9. Economic policy of India since 1991.

Q.1 complete the following statement by choosing the correct alternative:

1) After independence, india had adopted

Ans: mixed economy.

2) The new economic policy approved foreign technology in.

Ans : High priority industries.

3) At present, the number of industries reserved for public sector has been reduced to.

Ans: 2

Q.2 Assertion and reasoning type question :

1) Assertion (A) Delicensing of industries was an important step taken under liberalization.

Reasoning: (R) unwanted controls and restrictions led to economic stagnation prior to 1991.
Ans : c) (A) and (R) both are true and (R) is the correct explanation of (A)

2) Assertion (A) in 1990-91, India faced an acute shortage of foreign exchange reserves.

Reasoning: Import quotas and tariffs led to an increase in the imports .

Ans: (A) is true but (R) (A) is TRUE but (R) is FALSE.

(3) Assertion (A) Post liberalisation, the Sale of domestic goods has increased.

Reasoning:(R) The demand for imported goods had increased due to liberal policy.

Ans: (d) (A) and (R) both are TRUE but (R) is not the correct explanation of (A).

(4) Assertion (A) Due to Globalisation, a country cannot achieve self-sufficiency in food production.
Reasoning: (R) Globalisation has created a revolution in IT sector.

Ans: (d) (A) and (R) both are true but (R) is not the correct explanation of (A).

Q. 3. Find the odd word out :

1. New Economic Policy Liberalization, Privatization, Demonetization, Globalisation.

Ans : Demonetization

2. Industries requiring compulsory licensing defense equipment, agro-based industries, cigarettes, industrial explosives.

Ans : agro-based industries

3. Navratna status companies SPCL, IOC, ONGC, HPCL

Ans : SPCL.

4. Liberalization dealt With the following MRTP, FERA, SEBI, NTPC

Ans : NTPC.

Q.4 Identify and explain the concepts from the given illustrations:

(1) Vehicles manufactured by various automobile companies are now available in India.

Ans. (A) Identified concept : Trade liberalisation.

(B) Explanation of concept : Trade liberalisation is a practice in which import licensing controls are abolished and import of various goods is made easy.

(2) Government equity in some public sector enterprises is sold to the private sector.

Ans. (A) Identified concept: Privatisation.

(B) Explanation of concept: Privatisation means transfer of ownership from public sector to private sector. In the above illustration, by selling government equity in some public sector enterprises to the private sector, the transfer of ownership is followed.

(3) Foreign investments are encouraged on a large scale in the industrial sector of India.

Ans. (A) Identified concept: Liberalisation.

(B) Explanation of concept: Liberalisation refers to economic freedom or freedom for economic decision.

Q.5. Do you agree or disagree with the following statements? Give reasons:
(1) Liberalisation has permitted the use of foreign technology.

Ans. Yes, I agree with this statement.

Reasons: (1) Liberalisation has allowed the use of foreign technology in high priority industries.

(2) The use of foreign technology reduces the cost of production.

(3) The use of foreign technology also make the industries competitive.
Thus, liberalisation has permitted the use of foreign technology.

(2) Government has given private enterprises free access to public sector.

Ans. Yes, I agree with this statement.

Reasons: (1) By disinvestment, government sell shares of sick public sector units to the private sector. For example, disinvestment of Maruti, VSNL, etc.

(2) By dereservation policy, private enterprises has given free access to public sector except railway transport and atomic energy.

(3) During 1997-98, nine public sector units were selected and were given the status of ‘Navratnas’ and were given Financial and managerial autonomy, for example, Oil and Natural Gas Limited (ONGC), Bharat Heavy Electrical Limited (BHEL).
Thus, government has given private enterprises free access to public sector.

(3) Government has monopoly in insurance sector.

Ans. No, I do not agree With this statement.

Reasons :

(1) The new economic policy passed Insurance, Regulatory and Development Authority Act (IRDA) in 1999 With the aim of introducing reforms in insurance

sector.

(2) The IRDA has given licence to many private companies to start insurance business.

(3) IRDA has ended the monopoly of government in insurance sector.
Thus, government has no monopoly in insurance.

(4) The creation of National Renewal Board was done to remove poverty.

Ans. Yes, I agree with this statement.

Reasons :

(1) Due to closing down of loss making public sector units, the workers have to face a problem of unemployment and poverty.
(2) National Renewal Board (NRB) was established to solve the problem of these unemployed workers.

(3) NRB takes responsibility of providing compensation to the retrenched workers or the workers taking voluntary retirement.
Thus, the creation of National Renewal Board was done to remove poverty.

(5) Indian Oil Corporation is one of the Public sector units among Navratnas.

Ans. Yes, I agree with this statement.

Reasons :

(1) During 1997-98, nine public sector units were selected and given the status of 'Navratnas' on the basis of their performance.

(2) These nine 'Navratnas' were given full financial and managerial autonomy.

(3) Indian oil corporation is one of these nine 'Navratnas'.
Thus, Indian Oil Corporation is one of the public sector units among Navratnas.

Q.6 Answer in detail:

1) Explain the features of economic policy in 1991.

Ans: The following are the features of economic policy in 1991.

(1) Delicensing : Delicensing means abolition 0f government licence required to carry on any business or industrial activity. In India, all industries except 18 specified industries of strategic importance required licence. As per the

Department of Industrial Policy and Promotion, Government of India, only the following four industries require compulsory licensing :

(1) Electronic aerospace and defence equipment,

(2) Industrial explosives,

(3) Hazardous chemicals, drugs and pharmaceuticals,

(4) Cigarettes.

(2) Abolition of Monopolies and Restrictive Trade Practices (MRTP) Act : According to MRTP Act, it was made compulsory for large industrial units to. take the approval of Central government for their establishment, expansion, merger, etc. This resulted in slow industrial growth. After 1991, abolition of MRTP Act has encouraged industrial growth in India.

(3) Encouragement to small sector : The government also encouraged small sector units to attain a higher growth rate in output, employment and export sector. Small sector units investment limit was increased from 1 crore to 5 crores.

(4) Encouraging foreign investment : New economic policy of 1991 allowed Foreign Direct Investment (FDI) with the aim to encourage investment in high priority industries requiring high investment and technology. Initially, FDI was permitted up to 51% of total investment in selected industries. Later, this limit was raised to 74% and then 100% for specific industries.

(5) Reducing role of public sector : Under new economic policy of 1991, many changes were made in the public sector policy to fulfil following objectives :

(a) Ending state monopoly

(b) Improving efficiency of public sector

(c) Releasing capital blocked in sick public sector enterprises.

To encourage private sector, NEP reduced the number of industries in public sector from 17 to 8. From 2014, there are only two industries reserved for public sector viz. railways and atomic energy.

(6) Trade liberalisation: Under new economy policy of 1991, the import licensing controls have been abolished. Almost all capital goods, raw materials, intermediate goods and other components were made freely importable.

In India, established exporters are allowed to raise external credit to finance their business and trade. Special Economic Zones (SEZ) are set up to promote exports. The Government has also introduced Agro Export Zones (AEZ) to encourage agricultural exports.

(7) Reforms in insurance sector : Before new economic policy of 1991, insurance sector was a monopoly of the government. The new policy passed Insurance Regulatory and Development Authority Act (IRDA) in 1999 to bring reforms in this sector. The IRDA has given licence to many private companies to run insurance business. This has resulted in the end of the monopoly of Government in this sector.

(8) Reforms in financial sector: Before new economic policy of 1991, only co-operative banks and public sector banks were permitted to the banking business in the financial sector. The new economic policy has also permitted the entry of new private banks as well as foreign banks.

2) Explain the measures undertaken for Globalisation.

Ans: The following are the measures undertaken for globalization:

(1) Removal of quantitative restrictions : To promote globalisation, all the quantitative restriction have removed on imports and exports. Further traffic rates have been brought down considerably. Similarly the imports duty on industrial goods have been reduced.

(2) Encouragement to foreign capital: Government has opened the economy to foreign investments. As a result, foreign capital is attracted towards various sectors in India. As its effect, Indian economy has become a part of global economy.

(3)Convertibility of rupees: To promote globalisation, exchange rate of rupee has been made flexible. Rupee is made fully convertible to all current account transactions.

(1) Foreign collaboration: Indian companies are allowed to enter into important foreign collaboration, For example, Maruti-Suzuki, Hero Honda, Tata-Corus deal of iron and steel in South Africa.

(2) Long term trade policy : To ensure longer duration in foreign trade, changes were made in the foreign trade policy.
Main features of this policy included :

(a) Liberalised policy.

(b) Removal of restrictions on foreign trade.

(c) Encouragement to Foreign Collaboration.

(6) Encouragement to Exports : Through EXIM policy, various incentives are given to exporters. Special Economic Zones, Agro Export Zones (AEZ) are created to encourage exports.

Q. 7. Read the following passage and answer the questions given below:

Indian ice-cream industry is one of the fastest growing segments of the dairy and food processingsector. India has a low per capita consumption of ice-cream of 400 ml whereas in USA it is 22,000 ml and in China it is 3000 ml.

The per capita consumption of ice-cream is low in India because it is a country filled with, traditional sweets of more than 100‘ varieties. In developed countries, people ‘ have either pastries or ice-creams for dessert. In the era of Globalisation, the mindset of the .people is fast changing. This is because multi-national companies have set up a ' number of ice-cream parlours, with a lot more vatieties ' and flavours that attract the’ younger lot. Besides this, there are better delivery systems.

The ice-cream sector has great potential for growth in the country due to improvement in the cold chain infrastructure, increasing disposable income and changing lifestyle of the people. However, it is taxed higher with 18 ‘ percent GST while other dairy products in the same basket ‘ such as butter and cheese are taxed at 12 percent.

The ice-cream industry has generated revenue of more than $1.5 billion in. 2016-17. With an employment of 15 lakh people directly or indirectly, it is also considered one of the largest employers of the dairy and food processing industry.

Question:

1. Identify the reason for low per capita consumption of ice-cream in India

Ans: The reason for low per capital consumption of ice-cream in India is availability of traditional sweets of more than 100‘ varieties.

(1) Explain the impact of Globalisation on the Indian ice-cream industry.

Ans: Globalisation has changed the mindset of people. Due to globalisation, multi-national companies have set up a number of ice-parlours in country. More varieties and flavours of these MNCS are attracting young population of India. These factors have boosted Indian ice-cream industry.

(2) Find out the factors that could lead to the growth of ice-cream industry in India.

Ans: Improvement in the cold chain infrastructure, increasing disposable income, changing life style of people, etc. are the factors that could lead to the growth of ice-cream industry in India.

(3) Express your views about the implications of higher GST on ice-cream industry in India.

Ans: 18 per cent GST on ice-cream discourages entrepreneur to invest in ice-cream industry. To boost the ice-cream industry, like other diary products viz. butter, cheese, etc. ice-cream too Should be taxed at 12 percent GST.