Chapter 9: Economic Policy of India since

EXERCISE 1 [PAGE 62]

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QUESTION

Complete the following statement by choosing the correct alternative :

After Independence, India had adopted________

- Socialism
- Capitalism
- Mixed Economy
- Communism

SOLUTION

After Independence, India had adopted **- Mixed Economy.**

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QUESTION

Complete the following statement by choosing the correct alternative :

The new economic policy approved foreign technology in___________

- Cottage industries
- Small scale industries
- Micro enterprises
- High priority industries

SOLUTION

The new economic policy approved foreign technology in **- high priority industries**

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QUESTION

Complete the following statement by choosing the correct alternative :

At present, the number of industries reserved for the public sector has been reduced to_________

- 3
- 5
- 7
- 2

SOLUTION

At present, the number of industries reserved for the public sector has been reduced to **2.**

EXERCISE 2 [PAGE 62]

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QUESTION

Assertion and Reasoning type question:

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.

- (A) is TRUE but (R) is FALSE
- (A) is FALSE but (R) is TRUE
- (A) and (R) both are TRUE and (R) is the correct explanation of (A)
- (A) and (R) both are TRUE but (R) is not the correct explanation of (A)

SOLUTION

(A) and (R) both are TRUE but (R) is not the correct explanation of (A)

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QUESTION

Assertion and Reasoning type of question:

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

Reasoning (R): Import quotas and tariffs led to an increase in imports.

- (A) is TRUE but (R) is FALSE
- (A) is FALSE but (R) is TRUE
- (A) and (R) both are TRUE and (R) is the correct explanation of (A)
- (A) and (R) both are TRUE but (R) is not the correct explanation of (A)

SOLUTION

(A) is TRUE but (R) is FALSE

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QUESTION

Assertion and Reasoning type of question:

Assertion (A): Post liberalization, the sale of domestic goods has increased.

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

- (A) is TRUE but (R) is FALSE
- (A) is FALSE but (R) is TRUE
- (A) and (R) both are TRUE and (R) is the correct explanation of (A)
- (A) and (R) both are TRUE but (R) is not the correct explanation of (A)

SOLUTION

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

Exercise 2 | Q 4 | Page 62

QUESTION

Assertion and Reasoning type of question:

Assertion (A): Due to Globalisation, a country cannot achieve self- sufficiency in food production.

Reasoning (R): Globalisation has created a revolution in IT sector.

- (A) is TRUE but (R) is FALSE
- (A) is FALSE but (R) is TRUE
- (A) and (R) both are TRUE and (R) is the correct explanation of (A)
- (A) and (R) both are TRUE but (R) is not the correct explanation of (A)

SOLUTION

(A) and (R) both are TRUE but (R) is not the correct explanation of (A)

EXERCISE 3 [PAGE 63]

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QUESTION

Find the odd word out:

New Economic Policy -

- Liberalization
- Privatization
- Demonetization
- Globalisation

SOLUTION

New Economic Policy - **Demonetization**

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QUESTION

Find the odd word out:

Industries requiring compulsory licensing -

- defence equipment
- agro-based industries
- cigarettes
- industrial explosives

SOLUTION

agro-based industries

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QUESTION

Find the odd word out:

Navratna status companies -

- SPCL
- IOC
- ONGC
- HPCL

SOLUTION

SPCL

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QUESTION

Find the odd word out:

Liberalization dealt with the following -

- MRTP
- FERA
- SEBI
- NTPC

SOLUTION

NTPC

EXERCISE 4 [PAGE 63]

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QUESTION

Identify and explain the concept from the given illustration:

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

SOLUTION

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.

Exercise 4 | Q 2 | Page 63

QUESTION

Identify and explain the concept from the given illustration:

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

SOLUTION

A. Identified concept: Privatisation.

B. Explanation of concept: Privatisation means the transfer of ownership from the public sector to the 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.

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QUESTION

Identify and explain the concept from the given illustration:

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

SOLUTION

A. Identified concept: Liberalisation.

B. Explanation of concept: Liberalisation refers to economic freedom or freedom for economic decisions.

EXERCISE 5 [PAGE 63]

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QUESTION

Do you agree or disagree with the following statement? Give reasons:

Liberalisation has permitted the use of foreign technology.

- Agree
- Disagree

SOLUTION

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 makes the industries competitive. Thus, liberalisation has permitted the use of foreign technology.

Exercise 5 | Q 2 | Page 63

QUESTION

Do you agree or disagree with the following statement? Give reasons:

Government has given private enterprises free access to public sector.

- Agree
- Disagree

SOLUTION

Yes, I agree with this statement.

Reasons:

1. By disinvestment, the government sells shares of sick public sector units to the private sector. For example, disinvestment of Maruti, VSNL, etc.

2. By dereservation policy, private enterprises have given free access to the public sector except for railway transport and atomic energy.

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

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QUESTION

Do you agree or disagree with the following statement? Give reasons:

Government has monopoly in insurance sector.

- Agree

- Disagree

SOLUTION

No, I disagree 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 the insurance sector.

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

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

Exercise 5 | Q 4 | Page 63

QUESTION

Do you agree or disagree with the following statement? Give reasons:

The creation of the National Renewal Board was done to remove poverty.

- Agree

- Disagree

SOLUTION

Yes, I agree with this statement.

Reasons:

1. Due to the 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 the responsibility for providing compensation to the retrenched workers or the workers taking voluntary retirement. Thus, the creation of the National Renewal Board was done to remove poverty.

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QUESTION

Do you agree or disagree with the following statement? Give reasons:

Indian Oil Corporation is one of the public sector units among 'Navratnas'.

- Agree

- Disagree

SOLUTION

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.

EXERCISE 6 [PAGE 63]

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QUESTION

Answer in detail:

Explain the features of economic policy of 1991.

SOLUTION

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:

   a. Electronic aerospace and defence equipment,
   b. Industrial explosives,
   c. Hazardous chemicals, drugs, and pharmaceuticals,
   d. Cigarettes

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

3. **Encouragement to the small sector**: The government also encouraged small sector units to attain a higher growth rate in output, employment, and export sector. The small sector unit 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 the role of the public sector:** Under the new economic policy of 1991, many changes were made in the public sector policy to fulfill following objectives:

   a. Ending state monopoly
   b. Improving the efficiency of public sector
   c. Releasing capital blocked in sick public sector enterprises.
   To encourage the private sector, NEP reduced the number of industries in the 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 the new economic 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 the insurance sector:** Before the new economic policy of 1991, the insurance sector was a monopoly of the government. The new policy passed the 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 an insurance business. This has resulted at the end of the monopoly of Government in this sector.

8. **Reforms in the financial sector**: Before the new economic policy of 1991, only cooperative 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.

Exercise 6 | Q 2 | Page 63

QUESTION

Answer in detail:

Explain the measures undertaken for Globalisation.

SOLUTION

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

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

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

4. **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.

5. **Long term trade policy**: To ensure a longer duration in foreign trade, changes were made in the foreign trade policy.

   The 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.

EXERCISE 7 [PAGE 63]

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QUESTION

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 processing sector. India has a low per capita consumption of ice-cream of 400 ml whereas in the 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 varieties 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.

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

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

SOLUTION

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

2. 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 per cent GST.