

Unit 8

Key answers and Explanations

Here are the answers to the questions:

1. b) Agricultural economy
2. c) Agricultural sector
3. b) Rs. 250
4. c) 75%
5. c) Backward and underdeveloped
6. c) To achieve economic growth and development
7. c) Agricultural sector
8. c) Dr. P.C. Mahalanobis
9. d) All of the above
10. a) To formulate and implement economic plans
11. b) High-yielding variety seeds and chemical fertilizers
12. b) Research and development in agricultural technology
13. b) Land reforms and abolition of zamindari system
14. b) Increasing agricultural productivity
15. b) Increased dependency on chemical fertilizers
16. b) Nationalization of large industries
17. b) Encouragement of foreign investment
18. d) All of the above
19. b) To generate employment and support local economies
20. c) Low capital investment and labor-intensive production
21. b) Minimizing imports
22. b) To encourage exports and reduce trade deficits
23. b) Protectionism and import substitution
24. d) High-tech electronics
25. b) Liberalization, privatization, and globalization (LPG)
26. c) Liberalizing the Indian economy and integrating it with the global market
27. c) Ministry of Finance
28. c) Adoption of import substitution policies
29. c) P.V. Narasimha Rao
30. a) Reducing government interference in economic matters
31. b) Coal
32. b) To remove industrial licensing requirements
33. a) Introduction of modern agricultural technology
34. a) Punjab
35. c) Increase in agricultural productivity
36. b) Formulate and evaluate Five-Year Plans
37. b) Liberalization of trade and markets
38. b) Heavy industries like steel and coal
39. a) Reducing dependence on foreign countries for goods
40. b) Improved trade balance
41. b) Balance of payment crisis
42. a) To control the flow of foreign currency
43. b) WTO (World Trade Organization)
44. b) Services (including IT)

45. b) Foreign remittances
46. c) Disparities between urban and rural areas
47. c) Imposition of strict import restrictions
48. b) Attracting foreign investment and boosting exports
49. b) Development of IT and software services
50. b) Reduction in subsidies
51. c) High economic growth rate
52. c) Greater integration with the global economy
53. a) Improving the Indian manufacturing sector
54. c) Integration into global trade markets
55. a) Services and Information Technology
56. b) 1991 Economic Reforms
57. b) United States
58. b) It led to its stabilization and gradual strengthening
59. b) Foreign direct investment (FDI)
60. d) To boost exports and create a favorable trade balance

Explanations

1. **b) Agricultural economy**

At the time of independence in 1947, India's economy was largely agrarian. The majority of the population was engaged in agriculture, and the country relied heavily on farming for both employment and food production. Industrialization was minimal, and India was primarily an agricultural economy with limited infrastructure and resources.

2. **c) Agricultural sector**

The agricultural sector was the dominant sector in India's economy at the time of independence. Around 75% of the population was employed in agriculture, and it formed the backbone of the Indian economy. The sector was vital not only for domestic consumption but also as a source of raw materials for industries like textiles.

3. **b) Rs. 250**

India's per capita income at the time of independence was extremely low, approximately Rs. 250. This reflected the underdeveloped state of the economy, with widespread poverty and limited industrialization. The country was grappling with the aftermath of colonial rule, with resources being scarce and a large portion of the population living in poverty.

4. **c) 75%**

Around 75% of India's population was engaged in agriculture at the time of independence. This was due to the limited industrial development and the agrarian nature of the economy. Agriculture was the primary source of livelihood, and the country depended on farming for food security and the provision of raw materials.

5. **c) Backward and underdeveloped**

At the time of independence, India's economy was characterized as backward and underdeveloped. The country faced numerous challenges, including widespread poverty, illiteracy, and poor infrastructure. The industrial sector was almost non-existent, and the economy was primarily agrarian, struggling with a colonial legacy of underdevelopment.

6. **c) To achieve economic growth and development**

The primary goal of the Five-Year Plans was to achieve sustainable economic growth and development. These plans were designed to address the country's key challenges such as poverty, unemployment, and industrial underdevelopment. They aimed to accelerate the pace of industrialization and promote agricultural growth to improve the living standards of the population.
7. **c) Agricultural sector**

The first Five-Year Plan (1951-1956) focused primarily on the agricultural sector. This was because India was facing food shortages and famine-like conditions in many parts of the country. The aim was to increase food production, improve irrigation systems, and ensure food security for the growing population, which was essential for overall economic growth.
8. **c) Dr. P.C. Mahalanobis**

Dr. P.C. Mahalanobis was the architect of India's Five-Year Plans. He played a pivotal role in shaping India's planning process, particularly by emphasizing the importance of statistical methods in planning. His contributions led to the establishment of India's planned economy and set the foundation for industrialization and agricultural development.
9. **d) All of the above**

India's Five-Year Plans commonly had objectives such as achieving self-sufficiency in food, reducing foreign trade dependency, and promoting the industrialization of rural areas. These goals were aimed at making India more self-reliant and reducing dependence on foreign countries, while also improving the standard of living through the development of infrastructure and industries.
10. **a) To formulate and implement economic plans**

The Planning Commission was responsible for formulating and implementing India's economic plans. It aimed to assess the country's economic needs and allocate resources accordingly, guiding the development of key sectors like agriculture, industry, and infrastructure. The Planning Commission played a central role in shaping India's economic policies and priorities until its dissolution in 2015.
11. **b) High-yielding variety seeds and chemical fertilizers**

The Green Revolution in India, which began in the 1960s, focused on increasing agricultural productivity through the introduction of high-yielding variety (HYV) seeds, chemical fertilizers, and modern irrigation techniques. These innovations led to significant increases in food production, particularly in crops like wheat and rice, which helped alleviate food shortages.
12. **b) Research and development in agricultural technology**

The Indian Agricultural Research Institute (IARI) plays a key role in research and development in agricultural technology. It works on improving crop yields, developing better farming techniques, and addressing issues related to soil fertility, pests, and diseases. IARI's efforts have contributed to India's agricultural growth, particularly during the Green Revolution.
13. **b) Land reforms and abolition of zamindari system**

Post-independence, one of the major agricultural policy reforms was land reforms, which included the abolition of the zamindari system. This system had resulted in the exploitation of tenants by landlords, and its abolition was a crucial step in ensuring land rights for farmers and promoting equitable distribution of land resources.
14. **b) Increasing agricultural productivity**

The introduction of High-Yielding Variety (HYV) seeds in India was primarily aimed at increasing agricultural productivity. HYV seeds helped farmers grow more crops

per hectare, significantly improving yields. This was especially important in addressing food shortages and ensuring food security in the country.

15. **b) Increased dependency on chemical fertilizers**

One major limitation of the Green Revolution in India was the increased dependency on chemical fertilizers and pesticides. While the Green Revolution boosted agricultural productivity, it also led to environmental degradation, soil health issues, and higher costs for farmers who had to purchase these chemicals regularly.

16. **b) Nationalization of large industries**

The Industrial Policy Resolution of 1956 emphasized the nationalization of key industries and sectors like steel, coal, and heavy machinery. The government aimed to control and develop these strategic sectors to promote industrial growth, reduce foreign dependence, and ensure that the benefits of industrialization reached a wider population.

17. **b) Encouragement of foreign investment**

The Industrial Policy Resolution of 1956 did not encourage foreign investment. Instead, it focused on nationalization and the development of state-owned industries. The policy aimed to reduce foreign influence and control over critical industries and promote a self-reliant, socialist-oriented economy.

18. **d) All of the above**

Small Scale Industries (SSIs) play a major role in generating employment, reducing agricultural dependency, and boosting exports. SSIs are labor-intensive and often provide employment in rural areas, helping to alleviate poverty and contribute to local economic growth. They also play a crucial role in the export sector, particularly in textiles and handicrafts.

19. **b) To generate employment and support local economies**

The primary goal of the Small Scale Industries (SSI) sector in India is to generate employment and support local economies. SSIs help in creating job opportunities, especially in rural and semi-urban areas, and contribute to regional economic development. They also encourage entrepreneurship and innovation at the grassroots level.

20. **c) Low capital investment and labor-intensive production**

Small Scale Industries (SSIs) are characterized by low capital investment and labor-intensive production methods. These industries typically use simple technology and rely heavily on human labor, making them accessible to a larger portion of the population. SSIs are essential for job creation and are often more flexible in responding to market needs.

21. **b) Minimizing imports**

India's foreign trade policy post-independence focused on minimizing imports, particularly from Western countries. The goal was to protect domestic industries, reduce dependence on foreign goods, and promote self-reliance. Import substitution strategies were adopted to encourage the development of local industries and reduce the outflow of foreign exchange.

22. **b) To encourage exports and reduce trade deficits**

One of the key objectives of India's Foreign Trade Policy was to encourage exports and reduce trade deficits. The policy sought to create a more favorable balance of trade by promoting Indian products in global markets and reducing dependence on imports, thus strengthening the Indian economy.

23. **b) Protectionism and import substitution**

India's trade policy post-independence was characterized by protectionism and import substitution. The government implemented tariffs, import restrictions, and licensing

systems to protect domestic industries from foreign competition and promote self-sufficiency. The aim was to encourage local production and reduce the need for imports.

24. **d) High-tech electronics**

High-tech electronics were not a major export from India in the early post-independence years. India was more focused on traditional industries like textiles, agricultural products, and raw materials. The electronics sector began to grow significantly only in the 1990s, after liberalization policies were introduced.

25. **b) Liberalization, privatization, and globalization (LPG)**

The 1991 reforms marked a significant policy shift towards liberalization, privatization, and globalization (LPG). These reforms aimed to open up the Indian economy to global markets, reduce government control over industries, encourage foreign investment, and integrate India into the global economic system.

26. **c) Liberalizing the Indian economy and integrating it with the global market**

The primary aim of the 1991 economic reforms was to liberalize the Indian economy by reducing state control, encouraging private sector participation, and integrating India more fully into the global market. These reforms included dismantling the license raj, reducing import tariffs, and encouraging foreign investment.

27. **c) Ministry of Finance**

The Ministry of Finance was responsible for initiating the economic reforms of 1991, particularly through the leadership of Finance Minister Manmohan Singh. The reforms were designed to stabilize the Indian economy, address the balance of payments crisis, and promote economic growth by opening up various sectors to competition and private investment.

28. **c) Adoption of import substitution policies**

The 1991 reforms did not focus on import substitution. On the contrary, the goal was to reduce protectionist policies and promote a more open economy by encouraging exports, liberalizing trade, and attracting foreign investment. Import substitution policies were more prominent in earlier decades.

29. **c) P.V. Narasimha Rao**

The economic reforms of 1991 were introduced by Prime Minister P.V. Narasimha Rao, whose government recognized the need for structural changes to revive the Indian economy. The reforms were driven by the leadership of Finance Minister Manmohan Singh, who was instrumental

30. **d) All of the above**

The 1991 reforms aimed at reducing government control over the economy, liberalizing trade, promoting foreign investment, and encouraging the private sector. By dismantling the "License Raj" and introducing market-friendly policies, India began to integrate with the global economy and embarked on a path of sustained growth. The reforms also led to a focus on export-oriented growth and the modernization of key sectors.

31. **a) Foreign Direct Investment (FDI)**

One of the major outcomes of the 1991 economic reforms was the opening up of India to Foreign Direct Investment (FDI). The government created a more favorable environment for foreign companies to invest in India, which helped increase capital inflows, improved technology transfer, and boosted industrial growth. FDI became a critical component of India's economic expansion in the 1990s and beyond.

32. **c) To create a competitive market environment**

The primary objective of privatization as part of India's 1991 economic reforms was

to create a more competitive market environment. By selling off public sector enterprises to private players, the government aimed to improve efficiency, reduce bureaucratic control, and foster a dynamic and competitive economy. This shift also encouraged greater innovation and productivity.

33. c) Exports

As part of the 1991 reforms, India's focus shifted towards increasing exports. The government reduced trade barriers, devalued the currency to make Indian products more competitive abroad, and introduced export incentives to promote Indian goods in global markets. This export-led growth strategy helped boost India's foreign exchange reserves and improve its trade balance.

34. c) Information Technology (IT) sector

The information technology (IT) sector emerged as one of the biggest success stories of India's economic reforms post-1991. With liberalization and the expansion of the internet and telecommunication networks, India became a global leader in IT outsourcing and software services. The IT sector has been a major contributor to India's GDP, exports, and employment growth.

35. a) Services sector

The services sector, particularly IT and software services, saw significant growth after the 1991 economic reforms. The liberalization of the economy allowed for greater foreign investment and the expansion of services such as IT consulting, business process outsourcing (BPO), and financial services, leading to rapid growth in these sectors. The services sector is now one of the most important drivers of India's economy.

36. a) World Trade Organization (WTO)

India became a member of the World Trade Organization (WTO) in 1995, a move that was part of the broader liberalization and globalization process. Joining the WTO helped India integrate more fully into the global trading system, opening up new markets for its goods and services while also encouraging reforms in domestic industries to meet international standards.

37. c) Establishment of Special Economic Zones (SEZs)

Special Economic Zones (SEZs) were established as part of India's efforts to boost exports and attract foreign investment. SEZs offer favorable tax rates, infrastructure, and regulatory exemptions to businesses, making them attractive locations for manufacturing and service-oriented companies. These zones have played a significant role in India's export growth and economic diversification.

38. b) Financial liberalization

Financial liberalization, which was a key component of the 1991 reforms, included reforms in banking, stock markets, and financial regulations. The government reduced controls over the banking sector, allowed foreign banks to operate in India, and improved the functioning of the capital markets. These changes helped increase access to finance, attract foreign capital, and encourage investment in various sectors of the economy.

39. c) Increase in unemployment

One of the challenges of India's economic liberalization after 1991 was the rise in unemployment, particularly in sectors that were not immediately able to compete in the globalized economy. While new job opportunities were created in sectors like IT and services, traditional industries and rural sectors faced job losses or stagnation, leading to social and economic challenges for certain parts of the population.

40. c) Rise in inequality

While the economic reforms of 1991 led to significant overall growth, they also

contributed to an increase in inequality. Urban areas, particularly in sectors like technology and finance, benefited significantly from the reforms, while rural areas and certain disadvantaged groups were left behind. This widening gap between the rich and poor became a critical issue, leading to discussions on inclusive growth and welfare policies.

41. **b) Economic reforms and liberalization**

The post-liberalization era in India saw a major shift towards a more market-driven economy. The economic reforms of 1991, which included trade liberalization, tax reforms, privatization, and deregulation, changed the landscape of the Indian economy. India experienced faster economic growth, increased foreign investment, and a larger role in the global economy during this period.

42. **c) Economic growth and poverty reduction**

The economic reforms of 1991 led to higher economic growth, which, over time, contributed to significant poverty reduction. The expansion of sectors like IT, telecommunications, and services, as well as an increase in foreign direct investment, created job opportunities and lifted millions out of poverty. However, the benefits of growth were unevenly distributed, with some regions and sectors experiencing slower progress.

43. **d) Technological advancements in various sectors**

Technological advancements, particularly in information technology, telecommunications, and manufacturing, were key outcomes of the economic reforms. The liberalization of the economy allowed for the adoption of modern technology, improving productivity and competitiveness. India's IT sector, for example, became a global hub for software development and outsourcing, contributing to the country's rapid economic growth.

44. **a) WTO membership**

India's membership in the World Trade Organization (WTO) has played a significant role in shaping its trade policies and integrating its economy with the global market. By adhering to international trade rules and agreements, India has gained better access to global markets for its goods and services, while also benefiting from trade-related negotiations and dispute resolution mechanisms.

45. **d) Economic diversification**

Economic diversification refers to the process of broadening the range of economic activities in a country, moving away from reliance on a few sectors. India's economic reforms in 1991 led to diversification into sectors such as IT, telecommunications, and services, which became key drivers of growth. This diversification reduced the country's dependence on traditional sectors like agriculture and textiles.

46. **c) Growth of Indian middle class**

The economic reforms of 1991 resulted in significant growth in India's middle class. With rising incomes, access to global products, and an expanding services sector, the middle class became a major consumer segment. This growth in consumer demand has fueled the expansion of retail, housing, education, and healthcare sectors, further driving economic growth.

47. **b) Employment in rural areas**

One of the challenges of the post-liberalization era was the insufficient focus on employment generation in rural areas. Although new jobs were created in urban centers and in sectors like IT, employment opportunities in rural areas remained limited. This led to issues of migration to cities and the need for policies focused on rural employment, such as rural development programs and agricultural reforms.

48. **b) 10%**

The contribution of agriculture to India's GDP decreased significantly after the 1991 reforms. Agriculture, which accounted for about 30% of GDP in 1991, saw its share decline to around 10% as the country shifted towards a more service- and industry-driven economy. This decline in agriculture's share reflects the structural transformation of the Indian economy.

49. **a) Rapid industrialization**

The industrialization of India post-liberalization was one of the key drivers of economic growth. The liberalization policies provided the necessary infrastructure, foreign investment, and regulatory changes to encourage the growth of industries, particularly in sectors such as manufacturing, IT, and telecommunications. This led to a rapid increase in industrial output and contributed to the diversification of the economy.

50. **c) Globalization**

The process of globalization has significantly influenced India's economic development since the 1991 reforms. By opening up its economy to international trade and investment, India has become more integrated into the global market. Globalization has led to higher economic growth, more job opportunities, access to technology, and greater interaction with global markets.

51. **c) High economic growth rate**

The economic reforms of 1991 had an immediate and significant impact on India's GDP growth. After the reforms, India witnessed an acceleration in economic growth, which became more consistent over time. With the liberalization of the economy, the country became more competitive in the global market, leading to an increase in foreign investments, growth in industries, and an expanded services sector. This resulted in higher GDP growth rates, particularly in the years following 1991.

52. **c) Greater integration with the global economy**

One of the most significant outcomes of the 1991 economic reforms was India's increased integration into the global economy. Prior to the reforms, India maintained a protectionist approach with restrictive trade policies, but after liberalization, India opened its markets to foreign trade, reduced import tariffs, and embraced globalization. This shift helped India attract foreign investment, increase exports, and establish itself as an important player in global trade.

53. **a) Improving the Indian manufacturing sector**

India's economic liberalization, particularly after the 1991 reforms, significantly contributed to the improvement of its manufacturing sector. With reduced trade barriers and the encouragement of private investment, the manufacturing sector grew at a faster rate. The focus on modernizing industries, coupled with greater access to technology and global markets, helped improve productivity and competitiveness in sectors like textiles, automobiles, and consumer goods.

54. **c) Integration into global trade markets**

Post-1991, India's trade policy shifted towards greater integration with the global economy. The liberalization process involved reducing tariffs, removing trade restrictions, and encouraging exports through new policies. India sought to enhance its participation in global trade, allowing it to benefit from a larger market, more foreign investments, and access to cutting-edge technologies. The focus was on promoting exports, improving trade relations, and ensuring India became more competitive on the world stage.

55. a) Services and Information Technology

The 1990s saw a dramatic shift in India's economic structure, with the services sector, especially information technology (IT), becoming a major contributor to GDP. The liberalization reforms provided the necessary infrastructure, technological advancements, and policy changes to foster growth in IT and software services. By the end of the 1990s, India had become one of the leading global hubs for IT outsourcing, a sector that continues to play a pivotal role in India's economy today.

56. b) 1991 Economic Reforms

The introduction of Foreign Direct Investment (FDI) was a critical part of the 1991 economic reforms. These reforms opened up various sectors of the economy to foreign investment, which provided India with capital, technology, and access to global markets. The move was intended to increase industrial growth, modernize infrastructure, and improve global competitiveness. It also encouraged multinational companies to invest in India, contributing to job creation and economic expansion.

57. b) United States

After the 1991 reforms, the United States became India's largest trading partner. The liberalization of the Indian economy and its integration into global markets led to an increase in trade between India and the U.S. This trade partnership grew due to favorable trade policies, increased exports from India, and the growing importance of India's IT sector in the global market. The U.S. also became a significant source of investment and technology for India.

58. b) It led to its stabilization and gradual strengthening

The liberalization of India's economy led to the gradual stabilization and strengthening of the Indian Rupee. Before the reforms, the Rupee was highly controlled, and its value was set artificially. After the devaluation in 1991, the Rupee became more market-driven, and its value adjusted based on supply and demand. The gradual strengthening of the Rupee was a result of increased foreign exchange reserves, improved exports, and a more open economy.

59. b) Foreign direct investment (FDI)

The economic liberalization of the 1990s played a crucial role in attracting Foreign Direct Investment (FDI) into India. With a more open and liberalized economy, India became an attractive destination for foreign investors. This resulted in significant inflows of capital, which were used to develop infrastructure, modernize industries, and improve productivity. FDI also led to the transfer of technology and helped India integrate further into global supply chains.

60. d) To boost exports and create a favorable trade balance

India's export promotion policies after the 1991 economic reforms were designed to boost exports, reduce trade deficits, and make the country more competitive in global markets. Policies were introduced to make Indian products more attractive abroad, reduce trade barriers, and encourage foreign investment in export-oriented industries. The goal was to create a favorable trade balance, increase foreign exchange reserves, and stimulate economic growth through international trade.