

FAQ's

Q.1) The new industrial policy (1991) contained policy directions for reforms in which spheres?

Ans: The new industrial policy (1991) contained policy directions for reforms in the sphere of:

- Liberalisation
- Privatisation
- Globalisation

Q.2) State the major changes brought by new economic policy?

Ans: The policy has brought changes in the following aspects of industrial regulation:

1. Industrial delicensing
2. Deregulation of the industrial sector
3. Public sector policy (de-reservation and reform of PSEs)
4. Abolition of MRTP Act
5. Foreign investment policy and foreign technology policy.

Q.3) State the measures the Government of India has initiated to open up the foreign trade sector.

Ans: Commencing July 1991, the Government of India has initiated a number of measures to open up the foreign trade sector and has announced massive import liberalisation measures over the last decade. These include:

- devaluation of the rupee.
- introduction of the convertibility of rupee.

- liberalisation of import regime.
- substantial reduction in customs tariff rates.
- decanalising of many items of trade.

Q.4) What do you understand by concessional and non-concessional assistance of foreign investment?

Ans:

Concessional assistance includes grants and loans obtained at low rates of interest with long maturity.

Non- concessional foreign investment includes mainly external commercial borrowings, loans from other government, deposits from non-residents.

Q.5) In which form Foreign capital can be obtained?

Ans: Foreign capital can be obtained in the following two ways:

- concessional assistance foreign investment.
- non- concessional foreign investment.

Q.6) When was New Industrial Policy announced by the government of India?

Ans: New Industrial Policy was announced by the government of India in July 1991

Q.7) State one of the major drawbacks of the industrial sector in Pre-reforms period?

Ans: Pre-reforms one of the major drawbacks in the industrial sector was the inefficient functioning of the public sector as it started incurring losses leading to drain on the nation's limited resources.

Q.8) Write short notes on:

1. The license raj
2. Deregulation of the industrial sector

Ans: 1. The license raj policy: the most important part of the new industrial policy of 1991 was the end of the industrial licensing or the license raj. Under the industrial licensing policies, private sector firms have to secure licenses to start an industry. This has created long delays in the start-up of industries. It has reduced industrial licensing to fifteen sectors. Now only 13 sector need license for starting an industrial operation.

2. Deregulation of the industrial sector: Pre-reforms, the public sector had given reservation especially in the capital goods and key industries. Under industrial deregulation, most of the industrial sectors were open to the private sector as well. Most of the industrial sectors were reserved to the public sector. Under the new industrial policy, only three sectors- atomic energy, mining and railways will continue as reserved for public sector. All other sectors have been opened for private sector participation.

Q.9) State the reforms led by the government in public sector?

Ans: Reforms in the public sector were aimed at enhancing efficiency and competitiveness of the sector. The government identified strategic and priority areas for the public sector to concentrate. Similarly, loss making PSUs were sold to the private sector. The government has adopted disinvestment policy for the restructuring of the public sector in the country and at the same time autonomy has been given to PSU boards for efficient functioning.

Q.10) How the Abolition of Monopoly and Restricted Trade Practice Act (MRTP) helped in economic development of India?

Ans: The New Industrial Policy of 1991 has abolished the Monopoly and Restricted Trade Practice Act. In 2010, the Competition Commission has emerged as the watchdog in monitoring competitive practices in the economy.

The industrial policy of 1991 is one of the biggest reforms introduced in Indian economy since independence. The policy caused big changes including emergence of a strong and competitive private sector and a sizable number of foreign companies in India.