

Liberalisation, Privatisation and Globalisation An Apprais

1. Read the following statements – Assertion (A) and Reason (R). Choose the correct alternative given below : (2024)

Assertion (A) : World Trade Organization (WTO) is expected to establish the rule-based trading regime, to avoid unilaterally placed arbitrary restrictions by member nations.

Reason (R) : It is imperative to enlarge world production and ensure optimum utilization of world resources along with environmental protection.

Alternatives :

(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, but 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).

2. Economic reforms were introduced in India and Pakistan in the years _____ and _____ , respectively. (2024)

(Choose the correct alternative to fill in the blanks)

(A) 1988, 1978

(B) 1991, 1978

(C) 1991, 1988

(D) 1981, 1991

Ans. (C) 1991, 1988

3. State and elaborate whether the following statement are true or false, with valid arguments : (2024)

In the recent past, the Government of India has taken crucial steps, like Jan-Dhan Yojana, for efficient allocation of financial resources.

Ans. True, the Government of India has implemented schemes like Jan-Dhan Yojana, which has promoted thrift habits and efficient allocation of financial

resources. The formal banking system has been benefitted by mobilization of a substantial amount under this yojana.

4. “Under the liberalisation measures taken by the Government of India, regulation of industrial sector was extremely crucial.”

Reject or support the given statement with valid arguments. (2024)

Ans. The given statement is rejected. As the liberalisation measures curtailed many restrictions on the industrial sector.

Industrial licensing was abolished for almost all except for three industries. Many goods produced by Small Scale Industries were dereserved. In most of the industries, market has been allowed to determine the prices independently. This was necessitated by the slower industrial growth rate under the pre-reform period.

Previous Years' CBSE Board Questions

3.2 Features of Economic Reforms

MCQ

- Read the following statements carefully and choose the correct alternative.
Statement I : Economics Reforms of 1991 paved the way for the liberalisation of Indian Economy.
Statement II : Economic Reforms of 1991 relaxed the restriction imposed by the government on private sector.
 (a) Both the statements are true.
 (b) Both the statements are false.
 (c) Statement I is true but statement II is false.
 (d) Statement II is true but statement I is false.
 (Term-I, 2021-22)

VSA (1 mark)

- State, whether the following statement is true or false:
 "GATT was established in 1923 with 48 member countries."
 (2020) (R)

SA II (4 marks)

- Discuss any two liberalisation measures pertaining to the financial sector, introduced by the Government of India during the economic reform process of 1991.
 (2023)
- (a) State the meaning of 'Privatisation'.
 (b) 'Agriculture sector has been adversely affected by the Economic reform process.' Comment.
 (2023)
- The policy of liberalisation changed the role of Reserve Bank of India (RBI) from 'a regulator' to 'a facilitator' in the financial sector. Defend or refute the given statement with valid arguments. (2020)

LA (5/6 marks)

- Read the following text carefully and answer the given questions on the basis of the same and common understanding.
 India urged the World Trade Organisation (WTO) to relax rules to allow the country to export food grains from its public stocks to the nations facing food crisis. India can help, reduce food insecurity but there is hesitation on the part of the WTO, in relaxing its rules. India's Finance Minister said, food, fuel and fertilizers are global public goods and ensuring access of these for developing and emerging economies is critical. She also shared

India's experiences, including robust gains in agriculture production, citizen centric food security programmes and innovative delivery mechanisms such as the 'One Nation one Ration Card' Scheme.

(Source : The Economic Times, July 16, 2022)

- State and discuss any objectives of World Trade Organisation.
- Name any two steps taken by India to strengthen the food security.
 (2023) (Ap)

3.3 Concept of Demonetisation

MCQ

- Read the given statements carefully and choose the correct alternative.
Statement I : Demonetisation was an initiative taken by the Government of India to curb black money, terrorism and circulation of fake currency.
Statement II : Demonetisation has led people to shift from cash payments to electronic payments.
 (a) Both the statements are true.
 (b) Both the statements are false.
 (c) Statement I is true but statement II is false.
 (d) Statement II is true but statement I is false.
 (Term-I, 2021-22) (U)
- _____ and _____ old currency notes of Mahatma Gandhi series were banned as legal tender money on 8th November, 2016.
 (a) ₹ 50 and ₹ 100 (b) ₹ 500 and ₹ 1000
 (c) ₹ 500 and ₹ 2000 (d) ₹ 500 and ₹ 200
 (2020) (U)

3.4 Concept of GST

MCQ

- From the following statements regarding Goods and Services Tax (GST), identify the incorrect statement.
 (a) It ensures uniformity of tax rates across all states.
 (b) It ensures better tax compliance and tax collection.
 (c) All types of direct and indirect taxes have been subsumed by it.
 (d) It's imposed on the supply of goods and services.
 (Term-I, 2021-22)

VSA (1 mark)

- _____ is one of the taxes eliminated after implementation of Goods and Services Tax (GST).
 (2020) (Ap)

3.1 Appraisals of LPG Policy

MCQ

Q. No. 1-6 are to be answered on the basis of the following data :


India's post 1990 economic strategy entailed three important breaks with the past:

- To dismantle the vast network of controls and permits that dominated the economic system.
- To redefine the role of the state as a facilitator of economic transactions and as a neutral regulator rather than the primary provider of goods and services.
- To move away from a regime of import substitution and to integrate fully with the global trading system.

The 1991 reforms unleashed the energies of Indian entrepreneurs and gave untold choice to the consumers and changed the face of the Indian economy. The reform agenda constituted a paradigm shift, and has defined the broad contours of economic policy making for three decades.

Liberalisation was adopted as the guiding principle of governance and all governments since 1991, have broadly stuck to that path.

Today we don't need a paradigm shift. We need to look at individual sectors and see which one of these needs, reforms to create a competitive environment and improve efficiency. The power sector, the financial system, governance structures and even agricultural marketing need reforms.

Today's reforms also require much more discussion and consensus-building. The Central Government needs to work in tandem with state governments and consult different stakeholders impacted by reform decisions. Timing and sequence are critically important in the new reforms agenda. (Term-I, 2021-22) 

1. According to the given text, _____ was adopted as the guiding principle of governance and all governments since 1991.
(a) modernisation (b) liberalisation
(c) privatisation (d) globalisation
2. Read the following statements carefully and choose the correct alternatives given below.
Statement I : 1991 was a landmark moment in India's post-independence history as that changed the nature of the economy in fundamental ways.
Statement II : India's economic establishment launched a multiprolonged reforms agenda to repair India's macroeconomic Balance Sheet and ignite growth.
(a) Both the statements are true.
(b) Both the statements are false.
(c) Statement I is true but statement II is false.
(d) Statement II is true but statement I is false.

3. Read the following statements - Assertion (A) and Reason (R).

Assertion (A) : India's pre-1990 economic strategy dismantles the vast network of controls and permits that dominated the economic system.

Reason (R) : The 1991 reforms unleashed the energies of Indian entrepreneurs, gave untold choice to consumers and changed the face of the Indian economy. From the given alternatives, choose the correct one.

- (a) Both A and R are true and R is the correct explanation of A.
 - (b) Both A and R are true but R is not the correct explanation of A.
 - (c) A is true but R is false.
 - (d) A is false but R is true.
4. In the light of the given text and common knowledge, identify the incorrect statement.
(a) A severe Balance of Payments problem triggered an acute economic crisis in 1991.
(b) In 1991, the economic and political leadership launched a multiprolonged reforms agenda to repair the macroeconomic situation of the nation.
(c) In post 1991 situation, the state was given the role of primary regulator of the economy.
(d) Post pandemic, individual sectors should be looked closely. Sectors that need reforms should be identified and corrective action should be taken.

5. Read the following statements carefully and choose the correct alternatives, given below.

Statement I : Timing and sequencing are critically important in the post-economic reform agenda.

Statement II : Post pandemic reforms in India require a paradigm shift.

- (a) Both the statements are true.
 - (b) Both the statements are false.
 - (c) Statement I is true but statement II is false.
 - (d) Statement II is true but statement I is false.
6. Read the following statements - Assertion (A) and Reason (R).
Assertion (A) : The 1991 reforms released the vitalities of Indian business persons.
Reason (R) : The reform agenda established a paradigm shift and defined the broad outlines of economic policy making for years to come. From the given alternatives, choose the correct one.
(a) Both A and R are true and R is the correct explanation of A.
(b) Both A and R are true but R is not the correct explanation of A.
(c) A is true but R is false.
(d) A is false but R is true.

7. _____ was the Indian Finance Minister in 1991, acknowledged for his capabilities to steer away the economic crisis looming large on the erstwhile Indian economy.
- (a) Dr. Subramanian Swamy
(b) Dr. Manmohan Singh
(c) Pranab Mukherjee
(d) Dr. Urjit Patel (Term-I, 2021-22) **R**

3.2 Features of Economic Reforms

MCQ

8. Read the following statements carefully and choose the correct alternative given below.
- Statement I :** India is often called as the 'Outsourcing hub' of the world.
- Statement II :** Availability of skilled manpowers is one of the prime factors responsible for the status gained by India at the international platform.

- (a) Both the statements are true.
(b) Both the statements are false.
(c) Statement I is true but statement II is false.
(d) Statement II is true but statement I is false. (Term-I, 2021-22)

9. Read the following statements - Assertion (A) and Reason (R).

Assertion (A) : Every year government fixes a target for disinvestment of Public Sector Enterprises (PSEs).
Reason (R) : Disinvestment is an excellent tool for discarding the loss of incurring Public Sector Enterprises.

From the given alternatives, choose the correct one.

- (a) Both A and R are true and R is the correct explanation of A.
(b) Both A and R are true but R is not the correct explanation of A.
(c) A is true but R is false.
(d) A is false but R is true. (2020-21)

Detailed SOLUTIONS

Previous Years' CBSE Board Questions

1. (a) : Both the statements are true.
2. False, it was established in 1948 with 23 countries.
3. Financial sector includes financial institutions, such as commercial banks, investment banks, stock exchange operations and foreign exchange market. The financial sector in India is regulated by the Reserve Bank of India (RBI). Two liberalisation measures pertaining to the financial sector, introduced by the Government of India during the economic reform process of 1991 are as follows:
- (i) **Tax Reforms:** Tax reforms are concerned with the reforms in the government's taxation and public expenditure policies, which are collectively known as its fiscal policy. There are two types of taxes: direct and indirect. Direct taxes consist of taxes on incomes of individuals, as well as, profits of business enterprises. The indirect taxes are the taxes levied on commodities, in order to facilitate the establishment of a common national market for goods and commodities.
- (ii) **Foreign Exchange Reforms:** The first important reform in the external sector was made in the foreign exchange market. In 1991, as an immediate measure to resolve the balance of payments crisis, the rupee was devalued against foreign currencies. This led to an increase in the inflow of foreign exchange. It also set the tone to free the determination of rupee value in the foreign exchange market from government control. Now, more often than not, markets determine exchange rates based on the demand and supply of foreign exchange.
4. (a) The transfer of ownership, property or business from the government to the private sector is termed

privatisation. The government ceases to be the owner of the entity or business.

(b) The agriculture sector was adversely affected by the economic reform process in the following manner;

- (i) Public investment in the agriculture sector especially in infrastructure like irrigation power etc has been reduced in the reform period.
(ii) Production of fertilizer subsidies has increased the cost of production affecting the small and marginal farmers.
(iii) Increased International competitiveness due to liberalization and reduction of import duties.
(iv) Shift from food crops to cash crops due to export-oriented policy in agriculture led to a rise in price of food grains.

5. The given statement is defended. Financial institutions in India are regulated through various norms of the Reserve Bank of India (RBI). As a regulator (prior to liberalisation), RBI used to fix interest rate structure for the commercial banks, however, as a facilitator (postliberalisation) the RBI now facilitates the free market forces to act accordingly. In the post liberalisation era, greater autonomy has been ensured for financial institutions for their functioning.

6. Objectives of WTO are as follows:

- (i) **Improving people's lives:** The fundamental goal of the WTO is to improve the welfare of people around the world. The WTO's founding Marrakesh agreement recognizes that trade should be conducted with a view to raising standards of living, ensuring full employment, increasing real income and expanding global trade in goods and services while allowing for the optimal use of the world's resources.

(ii) Negotiating trade rules : The WTO was born out of five decades of negotiations aimed at progressively reducing obstacles to trade. Where countries have faced trade barriers and wanted them lowered, the negotiations have helped to open markets for trade. Conversely, in some circumstances, WTO rules support maintaining trade barriers – for example, to protect consumers or the environment.

(b) Steps taken by government of India to strengthen the food security:

(i) Innovative delivery mechanism like 'One Nation One Ration scheme'.

(ii) Robust gains in agriculture production, it enabled India to achieve self-sufficiency in food grains.

7. (a) : Both the statements are true.

Related Theory

➔ Nationalisation of Bank was done because these were owned by big industrialists, who would use banking funds primarily to meet their own financial needs.

8. (b) : ₹ 500 and ₹ 1000

9. (c) : All types of direct and indirect taxes have been subsumed by it.

10. Value Added Tax

CBSE Sample Questions

1. (b) : Liberalisation (0.80)

2. (a) : Both the statements are true. (0.80)

3. (d) : A is false but R is true. It was India's post-1991 economic strategy that dismantles the vast network of controls and permits that dominated the economic system. (0.80)

4. (c) : In post 1991 situation, the state was given the role of primary regulator of the economy. (0.80)

5. (c) : Statement I is true but statement II is false. Post pandemic reforms don't need paradigm shift. (0.80)

6. (a) : Both A and R are true and R is the correct explanation of A. (0.80)

7. (b) : Dr. Manmohan Singh (0.80)

8. (a) : Both the statements are true. (0.80)

9. (b) : Both A and R are true but R is not the correct explanation of A. (1)