

**CLASS 12 ECONOMICS**  
**INDIAN ECONOMIC DEVELOPMENT**  
**CHAPTER-2**  
**INDIAN ECONOMY(1950-1990)**

**INSTRUCTIONS:**

**STEP 1 :** Read chapter-2 from NCERT book Indian Economic Development.

**Learning Objectives:** After studying this chapter , you will be able to:

- Come to know the goals of India's five year plans.
- Know about the development policies in different sectors such as agriculture and industry from 1950-1990
- Learn to think about the merits and limitations of a regulated economy.

The following topics are covered in this chapter:

- i. Economic system
- ii. Goals of five year plans
- iii. Agriculture Sector
- iv. Industry and Trade
- v. Import substitution
- vi. Appraisal of policies

**STEP 2 :** Watch the video on Indian economy (1950-1990) through the following link:

<https://youtu.be/X7aw6REEhmM>

**STEP 3:** Following are the **Main points of the chapter.**

**INDIAN ECONOMY (1950-1990)**

1. **ECONOMIC PLANNING** – it is a process under which an authority defines a set of targets to be achieved within a specified period of time.
2. **Different forms of economic systems**

- a) **Capitalism**- all goods and services to be produced by individual owners. Free play of market forces prevails. No role of govt.
- b) **Socialism**- all goods and services are produced by government. No role of market forces.
- c) **Mixed economy**- coexistence of both public as well as private sector. Decisions are taken by both the govt and market forces.

### 3. **GOALS OF PLANNING - A PLAN SHOULD HAVE SPECIFIED GOALS.**

1. **Growth** It refers to increase in the country's capacity to produce the output of goods and services within the country. It implies either a larger stock of productive capital or a large size of supporting services like transport and banking. Increase in GDP is a good indicator of economic growth. Gross Domestic Product (GDP) is the market value of all national goods and services produced in the different sectors of an economy, viz the primary sector, the secondary sector, and the tertiary sector during an year within the domestic territory of a country.
2. **Modernisation** Adoption of new technology is called modernisation. It is done with an aim to increase the production of goods and services. For example, a farmer can increase the output on the farm by using new seed varieties instead of using old ones. Modernisation refers to not only change in production methods, but also change in the social outlook of a society by granting equal status to women and making use of their talent in the productive process.
3. **Self-Reliance** A nation can promote economic growth and modernisation by using its own resources or by using resources imported from other nations. The first seven Five Year Plans gave importance to self-reliance by avoiding imports. This policy was considered a necessity in order to reduce our dependence on foreign countries especially for food.
4. **Equity** It refers to reduction in disparity of income or wealth, by uplifting weaker sections of the society. It also refers to distribution of economic power equally or in such way that every Indian should be able to meet his or her basic needs such as food, a decent house, education, healthcare, etc.

### 4. **AGRICULTURE ( 1950-1990)**

#### **IMPORTANCE OF AGRICULTURE IN AN ECONOMY.**

- a) It Contributes to GDP

- b) Supply of wage goods
- c) It provides Employment
- d) It provides Industrial raw material
- e) Contribution to international trade
- f) Contribution to domestic trade
- g) It adds to Wealth of nation

#### **5. PROBLEMS IN AGRICULTURE SECTOR-**

- a) lack of permanent means of irrigation
- b) lack of funds
- c) conventional or orthodox outlook
- d) small and scattered holdings
- e) lack of organized marketing system

#### **6. REFORMS IN AGRICULTURE SYSTEM**

##### **TECHNICAL REFORMS**

- a) Use of HYV seeds to enhance production and productivity
- b) Use of chemical fertilizers
- c) Scientific farm management practices
- d) Mechanized means of cultivation

##### **LAND REFORMS**

(i) **Abolition of Intermediaries:** The Zamindari system was abolished and ownership rights were confused to the actual tiller of land.

(ii) **Regulation of Rent:** Rent was regulated and a maximum limit of 33 % of the value of crop was fixed.

(iii) **Land Ceiling:** The maximum size of land holding that an agricultural household can own was fixed. the surplus land was acquired after paying compensation and was re-distributed among poor farmers.

(iv) **Consolidation of Land Holding:** To increase productivity farmers were given big piece of land in place of his small and fragmented fields.

(v) **Co-operative Farming:** Co-operative farming was encouraged to further benefit from the gains of consolidation of holdings.

##### **a) GENERAL REFORMS**

- a) Expansion of irrigation facilities
- b) Provision of credit

- c) Regulated market
- d) Price support policy

### **MARKETABLE SURPLUS-**

It refers to surplus of farmers output over and above his own farm consumption.

Thus marketable surplus of wheat + output of wheat – on farm consumption of wheat.

### **GREEN REVOLUTION**

It started in India in year 1967-68. In the year 1967-68 itself, the production of food grains increased. Earlier we used to import food grains to feed the population.

- It was launched in October 1965.
- Use of package inputs
- Scientific rotation of crops
- Better irrigation facilities
- Use of HYV seeds
- Use of pesticides and insecticides

### **BENEFITS OF GREEN REVOLUTION-**

- Rise in production and productivity
- Increase in income
- Rise in commercial farming
- Increase in employment

### **LIMITATIONS OF GREEN REVOLUTION-**

- Restricted to limited crops and areas such as two crops wheat and rice growing states like Punjab, Haryana, UP, and Andhra Pradesh.
- Partial removal of poverty
- Neglected land reforms
- Increase in income disparity
- Ecological degradation

## **INDUSTRIAL SECTOR**

Industrialisation plays a very important role in the economic development of a country. It is important

- Meeting ever rising demands
- Raising people's income
- High potential for growth
- Key to high volume of goods
- Provides employment
- Leads to modernization.

## **INDUSTRIAL DEVELOPMENT SINCE INDEPENDENCE**

- Share of industrial sector in the GDP has increased up to 20% in 2013-14.
- The following important changes have taken place:
  - (i) Development of infrastructure like power transport, communication, banking & finance, qualified and skilled human resource.
  - (ii) Much progress in the field of research and development.
  - (iii) Expansion of public sector.
  - (iv) Building up of capital goods industry.
  - (v) Growth of non-essential consumer goods industries.

## **PROBLEMS OF INDUSTRIAL DEVELOPMENT IN INDIA**

1. Sectoral imbalances- Agriculture and infrastructure have failed to provide the support to the industrial sector.
2. Regional imbalance- Restricted to few states.
3. Industrial sickness- which raised the problem of unemployment.

## **INDUTRIAL POLICY RESOLUTION 1956**

IPR 1956 was an important instrument through which govt. Regulates industrial activities in an economy. Following were the objectives.

- To accelerate the growth of industrialization
- To develop heavy industries
- To expand public sector
- To reduce income inequalities
- To prevent monopolies.

IPR 1956 comprises of three following schedules in which the categorization of industries have been done.

- a) **Schedule A**- 17 industries listed whose future development would be the responsibility of state.
- b) **Schedule B**- 12 industries where private sector could supplement the efforts of public sector
- c) **Schedule C**- other residual industries were left open to private sectors.

**PUBLIC SECTOR** - It consist of all the industrial and commercial units which are owned by the govt.

Role of public sector-

- Lack of capital with private Producers
- Development of infrastructure
- Provision of basic necessities
- Development of backward areas
- To prevent monopolies

**Problems of public sector-**

- Unprofitable
- Overstaffing
- Management gaps
- Underutilization or inefficiencies
- High losses
- Burden of sick units

**SMALL SCALE ENTERPRISES**

A small scale industry is presently defined as the one whose investment does not exceed Rs. 5 crore.

**Features of SSE**

- Labor intensive
- Self employment
- Less capital intensive
- Export promotion
- Locational flexibility

## **PROBLEMS IN SSE**

- Difficulty in finance
- Shortage of raw material
- Difficulty in marketing
- Outdated machines
- Competition from large scale units

## **FOREIGN TRADE**

- At the time of independence raw material was exported from India to Britain in abundance, on the other hand finished goods from Britain were imported into India.

Notably our balance of trade was favourable (exports > imports)

- After independence India's foreign trade recorded a noticeable change such as.
  - (i) Decline in percentage share of agricultural exports.
  - (ii) Increase in percentage share of manufactured goods in total exports.
  - (iii) Change in direction of export trade and import trade.
  - (iv) Decline of Britain as main trading Partner.

### **TRADE POLICY**

- In the first seven five year plans of India, the trade was commonly called an 'inward looking' trade strategy.
- This strategy is technically known as 'import substitution'. Import substitution means substituting imports with domestic production. Imports were protected by the imposition of tariff and quotas which protect the domestic firms from foreign competition. Impact of Inward looking Trade strategy on the domestic industry.
  1. It helped to save foreign exchange by reducing import of goods.
  2. Created a protected market and large demand for domestically produced goods.
  3. Helped to build a strong industrial base in our country which directly leads to economic growth.

### **Criticism of import substituting strategy**

1. It did not lead to growth.
2. Lack of competition implied lack of modernisation.

3. Growth of inefficient public monopolies.
4. It did not lead to efficiency.

### **INDUSTRIAL LICENSING**

Licensing is a tool for channelizing scarce resources in predetermined priority sector of an economy.

The Industries development and resolution act (IDRA) was enacted in 1951.

#### **MAIN OBJECTIVES OF IDRA act of 1951**

1. Regulation of industrial development in accordance with planned priorities.
2. Avoidance of monopoly.
3. Balanced regional development.
4. Prevention of undue competition between large-scale industries and small scale industries.
5. Optimum utilisation of scarce foreign exchange resources. Under this act the following were applicable.

- A. All the scheduled industries should be registered with the govt.
- B. A licence must be obtained by all the new industries.
- C. Govt. is authorised to examine the working of any industrial undertaking.
- D. If the undertaking continued to be mismanaged, govt. can take over its management.

#### **CRITICISM AGAINST INDUSTRIAL LICENSING**

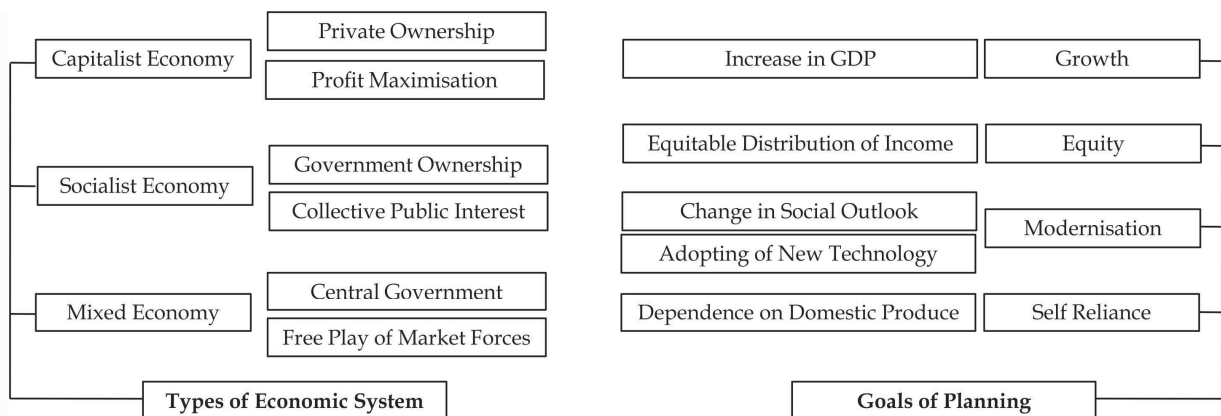
1. There was an adhoc system for accepting or rejecting an application for licence.
2. The quality of techno economic examination conducted by Director General of technical development was generally poor.
3. Licensing policy resulted in under utilisation of capacity in many industries.
4. In reality, the policy helped large business houses in accumulating economic power.

#### **PERMIT LICENCE RAJ**

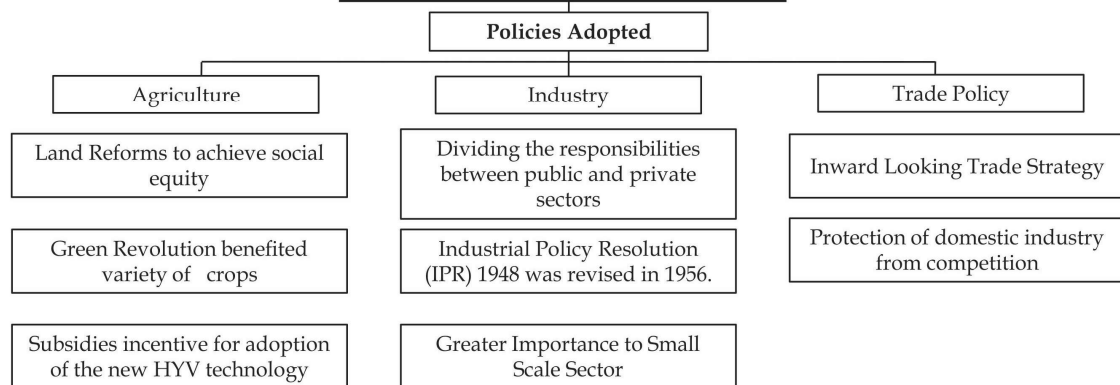
The licensing authorities many times granted licence to big business houses without proper scrutiny of their applications.

**STEP 4: A MINDMAP is given to help you memorize the main points:**





### Indian Economy (1950 - 1990)



#### STEP-5 Attempt the following questions related to the chapter:

Q1 What type of economy is followed in India?

- Communist
- Capitalist
- Mixed
- Socialist

Q2 The portion of agricultural produce which is sold in the market by the farmers is known as,

- Trade deficit
- Marketed surplus
- Subsidy
- Import substitution

Q3 The planning commission was set up in which year in India?

- 5th March 1951
- 25th April 1951
- 20th March 1951
- 15th March 1950

Q4 Schedule ----- comprise of industries which would be exclusively owned by the state:

- A
- B
- C
- D

Q5 To protect goods produced in india from imports, government made use of:

- Quotas
- Tariffs
- Both (a) or (b)
- Neither (a) nor (b)

Q6 Abolition of intermediaries and land ceilings in India are part of:

- Industrial reforms
- External sector reforms
- Banking reforms
- Land reforms

Q7 Which of the following is not goal of five year plan?

- Growth
- Equity
- Land reforms
- Modernization

Q 8 . ..... Refers to an arrangement by which central problems of an economy are solved.

- Economic system
- Mixed economy
- Modernization
- Socialist

**Q9.** Most of the economies including India are mixed economies. Consider the following statements.

1. In mixed economies government and the market together answer what and how to produce and how to distribute what to produce.
2. The government will provide whatever goods and services it can produce well.
3. The market will produce to the goods and services the government fails to do.

**Select the correct ones.**

- a) Only 1
- b) 1 and 3
- c) All the above
- d) 2 and 3

**Q10** In accordance with the goal of the state controlling the commanding heights of the economy, the industrial policy resolution of 1956 was adopted consider the following statements about 1956- industrial policy resolution?

1. This resolution formed the basis of the second five year plan, the plan which tried to build the basis for a capitalist pattern of society.
2. This policy was used for promoting industries in backward regions.
3. License to expand production achieved easily.

**Select the correct answer from the code given below:**

- a) 1 and 2 b) 2 only
- c) 2 and 3 d) 1 and 3

**Q 11** Match the following:

|    |                        |    |   |
|----|------------------------|----|---|
| 1. | Prime Minister         | A. | Seeds that give large proportion of output  |
| 2. | Gross Domestic Product | B. | Quantity of goods that can be imported  |
| 3. | Quota                  | C. | Chairperson of the planning commission  |
| 4. | Land Reforms           | D. | The money value of all the final goods and services produced within the economy in one year |
| 5. | HYV Seeds              | E. | Improvements in the field of agriculture to increase its productivity                       |
| 6. | Subsidy                | F. | The monetary assistance given by government for production activities.                      |

Q12 Answer the following questions in one word or sentence: ( one mark each)

- a) What is mixed economic system?
- b) In which two states land reforms were successful?
- c) What are examples of consumer goods industries?
- d) When was planning initiated in India?
- e) When was planning commission established?
- f) When was NITI Aayog established?

Q13 Why did India opt for planning? Explain the four common goals of planning.

Q14 What do you mean by Green Revolution? State its advantages and limitations

Q15 Explain how import substitution can protect domestic territory.

Q16 While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the statement.

Q17 Explain the IPR 1956. Also Explain why public sector was given a leading role in industrial development during planning period?

Q18 Explain the need and type of land reforms implemented in the agriculture sector.

Q19 Write short notes on the following:

- (a) NITI Aayog
- (b) Small scale industries
- (c) Tariffs
- (d) Quotas

