

DEVELOPMENT EXPERIENCE
INDIAN ECONOMY (1950-1990)

Handout (1/1)

CLASS : XII

SUBJECT: ECONOMICS

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KEY POINTS:

Economy:

An economy is an organization of economic activities which provide people with the means to work and earn a living.

- Economy(Types):

- i. Capitalist
- ii. Socialist
- iii. Mixed

- Capitalist Economy: In which major economic decisions (what to produce, how to produce and for whom to produce) are left to the free play of the market forces.
- Socialist Economy: In which major economic decisions are taken by the Govt. keeping in view the collective interest of the society as a whole.
- Mixed Economy: In which major economic decisions are taken by the central Govt. authority as well as are left to the free play of the market forces.

Economic Planning:

Economic Planning means utilization of country's resources in different development activities in accordance with national priorities.

Economic Planning is a system under which a set of targets is defined by the Govt. and these targets are to be achieved within a specified period of time, taking resources of the country in consideration.

***Goals of Planning in India:**

- Short-term and Long-term Objectives/Goals:

Short-term goals are plan specific and are to be achieved over a period of 5 years. Long-term objectives are common to all plans and are to be achieved over a period of 20 years.

***Long-term Goals of Planning in India:**

- Modernization: Adoption of new technology.
- Self-reliance: Reducing dependence on imports.
- Economic Growth: Increase in the aggregate output of Goods & services.
- Equity: Reduction inequality of income or wealth.
- Full employment: Refers to a situation when all the people in the working age group are actually engaged in some gainful employment.

***Short-term Goals of Planning in India:**

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 (11th, 2007-2012) is faster, broad-based and inclusive growth.

Conditions of Agriculture (1950-1990):

***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:**

Institutional Problems:

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

Technical Problems:

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 Outdated technique of production.

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.

***Reforms in Indian Agriculture:**

Institutional Reforms/ Land reforms:

- i. Abolition of intermediaries.
- ii. Ceiling on land holdings.
- iii. Regulation of rent.
- iv. Consolidation of holdings.

*** General reforms:**

- i. Expansion of irrigation facilities.
- ii. Provision of credit.
- iii. Regulated markets and co-operative marketing societies.
- iv. Price support policy.

***Technical Reforms/ Green Revolution:**

- i. Use of HYV seeds.
- ii. Use of domical fertilizers.
- iii. Use of insecticides and pesticides for crop protection.
- iv. Scientific rotation of crops.
- v. Modernized 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, fertilizers etc.

5. Increase in employment.

* **Leading role to public sector and IPR- 1956**

▶ **Why Public Sector:**

1. Private sector was not big enough to investment requirements of the country.

2. The market was not so big to encourage private sector to invest in big projects.

3. Government wanted to control the economy.

IPR- 1956 (three categories of industries)

1. Fully state owned.

2. Private sector permitted as supplementary role .

3. For private sector but under compulsory license system even for expansions and product diversification.

FOREIGN TRADE

▶ exports were encouraged by removal or relaxation of some export restrictions. Liberalisation of imports led to a tremendous increase in imports.

▶ shortage of foreign exchange and deficit trade balance

▶ increased allocation of raw materials to export-oriented industries, income tax relief on export earnings etc

▶ adoption of liberal import policy and balancing import liberalisation with export promotion