

CBSE Test Paper-01
Chapter 07 Indian Economy 1950-90

1. It is a conscious design to shape the socio-economic processes in order to achieve an objective **(1)**
 - a. Economic planning
 - b. Economic development
 - c. Economic growth
 - d. Economic infrastructure
2. In India, what type of economic system is being followed? **(1)**
 - a. Capitalism
 - b. Socialism
 - c. Monarchy
 - d. Mixed
3. Which is the primary objective of economic planning in India **(1)**
 - a. Reducing Inequalities of income
 - b. Abolition of poverty
 - c. Growth with social justice
 - d. Removing unemployment
4. External Factors responsible for industrial sickness **(1)**
 - a. Lack of management
 - b. Government policies related with production, distribution and prices
 - c. Excessive overhead expenses
 - d. Diversion of funds
5. Define small scale industry. **(1)**
6. Define green revolution. **(1)**
7. In 1951, agriculture contributed to country's national income. **(1)**

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8. Has India managed to achieve the targeted growth rate of industrial production during the various plans? **(1)**
 9. Explain 'growth with equity' as a planning objective. **(3)**
 10. 'Industrial licensing and industrial sops were used to promote regional equality'. Discuss. **(3)**
 11. Why there was a need for protection of small scale industries? State the steps undertaken by the government for their growth. **(4)**
 12. Does modernisation as a planning objective create contradiction in the light of employment generation? Explain. **(4)**
 13. Distinguish between planning objectives and plan objectives on any four basis. **(4)**
 14. 'Mixed economy is the basic framework of planning in India'. Justify the given statement. **(6)**
 15. Give the achievements of Five Year Plans in India. **(6)**

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Answers

1. a. Economic planning

Explanation: It means utilisation of country's resources into different development activities in accordance with national priorities.

2. d. Mixed

Explanation: After independence, India envisaged an economic system which combines the best features of socialism and capitalism—this culminated in the mixed economy model.

3. c. Growth with social justice

Explanation: The primary motive of economic planning is to bring economic growth and reduce inequality in the country. Other than this, it also had other objectives like increase employment opportunities and attain self sufficiency.

4. b. Government policies related with production, distribution and prices

Explanation: Excessive government control and restrictions on capacity utilisation, location, product mix, product quality, prices, distribution etc. come in the way of smooth functioning of the firms and often result in sickness of the firm.

5. SSI is presently defined as the one whose investments do not exceed of Rs.5 crore and more use of labour.

6. Green revolution refers to a large increase in crop production in developing countries achieved by the use of artificial fertilizers, pesticides, tools, high-yielding variety seeds and new technology.

7. 55-56%

8. Except for the First Five Year Plan, in all the other plans, the actual growth rate was nowhere near the targeted growth rate. India has managed to achieve the targeted growth rate of industrial production only during the First Five Year Plan.

9. Economic Growth is an increase in the aggregate output of goods and services in a country in a given period of time. Equity refers to a reduction in inequality of income or wealth, uplifting weaker sections of the society and equal distribution of economic power. Higher levels of growth and social justice are the two main objectives of India's economic planning. When these two objectives are clubbed together, it is called development with social justice.

Growth is desirable as you must have the cake to distribute it but growth in itself does not guarantee the welfare of society. Growth is assessed by the market value of goods and services produced in the economy (GDP) and it does not guarantee an equitable distribution of the income from this production. In other words, the major share of Gross Domestic Product (GDP) might be owned by a small proportion of population which may result in the exploitation of weaker sections of society.

Hence, growth with equity is a rational and desirable objective of planning. This objective ensures that the benefits of high growth are shared by all the people equally and hence, inequality of income is reduced along with growth in income.

10. **In order to promote regional equality in industrial development, the government took the following steps:**

- i. **Industrial Licencing:** The licensing policy was introduced in the IPR of 1956 with the basic idea to encourage the establishment of the industry in the backward regions, with a view to encourage regional equality in the industrial development. This policy was to promote equality because the private industrialists were expected to establish industries in backward regions of the country. As per this policy, private entrepreneurs were allowed to establish a new industry or to expand the productive capacity of the existing units only after obtaining a license from the government. Strict rules and regulations were required to be followed before a license was provided. However, if the new unit was proposed to be established in a backward region, then the license was provided on simpler terms. This promoted industrialists to establish new units in backward regions, thereby ensuring all-round development of the country. In this licences were issued liberally to the private entrepreneurs who want to set up industry in backward regions compared to the relatively developed regions of the country. This liberalisation in issuing the licences by the government helped in promoting

regional equality in the industrial development.

- ii. **Industrial Sops:** Industrial sops means industrial concessions. The government offered many types of industrial sops for establishing industry in the backward regions of the country. These sops included:
 - a. Tax holiday or tax concession for the newly established units in the backward regions.
 - b. Power supply at concessional rates.

11. The policy of protection is based on the notion that industries of developing countries are not in a position to compete against the goods produced by more developed economies. It is assumed that if the domestic industries are protected they will learn to compete in the course of time.

- i. Deregulation of Industrial Sector: removed many of the restrictions.
- ii. Industrial licensing was abolished from almost industries.
- iii. Financial sector includes financial institutions, such as commercial banks, investment banks, stock exchange operations and foreign exchange market.

12. No, modernisation as a planning objective does not contradict employment generation. In fact, both modernisation and employment generation are positively correlated in the long-run. Modernisation refers to the use of new and modern technology in the production process. 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. This does not cut down the employment generation opportunity rather this facilitate the manpower in their works. However, this may make some people lose their jobs in the initial stages, as machines take place of men.

But gradually, the use of modern technology and input will raise productivity and consequently the income of the people, that will further raise the demand for goods and services. In order to fulfil this increased demand, more production output will be required and there will be more job opportunities, that will lead to higher employment in the economy. Even in the short-run, modernisation leads to the creation of employment opportunities for skilled workers. If proper training and vocational education are provided, it will lead to better employment in terms of quality of work and earnings. The concept of modernisation is never contradictory to

the employment generation activities, rather it has always worked towards changing the thinking of the people and society at large.

Hence, both modernisation and employment generation are not contradictory but are complementary to each other.

13. The differences between planning objectives and plan objectives are

Basis	Planning Objectives	Plan Objectives
Aim	They are long-term objectives to be achieved over a long period.	They are objectives to be achieved in a short period say 1 to 5 years.
Nature	They are common to all plans.	They vary from plan to plan.
Plans	They are broad goals, which development plans seek to achieve.	They are planned with greater precision.
Changes	They aim at structural changes.	They aim at quantitative changes.

14. Mixed economy is an economic system in which economic decisions are taken by the Central Government authority, as well as, are left to free play of the market. It is the basic framework of planning in India. In this economy, the market will provide whatever goods and services it can produce economically and the government will provide essential goods and services which the market fails to provide.

The following features of the Indian economy prove that a mixed economy is a basic framework of planning in India:

- i. Agriculture and most of the industrial and service sectors are in the private hands in India.
- ii. Over the period of time, many big business houses have come into being and have been growing, such as Reliance, Infosys, Bajaj, etc.
- iii. Market forces of demand and supply have a free role in determining prices in various markets i.e., goods having higher demand will be highly priced and vice-versa.
- iv. The government recognised the need to provide infrastructure for the growth of the private sector after Independence. So, the public sector was developed on a

large scale.

15. Some major achievements of the Five Year Plans are:

- i. **Increase in National Income:** The National Income of India increased at the rate of 0.5% per annum prior to planning. The average annual growth rate in India had been around 5% during the period of planning
- ii. **Growth and Diversification of Industry:** During the period of planning, the growth rate of industrial production has been around 7% per annum. Basic and capital goods industries have shown tremendous growth. In consumer goods industries, the country has become self-sufficient. Industrial sector has been diversified and modernised.
- iii. **Increase in Per Capita Income:** Per Capita Income increased at the rate of 2.9% per annum during the planning period
- iv. **Institutional and Technical Changes in Agriculture:** Planning has contributed tremendously towards the development of agriculture in our country. During the period of planning, the average growth rate of agricultural produce was 2.8% per annum.
- v. **Economic and Social Infrastructure:** During the period of planning, economic infrastructures such as means of transport and communication, irrigation facilities and power, banking and insurance facilities have shown significant growth. Health and educational facilities have recorded a significant rise.
- vi. **Employment:** Concentrated efforts have been made to increase employment opportunities during the plan period. The government fixed the target of creating 58 million jobs In the Eleventh Five Year Plan. The Twelfth Plan aims at creating 70 million jobs.
- vii. **International Trade:** India's international trade has also grown at a phenomenal rate. In 1948-49, the value of foreign trade was Rs. 792 crore. In 2011-2012, it stood at Rs. 38,11,422 crore.

So, we can say that our economy showed considerable progress during the plan period.