

PGDM (IB), 2020-22
Global Business Environment
IB-203

Trimester – II, End-Term Examination: January 2021

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Total Marks
A	Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered	3*10	30
B	Compulsory Case Study with minimum of 2 questions	2*10	20
			50

Section A

QA1a (CILO1) The court passed an order that all school must have water purifier for the school children as:

1. Society in general is more concerned about quality of life.
2. Innovative techniques are being developed to manufacture water purifier at competitive rates;
3. Incomes are rising and children at home are also drinking purified water.
4. The government is also showing positive attitude towards the water purifier business. Identify the different dimensions of business environment by quoting the lines from above details and explain any two of them.

Or

QA1b (CILO1) 'Understanding of environment by business managers enables them not only to identify and evaluate, but also to react to the forces external to their firms.' In the light of this statement, explain why in the present day competitive market, it is essential for a business enterprise to remain alert and aware of its environment.

QA2a (CILO2) There are several stages in the process of economic integration, from a very loose association of countries in a preferential trade area, to complete economic integration, Economic integration can be classified in five additive levels, each present in the global landscape. Elucidate the same citing examples.

Or

QA2b (CILO2) Elucidate the following.

a) With Brexit, India opting out of RCEP, USA no longer a part of CPTPP (present TPP) are we moving towards protectionism. Present the case for and against Regional Integration.

b) Value of currency exchange between USD & INR increased from 1 USD=70 INR to 1 USD =73INR. With this change what will be the impact on India's trade

QA3a (CILO3) Non-Tariff Barriers (NTBs) may include any policy measures other than tariffs that can impact trade flows. As average import tariffs in the world economy have fallen, so NTBs have become more common. Explain the different types of NTB's and its impact on trade.

Or

QA3b(CILO3) "...The present form of the RCEP Agreement does not fully reflect the basic spirit and the agreed guiding principles of RCEP. It also does not address satisfactorily India's outstanding issues and concerns. In such a situation, it is not possible for India to join RCEP Agreement," PM Modi had said at the Bangkok summit last year announcing India's decision to pull out of the pact discussions. Throw light on some of India's concerns for not joining the pact

Section B

Foreign direct investment (FDI)

Introduction

Apart from being a critical driver of economic growth, Foreign Direct Investment (FDI) has been a major non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges like tax exemptions, etc. For a country where foreign investment is being made, it also means achieving technical know-how and generating employment.

The Indian Government's favourable policy regime and robust business environment has ensured that foreign capital keeps flowing into the country. The Government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others. Foreign direct investment (FDI) equity inflows into India crossed the USD 500 billion milestone during April 2000 to September 2020 period, firmly establishing the country's credentials as a safe and key investment destination in the world. According to the data of the Department for Promotion of Industry and Internal Trade (DPIIT), the inflows during the period stood at USD 500.12 billion.

Market size

According to Department for Promotion of Industry and Internal Trade (DPIIT), FDI equity inflow in India stood at US\$ 469.99 billion during April 2000 and March 2020, indicating that Government's effort to improve ease of doing business and relaxing FDI norms has yield results.

FDI equity inflow in India stood at US\$ 49.97 billion in 2019-20. Data for 2019-20 indicates that service sector attracted the highest FDI equity inflow of US\$ 7.85 billion, followed by computer software and hardware at US\$ 7.67 billion, telecommunications sector at US\$ 4.44 billion, and trading at US\$ 4.57 billion. During 2019-20, India received the maximum FDI equity inflow from Singapore (US\$ 14.67 billion), followed by Mauritius (US\$ 8.24 billion), Netherlands (US\$ 6.50 billion), USA (US\$ 4.22 billion) and Japan (US\$ 3.22 billion).The U.S. has emerged as the second biggest source of foreign direct investment (FDI) into India, replacing Mauritius, during the first half of the current financial year, according to data of the Commerce and Industry Ministry. During April-September 2020, India attracted FDI worth \$7.12 billion from the U.S. and \$2 billion from Mauritius, which slipped to fourth position, the DPIIT (Department for Promotion of Industry and Internal Trade) data showed. Mauritius was the second biggest FDI source during the same period previous year. The U.S. was the fourth biggest investor during that period. Singapore with \$8.30 billion foreign inflows continued to be the top source of FDI for India in April-September 2020-21. The country has received \$2.1 billion inflows from Cayman Islands. The islands was followed by Netherlands (\$1.5 billion), U.K. (\$1.35 billion), France (\$1.13 billion), Japan (\$653 million) , Germany (\$202 million), and Cyprus (\$48 million).According to experts, increasing FDI from the U.S. reflects the further strengthening of economic ties between the two countries. The U.S. was also India's top trading partner in 2019-20. Biswajit Dhar, Professor of economics at Jawaharlal Nehru University, said that "the US technology companies are

buying stakes in Indian companies that is why FDI numbers are showing increase". Despite the fact that FDI from Mauritius is coming down, it still accounts for 29% of the total inflows received by India during April 2000 and September 2020. In this period, India has attracted \$500.12 billion foreign direct investment. Foreign inflows into India grew by 15% to USD 30 billion during the first half of the current fiscal. In August, the country had attracted \$17.5 billion worth of foreign investments.

Investments/ Developments

Some of the significant FDI announcements made recently are as follows:

- On September 08, 2020, Byju's (an Indian education technology firm) raised US\$ 500 million in a new round of funding led by Silver Lake, a US-based private equity company; this move pushed the company's valuation to US\$ 10.8 billion.
- In September 2020, Cashaa, a London-based neobank, raised US\$ 5 million (Rs 360 million) in funds from O1ex, a Dubai-based blockchain investment and advisory firm, for its worldwide expansion, including India, Africa and Caribbean markets. In India, the company plans to tap the growing crypto user market by launching a neobank for crypto banking system.
- In September 2020, Unacademy, an Edtech platform, raised US\$ 150 million from SoftBank Group (a Japanese conglomerate), boosting its valuation to US\$ 1.45 billion.
- On 21 August 2020, the Government of Singapore announced investment of Rs 4.5 billion (US\$ 63.84 million) in the qualified institutional placement (QIP) offering of mall developer Phoenix Mills Ltd.
- On 14 August 2020, Israel-based Coralogix, provider of machine-learning based log analytics and monitoring solution, announced a strategic expansion into India with a commitment to invest over US\$ 30 million in the next five years.
- From January 2020 to July 2020, US FDI in India crossed US\$ 40 billion, reflecting the high level of confidence of American corporations on the country. India witnessed an 18% increase in FDI from April 2020 to June 2020 (during COVID-19 pandemic). In mid-July 2020, FDI by the technology firms amounted to ~US\$ 17 billion, driven by Google's investments worth US\$ 10 billion and the other key investors included firms such as Foxconn, Amazon and Facebook.
- India Inc's outward foreign direct investment (OFDI) dropped to US\$ 5.724 billion in the first four months (April 2020–July 2020) of 2020–2021 against US\$ 11.130 billion for the corresponding period in 2019–2020.
- Due to the halt in operations amid the ongoing pandemic, the OFDI was slow in the first three months (April 2020: US\$1.018 billion; May 2020: US\$ 1.294 billion; and June 2020: US\$ 893.18 million), while a substantial growth was recorded in July 2020, when the OFDI reached US\$ 2.518 billion, as economies worldwide began to unlock and the COVID-19 lockdown restrictions started to soften on the operations.

Government Initiatives

In August 2020, the Indian government amended Foreign Direct Investment Policy, 2017 on commercial coal mining policy making it approved only under the Government route. In 2019, the Central Government, amended FDI Policy 2017, to permit 100% FDI under automatic route in coal mining activities.

In May 2020, Government increased FDI in defence manufacturing under the automatic route from 49% to 74%. In April 2020, Government amended existing consolidated FDI policy for restricting opportunistic takeovers or acquisition of Indian companies from neighbouring nations.

In March 2020, Government permitted non-resident Indians (NRIs) to acquire up to 100% stake in Air India.

Road ahead

India is going to be the most attractive emerging market for global partners (GP) investment for the coming 12 months as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA). Annual FDI inflow in the country is expected to rise to US\$ 75 billion over the next five years as per the report by UBS. The Government of India is aiming to achieve US\$ 100 billion worth of FDI inflow in the next two years.

Case questions

Q1(CILO2) What are the factors in India's FDI boom? How likely is it to continue? (10)

Q2(CILO3) FDI is key to the growth and Development of a developing country. Do you agree? Give reasons . (10)