



CII Institute of Logistics
PGDSCM & Certificate Programs
Semester-end Examination – June 2009

ECONOMIC AND SOCIAL ENVIRONMENTAL ANALYSIS

Time: Three hours

Marks: 100

Part A

Answer all the questions

(20 x 1 = 20 marks)

1. Supply chain management is more than managing the Logistics:
 - a) False
 - b) True
 - c) Partly true
2. India spends close to 13% of its GDP on logistics chain:
 - a) False
 - b) True
3. School enrolment ratio is a component of Human Development Index:
 - a) Yes
 - b) No
4. The definition of poverty line means earnings of:
 - a) 1 \$ per day
 - b) 2 \$ per day
 - c) 5 \$ per day
5. In India 90% of the labour force is employed in the unorganized sector:
 - a) False
 - b) True
6. The labour force in India is growing faster than the population growth:
 - a) True
 - b) False
7. In India the urban population is more than the rural population:
 - a) True
 - b) False
8. Which of the following is not a type of infrastructure?
 - a) Energy
 - b) Roads
 - c) Telecommunication
 - d) Media
9. Which of the following does not figure among human infrastructural elements?
 - a) Professionals
 - b) Planners
 - c) Field workers
 - d) Robots
10. Which of the following is not a source of renewable energy?
 - a) Wind
 - b) Wave
 - c) Solar
 - d) Nuclear
11. Hydro Electric Energy is costlier than thermal energy:
 - a) True
 - b) False
12. The Golden Quadrilateral Project refers to:
 - a) Rural development
 - b) Uplift of women
 - c) Roads
13. More than 80% of World Trade is carried across seas:
 - a) True
 - b) False
14. The principle of sustainability does not mean that we have to cut down on our levels of energy consumption:
 - a) True
 - b) False
15. Carbon credits are related to:
 - a) Clean environmental projects
 - b) World Bank Finance
 - c) IMF conditionality
16. Which of the following is not an impact of globalization?
 - a) End of Communism
 - b) Global Recession
 - c) Global Warming
17. The supply chain management can offer competitive Advantages:
 - a) Yes
 - b) No
18. Outsourcing increases the scope for logistics:
 - a) Yes
 - b) No

19. Which of the following is not a logistics company?
 a) UPS
 b) TNT
 c) GM
 d) Fed Ex
20. In India, the small scale industry employs more persons than Large industry:
 a) Yes
 b) No

Part B

Answer any four questions

(4 x 10 = 40 marks)

1. What is PEST Analysis? What are its practical applications?
2. Please discuss whether and to what extent the global recession has affected the Indian Industry.
3. Discuss the various forms of renewable energy. Analyze the state of progress achieved in India in respect of such sources of energy.
4. Define "sustainability". Analyze the linkage between economic and environmental systems.
5. What are the challenges of globalization for the logistics sectors and discuss how the logistics sectors have coped and taken advantage of the forces of globalization.
6. Analyze the major issues in social development in India and suggest solutions.

Part C

Case Study

The Global economic recession

During the Boom years that lasted from 2004 to the middle of 2008, the economies of many countries, both developed and emerging, witnessed a high rate of growth across products and services. The expansion was heady. It seemed that the party would go on and on. The historical interludes pointing to the contrary were never brought to the centre of attention and no one, particularly the financial press, wanted to spoil the party by raising uncomfortable questions from the history which was some time ago declared to have ended. So intense was the hope of lasting growth that the roots of the growth were never examined. Capital was available to all comers. Not taking the finance for growth was considered treason. As usual the epicenter of the financial boom was the

United States of America whose economy is considered as the engine of the World. It was another matter that the U.S. economy in turn came to develop some dependence on the Chinese production and the ever growing market for American Dollars. The bubble was kept buoyed by successive doses of interest rate reductions which with the connivance of the financial institutions appeared to make finance rather cheap. The picture was rosy with prospects of everlasting employment for virtually every major economy. That there never was a time in world economic history when there was such endless and sustained period of prosperity was really lost sight of. Instead the Wall Street and other lesser mortals in the heady world of finance stoked the flames of credit expansion without bothering about the looming threat of shortage of financial fuel. The double bubble was built around housing and credit card. The frenetic pace fed off itself. The madness for financial engineering was breathtaking. Each loan was tagged with other loans for being suitably "bundled" and offered as fancy security which was lapped up by the investment moguls who were awash with petro dollars and share market takeaways. The basic test of whether the loans were lent soundly to sound parties was thought of as an old fashioned idea whose time was past. There was much competition to lend and to lend to virtually all comers who decked up appropriately for the loan. Speculation was either encouraged or weekly controlled. There was a premium on human greed and little motivation to see the larger humanity, be it the neighborhood, the working and living community, the city or the state.

In this backdrop, the best of economists and analysts rushed to keep up with the joneses. The winds of financial engineering were fanned across Europe and Asia. Soon there was little money left to be playing around. An economic indigestion began to manifest. In the meanwhile, the bubble began to froth at the mouth. Small hiccups in the loan portfolios soon accumulated and assumed menacing proportions due to the fact that every loan had been bundled and securitized to be sold to countless investors who accepted without demur because due diligence was impossible to achieve in any meaningful measure. The chips began to fall and induce unwelcome rains of retribution for such profligacy in the economies. Names once considered as sanctum sanctorum of high finance such as Lehman Brothers, Merrill Lynch began to melt in the heat. We know them all and we know they don't exist anymore. The financial disease has spread to the venerable auto sector and big names such as GM are teetering. Chrysler has come down on its knees. Several Banks have gone under water and many more are not exactly standing tall. But the USA is a different society. They believe they have the wherewithal to fix their troubles. They are spending their way out of trouble. Nevertheless, it is worth remembering that the roots of the current problems lay in trying to grow too fast too soon. What is the principal instrument in their hands to pour funds on raging flames?. It is the greenback we are all familiar with. The American dollar is the reserve currency of the world and many central banks could be bankrupted if something happened to the dollar. The dollar is left lofty by consensus. It is this realization that makes or rather induces the USA to tackle the crisis in the same way it came about – Financially. Dollars are a- plenty for the USA. Will the game plan of the USA work? Will it succeed fast enough for the Obama administration to claim some light in the tunnel and for the world not to catch the American financial flu? What happens to the US economy is important for the EU as well as it is for China and Japan. The USA, it appears, is too much with us.

Here in India, we do not know exactly how much we have been affected by the ill winds blowing from the USA. Our exports are surely down. Some manufacturing has been lost. There is no precise estimate of the malaise. This is what led the former Finance Minister to claim that there is no recession in India but only a slowdown of its astounding growth from around 2005. Our government and the RBI appear to have been doing what the USA, china, Japan and the USA have done so far. We have announced stimulus 'packages' and some cuts in indirect taxes. The RBI has calibrated interest rate reductions. The Industry feels that it is not enough to stimulate demand. Thus the problem is being tackled in the same way it came about. There appears to be no other acceptable option. The danger is we may recreate the bubble in time again. India has huge subsidies on fertilizer, food and oil. The sixth pay commission largess is bound to leave a big hole in the finances of both the central and state governments soon. The combined fiscal deficit of the center and the states is nearing 10% of the GDP. The high growth in the IT sphere was a silver lining and came handy for the governments as IT absorbed and created a work force of more than two million young Indians. The IT, auto and textiles sectors are crucial to the economy. The cement and steel industries depend on the well being of these sectors. The Indian requirement is a paradox. Given the huge population and given the high levels of poverty concomitant with significant unemployment, the policy makers have to aim for high growth. But such growth is not an unmixed blessing. It comes with its own costs - Inflation, bubbles, boom and bust etc. How to manage and balance the contradictions so that the cake is wide enough for all is the real test. This calls for an enlightened outlook and a willingness to learn from hindsight. A lot of sagacity and straightforward decision-making are called for from all the players in the economy.

Answer any four questions

(4x10 = 40 marks)

Questions:

1. What are the root causes of the global recession in your view?
2. How is the West attempting to ride out their recession?
3. Is financialization of the globalized world a problem or a boon?-discuss.
4. Discuss if there is a recession in India and if so what are its manifestations?
5. How are the policy makers in India coping with the economic fall-out?
6. What are your suggestions for achieving high growth without encountering the systemic crisis of the sort we have witnessed in the world?
