



GL BAJAJ

Institute of Management & Research
Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No.....

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.)-201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2018-20) MID TERM EXAMINATIONS (TERM -III)

Subject Name: **International Business Environment**
Subject Code: **PG-11**

Time: **01.30 hour**
Max Marks: **20**

Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.
2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study of 8 marks, Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.

SECTION A

04+04 = 08 Marks

Q. 1: Case Study:

Why Moody's is no longer singing the blues on India by SWAMINATHAN S ANKLESARIA AIYAR

India looks more impressive from New York than New Delhi. That explains the credit upgrade to India given by Moody's, the top global rating firm. India's rating is up from Baa3, just above "junk status", to Baa2, and its outlook is up from "stable" to "positive". This means Indian companies will be able to borrow more cheaply on the global market, aiding investment.

Moody's upgrade is a minor event. It means nothing to voters, and will not help Modi win any elections. It does not mean much even for big corporations, which have been able to borrow more cheaply for months, since the markets have anticipated the formal upgrade. But it does provide comfort to long-haul investors that India most needs.

Readers may be puzzled by the good chit. GDP growth has fallen for five consecutive quarters, to just 5.7% in April-June 2017. Demonetisation badly hit, and often killed, India's multitude of cash-based businesses, and may have depressed GDP by 1%. The goods and services tax (GST) will provide great long-term gains, but has started with glitches aplenty, and mountains of paperwork and loopholes. Investment is stagnant, industrial production is subdued, and exports fell in October after buoyancy in the previous two months.

Why, amidst so much controversy and bad news, is Moody's smiling? Because a rating agency cares little about one-off events like demonetisation and GST, or other shortterm phenomena. Moody's assesses the ability of a country or company to service its debts in the medium to long run. This means focusing on fundamentals and sustainability. And here India looks good.

The fiscal deficit has fallen, slowly but steadily, from 6.7% of GDP in 2009-10 to a projected 3.2% this year. The RBI, which once printed money merrily to accommodate reckless government spending, is now established as an independent body with a mind of its own. Monetary policy now focuses almost single-mindedly on keeping inflation around 4%, and has achieved that target. The current account deficit, which had soared to over 4% of GDP in 2013-14, declined to 1.1% in 2015-16 and 0.7% in 2016-17. Warning: the deficit jumped up to 2.4% in the first quarter, but Moody's clearly sees this as a blip, not a trend. Foreign exchange reserves have soared to \$400 billion, strengthening India's ability to withstand future shocks. In sum, India's macroeconomic indicators are looking strong and sustainable.

Rating agencies also assess policies and reforms. Narendra Modi has (except for demonetisation) proved to be an incrementalist, not a radical reformer. Yet enough incremental steps can add up to something substantial over several years. Direct benefit transfers in lieu of subsidies look the way forward, notwithstanding many glitches in the use of Aadhaar. Public sector banks are finally getting recapitalised and capable of lending freely. The insolvency and resolution laws seem likely to finally end the practice of crooked or inefficient promoters being bailed out forever with public money. Electricity and all-weather roads finally look like reaching virtually every village and household. Broadband is finally penetrating the countryside, and has the potential to revolutionise productivity and payments.

Yet many problems remain. Most disturbing is the lack of formal job creation, which was supposed to be Modi's key election plank. Companies cannot get workers with the requisite skills. A terrible educational system is creating millions of useless graduates with high expectations, whom employers find unemployable. India's much-trumpeted demographic dividend is not accruing because tens of millions of women have withdrawn from the workforce, so the proportion of workers in the population has not risen as expected. Irrigation and rail projects started a decade ago are nowhere near completion.

All government services — police, courts, schools, colleges, health centres and general administration — remain lousy and substantially corrupt. Modi shows no interest at all in much-needed administrative reform.

The problem of bad debts of banks has soared to heights unimaginable five years ago. Exports have stagnated for three years, and recent signs of dynamism have not been sustained despite a global economic recovery that should have stoked an export boom. One major textile exporter says the new GST regime has greatly cut effective subsidies for garment exports, and if unremedied will kill hundreds of factories and make 50 lakh people unemployed. The gaurakshak movement has not only sparked tragic lynchings but shrunk animal supplies to slaughterhouses, hitting beef and leather exports.

Moody's is right to say India can safely service its medium to long-run debts. But this does not guarantee a sustainable return to tiger economy status. That requires much greater reform.

Questions for Discussion:

- a) Why Moody upgraded India's Credit Rating?
- b) What will be the impact of Credit Rating Upgrade on Indian Economy?

SECTION B

02×03 = 06 Marks

Q. 2: Distinguish between economic growth and development.

Q. 3: How India can create jobs? Discuss.

Q.4: Increasing Fiscal Deficit is bad for the economy. Why or why not?

SECTION C

03×02 = 06 Marks

Q.5: Critically examine the problems and prospects of Disinvestment of PSU in India.

Q.6: Discuss various Economic systems prevailed across globe.