CBSE Class 11 Economics

Revision Notes

Chapter - 10

INDIAN ECONOMY (1950-90)

Economic Planning: Means utilisation of country's resources in different development activities in accordance with national priorities.

Goals of Planning in India

a. Long Term Goals(To be achieved over a period of 20 years)
b. Short Term Goals(To be achieved over a period of five years)

LONG TERM GOALS I OBJECTIVES OF PLANNING

A. Modernisation - Adoption of new technology and changes in social outlook
B. Self reliance - Reducing dependence on imports.
C. Economic Growth - Increase in the aggregate output of Goods & services.
D. Equity - Reduction in inequality of income and wealth
E. Full employment - Refers to a situation when all the people in the working age group is actually engaged in some gainful employment.

SHORT TERM GOALS / OBJECTIVES OR OBJECTIVES OF FIVE YEAR PLANS

Short term objectives vary from plan to plan depending on current needs of the country. For example first plan (1951-56) focused on higher agricultural production while in second plan (1956-61) shifted the focus from agriculture to Industry. In India growth and equity are the objectives of all the five year plans. The goal of current five year plan (12th, 2012-17) is INCLUSIVE DEVELOPMENT.

AGRICULTURE

Main Features of Indian Agriculture

1. Low productivity
2. Disguised unemployment.
3. Dependence on rainfall
4. Subsistence farming-objective of farmer is to secure subsistence for his family not to earn profit.

5. Traditional inputs
6. Small holdings
7. Backward technology.
8. Landlord tenant conflict.

Problems of Indian Agriculture

A. General Problems

1. Pressure of population on land
2. Land degradation
3. Subsistence farming
4. Social environment
5. Crop losses-by pest, insect, flood draught etc.

B. Institutional Problems.

1. Small and scattered holdings.
2. Poor implementation of land reforms.
3. Lack of credit and marketing facilities.

C. Technical Problems.

1. Lack of irrigation facilities.
2. Wrong cropping pattern.
3. Outdated technique of production.

Reforms in Indian Agriculture

A. Institutional Reforms also called Land reforms.

(i) Abolition of intermediaries.
(ii) Regulation of rent.
(iii) Consolidation of holdings.
(iv) Ceiling on land holdings.
(v) Cooperative Farming

B. General reforms.

(i) Expansion of irrigation facilities.
(ii) Provision of credit

(iii) Regulated markets and co-operative marketing societies.

(iv) Support price policy.

C. Technical Reforms or Green Revolution

(i) Use of HYV seeds

(ii) Use of chemical fertilisers.

(iii) Use of insecticides and pesticides for crop protection

(iv) Scientific rotation of crops

(v) Modernised means of cultivation.

ACHIEVEMENTS OF GREEN REVOLUTION

1. Rise in production and productivity.
2. Increase in income.
3. Rise in commercial farming.
4. Impact on social revolution-use of new technology HYV seeds, fertilisers etc.
5. Increase in employment.
6. Substantial Rise in Acerage

FAILURES OF GREEN REVOLUTION

1. Restricted to limited crops and areas such as two crops wheat & rice growing states like Punjab, Haryana, U.P. and Andhra Pradesh.
2. Partial removal of poverty.
3. Neglected land reforms.
4. Increase in income disparity between small and big farmers
5. Ecological degradation.

INDUSTRY

ROLE OF INDUSTRIAL SECTOR IN INDIA

Industrialisation is important for overall growth of a country. Following points highlight the importance of Industry is an economy:

1. Provides employment.
2. Raises national income.
3. Promotes regional balance.
4. Leads to modernisation.

5. Helps to modernise agriculture.
6. Leads to self-sustainable development.
7. High potential for growth.
8. Key to high volume of exports.
9. Growth of civilisation.
10. Change in basic structure of economy
11. source of Employment
12. Imparts Dynamism to Growth Process

Industrialisation is a pre-condition for the final take-off of an economy.

INDUSTRIAL DEVELOPMENT SINCE INDEPENDENCE 26.4.2010-11

Share of industrial sector in the GDP has increased upto 20% in 2013-14.

The following important changes have taken place:
(i) Development of infrastructure like power transport, communication, banking & finance, qualified and skilled human resource.
(ii) Much progress in the field of research and development.
(iii) Expansion of public sector.
(iv) Building up of capital goods industry.
(v) Growth of non-essential consumer goods industries.

PROBLEMS OF INDUSTRIAL DEVELOPMENT IN INDIA
1. Sectoral imbalances- Agriculture and infrastructure have failed to provide the support to the industrial sector.
2. Regional imbalance- Restricted to few states.
3. Industrial sickness- which raised the problem of unemployment.
4. Higher cost of industrial product due to lack of healthy competition.
5. Dependence on the Government- for reduction in tax or duty to make import easier.
6. Poor performance of the public sector
7. Under utilisation of capacity.
8. Increasing capital-output ratio

ROLE OF PUBLIC SECTOR/GOVT. IN INDUSTRIAL DEVELOPMENT

Direct intervention of the state was considered essential in view of the following factors:
1. Lack of capital with the private entrepreneurs.
2. Lack of incentive among the Pvt. entrepreneurs demand due to limited size of the market.
3. Socialistic pattern of society-main aim of Govt. is to generate employment rather than profits.
4. Development of infrastructure.
5. Development of backward areas.
6. To prevent concentration of economic power.
7. To promote import substitution.

INDUSTRIAL POLICY RESOLUTION (IPR) 1956

Industrial policy is an important instrument through which the govt. regulates the industrial activities in an economy.

The 1956 resolution laid down the following objectives of industrial policy.
(a) To accelerate the growth of industrialization.
(b) To develop heavy industries.
(c) To expand public sector.
(d) To reduce disparities in income and wealth.
(e) To prevent monopolies and concentration of wealth and income in the hands of a small member of individuals.

FEATURES OF INDUSTRIAL POLICY RESOLUTION (IPR) OF 1956

Features of Industrial policy resolution of 1956 were.
1. New classification of Industries: Industries were classified into three schedule depending upon role of state.
(a) Schedule-A- 17 industries listed in schedule-A whose future development would be the responsibility of state.
(b) Schedule-B- 12 industries were included in schedule-B, Private sector could supplement the efforts of the Public Sector, with the state taking sole responsibility for starting new units.
(c) Schedule-C - other residual industries were left open to private sector.

2. Stress on the role of cottage and small scale industries.

3. Industrial licensing: Industries in the pvt. sector could be established only through a licence from the government.

4. Industrial concessions-were offered-pvt. entrepreneurs for establishing industry in the backward regions of the country. Such as tax rebate and concessional rates for power supply.

SMALL SCALE INDUSTRY (SSI)

A small scale industry is presently defined as the one whose investment does not exceed Rs. 5 crore.

CHARACTERISTICS OF SSI OR ROLE OF SMALL SCALE INDUSTRIES

1. Labour intensive-employment oriented
2. Self-employment.
3. Less capital intensive.
4. Export promotion.
5. Seed beds for large scale industries.
6. Shows locational flexibility.

PROBLEMS OF SMALL SCALE INDUSTRIES

1. Difficulty of finance.
2. Shortage of raw material.
3. Difficulty of marketing.
4. Outdated machines & equipment
5. Competition from large scale industries.

FOREIGN TRADE

At the time of independence raw material was exported from India to Britain in abundance, on the other hand finished goods from Britain were imported into India.
Notably our balance of trade was favourable (exports > imports)

After independence India's foreign trade recorded a noticeable change such as.
(i) Decline in percentage share of agricultural exports.
(ii) Increase in percentage share of manufactured goods in total exports.
(iii) Change in direction of export trade and import trade.

(iv) Decline of Britain as main trading Partner.

TRADE POLICY

In the first seven five year plans of India, the trade was commonly called an 'inward looking' trade strategy.

This strategy is technically known as ‘import substitution’. Import substitution means substituting imports with domestic production. Imports were protected by the imposition of tariff and quotas which protect the domestic firms from foreign competition. Impact of Inward looking Trade strategy on the domestic industry.
1. It helped to save foreign exchange by reducing import of goods.
2. Created a protected market and large demand for domestically produced goods.
3. Helped to build a strong industrial base in our country which directly lead to economic growth.

Criticism of import substituting strategy
1. It did not lead to growth.
2. Lack of competition implied lack of modernisation.
3. Growth of inefficient public monopolies.
4. It did not lead to efficiency.

INDUSTRIAL LICENSING

Licensing is a tool for channelising scarce resources in predetermined priority sector of an economy.
The Industries development and resolution act (IDRA) was enacted in 1951.

MAIN OBJECTIVES OF IDRA act of 1951

1. Regulation of industrial development in accordance with planned priorities.
2. Avoidance of monopoly.
3. Balanced regional development.
4. Prevention of undue competition between large-scale industries and small scale industries.
5. Optimum utilisation of scarce foreign exchange resources. Under this act the following were applicable.

A. All the scheduled industries should be registered with the govt.
B. A licence must be obtained by all the new industries.
C. Govt. is authorised to examine the working of any industrial undertaking.
D. If the undertaking continued to be mismanaged, govt. can take over its management.

CRITICISM AGAINST INDUSTRIAL LICENSING

1. There was an adhoc system for accepting or rejecting an application for licence.
2. The quality of techno economic examination conducted by Director General of technical development was generally poor.
3. Licensing policy resulted in under utilisation of capacity in many industries.
4. In reality, the policy helped large business houses in accumulating economic power.

PERMIT LICENCE RAJ

The licensing authorities many a times granted licence to big business houses without proper scrutiny of their applications.