

Group Project #7: Fiscal Policy in India

Revised: January 6, 2009

Due April 21 at the start of class.

You are a junior analyst in Booz & Company's emerging markets group, which advises companies on opportunities in developing economies. Your team's latest project: assess the risks for a large international retailer thinking of entering the Indian market. Your role: fiscal policy. From past experience, you know that your report should be a professional business document, no more than 5 pages long, and include (i) an analysis of taxes the company will pay and (ii) an assessment of the risk of a fiscal crisis in the near future.

Here are some topics you might want to cover:

- The most important taxes the company will pay, their rates, and the difficulty of complying with local tax laws.
- A description of India's overall fiscal situation, including government revenue, spending, budget balance, government debt (all expressed as ratios to GDP).
- An analysis of the government debt dynamics. How do you expect the debt-to-GDP ratio evolve over the next 5 years?
- A qualitative discussion of factors that could lead to large increases in government expenditure in the future.

And here are some sources of information and data:

- The paying taxes component of the World Bank's Doing Business indicators.
- India's official budget and tax web sites.
- The Economist Intelligence Unit's Country Intelligence site, including the Country Commerce Report, and the EIU's Country Data.