

## CHAPTER-3 | Liberalisation, Privatisation & Globalisation

### QUIZ PART-03

1. What does privatisation primarily involve?  
A. Expanding public ownership of industries  
B. Involvement of the private sector in state-owned enterprises  
C. Nationalisation of private enterprises  
D. Withdrawal of private capital from industries (B)

**Explanation :** Privatisation means the private sector takes part in ownership or operation of state-owned enterprises, reducing government control.

2. What is the process of selling part of the equity of PSEs to the public called?  
A. Liberalisation  
B. Disinvestment  
C. Nationalisation  
D. Globalisation (B)

**Explanation :** Disinvestment refers to the sale of part of public sector equity to promote privatisation.

3. Which of the following was not an objective of privatisation?  
A. Improving financial discipline  
B. Facilitating modernization  
C. Increasing corruption in PSUs  
D. Better utilisation of private capital and management (C)

**Explanation :** Privatisation aimed to improve efficiency and modernisation, not to promote corruption.

4. What was one fiscal reason for disinvestment?  
A. Increase government interference  
B. Reduce fiscal deficit  
C. Eliminate foreign competition  
D. Encourage monopolies (B)

**Explanation :** Disinvestment was used as a tool to manage and reduce fiscal deficit.

5. Why was the spread of PSUs between 1951–1991 important for India?  
A. They encouraged only agriculture  
B. They led to structural transformation of the economy  
C. They reduced industrialisation  
D. They promoted privatisation early (B)

**Explanation :** PSUs helped India diversify its industrial base, shifting people from agriculture to industry.

6. Why did many PSUs become socially liable over time?  
A. Rising efficiency  
B. Strong financial discipline  
C. Rampant leakages, pilferage, and corruption  
D. Limited government involvement (C)

**Explanation :** PSUs turned into liabilities due to inefficiency, corruption, and mounting losses.

7. When did the Indian government decide to phase out public enterprises through privatisation?  
A. 1985  
B. 1990  
C. 1991  
D. 1995 (D)

**Explanation :** In 1991, the government initiated privatisation by selling equity to private entrepreneurs.

8. Which of the following was considered the only remedy for PSU inefficiency?  
A. Nationalisation  
B. Privatisation  
C. Subsidisation  
D. Import substitution (B)

**Explanation :** Due to losses and corruption in PSUs, privatisation was seen as the only effective remedy.

9. What managerial benefit was expected from privatisation?  
A. Increase in bureaucratic delays  
B. Better utilisation of private managerial skills  
C. Restriction of competition  
D. Reduction of financial discipline (B)

**Explanation :** Private managerial capabilities were expected to improve efficiency in production and management.

10. Which term is used for PSUs turning into burdens on society due to inefficiency?  
A. Social asset  
B. Social deadweight  
C. Public capital  
D. National wealth (B)

**Explanation :** PSUs suffering from inefficiency and corruption were referred to as "social deadweight" or liabilities.