

As per CBSE Revised Syllabus for 2021 Exam



Chapter 1 Indian Economy on the Eve of Independence

1.1

Low Level of Economic Development Under the Colonial Rule

India had an independent economy before the advent of the British rule

Agriculture was the main source of livelihood for most people, yet the country's economy was also characterised by various kinds of manufacturing activities.

India was well-known for its handicraft industries:

India was well-known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works etc. These products enjoyed a worldwide market because of:

- the reputation of the fine quality of material used and
- the high standards of craftsmanship.

Focus of the economic policies pursued by the colonial government in India

The economic policies pursued by the colonial government in India were concerned more with the protection and promotion of the economic interests of their home country than with the development of the Indian economy.

Impact of these policies on Indian Economy:

1. Such policies brought about a fundamental change in the structure of the Indian economy — transforming the country into supplier of raw materials and consumer of finished industrial products from Britain.
2. The colonial government never made any sincere attempt to estimate India's national income and per capita income. Some notable economists who estimated India's national income and per capita income during the colonial period were — Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao and R.C. Desai. But their attempts to measure such incomes yielded conflicting and inconsistent results. It was V.K.R.V. Rao, whose

estimates during the colonial period was considered very significant.

However, most studies did find that the country's growth rate of aggregate real GDP during the first half of the twentieth century was only less than 2% per year and per capita real GDP was about 0.5% per year.

Think as you read 1.1

Question 1

1. What was the sole purpose of the British colonial rule in India?



Answer 1

The sole purpose of the British colonial rule in India was to reduce the country to being a raw material supplier for Great Britain's own rapidly expanding modern industrial base.



Question 2

Why is an understanding of the Indian economy before independence necessary?



Answer 2

An understanding of the Indian economy before independence is necessary to know and appreciate the level of economic development achieved during the post-independence period.



Question 3

What was the main source of livelihood for most people during the British colonial rule?



Answer 3

Agriculture was the main source of livelihood for most people.



Question 4

Name some notable economists who estimated India's per capita income during the colonial period.

(NCERT)



Answer 4

Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao and R.C. Desai.



1.2

Agricultural Sector under the British Colonial Rule

India's economy under the British colonial rule remained fundamentally agrarian — about 85 per cent of the country's population lived mostly in villages and derived livelihood directly or indirectly from agriculture.

Low Agricultural productivity under the British colonial rule

Under the British colonial rule, though in absolute terms, the agricultural sector experienced some growth due to the expansion of the aggregate area under cultivation, however, the productivity became low. The agricultural sector continued to experience stagnation and deterioration despite the fact that the largest section of Indian population depended on it for sustenance.

Causes of India's agricultural stagnation and low productivity

1. Zamindari system of revenue settlement

The stagnation in the agricultural sector was caused mainly because of the various systems of land settlement or revenue settlement that were introduced by the colonial government, particularly, the zamindari system which was implemented in the Bengal Presidency comprising parts of India's present-day eastern states.

- The profit accruing out of the agriculture sector went to the zamindars instead of the cultivators. However, nothing was done to improve the condition of agriculture.
- The main interest of the zamindars was only to

collect rent regardless of the economic condition of the cultivators. This caused immense misery and social tension among the cultivators.

- To a very large extent, the terms of the revenue settlement were also responsible for the zamindars adopting such an attitude, e.g. dates for depositing specified sums of revenue were fixed, failing which the zamindars were to lose their rights.

2. Lack of irrigation facilities and low levels of technology

Low levels of technology, lack of irrigation facilities and negligible use of fertilisers were responsible for the plight of the farmers and contributed to the dismal level of agricultural productivity.

Though there was some evidence of a relatively higher yield of cash crops¹ in certain areas of the country due to commercialisation of agriculture. But this could hardly help farmers in improving their economic condition as, instead of producing food crops, now they were producing cash crops which were to be ultimately used by British industries back home.

1. An agricultural crop which is grown to sell for profit, e.g. coffee, cocoa, tea, sugarcane, cotton, spices etc. These are also called commercial crops.

3. Lack of resources

India's agriculture was starved of investment in terracing, flood-control, drainage and desalinisation² of soil. While a small section of farmers changed their cropping pattern from food crops to commercial crops, a large section of tenants, small farmers and sharecroppers neither had resources and technology nor had incentive to invest in agriculture.

2. The removal of salt or other chemicals from soil.

Think as you read 1.2

Question 1

“India’s economy under the British colonial rule remained fundamentally agrarian.” How do you say so?



Answer 1

About 85% of the country's population derived livelihood directly or indirectly from agriculture.



Question 2

What was the main cause of the stagnation in the agricultural sector in India under the British colonial rule?



Answer 2

The stagnation in the agricultural sector was caused mainly because of the various systems of land settlement that were introduced by the colonial government, particularly the zamindari system.



Question 3

In which part of the country was the zamindari system of revenue settlement introduced by the colonial government?



Answer 3

The zamindari system of revenue settlement was implemented in the Bengal Presidency comprising parts of India's present-day eastern states.



Question 4

How did the zamindari system of revenue settlement introduced by the colonial government cause immense misery and social tension among the cultivators?



Answer 4

The main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivators. This caused immense misery and social tension among the cultivators.



Question 5

The main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivators, which caused immense misery and social tension among the cultivators. Why did the zamindars adopt such an attitude?



Answer 5

The terms of the revenue settlement were responsible for the zamindars adopting such an attitude, e.g. dates for depositing specified sums of revenue were fixed by the British, failing which the zamindars were to lose their rights.



1.3

Industrial Sector during the British Colonial Rule

Collapse of India's world famous handicraft industries during the British rule

The rule of the British-India government led to the collapse of India's world famous handicraft industries without contributing, in any significant manner, to its replacement by a modern industrial base.

Effects of decline of the country's world famous indigenous handicraft industries:

1. It created massive unemployment in India.
2. It also created a new demand in the Indian consumer market – the increasing imports of cheap manufactured goods from Britain.

The two-fold motive behind the systematic deindustrialisation effected by the British

First, the intention was to reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain and,

Second, to turn India into a sprawling market for the finished products of those industries so that their continued expansion could be ensured to the maximum advantage of their home country — Britain.

Modern industrial sector during the second half of the nineteenth century

The modern industry began to take root in India during the second half of the nineteenth century.

- Initially, this development was confined to the setting up of cotton and jute textile mills.

The cotton textile mills, mainly dominated by Indians, were located in the western parts of the country, namely, Maharashtra and Gujarat, while the jute mills dominated by the foreigners were mainly concentrated in Bengal.

- Subsequently, the iron and steel industries began coming up in the beginning of the twentieth century. The Tata Iron and Steel Company (TISCO)

was incorporated in 1907.

- A few other industries in the fields of sugar, cement, paper etc. came up after the Second World War.

Shortfalls of the industrial policy pursued by the British colonial administration

- 1. Slow progress:** The progress of the modern industry remained very slow.
- 2. Lack of capital goods industry:** There was hardly any capital goods industry to help promote industrialisation in India.

Capital goods industry means industries which can produce machine tools which are, in turn, used for producing articles for current consumption.

- 3. No substitute to the country's traditional handicraft industries:** The establishment of a few manufacturing units was no substitute to the near wholesale displacement of the country's traditional handicraft industries.
- 4. Low growth rate:** The growth rate of the new industrial sector and its contribution to the Gross

Domestic Product (GDP) remained very small.

- 5. Limited area of operation of the public sector:**
Another significant drawback of the new industrial sector was the very limited area of operation of the public sector. This sector remained confined only to the railways, power generation, communications, ports and some other departmental undertakings.

Think as you read 1.3

Question 1

Name some modern industries which were in operation in our country at the time of independence. **(NCERT)**



Answer 1

Cotton and jute textile industries, Iron and steel industries, Sugar, cement and paper industries.



Question 2

Define Capital goods industry .



Answer 2

Capital goods industries are the industries which can produce machine tools which are, in turn, used for producing articles for current consumption.



Question 3

Name the area of operation of the public sector under the British colonial rule.



Answer 3

Railways, power generation, communications, ports and some other departmental undertakings.



1.4

India's Foreign Trade During the British Colonial Period

Structure, volume and direction of India's foreign trade during the colonial period

The restrictive policies of commodity production, trade and tariff* pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.

**Tariffs are a tax on imported goods.*

Structure and composition of foreign trade

India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute etc. and an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machinery produced in the factories of Britain.

For all practical purposes, Britain maintained a monopoly control over India's exports and imports.

The opening of the Suez Canal further intensified British control over India's foreign trade.

Volume and direction of India's foreign trade

More than 50% of India's foreign trade was restricted to Britain while the remaining was allowed with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran).

Drain of Indian wealth during the colonial period

The most important characteristic of India's foreign trade throughout the colonial period was the generation of a large export surplus. But this export surplus came at a huge cost to the country's economy.

- Several essential commodities – food grains, clothes, kerosene etc. – were scarcely available in the domestic market.
- Furthermore, this export surplus did not result in any flow of gold or silver into India. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war, and the import of invisible

items, all of which led to the drain of Indian wealth.

Think as you read 1.4

Question 1

Which restrictive policies pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade?



Answer 1

The restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.



Question 2

Indicate the structure and composition of India's foreign trade during the colonial period.



Answer 2

India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute etc. and an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machinery produced in the factories of Britain.



Question 3

Indicate the direction of trade during the British rule.



Answer 3

India's foreign trade was restricted to Britain and with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran).



Question 4

Why did the export surplus not result in any flow of gold or silver into India?



Answer 4

The export surplus did not result in any flow of gold or silver into India as this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war, and the import of invisible items. All of these led to the drain of Indian wealth.



1.5

India's Demographic Condition During the Colonial Period

Various details about the population of British India were first collected through a census in 1881. It revealed the unevenness in India's population growth. Subsequently, operations were carried out. Before 1921, India was in the first stage of demographic transition¹. The second stage of transition began after 1921.

¹ The transition from high birth and death rates to lower birth and death rates as a country or region develops from a pre-industrial to an industrialised economic system.

Quantitative appraisal of India's demographic profile during the colonial period

Neither the total population of India nor the rate of population growth during the second stage of demographic transition was very high. The various social development indicators were also not quite encouraging.

- 1.Low level of literacy:** The overall literacy level was less than 16%. Out of this, the female literacy level was at a negligible low of about 7%.
- 2.Lack of adequate public health facilities:** Public health facilities were either unavailable to large chunks of population or, when available, were highly inadequate. Consequently, water and air-borne

3. **High mortality rates:** The overall mortality rate² was very high and in that, particularly, the infant mortality rate³ was quite alarming – about 218 per thousand in contrast to the present infant mortality rate of 33 per thousand.
4. **Low life expectancy:** Life expectancy⁴ was also very low – 44 years in contrast to the present 68 years.
5. **Extensive poverty:** Extensive poverty prevailed in India during the colonial period which contributed to the worsening profile of India's population of the time.

² *The number of deaths in a given area or period, or from a particular cause.*

³ *The number of deaths under one year of age occurring among the live births in a given geographical area during a given year.*

⁴ *The number of years that a person is likely to live.*

Think as you read 1.5

Question 1

When was India's first official census operation undertaken?
(NCERT)



Answer 1

India's first official census operation was undertaken in 1881.



Question 2

Which is regarded as the defining year to mark the demographic transition from its first to the second decisive stage?

(NCERT)



Answer 2

1921 is regarded as the defining year to mark the demographic transition from its first to the second decisive stage.



Question 3

What was the literacy rate in India during the colonial period?



Answer 3

The overall literacy level was less than 16%. Out of this, the female literacy level was about 7% only.



Question 4

How was the overall mortality rate during the British rule quite alarming?



Answer 4

The overall mortality rate was very high and in that, particularly, the infant mortality rate was quite alarming—about 218 per thousand.



1.6

Occupational Structure during the Colonial Period

The occupational structure means the distribution of working persons across different industries and sectors – the agricultural sector, the manufacturing sector and the services sector.

The salient features of India's pre-independence occupational structure

1. Pre Dominance of agricultural sector

The agricultural sector accounted for the largest share of workforce, which usually remained at a high of 70-75 per cent while the manufacturing and the services sectors accounted for only 10 and 15-20 per cent respectively.

2. Growing regional variation

Parts of the Madras Presidency (comprising areas of the present-day states of Tamil Nadu, Andhra Pradesh, Kerala and Karnataka), Bombay and Bengal witnessed a

decline in the dependence of the workforce on the agricultural sector with a commensurate increase in the manufacturing and the services sectors. However, there had been an increase in the share of workforce in agriculture in states such as Orissa, Rajasthan and Punjab.

Think as you read 1.6

Question 1

Define occupational structure.



Answer 1

The occupational structure means the distribution of working persons across different industries and sectors – the agricultural sector, the manufacturing sector and the services sector.



Question 2

Which sector of the Indian economy accounted for the largest share of workforce during the colonial period?



Answer 2

The agricultural sector accounted for the largest share of workforce, which usually remained at a high of 70-75 per cent.



Question 3

Which sector of the Indian economy accounted for the least share of workforce during the colonial period?



Answer 3

The manufacturing sector accounted for the least share of workforce during the colonial period – only 10 per cent.



1.7

Infrastructure Development in India under the Colonial Regime

Some efforts were made by the colonial regime to improve infrastructure facilities in India such as railways, ports, water transport, posts and telegraphs but these efforts were spiced with selfish motives. The real objective of the British behind infrastructure development in India was to subserve various colonial interests, and not to provide basic amenities to the people.

Construction of all weather roads by the British

Roads constructed in India prior to the advent of the British rule were not fit for modern transport. There always remained an acute shortage of all weather roads to reach out to the rural areas during the rainy season. Naturally, therefore, people mostly living in these areas suffered grievously during natural calamities and famines.

The British constructed modern roads in India, which primarily served the purposes of:

- mobilising the army within India and
- drawing out raw materials from the countryside to the nearest railway station or the port to send these

to far away England or other foreign destinations.

Introduction of the railways in India

The British introduced the railways in India in 1850 and it is considered as one of their most important contributions. The railways affected the structure of the Indian economy in two important ways.

On the one hand, it enabled people to undertake long distance travel and thereby break geographical and cultural barriers while

on the other hand, it fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India.

The volume of India's exports undoubtedly expanded but its benefits rarely accrued to the Indian people.

Thus, the social benefits, which the Indian people

gained owing to the introduction of the railways, were outweighed by the country's huge economic loss.

Development of the inland trade and sea lanes

Along with the development of roads and railways, the British also took measures for developing the inland trade and sea lanes. However, these measures were far from satisfactory.

1. The inland waterways also proved uneconomical as in the case of the Coast Canal on the Orissa coast. Though the canal was built at a huge cost to the government, yet it failed to compete with the railways, which had to be ultimately abandoned.
2. The introduction of electric telegraph in India, which served the purpose of maintaining law and order, was very expensive.

3. The postal services despite serving a useful public purpose, remained all through inadequate.

Conclusion

By the time India won its independence, the impact of the two-century long British colonial rule was already showing on all aspects of the Indian economy. The agricultural sector was already saddled with surplus labour and extremely low productivity. The industrial sector was crying for modernisation, diversification, capacity building and increased public investment. Foreign trade was oriented to feed the Industrial Revolution in Britain. Infrastructure facilities, including the famed railway network, needed upgradation, expansion and public orientation. Prevalence of rampant poverty and unemployment required welfare orientation of public economic policy. In a nutshell, the social and economic challenges before the country were enormous.

Sequence of Events

Sequence	Event	Year
I	Introduction of the railways in India by the British	1850
II	Opening of the Suez Canal	1869
III	Various details about the population of British India were first collected through a census	1881
IV	The Tata Iron and Steel Company (TISCO) was incorporated	1907
V	Second stage of demographic transition in India	1921



Key Terms

Commercialisation of agriculture: Change in the cropping pattern from food crops to commercial crops/cash crops is called commercialisation of agriculture.

Capital goods industry: Capital goods industry means the industry which can produce machine tools which are, in turn, used for producing articles for current consumption.

Occupational Structure: It refers to the distribution of working persons across different industries and sectors – agriculture, manufacturing and services sectors.

Think as you read 1.7

Question 1

Which basic infrastructure did develop under the colonial regime?



Answer 1

Railways, ports, water transport, posts and telegraphs.



Question 2

What was the real motive of the British behind infrastructure development in India?



Answer 2

The real motive of the British behind infrastructure development in India was to subserve various colonial interests, and not to provide basic amenities to the people.



Question 3

What were the main purposes of the British behind construction of all weather roads in India?



Answer 3

- (i) Mobilising the army within India
- (ii) Drawing out raw materials from the countryside to the nearest railway station or the port to send these to England or other foreign destinations.



Question 4

When did the British introduce the railways in India?



Answer 4

The British introduced the railways in India in 1850.



Question 5

What was the purpose of the British behind the introduction of the expensive system of electric telegraph in India?



Answer 5

The introduction of the expensive system of electric telegraph in India served the purpose of maintaining law and order.



HOTs

Question 1

“The traditional handicrafts industries were ruined under the British rule.”

Do you agree with this view? Give reasons in support of your answer. **(NCERT) (4 marks)**



Answer 1

India was well-known for its handcraft industries in the fields of cotton and silk textiles, metal and precious stone works etc. These products enjoyed a world wide market because of (i) reputation of the fine quality of material used and; (ii) high standards of craftsmanship seen in all imports from India.

However, during the British rule, the country's world famous handicraft industries were ruined, which not only created massive unemployment in India but also a new demand in the Indian consumer market — increasing imports of cheap manufactured goods for Britain.



Question 2

“During the British colonial rule, despite being the occupation of about 85% of India’s population, the agriculture sector continued to experience stagnation and, not infrequently, unusual deterioration. Agricultural productivity became low.”

Do you agree with the above statement? Give valid reasons in support of your answer. **(6 marks)**

Answer 2

The given statement is correct.

During the British colonial rule, India's agricultural sector continued to experience stagnation. Agricultural productivity became low though, in absolute terms, the agricultural sector experienced some growth due to the expansion of the aggregate area under cultivation. The main causes of India's agricultural stagnation and low productivity are:

- (i) Various systems of land settlement introduced by the colonial government, particularly the zamindari system
 - The profit accruing out of the agriculture sector went to the zamindars instead of the cultivators.

However, neither the colonial government nor the zamindars did anything to improve the condition of agriculture.

- The main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivators. This caused immense misery and social tension among the cultivators.
- Zamindars adopted such an attitude mainly because of the terms of the revenue settlement. Dates for depositing specified sums of revenue were fixed, failing which the zamindars were to lose their rights.

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- (ii) Low levels of technology, lack of irrigation facilities and negligible use of fertilizers — all contributed to the dismal level of agricultural productivity.
 - (iii) Absence of adequate infrastructure — Despite some progress made in irrigation, India's agricultural was starved of investment in terracing, flood-control, drainage and desalinisation of soil. A large section of tenants, small farmers and sharecroppers neither had resources and technology nor had incentive to invest in agriculture.
 - (iv) Even commercialisation of agriculture couldn't help

farmers in improving their economic condition. Instead of producing food crops, now they were producing cash crops which were to be ultimately used by British industries back home.

Question 3

“India could not develop a sound industrial base under the British colonial rule. Even as the country’s world famous handicraft industries declined, no corresponding modern industrial base was allowed to come up to take pride of place so long enjoyed by the former.”

In the light of the above statement, critically appraise some of the shortfalls of the industrial policy pursued by the British colonial administration. **(4 marks)**

Answer 3

Some shortfalls of the industrial policy pursued by the British colonial administration are as follows:

- (i) Industrial development remained very slow.
 - Initially, this development was confined to the setting up of cotton and jute textile mills.
 - Subsequently, the iron and steel industries began coming up in the beginning of the 20th century, e.g. TISCO was incorporated in 1907. A few other industries in the fields of sugar, cement, paper, etc. came up after the second world war.
- (ii) There was hardly any capital goods industry to help

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- (iii) Low growth rate — The growth rate of the new industrial sector and its contribution to GDP remained very small.
 - (iv) Very limited area of operation of the public sector — Public sector remained confined only to the railways, power generation, communications , ports and some other departmental undertakings.

Question 4

“The most important characteristic of India’s foreign trade through out the colonial period was the generation of a large export surplus. But this surplus came of a huge cost to the country’s economy.”

Do you agree with the above statement? Give valid reasons in support of your answer. **(3 marks)**

Answer 4

The given statement is correct to its character.

India's foreign trade during the British colonial rule generated a large export surplus but at a huge cost to the country's economy because:

- (i) Several essential commodities — food grains, clothes, kerosene, etc. were scarcely available in the domestic market.
- (ii) The export surplus did not result in any flow of gold or silver into India. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on

war fought for the British government, and the import of invisible items. All these led to the “**drain of India wealth**”.

Question 5

“Under the colonial regime, basic infrastructure such as railways, ports, water transport, posts and telegraph develop. However, the real motive behind infrastructure development was not to provide basic amenities to the people but to subserve various colonial interests.”

What objectives did the British intend to achieve through their policies of infrastructure development in India? **(4 marks)**

Answer 5

- (i) The roads that were built primarily served the purposes of mobilising the army within India and drawing out raw materials from the country side to the nearest railway station or the port to send these to England or other foreign destinations. There always remained an acute shortage of all -weather roads to reach out to the rural areas during the rainy season. Therefore, people suffered grievously during natural calamities or famines.
- (ii) The introduction of railways by the British in 1850 fostered commercialisation of Indian agriculture,

which adversely affected the self-sufficiency of the village economies in India. The benefits of exports surplus rarely accrued to the Indian people .

- (iii) The inland waterways, at times, proved uneconomical as in the case of the coast canal on the Orissa coast, which had to be ultimately abandoned.
- (iv) The introduction of the expensive system of electric telegraph in India served the purpose of maintaining law and order by the British colonial government.
- (v) The postal services, despite serving a useful public purpose, remained all through inadequate.

Question 6

“The introduction of the railways in India was considered as one of the most important contributions of the British. However, the social benefits, which the Indian people gained owing to the introduction of the railways, were outweighed by the country’s huge economic loss.” Do you agree with the above statement? Give valid reasons. **(4 marks)**

Answer 6

The given statement is correct.

No doubt, the introduction of the railways by the British was one of their most important contributions as it enabled people to undertake long distance travel and thereby break geographical and cultural barriers.

However, the negative aspect of the introduction of the railways was that it fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India. Moreover, the benefits of the expanded volume of India's exports rarely accrued to the Indian people. Rather, the export surplus was used to

make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war fought by the British government and the import of invisible items. All of these led to the drain of Indian wealth.

Thus, the social benefits, which the Indian people gained owing to the introduction of the railways, were outweighed by the country's huge economic loss.

Question 7

“The social and economic challenges before India at the time of independence were enormous.”

Do you agree with the statement? Give reasons.
(6 marks)



Answer 7

The given statement is correct.

By the time India won its independence, the impact of the two-century long British colonial rule was already showing on all aspects of the Indian economy. Some of the most crucial social and economic challenges before the country were:

- (i) Low level of economic growth and development —
The country's growth of aggregate real output was less than 2% p.a coupled with about 0.5% p.a. growth in per capital output.
- (ii) The agricultural sector was already saddled with

surplus labour and extremely low productivity. About 75% of the country's population derived livelihood directly or indirectly from agriculture. Agricultural productivity was extremely low due to low levels of technology, lack of irrigation facilities, negligible use of fertilisers, etc.

- (iii) The industrial sector was crying for modernisation, diversification, capacity building and increased public investment.
- There were only a few industries in the fields of cotton and jute textile, iron and steel, sugar, cement, paper, etc.

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- There was hardly any capital goods industry to help promote industrialisation in India.
 - The industrial growth rate was very low.
 - The public sector remained confined only to the railways, power generation, communication, ports and some other departmental undertakings.
- (iv) Foreign trade was oriented to feed the industrial revolution in Britain. British maintained a monopoly control over India's exports and imports. A large export surplus generated from India's foreign trade was used to make payments for the expenses

incurred by an office set up the colonial government in Britain, import of invisible items, etc.; all of which led to the drain of Indian wealth.

- (v) Infrastructure facilities such as railway network, roads, water transport, posts and telegraphs, etc. needed upgradation expansion and public-orientation.
- (vi) Prevalence of rampant poverty and unemployment required welfare orientation of public economic policy.

Objective Type Questions

Question 1

The sole purpose of the British colonial rule in India was _____ .
(Complete the sentence)



Answer 1

to reduce the country to being a raw material supplier for Great Britain's own rapidly expanding modern industrial base.



Question 2

Before the advent of the British rule, India was well-known for its handicraft industries in the fields of _____ .
(Complete the sentence)



Answer 2

cotton and silk textiles, metal and precious stone works etc.



Question 3

Before the advent of the British rule, India was well-known for its handicraft industries in the fields of cotton and silk textiles, metal and precious works etc. These products enjoyed a worldwide market due to:

(Choose the correct alternative)

- (a) reputation of the fine quality of material used.
- (b) high standards of craftsmanship seen in all imports from India
- (c) Both (a) and (b)
- (d) wide exports market.

Answer 3

(c) Both (a) and (b)



Question 4

The economic policies pursued by the colonial government in India were concerned with the protection and promotion of the economic interests of their home country. How did these policies affect the Indian Economy? *(Choose the correct alternative)*

- (a) Higher rate of growth of industries, especially Handicraft Industries.
- (b) It transformed the country into supplier of raw materials.
- (c) The country became consumer of finished products from Britain.

(d) Both (b) and (c)



Answer 4

(d) Both (b) and (c)



Question 5

The country's growth rate of aggregate real output during the first half of the twentieth century was only

- (i) _____ and per capita real output was
(ii) _____. *(Fill up the blanks with correct answers)*



Answer 5

(i) less than 2% per year (ii) about 0.5% per year



Question 6

Under the British colonial rule, the agricultural production decreased. *True/False? Give reason.*



Answer 6

False: in absolute terms, the agricultural sector experienced some growth due to the expansion of the aggregate area under cultivation and due to relatively higher yield of cash crops in certain areas of the country.



Question 7

The stagnation in the agricultural sector during the colonial rule was caused mainly because of _____ that were introduced by the colonial government. *(Fill up the blank with correct answer)*



Answer 7

land settlement systems



Question 8

Which of the following is the cause of India's agricultural stagnation and low productivity?

(Choose the correct alternative)

- (a) Various systems or terms of revenue settlement.
- (b) Low levels of technology and lack of irrigation facilities.
- (c) Lack of resources to investing terracing flood control, drainage and desalinisation of soil.
- (d) All of the above



Answer 8

(d) All of the above



Question 9

Under the zamindari system, the main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivators. To a very great extent, the terms of _____ were responsible for the zamindars adopting such an attitude.

(Fill up the blank with correct answer)



Answer 9

revenue settlement



Question 10

During the British colonial rule, though agricultural productivity became low, there was some evidence of a relatively higher yield of cash crops in certain areas of the country due to _____ .

(Complete the sentence)



Answer 10

commercialisation of agriculture.



Question 11

Commercialisation of agriculture helped farmers in improving their economic condition.

True/False? Give reason.



Answer 11

False: Instead of producing food crops, now they were producing cash crops which were to be ultimately used by British industries back home.



Question 12

India developed a sound industrial base under the colonial rule. *True/False? Give reason.*



Answer 12

False: Even the country's world famous handicraft industries declined.



Question 13

The British rule led to the collapse of India's world famous handicraft industries. What was its effect on Indian economy? *(Choose the correct alternative)*

- (a) Massive unemployment in India
- (b) Increasing imports of cheap manufactured goods from Britain.
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)



Answer 13

(c) Both (a) and (b)



Question 14

During the second half of the 19th century, modern industry began to take root in India.

True/False? Give reason



Answer 14

True: But its progress remained very slow. Initially, this development was confined to the setting up of cotton and jute textile mills. Subsequently, the iron and steel industries began coming up in the beginning of the 20th century. A few other industries in the fields of sugar, cement, paper, etc. came up after the Second World War.



Question 15

During the second half of the 19th century, the cotton textile mills, mainly dominated by Indians, were located in _____, while jute mills dominated by the foreigners were mainly concentrated in _____.

(Fill up the blanks with correct answers)



Answer 15

- (i) the western parts of the country, namely Maharashtra and Gujarat
- (ii) Bengal



Question 16

During the British rule, the iron and steel industries began coming up in the beginning of the twentieth century. _____ was incorporated in 1907.

(Fill up the blank with correct answer)



Answer 16

The Tata Iron and Steel Company (TISCO)



Question 17

One of the significant drawbacks of the industrial policy pursued by the British colonial administration was the very limited area of operation of the public sector. This sector remained confined only to the _____ .
(Complete the sentence)



Answer 17

railways, power generation, communications, ports and some other departmental undertakings.



Question 18

The restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure and composition of India's foreign trade.

True/False? Give reason.



Answer 18

True: India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute etc. and an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machinery produced in the factories of Britain.



Question 19

For all practical purposes, Britain maintained a monopoly control over India's exports and imports. The opening of _____ further intensified British control over India's foreign trade. *(Fill up the blank with correct answer)*



Answer 19

the Suez Canal



Question 20

India's foreign trade during the colonial period generated a large export surplus. But it came at a huge cost to the country's economy. *True/False? Give reason.*



Answer 20

True: as the essential commodities like food grains, clothes, kerosene etc. were scarcely available in the domestic market. Secondly, the export surplus did not result in any flow of gold or silver into India. Rather, this was used to meet war expenses, payment for imports of invisible items, etc. by the British Government (leading to the drain of India's wealth).



Question 21

India's demographic condition on the eve of independence was characterised by: *(Choose the correct alternative)*

- (a) High level of literacy, high mortality rates, high life expectancy and high level of poverty.
- (b) Low level of literacy, low mortality rates, low life expectancy and Low level of poverty.
- (c) Low level of literacy, low mortality rates, high life expectancy and high level of poverty.
- (d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.

Answer 21

(d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.



Question 22

Various details about the population of British India were first collected through a census in _____ .
(Choose the correct alternative)

- (a) 1881
- (b) 1911
- (c) 1921
- (d) 1931



Answer 22

(a) 1881



Question 23

Before 1921, India was in the first stage of _____ .
The second stage began after 1921. However, neither the total population of India nor the rate of population growth at this stage was very high.

(Fill up the blank with correct answer)



Answer 23

demographic transition



Question 24

During the British colonial rule, the various social development indicators were not quite encouraging. The overall literacy level was _____ . Out of this, the female literacy level was at a negligible low of about _____ .

(Fill up the blanks with correct answers)



Answer 24

(i) less than 16 percent (ii) 7 percent



Question 25

During the British colonial rule, the overall mortality rate was very high and in that, particularly, the _____ was quite alarming about _____ per thousand in contrast to the present rate of 40 per thousand.

(Fill up the blanks with correct answers)



Answer 25

(i) infant mortality rate (ii) 218



Question 26

During the British colonial rule, _____ was also very low _____ in contrast to the present 68 years. *(Fill up the blanks with correct answers)*



Answer 26

(i) Life expectancy (ii) 44 years



Question 27

During the colonial period, the occupational structure of India showed little sign of change. The agricultural sector accounted for the largest share of workforce, which usually remained at a high of _____ percent while the manufacturing and the service sectors accounted for only _____ and _____ percent respectively.
(Fill up the blanks with correct answers)



Answer 27

(i) 70-75 (ii) 10 (iii) 15 – 20



Question 28

During the colonial period, there was regional variation in the occupational structure. Parts of the then Madras Presidency, Bombay and Bengal witnessed a decline in the dependence of the workforce on the agricultural sector with a commensurate increase in the manufacturing and the services sectors. However, there had been an increase in the share of workforce in agriculture in states such as _____ .

(Fill up the blank with correct answer)



Answer 28

Orissa, Rajasthan and Punjab.



Question 29

Under the colonial regime, there was no infrastructure development. *True/False? Give reason.*



Answer 29

False: Under the colonial regime, basic infrastructure such as railways, ports, water transport, posts and telegraphs did develop though these efforts were spiced with selfish motives.



Question 30

Under the colonial regime, the motive behind infrastructure development was to provide basic amenities to the people.

True/False? Give reason.



Answer 30

False: The real motive behind infrastructure development was not to provide basic amenities to the people but to subserve various colonial interests. For instance, the roads that were built primarily served the purpose of mobilising the army within India and drawing out raw materials from the country side to the nearest railway station or the port to send these to far away England or other lucrative foreign destinations.



Question 31

During the colonial rule, there always remained an acute shortage of all weather roads. *True/False? Give reason.*



Answer 31

True: There always remained an acute shortage of all-weather roads to reach out to the rural areas during the rainy season. Naturally, therefore, people mostly living in rural areas suffered grievously during natural calamities and famines.



Question 32

_____ is considered as one of the most important contributions of the British.

(Choose the correct alternative)

- (a) Construction of all-weather roads
- (b) Introduction of the railways in 1850
- (c) Introduction of electric telegraph in India
- (d) The postal services.



Answer 32

(b) Introduction of the railways in 1850



Question 33

The social benefits, which the Indian people gained owing to the introduction of the railways were outweighed by the country's huge economic loss.
True/False? Give reason.



Answer 33

True: It fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India. Secondly, the benefits of increase in India's exports did not accrue to the Indian people.



Question 34

The colonial government also took measures for developing the inland trade and sea lanes. However, these measures were far from satisfactory.

True/False? Give reason.



Answer 34

True: The inland waterways proved uneconomical as in the case of the coast canal on the Orissa coast. Though the canal was built at a huge cost, yet it failed to compete with the railways, which soon transversed the region running parallel to the canal, and had to be ultimately abandoned.



Question 35

On the eve of independence, the social and economic challenges before the country were enormous.

True/False? Give reason.



Answer 35

True: The agricultural sector suffered from extremely low productivity. The industrial sector was crying for modernisation, diversification, capacity building and increased public investment. Infrastructure facilities needed up-gradation and expansion. There was a prevalence of rampant poverty and unemployment.



Question 36

About 75% of the country's population lived mostly in villages and derived livelihood directly or indirectly from agriculture. *(True/False)*



Answer 36

False



Question 37

Capital goods industry produced machine tools which are in turn, used for producing articles for current consumption. *(True/False)*



Answer 37

True



Question 38

First census was conducted in 1881 during British India period. *(True/False)*



Answer 38

True



Question 39

What percent of India's population was dependent on agriculture on the eve of independence?

(Choose the correct alternative)

- (a) 75%
- (b) 50%
- (c) 85%
- (d) 65%



Answer 39

(c) 75%



Question 40

Which of the following statements is not true about India's economic development during British rule?

(Choose the correct alternative)

- (a) Handicraft products were well known worldwide.
- (b) Agriculture was the main source of livelihood
- (c) India transformed into supplier and consumer of finished industrial products
- (d) Per capita income grew by half percent in the first half of twentieth century



Answer 40

(c) India transformed into supplier and consumer of finished industrial products



Question 41

Commercialisation of agriculture during British rule led to : *(Choose the correct alternative)*

- (a) More production of food crops
- (b) Improvement in the economic condition of farmers
- (c) More production of cash crops used by Britishers as raw material
- (d) The aggregate area under cultivation expanded



Answer 41

- (c) More production of cash crops used by Britishers as raw material



Question 42

The second stage of demographic transition began after _____ . (1921/ 1930)

(Fill up the blank with correct option)



Answer 42

1921



Question 43

Growth rate of _____ sector was very small in GDP. (agriculture / industrial)

(Fill up the blank with correct option)



Answer 43

industrial



Question 44

The Tata Iron and Steel Company was incorporated in _____ . (1910/ 1907)

(Fill up the blank with correct option)



Answer 44

1907



Question 45

Which one of the following statements does not characterise the condition of Indian Agricultural condition on the eve of independence?

(Choose the correct alternative)

- (a) Agricultural sector was experiencing stagnation.
- (b) Aggregate area under cultivation was contracting.
- (c) Agricultural productivity became low in absolute terms.
- (d) Cash crops were more produced.



Answer 45

(b) Aggregate area under cultivation was contracting.



Question 46

Which of the following statements does not characterise demographic condition of India on the eve of independence? *(Choose the correct alternative)*

- (a) Literacy level was less than 16%.
- (b) Water and air borne diseases were rampant.
- (c) Mortality rate was low
- (d) Life expectancy was 44 years.



Answer 46

(c) Mortality rate was low



Question 47

Choose the statements which truly state about infrastructure condition on the eve of India's independence. *(Choose the correct alternative)*

- (a) Roads were constructed by Britishers primarily for movement of army.
- (b) Railways were introduced in 1820.
- (c) Indian exports expanded during this period.
- (d) Britishers took measures to develop inland trade and sea routes.



Answer 47

(a), (c) and (d)



Question 48

Read the following statements relating to industrial sector during British rule and state the correct sequence of these statements.

(Choose the correct alternative)

- (i) Cheap imports of British manufactured goods increased in the country.
- (ii) The growth rate of Industrial sector was very small.
- (iii) India was reduced to be mere exporter of raw material.
- (iv) India faced shortage of locally made goods.

Answer 48

(iii), (iv), (i), (ii)



Question 49

Read the following statements relating to foreign trade during British rule and state the correct sequence of these statements. *(Choose the correct alternative)*

- (i) India was exporter of products like raw silk, cotton etc.
- (ii) Britain maintained monopoly control over India's foreign trade.
- (iii) India generated large export surplus
- (iv) Exports did not result in any flow of wealth into the country.

Answer 49

(ii), (i), (iii), (iv)



Question 50

Most of the studies disclosed that India's growth of aggregate real output during the first half of the twentieth century was less than

(Choose the correct alternative)

- (i) 0.5%
- (ii) 5%
- (iii) 2%
- (iv) 1.5%



Answer 50

(iii) 2%



Question 51

Railways were introduced in India in:

(Choose the correct alternative)

- (i) 1947
- (ii) 1868
- (iii) 1850
- (iv) 1821



Answer 51

(iii) 1850



Question 52

During the British rule, the agricultural sector experienced stagnation mainly due to the:

(Choose the correct alternative)

- (i) Land settlement systems
- (ii) Foreign trade
- (iii) Infrastructure
- (iv) Industries



Answer 52

(i) Land settlement systems



Question 53

The opening of the Suez Canal in 1869:

(Choose the correct alternative)

- (a) Raised the cost of transportation between Britain and India.
- (b) Intensified British control over India's foreign trade.
- (c) Reduced the cost of transportation and made access to the Indian market easier.
- (d) Both (b) and (c)



Answer 53

(d) Both (b) and (c)



Question 54

Which one of the following was high during British rules in India? *(Choose the correct alternative)*

- (i) Literacy Rate
- (ii) Female literacy
- (iii) Infant Mortality Rate
- (iv) Life Expectancy



Answer 54

(iii) Infant Mortality Rate



Question 55

Arrange the following events of India before the independence in chronological order:

(Choose the correct alternative)

- (i) The opening of the Suez Canal
- (ii) Introduction of the railways
- (iii) Second stage of demographic transition
- (iv) Incorporation of the Tata Iron and Steel Company



Answer 55

(ii), (i), (iv), (iii)



Question 56

Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I:

Column I	Column II
A. India's first official census	(i) less than 2%
B. Introduction of the railways in India	(ii) about 7%
C. India's annual growth rate of aggregate real output during colonial period	(iii) 1850
D. Female literacy level at the time of independence	(iv) 1881

Answer 56

(iv), (iii), (i), (ii)



Self-Assessment Test 1

Indian Economy on the Eve of Independence

Time Allowed: 1 hour

Maximum Marks: 25

Question 1

Arrange the following events of India before the independence in chronological order: **(1 mark)**

- (i) The opening of the Suez Canal
- (ii) Introduction of the railways
- (iii) Second stage of demographic transition
- (iv) Incorporation of the Tata Iron and Steel Company

Answer 1

(ii), (i), (iv), (iii)

Question 2

India's demographic condition on the eve of independence was characterised by:

(Choose the correct alternative) **(1 mark)**

- (a) High level of literacy, high mortality rates, high life expectancy and high level of poverty.
- (b) Low level of literacy, low mortality rates, low life expectancy and Low level of poverty.
- (c) Low level of literacy, low mortality rates, high life expectancy and high level of poverty.
- (d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.

Answer 2

- (d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.

Question 3

_____ is considered as one of the most important contributions of the British.

(Choose the correct alternative) **(1 mark)**

- (a) Construction of all-weather roads
- (b) Introduction of the railways in 1850
- (c) Introduction of electric telegraph in India
- (d) The postal services

Answer 3

(b) Introduction of the railways in 1850

Question 4

Under the British colonial rule, the agricultural production decreased.

True/False? Give reason. (1 mark)

Answer 4

False: in absolute terms, the agricultural sector experienced some growth due to the expansion of the aggregate area under cultivation.

Question 5

One of the significant drawbacks of the industrial policy pursued by the British colonial administration was the very limited area of operation of the public sector. This sector remained confined only to the _____.

(1 mark)

Answer 5

railways, power generation, communications, ports and some other departmental undertakings.

Question 6

What was the focus of the economic policies pursued by the colonial government in India? What were the impacts of these policies? **(3 marks)**

Answer 6

The economic policies pursued by the colonial government in India were more concerned with the protection and promotion of the economic interests of their home country than with the development of the Indian Economy.

Such policies brought about a fundamental change in the structure of the Indian economy – transforming the country into (i) supplier of raw materials, and (ii) and consumer of finished products from Britain.

Question 7

What was the two-fold motive behind the systematic deindustrialisation effected by the British in pre-independent India? **(3 marks)**

Answer 7

First, to reduce India to the status of a mere exporter of important raw materials for the modern industries in Britain.

Second, to turn India into a sprawling market for the finished products of those industries so that their continued expansion could be ensured to the maximum advantage of their home country — Britain.


Question 8

Highlight the salient features of India's pre-independence occupational structure. **(4 marks)**

Answer 8

Salient features of India's pre-independence occupational structure are:

- (i) During the British colonial rule, the occupational structure of India showed a little sign of change. The agricultural sector accounted for the largest share of workforce (70-75%) while the manufacturing sector accounted for only 10% and the services sector only 15-20%.
- (ii) Another striking aspect was the growing regional variation.
 - Parts of the then Madras Presidency (Tamil Nadu,



Andhra Pradesh, Kerala and Karnataka),
Bombay and Bengal witnessed a decline in the dependence of the workforce on the agricultural sector with a commensurate increase in the manufacturing and the service sectors.

- However, there had been an increase in the share of workforce in agriculture in Orissa, Rajasthan and Punjab.

Question 9

“Under the colonial regime, basic infrastructure such as railways, ports, water transport, posts and telegraph develop. However, the real motive behind infrastructure development was not to provide basic amenities to the people but to subserve various colonial interests.”

What objectives did the British intend to achieve through their policies of infrastructure development in India?

(4 marks)

Question 10

“The social and economic challenges before India at the time of independence were enormous.”

Do you agree with the statement? Give reasons.

(6 marks)

Self-Assessment Test 2

Indian Economy on the Eve of Independence

Time Allowed: 1 hour

Maximum Marks: 25

Question 1

Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I:

(1 mark)

Column I	Column II
A. India's first official census	(i) less than 2%
B. Introduction of the railways in India	(ii) about 7%
C. India's annual growth rate of aggregate real output during colonial period	(iii) 1850
D. Female literacy level at the time of independence	(iv) 1881

Answer 1

(iv), (iii), (i), (ii)

Question 2

The opening of the Suez Canal in 1869:

(Choose the correct alternative) **(1 mark)**

- (a) Raised the cost of transportation between Britain and India.
- (b) Intensified British control over India's foreign trade.
- (c) Reduced the cost of transportation and made access to the Indian market easier.
- (d) Both (b) and (c)

Answer 2

(d) Both (b) and (c)

Question 3

The country's growth rate of aggregate real output during the first half of the twentieth century was only
(i) _____ and per capita real output was
(ii) _____.

(Fill up the blanks with correct answers) (1 mark)

Answer 3

(i) less than 2% per year (ii) about 0.5% per year

Question 4

Commercialisation of agriculture helped farmers in improving their economic condition.

True/False? Give reason. (1 mark)

Answer 4

False: Instead of producing food crops, now they were producing cash crops which were to be ultimately used by British industries back home.

Question 5

Name some notable economists who estimated India's per capita income during the colonial period. **(1 mark)**

Answer 5

Dadabhai Naoroji, William Digby, V.K.R.V Rao and R.C Desai (Rao's estimates was considered very significant).

Question 6


How did the restrictive policies of commodity production, trade and tariff pursued by the British colonial government affect the structure, composition and volume of foreign trade?

(3 marks)

Answer 6

Foreign trade policy pursued by the British colonial government adversely affected the structure, composition and volume of India's foreign trade.

- (i) India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute, etc and an importer of finished consumer goods like cotton, silk, and woollen clothes and capital goods like light machinery produced in the factories of Britain.
(Composition of foreign trade)
- (ii) Britain maintained a monopoly control over India's exports and imports. As a result more than 50% of



trade was restricted to Britain while the remaining was allowed with a few other countries like China, Ceylon (Srilanka) and Persia (Iran). (Volume and direction of foreign trade)

Question 7

Although there was some evidence of a relatively higher yield of cash crops in certain areas of the country due to commercialisation of agriculture, but this could hardly help farmers in improving their economic condition. Explain why. **(3 marks)**

Question 8

“The introduction of the railways in India was considered as one of the most important contributions of the British. However, the social benefits, which the Indian people gained owing to the introduction of the railways, were outweighed by the country’s huge economic loss.”

Do you agree with the above statement? Give valid reasons. **(4 marks)**

Answer 8

India's demographic profile during the British colonial rule:

- (i) Various details about the population of British India were first collected through a census in 1881. It revealed the unevenness in India's population growth.
- (ii) Second stage of demographic transition began after 1921. However, neither the total population of India nor the rate of population growth at this stage was very high.
- (iii) The various social development indicators were also not quite encouraging.

- Overall literacy level was less than 16%. Out of this, female literacy level was only about 7%.
- Due to absence or lack of adequate public health facilities, water and air-borne diseases were rampant. Overall the infant mortality rate was about 218 per thousand (present infant mortality rate is 40 per thousand).
- Life expectancy was also very low — 44 years (in contrast to the present 68 years).

(iv) Extensive poverty prevailed in India during the British colonial period which contributed to the worsening profile of India's population of the time.

Question 9

Give a quantitative appraisal of India's demographic profile during the colonial period. **(4 marks)**

Question 10

Underscore some of India's most crucial economic challenges at the time of independence. **(6 marks)**

Self-Assessment Test 3

Indian Economy on the Eve of Independence

Time Allowed: 1 hour

Maximum Marks: 25

Question 1

Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: **(1 mark)**

Column I	Column II
A. Focus of the economic policies pursued by the colonial government in India	(i) To use a large export surplus to make payments for the expenses incurred by an office set-up in British, expenses on war, and import of invisible items.
B. Motive of the British behind the systematic deindustrialisation in India	(ii) To reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain.

C. Motive of the British behind infrastructural development in India

(iii) Protection and promotion of the economic interests of their home country then with the development of the Indian economy.

D. Motive of the British behind monopoly control over India's exports and imports

Answer 1

(iii), (ii), (iv), (i)

Question 2

The stagnation in the agricultural sector during the colonial rule was caused mainly because of _____ that were introduced by the colonial government.

(1 mark)

Answer 2



land settlement systems

Question 3

During the second half of the 19th century, the cotton textile mills, mainly dominated by Indians, were located in (i)_____, while jute mills dominated by the foreigners were mainly concentrated in (ii)_____ .

(1 mark)

Answer 3

- (i) the western parts of the country, namely Maharashtra and Gujarat
- (ii) Bengal

Question 4

If Real GDP = ₹240 crore and Price Index = 120,

Nominal GDP = _____?

(1 mark)

Answer 4

1921

Question 5

During the British colonial rule, the various social development indicators were not quite encouraging. The overall literacy level was (i)_____ . Out of this, the female literacy level was at a negligible low of about (ii)_____ .

(1 mark)

Answer 5

(i) less than 16 percent (ii) 7 percent

Question 6

How did the Zamindari system of revenue settlement introduced by the colonial government cause immense misery and social tension among the cultivators? Why did the Zamindars adopt such an attitude? **(3 marks)**

Question 7

What was the two-fold motive behind the systematic deindustrialisation effected by the British in pre-independent India? **(3 marks)**

Question 8

How did the restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affect the structure, composition and volume of India's foreign trade? Explain.

(4 marks)

Question 9

Highlight the salient features of India's pre-independence occupational structure. **(4 marks)**

Question 10

“During the British colonial rule, despite being the occupation of about 85% of India’s population, the agriculture sector continued to experience stagnation and, not infrequently, unusual deterioration. Agricultural productivity became low.”

Do you agree with the above statement? Give valid reasons in support of your answer. **(6 marks)**

As per CBSE Revised Syllabus for 2021 Exam



Chapter 2 Indian Economy (1950-1990)

2.1

The Goals of Five Year Plans

What is a Plan?

A plan spells out how the resources of a nation should be put to use.

A plan should have some clearly specified goals. It should have some general goals as well as specific objectives which are to be achieved within a specified period of time.

In India plans are of five years duration and are called **five year plans** (*we borrowed this from the former Soviet Union, the pioneer in national planning*).

Our plan documents not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. This long-

term plan is called 'perspective plan'. The five year plans are supposed to provide the basis for the perspective plan.

Goals of planning in India

The common goals of the five year plans are: **growth, modernisation, self-reliance and equity.**

This does not mean that all the plans have given equal importance to all these goals. It will be unrealistic to expect all the goals of a plan to be given equal importance in all the plans. Due to limited resources, a choice has to be made in each plan about which of the goals is to be given primary importance. In fact, the goals may actually be in conflict.

For example, the goal of modernisation (i.e., introducing modern technology) may be in conflict with the goal of increasing employment if the technology reduces the need for labour. Therefore, the planners have to balance the goals, a very difficult job indeed. They have to ensure that, as far as possible, the policies of the plans do not contradict these four goals.

1. Growth

Growth refers to increase in the country's capacity to produce the output of goods and services within the country.

Growth implies:

- ❑ a larger stock of productive capital, or
- ❑ a larger size of supporting services like transport and banking, or
- ❑ an increase in the efficiency of productive capital and services.

A good indicator of economic growth is steady increase in the **Gross Domestic Product (GDP)**.

The GDP is the market value of final goods and services produced in the domestic territory of the country during an accounting year.

It is necessary to produce more goods and services if the people of India are to enjoy a more rich and varied life.

The GDP of a country is derived from the different sectors of the economy, namely the agricultural sector, the industrial sector and the service sector.

The contribution made by each of these sectors makes up the structural/sectoral composition of the economy.

As a country develops, it undergoes 'structural change'. Usually, with development, the share of agriculture declines and the share of industry becomes dominant. At

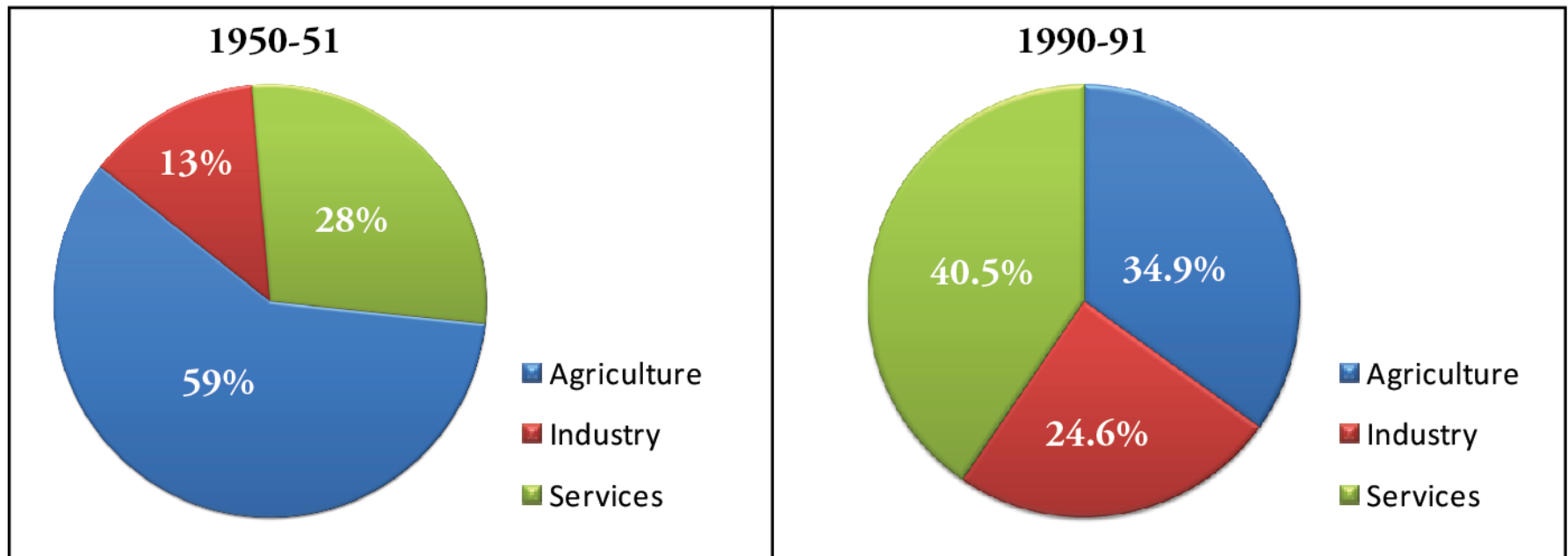
higher levels of development, the service sector contributes more to the GDP than the other two sectors.

In India, the share of agriculture in the GDP was more than 50 per cent—as we would expect for a poor country.

But by 1990 the share of the service sector was 40.59 per cent, more than that of agriculture or industry, like what we find in developed nations.

Sectoral contribution to GDP (in %), 1950-91

Sector	1950-51	1990-91
Agriculture	59.0	34.9
Industry	13.0	24.6
Services	28.0	40.5



2. Modernisation

Adoption of new technology in the production of goods and services to increase the output is called modernisation.

For example, a factory can increase output by using a new type of machine.



Modernisation: a goal of five year plans

However, modernisation does not refer only to the use of new technology but also to changes in social outlook such as the recognition that women should have the same rights as men. In a traditional society, women are supposed to remain at home while men work. A modern society makes use of the talents of women in the work place – in banks, factories, schools etc. – and such a society is more prosperous.

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.

Self - reliance means avoiding imports of those goods which could be produced in India itself.

- ❑ This policy was considered a necessity in order to reduce our dependence on foreign countries, especially for food. It is understandable that people who were recently freed from foreign domination should give importance to self-reliance.
- ❑ Further, it was feared that dependence on imported food supplies, foreign technology and foreign capit-

- ❑ al may make India's sovereignty vulnerable to foreign interference in our policies.

4. Equity

Growth, modernisation and self-reliance may not improve the people's standard of living if majority of people in the country are living in poverty. So, in addition to growth, modernisation and self-reliance, equity is also important.

Equity means to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich.

Inequality in the distribution of wealth should be reduced. Every Indian should be able to meet his or her basic needs such as food, a decent house, education and health care.

Think as you read 2.1

Question 1

When was the Planning Commission set up?



Answer 1

In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson.



Question 2

What is a mixed economy?



Answer 2

In a mixed economy, the market will provide whatever goods and services it can produce well, and the government will provide essential goods and services which the market fails to do.



Question 3

Define a plan.

(NCERT)



Answer 3

A plan spells out how the resources of a nation should be put to use.



Question 4

Give the meaning of 'five year plans'.



Answer 4

In India plans are of five years duration and are called five year plans. They specify the objectives to be attained in the five years of a plan.



Question 5

Give the meaning of 'perspective plan'.



Answer 5

Our plan documents also specify the objectives to be achieved over a period of twenty years. This long-term plan is called 'perspective plan'.



Question 6

Why did India opt for planning?

(NCERT)



Answer 6

India opted for economic planning through five year plans to achieve the common goals of growth, modernisation, self-reliance and equity.



Question 7

Why should plans have goals?



Answer 7

A plan should have some clearly specified goals as these goals indicate the objectives to be achieved within a specified period of time.



Question 8

What are the goals of the five year plans in India?



Answer 8

The goals of the five year plans are: growth, modernisation, self-reliance and equity.



Question 9

Why a choice has to be made in each five year plan about which of the goals is to be given primary importance?



Answer 9

A choice has to be made in each five year plan about which of the goals is to be given primary importance because of limited resources.



Question 10

How is economic growth of a country measured? State.



Answer 10

A good indicator of economic growth is steady increase in the Gross Domestic Product (GDP). The GDP is the market value of all the goods and services produced in the country during a year.



Question 11

Match the following and choose the correct alternative:

Column I	Column II
1. Prime Minister	A. The money value of all the final goods and services produced within the economy in one year
2. Gross Domestic Product	B. Adoption of new technology
3. Modernisation	C. Chairperson of the planning commission
4. Self-sufficiency	D. Avoiding imports of those goods which could be produced in India itself.

-
- (a) 1- D, 2-A, 3-B, 4-C
 - (b) 1-C, 2- A, 3- B, 4-D
 - (c) 1-D, 2-A, 3- C, 4-B
 - (d) 1-C, 2-B, 3-A, 4- D



Answer 11

(b) 1-C, 2- A, 3- B, 4-D



Question 12

What is meant by structural composition of the economy?



Answer 12

The contribution made by each sector, namely the agricultural sector, the industrial sector and the service sector makes up the structural composition of the economy.



Question 13

Define modernisation.



Answer 13

Adoption of new technology in the production of goods and services to increase the output is called modernisation.



2.2

Major Policy Initiatives in Agriculture Sector

Land Reforms

Need for land reforms in the agricultural sector

At the time of independence, the land tenure system was characterised by intermediaries (variously called zamindars, jagirdars etc.) who merely collected rent from the actual tillers of the soil without contributing towards improvements on the farm. The low productivity of the agricultural sector forced India to import food from the United States of America (U.S.A.).

Equity in agricultural sector called for land reforms.

Land reforms refer to change in the ownership of land-holdings (i.e., to abolish intermediaries and to make

the tillers the owners of land) and fixing the maximum size of land which could be owned by an individual (i.e., land ceiling).

Types of land reforms implemented in the agriculture

- 1. The abolition of intermediaries:** The abolition of intermediaries meant that some 200 lakh tenants came into direct contact with the government – they were thus freed from being exploited by the zamindars.

2. The ownership of landholdings:

The policy of 'land to the tiller' is based on the idea that the cultivators will take more interest—they will have more incentive—in increasing output if they are the owners of the land. This is because ownership of land enables the tiller to make profit from the increased output. Tenants do not have the incentive to make improvements on land since it is the landowner who would benefit more from higher output.

3. Land ceiling:

Land ceiling was another policy to promote equity in the agricultural sector.

Land ceiling means fixing the maximum size of land which could be owned by an individual.

The purpose of land ceiling was to reduce the concentration of land ownership in a few hands.

Drawbacks of the land reforms

1. The goal of equity was not fully served by 'abolition of intermediaries' and the policy of 'land to the tiller'.
 - ❑ In some areas, the former zamindars continued to own large areas of land by making use of some loopholes in the legislation.
 - ❑ There were cases where tenants were evicted and the land owners claimed to be selfcultivators (the actual tillers), claiming ownership of the land.
 - ❑ Even when the tillers got ownership of land, the poorest of the agricultural labourers (such as sharecroppers and landless labourers) did

not benefit from land reforms.

2. The land ceiling legislation also faced hurdles.

- ❑ The big landlords challenged the legislation in the courts, delaying its implementation. They used this delay to register their lands in the name of close relatives, thereby escaping from the legislation.
- ❑ The legislation also had a lot of loopholes which were exploited by the big landholders to retain their land.

3. Land reforms were successful in Kerala and West Bengal because these states' governments were committed to the policy of land to the tiller. Unfortunately, other states did not have the same level of commitment and vast inequality in landholding continues till today.

The Green Revolution

Meaning of Green Revolution

The green revolution refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice.



Green Revolution benefited farmers

High Yielding Variety seeds (HYV seeds) are seeds of better quality than normal quality seeds. The produce from these seed is more compared to the normal seeds. However, the use of HYV seeds require the use of fertiliser and pesticide in the correct quantities as well as regular supply of water. Also, the application of these inputs in correct proportions is vital.

Why was the Green Revolution implemented?

At independence, about 75 per cent of the country's population was dependent on agriculture. However, productivity in the agricultural sector was very low because of the use of old technology and the absence of required infrastructure for the vast majority of farmers.

India's agriculture vitally depends on the monsoon and if the monsoon fell short, the farmers were in trouble unless they had access to irrigation facilities which very few had. The stagnation in agriculture during the colonial rule was permanently broken by the green revolution.

However, growth in agricultural output is not enough and does not make much of difference to the economy as a whole if a large proportion of this increase is consumed by the farmers themselves instead of being sold in the market. On the other hand, if a substantial amount of agricultural output is sold in the market by the farmers, the higher output can make a difference to the economy.

The portion of agricultural produce which is sold in the market by the farmers is called marketed / marketable surplus.

Benefits of Green Revolution

- 1. Increase in marketed surplus:** A good proportion of the rice and wheat produced during the green revolution period (available as marketed surplus) was sold by the farmers in the market. As a result, income of the farmers increased.

2. Decrease in price of food grains: The price of food grains declined relative to other items of consumption. The low income groups, who spend a large percentage of their income on food, benefited from this decline in relative prices.

- 3. Buffer stock:** The spread of green revolution technology enabled the government to procure sufficient amount of food grains to build buffer stock which could be used in times of food shortage.

4. **Self-reliance:** Indian agricultural productivity increased sufficiently to enable the country to be self-sufficient in food grains. We no longer had to be at the mercy of America, or any other nation, for meeting our nation's food requirements.

Critical Evaluation of Green Revolution

1. The farmers who could benefit from HYV seeds required reliable irrigation facilities as well as the financial resources to purchase fertiliser and pesticide, which small farmers could not afford. Thus, green revolution increased the inequalities between small and big farmers – since only the big farmers who could afford the required inputs reaped the benefits of the green revolution.
2. In the first phase of the green revolution (approximately mid 1960s upto mid 1970s), the use of HYV seeds was restricted to the more affluent states such as Punjab, Andhra Pradesh and Tamil Nadu.

Further, the use of HYV seeds primarily benefited the wheat growing regions only.

(However, in the second phase of the green revolution (mid-1970s to mid-1980s), the HYV technology spread to a larger number of states and benefited more variety of crops.)

3. The HYV crops were also more prone to attack by pests and the small farmers who adopted this technology could lose everything in a pest attack.

Role of government in ensuring that the green revolution benefited small farmers as well

1. The government provided loans at a low interest rate to small farmers.
2. The government also provided subsidised fertilisers so that small farmers could also have access to the needed inputs.
3. The risk of the small farmers being ruined when pests attack their crops was considerably reduced by the services rendered by research institutes established by the government.

Thus, the green revolution would have favoured the rich farmers only if the government did not play an extensive role in ensuring that the small farmer also gains from the new technology.

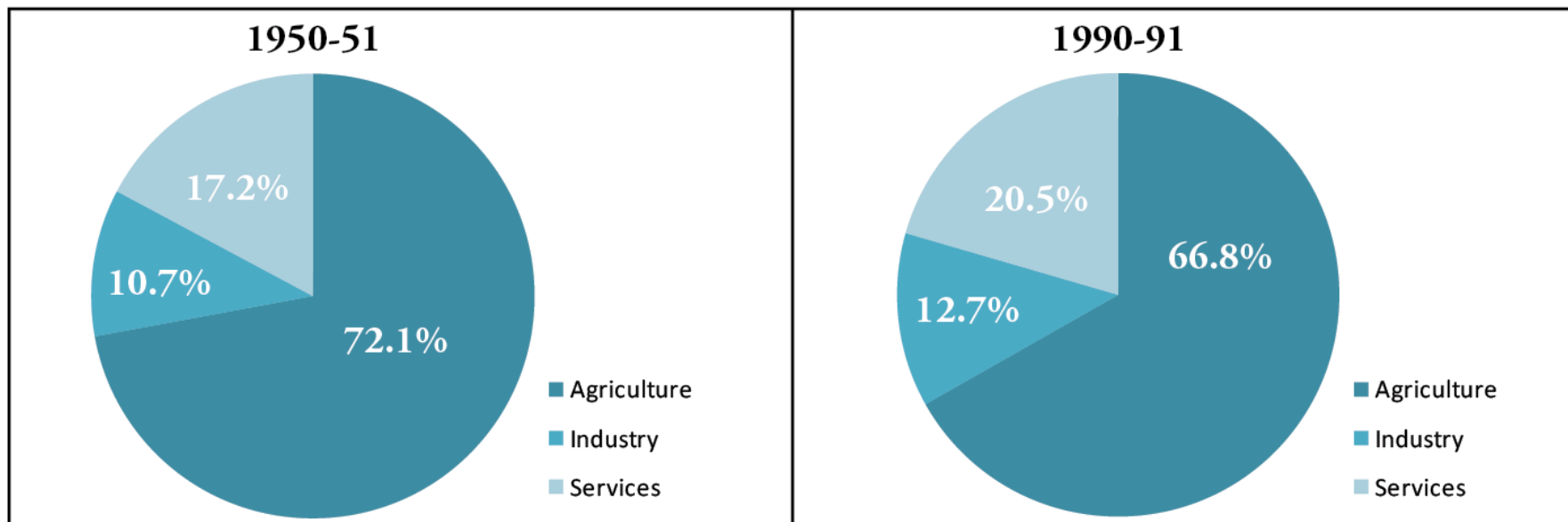
Trends in the occupational structure of the Indian economy during 1950-1990

Economists have found that as a nation becomes more prosperous, the proportion of GDP contributed by agriculture as well as the proportion of population working in the agriculture sector declines considerably.

However, in India, between 1950-51 and 1990-91, the proportion of GDP contributed by agriculture declined significantly but not the population depending on it (as shown in pie-charts).

Occupational structure of the Indian economy

Sector	Workforce (in %), 1950-51	Workforce (in %), 1990-91
Agriculture	72.1	66.8
Industry	10.7	12.7
Services	17.2	20.5



Despite the implementation of green revolution, more than 65% of the country's population continued to be employed in the agriculture sector till 1990-91. Why?

The reason is that the industrial sector and the service sector did not absorb the people working in the agricultural sector. *(Many economists call this an important failure of our policies followed during 1950-1990).*

The Debate Over Subsidies

Arguments against subsidies

1. Once the technology is found profitable and is widely adopted, subsidies should be eliminated since their purpose has been served.
2. Subsidies are meant to benefit the farmers but a substantial amount of fertiliser subsidy also benefits the fertiliser industry.
3. Among farmers, the subsidy largely benefits the farmers in the more prosperous regions. So, there is no case for continuing with fertiliser subsidies. It does not benefit the target group.
4. It is a huge burden on the government's finances.

Arguments in favour of subsidies

1. Any new technology is considered as being risky by farmers. Subsidies* were, therefore, needed to encourage farmers to test the new technology. In other words, it was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers, especially the small farmers.

Thus, the green revolution benefited the small as well as rich farmers.

** Subsidy in agriculture means providing some important inputs to farmers at a concessional rate that is much lower than its market rate.*

2. The government should continue with agricultural subsidies because farming in India continues to be a risky business as it vitally depends on the monsoon.
3. Most farmers are very poor and they will not be able to afford the required inputs without subsidies.
4. Eliminating subsidies will increase the inequality between rich and poor farmers and violate the goal of equity.
5. If subsidies are largely benefiting the fertiliser industry and big farmers, the correct policy is not to abolish subsidies but to take steps to ensure that only the poor farmers enjoy the benefits.

Think as you read 2.2

Question 1

What do land reforms refer to?



Answer 1

Land reforms refer to change in the ownership of landholdings (i.e., to abolish intermediaries and to make the tillers the owners of land) and fixing the maximum size of land which could be owned by an individual (i.e., land ceiling).



Question 2

What do you mean by land ceiling?



Answer 2

Land ceiling means fixing the maximum size of land which could be owned by an individual.



Question 3

What was the purpose of land ceiling?



Answer 3

The purpose of land ceiling was to reduce the concentration of land ownership in a few hands.



Question 4

What are High Yielding Variety (HYV) seeds? **(NCERT)**



Answer 4

High Yielding Variety (HYV) seeds are seeds of better quality, which produce more output but require the use of fertiliser and pesticide in the correct quantities as well as regular supply of water.



Question 5

What is marketable surplus?

(NCERT)



Answer 5

The portion of agricultural produce which is sold in the market by the farmers is called marketed / marketable surplus.



Question 6

Match the following and choose the correct alternative:

Column I	Column II
1. Quota	A. Quantity of goods that can be imported
2. Land Reforms	B. Seeds that give large proportion of output
3. HYV Seeds	C. Improvements in the field of agriculture to increase its productivity
4. Subsidy	D. The monetary assistance given by government for production activities.

- (a) 1-D, 2- C, 3- B, 4- A (b) 1- A ,2-D, 3- B, 4- C
(c) 1-A, 2- C, 3- B, 4-D (d) 1- A, 2-B, 3- C, 4- D

Answer 6

(c) 1-A, 2- C, 3- B, 4-D



Question 7

In which states were land reforms successful in India and why?



Answer 7

Land reforms were successful in Kerala and West Bengal because these states' governments were committed to the policy of 'land to the tiller'.



Question 8

Why, despite the implementation of green revolution, 65 per cent of our population continued to be engaged in the agriculture sector till 1990?

(NCERT)



Answer 8

The reason is that the industrial sector and the service sector did not absorb the people working in the agricultural sector.



2.3

Industry and Trade

Five year plans place a lot of emphasis on industrial development.

At the time of independence, the variety of industries was very narrow – largely confined to cotton textiles and jute. There were two well-managed iron and steel firms – one in Jamshedpur and the other in Kolkata – but, obviously, we needed to expand the industrial base with a variety of industries if the economy was to grow.

The five year plans place a lot of emphasis on industrial development because of the following reasons:

1. Economists have found that poor nations can progress only if they have a good industrial sector.
2. Industry provides employment which is more stable than the employment in agriculture.
3. It promotes modernisation and overall prosperity.

Public sector was given a leading role in Indian Industrial Development

The big question facing the policy makers was – what should be the role of the government and the private sector in industrial development? The public sector was given a leading role in industrial development. The policies of the private sector would have to be complementary to those of the public sector, with the public sector leading the way.

The public sector was given a leading role in industrial development in India because of the following reasons:

1. At the time of independence, Indian industrialists did not have the capital to undertake investment in industrial ventures required for the development of our economy.
2. The market was not big enough to encourage industrialists to undertake major projects even if they had the capital to do so.
3. In addition, the decision to develop the Indian economy on socialist lines led to the policy of the state controlling the commanding heights of the economy. This meant that the government would have

complete control of those industries that were vital for the economy.

Industrial Policy Resolution 1956 (IPR 1956)

In accordance with the goal of the state controlling the commanding heights of the economy, the Industrial Policy Resolution of 1956 was adopted. This resolution formed the basis of the Second Five Year Plan, the plan which tried to build the basis for a socialist pattern of society.

Classification of industries under the Industrial Policy Resolution, 1956

The Industrial Policy Resolution, 1956 classified industries into three categories:

- ❑ The first category comprised industries which would be exclusively owned by the state.
- ❑ The second category consisted of industries in which the private sector could supplement the efforts of the state sector, with the state taking the sole responsibility for starting new units.
- ❑ The third category consisted of the remaining industries which were to be in the private sector.

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

Although there was a category of industries left to the private sector, 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.

This policy was used for promoting industry in backward regions. It was easier to obtain a license if the industrial unit was established in an economically backward area. In addition, such units were given certain concessions such as tax benefits and electricity at a lower tariff. Thus, the purpose of this policy was to promote regional equality.

❑ Even an existing industry had to obtain a license for expanding output or for diversifying* production.

This was meant to ensure that the quantity of goods produced was not more than what the economy required. License to expand production was given only if the government was convinced that the economy required a larger quantity of goods.

Promotion of Small-Scale Industry (SSI) by the Government

In 1955, the Village and Small-Scale Industries Committee, also called the Karve Committee, noted the possibility of using small-scale industries for promoting rural development.

A 'small-scale industry' is defined with reference to the maximum investment allowed on the assets of a unit. This limit has changed over a period of time. In 1950, a small-scale industrial unit was one which invested a maximum of ₹5 lakh while at present the maximum investment allowed is ₹1 crore.

Why did the government promote small-scale industry?

The reason is that the small-scale industries are more 'labour intensive' i.e., they use more labour than the large-scale industries and, therefore, generate more employment.

How did the government promote and protect small-scale industry?

Small-scale industries cannot compete with the big industrial firms.

- ❑ For this purpose, the production of a number of products was reserved for the small-scale industry.

The criterion of reservation was the ability of these units to manufacture the goods.

- ❑ They were also given concessions such as lower excise duty and bank loans at lower interest rates.

Think as you read 2.3

Question 1

At the time of independence, the variety of industries was very narrow – largely confined to _____.



Answer 1

Cotton textiles, jute



Question 2

What was the big question facing the policy makers at the time of independence?



Question 3

Why was the Industrial Policy Resolution of 1956 adopted?



Answer 3

In accordance with the goal of the state controlling the commanding heights of the economy, the Industrial Policy Resolution of 1956 was adopted.



Question 4

How was the private sector kept under state control?



Answer 4

The private sector was kept under state control through a system of licenses.



Question 5

Define a 'small scale industry'?



Answer 5

A 'small-scale industry' is defined with reference to the maximum investment allowed on the assets of a unit. In 1950, a small-scale industrial unit was one which invested a maximum of ₹5 lakh while at present the maximum investment allowed is ₹1 crore.



Question 6

In 1955, which Committee noted the possibility of using small-scale industries for promoting rural development?



Answer 6

In 1955, the Village and Small-Scale Industries Committee, also called the Karve Committee, noted the possibility of using small-scale industries for promoting rural development.



Question 7

The production of a number of products was reserved for the small-scale industry. What was the criterion of such reservation?



Answer 7

The criterion of reservation of the production of certain number of products for the small-scale industries was the ability of these units to manufacture the goods.



2.4

Foreign Trade Policy: Import Substitution

Import Substitution Policy

In the first seven plans, foreign trade was characterised by what is commonly called an **inward looking trade strategy**. Technically, this strategy is called **import substitution**, which aimed at replacing or substituting imports with domestic production.

For example, instead of importing vehicles made in a foreign country, industries would be encouraged to produce them in India itself.

Protection of domestic industries from foreign competition

In import substitution policy the government protected the domestic industries from foreign competition.

Reason for protection from foreign competition

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. Our planners also feared the possibility of foreign exchange being spent on import of luxury goods if no restrictions were placed on imports.

Protection from imports took two forms: tariffs and quotas.

- ❑ **Tariffs** are a tax on imported goods; they make imported goods more expensive and discourage their use.
- ❑ **Quotas** specify the quantity of goods which can be imported.

The effect of tariffs and quotas is that they restrict imports and, therefore, protect the domestic firms from foreign competition.

Critical Evaluation of the Industrial and Trade Policies

Positive Effects

The achievements of India's industrial sector during the first seven plans are impressive indeed. The proportion of GDP contributed by the industrial sector increased in the period from 11.8 per cent in 1950-51 to 24.6 per cent in 1990-91. The rise in the industry's share of GDP is an important indicator of development.

- 1. Diversification of industrial sector:** No longer was Indian industry restricted largely to cotton textiles and jute. In fact, the industrial sector became well diversified by 1990, largely due to the public sector.

2. **Promotion of small-scale industries:** The promotion of small-scale industries gave opportunities to those people who did not have the capital to start large firms to get into business.
3. **Development of indigenous industries:** Protection from foreign competition enabled the development of indigenous industries in the areas of electronics and automobile sectors which otherwise could not have developed.

Drawbacks/Criticisms

1. Inefficient functioning of the public sector:

One of the major drawbacks in the industrial sector was the inefficient functioning of the public sector. Many public sector firms incurred huge losses but continued to function because it is difficult to close a government undertaking even if it is a drain on the nation's limited resources.

Initially public sector was required in a big way. It is now widely held that state enterprises continued to produce certain goods and services (often monopolising them) although this was no longer required.

For example, the provision of telecommunication service. This industry continued to be reserved for the Public Sector even after it was realised that private sector firms could also provide it. Due to the absence of competition, even till the late 1990s, one had to wait for a long time to get a telephone connection. In 2001 this firm was sold to the private sector.

Similarly, even now only the public sector supplies national defense. And even though the private sector can manage hotels well, yet, the government also runs hotels.

The government should get out of areas which the private sector can manage and the government m-

ay concentrate its resources on important services which the private sector cannot provide.

However, this does not mean that private firms are always profitable (indeed, quite a few of the public sector firms were originally private firms which were on the verge of closure due to losses; they were then nationalised to protect the jobs of the workers). But, a loss-making private firm will not waste resources by being kept running despite the losses.

On the other hand, a few economists point out that the public sector is not meant for earning profits but to promote the welfare of the nation. The public sector firms should be evaluated on the basis of the

extent to which they contribute to the welfare of people and not on the profits they earn.

2. Excessive regulation of industries:

The excessive regulation of what came to be called the permit license raj prevented certain firms from becoming more efficient. More time was spent by industrialists in trying to obtain a license or lobby with the concerned ministries rather than on thinking about how to improve their products. Moreover, the need to obtain a license to start an industry was misused by industrial houses; a big industrialist would get a license not for starting a new firm but to prevent competitors from starting new firms.

3. No incentive for producers to improve the quality of products in the absence of foreign competition: Due to restrictions on imports, the Indian consumers had to purchase whatever the Indian producers produced. The producers were aware that they had a captive market; so they had no incentive to improve the quality of their goods. Why should they think of improving quality when they could sell low quality items at a high price? Competition from imports forces our producers to be more efficient.

However, some economists hold that we should protect our producers from foreign competition as long as the rich nations continue to do so.

Owing to all these conflicts, economists called for a change in our policy. This, along with other problems, led the government to introduce a new economic policy in 1991.

Conclusion

The progress of the Indian economy during the first seven plans was impressive indeed. Our industries became far more diversified compared to the situation at independence. India became self-sufficient in food production thanks to the green revolution. Land reforms resulted in abolition of the hated zamindari system. However, many economists became dissatisfied with the performance of many public sector enterprises. Excessive government regulation prevented growth of entrepreneurship. In the name of self-reliance, our producers were protected against foreign competition and this did not give them the incentive to improve the quality of goods that they produced. Our policies were 'inward oriented' and so we failed to develop a strong export sector. No serious thought was given to promote exports until the mid-1980s. The need for reform of economic policy was widely felt in the context of changing global economic scenario, and the new economic policy was initiated in 1991 to make our economy more efficient.

Sequence of Events

Sequence	Event	Year
I	Planning Commission was set up in India with Prime Minister as its Chairperson.	1950
II	Village and Small-Scale Industries committee (also called Karve Committee) was constituted for the development of small-scale industries.	1955
III	Industrial Policy Resolution (IPR) was adopted in accordance with the goal of the state controlling the commanding heights of the economy.	1956



Key Terms

Import Substitution Policy: The Policy aimed at replacing or substituting imports with domestic production by protecting the domestic industries from foreign competition is known as import substitution policy (commonly called as inward looking trade strategy).

Quota: Quantitative restrictions on imports for the protection of the domestic firms from foreign competition. Under, this, quantity of goods which can imported is specified by the state.

Tariff:A tax on imported goods. Tariffs make imported goods more expensive and discourage their use. Thus, tariffs restrict imports and, thus, protect the domestic firms from foreign competition.

Small-scale industry: A 'small-scale industry' is defined with reference to the maximum investment allowed on the assets of a unit. This limit has changed over a period of time. In 1950 a small-scale industrial unit was one which invested a maximum of ₹5 lakh; at present the maximum investment allowed is ₹1 crore.

Subsidy: The monetary assistance given by government for prod-

uction activities. Subsidies encourage farmers to test the new technology in agriculture.

Green Revolution: This refers to the large increase in production of good grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice.

Marketed surplus: The portion of agricultural produce which is sold in the market by the farmers is called marketed surplus.

High Yielding Variety (HYV) seeds: Seeds that give large proportion of output are called HYV seeds. The use of these seeds require the use of fertiliser and pesticide in the correct quantities as well as regular supply of water.

Land reforms: Land reforms primarily refer to change in the ownership of land holdings, i.e. to make the tillers the owners of land. Ownership of land would give incentives to the tillers to invest in making improvements, provided sufficient capital was made available to them.

Land ceiling: Land ceiling means fixing the maximum size of land which could be owned by an individual. The purpose of land ceil-

ing was to reduce the concentration of land ownership in a few hands.

Structural Composition: The contribution made by different sectors of the economy (agriculture, industry and services) in the GDP of the country makes up the structural composition of the economy.

Think as you read 2.4

Question 1

In the first seven plans, foreign trade was characterised by what is commonly called an _____. Technically, this strategy is called _____.



Answer 1

Inward looking trade strategy, import substitution



Question 2

What was the aim of the policy of import substitution?



Answer 2

To replace or substitute imports with domestic production and protection of the domestic industries from foreign competition.



Question 3

Name any two industries which were reserved for the public sector during 1950-90.



Answer 3

Telecommunication service, National defense



Objective Type Questions

Question 1

In 1950, the _____ was set up with the _____ as its chairperson.



Answer 1

Planning commission, Prime minister



Question 2

After independence, India envisaged an economic system which combines the best feature of socialism and capitalism – this culminated in the _____ model.



Answer 2

mixed economy



Question 3

In India, all the economic planning has been formulated through _____.



Answer 3

five year plans



Question 4

The common goals of the five year plans in India are: growth, modernisation, _____ and _____.



Answer 4

self-reliance; equity



Question 5

All the five year plans have given equal importance to the goals of growth, modernisation, self-reliance and equity.

True/False? Give reason.



Answer 5

False: The common goals of the five year plans are growth, modernisation, self-reliance and equity. This does not mean that all the plans have given equal importance to all these goals. It will be unrealistic to expect all the goals of a plan to be given equal importance in all the plans. Due to limited resources, a choice has to be made in each plan about which of the goals is to be given primary importance.



Question 6

One of the common goals of the five year plans is 'growth'. What does the 'growth' imply?

(Choose the correct alternative)

- (a) A larger stock of productive capital
- (b) A larger size of supporting services like transport and banking
- (c) An increase in the efficiency of productive capital and services
- (d) All of the above



Answer 6

(d) All of the above



Question 7

Which of the following is not a common goal of five year plans?

(Choose the correct alternative)

- (a) Increase in the country's capacity to produce the output of goods and services.
- (b) Adoption of new technology in the production of goods and services to increase the output.
- (c) Increase in foreign exchange reserves of the country.
- (d) Reduction in inequality in the distribution of income and wealth.

Answer 7

- (c) Increase in foreign exchange reserves of the country.



Question 8

A good indicator of _____ is steady increase in the Gross Domestic Product (GDP).



Answer 8

economic growth



Question 9

The contribution made by each of the sectors of the economy, namely the agricultural sector, the industrial sector and the service sector, makes up the _____ of the economy.

(Fill up the blanks with correct answer)



Answer 9

structural composition



Question 10

‘Modernisation refers only to the use of new technology.’

True/False? Give reason.



Answer 10

False: Modernisation does not refer only to the use of new technology but also to changes in social outlook such as the recognition that women should have the same rights as men. A modern society makes use of the talents of women in the work place – in banks, factories, schools etc.



Question 11

Our plan documents not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. This long-term plan is called _____ .

(Fill up the blanks with correct answer)



Answer 11

perspective plan



Question 12

Match the following and choose the correct alternative:

Column I	Column II
1. Prime Minister	(A) The money value of all the final goods and services produced within the economy in one year
2. Gross Domestic Product	(B) Adoption of new technology
3. Modernisation	(C) Chairperson of the planning commission
4. Self-sufficiency	(D) Avoiding imports of those goods which could be produced in India itself.

(a) 1-D, 2-A, 3-B, 4-C

(b) 1-C, 2-A, 3-B, 4-D

(c) 1-D, 2-A, 3-C, 4-B

(d) 1-C, 2-B, 3-A, 4-D

Answer 12

(b) 1-C, 2-A, 3-B, 4-D



Question 13

The first seven five year plans gave importance to _____ which means avoiding imports of those goods which could be produced in India itself.

(Fill up the blanks with correct answer)



Answer 13

self-reliance



Question 14

The first seven five year plans gave importance to self-reliance because:

(Choose the correct alternative)

- (a) It was considered a necessity in order to reduce our dependence on foreign countries, especially for food.
- (b) People who were recently freed from foreign domination should give importance to self-reliance.
- (c) It was feared that dependence on imported food supplies, foreign technology and foreign capital may make India's sovereignty vulnerable to foreign



interference in our policies.

(d) All of the above



Answer 14

(d) All of the above



Question 15

Growth, modernisation and self-reliance by themselves, may not improve the living condition of people.

True/False? Give reason.



Answer 15

True: A country can have high growth, the most modern technology developed in the country itself, but most of its people are living in poverty. So, it is important to ensure that benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich.



Question 16

‘Equity’ as a goal of five year plans means:

(Choose the correct alternative)

- (a) To ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich.
- (b) Inequality in the distribution of wealth should be reduced.
- (c) Both (a) and (b)
- (d) Women should have the same rights as men.



Answer 16

(c) Both (a) and (b)



Question 17

Every Indian should be able to meet his or her basic needs such as food, a decent house, education and health care; and inequality in the distribution of wealth should be reduced. So, in addition to growth, modernisation and self-reliance, _____ is also important.



Answer 17

equity



Question 18

During the colonial rule there was neither growth nor equity in the agricultural sector. The policy makers of independent India had to address these issues which they did through _____ and promoting the use of _____ which ushered in a revolution in Indian agriculture.



Answer 18

land reforms; High Yielding Variety (HYV) seeds



Question 19

At the time of independence, the land tenure system was characterised by intermediaries (variously called zamindars, jagirdars etc.) who merely collected rent from the actual tillers of the soil without contributing towards improvements on the farm. The low productivity of the agricultural sector forced India to import food from the _____ .



Answer 19

United States of America (U.S.A.)



Question 20

Equity in agriculture called for _____, which primarily refer to change in the ownership of land holdings.



Answer 20

land reforms



Question 21

Just a year after independence, steps were taken to abolish intermediaries and to make the tillers the owners of land. The idea behind this move was:

(Choose the correct alternative)

- (a) to reduce the concentration of land ownership in a few hands.
- (b) that ownership of land would give incentives to the tillers to invest in making improvements.
- (c) fixing the maximum size of land which could be owned by an individual.
- (d) to reduce the vast inequality in land holding.

Answer 21

- (b) that ownership of land would give incentives to the tillers to invest in making improvements.



Question 22

_____ was a policy to promote equity in the agricultural sector. This means fixing the maximum size of land which could be owned by an individual.

(Fill up the blanks with correct answer)



Answer 22

Land ceiling



Question 23

The purpose of _____ (land reforms/land ceiling) was to reduce the concentration of land ownership in a few hands.

(Fill up the blank with correct answer)



Answer 23

land ceiling



Question 24

Which of the following is not included in land reforms?

(Choose the correct alternative)

- (a) Use of high yielding variety (HYV) seeds
- (b) The abolition of intermediaries
- (c) The change in ownership of landholdings
- (d) Land ceiling



Answer 24

(a) Use of high yielding variety (HYV) seeds



Question 25

The abolition of intermediaries meant that some _____ tenants came into direct contact with the government – they were thus freed from being exploited by the Zamindars.

(Choose the correct alternative)

- (a) 50 lakh
- (b) 100 lakh
- (c) 150 lakh
- (d) 200 lakh



Answer 25

(d) 200 lakh



Question 26

The ownership conferred on tenants gave them the incentive to increase output and this contributed to _____ in agriculture.

(Fill up the blank with correct answer)



Answer 26

growth



Question 27

Under ownership of land holdings, all types of agricultural labourers got benefit.

True/False? Give reason.



Answer 27

False: Even when the tillers got ownership of land, the poorest of the agricultural labourers (such as sharecroppers and landless labourers) did not get benefit from land reforms.



Question 28

The goal of equity was not fully served by land reforms because:

(Choose the correct alternative)

- (a) In some areas, the former zamindars continued to own large areas of land by making use of some loopholes in the legislation.
- (b) The big landlords challenged the legislation in the courts, delaying its implementation. They used this delay to register their lands in the name of close relatives, thereby escaping from the legislation.



-
- (c) Even when the tillers got ownership of land, the poorest of the agricultural labourers (such as sharecroppers and landless labourers) did not benefit from land reforms.
 - (d) All of the above



Answer 28

(d) All of the above



Question 29

Land reforms were successful in _____ and _____ because these states had government committed to the policy of 'land to the tiller'.



Answer 29

Kerala; West Bengal



Question 30

At independence, about _____ of the country's population was dependent on agriculture.

(Choose the correct alternative)

- (a) 65%
- (b) 70%
- (c) 75%
- (d) 80%



Answer 30

(c) 75%



Question 31

At independence, productivity in the agriculture sector was very low because of:

(Choose the correct alternative)

- (a) Use of old technology
- (b) The absence of required infrastructure
- (c) Lack of irrigation facilities
- (d) All of the above



Answer 31

(d) All of the above



Question 32

The stagnation in agriculture during the colonial rule was permanently broken by the _____ . This refers to the large increase in production of food grains, especially wheat and rice resulting from the use of _____ .



Answer 32

green revolution; High Yielding Variety (HYV) seeds



Question 33

In the first phase of the green revolution, the use of HYV seeds was restricted to the more affluent states such as _____.

(Fill up the blanks with correct answer)



Answer 33

Punjab, Andhra Pradesh and Tamil Nadu



Question 34

In the first phase of the green revolution (approximately mid 1960s, up to mid 1970s), the use of HYV seeds primarily benefited the _____ growing regions only.

(Fill up the blank with correct answer)



Answer 34

wheat



Question 35

In the second phase of the green revolution (mid 1970s to mid 1980s), the HYV technology benefited only the more affluent states and the wheat growing regions.

True/False? Give reason.



Answer 35

False: In the second phase of the green revolution, the HYV technology spread to a larger number of states and benefited more variety of crops.



Question 36

Growth in agricultural output is important but it is not enough.

True/False? Give reason.



Answer 36

True: If a larger proportion of this increase is consumed by the farmers themselves instead of being sold in the market, the higher output will not make much of a difference to the economy as a whole. If, on the other hand, a substantial amount of agricultural produce is sold in the market by the farmers, the higher output can make a difference to the economy.



Question 37

The portion of agricultural produce which is sold in the market by the farmers is called _____ .



Answer 37

marketed/marketable surplus



Question 38

Which of the following is not a benefit of green revolution?

(Choose the correct alternative)

- (a) Increase in marketed surplus
- (b) Increase in price of food grains
- (c) Buffer stock
- (d) Self-sufficiency in food grains



Answer 38

(b) Increase in price of food grains



Question 39

Which of the following is not a limitation of green revolution?

(Choose the correct alternative)

- (a) It increased the inequalities between small and big farmers.
- (b) Use of HYV seeds primarily benefited the wheat growing regions only.
- (c) The HYV crops were also more prone to attack by pests
- (d) All of the above

Answer 39

(d) All of the above



Question 40

Green revolution caused the increased disparities between small and big farmers.

True/False? Give reason.



Answer 40

True: Since only the big farmers could afford the required inputs (fertilisers, pesticides, irrigation facilities, etc.) thereby reaping most of the benefits of the green revolution.



Question 41

While the nation had immensely benefited from the green revolution, the technology involved was not free from risks.

True/False? Give reason.



Answer 41

True: The HYV seeds were more prone to attack by pests and the small farmers who adopted this technology could lose everything in a pest attack.



Question 42

Which of the following was a step taken by the government to ensure that the green revolution benefited small farmers also?

(Choose the correct alternative)

- (a) The government provided loans at a low interest rate to small farmers.
- (b) The government provided subsidised fertilisers.
- (c) Both (a) and (b)
- (d) The government reduced taxes on agricultural goods.



Answer 42

(c) Both (a) and (b)



Question 43

Because of the steps taken by the government, the green revolution benefited the small as well as rich farmers.

True/False? Give reason.



Answer 43

True: The government provided loans at a low interest rate to small farmers and subsidised fertilisers so that small farmers could also have access to the needed inputs. As a result, the output on small farms equalled the output on large farms in the course of time.



Question 44

The major policy initiatives in agriculture sector were _____ and _____. These initiatives helped India to become self-sufficient in food grains production.



Answer 44

land reforms; green revolution



Question 45

Arguments against subsidies:

(Choose the correct alternative)

- (a) A huge burden on the government's finances.
- (b) It does not benefit the target group.
- (c) Fertiliser subsidy also benefits the fertiliser industry.
- (d) All of the above



Answer 45

(d) All of the above



Question 46

Arguments in favour of subsidies:

(Choose the correct alternative)

- (a) To provide an incentive for adoption of the new HYV technology by farmers.
- (b) Farming in India continues to be a risky business as it vitally depends on the monsoon.
- (c) Eliminating subsidies will increase the inequality between rich and poor farmers and violate the goal of equity.
- (d) All of the above

Answer 46

(d) All of the above



Question 47

It was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers.

True/False? Give reason.



Answer 47

True: Any new technology will be looked upon as being risky by farmers. Subsidies were therefore, needed to encourage farmers to test the new technology.



Question 48

Eliminating subsidies will violate the goal of equity.

True/False? Give reason.



Answer 48

True: Poor farmers will not be able to afford the required inputs without subsidies. It will increase the inequality between rich and poor farmers, and thus will violate the goal of equity.



Question 49

In India, between 1950 and 1990, the proportion of population depending on agriculture declined significantly.

True/False? Give reason.



Answer 49

False: The proportion of India's population depending on agriculture did not decline significantly (67.5% in 1950 to 64.9% by 1990). However, the proportion of GDP contributed by agriculture declined.



Question 50

About 65 per cent of the country's population continued to be employed in agriculture even as late as 1990. Why was such a large proportion of the population engaged in agriculture although agriculture output could have grown with much less people working in the section?

(Choose the correct alternative)

- (a) People voluntarily preferred to work on agricultural farms.
- (b) Because of rampant poverty, most of the people depended on agriculture only for their livelihood.



-
- (c) The industrial sector and the service sector did not absorb the people working in the agricultural sector.
 - (d) All of the above



Answer 50

- (c) The industrial sector and the service sector did not absorb the people working in the agricultural sector.



Question 51

The five year plans place a lot of emphasis on industrial development because:

(Choose the correct alternative)

- (a) Economists have found that poor nations can progress only if they have a good industrial sector.
- (b) Industry provides employment which is more stable than the employment in agriculture.
- (c) It promotes modernisation and overall prosperity.
- (d) All of the above



Answer 51

(d) All of the above



Question 52

Poor nations can progress only if they have a good industrial sector.

True/False? Give reason.



Answer 52

True: Industry provides employment which is more stable than the employment in agriculture; it promotes modernisation and overall prosperity.



Question 53

At the time independence, the variety of industries was very narrow.

True/False? Give reason.



Answer 53

True: It was largely confined to cotton textiles and jute. There were two well-managed iron and steel firms – one in Jamshedpur and the other in Kolkatta.



Question 54

At the time of independence, the state had to play an extensive role in promoting the industrial sector.

True/False? Give reason.



Answer 54

True: Indian industrialists did not have the capital to undertake investment in industrial ventures required for the development of our economy; nor was the market big enough to encourage industrialists to undertake major projects even if they had the capital to do so.



Question 55

The decision to develop the Indian economy on socialist lines led to the policy of the private sector controlling the commanding heights of the economy.

True/False? Give reason.



Answer 55

False: The policy was that the state would have complete control of those industries that were vital for the economy. The policies of the private sector would have to be complimentary to those of the public sector, with the public sector leading the way.



Question 56

In accordance with the goal of the state controlling the commanding heights of the economy, _____ was adopted. This resolution formed the basis of the second Five Year Plan, the plan which tried to build the basis for a socialist pattern of society.

(Fill up the blank with correct answer)



Answer 56

the Industrial Policy Resolution, 1956



Question 57

The Industrial Policy Resolution, 1956 classified industries into three categories.

True/False? Give reason.



Answer 57

True: The first category comprised industries which would be exclusively owned by the state; the second category consisted of industries in which the private sector could supplement the efforts of the state sector, with the state taking the sole responsibility for starting new units; the third category consisted of the remaining industries which were to be in the private sector.



Question 58

The public sector was given a leading role in industrial development in India because of:

(Choose the correct alternative)

- (a) Lack of capital with the private individuals
- (b) Lack of incentive to invest in major projects
- (c) The policy of the state controlling the commanding heights of the economy
- (d) All of the above



Answer 58

(d) All of the above



Question 59

Under Industrial Policy Resolution, 1956 although there was a category of industries left to the private sector, yet the private sector was kept under state control through _____ . The purpose of this policy was to promote _____ .

(Fill up the blank with correct answers)



Answer 59

licensing system; regional equality



Question 60

Under Industrial Policy Resolution, 1956 no new industry was allowed in the private sector unless a license was obtained from the government.

True/False? Give reason.



Answer 60

True: This policy was used for promoting industry in backward regions; it was easier to obtain a license if the industrial unit was established in an economically backward area. In addition, such units were given certain concessions such as tax benefits and electricity at a lower tariff.



Question 61

Under the Industrial Policy Resolution 1956, the private sector was kept under state control through licensing system. 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 of such policy was: *(Choose the correct alternative)*

- (a) To promote regional equality.
- (b) To ensure that the output produced does not exceed what the economy required.



-
- (c) Both (a) and (b)
 - (d) To ensure that the private sector enterprises do not grow at a faster pace than public sector enterprises.



Answer 61

(c) Both (a) and (b)



Question 62

Under Industrial Policy Resolution, 1956 even an existing industry had to obtain a license for expanding output or for diversifying production. This was meant:

(Choose the correct alternative)

- (a) to promote regional equality
- (b) to promote industry in backward regions.
- (c) to ensure that the state controlling the commanding heights of the economy.
- (d) to ensure that the quantity of goods produced was not more than what the economy required.



Answer 62

- (d) to ensure that the quantity of goods produced was not more than what the economy required.



Question 63

In 1955, the Village and Small-Scale Industries Committee, also called the _____, noted the possibility of using small-scale industries for promoting rural development.



Answer 63

Karve Committee



Question 64

In 1950, a small-scale industrial unit was one which invested a maximum of _____ while at present the maximum investment allowed is ₹1 crore.



Answer 64

₹5 lakh



Question 65

The small scale industries generate more employment than large scale industries.

True/False? Give reason.



Answer 65

True: Small-scale industries are more 'labour-intensive', i.e. they use more labour than the large scale industries and therefore, generate more employment.



Question 66

How did the government promote and protect small-scale industry?

(Choose the correct alternative)

- (a) The production of a number of products was reserved for the small-scale industry
- (b) They were also given concessions such as lower excise duty and bank loans at lower interest rates.
- (c) The government purchased a large quantity of goods from them.
- (d) Both (a) and (b)

Answer 66

(d) Both (a) and (b)



Question 67

In the first seven plans, foreign trade was characterised by what is commonly called an inward looking trade strategy. Technically, this strategy is called _____ .



Answer 67

import substitution policy



Question 68

_____ policy aimed at replacing imports with domestic production. In the policy the government protected the domestic industries from foreign competition.



Answer 68

Import substitution



Question 69

Under import substitution policy, protection from imports took two forms: _____ and _____ .



Answer 69

tariffs ; quotas



Question 70

_____ make imported goods more expensive and discourage their use. (Tariffs/Quotas).



Answer 70

Tariffs



Question 71

Match the following and choose the correct alternative:

Column I	Column II
1. Quota	(A) Quantity of goods that can be imported
2. Land Reforms	(B) Seeds that give large proportion of output
3. HYV Seeds	(C) Improvements in the field of agriculture to increase its productivity
4. Subsidy	(D) The monetary assistance given by government for production activities.

(a) 1-D, 2-C, 3-B, 4-A

(b) 1-A, 2-D, 3-B, 4-C

(c) 1-A, 2-C, 3-B, 4-D

(d) 1-A, 2-B, 3-C, 4-D

Answer 71

(c) 1-A, 2-C, 3-B, 4-D



Question 72

Tariffs and quotas increase imports.

True/False? Give reason.



Answer 72

False: The effect of tariffs and quotas is that they restrict imports and therefore, protect the domestic firms from foreign competition.



Question 73

Tariffs and quotas were placed to protect the domestic firms from foreign competition. The policy of protection is based on the notion that:

(Choose the correct alternative)

- (a) Industries of developing countries are not in a position to compete against the goods produced by more developed economics.
- (b) If the domestic industries are protected, they will learn to compete in the course of time.



-
- (c) There was a possibility of foreign exchange being spent on import of luxury goods if no restrictions were placed on imports.
 - (d) All of the above



Answer 73

(d) All of the above



Question 74

The achievements of India's industrial sector during the first seven plans are impressive.

True/False? Give reason.



Answer 74

True: The proportion of GDP contributed by the industrial sector increased in the period from 11.8 per cent in 1950-51 to 24.6 per cent in 1990-91.



Question 75

The annual growth rate of the industrial sector during 1950-1990 was:

(Choose the correct alternative)

- (a) 5 per cent
- (b) 6 per cent
- (c) 8 per cent
- (d) 10 per cent



Answer 75

(b) 6 per cent



Question 76

The industrial sector became well diversified by 1990.

True/False? Give reason.



Answer 76

True: No longer was Indian industry restricted to cotton textiles and jute. The industrial sector became well diversified due to the public sector and the promotion of small scale industries. Protection from foreign competition enabled the development of indigenous industries in the areas of electronics and automobile sectors.



Question 77

Till 1990s the state enterprises continued to produce certain goods and services (often monopolising them) although this was no longer required as private sector firms could also provide them. An example is _____ .



Answer 77

the provision of telecommunication service



Question 78

Many public sector firms incurred huge losses but continued to function even if it is a drain on the nation's limited resources because:

(Choose the correct alternative)

- (a) It is difficult to close a government undertaking.
- (b) It was feared that private sector would monopolise those goods and services.
- (c) The loss-making PSUs will receive out of loss in future.
- (d) All of the above



Answer 78

(a) It is difficult to close a government undertaking.



Question 79

One of the major drawbacks in the industrial sector was inefficient functioning of the public sector as it started incurring losses leading to _____ .



Answer 79

drain of the nation's limited resources.



Question 80

The need to obtain a license to start an industry was misused by industrial houses.

True/False? Give reason.



Answer 80

True: A big industrialist would get a license not for starting a new firm but to prevent competitions from starting new firms.



Question 81

The excessive regulation of what came to be called the _____ prevented certain firms from becoming more efficient. More time was spent by industrialists in trying to obtain a license or lobby with the concerned ministries rather than on thinking about how to improve their products.



Answer 81

permit license raj



Question 82

The protection from foreign competition proved to do more harm than good.

True/False? Give reason.



Answer 82

True: Due to restrictions on imports, the Indian consumers had to purchase whatever the Indian producers produced. The producers were aware that they had a captive market. They had no incentive to improve the quality of their goods as they could sell low quality items at a high price.

Competition from imports forces our producers to be more efficient.



Question 83

The public sector firms should be evaluated on the basis of the extent to which they contribute to the welfare of people and not on the profits they earn.

True/False? Give reason.



Answer 83

True: A few economists point out that the public sector is not meant for earning profits but to promote the welfare of the nation.



Question 84

_____ (GDP/GNP) is the sum of the market value of final goods and services produced in economic territory of the country during an accounting year.



Answer 84

GDP



Question 85

_____ (Equity/equality) means distribution of income/output in the economy with minimum gap.



Answer 85

Equity



Question 86

Land ceiling means fixing the minimum size of land owned by an individual.

(True/False)



Answer 86

False



Question 87

Quotas specify the quantity of goods which can be imported.

(True/False)



Answer 87

True



Question 88

The Industrial policy resolution was adopted in

(Choose the correct alternative)

- (i) 1954
- (ii) 1955
- (iii) 1956
- (iv) 1957



Answer 88

(iii) 1956



Question 89

Self reliance means

(Choose the correct alternative)

- (i) Avoiding imports
- (ii) Produce goods in India which are imported from abroad
- (iii) Export promotion
- (iv) None of these



Answer 89

- (ii) Produce goods in India which are imported from abroad



Question 90

Match the following:

Column I	Column II
(i) subsidy	(a) seeds that give large proportion of output
(ii) HYV seeds	(b) monetary assistance given by the government for production activities.
	(c) adoption of new technology



Answer 90

(i) — (b), (ii) — (a)



Question 91

Land reforms primarily refer to:

(Choose the correct alternative)

- (a) fixing the maximum size of land which could be owned by individual.
- (b) change in the ownership of landholdings.
- (c) use of new technology in agriculture sector.
- (d) abolition of intermediaries.



Answer 91

(b) change in the ownership of landholdings.



Question 92

Identify the economy, in which means of production are used to promote social welfare:

(Choose the correct alternative)

- (a) mixed economy
- (b) capitalist economy
- (c) socialist economy
- (d) developed economy



Answer 92

(c) socialist economy



Question 93

The contribution made by different sectors of the economy in the GDP of the country is called:

(Choose the correct alternative)

- (a) Self-reliance
- (b) Structural composition
- (c) Economic development
- (d) National income



Answer 93

(b) Structural composition



Question 94

In what ways protection from foreign competition take place?

(Choose the correct alternative)

- (a) Through tariffs, quota and import substitution.
- (b) By providing facilities to domestic companies.
- (c) By increasing import duties.
- (d) By decreasing price of domestic goods.



Answer 94

(a) Through tariffs, quota and import substitution.



Question 95

Planning Commission was set up in:

(Choose the correct alternative)

- (a) 1948
- (b) 1950
- (c) 1951
- (d) 1952



Answer 95

(b) 1950



Question 96

The concept of five year plan in India was introduced by:
(Choose the correct alternative)

- A. Lord Mountbatten
- B. Indira Gandhi
- C. Jawaharlal Nehru
- D. Lal Bahadur Shastri



Answer 96

C. Jawaharlal Nehru



Question 97

Tariffs and quotas adopted under industrial policy was to:

(Choose the correct alternative)

- A. increase exports.
- B. make exported goods cheaper.
- C. increase foreign competition.
- D. restrict imports and protect domestic firms from foreign competition.



Answer 97

- D. restrict imports and protect domestic firms from foreign competition.



Question 98

Match the following economic indicators with their appropriate description:

Column I	Column II
(a) Gross Domestic Product	(i) Avoiding imports of those goods which can be produced in India
(b) Modernisation	(ii) Adoption of new technology
	(iii) The money value of all final goods and services produced within the economy in a year



Answer 98

(a) – (iii), (b) – (ii)



Question 99

Match the following terms with their appropriate description:

Column I	Column II
(a) Quota	(i) Quantity of goods that can be imported
(b) High Yielding Variety Seeds	(ii) Improvement in the field of agriculture to increase productivity
	(iii) Seeds that give large proportion of output



Answer 99

(a) — (i), (b) — (iii)



Question 100

Match the following terms with their appropriate description:

Column I	Column II
(a) Land Ceiling	(i) System of revenue collection from tillers
(b) Land settlement	(ii) Fixing the maximum size of land that can be owned by an individual
	(iii) System of ownership conferred on land for collection of revenue



Answer 100

(a) — (ii), (b) — (iii)



Self-Assessment Test 1

Indian Economy (1950-1990)

Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: **(1 mark)**

Column I	Column II
A. Growth	(i) Adoption of new technology to increase the production of goods and services.
B. Modernisation	(ii) Avoiding imports of those goods which could be produced in India itself.
C. Self-reliance	(iii) Every Indian should be able to meet his/her basic needs such as food, a decent house, education and health, and inequality in the distribution of wealth should be reduced.
D. Equity	(iv) Increase in the country's capacity to produce the output of goods and services within the country.

Answer 1



(iv), (i), (ii), (iii)

Question 2

The annual growth rate of the industrial sector during 1950-1990 was:

(Choose the correct alternative) (1 mark)

- (a) 5 per cent
- (b) 6 per cent
- (c) 8 per cent
- (d) 10 per cent

Answer 2



(d) 10 per cent

Question 3

Land reforms primarily refer to:

(Choose the correct alternative) (1 mark)

- (a) fixing the maximum size of land which could be owned by individual.
- (b) change in the ownership of landholdings.
- (c) use of new technology in agriculture sector.
- (d) abolition of intermediaries.

Answer 3



(b) change in the ownership of landholdings.

Question 4

In the first seven plans, foreign trade was characterised by what is commonly called an inward looking trade strategy. Technically, this strategy is called _____ .

(Fill up the blank with correct answer) (1 mark)

Answer 4



import substitution policy

Question 5

All the five year plans have given equal importance to the goals of growth, modernisation, self-reliance and equity.

True/False? Give reason. (1 mark)

Answer 5



False: It will be unrealistic to expect all the goals of a plan to be given equal importance in all the plans. Due to limited resources, a choice has to be made in each plan about which of the goals is to be given primary importance.


Question 6

Why was it necessary for a developing country like India to follow self-reliance as a planning objective?

(3 marks)

Answer 6

'Self-reliance' as a common goal of five year plans means avoiding imports of those goods which could be produced in India itself. It was necessary to follow self-reliance as a planning objective during the first seven five year plans in order to reduce our dependence on foreign countries, especially for food. Since we were recently freed from foreign domination, it was essential to give importance to self-reliance.



Further, it was feared that dependence on imported food supplies, foreign technology and foreign capital may make India's sovereignty vulnerable to foreign interference in our policies.

Question 7




Explain 'growth with equity' as a planning objective.
(3 marks)

Answer 7

‘Growth with Equity’ as a planning objective: It is important that the benefits of economic growth should reach the poor sections as well instead of being enjoyed only by the rich. Every Indian should be able to meet his/her basic need of food, house, education and health care. Inequality in the distribution of income and wealth should be reduced.

Even if a country has high growth, and the modern technology developed in the country itself, yet it



may not ensure welfare of people if majority of its people are living in poverty.

So, in addition to growth, modernisation and self-reliance, equity is also important.

Question 8


Explain briefly the common goals of five year plans in India.

(4 marks)

Answer 8

The common goals of five year plans in India are: growth, modernisation, self-reliance and equity.

- (i) 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 larger size of supporting services (like transport, banking, etc.), or an increase in the efficiency of productive capital and services.

- 
- (ii) Modernisation: It refers to adoption of new technology to increase the output of goods and services. It also refers to changes in social outlook such as the recognition that women should have the same rights as men.
 - (iii) Self-reliance: It means avoiding import of those goods which could be produced in India itself. The first seven five year plans gave importance to self reliance.

(iv) Equity: In addition to growth, modernisation and self-reliance, equity is important. The benefits of economic prosperity should reach the poor sections as well instead of being enjoyed by the rich. Every Indian should be able to meet his/her basic needs such as food, house, education and health care; and inequality in the distribution of wealth should be reduced.

Question 9

Explain the need and types of land reforms/
institutional reforms implemented in the agriculture
sector in India.


(4 marks)

Answer 9

Need for land reforms in India: At the time of independence, the land tenure system was characterised by intermediaries (called zamindars, Jagirdars, etc.) who merely collected rent from the actual tillers of the soil without contributing towards improvements on farm. The low productivity of the agricultural sector forced India to import food from USA. To promote equity in the agricultural sectors, land reforms were implemented.

Types of institutional reforms in the agricultural sector:

- (i) Change in the ownership of the landholdings ('land to the tiller' policy) – The idea behind this move was that ownership of land would give incentives to the tillers to invest in making improvements, provided sufficient capital was made available to them.

- 
- (ii) Land ceiling – This means fixing the maximum size of land which could be owned by an individual. The purpose of land ceiling was to reduce the concentration of land ownership in a few hands.
 - (iii) Abolition of intermediaries – About 200 lakh tenants were freed from being exploited by the zamindars

Question 10

“The progress of the Indian economy during the first seven plans was impressive indeed.”

Do you agree with the above statement? Give valid reasons in support of your answer.

(6 marks)

Self-Assessment Test 2

Indian Economy (1950-1990)


Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

After the independence, the state had to play an extensive role in promoting the industrial sector. The decision to develop the Indian economy on socialist lines led to the policy of the state controlling the commanding heights of the economy, as the _____ put it.

(Choose the correct alternative) **(1 mark)**

- 
- (a) First Five Year plan
 - (b) Second Five Year plan
 - (c) Third Five Year plan
 - (d) Seventh Five Year plan

Answer 1



(b) Second Five Year plan

Question 2

Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: **(1 mark)**

Column I	Column II
A. Karve Committee, 1955	(i) To encourage farmers for adopting new HYV technology.
B. Industrial Policy Resolution, 1956	(ii) Using small-scale industries to promote rural development.
C. Import Substitution Policy	(iii) To protect the domestic firm from foreign competition.
D. Subsidies	(iv) To regulate private sector through a system of licensing to promote regional equality.


Answer 2

(ii), (iv), (iii), (i)

Question 3

Match the following and choose the correct alternative: **(1 mark)**

Column I	Column II
1. Prime Minister	(A) The money value of all the final goods and services produced within the economy in one year
2. Gross Domestic Product	(B) Adoption of new technology
3. Modernisation	(C) Chairperson of the planning commission
4. Self-sufficiency	(D) Avoiding imports of those goods which could be produced in India itself.

- 
- (a) 1-D, 2-A, 3-B, 4-C
 - (b) 1-C, 2-A, 3-B, 4-D
 - (c) 1-D, 2-A, 3-C, 4-B
 - (d) 1-C, 2-B, 3-A, 4-D

Answer 3


(b) 1-C, 2-A, 3-B, 4-D

Question 4

Just a year after independence, steps were taken to abolish intermediaries and to make the tillers the owners of land. The idea behind this move was:

(Choose the correct alternative) **(1 mark)**

- (a) to reduce the concentration of land ownership in a few hands.
- (b) that ownership of land would give incentives to the tillers to invest in making improvements.

- 
- (c) fixing the maximum size of land which could be owned by an individual.
 - (d) to reduce the vast inequality in land holding.

Answer 4



- (b) that ownership of land would give incentives to the tillers to invest in making improvements.

Question 5

Eliminating subsidies will violate the goal of equity.

True/False? Give reason. (1 mark)

Answer 5



True: It will increase the inequality between rich and poor farmers, and thus will violate the goal of equity.

Question 6




Why was public sector given a leading role in industrial development during the planning period?

(3 marks)

Answer 6

During the planning period, public sector was given a leading role in industrial development due to the following reasons:

- (i) Indian industrialists did not have the capital to undertake investment in industrial ventures required for the development of our economy.
- (ii) Secondly, the market was not big enough to encourage industrialists to undertake major projects even if they had the capital to do so.



(iii) In addition, the decision to develop the Indian economy on socialist lines led to the policy of the state controlling the commanding heights of the economy. This meant that the state would have complete control of those industries that were vital for the economy. The policies of the private sector would have to be complimentary to those of the public sector.

Question 7

Though it is argued that there is no case for continuing with fertiliser subsidies as it does not benefit the target group and it is a huge burden on the government's finances, yet some experts believe that the government should continue with agricultural subsidies.

What arguments do they give in favour of giving subsidies?

(3 marks)

Question 8

Explain how import substitution can protect domestic industry. Why did the policy makers adopt such policy of protection?


(4 marks)

Answer 8

The import substitution policy aimed at replacing or substituting imports with domestic production. In this policy the government protected the domestic industries from foreign competition through tariffs and quotas.

Tariffs are a tax on imported goods; they make imported goods expensive and thus discourage their use.


Quotas specify the quantity of goods which can be imported.



The effect of tariffs and quotas is that they restrict imports and therefore, protect that domestic firms from foreign competition.

The policy makers adopted the policy of protection due to the following reasons:

- (i) Protection was based on the notion that industries of developing country like India were not in a position to compete against the goods produced by more developed countries. It was



assumed that if the domestic industries were protected they would learn to compete in the course of time.

- (ii) Our planners also feared the possibility of foreign exchange being spent on import of luxury goods if no restrictions were placed on imports.

Question 9

What is the role of small scale industries in industrial development of India? Why and how has the government shielded small scale industries from the large firms?

(4 marks)

Answer 9

Role of small scale industries (SSIs):

- (i) Small scale industries are more 'labour intensive, i.e. they use more labour than the large-scale industries and therefore, generate more employment.
- (ii) Small scale industries help in promoting rural development. In 1955, the village and Small-Scale Industries Committee, also called the Kharve Committee, noted the possibility of using



SSIs for promoting rural development.

Steps taken by the government:

Small-scale industries cannot compete the big industrial firms. Thus, development of small scale industry requires them to be protected from the large firms.

- (i) The production of a number of products was reserved for the small scale industry.



(ii) They were also given concessions such as lower excise duty and bank loans at lower interest rates.

Question 10

How far the land reforms in the agriculture sector in India were successful in their implementation? Explain?


(6 marks)

Answer 10

The various land reforms implemented in the agricultural sector in India were: (i) Abolition of intermediaries; (ii) Change in ownership of landholdings (land to tillers); and (iii) Land ceiling.


(i) The abolition of intermediaries meant that some 200 lakh tenants came into direct contact with the government – they were thus freed from being exploited by the zamindars.

However, in some areas the former zamindars




continued to own large areas of land by making use of some loopholes in the legislation. Thus, the goal of equity was not fully served by abolition of intermediaries.

- (ii) The ownership conferred on tenants gave them the incentive to increase output; and this contributed to growth in agriculture. However, there were cases where tenants were evicted and the landowners claimed to be the actual tillers, claiming ownership of the land.



And even when the tillers got ownership of the land, the poorest of the agricultural labourers (such as sharecroppers and landless labourers) did not benefit from land reforms.

- (iii) The land ceiling legislation also faced hurdles. The big landlords challenged the legislation in the courts, delaying its implementation. They used this delay to register their lands in the name of close relatives, thereby escaping from



the legislation. The legislation also had a lot of loopholes which were exploited by the big landholders to retain their land.

- (iv) Land reforms were successful in Kerala and West Bengal because these states had governments committed to the policy of ‘land to the tiller’. Unfortunately, other states did not have the same level of commitment and vast inequality in landholding continues to this day.

As per CBSE Revised Syllabus for 2021 Exam



Chapter 3 Economic Reforms Since 1991

3.1

Why were Economic Reforms Introduced?

The government was not able to generate sufficient revenues from internal sources such as taxation. The income from public sector undertakings (PSUs) was also not very high. (*In fact, many PSUs were incurring losses.*)

Even though the revenues were very low, the government had to spend more to meet challenges like unemployment, poverty and population explosion. The government was also spending a large share of its income on areas which do not provide immediate returns such as the social sector and national defense.

At times, our foreign exchange*, borrowed from other countries and international financial institutions, was spent on meeting consumption needs. In the late 1980s, government expenditure began to exceed its revenue by such large margins that meeting the expenditure through borrowings became unsustainable. Prices of many essential goods rose sharply. Imports grew at a very high rate without matching growth of exports. Foreign exchange reserves declined to a level that was not adequate to finance imports for more than two weeks. There was also not sufficient foreign exchange to pay the interest that needs to be paid to international lenders. Also no country or international funder was willing to lend to India.

*Foreign exchange means any currency other than the domestic currency, e.g. dollars

India approached the **International Bank for Reconstruction and Development (IBRD)**, popularly known as **World Bank** and the **International Monetary Fund (IMF)**, and received \$7 billion as loan to manage the crisis. For availing the loan, these international agencies expected India to liberalise and open up the economy by removing restrictions on the private sector, reduce the role of the government in many areas and remove trade restrictions between India and other countries. India agreed to the conditionalities of World Bank and IMF and announced the **New Economic Policy (NEP)** in 1991. The NEP consisted of wide ranging economic reforms.

The thrust of the policies was towards creating a more competitive environment in the economy and removing the barriers to entry and growth of firms.

The set of policies can broadly be classified into two groups: the stabilisation measures and the structural reform measures.

- ❑ **Stabilisation measures** are short-term measures, intended to correct the balance of payments* position and to bring inflation under control. In simple words, stabilisation measures aimed at maintaining sufficient foreign exchange reserves and keeping the rising prices under control.

** Balance of payments is a country's statement which shows the inflows and outflows of foreign exchange during a fiscal year*

- ❑ **Structural reform policies** are long-term measures, aimed at improving the efficiency of the economy and increasing its international competitiveness by removing the rigidities in various segments of the Indian economy. These include liberalisation, privatisation and globalisation.

Think as you read 3.1

Question 1

Name the two international organisations whom India approached for loan to manage the crisis.



Answer 1

- (i) International Bank for Reconstruction and Development (IBRD), popularly known as World Bank and
- (ii) the International Monetary Fund (IMF).



Question 2

Why were reforms introduced in India?



Answer 2

The economy was facing problems of declining foreign exchange, growing imports without matching rise in exports and high inflation. Thus, economic reforms were introduced in 1991 due to a financial crisis and pressure from international organisations like the World Bank and IMF.



Question 3

What was the thrust of the New Economic Policy (NEP) in 1991?



Answer 3

The thrust of the New Economic Policy (NEP) in 1991 was towards creating a more competitive environment in the economy and removing the barriers to entry and growth of firms.



3.2

Liberalisation

Liberalisation means freeing the Indian businesses and industries from unnecessary controls and restrictions.

Liberalisation was introduced to put an end to these controls and restrictions, and open various sectors of the economy. Though a few liberalisation measures were introduced in 1980s in areas of industrial licensing, export- import policy, technology upgradation, fiscal policy and foreign investment, reform policies initiated in 1991 were more comprehensive covering some important areas, such as the industrial sector, financial sector, tax reforms, foreign exchange markets and trade and investment sectors.

1. Deregulation of Industrial Sector

Prior to reforms, in India regulatory mechanisms were enforced in various ways:

- (i) Industrial licensing under which every entrepreneur had to get permission from government officials to start a firm, close a firm or decide the amount of goods that could be produced.
- (ii) Private sector was not allowed in many industries.
- (iii) Some goods could be produced only in small-scale industries.
- (iv) Controls on price fixation and distribution of selected industrial products. The reform policies introduced in and after 1991 removed many of these restrictions.

Measures of deregulation of the industrial sector

- ❑ Industrial licensing was abolished for almost all products except a few product categories – alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace and drugs and pharmaceuticals.
- ❑ The only industries which are now reserved for the public sector are a part of defence equipment, atomic energy generation and railway transport.
- ❑ Many goods produced by small-scale industries have now been dereserved.
- ❑ In many industries, the market has been allowed to determine the prices.

2. Financial Sector Reforms

Financial sector includes financial institutions, such as commercial banks, investment banks, stock exchange operations and foreign exchange market.

The financial sector in India is regulated by the Reserve Bank of India (RBI).

The RBI decides the Cash Reserve Ratio (the fraction of deposits that commercial banks must keep as cash reserves with the RBI), Statutory Liquidity Ratio (the fraction of deposits that commercial banks must keep with themselves), Bank Rate (the rate of interest at which commercial banks can borrow from RBI), etc.

One of the major aims of financial sector reforms is to reduce the role of RBI from regulator to facilitator of financial sector. This means that the financial sector may be allowed to take decisions on many matters without consulting the RBI.

However, certain managerial aspects have been retained with the RBI to safeguard the interests of the account-holders and the nation.

- ❑ The reform policies led to the establishment of private sector banks — both Indian as well as foreign banks.
- ❑ Foreign investment limit in banks was raised to around 50 per cent.

- ❑ Those banks which fulfil certain conditions have been given freedom to set up new branches without the approval of the RBI and rationalise their existing branch networks.
- ❑ Banks have been given permission to generate resources from India and abroad.
- ❑ Foreign Institutional Investors (FII), such as merchant bankers, mutual funds and pension funds, are now allowed to invest in Indian financial markets.

3. Tax Reforms

Tax reforms are concerned with the reforms in the government's taxation and public expenditure policies, which are collectively known as its **fiscal policy**.

Reduction in taxes

Since 1991, there has been a continuous reduction in the taxes on individual incomes as it was felt that high rates of income tax were an important reason for tax evasion. It is now widely accepted that moderate rates of income tax encourage savings and voluntary disclosure of income.

Similarly, the rate of corporation tax, which was very high earlier, has been gradually reduced.

Simplification

In order to encourage better compliance on the part of taxpayers many procedures have been simplified and the rates also substantially lowered. Recently, the Parliament passed a law, **Goods and Services Tax Act 2016**, to simplify and introduce a unified indirect tax system in India. This law came into effect from July 2017. This is expected to generate additional revenue for the government, reduce tax evasion and create 'one nation, one tax and one market'.

4. Foreign Exchange Reforms

Devaluation of rupee

In 1991, as an immediate measure to resolve the balance of payments crisis, the rupee was devalued against foreign currencies.

Devaluation of rupee means deliberate increase in foreign exchange rate by the government, making the domestic currency (rupee) cheaper.

Devaluation led to an increase in exports and thus, the inflow of foreign exchange.

Foreign exchange deregulation

It means freeing the determination of foreign exchange rate from government control.

Foreign exchange rate means the price of one currency in terms of another.

Now, more often, exchange rates are determined in the foreign exchange market based on the demand and supply of foreign exchange. However, RBI may intervene to control high exchange rate fluctuations.

5. Trade and Investment Policy Reforms

In order to protect domestic industries, India was following a regime of quantitative restrictions on imports. This was encouraged through tight control over imports and by keeping the tariffs very high. These policies reduced efficiency and competitiveness which led to slow growth of the manufacturing sector.

The trade policy reforms aimed at

- (i) dismantling of quantitative restrictions on imports and exports,
- (ii) reduction of tariff rates and
- (iii) removal of licensing procedures for imports.

Liberalisation of trade and investment measures

- ❑ Import licensing was abolished except in case of hazardous and environmentally sensitive industries.
- ❑ Quantitative restrictions on imports of manufactured consumer goods and agricultural products were also fully removed from April 2001.
- ❑ Export duties have been removed to increase the competitive position of Indian goods in the international markets.

Objectives of liberalisation of trade and investment regime

- ❑ To increase international competitiveness of industrial production
- ❑ To increase foreign investments and technology into the economy
- ❑ To promote the efficiency of local industries
- ❑ Adoption of modern technologies.

Think as you read 3.2

Question 1

Give the meaning of liberalisation.



Answer 1

Liberalisation means freeing the Indian businesses and industries from unnecessary controls and restrictions.



Question 2

Name the areas in which a few liberalisation measures were introduced in 1980s.



Answer 2

Export-import policy, technology upgradation, fiscal policy and foreign investment.



Question 3

Name the three industries which were reserved for the public sector even after liberalisation.



Answer 3

Defence equipment, atomic energy generation and railway transport.



Question 4

Industrial licensing was abolished for almost all products except a few categories. Enumerate them.



Answer 4

Industrial licensing was abolished for almost all products except alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace and drugs and pharmaceuticals.



Question 5

Why did RBI have to change its role from controller to facilitator of financial sector in India?

(NCERT)



Answer 5

RBI had to change its role from controller to facilitator of financial sector in India to allow banks to take independent decisions on many matters without consulting and to allow the establishment of private sector banks — both Indian as well as foreign banks.



Question 6

How is RBI controlling the commercial banks?

(NCERT)



Answer 6

The RBI decides the Cash Reserve Ratio, Statutory Liquidity Ratio, Bank Rate etc.



Question 7

What is fiscal policy?



Answer 7

The government's taxation and public expenditure policies are collectively known as its fiscal policy.



Question 8

State the two types of taxes.



Answer 8

- (i) Direct taxes (taxes on incomes of individuals, as well as, profits of business enterprises) and
- (ii) Indirect taxes (taxes levied on commodities).



Question 9

Why did the Parliament pass a law, Goods and Services Tax Act 2016?



Answer 9

The Parliament passed a law, Goods and Services Tax Act 2016, to simplify and introduce a unified indirect tax system in India. This is expected to generate additional revenue for the government, reduce tax evasion and create 'one nation, one tax and one market'.



Question 10

What do you understand by devaluation of rupee?

(NCERT)



Answer 10

Devaluation of rupee means deliberate increase in foreign exchange rate by the government under fixed exchange rate system, making the domestic currency (rupee) cheaper.



Question 11

Why was the liberalisation of trade and investment regime initiated?



Answer 11

Liberalisation of trade and investment regime was initiated to increase international competitiveness of industrial production and also foreign investments and technology into the economy. The aim was also to promote the efficiency of local industries and adoption of modern technologies.



Question 12

Why are tariffs imposed?

(NCERT)



Answer 12

Tariffs are taxes imposed to restrict the imports by a country for providing protection to its domestic industries from competition from foreign firms.



Question 13

What is the meaning of quantitative restrictions?

(NCERT)



Answer 13

Quantitative restrictions are the limits imposed on the quantity of goods that are imported to restrict imports and thus protect domestic industries from competition from cheaper and technologically advanced goods manufactured by other nations.



3.3

Privatisation

Privatisation means giving greater role to the private sector in the nation building process and a reduced role to the public sector.

Privatisation implies shedding of the ownership or management of a government owned enterprise.

Government companies are converted into private companies in two ways:

- (i) by withdrawal of the government from ownership and management of public sector undertakings (PSUs) and or**
- (ii) by outright sale of PSUs.**

Privatisation of PSUs by selling off part of the equity of PSUs to the public is known as disinvestment. The purpose of disinvestment was mainly to improve financial discipline and facilitate modernisation

Advantages of Privatisation and Disinvestment

- ❑ It was envisaged that private capital and managerial capabilities could be effectively utilised to improve the performance of the PSUs.
- ❑ The government envisaged that privatisation could provide strong impetus to the inflow of FDI.

Improving the efficiency of PSUs

The government has also made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions. For instance, some PSUs have been granted special status as maharatnas, navratnas and miniratnas. The granting of status resulted in better performance of these companies.

A few examples of PSUs with their status are as follows:

- ❑ **Maharatnas** (a) Indian Oil Corporation Limited, and (b) Steel Authority of India Limited.
- ❑ **Navratnas** (a) Hindustan Aeronautics Limited, (b) Mahanagar Telephone Nigam Limited.

- ❑ **Miniratnas** (a) Bharat Sanchar Nigam Limited; (b) Airport Authority of India and (c) Indian Railway Catering and Tourism Corporation Limited.



Think as you read 3.3

Question 1

Give the meaning of Privatisation.



Answer 1

Privatisation implies shedding of the ownership or management of a government owned enterprise.



Question 2

What is disinvestment?



Answer 2

Privatisation of the public sector enterprises (PSEs) by selling off part of the equity of PSEs to the public is known as disinvestment.



Question 3

What is the purpose of disinvestment?



Answer 3

The purpose of disinvestment was mainly to improve financial discipline and facilitate modernisation.



3.4

Globalisation

Globalisation is the outcome of the policies of liberalisation and privatisation.

Globalisation means an integration of the economy of the country with the world economy.

However, globalisation is a complex phenomenon.

- ❑ It is an outcome of the set of various policies that are aimed at transforming the world towards greater interdependence and integration.
- ❑ It involves creation of networks and activities transcending economic, social and geographical boundaries.
- ❑ It is turning the world into one whole or creating a borderless world.

Positive effects of globalisation

1. Greater access to global markets
2. High technology
3. Increased possibility of large industries of developing countries to become important players in the international arena.

Negative effects of globalisation

1. Globalisation is a strategy of the developed countries to expand their markets in other countries. It has compromised the welfare and identity of people belonging to poor countries.
2. Market-driven globalisation has widened the economic disparities among nations and people.
3. It has increased the income and quality of consumption of only high-income groups and the growth has been concentrated only in some select areas in the services sector such as telecommunication, information technology, finance, entertainment, travel and hospitality services, real estate and trade, rather than vital sectors such as

agriculture and industry which provide livelihoods to millions of people in the country.

Outsourcing

Outsourcing is one of the important outcomes of the globalisation process.

In outsourcing, a company hires regular service from external sources, mostly from other countries, which was previously provided internally or from within the country (like legal advice, computer service, advertisement, security, etc.).

As a form of economic activity, outsourcing has intensified, in recent times, because of the growth of fast modes of communication, particularly the growth of Information Technology (IT).

Many of the services such as voice-based business processes (popularly known as BPO or call centres), record keeping, accountancy, banking services, music recording, film editing, book transcription, clinical advice or even teaching are being outsourced by multinational companies to India, where they can be availed at a cheaper cost with reasonable degree of skill and accuracy.

The low wage rates and availability of skilled manpower in India have made it a destination for global outsourcing in the post-reform period.

With the help of modern telecommunication links including the Internet, the text, voice and visual data in respect of these services is digitised and transmitted in

real time over continents and national boundaries.



Information Technology (IT): Major Companies



BPO: voice-based business processes services

World Trade Organisation (WTO)

The WTO was founded in 1995 as the successor organisation to the General Agreement on Trade and Tariff (GATT). GATT was established in 1948 with 23 countries as the global trade organisation to administer all multilateral trade agreements by providing equal opportunities to all countries in the international market for trading purposes.



World Trade Organisation (WTO)

Purposes/Objectives of WTO

- ❑ To enlarge production and trade of services
- ❑ To ensure optimum utilisation of world resources
- ❑ To protect the environment.

Role of WTO

- ❑ WTO establishes a rule-based trading regime in which nations cannot place arbitrary restrictions on trade.
- ❑ The WTO agreements cover trade in goods as well as services to facilitate international trade (bilateral and multilateral) through removal of tariff as well as non-tariff barriers and providing greater market access to all member countries.

India as a member of WTO

As an important member of WTO, India has been in the forefront of framing fair global rules, regulations and safeguards and advocating the interests of the developing world. India has kept its commitments towards liberalisation of trade by removing quantitative restrictions on imports and reducing tariff rates.

Some scholars question the usefulness of India being a member of the WTO on the following grounds:

1. A major volume of international trade occurs among the developed nations only.

2. While developed countries file complaints over agricultural subsidies given in their countries, developing countries feel cheated as they are forced to open their markets for developed countries but are not allowed access to the markets of developed countries because of high non-tariff barriers. For example, although all quota restrictions on exports of textiles and clothing have been removed in India, USA has not removed their quota restriction on import of textiles from India and China.

Think as you read 3.4

Question 1

Give the meaning of globalisation.



Answer 1

Globalisation means an integration of the economy of the country with the world economy.



Question 2

What do you mean by 'outsourcing'?



Answer 2

In outsourcing, a company hires regular service from external sources, mostly from other countries, which was previously provided internally or from within the country (like legal advice, computer service, advertisement, security, etc.).



Question 3

As a form of economic activity, outsourcing has intensified in recent times. State why.



Answer 3

As a form of economic activity, outsourcing has intensified, in recent times, because of the growth of fast modes of communication, particularly the growth of Information Technology (IT).



Question 4

List the names of the services which are being outsourced by companies in developed countries to India.



Answer 4

Voice-based business processes (popularly known as BPO or call centres), record keeping, accountancy, banking services, music recording, film editing, etc.



Question 5

When and why was GATT established?



Answer 5

GATT was established in 1948 with 23 countries as the global trade organisation to administer all multilateral trade agreements by providing equal opportunities to all countries in the international market for trading purposes.



3.5

Performance of the Indian Economy during Economic Reforms

Growth of GDP and Major Sectors (in %)

Sector	Agriculture	Industry	Services	Total
1980-91	3.6	7.1	6.7	5.6
1992-2001	3.3	6.5	8.2	6.4
2002-07	2.3	9.4	7.8	7.8
2007-12	3.2	7.4	10	8.2
2012-13	1.5	3.6	8.1	5.6
2013-14	4.2	5	7.8	6.6
2014-15	-0.2	5.9	10.3	7.2

Effect on Growth and Employment

In economics, the growth of an economy is measured by the Gross Domestic Product (GDP). The growth of GDP increased from 5.6 per cent during 1980-91 to 8.2 per cent during 2007-12.

Though the GDP growth rate has increased in the reform period, it has not generated sufficient employment opportunities in the country.

Effect on Growth of Agriculture

During the reform period, the growth of agriculture has declined. The reasons are as follows:

1. Fall in public investment in agriculture sector

Public investment in agriculture sector especially in infrastructure, which includes irrigation, power, roads, etc. has fallen in the reform period.

2. Removal of fertiliser subsidy

The removal of fertiliser subsidy has led to increase in the cost of production, which has severely affected the small and marginal farmers.

3. Increased international competition

Agriculture sector has been experiencing a number of policy changes such as reduction in import duties on agricultural products, removal of minimum support price and lifting of quantitative restrictions on agricultural products. These have adversely affected Indian farmers as they now have to face increased international competition.

4. Export-oriented policy strategies in agriculture

Because of export-oriented policy strategies in agriculture, there has been a shift from production for the domestic market towards production for the export market focusing on cash crops in lieu of production of food grains. This puts pressure on prices of food grains.

Effect on Industrial Growth

India is seen as a successful exporter of auto parts, engineering goods, IT software and textiles in the reform period. However, industrial growth has also recorded a slowdown. The reasons are as follows:

1. Decreasing demand of industrial products

Industrial sector growth has slowed down due to availability of cheaper imports and lower investment .

(a) Availability of cheaper imports: Globalisation has created conditions for the free movement of goods and services from foreign countries.

Cheaper imports have replaced the demand for domestic goods. Domestic manufacturers are facing competition from imports. Thus, globalisation adversely affected the local industries and employment opportunities in developing countries including India.

(b) Lower investment: The infrastructure facilities, including power supply, have remained inadequate due to lack of investment.

2. Non-access to developed countries' markets

A developing country like India still does not have the access to developed countries' markets because of high non-tariff barriers. For example, although all quota restrictions on exports of textiles and clothing have been removed in India, USA has not removed their quota restriction on import of textiles from India and China.

Effect on Growth in the Service Sector

While the industrial sector reported fluctuation, the growth of the service sector has gone up. This indicates that this growth is mainly driven by growth in the service sector. In 2014-15, service sector witnessed the highest ever growth rate of 10.3 per cent.

Effect on Foreign Investment and Foreign Exchange Reserves

The foreign investment, which includes foreign direct investment (FDI) and foreign institutional investment (FII), has increased from about US \$100 million in 1990-91 to US \$ 36 billion in 2016-17. There has been an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$ 321 billion in 2014-15. India is one of the largest foreign exchange reserve holders in the world.

Disinvestment

Every year, the government fixes a target for disinvestment of PSUs. For instance, in 1991-92, it was targeted to mobilise ₹2500 crore through disinvestment. The government was able to mobilise ₹3040 crore more than the target. In 2014-15, the target was about ₹56000 crore, whereas, the achievement was about ₹34500 crore.

Critical Evaluation

Critics point out that the assets of PSUs have been undervalued and sold to the private sector. This means that there has been a substantial loss to the government.

Moreover, the proceeds from disinvestment were used to offset the shortage of government revenues rather than using it for the development of PSUs and building social infrastructure in the country.

Effect on Price Level

Rising prices have been kept under control.

Reforms and Fiscal Policies

- ❑ Economic reforms have placed limits on the growth of public expenditure, especially in social sectors.
- ❑ The tax reductions in the reform period, aimed at yielding larger revenue and curb tax evasion, have not resulted in increase in tax revenue for the government.
- ❑ The reform policies, involving tariff reduction, have curtailed the scope for raising revenue through custom duties.

- ❑ In order to attract foreign investment, tax incentives were provided to foreign investors which further reduced the scope for raising tax revenues.

This has a negative impact on developmental and welfare expenditures.

The reform process has been widely criticised for not being able to address some of the basic problems facing our economy especially in areas of employment, agriculture, industry, infrastructure development and fiscal management.

Think as you read 3.5

Question 1

How is the growth of an economy measured in economics?



Answer 1

In economics, the growth of an economy is measured by the Gross Domestic Product (GDP).



Question 2

Name the two forms of foreign investment.



Answer 2

Foreign direct investment (FDI) and foreign institutional investment (FII)



Question 3

The growth of GDP increased from 5.6 per cent during 1980–91 to 8.2 per cent during 2007–12. This growth is mainly driven by growth in which sector?



Answer 3

The growth of GDP is mainly driven by growth in the service sector.



Question 4

India is seen as a successful exporter of _____ in the reform period.



Answer 4

Auto parts, engineering goods, IT software and textiles.



Question 5

Why has the reform process been widely criticised by some economists?



Answer 5

The reform process has been widely criticised for not being able to address some of the basic problems facing our economy especially in areas of employment, agriculture, industry, infrastructure development and fiscal management.



Question 6

Why has the industrial sector growth slowed down during reforms?



Answer 6

Industrial sector growth has slowed down due to availability of cheaper imports and lower investment.



3.6

Demonetisation

Demonetisation was a new initiative taken by the Government of India in 8 November 2016 to tackle the problem of corruption, black money, terrorism and circulation of fake currency in the economy.

Old currency notes of ₹500, and ₹1000 were no longer legal tender. New currency notes in the denomination of ₹500 and ₹2000 were launched.

The public were advised to deposit old currency notes in their bank account till 31 December 2016 without any declaration and upto 31 March 2017 with the RBI with declaration.

Further to avoid a complete breakdown and cash crunch, notes government had allowed exchange of ₹4000 old currency the by new currency per person and per

day. Further till 12 December 2016, old currency notes were acceptable as legal tender at petrol pumps, government hospitals and for payment of government dues, like taxes, power bills, etc.

This move received both appreciation and criticism. There were long queues outside banks and ATM booths. The shortage of currency in circulation had an adverse impact on the economic activities. However, things improved with time and normalcy returned.

Effect on Growth of Agriculture

1. It improved tax compliance as a large number of people were brought in the tax ambit. It is a demonstration of State's decision to put a curb on black money, showing that tax evasion will no longer be tolerated. Tax evasion will result in financial penalty and social condemnation. Tax compliance will improve and corruption will decrease.
2. The savings of an individual were channelised into the formal financial system. As a result, banks have more resources at their disposal which can be used to provide more loans at lower interest rates.

3. Demonetisation could also help tax administration in another way, by shifting transactions out of the cash economy into the formal payment system. Households and firms have begun to shift from cash to electronic payment technologies.

3.7

Goods and Services Tax (GST)

The Parliament passed a law, Goods and Services Tax Act, 2016, to simplify and introduce a unified indirect tax system in India. This law came into effect from 1 July 2017.

Aim

- To generate additional revenue for the government;
- To reduce tax evasion; and
- To create 'one nation, one tax and one market'.

Features

1. Goods and Service Tax (GST) is the single comprehensive indirect tax on supply of goods and services, right from the manufacturer/service provider to the consumer.
2. It is a destination based consumption tax with facility of Input Tax Credit (ITC) in the supply chain. As there have been a number of intermediate goods/services, which were manufactured/provided in the economy, the pre GST tax regime imposed taxes not on the value added at each stage but on the total value of the good/service with minimum facility of utilisation of Input Tax Credit. The total value included taxes paid on intermediate goods/

services.

This amounted to cascading of tax. Under GST, the tax is discharged at every stage of supply and the credit of tax paid at the previous stage is available for set-off at the next stage of supply of goods and/or services.

GST is, thus, effectively a tax on value addition at each stage of supply of goods and/or services; it addresses to establish parity in taxation across the country, and extend principles of 'value-added taxation' to all goods and services.

3. GST is applicable throughout the country with one rate for one type of goods/service. Under GST, there are 5 (five) standard rates applied, i.e. 0%,

5%, 12%, 18% and 28% on supply of all goods and services across the country.

4. GST has amalgamated a large number of Central and State taxes and cesses. It has replaced large number of taxes on goods and services levied on production/sale of goods or provision of service.
 - *Some of the major taxes levied by the Central Government which have been subsumed in GST are: Central Excise Duty, Service Tax, Central Sales Tax, Cesses like KKC and SBC.*
 - *The major State taxes/cesses which have been subsumed in GST are: VAT/Sales Tax, Entertainment Tax, Entry Tax, Octroi, Luxury Tax, Taxes on Advertisements, Taxes on Lottery/Betting/*

Gambling, State cesses on goods, etc.

- Five petroleum products have been kept out of GST for the time being but with the passage of time, they will get subsumed in GST. State Government will continue to levy VAT on alcoholic liquor for human consumption. Tobacco and tobacco products will attract both GST and Central Excise Duty.

Benefits of GST on the Indian Economy

1. It has facilitated the freedom of movement of goods and services and created a common market in the country.
2. It has reduced the cost of business transactions and cascading effect of various taxes on consumers.
3. It has also reduced the overall cost of production, which will make Indian goods/services more competitive in the domestic and international markets.
4. It will also result into higher economic growth as GDP is expected to rise by about 2%.

5. Tax compliance will be easier as all tax payment related services like registration, returns, payments are available online through a common portal www.gst.gov.in.
6. It has expanded the tax base, introduced higher transparency in the taxation system, reduced human interface between Taxpayer and Government and is furthering ease of doing business.

Conclusion

The process of globalisation through liberalisation and privatisation policies has produced positive, as well as, negative results both for India and other countries. Some scholars argue that globalisation should be seen as an opportunity in terms of greater access to global markets, high technology and increased possibility of large industries of developing countries to become important players in the international arena.

On the contrary, the critics argue that globalisation is a strategy of the developed countries to expand their markets in other countries. According to them, it has compromised the welfare and identity of people belonging to poor countries. It has further been pointed out that market-driven globalisation has widened the economic disparities among nations and people.

Viewed from the Indian context, some studies have stated that the crisis that erupted in the early 1990s was basically an outcome of the deep-rooted inequalities in Indian society and the economic reform policies initiated as a response to the crisis by the government, with externally advised policy package, further aggravated the inequalities. Further, it has increased the income and quality of consumption of only high-income groups and the growth has been concentrated only in some select areas in the services sector such as telecommunication, information technology, finance, entertainment, travel and hospitality services, real estate and trade, rather than vital sectors such as agriculture and industry which provide livelihoods to millions of people in the country.

Sequence of Events

Sequence	Event	Year	Purpose/Objective
I	Establishment of General Agreement on Trade and Tariff (GATT) with 23 countries as the global trade organisation	1948	To administer all multilateral trade agreements by providing equal opportunities to all countries in the international market for trading purposes.
II	New Economic Policy (NEP) – Liberalisation, Privatisation and Globalisation was announced by the Government of India	1991	To liberalise and open up the economy by removing restrictions on the private sector, reduce the role of the government in many areas and remove trade restrictions between India and other countries.

III

World Trade Organisation (WTO) was founded as the successor organisation to the GATT.

1995

- To establish rule-based trading regime in which nations cannot place restrictions on trade.
- To enlarge production and trade of services, to ensure optimum utilisation of world resources and to protect the environment.
- To facilitate international trade (bilateral and multilateral) through removal of tariff as well as non-tariff barriers and providing greater market access to all member countries.

IV	Government of India fully removed quantitative restrictions on imports of manufactured consumer goods and agricultural products.	April 2001	To increase the competitive position of Indian goods in the international market.
V	Demonetisation of Currency by the Government of India	8 Nov. 2016	To tackle the problem of corruption, black money, terrorism and circulation of fake currency in the economy.
VI	The Parliament passed a law, Goods and Services Tax (GST) Act 2016 , which came into effect in India from:	1 July 2017	<ul style="list-style-type: none"> • To simplify and introduce a unified indirect tax system in India. • To generate additional revenue for the government; reduce tax evasion and create 'one nation, one tax and one market'.



Key Terms

Deficit financing: When government's budgetary expenditure is more than budgetary receipts, the government incurs a deficit in its budget. To finance the deficit, the government borrows from the RBI, from people within the country and from international financial institutions, such as, World Bank, IMF, etc. This is called 'Deficit Financing'.

New Economic Policy (NEP): India announced the New Economic Policy (NEP) in 1991 due to financial crisis and pressure from the World Bank and IMF. The NEP consisted of wide ranging economic reforms: (i) the stabilisation measures – short-term measures to correct the BoP position and to bring inflation under control; and (ii) structural reform policies – long-term measures aimed at improving the efficiency of the economy and increasing its international competitiveness by removing the barriers to entry and growth of firms, viz. liberalisation, privatisation and globalisation.

Liberalisation: Liberalisation is a part of the New Economic Policy,

1991 to put an end to those restrictions which became major hindrances in growth and development; and open various sectors of the economy.

Privatisation: It implies shedding of the ownership or management of a government owned enterprise. Government companies are converted into private companies by withdrawal of the government from ownership and management of public sector companies and/or by outright sale of public sector companies.

Disinvestment: Privatisation of the public sector enterprises (PSEs) by selling off a part/whole of the equity to the general public or any private sector player is known as disinvestment. Its purpose was to improve financial discipline and facilitate modernisation.

Globalisation: Globalisation is the outcome of the policies of liberalisation and privatisation. It means integration of the economy of the country with the world economy. It aims at transforming the world towards greater interdependence and integration. It involves creation of networks and activities transcending economic, social and geographical boundaries.

It is turning the world into one whole or creating a borderless world.

Outsourcing: Outsourcing means hiring of regular service from external sources, mostly from foreign countries, which was previously provided internally or from within the country (like legal advice, computer service, advertisement, security services, etc.).

Bilateral and Multilateral trade agreements: Bilateral trade agreements take place between two countries. Separate negotiations are done with different countries on one-to-one basis. On the other hand, multilateral trade agreements take place among more than two countries. Negotiations are done with many countries together.

Tariff and Non-tariff barriers: Tariff barriers refer to the taxes imposed on the imports by a country for providing protection to its domestic industries. On the other hand, Non-tariff barriers refer to the restrictions, other than taxes, imposed on imports by a country for providing protection to its domestic industries, e.g. import quotas.

Objective Type Questions

Question 1

Which one of the following is not a factor which led the government in 1991 to introduce a new set of policy measures –liberalisation, privatisation and globalisation?

(Choose the correct alternative)

- (a) Decrease in foreign exchange reserves
- (b) Rising prices of essential goods
- (c) Stagnation of agricultural output
- (d) Government's inability to repay its external debt

Answer 1

(c) Stagnation of agricultural output



Question 2

The origin of the financial crisis in India in the 1980s can be traced from the _____.

(Choose the correct alternative)

- (a) challenges like unemployment, poverty and population explosion.
- (b) insufficient revenue generation from internal sources such as taxation.
- (c) sharp rise in the prices of essential goods.
- (d) inefficient management of the Indian economy.



Answer 2

(d) inefficient management of the Indian economy.



Question 3

In the late 1980s, government expenditure began to exceed its revenue by such large margins that meeting the expenditure through _____ became unsustainable.



Answer 3

borrowings



Question 4

India approached the _____ and _____ and received _____ as loan to manage the crisis. For availing the loan, these international agencies expected India to liberalise and open up the economy by removing restrictions on the private sector, reduce the role of the government in many areas and remove trade restrictions between India and other countries.



Answer 4

International Bank for Reconstruction and Development
(World Bank);

International Monetary Fund (IMF);

\$7 billion



Question 5

India agreed to the conditionalities of World Bank and IMF and announced the _____, which consisted of wide ranging economic reforms.



Answer 5

New Economic Policy (NEP)



Question 6

The thrust of the New Economic Policy (NEP) was

_____ .

(Choose the correct alternative)

- (a) to create a more competitive environment in the economy and removing the barriers to entry and growth of firms.
- (b) to maintain sufficient foreign exchange reserves and keep the rising prices under control.
- (c) to improve the efficiency of the economy and increasing its internal competitiveness by removing



the rigidities in various segments of the Indian economy.

(d) to meet the challenges like unemployment, poverty and population explosion.



Answer 6

- (a) to create a more competitive environment in the economy and removing the barriers to entry and growth of firms.



Question 7

_____ (Stabilisation measures/Structural reform measures) are short term measures, intended to correct the balance of payments position and to bring inflation under control.



Answer 7

Stabilisation measures



Question 8

The reform policies introduced in and after 1991, abolished industrial licensing for almost all except product categories _____.



Answer 8

alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace and drugs & pharmaceuticals



Question 9

The only industries which are now reserved for the public sector are a part of _____.



Answer 9

defence equipment, atomic energy generation and railway transport



Question 10

The financial sector includes financial institutions, such as commercial banks, investment banks, stock exchange operations and _____. The financial sector in India is regulated by _____.



Answer 10

foreign exchange market; the Reserve Bank of India (RBI)



Question 11

Match the columns:

Column I	Column II
(a) Many goods produced by small scale	(i) Tax reforms industries have now been deserved
(b) Foreign investment limit in banks was raised to around 50%.	(ii) Foreign exchange reforms
(c) The rate of corporation tax, which was very high earlier, has been gradually reduced.	(iii) Financial sector reforms
(d) Now, markets determine exchange rates based on the demand and supply of foreign exchange.	(iv) Deregulation of industrial sector



Answer 11

(a) – (iv); (b) – (iii); (c) – (i); (d) – (ii)



Question 12

One of the major aims of financial sector reforms is to reduce the role of RBI from _____ to _____ of financial sector. (facilitator/regulator)



Answer 12

regulator; facilitator



Question 13

Though banks have been given permission to generate resources from India and abroad, certain managerial aspects have been retained with the RBI to _____.



Answer 13

safeguard the interest of the account-holders and the nation



Question 14

_____ such as merchant bankers, mutual funds and pension funds, are now allowed to invest in Indian financial markets.



Answer 14

Foreign Institutional Investors (FIIs)



Question 15

Recently, the Parliament passed a law, _____ to simplify and introduce a unified indirect tax system in India.



Answer 15

Goods and Services Tax Act, 2016



Question 16

Goods and Services Tax Act, 2016, which came into effect from July 2017, is expected to:

(Choose the correct alternative)

- (a) generate additional revenue for the government.
- (b) reduce tax evasion.
- (c) create 'one nation, one tax and one market'.
- (d) All of the above.



Answer 16

(d) All of the above.



Question 17

Since 1991, there has been a continuous reduction in income tax rates because:

(Choose the correct alternative)

- (a) it is felt that high rates of income tax were an important reason for tax evasion.
- (b) it is widely accepted that moderate rates of income tax encourage savings and voluntary disclosure of income.
- (c) Both (a) and (b)
- (d) proceeds of corporation tax and indirect taxes are very high.



Answer 17

(c) Both (a) and (b)



Question 18

In 1991, an immediate measure to resolve the balance of payments crisis was:

(Choose the correct alternative)

- (a) to free the determination of rupee value in the foreign exchange market from government control.
- (b) devaluation of rupee against foreign currencies.
- (c) removing the trade barriers –quotas and tariffs.
- (d) simplification of export and import procedures.



Answer 18

(b) devaluation of rupee against foreign currencies.



Question 19

Liberalisation of trade and investment regime was initiated to:

(Choose the correct alternative)

- (a) increase international competitiveness of industrial production and also foreign investments and technology into the economy.
- (b) promote the efficiency of local industries.
- (c) adopt the modern technologies.
- (d) All of the above



Answer 19

(d) All of the above



Question 20

_____ have been removed to increase the competitive position of Indian goods in the international markets.

(Choose the correct alternative)

- (a) Import licensing
- (b) Quantitative restrictions
- (c) Export duties
- (d) Tariffs



Answer 20

(c) Export duties



Question 21

Import licensing was abolished except in case of _____.



Answer 21

hazardous and environmentally sensitive industries



Question 22

The trade policy reforms aimed at:

(Choose the correct alternative)

- (a) dismantling of quantitative restrictions on imports and exports
- (b) reduction of tariff rates.
- (c) removal of licensing procedures for imports.
- (d) All of the above



Answer 22

(d) All of the above



Question 23

_____ implies shedding of the ownership or management of a government owned enterprise.



Answer 23

Privatisation



Question 24

Privatisation of the public sector enterprises (PSEs) by selling off part of the equity of PSEs to the public is known as _____.



Answer 24

disinvestment



Question 25

According to the government, the purpose of disinvestment was mainly to increase the resources only.

True/False? Give reason.



Answer 25

False: Its purpose was not only to improve financial discipline but also to facilitate modernisation. It was envisaged that private capital and managerial capabilities could be effectively utilised to improve the performance of the PSUs. The government envisaged that privatisation could provide strong impetus to the inflow of FDI.



Question 26

The government has made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions. For instance, some PSUs have been granted special status as _____.



Answer 26

maharatnas, navratnas and miniratnas



Question 27

Match the columns:

Column I	Column II
(i) Indian Oil Corporation Limited	(A) Maharatna
(ii) Airport Authority of India	(B) Navratna
(iii) Mahanagar Telephone Nigam Limited	(C) Miniratna



Answer 27

(i)–(A); (ii)–(C); (iii)–(B)



Question 28

Match the columns:

Column I	Column II
(i) Turning the world into one whole or creating a borderless world.	(A) Privatisation
(ii) Outright sale of public sector companies.	(B) Liberalisation
(iii) Putting an end to those restrictions, rule and laws which were aimed at regulating the economic activities but became major hindrances in growth and development.	(C) Globalisation



Answer 28

(i)–(C); (ii)–(A); (iii)–(B)



Question 29

_____ involves creation of networks and activities transcending economic, social and geographical boundaries. (Liberalisation/Globalisation)



Answer 29

Globalisation



Question 30

_____ is an outcome of the set of various policies that are aimed at transforming the world towards greater interdependence and integration.

(Choose the correct alternative)

- (a) Liberalisation
- (b) Privatisation
- (c) Globalisation
- (d) Outsourcing



Answer 30

(c) Globalisation



Question 31

_____ and _____ in India have made it a destination for global outsourcing in the post-reform period.



Answer 31

Low wage rates; availability of skilled manpower



Question 32

As a form of economic activity, outsourcing has intensified, in recent times, because _____.



Answer 32

of the growth of fast modes of communication, particularly the growth of Information Technology (IT)



Question 33

Which of the following services are being outsourced by companies in developed countries to India?

(Choose the correct alternative)

- (a) Voice-based business process (BPO or call centres)
- (b) Record keeping and accountancy
- (c) Teaching
- (d) All of the above



Answer 33

(d) All of the above



Question 34

_____ (World Trade Organisation/International Monetary Fund) was founded in 1995 as the successor organisation to the General Agreement on Trade and Tariff (GATT), which was established in 1948 with 23 countries as the global trade organisation to administer all _____ trade agreement (bilateral/multilateral) by providing equal opportunities to all countries in the international market for trading purposes.



Answer 34

World Trade Organisation (WTO); multilateral



Question 35

Which of the following is not a purpose of WTO?

(Choose the correct alternative)

- (a) To establish a rule based trading regime in which nations cannot place arbitrary restrictions on trades.
- (b) To enlarge production and trade of services.
- (c) To ensure optimum utilisation of world resources and to protect the environment.
- (d) None of the above



Answer 35

(d) None of the above



Question 36

The WTO agreements cover trade in services to facilitate international multilateral trades only through removal of tariff and non-tariff.

True/False? Give reason.



Answer 36

False: The WTO agreements cover trade in goods as well as services to facilitate bilateral and multilateral international trade.



Question 37

As an important member of WTO, India has been in the forefront of framing fair global rules, regulations and safeguards and advocating the interests of the developing world.

True/False? Give reason.



Answer 37

True: India has kept its commitments towards liberalisation of trade by removing quantitative restrictions on imports and reducing tariff rates.



Question 38

Some scholars question the usefulness of India being a member of the WTO because:

(Choose the correct alternative)

- (a) a major volume of international trade occurs among the developed nations.
- (b) they are forced to open their markets for developed countries but are not allowed access to the markets of developed countries.
- (c) both (a) and (b)
- (d) India has not kept its commitments towards liberalisation of trade.



Answer 38

(c) both (a) and (b)



Question 39

During the reform period the growth of agriculture has declined.

True/False? Give reason.



Answer 39

True: Reforms have not been able to benefit agriculture, where the growth rate has been decelerating, and even negative.

Growth of GDP and Agricultural Sector (in %)

Year	1980-91	1992-2001	2002-07	2014-15
Growth Rate	3.6	3.3	2.3	- 0.2



Question 40

During the reform period, employment generation increased.

True/False? Give reason.



Answer 40

False: Though the GDP growth rate increased (from 5.6% during 1980-91 to 8.2% during 2007-12), however the reform led growth has not generated sufficient employment opportunities in the country.



Question 41

Which of the following is the reason for the decelerating growth rate of agriculture during the reform period?

(Choose the correct alternative)

- (a) Public investment in agriculture sector especially infrastructure has fallen in the reform period.
- (b) Removal of fertiliser subsidy has led to increase in the cost of production.
- (c) Due to a number of policy changes such as reduction in import duties on agricultural products, etc. Indian



farmers now have to face increased international competition.

(d) All of the above



Answer 41

(d) All of the above



Question 42

During the reform period the growth of the service sector has gone up.

True/False? Give reason.



Answer 42

True: The service sector continued to witness a high level of growth.

Growth of GDP and Services Sector (in %)

Year	1980-91	1992-2001	2002-07	2014-15
Growth Rate	6.7	8.2	10	10.3



Question 43

The opening of the economy has led to a rapid increase in foreign direct investment and foreign exchange reserves.

True/False? Give reason.



Answer 43

True: Foreign investment, which includes foreign direct investment (FDI) and foreign institutional investment (FII), has increased from about US \$100 million to US \$36 billion in 2016-17. Similarly, there has been an increase in the foreign exchange reserves from about US \$6 billion in 1990-91 to about US \$321 billion in 2014-15. India is one of the largest foreign exchange reserve-holders in the world.



Question 44

India is seen as a successful export of _____ in the reform period.



Answer 44

auto parts, engineering goods, IT software and textiles



Question 45

The reform process has been widely criticised for not being able to address some of the basic problems facing our economy especially in the areas of _____.



Answer 45

employment, agriculture, industry, infrastructure development and fiscal management



Question 46

During the reform period, because of export oriented policy strategies in agriculture, there has been a shift from production for the _____ towards production for the _____ focusing on _____ in lieu of production of _____.



Answer 46

- (i) domestic market
- (ii) export market
- (iii) cash crops
- (iv) food grain



Question 47

Globalisation is the outcome of:

(Choose the correct alternative)

- (a) Privatisation
- (b) Liberalisation
- (c) Both (a) and (b)
- (d) Outsourcing



Answer 47

(c) Both (a) and (b)



Question 48

With a view to improving the performance of the public sector, there was a consensus on reducing its role and opening it up to the private sector. This was done through _____ and _____ measures.



Answer 48

disinvestment; liberalisation



Question 49

Industrial growth has recorded a slow down during reform-period because of decreasing demand of industrial products due to various reasons such as _____, _____ etc.



Answer 49

cheaper imports; inadequate investment in infrastructure



Question 50

Developing Countries like India do not have the access to developed countries' markets because of _____.



Answer 50

high non-tariff barriers



Question 51

Disinvestment of PSUs/PSEs is the best way to improve their efficiency.

True/False? Give reason.



Answer 51

False: Though the government was able to mobilise about ₹1,00,057 crore through PSU disinvestment, however there has been a substantial loss to the government as the assets of PSUs have been undervalued and sold to the private sector. Moreover, the proceeds from disinvestment were used to meet the revenue expenditure of the government rather than using it for the development of PSEs and building social infrastructure in the country.



Question 52

Tax and tariff reductions had a negative impact on developmental and welfare expenditures.

True/False? Give reason.



Answer 52

True: Tax reduction in the reform period, aimed at yielding larger revenue and curb tax evasion, have not resulted in increase in tax revenue for the government. Also, tariff reduction has curtailed the scope for raising revenue through custom duties. In order to attract foreign investment, tax incentives were provided to foreign investors which further reduced the scope for raising tax revenues. This has a negative impact on developmental and welfare expenditures.



Question 53

Which is of the following describes as a positive impact of globalisation for India?

(Choose the correct alternative)

- (a) Greater access to global markets
- (b) High technology
- (c) Increased possibility of large industries of India to become important players in the international arena.
- (d) All of the above



Answer 53

(d) All of the above



Question 54

Globalisation has widened the economic disparities among nations and people.

True/False? Give reason.



Answer 54

True: Globalisation is viewed as a strategy of the developed countries to expand their markets in other countries. It has compromised the welfare and identity of people belonging to poor countries. Further, it has increased the income and quality of consumption of only high income groups.



Question 55

During reform period, the growth has been concentrated only in some select areas in the services sector such as (i) _____ rather than vital sectors such as (ii) _____ which provide livelihoods to millions of people in the country.



Answer 55

- (i) telecommunications, information technology, finance, entertainment, travel and hospitality services, real estate and trade
- (ii) agriculture and industry



Question 56

The economy was facing problems of declining foreign exchanges, growing imports without matching rise in exports and high inflation. India changed its economic policies in 1991 due to a (i) _____ and pressure from international organisations like (ii) _____.



Answer 56

(i) financial crisis (ii) the world bank and IMF



Question 57

The latest demonetisation of currency was undertaken by the Government of India on November 8, 2016 to tackle the problem of _____ .



Answer 57

corruption, black money, terrorism and circulation of fake currency in the economy.



Question 58

After the demonetisation of currency undertaken by the Government of India on November 8, 2016, old currency notes of ₹ 500 and ₹2,000 were no longer legal tender.

(True/False)



Answer 58

False: Old currency notes of ₹500 and ₹1,000 were no longer legal tender after the demonetisation of currency.



Question 59

After the demonetisation of currency undertaken by the Government of India on November 8, 2016, new currency notes in the denomination of ₹ 500 and ₹2,000 were launched.

(True/False)



Answer 59

True



Question 60

After the demonetisation of currency undertaken by the Government of India on November 8, 2016, the public were advised to deposit old currency notes in their bank account till 31 March 2017 with declaration.

True/False? Give reason.



Answer 60

False: The public were advised to deposit old currency notes in their bank account till 31 December without any declaration and up to 31 March 2017 with the RBI with declaration.



Question 61

The latest demonetisation of currency was undertaken by the Government of India on November 8, 2016. To avoid complete breakdown and cash crunch, government had allowed exchange of _____ old currency by new currency per person per day.

(Choose the correct alternative)

- (a) ₹2,000
- (b) ₹4,000
- (c) ₹10,000
- (d) ₹20,000

Answer 61

(b) ₹4,000



Question 62

After the demonetisation of currency undertaken by the Government of India on November 8, 2016, old currency notes of ₹500 and ₹1,000 were no longer legal tender. However, till 12 December 2016 old currency notes were acceptable as legal tender at/for _____ .



Answer 62

at petrol pumps, government hospitals;
for payment of government dues, like taxes, power bills,
etc.



Question 63

The Parliament passed a law, _____, to simplify and introduce a unified indirect tax system in India.



Answer 63

Goods and Services Tax Act, 2016



Question 64

Goods and Services Tax Act, came into effect from _____ in India and was to be implemented by the Centre, 28 states and 7 Union Territories.



Answer 64

1 July 2017



Question 65

GST is applicable throughout the country with one rate for all types of goods/services.

True/False? Give reason.



Answer 65

False: GST is applicable throughout the country with one rate for one type of goods/service.



Question 66

_____ is a destination based consumption tax with facility of _____ in the supply chain. The tax is discharged at every stage of supply and the credit of tax paid at the previous stage is available for set off at the next stage of supply of goods and/or services.



Answer 66

Goods and Services Tax (GST); Input Tax Credit (ITC)



Question 67

_____ has amalgamated a large number of Central and State taxes and cesses, and has replaced large number of taxes on goods or provision of service.



Answer 67

Goods and Services Tax (GST)



Question 68

GST is effectively a tax on _____ at each stage of supply of goods and/or services.



Answer 68

value addition



Question 69

Name any two major taxes/cesses that were levied by the Central Government, which now have been subsumed in GST.



Answer 69

Central Excise Duty, Service Tax, Central Sales Tax, Cesses like KKC and SBC. (any two)



Question 70

Name any two State taxes/cesses that have been subsumed in GST.



Answer 70

VAT/Sales Tax, Entry Tax, Luxury Tax, Octroi, Entertainment Tax, Taxes on Advertisements, Taxes on Lottery/Betting/Gambling, State cesses on goods, etc. (any two)



Question 71

Under GST, there are 5 standard rates applied, i.e. _____ on supply of all goods and/or services across the country.



Answer 71

0%, 5%, 12%, 18% and 28%



Question 72

State Governments will continue to levy VAT on _____ for human consumption. _____ will attract both GST and Central Excise Duty.



Answer 72

alcoholic liquor; Tobacco and tobacco products



Question 73

GST will result into higher economic growth as GDP is expected to rise by about _____ .

(Choose the correct alternative)

- (a) 0.5%
- (b) 1%
- (c) 2%
- (d) 3%



Answer 73

(c) 2%



Question 74

India has adopted a _____ policy of economic development since 1991. (liberal/strict)



Answer 74

liberal



Question 75

The new model of economic reform is known as liberalisation, privatisation and _____ .



Answer 75

globalisation



Question 76

Due to globalisation , agricultural export _____.
(increased/decreased/constant/zero)



Answer 76

increased



Question 77

In which year new economic policy was initiated in India?

(Choose the correct alternative)

- (a) 1999
- (b) 1991
- (c) 2000
- (d) 2001



Answer 77

(b) 1991



Question 78

The most urgent problem which prompted the introduction of new economic policy in 1991 was _____.

(Choose the correct alternative)

- (a) poor performance of public sector
- (b) high tax rate leading to tax evasion
- (c) foreign exchange crisis
- (d) lower private sector investment



Answer 78

(c) foreign exchange crisis



Question 79

NEP stands for:

(Choose the correct alternative)

- (a) New Economic Policy
- (b) New Export Policy
- (c) New Economic Progress
- (d) Nation Export Policy



Answer 79

(a) New Economic Policy



Question 80

Privatisation promotes:

(Choose the correct alternative)

- (a) socialist pattern
- (b) Increased efficiency
- (c) Producer's sovereignty
- (d) Laissez faire system



Answer 80

(b) Increased efficiency



Question 81

Which international organisation replaced General Agreement on Trade and Tariff (GATT):

(Choose the correct alternative)

- (a) International Monetary Fund
- (b) United Nations Organisation
- (c) World Trade Organisation
- (d) World Health Organisation



Answer 81

(c) World Trade Organisation



Self-Assessment Test 1

Economic Reforms Since 1991

Time Allowed: 1 hr.


Maximum Marks: 25

Question 1

The thrust of the New Economic Policy (NEP) was _____.

(Choose the correct alternative) (1 mark)

- (a) to create a more competitive environment in the economy and removing the barriers to entry and growth of firms.
- (b) to maintain sufficient foreign exchange reserves and keep the rising prices under control.

- 
- (c) to improve the efficiency of the economy and increasing its internal competitiveness by removing the rigidities in various segments of the Indian economy.
 - (d) to meet the challenges like unemployment, poverty and population explosion.

Answer 1



- (a) to create a more competitive environment in the economy and removing the barriers to entry and growth of firms.

Question 2

Globalisation is the outcome of:

(Choose the correct alternative) (1 mark)

- (a) Privatisation
- (b) Liberalisation
- (c) Both (a) and (b)
- (d) Outsourcing

Answer 2



(c) Both (a) and (b)

Question 3

The latest demonetisation of currency was undertaken by the Government of India on November 8, 2016 to tackle the problem of _____ .

(Fill up the blank with correct answer) (1 mark)

Answer 3



corruption, black money, terrorism and circulation of fake currency in the economy.

Question 4

Name any two major taxes/cesses that were levied by the Central Government, which now have been subsumed in GST.

(1 mark)

Answer 4



Central Excise Duty, Service Tax, Central Sales Tax,
Cesses like KKC and SBC. (any two)

Question 5

Rising prices have been kept under control in the reform period.

(True/False) **(1 mark)**

Answer 5

True

Question 6


Explain how Goods and Services Tax (GST) has simplified the multiplicity of taxes on goods and services.

(3 marks)

Answer 6


Goods and Service Tax (GST) is the single comprehensive indirect tax on supply of goods and services, right from the manufacturer/service provider to the consumer.

It is applicable throughout the country with one rate for one type of goods/service. Under GST, there are 5 (five) standard rates applied, i.e. 0%, 5%, 12%, 18% and 28% on supply of all goods and services across the country.



It has amalgamated a large number of Central and State taxes and cesses. It has replaced large number of taxes on goods and services levied on production/sale of goods or provision of service.

- Some of the major taxes levied by the Central Government which have been subsumed in GST are: Central Excise Duty, Service Tax, Central Sales Tax, etc.

- 
- The major State taxes which have been subsumed in GST are: VAT/Sales Tax, Entertainment Tax, Entry Tax, Octroi, etc.

Thus, Goods and Services Tax (GST) has simplified the multiplicity of taxes on goods and services.

Question 7

Besides privatisation and disinvestment what attempts have been made by the government to improve the efficiency of PSUs?

(3 marks)

Answer 7

In order to improve efficiency of PSUs and enable them to compete more effectively in the liberalised global environment, the government has given them greater operational, financial and managerial autonomy in taking various decisions to run the company efficiently and thus increase their profits. For instance, some PSUs have been granted a special status such as maharatnas, navratnas and miniratnas.



A few examples of PSUs with their status are as follows:

- (i) Maharatnas, e.g. Indian Oil Corporation Limited
- (ii) Navratnas, e.g. Mahanagar Telephone Nigam Limited
- (iii) Miniratnas, e.g. Airport Authority of India

The granting of special status resulted in better performance of these companies.

Question 8



Discuss the usefulness of India being a member of the WTO.

(4 marks)

Question 9

Since 1991 every year, the government fixes a target for disinvestment of PSEs. Do you think selling a part of the properties of government companies is the best way to improve their efficiency?

(4 marks)

Question 10




Why were economic reforms introduced in India in 1991?

(6 marks)


Answer 10

In the late 1980s, the Indian economy was facing problems of:

- (i) **Declining foreign exchange reserves** – The government was not able to generate sufficiently from taxation. The income from PSUs was also not very high to meet the growing expenditure (on development programmes and to meet challenges like unemployment, poverty and population explosion). At times, out




foreign exchange, borrowed from other countries and international financial institutions, was spent on meeting consumption needs. Foreign exchange reserves declined to a level that was not sufficient to finance imports of petrol and other important items for more than two weeks.

- 
- (ii) **Economic crisis related to external debt –**
Government expenditure began to exceed its revenue by such large margins that meeting expenditure through borrowings became unsustainable. The government was not able to make repayments on its borrowings from abroad. No country or international funder was willing to lend to India.

(iii) **Growing imports without matching rise in exports** – Imports grew at a very high rate. But sufficient attention was not given to boost exports to pay for the growing imports.

(iv) **High inflation** – The crisis was further compounded by the rising prices of essential goods.

India approached the World Bank and IMF and received \$7 billion as loan to manage the crisis. For availing the loan, these international institutions ex-



pected India to liberalise and open up the economy by removing restrictions on the private sector, reducing the role of the government in many areas and remove trade restrictions between India and other countries.

India agreed to the conditionalities of World Bank and IMF and announced the New Economic Policy (NEP).



Thus, India changed its economic policies in 1991 due to:

- (i) a financial crisis, and
- (ii) pressure from international organisations like the World Bank and IMF.

Self-Assessment Test 2

Indian Economy (1950-1990)

Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

Match the columns:

(1 mark)

Column I	Column II
(a) Many goods produced by small scale industries have now been deserved	(i) Tax reforms
(b) Foreign investment limit in banks was raised to around 50%.	(ii) Foreign exchange reforms
(c) The rate of corporation tax, which was very high earlier, has been gradually reduced.	(iii) Financial sector reforms
(d) Now, markets determine exchange rates based on the demand and supply of foreign exchange.	(iv) Deregulation of industrial sector

Answer 1

(a) – (iv); (b) – (iii); (c) – (i); (d) – (ii)

Question 2

In 1991, an immediate measure to resolve the balance of payments crisis was:

(Choose the correct alternative) (1 mark)

- (a) to free the determination of rupee value in the foreign exchange market from government control.
- (b) devaluation of rupee against foreign currencies.
- (c) removing the trade barriers—quotas and tariffs.
- (d) simplification of export and import procedures.

Answer 2



(b) devaluation of rupee against foreign currencies.

Question 3

The government has made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions. For instance, some PSUs have been granted special status as ____.

(1 mark)

Answer 3



maharatnas, navratnas and miniratnas

Question 4

The Parliament passed a law, _____ , to simplify and introduce a unified indirect tax system in India.

(1 mark)

Answer 4



Goods and Services Tax Act, 2016

Question 5

After the demonetisation of currency undertaken by the Government of India on November 8, 2016, new currency notes in the denomination of ₹500 and ₹2,000 were launched.

(True/False) **(1 mark)**

Answer 5



True

Question 6



Agriculture sector appears to be adversely affected by the reform process. Why?

(3 marks)

Question 7

India has certain advantages which makes it a favourite outsourcing destination. What are these advantages?

(3 marks)

Question 8

What is Goods and Services Tax (GST)? State its aim and features.

(4 marks)


Answer 8

The Parliament passed a law, Goods and Services Tax Act, 2016, to simplify and introduce a unified indirect tax system in India. This law came into effect from 1 July 2017.

It aims to generate additional revenue for the government; to reduce tax evasion; and to create 'one nation, one tax and one market'.

Features:

- (i) Goods and Service Tax (GST) is the single comprehensive indirect tax on supply of goods and services, right from the manufacturer/ service provider to the consumer.
- (ii) It is a destination based consumption tax with facility of Input Tax Credit (ITC) in the supply chain.
- (iii) GST is applicable throughout the country with



one rate for one type of goods/service. Under GST, there are 5 (five) standard rates applied, i.e. 0%, 5%, 12%, 18% and 28% on supply of all goods and services across the country.

- (iv) GST has amalgamated a large number of Central and State taxes and cesses. It has replaced large number of taxes on goods and services levied on production/sale of goods or provision of service, e.g. Central Excise Duty, Service Tax, VAT/Sales Tax, Entertainment Tax.

Question 9

The demonetisation of currency undertaken by the Government of India on November 8, 2016 had an adverse impact on the economic activities. Do you agree with the statement? Give reason in support of your answer.

(4 marks)

Question 10

“The process of globalisation through liberalisation and privatisation policies has produced positive, as well as, negative results for India and other countries.”

Defend or refute the above statement.

(6 marks)

As per CBSE Revised Syllabus for 2021 Exam



Chapter 4 Poverty

4.1

**Who Are The Poor?
How Are Poor People
Identified?**

Who are the Poor?

In all localities and neighbourhoods, both in rural and urban areas, there are some people who are poor and some who are rich.

- Push-cart vendors, street cobblers, women who string flowers, rag pickers, vendors and beggars are some examples of poor and vulnerable groups in urban areas.
- The poor people possess few assets and reside in kutcha hutments with walls made of baked mud and roofs made of grass, thatch, bamboo and wood. The poorest of them do not even have such dwellings.

- In rural areas many of them are landless. Even if some of them possess land, it is only dry or waste land.
- Many do not get to have even two meals a day. Starvation and hunger are the key features of the poorest households.
- The poor lack basic literacy and skills and hence have very limited economic opportunities.
- Poor people also face unstable employment.
- Malnutrition is alarmingly high among the poor. Ill health, disability or serious illness makes them physically weak.
- They borrow from moneylenders, who charge high rates of interest that lead them into chronic indebtedness.

- The poor are highly vulnerable. They are not able to negotiate their legal wages from employers and are exploited.
- Most poor households have no access to electricity. Their primary cooking fuel is firewood and cow dung cake.
- A large section of poor people do not even have access to safe drinking water.
- There is evidence of extreme gender inequality in the participation of gainful employment, education and in decision-making within the family.
- Poor women receive less care on their way to motherhood.

- Their children are less likely to survive or be born healthy.

Economists identify the poor on the basis of their occupation and ownership of assets.

Rural poor

The rural poor are:

- ❑ landless agricultural labourers,
- ❑ cultivators with very small landholdings,
- ❑ landless labourers who are engaged in a variety of non-agricultural jobs and
- ❑ tenant cultivators with small land holdings

Urban poor

The urban poor are:

- ❑ largely the overflow of the rural poor who had migrated to urban areas in search of alternative employment and livelihood,
- ❑ labourers who do a variety of casual jobs and
- ❑ the self-employed who sell a variety of things on roadsides and are engaged in various activities.

How are Poor People Identified?

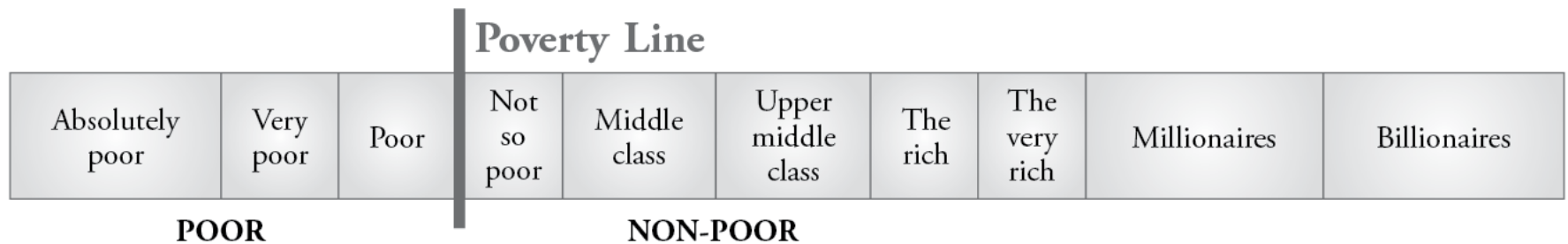
If India is to solve the problem of poverty, it has to find viable and sustainable strategies to address the causes of poverty and design schemes to help the poor out of their situation. However, for these schemes to be implemented, the government needs to be able to identify who the poor are. For this there is need to develop a scale to measure poverty, and the factors that make up the criteria for this measurement need to be carefully chosen.

For the purpose of defining poverty, we divide people into two categories– the poor and the non-poor. The poverty line separates the two. However, there are many kinds of poor – the absolutely poor, the very poor

and the poor.

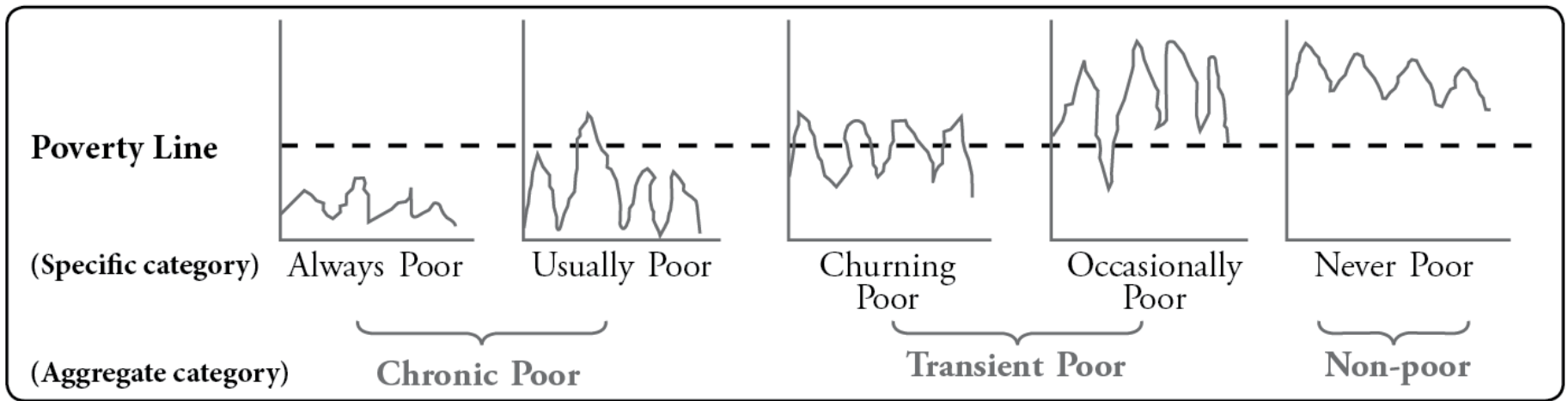
Similarly, there are various kinds of non-poor — the middle class, the upper middle class, the rich, the very rich and the absolutely rich.

A line or continuum from the very poor to the absolutely rich with the poverty line dividing the poor from the non-poor is shown below.



Categorising Poverty

The Chronic Poor	The Transient Poor	Non Poor
<p>People who are:</p> <ul style="list-style-type: none">(i) always poor and(ii) usually poor but who may sometimes have a little more money (<i>example: casual workers</i>) <p>are grouped together as the chronic poor.</p>	<p>The transient poor are categorised as:</p> <ul style="list-style-type: none">(i) The churning poor who regularly move in and out of poverty (<i>example: small farmers and seasonal workers</i>) and(ii) The occasionally poor who are rich most of the time but may sometimes have a patch of bad luck.	<p>Those people who are never poor are the non poor.</p>



The Chronic Poor, Transient Poor and Non-poor

How to determine the Poverty Line?

There are many ways of measuring poverty. One way is to determine it by the monetary value (monthly per capita expenditure) of the minimum calorie intake that was estimated at 2,400 calories for a rural person and 2,100 for a person in the urban area.

The per capita consumption expenditure level which meets the average per capita daily requirement of 2,400 calories in rural areas and 2,100 calories in urban areas, along with a minimum of non-food expenditure, is called poverty line or absolute poverty.

Based on this, in 2011-12, the poverty line was defined for rural areas as consumption worth ₹816 per person a month and for urban areas it was ₹1,000. The government uses Monthly Per Capita Expenditure (MPCE) as proxy for income of households to identify the poor.

Limitations of using Monthly Per Capita Expenditure (MPCE) as proxy for income

Though the government uses Monthly Per Capita Expenditure (MPCE) as proxy for income of households to identify the poor, this mechanism does not satisfactorily identify the poor households in our country. The reasons are as follows:

1. This mechanism groups all the poor together and does not differentiate between the very poor and the other poor.
2. Also this mechanism takes into account expenditure on food and a few select items only as proxy for income. There are many factors, other than in-

come and assets, which are associated with poverty; for instance, the accessibility to basic education, health care, drinking water and sanitation. They need to be considered to develop Poverty Line.

3. This mechanism is helpful in identifying the poor as a group to be taken care of by the government, but it would be difficult to identify who among the poor need help the most.
4. This mechanism for determining the Poverty Line also does not take into consideration social factors that trigger and perpetuate poverty such as illiteracy, ill health, lack of access to resources, discrimination or lack of civil and political freedoms. The aim of poverty alleviation schemes should be to

improve human lives by removing the obstacles to the things that a person can do in life, such as illiteracy, ill health, lack of access to resources, or lack of civil and political freedoms.

Government claims a decline in poverty levels but economists raise doubts about the government's claim

Government claims a decline in poverty levels on the basis of:

- Higher rate of growth
- Increase in agricultural production
- Providing employment in rural areas
- Economic reform packages introduced in the 1990s

Economists raise doubts about the government's claim on the basis of:

- ❑ The way the data are collected
- ❑ Items that are included in the consumption basket
- ❑ Methodology followed to estimate the poverty line
- ❑ The number of poor are manipulated to arrive at the reduced figures of the number of poor in India.

Alternative methods to estimate poverty

Due to various limitations in the official estimation of poverty, scholars have attempted to find alternative methods. For instance, Amartya Sen, noted Nobel Laureate, has developed an index known as **Sen Index**.

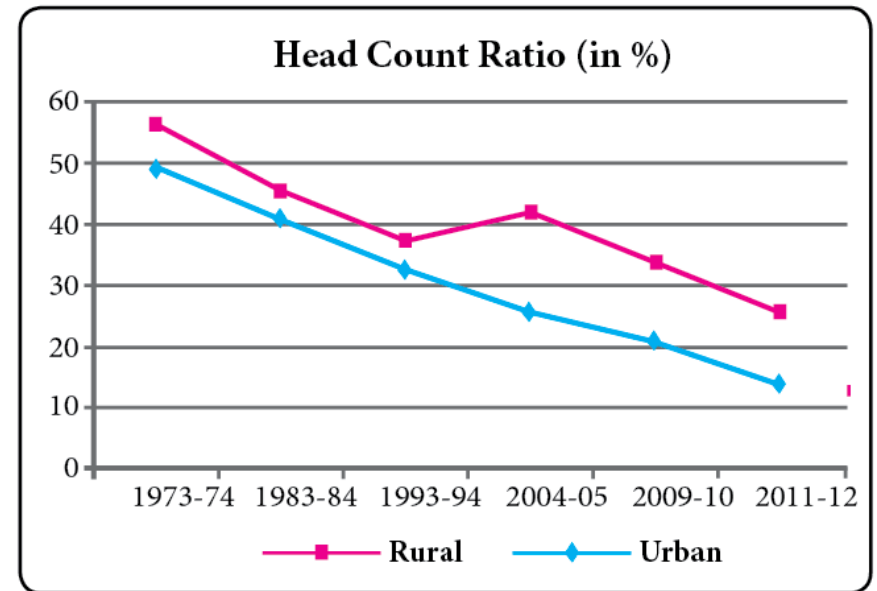
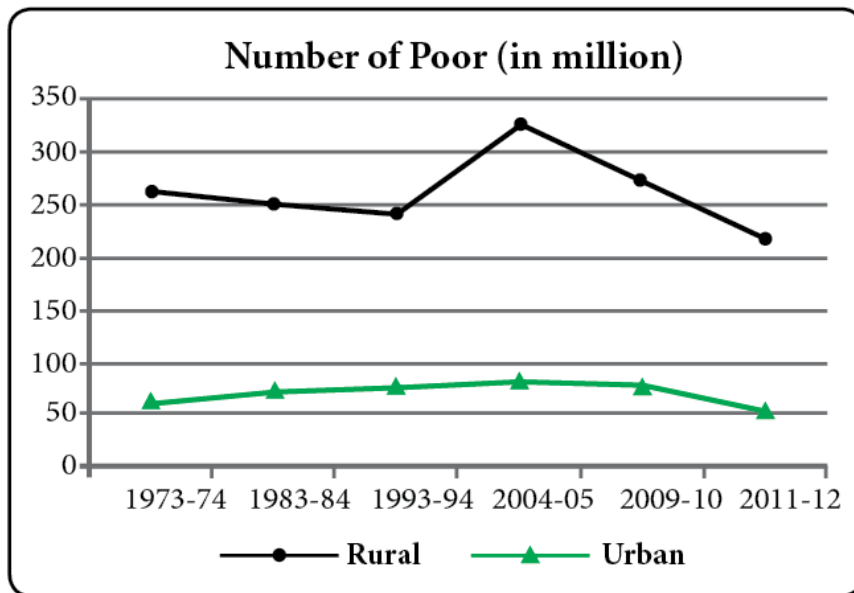
There are other tools such as **Poverty Gap Index** and **Squared Poverty Gap**.

The Number of Poor in India

When the number of poor is estimated as the proportion of people below the poverty line, it is known as **'Head Count Ratio'**.

The official data on poverty is made available to the public by the Planning Commission. It is estimated on the basis of consumption expenditure data collected by the National Sample Survey Organisation (NSSO).

The Chart given below shows the number of poor and their proportion to the population in India for the years 1973-2012.

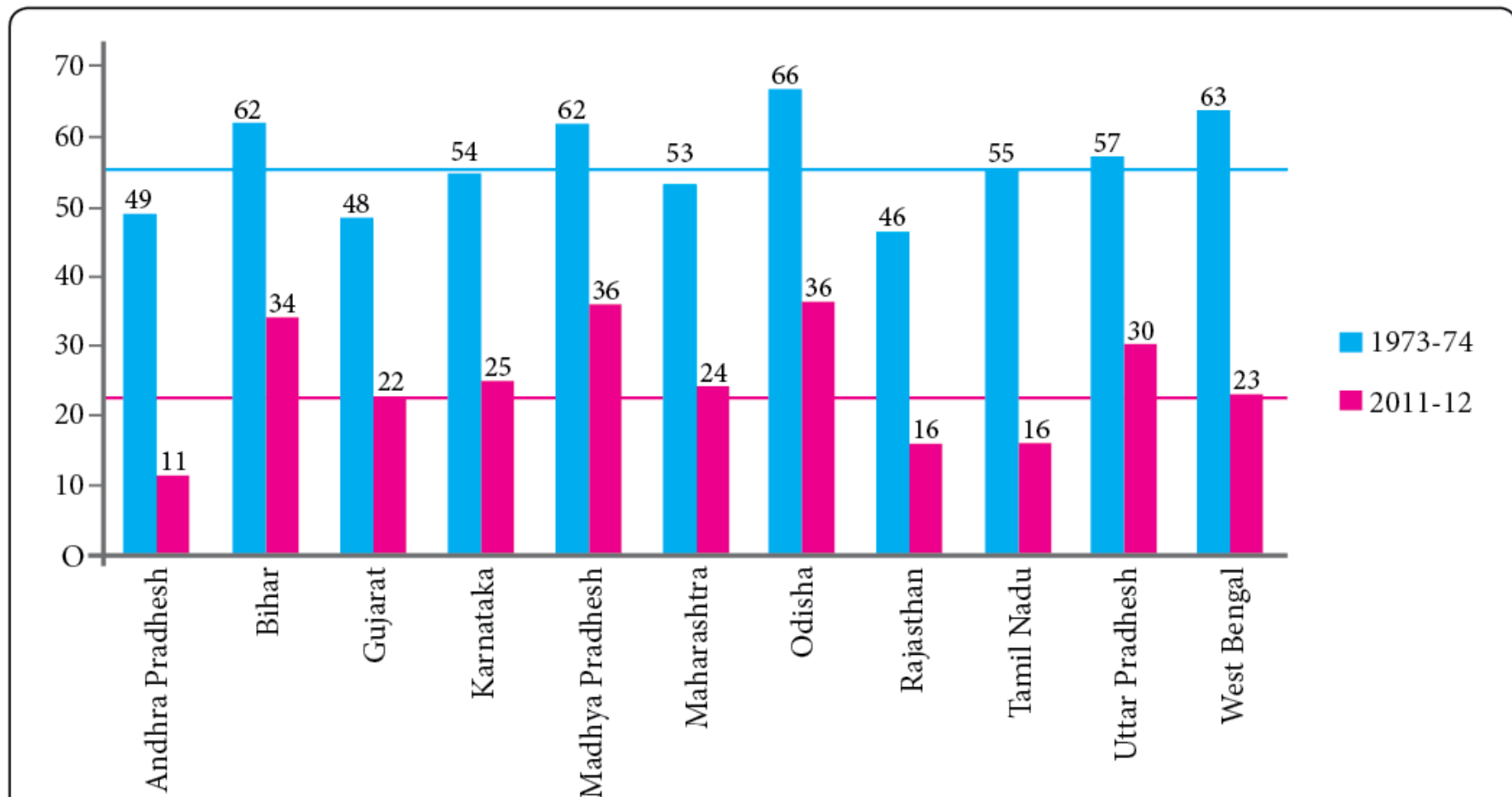


Trends in Poverty in India 1973-2012

- ❑ In 1973-74, more than 320 million people were below the poverty line. In 2011-12, this number has come down to about 270 million.
- ❑ In terms of proportion, in 1973-74, about 55 per cent of the total population was below the poverty line. In 2011-12, it has fallen to 22 per cent. In 1973-74, more than 80 per cent of the poor resided in rural areas and this situation has not changed even in 2011-12. This means that more than three-fourth of the poor in India still reside in villages.
- ❑ In the 1990s, the absolute number of poor in rural areas had declined whereas the absolute number of poor in urban areas increased marginally.

- ❑ The poverty ratio declined continuously for both urban and rural areas.
- ❑ The gap between the absolute number of poor in rural and urban areas got reduced.

The state level trends in poverty are shown in the Chart given below:



Population Below Poverty Line in Some Large States, 1973-2012 (%)

Note: For the year 1973, Uttar Pradesh includes the present Uttarakhand; Madhya Pradesh includes Chhattisgarh and Bihar includes Jharkhand.

The two lines in the chart indicate the national poverty level. The first line from below indicates poverty level during 2011-12 and the other line indicates the same for the year 1973-74. This means, the proportion of poor in India during 1973-2012 has come down from 55 to 22 per cent.

- ❑ The six states — Tamil Nadu, Uttar Pradesh, Bihar, Madhya Pradesh, West Bengal and Orissa – contained a large section of poor in 1973-74.
- ❑ During 1973-2012, many Indian states reduced the poverty levels to a considerable extent. Yet, the poverty levels in four states - Odisha, Madhya Pradesh, Bihar and Uttar Pradesh are still far above the national poverty level.

- ❑ West Bengal and Tamil Nadu reduced poverty level much better than other states.

Think as you read 4.1

Question 1

What is Poverty?



Answer 1

Poverty is hunger. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job. Poverty is fear for the future, having food once in a day.



Question 2

Give some examples of poor.



Answer 2

Push-cart vendors, street cobblers, women who string flowers, rag pickers, vendors and beggars.



Question 3

On what basis do the economists identify the poor?



Answer 3

Economists identify the poor on the basis of their occupation and ownership of assets.



Question 4

In post-independent India, there have been several attempts to work out a mechanism to identify the number of poor in the country. Give some instances.



Answer 4

In 1962, the Planning Commission formed a Study Group. In 1979, another body called the 'Task Force on Projections of Minimum Needs and Effective Consumption Demand' was formed. In 1989 and 2005, 'Expert Groups' were constituted for the same purpose.



Question 5

How are poor and non-poor classified?



Answer 5

There are many kinds of poor— the absolutely poor, the very poor and the poor. Similarly, there are various kinds of non-poor— the middle class, the upper middle class, the rich, the very rich and the absolutely rich.



Question 6

What is 'Head Count Ratio'?



Answer 6

When the number of poor is estimated as the proportion of people below the poverty line, it is known as 'Head Count Ratio'.



Question 7

Who makes available to the public the official data on poverty?



Answer 7

The official data on poverty is made available to the public by the Planning Commission. It is estimated on the basis of consumption expenditure data collected by the National Sample Survey Organisation (NSSO).



Question 8

Name the four states which are still far above the national poverty level.



Answer 8

Odisha, Madhya Pradesh, Bihar and Uttar Pradesh.



4.2

What Causes Poverty?

Poverty can be caused as a result of (i) social, economic and political inequality (ii) social exclusion (iii) unemployment (iv) indebtedness (v) unequal distribution of wealth.

Aggregate poverty is just the sum of individual poverty. Poverty is also explained by general, economy-wide problems, such as (i) low capital formation (ii) lack of infrastructure (iii) lack of demand (iv) pressure of population (v) lack of social/welfare nets.

Causes of Poverty in India

1. Economic exploitation under the British Rule

The British Raj impoverished millions of people in India. Our natural resources were plundered, our industries worked to produce goods at low prices for the British and our food grains were exported. Many died due to famine and hunger.

Under the British Rule, India began to export food grains and, as a result, as many as 26 million people died in famines between 1875 and 1900. Britain's main goals from the Raj were to provide a market for British exports, to have India service its debt payments to Britain, and for India to provide manpower for the British imperial armies.

2. Fragmentation of land holdings

A large section of the rural poor in India are the small farmers. The land that they have is, in general, less fertile and dependent on rains. Their survival depends on subsistence crops and sometimes on livestock. With the rapid growth of population and without alternative sources of employment, the per-head availability of land for cultivation has steadily declined leading to fragmentation of land holdings. The income from these small land holdings is not sufficient to meet the family's basic requirements.

3. Unemployment

A large section of urban poor in India are largely the overflow of the rural poor who migrate to urban areas in search of employment and a livelihood. Industrialisation has not been able to absorb all these people. The urban poor are either unemployed or intermittently employed as casual labourers. Casual labourers are among the most vulnerable in society as they have no job security, no assets, limited skills, sparse opportunities and no surplus to sustain them.

Poverty is, therefore, closely related to nature of employment.

4. Indebtedness

Unemployment or under employment and the casual and intermittent nature of work in both rural and urban areas compels indebtedness, which in turn, reinforces poverty. Indebtedness is one of the significant factors of poverty.

5. Inflation

A steep rise in the price of food grains and other essential goods, at a rate higher than the price of luxury goods, further intensifies the hardship and deprivation of lower income groups.

6. Unequal distribution of wealth

The unequal distribution of income and assets has also led to the persistence of poverty in India. All this has created two distinct groups in society: those who possess the means of production and earn good incomes and those who have only their labour to trade for survival. Over the years, the gap between the rich and the poor in India has widened.

Think as you read 4.2

Question 1

Enumerate the causes of poverty.



Answer 1

(i) social, economic and political inequality (ii) social exclusion (iii) unemployment (iv) indebtedness (v) unequal distribution of wealth.



Question 2

What is Aggregate Poverty?



Answer 2

Aggregate poverty is just the sum of individual poverty.



Question 3

Poverty is explained by general, economy-wide problems.
Name such problems.



Answer 3

(i) low capital formation (ii) lack of infrastructure
(iii) lack of demand (iv) pressure of population (v)
lack of social/ welfare nets.



Question 4

A large section of urban poor in India are largely the overflow of the rural poor who migrate to urban areas. Why do the rural poor migrate to urban areas? Do they always find jobs there?



Answer 4

Rural poor migrate to urban areas in search of employment and a livelihood. However, industrialisation has not been able to absorb all these people.



4.3

Policies and Programmes towards Poverty Alleviation

The Indian Constitution and five year plans state social justice as the primary objective of the developmental strategies of the government.

To quote the First Five Year Plan (1951-56), *“the urge to bring economic and social change under present conditions comes from the fact of poverty and inequalities in income, wealth and opportunity”*.

The Second Five Year Plan (1956-61) also pointed out that *“the benefits of economic development must accrue more and more to the relatively less privileged classes of society”*.

One can find, in all policy documents, emphasis being laid on poverty alleviation and that various strategies need to be adopted by the government for the same.

Three-dimensional Approach to Poverty Alleviation

The government's approach to poverty reduction was of three dimensions.

1. Growth-Oriented Approach

The first approach to poverty reduction is growth-oriented approach. It is based on the expectation that the effects of economic growth — rapid increase in gross domestic product and per capita income — would spread to all sections of society and will trickle down to the poor sections also. This was the major focus of planning in the 1950s and early 1960s. It was felt that rapid industrial development and transform-

ation of agriculture through green revolution in select regions would benefit the underdeveloped regions and the more backward sections of the community.

Critical Evaluation

- ❑ The overall growth and growth of agriculture and industry have not been impressive.
- ❑ Population growth has resulted in a very low growth in per capita incomes.
- ❑ The gap between poor and rich has actually widened.
- ❑ The Green Revolution increased the disparities regionally and between large and small farmers.
- ❑ Economists state that the benefits of economic growth have not trickled down to the poor.

2. Poverty alleviation programmes/ Employment generation programmes

While looking for alternatives to specifically address the poor, policy makers started thinking that incomes and employment for the poor could be raised through the creation of income earning assets and by means of work generation.

One of the noted programmes initiated in the 1970s was '**Food for Work**' programme.

Most poverty alleviation programmes implemented are based on the perspective of the Five Year Plans. Expanding self-employment programmes and wage employment programmes are being considered as the major ways of addressing poverty. Examples:



Wage employment under 'Food for Work' programme

- (i) **Rural Employment Generation Programme (REGP):** This programme aims at creating self-employment opportunities in rural areas. The Khadi and Village Industries Commission is implementing it. Under this programme, one can get financial assistance in the form of bank loans to set up small industries.

- (ii) Prime Minister's Rozgar Yojana (PMRY):** The educated unemployed from low-income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment under PMRY.

- (iii) Swarna Jayanti Shahari Rozgar Yojana (SJSRY):** SJSRY mainly aims at creating employment opportunities—both self-employment and wage employment—in urban areas.

(iv) Mahatma Gandhi National Rural Employment Guarantee Act: In August 2005, the Parliament passed a new Act, known as Mahatma Gandhi National Rural Employment Guarantee Act to provide guaranteed wage employment to every rural household whose adult volunteer is to do unskilled manual work for a minimum of 100 days in a year. Under this Act all those among the poor who are ready to work at the minimum wage can report for work in areas where this programme is implemented. In 2013-14, nearly five crore households got employment opportunities under this law.

(v) Swarnajayanti Gram Swarozgar Yojana (SGSY): Earlier, under self-employment programmes, financial assistance was given to families or individuals. Since the 1990s, this approach has been changed. Now those who wish to benefit from these programmes are encouraged to form self-help groups (SHGs). Initially they are encouraged to save some money and lend among themselves as small loans. Later, through banks, the government provides partial financial assistance to SHGs which then decide whom the loan is to be given to for self-employment activities. Swarnajayanti Gram Swarozgar Yojana (SGSY) is one such programme. This has now been restructured as Nati-

onal Rural Livelihoods Mission (NRLM). A similar programme called National Urban Livelihoods Mission has also been in place for urban poor.

3. Providing minimum basic amenities through public expenditure

The third approach to addressing poverty is to provide minimum basic amenities to the people through public expenditure on social consumption needs — provision of food grains at subsidised rates, education, health, water supply and sanitation. Programmes under this approach are expected to supplement the consumption of the poor, create employment opportunities and bring about improvements in health and education.

One can trace this approach from the Fifth Five Year Plan, *“even with expanded employment opportunities, the poor will not be able to buy for themselves all the essential goods and services. They have to be suppleme-*

nted up to at least certain minimum standards by social consumption and investment in the form of essential food grains, education, health, nutrition, drinking water, housing, communications and electricity.”

- ❑ Three major programmes that aim at improving the food and nutritional status of the poor are Public Distribution System, Integrated Child Development Scheme and Midday Meal Scheme.
- ❑ **Pradhan Mantri Gram Sadak Yojana, Pradhan Mantri Gramodaya Yojana, Valmiki Ambedkar Awas Yojana** are also attempts in developing infrastructure and housing conditions.

- ❑ The government also has a variety of other social security programmes to help a few specific groups. National Social Assistance Programme is one such programme initiated by the central government. Under this programme, elderly people who do not have anyone to take care of them are given pension to sustain themselves. Poor women who are destitute and widows are also covered under this scheme.
- ❑ The government has also introduced a few schemes to provide health insurance to poor people.
- ❑ From 2014, a scheme called **Pradhan Mantri Jan-Dhan Yojana** is available in which people in India are encouraged to open bank accounts. Besides promoting savings habit, this scheme intends to tran-

sfer all the benefits of government schemes and subsidies to account holders directly. Each bank account holder is also entitled to ₹1 lakh accident insurance and ₹30,000 life insurance cover.

Poverty Alleviation Programmes — A Critical Assessment

Despite various strategies and programmes to alleviate poverty, hunger, malnourishment, illiteracy and lack of basic amenities continue to be a common feature in many parts of India. Government policies have also failed to address the vast majority of vulnerable people who are living on or just above the poverty line.

Three major areas of concern which prevent the successful implementation of poverty alleviation programmes

- 1. Unequal distribution of land and other assets:** Due to unequal distribution of land and other assets, the benefits from direct poverty alleviation programmes have been appropriated by the non-poor.
- 2. Insufficient resources:** Compared to the magnitude of poverty, the amount of resources allocated for these programmes is not sufficient.
- 3. Inefficient use and wastage of resources:** These programmes depend mainly on government and bank officials for their implementation. Since such officials are ill motivated, inadequately trained and

corruption prone, the resources are inefficiently used and wasted. There is also non-participation of local level institutions in programme implementation.

A few measures to tackle the problem of poverty

- 1. Active participation of the poor:** High growth alone is not sufficient to reduce poverty. Without the active participation of the poor, successful implementation of any programme is not possible.
- 2. Social mobilisation:** Poverty can effectively be eradicated only when the poor start contributing to growth by their active involvement in the growth process. This is possible through a process of social mobilisation, encouraging poor people to participate and get them empowered. This will also help create employment opportunities which

may lead to increase in levels of income, skill development, health and literacy.

- 3. Provision of infrastructure:** Moreover, it is necessary to identify poverty stricken areas and provide infrastructure such as schools, roads, power, telecom, IT services, training institutions etc.

Think as you read 4.3

Question 1

The Indian Constitution and five year plans state _____ as the primary objective of the developmental strategies of the government.



Answer 1

social justice



Question 2

In all policy documents, emphasis being laid on _____ and that various strategies need to be adopted by the government for the same.



Answer 2

poverty alleviation



Question 3

What is meant by 'Food for Work' Programme?



Answer 3

'Food for Work' Programme is a poverty alleviation programme initiated by the government in the 1970s to provide employment for the poor by means of work generation.



Question 4

Give examples of self-employment programmes.



Answer 4

Rural Employment Generation Programme (REGP), Prime Minister's Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY).



Question 5

Most poverty alleviation programmes implemented are based on the perspective of the Five Year Plans. Expanding _____ and _____ are being considered as the major ways of addressing poverty.



Answer 5

self-employment programmes, wage employment programmes



Question 6

What do you mean by ‘self-help groups (SHGs)’?



Answer 6

Self-help groups (SHGs) initially are encouraged to save some money and lend among themselves as small loans. Later, through banks, the government provides partial financial assistance to SHGs which then decide whom the loan is to be given to for self-employment activities.



Question 7

Name the three major programmes that aim at improving the food and nutritional status of the poor.



Answer 7

(i) Public Distribution System, (ii) Integrated Child Development Scheme and (iii) Midday Meal Scheme.



Question 8

Name some programmes which are developing infrastructure and housing conditions.



Answer 8

(i) Pradhan Mantri Gram Sadak Yojana, (ii) Pradhan Mantri Gramodaya Yojana and (iii) Valmiki Ambedkar Awas Yojana.



Question 9

What is Pradhan Mantri Jan-Dhan Yojana?



Answer 9

Pradhan Mantri Jan-Dhan Yojana is a scheme available in which people in India are encouraged to open bank accounts. Besides promoting savings habit, this scheme intends to transfer all the benefits of government schemes and subsidies to account holders directly. Each bank account holder is also entitled to ₹1 lakh accident insurance and ₹ 30,000 life insurance cover.



Question 10

Suppose you are from a poor family and you wish to get help from the government to set up a petty shop. Under which scheme will you apply for assistance and why?



Answer 10

Prime Minister Rozgar Yojana (PMRY); because the educated unemployed from low income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment under PMRV.



Conclusion

We have travelled seven decades since independence. The objective of all our policies had been stated as promoting rapid and balanced economic development with equality and social justice. Poverty alleviation has always been accepted as one of India's main challenges by the policy makers, regardless of which government was in power. The absolute number of poor in the country has gone down and some states have less proportion of poor than even the national average. Yet, critics point out that even though vast resources have been allocated and spent, we are still far from reaching the goal. There is improvement in terms of per capita income and average standard of living; some progress towards meeting the basic needs has been made.

But when compared to the progress made by many other countries, our performance has not been impressive. Moreover, the fruits of development have not reached all sections of the population. Some sections of people, some sectors of the economy, some regions of the country can compete even with developed countries in terms of social and economic development, yet, there are many others who have not been able to come out of the vicious circle of poverty.

Sequence of Events

Sequence	Event	Year
I	Planning Commission formed a Study Group to identify the number of poor in the country.	1962
II	' Task Force on Projections of Minimum Needs and Effective Consumption Demand' was formed to identify the number of poor in the country.	1979
III	' Expert Groups ' were constituted to identify the number of poor in India.	1989 & 2005
IV	The Parliament passed ' Mahatma Gandhi National Rural Employment Guarantee Act ' to	2005

provide guaranteed wage employment to every rural household whose adult volunteer is to do unskilled manual work for a minimum of 100 days in a year.

V

Pradhan Mantri Jan-Dhan Yojana encourages people in India to open bank accounts. Besides promoting savings habit, this scheme intends to transfer all the benefits of government schemes and subsidies to account holders directly. Each bank account holder is also entitled to `1 lakh accident insurance and `30,000 life insurance cover.

Objective Type Questions

Question 1

Major aim of independent India is:

(Choose the correct alternative)

- (a) Providing minimum basic needs to the people.
- (b) Reduction of poverty.
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)



Answer 1

(c) Both (a) and (b)



Question 2

The pattern of development that the successive five year plans envisaged laid emphasis on the:

(Choose the correct alternative)

- (a) upliftment of the poorest of the poor.
- (b) integrating the poor into the mainstream.
- (c) achieving a minimum standard of living for all.
- (d) All of the above



Answer 2

(d) All of the above



Question 3

Poverty is not only a challenge for India but also for the world.

(True/False)



Answer 3

True: About 300 million people of the world are not able to meet their basic needs. More than one-fifth of the world's poor live in India alone.



Question 4

Economists identify the poor on the basis of their:

(Choose the correct alternative)

- (a) occupation
- (b) ownership of assets
- (c) Both (a) and (b)
- (d) income



Answer 4

(c) Both (a) and (b)



Question 5

Push-cart vendors, street cobblers, women who string flowers, rag-pickers, vendors and beggars are some examples of poor and vulnerable groups in _____ areas. (rural/urban)



Answer 5

urban



Question 6

_____ (Rural poor/Urban poor) work mainly as landless agriculture labourers. Many do not get to have even two meals a day.



Answer 6

Rural poor



Question 7

If India is to solve the problem of poverty, it has to find viable and sustainable strategies to address the causes of poverty and design schemes to help the poor out of their situation. For these schemes to be implemented, what does the government need to do?

(Choose the correct alternative)

- (a) To identify who the poor are.
- (b) To develop a scale to measure poverty.
- (c) To analyse the factors that make up the criteria for measurement of poverty.
- (d) All of the above

Answer 7

(d) All of the above



Question 8

In pre-independent India, _____ was the first to discuss the concept of a Poverty Line.



Answer 8

Dadabhai Naoroji



Question 9

Dadabhai Naoroji used the menu for a prisoner and used appropriate prevailing prices to arrive at what may be called _____ .

(Fill up the blanks with correct answer)



Answer 9

jail cost of living



Question 10

The weighted average of consumption of the three segments of population gives the average poverty line, which according to Dadabhai Naoroji, comes out to be _____ of the adult jail cost of living.



Answer 10

three-fourth



Question 11

For the purpose of defining poverty, we divide people into two categories; _____ and the _____ separates the two.



Answer 11

the poor and the non-poor; poverty line



Question 12

A line or continuum from the very poor to the absolutely rich classifies various kinds of poor and non-poor, with the _____ dividing the poor from the non-poor.



Answer 12

The Poverty Line



Question 13

People who are always poor and those who are usually poor but who may sometimes have a little more money (example: casual workers) are grouped together as the _____ .

(Choose the correct alternative)

- (a) Chronic poor
- (b) Churning poor
- (c) Occasionally poor
- (d) Transient poor



Answer 13

(a) Chronic poor



Question 14

_____ is a group of people who regularly move in and out of poverty (example: small farmers and seasonal workers).



Answer 14

Churning Poor



Question 15

The churning poor, who regularly move in and out of poverty, and the occasionally poor who are rich most of the time but may sometimes have a patch of bad luck, are called the _____.



Answer 15

transient poor



Question 16

Small farmers and seasonal workers are categorised as:

(Choose the correct alternative)

- (a) Chronic poor
- (b) Churning poor
- (c) Occasionally poor
- (d) Both (b) and (c)



Answer 16

(d) Both (b) and (c)



Question 17

The government uses _____ as proxy for income of households to identify the poor.



Answer 17

Monthly Per Capita Expenditure (MPCE)



Question 18

Based on the monetary value (per capita expenditure) of the minimum calorie intake, in 2011-12, the poverty line was defined for rural areas as consumption worth _____ per person a month and for urban areas it was _____.



Answer 18

₹816; ₹1,000



Question 19

Monthly Per Capita Expenditure (MPCE) mechanism satisfactorily identifies the poor households in our country.

True/False? Give reason.



Answer 19

False: It groups all the poor together and does not differentiate between the very poor and the other poor. Also, this mechanism takes into account expenditure on food and only a few select items as proxy for income.



Question 20

There are many factors, other the income and assets, which are associated with poverty. They need to be considered to develop Poverty Line, for instance, _____ .



Answer 20

accessibility to basic education, health care, drinking water and sanitation



Question 21

Amartya Sen, noted Nobel Laureate, has developed an index to estimate poverty, known as _____ .



Answer 21

Sen Index



Question 22

Which of the following is a poverty estimation tool?

(Choose the correct alternative)

- (a) Sen Index
- (b) Poverty Gap Index
- (c) Squared Poverty Gap
- (d) All of these



Answer 22

(d) All of these



Question 23

When the number of poor is estimated as the proportion of people below the poverty line, it is known as _____ .

(Fill up the blank with correct answer)



Answer 23

‘Head Count Ratio’ (Poverty Ratio)



Question 24

The official data on poverty is made available to the public by the _____. It is estimated on the basis of consumption expenditure data collected by the _____.



Answer 24

Planning Commission; National Sample Survey Organisation (NSSO).



Question 25

More than three-fourth of the poor in India still reside in villages.

(True/False)



Answer 25

True: In 1973-74, more than 80% of the poor resided in rural areas and this situation has not changed even in 2011-12.



Question 26

The proportion of poor in India during 1973-2012 has come down from _____ to _____ .



Answer 26

55 per cent ; 22 per cent



Question 27

_____ is just the sum of individual poverty.



Answer 27

Aggregate poverty



Question 28

Even today agriculture is the principal means of livelihood and land is the primary asset of people; _____ is an important determinant of material well-being and those who own some land have a better chance to improve their living conditions.



Answer 28

Ownership of land



Question 29

With the rapid growth of population and without alternative sources of employment the per-head availability of land for cultivation has steadily declined leading to _____.



Answer 29

fragmentation of land holdings



Question 30

Give reason why most members of schedule castes and schedule tribes are not able to participate in the emerging employment opportunities in different sectors of the urban and rural economy.



Answer 30

As they do not have the necessary knowledge and skills to do so.



Question 31

The urban poor are either unemployed or intermittently employed as _____.



Answer 31

Casual labourers



Question 32

Casual labourers are among the most vulnerable in society.

True/False? Give reason.



Answer 32

True: They have no job security, no assets , limited skills sparse opportunities and no surplus to sustain them.



Question 33

Poverty is closely related to nature of employment.

(True/False)



Answer 33

True: Unemployment or under employment and the casual and intermittent nature of work in both urban and rural areas that compels indebtedness, in turn, reinforces poverty.



Question 34

Indebtedness is one of the significant factors of poverty.
(*True/False*)



Answer 34

True: Indebtedness, due to unemployment, causes poverty.



Question 35

Poverty is a multi-dimensional challenge for India.

(True/False)



Answer 35

True: Reducing poverty implies reduction in income inequalities and unemployment problems, etc.



Question 36

In all policy documents, emphasis was laid on _____ and that various strategies need to be adopted by the government for the same.



Answer 36

Poverty alleviation



Question 37

The government's approach to poverty reduction was of three dimensions.

(True/False)



Answer 37

True: The government has been following three approaches to reduce poverty in India : growth oriented development, specific poverty alleviation programmes and meeting the minimum needs of the poor.



Question 38

Under _____ to poverty reduction, it was felt that rapid industrial development and transformation of agriculture through green revolution in select regions would benefit the under developed regions and the more backward sections of the community. This was the major focus of planning in _____.



Answer 38

'growth oriented approach' ; 1950s and early 1960s



Question 39

From the Third Five Year Plan (1961 - 66) while looking for alternatives to specifically address the poor, policy makers started thinking the incomes and employment for the poor could be realised through _____ and _____.



Answer 39

creation of additional assets; by means of work generation



Question 40

One of the noted poverty alleviation programmes initiated in the 1970, was _____.



Answer 40

Food for work



Question 41

Most poverty alleviation programmes implemented are based on the perspective of the Five Year Plans. Expanding _____ and _____ are being considered as the major ways of addressing poverty.



Answer 41

Self-employment programmes; wage employment programmes



Question 42

Under which one of the following self-employment Programmes. One can get financial assistance in the form of bank loans to set up small industries?

(Choose the correct alternative)

- (a) Rural Employment Generation Programme (REGP)
- (b) Prime Minister's Rozgar Yojana (PMRY)
- (c) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)
- (d) All of the above



Answer 42

(a) Rural Employment Generation Programme (REGP)



Question 43

_____ is implementing the Rural Employment Generation Programme (REGP).



Answer 43

The Khadi and Village Industries Commission



Question 44

The educated unemployed from low – income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment under ____.

(Choose the correct alternative)

- (a) Rural Employment Generation Programme (REGP)
- (b) Prime Minister's Rozgar Yojana (PMRY)
- (c) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)
- (d) Swarna Jayanti Gram Swarozgar Yojana (SGSY)



Answer 44

(b) Prime Minister's Rozgar Yojana (PMRY)



Question 45

_____ mainly aims at creating employment opportunities — both self employment and wage employment – in urban areas.

(Choose the correct alternative)

- (a) Rural Employment Generation Programme (REGP)
- (b) Prime Minister's Rozgar Yojana (PMRY)
- (c) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)
- (d) Swarna Jayanti Gram Swarozgar Yojana (SGSY)



Answer 45

(c) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)



Question 46

Since the 1990s those who wish to benefit from the self employment programmes are encouraged to form _____.



Answer 46

Self-Help Groups (SHGs)



Question 47

Initially, the self-Help Groups (SHGs) are encouraged to save money and lend among themselves as small loans. Later, through banks, the government provides partial financial assistance to SHGs which then decide whom the loan is to be given to for self-employment activities. _____ is one such programme.



Answer 47

Swarnajayanti Gram Swarozgar Yojana (SGSY)



Question 48

Swarnajayanti Gram Swarozgar Yojana (SGSY) has now been restructured as _____. A similar programme called _____ has also been in place for urban poor.



Answer 48

National Rural Livelihoods Mission (NRLM); National Urban Livelihoods Mission



Question 49

In August 2005, the parliament passed a new Act to provide guaranteed wage employment to every rural household whose adult volunteer is to do unskilled manual work for a minimum of 100 days in a year. This Act is known as _____.



Answer 49

Mahatma Gandhi National Rural Employment Guarantee Act.



Question 50

In 2013-14, nearly _____ household get Employment opportunities under Mahatma Gandhi National Rural employment Guarantee Act.

(Choose the correct alternative)

- (a) One Crore
- (b) Two Crore
- (c) Five Crore
- (d) Seven Crore



Answer 50

(c) Five Crore



Question 51

Three major programmes that aim at improving the food and nutritional status of the poor are _____.



Answer 51

Public Distribution System, Integrated Child Development Scheme and Midday Meal Scheme



Question 52

_____ are attempts in developing infrastructure and housing conditions.



Answer 52

Pradhan Mantri Gram Sadak Yojana, Pradhan Mantri Gramodaya Yojana, Valmiki Ambedkar Awas Yojana



Question 53

_____ is initiated by the central government, under which elderly people who do not have anyone to take care of them are given pension to sustain themselves. Poor women who are destitute and widows are also covered under this scheme.



Answer 53

National Social Assistance Programme



Question 54

From 2014, a scheme called _____ is available in which people in India are encouraged to open bank accounts.



Answer 54

Pradhan Mantri Jan-Dhan Yojana



Question 55

Under _____ scheme each bank accounts holder is entitled to ₹1 lakh accident insurance and ₹ 30,000 life insurance cover.



Answer 55

Pradhan Mantri Jan Dhan Yojana



Question 56

Despite various strategies to alleviate poverty, _____ continue to be as common feature in many parts of India.



Answer 56

hunger, malnourishment, illiteracy and lack of basic amenities



Question 57

Due to _____ the benefits from direct poverty alleviation programmes have been appropriated by the non-poor.



Answer 57

unequal distribution of land and other assets



Question 58

Without the _____, successful implementation of poverty alleviation programmes is not possible.



Answer 58

active participation of the poor



Question 59

The objective of all our policies had been stated as promoting rapid and balanced economic development with equality and social justice. _____ has always been accepted as one of India's main challenges by the policy-makers, regardless of which government was in power.



Answer 59

Poverty alleviation



Question 60

The fruits of development have not reached all sections of the population in India.

True/False? Give reason.



Answer 60

True: Some sections of people, some sectors of the economy, some regions of the country can compete even with developed countries in terms of social and economic development, yet, there are many others who have not been able to come out of the vicious circle of poverty.



Question 61

Casual workers are grouped as the chronic poor.

(True/False)



Answer 61

True



Question 62

The minimum calorie intake in rural area is 2100 calories.
(*True/False*)



Answer 62

False



Question 63

Number of people living below poverty line is called ____.
(Absolute poverty / Relative poverty)



Answer 63

Absolute poverty



Question 64

Economist identify the poor on the basis of their and ownership of assets

(Choose the correct alternative)

- (a) Income
- (b) Occupation
- (c) Expenditure
- (d) Living standard



Answer 64

(b) Occupation



Question 65

Who was the first person to define poverty in terms of Jail Cost of Living?

(Choose the correct alternative)

- (a) Dadabai Naroji
- (b) V K R V Rao
- (c) Willian Digby
- (d) R.C. Desai



Answer 65

(a) Dadabai Naroji



Question 66

The average calories required per person in urban area is:

(Choose the correct alternative)

- (a) 2400
- (b) 2100
- (c) 2500
- (d) 2150



Answer 66

(b) 2100



Self-Assessment Test 1

Poverty

Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

People who are always poor and those who are usually poor but who may sometimes have a little more money (example: casual workers) are grouped together as the _____ .

(Choose the correct alternative) (1 mark)

- (a) Chronic poor
- (b) Churning poor
- (c) Occasionally poor
- (d) Transient poor

Answer 1

(a) Chronic poor

Question 2

The average calories required per person in urban area is:

(Choose the correct alternative) (1 mark)

- (a) 2400
- (b) 2100
- (c) 2500
- (d) 2150

Answer 2

(b) 2100

Question 3

_____ mainly aims at creating employment opportunities — both self employment and wage employment— in urban areas.

(Choose the correct alternative) (1 mark)

- (a) Rural Employment Generation Programme (REGP)
- (b) Prime Minister's Rozgar Yojana (PMRY)
- (c) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)
- (d) Swarna Jayanti Gram Swarozgar Yojana (SGSY)

Answer 3

(c) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

Question 4

From 2014, a scheme called _____ is available in which people in India are encouraged to open bank accounts.

(Fill up the blank with correct answer) (1 mark)

Answer 4



Pradhan Mantri Jan-Dhan Yojana

Question 5

Number of people living below poverty line is called _____. (Absolute poverty/ Relative poverty)

(Fill up the blank with correct answer) (1 mark)

Answer 5



Absolute poverty


Question 6

What are the limitations in the official estimates of poverty?

(3 marks)

Answer 6

The official data on poverty is made available to the public by the Planning Commission. It is estimated on the basis of consumption expenditure data collected by the National Sample Survey Organisation (NSSO). Though the government claims that higher rate of growth, increase in agriculture production, providing employment in rural areas and economic reforms introduced in 1990s have resulted in a decline in poverty levels, economists raise



doubts about the government's claim. They point out that the way the data are collected, items are included in the consumption basket, methodology followed to estimate the poverty line and the number of poor are manipulated to arrive at the reduced figures of the number of poor in India.

Question 7

What is 'Mahatma Gandhi National Rural Employment Guarantee Act'? How did it provide wage employment opportunities to the poor unskilled people living in rural areas?

(3 marks)

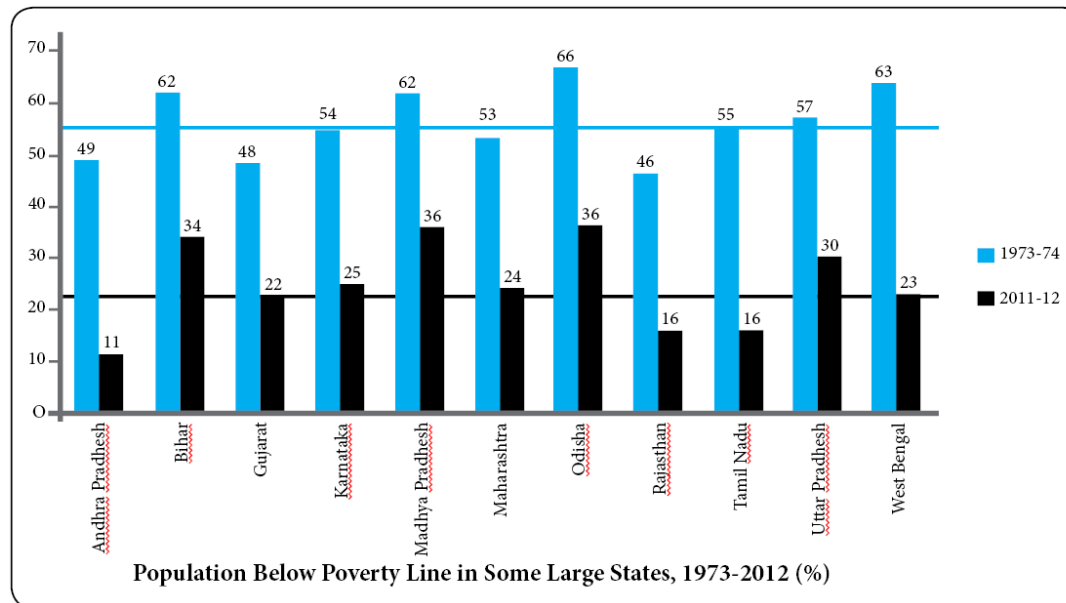
Question 8

State any three measures to eradicate poverty in India.

(4 marks)

Question 9

Study the following chart showing population Below Poverty Line in some large states and analyse the state level trends in poverty in India during 1973-2012. **(4 marks)**




Question 10

Explain the various poverty alleviation programmes initiated by the government of India since the Third Five Year plan (1961-66).


(6 marks)

Answer 10

(i) Rural Employment Generation Programme (REGP) aims at creating self employment opportunities in rural areas. The Khadi and Village Industries Commission is implementing it. Under this programme, one can get financial assistance in the form of bank loans to set up small industries.


- 
- (ii) Prime Minister's Rozgar Yojna (PMRY)** – The educated unemployment from low-income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment.
 - (iii) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)** – It mainly aims at creating employment opportunities – both self employment and wage employment – in urban areas.

(iv) Swarnajayanti Gram Swarozgar Yojna (SGSY) – Since 1990s, those who wish to benefit from self-employment programmes are encouraged to form Self-Help Groups (SHGs). Initially, they are encouraged to save some money and lend among themselves as small loans. Later, through banks, the government provides, partial financial assistance to SHGs which then decide whom the loan is to be



given to for self-employment activities. SGSY has now been restructured as 'National Rural Livelihoods Mission (NRLM). A similar programme called 'National Urban Livelihoods Mission' has also been in place for urban poor.

(v) Mahatma Gandhi National Rural Employment Guarantee Act, 2005 – This Act provides guaranteed wage employment to every rural household whose adult volunteer is to do un-



skilled manual work for a minimum of 100 days in a year. The poor unskilled people in rural areas who are ready to work at the minimum wage can report for work in areas where this programme is implemented. In 2013-14, nearly 5 crore households got employment opportunities under this law.

Self-Assessment Test 2

Poverty

Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

Amartya Sen, noted Nobel Laureate, has developed an index to estimate poverty, known as _____ .

(Fill up the blank with correct answer) (1 mark)

Answer 1



Sen Index

Question 2

When the number of poor is estimated as the proportion of people below the poverty line, it is known as _____ .

(Fill up the blank with correct answer) (1 mark)

Answer 2



'Head Count Ratio' (Poverty Ratio)

Question 3

The official data on poverty is made available to the public by the _____. It is estimated on the basis of consumption expenditure data collected by the _____.

(Fill up the blank with correct answer) (1 mark)

Answer 3



Planning Commission; National Sample Survey Organisation (NSSO).

Question 4

The educated unemployed from low-income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment under _____.

(1 mark)

- (a) Rural Employment Generation Programme (REGP)
- (b) Prime Minister's Rozgar Yojana (PMRY)
- (c) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)
- (d) Swarna Jayanti Gram Swarozgar Yojana (SGSY)

Answer 4

(b) Prime Minister's Rozgar Yojana (PMRY)

Question 5

The minimum calorie intake in rural area is 2100 calories.

(True/False) **(1 mark)**

Answer 5



False

Question 6

What are the three major areas of concern which prevent the successful implementation of poverty-alleviation programmes?

(3 marks)

Question 7

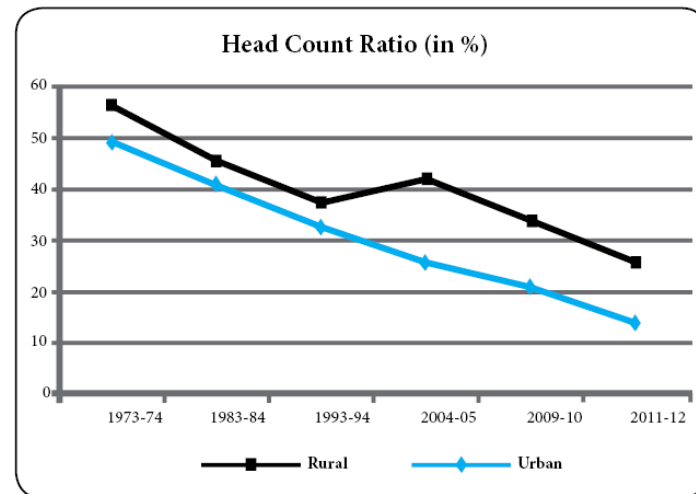
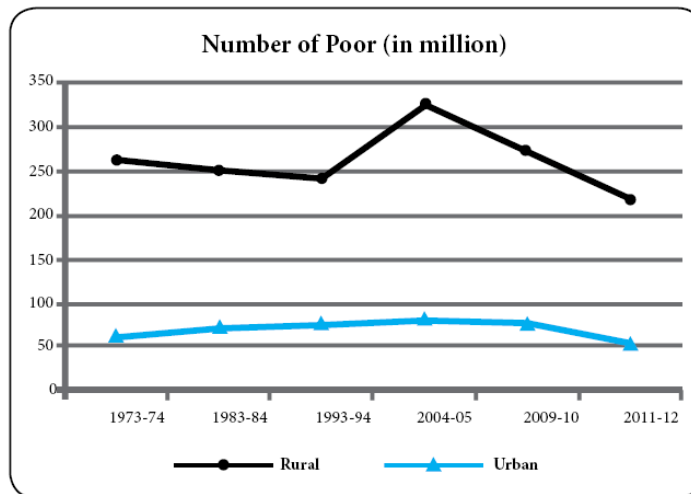
Explain 'Growth-oriented approach' to poverty reduction. Was it successful to eradicate poverty in India? Explain giving reasons.

(3 marks)

Question 8

Study the following chart showing number of poor (in million) and Head Count Ratio (in %) and analyse the trend, in poverty in India from 1973-2012.

(4 marks)



Trends in Poverty in India 1973-2012

Question 9

How does the government claim that there is a decline in poverty levels? Why do economists raise doubts about the government's claim?

(4 marks)

Question 10

Define 'Poverty Line'. How does it categorise poverty? Why is calorie-based norm not adequate to identify the poor households in our country? Explain.

(6 marks)


Answer 10

Poverty Line: The government uses Monthly Per Capita Expenditure (MPCE) as proxy for income of households to identify the poor. MPCE was estimated at 2,400 calories for a person in rural area and 2,100 calories for a person in the urban area. Based on this, in 2011-12, the poverty line was defined for rural areas a consumption worth ₹816 per person a month and for urban areas it was ₹1,000. :



On the basis of above definition of poverty line, poverty is categorised as follows:


1. The Chronic Poor – People who are always poor and those who are usually poor but who may sometimes have a little more money (e.g. casual workers) are grouped together as the Chronic Poor.

- 
- II. The Transient Poor – The Churning poor who regularly move in and out of poverty (e.g. small farmers and seasonal workers) and the occasionally poor who are rich most of the time but may sometimes have a patch of bad luck, are grouped together as the transient poor.
 - III. Non-poor – There are those who are never poor, called non-poor.




Limitations of Calorie-based norm to identify the poor:

- (i) It groups all the poor together and does not differentiate between the very poor and the other poor. Thus, it is helpful in identifying the poor as a group to be taken care of by the government, but it would be difficult to identify who among the poor need help the most.



(ii) This mechanism takes into account expenditure on food and a few select items as proxy for income. Economists question its basis. There are many factors, other than income and assets, which are associated with poverty; for instance, the accessibility to basic education, health care, drinking water and sanitation. They need to be considered to develop Poverty Line.



(iii) This mechanism for determining the Poverty Line also does not take into consideration social factors that perpetuate poverty such as illiteracy, ill health, lack of access to resources, discrimination or lack of civil and political freedoms.

As per CBSE Revised Syllabus for 2021 Exam



Chapter 5 Human Capital Formation in India

5.1

Human Capital— Meaning and Sources

Meaning of Human Capital

Just as a country can turn physical resources like land into physical capital like factories, similarly, it can also turn human resources like students into human capital like engineers and doctors.

Human capital refers to the stock of skills and expertise of a nation at a given point of time.

Societies need sufficient good human capital to produce other human capital out of human resources (say, doctors, engineers, scientists...).

Thus, human capital represents enhanced labour productivity, which is an acquired ability and an outcome of deliberate investment decisions with an expectation that it will increase future income sources.

Sources of Human Capital/Factors Contributing to Human Capital Formation

1. Investment in education

Investment in education is considered as one of the main sources of human capital. Spending on education by individuals is similar to spending on capital goods by companies with the objective of increasing future profits over a period of time. Likewise, individuals invest in education with the objective of increasing their future income.

2. Expenditure on health

Like education, health is also considered as an important input for the development of a nation as much as it is important for the development of an individual. Who can work better — a sick person or a person with sound health? A sick labourer without access to medical facilities is compelled to abstain from work and there is loss of productivity. Hence, expenditure on health is an important source of human capital formation.

Various Forms of Health Expenditures

- Preventive medicine (vaccination)
- Curative medicine (medical intervention during illness)
- Social medicine (spread of health literacy)

- ❑ Provision of clean drinking water and good sanitation

Health expenditure directly increases the supply of healthy labour force and is, thus, a source of human capital formation.

3. Expenditure regarding on-the-job training

Firms spend on giving on-the-job training to their workers. This may take different forms:

- (i) The workers may be trained in the firm itself under the supervision of a skilled worker.
- (ii) The workers may be sent for off-campus training.



**Scientific and technical manpower:
a rich ingredient of human capital**

In both these cases firms incur some expenses. Firms will, thus, insist that the workers should work for a minimum specific period of time, after their on-the-job training, during which it can recover the benefits of the enhanced productivity owing to the training.

Expenditure regarding on-the-job training is a source of human capital formation as the return of such expenditure in the form of enhanced labour productivity is more than the cost of it.

4. Expenditure on migration

People migrate in search of jobs that fetch them higher salaries than what they may get in their native places. Unemployment is the reason for the rural-urban migration in India.

Technically qualified persons, like engineers and doctors, migrate to other countries because of higher salaries that they may get in such countries. Migration involves cost of transport, higher cost of living in the migrated places and psychic costs of living in a strange socio-cultural setup. The enhanced earnings in the new place outweigh the costs of migration. Hence, expenditure on migration is also a source of human capital formation.

5. Expenditure incurred for acquiring information relating to the labour market and other markets

People spend to acquire information relating to the labour market and other markets. For example, people want to know the level of salaries associated with various types of jobs, whether the educational institutions provide the right type of employable skills and at what cost. This information is necessary to make decisions regarding investments in human capital as well as for efficient utilisation of the acquired human capital stock. Expenditure incurred for acquiring information relating to the labour market and other markets is also a source of human capital formation.

Human Capital and Human Development

The two terms sound similar but there is a clear distinction between them.

S. No.	Human Capital	Human Development
1.	Human capital considers education and health as a means to increase labour productivity.	Human development is based on the idea that education and health are integral to human well-being because only when people have the ability to read and write and the ability to lead a long and healthy life, they will be able to make other choices which they value.
2.	Human capital treats human beings as a means to an end; the end being the increase in productivity. In this view, any investment in education and health is unproductive if it does not enhance output of goods and services.	In the human development perspective, human beings are ends in themselves. Human welfare should be increased through investments in education and health even if such investments do not result in higher labour productivity. In such a view, every individual has a right to get basic education and basic health care. That is, every individual has a right to be literate and lead a healthy life.

Physical and Human Capital

The concept of physical capital is the base for conceptualising human capital.

There are some similarities as well as differences between the two forms of capital formation – physical capital and human capital.

Differences between Physical and Human Capital

Basis	Physical Capital	Human Capital
Tangible/ Intangible	Physical capital (such as machine) is tangible and can be easily sold in the market like any other commodity.	Human capital is intangible and is not sold in the market. Only the services of the human capital are sold.
Owner	The physical capital is separable from its owner.	Human capital is inseparable from its owner.
Mobility across space	Physical capital is completely mobile between countries except for some artificial trade restrictions.	Human capital is not perfectly mobile between countries as movement is restricted by nationality and culture.
Nature of depreciation	Continuous use of physical capital leads to depreciation.	In the case of human capital depreciation takes place with ageing but can be reduced, to a large extent, through continuous investment in education, health, etc.
Nature of benefits	Physical capital creates only private benefit. That is, benefits from a capital good flow to those who pay the price for the product and services produced by it.	Human capital benefits not only the owner but also the society in general. For example, an educated person can effectively contribute to the socio-economic progress of a nation. Human capital creates both private and social benefits.

Relationship between Human Capital and Economic Growth

Economic growth means the increase in real national income of a country.

Investment in human capital contributes to economic growth.

- Naturally, the contribution of the educated person to economic growth is more than that of an illiterate person. Education provides knowledge to understand changes in society and scientific advancements, thus, facilitate inventions and innovations. The availability of educated labour force facilitates adaptation to new technologies.

❑ Similarly, if a healthy person could provide uninterrupted labour supply for a longer period of time, then health is also an important factor for economic growth.

Thus, both education and health, along with many other factors like on-the-job training, job market information and migration, increase an individual's income generating capacity. This enhanced productivity of human beings or human capital contributes to economic growth.

Empirical evidence to prove that increase in human capital causes economic growth is rather nebulous.

This may be because of measurement problems.

For example, education measured in terms of years of schooling, teacher-pupil ratio and enrollment rates may not reflect the quality of education.

Similarly, health services measured in monetary terms, life expectancy and mortality rates may not reflect the true health status of the people in a country.

Using the indicators mentioned above, an analysis of improvement in education and health sectors and growth in real per capita income in both developing and

developed countries shows that the human capital growth in developing countries has been faster but the growth of per capita real income has not been that fast. The reason is that higher income causes building of high level of human capital and vice versa, that is, high level of human capital causes growth of income.

Select Indicators of Development in Education and Health Sectors

Particulars		1951	1981	1991	2001	2015-16
Real Per Capita Income (in ₹)		7,651	12,174	15,748	23,095	77,803
Crude Death Rate (Per 1,000 Population)		25.1	12.5	9.8	8.1	6.4
Infant Mortality Rate		146	110	80	63	34
Life Expectancy at Birth (in Years)	Male	37.2	54.1	59.7	63.9	67
	Female	36.2	54.7	60.9	66.9	70
Literacy Rate (%)		16.67	43.57	52.21	65.20	76

Two independent reports on the Indian economy, in recent times, have identified that India would grow faster due to its strength in human capital formation.

1. Deutsche Bank, a German bank, in its report on ‘**Global Growth Centres**’ (published on 1.7.05) identified that India will emerge as one among four major growth centres in the world by the year 2020.

It further states, “Our empirical investigation supports the view that human capital is the most important factor of production in today’s economies. Increases in human capital are crucial to achieving increases in GDP.”

With reference to India it states, “*Between 2005 and 2020 we expect a 40 per cent rise in the average years of education in India, to just above 7 years...*”

2. World Bank, in its recent report, ‘**India and the Knowledge Economy-Leveraging Strengths and Opportunities**’, states that India should make a transition to the knowledge economy and if it uses its knowledge as much as Ireland does (it is judged that Ireland uses its knowledge economy very effectively), then the per capita income of India will increase from a little over US \$1000 in 2002 to US \$ 3000 in 2020.

It further states that the Indian economy has all the key ingredients for making this transition, such as,

a critical mass of skilled workers, a well-functioning democracy and a diversified science and technology infrastructure.

Thus, the two reports point out the fact that further human capital formation in India will move its economy to a higher growth trajectory.

Think as you read 5.1

Question 1

Why have economists stressed the need for expanding educational opportunities in India?



Answer 1

Economists have stressed the need for expanding educational opportunities as it accelerates the development process of the nation.



Question 2

What are the two major sources of human capital in a country?



Answer 2

The two major sources of human capital in a country are
(i) Investment in education (ii) Investment in health.



Question 3

Enumerate the different sources of human capital formation.



Answer 3

Investments in education, on-the-job training, health, migration and information are the sources of human capital formation.



Question 4

Spending on education by individuals is similar to spending on capital goods by companies. Explain how.



Answer 4

Companies spend on capital goods with the objective of increasing future profits over a period of time. Likewise, individuals invest in education with the objective of increasing their future income.



Question 5

Enumerate the various forms of health expenditures.



Answer 5

- (i) Preventive medicine (vaccination),
- (ii) Curative medicine (medical intervention during illness),
- (iii) Social medicine (spread of health literacy) and
- (iv) Provision of clean drinking water and good sanitation.



Question 6

How is health expenditure a source of human capital formation?



Answer 6

Health expenditure directly increases the supply of healthy labour force and is, thus, a source of human capital formation.



Question 7

How is an expenditure regarding on-the-job training a source of human capital formation?



Answer 7

Expenditure regarding on-the-job training is a source of human capital formation as the return of such expenditure in the form of enhanced labour productivity is more than the cost of it.



Question 8

How is an expenditure on migration a source of human capital formation?



Answer 8

The enhanced earnings in the new place outweigh the costs of migration. Hence, expenditure on migration is also a source of human capital formation.



Question 9

Why do technically qualified persons, like engineers and doctors, migrate to other countries?



Answer 9

Technically qualified persons, like engineers and doctors, migrate to other countries because of higher salaries that they may get in such countries.



Question 10

Why is it necessary to incur expenditure for acquiring information relating to the labour market and other markets?



Answer 10

To know the level of salaries associated with various types of jobs, whether the educational institutions provide the right type of employable skills and at what cost. This information is necessary to make decisions regarding investments in human capital as well as for efficient utilisation of the acquired human capital stock.



Question 11

Who contributes more to national income — a worker in a factory or a software professional? and why?



Answer 11

A software professional, because the labour skill of an educated person is more than that of an uneducated person and that the former generates more income than the latter.



5.2

State of Human Capital Formation in India

Human capital formation is the outcome of investments in education, health, on-the-job training, migration and information. Of these education and health are very important sources of human capital formation.

We know that ours is a federal country with a union government, state governments and local governments (Municipal Corporations, Municipalities and Village Panchayats). The Constitution of India mentions the functions to be carried out by each level of government. Accordingly, expenditures on both education and health are to be carried out simultaneously by all the three tiers of the government.

Need for government intervention in education and health sectors

Education and health care services create both private and social benefits and this is the reason for the existence of both private and public institutions in the education and health service markets.

1. Expenditures on education and health make substantial long-term impact and they cannot be easily reversed; hence, government intervention is essential.

For instance, once a child is admitted to a school or health care centre where the required services are not provided, before the decision is taken to shift the child to

another institution, substantial amount of damage would have been done. Moreover, individual consumers of these services do not have complete information about the quality of services and their costs. In this situation, the providers of education and health services acquire monopoly power and are involved in exploitation.

The role of government in this situation is to ensure that the private providers of these services adhere to the standards stipulated by the government and charge the correct price.

2. In a developing country like ours, with a large section of the population living below the poverty line, many of us cannot afford to access basic education and health care facilities.

Moreover, a substantial section of our people cannot afford to reach super specialty health care and higher education.

Basic education and health care is a right of the citizens. So it is essential that the government should provide education and health services free of cost for the deserving citizens and those from the socially oppressed classes.

In India, the ministries of education at the union and state level, departments of education and various organisations like **National Council of Educational Research and Training (NCERT)**, **University Grants Commission (UGC)** and **All India Council of Technical Education (AICTE)** facilitate institutions which come under the education sector. Both, the union and state governments, have been stepping up expenditures in the education sector over the years in order to fulfil the objective of attaining cent per cent literacy.

Similarly, the ministries of health at the union and state level, departments of health and various organisations like **Indian Council for Medical Research (ICMR)** facilitate institutions which come under the health sector.

Growth in government expenditure on education in India

Government expenditure on education is expressed in two ways:

- (i) As a percentage of total government expenditure:** It indicates the importance of education in the scheme of things before the government.
- (ii) As a percentage of Gross Domestic Product (GDP):** It expresses how much of our income is being committed to the development of education in the country.

- ❑ During 1952-2014, education expenditure as percentage of total government expenditure increased from 7.92 to 15.7 and as percentage of GDP increased from 0.64 to 4.13.
- ❑ In 2009, the Government of India enacted the **Right to Education Act** to make free education a fundamental right of all children in the age group of 6-14 years.
- ❑ Government of India has also started levying a 2 per cent '**Education Cess**' on all Union taxes. The revenues from education cess has been earmarked for spending on elementary education.
- ❑ In addition to this, the government sanctions a large outlay for the promotion of higher education and

new loan schemes for students to pursue higher education.

Educational Achievements in India

Generally, educational achievements in a country are indicated in terms of (i) adult literacy rate, (ii) primary education completion rate and (iii) youth literacy rate.

Educational Attainment in India

S. No.	Particulars	1990	2000	2015
1.	Adult Literacy Rate (% of people aged 15+)			
	1.1 Male	61.9	68.4	81
	1.2 Female	37.9	45.4	63
2.	Primary Education Completion Rate (% of relevant age group)			
	2.1 Male	78	85	94
	2.2 Female	61	69	99
3.	Youth Literacy Rate (% of people aged 15+ to 24)			
	3.1 Male	76.6	79.7	92
	3.2 Female	54.2	64.8	87

Expenditure on different levels of education in India

Elementary education takes a major share of total education expenditure and the share of the higher/ tertiary education (institutions of higher learning like colleges, polytechnics and universities) is the least.

Though, on an average, the government spends less on tertiary education, 'expenditure per student' in tertiary education is higher than that of elementary.

However, this does not mean that financial resources should be transferred from tertiary education to elementary education. As we expand school education, we need more teachers who are trained in the higher edu-

cational institutions. Therefore, expenditure on all levels of education should be increased.

Regional differences in educational attainment in India

In 2014-15, the per capita public expenditure on elementary education differs considerably across states and regions from as high as ₹34,651 in Himachal Pradesh to as low as ₹4088 in Bihar.

This is due to economic, political as well as social reasons.

This leads to differences in educational opportunities and attainments across states.

Inadequacy of the expenditure on education

One can understand the inadequacy of the expenditure on education if we compare it with the desired level of education expenditure as recommended by the various commissions.

About 50 years ago, the **Education Commission** (1964–66) had recommended that at least 6 per cent of GDP be spent on education so as to make a noticeable rate of growth in educational achievements. Compared to this desired level of education expenditure, the current level of a little over 4 per cent has been quite inadequate.

In principle, a goal of 6 per cent needs to be reached—this has been accepted as a must for the coming years.

Future Prospects of Education

1. Education for All – Still a Distant Dream

Though literacy rates for both – adults as well as youth – have increased, still the absolute number of illiterates in India is as much as India's population was at the time of independence.

In 1950, when the Constitution of India was passed by the Constituent Assembly, it was noted in the Directive Principles of the Constitution that the government should provide free and compulsory education for all children up to the age of 14 years within 10 years from the commencement of the Constitution. Had we achieved this, we would have cent per cent literacy by now.

Therefore, we cannot be complacent about the upward movement in the literacy rates and we have miles to go in achieving cent per cent adult literacy.

2. Gender Equity – Better than Before

The differences in literacy rates between males and females are narrowing signifying a positive development in gender equity.

Still the need to promote education for women in India is imminent for various reasons such as:

- (i) Improving economic independence and social status of women to save them from exploitation.
- (ii) Women education makes a favourable impact on fertility rate and health care of women and children.

3. Higher Education – a Few Takers

The Indian education pyramid is steep, indicating lesser and lesser number of people reaching the higher education level. Moreover, the level of unemployment among educated youth is the highest. As per NSSO data, in the year 2011-12, the rate of unemployment among youth males who studied graduation and above in rural areas was 19 per cent while in urban areas it was 16 per cent.

The most severely affected ones were young rural female graduates as nearly 30 per cent of them are unemployed.

In contrast to this, only about 3-6 per cent of primary level educated youth in rural and urban areas were unemployed.

Therefore, the government should increase expenditure on higher education and also improve the standard of higher education institutions, so that students are imparted employable skills in such institutions.

Conclusion

The economic and social benefits of human capital formation and human development are well known. The union and state governments in India have been earmarking substantial financial outlays for development of education and health sectors. The spread of education and health services across different sectors of society should be ensured so as to simultaneously attain economic growth and equity. India has a rich stock of scientific and technical manpower in the world. The need of the hour is to better it qualitatively and provide such conditions so that they are utilised in our own country.

Important Commission/Committee, Act etc.

S. No.	Commission/Committee	Year	Purpose/Objective
1	Education Commission	1964	It had recommended that at least 6% of GDP be spent on education so as to make a noticeable rate of growth in educational achievements.
2	The Tapas Majumdar Committee	1998	It estimated an expenditure of ₹1.37 lakh crore over 10 years (1998-99 to 2006-07) to bring all Indian children in the age group of 6-14 years under the purview of school education.

3	Right to Education (RTE) Act	2009	It was enacted by the Government of India to make free education a fundamental right of all children in the age group of 6-14 years.
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Think as you read 5.2

Question 1

What is the reason for the existence of both private and public institutions in the education and health service markets?



Answer 1

Education and health care services create both private and social benefits. This is the reason for the existence of both private and public institutions in the education and health service markets.



Question 2

Why do we observe regional differences in educational attainment in India?



Answer 2

There are wide differences in educational attainment in India across regions and states due to economic, political as well as social reasons.



Question 3

What are the indicators of educational achievement in a country?



Answer 3

Adult literacy rate, Primary education completion rate and youth literacy rate.



Question 4

How is government expenditure on education expressed?



Answer 4

Government expenditure on education is expressed in two ways: (i) as a percentage of total government expenditure and (ii) as a percentage of Gross Domestic Product (GDP).



Question 5

Why did the Government of India enact the Right of Education Act in 2009?



Answer 5

In 2009, the Government of India enacted the Right of Education Act to make free education a fundamental right of all children in the age group of 6-14 years.



Question 6

Why has Government of India started levying a 2 per cent 'education cess' on all Union taxes?



Answer 6

Government of India has also started levying a 2 per cent 'education cess' on all Union taxes so that the revenues from education cess may be used for spending on elementary education.



Question 7

Is the expenditure on different levels of education in India the same?



Answer 7

No, elementary education takes a major share of total education expenditure and the share of the higher/tertiary education (institutions of higher learning like colleges, polytechnics and universities) is the least.



Question 8

What percentage of GDP was recommended by the Education Commission (1964–66) to be spent on education and why?



Answer 8

The Education Commission (1964–66) had recommended that at least 6 per cent of GDP be spent on education so as to make a noticeable rate of growth in educational achievements.



Objective Type Questions

Question 1

The labour skill of an educated person is more than that of an uneducated person and hence the former is able to generate more income than the latter and his contribution to _____ is consequently more.



Answer 1

economic growth



Question 2

Economists have stressed the need for expanding educational opportunities in a nation. Give reason.



Answer 2

As it accelerates the economic development process



Question 3

Just as a country can turn physical resources like land into physical capital like factories, similarly, it can also turn human resources like students into _____ like engineers and doctors.



Answer 3

human capital



Question 4

We need investment in human capital. Give reason.



Answer 4

To produce more human capital (say, doctors, engineers ...) out of human resources.



Question 5

Investments in education convert human beings into

_____ .



Answer 5

Human capital



Question 6

_____ represents enhanced labour productivity which is an acquired ability and an outcome of deliberate investment decisions with an expectation that it will increase future income sources.



Answer 6

human capital



Question 7

Investment in education, health, on-the-job training, _____ and _____ are the sources of human capital formation.



Answer 7

migration; information



Question 8

Individuals invest in education with the objective of:

(Choose the correct alternative)

- (a) increasing their future income.
- (b) accelerating the development process.
- (c) facilitating adaptation of new technologies.
- (d) All of the above.



Answer 8

(a) increasing their future income.



Question 9

Like education, health is also considered important.
Give reason.



Answer 9

Health is also considered as an important input for the development of a nation as much as it is important for the development of an individual.



Question 10

Expenditure on health is an important source of human capital formation. Give reason.



Answer 10

A person with sound health can work better. On the other hand, sick labourers without access to medical facilities is compelled to abstain from work and there is loss of productivity. Hence, expenditure on health is an important source of human capital formation.



Question 11

Match the following:

Column I	Column II
(a) Medical intervention during illness.	(i) Preventive medicine
(b) Spread of health literacy	(ii) Curative medicine
	(iii) Social medicine



Answer 11

(a) – (ii), (b) – (iii)



Question 12

Firms will insist that the workers should work for a specific period of time, after their on-the-job training. Give reason.



Answer 12

During that time period, it can recover the benefits of the enhanced productivity owing to the training.



Question 13

Expenditure regarding on-the-job training is a source of human capital formation as _____.



Answer 13

the return of such expenditure in the form of enhanced labour productivity is more than the cost of it.



Question 14

_____ is the reason for the rural-urban migration in India.



Answer 14

Unemployment



Question 15

Technically qualified persons, like engineers and doctors, migrate to other countries because _____ .



Answer 15

of higher salaries that they may get in such counties



Question 16

In both cases — Rural-urban migration and migration to other countries—involves cost of transport, higher cost of living in the migrated places and _____ .



Answer 16

psychic costs of living in a strange socio-cultural set up



Question 17

_____ is the reason for the rural-urban migration in India.



Answer 17

The enhanced earnings in the new place outweigh the costs of migration; Hence, expenditure on migration is also a source of human capital formation.



Question 18

Expenditure incurred for acquiring information relating to the labour market and other markets is a source of human capital formation. Give reason.



Answer 18

Because this information is necessary to make decisions regarding investments in human capital as well as for efficient utilisation of the acquired human capital stock.



Question 19

The two forms of capital formation are _____ .



Answer 19

physical capital and human capital



Question 20

Physical capital is _____ and can be easily sold in the market. Human capital is _____ ; it is not sold in the market, only the services of the human capital are sold. (tangible/intangible)



Answer 20

tangible; intangible



Question 21

Both _____ and _____, along with many other factors like on-the-job training, job market information and migration, increase an individual's income generating capacity.



Answer 21

education ; health



Question 22

The enhanced productivity of human beings or human capital:

(Choose the correct alternative)

- (a) contributes substantially towards increasing labour productivity.
- (b) stimulates innovations.
- (c) creates ability to absorb new technologies.
- (d) All of the above



Answer 22

(d) All of the above



Question 23

The causality between human capital and economic growth flows in either directions. Give reasons.



Answer 23

Higher income causes building of high level of human capital and vice-versa, that is high level of human capital causes growth of income.



Question 24

Two independent reports on the Indian economy, in recent times, have identified that India would grow faster due to its strength in _____ .



Answer 24

human capital formation



Question 25

World Bank, in its report, 'India and the knowledge Economy – Leveraging Strengths and opportunities', states that India should make transition to the knowledge economy and if it uses its knowledge as much as Ireland does, then the per capita income of India will increase from a little over US\$ 1000 in 2002 to _____ in 2020.



Answer 25

US \$ 3000



Question 26

Human capital considers _____ as a means to increase labour productivity.



Answer 26

education and health



Question 27

_____ is the outcome of investment in education, health, on-the-job training, migration and information.



Answer 27

Human capital formation



Question 28

Both private and public institutions exist in the education and health service markets in India because _____.



Answer 28

education and health care services create both private and social benefits



Question 29

Government intervention is essential in the education and health service markets in India because _____.



Answer 29

expenditures on education and health make substantial long-term impact and they cannot be easily reversed.



Question 30

Match the following:

Column I	Column II
(a) The percentage of 'education expenditure of total government expenditure'.	(i) expresses how much of our income is being committed to the development of education in the country.
(b) The percentage of 'education expenditure of GDP'	(ii) indicates the importance of education in the scheme of things before the government.



Answer 30

(a) – (ii), (b) – (iii)



Question 31

During 1952-2014, education expenditure as percentage of total government expenditure increased from 7.92 to _____ and as percentage of GDP increased from 0.64 to _____ .



Answer 31

15.7; 4.13



Question 32

During 1952-2014 the increase in education expenditure has been uniform.

True/False? Give reason.



Answer 32

False: Throughout this period, the increase in education expenditure has not been uniform and there has been irregular rise and fall.



Question 33

_____ takes a major share of total education expenditure and the share of _____ is the least.
(tertiary education/Elementary education)



Answer 33

Elementary education; tertiary education



Question 34

Financial resources should be transferred from tertiary education to elementary education.

True/False? Give reason.



Answer 34

False: As we expand elementary education (i.e. school education), we need more teachers who are trained through tertiary education (i.e. higher educational institutions like colleges and universities etc.). Therefore, expenditure on all levels of education should be increased.



Question 35

The education commission (1964-66) had recommended that at least _____ of GDP be spent on education so as to make a noticeable rate of growth in educational achievements.



Answer 35

6 percent



Question 36

The Tapas Majumdar Committee, appointed by the government of India in 1998, estimated an expenditure of around _____ over 10 years (1998-99 to 2006-07) to bring all Indian children in the age group of 6-14 years under the purview of school education.



Answer 36

₹1.37 lakh crore



Question 37

In 2009 the government of India enacted _____ to make free education a fundamental right of all children in the age group of 6-14 years.



Answer 37

the Right to Education Act



Question 38

As per NSSO data, in the year 2011-12, the rate of unemployment among youth males who studied graduation and above in rural areas was _____ . Their urban counterparts had relatively less level of unemployment of _____ .



Answer 38

19 per cent ; 16 per cent



Question 39

Nearly _____ of the young rural female graduates are unemployed in 2011-12, as per NSSO data.



Answer 39

30 per cent



Question 40

Only about _____ of primary level educated youth in rural and urban areas were unemployed in 2011-12, as per NSSO data.



Answer 40

3 -6 per cent



Question 41

The government should increase allocation for higher education and also improve the standard of higher education institutions. Give reasons.



Answer 41

so that students are imparted employable skills in such institutions.



Question 42

The spread of education and health services across different sectors of society should be ensured so as to simultaneously attain _____ and _____ .



Answer 42

economic growth; equity



Question 43

In which year the Government of India enacted the Right to Education (RTE) Act?

(Choose the correct alternative)

- (a) 2007
- (b) 2008
- (c) 2009
- (d) 2010



Answer 43

(c) 2009



Question 44

Which of the following is a major source of Human Capital Formation in a country?

(Choose the correct alternative)

- (a) Expenditure on defence
- (b) Expenditure on subsidy
- (c) Expenditure on education
- (d) Expenditure on fertilizers



Answer 44

(c) Expenditure on education



Question 45

The government of India is levying a _____ percent Education Cess on all the union taxes for spending on elementary education.

(Choose the correct alternative)

- (a) 2 percent
- (b) 5 percent
- (c) 10 percent
- (d) 12 percent



Answer 45

(a) 2 percent



Self-Assessment Test 1

Human Capital Formation in India

Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

The education commission (1964-66) had recommended that at least ____ of GDP be spent on education so as to make a noticeable rate of growth in educational achievements.

(Fill up the blank with correct answer) (1 mark)

Answer 1



6 percent

Question 2

In which year the Government of India enacted the Right to Education (RTE) Act?

(Choose the correct alternative) (1 mark)

- (a) 2007
- (b) 2008
- (c) 2009
- (d) 2010

Answer 2



(c) 2009

Question 3

The government of India is leaving a _____ percent Education Cess on all the union taxes for spending on elementary education.

(Choose the correct alternative) (1 mark)

- (a) 2 percent
- (b) 5 percent
- (c) 10 percent
- (d) 12 percent

Answer 3



(a) 2 percent

Question 4

_____ represents enhanced labour productivity which is an acquired ability and an outcome of deliberate investment decisions with an expectation that it will increase future income sources.

(Fill up the blank with correct answer) (1 mark)

Answer 4



human capital

Question 5

Match the following:

(1 mark)

Column I	Column II
(a) The percentage of 'education expenditure of total government expenditure'.	(i) expresses how much of our income is being committed to the development of education in the country.
(b) The percentage of 'education expenditure of GDP'	(ii) indicates the importance of education in the scheme of things before the government.

Answer 5

(a) – (ii), (b) – (iii)

Question 6



Empirical evidence to prove that increase in human capital causes economic growth is rather nebulous.
Comment.

(3 marks)

Question 7



Examine the role of education in the economic development of a nation.

(3 marks)

Question 8


What are the sources of human capital formation?
Explain any four.

(4 marks)

Answer 8


Sources of Human Capital Formation:

- (i) Investments in education: Investments in education by individuals increase their future income. An educated person like an engineer or a doctor earns more than an illiterate person, e.g. a factory worker.
- (ii) Investments in health: A person with sound health can work better and earn more. A sick labourer, without access to medical facilities is



compelled to abstain from work and there is loss of productivity. Hence, expenditure on health is an important source of human capital formation.

- (iii) Expenditure regarding on-the-job training is a source of human capital formation as the return of such expenditure in the form of enhanced labour productivity is more than cost of it.



(iv) Expenditure on migration is also a source of human capital formation because the enhanced earnings in the new place (higher salaries) outweigh the costs of migration (higher cost of living)

Question 9

How do the two independent reports on the Indian economy, in recent times, have identified that India would grow faster due to its strength in human capital formation? Explain.


(4 marks)

Answer 9

Two independent reports on the Indian economy have identified that India would grow faster due to its strength in human capital formation.

- (i) Deutsche Bank, a German bank, in its report on 'Global Growth Centres' (published on 1.7.2005) identified that India will emerge as one among four major growth centres in the world by the year 2020.

(ii) World Bank, in its report, “India and the knowledge Economy – Leveraging strengths and opportunities”, states that India should make a transition to the knowledge economy and if it uses its knowledge as much as Iceland does, then the per capita income of India will increase from a little over US\$ 1000 in 2002 to US\$ 3000 in 2020. Indian economy has all the key ingredients for making this transition, su-



ch as, a critical mass of skilled workers and, a diversified science and technology infrastructure.

Question 10

Critically appraise the growth of education sector in India during 1952-2014.

(6 marks)

Self-Assessment Test 2

Human Capital Formation in India

Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

In 2009 the government of India enacted _____ to make free education a fundamental right of all children in the age group of 6-14 years.

(Fill up the blank with correct answer) (1 mark)

Answer 1



the Right to Education Act

Question 2

Both _____ and _____ , along with many other factors like on-the-job training, job market information and migration, increase an individuals income generating capacity.

(Fill up the blank with correct answer) (1 mark)

Answer 2



education ; health

Question 3

What are the two major sources of human capital in a country?

(1 mark)

Answer 3



Investment in education and health

Question 4

Why do we observe regional differences in educational attainment in India? **(1 mark)**

Answer 4



Because per capita public expenditure on education differs considerably across states.

Question 5

Two independent reports on the Indian economy, in recent times, have identified that India would grow faster due to its strength in _____ .

(Fill up the blank with correct answer) (1 mark)

Answer 5



human capital formation

Question 6

What are the different forms in which firms spend on giving on-the-job training to their workers?

How is the expenditure regarding on-the-job training a source of human capital formation.

(3 marks)

Question 7

Education is sought not only as it confers higher earning capacity on people but also for its other highly valued benefits. Examine the statement.

(3 marks)

Question 8

What are the main problems of human capital formation in India?

(4 marks)

Question 9


‘Education Commission 1964-66 had recommended that at least 6 per cent of GDP must be spent on education’.

How far India has been able to achieve the said goal?

(4 marks)

Answer 9

Investment in education system in India has been a woeful failure. The fact of the matter is that, in 1952 we were spending a meager 0.6% of our GDP on education that rose to only 4% in 2014. This has fallen well short of 6% target as proposed by the Education Commission, 1964. Moreover, throughout this period the increase in education expenditure has not been uniform and there has been irregular rise and fall.



This shows the apathy of the government towards investment in the education system. One can imagine, if the recommended 6% p.a. of the GDP would have been spent properly the present education system would have reached unforeseen heights.

Question 10

What is 'Human Capital'? Explain the role of human capital in economic 'development of a country'.

(6 marks)

Answer 10

‘Human Capital’ represents enhanced productivity of human beings, for example, human resources becoming engineers and doctors through investments in education. Obviously, the labour skills of an educated person is more than that of an uneducated person and hence the former contributes more to national income than the latter.


Economic growth means the increase in real national income of a country. Naturally, an educated



person contributes more to economic growth.

Economists have stressed the need for expanding educational opportunities in a nation as it accelerates the economic development process.

- Education provides knowledge to understand changes in society and scientific advancements, thus, facilitate inventions and innovations.
- Similarly, the availability of educated labour force facilitates adaptation to new technologies.



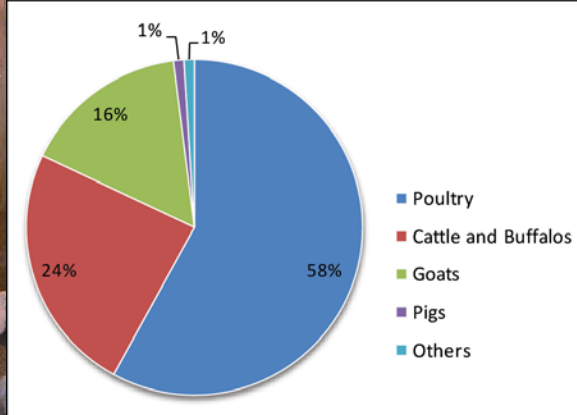
India recognised the importance of human capital in economic growth long ago. The Seventh Five Year plan says, “Human resources development (human capital) must be assigned a key role in any development strategy. Trained and educated population can itself become an asset in accelerating economic growth.”

The growth of human capital (education and health) and economic growth have taken place simultaneously, as shown below:

Select Indicators of Development in Education and Health Sectors

Particulars	1951	1991	2015-16
Real Per Capita Income (₹)	7,651	15,748	77,803
Literacy Rate (%)	16.67	52.21	76
Life Expectancy (years)			
Male	37.2	59.7	67
Female	36.2	60.9	70

As per CBSE Revised Syllabus for 2021 Exam



Chapter 6 Rural Development

6.1

Rural Development

Need for Rural Development

Rural development is quite a comprehensive term but it essentially means a plan of action for the development of rural areas which are lagging behind in socio-economic development.

Inadequate infrastructure, lack of alternate employment opportunities in the industry or service sector, increasing casualisation of employment etc., impede rural development.

The impact of this phenomenon can be seen from the growing distress witnessed among farmers across different parts of India.

During 2007-12, the growth rate of agriculture output was only 3.2 per cent.

The Key Issues in Rural Development

Some of the areas which are challenging and need fresh initiatives for development in rural India include:

- ❑ Development of human resources including
 - literacy, more specifically, female literacy, education and skill development
 - health, addressing both sanitation and public health
- ❑ Land reforms
- ❑ Development of the productive resources of each locality

- ❑ Infrastructure development like electricity, irrigation, credit, marketing, transport facilities including construction of village roads and feeder roads to nearby highways, facilities for agriculture research and extension, and information dissemination
- ❑ Special measures for alleviation of poverty and bringing about significant improvement in the living conditions of the weaker sections of the population emphasising access to productive employment opportunities

All this means that people engaged in farm and non-farm activities in rural areas have to be provided with various means that help them increase the productivity.

They also need to be given opportunities to diversify into various non-farm productive activities such as food processing.

Enabling them better and more affordable access to healthcare, sanitation facilities at workplaces and homes and education for all would also need to be given top priority for rapid rural development.

Think as you read 6.1

Question 1

Why should we attach much significance to rural development when we see around us fast growing cities with large industries and modern information technology hubs?



Answer 1

It is because more than two-third of India's population depends on agriculture and one-third of rural India still lives in poverty.



Question 2

Why is rural development necessary?



Answer 2

Inadequate infrastructure, lack of alternate employment opportunities in the industry or service sector, increasing casualisation of employment etc., impede rural development.



Question 3

What does infrastructure development mean in the context of rural development?



Answer 3

Infrastructure development like electricity, irrigation, credit, marketing, transport facilities including construction of village roads and feeder roads to nearby highways, facilities for agriculture research and extension, and information dissemination.



Question 4

After the initiation of reforms, the growth rate of agriculture sector decelerated to about 3 per cent per annum during the 1991-2012. What is the major reason for this as identified by economists?



Answer 4

Economists identify decline in public investment since 1991 as the major reason for this.



6.2

Credit and Marketing in Rural Areas

Importance of credit in rural development

1. Growth of rural economy depends primarily on infusion of capital, from time to time, to realise higher productivity in agriculture and non-agriculture sectors.
2. As the time gestation between crop sowing and realisation of income after production is quite long, farmers borrow from various sources to meet their initial investment on seeds, fertilisers, implements and other family expenses of marriage, death, religious ceremonies, etc.

Sources of rural credit in India

- ❑ At the time of independence, moneylenders and traders exploited small and marginal farmers and landless labourers by lending to them on high interest rates and by manipulating the accounts to keep them in a debt-trap.
- ❑ A major change occurred after 1969 when India adopted social banking and multi-agency approach to adequately meet the needs of rural credit.
- ❑ Later, the **National Bank for Agriculture and Rural Development (NABARD)** was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system.

- ❑ The Green Revolution was a harbinger of major changes in the credit system as it led to the diversification of the portfolio of rural credit towards production-oriented lending.
- ❑ The institutional structure of rural banking today consists of a set of multi-agency institutions, namely, commercial banks, regional rural banks (RRBs), cooperatives and land development banks. They are expected to dispense adequate credit at cheaper rates.

Rural Banking System – a Critical Evaluation:

Role of Rural Banking System in the process of rural development in India

1. Rapid expansion of the rural banking system had a positive effect on rural farm and non-farm output, income and employment, especially after the green revolution – it helped farmers to avail services and credit facilities and a variety of loans for meeting their production needs.
2. We have now achieved food security which is reflected in the abundant buffer stocks of grains.

Criticisms/Drawbacks

1. Except commercial banks, other formal institutions have failed to develop a culture of deposit mobilisation — lending to worthwhile borrowers and effective loan recovery.
2. Agriculture loan default rates have been chronically high. It is alleged that farmers are deliberately refusing to pay back loans.

Thus, the expansion and promotion of the rural banking sector has taken a backseat after reforms.

Suggestions

1. Banks need to change their approach from just being lenders to building up relationship banking with the borrowers.
2. Inculcating the habit of thrift and efficient utilisation of financial resources needs to be enhanced among the farmers too.

Role of Self-Help Groups (micro-credit) in meeting credit requirements of the poor

Recently, Self-Help Groups (SHGs) have emerged to fill the gap in the formal credit system. The formal credit delivery mechanism has not only proven inadequate but has also not been fully integrated into the overall rural social and community development. Since some kind of collateral is required, vast proportion of poor rural households were automatically out of the credit network. By March end 2003, more than 7,00,000 SHGs had reportedly been credit linked.

- ❑ The SHGs promote thrift in small proportions by a minimum contribution from each member.
- ❑ From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates.
- ❑ SHGs have helped in the empowerment of women.



Self-Help Groups (SHGs) to provide rural credit

Such credit provisions are generally referred to as **micro-credit programmes**.

Drawback/Criticism: It is alleged that the borrowings are mainly confined to consumption purposes rather than productive investment.

Think as you read 6.2

Question 1

Growth of rural economy depends primarily on _____ ,
from time to time, to realise _____ in agriculture and
non-agriculture sectors.



Answer 1

infusion of capital, higher productivity



Question 2

Why do the farmers need to borrow from various sources?



Answer 2

As the time gestation between crop sowing and realisation of income after production is quite long, farmers borrow from various sources to meet their initial investment on seeds, fertilisers, implements and other family expenses of marriage, death, religious ceremonies etc.



Question 3

At the time of independence, how did the moneylenders and traders exploit small and marginal farmers and landless labourers?



Answer 3

At the time of independence, moneylenders and traders exploited small and marginal farmers and landless labourers by lending to them on high interest rates and by manipulating the accounts to keep them in a debt-trap.



Question 4

_____ was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system.



Answer 4

National Bank for Agriculture and Rural Development
(NABARD)



Question 5

How was the Green Revolution a harbinger of major changes in the rural credit system?



Answer 5

The Green Revolution was a harbinger of major changes in the rural credit system as it led to the diversification of the portfolio of rural credit towards production-oriented lending.



Question 6

State the composition of the institutional structure of rural banking today.



Answer 6

The institutional structure of rural banking today consists of a set of multi-agency institutions, namely, commercial banks, regional rural banks (RRBs), cooperatives and land development banks.



Question 7

State the role of Self-Help Groups in providing rural credit.



Answer 7

Self-Help Groups (SHGs) promote thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates.



Question 8

State the drawback of credit provisions through micro-credit programmes.



Answer 8

It is alleged that the borrowings are mainly confined to consumption purposes.



6.3

Agricultural Market System

Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities (food grains, vegetables and fruits) across the country.

Obstacles that hinder the mechanism of agricultural marketing

1. Prior to independence, farmers, while selling their produce to traders, suffered from faulty weighing and manipulation of accounts.
2. Farmers who did not have the required information on prices prevailing in markets were often forced to sell at low prices.
3. They also did not have proper storage facilities to keep back their produce for selling later at a better price. Even today, more than 10 per cent of goods produced in farms are wasted due to lack of storage.

Therefore, state intervention became necessary to regulate the activities of the private traders. The need for government intervention is imminent particularly when a large share of agricultural products, is handled by the private sector.

However, some scholars argue that commercialisation of agriculture offers tremendous scope for farmers to earn higher incomes provided the government intervention is restricted.

Measures initiated by the government to improve agricultural marketing

1. Regulation of markets

The first step was to create orderly and transparent marketing conditions. By and large, this policy benefited farmers as well as consumers.

Drawback: There is still a need to develop about 27,000 rural periodic markets as regulated market places to realise the full potential of rural markets.



Regulated markets benefited farmers as well as consumers

2. Provision of physical infrastructure

Second component is provision of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing **units**.

Drawback: The current infrastructure facilities are quite inadequate to meet the growing demand and need to be improved.

3. Cooperative marketing

Cooperative marketing, in realising fair prices for farmers' products, is the third aspect of government initiative. The success of milk cooperatives in transforming the social and economic landscape of Gujarat and some other parts of the country is testimony to the role of cooperatives.

Drawback: Cooperatives have received a setback during the recent past due to inadequate coverage of farmer members, lack of appropriate link between marketing and processing cooperatives and inefficient financial management.

4. Policy instruments

The fourth element is the policy instruments like:

- (i) assurance of minimum support prices (MSP) for agricultural products,
- (ii) maintenance of buffer stocks of wheat and rice by Food Corporation of India and
- (iii) distribution of food grains and sugar through Public Distribution System (PDS).

These instruments are aimed at protecting the income of the farmers and providing foodgrains at a subsidised rate to the poor.

Drawback: Despite government intervention, private trade (by moneylenders, rural political elites, big merchants and rich farmers) predominates agricultural markets.



Distribution of food grains and sugar through PDS

Emerging Alternate Marketing Channels for agricultural marketing

1. It has been realised that if farmers directly sell their produce to consumers, it increases their incomes. Some examples of these channels are:
 - Apni Mandi (Punjab, Haryana and Rajasthan);
 - Hadaspar Mandi (Pune);



Apni Mandi – alternate marketing channel for agricultural marketing

- Rythu Bazars (vegetable and fruit markets in Andhra Pradesh and Telangana) and
 - Uzhavar Sandies (farmers markets in Tamil Nadu).
2. Further, several national and multinational fast food chains are increasingly entering into contracts/alliances with farmers to encourage them to cultivate farm products (vegetables, fruits, etc.) of the desired quality by providing them with not only seeds and other inputs but also assured procurement of the produce at pre-decided prices.

Benefits of such arrangements:

- (i) It will help in reducing the price risks of farmers.
- (ii) It would also expand the markets for farm products.

Think as you read 6.3

Question 1

What do you mean by agricultural marketing?



Answer 1

Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities (food grains, vegetables and fruits) across the country.



Question 2

Even today, more than 10 per cent of goods produced in farms are wasted. Why?



Answer 2

Even today, more than 10 per cent of goods produced in farms are wasted due to lack of storage.



Question 3

Name the policy instruments to improve agricultural marketing.



Answer 3

- (i) assurance of minimum support prices (MSP) for agricultural products,
- (ii) maintenance of buffer stocks of wheat and rice by Food Corporation of India and
- (iii) distribution of food grains and sugar through Public Distribution System (PDS).



Question 4

What is the aim of the policy instruments to improve agricultural marketing?



Answer 4

The policy instruments to improve agricultural marketing are aimed at protecting the income of the farmers and providing foodgrains at a subsidised rate to the poor.



6.4

Diversification into Productive Activities

Agricultural Diversification: Meaning and Significance

Agricultural diversification includes two aspects:

- (i) one relates to change in cropping pattern and
- (ii) the other relates to a shift of workforce from agriculture to other allied activities (livestock, poultry, fisheries etc.) and non-agriculture sector.

Why is agricultural diversification essential for sustainable livelihoods?

1. The need for diversification arises from the fact that there is greater risk in depending exclusively on farming for livelihood.
2. Diversification towards new areas is necessary not only to reduce the risk from agriculture sector but also to provide productive sustainable livelihood options to rural people.
3. Much of the agricultural employment activities are concentrated in the Kharif season. But during the Rabi season, in areas where there are inadequate irrigation facilities, it becomes difficult to find gainful employment. Therefore, expansion into other

sectors is essential to provide supplementary gainful employment and in realising higher levels of income for rural people to overcome poverty.

Hence, there is a need to focus on allied activities, non-farm employment and other emerging alternatives of livelihood.



Jaggery making – an allied activity of the farming sector

Role of non-farm employment in promoting rural diversification

As agriculture is already overcrowded, a major proportion of the increasing labour force needs to find alternate employment opportunities in other non-farm sectors. Majority of rural women find employment in agriculture while men generally look for non-farm employment. In recent times, women have also begun looking for non-farm jobs.

Non-farm sectors have the following sub-sectors:

- 1. The dynamic sub-sectors that permit healthy growth:** The dynamic sub-sectors include agro-processing industries, food processing industries, leather industry, tourism, etc.
- 2. Other sectors are in subsistence, low productivity propositions:** Those sectors which have the potential but seriously lack infrastructure and other support include traditional home-based industries like pottery, crafts, handlooms etc.

Animal Husbandry

In India, the farming community uses the mixed crop-livestock farming system — cattle, goats, fowl are the widely held species. Milk, meat, eggs, wool and other by-products are emerging as important productive sectors for diversification.



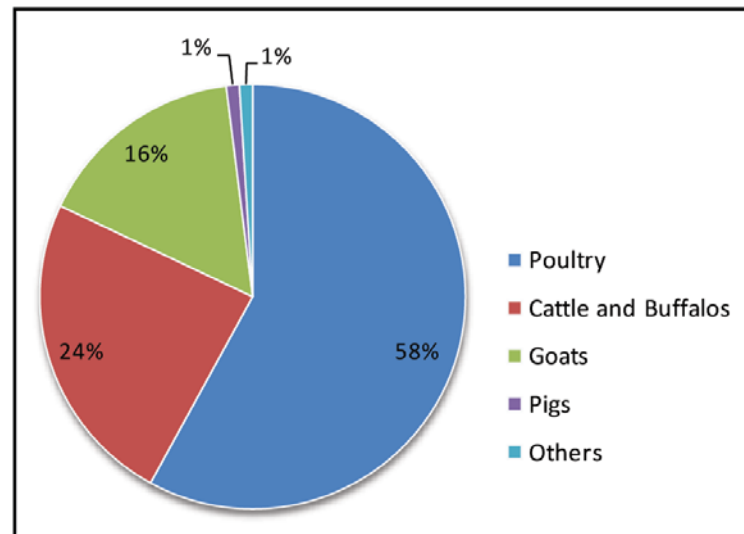
Poultry has the largest share of total livestock in India

- ❑ Livestock production provides increased stability in income, food security, transport, fuel and nutrition for the family without disrupting other food-producing activities.
- ❑ Today, livestock sector alone provides alternate livelihood options to over 70 million small and marginal farmers including landless labourers.
- ❑ A significant number of women also find employment in the livestock sector.

The pie-chart shows the distribution of livestock in India. Poultry accounts for the largest share with 58 per cent. Other animals which include camels, asses, horses, ponies and mules account for only 1 per cent share.

Measures to increase livestock productivity in India

India had about 300 million cattle, including 108 million buffaloes, in 2012. Though, in terms of numbers, our livestock population is quite impressive but its productivity is quite low as compared to other countries.



Distribution of poultry and livestock in India, 2012

1. It requires improved technology and promotion of good breeds of animals to enhance productivity.
2. Improved veterinary care and credit facilities to small and marginal farmers and landless labourers would enhance sustainable livelihood options through livestock production.

Performance of the Indian dairy sector

Milk production in the country has increased by more than 8 times between 1951-2014.

This can be attributed mainly to the successful implementation of '**Operation Flood**'.

- ❑ Operation Flood is a system whereby all the farmers can pool their milk produced according to different grading (based on quality) and the same is processed and marketed to urban centres through cooperatives. (*Gujarat state is held as a success story in the efficient implementation of milk cooperatives which has been emulated by many states.*)
- ❑ In this system the farmers are assured of a fair price and income from the supply of milk to urban markets.

Fisheries

- ❑ The fishing community regards the water body as 'mother' or 'provider'. The water bodies consisting of sea, oceans, rivers, lakes, natural aquatic ponds, streams etc. are, therefore, an integral and life-giving source for the fishing community.
- ❑ In India, after progressive increase in budgetary allocations and introduction of new technologies in fisheries and aquaculture, the development of fisheries has come a long way.
- ❑ Presently, fish production from inland sources contributes about 64 per cent to the total value of fish production and the balance 36 per cent comes from the marine sector (sea and oceans).

- ❑ Today, total fish production accounts for 0.8 per cent of the total GDP.
- ❑ In India, West Bengal, Andhra Pradesh, Kerala, Gujarat, Maharashtra and Tamil Nadu are major fish producing states.
- ❑ A large share of fishworker families are poor. Rampant underemployment, low per capita earnings, absence of mobility of labour to other sectors and a high rate of illiteracy and indebtedness are some of the major problems fishing community face today.
- ❑ There is a need to increase credit facilities through cooperatives and SHGs for fisherwomen to meet the working capital requirements for marketing.

- ❑ Problems related to over-fishing and pollution need to be regulated and controlled. Welfare programmes for the fishing community have to be re-oriented in a manner which can provide long-term gains and sustenance of livelihoods.

Horticulture

- ❑ Blessed with a varying climate and soil conditions, India has adopted growing of diverse horticultural crops such as fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops.
- ❑ These crops play a vital role in providing food and nutrition, besides addressing employment concerns.
- ❑ Horticulture has emerged as a successful sustainable livelihood option. It contributes nearly one-third of the value of agriculture output and 6 per cent of GDP of India.

- ❑ India has emerged as a world leader in producing a variety of fruits like mangoes, bananas, coconuts, cashew nuts and a number of spices and is the second largest producer of fruits and vegetables.
- ❑ Economic condition of many farmers engaged in horticulture has improved and it has become a means of improving livelihood for many unprivileged classes.
- ❑ Flower harvesting, nursery maintenance, hybrid seed production and tissue culture, propagation of fruits and flowers and food processing are highly remunerative employment options for women in rural areas.

Requirements for enhancing the role of horticulture

1. Investment in infrastructure like electricity
2. Cold storage systems
3. Marketing linkages
4. Small-scale processing units
5. Technology improvement and dissemination

Role of Information Technology (IT) in achieving sustainable development and food security

Experiments with IT and its application to rural development are carried out in different parts of India.

1. Predicting areas of food insecurity:

Governments can predict areas of food insecurity and vulnerability using appropriate information and software tools so that action can be taken to prevent or reduce the likelihood of an emergency.

2. Disseminate information:

IT also has a positive impact on the agriculture sector as it can disseminate information regarding emerging technologies and its applications, prices, weather and soil conditions for growing different crops etc.

3. Releasing the creative potential and knowledge:

IT can act as a tool for releasing the creative potential and knowledge embedded in the society.

4. Employment generation:

IT also has potential of employment generation in rural areas.

Think as you read 6.4

Question 1

Give the meaning of agricultural diversification.



Answer 1

Agricultural diversification includes two aspects – one relates to change in cropping pattern and the other relates to a shift of workforce from agriculture to other allied activities (livestock, poultry, fisheries etc.) and non-agriculture sector.



Question 2

Why does the need for rural diversification arise?



Answer 2

The need for diversification arises from the fact that there is greater risk in depending exclusively on farming for livelihood.



Question 3

What is meant by 'Operation Flood'?



Answer 3

Operation Flood is a system whereby all the farmers can pool their milk produced according to different grading (based on quality) and the same is processed and marketed to urban centres through cooperatives.



Question 4

Milk production in the country has increased by more than _____ between 1951-2014. This can be attributed mainly to the successful implementation of _____.



Answer 4

8 times, Operation Flood



Question 5

The fishing community regards the water body as 'mother' or 'provider'. Explain why.



Answer 5

Because the water bodies (sea, oceans, rivers, lakes, natural aquatic ponds, streams etc.) are an integral and life-giving source for the fishing community.



Question 6

In India, the development of fisheries has come a long way. Explain how.



Answer 6

In India, after progressive increase in budgetary allocations and introduction of new technologies in fisheries and aquaculture, the development of fisheries has come a long way.



Question 7

Today, total fish production accounts for _____ of the total GDP.



Answer 7

0.8 per cent



Question 8

Name the major fish producing states of India.



Answer 8

West Bengal, Andhra Pradesh, Kerala, Gujarat,
Maharashtra and Tamil Nadu



Question 9

Enumerate some of the major problems fishing community face today.



Answer 9

Rampant underemployment, low per capita earnings, absence of mobility of labour to other sectors and a high rate of illiteracy and indebtedness are some of the major problems fishing community face today.



Question 10

Blessed with a varying climate and soil conditions, India has adopted growing of diverse horticultural crops.

Name such crops.



Answer 10

Fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops.



Question 11

Horticulture has emerged as a successful sustainable livelihood option. It contributes nearly _____ of the value of agriculture output and _____ of GDP of India.



Answer 11

one-third, 6 per cent



6.5

Diversification into Productive Activities

In recent years, awareness of the harmful effect of chemical-based fertilisers and pesticides on our health is on a rise. Conventional agriculture relies heavily on chemical fertilisers and toxic pesticides etc., which enter the food supply, penetrate the water sources, harm the livestock, deplete the soil and devastate natural eco-systems.

Efforts in evolving technologies which are eco-friendly are essential for sustainable development and one such technology which is eco-friendly is organic farming.

Organic farming is an eco-friendly technique of growing crops which promotes sustainable development. In other words, organic agriculture is a whole system of farming that restores, maintains

and enhances the ecological balance.

There is an increasing demand for organically grown food to enhance food safety throughout the world.



***Organic Farming promotes
sustainable development***

Organic Farming promotes sustainable development

1. **Helps in sustainable development of agriculture:**

Organic farming helps in sustainable development of agriculture as the output is pesticide-free and produced in an environmentally sustainable way.

India has a clear advantage in producing organic products for both domestic and international markets.

- 2. Offers a means to substitute costlier agricultural inputs:** Organic agriculture offers a means to substitute costlier agricultural inputs (such as HYV seeds, chemical fertilisers, pesticides etc.) with locally produced organic inputs that are cheaper and thereby generate good returns on investment.

- 3. Generates income through exports:** Organic agriculture also generates income through exports as the demand for organically grown crops is on a rise.

4. More nutritional value: Organically grown food has more nutritional value than chemical farming thus providing us with healthy foods.

5. Generates more employment: Organic agriculture generates more employment since organic farming requires more labour input than conventional farming. India will find organic farming an attractive proposition.

Problems/Limitations of organic farming

1. The yields from organic farming are less than modern agricultural farming in the initial years.
Therefore, small and marginal farmers may find it difficult to adapt to large-scale production.
2. Organic produce may also have more blemishes and a shorter shelf life than sprayed produce.
3. Choice in production of off-season crops is quite limited in organic farming.
4. Marketing of organically produced goods is another major problem.

Suggestions to promote organic farming

1. Creating awareness and willingness on the part of farmers to adapt to new technology
2. Provision of adequate infrastructure
3. Problem of marketing the products need to be addressed
4. Appropriate agriculture policy

Conclusion

There is a greater need today to make rural areas more vibrant through diversification into dairying, poultry, fisheries, vegetables and fruits and linking up the rural production centres with the urban and foreign (export) markets to realise higher returns on the investments for the products. Moreover, infrastructure elements like credit and marketing, farmer-friendly agricultural policies and a constant appraisal and dialogue between farmers' groups and state agricultural departments are essential to realise the full potential of the sector. Today we cannot look at the environment and rural development as two distinct subjects. There is need to invent or procure alternate sets of ecofriendly technologies that lead to sustainable development in different circumstances. From these, each rural

community can choose whatever will suit its purpose. First of all, then, we need to learn from, and also try out when found relevant, practices from the available set of 'best practice' illustrations (which means success stories of rural development experiments that have already been carried out in similar conditions in different parts of India), to speed up this process of 'learning by doing'.



Key Terms

Important Organisations, Terms etc.

NABARD (National Bank for Agriculture and Rural Development)

– It was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system.

RRBs (Regional rural banks) – Regional rural banks provide adequate credit at cheaper rates.

SHGs (Self-Help Groups) – Self-Help Groups promote thrift in small proportions by a minimum contribution from each member, and from the pooled money credit is given to the needy members to be repayable in small instalments at reasonable interest rates.

Such credit provisions are referred to as ‘micro-credit programmes’

MSP (Minimum Support Price) – Assurance of minimum support price for agricultural products by the government.

Organic farming – A whole system of farming that restores, maintains and enhances the ecological balance.

Operation flood – A system whereby all the farmers can pool their milk produce according to different grading (based on quality) and the same is processed and marketed to urban centres through cooperatives. In this system, the farmers are assured of a fair price and income from the supply of milk to urban markets.

Milk production in India has increased by more than 8 times between 1951-2014. This can be attributed mainly to the successful implementation of 'operation Flood'.

Agricultural marketing – A process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.

Think as you read 6.5

Question 1

State the harmful effects of the conventional agriculture which relies heavily on chemical fertilisers and toxic pesticides.



Answer 1

Conventional agriculture relies heavily on chemical fertilisers and toxic pesticides etc., which enter the food supply, penetrate the water sources, harm the livestock, deplete the soil and devastate natural eco-systems.



Question 2

What are the major concerns which need to be addressed apart from an appropriate agriculture policy to promote organic farming?



Answer 2

Inadequate infrastructure and the problem of marketing



Question 3

Why do small and marginal farmers find it difficult to adapt to organic farming?



Answer 3

Because the yields from organic farming are less than modern agricultural farming in the initial years. Moreover, it requires the farmers to adapt to new technology



Objective Type Questions

Question 1

Poverty is a major challenge facing India. The majority of the poor live in _____ (rural areas/urban areas) where they do not have access to the basic necessities of life.



Answer 1

rural areas



Question 2

The idea of village development being at the centre of the overall development of the nation is relevant even today, when we see around us fast growing cities with large industries and modern information technology hubs, because _____.



Answer 2

more than two-third of India's population depends on agriculture that is yet to become productive; one-third of rural India still lives in abject poverty.



Question 3

_____ essentially focuses on action for the development of areas that are lagging behind in the overall development of the village economy.



Answer 3

Rural development



Question 4

After the initiation of reforms, the growth rate of agricultural sector decelerated to about 3 per cent per annum during 1991-2012, which was lower than the earlier years. The major reason for this was _____ .



Answer 4

decline in public investment since 1991



Question 5

During 2007-12 agricultural output has grown at

_____ .



Answer 5

3.2 per cent



Question 6

_____ was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system.



Answer 6

The National Bank for Agriculture and Rural Development (NABARD)



Question 7

_____ was a harbinger of major changes in the credit system as it led to the diversification of the portfolio of rural credit towards production-oriented lending.



Answer 7

The Green revolution



Question 8

The institutional structure of rural banking today consists of a set of multi-agency institutions, namely _____ . They are expected to dispense adequate credit at cheaper rates.



Answer 8

commercial banks, regional rural banks (RRBs),
Cooperatives and land development banks



Question 9

Recently _____ have emerged to fill the gap in the formal credit system.



Answer 9

Self-Help Groups (SGGs)



Question 10

By March end 2003, more than _____ SHGs had reportedly been credit linked.

(Choose the correct alternative)

- (a) one lakh
- (b) two lakhs
- (c) five lakhs
- (d) seven lakhs



Answer 10

(d) seven lakhs



Question 11

The SHGs promote thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members to be repayable in small installments at reasonable interest rates. Such credit provisions are generally referred to as _____ .



Answer 11

micro-credit programmes



Question 12

Agriculture loan default rate have been chronically high.
Why did the farmers fail to pay back loans?



Answer 12

It is alleged that farmers are deliberately refusing to pay back loans.



Question 13

_____ is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.



Answer 13

Agricultural marketing



Question 14

Prior to independence, farmers while selling their produce to traders, suffered from:

(Choose the correct alternative)

- (a) Faulty weighing
- (b) manipulation of accounts
- (c) Selling at low prices
- (d) All of these



Answer 14

(d) All of these



Question 15

Prior to independence, the farmers did not have proper storage facilities to keep back their produce for selling later at a better price. Even today, more than _____ of goods produced in forms are wasted due to lack of storage.



Answer 15

10% per cent



Question 16

Which of the following is a measure initiated by the government to improve the agricultural marketing?

(Choose the correct alternative)

- (a) Regulation of markets to create orderly and transparent marketing conditions.
- (b) Provision of physical infrastructure facilities.
- (c) cooperative marketing
- (d) All of these



Answer 16

(d) All of these



Question 17

_____, in realising fair prices for farmers' products, is one of the initiatives taken by the government.



Answer 17

Co-operative marketing



Question 18

Cooperatives have received a set back during the recent past due to:

(Choose the correct alternative)

- (a) inadequate coverage of farmer members.
- (b) lack of appropriate link between marketing and processing cooperatives.
- (c) inefficient financial management.
- (d) All of these



Answer 18

(d) All of these



Question 19

The policy instruments of the government to improve the agricultural marketing include assurance of minimum support prices (MSP) for agricultural products, maintenance of buffer stocks of wheat and rice by _____ and distribution of food grains and sugar through _____ .



Answer 19

Food corporation of India (FCI); Public Distribution System (PDS)



Question 20

Some scholars argue that _____ of agriculture offers tremendous scope for farmers to earn higher incomes provided the government intervention is restricted.



Answer 20

commercialisation of agriculture



Question 21

Match the following:

Column I	Column II
(a) Apni Mandi	(i) Andhra Pradesh and Telagana
(b) Hadaspar Mandi	(ii) Punjab, Haryana and Rajasthan
(c) Rythu Bazars	(iii) Pune
(d) Uzhavar Sandies	(iv) Tamil Nadu



Answer 21

(a)–(ii), (b)–(iii), (c)–(i), (d)–(iv)



Question 22

Agricultural diversification relates to change in cropping pattern only.

True/False? Give reason.



Answer 22

False: It also relates to a shift of workforce from agriculture to other allied activities (livestock, poultry, fisheries, etc.) and non-agriculture sector.



Question 23

The need for agricultural diversification arises:

(Choose the correct alternative)

- (a) To reduce the risk in depending exclusively on farming for livelihood.
- (b) To provide productive sustainable livelihood options to rural people.
- (c) To provide supplementary gainful employment and in realising higher levels of income for rural people to overcome poverty.
- (d) All of these

Answer 23

(d) All of these



Question 24

Much of the agriculture employment activities are concentrated in the _____ season. But during the _____ season, in areas where there are inadequate irrigation facilities, it becomes difficult to find gainful employment. Hence, there is a need to focus on allied activities, non-farm employment and other emerging alternatives of livelihood. (Kharif/Rabi)



Answer 24

Kharif, Rabi



Question 25

As agriculture is already overcrowded, a major proportion of the increasing labour force needs to find alternative employment opportunities in other non-farm sectors. Non-farm economy has several segments in it; some possess dynamic linkages that permit healthy growth while others are in subsistence, low productivity propositions. The dynamic sub sectors include _____ .



Answer 25

agro-processing industries, food processing industries, leather industry tourism, etc.



Question 26

Those non-farm sectors which have the potential but seriously lack infrastructure and other support include

_____ .



Answer 26

traditional home-based industries like pottery, crafts, handlooms etc.



Question 27

In India, the farming community uses the mixed crop-livestock farming system.

True/False? Give reason.



Answer 27

True: Cattle, goats, fowl are the widely held species. Livestock production provides increased stability in income, food security, transport, fuel and nutrition for the family.



Question 28

Today, livestock sector alone provides alternative livelihood options to over _____ small and marginal farmers including landless labourers.



Answer 28

70 million



Question 29

In the distribution of livestock in India, _____ accounts for the largest share with 58 per cent followed by others.



Answer 29

poultry



Question 30

In 2012, India had about _____ cattle, including _____ buffaloes.



Answer 30

300 million; 108 million



Question 31

Performance of the Indian dairy sector has been quite impressive. Milk production in the country has increased by more than _____ between 1951-2014. This can be attributed mainly to the successful implementation of _____.



Answer 31

8 times; Operation Flood



Question 32

_____ is a system whereby all the farmers can pool their milk produced according to different grading (based on quality) and the same is processed and marketed to urban centres through cooperatives. In this system, the farmers are assured of a fair price and income from the supply of milk to urban markets.



Answer 32

Operation Flood



Question 33

Today, total fish production accounts for _____ of the GDP.



Answer 33

0.8 per cent



Question 34

In India, _____ are major fish producing states.



Answer 34

West Bengal, Andhra Pradesh, Kerala, Gujarat, Maharashtra and Tamil Nadu



Question 35

Rampant underemployment, low per capita earnings, absence of mobility of labour to other sectors and _____ and _____ are some of the major problems fishing community face today.



Answer 35

a high rate of illiteracy; indebtedness



Question 36

_____ and _____ for fisherwomen to meet the working capital requirements for marketing.



Answer 36

cooperatives; SHGs



Question 37

Horticulture sector contributes nearly _____ of the value of agriculture output and _____ of Gross Domestic Product of India.



Answer 37

one-third; 6 per cent



Question 38

India has emerged as _____ in producing a variety of fruits like mangoes, bananas, coconuts, cashew nuts and a number of spices and is _____ producer of fruits and vegetables.



Answer 38

a world leader;the second largest



Question 39

The IT has a positive impact on the agriculture sector.
Give reason.



Answer 39

As it can disseminate information regarding emerging technologies and its applications, prices, weather and soil conditions for growing different crops etc.



Question 40

In recent years, awareness of the harmful effect of chemical based fertilisers and pesticides on our health is on a rise. Efforts in evolving technologies which are eco-friendly are essential for sustainable development and one such technology which is eco-friendly is _____ .



Answer 40

organic farming



Question 41

_____ is a whole system of farming that restores, maintains and enhances the ecological balance.



Answer 41

organic farming



Question 42

Organic food is growing in popularity across the world. Many countries have around 10 per cent of their food system under organic farming. Organic foods command higher price of around _____ than conventional ones.



Answer 42

10-100 per cent



Question 43

_____ and _____ are major concerns which need to be addressed apart from an appropriate agriculture policy to promote organic farming.



Answer 43

Inadequate infrastructure; the problem of marketing the products



Question 44

The yields from organic farming are more than modern agricultural farming.

True/ False? Give reason.



Answer 44

False: The yields from organic farming are less than modern agricultural farming in the initial years.



Question 45

Match the following:

Column I	Column II
(a) Organic Farming	(i) Shift of workforce from agriculture to other allied activities
(b) Agricultural marketing	(ii) Process involves assembling , storage , packaging and distribution of different Agricultural activities.
(c) Diversification	(iii) System enhances the ecological balance



Answer 45

(a)–(iii), (b)–(ii), (c)–(i)



Question 46

National Bank of Agriculture and Rural Development was set up in _____ as an apex body to coordinate the activities of all institutions in the rural financing system.

(Choose the correct alternative)

- (a) 1969
- (b) 1982
- (c) 1949
- (d) 1991



Answer 46

(b) 1982



Question 47

Organic farming is related to:

(Choose the correct alternative)

- (a) maintaining fertility of the soil.
- (b) use of chemical fertilizers.
- (c) decreasing fertility of soil.
- (d) using pesticides.



Answer 47

(a) maintaining fertility of the soil.



Self-Assessment Test 1

Rural Development

Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

_____ was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system.

(Fill up the blank with correct answer) (1 mark)

Answer 1



The National Bank for Agriculture and Rural Development (NABARD)

Question 2

_____ is a whole system of farming that restores, maintains and enhances the ecological balance.

(Fill up the blank with correct answer) (1 mark)

Answer 2



organic farming

Question 3

Match the following:

Column I	Column II
A. Organic Farming	(i) Shift of workforce from agriculture to other allied activities
B. Agricultural marketing	(ii) Process involves assembling , storage , packaging and distribution of different Agricultural activities.
C. Diversification	(iii) System enhances the ecological balance

Answer 3

A. (iii), B. (ii), C. (i)

Question 4

The yields from organic farming are more than modern agricultural farming.

True/ False? Give reason. (1 mark)

Answer 4



False: The yields from organic farming are less than modern agricultural farming in the initial years.

Question 5

_____ is a system whereby all the farmers can pool their milk produced according to different grading (based on quality) and the same is processed and marketed to urban centres through cooperatives. In this system, the farmers are assured of a fair price and income from the supply of milk to urban markets.

(Fill up the blank with correct answer) (1 mark)

Answer 5



Operation Flood

Question 6

After the initiation of reforms, the growth rate of agriculture sector decelerated to about 3 percent per annum during the 1991-2012. What were the reasons for this?

(3 marks)

Question 7

“Information technology (IT) plays a very significant role in achieving sustainable development and food security.”

Do you agree with the given statement? Give valid reasons in support of your answer.

(3 marks)

Question 8

Critically evaluate the role of the rural credit / banking system in the process of rural development in India.

(4 marks)

Answer 8

The institutional structure of rural banking consists of commercial banks, regional rural bank, (RRBs), cooperatives and land development banks. They are expected to dispense adequate credit at cheaper rates.

- Rapid expansion of the rural banking system had a positive effect on rural farm and non-farm output, income and employment, especially after the green revolution - it helped farmers to



avail services and credit facilities and a variety of loans for meeting their production needs.

- We have now achieved food security which is reflected in the abundant buffer stocks of food grains.

However, all is not well with the rural banking system in India.

- (i) Except commercial banks, other formal institutions have failed to develop a culture of dep-



osit mobilisation- lending to worthwhile borrowers and effective loan recovery.

(ii) Agriculture loan default rates have been chronically high. Farmers are deliberately refusing to pay back loans.

To improve the situation, it is suggested that

- banks need to change their approach from just being lenders to building up relationship banking with the borrowers.

- 
- Inculcating the habit of thrift and efficient utilisation of financial resources needs to be enhanced among the farmers too.


Question 9

Explain the role of micro-credit programmers in meeting the credit requirements of the poor.

(4 marks)

Answer 9

Micro-credit programmes: Formal credit delivery mechanism has proven inadequate for rural development. Since some kind of collateral is required, vast proportion of poor households were automatically out of the credit network. Recently, self-help groups (SHGs) have emerged to fill the gap in the formal credit system. • The SHGs promote thrift in small proportions by a minimum contribution from each members. From the pooled money, credit is



given to the needy members to be repayable in small installments at reasonable interest rates. • Such credit provisions are generally referred to as ‘micro-credit programmes’. • SHGs have helped in the empowerment of women. • However, it is alleged that borrowings are mainly confined to consumption purposes, rather than productive purposes.

Question 10

What is 'Rural Development? Why is rural development essential for Indian economic development? Bring out the key issues in rural development.

(6 marks)

Self-Assessment Test 2

Rural Development

Time Allowed: 1 hr.

Maximum Marks: 25

Question 1

The SHGs promote thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members to be repayable in small installments at reasonable interest rates. Such credit provisions are generally referred to as _____ .

(Fill up the blank with correct answer) (1 mark)

Answer 1



micro-credit programmes

Question 2

_____ is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.

(Fill up the blank with correct answer) (1 mark)

Answer 2



Agricultural marketing

Question 3

_____, in realising fair prices for farmers' products, is one of the initiatives taken by the government.

(1 mark)

Answer 3



Co-operative marketing

Question 4

National Bank of Agriculture and Rural Development was set up in _____ as an apex body to coordinate the activities of all institutions in the rural financing system. **(1 mark)**

- (a) 1969
- (b) 1982
- (c) 1949
- (d) 1991

Answer 4



(b) 1982

Question 5

The IT has a positive impact on the agriculture sector. Give reason.

(1 mark)

Answer 5

As it can disseminate information regarding emerging technologies and its applications, prices, weather and soil conditions for growing different crops etc.

Question 6



Discuss the importance of credit in rural development.

(3 marks)

Answer 6

Importance of credit in rural development: Rural economic development depends primarily on infusion of capital/credit, from time to time, to realise higher productivity in agriculture and non-agriculture sectors. • As the time gestation between crop sowing and realisation of income after production is quite long, farmers need credit to meet their initial investment on seeds, fertilizers, implements and other family expenses.

Question 7



What facilities should be provided in rural areas for rapid rural development?

(3 marks)

Question 8

What is meant by 'Agricultural Diversification'?
Why is agricultural diversification essential for rural development in India?

(4 marks)

Question 9

What are the emerging alternate marketing channels for agricultural products? Explain their benefits.

(4 marks)

Question 10



What is 'Organic Farming'? Explain its benefits.

(6 marks)

As per CBSE Revised Syllabus for 2021 Exam



Chapter 7 Employment: Growth, Informalisation and Other Issues

Revised CBSE Syllabus for 2021 Examination

- Growth and changes in work force participation rate in formal and informal sectors; problems and policies

7.1

Workers and Employment – Participation of People in Employment

Gross Domestic Product (GDP) and Gross National Product (GNP)

The total money value of all final goods and services produced within the domestic territory of a country in a given year is called its **Gross Domestic Product (GDP)** for that year.

When we add Net Factor Income from Abroad (Factor income from abroad minus Factor income paid to abroad) to GDP, what we get is called the country's **Gross National Product (GNP)** for that year.

$$\text{GNP} = \text{GDP} + \text{NFIA}$$

Those activities which contribute to the gross national product are called **economic activities**.

Who is a worker?

All those persons who are engaged in various economic activities, in whatever capacity - high or low, and hence contribute to gross national product are workers.

- ❑ Even if some of them temporarily abstain from work due to illness, injury or other physical disability, bad weather, festivals, social or religious functions, they are also workers.
- ❑ Workers also include all those who help the main workers in these activities.
- ❑ We generally think of only those who are paid by an employer for their work as workers. This is not so. Those who are self-employed are also workers.

What is employment?

The nature of employment in India is multi-faceted. Some get employment throughout the year; some others get employed for only a few months in a year. Many workers do not get fair wages for their work.

While estimating the number of workers, all those who are engaged in economic activities are in employment (or included as employed.)

Participation of people in employment

- ❑ During 2011-12, India had about a 473 million strong workforce.
- ❑ Since majority of our people reside in rural areas, the proportion of workforce residing rural areas is higher. The rural workers constitute about three-fourth of this 473 million.
- ❑ Men form the majority of workforce in India. About 70 per cent of the workers are men and the rest are women (men and women include child labourers in respective sexes).
- ❑ Women workers account for one-third of the rural workforce whereas in urban areas, they are just one-fifth of the workforce.

Worker-Population Ratio/Workforce Participation Rate

Worker-Population Ratio/Workforce Participation Rate is defined as the proportion (percentage) of population that is actively contributing to the production of goods and services of a country.

Worker-Population Ratio/Workforce Participation Rate for India is calculated by dividing the total number of workers in India by the population in India and multiply it by 100.

$$\text{Worker-Population Ratio} = (\text{Estimated number of workers} / \text{Estimated population} \times 100)$$

- ❑ Worker-population ratio/ Workforce participation rate is an indicator which is used for analysing the employment situation in the country.
- ❑ If the ratio is higher, it means that the engagement of people is greater.
- ❑ If the ratio for a country is medium, or low, it means that a very high proportion of its population is not involved directly in economic activities.

The following Table shows the different levels of participation of people in economic activities. For every 100 persons, about 39 (by rounding off 38.6) are workers in India.

Worker-Population Ratio in India, 2011-2012

Sex	Total	Rural	Urban
Men	54.4	54.3	54.6
Women	21.9	24.8	14.7
Total	38.6	39.9	35.5

Why is there difference between worker-population ratio in rural and urban areas?

In urban areas, the worker-population ratio is about 36 whereas in rural India, the ratio is about 40.

- ❑ People in rural areas have limited resources to earn a higher income and participate more in the employment market. Many do not go to schools, colleges and other training institutions. Even if some go, they discontinue in the middle to join the workforce. People cannot stay at home as their economic condition may not allow them to do so.

❑ On the other hand, in urban areas, a considerable section is able to study in various educational institutions. Urban people have a variety of employment opportunities. They look for the appropriate job to suit their qualifications and skills.

Why are women, in general, and urban women, in particular, not working?

Compared to males, less females are found to be working. The difference in participation rates is very large in urban areas: for every 100 urban females, only about 15 are engaged in some economic activities. In rural areas, for every 100 rural women about 25 participate in the employment market.

Compared to urban women, more rural women are found working because of the following reasons:

1. It is common to find that where men are able to earn high incomes, families discourage female members from taking up jobs.
2. Earnings of urban male workers are generally higher than rural males and so the urban families do not want females to work.
3. Apart from this, many household activities in which urban women are engaged are not recognised as productive work while women working on farms in the rural areas are considered a part of the workforce if they are being paid wages in cash or in the form of food grains.

Think as you read 7.1

Question 1

What is meant by 'factory work' ?



Answer 1

Earlier 'factory work' meant working in factories located in cities whereas now technology has enabled people to produce those factory-based goods at home in villages.



Question 2

Define Gross Domestic Product (GDP).



Answer 2

The total money value of all final goods and services produced within the domestic territory of a country in a given year is called its Gross Domestic Product (GDP) for that year.



Question 3

Define Gross National Product (GNP).



Answer 3

When we add Net Factor Income from Abroad (Factor income from abroad minus Factor income paid to abroad) to GDP, what we get is called the country's Gross National Product (GNP) for that year.



Question 4

Define economic activities.



Answer 4

Those activities which contribute to the gross national product are called economic activities.



Question 5

Who is a worker?



Answer 5

All those persons who are engaged in various economic activities, in whatever capacity — high or low, and hence contribute to gross national product are workers.



Question 6

The nature of employment in India is multi-faceted.
Explain.



Answer 6

The nature of employment in India is multi-faceted because some people get employment throughout the year; some others get employed for only a few months in a year.



Question 7

What is employment?



Answer 7

All those who are engaged in economic activities are in employment (or included as employed.) What is meant by 'factory work' ?



Question 8

Define population.



Answer 8

Population is defined as the total number of people who reside in a particular locality at a particular point of time.



Question 9

Define worker-population ratio.



Answer 9

Worker-Population Ratio is defined as the proportion (percentage) of population that is actively contributing to the production of goods and services of a country.
(Formula)



Question 10

Are the following workers – a beggar, a thief, a smuggler, a gambler? Why?



Answer 10

A beggar, a thief, a smuggler and a gambler are not considered as workers as they do not work or engage in any productive economic activity which may contribute to GNP of the country.



7.2

Self-Employed and Hired Workers

Different categories/status of workers

1. Self-employed

Workers who own and operate an enterprise to earn their livelihood are known as self-employed. For example, a cement shop owner is self-employed. They account for 52 per cent of India's workforce.

2. Casual wage labourers

Casual wage labourers are casually engaged in others' farms and, in return, get a remuneration for the work done. For example, the construction workers are casual wage labourers. They account for 30 per cent of India's workforce.



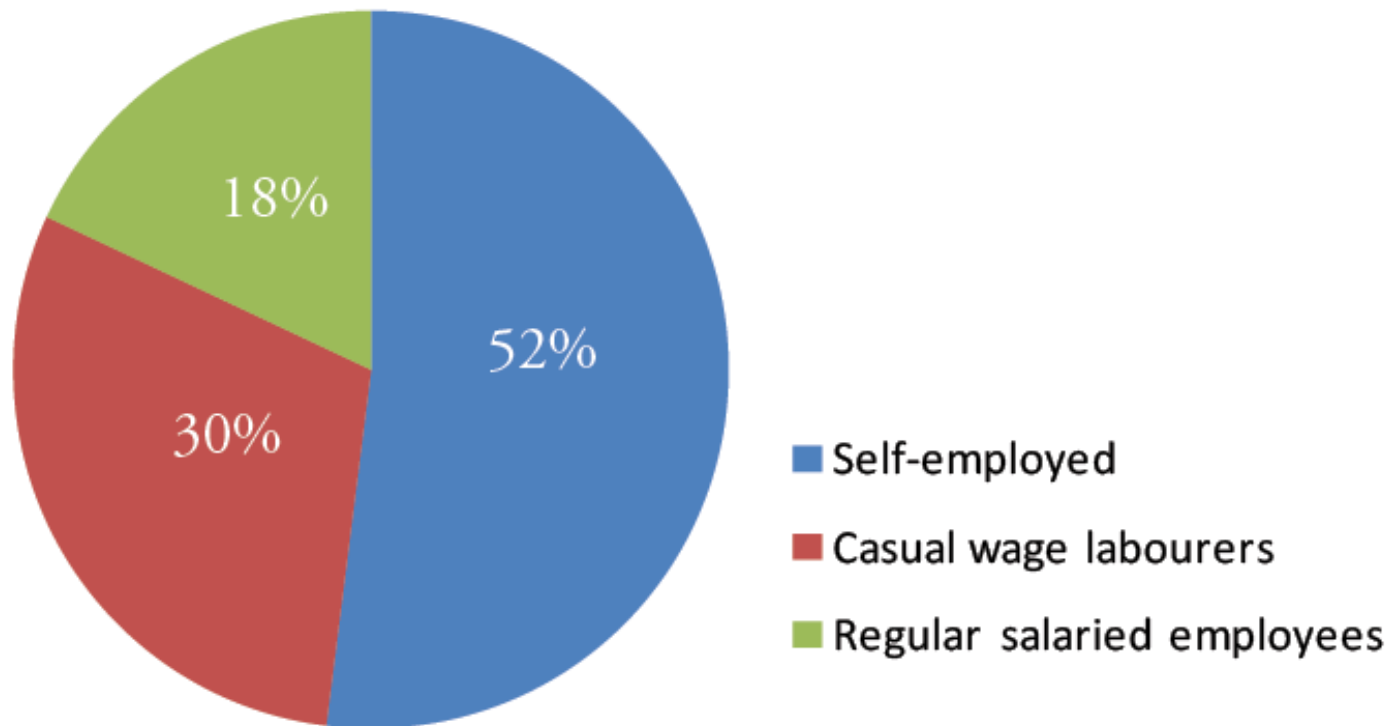
Brick-making – a form of casual work

3. Regular salaried employees

When a worker is engaged by someone or an enterprise and paid his or her wages on a regular basis, they are known as regular salaried employees. For example, workers like the civil engineer working in the construction company. They account for 18 per cent of India's workforce.

Distribution of Employment (Status-wise)

Status of workers	Percentage of Total Workforce
Self-employed	52
Casual wage labourers	30
Regular salaried employees	18
Total	100

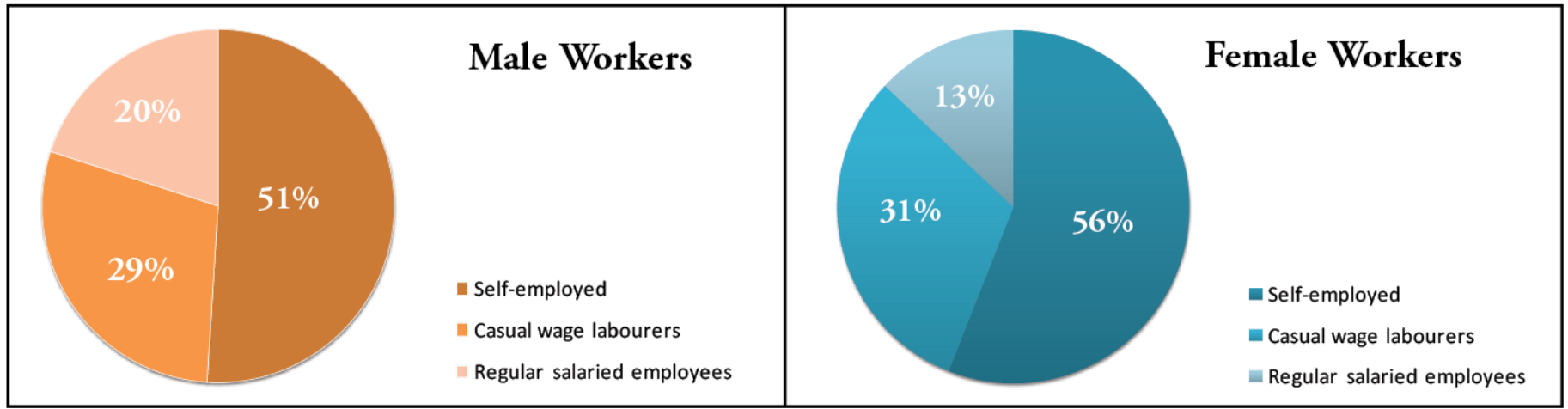


Advantages of knowing the status with which a worker is placed in an enterprise

1. By knowing the status with which a worker is placed in an enterprise, it may be possible to know the quality of employment in a country.
2. It also enables us to know the attachment a worker has with his or her job and the authority she or he has over the enterprise and over other co-workers.

Distribution of Employment by Gender

Status of workers	% of Male Workers	% of Female Workers
Self-employed	51	56
Casual wage labourers	29	31
Regular salaried employees	20	13
Total	100	100

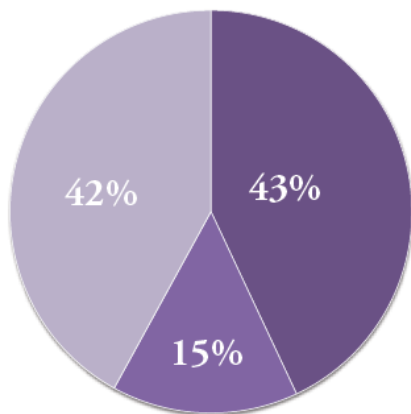


Self-employment is a major source of livelihood for both men and women as this category accounts for more than 50 per cent of the workforce in both pie-charts. Casual wage work is the second major source for both men and women. Men are engaged in regular salaried employment in greater proportion than women. They form 20 per cent whereas women form only 13 per cent. One of the reasons could be skill requirement. Since

regular salaried jobs require skills and a higher level of literacy, women might not have been engaged to a great extent.

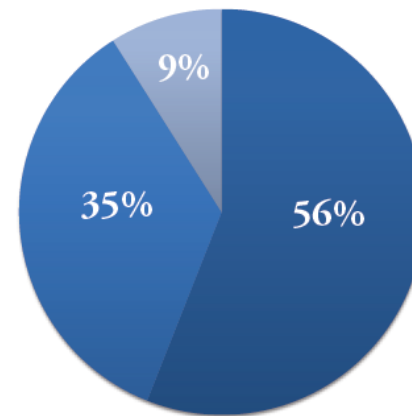
Distribution of Employment by Region

Status of workers	Urban Areas (%)	Rural Areas (%)
Self-employed	43	56
Casual wage labourers	15	35
Regular salaried employees	42	9
Total	100	100



Urban Workers

- Self-employed
- Casual wage labourers
- Regular salaried employees



Rural Workers

- Self-employed
- Casual wage labourers
- Regular salaried employees

The self-employed and casual wage labourers are found more in rural areas than in urban areas. In rural areas, since majority of those depending on farming own plots of land and cultivate independently, the share of self-employed is greater.

In urban areas, both self-employment and regular wage salaried jobs are greater. The nature of work in urban areas is different. Obviously everyone cannot run factories, shops and offices of various types. Moreover, enterprises in urban areas require workers on a regular basis.

Think as you read 7.2

Question 1

State the advantages of knowing the status with which a worker is placed in an enterprise.



Answer 1

By knowing the status with which a worker is placed in an enterprise, it may be possible to know the quality of employment in a country. It also enables us to know the attachment a worker has with his or her job and the authority she or he has over the enterprise and over other co-workers.



Question 2

Who is a casual wage labourer?



Answer 2

Casual wage labourers are casually engaged in others' farms and, in return, get a remuneration for the work done. For example, the construction workers are casual wage labourers.



Question 3

Why are less women found in regular salaried employment?



Answer 3

One of the reasons could be skill requirement. Since regular salaried jobs require skills and a higher level of literacy, women might not have been engaged to a great extent.



Question 4

Why are regular salaried employees more in urban areas than in rural areas?



Answer 4

This is because the nature of work in urban areas is different. Everyone cannot run factories, shops and offices of various types. Moreover, enterprises in urban areas require workers on a regular basis.



Question 5

The self-employed and casual wage labourers are found more in rural areas than in urban areas. Why?



Answer 5

In rural areas, since majority of those depending on farming own plots of land and cultivate independently, the share of self-employed is greater.



Question 6

Mark (a), (b) and (c) against self-employed, regular salaried employees and casual wage labourers respectively:

- (i) Owner of a saloon
- (ii) Worker in a rice mill who is paid on daily basis but employed regularly
- (iii) Cashier in State Bank of India
- (iv) Typist working in a state government office on a daily wage basis but paid monthly
- (v) Owner of a cold drinks shop which sells Pepsi, Coca Cola and Mirinda
- (vi) Nurse in a private hospital who gets monthly salary and has been working regularly for the past 5 years.

Answer 6

(i) – (a), (ii) – (b), (iii) – (b), (iv) – (c), (v) – (a), (vi) – (b)



Question 7

Meena is a housewife. Besides taking care of household chores, she works in the cloth shop which is owned and operated by her husband. Can she be considered as a worker? Why?



Answer 7

Activities for the household done by women are not recognised as productive work and hence Meena cannot be considered as a worker here.



Question 8

Find the odd man out (i) rickshaw puller who works under a rickshaw owner (ii) mason (iii) mechanic shop worker (iv) shoeshine boy



Answer 8

(iv) Shoeshine boy; he is self-employed whereas all others (a rickshaw puller, a mason, and mechanic shop worker) are hired workers who render their services to their employers and get remunerated in the form of salaries or wages.



7.3

Employment in Firms, Factories and Offices

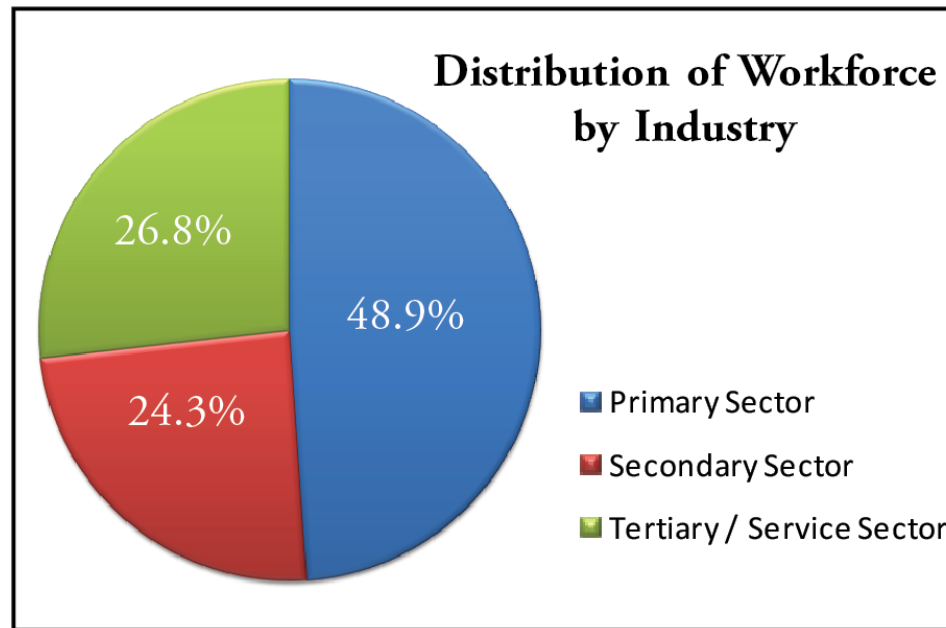
Distribution of Workforce by Industrial Sectors

In the course of economic development of a country, labour flows from agriculture and other related activities to industry and services. In this process, workers migrate from rural to urban areas. Eventually, at a much later stage, the industrial sector begins to lose its share of total employment as the service sector enters a period of rapid expansion. This shift can be understood by looking at the distribution of workers by industry.

Generally, we divide all economic activities into eight different industrial divisions. They are:

- (i) Agriculture
- (ii) Mining and Quarrying
- (iii) Manufacturing
- (iv) Electricity, Gas and Water Supply
- (v) Construction
- (vi) Trade
- (vii) Transport and Storage
- (viii) Services

For simplicity, all the working persons engaged in these divisions can be clubbed into three major sectors – primary sector, secondary sector and tertiary sector.



Distribution of Workforce by Industry, 2011-2012

Industrial Category	Place of Residence		Sex		Total
	Rural	Urban	Men	Women	
Primary Sector	64.1	6.7	43.6	62.8	48.9
Secondary Sector	20.4	35.0	25.9	20.0	24.3
Tertiary/ Service Sector	15.5	58.3	30.5	17.2	26.8
Total	100	100	100	100	100

1. Primary sector

It includes Agriculture. Primary sector is the main source of employment for majority of workers in India.

About 49% of workers are engaged in the primary sector.

- ❑ About 64% of the workforce in rural India depends on agriculture, forestry and fishing.
- ❑ Agriculture is not a major source of employment in urban areas where people are mainly engaged in the service sector.
- ❑ In rural areas, though both men and women workers are concentrated in the primary sector, women workers' concentration is very high there. About 63% of the female workforce is employed in the primary sector whereas less than half of males

work in that sector. Men get opportunities in both secondary and service sectors.

2. Secondary sector

It includes (i) Mining and Quarrying (ii) Manufacturing (iii) Electricity, Gas and Water Supply (iv) Construction.

Secondary sector provides employment to only about 24% of workforce in India.

- ❑ The secondary sector gives employment to about 35% of urban workforce.
- ❑ About 20% of rural workers are working in manufacturing industries, construction and other industrial activities.

3. Tertiary/Service sector

It includes (i) Trade (ii) Transport and Storage (iii) Services.

About 27% of workers are in the service sector.

- ❑ About 60% of urban workers are in the service sector.
- ❑ Service sector provides employment to only about 16% of rural workers.

Think as you read 7.3

Question 1

In the course of economic development of a country, labour flows from _____ and other related activities to industry and _____. In this process, workers migrate from _____ to _____ areas.



Answer 1

agriculture , services, rural, urban



Question 2

All economic activities are divided into eight different industrial divisions. Name them.



Answer 2

- (i) Agriculture
- (ii) Mining and Quarrying
- (iii) Manufacturing
- (iv) Electricity, Gas and Water Supply
- (v) Construction
- (vi) Trade
- (vii) Transport and Storage
- (viii) Services



Question 3

Which divisions are included in the secondary sector?



Answer 3

Secondary sector includes Mining and Quarrying; Manufacturing; Electricity, Gas and Water Supply; and Construction.



Question 4

Which divisions are included in the tertiary sector?



Answer 4

Tertiary sector includes Trade; Transport and Storage; and Services.



Question 5

The newly emerging jobs are found mostly in the _____ sector. (service/manufacturing).



Answer 5

Service



7.4

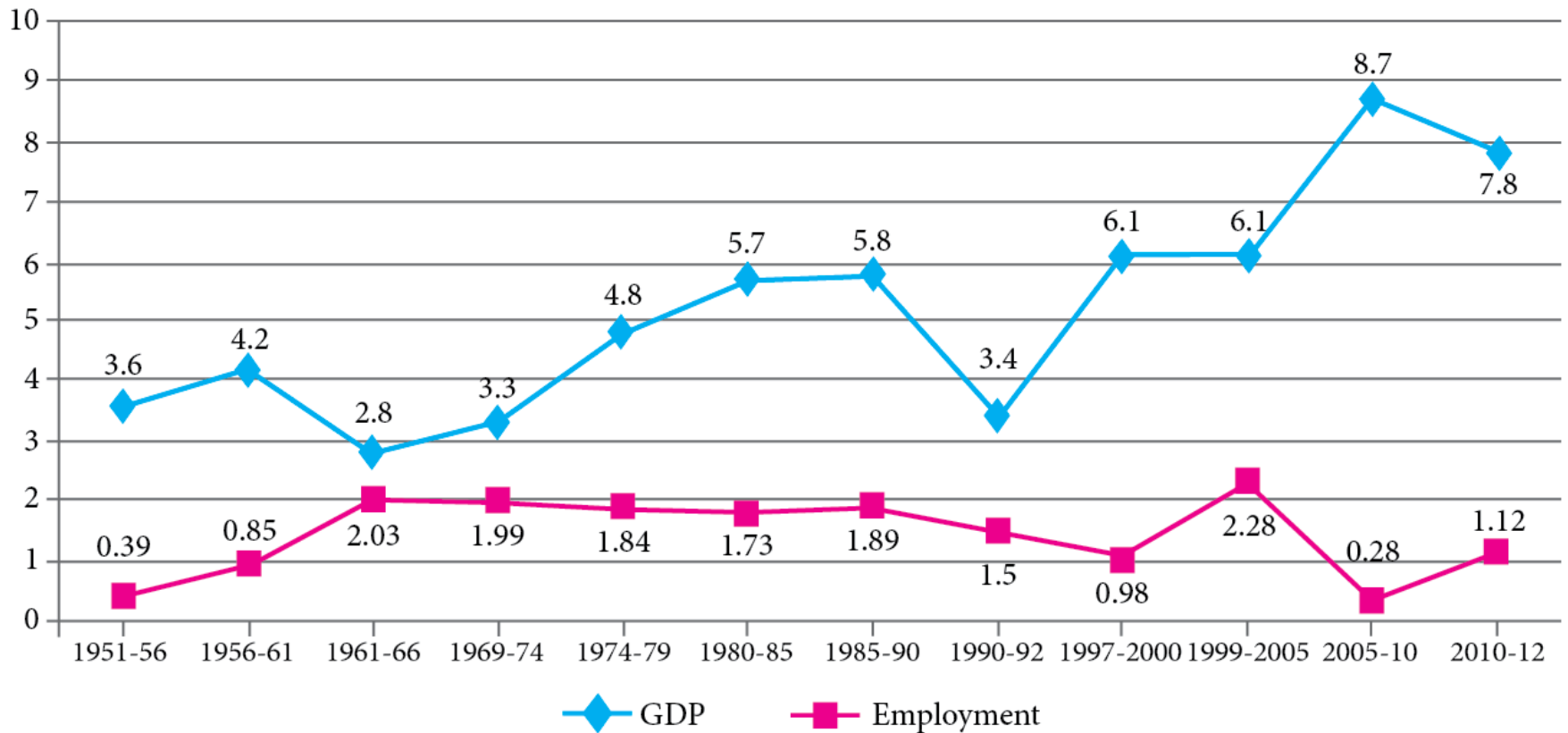
Growth and Changing Structure of Employment

Indicators of Economic Development

There are two developmental indicators:

- (i) Growth of employment and
- (ii) Growth of Gross Domestic Product (GDP).

India's planned development have been aimed at expansion of the economy through increase in GDP and employment.



Growth of Employment and Gross Domestic Product (GDP) during 1951-2012 (in %)

During the period 1950–2010, Gross Domestic Product (GDP) of India grew positively and was higher than the employment growth. During this period, employment grew at the rate of not more than 2 per cent. However,

there was always fluctuation in the growth of GDP.

There is a widening gap between the growth of GDP and employment during 1951-2012. This means that in the Indian economy, without generating employment, we have been able to produce more goods and services. Scholars refer to this phenomenon as **jobless growth**.

How the growth pattern of employment and GDP affected different sections of workforce?

A major section of population lives in rural areas and is dependent on agriculture as their main livelihood. Developmental strategies in India have aimed at reducing the proportion of people depending on agriculture.

Distribution of workforce by industrial sectors shows substantial shift from farm work to non-farm work.

**Trends in Employment Pattern (Sector-wise)
during 1972-2012 (in %)**

Sector	1972-73	1983	1993-94	1999-2000	2011-2012
Primary	74.3	68.6	64	60.4	48.9
Secondary	10.9	11.5	16	15.8	24.3
Services	14.8	16.9	20	23.8	26.8
Total	100	100	100	100	100

Trends in Employment Pattern (Status-wise) during 1972-2012 (in %)

Status	1972-73	1983	1993-94	1999-2000	2011-2012
Self-employed	61.4	57.3	54.6	52.6	52.0
Regular Salaried Employees	15.4	13.8	13.6	14.6	18.0
Casual Wage Labourers	23.2	28.9	31.8	32.8	30.0
Total	100	100	100	100	100

- ❑ In 1972-73, about 74 per cent of workforce was engaged in primary sector and in 2011-12, this proportion has declined to about 50 per cent.

- ❑ Secondary and service sectors are showing promising future for the Indian workforce as shares of these sectors have increased from 11 to 24 per cent and 15 to 27 per cent, respectively during 1972-2012.
- ❑ The distribution of workforce in different status indicates that over the last four decades (1972-2012), people have moved from self-employment and regular salaried employment to casual wage work. Yet self-employment continues to be the major employment provider.

*The process of moving from self-employment and regular salaried employment to casual wage work as **casualisation of workforce**. This makes the workers highly vulnerable.*

Think as you read 7.4

Question 1

Name the two development indicators.



Answer 1

The two developmental indicators are growth of employment and Gross Domestic Product (GDP). India's planned development have been aimed at expansion of the economy through increase in GDP and employment.



Question 2

During the period 1950-2010, employment grew at the rate of not more than _____.



Answer 2

2 per cent



Question 3

There is a widening gap between the growth of GDP and employment during 1951-2012. What does this mean?



Answer 3

This means that in the Indian economy, without generating employment, we have been able to produce more goods and services. Scholars refer to this phenomenon as jobless growth.



Question 4

What is meant by casualisation of workforce?



Answer 4

The process of moving from self-employment and regular salaried employment to casual wage work as casualisation of workforce.



7.5

Informalisation of Indian Workforce

Workers in Formal and Informal Sectors

We classify workforce into two categories—workers in formal and informal sectors, which are also referred to as organised and unorganised sectors.

Formal Sector (or Organised Sector)

All the public sector establishments and those private sector establishments which employ 10 hired workers or more are called formal sector establishments and those who work in such establishments are formal sector workers.

- ❑ The workers in the formal sector get regular income. They also enjoy social security benefits such as maternity benefit, provident fund, gratuity and pension. They earn more than those in the informal sector.

- ❑ The government, through its labour laws, enable them to protect their rights in various ways.
- ❑ The formal sector workers form trade unions, bargain with employers for better wages and other social security measures.

Informal Sector (or Unorganised Sector)

All other enterprises and workers working in other than the following form the informal sector.

- Public sector establishments and
- Private sector establishments which employ 10 hired workers or more form the informal sector.

Informal sector includes:

- ❑ Millions of farmers and agricultural labourers

- ❑ Owners of small enterprises and people working in those enterprises
- ❑ The self-employed people who do not have any hired workers.
- ❑ All non-farm casual wage labourers who work for more than one employer such as construction workers and headload workers.



Road side vending: *an increasing variety of informal sector employment*

Quality of employment has been deteriorating over the years.

One of the objectives of development planning in India, since India's independence, has been to provide decent livelihood to its people. It has been envisaged that the industrialisation strategy would bring surplus workers from agriculture to industry with better standard of living as in developed countries. However, over the years, the quality of employment has been deteriorating.

- ❑ Even after working for more than 10-20 years, workers in the informal sector do not get maternity benefit, provident fund, gratuity and pension.

- ❑ A person working in the private sector get a lower salary as compared to another person doing the same work but in the public sector.
- ❑ Developmental planning envisaged that as the economy grows, more and more workers would become formal sector workers and the proportion of workers engaged in the informal sector would decrease. But this has not happened in India, as shown in the following table.

Distribution of workforce in formal and informal sectors

Sector	No. of workers (in millions)	Percentage of workforce
Formal	30	6.3
Informal	443	93.7
Total	473	100

There are about 473 million workers in the country. Out of this, there are about only 30 million workers in the formal sector. Therefore, the percentage of people employed in the formal sectors in the country is about only 6 per cent ($30/473 \times 100$). Thus, the rest 94 per cent are in the informal sector.

Out of 30 million formal sector workers, only 6 million, that is, only about 21 per cent ($6/30 \times 100$) are women. In the informal sector, male workers account for 69 per cent of the workforce.

Since the late 1970s, India started paying attention to enterprises and workers in the informal sector.

This is due to the following reasons:

- (i) Employment in the formal sector is not growing. The percentage of people employed in the formal sectors in the country is about only 6 per cent of the total workforce of the country.
- (ii) Workers and enterprises in the informal sector do not get regular income.
- (iii) They do not have any protection or regulation from the government.
- (iv) Workers are dismissed without any compensation.

(v) Technology used in the informal sector enterprises is outdated. They also do not maintain any accounts.

Of late, owing to the efforts of the International Labour Organisation (ILO), the Indian government has initiated the modernisation of informal sector enterprises and provision of social security measures to informal sector workers.

Think as you read 7.5

Question 1

An establishment with four hired workers is known as _____ (formal/informal) sector establishment.



Answer 1

informal



Question 2

From the following identify those which are in the informal sector:

- (i) Worker in a hotel which has seven hired workers and three family workers
- (ii) A private school teacher in a school which has 25 teachers
- (iii) A police constable
- (iv) Nurse in a government hospital
- (v) Cycle-rickshaw puller
- (vi) The owner of a textile shop employing nine workers



-
- (vii) Driver of a bus company which has more than 10 buses with 20 drivers, conductors and other workers
 - (viii) Civil engineer working in a construction company which has 10 workers
 - (ix) Computer operator in the state government office working on a temporary basis
 - (x) A clerk in the electricity office.



Answer 2

(i), (v) and (vi)



Question 3

How will you know whether a worker is working in the informal sector?



Answer 3

All those who are working in enterprises other than the public sector establishments and private sector establishments which employ 10 hired workers or more are called informal sector workers.



Question 4

The percentage of people employed in the formal sectors in the country is about only _____.



Answer 4

6 per cent



Think as you read 7.5

Question 5

_____ is the major formal sector employer in the country.



Answer 5

Government



7.6

Unemployment: Generation of Employment by Government

Meaning and Types of Unemployment

Economists define unemployed person as one who is not able to get employment of even one hour in half a day.

National Sample Survey Organisation (NSSO) defines unemployment as—*“a situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing condition of work and remunerations.”*

Different types of unemployment prevailing in India

1. Disguised unemployment

Disguised unemployment or hidden unemployment is a kind of unemployment where some people seem to be employed but are actually not.

Suppose a farmer has four acres of land and he actually needs only two workers and himself to carry out various operations on his farm in a year, but if he employs five workers and his family members such as his wife and children, this situation is known as disguised unemployment.

About one-third of agriculture workers in India are disguisedly unemployed.

2. Seasonal unemployment

This is also a common form of unemployment prevailing in India.

Many people migrate to an urban area, pick up a job and stay there for some time, and then come back to their home villages. This is because work in agriculture is seasonal; there are no employment opportunities in the village for all months in the year. When there is no work to do on farms, people go to urban areas and look for jobs. This kind of unemployment is known as seasonal unemployment.

3. Open Unemployment

In many cities, we find people standing in some select areas looking for people to employ them for that day's work. Some go to factories and offices and give their bio-data and ask whether there is any vacancy in their factory or office. Many in the rural areas go to employment exchanges and register themselves for vacancies notified through employment exchanges. This is called open unemployment.

Scholars say that in India, people cannot remain completely unemployed for very long because their desperate economic condition would not allow them to be so. They are forced to accept jobs that nobody else would do, unpleasant or even dangerous jobs in unclean, or unhealthy surroundings.

Sources of data on unemployment

There are three sources of data on unemployment:

- (i) Reports of Census of India
- (ii) National Sample Survey Organisation's Reports of Employment and Unemployment Situation
- (iii) Directorate General of Employment and Training
Data of Registration with Employment Exchanges.

Drawback/Criticism

Though they provide different estimates of unemployment, they do not provide us with the attributes of the unemployed and the variety of unemployment prevailing in our country.

Government and Employment Generation

The Central and State governments take many initiatives and generate employment to facilitate a decent living for low income families through various measures. *For example*, Mahatma Gandhi National **Rural Employment Guarantee Act, 2005** promises 100 days of guaranteed wage employment to all rural households who volunteer to do unskilled manual work. This scheme has been implemented by the government to generate employment for those who are in need of jobs in rural areas.

Direct and Indirect Generation of Employment Opportunities by the Government

Since Independence, the Union and State governments have played an important role in generating employment or creating opportunities for employment generation. Their efforts can be broadly categorised into two — direct and indirect.

1. **Direct generation of employment opportunities by the government**

- ❑ The government employs people in various departments for administrative purposes.
- ❑ It also runs industries, hotels and transport companies, and hence, provides employment directly to workers.

For example, dam construction work is a direct way of employment generation by the government.



Dam construction work is a direct way of employment generation

2. Indirect generation of employment opportunities by the government: When the output of goods and services from government enterprises increases, then private enterprises which receive raw materials from government enterprises will also raise their output and hence increase the number of employment opportunities in the economy.

For example, when a government owned steel company increases its output, it will result in direct increase in employment in that government company. Simultaneously, private companies, which purchase steel from it, will also increase their output and thus employment. This is the indirect generation of employment opportunities by the government initiatives in the economy.

Employment Generation Programmes Initiated by the Government

Many programmes that the governments implement, aimed at alleviating poverty, are through employment generation. They are also known as employment generation programmes. For example:

- ❑ Rural Employment Generation Programme (REGP)
- ❑ Prime Minister's Rozgar Yojana (PMRY)
- ❑ Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

All these programmes aim at providing not only employment but also services in areas such as:

- (i) Primary health
- (ii) Primary education
- (iii) Rural drinking water
- (iv) Nutrition
- (v) Assistance for people to buy income and employment generating assets
- (vi) Development of community assets by generating wage employment
- (vii) Construction of houses and sanitation, assistance for constructing houses
- (viii) Laying of rural roads
- (ix) Development of wastelands/degraded lands

CONCLUSION

There has been a change in the structure of workforce and nature of employment in India.

- Newly emerging jobs are found mostly in the service sector. The expansion of the service sector and the advent of high technology now frequently permit a highly competitive existence for efficient small scale and often individual enterprises or specialist workers side by side with the multinationals.
- Outsourcing of work is becoming a common practice. It means that a big firm finds it profitable to close down some of its specialist departments (for example, legal or computer programming or customer service sections) and hand over a large number of small piecemeal jobs to very small enterprises or specialist individuals, sometimes situated even in other countries.
- The traditional notion of the modern factory or office, as a result, has been altering in such a manner that for many the home is becoming the workplace. All of this change has not gone in favour of the individual worker.
- The nature of employment has become more informal with only limited availability of social security measures to the workers.
- In the last two decades, there has been rapid growth in the gross domestic product, but without simultaneous increase in employment opportunities. This has forced the government to take up initiatives in generating employment opportunities particularly in the rural areas.



Key Terms

Workforce Participation Rate/Worker-Population Ratio:

$(\text{Total No. of Workers in India} / \text{Total Population in India}) \times 100$

It is an indicator used for analysing the employment situation in the country.

Self employed: Workers who own and operate an enterprise to earn their livelihood, e.g. a cement shop owner. They constitute 52% of workforce in India.

Casual Wage Labourers: Labourers who are casually engaged in others' farms and in return, get a remuneration for the work done, e.g. construction worker. They constitute 30% of workforce in India.

Regular Salaried Employees: When a worker is engaged by someone or an enterprise and paid his/her wages on a regular basis. They constitute 18% of workforce in India.

Jobless growth: Increased in GDP growth rate without generating employment is referred to as phenomenon of ‘jobless growth’.

Casualisation of workforce: The process of moving from self-employment and regular salaried employment to casual wage work.

Formal and informal sector establishments and workers: All the public sector establishments and those private sector establishments which employ 10 hired workers or more are called formal sector establishments and those who work in such establishments are formal sector workers. All other enterprises and workers working in those enterprises form the informal sector.

Unemployment: NSSO defines unemployment as a situation in which all those who, owing to lack of work, are not working but express their willingness or availability for work under the prevailing condition of work and remunerations.

Unemployed person: Economists define unemployed person as one who is not able to get employment of even one hour in half a day.

Worker: All those persons who are engaged in various economic activities and hence contribute to gross national product are workers.

Think as you read 7.6

Question 1

How do economists define unemployment?



Answer 1

Economists define unemployed person as one who is not able to get employment of even one hour in half a day.



Question 2

Give the meaning of unemployment as defined by NSSO.



Answer 2

National Sample Survey Organisation (NSSO) defines unemployment as—“a situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing condition of work and remunerations.”



Question 3

Economists call unemployment prevailing in Indian farms as _____.



Answer 3

disguised unemployment



Question 4

About _____ of agriculture workers in India as disguisedly unemployed.



Answer 4

one-third



Question 5

Scholars say that in India, people cannot remain completely unemployed for very long. Why?



Answer 5

Because their desperate economic condition would not allow them to be so. They are forced to accept jobs that nobody else would do, unpleasant or even dangerous jobs in unclean, or unhealthy surroundings.



Question 6

Name the three sources of data on unemployment.



Answer 6

- (i) Reports of Census of India
- (ii) National Sample Survey Organisation's Reports of Employment and Unemployment Situation
- (iii) Directorate General of Employment and Training Data of Registration with Employment Exchanges.



Question 7

Though, in India, different sources of data estimate unemployment, they do not provide us with the _____ and the _____ prevailing in our country.



Answer 7

attributes of the unemployed, variety of unemployment



Question 8

Victor is able to get work only for two hours in a day. Rest of the day, he is looking for work. Is he unemployed? Why? What kind of jobs could persons like Victor be doing?



Answer 8

No, Victor is not unemployed because he is able to get work for two hours in a day. Economists define unemployed person as one who is not able to get employment of even one hour in half a day.

Victor might be doing casual jobs.



Question 9

Why was Mahatma Gandhi National Rural Employment Guarantee Act implemented by the government in 2005?



Answer 9

Mahatma Gandhi National Rural Employment Guarantee Act, 2005 promises 100 days of guaranteed wage employment to all rural households who volunteer to do unskilled manual work. This scheme has been implemented by the government to generate employment for those who are in need of jobs in rural areas.



Question 10

Give an example of indirect generation of employment opportunities by the government.



Answer 10

When a government owned steel company increases its output, it will result in direct increase in employment in that government company. Simultaneously, private companies, which purchase steel from it, will also increase their output and thus employment. This is an example of indirect generation of employment opportunities by the government.



Question 11

Employment generation programmes by the government aim at providing not only employment but also services in certain areas. List the name of such services.



Answer 11

- (i) Primary health
- (ii) Primary education
- (iii) Rural drinking water
- (iv) Nutrition
- (v) Assistance for people to buy income and employment generating assets
- (vi) Development of community assets by generating wage employment
- (vii) Construction of houses and sanitation, assistance for constructing houses
- (viii) Laying of rural roads
- (ix) Development of wastelands/degraded lands



Objective Type Questions

Question 1

Work plays an important role in our lives as individuals and as members of society. Give reason.



Answer 1

People work for 'earning' a living. Being employed in work gives us a sense of self-worth and enables us to relate ourselves meaningfully with others. Every working person is actively contributing to national income and hence, the development of the country.



Question 2

Studying about working people:

(Choose the correct alternative)

- (a) helps in understanding and planning our human resources.
- (b) helps us to analyse the contribution made by different industries and sectors towards national income.
- (c) helps us to address many social issues such as exploitation of marginalised sections of the society, child labour, etc.
- (d) All of the above



Answer 2

(d) All of the above



Question 3

Those activities which contribute to the gross national production (GNP) are called _____ . All those who are engaged in such activities, in whatever capacity – high or low, are _____ .

(Fill up the blanks with correct answers)



Answer 3

economic activities; workers



Question 4

The nature of employment in India is multi-faceted.
Give reason.



Answer 4

Some get employment throughout the year; some others get employed for only a few months in a year. Many workers do not get fair wages for their work.



Question 5

During 2011-12, India had about _____ strong workforce. The rural workers constitute about _____ of this.

(Fill up the blanks with correct answers)



Answer 5

473 million; three-fourth



Question 6

About _____ of the workers are men and the rest are women.

(Fill up the blank with correct answer)



Answer 6

70 per cent



Question 7

Women workers account for _____ of the rural workforce; whereas in urban areas, they are just _____ of the work force.

(Fill up the blanks with correct answers)



Answer 7

one-third;one-fifth



Question 8

Women carry out works like cooking, fetching water and fuel wood and participate in farm labour. They are not categorised as workers.

True/False? Give reason.



Answer 8

True: Because they are not paid wages in cash. However, economists have argued that these women should also be called workers.



Question 9

In urban areas, the worker-population ratio is about _____ whereas in rural India, the ratio is about _____.

(Fill up the blanks with correct answers)



Answer 9

36; 40



Question 10

The worker-population ratio in rural India is higher than that in urban areas. Give reason.



Answer 10

People in rural areas have limited resources to earn a higher income. People cannot stay at home as their economic condition may not allow them to do so. They participate more in the employment market.



Question 11

For every 100 urban females, only about _____ are engaged in some economic activities. In rural areas, for every 100 rural women about _____ participate in the employment market.

(Fill up the blanks with correct answers)



Answer 11

15; 25



Question 12

Why are women, in general, and urban women, in particular, not working? Give reason.



Answer 12

It is common to find that where men are able to earn high incomes, families discourage female members from taking up jobs.



Question 13

Workers who own and operate an enterprise to earn their livelihood are known as _____. About _____ workforce in India belongs to this category.

(Fill up the blanks with correct answers)



Answer 13

self-employed; 52 percent



Question 14

_____ account for _____ of India's workforce. Such labourers are casually engaged in others' farms and, in return, get a remuneration for the work done.

(Fill up the blanks with correct answers)



Answer 14

Casual wage labourers; 30 per cent



Question 15

When a worker is engaged by someone or an enterprise and paid his or her wages on a regular basis they are known as _____. They account for _____ of India's workforce.

(Fill up the blanks with correct answers)



Answer 15

regular salaried employees; 18 percent



Question 16

_____ is a major source of livelihood for both men and women as this category accounts for more than 50 per cent of India's workforce.

(Choose the correct alternative)

- (a) Self-employment
- (b) Casual wage labour
- (c) Regular salaried employment
- (d) None of these



Answer 16

(a) Self-employment



Question 17

When it comes to regular salaries employment, men are found to be engaged in greater proportion. They form 20 percent whereas women form only 13 per cent. Give reason.



Answer 17

‘Skill development’ could be one the reasons. Since regular salaried jobs require skills and a higher level of literacy, women might not have been engaged to a great extent.



Question 18

The self-employed and casual wage labourers are found more in rural areas than in urban areas. Give reason.



Answer 18

In rural areas, since majority of those depending on farming own plots of land and cultivate independently, the share of self-employed is greater. The nature of work in urban areas is different. Obviously everyone cannot run factories, shops and offices of various types. In urban areas, regular salaried workers are more compared to casual wage labourers.



Question 19

Match the following:

Column I	Column II
(a) Primary sector	(i) Agriculture
(b) Secondary Sector	(ii) mining and quarrying
(c) Service sector	(iii) Manufacturing
	(iv) Electricity, Gas and water supply
	(v) Construction
	(vi) Trade
	(vii) Transport and storage
	(viii) Services



Answer 19

(a) – (i)

(b) – (ii), (iii), (iv), (v)

(c) – (vi), (vii), (viii)



Question 20

_____ is the main source of employment for majority of workers in India. (Primary sector/Secondary sector/Service sector).

(Choose the correct option)



Answer 20

Primary sector



Question 21

About _____ of the workforce in rural India depends on agriculture, forestry and fishing. About _____ of rural workers are working in manufacturing industries, construction and other industrial activities. Service sector provides employment to only about _____ of rural workers.

(Fill up the blanks with correct answers)



Answer 21

64 per cent; 20 per cent; 16 per cent



Question 22

Agriculture is not a major source of employment in urban areas where people are mainly engaged in the _____ . The secondary sector gives employment to about _____ of urban workforce. About _____ of urban workers are in the service sector.

(Fill up the blanks with correct answers)



Answer 22

service sector; 35 per cent; 60 per cent



Question 23

Though both men and women workers are concentrated in the primary sector, women workers' concentration is very high. About _____ of the female workforce is employed in the primary sector.

(Fill up the blank with correct answer)



Answer 23

63 per cent



Question 24

The newly emerging jobs are found mostly in the _____ sector. (service/manufacturing)

(Fill up the blank with correct option)



Answer 24

service



Question 25

Our planned development have been aimed at expansion of the economy through increase in national output and _____ .

(Fill up the blank with correct answer)



Answer 25

employment



Question 26

During the period 1950-2010, GDP of India grew positively and was higher than _____ .

(Fill up the blank with correct answer)



Answer 26

the employment growth



Question 27

During the period 1950-2010, employment grew at the rate of not more than _____ .

(Fill up the blank with correct answer)



Answer 27

2 per cent



Question 28

In the late 1990s, employment growth started declining and reached the level of growth that India had in the early stages of planning. During these years, there was a widening gap between the growth of GDP and employment. This means that in the Indian economy without generating employment, we have been able to produce more goods and services. Scholars refer to this phenomenon as _____ .

(Fill up the blank with correct answer)



Answer 28

jobless growth



Question 29

During the period 1972-2012, distribution of workforce by industrial sectors shows substantial shift from farm work to non-farm work.

True/False? Give reason.



Answer 29

True: In 1972-73, about 74 per cent of workforce was engaged in primary sector and in 2011-12, this proportion has declined to about 50 per cent. The share of secondary and service sectors have increased from 11 to 24 per cent and 15 to 27 per cent, respectively.



Question 30

Over the last four decades (1972-2012) people have moved from self employment and regular salaried employment to _____ . Scholars call this process as _____ .

(Fill up the blank with correct answer)



Answer 30

casual wage work; casualisation of workforce



Question 31

An establishment with four hired worker is known as _____ (formal/informal) sector establishment.

(Fill up the blank with correct option)



Answer 31

informal



Question 32

Match the following:

Column I	Column II
(a) Public sector establishments and those private sector establishments which employ 10 hired workers or more.	(i) Formal/organised sector establishments
(b) Private sector establishments which employ less than 10 hired workers.	(ii) Informal/unorganised sector establishments



Answer 32

(a) –(i), (b) – (ii)



Question 33

Those who work in private sector establishments which employ 10 hired workers or more are called _____.

(Fill up the blanks with correct answers)



Answer 33

formal sectors worker



Question 34

All non-farm casual wage labourers who work for more than one employer such as construction workers and head-load workers are _____ (formal/informal) sector workers.

(Fill up the blank with correct option)



Answer 34

informal



Question 35

Find the odd man out:

- (a) A clerk in the electricity office
- (b) Computer operator in the state government office working on a temporary basis
- (c) Worker in a hotel which has seven hired workers and three family workers.
- (d) A police constable



Answer 35

- (c) Worker in a hotel which has seven hired workers and three family workers.



Question 36

Which of the following is working in the informal sector?

(Choose the correct alternative)

- (a) A private school teacher in a school which has 25 teachers.
- (b) The owner of a textile shop employing nine workers.
- (c) Driver of a bus company which has more than 10 buses with 20 drivers, conductors and others workers.
- (d) Civil engineer working in a construction company which has 10 workers.



Answer 36

(b) The owner of a textile shop employing nine workers.



Question 37

Match the following:

Column I	Column II
(a) Nurse in a government hospital	(i) Formal sector worker
(b) Cycle-rickshaw puller	(ii) Informal sector worker



Answer 37

(a) – (i), (b) – (ii)



Question 38

During 2011-12 there were about 473 million workers in the country. Out of this only about _____ workers were there in the formal sector.

(Fill up the blank with correct answer)



Answer 38

30 million/ 6 per cent



Question 39

Out of 30 million formal sector workers, only about _____ are women.

(Fill up the blank with correct answer)



Answer 39

6 million/21 per cent



Question 40

About _____ of the workforce are in the informal sector.

(Fill up the blank with correct answer)



Answer 40

94 per cent



Question 41

In the informal sector, male workers account for _____ of the workforce.

(Fill up the blank with correct answer)



Answer 41

69 per cent



Question 42

Since the late 1970s, India started paying attention to enterprises and workers in the informal sector. Give reason.



Answer 42

As employment in the formal sector is not growing.



Question 43

Owing to the efforts of the _____ the Indian government has initiated the modernisation of informal sector enterprises and provision of social security measures to informal sector workers.

(Fill up the blank with correct answer)



Answer 43

International Labour Organisation (ILO)



Question 44

Some people look for jobs in newspapers, some look for a job through friends and relatives. In many cities, people standing in some select areas looking for people to employ them for that day's work. Some go to factories and offices and give their bio-data and ask whether there is any vacancy in their factory or office. Some go to employment exchanges.

The situation described in the above paragraph is called _____.

(Choose the correct alternative)



-
- (a) Disguised unemployment
 - (b) Seasonal unemployment
 - (c) Open unemployment
 - (d) None of these



Answer 44

(c) Open unemployment



Question 45

Unemployed person is one who is not able to get employment of even one hour in half a day.

This definition is given by:

(Choose the correct alternative)

- (a) Economists
- (b) National Sample Survey Organisation
- (c) Census of India
- (d) Directorate general of Employment and Training



Answer 45

(a) Economists



Question 46

Unemployment is a situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing condition of work and remunerations.

This definition is given by:

(Choose the correct alternative)



-
- (a) Economist
 - (b) National Sample Survey Organisation
 - (c) Census of India
 - (d) Directorate general of Employment and Training



Answer 46

(b) National Sample Survey Organisation



Question 47

_____ provides different estimates of unemployment, attributes of the unemployed and the variety of unemployment prevailing in our country.

(Choose the correct alternative)

- (a) National Sample Survey Organisation's Reports of Employment and Unemployment situation
- (b) Reports of Census of India
- (c) Directorate General of Employment and Training Data of Registration with Employment Exchanges
- (d) All of the above

Answer 47

(d) All of the above



Question 48

Economists call unemployment prevailing in Indian farms as _____ .

(Fill up the blank with correct answer)



Answer 48

disguised unemployment



Question 49

One study conducted in the late 1950s showed about _____ of agricultural workers in India as disguisedly unemployed.

(Fill up the blank with correct answer)



Answer 49

one-third



Question 50

Suppose a farmer has four acres of land and he actually needs only two workers and himself to carry out various operations on his farm in a year, but if he employs five workers and his family members such as his wife and children, this situation is known as _____ .

(Fill up the blank with correct answer)



Answer 50

disguised unemployment



Question 51

Many people migrate to urban areas, pick up jobs and stay there for some time, but come back to their home villages then. Why do they do so? Give reason.



Answer 51

This is because work in agriculture is seasonal: there are no employment opportunities in the village for all months in the year. When there is no work to do on farms, people go to urban areas and look for jobs.



Question 52

When there is no work to do on farms, people go to urban areas and look for jobs. This kind of unemployment is known as _____ .

(Fill up the blank with correct answer)



Answer 52

seasonal unemployment



Question 53

Though we have witnessed slow growth of employment in India, have you seen people being unemployed over a very long time? Give reason.



Answer 53

Scholars say that in India, people cannot remain completely unemployed for very long because their desperate economic condition would not allow them to do so. Rather, they are forced to accept unpleasant or even dangerous jobs in unclean or unhealthy surroundings.



Question 54

_____ is the major formal sector employer in the country.

(Fill up the blank with correct answer)



Answer 54

Government



Question 55

_____ promises 100 days of guaranteed wage employment to all rural households who volunteer to do unskilled manual work. This scheme is one of the many measures the government has implemented to generate employment for those who are in need of jobs in rural areas.

(Fill up the blank with correct answer)



Answer 55

Mahatma Gandhi National Rural Employment Guarantee Act, 2005



Question 56

When the output of goods and services from government enterprises increases, then private enterprises which receive raw materials from government enterprises will also raise their output and hence increase the number of employment opportunities in the economy. This is the _____ (direct/indirect) generation of employment opportunities by the government initiatives in the economy.

(Fill up the blank with correct option)



Answer 56

indirect



Question 57

Many programmes that the governments implement, aimed at alleviating poverty, are through employment generation. They are also known as _____.

(Fill up the blank with correct answer)



Answer 57

employment generation programmes



Question 58

All employment generation programmes aim at providing not only employment but also services in areas such as _____ .

(Fill up the blank with correct answer)



Answer 58

primary health, primary education, rural drinking water, nutrition, etc.



Question 59

The nature of employment has become more _____
(formal/informal) with only limited availability of social
security measures to the workers.

(Fill up the blank with correct option)



Answer 59

informal



Question 60

In the last two decades, there has been rapid growth in the _____, but without simultaneous increase in employment opportunities. This has forced the government to take up initiatives in generating employment opportunities particularly in the rural areas.

(Fill up the blank with correct answer)



Answer 60

gross domestic product



Question 61

Most of the disguised unemployed persons in India are found in.

(Choose the correct alternative)

- (a) Agriculture
- (b) Industry
- (c) Trade
- (d) Transport



Answer 61

(a) Agriculture



Question 62

Unemployment refers to people:

(Choose the correct alternative)

- (a) Who are not willing to work
- (b) Who are willing but do not get work
- (c) Who leave their jobs in search of better ones
- (d) Who have been dismissed because of incorrect practice



Answer 62

(b) Who are willing but do not get work



Question 63

Informal sectors include all those private enterprises which hire less than 10 workers.

(True/False)



Answer 63

True



Question 64

Informal workers:

(Choose the correct alternative)

- (a) work in factories.
- (b) work in government department.
- (c) do not get social security benefits.
- (d) form trade unions



Answer 64

(c) do not get social security benefits.



Question 65

The number of persons employed per hundred persons is termed as:

(Choose the correct alternative)

- (a) Worker population ratio
- (b) Head count ratio
- (c) Capital gain ratio
- (d) Legal reserve ratio



Answer 65

(a) Worker population ratio



As per CBSE Revised Syllabus for 2021 Exam



Chapter 8 Infrastructure

Revised CBSE Syllabus for 2021 Examination

- ❑ **Meaning and Types: Case Studies: Health: Problems and Policies- A critical assessment;**

8.1

Infrastructure: Meaning and Relevance

Meaning of Infrastructure

Infrastructure refers to the supporting services in the main areas of industrial and agricultural production, domestic and foreign trade and commerce. These services include:

- Roads
- Railways
- Ports
- Airports
- Dams
- Power stations
- Oil and gas pipelines
- Telecommunication facilities

- The country's educational system including schools and colleges
- Health system including hospitals
- Sanitary system including clean drinking water facilities
- The monetary system including banks, insurance and other financial institutions.

Classification of Infrastructure

Infrastructure can be divided into two categories — economic and social.

Economic Infrastructure: Infrastructure associated with energy, transportation and communication are included in the economic infrastructure.

Social Infrastructure: Infrastructure related to education, health and housing are included in the social infrastructure.

Relationship between Economic and Social Infrastructure

Both economic and social infrastructure are interdependent. *For example*, the quality of transport and communication (economic infrastructure) can affect access to health care (social infrastructure). Similarly, air pollution and safety hazards connected to transportation also affect morbidity (*meaning proneness to fall ill*), particularly in densely populated areas.

Relevance/Role/Importance of Infrastructure

1. Boosts production

Infrastructure facilities such as roads, railways, ports, airports, telecommunication, etc. boost production. Some of these facilities have a direct impact on production of goods and services while others give indirect support by building the social sector of the economy.

2. Basis of modern industrial economy

Infrastructure is the support system on which depends the efficient working of a modern industrial economy.

3. Basis of modern agriculture

Modern agriculture also largely depends on sound infrastructure for speedy and large-scale transport of seeds, pesticides, fertilisers and the produce using modern roadways, railways and shipping facilities. *In recent times*, agriculture also depends on insurance and banking facilities because of its need to operate on a very large scale.

4. Contributes to economic development

Infrastructure contributes to economic development of a country both by increasing the productivity of the factors of production and improving the quality of life of its people.

Development of infrastructure and economic development go hand in hand.

- ❑ Agriculture depends, to a considerable extent, on the adequate expansion and development of irrigation facilities.
- ❑ Industrial progress depends on the development of power and electricity generation, transport and communications.

Obviously, if proper attention is not paid to the development of infrastructure, it is likely to act as a severe constraint on economic development.

5. Affects access to health care

The quality of transport and communication can affect access to health care. Inadequate infrastructure can have multiple adverse effects on health. Improvements in water supply and sanitation have a large impact by reducing morbidity from major waterborne diseases and reducing the severity of disease when it occurs.

Think as you read 8.1

Question 1

All the support structures, which facilitate development of a country, constitute its _____.



Answer 1

Infrastructure



Question 2

Why some states in India are performing much better than others in certain areas?



Answer 2

It is all because these states have better infrastructure in the areas they excel than other states of India. Some have better irrigation facilities, better transportation facilities, etc.



Question 3

Explain the term 'infrastructure'.



Answer 3

Infrastructure refers to the supporting services in the main areas of industrial and agricultural production, domestic and foreign trade and commerce.



Question 4

Infrastructure contributes to economic development of a country. How?



Answer 4

Infrastructure contributes to economic development of a country both by increasing the productivity of the factors of production and improving the quality of life of its people.



Question 5

Infrastructure provides supporting services in the main areas of industrial and agricultural production, domestic and foreign trade and commerce. List those supporting services.



Answer 5

Roads, railways, ports, airports, dams, power stations, oil and gas pipelines, telecommunication facilities, the country's educational system including schools and colleges, health system including hospitals, sanitary system including clean drinking water facilities, the monetary system including banks, insurance and other financial institutions.



Question 6

How does agriculture depend on infrastructure facilities in recent times?



Answer 6

In recent times, agriculture also depends on insurance and banking facilities because of its need to operate on a very large scale.



8.2

The State of Infrastructure in India

Public Private Partnership in Infrastructure Development

Traditionally, the government has been solely responsible for developing the country's infrastructure. But it was found that the government's investment in infrastructure was inadequate. Therefore, today the private sector by itself and also in joint partnership with the public sector (*called Public Private Partnership*), has started playing a very important role in infrastructure development.

Relationship between National Income and Composition of Infrastructure

In any country, as the income rises, the composition of infrastructure requirements changes significantly.

- For low-income countries, basic infrastructure services, like irrigation, transport and power, are more important.
- As economies develop and most of their basic consumption demands are met, the share of agriculture in the economy shrinks and more service-related infrastructure is required. This is why, the share of power and telecommunication infrastructure is greater in high-income countries.

The table below shows the state of some infrastructure in India in comparison to a few other countries.

Some Infrastructure in India and other Countries

Country	Investment in Infrastructure as a % GDP (2014)	Access to Improved Water Source (%) (2015)	Access to Improved Sanitation (%) (2015)	Mobile Subscriber s/100 People (2015)	Power Generation (billion kwh) (2016)
China	46	96	77	93	6015
India	34	94	40	79	1423
Pakistan	15	91	64	70	105
Indonesia	35	87	61	132	249

Though infrastructure is the foundation of development, India invests only 34 per cent of its GDP on infrastructure, which is far below that of China.

Some economists have projected that India will become the third biggest economy in the world a few decades from now. For that to happen, India will have to boost its infrastructure investment.

State of Rural Infrastructure in India

- ❑ Despite so much technical progress in the world, rural women are still using bio-fuels such as crop residues, dung and fuel wood to meet their energy requirement.
They walk long distances to fetch fuel, water and other basic needs.
- ❑ The census 2001 shows that in rural India only 56 per cent households have an electricity connection and 43 per cent still use kerosene.
- ❑ About 90 per cent of the rural households use bio-fuels for cooking.
Tap water availability is limited to only 24 per cent rural households.

About 76 per cent of the population drinks water from open sources such as wells, tanks, ponds, lakes, rivers, canals, etc.

- ❑ Access to improved sanitation in rural areas was only 20 per cent.

Think as you read 8.2

Question 1

Why has Public Private Partnership (PPP) started playing a very important role in infrastructure development?



Answer 1

Traditionally, the government has been solely responsible for developing the country's infrastructure. But it was found that the government's investment in infrastructure was inadequate. Therefore, Public Private Partnership has started playing a very important role in infrastructure development.



Question 2

Though infrastructure is the foundation of development, India invests only _____ of its GDP on infrastructure, which is far below that of _____.



Answer 2

34 per cent, China



Question 3

In any country, as the income rises, the composition of infrastructure requirements changes significantly. How?



Answer 3

For low-income countries, basic infrastructure services, like irrigation, transport and power, are more important. As economies develop and most of their basic consumption demands are met, the share of agriculture in the economy shrinks and more service-related infrastructure is required.



Question 4

Why is the share of power and telecommunication infrastructure is greater in high-income countries?



Answer 4

Because as economies develop and most of their basic consumption demands are met, the share of agriculture in the economy shrinks and more service-related infrastructure such as power and telecommunication is required.



8.3

Health Infrastructure of India

Assessment of people's health

Health is not only absence of disease but also the ability to realise one's potential. It is a yardstick of one's well being. Health is the holistic process related to the overall growth and development of the nation. It is the responsibility of the government to ensure the right to healthy living.

Generally scholars assess people's health by taking into account indicators like:

- ❑ Infant mortality and maternal mortality rates,
- ❑ Life expectancy and nutrition levels, and
- ❑ Incidence of communicable and non-communicable diseases.

Health Infrastructure

- Health infrastructure includes hospitals, doctors, nurses and other para-medical professionals, beds, equipment required in hospitals and a well-developed pharmaceutical industry.
- Development of health infrastructure ensures a country of healthy manpower for the production of goods and services.
- Mere presence of health infrastructure is not sufficient to have healthy people. The same should be accessible to all people. Since the initial stages of planned development, policy-makers envisaged that no individual should fail to secure medical care, curative and preventive, because of the inability

to pay for it.



Health infrastructure is still lacking in large parts of the country

State of Health Infrastructure in India

Public Health Infrastructure in India, 1951-2017

Item	1951	1981	2000	2017
Hospitals (Govt.)	2,694	6,805	15,888	23,582
Beds (Govt.)	1,17,000	5,04,538	7,19,861	7,10,761
Dispensaries	6,600	16,745	23,065	27,698
PHCs	725	9,115	22,842	25,650
Sub-centres	–	84,736	1,37,311	1,56,231
CHCs	–	761	3,043	5,624

- The government has the constitutional obligation to guide and regulate all health-related issues, such as medical education, adulteration of food, drugs and poisons, medical profession, vital statistics, mental deficiency and lunacy.

- The Union Government evolves broad health policies and plans through the Central Council of Health and Family Welfare. It collects information and renders financial and technical assistance to State governments, Union Territories and other bodies for the implementation of important health programmes in the country.
- Over the years, India has built a vast health infrastructure and manpower at different levels. At the village level, a variety of hospitals, technically known as Primary Health Centres (PHCs), have been set up by the government.
- India also has a large number of hospitals run by voluntary agencies and the private sector. These

hospitals are manned by professionals and para-medical professionals trained in medical, pharmacy and nursing colleges.

- Since Independence, there has been a significant expansion in the physical provision of health services. During 1951–2017, the number of government hospitals and dispensaries increased from 9,300 to 51,300 and hospital beds from 1.2 to 7.1 lakh. Also, nursing personnel increased from 0.18 to 28.08 lakh and allopathic doctors from 0.62 to 10.4 lakh.
- The expansion of health infrastructure has resulted in the eradication of smallpox, guinea worms and the near eradication of polio and leprosy.

Private Sector Health Infrastructure

- More than 70 per cent of the hospitals in India are run by the private sector. They control nearly two-fifth of the beds available in the hospitals. Nearly 60 per cent of dispensaries are run by the same private sector. They provide healthcare for 80 per cent of out-patients and 46 per cent of in-patients.
- In recent times, private sector has been playing a dominant role in medical education and training, medical technology and diagnostics, manufacture and sale of pharmaceuticals, hospital construction and the provision of medical services.
- In 2001-02, there were more than 13 lakh medical enterprises employing 22 lakh people; more than

80 per cent of them are single person owned, and operated by one person occasionally employing a hired worker.

- Scholars point out that the private sector in India has grown independently without any major regulation. Some private practitioners are not even registered doctors and are known as quacks.
- Since the 1990s, owing to liberalisation measures, many non-resident Indians and industrial and pharmaceutical companies have set up state-of-the-art super-specialty hospitals to attract India's rich and medical tourists.

Indian Systems of Medicine (ISM)

- It includes six systems — Ayurveda, Yoga, Unani, Siddha, Naturopathy and Homeopathy.
- At present, there are 3,943 Ayush hospitals, 27,700 dispensaries and as many as 7.4 lakh registered practitioners in India. But little has been done to set up a framework to standardise education or to promote research.
- ISMs have huge potential and can solve a large part of our healthcare problems because they are effective, safe and inexpensive.

Indicators of Health and Health Infrastructure—A Critical Appraisal

The expenditure on health sector is as 4.7 per cent of the total GDP. This is very low as compared to other countries, both developed and developing.

One study points out that India has about 17 per cent of the world's population but it bears a frightening 20 per cent of the **global burden of diseases (GBD)**.

GBD is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of 'disability' owing to the disease.

Indicators of Health in India in comparison with other Countries, 2015-2017

Indicators	India	China	USA	Sri Lanka
Infant Mortality Rate/1,000 live births	34	8	5.7	7.5
Under-5 mortality /1,000 live-births	39.4	9.3	6.6	8.8
Birth by skilled attendants (% of total)	85.7	100	99	99
Infants immunised (DTP) (%)	88	99	95	99
Government health spending as a % of GDP (%)	4.7	5.7	16.8	3.0
Out of pocket expenditure as a % of current health expenditure	65	32.4	11.1	38.4

Sources: *Human Development Indices and Indicators 2018. Statistical update and World Development Indicators 2018; <https://apps.who.int>*

- In India, more than half of GBD is accounted for by communicable diseases such as diarrhoea, malaria and tuberculosis. Every year around five lakh children die of water-borne diseases. The danger of AIDS is also looming large.
- Malnutrition and inadequate supply of vaccines lead to the death of 2.2 million children every year.
- At present, less than 20 per cent of the population utilises public health facilities. Only 38 per cent of the PHCs have the required number of doctors and only 30 per cent of the PHCs have sufficient stock of medicines.

Urban-Rural and Poor-Rich Divide

People living in rural areas do not have sufficient medical infrastructure, which has led to differences in the health status of people. In rural areas, the percentage of people who have no access to proper healthcare facilities has increased over the last few years. Villagers have no access to any specialised medical care, like paediatrics, gynaecology, anaesthesia and obstetrics.

- Though 70 per cent of India's population lives in rural areas, only one-fifth of its hospitals (including private hospitals) are located in rural areas.
- Rural India has only about half the number of dispensaries.

- Out of about 6.3 lakh beds in government hospitals, roughly 30 per cent are available in rural areas.
- As far as hospitals are concerned, there are only 0.36 hospitals for every one lakh people in rural areas, while urban areas have 3.6 hospitals for the same number of people.
- The PHCs located in rural areas do not even offer X-ray or blood testing facilities, which for a city dweller, constitutes basic healthcare.
- States, like Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh, are relatively lagging behind in healthcare facilities.
- Even though 380 recognised medical colleges produce about 44,000 medical graduates every year, the

shortage of doctors in rural areas persists. While one-fifth of these doctor graduates leave the country for better monetary prospects, many others opt for private hospitals, which are mostly located in urban areas.

- The poorest 20% of Indians living in both urban and rural areas spend 12% of their income on healthcare, while the rich spend only 2 %.

What happens when the poor fall sick?

Many have to sell their land or even pledge their children to afford treatment. Since government-run hospitals do not provide sufficient facilities, the poor are driven to private hospitals, which make them indebted forever, else they opt to die.

Women's Health

Women suffer many disadvantages as compared to men in the areas of education, participation in economic activities and healthcare.

- The deterioration in the child sex ratio in the country from 927 in 2001 to 914 in 2011 points to the growing incidence of female foeticide.
- Close to 3,00,000 girls aged below 15 years are not only married but have already borne children at least once.
- More than 50 per cent of married women in the age group of 15–49 years have anaemia and nutritional anaemia caused by iron deficiency, which has contributed to 19 per cent of maternal deaths.

- Abortions are also a major cause of maternal morbidity and mortality in India.

Suggestions to improve the effectiveness of health care programmes

- 1. Decentralisation of public health services:**
Health is a vital public good and a basic human right. All citizens can get better health facilities if public health services are decentralised.
- 2. Sound health infrastructure:** Success in the long-term battle against diseases depends on education and efficient health infrastructure. It is, therefore, critical to create awareness on health and hygiene and provide efficient systems. The role

of telecom and IT sectors cannot be neglected in this process.

3. **Primary healthcare:** The effectiveness of healthcare programmes also rests on primary healthcare. The ultimate goal should be to help people move towards a better quality of life.
4. **Reducing the gap between urban and rural healthcare:** There is a sharp divide between urban and rural healthcare in India. If we continue to ignore this deepening divide, we run the risk of destabilising the socio - economic fabric of our country.

5. Accessibility and affordability of basic healthcare to all: In order to provide basic healthcare to all, accessibility and affordability need to be integrated in our basic health infrastructure.

CONCLUSION

Infrastructure, both economic and social, is essential for the development of a country. As a support system, it directly influences all economic activities by increasing the productivity of the factors of production and improving the quality of life. In the last seven decades of Independence, India has made considerable progress in building infrastructure, nevertheless, its distribution is uneven. Many parts of rural India are yet to get good roads, telecommunication facilities, electricity, schools and hospitals. As India moves towards modernisation, the increase in demand for quality infrastructure, keeping in view their environmental impact, will have to be addressed. The reform policies by providing various concessions and incentives, aim at attracting the private sector, in general, and foreign investors, in particular. While assessing the two infrastructure— energy and health, it is clear that there is scope for equal access to infrastructure for all.



Key Terms

Economic infrastructure: Infrastructure associated with energy, transportation and communication.

Social infrastructure: Infrastructure related to education , health and housing.

Health infrastructure: It includes hospitals, doctors, nurses and other para-medical professionals, beds, equipment required in hospitals and a well-developed pharmaceutical industry.

Primary health centres (PHCs): At the village level, a variety of hospitals are technically known as PHCs.

ISM (Indian Systems of Medicine): Includes six systems: Ayurveda , Yoga , Unani , Siddha, Naturopathy and Homeopathy. (AYUSH)

GBD (Global Burden of Diseases): GBD is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of 'disability' owing to the disease.

Think as you read 8.3

Question 1

What are the main characteristic of health of the people of our country?



Answer 1

Infant mortality and maternal mortality rates, life expectancy and nutrition levels, and the incidence of communicable and non-communicable diseases.



Question 2

What is health infrastructure?



Answer 2

Health infrastructure includes hospitals, doctors, nurses and other para-medical professionals, beds, equipment required in hospitals and a well-developed pharmaceutical industry.



Question 3

What does development of health infrastructure ensure?



Answer 3

Development of health infrastructure ensures a country of healthy manpower for the production of goods and services.



Question 4

Since the initial stages of planned development, what did the policy-makers envisage?



Answer 4

Since the initial stages of planned development, policy-makers envisaged that no individual should fail to secure medical care, curative and preventive, because of the inability to pay for it.



Question 5

The government has the constitutional obligation to guide and regulate all health-related issues.



Answer 5

Medical education, adulteration of food, drugs and poisons, medical profession, vital statistics, mental deficiency and lunacy.



Question 6

How does the Union Government evolve broad health policies and plans?



Answer 6

The Union Government evolves broad policies and plans through the Central Council of Health and Family Welfare. It collects information and renders financial and technical assistance to State governments, Union Territories and other bodies for the implementation of important health programmes in the country.



Question 7

The expansion of health infrastructure has resulted in the eradication of _____.



Answer 7

smallpox, guinea worms and the near eradication of polio and leprosy.



Question 8

What do you mean by 'quacks'?



Answer 8

The private sector in India has grown independently without any major regulation. Some private practitioners are not even registered doctors and are known as quacks.



Question 9

Recently, foreigners come to India for surgeries, liver transplants, dental and even cosmetic care. Why?



Answer 9

Because our health services combine the latest medical technologies with qualified professionals and are cheaper for foreigners as compared to costs of similar healthcare services in their own countries.



Question 10

Name the six systems of Indian medicine.



Answer 10

Ayurveda, Yoga, Unani, Siddha, Naturopathy and Homeopathy.



Question 11

What is a 'global burden of disease'?



Answer 11

Global burden of diseases (GBD) is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of 'disability' owing to the disease.



Question 12

What happens when the poor fall sick?



Answer 12

Many have to sell their land or even pledge their children to afford treatment. Since government-run hospitals do not provide sufficient facilities, the poor are driven to private hospitals, which make them indebted forever, else they opt to die.



Objective Type Questions

Question 1

Some states in India are performing much better than others in certain areas. For instance, Karnataka's information technology industry attracts world attention; Kerala has excelled in literacy, health care and sanitation and also attracts tourists in such large numbers. Give reason.



Answer 1

It is all because these states have better infrastructure in the areas they excel than other states in India.



Question 2

_____ provides supporting services in the main areas of industrial and agricultural production, domestic and foreign trade and commerce.

(Fill up the blank with the correct answer)



Answer 2

Infrastructure



Question 3

Match the following:

Column I	Column II
(a) Infrastructure associated with energy, transportation and communication	(i) Social infrastructure
(b) Infrastructure related to education, health and housing	(ii) Economic infrastructure



Answer 3

(a) – (ii), (b) – (i)



Question 4

_____ is the support system on which depends the efficient working of a modern industrial economy.

(Fill up the blank with the correct answer)



Answer 4

Infrastructure



Question 5

Modern agriculture largely depends on infrastructure.
Give reason.



Answer 5

For speedy and large scale transport of seeds, pesticides, fertilisers and the produce using modern roadways, railways and shipping facilities.



Question 6

Infrastructure contributes to economic development of a country. Give reason.



Answer 6

By increasing the productivity of the factors of production and improving the quality of life of its people.



Question 7

Improvements in water supply and sanitation have a large impact by reducing _____ from major water borne diseases and reducing the severity of disease when it occurs.

(Fill up the blanks with correct answer)



Answer 7

morbidity



Question 8

The government is solely responsible for developing the country's infrastructure.

True/False? Give reason.



Answer 8

False: Today, the private sector by itself and also in partnership with the public sector, has started playing a very important role in infrastructure development.



Question 9

The Census 2001 shows that in rural India only _____ households have an electricity connection and _____ still use kerosene.

(Fill up the blanks with correct answers)



Answer 9

56 per cent; 43 per cent



Question 10

About _____ of the rural households use bio-fuels for cooking.

(Fill up the blanks with correct answer)



Answer 10

49 per cent



Question 11

Tap water availability is limited to only _____ rural households. About _____ of the population drinks water from open sources such as wells, tanks, ponds, lakes, rivers, canals etc.

(Fill up the blanks with correct answers)



Answer 11

24 per cent; 76 per cent



Question 12

Access to improved sanitation in rural areas was only _____ .

(Fill up the blanks with correct answer)



Answer 12

20 per cent



Question 13

India invests only _____ of its GDP on infrastructure, which is far below that of China (China invests 46% of its GDP on infrastructure).

(Fill up the blanks with correct answer)



Answer 13

34 per cent



Question 14

Some economists have projected that India will become the third biggest economy in the world a few decades from now. For that to happen India will have to boost its _____.

(Fill up the blanks with correct answer)



Answer 14

infrastructure investment



Question 15

As an economy develops, more service-related infrastructure is required.

True/False? Give reason.



Answer 15

True: This is why, the share of power and telecommunication infrastructure is greater in high-income countries.



Question 16

Generally, scholars assess people's health by taking into account indicators like _____ .

(Fill up the blank with correct answer)



Answer 16

infant mortality and maternal mortality rates, life expectancy, nutrition levels and the incidence of communicable and non-communicable diseases.



Question 17

Health infrastructure includes _____ .

(Fill up the blank with correct answer)



Answer 17

hospitals; doctors, nurses and other para-medical professionals, beds, equipment required in hospitals; and well-developed pharmaceutical industry.



Question 18

Mere presence of health infrastructure is not sufficient to have healthy people. Give reason.



Answer 18

The same should be accessible to all people.



Question 19

_____ collects information and renders financial and technical assistance to state governments, Union Territories and other bodies for the implementation of important health programmes in the country.



Answer 19

Central Council of Health and Family Welfare



Question 20

At the village level, a variety of hospitals, technically known as _____ have been set up by the government.

(Fill up the blank with correct answer)



Answer 20

Primary Health Centres (PHCs)



Question 21

During 1951-2017, the number of government hospitals and dispensaries together increased from 9,300 to _____ and hospital beds from 1.2 lakh to _____.

(Fill up the blank with correct answers)



Answer 21

51,300; 7.1 lakhs



Question 22

During 1951-2017, nursing personnel increased from 0.18 lakhs to _____ and allopathic doctors from 0.62 lakh to _____.

(Fill up the blank with correct answers)



Answer 22

28.8 lakhs; 10.4 lakhs



Question 23

More than _____ of the hospitals in India are run by the private sector. They control nearly _____ of the beds available in the hospitals.

(Fill up the blank with correct answers)



Answer 23

70 per cent; two-fifth



Question 24

Nearly _____ of dispensaries are run by the private sector. They provide health care for 80 per cent of out-patients and 46 per cent of in-patients.

(Fill up the blank with correct answer)



Answer 24

60 per cent



Question 25

In recent times, _____ (private sector/public sector) has been playing a dominant role in medical education and training, medical technology and diagnostics, manufacture and sale of pharmaceuticals, hospital construction and the provision of medical services.

(Fill up the blank with correct option)



Answer 25

private sector



Question 26

In 2001-02, there were more than _____ medical enterprises employing _____ people; more than 80 per cent of them are single person owned, and operated by ovel person occasionally employing a hired worker.

(Fill up the blank with correct answers)



Answer 26

13 lakh; 22 lakh



Question 27

Some private practitioners are not even registered doctors and are known as _____.

(Fill up the blank with correct answer)



Answer 27

Quacks



Question 28

Indian systems of medicine include _____ .

(Fill up the blank with correct answer)



Answer 28

Ayurveda, Yoga, Unani, Siddha, Naturopathy and Homeopathy (AYUSH).



Question 29

At present, there are _____ AYUSH hospital and _____ dispensaries and as many as _____ registered practitioners in India.

(Fill up the blank with correct answers)



Answer 29

3,943; 27,700; 7.4 lakh



Question 30

Indian system of Medicine (ISM) have huge potential and can solve a large part of our healthcare problems.

True/False? Give reason.



Answer 30

True: Because they are effective, safe and inexpensive.



Question 31

Government expenditure on health sector is only _____ of the total GDP; which is very low as compared to USA and China. (USA spends 16.8% of GDP on health sector)

(Fill up the blank with correct answer)



Answer 31

4.7 per cent



Question 32

India bears a frightening _____ of the global burden of diseases (GBD).

(Fill up the blank with correct answer)



Answer 32

20 per cent



Question 33

_____ is an indicator used by exports to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of 'disability' owing to the disease.

(Fill up the blank with correct answer)



Answer 33

Global Burden of Diseases



Question 34

In India, more than the half of Global burdan of diseases (GBD) is accounted for by _____ .

(Fill up the blank with correct answer)



Answer 34

communicable diseases such as diarrhea, malaria and tuberculosis.



Question 35

Every year around _____ children die of water-borne diseases. Malnutrition and inadequate supply of vaccines lead to the death of _____ children every year.

(Fill up the blank with correct answers)



Answer 35

5 lakh; 2.2 lakh



Question 36

At present less than _____ of the population utilises public health facilities. One study has pointed out that only _____ of the Public Health Centres (PHCs) have the required number of doctors and only _____ of the PHCs have sufficient stock of medicines.

(Fill up the blank with correct answers)



Answer 36

20 per cent;

38 per cent;

30 per cent



Question 37

Though 70 per cent of India's population lives in rural areas, only _____ of its hospitals (including private hospitals) are located in rural areas. Rural India has only about _____ the number of dispensaries.

(Fill up the blank with correct answers)



Answer 37

one-fifth (20%);
half (50%)



Question 38

Out of about 6.3 lakh beds in government hospitals, roughly _____ are available in rural areas.

(Fill up the blank with correct answer)



Answer 38

30 per cent



Question 39

There are only _____ hospitals for every one lakh people in rural areas, while urban areas have _____ hospitals for the same number of people.

(Fill up the blank with correct answers)



Answer 39

0.36; 3.6



Question 40

The deterioration in the child sex ratio in India from 927 in 2001 to _____ in 2011 points to the growing incidence of female foeticide.

(Fill up the blank with correct answer)



Answer 40

914



Question 41

More than 50 per cent of married women in the age group of 15-49 years have anaemia and nutritional anaemia caused by iron deficiency, which has contributed to _____ of maternal deaths.

(Fill up the blank with correct answer)



Answer 41

19 per cent



Question 42

All citizens can get better health facilities if public health services are _____.

(Fill up the blank with correct answer)



Answer 42

decentralised



Question 43

Infrastructure is divided into following two categories:

(Choose the correct alternative)

- (a) Economic and non-economic
- (b) Social and monetary
- (c) Economic and social
- (d) Social and political



Answer 43

(c) Economic and social



Question 44

Which of the following has the largest source of power in India?

(Choose the correct alternative)

- (a) Wind power
- (b) Solar power
- (c) Hydro electricity
- (d) Thermal power



Answer 44

(d) Thermal power



Question 45

Which of the following is a wage employment programme?

(Choose the correct alternative)

- (a) Integrated rural development programme
- (b) National rural employment programme
- (c) Training for rural youth self employment programme
- (d) Swaran Jytanti Gram Swarozgar yojana



Answer 45

(b) National rural employment programme



HOTs

Question 1

“Infrastructure contributes to economic development of a country.” Do you agree with the given statement? Give reasons in support of your answer.

(6 marks)



Answer 1

The given statement is correct. Infrastructure is the foundation of economic development of a country.

A. Infrastructure contributes to economic development of a country by increasing the productivity of the factors of production.

Infrastructure in the support system on which depends the efficient working of the modern industrial economy.

(i) Modern agriculture depends, to a considerable extent, on the adequate expansion and development of irrigation facilities. Agriculture also largely depends on infrastructure for speedy and large-scale transport



of seeds, pesticides, fertilizers, and the produce using modern roadways, railways and shipping facilities. In recent times, agriculture also depends on insurance and banking facilities because of its need to operate on a very large scale.

- (ii) Industrial progress depends on the development of power and electricity generation, transport and communications.

Obviously, if proper attention is not paid to the development of infrastructure, it is likely to act as a severe constraint on economic development.

B. Infrastructure also contributes to economic development of a country by improving the quality of life. Infrastructure in water supply and sanitation have a large impact by reducing morbidity from major waterborne diseases. Inadequate infrastructure can have multiple adverse effects on health.

Question 2

“Infrastructure is the foundation of economic development of a country.” How far India has been able to develop its infrastructure?

(4 marks)



Answer 2

Though infrastructure is the foundation of economic development of a country, India is yet to wake up to the call.

Country	Investment in infrastructure as a % of GDP (2015)	Access to improved sanitation (%) (2015)	Power generation (billion kwh) (2016)
India	34	40	1423
China	46	77	6015

- India invests only 34 per cent of its GDP on infrastructure, which is far below that of China.
- Only 40% of India's population have access to improved

sanitation. Out of that, access to improved sanitation in rural areas is only 20%.

- If the Indian economy wants to touch the GDP growth rate between 7-8% it must target to produce electricity with a growth rate of 7% which is not possible with the present production capacity in the power sector.

Some economists have projected that India will become the third biggest economy in the world a few decades from now. For that to happen, India will have to boost its investment in infrastructure.

Question 3

“In any country as the income rises, the composition of infrastructure requirements changes significantly.” Discuss the given statement.

(3 marks)



Answer 3

The given statement is correct.

- For low-income countries, basic infrastructure services like irrigation, transport and power are more important.
- As economies develop and most of their basic consumption demands are met, the share of agriculture in the economy shrinks and more service-related infrastructure is required. This is why, the share of power and telecommunication infrastructure is greater in high-income countries.



Question 4

“Health is a vital public good and a basic human right.”
How can all citizens get better health facilities? Give a few suggestions.

(3 marks)



Answer 4

- (i) Public health services should be decentralized.
- (ii) Success in the long term battle against diseases depends on education and efficient health infrastructure. Awareness should be created on health and hygiene; and efficient health systems should be provided. There is a great role of telecom and IT sectors in this process.
- (iii) The effectiveness of health care programmes also rests on primary health care. ‘Urban-Rural and Poor-Rich divide’ must be reduced. In order to provide basic health care to all, accessibility and affordability need to be integrated in our basic health infrastructure.



Question 5

What are the major problems of health sector in India?
Explain.

(6 marks)



Answer 5

Problems of health sector in India:

- (i) Low public expenditure:** Expenditure on health sector by government is only 4.7% of the total GDP, which is abysmally low as compared to other developing countries.
- (ii) Global Burden of Diseases (GBD)– Child Health Issues:** India has about 17% of the world's population but it bears a frightening 20% of the GBD; more than half of GBD is accounted for by communicable diseases such as diarrhoea, malaria and tuberculosis. Every year, around 5 lakh children die of water-borne diseases. Malnutrition and inadequate supply of vaccines

lead to the death of 2.2 million children every year.

(iii) **Urban-Rural and Poor-Rich Divide:** People living in rural India do not have sufficient medical infrastructure.

- Nearly 70% of the population lives in rural areas which have only 20% of the total hospitals of the country.
- Out of about 6.3 lakh beds in government hospitals only 30% are available in rural areas.
- Only 38% of the PHCs have the required number of doctors and only 30% of the PHCs have sufficient.

stock of medicines.

- The PHCs located in rural areas do not even offer X-ray or blood testing facilities

(iv) Women's health Issues:

- Decrease in the child sex ratio from 927 in 2001 to 914 in 2011 points to the growing incidence of female foeticide.
- Close to 3 lakh girls aged below 15 years are not only married but have at least one child.



-
- More than 50% of the married women in the age groups of 15-49 years have iron deficiency, which has contributed to maternal deaths.
 - Abortions are also a major cause of maternal morbidity and mortality in India.

As per CBSE Revised Syllabus for 2021 Exam



Chapter 9 Environment and Sustainable Development

Revised CBSE Syllabus for 2021 Examination

- ❑ **Meaning, Effects of Economic Development on Resources and Environment, including global warming**

9.1

Functions and Role of Environment

Environment is defined as the total planetary inheritance and the totality of all resources. It includes all the biotic and abiotic factors that influence each other.

Biotic elements of the environment: All living elements—the birds, animals and plants, forests, fisheries etc.—are biotic elements.

Abiotic elements of the environment: Abiotic elements include air, water, land etc. Rocks and sunlight are all examples of abiotic elements of the environment.

Functions of the Environment

The environment performs four vital functions:

- (i) It supplies resources. Resources here include both renewable and non-renewable resources.

Renewable resources	Non-renewable resources
Renewable resources are those which can be used without the possibility of the resource becoming depleted or exhausted. That is, a continuous supply of the resource remains available. Examples of renewable resources are the trees in the forests and the fishes in the ocean.	Non-renewable resources are those which get exhausted with extraction and use, for example, fossil fuel.

- (ii) It assimilates waste.
- (iii) It sustains life by providing genetic and bio diversity.
- (iv) It also provides aesthetic services like scenery etc.

The environment is able to perform these functions without any interruption as long as the demand on these functions is within its carrying capacity. This implies that the resource extraction is not above the rate of regeneration of the resource and the wastes generated are within the assimilating capacity of the environment.

What happens when the rate of resource extraction, exceeds that of their regeneration?

The environment fails to perform its third and vital function of life sustenance and this results in an environmental

crisis. This is the situation today all over the world.

Current Environmental Crisis

The rising population of the developing countries and the affluent consumption and production standards of the developed world have placed a huge stress on the environment in terms of its first two functions.

- ❑ Many resources have become extinct and the wastes generated are beyond the absorptive capacity of the environment. *Absorptive capacity means the ability of the environment to absorb degradation.* The result — we are today at the threshold of environmental crisis.
- ❑ The industrial development has polluted and dried up rivers and other aquifers making water an economic

good.

- ❑ The intensive and extensive extraction of both renewable and non-renewable resources has exhausted some of these vital resources and we are compelled to spend huge amounts on technology and research to explore new resources.
- ❑ Added to these are the health costs of degraded environmental quality — decline in air and water quality (seventy per cent of water in India is polluted) have resulted in increased incidence of respiratory and water-borne diseases. Hence the expenditure on health is also rising.
- ❑ Global environmental issues such as global warming and ozone depletion also contribute to increased financial commitments for the government.



Water bodies: small, snow-fed Himalayan streams are the few fresh-water sources that remain unpolluted.

Thus, it is clear that the opportunity costs of negative environmental impacts are high.

Supply-demand reversal of environmental resources

In the early days when civilisation just began, or before this phenomenal increase in population, and before countries took to industrialisation, the demand for environmental resources and services was much less than their supply. This meant that pollution was within the absorptive capacity of the environment and the rate of resource extraction was less than the rate of regeneration of these resources. Hence environmental problems did not arise.

But with population explosion and with the advent of industrial revolution to meet the growing needs of the expanding population, things changed. The result was that the demand for resources for both production and consumption went beyond the rate of regeneration of the resources. The pressure on the absorptive capacity of the environment increased tremendously. This has resulted in a reversal of supply-demand relationship of environmental resources. That is, we are now faced with increased demand for environmental resources and services but their supply is limited due to overuse and misuse.

Hence, the environmental issues of waste generation and pollution have become critical today.



Damodar Valley is one of India's most industrialised regions. Pollutants from the heavy industries along the banks of the Damodar river are converting it into an ecological disaster

Think as you read 9.1

Question 1

What is meant by environment?



Answer 1

Environment is defined as the total planetary inheritance and the totality of all resources. It includes all the biotic and abiotic factors that influence each other.



Question 2

What happens when the rate of resource extraction, exceeds that of their regeneration?



Answer 2

The environment fails to perform its third and vital function of life sustenance and this results in an environmental crisis. This is the situation today all over the world.



Question 3

State the difference between biotic and abiotic elements of the environment.



Answer 3

All living elements – the birds, animals and plants, forests, fisheries etc. – are biotic elements. On the other hand, abiotic elements include air, water, land etc. Rocks and sunlight are all examples of abiotic elements of the environment.



Question 4

Distinguish between renewable resources and non-renewable resources.



Answer 4

Renewable resources are those which can be used without the possibility of the resource becoming depleted or exhausted, e.g. trees in the forests and the fishes in the ocean. Non-renewable resources, on the other hand, are those which get exhausted with extraction and use, e.g. fossil fuel.



Question 5

Classify the following into renewable and non-renewable resources (i) trees (ii) fish (iii) petroleum (iv) coal (v) iron-ore (vi) water



Answer 5

- (i) trees—renewable
- (ii) fish—renewable
- (iii) petroleum — non-renewable
- (iv) coal—non renewable
- (v) iron-ore—non-renewable
- (vi) water—renewable



Question 6

What do you mean by 'absorptive capacity'?



Answer 6

Absorptive capacity means the ability of the environment to absorb degradation.



Question 7

Two major environmental issues facing the world today are _____ and _____ .



Answer 7

Global warming, Ozone depletion.



9.2

State of India's Environment

India has abundant natural resources

India has abundant natural resources in terms of rich quality of soil, hundreds of rivers and tributaries, lush green forests, plenty of mineral deposits beneath the land surface, vast stretch of the Indian Ocean, ranges of mountains, etc.

- ❑ The black soil of the Deccan Plateau is particularly suitable for cultivation of cotton, leading to concentration of textile industries in this region.
- ❑ The Indo-Gangetic plains - spread from the Arabian Sea to the Bay of Bengal — are one of the most fertile, intensively cultivated and densely populated regions in the world.

- ❑ India's forests, though unevenly distributed, provide green cover for a majority of its population and natural cover for its wildlife.
- ❑ Large deposits of iron-ore, coal and natural gas are found in the country. India alone accounts for nearly 20 per cent of the world's total iron-ore reserves.
- ❑ Bauxite, copper, chromate, diamonds, gold, lead, lignite, manganese, zinc, uranium, etc. are also available in different parts of the country.

The most pressing environmental concerns of India/Challenges to India's environment

The developmental activities in India have resulted in pressure on its natural resources, besides creating impacts on human health and well-being.

The threat to India's environment poses a dichotomy:

- (i) Threat of poverty-induced environmental degradation
- (ii) Threat of pollution from affluence and a rapidly growing industrial sector

Air pollution, water contamination, soil erosion, deforestation and wildlife extinction are some of

the most pressing environmental concerns of India.

The priority issues identified are:

1. Land degradation

Land in India suffers from varying degrees and types of degradation stemming mainly from unstable use and inappropriate management practices.

Some of the factors responsible for land degradation are:

- ❑ Loss of vegetation occurring due to deforestation
- ❑ Unsustainable fuel wood and fodder extraction
- ❑ Shifting cultivation
- ❑ Encroachment into forest lands
- ❑ Forest fires and over grazing

- ❑ Non-adoption of adequate soil conservation measures
- ❑ Improper crop rotation
- ❑ Indiscriminate use of agro-chemicals such as fertilisers and pesticides
- ❑ Improper planning and management of irrigation systems
- ❑ Extraction of ground water in excess of the recharge capacity
- ❑ Open access resource
- ❑ Poverty of the agriculture-dependent people



Deforestation leads to land degradation, biodiversity loss and air pollution

2. Biodiversity loss

- ❑ India supports approximately 17 per cent of the world's human and 20 per cent of livestock population on a mere 2.5 per cent of the world's geographical area.
- ❑ The high density of population and livestock and the competing uses of land for forestry, agriculture, human settlements and industries exert an enormous pressure on the country's finite land resources.
- ❑ The per capita forest land in the country is only 0.08 hectare against the requirement of 0.47 hectare to meet basic needs.

3. Soil erosion

- ❑ Estimates of soil erosion show that soil is being eroded at a rate of 5.3 billion tonnes a year for the entire country as a result of which the country loses 0.8 million tonnes of nitrogen, 1.8 million tonnes of phosphorus and 26.3 million tonnes of potassium every year.
- ❑ According to the Government of India, the quantity of nutrients lost due to erosion each year ranges from 5.8 to 8.4 million tonnes.

4. Air pollution with special reference to vehicular pollution in urban cities

- ❑ In India, air pollution is widespread in urban areas where vehicles are the major contributors and in a few other areas which have a high concentration of industries and thermal power plants.
- ❑ Vehicular emissions are of particular concern since these are ground level sources and, thus, have the maximum impact on the general population.
- ❑ The number of motor vehicles has increased from about 3 lakh in 1951 to 67 crores in 2003. In 2003, personal transport vehicles (two-wheeled vehicles and cars only) constituted about 80 per cent of the total number of registered vehicles thus contributing

significantly to total air pollution load.

India is one of the ten most industrialised nations of the world. But this status has brought with it unwanted and unanticipated consequences such as unplanned urbanisation, pollution and the risk of accidents.

The CPCB (Central Pollution Control Board) has identified seventeen categories of industries (large and medium scale) as significantly polluting.

The various measures adopted by the Ministry of Environment and the central and state pollution control boards may not yield reward unless we consciously adopt a path of sustainable development. The concern for future generations alone can make development last forever.

Development to enhance our current living styles, without concern for posterity, will deplete resources and degrade environment at a pace that is bound to result in both environmental and economic crisis.

Think as you read 9.2

Question 1

State any four pressing environmental concerns of India.
(NCERT)



Answer 1

Air pollution, water contamination, soil erosion and deforestation are four pressing environmental concerns of India.



Question 2

The threat to India's environment poses a dichotomy.
Name these.



Answer 2

- (i) Threat of poverty-induced environmental degradation and
- (ii) Threat of pollution from affluence and a rapidly growing industrial sector..



Question 3

India is one of the ten most industrialised nations of the world. But this status has brought with it unwanted and unanticipated consequences. State the consequences.



Answer 3

Unplanned urbanisation, pollution and the risk of accidents.



Question 4

The CPCB (Central Pollution Control Board) has identified _____ categories of industries (large and medium scale) as significantly polluting.



Answer 4

Seventeen



9.3

Steps and Strategies to Attain Sustainable Development

Meaning of Sustainable Development

Environment and economy are interdependent and need each other. Hence, development that ignores its repercussions on the environment will destroy the environment that sustains life forms. What is needed is sustainable development: **development that will allow all future generations to have a potential average quality of life that is at least as high as that which is being enjoyed by the current generation.**

Though the government, through various measures, attempts to safeguard the environment, it is also necessary to adopt a path of sustainable development.

United Nations Conference on Environment and Development (UNCED) has defined sustainable development as follows:

Sustainable development is the development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs.

The use of the concept 'needs' in the above definition is linked to distribution of resources. The seminal report —**Our Common Future**— that gave the above definition explained sustainable development as *'meeting the basic needs of all and extending to all the opportunity to satisfy their aspirations for a better life'*.

Meeting the needs of all requires redistributing resources and is hence a moral issue.

Edward Barbier defined sustainable development as follows:

Sustainable development is one which is directly concerned with increasing the material standard of living of the poor at the grass root level. This can be quantitatively measured in terms of increased income, real income, educational services, health care, sanitation, water supply etc.

In more specific terms, sustainable development aims at decreasing the absolute poverty of the poor by providing lasting and secure livelihoods that minimise resource depletion, environmental degradation, cultural disruption and social instability. In this sense:

Sustainable development is a development that meets the basic needs of all, particularly the poor majority, for employment, food, energy, water, housing, and ensures growth of agriculture, manufacturing, power and services to meet these needs.

Steps to Attain Sustainable Development

The **Brundtland Commission** emphasises on protecting the future generation. This is in line with the argument of the environmentalists who emphasise that we have a moral obligation to hand over the planet earth in good order to the future generation; that is, the present generation should bequeath a better environment to the future generation. At least we should leave to the next generation a stock of 'quality of life' assets no less than what we have inherited.

The present generation can promote sustainable development through:

- ❑ conservation and promotion of natural resources,
- ❑ preservation of the regenerative capacity of the world's natural ecological system and
- ❑ avoiding the imposition of added costs or risks on future generations.

According to **Herman Daly**, a leading environmental economist, to achieve sustainable development, the following steps must be taken:

- (i) Limiting the human population to a level within the carrying capacity of the environment. The carrying capacity of the environment is like a 'plimsoll line' of the ship which is its load limit mark. In the absence of the plimsoll line for the economy, human scale grows beyond the carrying

capacity of the earth and deviates from sustainable development.

- (ii) Technological progress should be input efficient and not input consuming.
- (iii) Renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration.
- (iv) For non-renewable resources, rate of depletion should not exceed the rate of creation of renewable substitutes.
- (v) Inefficiencies arising from pollution should be corrected.

Strategies for Sustainable Development

1. Use of Non-conventional Sources of Energy

India is hugely dependent on thermal and hydro power plants to meet its power needs. Both of these have adverse environmental impacts, as given below:

- ❑ Thermal power plants emit large quantities of carbon dioxide which is a green house gas.
- ❑ It also produces fly ash which, if not used properly, can cause pollution of water bodies, land and other components of the environment.
- ❑ Hydroelectric projects inundate forests and interfere with the natural flow of water in catchment areas and the river basins.

Wind power and solar rays are cleaner and greener energy sources but are not yet been explored on a large scale due to lack of technological devices.

2. LPG, Gobar Gas in Rural Areas

Households in rural areas generally use wood, dung cake or other biomass as fuel. This practice has several adverse implications like: deforestation, reduction in green cover, wastage of cattle dung and air pollution.

To rectify the situation, subsidised Liquefied Petroleum Gas (LPG) is being provided. It is a clean fuel — it reduces household pollution to a large extent. Also, energy wastage is minimised.

In addition, gobar gas plants are being provided through easy loans and subsidy. For the gobar gas plant to function, cattle dung is fed to the plant and gas is produced which is used as fuel while the slurry which is left over is a very good organic fertiliser and soil conditioner.



Gobar Gas Plant uses cattle dung to produce energy

3. CNG in Urban Areas

In Delhi, the use of Compressed Natural Gas (CNG) as fuel in public transport system has significantly lowered air pollution and the air has become cleaner in the last few years.

4. Wind Power

In areas where speed of wind is usually high, wind mills can provide electricity without any adverse impact on the environment. Wind turbines move with the wind and electricity is generated.

No doubt, the initial cost is high. But the benefits are such that the high cost gets easily absorbed.



Solar Power through Photovoltaic Cells

5. Solar Power through Photovoltaic Cells

India is naturally endowed with a large quantity of solar energy in the form of sunlight. We use it in different ways. For example, we dry our clothes, grains, other agricultural products as well as various items made for daily use. We also use sunlight to warm ourselves in winter. Plants use solar energy to perform photosynthesis.

Now, with the help of photovoltaic cells, solar energy can be converted into electricity. These cells use special kind of materials to capture solar energy and then convert the energy into electricity.

Benefits:

- (i) This technology is extremely useful for remote areas and for places where supply of power through grid or power lines is either not possible or proves very costly.
- (ii) This technique is also totally free from pollution.

6. Mini-hydel Plants

In mountainous regions, streams can be found almost everywhere. A large percentage of such streams are perennial. Mini-hydel plants use the energy of such streams to move small turbines. The turbines generate electricity which can be used locally.

Benefits:

- (i) Such power plants are more or less environment-friendly as they do not change the land use pattern in areas where they are located.
- (ii) They generate enough power to meet local demands.
- (iii) They can also do away with the need for large scale transmission towers and cables and avoid transmission loss.

7. Traditional Knowledge and Practices

If we look back at our agriculture system, healthcare system, housing, transport etc., we find that all practices have been environment friendly. Only recently have we drifted away from the traditional systems and caused large scale damage to the environment and also our rural heritage. Now, it is time to go back.

One apt example is in healthcare. India is very much privileged to have about 15,000 species of plants which have medicinal properties. About 8,000 of these are in regular use in various systems of treatment. With the sudden onslaught of the western system of treatment,

we were ignoring our traditional systems such as Ayurveda, Unani, Tibetan and folk systems. These healthcare systems are in great demand again for treating chronic health problems.

Now-a-days every cosmetic produce — hair oil, toothpaste, body lotion, face cream and what not — is herbal in composition.

Benefits:

- (i) These products environment friendly.
- (ii) They are relatively free from side effects.
- (iii) They do not involve large-scale industrial and chemical processing.

8. Biocomposting

In our quest to increase agricultural production during the last five decades or so, we almost totally neglected the use of compost and completely switched over to chemical fertilisers. The result is that large tracts of productive land have been adversely affected, water bodies including ground water system have suffered due to chemical contamination and demand for irrigation has been going up year after year.

Farmers, in large numbers all over the country, have again started using compost made from organic wastes of different types. In certain parts of the country, cattle are maintained only because they produce dung which is an important fertiliser and soil conditioner.

Earthworms can convert organic matter into compost faster than the normal composting process. This process is now being widely used. Indirectly, the civic authorities are benefited too as they have to dispose reduced quantity of waste.

9. Biopest Control

With the advent of green revolution, the entire country entered into a frenzy to use more and more chemical pesticides for higher yield.

Soon, the adverse impacts began to show; food products were contaminated, soil, water bodies and even ground water were polluted with pesticides. Even milk, meat and fishes were found to be contaminated.

To meet this challenge, efforts are on to bring in better methods of pest control. For example, neem trees are proving to be quite useful. Several types of pest controlling chemicals have been isolated from neem and these are being used. Mixed cropping and growing different crops in consecutive years on the same land have also helped farmers.

In addition, awareness is spreading about various animals and birds which help in controlling pests. For example, snakes are one of the prime group of animals which prey upon rats, mice and various other pests. Similarly, large varieties of birds, for example, owls and peacocks, prey upon vermin and pests. If these are allowed to dwell around the agricultural areas, they can clear large varieties of pests including insects. Lizards are also important in this regard. We need to know their value and save them.

CONCLUSION

Economic development, which aimed at increasing the production of goods and services to meet the needs of a rising population, puts greater pressure on the environment. In the initial stages of development, the demand for environmental resources was less than that of supply. Now the world is faced with increased demand for environmental resources but their supply is limited due to overuse and misuse. Sustainable development aims at promoting the kind of development that minimises environmental problems and meets the needs of the present generation without compromising the ability of the future generation to meet their own needs.

Think as you read 9.3

Question 1

What is sustainable development?

(NCERT)



Answer 1

Sustainable development is the development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs.



Question 2

Give the definition of sustainable development as given by the seminal report—Our Common Future?



Answer 2

Sustainable development is 'meeting the basic needs of all and extending to all the opportunity to satisfy their aspirations for a better life'.



Question 3

How did Edward Barbier define sustainable development?



Answer 3

Sustainable development is one which is directly concerned with increasing the material standard of living of the poor at the grass root level. This can be quantitatively measured in terms of increased income, real income, educational services, health care, sanitation, water supply etc.



Question 4

What does 'plimsoll line' refer to in the context of sustainable development?



Answer 4

The carrying capacity of the environment is like a 'plimsoll line' of the ship which is its load limit mark. In the absence of the plimsoll line for the economy, human scale grows beyond the carrying capacity of the earth and deviates from sustainable development.



Question 5

Households in rural areas generally use wood, dung cake or other biomass as fuel. This practice has several adverse implications. Enumerate such implications.



Answer 5

- (i) Deforestation
- (ii) Reduction in green cover
- (iii) Wastage of cattle dung
- (iv) Air pollution.



Question 6

In Delhi, the use of _____ as fuel in public transport system has significantly lowered air pollution and the air has become cleaner in the last few years.



Answer 6

Compressed Natural Gas (CNG)



Objective Type Questions

Question 1

The economic development that we have achieved so far has come at a very heavy price, i.e. _____.

(Fill up the blank with the correct answer)



Answer 1

at the cost of environmental quality



Question 2

As we step into an era of globalization that promises higher economic growth, we have to bear in mind the adverse consequences of the past development path on our _____ and consciously choose a path of _____.

(Fill up the blanks with the correct answers)



Answer 2

Environment; Sustainable development



Question 3

_____ is defined as the total planetary inheritance and the totality of all resources. It includes all the biotic and a biotic factors that influence each other.

(Fill up the blank with the correct answer)



Answer 3

Environment



Question 4

Match the following:

(a) Birds, animals and plants
forests, fisheries, etc.

(i) Biotic elements of environment

(b) Air, water, land etc.

(ii) Abiotic elements of
environment



Answer 4

(a) – (i), (b) – (ii)



Question 5

5. Which of the following is not a function of the environment? *(Choose the correct alternative)*

- (a) It supplies resources
- (b) It assimilates waste
- (c) It sustains life
- (d) It promotes economic growth



Answer 5

(d) It promotes economic growth



Question 6

Match the following:

(a) Resources which get exhausted with extraction and use, e.g. fossil fuel.

(b) Resources which remain available continuously, e.g. trees in the forests and the fishes in the ocean.

(i) Renewable resources

(ii) Non – renewable resources



Answer 6

(a) – (ii), (b) – (i)



Question 7

The environment is able to perform its functions, viz. supplying resources, assimilating waste, life sustenance, etc; without any interruption as long as the demand on these functions is within its _____.

(Fill up the blank with the correct answer)



Answer 7

Carrying capacity



Question 8

When the resource extraction is above the rate of regeneration of the resources, and wastes generated are not within the assimilating capacity of the environment, which of the following vital function the environment fails to perform, which results in an environmental crisis?

(Choose the correct alternative)

- (a) It supplies resources-renewable and non-renewable resources.
- (b) It assimilates waste.
- (c) It sustains life by providing genetic and biodiversity.
- (d) It provides aesthetic services like scenery etc.

Answer 8

(c) It sustains life by providing genetic and biodiversity.



Question 9

The rising population of the developing countries and the affluent consumption and production standards of the developed world have placed a huge stress on the environment in terms of its two important functions . Name those functions.



Answer 9

- (i) Environment supplies resources
- (ii) It assimilates waste.



Question 10

Due to the rising population of the developing countries and the affluent consumption and production standards of the developed world, many resources have become extinct and the wastes generated are beyond the _____ of the environment.

(Fill up the blank with the correct answer)



Answer 10

Absorptive capacity



Question 11

_____ means the ability of the environment to absorb degradation.

(Fill up the blank with the correct answer)



Answer 11

Absorptive capacity



Question 12

Opportunity costs of negative environmental impacts:

(Choose the correct alternative)

- (a) Huge expenditure on technology and research to explore new resources. re due to increased incidence of respiratory and water-borne diseases.
- (c) Increased financial commit
- (b) Rising health expenditures for the govt. due to global warming.
- (d) All of the above



Answer 12

(d) All of the above



Question 13

In the early days when civilization just began, environment problems did not arise. Give reasons.



Answer 13

- (i) Demand for environmental resources and services was much less than their supply.
- (ii) Pollution was within the absorptive capacity of the environment.
- (iii) The rate of resource extraction was less than the rate of regeneration of these resources.



Question 14

Two major environmental issues facing the world today are _____ and _____.

(Fill up the blanks with the correct answers)



Answer 14

Global warming ; Ozone depletion.



Question 15

India alone accounts for nearly _____ of the world's total iron-ore resources.

(Fill up the blank with the correct answer)



Answer 15

20 per cent



Question 16

India supports approximately 17 percent of the world's human and 20 per cent of livestock population on a mere 2.5 per cent of the world's geographical area. Due to the high density of population and livestock, the country loses 0.8 million tonnes of nitrogen, 1.8 million tonnes of phosphorus and 26.3 million tonnes of potassium every year. According to the Government of India, the quantity of nutrients lost due to erosion each year ranges from _____.

(Fill up the blank with the correct answer)



Answer 16

5.8 to 8.4 million tonnes



Question 17

The number of motor vehicles has increased from about 3 lakh in 1951 to _____ in 2003. Personal transport vehicles (two-wheeled vehicles and cars only) constituted about _____ of the total number of registered vehicles thus contributing significantly to total air pollution load.

(Fill up the blanks with the correct answers)



Answer 17

67 crore ; 80 percent



Question 18

The CPCB (Central Pollution Control Board) has identified _____ categories of industries (large and medium scale) as significantly polluting.

(Fill up the blank with the correct answer)



Answer 18

17



Question 19

The various measures adopted by the Ministry of Environment and the central and state pollution central boards may not yield reward unless we consciously adopt a path of _____ .The concern for future generations alone can make development last forever. *(Fill up the blank with the correct answer)*



Answer 19

Sustainable economic development



Question 20

_____ aims at promoting the kind of development that minimises environmental problems and meets the needs of the present generation without compromising the ability of the future generation to meet their own needs.

(Fill up the blank with the correct answer)



Answer 20

Sustainable Economic Development.



Question 21

The concept of sustainable development was emphasised by _____.

(Fill up the blank with the correct answer)



Answer 21

The United Nations Conference on Environment and Development (UNCED)



Question 22

_____ and _____ are good examples of conventional but cleaner and greener-sources of energy.
(Fill up the blanks with the correct answers)



Answer 22

Wind power; Solar rays



Question 23

The use of _____ as fuel in public transport system may reduce air pollution.

(Fill up the blank with the correct answer)



Answer 23

Compressed Natural Gas (CNG)



Question 24

With the help of _____ solar energy can be converted into electricity.

(Fill up the blank with the correct answer)



Answer 24

photovoltaic cells



Question 25

In recent years, India is taking efforts to increase the power generation through solar. India is also leading an international body called _____ .

(Fill up the blank with the correct answer)



Answer 25

International Solar Alliance (ISA)



Question 26

_____ is a gradual increase in the average temperature of the earth's lower atmosphere as a result of the increase in green house gases since the Industrial Revolution. *(Fill up the blank with the correct answer)*



Answer 26

Global Warming



Question 27

Identify the correct sequence of alternatives given in column II by matching them with respective terms in column I.

Column I	Column II
(a) A UN conference on climate change, held in Kyoto, Japan in 1997	(i) Emphasised the concept of sustainable development
(b) The CPCB (Central Pollution control Board)	(ii) To fight global warming
(c) The United Nations Conference on Environment and Development (UNCED)	(iii) Emphasised on protecting the future generation.
(d) The Brundtland Commission	(iv) Identified 17 categories of industries (large and medium scale) as significantly polluting

Answer 27

(a) – (ii), (b) – (iv), (c) – (i), (d) – (iii)



Question 28

Global warming is caused by

(Choose the correct alternative)

- (i) Greenhouse gases
- (ii) Hot climate
- (iii) Oxygen
- (iv) None of the above



Answer 28

(i) Greenhouse gases



Question 29

CPCB is the full form of _____.

(Fill up the blank with the correct answer)



Answer 29

Central Pollution Control Board



Question 30

The concept of sustainable development is related to:
(Choose the correct alternative)

- (a) Rural development
- (b) Growth rate of GDP
- (c) Human development
- (d) Environment



Answer 30

(d) Environment



Question 31

_____ is an indicator which measures the number of people dying prematurely due to a particular disease.

(Choose the correct alternative)

- (a) Global burden of disease
- (b) Golden burden of disease
- (c) Global basket of depression
- (d) Global breakdown disease



Answer 31

(a) Global burden of disease



Question 32

Following is an advantage of sustainable economic development: *(Choose the correct alternative)*

- (a) Higher per capita income
- (b) Rapid industrialization
- (c) Beneficial to future generations
- (d) Agricultural development



Answer 32

(c) Beneficial to future generations



HOTs

Question 1

“Recently Indians have drifted away from the traditional knowledge and practices and caused large scale damage to environment.”

Explain how, adopting the traditional practices can be helpful in achieving the objective of sustainable development.

(3 marks)



Answer 1

The given statement is quite appropriate.

- India is very much privileged to have about 15,000 species of plants which have medicinal properties. The traditional health care systems such as Ayurveda, Unani, Tibetan etc. are very useful for treating chronic health problems.
- Traditional cosmetic products are herbal in composition. These products are not only environment-friendly but also are free-from side effects. They do not involve large-scale industrial and chemical processing.



environment-friendly but also are free-from side effects. They do not involve large-scale industrial and chemical processing.

Question 2

Economic development, which aimed at increasing the production of goods and services to meet the needs of a rising population, puts greater pressure on the resources and the environment. Discuss the given statement.

(6 marks)



Answer 2

- (i) Effects on Resources – Reversal of supply-demand relationship for environmental resources: In the initial stages of development (before countries took to industrialisation), the demand for environmental resources was much less than their supply. This meant that pollution was within the absorptive capacity of the environment and the rate of resource extraction was less than the rate of regeneration of these resources.



Hence, environment problems did not arise. But with population explosion and with the advent of industrial revolution to meet the growing needs of the expanding population, we are now faced with increased demand for environmental resources but their supply is limited due to overuse and misuse.

- (ii) Effects on environment: Since many resources have become extinct and the wastes generated are beyond the absorptive capacity of the environment, we are today at the threshold of environmental crisis.

-
- The economic development has polluted and dried up rivers and other aquifers making water an economic good.
 - Decline in air and water quality have resulted in increased incidence of respiratory and water-borne diseases.
 - Global environmental issues such as global warming and ozone depletion. Global warming is a gradual increase in the average temperature of the earth's lower atmosphere as a result of the increase in green house gases since the industrial revolution. Ozone depletion means reductions in the amount of ozone in the stratosphere, caused mainly

due to chlorofluorocarbons (CFC), used as cooling substances in air-conditioners and refrigerators.

Question 3

“The opportunity costs of negative environmental impacts are high”.

Do you agree with the given statement? Give valued reasons in support of your answer. **(3 marks)**



Answer 3

The given statement is quite appropriate.

- (1) Due to intensive and extensive extraction of both renewable and non-renewable resources, many vital resources have become extinct. As a result, we are compelled to spend huge amounts on technology and research to explore new resources.
- (2) Health costs of degraded environmental quality – decline in air and water quality have resulted in increased incidence of respiratory and water-borne diseases. Hence, the expenditure on health is also rising.



(3) Global environmental issues, such as global warming and ozone depletion also contribute to increased financial commitments for the government.

Question 4

“The threat to India’s environment poses a dichotomy – threat of poverty-induced environmental degradation and at the same time, threat of pollution from affluence and a rapidly growing industrial sector.” Defend or refute the given statement.

(6 marks)



Answer 4

The given statement is correct.

Air pollution, water contamination, soil erosion, deforestation and wildlife extinction are some of the most pressing environmental concerns of India. The priority issues identified are:

- (i) Land degradation: Land in India suffers from varying degrees and types of degradation mainly due to unstable use land and inappropriate management practices. Some of the factors responsible for land degradation are

-
- (i) loss of vegetation occurring due to deforestation
 - (ii) unsustainable fuel wood and fodder extraction
 - (iii) encroachment into forest lands
 - (iv) forest fires and overgrazing
 - (v) indiscriminate use of agro-chemicals such as fertilisers and pesticides
 - (vi) extraction of ground water in excess of the recharge capacity.



-
- (ii) Biodiversity loss: India supports approximately 17% of the world's human and 20% of livestock population on a mere 2.5% of the world's geographical area. Due to high density of population and livestock, the quantity of nutrients lost due to erosion each year ranges from 5.8 to 8.4 million tonnes.
- (iii) Air pollution: In India, air pollution is widespread in urban areas where vehicles are the major contributors and in a few other areas which have a high

concentration of industries and thermal power plants. Vehicular pollution has the maximum impact on the general population. The number of motor vehicles on Delhi roads was over 1 crore on March 31 2018, with more than 70 lakh two-wheelers, thus contributing significantly to total air pollution load.

- (iv) Management of fresh water: 70% of water in India is polluted resulting in increased incidence of water-borne diseases.



(v) Solid waste management: Environmental issue of waste generation has become critical today. The wastes generated are beyond the absorptive capacity of the environment.

The above points highlight the challenges to India's environment. India is one of the ten most industrialised nations of the world. But this status has brought with it unwanted and unanticipated consequences such as unplanned urbanisation, pollution and the risk of accidents. The CPCB (Central Pollution Control Board) has identified 17

categories of industries (large and medium scale) as significantly polluting.

Question 5

Define 'Sustainable Economic Development' what are the strategies for sustainable development? Explain briefly any five strategies.

(6 marks)



Answer 5

The United Nations Conference on Environment and Development (UNCED) emphasised on the concept of sustainable economic development and defined it as: ‘Development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs.’

Strategies for sustainable development:

- (i) *Use of Non-Conventional Sources of Energy* – India is hugely dependent on thermal and hydro power plants to meet its power needs. Thermal power plants emit large quantities of carbon dioxide which



is a green house gas. Hydroelectric projects inundate forests and interfere with the natural flow of water. Wind power and solar rays are good examples of non-conventional but cleaner, greener sources of energy.

- (ii) *LPG, Gobar Gas in Rural Areas* – Use of LPG as a cooking fuel reduces household pollution. Also energy wastage is minimised. Similarly, gobar gas plants are being provided through easy loans and subsidy. For the gobar gas plant to function, cattle dung is fed to the plant and gas is produced which is used as fuel,

while the slurry which is left over is a very good organic fertiliser and soil conditioner.

- (iii) *CNG in Urban Areas* – In Delhi, the use of CNG as fuel in public transport system has significantly lowered air pollution and the air has become cleaner in the last few years.
- (iv) *Solar Power through Photovoltaic Cells* – Photovoltaic cells use special kind of materials to capture solar energy and then convert the energy into electricity. This technology is extremely useful for remote areas and for places where supply of power through grid or

power lines is either not possible or proves very costly. This technique is totally free from pollution.

- (v) *Mini-hydel plants* – In mountainous regions, mini-hydel plants use the energy of streams to move small turbines; which generate electricity. Such power plants are eco-friendly as they do not change the land use pattern in areas where they are located. They generate enough power to meet local demands. There is no need for large scale transmission towers and cables and avoid transmission loss.

(vi) *Wind Power* – In areas where speed of wind is usually high, wind mills can provide electricity without any adverse impact on the environment. Although the initial cost is high, but the benefits are such that the high cost gets easily absorbed.

Self-Assessment Test 1

Environment and Sustainable Development

Time Allowed: 1 hour

Maximum Marks: 25

Question 1

_____ is a gradual increase in the average temperature of the earth's lower atmosphere as a result of the increase in green house gases since the Industrial Revolution.

(Fill up the blank with correct answer) (1 mark)

Answer 1

Global Warming

Question 2

Identify the correct sequence of alternatives given in column II by matching them with respective terms in column I. **(1 mark)**

Column I	Column II
(a) A UN conference on climate change, held in Kyoto, Japan in 1997	(i) Emphasised the concept of sustainable development
(b) The CPCB (Central Pollution control Board)	(ii) To fight global warming
(c) The United Nations Conference on Environment and Development (UNCED)	(iii) Emphasised on protecting the future generation.
(d) The Brundtland Commission	(iv) Identified 17 categories of industries (large and medium scale) as significantly polluting

Answer 2

(a) – (ii), (b) – (iv), (c) – (i), (d) – (iii)

Question 3

CPCB is the full form of_____.

(Fill up the blank with correct answer) (1 mark)

Answer 3

Central Pollution Control Board

Question 4

_____ means the ability of the environment to absorb degradation.

(Fill up the blank with correct answer) (1 mark)

Answer 4

Absorptive capacity

Question 5

Two major environmental issues facing the world today are _____ and _____.

(Fill up the blanks with correct answers) (1 mark)

Answer 5

Global warming ; Ozone depletion.

Question 6

Explain the concept of 'sustainable development' as defined by Edward Barbier.

(3 marks)

Answer 6

Edward Barbier defined sustainable development as one which is directly concerned with increasing the material standard of living of the poor in terms of increased income, educational services, health care, water supply, sanitation, etc. In more specific terms, sustainable development aims at decreasing the absolute poverty of the poor by providing lasting and secure livelihoods that minimises resource depletion, environmental degradation etc.

Question 7

Explain, how according to the Brundtland Commission the present generation can promote sustainable development.

(3 marks)

Answer 7

The Brundtland Commission emphasises on protecting the future generation. At least we should leave to the next generation a stock of 'quality of life' assets no less than what we have inherited.

The present generation can promote sustainable development in the ways that are compatible with: (i) Conservation of natural assets, (ii) Preservation of the regenerative capacity of the world's natural ecological system; and (iii) Avoiding the imposition of added costs or risks on future generations.

Question 8

Highlight any two serious adverse environmental consequences of development in India. India's environmental problems pose a dichotomy — they are poverty induced and, at the same time, due to affluence in living standards—is this true?

(4 marks)

Question 9

Explain how the opportunity costs of negative environmental impact are high.

(4 marks)

Question 10

Define 'Sustainable Economic Development' what are the strategies for sustainable development? Explain briefly any five strategies.

(6 marks)

Self-Assessment Test 2

Environment and Sustainable Development

Time Allowed: 1 hour

Maximum Marks: 25

Question 1

The CPCB (Central Pollution Control Board) has identified _____ categories of industries (large and medium scale) as significantly polluting.

(Fill up the blank with correct answer) **(1 mark)**

Answer 1

17

Question 2

The various measures adopted by the Ministry of Environment and the central and state pollution central boards may not yield reward unless we consciously adopt a path of _____ . The concern for future generations alone can make development last forever.

(Fill up the blank with correct answer) **(1 mark)**

Answer 2

Sustainable economic development

Question 3

The concept of sustainable development was emphasised by _____.

(Fill up the blank with correct answer) **(1 mark)**

Answer 3

The United Nations Conference on Environment and Development (UNCED)

Question 4

With the help of _____ solar energy can be converted into electricity.

(Fill up the blank with correct answer) **(1 mark)**

Answer 4

photovoltaic cells

Question 5

In recent years, India is taking efforts to increase the power generation through solar. India is also leading an international body called _____ .

(Fill up the blank with correct answer) **(1 mark)**

Answer 5

International Solar Alliance (ISA)

Question 6

Traditionally, Indian people have been close to their environment. They have been more a component of the environment and not its controller. Only recently have we drifted away from the traditional system and caused large scale damage to the environment. Explain, giving examples.

(3 marks)

Question 7

Explain the supply-demand reversal of environmental resources.

(3 marks)


Question 8

Explain how 'Bio-composting' and 'Bio-pest control' can be helpful in achieving the objective of sustainable development. **(4 marks)**

Answer 8

Bio-composting: To increase agricultural production, we totally neglected the use of bio-compost and completely switched over to chemical fertilisers. As a result, land degraded, water bodies suffered due to chemical contamination, and demand for irrigation increased.

Composts made from organic wastes of different types can be used as important fertiliser and soil conditioner.



Bio-pest Control: Due to use of more and more chemical pesticides, food products were contaminated; soil, water bodies and even ground water were polluted with pesticides.

- Use of pesticides based on plant products, e.g. Neem trees is very useful. Several types of pest controlling chemicals are isolated from neem and these are used.
- Animals and birds also help in controlling pests. For examples, snakes prey upon rats, mice and various other pests. Similarly, owls and peacocks prey upon pests.

Question 9

Is environmental crisis a recent phenomenon? If so,
why?

(4 marks)

Question 10


Define 'Sustainable Economic Development' what are the strategies for sustainable development? Explain briefly any five strategies.

(6 marks)

Answer 10

Sustainable development aims at promoting the kind of development that minimises environmental problems and meets the needs of the present generation without compromising the ability of the future generation to meet their own needs. According to Herman Daly, to achieve sustainable development the following needs to be done:


- (i) Limiting the human population to a level within the carrying capacity of the environment,



which is like a ‘plimsoll line’ of the ship which is its load limit mark. In the absence of the plimsoll line for the economy, human scale grows beyond the carrying capacity of the earth and deviates from sustainable development.

(ii) Technological progress should be input efficient and not input consuming.

Renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration.

- 
- (iv) For non-renewable resources, rate of depletion should not exceed the rate of creation of renewable substitutes.
 - (v) Inefficiencies arising from pollution should be corrected.

Self-Assessment Test 3

Environment and Sustainable Development

Time Allowed: 1 hour

Maximum Marks: 25

Chapter 4: Poverty

Chapter 5: Human Capital Formation in India

Chapter 6: Rural Development

Chapter 7: Employment: Growth, Informalisation and Other Issues

Chapter 8: Infrastructure

Chapter 9: Environment and Sustainable Development

Question 1

The use of _____ as fuel in public transport system may reduce air pollution.

(Fill up the blank with correct answer) **(1 mark)**

Answer 1

Compressed Natural Gas (CNG)

Question 2

The concept of sustainable development is related to:
(Choose the correct alternative) **(1 mark)**

- (a) Rural development
- (b) Growth rate of GDP
- (c) Human development
- (d) Environment

Answer 2

(d) Environment

Question 3

Atomic energy is an important source of electric power as it has economic advantages, yet a few scholars do not suggest to generate more electricity through atomic(nuclear) sources. Give reason.

(1 mark)

Answer 3

They object about this, from the view point of environment and sustainable development.

Question 4

Government expenditure on health sector is only _____ of the total GDP; which is very low as compared to USA and China.

(Fill up the blank with correct answer) (1 mark)

Answer 4

4.7 per cent

Question 5

When there is no work to do on farms, people go to urban areas and look for jobs. This kind of unemployment is known as _____ .

(Fill up the blank with correct answer) (1 mark)

Answer 5

seasonal unemployment

Question 6

The worker-population ratio in rural India is higher than that in urban areas. Give reason. **(1 mark)**

Answer 6

People in rural areas have limited resources to earn a higher income. People cannot stay at home as their economic condition may not allow them to do so. They participate more in the employment market.

Question 7

Since the 1990s those who wish to benefit from the self employment programmes are encouraged to form _____.

(Fill up the blank with correct answer) (1 mark)

Answer 7

Self-Help Groups (SHGs)

Question 8

Why is it said that poverty is a multi-dimensional challenge for India?

(1 mark)

Answer 8

Because reduction in poverty implies reduction in income inequalities, solving unemployment problems, controlling price rise of food grains and other essential goods, etc.

Question 9

In post-independent India, there have been several attempts to work out a mechanism to identify the number of poor in the country. Name any two such attempts.

(1 mark)

Answer 9

(i) In 1962, the Planning Commission formed a Study Group. (ii) In 1979, another body called the 'Task Force on Projections of Minimum Needs and Effective Consumption Demand' was formed. (iii) In 1869 and 2005, 'Expert Groups' were formed.

Question 10

Why is it necessary for the government to increase expenditure on all levels of education?

(3 marks)

Question 11

In your view, is it essential for the government to regulate the fee structure in education and health care institutions?
If so, why?

(3 marks)

Question 12

Why are employment generation programmes important in poverty alleviation in India?

(3 marks)

Question 13

Economic development, which aimed at increasing the production of goods and services to meet the needs of a rising population, puts greater pressure on the resources and the environment. Discuss the given statement.

(4 marks)

Question 14

“The opportunity costs of negative environmental impacts are high”. Do you agree with the given statement?

Give valued reasons in support of your answer.

(4 marks)

Question 15

Discuss the main drawbacks of our health care system.

(4 marks)

Question 16

Compared to the 1970s, there has hardly been any change in the distribution of workforce across various industries. Comment.

(4 marks)

Question 17

Until and unless some spectacular changes occur, the rural sector might continue to remain backward. Give some suggestions for sustainable rural development in India.

(6 marks)

As per CBSE Revised Syllabus for 2021 Exam



Chapter 10

Comparative Development
Experiences of India and its
Neighbours

Revised CBSE Syllabus for 2021 Examination

- A comparison with neighbours
- India and Pakistan
- India and China
- Issues: economic growth, population, sectoral development and other Human Development Indicators

10.1

Developmental Path—A Snapshot View

India, China and Pakistan have similarities in their developmental strategies

- ❑ All the three nations started towards their developmental path at the same time. While India and Pakistan became independent nations in 1947, People's Republic of China was established in 1949.
- ❑ All the three countries had started planning their development strategies in similar ways—while India announced its first Five Year Plan in 1951, Pakistan announced its first five year Plan

in 1951, Pakistan announced its first five year plan, now called the Medium Term Development Plan, in 1956. China announced its First Five Year Plan in 1953.

- ❑ India and Pakistan adopted similar strategies, such as creating a large public sector and raising public expenditure on social development.
- ❑ Till the 1980s, all the three countries had similar growth rates and per capita incomes.

Historial Path of Development Policies in China

After the establishment of People's Republic of China under one party rule, all critical sectors of the economy, enterprises and lands owned and operated by individuals were brought under government control.

The Great Leap Forward (GLF) campaign initiated in 1958 aimed at industrialising the country on a massive scale. People were encouraged to set up industries in their backyards. In rural areas, communes were started. Under the **Commune system**, people collectively cultivated lands. In 1958, there were 26,000 communes covering almost all the farm population.

GLF campaign met with many problems:

- (i) A severe drought caused havoc in China killing about 30 million people.
- (ii) When Russia had conflicts with China, it withdrew its professionals who had earlier been sent to China to help in the industrialisation process.

In 1965, Mao introduced the Great Proletarian Cultural Revolution (1966–76) under which students and professionals were sent to work and learn from the countryside.

China's present rapid industrial growth can be traced back to its reforms in 1978.

China introduced reforms in phases.

Initial phase: Reforms were initiated in agriculture, foreign trade and investment sectors. For example, in agriculture, commune lands were divided into small plots, which were allocated (for use not ownership) to individual households. They were allowed to keep all income from the land after paying stipulated taxes.

Later phase: Reforms were initiated in the industrial sector.

❑ Private sector firms, in general, and township and village enterprises (those enterprises which were owned and operated by local collectives), in particular,

were allowed to produce goods.

- ❑ At this stage, enterprises owned by government (known as State Owned Enterprises-SOEs), which we, in India, call public sector enterprises, were made to face competition.
- ❑ The reform process also involved dual pricing. This means fixing the prices in two ways—farmers and industrial units were required to buy and sell fixed quantities of inputs and outputs on the basis of prices fixed by the government and the rest were purchased and sold at market prices.
- ❑ Over the years, as production increased, the proportion of goods or inputs transacted in the market also increased.

- ❑ In order to attract foreign investors, Special Economic Zones (SEZs) were set up.

Path of Developmental Initiatives taken by Pakistan for its Economic Development

Pakistan adopted various economic policies similar to those adopted by India.

- ❑ Pakistan also follows the mixed economy model with co-existence of public and private sectors.
- ❑ In the late 1950s and 1960s, Pakistan introduced a variety of regulated policy framework (for import substitution-based industrialisation). The policy combined tariff protection for manufacturing of consumer goods together with direct import controls on competing imports.

- ❑ The introduction of Green Revolution led to mechanisation and increase in public investment in infrastructure in select areas, which finally led to a rise in the production of foodgrains. This changed the agrarian structure dramatically.
- ❑ In the 1970s, nationalisation of capital goods industries took place. Pakistan then shifted its policy orientation in the late 1970s and 1980s when the major thrust areas were denationalisation and encouragement of private sector. During this period, Pakistan also received financial support from western nations and remittances from continuously increasing outflow of emigrants to the Middle-east. This helped the country in stimulating economic growth.

- ❑ The government at that time also offered incentives to the private sector. All this created a conducive climate for new investments.
- ❑ In 1988, economic reforms were initiated in the country.



Wagah Border is not only a tourist place but also used for trade between India and Pakistan

Think as you read 10.1

Question 1

With the unfolding of the globalisation process, developing countries are keen to understand the development processes pursued by their neighbours. Why?



Answer 1

This is essential for developing countries as they face competition from developed nations as also amongst themselves. Besides, an understanding of the other economies in our neighbourhood is also required as all major common economic activities in the region impinge on overall human development in a shared environment.



Question 2

India, Pakistan and China have similar physical endowments but totally different political systems. Explain how.



Answer 2

India has the largest democracy of the world which is wedded to a secular and deeply liberal Constitution. Pakistan has militarist political power structure and China has the command economy. Recently, Pakistan started moving towards a democratic system and China towards more liberal economic restructuring.



Question 3

There is also an increasing eagerness on the parts of various nations to by and understand the development processes pursued by their neighbouring nations. Why?



Answer 3

Because it allows them to better comprehend their own strengths and weaknesses vis-à-vis their neighbours.



Question 4

Distinguish between renewable resources and non-renewable resources.



Answer 4

Regional and economic groupings are formed to strengthen their own domestic economies.



Question 5

What are regional and economic groupings formed?



Answer 5

To strengthen their own domestic economies, nations are forming regional and global economic groupings such as the SAARC, European Union, ASEAN, G-8, G-20, BRICS etc.



Question 6

What similar development strategies have India and Pakistan followed for their respective development paths?



Answer 6

India and Pakistan adopted similar developmental strategies, such as creating a large public sector and raising public expenditure on social development.



Question 7

Fill in the blanks :

- (a) First Five Year Plan of _____ commenced in the year 1956. (Pakistan/China)
- (b) Reforms in _____ were introduced in 1978. (China/Pakistan)



Answer 7

(a) Pakistan (b) China



Question 8

What is Commune system?



Answer 8

In China, under the Commune system people collectively cultivated lands. In 1958, there were 26,000 communes covering almost all the farm population.



Question 9

Give the meaning of 'township and village enterprises'.



Answer 9

In China, township and village enterprises are those enterprises which were owned and operated by local collectives.



Question 10

Give the meaning of State Owned Enterprises.



Answer 10

In China, enterprises owned by government are known as State Owned Enterprises (SOEs), which we, in India, call public sector enterprises.



Question 11

What is dual pricing?



Answer 11

In China, the reform process involved dual pricing, which means fixing the prices in two ways—farmers and industrial units were required to buy and sell fixed quantities of inputs and outputs on the basis of prices fixed by the government and the rest were purchased and sold at market prices.



10.2

Economic Development Indicators of India, China and Pakistan

Salient Demographic Indicators of India, China and Pakistan

Select Demographic Indicators, 2015

Country	Estimated Population (in million)	Density (per sq.km)	Annual Growth of Population	Sex Ratio	Fertility Rate	Urbanisation
India	1311	441	1.2	929	2.3	33
China	1371	146	0.5	941	1.6	56
Pakistan	188	245	2.1	947	3.7	39

- China has the highest population closely followed by India. If we look at the global population, out of every six persons living in this world, one is an Indian and another a Chinese. The population of Pakistan is very small and accounts for roughly about one-tenth of China or India.

- ❑ Though China is the largest nation and geographically occupies the largest area among the three nations, its density is the lowest.
- ❑ The population growth is the highest in Pakistan, followed by India and China.
- ❑ Scholars point out the **'one child norm'** introduced in China in the late 1970s as the major reason for low population growth.
- ❑ One child norm also led to a decline in the sex ratio (*the proportion of females per 1000 males*).
- ❑ The sex ratio is low and biased against females in all three countries. 'Preference for son' prevailing in all these countries is the reason for low sex ratio. In recent times, all three countries are adopting

various measures to improve the situation. This led China to allow couples to have two children.

- ❑ The fertility rate is also low in China and very high in Pakistan.
- ❑ Urbanisation is high in China with India having 33 per cent of its people living in urban areas.

GDP Growth Rate Trends in India, China and Pakistan

Annual Growth of GDP (in %), 1980–2017

Country	1980–90	2015–2017
India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

- ❑ China has the second largest GDP of \$19.8 trillion. India's GDP is \$8.07 trillion (about 40 per cent of China's GDP).
Pakistan's GDP is \$0.94 trillion (about 12 per cent of India's GDP).

(When many countries were finding it difficult to maintain a growth rate of even 5 per cent, China was able to maintain near double-digit growth rate for one decade.)

- ❑ In the 1980s, Pakistan was ahead of India, China was having double-digit growth and India was at the bottom.
- ❑ In 2011–15, there has been a decline in China's growth rates, whereas, Pakistan met with drastic decline at 4 per cent. Some scholars hold the reform processes introduced in 1988 in Pakistan and political instability over a long period as reasons behind this trend.

Sectoral Contribution towards GDP in India, China and Pakistan

Sectoral Contribution to GDP (in %), 2015-2017

Sector	India	China	Pakistan
Agriculture	17	9	25
Industry	30	43	21
Services	53	48	54
Total	100	100	100

Share of Agricultural Sector

In China, the contribution of agriculture to GDP was 9 per cent in 2015-17, in India it was 17 per cent and in Pakistan, it was 25 per cent.

Share of Manufacturing and Service Sectors

In all three economies, the industry and service sectors contribute more in terms of output. In China, manufacturing and service sectors contribute the highest to GDP at 43 and 48 per cent, respectively whereas in India and Pakistan, it is the service sector which contributes the highest by more than 50 per cent of GDP.

The contribution of industries to GDP is at 30 per cent in India and 21 per cent in Pakistan.

Sectoral Share of Employment in India, China and Pakistan

Sectoral Share of Employment in 2015-2017

Sector	India	China	Pakistan
Agriculture	42.7	17.5	42
Industry	23.8	26.5	3.7
Services	33.5	56	54.3
Total	100	100	100

- ❑ In China, only 17.5 per cent of the workforce were engaged in agriculture in 2015-17. But the proportion of workforce that works in this sector is more in India. In Pakistan, 42 per cent of people work in agriculture, whereas, in India, it is 42.7 per cent.

- ❑ In all the three economies, the industry and service sectors have less proportion of workforce. The proportion of workforce engaged in manufacturing in India and Pakistan were low at 23.8 and 3.7 per cent respectively.

Development of India, China and Pakistan with respect to Indicators of Human Development

Some Selected Indicators of Human Development, 2016-17

Item	India	China	Pakistan
Human Development Index (Value)	0.640	0.752	0.562
Rank (based on HDI)	130	86	150
Life Expectancy at Birth (years)	68.8	76.4	66.6
Mean years of Schooling (% aged 15 and above)	6.4	7.8	8.6
GDP per capita (PPP US\$)	6,427	15,309	5,035
People Below Poverty Line (at \$3.20 a day PPP) (%)	60.4	23.5	46.4
Infant Mortality Rate (per 1000 live births)	34.6	8.5	64.2
Maternal Mortality Rate (per 1 lakh births)	174	27	178
Population using Improved Sanitation (%)	44.2	75	58.3

Population with Sustainable Access to Improved Water Source (%)	94	96	91
Percentage of Undernourished Children	37.9	8.1	46.4

- ❑ China is moving ahead of India and Pakistan. This is true for many indicators of human development—
 - (i) **Income indicators** such as GDP per capita, Proportion of population below poverty line.
 - (ii) **Health indicators** such as mortality rates, access to sanitation, adult literacy rate, life expectancy, malnourishment.
- ❑ Pakistan is a people below the poverty line and also its performance head of India in reducing proportion of in sanitation. For the proportion of people below the international poverty rate of \$3.20 a day, India has the largest share of poor among the three countries.

- ❑ Neither of these two countries-India and Pakistan-have been able to save women from maternal mortality.
- ❑ In China, for one lakh births, only 27 women die whereas in India and Pakistan, about 178 and 174 women die respectively.

Liberty Indicators

The human development indicators given above are all extremely important indicators; but these are not sufficient. Along with these, we also need what may be called 'liberty indicators'.

Liberty indicators are those indicators which represent the degree of social and political freedom to individuals in a country.

Examples:

- (i) A measure of 'the extent of democratic participation in social and political decision-making'.
- (ii) A measure of 'the extent of Constitutional protection given to rights of citizens'.
- (iii) A measure of 'the extent of constitutional protection of the Independence of the Judiciary and the Rule of Law'.

Without including these (and perhaps some more) and giving them overriding importance in the list, the construction of a human development index may be said to be incomplete and its usefulness limited.

Think as you read 10.2

Question 1

What is the important implication of the 'one child norm' in China?
(NCERT)



Answer 1

One child norm has the important implication that it leads to arrest in the growth of population.



Question 2

The population of Pakistan is very small and accounts for roughly about _____ of China or India.



Answer 2

one-tenth



Question 3

The population growth in China is low as compared to India and Pakistan. Why?



Answer 3

Scholars point out the ‘one child norm’ introduced in China in the late 1970s as the major reason for low population growth.



Question 4

The sex ratio is low and biased against females in all three countries. Why?



Answer 4

‘Preference for son’ prevailing in all these countries is the reason for low sex ratio.



Question 5

In China, only about 10 per cent of its total land area is suitable for the cultivation. Why?



Answer 5

In China, due to topographic and climatic conditions, the area suitable for cultivation is relatively small.



Question 6

Until the 1980s, more than 80 per cent of the people in China were dependent on farming as their sole source of livelihood. Since then, the government encouraged people to leave their fields and pursue other activities such as _____.



Answer 6

handicrafts, commerce and transport



Question 7

Fill in the blanks:

- (a) Maternal mortality rate is high in _____.
(China/ Pakistan)
- (b) Proportion of people below poverty line is more in _____.
(India/Pakistan)



Answer 7

(a) Pakistan, (b) India



10.3

Development Strategies — An Appraisal

It is common to find developmental strategies of a country as a model to others for lessons and guidance for their own development. It is particularly evident after the introduction of the reform process in different parts of the world. In order to learn from economic performance of our neighbouring countries, it is necessary to have an understanding of the roots of their successes and failures. It is also necessary to distinguish between, and contrast, the different phases of their strategies.

Development Strategies of China

Why did China introduce structural reforms in 1978?

China did not have any compulsion to introduce reforms as dictated by the World Bank and International Monetary Fund to India. The new leadership at that time in China was not happy with the slow pace of growth and lack of modernisation in the Chinese economy under the Maoist rule. They felt that Maoist vision of economic development based on decentralisation, self sufficiency and shunning of foreign technology, goods and capital had failed. Despite extensive land reforms, collectivisation, the Great Leap Forward and other initiatives, the per capita grain output in 1978 was the same as it was in the mid-1950s.

Various factors that led to the rapid growth in economic development in China

- ❑ Establishment of infrastructure in the areas of education and health, land reforms, long existence of decentralised planning and existence of small enterprises helped positively in improving the social and income indicators in the post reform period.
- ❑ Through the commune system, there was more equitable distribution of food grains.
- ❑ Each reform measure was first implemented at a smaller level and then extended on a massive scale.

The experimentation under decentralised government enabled to assess the economic, social and political costs of success or failure. For instance, when reforms were made in agriculture by handing over plots of land to individuals for cultivation, it brought prosperity to a vast number of poor people. It created conditions for the subsequent phenomenal growth in rural industries and built up a strong support base for more reforms. Scholars quote many such examples on how reform measures led to rapid growth in China.

Reasons for the slow growth and re-emergence of poverty in Pakistan

In Pakistan the reform process led to worsening of all the economic indicators. Though the data on international poverty line for Pakistan is quite healthy, scholars using the official data of Pakistan indicate rising poverty there.

The proportion of poor in 1960s was more than 40 per cent which declined to 25 per cent in 1980s and started rising again in 1990s.

The reasons for the slow-down of growth and re-emergence of poverty in Pakistan's economy are:

- (i) Agricultural growth and food supply situation were based not on an institutionalised process of technical

change but on good harvest. When there was a good harvest, the economy was in good condition, when it was not, the economic indicators showed stagnation or negative trends.

- (ii) If a country is able to build up its foreign exchange earnings by sustainable export of manufactured goods, it need not worry. In Pakistan, most foreign exchange earnings came from remittances from Pakistani workers in the Middle-east and the exports of highly volatile agricultural products.
- (iii) There was also growing dependence on foreign loans on the one hand and increasing difficulty in paying back the loans on the other.

However, during the last few years, Pakistan has recovered its economic growth and has been sustaining. In 2015-16, the Annual Plan 2016-17 reports that, the GDP registered a growth of 4.7 per cent, highest when compared to the previous eight years. While agriculture recorded growth rate far from satisfactory level, industrial and service sectors grew at 6.8 and 5.7 per cent respectively. Many macroeconomic indicators also began to show stable and positive trends.

CONCLUSION

During the reforms, India performed moderately, but a majority of its people still depend on agriculture. Infrastructure is lacking in many parts of the country. It is yet to raise the level of living of more than one-fourth of its population that lives below the poverty line.

Scholars are of the opinion that political instability, over-dependence on remittances and foreign aid along with volatile performance of agriculture sector are the reasons for the slowdown of the Pakistan economy. Yet, last three years, many macroeconomic indicators began showing positive and higher growth rates reflecting the economic recovery.

In China, the lack of political freedom and its implications for human rights are major concerns; yet, in the last three decades, it used the 'market system without losing political commitment' and succeeded in raising the level of growth alongwith alleviation of poverty. Unlike India and Pakistan, which are attempting to privatise their public sector enterprises, China has used the market mechanism to 'create additional social and economic opportunities'. By retaining collective ownership of land and allowing individuals to cultivate lands, China has ensured social security in rural areas. Public intervention in providing social infrastructure even prior to reforms has brought about positive results in human development indicators in China.

Comparison of common events in India, China and Pakistan

Events	India	China	Pakistan
Independence /People's Republic	India got independence from British rule in 1947	People's Republic of China was established in 1949	Pakistan became independent nation in 1947
First five year plan	1951	1953	1956
Introduction of economic reforms	1991	1978	1988

Sequence of Events in China

I	Establishment of People's Republic of China	1949
II	Announcement of first five year plan	1953
III	Initiated the Great Leap Forward (GLF) campaign, aimed at industrialising the country on a massive scale	1958
IV	Mao introduced the Great Proletarian Cultural Revolution (under which students and professionals were sent to work and learn from the countryside)	1965
V	Introduction of Economic Reforms	1978

Stages of Economic Development in Pakistan

I	Import-Substitution based industrialisation and introduction of Green Revolution	Late 1950, and 1960s
II	Nationalisation of capital goods industries	1970s
III	Denationalisation and encouragement of private sector	Late 1970s and 1980s
IV	Introduction of economic reforms	1988

Comparison of Demographic Indicators of India, China and Pakistan

Demographic Indicators	India	China	Pakistan
Annual growth rate of population (2015)	<i>1.2% (is in the danger zone of more than 1% p.a.)</i>	<i>0.5% (lowest; mainly due to one-child norm)</i>	<i>2.1% (highest)</i>
Child sex ratio (2015)	<i>929 (highly skewed)</i>	941	947
Fertility rate (2015)	2.3	1.6 (low)	<i>3.7 (very high)</i>
Density (<i>per sq. km</i>)	<i>441 (highest)</i>	146 (lowest)	245
Urbanisation (2015)	33%	56%	39%

GDP Growth Rate and Sectoral Contribution in India, China and Pakistan

Issues	India	China	Pakistan
Annual growth of GDP			
1980-90	5.7%	10.3%	6.3%
2015-2017	7.3%	6.8%	5.3%
Sectoral share of GDP (2015-2017)			
Agriculture	17%	9%	25%
Industry	30%	43%	21%
Services	53%	48%	54%

Comparison of Human Development Indicators of India, China and Pakistan

Human Development Indicators	India	China	Pakistan
Maternal Mortality Rate (per 1 lakh births)	174	27	178
People living below poverty line (based international poverty rate of \$ 3.20 a day)	60.4%	23.5%	46.4%
Life Expectancy (in years) (2016-17)	68.8	76.4	66.6
Infant Mortality Rate (per 1,000 live births)	34.6	8.5	64.2
Population using improved sanitation	44.2%	75%	58.3%
Percentage of undernourished children	37.9%	8.1%	46.4%



Key Term

Liberty Indicators: Liberty indicators are those indicators which represent the degree of social and political freedom to individuals in a country. Human development indicators are not sufficient. Without including liberty indicators, the construction of a human development index may be said to be incomplete and its usefulness limited.

Examples of liberty indicators:

- (i) A measure of “the extent of constitutional protection given to rights of citizens”.
- (ii) A measure of the extent of constitutional protection of the independence of Judiciary and the Rule of Law.

Think as you read 10.3

Question 1

Why it is necessary to have an understanding of the roots of successes and failures of economic reforms policies of neighbouring countries?



Answer 1

In order to learn from economic performance of our neighbouring countries, it is necessary to have an understanding of the roots of their successes and failures. It is also necessary to distinguish between, and contrast, the different phases of their strategies.



Question 2

What are the reasons for the slowdown of the Pakistan economy?



Answer 2

Scholars are of the opinion that political instability, over-dependence on remittances and foreign aid along with volatile performance of agriculture sector are the reasons for the slowdown of the Pakistan economy.



Question 3

What factors helped China positively improving the social and income indicators in the post reform period?



Answer 3

Establishment of infrastructure in the areas of education and health, land reforms, long existence of decentralised planning and existence of small enterprises.



Objective Type Questions

Question 1

Nations are forming regional and global economic groupings to strengthen their own domestic economies. Name any two such groupings formed by different nations



Answer 1

SAARC ,European Union ,ASEAN , G-8 , G-20, BRICS
(any two).



Question 2

Match the following:

A. The largest democracy of the world, Secularism, Liberal constitution system	(i) India
B. The militarist political power structure	(ii) China
C. The command economy, which recently started moving towards a democratic system and more liberal economic restructuring.	(iii) Pakistan



Answer 2

A – (i) , B – (iii) C – (ii)



Question 3

While India and Pakistan became independent nations in 1947, People's Republic of China was established in:

(Choose the correct alternative)

- (a) 1949
- (b) 1953
- (c) 1958
- (d) 1965



Answer 3

(a) 1949



Question 4

Match the following:

(a) Birds, animals and plants forests, fisheries, etc.

(i) Biotic elements of environment

(b) Air, water, land etc.

(ii) Abiotic elements of environment



Answer 4

(a)– (i), (b) – (ii)



Question 5

India and Pakistan adopted similar development strategies such as _____.

(Fill up the blank with the correct answer)



Answer 5

Creating a large public sector and raising public expenditure on social development.



Question 6

Match the following:

Column I	Column II
(a) Regional and global economic groupings such as the SAARC, G-8, G-20, ASEAN etc.	(i) Students and professionals were sent to work and learn from the country side.
(b) The Great Leap Forward (GLF) campaign initiated by China in 1958.	(ii) Means to strengthen their own domestic economies.
(c) The Commune system in China.	(iii) People collectively cultivated lands.
(d) The Great Proletarian Cultural Revolution introduced by Mao in 1965.	(iv) Industrialising the country on a massive scale.

Answer 6

(ii), (iv), (iii), (i)



Question 7

_____ campaign was initiated in China in 1958, aimed at industrialising the country on a massive scale. People were encouraged to set up industries in their backyards . *(Fill up the blank with the correct answer)*



Answer 7

The Great Leap Forward (GLF)



Question 8

Identify the correct sequence of alternatives given in Column II by matching them with respective events of China in Column I:

Column I	Column II
(a) Introduction of economic reforms in China.	(i) 1949
(b) Establishment of People's Republic of China.	(ii) 1953
(c) China announced its first five year plan.	(iii) 1958
(d) The Great Leap Forward campaign initiated in China.	(iv) 1978



Answer 8

A – (iv) , B – (i) , C – (ii) , D – (iii).



Question 9

The population of Pakistan is very small and accounts for roughly about 1/8th of China or India. (*True/False*)



Answer 9

True



Question 10

Among the three nations India, Pakistan and China , the population growth is the highest in China. (*True/False*)



Answer 10

False: The population growth is the highest in Pakistan (2.1% p.a. in 2015), followed by India (1.2% p.a. in 2015) and China (0.5% p.a.).



Question 11

_____ is the major reason for low population growth and a decline in the sex ratio in China. *(Fill up the blank with the correct answer)*



Answer 11

‘One child norm’ introduced in China



Question 12

The fertility rate is low in China and very high in Pakistan.
(True/False)



Answer 12

True



Question 13

In 2015-17 there has been a decline in Pakistan's growth rate. Give reasons.



Answer 13

- (i) Reform processes introduced in Pakistan.
- (ii) Political instability over a large period.



Question 14

China's growth is mainly contributed by the manufacturing and service sectors and India's growth by the service sector. *(True/False)*



Answer 14

True



Question 15

Match the following:

(a) High degree of urbanisation	(i) India
(b) Very high fertility rate	(ii) China
(c) Lowest density of population	(iii) Pakistan
(d) Growth due to service sector	



Answer 15

A – (ii) , B – (iii) , C – (ii) , D – (i)



Question 16

Measures of 'the extent of constitutional protection given to rights of citizens' or 'the extent of constitutional protection of the Independence day of the Judiciary and the Rule of Law' are called _____ . (Human development indicators /Liberty indicators)

(Fill up the blank with the correct option)



Answer 16

Liberty indicators



Question 17

GDP per capital , or proportion of population below poverty line is _____ . (Income indicator of human development / Health indicator of human development)

(Fill up the blank with the correct option)



Answer 17

Income indicator of human development



Question 18

During the last few years, Pakistan has recovered in economic growth and has been sustaining. (*True/False*)



Answer 18

True: In 2015-16, the GDP registered a growth of 4.7 percent, highest when compared to the previous eight years.



Question 19

First five year plan of _____ commenced in the year 1956. (Pakistan / China)

(Fill up the blank with the correct option)



Answer 19

Pakistan



Question 20

Reforms in _____ were introduced in 1978.
(Pakistan / China)

(Fill up the blank with the correct option)



Answer 20

China



Question 21

Maternal mortality rate is high in _____ .
(China / Pakistan)

(Fill up the blank with the correct option)



Answer 21

The United Nations Conference on Environment and Development (UNCED)



Question 22

Proportion of people living below poverty line is more in _____ . (India / Pakistan)

(Fill up the blank with the correct option)



Answer 22

India



Question 23

Infant mortality rate is high in _____ .
(India / Pakistan)

(Fill up the blank with the correct option)



Answer 23

Pakistan



Question 24

Percentage of undernourished children is more in _____ . (India / Pakistan)

(Fill up the blank with the correct option)



Answer 24

Pakistan



Question 25

Percentage of population using improved sanitation is highest in _____ .(India / China / Pakistan)

(Fill up the blank with the correct option)



Answer 25

China



Question 26

Which of the following countries has the lowest density of population? *(Choose the correct alternative)*

- (a) India
- (b) China
- (c) Pakistan
- (d) None of the above



Answer 26

(b) China



Question 27

Growth rate of population is highest in which of the following country? *(Choose the correct alternative)*

- (a) India
- (b) China
- (c) Pakistan
- (d) None of the above



Answer 27

(c) Pakistan



Question 28

The Great Leap Forward (GLF) campaign was launched in China in the year: *(Choose the correct alternative)*

- (a) 1978
- (b) 1988
- (c) 1958
- (d) 1949



Answer 28

(c) 1958



Question 29

Fertility rate is very high in which of the following country? *(Choose the correct alternative)*

- (a) India
- (b) China
- (c) Pakistan
- (d) None of the above



Answer 29

(c) Pakistan



Question 30

Special Economic Zones were set up by China to:

(Choose the correct alternative)

- (a) Attract foreign investors.
- (b) To develop the backward regions.
- (c) To maintain economic equality.
- (d) To promote private sector.



Answer 30

(a) Attract foreign investors.



Question 31

China discontinued the one child policy because:

(Choose the correct alternative)

- (a) There will be more elderly people in proportion to young people.
- (b) It increased the number of dependent population.
- (c) People became dissatisfied with the policy.
- (d) Population of the country decreased.



Answer 31

- (a) There will be more elderly people in proportion to young people.



Question 32

China succeeded in achieving higher growth rate than India because: *(Choose the correct alternative)*

- (a) Followed communist pattern of economy.
- (b) Started reforms early
- (c) Given much importance to manufacturing sector.
- (d) All of the above



Answer 33

(c) Service sector



Question 34

Which of the following features relates to the Chinese economy: *(Choose the correct alternative)*

- (a) Very high fertility rate
- (b) Growth due to service sector
- (c) Growth due to manufacturing and service sectors
- (d) High density of population



Answer 34

(c) Growth due to manufacturing and service sectors



HOTs

Question 1

“The present day fast industrial growth in China can be traced back to the reforms introduced in 1978.” Defend or refute the above statement. **(4 marks)**



Answer 1

The given statement is correct.

(i) In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors.

For instance, in agriculture commune lands were divided into small plots which were allocated (for use not ownership) to individual households. They were allowed to keep all income from the land after paying taxes.

(ii) In the later phase, reforms were initiated in the industrial sector.



Private sector firms and township & village enterprises were allowed to produce goods. At this stage, State Owned Enterprises (SOEs) were made to face competition.

(iv) In order to attract foreign investors, special economic zones were set up.

Question 2

China did not have any compulsion to introduce reforms as dictated by the World Bank and International Monetary Fund to India and Pakistan. Why did China introduce structural reforms in 1978? Also, evaluate the various factors that led to the rapid growth in economic development in China in the post reform period.

(6 marks)



Answer 2

China introduced economic reforms in 1978 because of the following reasons:

- (i) The new leadership at that time in China was not happy with the slow pace of growth and lack of modernisation in the Chinese economy under the Maoist rule. They felt that Maoist vision of economic development based on decentralisation, self-sufficiency and shunning of foreign technology, goods and capital had failed.
- (ii) Despite extensive land reforms, the Great Leap Forward (GLF) and other initiatives, per capita grain output in 1978 was the same as it was in the mid-1950s. During

1980-90, when many developed countries were finding it difficult to maintain a growth rate of even 5 per cent, China was able to maintain double-digit growth rate of 10.3% p.a.

The various factors that led to the rapid growth in economic development in China in the post-reform period were as follows:

The experimentation under decentralised government enabled to assess the economic, social and political costs of success or failure. For instance, when reforms were made in agriculture (by handing over plots of land to individuals for cultivation), it brought prosperity to a vast number of poor people. It created conditions for the subsequent growth in rural industries and built up a strong support-base for more reforms.

Question 3

“In China, the lack of political freedom and its implications for human rights are major concerns; yet, in the last three decades, it has succeeded in raising the level of growth along with alleviation of poverty. China is moving ahead of India and Pakistan in terms of many human development indicators.”

Defend or refute the above statement.

(4 marks)



Answer 3

The given statement is correct.

China used the ‘market system without losing political commitment’ and succeeded in raising the level of growth along with alleviation of poverty. Unlike India and Pakistan, which are attempting to privatise their PSEs China has used the market mechanism to create additional social and economic opportunities.

By retaining collective ownership of land and allowing individuals to cultivate lands, China has ensured social security in rural areas. Public investment in infrastructure in the areas of education and health brought about

positive results in human development indicators in China.

China is moving ahead of India and Pakistan in terms of Human Development indicators as shown below:

HD Indicators	India	China	Pakistan
Life expectancy	68.8 years	76.4 years	66.6 year
People below poverty line	60.4%	23.5%	46.4%
Infant Mortality Rate (per 1,000 live births)	34.6	8.5	64.2
Maternal Mortality Rate (per 1 Lakh births)	174	27	178

Question 4

“In Pakistan the reform process led to worsening of all the economic indicators. However, during the last few years, Pakistan has recovered its economic growth and has been sustaining.”

Defend or refute the above statement.

(6 marks)



Answer 4

The given statement is correct.

- (i) Declining growth rate – The reform process introduced in Pakistan led to declining growth rate in Pakistan. The annual growth of GDP was 6.3 per cent during 1980-90, which decreased to 5.3 per cent during 2015-2017.
- (ii) Re-emergence of poverty – The proportion of poor in 1980s was 25 per cent, which started rising again during 1990s.



Answer 4

The reasons for the slow-down of growth and re-emergence of poverty in Pakistan's economy are as follows:

- (i) Volatile performance of agriculture sector – Agricultural growth and food supply situation were based not on an institutionalised process of technical change but on good harvest. When there was a good harvest, the economy was in good condition, when it was not, the economic indicators showed stagnation or negative trends.



Answer 4

- (ii) Over-dependence on remittances and foreign aid – In Pakistan most foreign exchange earnings came from remittances from Pakistani workers in the middle-east and the exports of highly volatile agricultural products. There was also growing dependence on foreign loans, and increasing difficulty in paying back the loans.
- (iii) Political instability over a long period of time. However, during the last few years, Pakistan has recovered its economic growth. In 2015-16, the GDP registered a growth of 4.7 per cent, highest when compared to the previous eight years.

Answer 4

While agricultural sector recorded growth rate far from satisfactory level, industrial and service sectors grew at 6.8 and 5.7 per cent respectively.



Question 5

“Till the late 1970s, India, China and Pakistan – all the three countries were maintaining the same level of low development. The last three decades have taken these countries to different levels.”

Do you agree with the given statement? Give valid reasons in support of your answer. **(6 marks)**



Answer 5

The given statement is correct.

INDIA

The annual growth of GDP increased moderately from 5.7% during 1980-90 to 7.3% during 2015-2017.

The share of service sector in GDP is the largest (53%).

- A majority of its people still depend on agriculture. In 2015-2017 about 43% of India workforce was engaged in agriculture.
- Infrastructure is lacking in many parts of the country.
- It is yet to raise the level of living of more than one-fourth of its population that lives below the poverty line.

PAKISTAN

- The annual growth rate of GDP has fallen from 6.3% during 1980-90 to 5.3% during 2015-2017.
- The official data of Pakistan indicate rising poverty there. The proportion of poor which was 25 per cent in 1980s started rising again in 1990s.

Political instability over a long period of time, over dependence on remittances and foreign aid and volatile performance of agricultural sector are the reasons for the slowdown of the Pakistan economy. However, during the last three years, Pakistan has recovered its economic growth.

In 2015-16, GDP growth rate was 4.7%, highest in last 8 years. Many macroeconomic indicators also began to show stable and positive results.

CHINA

In China, the lack of political freedom and its implication for human rights are major concerns; yet, in the last three decades, it used the ‘market system without losing political commitment’ and succeeded in raising the level of growth along with alleviation of poverty.

- China has used the market mechanism to create additional social and economic opportunities.

-
- By retaining collective ownership of land and allowing individuals to cultivate lands, China has ensured social security in rural areas.
 - Public investment in social infrastructure brought about positive results in human development indicators in China.

Question 6

Mention the salient demographic indicators of China, Pakistan and India. **(6 marks)**



Answer 6

Demographic indicators of India, China and Pakistan:

- (i) Population: The population of China is the highest followed by India. Out of every six persons living in this world, one is an Indian and another a Chinese. The population of Pakistan is very small.

Country	Estimated population (in million) (2015)
India	1311
China	1371
Pakistan	188

(ii) **Density:** Though China is the largest nation and geographically occupies the largest area among the three nations, its density is the lowest.

Country	Density (per sq. km)
India	441
China	146
Pakistan	245

(iii) Annual growth of population: The population growth is the highest in Pakistan, whereas it is the lowest in China. 'One Child norm' introduced in China in the late 1970s is the major reason for low population growth in China.

Country	Annual Growth of population (2015)
India	1.2
China	0.5
Pakistan	2.1

The annual population growth rate of India is in the danger zone of more than 1% p.a. India will be overtaking China as the most populous country in the world in near future.

(iv) Child sex ratio: The child sex ratio is low and biased against females in all three countries. 'Preference for son' may be the major reason for this.

Amongst the three countries, India has most skewed data sex ratio (929 females per 1,000 males). This is one of the major concerns for the demographers in India.

Country	Child sex ratio (2015)
India	929
China	941
Pakistan	947

(v) Fertility rate: The fertility rate is low in China and very high in Pakistan.

Country	Fertility rate (2015)
India	2.3
China	1.6
Pakistan	3.7

(vi) Urbanisation: Urbanisation is high in China with India having only 33% of its people living in urban areas.

Country	Urbanisation (2015)
India	33%
China	56%
Pakistan	39%

Self-Assessment Test 1

Comparative Development Experience of India and its Neighbours

Time Allowed: 1 hour

Maximum Marks: 25

Question 1

Identify the correct sequence of alternatives given in Column II by matching them with respective events in Column I: **(1 mark)**

Column I	Column II
A. India announced its first five year plan	(i) 1951
B. Pakistan announced its first five year plan, now called the <i>Medium Term Development Plan</i> .	(ii) 1953
C. China announced its first five year plan.	(iii) 1956

Answer 1

A. – (i), B. – (iii), C. – (ii)

Question 2

Which of the following countries has the lowest density of population?

(Choose the correct alternative) **(1 mark)**

- (a) India
- (b) China
- (c) Pakistan
- (d) None of the above

Answer 2

(b) China

Question 3

China discontinued the one child policy because:

(Choose the correct alternative) **(1 mark)**

- (a) There will be more elderly people in proportion to young people.
- (b) It increased the number of dependent population.
- (c) People became dissatisfied with the policy.
- (d) Population of the country decreased.

Answer 3

- (a) There will be more elderly people in proportion to young people.

Question 4

Name the revolution introduced in China in 1965 under which students and professionals were sent to work and learn from the country side. **(1 mark)**

Answer 4

The Great Proletarian Cultural Revolution (1966-76)

Question 5

Identify the correct sequence of alternatives given in Column II by matching them with respective events of China in Column I: **(1 mark)**

Column I	Column II
(a) Introduction of economic reforms in China	(i) 1949
(b) Establishment of People's Republic of China	(ii) 1953
(c) China announced its first five year plan	(iii) 1958
(d) Great Leap Forward campaign initiated in China	(iv) 1978

Answer 5

A – (iv) , B – (i) , C – (ii) , D – (iii).

Question 6

Study the following table and analyse the share of employment and GDP (%) in 2015-2017.

(3 marks)

Sector	Contribution to GDP			Distribution of Workforce		
Agriculture	17	9	25	42.7	17.5	42
Industry	30	43	21	23.8	26.5	3.7
Service	53	48	54	33.5	56	54.3
Total	100	100	100	100	100	100

Question 7

Comment on the growth rate trends witnessed in China and India in the last two decades. **(3 marks)**

Question 8

Explain the Great Leap Forward campaign of China as initiated in 1958. Also, state the problems which GLF campaign met with. **(4 marks)**

Answer 8

The Great Leap Forward (GLF) campaign was initiated in China in 1958, which aimed at industrialising the country on a massive scale.

- People were encouraged to set up industries in their backyards.
- In rural areas, communes were started. Under the Commune system, people collectively cultivated lands. In 1958, there were 26,000 communes covering almost all the farm population.



However, GLF campaign met with many problems:

- (i) A severe drought caused havoc in China killing about 30 million people.
- (ii) When Russia had conflicts with China, it withdrew its professionals who had earlier been sent to China to help in the industrialisation process.


Question 9

Describe the path of developmental initiatives taken by Pakistan for its economic development. **(4 marks)**

Answer 9

Development initiatives taken by Pakistan:

(i) In the late 1950s and 1960s, Pakistan introduced a variety of regulated policy framework (for import substitution-based industrialisation). The policy combined tariff protection and direct-import controls. The introduction of Green Revolution led to mechanisation and increase in public investment in infrastructure, which led to a rise in the production of food grains.

- 
- (ii) In the 1970s, nationalisation of capital goods industries took place.
 - (iii) Pakistan then shifted its policy orientation in the late 1970s and 1980s when the major thrust areas were denationalisation and encouragement of private sector. During this period, Pakistan received financial support from western nations and remittances from Pakistani workers in the middle-east. This helped the country in stimulating economic growth. The government also offered incentives to the private sector. All this created a



conducive climate for new investments.

(iv) In 1988, economic reforms were initiated in Pakistan.

Question 10

Mention the salient demographic indicators of China, Pakistan and India.

(6marks)

Self-Assessment Test 2

Comparative Development Experience of India and its Neighbours

Time Allowed: 1 hour

Maximum Marks: 25

Question 1

Identify the correct sequence of alternatives given in Column II by matching them with respective events of China in Column I: **(1 mark)**

Column I	Column II
(a) Regional and global economic grouping's such as the SAARC, G-8, G-20, ASEAN etc.	(i) Students and professionals were sent to work and learn from the country side.
(b) The Great Leap Forward (GLF) campaign initiated by China in 1958.	(ii) Means to strengthen their own domestic economies.
(c) The Commune system in China.	(iii) People collectively cultivated lands.
(d) The Great Proletarian Cultural Revolution introduced by Mao in 1965.	(iv) Industrialising the country on a massive scale.

Answer 1

(ii), (iv), (iii), (i)

Question 2

First five year plan of _____ commenced in the year 1956. (Pakistan/China)

(Fill up the blank with correct option) (1 mark)

Answer 2

Pakistan

Question 3

Special Economic Zones were set up by China to:

(Choose the correct alternative) (1 mark)

- (a) Attract foreign investors.
- (b) To develop the backward regions.
- (c) To maintain economic equality.
- (d) To promote private sector.

Answer 3

- (a) Attract foreign investors.

Question 4

China succeeded in achieving higher growth rate than India because:

(Choose the correct alternative) (1 mark)

- (a) It followed communist pattern of economy.
- (b) It started reforms early.
- (c) It gave much importance to manufacturing sector.
- (d) All of above

Answer 4

- (c) It gave much importance to manufacturing sector.

Question 5

China is ahead of India and Pakistan on many human development indicators. These improvements were attributed to the reform process initiated in China in 1978.

(True/False) (1 mark)

Answer 5

False: China is ahead of India and Pakistan on many human development indicators. However, these improvements were attributed not to the reform process but the strategies that China adopted in the pre-reform period.

Question 6

Give reasons for the slow growth and re-emergence of poverty in Pakistan. **(3 marks)**

Question 7

Why did China introduce structural reforms in 1978?

(3 marks)

Question 8

Answer the following questions on the basis of the following data:

(a) Comment upon the population growth rates among the three countries. **(3 marks)**


(b) Which country has most skewed in sex ratio?

(1 mark)

Country	Estimated Population (in million)	Annual Growth of Population (in%)	Sex Ratio
India	1311	1.2	929
China	1371	0.5	941
Pakistan	188	2.1	947

Answer 8

- (a) The given data shows that the annual growth rate of population is maximum in Pakistan standing at 2.1%, whereas; the same stands at a meager 0.5% in case of China (might be a direct result of the One Child Policy adopted). The annual population growth rate of India is in the danger zone of more than 1% p.a. India will be overtaking China as the most populous country in the world in near future.

- 
- (b) Amongst the three countries stated above, India has most skewed data sex ratio (929 female per 1000 male). This is one of the major concerns for the demographers in India.

Question 9

China's rapid industrial growth can be traced back to its reforms in 1978. Do you agree? Elucidate. **(4 marks)**

Question 10

Compare and contrast the development of India, China and Pakistan with respect to some salient human development indicators. **(6 marks)**

Self-Assessment Test 3

Comparative Development Experience of India and its Neighbours

Time Allowed: 1 hour

Maximum Marks: 25

Question 1

Match the following:

(a) High degree of urbanisation	(i) India
(b) Very high fertility rate	(ii) China
(c) Lowest density of population	(iii) Pakistan
(d) Growth due to service sector	

Answer 1

A – (ii) , B – (iii) , C – (ii) , D – (i)

Question 2

Growth rate of population is highest in which of the following country? **(1 mark)**

- (a) India
- (b) China
- (c) Pakistan
- (d) None of the above

Answer 2

(c) Pakistan

Question 3

Mention any two important implications/limitations of the 'one child norm' in China, which led China to allow couples to have two children. **(1 mark)**

Answer 3

- (i) Low population growth (0.5% p.a.)
- (ii) Decline the child sex ratio (941 females per thousand males)
- (iii) After a decades, in China, there will be more elderly people in proportion to young people.

Question 4

What are the various means by which countries are trying to strengthen their own domestic economies?

(1 mark)

Answer 4

- (i) Formation of regional and economic groups such as SAARC, G-8, G-20 etc.
- (ii) Understanding the development process pursued by their neighbouring nations.

Question 5

Match the columns:

(1 mark)

A. India	(i) 13th Five Year plan (2016-20)
B. China	(ii) 11th Five Year plan (2013-18)
C. Pakistan	(iii) Followed Five Year plan based development model until March 2017

Answer 5

(iii), (i), (ii)

Question 6

Explain the Great Leap Forward campaign of China as initiated in 1958. **(3 marks)**

Question 7

“In Pakistan the reform process led to worsening of all the economic indicators. However, during the last few years, Pakistan has recovered its economic growth and has been sustaining.”

Defend or refute the above statement.

(3 marks)

Question 8

“Till the late 1970s, India, China and Pakistan – all the three countries were maintaining the same level of low development. The last three decades have taken these countries to different levels.”

Do you agree with the given statement? Give valid reasons in support of your answer. **(4 marks)**

Question 9

Evaluate the various factors that led to the rapid growth in economic development in China. **(4 marks)**

Question 10

Study the following table showing the growth of GDP of the three nations during 1980-2017.

Country	1980-90	2015-2017
India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

- (a) During 1980-1990, when many developed countries were finding it difficult to maintain a growth rate of even 5 per cent, China was able to maintain near double digit growth. Evaluate the various factors



that led to the rapid growth in economic development in China.

(b) In 2015-2017, there has been a decline in Pakistan and China's growth rates, whereas India met with moderate increase in growth rates. Give reasons.

(6 marks)