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### **IMPACT OF EAST-ASIAN FREE TRADE ON THE ENVIRONMENT - A GTAP EXERCISE**

**KAKALI MUKHOPADHYAY AND PAUL J. THOMASSIN \***

#### **ABSTRACT**

*The environmental impact of a regional trade agreement towards liberalization is an empirical question. The paper estimates the economic and environmental impacts of alternative trade policies of liberalization between six East Asian countries using Global Trade Analysis Project (GTAP) framework.*

*The finding reveals that Japan will be in a win-win situation followed by Korea after tariff reductions. Among the other countries, the impact on China is found to be neutral, while for Vietnam, though industrial output inducing is not environmental friendly. Further, the paper discusses the welfare effect and relevance for trade and environment debate. The paper concludes with alternative environmental policy implications.*

### **NEUROECONOMICS: THE SCIENCE OF THE ART OF DECISION MAKING**

**T. LAKSHMANASAMY \***

#### **ABSTRACT**

*The conventional economics approach to human decision making process for long is based on the observed behaviour of agents and typically assumes that agents are egoistic, rational and possess perfect information. The decision maker also reveals her preference through objective choice. But, how and by what process the decision is arrived has eluded the either the axiomatic or the revealed preference economic analysis. The recent spurt in Neuroeconomics studies on human decision making process has thrown much light on the neural mechanisms taking place in certain areas of brain underlying the decision making process. The neural activation in certain brain areas explains more convincingly the human behaviour towards utility, money, finance, values, norms, trust, probability, and the observed differential patterns in behaviour under varied circumstances like response to time delay, variations in reward, risk, uncertainty, ambiguity and social behaviour. It has been established by the Neuroeconomics research that the prefrontal cortex in general is the activation region of the brain for economic and financial decisions.*

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*Besides, other specific parts of the brain are also activated in complex decisions involving social preferences and strategic actions. The neural activity forms the basis of the mind and brain for economic choice. More importantly, the Neuroeconomics results reveal that human decisions are not completely independent of emotions and empathy and people often reflect social preferences as well as value judgments, fairness, norms and trust. This paper presents a brief overview of the burgeoning literature on Neuroeconomics with particular emphasis on the decision making process. This review shows that neuroscientific approach to the art of human decision making process, rather than the conventional axiomatic or observed behaviour inferential approach, in conjecture with the behavioural economics, enriches the economists' understanding of human behaviour.*

## **INCLUSIVE GROWTH: SIGNIFICANCE OF THE MANUFACTURING SECTOR**

**AASHITA DAWER\***

### **ABSTRACT**

*This paper attempts to examine how far manufacturing expansion in rural India can prove to be potent instrument for the realization of the objective of inclusive growth, the theme of Eleventh Five Year Plan. On the basis of performance of this sector in the pre reform decade as well as in the post-globalised era, its expansion has a logical justification. The empirical evidences are in favour of the fact that labour is a better contributory factor and thus should be given due preference in the course of manufacturing growth. The indications towards smaller size firms with labour intensive technology are pointers to the extension of the manufacturing activity in the rural sector of the country where labour is available in abundance at lower cost. The installation of smaller factories may be given preference for the sake of efficiency, productivity and employment generation. The development of this sector has a potential to bring down rural poverty. It may prove to be an appropriate step towards inclusive growth by creating better employment avenues for the rural manpower .competition.*

## **ANALYSIS OF PRODUCTIVITY IN INDIAN INDUSTRIES**

**M.MANONMANI\***

### **ABSTRACT**

*An attempt has been made to analyse determinants of productivity based on the indices of partial and total factor productivity in rural, urban and aggregate industries of India for the reference period between 1998-99 and 2007-08. Multiple linear regression model was applied to analyse the data. To find out the average annual growth rate in partial as well as total factor productivity, exponential growth function was applied. It was found that the trend rates of partial and total factor productivity indices were positive. The analysis also revealed an inverse relationship between labour productivity and unit-labour cost in these industries. Significant relationship existed between all forms of productivity indices and the major factors which influence productivity. It was concluded that the productivity of capital and total factor productivity may be taken into account along with labour productivity while granting wage increase so that wage increase is not of inflationary nature. In order to boost the total factor productivity growth there is a pressing need to harmonise the industrial relations with workers and management. In this context, amendments in labour laws, greater participation of workers in management and rehabilitation of workers especially in case of disinvestment of public sector units are some spheres which require quick attention of policy makers to create conducive environment.*

## **FUTURE PROSPECTS OF FOREIGN DIRECT INVESTMENT INFLOWS TO INDIA**

**NEERJA DHINGRA\***

### **ABSTRACT**

*India possesses a long term sustainable competitive advantage – high growth rate economy. The average growth rate is robust; for the last ten years it has been 6.5 percent; the highest 9.7 percent in the year 2006-07 and remarkable 8.8 percent in the year 2010-11. Most macro economic variables are giving the indication that India's medium term growth prospects remain strong. The mood of the economy is upbeat and signals strong. The present study is an attempt to explore whether FDI is likely to accelerate in the near future aided by conducive and positive macro economic conditions or not. 'What will happen in future' is the function of 'what happened in the past'. Believing this, the study has generated the forecasts of FDI inflows to India for the period 2011 to 2020, by using Double Exponential Smoothing Model. The adequacy of the model is tested by computing autocorrelation coefficients and Ljung-Box Q statistics. The study revealed that although the prospects of FDI inflows to India are positive in the ensuing decade but the overall expectations for short term FDI inflows can be best described as cautiously optimistic.*

## **THE MARKET TRIUMPHS**

**UTKARSH MEHROTRA\***

### **ABSTRACT**

*Economics for the past few decades has been a forte of Central Bankers and Finance Ministers. They had become so arrogant of their apparent ability to influence market forces and create conditions for sustained and stable growth, that they had overlooked the most fundamental truth. Markets inevitably find their own equilibrium in the long run, no matter how complex an instrument is used to shift it in order to suit one's needs. The paper goes on to describe the current economic situation and the future outlook of the major economies of U.S. and the EU. It ends with a description of the emerging market economies, specifically China and India, and the challenges faced by them as the global situation changes. The paper mostly provides a basic qualitative study of the implications of the current economic situation to the future outlook for the economies. The paper does not intend to analyze underlying macroeconomic variables like unemployment rate, industrial production etc. in a great detail to come at conclusions. The paper majorly focuses on other fundamental issues and challenges faced by the economies and what are the implications of each of them. The paper tries to consider the issues in the news emerging in the past few months and their implications on the world economy and its major stakeholders.*

## **ECONOMIC UNCERTAINTY, INVESTMENT AND GROWTH: CROSS COUNTRY EMPIRICAL ANALYSIS FOR FIFTY DEVELOPING COUNTRIES**

**ABDUL WAHEED\* AND AMBER FATIMA\*\***

### **ABSTRACT**

*The aim of this study is to examine the effects of economic uncertainty on investment and economic growth by using an Accelerator model of Investment and Endogenous growth model for a group of 50 developing countries by the empirical investigation taking of an average period of 1981-2008. The GARCH method has been used for construction of uncertainty variables related to fiscal policy, openness and capital inflows. The results of regression model indicate that the economic uncertainty has significantly negative effects on investment and economic growth in cross country analysis.*

## **AN ECONOMIC ANALYSIS OF AGRICULTURE IN ANDHRA PRADESH**

**B.NARAYANA\***

### **ABSTRACT**

*This paper seeks to examine the growth and instability in agriculture covering pre and post-economic reform periods and also the impact of economic reforms on the productivity of agricultural crops in Andhra Pradesh state by using an interaction variable during 1974-75 to 2007-08. The results of the study show that the growth rates of yield declined for rice, blackgram, cotton and chillies except for jowar and maize crops, became negative for greengram and groundnut and became positive for sugarcane(gur) crop during post-economic reform period. On the whole, one can conclude that economic reforms had negatively affected the growth rates of area (except for maize crop) and yield [except for jowar, maize and sugarcane(gur)] and thereby production either by making the growth rates into negative or by reducing the positive growth rates in post-economic reform period. The instability was higher in the yield of maize, greengram, cotton and chillies during pre-economic reform period as compared to post-economic reform period, whereas the yield of groundnut registered high degree of instability during post-economic reform period. The fluctuation in area was the main source of production variability in all the crops except for groundnut crop during post-economic reform period. Moreover, the study revealed that mere extension of area under the crops will not solve the problem of increasing the level of production, but adequate attention has to be paid towards increasing the productivity of the agricultural crops in the state. As far as shift is concerned, there was an upward shift (increase) in the growth of productivity of jowar and sugar cane (Gur) crops only during the post-economic reform period showing that productivity of these crops was relatively higher as compared to pre-economic reform period. Further, it also indicates the positive impact of post-economic reform period. Therefore, there is a need to investigate and explore the reasons as to why the economic reforms could not bring a breakthrough in the growth of productivity of all agricultural crops under consideration in Andhra Pradesh state. Such exercises have to be carried out with the help of cross sectional farm data to be collected from the growers of the crops in the state. Otherwise, the down ward trend in the growth of productivity would further be intensified if this situation is being continued.*

**IMPACT OF MICROFINANCE ON EMPOWERMENT OF WOMEN:  
AN EMPIRICAL STUDY OF SHGS IN GUNTUR DISTRICT**

**B.REVATHY\* AND MRS. M. KAILASH\*\***

**ABSTRACT**

*Empowerment as a concept is rapidly gaining ground especially in the emerging context of micro finance. It is commonly associated with the idea of emancipation or self-autonomy of those individuals who are economically backward by providing them with financial services (credit, savings and insurance) and/or various non-financial benefits i.e. education, healthcare and training. Microfinance also significantly contributes towards gender equality, for women empowerment, pro-poor development and towards strengthening of civil society. This paper intends to provide an insight of the role played by microfinance in empowering women in Guntur district of Andhra Pradesh. 180 SHG members of Mangalagiri mandal are the sample of the study. The study reveals that Microfinance has considerable positive impact on the respondents' self confidence and courage whereas self esteem and asset creation requires attention. By adopting a holistic approach that takes into account cultural, economic, and political factors affecting women's empowerment, MFIs can ensure that women are more deeply and consistently empowered through their programs. The study concludes that microfinance sector should extend its hand in the interest of the poor women who definitely need full range of financial success, including financial literacy. Women should explore self employment avenues with pragmatic approach to steer not only their families but also the society at large in the path of progress.*