**Ch – Indian Economy on the eve of Independence**

1. India entered the .......... Stage of demographic transition after 1921.

(a) Fourth

(b) Second

(c) First

(d) Third

Ans. Option (b)

2. Assertion (A): India became exporter of primary products and importer of finished consumer and capital goods of Britain.

Reason (R): Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume India's foreign trade.

Choose the correct alternative:

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. Option (a)

3. Give the names of the economists who estimated India's per capita Income during colonial period.

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

4. State any one positive contribution made by the British in India.

Or

………………. is one of the main positive contribution made by the British in India.

Ans. Positive contribution made by Britishers in India (Any 1)

(a) Introduction of Railways and Ports

(b) Set up Canals

(c) Introduction of English as medium of language

(d) Introduction of Administrative and Monetary System.

5. Define Life Expectancy.

Ans. Life expectancy refers to the average number of years an individual is expected to live.

6. First official census in India was conducted in year …………………..

Ans. 1881

7. Operating of Suez Canal in ……………….

(a) 1869

(b) 1907

(c) 1884

(d) 1912

Ans. (a) 1869

8. Which of the following statements is true?

(a) On the eve of Independence, Indian economy was not stagnant.

(b) Literacy rate in India was high in 1947.

(c) Britishers introduced English as a medium of language because they wanted to uplift the social status of Indians.

(d) There was slow growth of modern industries in India with limited number of capital goods industry.

Ans. (d) There was slow growth of modern industries in India with limited number of capital goods industry.

9. The export surplus during the British rule was used to:

(a) Import invisible items

(b) Make payments for expenses incurred by an office setup by the colonial government in Britain

(c) Meet the expenses on War fought by the British Government.

(d) All of the above

Ans. (d) All of the above

5. Define the following terms:

(a) Demographic profile. (b) Unbalanced growth model

(c) Commercialization of agriculture (d) Occupational Structure

(e) Discriminatory tariff policy (f) Colonial Exploitation

Ans. (a) Demographic Profile refers to the study of various parameters related to country's population like growth rate, population size, birth rate etc.

(b) Unbalanced Growth Model refers to the one in which development of one sector is given prime importance while others are ignored for a while. It implies that investments should be made only in the leading sectors of the economy.

(c) Commercialization of Agriculture refers to production of crops for the purpose of sale in the market rather than self-consumption.

(d) Occupational Structure refers to the percentage distribution of working population across different sectors of the economy.

(e) Discriminatory tariff policy is adopted by Britishers in India. Under this policy, Indian Handicrafts products are exported to ROW with high tariffs. Whereas, goods that are imported and exported between India and Britain were done without any tariffs.

(f) Colonial Exploitation refers to the targeted exploitation of all the sectors in the economy.

6. Match the following:

Column I Column II

1. Set up of TISCO (a) Production of crops for self-consumption

2. Subsistence Farming (b) 1932

3. Start of TATA Airlines (c) Output produced per hectare of land

4. Productivity of land (d) 1907

Ans. (1,d) (2,a) (3,b) (4,c)

7. Assertion (A): On the eve of Independence, Indian Economy was backward, stagnant and underdeveloped.

Reason (R): India experienced colonial exploitation of more than 200 years.

(a) Both Assertion (A) and Reason (R) are true and reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. (a) Both Assertion (A) and Reason (R) are true and reason (R) is the correct explanation of Assertion (A).

8. Assertion (A): Indian Agriculture was characterized by high productivity and production.

Reason (R): There was prevalence of Zamindari System in Indian Agriculture.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Both (A) and (R) are false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. (d) Assertion (A) is false but Reason (R) is true

9. Assertion (A): Farmers were forced to produce crops with the purpose of sale in the market rather than self-consumption.

Reason (R): Indigo was required by textile Industry in Britain.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

11. State with reason whether the following statements are True or False:

(i) India's Economy was poor and backward before the Colonial Rule.

(ii) India was well known for its handicraft industries before the advent of British Rule.

(iii) Primary motive of de-industrialization by the British Rule was to promote India's economy.

Ans. (i) False. India's Economy was independent, self-reliant and prosperous before the Colonial Rule

(ii) True, Indian handicraft industries enjoyed worldwide reputation.

(iii) False. Their primary motive was: (a) To get raw materials from India at cheap rates; and (b) To sell finished products of British industries in Indian market at higher prices.

12. "There was huge "Drain of Wealth' during British Rule. Do you agree with the given statement?

Ans. Yes, I agree with the given statement. During the British rule, India became an exporter of primary products and there was huge export surplus due to excess exports. However, this export surplus, i.e. wealth was used:

1. To make payments for expenses incurred by an office set up by the colonial government in Britain.
2. To meet expenses on war fought by the British govemment.
3. To import invisible items.

13. "Indian agricultural sector did not suffer due to Partition" Defend or Refute.

Ans. The given statement is refuted. India's agricultural production received a set back due to the country's partition at the time of independence.

* A sizeable portion of undivided country's highly irrigated and fertile land went to Pakistan.
* Almost, the whole of jute producing area became part of East Pakistan (now Bangladesh). India's jute goods industry, which had enjoyed a world monopoly, suffered heavily for lack of raw material

14 "India became exporter of primary products and importer of finished goods during the British Rule." Comment.

Ans. The given statement is correct. British Government systematically destroyed Indian handicraft industries and their primary motive behind this de-industrialization was two-fold: (i) To get raw materials from India at cheap rates to be used by upcoming modern industries in Britain; (ii) To sell finished products of British industries in Indian market at higher prices.

As a result, India became an exporter of primary products such as raw silk, cotton, wool, etc. and an importer of finished consumer goods like cotton, silk, woollen clothes, etc. produced in the British Industries.

15. What was the focus of the economic policies pursued by the colonial government in India? What were the impacts of these policies?

Ans. The economic policies pursued by the Colonial Government in India, were concerned more with the protection and promotion of their own economic interests, than with the development of the Indian economy.

For impact of these policies, discuss "British Rule-Systematic Exploitation of India"

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

Ans. Dadabhai Naoroji, V.K.R.V. Rao, Willam Digby, Findlay Shirras and R.C. Desal.

17. Name some modem industries which were in operation in our country at the time of independence Ans. Iron and Steel company (TISCO), sugar, cement, chemical and paper industries.

18. What was the two-fold motive behind the systematic deindustrialization effected by the British in pre-independent India?

Ans. (i) To get raw materials from India at cheap rates to be used by upcoming modern industries in Britain.

(ii) To sell finished products of British industries in Indian market at higher prices.

19. The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reasons in support of your answer.

Ans. Yes, I agree with this view, British Government systematically destroyed Indian handicraft industries in order to serve their following two-fold motive:

1. To get raw materials from India at cheap rates to be used by upcoming modern industries in Britain;
2. To sell finished products of British industries in Indian market at higher prices.

Colonial govemment enforced discriminatory tariff policy, which allowed free export of raw materials from India and free import of final goods of British industry to India. But, heavy duty was imposed on the export of Indian handicrafts. As a result, Indian markets were full of finished goods from Britain, which led to the decline of Indian handicrafts, both in the domestic market as well as the export market.

20. Critically appraise some of the shortfalls of the industrial policy pursued by the British colonial administration.

Ans. The industrial policy pursued by the British colonial administration suffered from the following shortfalls:

(i) De-industrialisation-Decline of Handicraft Industry: British Government systematically destroyed Indian handicraft industries and no modern industrial base was allowed to come up. The primary motive of British rule behind the de-industrialisation was two-fold: (a) To get raw materials from India at cheap rates to be used by upcoming modern industries in Britain; (b) To sell finished products of British industries in Indian market at higher prices.

(ii) Adverse effects of decline of Handicraft Industry: Decline of handicraft industries adversely affected the Indian economy in the following ways: (a) It resulted in unemployment on a mass scale; (b) It encouraged import of manufactured goods from Britain as Indian made goods could not withstand foreign competition of machine made cheap goods.

(iii) Lack of Capital Goods Industries: During the British rule, there was hardly any capital goods industry to promote further industrialisation in India.

(iv) Limited role of Public Sector: The limited area of operation of the public sector was also a significant reason for drawback of the industrial sector. The Public sector remained confined only to the railways. power generation, communications, ports and some other departmental undertakings.

21. What do you understand by the drain of Indian wealth during the colonial period?

Ans. Drain of Indian wealth during the colonial period means that national product of India was used by the British government for development of their own country and not for India.

India's foreign trade generated large export surplus. However, there was drain of such surplus into Britain. India's export surplus was used:

1. To make payments for expenses incurred by an office set up by the colonial government in Britain.
2. To meet expenses on war fought by the British government.
3. To import invisible items.

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

Ans. 1921 is the defining year.

23. Give a quantitative appraisal of India's demographic profile during the colonial period.

Ans. Discuss 'Demographic Condition:

24. Highlight the salient features of India's pre-independence occupational structure.

Ans. Discuss Occupational Structure

25. Underscore some of India's most crucial economic challenges at the time of independence.

Ans. Some of India's most crucial economic challenges at the time of independence were:

1. Increasing dependence of population on agriculture.
2. Traditional methods of cultivation.
3. Inadequate industrialisation
4. Destruction of Indian Handicrafts.
5. High level of Unemployment and underemployment.
6. High Infant mortality rate, low life expectancy and literacy rate:
7. Widespread Mass Poverty

26. When was India's first official census operation undertaken?

Ans. The First official census was undertaken in the year 1881.

27. Indicate the volume and direction of trade at the time of independence.

Ans. The volume and direction of trade at the time of independence is discussed as under:

(i) Exporter of Primary Products and Importer of Finished Goods: India became an exporter of primary products (raw silk, cotton, wool, etc.) and an importer of finished consumer goods (cotton, silk and woollen clothes) and capital goods like light machinery, produced in the British Industries.

(ii) Monopoly Control of British Rule: British Government maintained a monopoly control over India's exports and imports. More than ½ of India's foreign trade was restricted to Britain while the rest was allowed with few other countries like China, Ceylon (Sri Lanka) and Persia (Iran).

28. Were there any positive contributions made by the British in India? Discuss.

Ans. Discuss 'Positive Contributions of British Rule".

 Ch – 2

 Indian Economy (1950-1990)

1. The portion of agricultural produce sold by farmers in the market is called as………………

Ans. Marketable Surplus

2. Differentiate between Objectives of Planning and Objectives of Plan.

Ans. Objectives of planning are long term goals which remain common to all five year plans. Objective of plans on the other hand, are short term goals which vary from one plan to another.

3. ………………………….. refers to the development through domestic resources and avoiding imports.

Ans. Self-Reliance

4. In which year, India's first five-year plan was launched?

(a) 1951

(b) 1947

(c) 1956

(d) 1940

Ans. Option (a)

5. Define Modernisation.

Ans. Modernisation in an economy has two aspects:

Upgradation in the state of technology used in the production process.

Positive changes in the outlook and mindset of people of society.

6. India borrowed the concept of five-year plans from ……………..

(a) US

(b) UK

(c) Germany

(d) Japan

Ans. Option (b)

7. NITI stands for .........

Ans. National Institution for Transforming India

8. ………………. is the chairperson of Planning Commission.

Ans. Prime Minister

9. ……………………………………..... was the reason behind development of large scale industries in India.

Ans. Infrastructure development

10. Planning Commission was set up in year ………………..

Ans. 1950

11............... is known as architect of India's Economic Planning

Ans. Dr. Mahalanobis

12. Assertion (A): On the eve of Independence, Indian Economy was backward, stagnant and underdeveloped.

Reason (R): There was a need to introduce Economic Planning in the economy.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

13. Assertion (A): Planning Commission was set up in the year 1950.

Reason (R): Economic Planning was to be introduced immediately after independence.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

14. What are subsidies?

Ans. Subsidies are benefits offered by government to the farmers in order to encourage them to expand their cultivation process. These subsidies decrease the farmer's cost of production

15. What are agrarian reforms?

Ans. Agrarian reforms are different types of reforms introduced in agriculture sector. It is a combination of technical, land and general reforms.

16. Define Cooperative Farming.

Ans. Under cooperative farming, farmers pool together their resources in order to carry out agricultural production. This is done primarily to increase their bargaining power in the market and to consolidate the benefits of cooperative farming.

17. ………………. is the purpose of technical reforms.

Ans. To increase land productivity and agricultural production.

18. Which one of the following is not a failure of Green Revolution?

(a) Change in farmer's outlook

(b) Uneven spread

(c) Economic divide

(d) Limited farming population

Ans. Option (a)

19. India's green revolution was most successful in:

(a) Wheat and potato

(b) Rice and wheat

(c) Tea and wheat

(d) Tea and coffee

Ans. Option (b)

20. Assertion (A): Indian Agriculture experienced low productivity with extreme dependence on rainfall.

Reason (R): Britishers made significant efforts in development of irrigation facilities in India.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. Option (c)

21. Assertion (A): Green Revolution was introduced in the horticultural crops.

Reason (R): Green Revolution was launched to introduce new technology in agriculture and to improve relations between zamindars and tillers of the soil.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. Option (d)

22. Assertion (A): Due to green revolution, the economic divide between rich and small farmers has worsened.

Reason (R): Effects of Green Revolution were seen only in few states and in limited crops.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Ans. Option (b)

23. The goal of Equity was fully served by 'Abolition of Intermediaries’. Comment.

Ans. The given statement is incorrect. The goal of equity was not fully served by abolition of intermediaries because of following reasons:

(i) In some areas, the former zamindars continued to own large areas of land by making use of some loopholes in the legislation.

(ii) In some cases, tenants were evicted and zamindars claimed to be self-cultivators;

(iii) Even after getting the ownership of land, the poorest of the agricultural labourers did not benefit from land reforms.

24. State with reason whether the following statements are True or False:

(i) Under Mixed Economy, the central problems are solved by the government.

(ii) Land Ceiling refers to change in the ownership of landholdings.

Ans. (i) False. Government and market together solve the central problems of the economy.

(ii) False. Land Ceiling refers to fixing the specified limit of land, which could be owned by an individual.

25. Green Revolution enabled the government to maintain buffer stock of food grains. Do you agree? Ans. Yes, I agree with the given statement. Green Revolution raised agricultural yield per acre to incredible heights. It enabled the government to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.

26. Government took various steps to protect Small-scale Industries from Big Firms. Defend or Refute.

Ans. The given statement is defended. Following steps were taken by the government to protect Small-scale Industries from big firms:

(i) Reservation of Products: Government reserved production of a number of products for the small-scale industry. The criterion for reserving the products depended on the ability of these units to manufacture the goods.

(ii) Various Concessions: Small-scale industries were also given concessions, such as lower excise duty and bank loans at lower interest rates.

27. "Subsidies put a huge burden on government's finances, but are necessary for poor and marginal farmers." Do you agree that granting subsidies justify the objective of social justice?

Ans. Yes, I agree with the given statement. Subsidy means that the farmers get inputs at prices lower than the market prices. Indian Government has always provided massive subsidies to farmers. Subsidies are essential because

(i) Majority of the farmers are very poor and will not be able to afford the required inputs without the subsidies. Subsidies provide them the equality of opportunity to use the inputs as used by rich farmers.

(ii) Subsidies help to reduce the income inequality gap between rich and poor farmers and help to achieve the ultimate goal of equity.

So, the government should continue with agricultural subsidies as farming in India continues to be a risky business.

28. Define a plan.

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

29. Why did India opt for planning?

Ans. After gaining independence, the next important step for the Indian Government was to revive the poor, backward and stagnant economy, inherited from the British rule. So, for the systematic and overall development of Indian economy, India opted for planning.

30. Why should plans have goals?

Ans. Planning is done to achieve some predetermined goals within a specified time period. Without goals, the planners won't be able to know which sector of the economy needs to be developed on the priority basis. So, plans should have goals.

31. What are High Yielding Variety (HYV) seeds?

Ans High Yielding Variety (HYV) seeds are the miracle seeds, which raised agricultural yield per acre to incredible heights. These seeds are more productive and need regular and adequate irrigation facilities along with greater use of fertilisers and pesticides. HYV seeds grow faster than the normal seeds and crops can be harvested in a much shorter time period.

32. What is marketable surplus?

Ans. The portion of agricultural produce, which is sold in the market by the farmers, after meeting their own consumption requirement, is known as marketable surplus.

33. Explain the need and type of land reforms implemented in the agriculture sector.

Ans. Need for Land Reforms: The land reforms were needed in a country like India because: (i) Majority of its population depends on agriculture; and (ii) To achieve the objective of equity in agriculture.

Types of Land Reforms: The major measures taken under land reforms include:

(a) Abolition of Intermediaries: Indian Government took various steps to abolish intermediaries and to make tillers, the owners of land. The ownership rights granted to tenants gave them the incentive to increase output and this contributed to growth in agriculture.

(b) Land Ceiling: Land Ceiling refers to fixing the specified limit of land, which could be owned by an individual. The purpose of land ceiling was to reduce the concentration of land ownership in few hands. It helped to promote equity in the agricultural sector.

34. What is Green Revolution? Why was it implemented and how did it benefit the farmers? Explain in brief.

Ans. Green Revolution refers to the large increase in production of food grains due to use of high yielding variety (HYV) seeds. It was implemented because

* The agricultural sector accounted for the largest share of workforce with approximately 70-75 percent.
* The productivity in the agricultural sector was very low due to use of outdated technology and absence of required infrastructure and India was forced to import food from the United States of America.

Benefits of Green Revolution

The spread of Green Revolution benefitted the farmers.

1.. Attaining Marketable Surplus: Green Revolution resulted in Marketable Surplus Marketable surplus refers to that part of agricultural produce which is sold in the market by the farmers after meeting their own consumption requirement.

2. Buffer Stock of Food Grains: The green revolution enabled to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.

3. Benefit to low-income groups. As large proportion of food grains was sold by the farmers in the market, their prices 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.

35. Explain 'growth with equity' as a planning objective.

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

* Either 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), Increase in GDP or availability of goods and services enables people to enjoy a more rich and varied life. According to Equity, every Indian should be able to meet his or her basic needs (food, house, education and health care) and inequality in the distribution of wealth should be reduced. Equity aims to raise the standard of living of all people.

So, ‘growth with equity' helps to achieve planning objective of development with social justice.

36. Does modernisation as a planning objective create contradiction in the light of employment generation? Explain.

Ans. The given statement is correct. Modemisation implies use of advanced technology Advanced technology requires less labour per unit of output. Thus, modernisation creates unemployment.

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

Ans. The policy of self-reliance was considered a necessity because of two reasons:

* To reduce foreign dependence: As India was recently freed from foreign control, it is necessary to reduce our dependence on foreign countries, especially for food. So, stress should be give to attain self-reliance.
* To avoid Foreign Interference: It was feared that dependence on imported food supplies, foreign technology and foreign capital may increase foreign interference in the policies of our country.

38. What is sectoral composition of an economy? Is it necessary that the service sector should contribute maximum to GDP of an economy? Comment.

Ans. Structural composition refers to contribution made by agricultural, industrial and service sector in the gross domestic product of the country. No, it is not necessary that the service sector contributes maximum to GDP of an economy. However, by 1990, the share of the service sector was the maximum at 40.59%. This phenomenon of growing share of the service sector marked the beginning of globalisation in the country.

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

Ans. The public sector was given a leading role in industrial development during the planning period because of following reasons:

1. Shortage of Capital with Private Sector: Private entrepreneurs did not have the capital to undertake investment in industrial ventures, required for the development of Indian economy. At the time of independence. Tatas and Birlas were the only well-known Private entrepreneurs. As a result, Government had to make industrial investment through Public Sector Undertakings (PSU's).

2. Lack of Incentive 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 limited size of the

market, there was low level of demand for the industrial goods.

3. Objective of Social Welfare: The objective of equity and social welfare of the Government could be achieved only through direct participation of the state in the process of industrialisation.

40. Explain the statement that green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during times of shortage.

Ans. The Green Revolution resulted in the manifold increase in the agricultural production and productivity. As a result, India was able to achieve self-sufficiency in food grains, Green revolution helped in building buffer stocks, which could be used in case of shortage of production.

41. While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact.

Ans. In India, subsidies are necessary because:

* Majority of the farmers are very poor and they will not be able to afford the required inputs without the subsidies
* To reduce the income inequality between rich and poor farmers and to achieve the ultimate goal of equity

So, the government should continue with agricultural subsidies as farming in India continues to be a risky business. However, necessary steps should be taken to ensure that only the poor farmers enjoy the benefits of subsidies and not the fertilizer industry and big farmers.

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

Ans. 65 per cent of our population continued to be engaged in the agriculture sector till 1990 because industrial and service sectors were unable to absorb the extra people involved in agriculture.

43. Though public sector is very essential for industries, many public sector undertakings incur huge losses and are a drain on the economy's resources. Discuss the usefulness of public sector undertakings in the light of this fact.

Ans. It is true that many public sector undertakings are incurring huge losses. However, they are still very useful and crucial for the economy. They are needed:

* To create a strong industrial base. Public sector plays an important role in development of those industries which require heavy investment and have long gestation period.
* To develop infrastructure.
* To promote development of backward areas.
* To generate employment opportunities.
* To control and manage industries of strategic areas (like national defence, atomic energy, etc.)

Moreover, public sector is not meant for earning profits but to promote the welfare of the nation. So, they should be evaluated on the basis of their contribution to welfare of the people and not on the profits they earn.

44. Explain how import substitution can protect domestic industry.

Ans. The domestic industries of India were not in a position to compete against the goods produced by more developed economies. So, the policy of import substitution helped in protecting them in two ways:

(a) Tariffs: Heavy duty or tariff was imposed on imported goods in order to make them more expensive and to discourage their use.

(b) Quotas: Quotas refer to fixing the maximum limit on the imports of a commodity by a domestic producer.

The tariff on imported goods and fixation of quotas helped in restricting the level of imports. As a result. the domestic firms could expand without fear of competition from the foreign market.

45. Why and how was private sector regulated under the IPR 19567

Ans. According to Industrial Policy Resolution (IPR) 1956, the industries were reclassified into three categories Schedule A, Schedule B and Schedule C. Out of the three categories, the third category (Schedule C) consisted of the industries which were to be in the private sector. These industries were controlled by the state through a system of licenses, enforced under Industries (Development and Regulation) Act, 1951. According to Industrial Licensing:

1. No new industry was allowed unless a license is obtained from the government.

2. It was easier to obtain a license if the industrial unit was established in an economically backward area as it will promote regional equality.

3. License was needed even if an existing industry wants to expand output or diversity production.

46. Match the following:

1. Prime Minister A. Seeds that give large proportion of output

2. Gross Domestic Product B. Quantity of goods that can be imported.

3. Quota C. Chairperson of the planning commission.

4. Land Reforms D. The money value of all the final goods and services

produced within the economy in one year.

5. HYV Seeds E. Improvements in the field of agriculture to increase

 its productivity.

6. Subsidy F. The monetary assistance given by government for

 production activities.

Ans. 1. (C), 2. (D): 3. (B): 4. (E); 5. (A); 6. (F)