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GLOBALISATION OF INDIAN ECONOMY

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GLOBALISATION OF INDIAN ECONOMY

Very Short Answer Type Questions

(1 mark each)

Q. 1. Correct the following statement and rewrite it.

Removing barriers or restrictions by the government is known as Globalisation.

[CBSE OD, Set 1, 2020]

Ans. Removing barriers or restrictions by the government is known as Liberalisation.

Q. 2. Correct the following statement and rewrite it.

International Monetary Fund (IMF) is an organisation whose aim is to liberalise international trade.

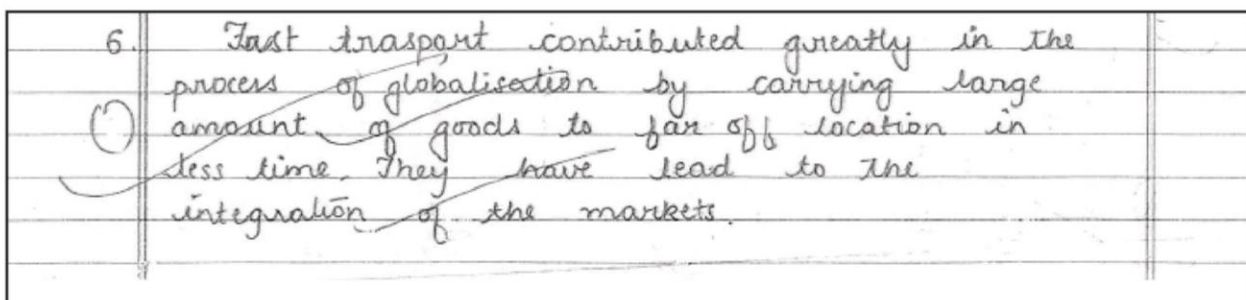
[CBSE OD, Set 1, 2020]

Ans. World Trade Organisation (WTO) is an organisation whose aim is to liberalise international trade.

Q. 3. Analyse the contribution of fast transport in globalisation. [CBSE, 2019]



Topper's Answers



Q. 4. Why do MNCs set up their offices and factories in those regions where they get cheap labour and other resources?

[CBSE OD, Term 2, Set 1, 2016]

Ans. To minimise the cost of production and maximise profit earning, MNCs set up their offices and factories in region where they can get cheap labour and other resources.

Q. 5. Differentiate between investment and foreign investment.

[CBSE Delhi, Term 2, Set 1, 2016]

Ans.

Investment	Foreign Investment
(i) The money which is used in assets like land, machinery, buildings is called investment. It can be by both domestic and foreign sources.	(i) Foreign investment refers to an investment made in a country by a company or any individual of another country in a business or production.
(ii) For example—A person may buy shares equity, gold or any other property.	(ii) For example—MNC's set up factories, production units, they buy land, assets, etc. that is the investment they are making in the country.

Q. 6. What is meant by trade barrier?

[CBSE OD, Term 2, Set 2, 2015]

Ans. Tax on imports is known as Trade Barrier.

barrier to foreign trade and foreign investment after independence? State one reason.

[CBSE Delhi, Term 2, Set 1, 2015]

Q. 7. Why had the Indian Government put

Ans. It was necessary to protect the producers from foreign competitions and also to improve the quality of goods after independence. That is why, the India Government had put barrier to foreign trade and foreign investment after independence.

Q. 8. What is the meaning of 'investment'?

[CBSE Delhi, Term 2, Set 2, 2015]

Ans. An investment is an asset or item that is purchased with the hope that it will generate income or will appreciate in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in future to create wealth.

Short Answer Type Questions-II

(3 marks each)

Q. 1. Assess any three advantages of globalisation.

[CBSE, 2019]



Topper's Answers

10.	The advantages of globalisation are
(i)	It has allowed the producers to reach beyond their domestic market. They can sell their services and goods in the markets of other countries, besides their own country.
(ii)	It has increased the choice of products for the consumers, especially the well-off section of the society.
(iii)	It has improved the quality of product due to increased competition. Also the price of similar goods tend to equilibrate in different markets.

Q. 2. "How can the Government of India play a major role to make globalisation more fair? Explain with examples.

OR

How has globalisation affected the life of Indians? Explain with examples.

[CBSE OD, Set 1, 2019]

Ans. Fair globalization would create equal opportunities for all and would ensure that the benefits of globalization are shared better. The government can play a major role in making this possible. The policies of the government must protect the inter-

ests of all the people of the country, not only of the rich and powerful. Hence, the government can play a functional role by helping bridge the gap between the two.

The government must ensure that the labour laws are properly implemented and the workers get their rights. Support to the domestic and smaller producers must be ensured by making them strong enough to enter the competitive global market.

It is necessary for the developing countries to have stronger trade and investment rules. They should negotiate at the WTO for fairer rules and regulations.

OR

Globalization has contributed in booming the Indian economy in following ways:

- (i) Greater competition among producers resulting from globalisation is a great advantage to consumers as there is wider choice regarding every product before them.
- (ii) Due to globalisation, many MNCs have increased their investments in India, this has not only helped in the inflow of capital but also largely helped in employment generation.
- (iii) Local companies supplying raw materials to industries that have been set as a result of the globalization, have prospered leaps and bounds.
- (iv) Large Indian companies have emerged as multinational companies. This has helped our country to increase our contacts around the world. Globalisation has helped increase our GDP and per capita income, thus making the living standards better across the globe.

Q. 3. How do Multi-National Corporations (MNCs) interlink production across countries? Explain with examples.

[CBSE OD, Term 2, Set 1, 2017]

Ans. Multi-National Corporations (MNCs) interlink their production across countries in various ways:

- (i) A multinational corporation (MNC) is usually a large company that owns and controls production in more than one nation. MNCs set up offices and factories for production in regions where they can easily get cheap labour and other resources. This is done to minimise the cost of production end to maximise the profit.
- (ii) The MNCs not only sell its finished products globally, but more importantly, the goods and services are produced globally.
- (iii) The production process is divided into small parts and spread out across the globe.
- (iv) The most common route for MNC investments is to buy local companies and then to expand production. For example: Cargill Foods, a very

large American MNC had bought over an Indian company Parakh foods which had their large marketing network in various parts of India and also has a good reputation. With this advantage, Cargill is now the largest producer of edible oil in India.

- (v) Also, MNCs control production by placing orders around the world with a large number of small producers of items, like garments, footwears, sports items, etc. Then MNC sells these products under its brand name.
- (vi) As a result, production of MNCs in widely dispersed location is getting interlinked.

Q. 4. Examine any three conditions which should be taken care of by multinational companies to set up their production units. [CBSE Delhi, Term 2, Set 1, 2017]

Ans. Multinational corporations (MNCs) has emerged in many countries and their role has spread from manufacturing to services of consultancy. An MNC is a company which owns and controls productions or provides consultancy in more than one nation. They normally study three conditions before setting up their production units that are:

- (i) MNCs set up offices and factories for production in region where they can get cheap labour.
- (ii) MNCs require good quality raw materials for their factories.
- (iii) They look for good transport mode to take their product to consumers or to other countries.
- (iv) This is done so that the cost of production becomes low and MNC can earn good profit.

Q. 5. How are 'Local Companies' benefitted by collaborating with 'Multinational Companies'? Evaluate any three benefits. [CBSE Delhi, Term 2, Set 2, 2017]

Ans. The 'Local Companies' has been benefitted by collaborating with 'Multinational Companies' in the following ways:

- (i) MNCs provide money for additional investments like-buying new machines for faster production with them.

- (ii) MNCs bring the latest technology for production.
- (iii) The collaboration with MNCs also bring new market for the finished goods/products.
- (iv) With the increase in production, Indian companies made good earnings.
- (v) Most of the Indian companies has gained from successful collaboration with foreign companies.

Q. 6. "The multinational companies (MNCs) choose China as an alternative location for investment?" Explain the statement.
[CBSE, Term 1, 2016]

Ans. The multinational companies (MNC's) choose China as an alternative location for investment because:

- (i) After the revolution of 1949, China gradually entered the field of world economy. It attracted the foreign MNCs to invest in China's economy.
- (ii) China is the most popular country in the world, besides labour they formed a large consumer base.
- (iii) Wages in China were relatively low. So, it was great attraction for the MNCs.

Q. 7. Why had the Indian government put barriers to foreign trade and foreign investments after independence? Analyse the reasons.
[CBSE OD, Term 2, Set 1, 2016]

Ans. The Indian government after independence had put up barriers to foreign trade and foreign investments:

- (i) This was considered necessary to protect the producers within the country from foreign competition.
- (ii) Industries were just coming up in 1950s and 1960s and competition from inputs at that stage would not allow these industries to come up.
- (iii) Thus, India allowed imports of only essential items such as—machinery, fertilisers, petroleum, etc.

Q. 8. Explain by giving examples that Multinational Corporations (MNCs) are spreading their productions in different ways. [CBSE OD, Term 2, Set 2, 2016]

Ans. MNCs spread their products by the following ways:

- (i) They set up production jointly with local companies. They provide money for additional investments like, buying new machines for faster production.
- (ii) MNC may buy up local companies and then expand production. For example—Cargil Foods, a very large MNC (USA), has bought smaller Indian companies such as Parekh Foods.
- (iii) The MNCs provide efficient managerial an advanced technology for faster production and efficient use of resources.

Q. 9. 'Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991.' Justify the statement.

[CBSE Delhi, Term 2, Set 1, 2016]

Ans. The statement "Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991" can be justified as follows:

- (i) Due to this, imports and exports could easily flow between different countries.
- (ii) It allowed the local producers to compete with products at the global level, so that they could improve the quality of their product.
- (iii) Global MNCs could setup their production units, they brought latest technology of production to the country.

Q. 10. "A wide ranging choice of goods are available in the Indian markets." Support the statement with examples in context of globalisation.

[CBSE Delhi, Term 2, Set 2, 2016]

Ans. A wide ranging choice of goods are available in the market:

- (i) A wide variety of goods and services are available before us in the market.
- (ii) The latest models of digital cameras, mobile phones and televisions made by leading manufacturers of the world are available globally in the market.

- (iii) Every season, new models of automobiles can be seen on Indian roads.
- (iv) Today Indians are buying cars produced by nearly all the top companies in the world.
- (v) A similar explosion of brands can be seen for many other goods.

Q. 11. "Globalisation and greater competition among producers has been of advantage to consumers." Justify the statement with examples.

[CBSE Delhi, Term 2, Set 3, 2016]

Ans. Globalisation and competition among producers is an advantage to consumers because of the following reasons:

- (i) There is a greater choice for consumers.
- (ii) They enjoy improved quality and lower prices for products.
- (iii) They enjoy higher standards of living that was not possible earlier.

Q. 12. How was foreign trade from India conducted before the age of machine industries? Explain.

[CBSE, Term 1, 2015]

Ans. Before the age of machine industries, the foreign trade from India was conducted as follows:

- (i) India was dominant over the international market in textile products. It's silk and cotton goods were the best in the world. India had the trade relations with Persia, Armenia, Afghanistan and Central Asia.
- (ii) Camels were used to transport bales of silk and cotton through the roads, the mountain passes and the deserts.
- (iii) India was famous for trade by sea ways. Surat was very famous port city for sea trade with the different regions like the Gulf and Europe. Another trade centres were Coromandel coast and Hoogly river in Bengal to the South east Asian countries.

Q. 13. "Foreign trade integrates the markets in different countries." Support the statement with arguments.

[CBSE OD, Term 2, Set 1, 2015]

Ans. Foreign trade provides opportunities for both producers and buyers to reach beyond the domestic market of their own countries. Good travel from one country to another. For the buyers, import of goods produced in another country provides opportunity to extent their choice of goods beyond what is domestically produced. Competition among producers of various countries prevail as they can sell their products not only in the domestic market but also compete in the market of other countries. Thus, foreign trade has been the main channel connecting countries. For example—Silk route connects Indian and South Asia to the markets in both the East and West.

Q. 14. In recent years how our markets have been transformed? Explain with examples.

[CBSE Delhi, Term 2, Set 1, 2015]

Ans. Transformation of Markets in recent years:

- (i) The advent of globalization and the policy of liberalization has opened the market to the world. The economy of our country has rapidly grown with the onset of LPG. *i.e.*, Liberalization, Privatization and Globalization reforms since 1991.
- (ii) MNCs play a vital role in the world market and as a result, foreign trade and investment in the country has increased. MNCs are playing a major role in the market by introducing exchange of technology between countries.
- (iii) Foreign trade affects the integration of domestic markets in different countries.
- (vi) Also, globalization has enabled some large Indian companies to emerge as multinational companies themselves. Forex Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines) are some Indian companies which are spreading their operations worldwide.

Long Answer Type Questions

(5 marks each)

Q. 1. "The impact of globalisation has not been uniform." Explain with examples.

[CBSE OD, Set 1, 2020]

Ans. Positive impacts:

- (i) Among producers and workers, the impact of globalisation has not been uniform. MNCs have been interested in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas. These products have a large number of well-off buyers.
- (ii) In these industries and services, new jobs have been created.
- (iii) Local companies supplying raw materials, etc. to these industries have prospered.
- (iv) Several of the top Indian companies have been able to benefit from the increased competition.
- (v) Globalisation has enabled some large Indian companies to emerge as multinationals themselves-Tata Motors (automobiles), Infosys (IT).
- (vi) Globalisation has also created new opportunities for companies providing services, particularly those involving IT.

Negative impacts:

- (i) Small manufacturers have been hit hard due to competition.
- (ii) Several units have shut down rendering many workers jobless.
- (iii) Uncertain employment and the pressure of competition have substantially changed the lives of worker.

Q. 2. Read the sources given below and answer the questions that follow :

Source A : Production across countries

Until the middle of the twentieth century, production was largely organised within countries. What crossed the boundaries of these countries were raw material, food stuff and finished products. Colonies such as India exported raw materials and food stuff and imported

finished goods. Trade was the main channel connecting distant countries. This was before large companies called Multinational Corporations (MNCs) emerged on the scene.

Source B : Foreign trade and integration of markets

Foreign trade creates an opportunity for the producers to reach beyond the domestic markets, i.e., markets of their own countries, Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries of the world. Similarly, for the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.

Source C : Impact of globalisation in India

Globalisation and greater competition among producers—both local and foreign producers—has been of advantage to consumers, particularly the well-off sections in the urban areas. There is greater choice before these consumers who now enjoy improved quality and lower prices for several products. As a result, these people today, enjoy much higher standards of living than was possible earlier.

Source A : Production across countries

2.1 How are MNCs a major force in connecting the countries of the world?

Source B : Foreign trade and integration of markets

2.2 How does foreign trade become a main channel in connecting countries?

Source C : Impact of globalisation in India.

2.3 How is globalisation beneficial for consumers?

[CBSE Delhi, Set 1, 2020]

Ans. 2.1 (i) MNCs can form and utilize the connections between national economies.

(ii) Helps in the integration of world markets

(iii) Multinational corporations may also outsource their production processes, often to lesser developed nations to reduce costs.

(iv) Flows of information is also a major force in connecting the countries of the world.

(Any one point to be explained.)

2.3 (i) Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.

(ii) Producers can sell their produce not only in market located within the country but also compete in markets located in other countries of the world.

(iii) Technology also helps in expanding foreign trade

(Any two points to be explained.)

2.3 (i) Greater choice before the consumers.

(ii) Improved quality.

(iii) Lower prices for several products.

(iv) People enjoying higher standards of living than was possible earlier.

(Any two points to be explained.)

Q. 3. Why do multinational corporations (MNCs) set up their offices and factories in certain areas only? Explain any five reasons. [CBSE Delhi, Set 1, 2019]

Ans. MNCs take into consideration certain factors to set up their production units in a particular areas. These areas are generally:

(i) Where markets are close by.

(ii) Where skilled and unskilled labour is available at low costs.

(iii) Where the favourable government policies which look after their interests are present.

(iv) Where the other factors of production such as raw materials, water, electricity and transport are available and assured.

(v) Where there are standard safety measures for assured production.

Q. 4. Explain any five effects of globalisation. [CBSE Delhi, Set 2, 2019]

Ans. Globalisation creates a greater competition among producers. Both local and foreign producers have been of advantage to consumers, there is greater choice before these consumers who now enjoy improved quality and lower prices for several products. As a result, these people today, enjoy much higher standards of living than was possible earlier.

MNCs have increased their investments in India over the past 20 years, which means investing in India has been beneficial for them. In these industries and services, new jobs have been created. Also, local companies supplying raw materials, etc. to these industries have prospered.

Several of the top Indian companies have been able to benefit from the increased competition. They have invested in newer technology and production methods and raised their production standards.

Globalization has enabled some large Indian companies to emerge as multinational companies themselves. Globalization has also created new opportunities for companies providing services, particularly those involving IT.

Q. 5. Explain any five facilities available in the special economic zones developed by the Central and State governments to attract foreign investment.

[CBSE Delhi, Set 3, 2019]

Ans. Facilities available in the special economic zones developed by the Central and State governments:

(i) Special Economic Zones (SEZs) are to have world class facilities; electricity, water, roads, transport etc.

(ii) Government provides recreational and educational facilities.

(iii) Companies who set up production units in the SEZs do not have to pay taxes for an initial period.

(iv) Government has allowed flexibility in labour laws to attract foreign investment.

(v) Instead of hiring workers on a regular basis, companies hire workers

flexibly for short periods when there is intense pressure of work.

- Q. 6. How has foreign trade been integrating markets of different countries? Explain with examples.

OR

How do we feel the impact of globalisation on our daily life? Explain with examples. [CBSE, 2018]



Topper's Answers

Introduction: Foreign trade has been integrating the markets by is ✓
(a) Producers from one country go beyond the domestic market and compete globally.
(b) Producers from different countries come in close contact and closely competing with each other.
(c) The prices of ^{similar} goods in ^{different} similar markets tend to become equal. ✓
(d) Manufacturing by Multinational companies operate production across various countries thus linking the consumers and producers.
(e) The producers supplying goods, consumers and products producers in widely dispersed locations become associated through the means of foreign trade and investment by MNCs. Consumers have greater choices available.
f) eg:- multinational company that manufactures automobiles, gets parts by China, assembles in Mexico & Eastern Europe, gets call centre facilities from India.
Conclusion: Thus, globalisation is taken place and markets getting interlinked.

- Ans.
- (i) Foreign trade provides an opportunity for both producers and buyers to reach beyond the markets of their own country.
 - (ii) Goods travel from one country to another. There is a huge competition among producers of one country and producers of other country.
 - (iii) Competition among buyers also prevails because they have more choice of goods, over domestically produced goods.
 - (iv) With the opening of trade, goods travel from one market to another and varieties of goods on the markets rises. Price of similar goods in two markets tend to become equal.
 - (v) For e.g., During Diwali season, buyers in India have the option of choosing between Indian and Chinese lights and bulbs, Chinese lights manufacturers provide an opportunity to expand their business as these lights are cheap and available in larger quantities easily.

OR

Impact of Globalization in our daily life:

- (i) Transportation technology has made much faster delivery of goods across long distances possible and that too at lower rates.
- (ii) The invention of computers, internet, mobile phones and fax has made contacting each other around the world quite easy.
- (iii) New jobs have been created in industries where MNCs have invested.
- (iv) The prices of various products have come down due to competition among the producers and manufacturers.
- (v) People are getting more employment because some Indian companies have become multinational themselves due to globalisation.

Q. 7. Analyse any five positive effects of globalisation on the Indian economy.

[CBSE OD, Term 2, Set 1, 2017]

Ans. The visible impacts of globalisation on Indian economy can be described in the following ways:

- (i) There is a wide choice of goods and services in the market.
For e.g., The latest models of digital cameras, mobile phones and television made by the leading manufacturers of the world are available in the markets. These products are affordable as well as within reach of the people.
- (ii) Several improvements in the transportation technology has made much faster delivery of goods across long distances possible and that too on lower rates.
- (iii) The improvement in information and telecommunication technology is even more remarkable. The invention and use of computer, internet, mobile phone, fax, etc., has made contact with each other around the world quite easy.
- (iv) New jobs have been created in industries where MNCs have invested such as electronics, fast foods, cell phones etc.
- (v) Some Indian companies have become multinational by themselves due to

globalisation, such as Tata Motors (automobiles), Ranbaxy (Medicines), Infosys (Computer and Information Technology) and L & T (construction).

Q. 8. What is liberalisation? Describe any four effects of liberalisation on the Indian economy.

[CBSE OD, Term 2, Set 1, 2017]

Ans. Liberalisation of the economy means to free the trade from direct or physical controls imposed by the government.

The four effects of liberalisation on the Indian economy are:

- (i) Competition would improve the performance of producers within the country.
- (ii) Barriers on foreign trade and foreign investment were removed to a large extent. This meant that goods could be imported and exported easily.
- (iii) Foreign companies could set up factories and offices to boost up production.
- (iv) It allows to make decisions freely.
- (v) The competition would improve the performance of producers within the country since they have to improve their quality.

Q. 9. Describe the contribution of technology in promoting the process of globalisation. [CBSE Delhi, Term 2, Set 1, 2017]

Ans. The technology has contributed immensely in promoting the process of globalisation.

Visible improvements in the field are:

- (i) Several improvements have been seen from last fifty years in transportation technology.
- (ii) This has made faster delivery of goods across long distances possible at cheaper costs.
- (iii) In recent times, technology in the areas of telecommunication, computers, internet, mobiles has changed rapidly.
- (iv) Technology has facilitated the satellite communication devices.
- (v) Telecommunication facilities are used to make contact with one another around the world at any time. The facility of video conferencing or one to one video calling

has become common in present days. It also allows us to send instant electronic mail (e-mail), and voice mail across the world at negligible costs.

Q. 10. Describe the impact of Globalisation on Indian economy with examples.

[CBSE OD, Term 2, Set 1, 2016]

Ans. The globalisation has impacted Indian economy in the following ways:

- (i) Increase in foreign investment: Over the past twenty years, the foreign investment has increased.
- (ii) Creation of new opportunities: Globalisation has created new opportunities for Indian companies, particularly providing services like it.
- (iii) Creation of new jobs: Globalization has created new jobs and has helped in reducing the unemployment rate to an extent.
- (iv) A host of services: Such as data entry, accounting, engineering are now being done cheaply in India.
- (v) Emergence of Indian companies as multinational like-Tata Motors, Infosys have been able to get benefits from the increased competition created as a result of Globalization.

Q. 11. What is globalisation? Describe the role of Multinational Corporations (MNCs) in promoting globalisation process.

[CBSE Delhi, Term 2, Set 1, 2016]

Ans. Globalisation is the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods and services across national frontiers.

MNCs plays an important role in the process of globalization. They bring not only their products to a country but also the new business policies and cultures. They also help in increasing competitiveness among the Indian companies. At present, most of us are able to use the latest models of cars and this could be possible because of globalization. Because of hordes of MNCs in our country, most of the urban Indians have become broad-minded in their outlook.

Q. 12. "Globalisation and greater competition among producers has been advantageous to consumers. Support the statement with examples.

[CBSE OD, Term 2, Set 1, 2015]

Ans. Globalisation and greater competition among producers-both local and foreign, has been of advantage to consumers in the following ways

- (i) Companies have invested in new technologies to raise their production quality to compete with the MNCs, thus, ensuring that consumers get better quality products get satisfied.
- (ii) Indian companies has collaborated with MNCs to produce more functional and advanced products, thus, benefitting the consumers.
- (iii) Consumer can enjoy improved quality at lower prices for several products. This has led to higher standard of living.
- (iv) There is great choice available to the consumers in goods.
- (v) The quality of goods has been improved
- (vi) Due to competition the prices of various products has decreased.

Q. 13. How are multinational corporations (MNCs) controlling and spreading their productions across the world? Explain.

[CBSE Delhi, Term 2, Set 1, 2015]

Ans. MNCs are controlling and spreading their productions in the following ways:

- (i) The most common strategy of a Multinational Corporation is, first, to buy a local company and then to expand its production.
- (ii) Depending on the product, MNCs adopt another strategies also. In labour intensive products like garments and the customers. MNCs are setting up partnerships with local companies.
- (iii) MNCs are using the local companies for supplying raw material or accessories.
- (iv) MNCs are closely competing with the local companies.
- (v) MNCs are taking over local companies with immense money power.

Thus, MNCs are exerting a strong influence on production at distant locations.