

CBSE Test Paper-02
Chapter 07 Indian Economy 1950-90

1. The new agricultural strategy was adopted in India during the **(1)**
 - a. Fifth Plan
 - b. Second Plan
 - c. Third Plan
 - d. Forth Plan
2. Main features of IPR 1956 are **(1)**
 - a. All of these
 - b. Protection to cottage and small scale industries
 - c. Specific and all important role assigned to public sector
 - d. Cautious approach towards foreign capital
3. The birth rate in 1991 declined to **(1)**
 - a. 8.5
 - b. 9.5
 - c. 9.8
 - d. 8.8
4. In which year was the Planning Commission was set up in India? **(1)**
 - a. 1950
 - b. 1948
 - c. 1947
 - d. 1949
5. What do you understand by foreign trade? **(1)**
6. Why did India opt for planning? **(1)**
7. Give any one feature of export. **(1)**

-
8. Why is agriculture in India, still dependent on rainfall? **(1)**
 9. Give three characteristics of SSIs. **(3)**
 10. Why and how was private sector regulated under the IPR, 1956? **(3)**
 11. What were the main shortcomings of IPR 1956? **(4)**
 12. What is subsidy? What is its objective? **(4)**
 13. What is Planning Commission? What are its functions? **(4)**
 14. Explain any four objectives of planning committees. **(6)**
 15. Though public sector is very essential for industries, many public sector undertakings incur huge losses and are a drain on the economy's resources. Discuss the usefulness of public sector undertakings in the light of this fact. **(6)**

CBSE Test Paper-02
Chapter 07 Indian Economy 1950-90

Answers

1. c. Third Plan

Explanation: The new agricultural strategy which is also known as Green revolution in India was adopted in third five year plan in the year of 1960.

2. a. All of these

Explanation: Main features of IPR 1956 includes fair treatment to private sector, stress on the role of cottage and small scale industries, to reduce regional disparities in industrial development by providing incentives such as tax concessions, subsidized loans etc., to the private sector to start industries in these backward regions.

3. c. 9.8

Explanation: Birth rate refers to the number of live births per thousand of population per year. In 1991 it declined to 9.8.

4. a. 1950

Explanation: In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson. The era of five year plans had begun.

5. The exchange of goods and services among different countries is called Foreign Trade.

6. Planning was undertaken to make public sector work towards the basic economic framework and to encourage private sector firms to contribute towards the economic growth. Thus, India opted for planning to fight against backwardness and to start the process of economic development.

7. Country's Export is affected by political, social and economic factors.

8. Due to the lack of irrigation facilities agriculture in India is still dependent on rainfall.

9. The three typical characteristics of SSIs are

i. **Labour Intensive:** SSIs are labour intensive in character, i.e., they require more

units of labour and are best suited for solving the problem of unemployment.

- ii. **Less Capital Intensive:** SSIs are less capital intensive, i.e., they require a relatively smaller amount of capital to produce a commodity. In a country like India where capital is scarce, SSI is best suited to bring about industrial development.
- iii. **SSIs Show Locational Flexibility:** SSIs can be established in remote areas also because their need for various resources is limited. Therefore, they contribute to growth across different regions of the country.
- iv. **Short Gestation Period:** SSIs have a short gestation period when compared to large scale industries. They can provide finished goods in a shorter period and thus can be a better counteracting force for the inflationary trends, so common in a growing economy like ours. These enterprises can thus be profitably promoted to produce consumer goods.

10. The Industrial Policy Resolution (IPR) 1956 was adopted in order to achieve the aim of a socialist state with the government controlling the major strategic industries of the economy. Under IPR, 1956, the private sector was kept under state control through a system of licenses. No new industry was allowed unless a license was obtained from the government. Even an existing industry had to obtain a license for expanding output or for diversifying production.

The objective behind regulating the private sector through licenses was to promote equitable development in the country. It was easier to obtain a license if the industrial unit was to be established in backward areas.

11. There were many shortcomings of IPR 1956.

- i. Many industries which could easily be handed over to private sector were kept under public sector control.
- ii. Too many industries were covered under license policy which created hurdle in industrial development.
- iii. Too many regulations led to low level of industrial development.
- iv. This Resolution reduced the scope for the expansion of the private sector significantly. Private sector apprehended that the expansion of public sector meant swallowing of the private sector.

-
12. A subsidy is a benefit given by the government to the producers as an incentive to produce. To farmers a subsidy is given to lower the cost of inputs. It is given on electricity to the producers to lower cost of production and it is given to consumers especially those living below poverty line on necessities to make basic needs affordable for them.
- The objective of subsidy is to bolster the welfare of the society. It is a part of non-plan expenditure of the government. Major subsidies in India are petroleum subsidy, fertiliser subsidy, food subsidy, interest subsidy, etc.
13. Immediately after the adaptation of new constitution on January 26, 1950, the Planning commission came in to existence. Planning Commission is a constitutional body. Prime Minister is ex-officio chairman of this commission. The broad functions of Planning Commission are:
- i. Assessment of material, capital and human resources
 - ii. Formulation of plan for their most effective and balanced utilization
 - iii. Determination of priorities and allocation of resources etc.
 - iv. To execute suitable policies for the economic development of India.
14. Objectives of Planning Commission:
- i. To make an assessment of the material, capital and human resources of the country, including technical personnel and to investigate the possibilities of augmenting such of those resources as are found to be deficient in relation to the nation's requirements.
 - ii. To formulate a plan for the most effective and balanced utilization of the country's resources.
 - iii. To determine priorities as between projects and programmes accepted in the plan.
 - iv. To indicate the factors that retard economic development and to determine conditions this should be established for the success of the plan.
 - v. To determine the nature of the machinery to secure the successful implementation of the plan.
15. Although the inefficiency and low productivity in Public Sector Undertakings (PSUs) may lead to wastage of scarce resources and result in huge losses forming a constraint

on economic resources of the country, they do have some advantages.

Public sector has been playing a very significant role in the economic development of India.

Following points will validate the same:

- i. **Creation of a Strong Industrial Base:** Public Sector Undertakings have contributed significantly towards the development of heavy and basic industries, thus creating a strong industrial base.
- ii. **Mobilisation of Savings:** Government companies formed under PSUs mobilise the savings of individuals through the offer of shares and use these savings for the economic development of the country.
- iii. **Development of Infrastructure:** PSUs have helped in development of infrastructure of the country. A developed infrastructure boosted the progress of private sector in the country.
- iv. **Development of Backward Areas:** PSUs is generally opened in backward areas so that these areas are also able to progress economically.
- v. **To Promote Equality:** PSUs check concentration of power in few hands and promote equality in the country. The above points reveal that PSUs play an important role in the economy of the country.
- vi. **Generation of Employment Opportunities:** PSUs have generated substantial employment opportunities and have helped to address the problem of poverty and unemployment.
- vii. **Help to Earn Foreign Exchange:** Many PSUs produce goods which can be exported. The export earnings of PSUs such as HMT, STC, etc have helped increase the flow of foreign exchange in the country. Also, PSUs such as BHEL, ONGC, etc helped the country to save on the import bill.