

Jagan Institute of Management Studies
End-Term Examination, December, 2016 – January, 2017
Trimester II – PGDM 2016-18

Macroeconomic Management
ET_PG_MEM_3012

Time: 3 Hrs.

M. Marks: 70

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

- Q 1** Answer any **SIX** of the following briefly.
- a) There is a relation between the climate of a country and its overall development. Give examples to substantiate the underlying hypothesis.
 - b) Discuss two measures which can help improve life expectancy in India.
 - c) GNP can never be smaller than the GDP for a country. Do you agree? Justify.
 - d) Given the recent changes on the currency front in India leading to partial demonetization, what has been the resultant change in the liabilities of the banks?
 - e) Gini coefficient for wealth inequality was reported to be 87.6% for India and 63.1% for Japan for 2016. What does this mean?
 - f) The Food Safety and Standards Authority of India (FSSAI) will soon make third-party audits mandatory for food companies, commented the authority's chief executive officer. In light of this explain two reasons which make regulatory role of the Government essential across different areas of business operations and especially food industry.
 - g) Morgan Stanley says that the current taxation system in India creates borders within borders in the country and GST is expected to integrate the economy. List the other advantages expected from the GST regime.
 - h) E-governance is a wise route to good governance. Discuss the characteristics of good governance that get fulfilled via this route. **24**
- Q 2**
- a) The Keynesian proposition is different and more realistic as compared to the Classical opinion on income and employment. Discuss both the opinions to bring out the contrast in them.
 - b) If for an economy, the marginal propensity to consume falls from 80% to 70%, what would be the subsequent change in the multiplier effect of a change in autonomous spending on national income? **10**
- Q 3** The 1980s were important years in the economic history of independent India. These were followed up in a big way by the LPG in 1991.

- a) Highlight the macroeconomic policy changes introduced in the 1980s.
 b) Highlight the macroeconomic consequences experienced due to these changes. **10**
- Q 4** a) Even when speculators were expecting a rate cut in the range 0.25-0.50%, the bi-monthly monetary policy review (December 07, 2016) has kept the repo rate unchanged at 6.25%. a. Why was there an expectation of a rate cut? What would have been the likely impact of a reduction in repo rate, if it was changed as speculated?
 b) What is the difference in the implication of a reduction in reserve requirements and that of reduction in policy rate on banks and credit creation?
 c) In case money supply has to be reduced to cool prices, what is the role of qualitative tools available with the monetary authority? **10**
- Q 5** International business observers reported on December 4, 2016 that only time will tell whether OPEC will effectively implement its recent decision to curb oil supplies and reverse a price fall that had persisted for 2½ years.
 a) Assuming that this decision is effectively implemented, what will be the implication of this decision on India's domestic price level?
 b) What will be the possible implications of this price change?
 c) What should be a fiscal policy response to counter this price change? **10**
- Q 6** The following data and statistics are sourced from relevant official database and highlight the macro-economic well-being of India.
- | Sectors | Growth (%) for 2015-16 |
|--------------------------------|------------------------|
| Agriculture, forestry, fishing | 1.0 |
| Industry | 7.3 |
| Services | 9.2 |
| GDP at constant market prices | 7.6 |
- a) What has been the reason for low growth rate in the primary sector? How can it be increased?
 b) Despite a commendable growth rate, the contribution of the industrial sector is not encouraging. What can be the role of monetary authorities in enabling this? **10**
- Q 7** The following are some pieces from the Economic Survey 2015-16. In light of the information shared via them, answer the questions that follow.
... Large-scale, technology-enabled, real-time Direct Benefit Transfers can improve the economic lives of India's poor, and the JAM Trinity—Jan Dhan, Aadhaar, Mobile—can help government implement them.

Over the past year JAM has thickened and spread: Jan Dhan and Aadhaar deepened their coverage at an astonishing rate—respectively creating 2 and 4 million accounts per week—and several mobile money operators were licensed.

... Social infrastructure with its positive externalities has a significant role in the economic development of a country. However, the expenditure on social sectors in India has not reflected an increasing trend and an overall assessment of social sector expenditures in terms of achievements shows that wide gaps still exist in educational and health outcomes and there is need for substantial improvement and the need to remove inequalities in India.

... Under the Pradhan Mantri Kaushal Vikas Yojana, which targets offering 24 lakh Indian youth meaningful, industry-relevant, skill-based training and a government certification on successful completion of training along with assessment to help them secure a job for a better future, 5.32 lakh persons have already been enrolled. Of this number, 4.38 lakh have successfully completed training throughout India.

... Gender discrimination in India starts from the womb with sex determination tests and abortion of the female foetuses, discrimination in terms of nutrition offered to the girl child, the length and type of schooling the girl child avails of vis-à-vis her male siblings, inadequate or lack of access to higher education, discrimination in opportunities of employment and wages paid and unequal share in inheritance.

Questions:

- a) What is the nature of the unemployment problem in India? Do you think the governmental efforts can address this problem? Suggest some additional means to achieve higher rates of employment in India.
- b) How is social infrastructure linked to economic development of a country? Does this get reflected in HDI? Explain.
- c) Increased government spending on various welfare schemes including direct benefit transfers is likely to increase the fiscal deficit? How can this influence the private sector's spending?
- d) Gender discrimination is rooted in the social fabric. Is there a role for the State in this regard? Give examples to justify your opinion.

16
