

CH: 4- GOVERNMENT POLICIES FOR BUSINESS GROWTH



INTRODUCTION

Introduction

Every nation defines its mode of governance through a number of policies. These policies are described as public policies in the national and international parlance, public policies are as old as government.

In fact, all large corporate houses align their corporate policies according to the set government policies of the host nations.

THE ECONOMIC CHANGE PROCESS

Industrial policy was reformed first through the New Industrial Policy .1991 it opened up the foreign capital inflow. The removal of restrictions on investment in project helped many business sector to expand This change in policy also allowed increased access to foreign technology and funding on the other.

A series of measures which were taken Toward liberalizing foreign included:

- There is dual route of approval of FOI. The Reserve Bank of India articulated the areas of automatic route and the union government outlined the process of approval through government route.
- Automatic permission was granted for.
- technologies agreement in high priority

- Industries
- Permission was granted to Non – Resident Indian (NRIs) and overseas Corporate bodies (OCBs) to invest up to 100 percent capital in high priorities sectors.
- Hike in the foreign equity participation limits to
- 51 percent for existing companies and liberalization of the use of foreign “brands name”

POLICY DECISION AND GOAL

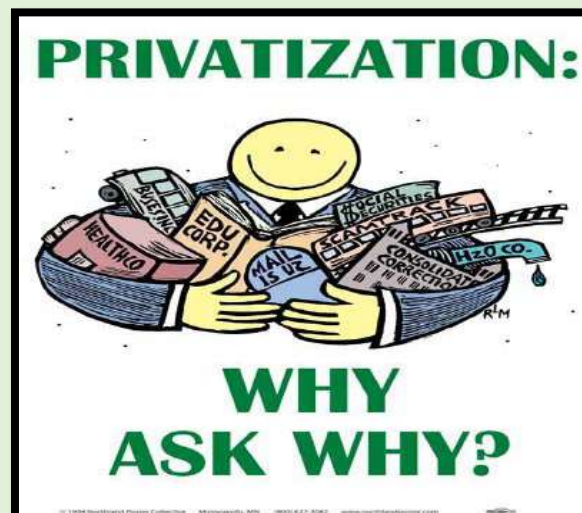
A policy emanates from decision and decision is taken in line with goal. In order to take a decision, there must be more than one course of action. Thus a decision is the act of making a choice. The entire act of decision – making has been developed on the condition that can improve this activity of finding multiple choice.

PRIVATIZATION

India initiated its mammoth privatization program in 1991 as a part of its policy stance to usher in macroeconomic stabilization and structural reform effort to cope with stagnation, slow growth in an extremely difficult economic condition.

The two main objective of privatization in India were:

- to raise revenues to ease the fiscal crunch and:
- to improve the profitability and efficiency of the divested enterprises.



Privatization may be of conceptualized in following prominent types;

- Delegation Government keeps hold of responsibility

and private enterprises handles fully or partly of product and services there is active involvement by government.

- Divestment: Government surrenders partial ownership and responsibility and sell the majority stake to one or more private entities in course of time
- Displacement; The private enterprise expands and gradually displaces the government entity.
- Disinvestment: Selling a portion of ownership (stake) in a public enterprise to private parties.

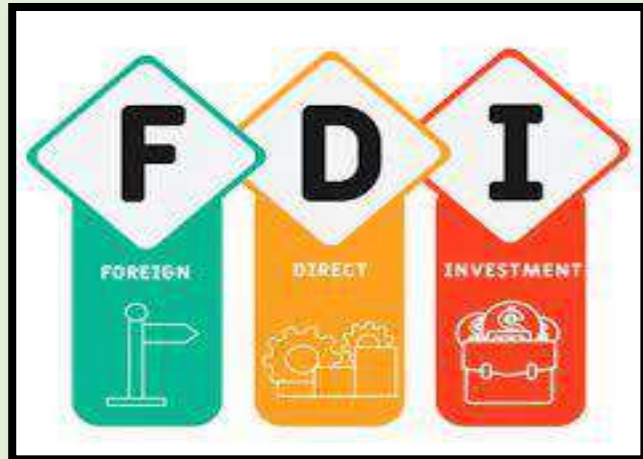
FOREIGN DIRECT INVESTMENT IN INDIA (FDI)

Foreign Direct Investment (FOi) may be described as a flow of capital investment to an enterprise in a nation by another enterprise located in a different nation by capturing a majority stake in ownership in a company in the target country or by expanding operations of an existing business in that country.

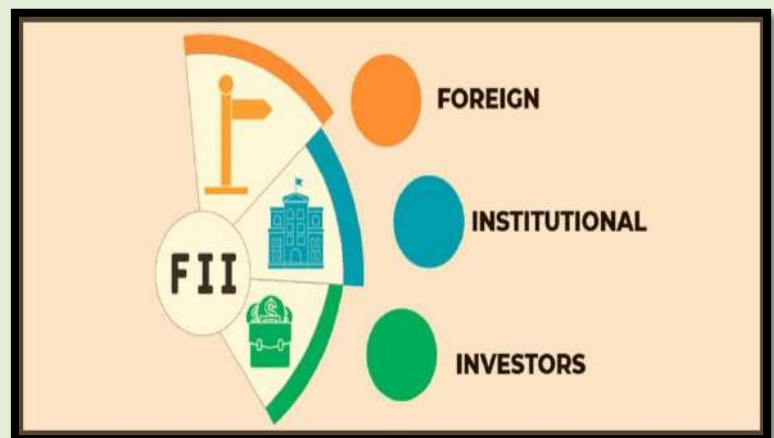
Permission for foreign Direct Investment (FOi) is not uniform for all sectors, some sectors are opened up for 100% and in some sector, it is allowed only up to 26%, 49%, or 51%.

Here are a few sectors where FDI is prohibited under both the Government route as well as the Automatic Route:

1. Atomic Energy
2. Lottery Business
3. Gambling and Betting
4. Business of Chit Fun
5. Agriculture (excluding floriculture, horticulture, Pisciculture and cultivation of vegetables, mushrooms, etc. under controlled condition and services related to agro and allied sector) and plantation activities (other than tea plantation)
6. housing and real estate business (except development of township, construction of residential/commercial premises, roads or bridges to the extent specified)
7. Trading in transferable Development right (IDRs)
8. Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.



FOREIGN INSTITUTIONAL INVESTORS (FIIS)



Flis are large foreign group with substantial investible funds. flis are registered abroad with a view to investing in other nations to invest equity market, hedge funds pensions funds pension funds and mutual funds. flis have strong research them which speculate to investment in a country with a possibility of strong return in equity market. these funds park their funds to fuel a bullish market.

**Question 1**

Gradual decrease in government command and control over the economic policies is

- (a) Privatization (b) Globalization
(c) Demonetization (d) Liberalization

Answer: d

Explanation:

Liberalization (or liberalization) is a general term for any process where by a state lifts restriction on some private individual activities. Liberalization occurs when something which used to be banned is no longer banned, or when government regulation is relaxed.

Question 2

Taking off restriction on export and import of goods and services is.

- (a) Privatization (b) Globalization
(c) Demonetization (d) Liberalization

Answer: b

Explanation:

Globalization is the free movement of goods, service and people across the world. in this article we discuss the meaning and importance of globalization.

Question 3

Transfer of government ownership to private hands is

- (a) Privatization (b) Globalization
(c) Demonetization (d) Liberalization

Answer: a

Explanation:

Definition: The transfer of ownership, property or business from the government to the private sector is termed privatization The government ceases to be the owner of the entity or business. The process in which a publicity company is taken over by a few people is also called privatization.

Question 4

Chanakya authored the book

- (a) chanakyashastra
- (c) Kautilyashastra

- (b) Arthashastra
- (d) Bhumishastra

Answer: b

Explanation:

The Arthashastra is an ancient Indian treatise on statecraft, economic policy, and military strategy, written in Sanskrit. Likely to be the work of several author over centuries, Kautilya, also identified as Vishnu gupta and chanakya

Question 5

FEMA replaced FERA as legislation in:

- (a) 1991
- (c) 1999

- (b) 1992
- (d) 2006

Answer: c

Explanation:

It was passed in the winter session of parliament in 1999, replacing the Foreign Exchange Regulation Act (FERA). This act makes offence related to foreign exchange civil offenses.

Question 6

Hyundai India Limited came to India through the FDI route. It followed the path of:

- (a) Divestment in Public Sector Unit

- (b) Joint Venture

- (c) By creating a 100% Indian subsidiary

- (d) Replacement of a government sector business

Answer: c

Explanation:

The path followed by Hyundai India Limited is by creating a 100 percent Indian subsidiary. Though it entered through FDI or Foreign direct investment route.

Question 7

Public Policies are always __fill in the gap by taking the appropriate expression from the following:

- (a) Goal oriented
- (c) Pro - rich

- (b) Minutely defined
- (d) For the poor

Answer: a

Explanation:

Public policy is a purposeful and consistent course of action taken as a response to a perceived problem of a nation, formulated by a specific political process and adopted, implemented and enforced by a public agency.

Question 8**Which of the following institutions been scrapped recently?**

- (a) Minerals and Metals Regulatory Commission (b) Coal India Limited
(c) Planning Commission (d) FIPB

Answer: c**Explanation:**

Planning Commission with a new institution having a new as the government's go – to think – tank for policy prescriptions.

Question 9**OCBs mean:**

- (a) Overseas Corporate Bodies (b) Ordnance Commission bilater's
(c) Oversees civic boards (d) None

Answer: a**Explanation:**

overseas corporate body (OCB) means a company, partnership firms, society and other corporate body located outside India but owned directly or indirectly by non- resident Indians at least percent and it also includes overseas trust in which not less than sixty percent beneficial interest is held by non – resident.

Question 10**Sale of 50% stake in a PSU to a single private sector company is an example of:**

- (a) Displacement of stoke (b) Decentralization of authority
(c) Delegation of stake (d) Disinvestment to from a Joint Venture

Answer: d**Explanation:**

Disinvestment can also be defined as the action of an organization (or government) selling or liquidating an asset or subsidiary, it is also referred to as `disinvestment' or `divestiture'

Question11**The form of privatization, where government keeps hold of responsibility and private enterprise handles the management of it fully or partly is known as:**

- (a) Disinvestment (b) Delegation
(c) Deregulation (d) Decentralization

Answer: b**Explanation:**

Delegation is the assignment of any responsibility or authority to another person/ to carry out specific activities. It is one of the core concepts of management leadership. However, the person who delegated the work remain accountable for the outcomes of the delegated work.

Question 12

GST was implementing in India with effect from

- (a) 1.01.2017 (b) 01,04.2017
(c) 01.07.2017 (d) 01.08.2017

Answer: C

Explanation:

The GST was launched at midnight on 1 July 2017 by the president of India, Pranab Mukherjee, and the Prime Minister of India Narendra Modi. The launch was marked by a historic midnight (30 June – 1 July) session of both the house of parliament convened at the central hall of the parliament.

Question 13

David Easton propounded a model on politics' relationship known as_ model

- (a) Black Box (b) Red Box
(c) White Box (d) Blue Box

Answer: a

Explanation:

It is a model system analysis popularized by Davis Easton (1965). Black Box denotes the process, where by the processing of inputs takes place to produce outputs/ outcomes. It applies the logic of cybernetics, propounded by Norbert Wiener to understand political process and behavior. The cybematics it the science of control system theory – via feedback relationship.

Question 14

The method of FDI other automatic route is called:

- (a) NRI Route (b) Government Route
(c) Institutional Route (d) Priority Route

Answer: a

Explanation:

FDI under sectors is permitted either through Automatic route or Government route. Under the Automatic route, the non-resident or Indian company does not require any approval from GOI.

Question 15

SEBI, RBI and IRDA ARE:

- (a) Regulatory Institution (b) Policy institution

(c) Satellite Institutions

(d) Goal setting bodies

Answer: a

Explanation:

A regulatory agency (also regulatory authority, regulatory body or regulator) is a Public authority or government agency responsible for exercising autonomous authority over some area of human activity in a regulatory or supervisory capacity. An independent regulatory agency is a regulatory agency that is independent from other branches or arms of the government.

Question 16

FDI is allowed in all of the following except:

(a) Lottery business

(b) Banking operations

(c) Insurance

(d) Air transport service

Answer: a

Explanation:

Lottery business (including government/private lottery, online lotteries etc.) is prohibited under FDI

Question 17

Public policies are of ___ types.

(a) Three

(b) Four

(c) Five

(d) One

Answer: a

Explanation:

Public policies are three types:

- Restrictive
- Regulatory
- Facilitating

Question 18

About ___ of the population was below the poverty line in 1951.

(a) 45%

(b) 40%

(c) 47%

(d) 50%

Answer: c

Explanation:

If we look at the Indian economy at the time independence, it showed all signs of stagnation. About 47% of the population was below the poverty line in 1951.

Question 19

Some policies are called which policies, which are meant for specific segments of society.

- (a) Regulatory (b) Distributive
(c) Both (d) One

Answer: b

Explanation:

Some policies are called distributive policies, which are meant for segment of society. It can be in the area of public distribution to people below poverty line (BPL), public welfare, justice for women, health services etc.

Question 20

Government surrenders partial ownership and responsibility and sells the majority stake in which case?

- (a) Delegation (b) Displacement
(c) Disinvestment (d) Divestment

Answer: d

Explanation:

Divestment: Government surrenders partial ownership and responsibility and sells the majority stake to one or more private entities in course of time.

Question 21

Which of the following statement regarding privatization is correct?

- (a) Privatization is panacea for all economic problems. (b) Privatization always leads to attaining social and economic efficiency
(c) Privatization may result in lopsided development of industries in the country (d) None of these

Answer: c

Explanation:

Privatization may result in lopsided development of industries in the country this statement is true regard Privatization.

Question 22

FDI is the 100% permitted on Atomic Energy This Statement is true?

- (a) YES (b) No
(c) Partly Yes (d) None

Answer: b

Explanation:

Atomic Energy is a sector where FDI is prohibited under both the Government Route as well as the Automatic Route.

Question 23

To improve the profitability and efficiency of the divested enterprises is objective of:

- (a) Liberalization (b) Privatization
(c) Globalization (d) None

Answer: b

Explanation:

In this context, the two main objectives of privatization in India were:

- To raise revenues, the two ease the fiscal crunch and
- To improve the profitability and efficiency of the divested enterprises

Question 24

Government keeps hold of responsibility and private enterprises handles fully or partly the delivery of product and services in

- (a) Delegation (b) Displacement
(c) Both (d) None of these

Answer: a

Explanation:

Delegation: Government keeps hold of responsibility and private enterprises handles fully or partly the delivery of product and services. There is active involvement by government Delegation may happen through contract, franchise, grant etc.

Question 25

Privatization in India has taken place in all of the cases except

- (a) CMC (b) BALCO
(c) VSNL (d) None of the above

Answer: d

Explanation:

Privatization in India has taken place in all of the above cases therefore the correct is none.

Question 26

Which are registered abroad with a view to investing in other nations is done under:

- (a) Foreign Institutional Investors (b) Abroad Institutional Investors
(c) Both (d) None

Answer: a

Explanation:

FII's which represent the foreign Institutional Investors. FII's are large foreign groups with substantial investible funds. FII's are registered abroad

with a view to investing in other nations to invest in equity markets, hedge funds, pension funds and mutual funds.

Question 27

This may be described as cash flow capital investment.

- | | |
|-------------------------------|--------------------------------------|
| (a) Foreign direct investment | (b) Foreign institutional investment |
| (c) Both | (d) None |

Answer: a

Explanation:

Foreign direct investment (FDI) may be described as cash flow of capital investment to an enterprise in a nation by another enterprise located in a different nation by capturing a majority stake ownership in a company in the target country or by expanding operations of an existing business in that country.

Question 28

Who curtail all benefits in some particular issue?

- | | |
|---------------------------|--------------------------|
| (a) Regulatory practices | (b) Restrictive policies |
| (c) Facilitating policies | (d) None |

Answer: b

Explanation:

Restrictive policies curtail all benefits in some particular issues for example, custom duties may be imposed to protect Indian products.

Question 29

Simplifications of tax structure are benefits of

- | | |
|--------------------|-------------------|
| (a) Liberalization | (b) Privatization |
| (c) Localization | (d) None |

Answer: a

Explanation:

Liberalization of economic policy refers to the gradual decrease in government command and control over the economic policies simplification of tax structure, removing quota, bars and economic restriction are some example of Liberalization.

Question 30

The Government of India followed which mixed economy path

- | | |
|-------------|-----------|
| (a) Social | (b) Mixed |
| (c) Capital | (d) None |

Answer: b

Explanation:

The Government of India followed a mixed economic path – a mix of policies borrowed from both capitalistic and communist economic policies

Question 31

FDI in sector / activities which do not require any prior approval either of the Government or the Reserve Bank of India is defined as:

- (a) Green Channel (b) Priority route
(c) Non – commercial route (d) Automatic route

Answer: d

Explanation:

Automatic route: by this route FDI is allowed without prior approval by Government or Reserve Bank of India

Question 32

A _____ emanates from decision and decision is taken in line with _____.

Identify the right expression in the bank:

- (a) Policy ; Goal (b) Budget; Plan
(c) Plan; Budget (d) Goal; Plan

Answer: a

Explanation:

A policy emanates from the decision and decision is taken in line with goal.

Question 33

Liberalization made the rules of which trade simpler:

- (a) Indian (b) Foreign
(c) Both (d) None

Answer: b

Explanation:

Liberalization made the rules of foreign trade simpler: Foreign exchange related rules were simplified it becomes easier for Indian corporate houses to do business abroad.

Question 34

FIPB stand for-

- (a) Foreign Institutional Promotion Board (b) Foreign Institutional Preparatory Board
(c) Foreign Investment Priority Board (d) Foreign Investment Promotion Board

Answer: d

Explanation:

The Foreign Investment Promotion Board (FIPB) was a national agency of Government of India with the remit to consider and recommend foreign direct investment (FDI) which does not come under the automatic route.

Question 35

Nidhi Company is prohibited under both Government & Automatic Route.

- (a) Correct (b) Incorrect
(c) Partly Incorrect (d) Partly correct

Answer: a

Explanation:

Here are a few sectors where FDI is prohibited under both the Government Route as well as the Automatic Route:

1. Automatic Energy
2. Lottery Business
3. Gambling and Betting
4. Business of Chit Fund
5. Nidhi Company

Question: 36

Which is not the example of FDI presence in India during the post liberalization days?

- (a) Coke (b) Microsoft
(c) Honda (d) None

Answer: d

Explanation:

The presence of Samsung, Sony, Coke, PepsiCo, HP, Microsoft, General, Motors, Hyundai, Toyota, Volkswagen, and Volvo are some example of FDI presence in India during the post liberalization days.

PAST EXAMINATION QUESTION

MAY - 2018

Question 1

Government holds responsibility as private sector handles fully and partly the product and services.

- (a) Delegation (b) Divestment
(c) Displacement (d) Disinvestment

Answer: a

Explanation:

Delegation, which says government keeps hold of responsibility and private enterprise handles fully or partly the delivery of product and services, There is active involvement by government delegation may happen through contract, franchisee,

grants etc.

Question 2

Globalization means:

- | | |
|--|--|
| (a) Taking off restrictions in export and import of goods and services | (b) Gradual decrease in government command and control over economic policies. |
| (c) Transfer of government ownership to private lands | (d) None of these. |

Answer: a

Explanation:

Globalization is the free movement of goods, services and people across the world in a seamless and integrated manner. Hence it is about taking off restriction in Export of goods and services.

Question 3

Which of the following is correct?

- | | |
|--|---|
| (a) Government looks for FII'S over FDI for investment purpose | (b) There is no restriction in any sector for FDI |
| (c) There is limitation on some sector for FDI | (d) All of these |

Answer:c

Explanation:

There is limitation on FDI in some sectors this is correct FDI is not uniform for all sector. some sector are opened up for 100% and in some it is allowed up to 26% , 49% or 51% uncertain area, FDI limit has been capped like, the Insurance Business.

Question 4

IFCI stand for:

- | | |
|---|---|
| (a) Industrial Foreign Corporation of India | (b) Industrial Financial Corporation of India |
| (c) Industrial Finance Corporation if India | (d) Indian Financial Corporation For Industries |

Answer:c

Explanation;

IFCI stand for Industrial Finance Corporation of India

Question 5

A_____ emanates from decision and decision is taken in line with __ identify the right expression to fill in the blanks

- (a) Policy, Goal
(c) Goal, Plan

- (b) Plan, Budget
(d) Budget, Plan

Answer: a

Explanation:

A policy emanates from decision and decision is taken in line with goal many a times the term like political goal, decision and policy are used interchangeably, but they mean the same.

NOV - 2018

Question 1

NITI Aayog replaced:

- (a) Planning Commission
(c) MRTP Commission

- (b) Election Commission
(d) Financial Commission

Answer: a

Explanation:

Planning Commission was established to make economic plans for a period of five years. it may be noted that NITI Aayog has now replaced the planning commission.

Question 2

_____ makes the trade between countries more difficult or expensive

- (a) Barrier to entry
(c) Custom

- (b) Barrier to trade
(d) None

Answer: b

Explanation:

Barrier to trade makes the trade between two countries more difficult or expensive.

Question 3

100% FDI is allowed in which years?

- (a) 2010
(c) 2014

- (b) 2012
(d) 2004

Answer: b

Explanation:

In year 2012, 100% in India was allowed for some sector only

Question 4

Gradual decrease in government command & controlled over the economic policies:

- (a) Globalization
(c) Liberalization

- (b) Privatization
(d) None of these

Answer: c

Explanation:

Liberalization of economic policy refers to the gradual in gout command & control over the policies. simplification of tax structure, removing quotas, bars & economic restriction are some example of Liberalization

MAY - 2019

Question 1

FEMA replaced FERA as legislation in:

- | | |
|----------|----------|
| (a) 1991 | (b) 1999 |
| (c) 1992 | (d) 2006 |

Answer: b

Explanation:

The Foreign Exchange Regulation Act (FERA) was passed in 1973; the main purpose of which was the ensure the use of foreign exchange; The FERA was created obstacles in the development of the country so government replaced is by FEMA in 1999.

Question 2

NITI Aayog has replaced which of the following:

- | | |
|--------------------------|---------------------------|
| (a) MRTP Commission | (b) Planning Commission |
| (c) Financial Commission | (d) Population Commission |

Answer: b

Explanation:

NITI Aayog The new 'think - tank' to replace planning commission Government o India has replaced the old planning commission started in 1950 with a new institution called NITI Aayog on January 2015.

Question 3

Permission has been granted to non- resident Indian (NRI) & Overseas percent in high priority sectors

- | | |
|--------|---------|
| (a) 27 | (b) 49 |
| (c) 51 | (d) 100 |

Answer: d

Explanation:

100% permission has been granted to non - resident Indian (NRI) & Over ness percent in high priority sectors

Question 4

In single hand retailing, 100% allowed in the year:

- | | |
|----------|----------|
| (a) 2012 | (b) 2010 |
| (c) 1999 | (d) 1997 |

Answer: a

Explanation:

FDI was allowed in the year 2012

Question 5

The decrease Government control and command in India business of.....

- (a) Liberalization (b) Privatization
(c) Globalization (d) Delegation

Answer: a**Explanation:**

The basic aim of liberalization was to put an end to those restrictions which became hindrances in the development and growth of the nation. The loosening of government control in a country and when private sector companies' start working without or with fewer restriction and government allow private player to expand for the growth of the country depicts Liberalization in a country.

DEC - 2020**Question 1**

Government keeps hold of responsibility and private enterprise handle fully or partly the delivery of product and services. Such type of concept of privatization is known as _____

- (a) Divestment (b) Displacement
(c) Disinvestment (d) Delegation

Answer: d**Explanation:**

Government keeps hold of responsibility and private enterprise handle fully or partly the delivery of product and services. Such type of concept of privatization is known as Delegation.

Question 2

The formation of National Skills Development Corporation(NSDC) is an example of which of the following type of public policy?

- (a) Restrictive (b) Social
(c) Facilitating (d) Regulatory

Answer: c**Explanation:**

The National Skill Development Corporation India (NSDC) was setup as a one of its kind, Public Private Partnership Company with the primary mandate of catalyzing the skills landscape in India. The main objective of the NSDC is to upgrade skill to international standards through significant industry involvement and develop necessary frameworks for standards, curriculum and quality assurance.

Question 3

Organizing of immunization camps by government is an example of which policy?

- (a) Restrictive (b) Social
(c) Distributive (d) Regulatory

Answer: c

Explanation:

Distributive policies extend goods and services to members of an organization, as well as distributing the costs of the goods/services amongst the members of the organization.

Question 4

Taking of restrictions in exports and imports of goods is ____

- (a) Liberalization (b) Privatization
(c) Globalization (d) Socialization

Answer: a

Explanation:

Trade liberalization is the removal or reduction of restrictions or barriers on the free exchange of goods between nations.

Question 5

Gradual decrease in government command and control over economic policies is called ____

- (a) Socialization (b) Liberalization
(c) Globalization (d) Capitalization

Answer: b

Explanation:

Economic liberalization (or economic liberalisation) is the lessening of government regulations and restrictions in an economy in exchange for greater participation by private entities.

Question 6

Selling of a portion of ownership from public enterprise to private parties is called

- (a) Disinvestment (b) Divestment
(c) Delegation (d) Deregulation

Answer: a

Explanation:

Disinvestment means an action of an organisation or a government selling or liquidating the assets. Example Sale of stake in HPCL. Divestment means that an action or process of selling off subsidiary business interests or investment. Disinvestment is

an action and Divestment is a process.

Question 7

In which of the following FDI is prohibited under both the Government Route as well as the automatic Route:

- | | |
|-------------------|--------------------|
| (a) Atomic energy | (b) Solar energy |
| (c) Wind energy | (d) Biomass energy |

Answer: a

Explanation:

Sectors in the Indian economy where FDI is not allowed are: Atomic Energy Generation. Cigars, Cigarettes, or any related tobacco industry

JAN - 2021

Question 1

Hyundai India Limited came to India through the FDI route. It followed the path of:

- | | |
|--|---|
| (a) Divestment in Public sector Unit | (b) joint Venture |
| (c) By creating a 100% Indian subsidiary | (d) Replacement of a government sector business |

Answer: c

Explanation:

The path followed by Hyundai India Limited is by creating a 100 percent Indian subsidiary. Though it entered through FDI or Foreign direct investment route yet it is fully or wholly owned subsidiary of the Hyundai Motor Company which is headquartered in South Korea and second largest automobile manufacturer.

Question 2

Decisions on annual financial spending taxes and duties and military spending are considered in:

- | | |
|------------------|--------------------------------|
| (a) Policies | (b) Budget |
| (c) Goal setting | (d) Long term planning process |

Answer: b

Explanation:

Revenue budget – consists of revenue receipts of government and the expenditure met from these revenues. Tax revenues are made up of taxes and other duties that the government levies. Expenditure budget – includes spending data items

Question 3

In order to take a decision, there must be _____ course of action. Fill in the blank

space with appropriate expression

- (a) One (b) Specific
(c) Financial (d) More than one

Answer: d**Explanation:**

In its simplest definition, decision-making is the act of choosing between two or more courses of action.

Question 4**Simplifications of trade restrictions related to import is an example of**

- (a) Globalization (b) Privatization
(c) Disinvestment (d) Aggregative

Answer: a**Explanation:**

Simplification of Trade Restrictions relating to Imports and Exports falls under Globalization.

Question 5**Where there is no approval through automatic route for FDI The company has to seek permission form:**

- (a) RBI (b) MCA
(c) Foreign Institutional Investors (d) Foreign Institutional Promotion board

Answer: b**Explanation:**

The Foreign Investment Promotion Board (FIPB) was a national agency of Government of India, with the remit to consider and recommend foreign direct investment (FDI) which does not come under the automatic route.

Question 6**Industrial Policy was first reformed through:**

- (a) The new industrial policy , 1991 (b) The new industrial Policy, 1991
(c) The new Industrial Policy , 1990 (d) The new Industrial Policy

Answer: b**Explanation:**

With the New Industrial Policy' 1991, the Indian Government intended to integrate the country's economy with the world economy, improving the efficiency and productivity of the public sector.

Question7**The private enterprise expands and gradually displaces the government entity in which of the following type?**

- (a) Delegation
(c) Divestment

- (b) Disinvestment
(d) Displacement

Answer: d

Explanation:

Economic Displacement arises when policy intervention which causes the expansion of one economic activity or activity in one location also has the effect of bringing about some degree of reduction in economic activity elsewhere.

JULY - 2021

Question 1

Which of the following is one of the most significant macro policy indicators that impact business?

- (a) International trade
(c) Tax rate
- (b) Trade policy
(d) Rural policy

Answer: c

Explanation:

There are 4 main macroeconomic variables that policymakers should try and manage: Balance of Payments, Inflation, Economic Growth and Unemployment. So, Tax rate is one of the most significant macro policy indicators that impact business?

Question 2

In which of the following government holds authority and give partly & fully responsibility to private sector for delivery of goods and services in the name of contract, franchise, etc.?

- (a) Divestment
(c) Displacement
- (b) Disinvestment
(d) Delegation

Answer: c

Explanation:

Question 3

Which of the following sector, FDI is prohibited in India?

- (a) Retail
(c) Pharmaceutical
- (b) Nidhi Company
(d) Electronics

Answer: b

Explanation:

The present policy prohibits FDI in the following sectors: Gambling and Betting. Lottery business (including government/ private lottery, online lotteries etc.) Activities /sectors not open to private sector investment (e.g. atomic energy /railways)

Question 4

Fills prefer to park then funds to fuel which type of market?

- (a) Stock
- (c) Money

- (b) Bullish
- (d) Commodity

Answer: b

Explanation:

A mid-cap fund is a type of investment fund that focuses its investments on companies with a capitalization in the middle range of listed stocks in the market.

Question 5

Which policies are meant for specific segments of society, it can be in the area of public distribution to people below poverty line, justice for women etc.?

- (a) Financial
 - (c) Facilitating
- (b) Distributive
 - (d) Economic

Answer: b

Explanation:

Distributive policies are meant for specific segments of society. It includes all public assistance and welfare programmes. Some examples of distributive policies are adult education programme, food relief, social insurance, employability, etc.

Question 6

Which of the following is an example of facilitating policy?

- (a) Companies Act 2013
 - (c) Monetary Policy
- (b) Income Tax Policy
 - (d) Micro-Small-Medium enterprises

Answer: d

Explanation:

Take for example the NABARD that facilitates rural credit policies. Another example is the EXIM Bank that implements policies to increase the import-export industry in our country.

Question 7

Which of the following is not a source of infusion of foreign funds in India?

- (a) Listing of a company in NSE through IPO
 - (c) Foreign Institutional Investors
- (b) Non-Resident Indians
 - (d) Overseas Citizens of India

Answer: a

Explanation:

For a country where capital is not readily available, Foreign Direct Investment (FDI) has been an important source of funds for companies. Under FDI, overseas money, either by an individual or entity, is invested in an Indian company.

DEC - 2021

Question 1**Privatization may not be of conceptualized in form of**

- | | |
|-------------------------|-------------------|
| (a) Divestment | (b) Disinvestment |
| (c) Departmentalization | (d) Displacement |

Answer: c**Explanation:**

Departmentalisation: Conceptualization of Privatization in India – Delegation, Divestment, Disinvestment, Displacement.

Question 2**FDI prohibited**

- | | |
|---------------------------|-------------------|
| (a) Floriculture | (b) Horticulture |
| (c) Plantation activities | (d) Nidhi company |

Answer: d**Explanation:**

Nidhi company: At present, FDI is prohibited in nine sectors – lottery business; gambling and betting including casinos; chit funds; nidhi companies; trading in transferable development rights; real estate business or construction of farmhouses; manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco

Question 3**Organization mission , development of objective , policies and budget belongs to which response**

- | | |
|--------------------|----------------|
| (a) Competitive | (b) Collective |
| (c) Administrative | (d) none |

Answer: c**Explanation:**

One way to make that journey is through strategic planning, the process by which a group defines its own "VMOSA;" that is, its Vision, Mission, Objectives, Strategies, and Action Plans. VMOSA is a practical planning process that can be used by any community organization or initiative.

Question 4**Government reduction in MTNL and BSNL is an example of -**

- | | |
|------------------|-------------------|
| (a) Deligation | (b) Divestment |
| (c) Displacement | (d) Disinvestment |

Answer: c**Explanation:**

The private enterprise expands and gradually displaces the government entity. Deregulation facilitates privatisation if it enables private sector to challenge a government monopoly. The government monopoly through BSNL and MTNL has been displaced by the private sector.

Question 5**FDI is not allowed in _____.**

- | | |
|---------------------------|-------------------|
| (a) Floriculture | (b) Horticulture |
| (c) Plantation Activities | (d) Nidhi Company |

Answer: d**Explanation:**

Here are a few sectors where FDI is prohibited under both the Government Route as well as the Automatic Route:

1. Atomic Energy
2. Lottery Business
3. Gambling and Betting
4. Business of Chit Fund
5. Nidhi Company
6. Agricultural (excluding Floriculture, Horticulture, Development of seeds, Animal Husbandry, Pisciculture and cultivation of vegetables, mushrooms, etc. under controlled conditions and services related to agro and allied sector) and Plantations activities (other than Tea Plantations)
7. Housing and Real Estate business (except development of townships, construction of residential/commercial premises, roads or bridges to the extent specified)
8. Trading in Transferable Development Rights (TDRs)
9. Manufacture of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.

Question 6**Privatisation may not be conceptualised in form of-**

- | | |
|-------------------------|-------------------|
| (a) Divestment | (b) Disinvestment |
| (c) Departmentalisation | (d) Displacement |

Answer:**Explanation:**

Privatization may be of conceptualized in following prominent types:

- Delegation
- Divestment
- Displacement
- Disinvestment

Question 7**FDI in sectors/activities which require prior approval either of the government or the RBI are.**

- | | |
|----------------------|----------------------|
| (a) Green Channel | (b) Priority Route |
| (c) Government Route | (d) Automatic Route. |

Answer: c

Explanation:

Foreign Direct Investment (FDI) has always remained a bone of contention and FDI in multi-brand retail, defense etc., are classic examples. It's often felt that areas like Media and Defense could compromise on India's security interest and hence no FDI should be capped, like the permitted. In certain areas, the FDI limit has Insurance Business. Where there is no approval through Automatic Route, the company concerned has to seek permission from Foreign Investment Facilitation Portal (FIFP).

JUNE – 2022**Question 1****NSDC is which type of policy**

- (a) Facilitative (b) Restrictive
(c) Regulative (d) None of the above

Answer: a**Explanation:**

Facilitative policies are the ones which facilitates an activity. The formation of National Skills Development Corporation (NSDC) is another facilitating policy of Government of India.

Question 2**Akbar introduced land reform under the leadership of-**

- (a) Birbal (b) Todarmal
(c) Jaydev (d) Tansen

Answer: b**Explanation:**

Raja Todar Mal, as finance minister of Akbar, introduced a new system of revenue known as zabt and a system of taxation called dahshala.

Question 3**In which year first industrial policy come**

- (a) 1947 (b) 1948
(c) 1949 (d) 1950

Answer: b**Explanation:**

The first industrial policy was come in 1948 which suggests the urgent priority the government accorded to fulling industrial business and economic growth.

Question 4**In which year first 5 year plan was introduced**

- (a) 1951 (b) 1954
(c) 1934 (d) 1999

Answer:

Explanation:

The first five year plan was launched in 1951 which mainly focused in the development of the primary sector.

Question 5

FDI is prohibited in sectors except

- (a) Atomic Energy (b) Lottery Business
(c) Tea Plantation (d) Nidhi Company

Answer:

Explanation:

FDI is Prohibited Atomic Energy, Lottery Business, Nidhi Company Agricultural (except tea plantations).

Question 6

National governments looks for sustainable investment

- (a) FDI (b) DFDI
(c) FII (d) None of the above

Answer:

Explanation:

Whenever the market reaches a peak and starts declining thereafter, these funds move to another nation. So, the euphoria is short lived. No wonder, national government look for sustainable FDI investment over FII Investment.

Question 7

Government reduction in MTNL and BSNL is an example of-

- (a) Delegation (b) Divestment
(c) Displacement (d) Disinvestment

Answer:

Explanation:

The private enterprise expands and gradually displaces the government entity is known as displacement. The government monopoly through BSNL and MTNL has been displaced by the private sector.

DEC - 2022

Question 1

Regulation of forex transaction is done by the

- a) RBI b) Ministry of Finance

c) SEBI

d) World Bank

Answer: a**Question 2****Which of the following is NOT a regulatory institution?**

a) SEBI

b) RBI

c) IRDA

d) ARC

Answer: d**Question 3****“My customer is first” is the vision of which bank?**

a) SBI

b) Axis Bank

c) HDFC Bank

d) Bank of Baroda

Answer: a**Question 4****Which one of the following is not a type of government policy from the perspective of the impact on business?**

Development

Protective

Regulatory

Anti-trafficking

Answer: d**Question 5****Which of the following is NOT meant by liberalization?**

a) Decontrol

b) Disinvestment of PSUs

c) Freedom to do business

d) Deregulation

Answer: b**Question 6****Monetary policy does NOT concentrate upon**

a) Interest rate

b) Credit control

c) Liquidity adjustment

d) Disposable income

Answer: d