CHAPTER-3 | Liberalisation, Privatisation & Globalisation

QUIZ PART-02

1. **What does liberalisation of the economy primarily mean?**
   A. Increase in government controls
   B. Freedom of producers from direct government controls
   C. Nationalisation of industries
   D. Elimination of private sector (B)

Explanation : Liberalisation meant freeing producers from rigid government controls like licensing, quotas, and restrictions.

2. **Which of the following was not a pre-1991 government control on private enterprises?**
   A. Industrial licensing
   B. Price control on goods
   C. Foreign exchange restrictions
   D. Free entry of MNCs (D)

Explanation : Before 1991, the government had many restrictions, but MNC entry was not free; it was highly regulated.

3. **What was the purpose of liberalisation reforms?**
   A. To reduce competition in the economy
   B. To encourage private sector and MNC investment
   C. To ban foreign investment
   D. To fix all prices by the government (B)

Explanation : Liberalisation aimed to unlock economic potential by encouraging private sector and MNC investment, and boosting competition.

4. **Which of the following industries continued to require licensing after 1991?**
   A. Food processing
   B. Alcohol and Cigarettes
   C. Textiles
   D. Cement (B)

Explanation : Licensing was abolished for most products, but certain items like alcohol, cigarettes, hazardous chemicals, and drugs still required it.

5. **Which industries were reserved exclusively for the public sector after liberalisation?**
   A. Railways and Atomic Energy
   B. Cotton and Jute
   C. Cement and Fertilizers
   D. Automobiles and Aluminium (A)

Explanation : Only Railways and Atomic Energy remained under exclusive state control after liberalisation.

6. **Which major reform reduced the RBI's role from regulator to facilitator?**
   A. Industrial reforms
   B. Financial sector reforms
   C. Tax reforms
   D. Trade reforms (B)

Explanation : Financial reforms reduced RBI's role to facilitator, allowed private/foreign banks, and raised FDI in banking.

7. **Which type of taxes are borne directly by the taxpayer and cannot be shifted?**
   A. Direct taxes B. Indirect taxes
   C. Service taxes
   D. Value-added taxes (A)

Explanation : Direct taxes, such as income tax and wealth tax, cannot be shifted and must be paid by the individual directly.

8. **What immediate step was taken under foreign exchange reforms in 1991?**
   A. Pegging rupee to dollar
   B. Devaluation of rupee against foreign currencies
   C. Printing more currency
   D. Fixing exchange rates by RBI (B)

Explanation : The rupee was devalued in 1991 to resolve the BOP crisis and encourage foreign inflows.

9. **Which trade policy reform was not introduced under liberalisation?**
   A. Abolition of import quotas
   B. Reduction of import duties
   C. Withdrawal of export duties
   D. Introduction of higher export tariffs (D)

Explanation : Trade reforms aimed at making exports competitive by abolishing import quotas and duties, not by raising export tariffs.

10. **Foreign Institutional Investors (FIIs) like mutual funds and pension funds were allowed in which market after reforms?**
    A. Agricultural market
    B. Industrial licensing market
    C. Indian financial markets
    D. Consumer goods market (C)

Explanation : FIIs such as merchant bankers, mutual funds, and pension funds were permitted to invest in Indian financial markets.