



Economics Notes PDF

On

Indian Economy 1950-1990

(Class - 12)

ECONOMIC PLANNING

It is a process under which a central authority defines a set of targets to be achieved within a specified period of time.

Different Form of Economic Systems:

1. Capitalist economy:

Capitalist economies depend upon the market forces of demand and supply. In this type of economy, only those consumer goods will be produced that have good demand in the market and yield profit to the producers. Capitalist economy generally manifests unequal distribution of income, but it also generates fastest growth in output and national income

2. Socialist economy:

It is the one in which the government owns, controls, and operates the means of production. According to the demand of society, the government decides what, how, and for whom to produce. The factor that guides decision-making is social welfare.

3. Mixed Economy:

It is an economic system in which the public sector and private sector exist side by side. In this 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 provide.

The Goals of the Five-Year Plan

1. Growth: It involves the growth of a country's capacity to generate goods and services within its borders. Economic growth is defined as a rise in the country's Gross Domestic Product (GDP). GDP is a method of measuring an economy's growth. The greater the GDP, the greater the ability of the general populace to benefit from the country's economic policies.

2. Modernisation: Adoption of new technology is called modernisation. It is done with an aim to increase the production of goods and services. For example, a farmer can increase the output on the farm by using new seed varieties instead of using old ones.

3. Self-reliance: It refers to the use of a country's own resources rather than resources purchased from other countries to promote economic growth and modernisation. It refers to the use of a country's own resources rather than resources purchased from other countries to promote economic growth and modernisation.

4. Equity: It refers to reduction in disparity of income or wealth, by uplifting weaker sections of the society. It also refers to distribution of economic power equally or in such a way that every Indian should be able to meet his or her basic needs such as food, a decent house, education, healthcare, etc.

AGRICULTURE , INDUSTRY AND TRADE IN INDEPENDENT INDIA

AGRICULTURE

Agriculture is the foundation of India's economic system and activity. It is a wide phrase that encompasses all that goes into cultivating crops and rearing animals in order to provide humans with food and materials that they can use and enjoy.

Reforms in Indian Agriculture: The agricultural industry did not experience expansion or equity during colonial control. Institutional Reforms and the Green Revolution were implemented by the government to address the concerns of agricultural growth and equity.

- **Land Reforms:**

- The tillers of the lands were not the landowners during the British era. As a result, a farmer did not have true possession of the property. Ownership was held by the middlemen, such as zamindars, jagirdars, and others. The farmer would cultivate the land while paying the rent to the zamindars.
- These farmers were inevitably exploited when landowners ignored agricultural needs and were only concerned with the rent they collected from these labourers.
- In order to fix this situation, the government of a newly independent India had a few goals in mind.
- The main goal was to make systematic and comprehensive improvements to the country's agrarian structure.
- Its secondary goal was to eliminate the intermediaries of India's semi-feudal landlordism system, i.e. the zamindars.

- **Land Ceiling Act:**

- This entails determining the maximum amount of land that an individual can own.
- The goal of the land ceiling was to decrease land ownership concentration in a few hands and promote agricultural equity.
- Note: West Bengal and Kerala had effective land reforms because their governments were committed to the policy of giving land to the tiller, whereas other states did not have the same level of devotion, and enormous disparities in landholdings still exist today.

- **Green Revolution:**

- It started in India in 1967-68. In the year, 1967-68 itself, food grain production increased by nearly 25%. So, much increase in food grain production in a country which earlier used to import food grains.
- The HYV seeds performed better in wheat crops and were more effective in areas with adequate irrigation. As a result, the first stage of the Green Revolution concentrated on states with stronger infrastructure, like Punjab and Tamil Nadu.
- Several other states received HYV seeds during the second phase. Other crops besides wheat were also included in the strategy.

- **Marketable Surplus:**

- It refers to the surplus of a farmer's output over and above his own farm consumption. Thus, Marketable surplus of wheat = Output of wheat – On farm consumption of wheat.
- The increase in marketable surplus resulted in improved agricultural growth.

The Debate over Subsidies:

The economic validity of agricultural subsidies is currently a strongly discussed topic. It is widely acknowledged that the government needed to provide subsidies to encourage farmers in general, and small farmers, to use the new HYV technology. Second, any new technology will be viewed as a hazardous proposition by farmers. As a result, subsidies were required to encourage farmers to try out the new technology.

Arguments in favour of subsidies:

- Some argue that the government should continue to provide agricultural subsidies because farming is a risky business in India.
- The majority of farmers are impoverished, and without subsidies, they will be unable to purchase the necessary i

- If subsidies are eliminated, it will increase the gap between rich and poor farmers, and violate the purpose of equity.

Arguments against Subsidies:

- Some economists feel that once a technology proves viable and widespread adoption, subsidies should be phased out because its objective has been fulfilled.
- Furthermore, while subsidies are intended to aid farmers, a significant portion of the fertilizer subsidy goes to the fertilizer business. Farmers in wealthier areas gain disproportionately from the subsidies.
- As a result, it is suggested that continuing with fertiliser subsidies is pointless because they do not benefit the target demographic and place a significant financial burden on the government.

INDUSTRY AND TRADE

Role of Industrial Sector of India:

The importance of industrialization in a country's economic prosperity cannot be overstated. Economically affluent economies are those that have advanced industrially. Industrialisation is a prerequisite for an economy's final take-off.

INDUSTRY

Public and Private Sectors in Indian Industrial Development:

There was a need for a leading role of the Public Sector due to the following reasons:

- Storage of capital in the private sector: Private entrepreneurs did not have the capital to undertake investment in industrial ventures, required for the development of the economy.
- Lack of Incentives for Private Sector: The Indian market was not big enough to encourage private industrialists to undertake major projects, even if they had capital to do so. Due to the limited size of the market, there was a low level of demand for the industrial goods.
- Objectives of Social Welfare: The objective of equity and social welfare of the govt. could be achieved only through direct participation of the state in the process of industrialisation.

INDUSTRIAL POLICY RESOLUTION 1956 (IPR 1956):

Industrial Policy Resolution of 1956(IPR1956) is a resolution adopted by the Indian Parliament in April 1956.

- Industrial policy is a comprehensive package of policy measures which covers various issues connected with different industrial enterprises of the country.
- After industrial policy, 1948, the Indian economy had to face a series of economic and political changes, which necessitated the need for a fresh industrial policy for the country. So, on 30th April, 1956, a second industrial policy resolution was adopted in India.

Small-Scale Industry (SSI):

The Village and Small-Scale Industries Committee, commonly known as the Karve Committee, stated in 1955 that small-scale industries may be used to promote rural development. The maximum investment allowed on a unit's assets is used to define a "small-scale industry." In 1950, a small-scale industrial unit was defined as one that invested little more than Rs. 5 lakhs; today, the highest investment authorized is Rs. 1 crore.

Role of Small-scale Industry:

- Focused on high-intensity labour.
- It relies on self-employment.
- It requires less capital.
- Promotion of exports.
- Large-scale enterprises' seed beds
- Demonstrates flexibility in terms of location.

Issues faced by Small-Scale Industries:

- Financial difficulties.
- Scarcity of raw materials.
- Marketing difficulty.
- Out-of-date machinery and equipment.
- Large-scale industries pose a threat.

TRADE POLICY: IMPORT SUBSTITUTION

The industrial policy that we adopted was closely related to the trade policy. In the first seven plans, trade was characterized by what is commonly called an inward looking trade strategy. Technically, this strategy is called import substitution. This policy 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.

Effect of Policies on Industrial Development:

The first seven five-year plans had a significant impact on the industrial sector. The industrial sector's contribution to GDP climbed from 13% in 1950-51 to 24.6 percent in 1990-91. The increase in the industry's share of GDP is a key sign of progress. The industrial sector's yearly growth rate of 6% during the time is commendable. Protection from foreign competition allowed indigenous industries in the electronics and automobile sectors to emerge that would not have otherwise been possible. Some industries were privatised, while others remained in the public sector.

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 of independence.
- Land reforms resulted in the abolition of the hated Zamindari system. However, many economists became dissatisfied with the performance of many public sector enterprises.
- Our policies were 'inward oriented' and so we failed to develop a strong export sector. The need for reform of economic policy was widely felt in the context of changing global economic scenarios, and the new economic policy was initiated in 1991 to make our economy more efficient.

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