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INDIA'S TRADE WITH SOUTH VS NORTH: ALTERNATIVE OPTIONS

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ABSTRACT

This study investigates the potential gains as a result of deeper integration of India with South vis a vis North using GTAP-model. The study reveals that deeper integration of India with South or North has positive effects on India. The present study also reveals higher unrealized and untapped potential in the countries of south and free trade will be welfare enhancing, hence there is need to explore greater cooperation with the countries of South. Free trade with countries in south may also be used as a trade strategy to cope up with recent economic slowdown

SICKNESS IN SMALL SCALE INDUSTRY IN ANDHRA PRADESH A SPECIAL STUDY IN KHAMMAM DISTRICT

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ABSTRACT

Small Scale industry plays a pivotal role in Indian economy, providing employment to a large number of people. Small Scale industries have great relevance in our national economic policies. But, Small Scale Industry is suffering from sickness. Andhra Pradesh is the top seven states in India in regard to Small Scale Industries. But the problem of sickness is no exception. Nearly 55,000 Small Scale Industries have been closed due to sickness from 1995 to 2006. Lack of basic facilities in industrial estates, inadequate supply of electricity and increasing sales tax are throwing industries into sickness. This paper studies in depth, the reasons for sickness and the necessary remedial measures to be taken for removing the sickness. Fifty sample units have been selected for this purpose. An attempt is mode to throw light on the problems of sickness.

CONTROVERSY OF TRADE POLICY ORIENTATION AND PRODUCTIVITY GROWTH IN THE MANUFACTURING SECTOR: EVIDENCE FROM THREE INDIAN STATES

ASIS KUMAR SENAPATI* AND KIRTTI RANJAN PALTASINGH**

ABSTRACT

India started liberalizing its economy in general and its industrial sector in particular over two decades ago. One of the objectives of liberalization was to make Indian industries more productive, highly competetive and improve their competitiveness in global market. Toward this end, the government of India pursued many reforms like disbanding the complex network of industrial licensing and industrial controls and permit system, list of negative products was trimmed down considerably, liberalisation of foreign trade, currency transaction and FDI inflows were encouraged. These measures were taken in 1991 and the process of liberalization is still continuing. This paper is a modest attempt to find out the impact of liberalization on the manufacturing sector of three states making a proxy of three types of economies like developed, emerging and backward and verify empirically whether Neo-classical or Revisionist school of thought is valid one. The result testifies the fact that both schools are relevant but depends on the type of economies.

ANALYSIS ON THE PRODUCTION, COST ECONOMICS AND MARKETING CONSTRAINTS OF THE PROCESSED FOOD PRODUCTS OF THE SMALL SCALE INDUSTRIES AND SELF HELP GROUPS (SHGS)

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ABSTRACT

A study was conducted in Tamil Nadu to assess the reasons for the poor-performance of the small scale food processing firms of small scale units and Self Help Groups (SHGs). It was estimated that 26 percent of the small scale processing units were in the Western zone, comprising Coimbatore,Erode,Salem and Dharmapuri districts.It was understood that about 64 percent of the small scale operators sold their products directly and the units managed by SHGs used the members of the group, exhibitions and Farmer's Shandy (uzhavar sandai) for selling the processed products. About 98 percent of the units sold the products only in the domestic market and 14 percent of the entrepreneurs depended on their trade name of the SHGs. Little over five percent of the producers distributed free samples during the festival season and involved in door to door campaign to promote sales. A vast majority of about 60 percent of the units did not adopt any promotional measures to market their produce due to scale economies.It is noted that majority of the units faced the problem of high production cost and low profit margin, followed by irregular market and wide fluctuation in the prices of inputs. Quality, packaging material cost,inadequate labour and lack of institutional support were the other key parameters affecting the normal functioning of the SHG units.

As such the study has come out with a conclusion that strengthening of market linkage with appropriate value addition of farm produce thro' institutional intervention will facilitate the involvement of more entrepreneurs in the processing sector. Creating the habit of making the consumers using the processed products thro' Government intervention like supply of value added products thro' Noon Meal Scheme (NMS) and Public Distribution System (PDS) will facilitate the easy disposal of value added products of SHGs. It will also go a long way to ensure remunerative prices to the processors and making the processed products available to the consumers at affordable prices. Indirectly, it will also ensure food and nutritional security of the grass root level communities.

ENABLING CLEARANCE AND SETTLEMENT PROCESS REDESIGN: A STUDY OF THE INDIAN EQUITY MARKET

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ABSTRACT

The clearance and settlement process in India has been redesigned significantly since the liberalization of the Indian economy in 1991. The aim was to improve the efficiency of the process and to bring it at par with the developed economies around the world. The improved efficiency of the clearance and settlement process suggests that the redesign exercise has been successful. This study aimed to understand the factors that enabled the redesigning the clearance and settlement process successfully. The study uses an inductive case study method to understand these enablers. The findings suggest that among the enablers were building of and use of capabilities and technology, specialization of functions, collaboration between process participants, and standardization of communication formats.

THE ESTIMATION OF RELATIONSHIP BETWEEN FOREIGN INSTITUTIONAL INVESTMENT FLOW AND ECONOMIC GROWTH IN INDIA

P K MISHRA

ABSTRACT

Since the implementation of the new economic policies in early 1990s, India emerged as an important destination of global investors' investment. It is from September 14, 1992, FIIs have been investing on financial instruments in India and providing incentives for financial innovations in the country. Recently, they have become the movers and shakers of the market. Given this growing importance of FIIs for the Indian economy, it is essential that the dynamics of such cross-border portfolio investment in the context of economic growth of the country be examined. It is with this objective an attempt has been made in this paper to investigate the relationship between foreign institutional investments flows and the real economic growth in India over a period 1993:Q_1 *to 2009:*Q_3*. The application of cointegration test suggests that there exist a long-run equilibrium relationship between FIIs investment flows and real economic growth in India. And, the estimates of the vector error correction model suggest the existence of unidirectional Granger type causal relationship running from real GDP to Net FIIs investment flows in the long-run, but not in the short-run.*

IMPLICATIONS OF GLOBAL FINANCIAL AND ECONOMIC CRISIS ON FDI FLOWS: THE INDIAN PERSPECTIVE

ARABI U

ABSTRACT

The unusual magnitude of the ongoing global financial and economic crisis is raising major concerns for the movements in international investments. The crisis has affected in the decline of FDI flows both domestic and international level is the result of two major factors: first, the capability of firms to invest has been reduced by a fall in access to financial resources, both internally – due to a decline in corporate profits–and externally – due to the lower availability and higher cost of finance. Second, the propensity to invest has been affected negatively by economic prospects, especially in developed countries that are hit by the most severe recession of the post-war era. The impact of both factors is compounded by the fact that, as of early 2009, a very high level of risk perception is leading companies to extensively curtail their costs and investment programmes in order to become more resilient to any further deterioration of their business environment (UNCTAD 2009). In fact, all of the market-seeking, efficiency-seeking and resources-seeking Foreign Direct Inflows (FDI) flows impacted by these factors, although with different magnitudes and consequences on location patterns. Despite the global slowdown, India has managed to display resilience and attract good investments. The improved sentiment for the country's economic outlook backed by strong political mandate and fiscal reforms helping India to enhance its overall share in capital flows marked for emerging markets. Despite these, the global financial crisis poses new challenges for the foreign investment policies of developing countries and also created the fear of investment protectionism and potentially negative indirect impact of bailout and rescue packages on FDI flows on the developing economies. The risk in investment policies of government, which may become more inward-oriented with negative consequences for outward investment and an open investment environment also, has certain policy implications in the development context. Thus, a major concern of developing countries is how to retain existing investment and attract new FDI in times of global recession. In this context economic stimulus programmes can be an incentive for foreign investment, but many developing countries do not have

the financial resources to successfully compete with the investment promotion packages of developed countries. Further, incentives based competition for foreign investment may risk lowering social and environmental standards which would be detrimental for sustainable development of the many developing economies including India. The crisis, on the other hand, also provides a chance to develop and implement policies aimed at enhancing the stability of the financial system and stimulating economic growth. In this context, various voices advocate the necessity of going beyond the mere short-term management of the ongoing crisis and of setting up the bases of sounder economic regulations, especially in banking, with more control and restriction on the activities of commercial banks, hedge funds and other financial institutions (UNCTAD, 2008c; Stiglitz JE, 2008). This requires coordinated action at the international level to rebuild financial multilateralism, foster the stability and equity of the global financial system promote stronger transparency or disclosure standards and create guarantee funds to help emerging and developing countries secure the debt of their corporations and reassert the importance of public policies and regulations. The current institutional reform of the global financial system suggests that governments should pay more attention to the interaction and coherence between the global financial system and international investment agreements, since the latter cover both long-term and short-term capital movements. Thus, in essence, for effectively dealing with the crisis, it is important that policymakers have to maintain a favourable business and investment climate and refrain from protectionist tendencies.

Against these backdrops, this study aims to evaluate the current status of FDI flows to India and the factors affected the slow down of FDIs in India since the global crisis, the structural reforms packages ensured by the RBI and the government which aimed at renewed commitment to an open environment for inward and outward FDI and targeting the implementation of policies promoting investment climate and innovation.

CHOICE BETWEEN MICROFINANCE SYSTEMS OPERATING ON THE BASIS OF INDIVIDUAL LIABILITY LOAN CONTRACT OR THROUGH JOINT LIABILITY LOAN CONTRACT

AMIT KUNDU*

ABSTRACT

In this paper we consider that a representative of a not so affluent rural household has three options. He (she) may join in a microfinance system operating on the basis of individual liability credit contract, or on the basis of joint liability loan contract through forming self-help group or may not participate in any type of microfinance system. This paper establishes that wealthier among the not so affluent rural household prefers to join microfinance system operating on the basis of individual liability loan contract, comparatively less wealthy prefers to join microfinance system operating on the basis of joint liability loan contract and ultra poor is less likely to join any type of microfinance system. This paper establishes that a household with high dependency ratio and higher intra-household decision making power of the head of the women of that household also influences the household to join microfinance system and in both the situations the probability of joining microfinance system operating on the basis of joint liability loan contract is slightly higher. It is also established that microfinance system fails to solve the ageing problem in rural areas because aged persons are less prone to join in any type of microfinance system.

LIBERALIZATION AND WAGE INEQUALITY: EVIDENCE FROM INDIAN MANUFACTURING INDUSTRY- A CRITICAL REVIEW OF LITERATURE

AVIRAL KUMAR TIWARI

ABSTRACT

Liberalization measures was adopted by the developed and developing countries to realize the benefit from expansion of market size, inflow of low priced product, inflow of foreign capital, increase in productivity, and growth which in turn reduces social problem of unemployment and income and wealth inequality. However, studies conducted in developed and developing countries on measuring the social impact of liberalization (particularly on wage inequality) shows the negative consequences. Studies find that trade and wage inequality are related in long run but in short run there is no evidence to support this argument however, causal impact of wage inequality on trade is found to be exist. For most of the countries, it is found that the main cause of increase in wage inequality is Skill Biased Technological Change (SBTC) which raises the demand for skilled labor and so prices of skilled labor. For few countries, decrease in supply of skilled labor is found to be associated with increase in wage inequality. As far as Foreign Direct Investment (FDI) is concerned, its effect on wage inequality varies across countries not only in magnitude but also in its direction. From the comprehensive review of literature we found that there are certain unexplored areas, particularly in the context of India, for example effects of traded and non traded goods sector, trade with developing countries, immigration, increase in minimum wages etc. on wage inequality has not been analyzed yet. To make a sound policy based on inclusive growth it is necessary to understand the implication of these issues on wage inequality. Therefore, there is need to carry out the study to address these issues.