**Topic:** 20 years of economic reforms in India

**DIRECTIONS:** For the following questions, choose the correct option.

1. **What does the 'stock market capitalisation value' of a nation really indicate?**
   - (1) How strong the nation's capital markets are, and their depth, in terms of capability to generate funds for companies
   - (2) The cumulative confidence that investors have in that nation
   - (3) The effectiveness and success of the nation's economic policies
   - (4) None of the above

2. **What is the stock market capitalisation of a country?**
   - (1) It is the total sales turnover of all listed companies in a nation
   - (2) It is the total rupee-denominated value of the value of all shares listed in a nation's stock markets
   - (3) It is the inflation adjusted value of the issued shares of all listed companies in a nation's stock markets
   - (4) It is the total value of the issued shares of all listed companies in a nation's stock markets

3. **Fill in the blanks.**
   A total of ..... nations have enjoyed a ..... , but now only ..... do, as ..... have moved out of that club. (as of August 2013)
   - (1) 22, trillion dollar Market-Cap status, 19, 3
   - (2) 17, billion dollar Market-Cap status, 14; India, Russia and Spain
   - (3) 17; trillion dollar Market-Cap status, 13; India, Russia, Spain and South Africa
   - (4) None of the above

4. **Which of these are pro-economic-reform measures that were initiated by GoI after 1991?**
   - (1) NEP, FEMA, CCI
   - (2) IDRA, MRTPC, FERA
   - (3) ED, MRTPC, IDRA
   - (4) NEP, IDRA, CCI

5. **In the broadest sense, the term 'Food Security' refers to**
   - A. Capability to consume
   - B. Capability to accumulate assets
   - C. Leading a long healthy life
   - D. Making choices
   - (1) A, B and C
   - (2) B, C, and D
   - (3) Both A and D
   - (4) All of A, B, C and D

6. **The basic difference between Capitalism and Communism is that the**
   - (1) former is all about individual freedom and profit motive, and the latter is all about State control
   - (2) former is all about State control and profit motive, and the latter is all about individual freedom
   - (3) former is the main model used by Russia, Venezuela etc., and the latter by the USA etc.
   - (4) None of the above

7. **What are the traditional problems seem with the PSUs in India?**
   - (1) Over-staffing and under-utilisation
   - (2) Poor materials management
   - (3) Obsolete technology and inadequate maintenance
   - (4) All of the above

8. **The main problem with the Industries (Development and Regulation) Act, 1951 (IDRA) was that**
   - (1) it started to focus more on development than regulation
   - (2) it started focussing more on control and regulation, and less on development
   - (3) it was internal focussed; and missed out the realities of a rapidly globalising world
   - (4) it was extremely liberalising, and the nation was not quite ready for it

9. **The father of Green Revolution in India was**
   - (1) Dr Norman Borlaug
   - (2) Dr M S Swaminathan
   - (3) Dr Manmohan Singh
   - (4) Shri P V Narasimha Rao

10. **The 'Hindu Rate of Growth'**
    - (1) is a derogatory term
    - (2) is a laudatory term
    - (3) is something to relish, cherish and enjoy
    - (4) is a contemplative term

11. **Fill in the blanks.**
    The nationalisation of banks was first done by ..... in ...... when ..... were nationalised, and then again in ...... when ..... were nationalised.
    - (1) Pt Jawaharlal Nehru (PM), 1959, 14 largest commercial banks, 1969, 6 more
    - (2) Mrs Indira Gandhi (PM), 1979, 6 largest commercial banks, 1980, 14 more
    - (3) Mrs Indira Gandhi (PM), 1969, 14 largest commercial banks, 1980, 6 more
    - (4) Shri Lal Bahadur Shastri (PM), 1969, 14 largest commercial banks, 1980, 6 more
12. Look at this image. Which of the following is a certain conclusion we can draw from it?
(1) The imbalance in Indian GDP is stark, and growing
(2) The balance in Indian GDP has been restored, and needs to be maintained
(3) The Indian services sector is the only reason for unemployed youth to smile
(4) The Industry and Agriculture sectors in India are the best bet for any fresh unemployed graduate

13. Which of these is true?
(1) The 1991 reforms, and the journey thereon, has focussed on liberalising the factor markets, but not the markets for products and services
(2) The 1991 reforms, and the journey thereon, has focussed on liberalising the markets for products and services, but not the factor markets
(3) The 2001 reforms, and the journey thereon, has focussed on liberalising the factor markets, but not the markets for products and services
(4) The 2001 reforms, and the journey thereon, has focussed on liberalising the markets for products and services, but not the factor markets

14. What is the main reason that the fact mentioned in above question has happened?
(1) Because those markets involve politically very difficult decisions, and just when the govt may have thought of doing it, global recession's effects were felt
(2) Because those markets involve economically difficult decisions, and just when the govt may have thought of doing it, global recession's effects were felt
(3) Because those markets are directly linked to the success of MNCs working in India, and they never wanted any change in the status quo
(4) None of the above

15. 'The world is flat' was written by
(1) Joseph Schumpeter, and published in 1899
(2) Thomas Jacob John, and published in 2001
(3) C K Prahalad, and published in 2005
(4) Thomas L. Friedman, and published in 2005

16. Which of these is not a "flattener" that was mentioned in the book "The world is flat"?
A. Offshoring
B. Collapse of the Berlin Wall
C. Emergence of internet browsers
D. Powerful search engines
E. Emergence of mobile phones
F. Open source programming
(1) Only A  (2) Both A and F  (3) B, C and E  (4) None of the above

17. Which team took credit for liberalising India's economy in 1991? (the then titles)
(1) PM Shri PV Narasimha Rao, FM Shri Manmohan Singh, Comm Minister Shri Pranab Mukherjee
(2) PM Shri Manmohan Singh, FM Shri PV Narasimha Rao, Comm Minister Shri Pranab Mukherjee
(3) President Shri Pranab Mukherjee, PM Shri PV Narasimha Rao, FM Shri Manmohan Singh
(4) PM Shri PV Narasimha Rao, FM Shri Manmohan Singh, Comm Minister Shri P Chidambaram

18. Look at this image. Which of the following is a definite conclusion we can derive?
(1) China has managed a nice balance between its Services and Agriculture sector, in the GDP
(2) China's manufacturing is declining steadily, as a percentage of its GDP
(3) China's agriculture growth has petered out, and is now not even 1/3 of the GDP as earlier (in 1992)
(4) None of the above

19. Look at this image. Which of these is a definite conclusion we can derive?
A. The highest value of our forex reserves has been in 2008, at approx USD 305 billion
B. The only period to show a growth in the Reserve Coverage % is 2007-08
C. The current account balance has deteriorated steadily between 2005 to 2008
(1) Both A and C  (2) Both A and B  (3) All of A, B and C  (4) Only A
20. Refer to the same image, as for Q.19 above. Which of these is a sure conclusion we can derive?
   (1) While our forex reserves have remained steady over 2011-13 period, our current account balance and the short-term debt by residual maturity has steadily grown
   (2) While our current account balance and the short-term debt by residual maturity have remained steady over the 2011-13 period, our forex reserves have steadily grown
   (3) Our reserve coverage has consistently deteriorated over the given period from 500% to merely 90%
   (4) Our reserve coverage has consistently improved over the given period from 90% to 500%

21. Look at this image. The ratio of China’s reserve coverage 2012 (%) to that of India’s is
   (1) 1 : 9.5
   (2) 9.5 : 1
   (3) 7.7 : 1
   (4) 1 : 7.7

22. Refer to the same image, as for Q.21 above. Let us define a safe zone as a country with Reserve coverage 2012 (%) above 200%. What is the ratio of countries (shown in this graph) in the safe zone to those out of it?
   (1) 6 : 4
   (2) 4 : 5
   (3) 1.5 : 1
   (4) 1 : 1.5

23. Fill in the blanks.
   Over the two decades of reforms period in India (1990-2010), our share of world market capitalisation ...... to ...... .
   (1) grew from 0.41%, 2.88% (2) slid from 2.88%, 0.41%
   (3) grew from 1%, 5% (4) slid from 5%, 1%

24. Fill in the blanks.
   Over the two decades of reforms period in India (1990-2010), our exports as a % of GDP .... to ...... .
   (1) grew from 6.9%, 21.5% (2) slid from 21.5%, 6.9%
   (3) grew from 1%, 5% (4) slid from 9%, 1%

25. Fill in the blanks.
   Over the two decades of reforms period in India (1990-2010), our GDP ranking in the world on PPP basis ...... to ...... .
   (1) deteriorated from 14, 3 (2) improved from 13, 2
   (3) deteriorated from 9, 4 (4) improved from 9, 4

26. The 4 Ds of the first wave of economic reforms in India, started 1991.
   (1) Delicensing, Decontrol, Disinvestment, Delimitation
   (2) Demerger, Decontrol, Disinvestment, Debureaucratisation
   (3) Delicensing, Decontrol, Disinvestment, Debureaucratisation
   (4) Delicensing, Decontrol, Disinvestment, Defanging

27. The NEP launched as part of the first generation of economic reforms (1991) was basically
   (1) the New Economic Policy that dealt with the
   (2) the Next Generation Economic Policy that dealt with the
   (3) the New Emerging Policy framework for the industrial sector
   (4) the New Economic Policy that dealt with the FDI and FII in industrial sector

28. The FIPB which was initiated as part of the first generation of economic reforms in India was
   (1) the First Industrial Processing Board that wanted to liberalised the vast industrial sector of India
   (2) the Foreign Institutional Processing Board mandated with speeding up the FDI inflows into India
   (3) the Foreign Investment Promotion Board mandated with speeding up the FDI inflows into India
   (4) None of the above

29. Look at this image. What can we conclude from it?
   (1) India is lucky to have a demographic dividend in terms of a majority of young & working people in its population
   (2) India is challenged to have a demographic dividend in terms of a majority of young & working people in its population
   (3) The rate of growth of only the 0-14 years age group, over the given period (2000 to 2025) is positive, rest both are negative
   (4) The rate of growth of only the 0-14 years age group, over the given period (2000 to 2025) is negative, rest both are positive

30. Read this analysis of a statement made by the RBI recently.
   RBI has also voiced concern over rising stress in the books of banks, particularly on account of loans to infrastructure sector.
   “Ultmost attention is needed to contain financial stability risks that are rising with the deteriorating asset quality of banks. Although the average leverage ratio for the corporate sector remains comfortable, stress is building up in some sectors, especially infrastructure, where firms are finding it hard to raise fresh equity given an already high net debt-to-equity ratio. If infrastructure sector issues are not quickly resolved, it can have a domino effect on the asset quality of banks”. RBI data shows that bad loans and restructured standard loans to infrastructure sector stood at 17.3% of the total loan book. What can we conclude from it?
   (1) Banks must immediately stop lending to the stressed sectors like infrastructure, because deteriorating global economic conditions will completely destroy their
   (2) Banks lent to a range of corporates, including those in infrastructure sector, and today because they are under stress, the banks’ loan books are under stress
   (3) The domino effect on banks’ asset quality will start from the Food Security Bill and its insistence on free food for all
   (4) None of the above
31. Look at this table. Which of the following is true regarding 2012-13 GDP growth (%) at factor cost, on 2004-05 prices?
   (1) Electricity, gas, water supply is the worst performing sector
   (2) Mining and quarrying is doing pretty well as a sector
   (3) Financing, real-estate, insurance, and business services sector is best performing
   (4) None of the above

32. Read this statement by the RBI, made recently.
   "The import of oil needs to go down and bottlenecks in the production of coal and iron ore should be addressed to control CAD. To mitigate external vulnerability, short-term debt needs to be contained, imports of oil and gold need to be moderated and structural impediments need to be removed in areas such as coal and iron ore," it said. Iron ore production has come to a halt in large parts of the country because of the Supreme Court's orders". What is the RBI saying?
   (1) Reduce the global warming footprint of the coal production, improve exports, and reduce useless imports
   (2) Supreme Court has created a difficult situation for India's industry to perform better
   (3) Boost domestic production, remove bottlenecks, improve exports, and at the same time reduce useless imports
   (4) Reduce dependence on imports by reversing the orders of the Supreme Court

33. The huge Current Account Deficit of India (CAD) - currently at 4.5% of GDP - can be bridged or reduced by a combination of two moves. Which will they be?
   (1) Curb non-essential imports, Boost exports in all sectors (including non-IT)
   (2) Boost non-essential imports, Curb exports in all sectors (including non-IT)
   (3) Let the flow of FDI and FIJI come in without any restraint at all; after all, we need it
   (4) None of the above

Please make sure that you mark the answers in this score-sheet with an HB pencil/pen.

The marking of answers must be done in the stipulated time for the test. Do not take extra time over and above the time limit.

Table 1: Growth of GDP at factor cost by economic activity (at 2004­05 prices)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2010-11 (%)</th>
<th>2011-12 (%)</th>
<th>2012-13 (PE)</th>
<th>Percentage Share in GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>7.9</td>
<td>3.6</td>
<td>1.9</td>
<td>14.5</td>
</tr>
<tr>
<td>Construction</td>
<td>28.2</td>
<td>27.5</td>
<td>28.2</td>
<td>13.7</td>
</tr>
<tr>
<td>Mining &amp; quarrying</td>
<td>4.9</td>
<td>6.0</td>
<td>6.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12.2</td>
<td>15.7</td>
<td>15.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Electricity, gas &amp; water supply</td>
<td>5.2</td>
<td>6.5</td>
<td>4.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Textiles, transport &amp; commun.</td>
<td>7.3</td>
<td>6.4</td>
<td>5.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Banking, insurance, real estate &amp; business services</td>
<td>11.0</td>
<td>11.7</td>
<td>10.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Community, social &amp; personal services</td>
<td>6.3</td>
<td>6.0</td>
<td>6.6</td>
<td>12.8</td>
</tr>
<tr>
<td>GDP at factor cost</td>
<td>9.3</td>
<td>6.2</td>
<td>5.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(PE): Provisional Estimate; Source: CSO.

Table 17: Trends in Central Government Finances (April-May 2013)

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revenues Receipts</td>
<td>1056230</td>
<td>47897</td>
<td>30030</td>
</tr>
<tr>
<td>2. Revenue tax revenue</td>
<td>1239870</td>
<td>64726</td>
<td>8247</td>
</tr>
<tr>
<td>3. Non-Tax Revenue</td>
<td>849074</td>
<td>40925</td>
<td>27873</td>
</tr>
<tr>
<td>4. Total Revenue</td>
<td>1936304</td>
<td>157686</td>
<td>117322</td>
</tr>
<tr>
<td>5. Revenue Deficit</td>
<td>122925</td>
<td>80</td>
<td>150</td>
</tr>
<tr>
<td>6. Total Expenditure</td>
<td>1968229</td>
<td>156786</td>
<td>116832</td>
</tr>
<tr>
<td>7. Fiscal Deficit</td>
<td>124132</td>
<td>70846</td>
<td>115322</td>
</tr>
</tbody>
</table>

Source: Controller General of Accounts. * Gross Tax Revenue is prior to devolution to the States.

Table 2: Growth of GDP at factor cost by economic activity (at 2004-05 prices)

IC: PTpnrgc17

Answer keys can be seen at: www.PTeducation.com/kbsolutions.aspx

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