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Chapter 4 : Globalisation and the Indian Economy

SECTION A : Multiple Choice Questions

(1 Mark Each)

Q1. MNCs set up production where: [CBSE 2023] [1]

- (a) Wages are high (b) Close to markets, skilled labour, and low costs
(c) Government restricts them (d) Only in developed countries

Ans: (b) Close to markets, skilled labour, and low costs. MNCs look for cheap labour, large markets, and favourable government policies.

Q2. Which of the following has enabled globalisation? [CBSE 2024] [1]

- (a) Information and communication technology (b) Increase in taxes
(c) Reduced production (d) Ban on trade

Ans: (a) Information and communication technology. IT, internet, telecom, and container shipping have dramatically reduced costs and time of cross-border trade.

Q3. WTO stands for: [CBSE 2022] [1]

- (a) World Trade Organisation (b) World Travel Organisation
(c) Western Trade Office (d) World Technology Organisation

Ans: (a) World Trade Organisation. Started in 1995, it sets rules for international trade. It aims to liberalise trade by removing barriers.

Q4. Which of the following is NOT a way MNCs invest in a country? [CBSE 2021] [1]

- (a) Buying local companies (b) Setting up production jointly with local companies
(c) Placing orders with small producers (d) Giving donations to government

Ans: (d) Giving donations to government. MNCs invest through joint ventures, buying local companies, placing orders with small producers, or setting up their own factories.

Q5. What is meant by trade barrier? [CBSE 2020] [1]

- (a) Physical barriers on roads (b) Tax on imports to regulate foreign trade
(c) Language barriers (d) Internet restrictions

Ans: (b) Tax on imports to regulate foreign trade. Governments use trade barriers like tariffs and quotas to protect domestic industries from cheap foreign competition.

Q6. SEZ stands for: [CBSE 2023] [1]

- (a) Special Education Zone (b) Special Economic Zone (c) Scheduled Employment Zone (d) State Enterprise Zone

Ans: (b) Special Economic Zone. SEZs offer tax exemptions, flexible labour laws, and infrastructure to attract foreign investment and boost exports.

Q7. Liberalisation of trade means: [CBSE 2022] [1]

- (a) Increasing trade barriers (b) Removing barriers to allow free flow of goods and services
(c) Banning imports (d) Nationalising industries

Ans: (b) Removing barriers to allow free flow of goods and services. Indian government started liberalisation in 1991, reducing tariffs and opening up the economy.

Q8. Which of the following has benefited from globalisation in India? [CBSE 2021] [1]

- (a) Small producers (b) IT industry (c) Local toy makers (d) Handloom weavers

Ans: (b) IT industry. India's IT sector has greatly benefited from globalisation, earning huge foreign exchange and providing millions of jobs.

Q9. Foreign investment means: [CBSE 2020] [1]

- (a) Investment by Indian companies abroad (b) Investment by MNCs and foreign companies in India
(c) Government investment in defence (d) Investment in gold

Ans: (b) Investment by MNCs and foreign companies in India. It includes setting up factories, buying shares of Indian companies, and joint ventures.

Q10. Assertion (A): Globalisation has not been beneficial for all sections of society.

Reason (R): Small manufacturers have faced competition from cheap imported goods. [CBSE 2024] [1]

- (a) Both true and (R) correctly explains (A) (b) Both true but (R) does not explain (A)
(c) (A) is true but (R) is false (d) (A) is false

Ans: (a) Both are true and (R) correctly explains (A). Cheap Chinese imports have devastated small-scale industries in toys, textiles, and other sectors.

SECTION B : Short Answer Questions

(3 Marks Each)

Q11. How has information technology helped in globalisation? [CBSE 2024] [3]

- **Communication:** Internet, email, and video conferencing have made instant communication across countries possible at almost zero cost.
- **Services Export:** IT enabled India to export software and BPO services worth billions. Call centres, data processing, and software development flourished.
- **E-Commerce:** Online platforms like Amazon, Flipkart connect producers and consumers globally. Digital payments make cross-border trade seamless.

Q12. What are the various ways in which MNCs spread their production across countries? [CBSE 2023] [3]

- **Joint Ventures:** MNCs partner with local companies to share investment, technology, and market access. E.g., Maruti-Suzuki in India.
- **Buying Local Companies:** MNCs buy existing Indian companies to gain instant market access. E.g., Cargill Foods acquired Parakh Foods.
- **Placing Orders:** MNCs place orders with small local producers for garments, footwear, and components. They provide design and supply to global markets.

Q13. What is fair globalisation? How can government ensure it? [CBSE 2022] [3]

- **Meaning:** Fair globalisation means its benefits should be shared more equally – not just benefit rich countries and large MNCs at the cost of small producers.
- **Government Role:** Use trade barriers wisely to protect small producers, enforce labour laws, invest in education and health, and negotiate better WTO terms.
- **People's Movements:** Workers' organisations and civil society must raise voice for fair wages, working conditions, and environmental protection in the globalised world.

Q14. How has competition from imports affected Indian producers? [CBSE 2021] [3]

- **Small Industries Hit:** Cheap Chinese imports of toys, textiles, and electronics devastated many small-scale Indian manufacturers who could not compete on price.
- **Job Losses:** Many workers in batteries, plastics, capacitors, and other units lost jobs as factories shut down due to competition from cheap imports.
- **Some Benefited:** However, large Indian companies in IT, automobiles, and pharmaceuticals have benefited from globalisation by accessing global markets.

Q15. Explain the role of WTO in globalisation. [CBSE 2020] [3]

- **Trade Rules:** WTO sets rules for international trade among its 164 member countries. It aims to make trade free and fair by removing barriers.
- **Pressure on Developing Countries:** WTO has pushed developing countries like India to open markets. Developed countries often retain their protections while demanding openness.
- **Dispute Resolution:** WTO provides a platform for resolving trade disputes between countries, though decisions often favour economically powerful nations.

SECTION C : Long Answer Questions

(5 Marks Each)

Q16. "Globalisation has been advantageous to consumers but not to all producers." Justify. [CBSE 2024] [5]

Ans: Globalisation's uneven impact on Indian economy:

- **Consumer Benefits:** Greater choice of goods, improved quality, and lower prices due to competition. MNCs bring latest technology and products.
- **Large Producers Benefit:** IT companies, automobile firms, and pharmaceutical companies have expanded globally, increasing revenues and employment.
- **Small Producers Suffer:** Small-scale manufacturers of toys, textiles, batteries face fierce competition from cheap imports, especially from China.
- **Workers Affected:** To compete globally, companies cut costs by reducing workers, lowering wages, or using contract labour with no job security.
- **Need for Fair Globalisation:** Government must support small producers through technology, credit, and training while protecting their interests through smart trade policies.

Q17. Explain the impact of globalisation on Indian economy. [CBSE 2023] [5]

Ans: Globalisation has had a mixed impact on India:

- **Economic Growth:** India's GDP has grown significantly since 1991 reforms. Foreign investment, trade, and IT exports have increased manifold.
- **Employment:** New jobs created in IT, BPO, retail, and services. However, manufacturing employment has not grown proportionally.
- **Consumer Choice:** Indians now have access to global brands, products, and services at competitive prices. Quality of goods has improved.
- **Inequality:** Benefits have been uneven. Urban educated professionals gained more than rural farmers. Rich got richer while many small producers lost livelihoods.
- **Cultural Impact:** Western lifestyle, food, and fashion have influenced Indian culture. However, Indian culture (yoga, cuisine) has also spread globally.

Q18. How has the Indian government tried to attract foreign investment? [CBSE 2022] [5]

Ans: Government has taken many steps to attract foreign investment:

- **Liberalisation (1991):** Removed trade barriers, reduced tariffs, and allowed FDI in most sectors. This opened India to global markets and MNCs.
- **SEZs:** Special Economic Zones offer tax holidays, cheap infrastructure, and flexible labour laws to attract foreign companies to set up units.
- **Improved Infrastructure:** Investment in roads, ports, airports, telecom, and digital infrastructure makes India an attractive destination for manufacturing.
- **Flexible Labour Laws:** In some cases, companies are given more flexibility in hiring and firing workers to reduce costs and compete globally.
- **Make in India:** Campaign to position India as a global manufacturing hub. Simplified rules, single window clearance, and ease of doing business reforms.

Q19. What is the role of MNCs in the globalisation process? Explain with examples from India. [CBSE 2021] [5]

Ans: MNCs are the primary driving force of globalisation:

- **Production Spread:** MNCs set up factories in countries with cheap labour and large markets. Samsung, Apple, and Toyota produce in India for domestic and export markets.
- **Investment:** They bring foreign investment, advanced technology, and management practices. Ford, Hyundai, and Maruti-Suzuki transformed India's automobile sector.
- **Supply Chains:** MNCs create global supply chains. Indian garment producers, IT companies, and auto-parts makers are integrated into global MNC networks.
- **Employment:** They create direct and indirect employment. IT companies like TCS, Infosys serve global MNC clients, employing millions of Indians.
- **Competition:** MNC entry increases competition, improving quality and reducing prices. But it can also destroy local small-scale industries.

Q20. "Foreign trade integrates markets in different countries." Explain with examples. [CBSE 2020] [5]

Ans: Foreign trade is a key driver of globalisation:

- **Market Integration:** When Chinese toys flood Indian markets, Indian and Chinese markets get connected. Producers compete across borders.
- **Price Equalisation:** If Indian producers make cheaper garments, buyers worldwide will prefer them, equalising prices across markets.
- **Consumer Choice:** Indian consumers can buy Japanese electronics, American software, and European cars. Trade expands choices beyond domestic production.
- **Export Opportunities:** Indian farmers export basmati rice, tea, spices globally. IT companies serve clients worldwide. Trade creates new income sources.

- **Interdependence:** Countries become dependent on each other for goods, services, and technology. This integration brings both opportunities and challenges.

--- End of Chapter 4 PYQ ---

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