

CHAPTER-3-LIBERALISATION, PRIVATISATION AND GLOBALISATION –

AN APPRAISAL

ASSERTION- REASON QUESTIONS

1. **Assertion (A)** Fiscal deficit leads to price spiral.

Reason (R) Often, the fiscal deficit is financed by the government by way of borrowing from the RBI. It leads to increase in the supply of money in the economy. Other things remaining constant, higher the supply of money, higher is the price spiral.

- 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 and 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) are true.

2. **Assertion (A)** The current account BOP deficit often leads to borrowing from rest of the world.

Reason (R) : Current account BOP deficit often leads to borrowing .There are two principal sources of finding the current account BOP deficit: (i) Borrowing from rest of the world, and (ii) Foreign investment in the domestic economy, including (a) FDI (foreign direct investment), and (b) FII (foreign institutional investment). Of these two sources, foreign investment is volatile (uncertain) owing to volatility (uncertainty) of the domestic market. Accordingly, the government often relies on borrowing from rest of the world.

- 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 and 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) are true.

3. **Assertion (A)** Disinvestment is a compulsion for the government to tackle budgetary deficit.

Reason (R): Disinvestment is not a compulsion for the government to tackle budgetary deficit. The fact of the matter is that the government resorts to disinvestment (selling shares of public enterprises to private entrepreneurs) only when the public sector enterprises are found to be breeding centres of inefficiency and corruption. Of course, once disinvestment is done it helps the government to manage budgetary deficit.

- 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 and 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) are true.

4. **Assertion (A)** : FDI leads to economic colonialism.

Reason (R): FDI leads to economic colonialism. Because FDI implies ownership and management of the domestic enterprises by the foreign companies. Higher FDI leads to higher economic control of the foreign companies in the domestic market. This is what economic colonialism implies.

- 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 and 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) are true.

5. **Assertion (A)**. Indian economy has become a more vibrant economy.

Reason (R): Overall level of economic activity has trended up as indicated by GDP growth. Post LPG policies, the growth of GDP shot up to as high as 8 per cent per annum

- 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, and 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) are true.

6. **Assertion(A)** : INDIA HAS BECOME A FAVOURABLE DESTINATION OF OUTSOURCHING FOR MOST OF THE MNCs.

Reason(R): INDIA WAS VAST SKILLED AND CHEAP MANPOWER WHICH ENHANCES THE FAITH OF MNCs FOR INVESTMENT IN INDIA.

- 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, and 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) are true.

7. **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. 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, and 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) are true.

8. **Assertion (A)** Agriculture sector experienced an increase in growth during the reform period.

Reason (R) Decline in public investment and removal of fertilizer subsidy adversely affected the status of agriculture.

- 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, and 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) are true.

9. **Assertion(A)** As an immediate measure to resolve the financial crisis. India devalued its currency in 1991.

Reason (R) This allowed India to meet its import bill and resolve the BoP deficit.

- 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, and 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) are true.

10. **Assertion(A)** Selling off part of the equity of PSUs to the public is called disinvestment.

Reason (R) Disinvestment raises resources for the budget in order to reduce the fiscal deficit and provide funds for modernisation of PSUs.

- 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, and 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) are true.

11. **Assertion (A):** Every year the government fixes a target for disinvestment of Public sector Enterprises (PSEs).

Reason (R): Disinvestment is an excellent tool for discarding the loss making Public Sector Enterprises (PSEs).

- (i) Assertion (A) is true and Reason (R) is false.
- (ii) Assertion (A) is false and Reason (R) is true.
- (iii) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation for Assertion (A).
- (iv) Both Assertion (A) and Reason (R) are true, but Reason (R) is the correct explanation for Assertion (A).

12. **Assertion (A):** Selling off a part of an equity of the PSEs to the public is called disinvestment.

Reason (R): The main reason for disinvestment is to bring all the operational units of the country under the private sector.

- (i) Assertion (A) is true and Reason (R) is false.
- (ii) Assertion (A) is false and Reason (R) is true.
- (iii) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation for Assertion (A).
- (iv) Both Assertion (A) and Reason (R) are true, but Reason (R) is the correct explanation for Assertion (A).

13. **Assertion (A):** Agriculture sector experienced decelerating growth rate during the reform period.

Reason (R): The decline in public investment and removal of fertilizer subsidy adversely affected the agricultural sector.

- (i) Assertion (A) is true and Reason (R) is false.
- (ii) Assertion (A) is false and Reason (R) is true.
- (iii) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation for Assertion (A).
- (iv) Both Assertion (A) and Reason (R) are true, but Reason (R) is the correct explanation for Assertion (A).

14. **Assertion (A):** During reform period, the prices of food grains increased.

Reason (R): The export oriented policy strategies in agriculture focused on production of cash crops instead of food crops.

- (i) Assertion (A) is true and Reason (R) is false.
- (ii) Assertion (A) is false and Reason (R) is true.
- (iii) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation for Assertion (A).
- (iv) Both Assertion (A) and Reason (R) are true, but Reason (R) is the correct explanation for Assertion (A).

15. Assertion (A): Reform led growth created more employment opportunities in the economy.

Reason (R) : India became a successful exporter of auto parts, engineering goods, IT software and textiles during reform period.

- (i) Assertion (A) is true and Reason (R) is false.
- (ii) Assertion (A) is false and Reason (R) is true.
- (iii) Both Assertion (A) and Reason (R) are true , but Reason (R) is not the correct explanation for Assertion (A).
- (iv) Both Assertion (A) and Reason (R) are true , but Reason (R) is the correct explanation for Assertion (A).

16. **Assertion (A)**: The role of Public sector was decreased under liberalisation policy in 1991.

Reason (R): It was felt that the government cannot control everything in the growth object of the country. Choose the correct option:

- A. Both A and R are true and R is the correct explanation of A.
- B. Both A and R are true and R is not the correct explanation of A.
- C. A is true and R is false.
- D. A is false and R is true.

17. **Assertion (A)**: Disinvestment means sale or liquidation of assets by the govt., usually PSUs (Public Sector Undertakings) etc. to private sector.

Reason (R): The govt. undertake disinvestment to reduce the fiscal burden on the exchequer or to raise money for specific needs.

Choose the correct option:

- A. Both A and R are true and R is the correct explanation of A.
- B. Both A and R are true and R is not the correct explanation of A.
- C. A is true and R is false.
- D. A is false and R is true.

18. **Assertion(A)**: Most of the services like BPO, record keeping, accountancy, books transcription etc. are being outsourced to India now a days.

Reason(R) : In India, there is low wage rate and availability of skilled manpower.

Choose the correct option:

- A. Both A and R are true and R is the correct explanation of A.

- B. Both A and R are true and R is not the correct explanation of A.
- C. A is true and R is false.
- D. A is false and R is true.

19. Assertion(A):The GDP growth of India increased from 5.6 percent during 1980-91 to 8.2 % in 2007-12.

Reason(R) :GDP growth during reform period was mainly driven by growth in the agriculture sector.

Choose the correct option:

- A. Both A and R are true and R is the correct explanation of A.
- B. Both A and R are true and R is not the correct explanation of A.
- C. A is true and R is false.
- D. A is false and R is true.

20. Assertion (A) : GST(Goods and Services Tax) Act came into effect on 1st July 2017 as a fiscal reform in India.

Reason: Fiscal reforms relates to the reforms related to the policy of govt. expenditure and govt. revenue.

Choose the correct option:

- A. Both A and R are true and R is the correct explanation of A.
- B. Both A and R are true and R is not the correct explanation of A.
- C. A is true and R is false.
- D. A is false and R is true.

21. Assertion (A): liberalization of the economy was considered as key component of NEP

Reason (R): greater reliance was to be placed on market forces rather than checks and control.

Options:

- a. A and R are true and R is correct explanation of A
- b. A and R are true but R is not correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

22.Assertion (A): Disinvestment is a policy instrument to promote privatization

Reason (R): It is taken as a remedial measure to improve production and managerial efficiency as well as to facilitate modernisation

Options:

- a. A and R are true and R is correct explanation of A
- b. A and R are true but R is not correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

23, Assertion (A): Economic reforms aim at integrating the Indian economy with the global economy

Reason (R): There will be restricted flow of goods and services, technology and expertise between India and rest of the world

Options:

- a. A and R are true and R is correct explanation of A
- b. A and R are true but R is not correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

24. Assertion (A): Outsourcing is an important outcome of the process of globalization

Reason (R): Outsourcing refers to a system of hiring business services from the outside world

Options:

- a. A and R are true and R is correct explanation of A
- b. A and R are true but R is not correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

25. Assertion (A): foreign direct investment refers to investment by foreigners by way of their business establishments in India

Reason (R): It does not involve any kind of direct control on the management of the Indian companies where investment is made

Options:

- a. A and R are true and R is correct explanation of A
- b. A and R are true but R is not correct explanation of A
- c. A is true but R is false
- d. A is false but R is true

26. **Assertion (A)** : India becomes one of the favorite outsourcing destination in the post reform period

Reason (R): India is the hub of skilled manpower.

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 and 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.

27. **Assertion (A)**: Under New Economic Policy, role of RBI shifted from that of facilitator to a regulator.

Reason (R): Now, market forces decide interest rate structure, volume and the pattern of investment.

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 and 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

28. **Assertion (A)** : Since 1991, there has been a continuous reduction in the taxes on individual incomes.

Reason (R): Tax evasion is the consequence of high rates of income tax.

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 and 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

<p>29.Assertion (A) : In NEP, greater reliance was placed on market forces.</p> <p>Reason (R): Excessive government control had given rise to corruption, undue delays and inefficiency.</p> <p>Alternatives:</p> <ol style="list-style-type: none"> Both Assertion (A) and Reason(R) are true and Reason (R) is the correct explanation of Assertion (A). Both Assertion (A) and Reason(R) are true and Reason (R) is not the correct explanation of Assertion (A). Assertion (A) is true but Reason(R) is false. Assertion (A) is false but Reason(R) is true
<p>30Assertion (A) : The Burden of foreign debt service increased tremendously.</p> <p>Reason (R): There is severe depletion in our forex reserves and a crisis of confidence in the international foreign exchange market.</p> <p>Alternatives:</p> <ol style="list-style-type: none"> Both Assertion (A) and Reason(R) are true and Reason (R) is the correct explanation of Assertion (A). Both Assertion (A) and Reason(R) are true and Reason (R) is not the correct explanation of Assertion (A). Assertion (A) is true but Reason(R) is false. Assertion (A) is false but Reason(R) is true
<p>31.Assertion (A): Privatization of the PSU's by selling of part of the equity of PSU's to the public is known as disinvestment.</p> <p>Reason (R): The purpose was to improve financial discipline, modernization and improved performance the PSU's.</p> <p>Alternatives:</p> <ol style="list-style-type: none"> Both the statements are true and reason (R) the correct explanation of assertion (A) Both the statements are true but reason (R) is not the correct explanation of assertion (A) Assertion (A) is true but reason(R) is false. Assertion (A) is false but reason(R) is true.
<p>32.Assertion (A): In the beginning rules and regulation which aimed at regulating economic activities became major hindrance in growth and development of economy.</p> <p>Reason (R): Removal of such barriers in form of rules and regulation is called liberalisation.</p> <p>Alternatives:</p> <ol style="list-style-type: none"> Both the statements are true and reason (R) the correct explanation of assertion (A) Both the statements are true but reason (R) is not the correct explanation of assertion (A) Assertion (A) is true but reason(R) is false. Assertion (A) is false but reason(R) is true.

<p>33.Assertion (A): deregulation of financial sector gave bank more autonomy which to give loans to rising sector of economy which lead to growth of Indian economy. Reason (R): One of the major aims of financial sector reforms was to reduce the role RBI from regulator to facilitator of financial sector. Alternatives: a) Both the statements are true and reason (R) the correct explanation of assertion (A) b) Both the statements 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.</p>
<p>34.Assertion (A): Since 1991, there has been continuous reduction in Direct Tax. Reason (R): High taxes on individual lead to Tax evasion, while moderate taxes encourage savings and disclosure of income. Alternatives: a) Both the statements are true and reason (R) the correct explanation of assertion (A) b) Both the statements 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.</p>
<p>35.Assertion (A) Disinvestment is a compulsion for the government to tackle budgetary deficit. Reason (R): Disinvestment is not a compulsion for the government to tackle budgetary deficit. 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 and 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) are is true.</p>
<p>36.Assertion (A): In India, financial sector is regulated and controlled by the Reserve Bank of India. Reason (R): Prior to liberalisation, tax structure was quite complex and tax rates were quite high. 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 and 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</p>
<p>37.Read the following statements-Assertion (A) and Reason (R). Choose one of the correct alternative given below Assertion (A): Trade and investment policy underwent a substantial change in the wake of privatisation Reason (R): There has been a substantial jump in private foreign investment after the adoption of LPG policies. Alternatives: (a) Both Assertion (A) and Reason (R) Assertion (A)are true and Reason (R) is the correct explanation of assertion (A) (b) Both Assertion (A) and Reason (R) are true and 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</p>

<p>38. Assertion (A): Government decided to develop Navratnas as global players in their respective areas of industrialisation. Reason(R): Navratnas were highly efficient profit making PSUs and were revenue generators for the government 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 and Reason (R) is not the correct explanation of explanation of Assertion (A) (c) Assertion (A) is true but Reason (R) is false (d) Assertion (A) is false but Reason (R) is true</p>
<p>39. Assertion (A): Following liberalisation, reduction in tax rates led to fall in tax evasion. Reason (R): Reduced tax rate paves way for tax compliance and therefore greater tax revenue for government. 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 and 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</p>
<p>40. Assertion (A): New economic reforms paved way for increased consumer sovereignty. Reason (R): Diverse global markets allowed a wide variety of goods and services to be available to the consumers. 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 and 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</p>

ANSWER SECTION

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PREPARED BY : PGT ECONOMICS OF BHUBANESWAR, GUWAHATI, KOLKATA, RANCHI, SILCHAR AND TINSIKIA REGION.