

CHAPTER 4.4

Globalisation and The Indian Economy

1. OBJECTIVE QUESTIONS

1. The reason due to which multinational companies set up their branches in other countries is

- (a) cheap labour and resources
- (b) welfare motive
- (c) to generate employment
- (d) to generate income

Ans : (a) cheap labour and resources

2. Globalisation will result in:

- (a) more competition among producers
- (b) less competition among producers
- (c) no change in competition among producers
- (d) none of the above

Ans : (a) more competition among producers

3. Till which time period, production was organised within the countries?

- (a) Middle of twentieth century
- (b) End of twentieth century
- (c) Starting of twentieth century
- (d) Till nineteenth century

Ans : (a) Middle of twentieth century

4. An important factor causing globalisation is

- (a) more income
- (b) expansion of markets
- (c) technological developments
- (d) urbanisation

Ans : (c) technological developments

5. Choose the reason for which MNCs are attracted to India for investments.

- (a) India has educated English speaking people
- (b) India has skilled professionals
- (c) India has lot of natural resources
- (d) All of the above

Ans : (d) All of the above

6. Globalisation has led to improvement in living conditions:

- (a) of all the people
- (b) of people in the developed countries
- (c) of workers in the developing countries
- (d) none of the above

Ans : (c) of workers in the developing countries

7. Why did the Indian Government restrict foreign

trade after independence?

- (a) To protect domestic producers
- (b) To increase competition
- (c) To know the international level of quality
- (d) All of the above

Ans : (a) To protect domestic producers

8. When did the Indian Government introduced a policy of liberalisation known as 'New Economic Policy'?

- (a) 1980
- (b) 2000
- (c) 1994
- (d) 1991

Ans : (d) 1991

9. A situation in which all the countries reap equally the benefits of foreign trades equally is known as

- (a) Internationalisation
- (b) Fair globalisation
- (c) Liberalisation
- (d) Equal globalisation

Ans : (b) Fair globalisation

10. To check the free flow of Chinese goods in the Indian markets, what the Indian government can do?

- (a) Ban trade with China
- (b) Impose tax on imports
- (c) Impose tax on exports
- (d) Complain to UNO

Ans : (b) Impose tax on imports

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11. BPOs have benefited growth of:

- (a) local companies
- (b) national companies
- (c) MNCs
- (d) none of these

Ans : (c) MNCs

12. The past two decades of globalisation has seen rapid movements in:

- (a) goods, services and people between countries
- (b) goods, services and investments between countries
- (c) goods, services and people between countries

Ans : (b) goods, services and investments between countries

13. Liberalisation is :
- more trade
 - removing barriers or restrictions set by the government
 - checking barriers by the government
 - help by the government

Ans : (b) removing barriers or restrictions set by the government

14. In earlier times, trade consisted of which of the following things?
- Finished goods
 - Raw materials
 - Food stuffs
 - All of these

Ans : (d) All of these

15. Under liberal policy there has been removal of:
- restrictions
 - license
 - trade
 - both (a) and (b)

Ans : (a) all of the above

16. The money spent on buying assets such as land, building, machinery etc is known as
- capital
 - rent
 - investment
 - production

Ans : (c) investment

17. Improvement in transport has helped in promotion of:
- globalisation
 - liberalisation
 - privatisation
 - none of these

Ans : (a) globalisation

18. A company that owns or controls production in more than one country is called
- big company
 - international company
 - foreign company
 - multinational company

Ans : (d) multinational company

19. Tata Steel is an:
- American MNC
 - Indian MNC
 - Chinese MNC
 - none of these

Ans : (b) Indian MNC

20. Enabling producers of one country to sell their goods in other countries is known as
- globalisation
 - trade
 - foreign trade
 - international trade

Ans : (c) foreign trade

21. Foreign trade gives more number of choices for
- producers
 - sellers
 - buyers
 - government

Ans : (c) buyers

22. In the competition between Indian and Chinese toys in Indian markets, China proved better because of
- low price and variety
 - good shape
 - trade relations

- shigh price and quality

Ans : (a) low price and variety

23. The most common route for investments by MNCs in countries around the world is to:
- set up new factories
 - buy existing local companies
 - form partnerships with local companies

Ans : (b) buy existing local companies

24. The process of rapid integration or interconnection between countries due to greater foreign investment and foreign trade is known as
- Integration of markets
 - International trade
 - MNC
 - Globalisation

Ans : (d) Globalisation

2. FILL IN THE BLANK

DIRECTION : Complete the following statements with appropriate word(s).

- Another name for the World Bank is
Ans : IBRD
- owns or controls production in more than one nation.
Ans : MNC
- Special Economic Zones are being set up by and governments.
Ans : Central, State
- monitors the liberalisation of trade at international level.
Ans : WTO
- Exports now finance over 80% of imports, as compared to 60% in 1985. This situation is because of
Ans : Globalisation

3. TRUE/FALSE

DIRECTION : Read each of the following statements and write if it is true or false.

- MNCs set up production units on the basis of proximity to the markets.
Ans : True
- Foreign trade creates an opportunity for the retailers to reach beyond the domestic markets.
Ans : False
- MNCs, who set up production units in SEZ, do not have to pay taxes for first five years.
Ans : True
- Globalisation and competition among producers are beneficial to the government.
Ans : False

5. MNCs are playing a major role in the globalisation process.

Ans : True

4. ASSERTION AND REASON

DIRECTION : Mark the option which is most suitable :

- (a) If Both assertion and reason are true, and reason is the correct explanation of assertion.
 (b) If Both assertion and reason are true, but reason is not the correct explanation of assertion.
 (c) If Assertion is true, but reason is false.
 (d) If Both assertion and reason are false.

1. **Assertion :** Global production has a complex structure.
Reason : Production of one good may take place in different parts of the world. For instance, an equipment may be formed by combining components produced in different countries.

Ans : (a) Both assertion and reason are true, and reason is the correct explanation of assertion.

Globalization leads to connectivity of different countries and goods and services can be transported across the world. Goods, components produced in different parts of the world can be used for production in any country.

2. **Assertion :** Local businesses may set up joint production process with MNCs and earn higher profits.
Reason : MNCs can provide money for additional investments, like buying new machines for faster production.

Ans : (a) Both assertion and reason are true, and reason is the correct explanation of assertion.

At times, MNCs set up production jointly with some of the local companies of the host countries. The benefit to the local company from such joint production is two-fold as MNCs can provide for additional investments and can bring in newer technology of production that result in fast-paced production. j

3. **Assertion :** MNCs can exert a strong influence on production at distant locations.
Reason : MNCs set up partnerships with local companies, use local companies for supplies, compete with the local companies or buy them up.

Ans : Ans. (a) Both assertion and reason are true, and reason is the correct explanation of assertion.

By setting up partnerships with local companies, by using the local companies for supplies, by closely competing with the local companies or buying them up, MNCs are exerting a strong influence on production at distant locations. As a result, production in widely dispersed locations is getting interlinked.

4. **Assertion :** Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.
Reason : Foreign trade expands the choice of goods beyond what is domestically produced.

Ans : (b) Both assertion and reason are true, but reason is not the correct explanation of assertion.

Foreign trade creates an opportunity for the producers

to reach beyond the domestic markets and thus expands the choices available for consumers.

5. **Assertion :** Due to foreign trade, producers in different countries closely compete with each other.

Reason : Foreign trade leads to similar prices of good across boundaries, and the producers who do not offer competitive prices may lose the market share.

Ans : (a) Both assertion and reason are true, and reason is the correct explanation of assertion.

Due to foreign trade, producers in different countries closely compete with each other. This is because the price of similar goods tends to become equal in different markets. Therefore, if a good is priced higher in domestic market, consumers may prefer importing it from another country at a lower price.

6. **Assertion :** Foreign trade and foreign investment results in disintegration of production across countries.

Reason : MNCs disrupt the production processes in domestic country.

Ans : (d) Both assertion and reason are false.

The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. When MNCs conduct joint business processes with local companies, the benefit to local companies is massive as they receive investment funds and exposure to different production techniques.

7. **Assertion :** Rapid improvement in technology has been one major factor that has stimulated the globalization process.

Reason : Developing countries are likely to become at par with developed countries in terms of technological development due to globalization.

Ans : (b) Both assertion and reason are true, but reason is not the correct explanation of assertion.

Since globalization leads to movement of goods, services, people and technology across nations, developing countries are likely to become at par with developed countries in terms of technological development.

8. **Assertion :** A tax on imports makes the market for imported goods lucrative in terms of earning higher profits.

Reason : Taxes are imposed to ensure smooth trade between nations and higher tax revenues for the governments of the countries.

Ans : (d) Both assertion and reason are false.

Taxes increase the price of imported goods, and so the demand for imports is likely to go down. As a result, the profits of producers who sell imported goods are also likely to reduce. Governments impose taxes to regulate the amount and quality of goods that enter a nation and to protect domestic industry from foreign competition.

9. **Assertion :** The removal of barriers to trade is known as liberalization.

Reason : liberalization of trade allows businesses to freely decide which goods to import and export.

Ans : (b) Both assertion and reason are true, but reason is not the correct explanation of assertion.

The removal of barriers to trade is known as liberalization, and the businesses freely deciding which goods to import and export is an outcome of liberalization not a reason for liberalization.

10. Assertion : Globalization leads to increased competition in international and domestic markets.

Reason : Globalization also makes the consumers better off as they have a wider variety of goods to choose from at lower prices.

Ans : (b) Both assertion and reason are true, but reason is not the correct explanation of assertion.

Globalization leads to increased competition in international and domestic markets as there is free movement of goods, services, labour and funds across countries. Also, consumers are better off as they get better quality and increased variety of goods at lower prices.

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