

## FAQ's

**Q.1)** What are the three policy changes that the Indian economy was ready to face during the 1980's reform?

**Ans:** The 1980s reforms proved particularly crucial in building the confidence of politicians regarding the ability of policy changes such as:

- devaluation,
- trade liberalization
- delicensing of investments to spur growth without disruption.

**Q.2)** When did Indian economy met with external debt crisis?

**Ans:** In 1991, India met with an economic crisis relating to its external debt. The government was not able to make repayments on its borrowings from abroad.

**Q.3)** What was the stimulus of crisis of 1990's?

**Ans:** The origin of the crisis is directly attributable to the macro management of the economy during 1980's which led to large and persistent macroeconomic imbalances.

**Q.4)** What led to the decline in country's credit rating in the international capital market?

**Ans:** The Gulf crisis in the late 1990 sharply accentuated macroeconomic problems. There was also political instability in the country at this juncture. All these developments together eroded international confidence in the Indian economy and as a

result, this country's credit rating in the international capital market declined steeply.

**Q.5)** Briefly define macroeconomic crisis that Indian economy was facing pre-reforms?

**Ans:** Macroeconomic crisis erupted in the form of:

- 1) Unsustainable fiscal deficit;
- 2) Unsustainable current account deficit,
- 3) Accelerating inflation.

**Q.6)** What are the socio-economic objectives of Industrial Policy Statement of 1980?

**Ans:** Some of the socio-economic objectives spelt out in the Statement were:

- 1) optimum utilization of installed capacity,
- 2) higher productivity,
- 3) higher employment levels,
- 4) promotion of export oriented industries,
- 5) removal of regional disparities,
- 6) strengthening of agricultural base,
- 7) consumer protection against high prices and poor quality.

**Q.7)** What are the policy changes made in the public sector?

**Ans:** The public sector was free from a number of constraints and was provided with greater autonomy. In 1988, all industries, excepting 26 industries specified in the negative list,

were exempted from licensing. The exemption was, however, subject to investment and locational limitations. The automotive industry, cement, cotton spinning, food processing and polyester filament yarn industries witnessed modernization and expanded scale of production during the 1980s.

**Q.8)** State the major segments in which industry was divided?

**Ans:** Major sectors of industry are divided into three segments:

1. Mining
2. Manufacturing
3. Electricity generation

**Q.9)** State some some major reforms during mid-1980's?

**Ans:** Some major reforms during the era are:

- The government introduced several export incentives after 1985, relaxing the foreign exchange constraint.
- A steady decline in the share of canalized imports.
- The Open General License (OGL) list was steadily expanded.
- There was a relaxation of industrial controls.

**Q.10)** State important committees that were set up during reform period?

**Ans:** Three important committees were set up in the early 1980s.

- Narsimhan Committee on the shift from physical controls to fiscal controls,
- Sengupta Committee on the public sector
- the Hussain Committee on trade policy