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CUET · ECONOMICS · CLASS XI · CODE 309

# Indian Economy 1950-1990

CUET unit: Indian Economy 1950-1990

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## Snapshot

- Post-Independence India chose a **mixed economy** model — combining socialism and capitalism — with the Planning Commission set up in **1950** under the Prime Minister as Chairperson.
- The **four goals of the Five Year Plans** are growth, modernisation, self-reliance and equity — the conceptual backbone CUET tests through direct definition MCQs and statement-based items.
- Agricultural policy had two arms: **land reforms** (abolition of intermediaries, tenancy reform, land ceiling) and the **Green Revolution** (HYV seeds, fertilisers, pesticides, irrigation, marketed surplus, subsidies debate).
- Industrial policy rested on **IPR 1956** with three schedules of industries, the licence-permit raj, small-scale industry protection (Karve Committee 1955) and the rise of the public sector.
- Trade policy followed **import substitution** through tariffs and quotas; the weaknesses of the 1950–1990 plan period led to the 1991 New Economic Policy reforms.
- Mahalanobis was the architect of the Second Plan; the sectoral GDP shifts (agriculture 59% → 34.9%, industry 13% → 24.6%, services 28% → 40.5%) are the most-tested data points.

## Detailed Notes

### 2.1 Core concepts

- On 15 August 1947 India became politically free; the immediate challenge before its leaders was to decide the **type of economic system** suitable for a country wishing to promote the welfare of all rather than a few (NCERT §2.1, p. 17). Three systems were on offer — capitalist, socialist and mixed.
- Jawaharlal Nehru sympathised with socialism but rejected the **Soviet model** — state ownership of all means of production, abolition of private property — as unworkable within India's democratic and pluralist polity (NCERT §2.1, p. 17). The compromise was a **mixed economy** in which government and the private sector coexist.
- The mixed-economy choice was reflected in two foundational documents — the **Industrial Policy Resolution of 1948** and the **Directive Principles** of the

Constitution (NCERT §2.1, p. 19). Together they committed the state to a socialist outlook while preserving private property and democratic freedoms.

- The **Planning Commission** was set up in **1950** with the **Prime Minister as Chairperson**; the era of five year plans began with the First Plan in 1951 (NCERT §2.1, p. 19). The First Plan covered 1951–56; the Second Plan, designed by P.C. Mahalanobis, 1956–61.
- A **plan** spells out how the resources of a nation should be put to use, with general goals and time-bound objectives; India's five year plans were borrowed from the **former Soviet Union**, the pioneer in national planning; long-term plans spanning 20 years are called **perspective plans** (Box 2.2, NCERT §2.2, p. 19).
- The **four goals of the Five Year Plans** are **growth, modernisation, self-reliance and equity** (NCERT §2.2, p. 19). Because resources are limited and goals sometimes conflict, not all plans give equal weight to all four.
- **Growth** = increase in the country's capacity to produce goods and services within the borders of the country, measured by a steady increase in **GDP** — the market value of all final goods and services produced in a year (NCERT §2.2, p. 21). GDP is often pictured as a "cake"; growth means a larger cake.
- GDP comes from three sectors — **agriculture (primary), industry (secondary) and services (tertiary)**. Their relative contribution defines the structural composition of GDP (NCERT §2.2, p. 21).
- **Modernisation** = adoption of new technology (new seed varieties, new machinery) AND simultaneous changes in **social outlook** — most importantly, the recognition that women should have the same rights as men, including participation in the workplace (NCERT §2.2, p. 21).
- **Self-reliance** = avoiding imports of goods that could be produced in India; the first seven Five Year Plans emphasised self-reliance to reduce dependence on foreign countries — especially for food — and to protect India's political sovereignty from foreign pressure (NCERT §2.2, pp. 21–22).
- **Equity** = ensuring that the benefits of economic prosperity reach the poor sections of society. The basic needs of every Indian — food, decent house, education, healthcare — must be met, and inequality in the distribution of wealth must be reduced (NCERT §2.2, p. 22).
- **Agriculture — land reform context**: at independence, the land tenure system was dominated by **intermediaries (zamindars, jagirdars)** who only collected rent from cultivators without investing in the land; low productivity forced India to import food from the **USA** (NCERT §2.3, p. 23).
- Three pillars of land reform were undertaken: **abolition of intermediaries** (about 200 lakh tenants came into direct contact with the government), **tenancy reform** (regulating rents and conferring security of tenure) and **land ceiling** (fixing the maximum size of holding to reduce concentration) (NCERT §2.3, p. 23).

- Land reforms succeeded primarily in **Kerala and West Bengal** because their state governments were committed to the principle of "**land to the tiller**". Other states lagged due to lack of political will, statutory loopholes and prolonged court litigation (NCERT §2.3, p. 24).
- The **Green Revolution** refers to the large increase in food grain production caused by the use of **High Yielding Variety (HYV) seeds** — especially of wheat and rice — combined with chemical fertilisers, pesticides and regular irrigation (NCERT §2.3, p. 24). Phase 1 (mid-1960s to mid-1970s) was confined to affluent states — Punjab, Andhra Pradesh, Tamil Nadu — and to wheat. Phase 2 (mid-1970s to mid-1980s) spread to more states and a wider basket of crops.
- The Green Revolution made India **self-sufficient in food grains**; the **marketed surplus** (the portion of farm produce actually sold in the market) rose sharply; food grain prices fell relative to other goods, helping low-income consumers; the government built buffer food stocks for future emergencies (NCERT §2.3, pp. 24–25).
- The **subsidies debate** in agriculture has two sides. Proponents argue subsidies were needed to make farmers adopt risky new HYV technology and that, given the continued risk in farming, subsidies are still required. Critics argue subsidies now disproportionately benefit fertiliser manufacturers and large farmers, distort cropping choices and burden government finances (NCERT §2.3, pp. 25–26).
- By 1990, **65% of the population still depended on agriculture** for livelihood — the industrial and service sectors had failed to absorb the surplus labour of the primary sector (NCERT §2.3, pp. 26–27). Occupational structure in 1950–51 was 72.1% in agriculture; by 1990–91 it was still 66.8%.
- **Industry — IPR 1956**: aligned with the goal of the state controlling the "commanding heights of the economy", the resolution classified industries into **three categories** — (1) industries to be exclusively owned by the government, (2) those in which the private sector could supplement government efforts but in which government would take sole responsibility for new units, (3) the remaining industries left to the private sector (NCERT §2.4, p. 29).
- The private sector was kept under tight **licensing control** — no new industry could be set up, expanded or diversified without a government licence. Licences were easier to obtain for **backward regions** so as to promote **regional equality**, and came with concessions like tax holidays and cheap electricity (NCERT §2.4, p. 29).
- **Small-Scale Industries (SSIs)** received special attention. The **Karve Committee (Village and Small-Scale Industries Committee, 1955)** recommended a sustained push for rural employment. An SSI is defined by the **maximum investment in assets**: ₹5 lakh in 1950, raised gradually to ₹1 crore at present. SSIs are typically more labour-intensive than large industries; certain products were **reserved exclusively for SSIs**, with concessions like lower excise duty and cheap bank credit (NCERT §2.4, pp. 29–30).

- **Trade Policy — Import Substitution (1950–1990):** an **inward-looking** strategy of replacing imports with domestic production. The two instruments were **tariffs** (tax on imported goods that makes them costlier) and **quotas** (quantity restrictions on what can be imported) (NCERT §2.5, p. 30).
- Rationale for inward-looking policy: domestic infant industries could not compete with the cheaper, higher-quality output of developed economies; foreign exchange was scarce and not to be wasted on luxury imports; serious export promotion was therefore not undertaken until the mid-1980s (NCERT §2.5, p. 30).
- **Assessment of 1950–1990:** industry's share of GDP rose from **13% (1950-51) to 24.6% (1990-91)**; industrial growth averaged about 6% p.a.; the industrial base became well-diversified. But three problems emerged — **public sector inefficiency** (state firms continued in areas like telecom and bread-making where private firms could have competed), **misuse of the permit-licence raj** by big industrialists to keep out competitors, and **poor product quality** under tariff protection (NCERT §2.5, pp. 30–32).
- **Conclusion:** progress was impressive — a diversified industrial base, food self-sufficiency, abolition of zamindari and the rise of public-sector capacity. But excessive regulation, a weak export sector and the protected status of inefficient producers eventually triggered the **1991 New Economic Policy** (NCERT §2.6, p. 33).

## 2.2 Definitions to memorise

Term	Definition	Page
Mixed economy	Economic system combining features of capitalism (private ownership) and socialism (public ownership) with a strong role for the state	17
Industrial Policy Resolution 1948	Foundational policy document committing India to a mixed economy	19
Plan	A document spelling out how the resources of a nation should be put to use, with general goals and specific time-bound objectives	19
Perspective Plan	Long-term plan covering 20 years; five year plans were to provide its basis	19
Five Year Plan	Medium-term plan covering five years, modelled on Soviet planning practice	19
Growth	Increase in a country's capacity to produce goods and services; measured by steady increase in GDP	21
GDP	Market value of all final goods and services produced in the country during a year	21
Modernisation		21

Term	Definition	Page
	Adoption of new technology AND changes in social outlook such as gender equality	
Self-reliance	Avoiding imports of goods which could be produced in India	21
Equity	Reaching the benefits of economic prosperity to the poor and reducing inequality of wealth	22
Land Reforms	Change in the ownership of landholdings	23
Abolition of intermediaries	Removal of zamindars/jagirdars between the state and the cultivator	23
Tenancy reform	Regulation of rent and security of tenure for tenants	23
Land Ceiling	Fixing the maximum size of land an individual can own, to reduce concentration	23
Land-to-the-tiller principle	Idea that ownership of land must lie with the cultivator to create incentive to invest	23–24
Green Revolution	Large rise in food grain production from HYV seeds (mainly wheat & rice) with fertiliser, pesticide and irrigation	24
HYV seeds	High Yielding Variety seeds that respond to higher input use with much higher yields	24
Marketed Surplus	Portion of agricultural produce actually sold in the market by farmers	25
Buffer stock	Stocks of food grains held by the government to use during shortages	25
IPR 1956	Industrial Policy Resolution 1956 — classified industries into three schedules	29
Public sector	Industries owned and run by the government, taking the commanding heights of the economy	29
Licence-permit raj	System under which no new industry, expansion or diversification was possible without a government licence	29
Small-Scale Industry (1950 definition)	Unit with maximum investment of ₹5 lakh in assets	29–30
Karve Committee 1955	Village and Small-Scale Industries Committee that recommended sustained SSI promotion	29
Import Substitution	Inward-looking trade strategy of replacing imports with domestic production	30
Tariffs	A tax on imported goods that makes them more expensive	30
Quotas	Specification of the quantity of goods that can be imported	30

## 2.3 Diagrams / processes to remember

- **Box 2.1 (p. 18):** The three central questions every economy must answer — what to produce, how to produce, how to distribute. Capitalism uses the price mechanism; socialism uses central planning; the mixed economy combines both.
- **Box 2.2 (p. 19):** What is a plan? Distinction between perspective plan (20 years) and five year plan; the inherent conflict between goals such as modern technology and employment generation.
- **Box 2.3 (p. 20): P.C. Mahalanobis** — architect of Indian planning; the **Second Five Year Plan** is built on his heavy-industry strategy; he founded the Indian Statistical Institute (ISI, Kolkata) and the journal **Sankhya**. A high-frequency NCERT-box MCQ source.
- **Box 2.4 (p. 21):** Service sector — share grew to 40.59% of GDP by 1990, close to the level seen in developed nations and tested on the structural change tables.
- **Box 2.5 (p. 23):** "Land to the tiller" — ownership creates the incentive to invest in the land; Soviet collectivised farmers' carelessness illustrates the absence-of-ownership problem.
- **Box 2.6 (p. 27):** Prices as signals — heavily subsidised water, electricity and fertiliser cause wasteful, environmentally damaging use.
- **Sectoral contribution to GDP table (p. 31):** Agriculture fell from **59% (1950-51) to 34.9% (1990-91)**; industry rose from **13% to 24.6%**; services rose from **28% to 40.5%**. This three-row table is the single most-tested chart.
- **Occupational structure table (p. 28):** Agricultural employment **72.1% (1950-51) to 66.8% (1990-91)** — population dependent on agriculture barely changed despite four decades of planning, signalling that growth was not labour-absorbing.
- **Green Revolution process flow:** HYV seeds → assured irrigation + fertilisers + pesticides → higher yields → higher marketed surplus → food self-sufficiency → buffer stocks + lower food prices for consumers.
- **Permit-licence raj process flow:** Industry classification (IPR 1956) → application for licence → backward-region preference + tax/electricity concessions → restrictions on expansion and diversification → quality and competition concerns.

## 2.5 Key formulas / structural ratios

Formula / Ratio	Meaning	NCERT page
GDP = Market value of all final goods and services produced in a year	Headline measure of growth	21
Sectoral share = (Sector's value added ÷ GDP) × 100	Composition of GDP across primary/secondary/tertiary	31
		25

Formula / Ratio	Meaning	NCERT page
Marketed surplus ratio = $(\text{Quantity sold in market} \div \text{Total produced}) \times 100$	Indicator of commercialisation of agriculture	
Industrial growth rate $\approx 6\%$ per annum (1950-51 to 1990-91)	Average annual industrial growth during plan period	32
Industry share in GDP: 13% $\rightarrow$ 24.6%	Rise in industrial contribution to GDP, 1950-51 to 1990-91	31
Agriculture share in GDP: 59% $\rightarrow$ 34.9%	Decline in primary-sector share, 1950-51 to 1990-91	31

## 2.4 Common confusions / NTA trap points

- **Four goals (not three or five):** growth, modernisation, self-reliance, equity. Self-reliance is sometimes paraphrased as "self-sufficiency" — both refer to the same goal.
- **IPR 1956 has THREE schedules** (not four): Schedule A — exclusively state; Schedule B — state takes lead but private may supplement; Schedule C — left to the private sector. Frequently confused with IPR 1948.
- **Planning Commission set up in 1950, not 1947 or 1951; PM is Chairperson** (not Finance Minister, not President).
- **Tariffs vs Quotas:** Tariff = tax on imports (price-based instrument); Quota = quantity restriction (volume-based instrument). NTA loves to swap the two definitions in MCQs.
- **Modernisation** is NOT only about technology — it includes **social outlook changes** like gender equality (NCERT §2.2, p. 21). A common distractor leaves out the social dimension.
- **Marketed surplus  $\neq$  "marketable surplus"** in common usage — NCERT defines it as the portion **actually sold** in the market by farmers.
- **Land reforms succeeded only in Kerala and West Bengal.** Punjab is famous for the Green Revolution, NOT for land reform success — examiners deliberately mix the two.
- **Green Revolution first phase** was wheat-focused and confined to Punjab, Andhra Pradesh and Tamil Nadu — NOT a pan-India phenomenon initially.
- **Karve Committee (1955)** is about **small-scale industries**, NOT land reforms or planning.
- **₹5 lakh (1950 definition) vs ₹1 crore (present)** — the SSI ceiling has been revised many times; NTA tests the **1950 number** in chapter MCQs.
- **Mahalanobis = Second Plan**, not the First. The First Plan (1951–56) prioritised agriculture and irrigation; the Mahalanobis Strategy informed the Second Plan (1956–61).

- **Industry share rose to 24.6%** (not 34.9%, which is agriculture's share). NTA swaps the figures across sectors in tabular MCQs.

## Practice MCQs

**Q1.** The Planning Commission of India was set up in which year, and who was its Chairperson?


- A. 1947, with the President as Chairperson
- B. 1948, with the Finance Minister as Chairperson
- C. 1950, with the Prime Minister as Chairperson
- D. 1956, with the Deputy Chairman as Chairperson

**Q2.** Which of the following is NOT one of the four goals of India's Five Year Plans?

- A. Growth
- B. Modernisation
- C. Privatisation
- D. Equity

**Q3.** Consider the following statements about the Industrial Policy Resolution of 1956: I. It classified industries into three categories. II. It formed the basis of the Second Five Year Plan. III. It aimed to build a socialist pattern of society. IV. It abolished the licensing requirement for private industries. Which of the statements are correct?

- A. I, II and III only
- B. I, III and IV only
- C. II, III and IV only
- D. I, II, III and IV

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## PYQ Alignment

This chapter is a heavy contributor to the CUET 309 Economics paper — typically yielding around 7–9 MCQs per year. Past papers have repeatedly drawn direct factual recall questions on the **four goals of plans, IPR 1956 categories, Karve Committee/SSI definition, tariffs vs quotas, HYV seeds and Green Revolution states**, and statement-based questions on **import substitution outcomes**. Match-the-following items on terms like marketed surplus, land ceiling, modernisation and self-reliance are also a recurring NTA favourite. See [previous CUET PYQs on this chapter](#).

### CUET 2024 — Actual PYQs from this chapter

**Q.26 (CUET 2024)** Arrange chronologically: (A) NABARD establishment (B) FRBMA (C) Third Five Year Plan (D) Nationalisation of RBI Options:

- A) A, B, C, D B) A, C, B, D C) D, A, B, C D) D, C, A, B **Tests:** Planning chronology - Third Plan, RBI nationalisation, NABARD, FRBMA **Answer:** Not in extracted key

**Q.29 (CUET 2024)** Arrange electricity sources in India (highest → lowest capacity): (A) Nuclear (B) Thermal (C) Renewable (D) Hydro Options: 1. A, B, C, D 2. A, C, B, D 3. B, C, D, A 4. B, D, C, A 30. Arrange: (A) Competition Act (B) FEMA (C) FERA (D) MRTP Options:

- A) A, B, C, D B) A, C, B, D C) D, C, B, A D) C, B, D, A **Tests:** Sources of electricity generation in India **Answer:** Not in extracted key

**Q.33 (CUET 2024)** Second phase of the Green Revolution is termed from:

- A) Mid-1960s to mid-1970s B) Mid-1970s to mid-1980s C) Mid-1950s to mid-1960s D) Mid-1980s to mid-1990s **Tests:** Second phase of the Green Revolution **Answer:** Not in extracted key

**Q.47 (CUET 2024)** Which sector contributes the largest share to India's GDP today?

- A) Primary sector B) Secondary sector C) Tertiary sector D) Agricultural sector **Tests:** Sectoral composition of India's GDP **Answer:** Not in extracted key