

Economic Reforms Since 1991

1 Marks Questions

1. State the meaning of economic reforms.

Ans.Economic reforms refers, those measures which are adopted for the speedy growth of economy, efficiency in production and make

(a)competitive environment.

2. How does increase in fiscal deficit create the requirement of economic reforms?

Ans.Due to increasing fiscal deficit the interest paid by the Govt. for the borrowings become 36.4% of the Govt. expenditure. So economic reforms become essential for the Govt.

3. State the name of economic reform which makes free to economy from direct or physical controls imposed by the Govt.

Ans. Liberalization.

4. What is meant by foreign exchange reserve?

Ans.Stock of foreign currency held with the Govt. at given point of time called foreign exchange reserve.

5. Why the requirement of fiscal reforms arose under liberalization?

Ans.Prior to liberalization, tax structure was highly complicated and evasive. Fearing a heavy burden of taxation it promote evade the payment of tax, so tax

reforms become essential for the Govt.

6. What is meant by direct tax?

Ans.Direct taxes are those taxes, the burden of which cannot be shifted on to other's eg. Income tax.

7. Define indirect tax with the help of example.

Ans.Indirect taxes are those taxes the burdon of which can be shifted on to other for example sales tax.

8. What is meant by devaluation?

Ans.Devaluation refers to lowering in the official value of a currency with respect to gold or foreign currency.

9. State the meaning of privatization.

Ans.Privatization is the general process of involving the private sector in the ownership of operation of a state owned enterprises.

10. What is meant by globalization?

Ans.Globalization may be defined as a process associated with increasing openness growing economic interdependence and deepening economic integration in the world economy.

11. What benefit goes to domestic Industries of reduction in tariff?

Ans.Due to reduction in tariff, imports becomes cheaper and profit margin increase on exports for domestic industries.