports was 35 per cent.

(ix) Industrial Peace: Industrial peace is the feature of these industries because there is less possibilities of labour exploitation.

2. Explain the policies which were adopted to promote equity in the agricultural sector,

Answer: The following policies can be adopted to promote equity in agricultural sector:

(i) Abolition of Intermediaries: Intermediary tenures like Zamindars/jagirdars, etc., which prevailed over 40 per cent of the country were abolished and the ownership of land was given to the actual tillers or tenants. This ownership of land gives incentives to invest in making improvements to the tillers.

(ii) Tenancy Reforms: It envisages provision of security to tillers or tenants and conferring ownership rights on them. Under tenancy reforms, following three types of measures were adopted:

Regulation of Rent: Before independence, the rent charged by zamindars from the tenants was exorbitant. Legislations were enacted after independence to regulate the limits of rents and reduce the burden on tenants.

Security of Tenure: Security of tenure to tenants had been given in all states through tenancy reforms. For the security of tenure, legislations have been passed in most of the states.

Ownership Rights for Tenants: Ownership rights for tenants have been conferred in areas of Andhra Pradesh, Bihar, West Bengal, Punjab, Haryana and Tamil Nadu.

(iii) Land Ceiling: It was another policy to promote equity in the agricultural sector. The purpose of land ceiling is to reduce the concentration of land ownership in a few hands. Land ceiling laws were first enacted in the 1950s and the 1960s. It was further revised in 1972.

(iv) Updating and Maintenance of Land Records: For the promotion of equity in the agricultural sector, a drive was taken up in 1985-86 for updating land records. Pottu passbooks with legal status are to be issued to land owners and tenants. Thus, without updating and maintenance of land records, land reforms cannot be properly implemented.

(v) Consolidation of Holdings: This measure is designed to solve the problem of fragmentation of holdings. The method adopted is to grant one consolidated holding to the farmer equal to the total of the land in different scattered plots under his possession.

(vi) Cooperating Farming: Cooperating farming has been advocated to solve the problems of subdivision of holdings. Under this system, farmers having very small holdings joined their hand and pooled their lands for the purpose of cultivation, in this way, they can reap profits of large scale farming.

3. Define economic system. What are characteristics of different types of economic systems?

Answer: An economic system comprises of production, distribution and consumption of goods and services.

Characteristics of a Capitalist Economy

(i) Profit is the main motive of carrying out various economic activities.

(ii) Factors of production are privately owned.

(iii) Consumers are free to choose whatever they can afford.

(iv) Prices of goods and services are determined by market forces of demand and supply with minimum intervention by the government.

Characteristics of a Socialist Economy

(i) The government is the only owner of the resources and is solely engaged in the production and distribution of goods and services.

- (ii) The prices of goods and services are determined by the government.
- (iii) Welfare of the society is the main objective of carrying out various economic activities.
- (iv) The government employs people and pays their salaries.

Characteristics of a Mixed Economy

- (i) A mixed economy is a combination of capitalism and socialism.
- (ii) The involvement of government in production and distribution activities is aimed at the welfare of the public.
- (iii) The involvement of private firms in production and distribution activities is aimed profit maximisation.
- (iv) The prices of goods and services produced by individuals are decided by the market forces while the prices of goods and services produced by the government are decided by the government.

4. Discuss the problems related to agriculture in India.

Answer:

India is a developing country. Agriculture plays a vital role in its development. Most of the population is engaged in agriculture and allied activities. But the agricultural sector is not fully developed. There are many problems which are responsible for the backwardness of Indian agriculture. These problems are as follows:

- (i) Lack of Proper Marketing Channels: Marketing system of agricultural products is not good in India. As a result of it, farmers could not get sound prices of their crops. Farmers sell their products in villages at lower prices as a result of it they remain poor. Markets are far from the villages and transportation facilities are not up to the mark
- (ii) Lack of Credit Facilities: Credit problem is one of the main problems of Indian farmers. They find it easy to borrow from local money lenders at exorbitant rate of interest as taking loan from banks and co-operative societies involve long and complicated procedures. This tendency of loan taking makes them fall in debt traps.
- (iii) Rural Indebtedness: Indebtedness is also the main problem of Indian agriculture. Indian farmer always remains in debt. They have to take loans for cultivation and even for the sale of their products. In the words of M.L. Darling, "Indian peasant born in debt, lives in debt and dies in debt."
- (iv) Illiteracy: Large number of Indian farmers is illiterate. Hence, they are unable to use the mechanised system of agriculture. As a result, their productivity remains low.
- (v) Disguised Unemployment: Disguised unemployment exists on a large scale in agriculture. The productivity of disguisedly unemployed people remains zero. Farmers cannot gain surplus from their fields due to disguised unemployment
- (vi) Lack of Irrigation Facilities: Of the total cultivated area in the country, a little less than 40 per cent is irrigated even today. In the remaining areas, farming is largely dependent on rainfall.

5. Suggest some measures to remove the problems of agriculture in India.

Answer: The following measures can be adopted to improve the state of Indian agriculture and farm productivity:

- (i) New Techniques of Production: New agricultural technology with emphasis on High Yielding Varieties and improved inputs must be adopted on a much wider scale.

However, we do not have to adopt capital intensive techniques of the west; rather our own research institutions and experts should invent suitable techniques keeping in view the differences in topography, climate, soil and other socio-economic conditions of different regions.

(ii) [Land Reforms](#): Land reforms providing a land system conducive for agricultural development should not only be enacted but also be faithfully implemented. The official land tenure system must aim at 'land to the tiller' as self-cultivation can induce maximum improvement in farming.

(iii) [Creation of Economic Holdings](#): Most states have already passed acts relating to consolidation of holdings in order to create economic holdings through removing the problem caused by sub-division and fragmentation of holdings. However, the progress has not been satisfactory in many states.

Even in states like Punjab, where the entire task of consolidation was completed years ago, new sub-division and fragmentation have taken place. Therefore, fresh measures like change in law of inheritance are required to overcome the difficulties caused by sub-division and fragmentation.

(iv) [Crop Insurance](#): Crop insurance is needed to provide protection against natural calamities like floods, drought, locusts, thunderstorms, etc. Some states are already taking steps in this direction. For example, Haryana Government is thinking of setting up a fund for this purpose.

(v) [Cooperative Farming and Other Agricultural Cooperatives](#): Small and marginal farmers can adopt scientific large scale commercial farming only through cooperative farming.

This will also solve the problem of uneconomic size of farms and act as a very powerful measure to combat the problem of sub-division and fragmentation of holdings. Cooperative societies can also enable the farmers to purchase modern inputs at cheap rate and store, process and market their produce advantageously.

(vi) [Extension of Irrigation Facilities](#): Expansion of irrigation facilities can contribute significantly towards improving the agriculture. Along with starting more major and medium irrigation projects to exploit our vast irrigation and Hydel Power potential, minor irrigation facilities should also be expanded on a much larger scale.

(vii) [Agricultural Inputs](#): Provision of improved inputs like certified seeds, fertilisers and pesticides, etc. in adequate quantities and at fair prices is also essential for increasing farm productivity.

(viii) [Improved Implements](#): Large scale mechanisation of Indian agriculture is neither possible nor desirable under existing conditions but use of improved implements and machines like improved ploughs, drills, chaff cutters, threshers, small tractors and pumping sets can certainly increase the efficiency of agricultural operations.