

The Asian Economic Review



Journal of the Indian Institute of Economics

Volume 53

April 2011

No.1

	CONTENTS	P.No.
1. Frontier Issues on the Global Agenda Emerging Economy Perspective	Duvvuri Subbarao	1
2. Random Walk and Return Predictability in A New and Emerging Market: The Case of Chittagong Stock Market (CSE)	Md.Gazi Salah Uddin	15
3. Franchisees' Level Of Satisfaction With The Franchise Contract	Gerhard J. van Wyk Johan W. de Jager	43
4. The Anatomy of Corruption In China: A Political Economy Perspective	Miron Mushkat Roda Mushkat	55
5. Impact of FDI on Corruption in India	Manjula G.T	67
6. Financial Development Index and Economic Growth: Empirical Evidence From India	Qazi Muhammad Adnan Hye	29
7. Trends and Patterns of Private Investment, and its Promotional Policies in India	Jagannath Mallick	77
8. Gender Disparities in Work and Wages in Agriculture: A Comparative Study of Andhra Pradesh and Orissa	Shaik Haffis M.J.C.Reddy V.Y.R.Reddy	101

9. Financial Inclusion, Development And Its Determinants: An Empirical Evidence of Indian States	Kuldeep Singh Anand Singh Kondan	115
10. Intricacies of Water Resource Management And Development Discourse Paradigm in Orissa	S.K. Mahapatra	135
11. Impact of Foreign Capital Inflow on Skilled Unskilled Wage Gap and Social Welfare In a Small Open Economy	Anindita Basu(Chowdhury) Kausik Gupta	159
12. Employment Intensity of Growth in India And It's Structural Determinants	Falguni Pattanaik	173
13. Migration in Gujarat- Insecurity or Opportunity	Indira Dutta	189
Asia Statistics		200

List of Abstracts

RANDOM WALK AND RETURN PREDICTABILITY IN A NEW AND EMERGING MARKET: THE CASE OF CHITTAGONG STOCK MARKET (CSE)

MD. GAZI SALAH UDDIN*, ABDULLAH M NOMAN
AND NASIM SYDEE*****

ABSTRACT

This paper examines the weak form efficiency of the Chittagong Stock Exchange (CSE) in Bangladesh using daily data of two indexes for the period between January 01, 2001 and December 30, 2008. Unit root tests and variance ratio tests (individual and multiple) are applied to see whether the indexes follow a random walk process and whether returns are predictable in this new and emerging market. Although the results strongly suggest that both of the price series are nonstationary process, the increments of the associated return series are serially correlated. It is, therefore, concluded that the Chittagong Stock Exchange (CSE) is not weak form efficient.

FRANCHISEES' LEVEL OF SATISFACTION WITH THE FRANCHISE CONTRACT

GERHARD J. VAN WYK * AND JOHAN W. DE JAGER**

ABSTRACT

Franchisees' often complain that franchisors do not meet their needs, and are generally viewed as being unhappy with their franchise agreements. The aim of the paper is to investigate the level of satisfaction of franchisees with regard to the elements of individual franchise concepts, managed by the franchise agreement. Including details of the standard franchise agreement: terms of the contract, rights and obligations, training programs, operational support provided by the franchisor, products, pricing, promotions, distribution, and franchise fees. Data was collected by means of a self-administrated questionnaire that was sent to the selected population. The data represents two groups of the same franchise, namely franchisees operating two years and less as franchisees and franchisees that operate longer than two years as franchisees and consider the extent to which selected contract elements are viewed differently. Findings indicate that both groups of franchisees had a high level of satisfaction with the elements of the franchise contract with the exception of identified opportunities that could be developed in order to increase the franchisees level of satisfaction with the franchise agreement. In general, the franchisor also had a high level of marketing orientation. Further research is needed to ensure that the franchisor's current product ranges will be more competitive if compared with other franchise concepts. The franchisor should attend to the improvement of product research, new product development, pricing strategies, packaging and product planning.

THE ANATOMY OF CORRUPTION IN CHINA: A POLITICAL ECONOMY PERSPECTIVE

MIRON MUSHKAT* AND RODA MUSHKAT**

ABSTRACT

Corrupt acts are believed to be disturbingly common in Chinese society and may have become increasingly so during the reform era because of greater opportunities available to seek material advantage and growing socio-cultural fluidity. Given the magnitude of the problem and its policy implications, it has been subject to a wide-ranging academic examination. Economically-oriented research however has not evolved in a manner commensurate with the challenge the country faces on this front. There is arguably a need to broaden and deepen the effort involved, in a flexible but systematic fashion.

IMPACT OF FDI ON CORRUPTION IN INDIA

MANJULA G.T.*

ABSTRACT

This paper examines the effect of FDI on corruption in a host country, India, from 1995 to 2009. India being a developing country, now characterized as an emerging economy, has been attracting huge FDI inflows and the pace of its economic growth has spiked since 1990's continuously. Parallel to this, the level of corruption has been showing the same increasing trend. So, this paper explores the possibility of FDI being one of the causes for this increase in corruption. Considering various incidents all over the world, this research has gathered proof to show that FDI does indirectly influence corruption in India. India seems to be contradicting the previously held view that corrupt countries do not attract much FDI inflows. So, India presents a particularly interesting case for contradicting such a view. In this paper time series data for CPI, (corruption perception index) from Transparency International, and FDI inflows data obtained from Reserve Bank of India publications are considered for graphical analysis to study the trend and annual pattern of behavior which support the hypothesis of the paper that FDI increases corruption of the host country, India. The paper has used the ranking of countries for corruption provided by the Transparency International and regressed with FDI inflows resulting in a significant model indicating that FDI does influence corruption moderately enough not to ignore the need for further exploration.

FINANCIAL DEVELOPMENT INDEX AND ECONOMIC GROWTH: EMPIRICAL EVIDENCE FROM INDIA

QAZI MUHAMMAD ADNAN HYE*

ABSTRACT

This study constructs financial development index (FDI) for Indian economy and also examine the relationship between financial development index and economic growth. The results indicate that long run relationship is presented among the economic growth, financial development index, real interest rate, labor force and capital. But financial development index negatively associated with economic growth in the case of long run and short run and real interest rate also negatively determine the economic growth only in the long run. The rolling regression result confirms that FDI negatively associated to growth in the years of 1978, 1979, 1984 to 1987, 1990, 1996 to 2000, 2004 and 2005 and real interest rate is impede economic growth in the years of 1978, 1979, 1986, 1988 to 1997, 2001, 2002, 2006 and 2008.

TRENDS AND PATTERNS OF PRIVATE INVESTMENT, AND ITS PROMOTIONAL POLICIES IN INDIA*

JAGANNATH MALLICK**

ABSTRACT

This study aims at providing an understanding of the economic structure and structural changes in private investment in the Indian economy corresponding to the promotional policies of private investment. The overarching problem addressed in this study is whether or not identifiable structural transformation in terms of allocation of private investment across industries has occurred in the last four decades. Structural transformation is confined to the shifting or movement of resources from one sector to another within the private economy. This study constructed a comparable time series data on private investment by industry of use for the year 1967-68 to 2005-06 owing to the limitation of data in the National Accounts Statistics and utilised descriptive statistics like annual average growth rate, share and Z test statistics to find out the sectoral and sub-sectoral contributions to the growth of private investment in India as well as to verify the structural changes. The analysis revealed that the rate of capital formation had increased in the private sector and decreased in the public sector after economic reforms. Further, the industrial sector had been ranked one in terms of its contribution to the growth of private investment followed by the service and agricultural sectors in India. However, the growth of private investment in the service sector was considerably higher in the post reform period than the pre-reform period. Further, the annual average of growth of private investment in the service sector was almost equal to the industrial sector in the post-reform period. Therefore, the service sector played a very important role in attracting private investment during the economic reforms period.

**GENDER DISPARITIES IN WORK AND WAGES IN AGRICULTURE : A COMPARATIVE
STUDY OF ANDHRA PRADESH AND ORISSA**

SHAIK HAFFIS, M.J.C. REDDY AND Y.V.R. REDDY*

ABSTRACT

This article attempts a comparative study of the two states: Andhra Pradesh and Orissa to measure gender disparities in work and wages in terms of relative time men and women spent on productive activities and thereby, earned money wages out of them. Gender disparity in work registered more in Orissa than in Andhra Pradesh. A larger proportion of the time spent by women in the total time had gone into unpaid work as compared that in case of men in both the states. Women received lower wages than their male-counterparts in the two states. Gender disparity in wages was found to be higher in Andhra Pradesh than in Orissa.

**FINANCIAL INCLUSION, DEVELOPMENT AND ITS DETERMINANTS: AN EMPIRICAL
EVIDENCE OF INDIAN STATES**

KULDEEP SINGH* AND ANAND SINGH KODAN**

ABSTRACT

This paper analyzed the relationship between financial inclusion and development with the help of index of financial inclusion, which developed by Sarma in 2008, and the paper is also attempt to identify factors associated with financial inclusion with the help of Regression Analysis. For this purpose, 15 Indian States have been selected out of 28 states, and 6 Union Territories. After analyzed, the data we found that the IFI/FI has positively and significantly associated to the socio-economic development. The study further found that per capita NSDP and urbanization are significantly explore the financial inclusion while, literacy, employment and sex ratio are not statically significant explore/predictors of the financial inclusion.

**INTRICACIES OF WATER RESOURCE MANAGEMENT AND
DEVELOPMENT DISCOURSE PARADIGM IN ORISSA**

SUSHANTA KUMAR MAHAPATRA *

ABSTRACT

An essential sector, where the pace and pattern of resource exploitation have been less than optimal in Orissa, is irrigation. State Water Policies are yet to become effectual in providing a direction to water resources development and management in an integrated framework. Using primarily different published secondary data, this article examines the development of different irrigation system during different plan periods in Orissa. It is evident that the share of irrigation potential created is very negligible when compared to the total irrigation potential created in India. The utilization of created irrigation potential is lower than the corresponding figures of major States. Even if Orissa is gifted with plentiful of groundwater resources, their exploitation for the purpose of irrigation has been extremely little. Profound thought needs to be given on the crisis like, how to utilize the massive groundwater endowment of Orissa for ensuring better agricultural growth of the State with which the livelihood of three-fourth of rural farm households is strongly related.

**IMPACT OF FOREIGN CAPITAL INFLOW ON SKILLED-UNSKILLED WAGE GAP AND
SOCIAL WELFARE IN A SMALL OPEN ECONOMY**

ANINDITA BASU (CHOWDHURY)* AND KAUSIK GUPTA**

ABSTRACT

The paper analyzes the impact of trade liberalization through foreign capital inflow on the wage gap between skilled labour and unskilled labour and on the level of social welfare of a developing economy in a three-sector general equilibrium framework with foreign enclave. This paper shows that under some reasonable condition though foreign capital inflow may improve social welfare but it increases inequality between skilled and unskilled labour. Thus the paper shows the possibility of trade off between the increase in wage inequality between skilled and unskilled labour and welfare improvement due to inflow of foreign capital with full repatriation of its earning.

EMPLOYMENT INTENSITY OF GROWTH IN INDIA AND IT'S STRUCTURAL DETERMINANTS

FALGUNI PATTANAİK* AND NARAYAN CHANDRA NAYAK **

ABSTRACT

The employment intensity of growth is an important issue that merits in-depth study and analysis in the case of Indian economy as it is observed, despite the acceleration of economic growth over the last decade, the positive correlation between growth and employment is weakened. With that in mind, the study sets out to identify the factors which are responsible for this 'jobless growth'. It also sheds light on the extent and significance of the structural change in the pattern of generating output and employment in the country since the 1960s. The study measures employment elasticities of overall economic growth during 1960-2008 as well as in three major sectors over the period 1960-2004 to analyze both the job-creation capability of these sectors, and the significance of structural change. Finally , the study identifies the factors responsible for this low employment intensity of growth of the economy and the relationship thereof with economic policymaking.

MIGRATION IN GUJARAT: INSECURITY OR OPPORTNITY

INDIRA DUTTA*

ABSTRACT

The economy of Gujarat has undergone rapid change after 1991. The rate of growth of Gujarat economic has accelerated up to 11%, but Gujarat developmental process has witnessed a very large inter-sectoral, inter-regional and inter-personal inequality. Due to this segmentation migration has become a regular phenomena of Gujarat. It is true that Gujarat Shines very brilliantly in the industrial map of India but the dichotomy of Gujarat is worth noting. One part of Gujarat is very prosperous where as the other part consists of poor marginal former, agricultural landless laborers, urban slum dwellers who live in extreme poverty and live in the world of extreme tradition. With this contrast it is million dollar question whether migration in Gujarat has opened new vistas of opportunities or it has brought more insecurity and social marginalization.

In spite of the ILO campaign for "decent work and productive work", the migrant workers have to face the threats of commodification, individualism and materialism so in terms of security the picture is pretty grim. They suffer badly in terms of economic security, food security, health security, environmental security, personal security community security and political security.

Migration in Gujarat has been viewed in terms of insecurity rather than opportunity. This is always not true. In some urban parts of Gujarat it has added to capability, entitlement and freedom. All these are highly relevant to the assessment of human development. Migration promotes capability or opportunity to choose a life that one values.

Contd.....

When the migrants have high degree of choice about when and where they move and how long they stay, they feel themselves in a better position. Not only this, with entitlement they feel more security which enhances the prospect. At home as well as in the destination societies they will have their own identities. It also helps them a chance to enjoy freedom in different forms. In Human Development Report 2000 freedom has been stated in various forms i.e.[1] freedom from discrimination [2] freedom from want [3] freedom to develop and realize one's human potential [4] freedom from fear [5] freedom from injustice [6] freedom of thought and speech and to participate in decision making [7] freedom for decent work. Once the migrants move out from home, they enjoy all these freedoms because of identity and security. For that we have to create a social floor and policies of government should be more migration friendly.

To conclude, migration in Gujarat has brought both insecurity as well as opportunity. The insecurity side paints a gloomy picture in the shining Gujarat. "The real wealth of a nation is its people, both men and women. And the purpose of development is to create an enabling environment for people to enjoy, long, healthy and creative lives. This simple but powerful truth is too often forgotten in the pursuit of material and financial wealth" H.D.R. 1995. These lines aptly fit in Gujarat. Better policies must be framed for better mobility and migrants should be backed three point strategy – opportunity, empowerment and security.