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## **Asian Economies in 2010**

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### **RATIONAL PARTISAN PREFERENCES AND THE EQUIVALENCE OF FLYPAPER AND FUNGIBILITY OF FOREIGN AID: AN APPLICATION OF YOUNG'S THEOREM**

**SANJEEV K. SOBHEE AND SHYAM NATH**

#### **Abstract**

This paper discusses the political economy implications of external financial assistance in the presence of partisanship in parties. In fact, rational partisan theory posits that parties tend to adapt to the median voter's alteration in preferences during a given incumbency period so that they could maximize their chances of being re-elected. Our paper specifically tends to illustrate whether parties should be concerned with flypaper and fungibility of foreign aid while adapting to the dynamic preferences of voters. The Young theorem is used to show under what conditions would flypaper and fungibility have equivalent effects on output.

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### **EFFICIENCY-PROFITABILITY RELATIONSHIP IN INDIAN DOMESTIC BANKS: A DISAGGREGATE ANALYSIS**

**RACHITA GULATI\*, AND SUNIL KUMAR\*\***

#### **ABSTRACT**

*This paper endeavours to explore the relationship between efficiency and profitability in 51 Indian domestic banks operating in the financial year 2006/2007. The empirical results show that de novo private sector banks dominate in the formation of the efficient frontier for Indian domestic banking industry. The efficiency-profitability matrix reveals that the resource utilization process in 22 banks that fall in the 'Question Mark' and 'Sleeper' quadrants is not functioning well and featuring the presence of considerable wastage of the inputs. Further, TamilNad Mercantile Bank and Yes Bank may be considered as an ideal benchmark for the poor performing banks on the efficiency and profitability dimensions of performance evaluation.*

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**NEW DERIVATION OOF SAMUELSON'S (1947) UTILITY POSSIBILITY  
CURVE BY ANALOGY OF KONAR'S (2006) DIAGRAM FOR THE  
CONTRIBUTION TO ECONOMIC(S) EDUCATION**

**ARUP KANTI KONAR**

**ABSTRACT**

Like the “production possibility curve” (*PPC*) of Stolper and Samuelson (1941), the “utility possibility curve” (*UPC*) of Samuelson (1947), is a staple tool in the literature of economic(s) education at the lower and higher levels. Among the tally of methods of the derivation of the *PPC* (e.g. Black 1957, Worswick 1957, Savosnick 1958, Ferguson 1962, Travis 1964, Houck 1966, Melvin 1971 and Konar 2006), the “new password” is Konar’s (2006) diagrammatic method. The “newness” of the “password” lies only in its maximum simplicity. The previous methods can be treated as “easier ways” to “complicate” its derivation. But the previous methods, in which the framework of “Edgeworth-Box” is embedded, have acquired widespread acceptance and relentless success. Since the *UPC* is very similar in concept to the *PPC*, similar diagrammatic framework of Konar (2006), has been used in this article, instead of conventional Edgeworth-Box framework, for the derivation of Samuelson’s (1947) *UPC*.

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**INTERNAL MARKETING IN SELECTED SOUTH AFRICAN PUBLIC  
HOSPITALS: A STAFF SATISFACTION SURVEY**

**PROF AA (BRAAM) RUST\* ANDPROF JW (JOHAN) DE JAGER\*\***

**ABSTRACT**

Public hospitals in South Africa usually experience periods of stress owing to understaffing, management and leadership failures, for example, a lack of effective leadership and management capacity exists; hospital managers are disempowered and frustrated by growing centralised control at provincial level; doctors and nurses depart for more lucrative positions within the private sector; while there has been a significant reduction of posts for support workers. Some of these problems and obstacles reflect inappropriate employee management techniques. Within these circumstances, the role of internal marketing, amongst others, is to treat fellow employees as customers and to work towards harmonious internal working relationships between departments, which may be applied to public hospitals in South Africa as means to deliver highly qualitative services. The main objective of this study is to evaluate expressed levels of staff

satisfaction regarding specific internal marketing characteristics at two public hospitals within two South African provinces. A total of 542 staff members were randomly selected at two provincial hospitals, namely in Gauteng and the Western Cape. Personal interviews were conducted, which revealed that staff members are fairly highly committed to their jobs. However, it appears that issues such as staff's willingness to listen to colleagues' opinions and the extent, to which staff are made aware of the importance of harmonious internal customer relationships between departments, require intervention by management in order to improve output quality.

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**INDIA AND SOUTH-EAST ASIA: CIVILIZATIONAL TIES AND NEW  
PARTNERSHIPS  
INDIA AND SOUTH-EAST ASIA: CIVILIZATIONAL TIES  
AND NEW PARTNERSHIPS  
GAUTAM MURTHY\***

**ABSTRACT**

ASEAN has emerged as a major force in international relations, with the ARF (ASEAN Regional Forum) given great importance by all great powers including China, the U.S, Russia and Japan. The recently concluded high-profile EAS (East Asia Summit) also drew world-wide attention. A dynamic Asian economy could compensate to a substantial degree for sluggish growth elsewhere. This growth potential derives from the large and diversified natural resource base and productive structures in the region. Its member countries produce everything from energy, vital minerals, tropical products, fibres and cereals. It covers industrial and trading capacities ranging from the most capital-intensive to the most labour-intensive, with a large and varied work force commanding different compensation levels. All these factors are highly conducive to a greater economic interaction. Some strategic observers have even noted that it may be desirable to take on

even Pakistan on board in a future Asian alliance. Thus we should have an Asian economic and strategic architecture-East Asia Summit, Asian Energy Grid+SCO (Shanghai Co-operative Organization). Independent India's engagement with ASIA began under Jawaharlal Nehru. Under Nehru's leadership, the Asian Relation's Conference was organized in 1947, and the special conference on Indonesia in 1949. India also played an important role in organizing the Bandung Conference on Afro-Asian solidarity in 1955. Such was India's stature, that India was given Chairmanship of the International Control Commission of Vietnam, Laos and Cambodia in 1954, as per the Geneva Agreement, which was supposed to unify North and South Vietnam after the French left Indo-China. The "Look East" initiatives are now pursued with renewed vigour, and today what we need is a "Focus East" policy. Today, India's "Gaze" towards ASEAN is so strong, that China and the United States are beginning to get wary of us.

The next step for India is to look beyond the ASEAN-East Asian region, and extend the policy to the vast Asia-Pacific region. It should also cover besides economic, strategic and socio-cultural issues as well

At the geo-political level, India's membership of the ARF (ASEAN Regional Forum), discussing security issues, can serve to effectively protect and project India's strategic interests in the region. While India's membership of ARF enables it to participate in regional security issues, we would seriously undermine our long term strategic and economic interests, if we do not take into account China's rapidly expanding economic and strategic profile in our eastern neighbourhood. The second phase of India's LookEast policy also coincides with India's *dalliance* with the U.S, as opposed to a formal *alliance*. India today has more intensive security links with America's allies in the ARF (Asian Regional Forum of ASEAN)-Australia, South Korea and Japan. India's improved ties with the U.S have also created the space for a more confident and constructive engagement with China in both strategic and economic terms. The East Asia summit (EAS) had sixteen countries attending,-the ASEAN ten, South Korea, Japan, India, China, Australia, and New Zealand. They were all represented by their respective Heads-of-State and Heads-of-Government, at the inaugural summit at Kuala Lumpur, Malaysia. EAS may ultimately evolve into an East Asian Community (EAC) discussing economic and strategic issues. EAC may finally subsume the evolving ASEAN community, to form a larger Asian economic grouping. No country, particularly China should be allowed to

dominate any future visions of an Asian Community, by practicing a “Monroe Doctrine for Asia”, seeking absolute influence over the entire East Asian region. In conclusion, India will need to be strong economically if it has to be recognized as a major regional or global power. Closer economic and political interaction with the economically dynamic group of countries like ASEAN will motivate our decision makers to effect much needed changes in economic institutions and policies to make the economy vibrant and foreign policy more dynamic.

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## **INDIA’S POTENTIAL FOR AGRICULTURAL TRADE IN ASIA: A GRAVITY MODEL APPROACH**

**P. SHINOJ AND V.C. MATHUR**

### **ABSTRACT**

India’s agricultural trade within the Asian continent assumed greater significance over the last decade owing to a gradual shift in focus from multilateralism to regionalism and the resultant boost in regional co-operation among the various Asian countries. The present study attempts to analyze the bilateral agricultural trade flows between India and its major Asian trading partners using an augmented Gravity model approach. Various factors and determinants of trade and their implications in the present context are discussed in detail. A subsequent quantification of the trade potentials with respect to these trading partners helps to discover the unexplored avenues of trade opportunities for India in the coming era of enhanced economic co-operation and integration.

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## **DEMAND FOR MONEY IN A DEVELOPING COUNTRY: SOME EMPIRICAL RESULTS**

**DR. S. A. SAIYED**

### **ABSTRACT**

This paper empirically estimates the demand for money behaviour and examines the stability of the same in the Indian context, using annual data for the period 1981/1982 to 2005/2006. Our results show that, there is a strong transactions

motive for holding money in India after the liberalisation process (1991/1992). This paper examines that whether demand for money is stable, as it is one of the most important recurring issues in theory and application of macroeconomics. The empirical analysis shows that the demand for broad money in India is highly strong and positively correlated with other monetary variables in comparison to demand for narrow money, specifically, after the open market policy of the 1990s. The Results also show that the demand for money is a function of national income and negatively behaving with changes in prices and interest rates. Johansen cointegration method (long-run) shows the existence of a reasonably stable demand for money function in India. An error correction model (ECM) for demand for money (short-run) is identified and it is observed that ECM gives good results. Since inflation (continuous prices rising) is exogenous in demand for money function, therefore, the central monetary authority, namely, Reserve Bank of India and Ministry of Finance are not able to control the price-rises in such open markets.

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## **CORPORATE GOVERNANCE AND MARKET VALUATION –A CASE OF NMDC IN INDIA**

**FARESA FATIMA**

**DR MOHD AKBER ALI KHAN**

### **ABSTRACT**

Corporate governance is a simple practice of ‘just doing it fairly’ and does not involve rocket science technology. Practitioners seem to believe that good governance does increase the firm’s market valuation, so the question is does a firm’s corporate governance practice really have a positive effect on its market value?. This paper attempts to answer this question empirically. The research method adopted in this paper is to compute corporate governance score of NMDC Ltd as per the guidelines issued by government of India, Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises and measures of market valuation for publicly listed firm NMDC Ltd by using data from the firm’s annual reports. Appropriate statistical tools have been used for finding the impact of corporate governance on market valuation of the firm. The results show positive relationship of corporate governance with market valuation of the company. The analysis indicates that better corporate governance is associated with higher operating performance and higher valuation.

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## **SHARECROPPING: A RATIONAL INSTITUTIONAL RESPONSE**

**DR. NISAR A. KHAN AND DR. SAGHIR AHMAD ANSARI,**

### **Abstract**

Sharecropping is a contractual arrangement whereby the productive inputs owned by two parties are brought under the same management to produce an output that is shared between them in a pre-arranged proportion. It has doggedly survived for millennia in different parts of the world. Its economic advantage was, however, not apparent to the early economists, and curiously they regarded it an inefficient institutional arrangement. The radical economics, on the other hand, considers it an instrument of exploitation. But the new institutional economics, which is an extension of neo-classical economics, considers sharecropping a rational institutional response to overcome various market inefficiencies. It is indeed a redundant system if all markets exist and are perfect. But when some markets are non-existent or suffer from distortions, sharecropping can satisfactorily overcome these inefficiencies to increase production and thereby improve welfare of one or both parties.

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## **REGIONAL DISPARITIES IN LEVELS OF DEVELOPMENT: A STUDY IN ORISSA**

**DR. ADITYA KUMAR PATRA**

### **ABSTRACT**

Inter-regional disparities and imbalance are not socially, economically and politically desirable. Any plan of action for reducing regional disparity would call for an identification of backward region. There is a need to formulate an index of development towards this end. Attempt has been made in this research write-up to compute a 'Composite Development Index' (CDI) by integrating various developmental indicators in a suitable manner. Here we propose to employ a simple multivariate method for computation of CDI. Empirical evidence shows that the coastal region of Orissa is

advanced one and the southern region is least developed pocket of the state. Hence, effort should be directed to create more infrastructural facilities at the district level as per the typology of development to have a dent over regional imbalance in the state economy.

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**ESTIMATION OF WAGE CURVES FOR CANADA AND NEW ZEALAND  
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**Abstract**

This paper estimates the wage curves for Canada and New Zealand. The paper concludes that wages are inversely related to unemployment across areas and industries, with coefficients that are quite similar over time and over countries. It is found that people who works in areas with higher unemployment earn a substantially lower wage. Demand shocks are found to have a long run effect on the unemployment rates of Canada and New Zealand. Thus, there is an equilibrium relationship between wages and unemployment rate. The paper concludes that the labor decisions of the workers in Canada and New Zealand depend on regional as well as national wages.

**EMERGING TENDENCIES OF RURAL EMPLOYMENT  
THE CASE OF ANDHRA PRADESH**

**S. SUDHAKAR REDDY**

**ABSTRACT**

Rural employment is a large source of employment as it comprises one half to three quarters of total employment in any developing economy. Hence, it is the primary source of income for the rural economy. So, success in terms of improving employment opportunities can lead to success in reducing poverty and raising living standards. When the employment situation is analyzed in the context of rural Andhra Pradesh, it is observed that the labour force participation rates are found to be very high across the districts but a large number of employed people are not able to lift their families out of poverty. Therefore, reducing poverty requires a joint emphasis on the quality and quantity of employment. The greater the employment focus, the more effective the economic

growth will be in fighting poverty. However, economic growth alone cannot be counted on to generate significant improvement in the quality and quantity of employment opportunities. What is needed is an employment centred approach to growth and development. The link between employment and living standards is straight forward. However, one has to be clear on what one means by employment in the context of rural Andhra Pradesh. Often the labour market policy recommendations assume a wage employment relationship as the dominant framework for understanding the emerging issues of employment. Equilibrium earnings are determined by an interaction between the supply and demand for labour in the labour market. It is critical to understand the structure of employment in rural Andhra Pradesh if appropriate employment policies are to be formulated.

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## **TRADE IN GOODS AND TRADE IN SERVICES LINKAGE: SOME EVIDENCE FROM CAUSALITY TEST**

**DEEPALI KARMALI\* AND P.K.SUDARSAN\*\***

### **ABSTRACT**

The conventional view is that service sector is a collection of mainly non tradable activities with low productivity growth potential. The above view is fast changing. Trade in services provides same mutual economic gains made possible by trade in goods. Trade in services is essential and inseparable from trade in goods. The present paper is an attempt to understand whether trade in goods cause trade in services or vice-versa. The study is based on country level data collected over a 21 year period. Granger Causality Test is employed to determine the nature of causality between trade in goods and trade in services for countries in different income groups. Out of 20 countries selected for Causality Test, in 13 countries trade in goods is causing trade in services. The results also reveal that differences in income do not play a role in determining the direction of casual relationship. The study has certain conclusions such that liberalization of trade in goods at GATT/ WTO level has been an important factor for the growth of trade in service in recent years.

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**RISK BEHAVIOR OF HOUSEHOLDS UNDER GENDER SENSITIVE JFM  
PROGRAMME: A COMPARATIVE STUDY IN WEST BENGAL**

**NIMAI DAS\*AND DEBNARAYAN SARKER\*\***

**ABSTRACT**

In an attempt to examine the extent of risk faced by households under gender sensitive JFM programme in West Bengal, this study suggests that JFM programme could reduce more risk related hardship for JFM households by their increase (decrease) in time and income on forest (non-forest) related works which non-JFM households fail to receive. Within JFM villages, female FPC-households not only yield higher per capita net real income but also contribute female's higher share of their family income, which they only receive from forest source, than their men's after JFM situation indicating higher diversification of forest works in female FPC-villages.

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