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Global Financial Meltdown and Indian Budgetary Response

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CAUSAL RELATIONSHIP BETWEEN FOREIGN DIRECT INVESTMENT AND EXPORT FOR BANGLADESH: A TIME SERIES ANALYSIS

Md. Gazi Salah Uddin & Md. Wahidul Habib

ABSTRACT

This paper has focuses on the casual relationship between export, foreign direct investment and GDP growth for Bangladesh using annual data from 1975 to 2005. The Granger Causality test and Error Correction Models are employed taking care of stochastic properties of the variables. The co-integration analysis suggested that there is a long-run equilibrium relationship. The results of Granger Causality test showed that there is a causal relationship between the examined variables. Foreign direct investment cause export growth in the long run and does not have any short run influence. Furthermore, the causal nexus is unidirectional from Foreign Direct Investment to export.

JEL Classification: C22, F14, F43

Key Words: Co-integration, Granger Causality, Economic Growth

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Financial Innovation and Demand for Money in Pakistan.

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Abstract

This paper investigates the relationship between money demand and financial innovation in Pakistan during the period of 1995-1 to 2007-12 using the robust time series techniques. Empirical results suggest that there exist long run relationship between money demand, interest rate, economic activity, inflation, financial innovation and exchange rate. The important result of this empirical work is that financial innovation is positively effecting money demand in the long run as well as in the short run but short run elasticity is more than the long run elasticity.

Key Words: Money Demand, Financial Innovation, FMOLS, Pakistan.
JEL Classification: E3, C1

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Foreign Direct Investment and Economic Growth in India: A Macroeconomic Appraisal

Dr. Satish Verma* and Rahul Arora**

Abstract

The paper has endeavored to evaluate the FDI and economic growth nexus, using Johansen's cointegration analysis. A macro-econometric model using five variables viz., LNGDP, LNFDI, LNEXPO, LNGCF and LNEMPL has been formulated to examine the FDI-growth relationship. The overall conclusions that emerged from the empirical analysis suggest that FDI is an important variable to augment economic growth. Domestic investment in the infrastructure, skill formation and private corporate sector especially in the manufacturing sector can play a lead role to attract FDI inflows in the economy. The negative impact of employment on economic growth confirms the functioning of Parkinson's Law in Indian organized sector and thus portraits the problem of overstaffing and presence of decreasing returns in the economy. It is therefore recommended that the policy should be so framed such that the decreasing returns can be converted into optimum returns.

Keywords: FDI, VAR/VECM, Cointegration, Economic Growth.

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Regional Divergence in Growth in India: A Post Reforms Period Study

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Abstract:

The paper is an attempt to give an analytical description of the growth of states in India in terms of their respective Per Capita Net State Domestic Product (PCNSDP) during the post reform periods i.e. 1993-94 to 2005-06. There are anecdotal indications that laggard states including Bihar, Rajasthan and Uttar Pradesh have been making efforts to enhance their economic level while relatively developed states like Punjab have slowed down. Accordingly, we decided to apply convergence analysis for understanding the pattern of regional variation in economic development in the country. Further, we have attempted to get more dis-aggregative picture of the regional disparities in our analysis. The question of interstate disparities can be posed in a multitude of ways and the paper takes a look at the problem from some of the other viewpoints also. In particular, it analyses the ranks enjoyed by the Indian states with respect to the levels of their per capita Net state domestic product (PCNSDP) at 1993-94 prices over the chosen period for 29 states/UTs in India. Statistical analysis of data reveals the trend for Indian states to diverge in PCSDP, but converge in shares of different sectors in PCSDP.

Key Words: *Convergence, Divergence, Regional Disparities, Economic Growth, Economic Reforms*

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Contingent Valuation and Preference: The Case of Two Case Studies in Kolkata, India

Chirodip Majumdar

Abstract

Contingent valuation (CV) studies use a hypothetical scenario and a means of payment to estimate willingness to pay (WTP) for a non-marketed good. Objections against CV studies have been raised and it is argued that a survey cannot elicit the exact preference of a consumer. The applicability of a CV survey is questioned when studies are conducted in areas where respondents are not generally familiar with the methodology. The present paper reports the results obtained from two CV studies in Kolkata, India. One of the studies is on estimating WTP for water quality improvement and the other is on estimating WTP for air quality improvement. The two studies show that respondents in a city like Kolkata, India respond CV surveys seriously. The results meet the researchers prior expectation that citizen of Kolkata are more concerned about drinking water quality and are more eager to pay for a water quality improvement programme than an air quality improvement programme.

Keywords
Air Quality, Contingent Valuation, Stated Preference, Water Quality, Willingness to Pay

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Diversification of Rural Economy: Effect on Income, Consumption, and Poverty

Mahajan Girish *

ABSTRACT

The present study has examined the relationship between the magnitude of rural diversification and the level of household income, consumption, and also the incidence of poverty and has also investigated the impact of diversification on income and consumption of the rural households. The study has been conducted on two developed (developed category) and two backward blocks (backward category) using the two stage stratified random sampling technique. The results have shown that the household income was highly diversified in backward category but the level of total household income was significantly lower as compared to developed category where low level of income diversification was associated with high level income pointing towards the prevalence of distress diversification. Likewise in less diversified farms of developed category , similar results of income diversifications were observed. For crop diversification, systematic relationship between the extent of crop diversification and household income and consumption expenditure were found in both the categories of the study area. The statistical evidence with regards to the impact of diversification on income and consumption had showed that while the diversification of crops had significant and positive effect on income in the developed as well as in the backward categories, the diversification of income was found to have a significant effect on consumption and not on income only in backward category and did not have any affect in developed category. This inter alia, implies high productivity of various crops under cultivation.

Agriculture Credit: Organisation, Problems and Challenges in India

Dr. A. K. Sharma* & Asha Upwanshi Wasewar**

ABSTRACT

Though over the years, the multi-agency framework of agriculture credit system in India worked well and institutional credit flow to agriculture has increased significantly, but still there is *substantial unmet demand for agriculture credit in the country. Farmers, especially the small and marginal are out of reach of institutional credit and are left with no other alternatives but to move to the informal market. In the present study an attempt has been made to examine the organization and performance of agriculture credit system in India. Besides this, a brief account of the genesis of institutional credit to agriculture, the weaknesses and problems of agricultural credit system and the major challenges have also been discussed.*

Keywords - *Agriculture Credit, India, formal sources, Informal sources, cooperative-credit, farmers' suicides.*

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An Assessment of SHGs under SGSY Programme: Evidence from Meghalaya

S. Umdor* and B. Panda**

Abstract

This study undertakes an impact assessment of SHGs formed under the SGSY programme in Meghalaya. It brings out the importance of SHGs as an effective credit delivery mechanism and shows that membership of SHGs has empowered the members (women) and their households both economically and socially. Economic empowerment gets manifested in the form of increased access to credit for both productive and consumption activities, increase in household income and diversification of sources of income. Social empowerment is seen in terms of SHG members' enhanced status and recognition in the family, as well as boosting their self-confidence in the society.

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Measuring Empowerment Some conceptual Cob Webs and Empirical Evidence from a Comparative Inter- State Perspective

Dr. K. Muraleedharan*

ABSTRACT

The concept of empowerment is currently in use by a variety of people in diverse contexts. In fact, the multiple use of it has contributed towards the ambiguity of the term rather than to its clarity. Now a day, it has become an elusive concept that escapes any attempt to define and measure objectively. The concept of empowerment varies from those predominantly found in the works in sociology, education and radical politics to the attempts for community development organizations as well as international development organizations like UNDP and World Bank. What Zoë Oxaal with Sally Baden (1997) observed in this context approximates the reality. There are a variety of understandings of the term empowerment due to its widespread usage. Although the term is often used in development work, it is rarely defined. Similarly, a vide variety of attempts to measure empowerment ranging from those at the macro level to the micro level can be traced. This paper attempts to (1) sort out the conceptual cob webs of empowerment in search of a working definition of it and (2) measure empowerment from empirical evidence from empowerment experiments of two states, Kerala and Karnataka.

The study has drawn from the works of a research project analyzing the impact of government interventions on empowerment of women in Indian States. It has a special focus on *the facilitation of group formation among women for it comparability and has examined the impact of facilitation of group formation among women and the subsequent thrift, credit and income generating activities. The informants were identified through a multi stage sampling. In the first stage, two States, Kerala and Karnataka were selected as these States have made successful experiments in the empowerment of women. Apart from the Govt., several other agencies are active in the area of empowerment of women.*

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Capital Adequacy Regime in Scheduled Commercial Banks: A Case of India

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Abstract

Reserve Bank of India, on lines of Basel II, requires Indian Banking Industry to maintain a minimum ratio of capital to risk weighted assets at 9 per cent. This paper presents the capital adequacy ratios of Indian Banks as worked out on the lines of CAMEL Model (recommended by Padamanbhan Working Group in 1995). The reference period for the study ranges from 1991-92 to 2007-08 i.e. of 17 years, which is further divided into three sub-periods: 1992-97, 1998-2003 and 2004-2008. It is found from the analysis that majority of scheduled commercial banks in India are maintaining Capital Adequacy ratio above 9 percent irrespective of their ownership pattern. While in terms of CAR Foreign Banks (FBs) have the edge, the Public Sector Banks (PSBs) enjoy the same in terms of ratio of Government Securities to Total Investments. However, the Debt/Equity Ratio is found the lowest in the case of Private sector banks (PBs). Advance to Asset Ratio has increased significantly in case of domestic banks during the last five years. On the whole, the banks operating in India have shown appreciable improvement in each of four ratios used to measure capital adequacy according to CAMEL Model. Based on the results of this study, interestingly, it is obvious that most of the banks in India are capable of absorbing additional requirement of capital under Basel regime.

Key Words*: Performance of Banks, CAMEL Model, Capital Adequacy, Basel Accords*

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REDEFINING MOMENT FOR BANK REGULATION – SOME PERSPECTIVES

Y.VIJAYANAND

ABSTRACT

Bank regulation is a fascinating and much debated subject, because of the banks' critical and sensitive role in society, and the costs of failure of banks. Bank regulation evolved through many phases of economic history and is now set for deep introspection. Banking regulation in India global and national interests. Against this background, this paper examines the significance is a story of calibration and balanced environment, which have helped it to weather storms better.

The liberalization measures of the last two decades have brought out marvels, as well as, perils of progress. Alarm bells were plenty, but inaction of regulators, and excesses of unbridled profit seekers brought about the biggest financial calamity since 1929. This has caused review of important regulatory issues, including the conflict between of recent international events, and the implications of the collaborative action initiated towards global recovery, and concludes that unselfish and disciplined implementation of regulatory measures will foster stability in the world.

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