CHAPTER-3 | Liberalisation, Privatisation & Globalisation

QUIZ PART-01

1. Which year did India face a severe economic crisis that led to reforms?
   A. 1985 B. 1990
   C. 1991 D. 1995 (C)

Explanation : In 1991, India's foreign exchange reserves fell drastically, unable to finance even two weeks of imports, leading to economic reforms.

2. What was India's foreign exchange reserve position in 1991?
   A. Enough for one year of imports
   B. Enough for six months of imports
   C. Enough for one month of imports
   D. Not sufficient even for a fortnight of imports (D)

Explanation : By 1991, reserves had dropped so low that they could not cover even two weeks of essential imports.

3. What is meant by a deficit in the Balance of Payments (BOP)?
   A. When exports exceed imports
   B. When foreign payments exceed foreign receipts
   C. When domestic revenue exceeds expenditure
   D. When budget deficit rises (B)

Explanation : A BOP deficit occurs when a country's foreign payments for imports are higher than its foreign receipts from exports.

4. Which of the following was not a reason for India's 1991 crisis?
   A. Poor performance of public sector
   B. Deficit in BOP
   C. Rising agricultural exports
   D. Huge burden of debt (C)

Explanation : Agricultural exports did not cause the crisis; instead, poor PSU performance, BOP deficits, inflation, and debt did.

5. What are Stabilization Reforms aimed at?
   A. Long-term efficiency and competitiveness
   B. Short-term correction of BOP and inflation
   C. Encouraging private monopolies
   D. Promoting only agricultural reforms (B)

Explanation : Stabilization reforms are short-term measures to correct BOP issues, control inflation, and maintain reserves.

6. Which reforms are aimed at long-term improvement of economic efficiency?
   A. Structural Reforms
   B. Stabilization Reforms
   C. Infrastructural Reforms
   D. Industrial Reforms only (A)

Explanation : Structural reforms are long-term, focused on improving efficiency and competitiveness by removing rigidities.

7. Which three components formed the core of the New Economic Policy (NEP) of 1991?
   A. Licensing, Quotas, Permits
   B. Liberalisation, Privatisation, Globalisation
   C. Agriculture, Industry, Trade
   D. Export, Import, Tariffs (B)

Explanation : The NEP 1991 was based on Liberalisation, Privatisation, and Globalisation (LPG).

8. Which policy replaced Quotas in the New Economic Policy 1991?
   A. Liberalisation
   B. Globalisation
   C. Privatisation
   D. Permit system (D)

Explanation : In the LPG model, Privatisation replaced Quotas for industrialists.

9. What was the main objective of the New Economic Policy 1991?
   A. To create a closed economy
   B. To make India self-isolated
   C. To accelerate growth and development through competitiveness
   D. To reduce exports and imports (C)

Explanation : The NEP aimed to speed up growth and development by creating a competitive environment and removing entry barriers.

10. Which of the following is not an element of the NEP 1991?
    A. Liberalisation B. Globalisation
    C. Privatisation D. Licensing (D)

Explanation : NEP emphasized LPG reforms, while licensing represented the old restrictive system.