



ST. MARY'S CO-ED SCHOOL, HARDA

CLASS - XII (2020-2021)

INDIAN ECONOMIC DEVELOPMENT

CHAPTER -2

INDIAN ECONOMY (1950 – 1990)

IMPORTANT POINTS OF THE CHAPTER

1) Economic planning - It is a process under which a central authority defines a set of targets to be achieved within a specified period of time. This helps in the easier functioning of the economy.

2) There are mainly three types of Economy:

a) Capitalist Economy

b) Mixed Economy

c) Socialist Economy

Socialist Economy

It is an economic system in which major economic decisions are taken by the government, keeping in view the collective interest of the society as a whole.

Mixed Economy

It is an economic system in which major economic decisions are taken by the Central Government authority as well as are left to the free play of the market forces.

Capitalist Economy

It is an economic system whereby the major decisions are taken by the Government.

3) The major decisions to be taken by the Economic System are as follows:

a) What to produce : What goods and services are to be produced.

b) How to produce : What types of methods should be used. It can be further categorised as follows – a) Labour Intensive techniques b) Capital Intensive techniques

c) For whom to produce : How goods and services are to be distributed are left to the free play of the market forces or the forces of supply and demand.

Goals of Five Year Plans

A plan should have some clearly specified goals. The goals of five year plans are

- 1) **Growth Economic** growth implies a consistent increase in GDP.
- 2) **Modernisation** - To increase the production of goods and services to producers with the adoption of new technology.
- 3) **Self-reliance** - It means avoiding imports of those goods which could be produced in our own country. In simple words, the country should be self sufficient.
- 4) **Equity** - It implies equitable distribution of income so that the benefits of growth are shared by all sections of the society.

Land Reforms

After the Britishers left, India had to undo a lot of damage they had done to our economy and society. One such system of the British Raj that independent India had to correct was the zamindari system. To promote equity the government introduced land reforms.

Objectives of the Land Reforms

The government of a newly independent India had a few objectives in mind to implement these land reforms. Let us take a look at the few important ones

- 1) The main objective was to bring systematic and complete changes to the agrarian structure of the country.
- 2) Its other main aim was to abolish the intermediaries of the semi-feudal landlordism system of India, i.e. get rid of the zamindars
- 3) Bring about equity in the economy and society and ensure social justice for past atrocities towards farmers
- 4) The land reforms would also prevent any exploitation of the tenant farmers by the hands of the landlords

And finally to motivate these farmers and implement practices to increase agricultural output.

Green Revolution

At the time of its independence, India was an agricultural dependent economy. And yet the state of Indian agricultural sector was dismal. From the lack of investment, a dearth of technology, low yield per acre and many such problems plagued the industry. And so the Indian government took steps to bring about the Green Revolution using HYV seeds.

Features of the Green Revolution

- 1) The introduction of the HYV seeds for the first time in Indian agriculture. These seeds had more success with the wheat crop and were highly effective in regions that had proper irrigation. So the first stage of the Green Revolution was focused on states with better infra – like Punjab and Tamil Nadu.
- 2) During the second phase, the HYV seeds were given to several other states. And other crops than wheat were also included into the plan
- 3) One basic requirement for the HYV seeds is proper irrigation. Crops from HYV seeds need alternating amounts of water supply during its growth. So the farms cannot depend on monsoons. The Green Revolution vastly improved the inland irrigation systems around farms in India.
- 4) The emphasis of the plan was mostly on food grains such as wheat and rice. Cash crops and commercial crops like cotton, jute, oilseeds etc were not a part of the plan
- 5) Increased availability and use of fertilizers to enhance the productivity of the farms
- 6) Use of pesticides and weedicides to reduce any loss or damage to the crops
- 7) And finally the introduction of technology and machinery like tractors, harvesters, drills etc. This helped immensely to promote commercial farming in the country.

Marketable Surplus

The Green Revolution by and far was a success. But now there was another aspect to it. The government had to ensure that the benefit of the higher productivity was passed on to the general public. If the farmers kept the grains for themselves then the benefit of the higher productivity would be lost. But thankfully this did not happen. Due to the high yield and productivity of the farms, the farmers started selling their produce in the markets.

Industrial Policy

During many decades after independence, India was largely an agrarian economy. But for any economy to be globally successful it must have a robust industrial sector. And so for the first seven five-year plans India actively focussed on industrial development through industrial policy formation.

The industries were classified on the following basis:

- 1) Schedule A
- 2) Schedule B
- 3) Schedule C

Small Scale Industries

In 1955 a special committee known as the Karve Committee advised the promotion of small-scale industries for the purpose of rural development. It was believed that since small-scale industries are more labour intensive they would create more employment. Also, the manpower requirement of small-scale industries is semi-skilled or unskilled which was suitable for those times.

IMPORTANT QUESTIONS FROM THE CHAPTER BASED ON NCERT

Question 1. Define a plan.

Answer. Plan is a document showing detailed scheme, program and strategy worked out in advance for fulfilling an objective.

Question 2. Why did India opt for planning?

Answer. India achieved independence in 1947. The colonial government left India in a poor, backward and stagnant situation. From that time efforts have been made to solve people's problems in a sovereign Indian republic through a system of federal parliamentary democracy. Political independence has no meaning without economic prosperity. Planning was undertaken to sustain political independence and generate economic prosperity.

Question 3. What are miracle seeds?

Answer. Miracle seeds are the high yielding variety of seeds which combined with assured water supply, fertilizer, insecticides, etc. would result in high production levels.

Question 4. Explain how import substitution can protect domestic industry.

Answer. The import substituting industrialisation was the objective of second FYP (1956-61) till the Seventh FYP (till 1990). The strategy of development was based on import substitution. The rationale of the import substitution strategy is based on infant industry argument. It helped to save foreign exchange by drastically reducing import of goods. The foreign exchange saved was to be used for the developmental imports such as capital goods, sophisticated technology, etc. It created a protected market and large demand for domestically produced goods.

Question 5. Why and how was private sector regulated under the IPR 1956?

Answer. Private sector was given minimum role in IPR 1956. New industry could start operation after it had obtained licence from the government. Licence was given after scrutiny by the government.

QUESTIONS FOR SELF – ASSESMENT

- 1) What do you understand by Land Ceiling ?
- 2) What do you understand from the term Trade Policy? Differentiate between Tariffs and Quotas?
- 3) Why was public sector given a leading role in industrial development during the planning period?
- 4) Briefly discuss the “ Modernisation” as a goal in the five year plan.
- 5) Discuss the achievements of Green Revolution.

