CBSE Test Paper-03

Chapter 07 Indian Economy 1950-90

1. What is meant by Per Capital Income? **(1)**
    a. It is sum total of all final goods and services produced in an economy in a financial year.
    b. It refers to total value of investment made in a year.
    c. It is foreign investment made in a year.
    d. It is national income divided by population.
2. Match the following. Options are as below **(1)**

a. Intermediaries	i. Bringing together all plots of land into one block
b. Tenancy reforms	ii. Take cultivated land on rent
c. Consolidation of land holdings	iii. Exploitative agrarian relations

    a. a(i),b(ii),c(iii)
    b. a(iii),b(i),c(ii)
    c. a(iii),b(ii),c(i)
    d. a(ii),b(iii),c(i)
3. Imports fast growing imports are due to **(1)**
    a. Heavy imports of petroleum products
    b. All of these
    c. Economic reforms 1991
    d. Heavy imports of capital goods
4. Who takes the decisions regarding production and distribution of commodities in a mixed economy? **(1)**
    a. Government
    b. Market forces of demand and supply
    c. God

d. Both Market forces of demand and supply and Government

5. Why was it necessary for a developing country like India to follow self-reliance as a planning objective? **(1)**
6. What is marketable surplus? **(1)**
7. How do the PSUs promote equality? **(1)**
8. The objective of 'modernisation' pursued by the Five Year Plan was of immense importance for India. Why? **(1)**
9. Differentiate between the private sector and public sector. Give an example of each sector. **(3)**
10. What is import? Give any two features of import. **(3)**
11. Which economic system do you think was most suited to Indian economy and why? **(4)**
12. Do you think there is any contradiction between growth and self-reliance and growth and employment generation? **(4)**
13. What are different types of growth strategies? **(4)**
14. Explain the importance of agricultural sector for the Indian economy. **(6)**
15. "Most public undertakings have outlived their usefulness". Discuss. **(6)**

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Answers

1. d. It is national income divided by population.
   Explanation: Per capita income (PCI) or average income measures the average incomeearned per person in a given area (city, region, country, etc.) in a specified year. It is calculated by dividing the area's total income by its total population.
2. c. a(iii),b(ii),c(i)
   Explanation: Intermediaries refers to people between the tiller and the state. they should be abolished as they bring stagnation in the Indian agricultural sector. The tenancy reforms laws provide the provisions for registration of tenants, or giving ownership rights to the former tenants to bring them directly under the state. Consolidation of land holdings refers to bringing together all plots of land into one block.
3. b. All of these
   Explanation: Due to economic reforms liberalisation in 1991 countries nowadsys imports huge amount of capital and petroleum goods.
4. d. Both Market forces of demand and supply and Government
   Explanation: Mixed economy refers to the economic system where the economic activities are directed by both private and the government. In other words, it is the market economy which is regulated by the government or the state.

5. Self-reliance as an objective of economic planning is necessary for a developing country because a nation can promote economic growth and modernization by using its own resources or by using resources imported from other nations. It is necessary for a developing country in order to reduce its dependence on foreign countries, especially, for food. Promoting self-reliance increases employment generation in an economy.

6. The difference between the total output produced by a farmer and his self

consumption from that output is termed as Marketable surplus. In other words, the portion of agricultural produce which is sold in the market by the farmers is called marketable surplus.
Marketable surplus = Total farm output produced by the farmer - Own consumption of farm output

7. By checking the concentration of power in few hands PSUs promote equality in the country.

8. At the time of independence, the objective of ‘modernisation’ pursued by the Five Year Plan was of immense importance for India because the Indian economy was plagued with superstitions and gender inequality.

9.

Basis	Private Sector	Public Sector
Concept	Private sector is that part of the economy in which private entrepreneur operates.	Public sector is that part of the economy in which state acts as an entrepreneur.
Basic objective	Earning Profit.	To serve the citizens of the country.
Areas	Police, Army, Mining, Health, Manufacturing, Electricity, Education, Transport, Telecommunication, Agriculture, Banking, Insurance, etc.	Finance, Information Technology, Mining, Transport, Education, Telecommunication, Manufacturing, Banking, Construction, Pharmaceuticals etc.
Example	Reliance Industries.	Mahanagar Telephone Nigam Limited (MTNL).

10. i. **Meaning:** Import means buying goods and services from other countries.
    ii. **Two features of import are given below:**
        a. Import increases competition in the domestic market, forcing them to produce quality goods.
        b. Import acts as a substitute for domestic goods and services.
11. i. In my opinion mixed economy system suited the most to attain a dual goal of

efficiency and equity.

ii. It was absolutely a right decision on part of our planners to opt mixed economy approach. The conditions in which British had left us were such which could not be handed over completely to private sector.
iii. Neither public sector had enough funds to be a socialist economy. We could also not de-rule law of inheritance in the situations of partition.
iv. Therefore, we adopted a mixed economic system with a strong public sector and co-existence of private ownership with democracy.

12. **Growth and Self-reliance:** The goal of self-reliance is fulfilled by adopting the strategy of import substitution. Under this strategy whatever was imported earlier (during the British rule) would be produced within the country. If all the goods are produced in the country, in some goods comparative cost of production would be high. Therefore if the objective of self-reliance is pursued, the growth objective is sacrificed.
    Growth and Employment: The conflict between growth and employment arises from choice of technology. Capital intensive technology promises more output but generates less employment. Labour intensive technology on the other hand generates more employment but produces less output.

13. There are mainly two types of development strategies:

    i. **Balanced Growth Strategy** means proper development of all sectors of the economy with almost same rate of growth. It requires that the different sectors like agriculture, industry, transport, communication, power etc. should grow together.
    ii. **Unbalanced Growth Strategy** implies the development of certain key sectors of the economy only. According to this strategy, all sectors of the economy cannot grow together because of scarcity of resources. When there is development of key sectors, other sectors automatically develop because of forward and backward linkages. For example, development of power sector will induce farmers to install tube wells and industrialists to set up factories.

14. The importance of agriculture in the Indian economy is evident in the following points:

So, we can conclude that agriculture is not only an important component of the primary sector, but it also helps to sustain and develop both secondary as well as tertiary sector. Thus, it is the backbone of the economy.

i. **Employment**: In India, agriculture is the principal source of employment. Over 50% of the working population is either directly or indirectly dependent on agriculture for means of their livelihood.
ii. **Supply of Wage Goods:** Wage goods such as wheat, rice, maize, pulses, oil, sugarcane, etc are the necessities of life. Agricultural sector in India provides wage goods to 121 crore people and 38 crore animals.
iii. **Instrumental in the Growth of Transport Industry:** Both railways and roadways are the bulk carriers of agricultural products in India. Thus, the agricultural sector is a major consumer of the transport services of our country.
iv. **Supplier of Raw Material for Industries:** Agriculture provides cotton for the textile industries, sugarcane for sugar industry, various seeds for oil industry and jute for gunny sack industry. The growth of the secondary sector is dependent on the primary sector.
v. **Contribution to Gross Domestic Product:** (GDP) Agriculture contributes about 14% to India's GDP. This share was as high as 51% in 1950-51 but has been gradually declining with the progress and development of the country.
vi. **Contribution to International Trade:** Agriculture is the major contributor to external trade. India exports tea, jute, cashew nuts, tobacco, coffee, spices, etc on a large scale.
vii. **Contribution to Wealth of Nation:** In terms of fixed assets, land occupies the highest rank in India. In addition to it, a large amount is invested in irrigation projects. Thus, agricultural sector owns a large chunk of nation's wealth.

15. The public sector enterprises especially the State Electricity Boards were running in heavy losses. There were delays in completion of projects and increase in costs of the projects under the public sector. Because of monopoly the public sector undertakings did not try to reduce their costs or improve the quality of the goods and services, which they would have done in the presence of competition. Management of the public sector undertakings has been very inefficient. There has been low capacity utilization by the public sector undertakings. In 1999-2000, 58% of the firms had 75%

or more capacity utilization. 13 % had 50- 75% capacity utilization and as much as 29% of the firms were working under 50% of capacity utilization.
But they have proved their usefulness by non profit contributions given below:

a. For creating a strong industrial base.
b. For developing infrastructure.
c. For developing backward areas.
d. To mobilize savings and earn foreign exchange.
e. To prevent concentration of economic power.
f. To promote equality of income and wealth distribution.
g. To provide employment.
h. To promote import substitution.
i. It has been playing an important role in the gross domestic capital formation of the country.