INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Worksheet No: 5	Topic:LIBERALISATION, PRIVATISATION & GLOBALISATION

1. What is New Economic Policy? What are its main objectives?
   A: The NEP is a set of measures that have been adopted since 1991to make the economy more competitive, efficient and global in character. These measures relate to reforms in i. Industrial policy ii. Trade policy iii. Fiscal policy iv. Financial sector reforms. The objectives of the NEP were
   i.   To reduce the domestic inflation rate
   ii.   To put the economy back on the path of sustainable growth and social justice
   iii.   To improve the efficiency and the productivity of the economy
   iv.   To improve the Balance of Payment situation

2. Explain the causes that have taken place in implementing the NEP by the Indian Government.
   A: Refer to Qn2 of Notes.

3. What was the condition imposed by the World Bank and IMF for giving loan in India.
   A: India received a loan of $7 billion from the World Bank and IMF to manage the economic crisis in the late 1980s. For this, the conditions imposed were:

   i.   To liberalize and open up the economy by removing restrictions on the private sector.
   ii.   To reduce the role of Govt in many areas of production.
   iii.   To remove trade restrictions.

4. Though the GDP growth rate has increased, it has not generated sufficient employment. Why?
5. A: * Though the GDP growth rate has increased, it has not generated sufficient employment, showing that more goods and services are produced with lesser people, a clear indication of jobless growth.
   • This shows that enterprises are focussing more on capital as a means of production which pays less attention to job creation.
   • The capital intensive enterprises will not provide employment and will lead to growth in unemployment with the rising population, widening the gap between the two.

6. How was the Reserve Bank of India controlling the commercial banks in India?
   A: Refer to Qn 5 of the Notes.

7. Why were the PSUs sold off to the private sector in 1991?
A: i. The purpose was mainly to improve the financial discipline and facilitate modernization.
ii. It also envisaged that private capital and managerial capabilities could be effectively utilized to improve the performance of the PSUs.
iii.   The Govt also envisaged that privatization could provide a strong impetus to the inflow of FDI.

8. Agricultural sector did not perform well after the adoption of New Economic Policy. Justify.
A: Refer to Qn 17 of Notes.

9. Some PSU s were granted the special status of Navratnas and Miniratnas. Why did the Govt declare them in such a way?
A: Refer to Qn 11 of Notes.

10. Globalization is the outcome of privatization and liberalization policy. Explain.

A:* Liberalization refers to a relaxation of previous Govt restrictions, usually in areas of social or economic policies.
- Privatization is the process of transferring property from public ownership to private ownership and/or transferring the management of a service or activity from the Govt to the private sector.
- Globalization refers to the growing interdependence of countries through the increasing volume and variety of cross border transactions in goods and services and also through the rapidly expanding volume of technology.
- Globalization is the outcome of the policies of liberalization and privatization.
- Example of an outcome of globalization process is outsourcing.

11. India is benefiting from liberalization and integration of the world markets. Comment on the statement in the light of the outsourcing services.
A: * The growth of population is a big factor in making it a source of outsourcing.
 * India has invested heavily on technical education and can provide a ready supply of bright people at relatively low cost owing to Govt's inability to provide employment to them.
* Being located on the other side of the developed world gives the advantage of time difference to India and some companies find it a definite advantage.
* The very disadvantages of the Indian economy makes it advantageous for developed countries to outsource in India.

12. Differentiate between demonetization and remonetisation.
A: Demonetization refers to withdrawal of the status of the legal tender to the currency in circulation. Remonetization occurs when new currency is issued in place of banned currency.

13. What is a shadow economy?
A: A shadow economy is a black money where business transactions are conducted without tax payment. Tax evasion is the core characteristic of the shadow economy.

14. What is input credit?
A: It refers to the credit claimed by a firm on account of GST paid on the purchase of inputs.

15. GST will lead to a unified market in the domestic economy. How?
A: This is because a uniform tax structure (relating to goods and services) will prevail across all parts of the country.

MCQ:

1. The programme of economic reforms in India started on 24 July:
a. **1991**
b. 1990
c. 1992
d. 1993

2. Latest demonetization in India happened on 8 November:
a. 2010
b. **2016**
c. 2020
d. 3014

3. Which of the following is the strategy to promote globalization in India?
a. Partially convertibility
b. Reduction in tariffs
c. Increase in equity limit of foreign investment
d**. All of the above**

4. Which of the following is a reason to initiate reforms in India?
a. Mounting fiscal deficit
b. Rise in prices
c. Huge deficits in BOP.
d. **All of the above**

5. Which of the following is not an element of fiscal reforms?
a. Taxation reforms
b. Public expenditure reforms
c. **Change in interest rates**
d. Control of public sector.

6. Liberalization implies:

a. Greater role of public sector
b. **Reduction in Government's control on the private sector**
c. Free economy with no controls.
d. None of these.

7. After demonetization the purchasing power of the currency becomes:
a. one
b. Infinity
c. **Zero**
d. Does not change.

8. Which of the following is an example of indirect tax :
a. Income tax
b. Wealth tax
c. **GST**
d. None of these