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## CHAPTER

# Globalisation and the Indian Economy

### Level - 1

### CORE SUBJECTIVE QUESTIONS

### MULTIPLE CHOICE QUESTIONS (MCQs)

1. Option (A) is correct

**Explanation:** (1) **Expansion of Multinational Corporations (MNCs):** MNCs have a global presence and play a major role in promoting globalisation by setting up production and distribution networks across countries. This leads to increased trade, investment, and cultural exchange.

(2) **Advancements in Information and Communication Technology (ICT):** The growth of the internet, mobile technology, and other communication tools has made it easier for businesses and individuals to connect across borders, facilitating international trade, education, and business operations.

(3) **Nationalisation and trade barriers:** Nationalisation and trade barriers actually hinder globalisation by restricting free flow of goods, services, and capital. These do not contribute to globalisation.

(4) **Cross-border movement of people for jobs and education:** While the movement of people is important, it's not as significant a driver of globalisation as MNCs and ICT advancements, which have a more direct economic and technological impact.

Thus, only statement (1) and (2) are appropriate.

2. Option (D) is correct

**Explanation:** Greater foreign investment and foreign trade have led to integration of production and markets across countries. This means different stages of production are now spread across different countries, with countries specialising in certain parts of the production process. Markets for goods and services have expanded internationally, with companies accessing new markets and consumers across borders, leading to a more inter-connected global economy. This integration helps create a more unified global economy, where countries depend on each other for production, goods, and services.

3. Option (C) is correct

**Explanation:** Liberalisation refers to the process of removing or reducing government-imposed barriers or restrictions on business and trade, such as tariffs, quotas, licensing requirements, and other regulations. It is aimed at promoting free trade and encouraging the entry of private and foreign investments into the economy.

4. Option (D) is correct

**Explanation:** One of the most significant aspects of globalisation is the access to new markets, where companies and businesses can expand their operations internationally. This results in increased trade of goods and services, opportunities for businesses to reach a broader customer base and economic growth due to international competition and collaboration.

5. Option (C) is correct

**Explanation:** Globalisation refers to the process of increased inter-connectedness and integration among countries, particularly in terms of trade, investment, technology, and cultural exchange. It involves the free flow of goods, services, capital, and information across borders and the establishment of global supply chains and international co-operation.

6. Option (B) is correct

**Explanation:** Liberalisation refers to the removal or reduction of government-imposed restrictions on trade and business, such as tariffs, quotas, and licensing requirements. Its goal is to encourage free trade, attract investment, and boost economic growth by allowing greater competition and access to global markets.

7. Option (B) is correct

**Explanation:** In joint production, MNCs often use their expertise, brand value, and influence to set parameters like product quality, pricing, and production standards to align with their global strategy. By deciding prices and parameters, the MNC ensures its competitiveness and profitability in the local market while maintaining its global reputation.

8. Option (D) is correct

**Explanation:** A significant challenge of globalisation is disproportionate growth, which refers to uneven benefits among countries, industries, and social classes. This can lead to widening income inequality, economic disparities and impacting marginalised communities to struggle to compete in global markets, deepening economic divides.

9. Option (C) is correct

**Explanation:** In 1991, the Indian government implemented economic liberalisation measures in response to an economic crisis, with the primary objective of improving India's competitiveness in the global market. The government wanted to encourage competition by reducing trade barriers and allowing imports, which would push Indian producers to improve efficiency and product quality, attract foreign investment to boost economic growth and enhance the availability of foreign exchange and enhance growth and development through increased integration with the global economy.

10. Option (A) is correct

**Explanation:** One of the major benefits to a local company entering into joint production with a

Multinational Corporation (MNC) is that the MNC typically provides money (capital investment) and technology (advanced production techniques, processes, and innovations). This support helps the local company improve its production capabilities, increase efficiency, and access modern technologies, which it might not have had access to otherwise.

11. Option (A) is correct

**Explanation:** In 1991, India implemented a series of economic reforms that marked a significant shift in its economic policy. The key focus of these reforms was to liberalise the economy, which included removing barriers on trade, encouraging foreign investment, and privatisation.

12. Option (B) is correct

**Explanation:** IKEA is a multinational corporation operating in Bengaluru (India), selling products manufactured in China. This reflects the global supply chain and trade flow, as goods are manufactured in one country (China) and sold in another (India). This is a direct example of global trade, the movement of capital, and the influence of multinational corporations, all key elements of globalisation.

### MATCH THE FOLLOWING QUESTIONS

1. Option (B) is correct

**Explanation:** Technological advancements are primarily driven by innovations in communication and information systems, which make the world more inter-connected and facilitate the exchange of goods, services, and ideas.

Liberalisation of trade refers to the removal of trade barriers, such as tariffs and quotas, allowing for a freer flow of goods and services across borders.

Cultural exchange involves the spread and sharing of cultural values, ideas, and traditions,

which is a key aspect of globalisation.

Multinational corporations operate in multiple countries, and they are a major driving force behind economic globalisation.

2. Option (C) is correct

**Explanation:** MNCs buy garments, footwear and sports items at cheap rates from small producers because it reduces their cost of production and using their brand value they sell them at high prices and earn profits. Quotas and taxes on imports are used to regulate trade items received through imports.

### ASSERTION-REASON QUESTIONS

1. Option (D) is correct

**Explanation:** Globalisation interlinks not only production-based activities but also trade, investment, culture, ideas, services, and technology across the world.

Reason is true as globalisation facilitates the exchange of knowledge, cultural practices, and even diseases due to increased inter-connectedness.

2. Option (A) is correct

**Explanation:** Many top Indian companies improved their operations, adopted new

technology, and expanded their markets due to competition from globalisation. It pushed them to become more competitive on a global scale.

Reason is also true as the entry of MNCs introduced advanced technology, innovative production techniques, and higher standards, which indirectly benefitted Indian companies by pushing them to adopt better practices.

Both assertion and reason are true and the reason correctly explains the assertion that the investment and competition brought by MNCs played a key role in benefitting Indian companies by raising overall industry standards.

## VERY SHORT ANSWER TYPE QUESTIONS

1. Technology is a crucial factor in globalisation as it facilitates faster and more efficient communication, transportation, and production processes.
  - (i) **Advancements in Communication Technology:** Innovations like the internet, mobile phones, and video conferencing enable seamless communication between people and businesses worldwide. For example, companies can manage operations in different countries using online platforms.
  - (ii) **Improved Transportation Technology:** Faster and cheaper modes of transport, such as cargo ships and airplanes, allow goods and people to move across the globe quickly. For instance, products made in China can be easily shipped to European or American markets.
2. (i) Telecommunication facilities (telephone, mobile, fax) are used to contact one another around the world to access information instantly and to communicate from remote areas.
  - (ii) Through the internet one can share information.
  - (iii) Internet also allows us to send instant email and voice mail across the world at negligible cost.
  - (iv) It has played a major role in spreading out production of services across countries.
3. Foreign trade connects markets in different countries by enabling the exchange of goods, services, and technologies across borders. It allows countries to access products not available locally, promotes competition, and integrates economies. In the context of globalisation, foreign trade fosters interdependence, spreads innovation, and expands the reach of multinational corporations, creating a global marketplace.
4. (i) Removal of trade barriers.
  - (ii) Foreign investments are promoted.
  - (iii) Foreign trade is promoted.
5. (i) Special Economic Zones (SEZs) are being set up.
  - (ii) SEZs are to have world class facilities—electricity, water, roads, transport, storage etc.
  - (iii) Government has also allowed flexibility in labour laws to attract foreign investment.
  - (iv) Development in Information and Communication Technology.
  - (v) Promotion of MNCs.
  - (vi) Integration of production and market.
  - (vii) Investment and technology are moving between countries. (Any two)
6. (i) In recent times, technology in the areas of telecommunications, computers, internet has been changing rapidly.
  - (ii) Telecommunication facilities (telegraph, telephone including mobile phones, fax) are used to contact one another around the world, to access information instantly, and to communicate from remote areas.
  - (iii) This has been facilitated by satellite communication devices.
  - (iv) Computers have now entered almost every field of activity.
  - (v) With the help of internet, information can be obtained and shared.
  - (vi) Internet also allows us to send instant electronic mail (e-mail) and talk (voice-mail) across the world at negligible costs. (Any two)
7. (i) Multi National Companies set up production units in other countries by investing money to reduce the cost of production. As a result, production across countries gets interlinked.
  - (ii) With the liberalisation of trade, goods travel from one market to another. Choice of goods in the markets rises.
  - (iii) Prices of similar goods in the two markets tend to become equal. Foreign trade thus, results in connecting the markets or integration of markets in different countries.

## SHORT ANSWER TYPE QUESTIONS

1. Information technology (IT) is deeply connected with globalisation as it facilitates faster communication, enhances access to information, and supports global connectivity.
  - (i) **Efficient Communication:** IT enables instant communication across the world through emails, video calls, and messaging platforms, allowing businesses and individuals to interact globally.
  - (ii) **Access to Markets:** IT provides tools like e-commerce platforms that connect buyers and sellers worldwide, breaking geographical barriers and promoting global trade.
  - (iii) **Spread of Ideas and Culture:** Through social media, online education, and digital content, IT helps spread ideas, culture, and knowledge globally, making the world more interconnected.



2. (i) More choice for the consumers.  
(ii) Consumers can compare quality, price, suitability, safety of products. So, consumers are benefited.  
(iii) People can enjoy much higher standard of living than was possible earlier.  
(iv) Creation of new jobs, specially in IT Sector.  
(v) Better job opportunities for skilled persons.  
(vi) Better salaries and facilities for specialised skills at home.  
(vii) Companies are investing in newer technology and production methods raising their production standards. (Any three)
3. (i) The major issues addressed by the G20 are related to the global economy. It works tirelessly for maintaining and improving the financial stability in the world.  
(ii) G20 has been playing an active role in the area of mitigating the risks that have been generated due to climate change in the world.  
(iii) The grouping has been an advocate of the idea of sustainable development whose aim is to secure development without compromising the needs of future generations.
4. G20 is the most powerful bloc in the world due to the following reasons:  
(i) It contributes to around 80% of the Gross World Product (GWP).  
(ii) Two-third of the global population of the world are the inhabitants of the G20 member nations. The nations of the G20 cover more than 60% of the total land area of the world.

### LONG ANSWER TYPE QUESTIONS

1. (i) Globalisation has encouraged foreign investments.  
(ii) MNCs set up production close to the markets and availability of skilled and unskilled labour at low costs.  
(iii) MNCs will choose countries which have policies which enable easy operations.  
(iv) MNCs set up production jointly with local companies.  
(v) There is better exchange of technologies.  
(vi) Globalisation has increased the interdependence between countries.  
(vii) Consumers have more access to global products.  
(viii) Globalisation helps the integration of markets of the countries.  
(ix) It makes countries culturally rich.  
(x) Sharing technology between countries benefitted human being.  
(xi) Kargil foods, Reliance Industries and other MNCs are the prime examples of industries which help to integrate the countries.
2. Rapid improvement in technology has been one major factor that has stimulated the globalisation process. For instance, the past fifty years have seen several improvements in transportation technology. This has made much faster delivery of goods across long distances possible at lower costs. Even more remarkable have been the developments in information and communication technology. In recent times, technology in the areas of telecommunications, computers, internet has been changing rapidly. Telecommunication facilities (telegraph, telephone including mobile phones, fax) are used to contact one another around the world. The rush of new ideas and his intelligence's easy adoption of them suggests that reading catalysis cognitive growth and encourages new perspectives and insights. It resonates with broader themes about the power of literature and the written word to captivate, stimulate thought, and bring about intellectual transformations.
3. Foreign Trade and Foreign investment are main channels of connecting countries.  
(i) Foreign Trade creates opportunities for producers to reach beyond domestic markets and invest outside for better returns.  
(ii) Gives consumers more choices at less cost across the countries.  
(iii) Liberal policies of government, i.e. removing barriers on imports and exports facilitate foreign trade and foreign investment.  
(iv) Liberalisation leads to expansion of foreign trade resulting in connecting of markets of various countries.  
(v) Multinational Corporations expand their production and invest capital in various countries and produce the goods globally.  
(vi) For operating smoothly they need favourable government policies. (Any five)
4. (i) Removing barriers or restrictions set by government is known as liberalisation.  
(ii) Liberalisation of trade, business are allowed to make decisions freely.  
(iii) It has promoted free import and free export.  
(iv) Starting around 1991, Indian government made some far – reaching changes in policy. Foreign companies could set up factories, Foreign investment are encouraged, the use of latest Technology is enabled, local companies can work as a MNC's.

- (v) Production of services can be spread easily.  
Foreign trade can be integrated.
- (vi) It strengthen the production and market.  
(Any five)
5. (i) Technology has stimulated the process.  
(ii) Telecommunication facilities (Telephone, fax, emails, satellites technology).  
(iii) Transportation facilities.  
(iv) Liberalisation of foreign trade.  
(v) Foreign investment Policy.  
(vi) Flexibility in labour law.  
(vii) Setting up Industrial Zone (SEZs).  
(viii) New opportunities have been created for companies.  
(Any five)
6. (i) MNCs have increased their investments in India such as cell phones, automobiles, electronics, soft drinks, etc.  
(ii) 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) They have invested in newer technology and production methods and raised their production standards. Some have gained from successful collaborations with foreign companies.  
(vi) Globalisation has enabled some large Indian companies to emerge as multinationals themselves, Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners etc.  
(vii) Globalisation has created new opportunities for companies providing services, particularly those involving IT.  
(viii) Batteries, capacitors, plastics, toys, tyres, dairy products, and vegetable oil are some examples of industries where the small manufacturers have been hit hard due to competition. Several of the units have shut down rendering many workers jobless.
- (ix) Uncertain Employment, 'workers' jobs are no longer secure.
- (x) Pressure of competition has substantially changed the lives of workers. (Any five)
7. (i) MNCs set up production where it is close to the markets; where there is skilled and unskilled labour available at low costs.  
(ii) Availability of other factors of production is assured.  
(iii) The goods and services are produced globally as a result production is organized in increasingly complex ways.  
(iv) MNCs set up factories and offices for production where facilities are available.  
(v) MNCs set up production jointly with some of the local companies.  
(vi) Sometimes MNC place orders for production with small producers.  
(vii) MNCs set partnership with local companies.  
(viii) MNCs exert strong influence on production at distant locations. (Any five)
8. (i) Government has removed barriers on foreign trade and foreign investment.  
(ii) Liberalised policies have been introduced for globalisation.  
(iii) Industrial zones called special Economic Zones (SEZs) are being set up.  
(iv) World class facilities like electricity, water, recreational, transport, storage facilities have been provided to foreign companies.  
(v) Production unit in the SEZs do not have to pay taxes for first five years.  
(vi) Government has also allowed flexibility to the labour laws to attract foreign investment.  
(vii) Foreign Direct Investments and deregulation policies. (Any five)

## Level - 2 ADVANCED COMPETENCY FOCUSED QUESTIONS

### MULTIPLE CHOICE QUESTIONS (MCQs)

1. Option (C) is correct

**Explanation:** The statement "Globalisation has connected India's markets with those of the world" means that India is now integrated into the global economy. This has resulted in increased foreign trade (import and export of goods and services), greater flow of foreign investment into India, entry of multinational companies, and wider choices and better quality products for consumers.

Therefore, the correct implication of globalisation is that it has increased international trade and investments.

2. Option (C) is correct

**Explanation:** Multinational Corporations (MNCs) set up production units in different countries mainly to take advantage of lower labour costs, access cheaper raw materials, benefit from relaxed regulations or tax incentives, and be closer to large consumer markets. This helps them reduce

production costs, increase profits, and operate more efficiently in a global economy.

3. Option (C) is correct

**Explanation:** Advancements in technology and communication have made transport of goods and people faster and cheaper, enabled instant communication across the world through the internet, emails, and mobile networks, allowed companies and countries to coordinate and operate globally, and boosted the growth of global trade, outsourcing, and foreign investments

4. Option (C) is correct

**Explanation:** The statement “Globalisation has had mixed impacts on Indian farmers” means that

its effects have been uneven. Some farmers who had access to better technology, resources, and global markets benefited by getting higher prices and export opportunities. Others, especially small and marginal farmers, suffered due to competition from cheaper imported goods, price fluctuations, and lack of government support.

5. Option (C) is correct

**Explanation:** The main goal of liberalisation introduced in India during the 1990s was to remove trade barriers and restrictions, attract foreign investment, encourage private sector growth, integrate India with the global economy, and improve efficiency and productivity.

### ASSERTION-REASON QUESTIONS

1. Option (D) is correct

**Explanation:** Assertion is false. Globalisation has led to greater interconnectedness of markets, as countries now trade goods, services, ideas, and investments more freely.

Reason is also true. Technological advancements in transport (like faster shipping and air freight) and communication (like the internet and mobile connectivity) have made it easier to conduct global business and trade.

2. Option (A) is correct

**Explanation:** Assertion is true. Multinational Corporations (MNCs) are key drivers of globalisation because they connect economies through investment, trade, and the movement of goods, services, and technology.

Reason (R) is also true. MNCs set up production units in multiple countries to take advantage of lower costs (like cheap labour and raw materials) and increase profits.

Both assertion and reason are true and the reason correctly explains the assertion.

3. Option (A) is correct

**Explanation:** Assertion is true. Liberalisation has indeed made Indian markets more open and competitive by encouraging private participation and integrating with the global economy.

Reason is also true. By removing barriers to foreign trade and investment, liberalisation allowed greater competition, improved quality, and provided more choices to consumers.

Both assertion and reason are true and reason is the correct explanation of reason as it is the removal of trade restrictions under liberalisation that led to greater openness and competitiveness in the Indian market.

4. Option (A) is correct

**Explanation:** Assertion is true. Globalisation has negatively affected some small-scale Indian industries, especially those that couldn't compete in the global market.

Reason is also true. Many Indian small producers lack access to modern technology and economies of scale, making it hard to compete with cheaper and better-quality imported goods.

### VERY SHORT ANSWER TYPE QUESTIONS

1. Globalisation has allowed foreign companies and products to enter the Indian market. This has led to greater competition as Indian producers now have to compete with international brands in terms of price, quality, and technology.

**Positive Effect:** Consumers get better quality products at lower prices and more choices due to competition.

**Negative Effect:** Small Indian producers may suffer losses or shut down as they cannot compete with cheaper and better-quality foreign goods.

2. The ways in which MNCs contribute to globalisation are:

- (i) **Spreading Production Across Countries:** MNCs set up factories, offices, and

production units in multiple countries, which helps integrate economies and facilitates global trade and investment.

- (ii) **Transfer of Technology and Resources:** MNCs bring in advanced technology, capital, and managerial expertise, helping local industries grow and connect with international markets.

3. Liberalisation refers to the process of removing government-imposed restrictions on trade, investment, and business operations to make the economy more open and market-driven.

One major effect on Indian trade: It led to a significant increase in foreign trade, allowing easier import and export of goods and attracting more foreign investment into the Indian market.



4. **Consumers:** Globalisation has benefited consumers by providing them with more choices, better quality products, and lower prices due to increased competition among producers, both domestic and foreign.

**Small Producers:** On the other hand, small Indian producers have often suffered because they are unable to compete with the low-cost and high-quality foreign goods, leading to losses or closure of many small businesses.

5. Improved technology has played a key role in accelerating globalisation by making

communication and transportation faster, cheaper, and more efficient.

- (i) **Communication Technology:** The internet and mobile networks allow companies to instantly communicate across countries, enabling coordination of global businesses like outsourcing and customer service.
- (ii) **Transportation Technology:** Faster and cheaper shipping and air transport make it easier to move goods internationally, allowing companies to set up production and sell products across the world.

## SHORT ANSWER TYPE QUESTIONS

1. Globalisation has impacted Indian producers in both positive and negative ways. Here are three ways they have been affected:

(i) **Increased Competition:** Indian producers now face tough competition from cheaper and better-quality foreign goods, especially from large multinational companies (MNCs). This has made it difficult for small-scale industries to survive.

(ii) **Access to New Markets:** Globalisation has opened international markets for Indian producers. Some Indian companies export their products globally, leading to business expansion and increased profits.

(iii) **Improved Technology and Investment:** With the entry of MNCs, modern technology and better production methods have been introduced. Indian producers have benefited from foreign investments, helping them improve productivity and efficiency.

2. Multinational Corporations (MNCs) spread their production across various countries for the following reasons:

(i) **To Reduce Production Costs:** MNCs set up units in countries where labour, raw materials, and land are cheaper, helping them maximise profits.

(ii) **To Access New Markets:** By producing locally, MNCs can easily sell their products in new regions and avoid import duties or trade barriers.

(iii) **To Take Advantage of Government Policies:** Many countries offer tax benefits, subsidies, or relaxed regulations to attract foreign companies, making it profitable for MNCs to invest there.

3. Globalisation has brought several benefits to Indian consumers, improving their choices, affordability, and quality of life. Here are three examples:

(i) **More Choices of Goods and Services:** Indian consumers now have access to a wider variety of products, including foreign brands in electronics, clothing, food, and more.

(ii) **Better Quality at Lower Prices:** Increased competition from multinational companies has led to improved quality of goods and services at affordable prices.

(iii) **Access to Modern Technology and Services:** Consumers now enjoy advanced technology (like smartphones, internet services, online shopping) and global-level services, improving their standard of living.

4. Liberalisation refers to the process of removing government restrictions and barriers on economic activities such as trade, investment, and industry. It was introduced in India in 1991 to make the economy more open and competitive.

The ways liberalisation has impacted the Indian Economy are:

(i) **Increase in Foreign Investment:** Liberalisation allowed foreign companies to invest in India, which led to the growth of industries, creation of jobs, and improved infrastructure.

(ii) **Expansion of Private Sector:** With reduced control of the government over businesses, private companies grew rapidly, leading to greater competition, better quality goods, and more options for consumers.

5. Fair globalisation means ensuring that the benefits of globalisation are shared equally by all sections of society, especially the poor, small producers, and workers.

The steps the Government can take to ensure fair globalisation are:

(i) **Support to Small Producers:** Provide subsidies, training, and modern technology to small-scale industries and farmers to help them compete with multinational companies.

(ii) **Strong Labour Laws and Protection:** Enforce labour laws to ensure fair wages, safe working conditions, and job security for workers in both organised and unorganised sectors.

(iii) **Investment in Education and Skill Development:** Improve access to quality education and vocational training, so that more people, especially the youth, can benefit from new job opportunities created by globalisation.

## CASE BASED QUESTIONS

1. (i) Multinational corporations investing in nearby towns have brought modern agricultural practices, leading to a dilemma for Rohan's family whether to continue with traditional methods or switch to modern techniques.  
(ii) Globalisation often brings in new job opportunities through investments by multinational corporations, potentially impacting traditional farming practices.  
(iii) The influx of multinational corporations introducing modern agricultural technology and practices is driving the economic transformation in Rohan's village.
2. (i) There is a greater choice before consumers who now enjoy improved quality and lower prices for several product which is visible through the latest model of digital cameras, mobile phones, television, automobiles, etc.  
(ii) With the opening of trade, goods travel from one market to another. This creates opportunity for the producers to reach beyond domestic markets. Choice of goods in the markets rises.  
(iii) (1) Massive campaigns and representation by people's organisation have influenced important decision relating to trade and investment at the WTO.  
(2) People can ask for social justice.
3. (i) Globalisation enabled Babita to reach international buyers through online platforms, allowing her to receive bulk orders, increase income, and hire more local artisans.  
(ii) Small toy-makers are struggling because

cheap plastic toys from China have flooded the market, and they cannot compete with the low prices, leading to a drop in sales.

- (iii) The contrasting effects of globalisation on Indian producers are:

**Positive Effect:** Babita's business grew with access to global markets and technology, increasing income and local employment.

**Negative Effect:** Small toy-makers faced losses due to unfair competition from cheaper imported goods, forcing some to abandon traditional crafts.

**Government support:** The government can help by providing easier access to credit, creating awareness of schemes, and improving implementation of initiatives like "Make in India" to protect and promote small producers.

4. (i) Shashank upgraded his machinery, trained his workers, and began exporting garments to European countries after liberalisation.  
(ii) Purohit could not compete with cheaper, machine-made garments from large factories and foreign imports, leading to a drop in sales and closure of his business.  
(iii) Shashank benefited from globalisation by expanding into foreign markets, increasing profits, and creating employment.

Purohit suffered losses due to inability to compete and lack of support, which led to the closure of his small-scale weaving unit.

The steps that government can take to support small producers like Purohit are:

- (1) Provide subsidies and affordable credit through simplified loan procedures.
- (2) Organise awareness and training programmes to help small producers upgrade skills and compete globally.

## LONG ANSWER TYPE QUESTIONS

1. The effects of globalisation on India, highlighting both positive and negative outcomes are:  
**Positive Effects:**
  - (i) **Increased Foreign Investment:** Globalisation led to a rise in Foreign Direct Investment (FDI), helping India improve its infrastructure, technology, and employment opportunities.
  - (ii) **Access to Global Markets:** Indian producers, especially in sectors like IT and garments, gained access to international markets, resulting in higher exports and income.
  - (iii) **Improved Consumer Choices:** Indian consumers now enjoy a wider variety of

goods and services, including foreign brands, often at better quality and lower prices.

**Negative Effects:**

- (i) **Losses for Small Producers:** Small-scale industries and traditional artisans have struggled to compete with cheaper, high-quality imports and products from large multinational corporations (MNCs).
- (ii) **Job Insecurity and Inequality:** While new jobs were created, many are low-paid and insecure, especially in the unorganised sector. Also, the benefits of globalisation are unevenly distributed, leading to greater economic inequality.



2. The ways in which MNCs spread their production across countries and influence local economies are:

- (i) **Setting Up Production Units Abroad:** MNCs establish factories and offices in multiple countries to reduce production costs by using cheaper labour, raw materials, and infrastructure.
- (ii) **Contracting with Local Companies:** Instead of setting up their own factories, MNCs often collaborate with or subcontract local firms, helping them expand but also making them dependent on global supply chains.
- (iii) **Mergers and Acquisitions:** MNCs sometimes buy out local businesses or merge with them, gaining direct control over production and markets while increasing their global presence.
- (iv) **Use of Advanced Technology and Skills:** MNCs introduce modern technology, management practices, and skilled jobs to host countries, helping improve efficiency and productivity.
- (v) **Impact on Local Economies:** MNCs contribute to employment generation, foreign investment, and export growth. However, they can also outcompete local industries, causing some small producers to suffer.

3. Liberalisation refers to the process of removing government controls and restrictions on economic activities such as trade, industry, and investment. It aims to make the economy more open, competitive, and market-oriented. India adopted liberalisation policies in the 1990s to boost growth and integrate with the global economy.

The major impacts of Liberalisation on the Indian Economy are:

- (i) **Increased Foreign Investment:** Liberalisation attracted foreign companies and capital into

India, which helped improve infrastructure, technology, and employment.

- (ii) **Growth of Private Sector:** The reduction of government control allowed the private sector to expand rapidly, promoting competition and efficiency.
- (iii) **Expansion of Exports:** Removal of trade barriers led to a significant increase in exports, helping India earn more foreign exchange and improve its global trade balance.
- (iv) **Improved Consumer Choice:** With liberalisation, Indian consumers gained access to a wider variety of goods and services, including many foreign brands and better quality products.

4. (i) **Consumers:** Consumers benefit from globalisation as they get access to a wider variety of better-quality and affordable products due to competition from foreign companies.

- (ii) **Small Producers:** Many small producers and traditional artisans struggle because they cannot compete with cheap and better-quality imported goods, leading to loss of income and closure of businesses.

(iii) **Workers:** While globalisation has created new jobs, many workers, especially in the unorganised sector, face job insecurity, low wages, and poor working conditions.

- (iv) **Farmers:** Some farmers have benefited from better technology and export opportunities, but many others suffer due to exposure to global market fluctuations, cheap imports, and lack of adequate government support.

(v) **Unequal Development:** Overall, globalisation has widened the gap between rich and poor, urban and rural areas, as benefits are often concentrated among the urban middle class and large businesses.

