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### **THE ROLE OF IMPORTS ON EXPORT-LED GROWTH HYPOTHESIS: THE ECONOMETRIC EVIDENCE FROM ASEAN- 5**

**RUDRA P. PRADHAN \***

#### **ABSTRACT**

*The paper investigates the role of imports on export-led growth hypothesis in O-5, namely Brazil, China, India, Mexico and South Africa. Using panel cointegration technique, it finds that imports, exports and economic growth are cointegrated during the period 1960-2010. The panel Granger causality test further finds that imports has substantial impact on both exports and economic growth. Besides, imports also significantly cause the economic growth. This concludes the presence of bidirectional causality between imports and exports and a unidirectional causality, running from imports to economic growth. The paper finally suggests that the existence of convergence between exports and imports will lead to stabilization in trade balance and hence, contributes to macroeconomic stability in the economy.*

### **SAVINGS, INVESTMENT AND ECONOMIC GROWTH IN BANGLADESH: A TIME SERIES ANALYSIS**

**MOHAMMAD AMZAD HOSSAIN\***

#### **ABSTRACT**

*The dynamic causal relationship among savings, investment and output remains a litigious and vivacious issue in the literature. Even though the literature on this issue is ample, however for Bangladesh it is quite nascent. The very few earlier studies conducted in Bangladesh suffer from methodological deficiency as they did not take into consider the time series properties of the variables and also suffer from omitted variable bias. This paper is an overcome of the early studies in terms of data used and techniques applied. The main contribution of the paper is to address the issue of the short run dynamics of the considered variables within a long run relationship. The major objective of the paper is to examine the dynamic causal linkages among savings, investment and economic growth over the period of 1974 to 2009 applying cointegration, error-correction models and Granger causality tests taking care of the stochastic properties of the variables. The paper is an improvement over the early studies in terms of data used and techniques applied. The study found bidirectional causality from savings to investment and investment to output. The result implies that savings can be an independent stimulus to the economic activity not only in the long run but also in the short run. The Granger causality test shows the same result. Therefore attempts should be made to increase national savings in Bangladesh.*

## **COMPETITION AND CONTESTABILITY IN MALAYSIAN BANKING MARKET**

**ROSSAZANA AB. RAHIM\* AND LO MAY CHIUN\*\***

### **ABSTRACT**

*At the one hand, the market structural reform through mergers and acquisitions in the banking industry leads to a reduction in number of banks operating in the industry, thus enhancing the level of concentrated market which results in lower banking competition. On the other hand, there is no clear evidence that in more concentrated markets, the competition is lower. The contestable market theory by Baumol (1982) emphasizes that a high concentrated banking market can be highly competitive even if it is dominated by few dominant banks. By addressing the above discussion as the gap in the literature, it is interesting to investigate whether the increased concentration hampers the realization of banking competition or whether the increased market concentration turns the banking industry to be more competitive. The results of this study found that structural reform in Malaysian banking industry is not translated into the increasing trend of market concentration. In addition, the results of H-statistics reveal that banks in Malaysian banking are operating under monopolistic competition. Nevertheless, the results do not support to the contention that high concentration in banking market will hamper the banking*

## **MANAGEMENT BEHAVIOUR IN INDIAN COMMERCIAL BANKS**

**KALLURU SIVA REDDY \***

### **ABSTRACT**

*The study explores management behavior in Indian commercial banks during post reform period. Granger causality approach of Berger and De Young (1997) is employed to examine four hypotheses such as bad management, bad luck, moral hazard and skimping behavior of Indian commercial banks. The empirical analysis conducted for Indian banks on its three ownership groups, viz., public sector, private domestic and foreign banks, reveal that the existence of characteristics of the bad management and the bad luck in Indian banking operations. The econometric analysis for sub samples of the most cost efficient banks reveal that there is no skimping behavior, while sub sample for the least capitalized banks supported the existence of moral hazard behavior in Indian banks. The study also found an inverse relationship between cost efficiency and capitalization. Finally, economic effects of the four hypotheses are explored.*

## STRUCTURAL CHANGES IN COST OF CULTIVATION OF SELECTED CROPS IN VIDARBHA

N. V. SHENDE\* AND S. S. THAKARE\*\*

### ABSTRACT

*In this study an attempt has been made to study the structural changes in cost of cultivation of selected crops in Vidarbha. The study is based on estimates of cost of cultivation of four selected crops viz. Cotton, Soybean, Sorghum and Paddy of Vidarbha region of Maharashtra. The study used cross sectional cum time series data of Vidarbha region for selected crops for ten years from 1999-00 to 2008-09. The total cost of cultivation of cotton, soybean, sorghum and paddy has been depicting an increase by 1.82, 1.86, 1.17 and 1.42 times during the period of study respectively. It was revealed that the share of operational cost to total change in cost of cultivation has been almost same for cotton, soybean and paddy crops indicating that the operational cost and fixed cost increased over time in a commensurate manner for these crops except sorghum crop. For all selected crops, the cost of cultivation has increased at a faster rate as compared to increase in prices of their output. The study also revealed that, during 1999-00, the return over cost A was highest for paddy crop followed by sorghum and cotton and lowest for soybean. The return over cost C was highest for paddy followed by sorghum but the return over cost C for soybean and cotton found negative. There for paddy crop had comparative economic advantage as compared to other selected crops of Vidarbha in 1999-00. During 2008-09, return over cost A was highest for cotton crop followed by paddy, soybean and sorghum. The return over cost C was highest for cotton followed by soybean and paddy crop. There for cotton crop had comparative economic advantage among the selected crops of Vidarbha in 2008-09. Cotton and paddy are the important crops of Vidarbha. These crops are more profitable as compared to other crops of Vidarbha, but now the area under cotton was replaced by soybean due to high cost of cultivation of cotton. Hence cotton area is likely to dominate day by day.*

**ECONOMIC REFORMS AND INDIAN AGRICULTURE  
- AN ANALYTICAL NOTE**

**K. MOHAN REDDY, M. VARA PRASAD\* AND MR. K. UGANDHAR\*\***

**ABSTRACT**

*Performance of agriculture sector in the country in the recent years has turned out to be quite dissatisfactory due to sharp deceleration in growth rate of agricultural output. There are apprehensions that high growth rate in non agriculture sector alone would not help India to realise high growth rate in total economy if agriculture continues to remain in low growth trap. The present paper is aimed at to analyse the current status of Indian agriculture in the arena of economic reforms. This study is primarily based on the secondary data collected from the reports of the National Accounts Statistics (NAS), Central Statistical Organisation (CSO), Statistical outline of India and various issues of Economic Survey. From the analysis it can be concluded that the total GDP, GDP of agriculture and allied, GDP of agriculture alone, GDP of fishery and GDP of non-agriculture during the post-reform period had accelerated. But this tendency had been disturbed during 1996-97 to 2004-2005. It had also been observed that during the early years of reforms, gap in the growth rate between agriculture and non-agriculture slightly narrowed down. But again during the latter years of reforms i.e. from 1996-97 to 2004-05 the gap between them had widened. Further, it had also observed that the public sector capital formation in agriculture as a proportion of total capital formation in agriculture declined in the recent past as compared to the 1980s. Thus, the authors were of the view that there is a need to reverse this trend and increase public investment in agriculture so as to be able to increase the growth in this sector.*

**FOOD CONSUMPTION PATTERN AMONG THE POOR HOUSEHOLDS  
IN BIMARU STATES OF INDIA – RECENT EVIDENCE FROM THE  
NATIONAL SAMPLE SURVEYS**

**SHRADDHA SRIVASTAVA\* AND AMARNATH TRIPATHI\*\***

**ABSTRACT**

*After the initiation of economic reforms in 1991, the Indian economy has witnessed higher growth rates and due to increase in per capita income consumers are shifting to high value added food items from low value added food items. This change in food consumption pattern can be seen in higher and middle income group. But, there is no concrete evidence which examines that whether the consumption pattern of poor households also changes. The paper intends to fill this research gap by providing some preliminary insights. In addition, policy implications are also discussed and arenas for further research are also identified.*

**MODELING COST DIFFERENTIALS AND THEIR DECOMPOSITION  
INTO SCALE AND EFFICIENCY COMPONENTS IN THE  
MANUFACTURING SECTOR OF RAJASTHAN**

**SULOCHNA MEENA\* AND J.N.SHARMA\*\***

**ABSTRACT**

*The main objective of this study is the estimation of cost differentials between developed districts and less developed districts then their decomposition into the scale and efficiency effects in the manufacturing sector of Rajasthan. Using the time-series secondary data for the period 1980 to 2005, this study specifies and estimates the cost functions into the Cobb-Douglas and Trans-log models. It has been observed that the price of labour, price of capital and levels of output have been found to be the significant cost increasing factor in case of the developed districts.*

**FOREIGN EXCHANGE RESERVES MANAGEMENT IN INDIA:  
ACCUMULATION AND UTILISATION**

**RAMA KRISHNA PRASAD M \* AND G RAGHAVENDER RAJU \*\***

**ABSTRACT**

*This study aims to examine the adequacy and utilization aspects of the foreign exchange reserves in India and in addition aims to identify the factors that determine international reserves hoarding in India on the basis of quarterly data for the period 1996 to 2009. The recent rapid reserve accumulation by India has brought the attention of the world on to it. During this period the foreign exchange reserves have swelled and are now well ahead of the reserve adequacy parameters. The total reserves which now stand at about US \$ 275 billion are far in excess of the generally accepted benchmark levels. The disadvantages of hoarding surplus reserves are: appreciation of the currency, opportunity cost, sterilization costs, inflationary impact and so on. Thus there is a case for better management of these excess reserves in India. Applied econometric methodology of modern time series is utilized to ensure rigorous analysis. The most significant determinants turn out to be openness followed by exports and GDP with exchange rate being the least significant..*

**ON THE CAUSALITY BETWEEN FOREIGN DIRECT INVESTMENT (FDI) AND ECONOMIC GROWTH: A STUDY OF POST-REFORM INDIA**

**D.S HEGDE\* AND PABITRA KUMAR JENA\*\***

**ABSTRACT**

*This study aims at identifying a causal relationship between foreign direct investments and economic growth in India after 1990s. The study explores three possible causal and impact relations; FDI to Growth, Growth to FDI and the bidirectional causality using India's monthly Time Series data for GDP and IIP from 1995 to 2008. Here IIP (Index of Industrial Production) has been taken as proxy variable for economic growth. Finding from the literature review vary. While some studies have shown that the direction of causality is from FDI to economic growth, others have found that the direction of causality is from economic growth to FDI, and some others concluded that there is bidirectional causality between FDI and economic growth. Yet some other researchers showed that there is no causality between FDI and economic growth. The study finds that there is a positive relationship between foreign direct investment and economic growth. Also it is found that Economic growth Granger cause foreign direct investment in the case of India in the post liberalisation phase. The paper goes on to discuss problems faced during study in addition to pointing out the limitations. Finally, based on limitation discussed, scope for further research is spelt out.*

**AN EMPIRICAL ANALYSIS OF PRICE DISCOVERY BETWEEN SPOT AND FUTURES MARKETS: EVIDENCE FROM COMMODITY MARKETS IN INDIA**

**C. HUSSAIN YAGANTI \***

**ABSTRACT**

*This study examines the price discovery process for spices and base metals of futures contracts in India. Cointegration and Error Correction Methodology is used for estimation. We find that the futures market dominates in price discovery in nearby and middle month contracts. In far month contracts, there is no long term relationship between spot and futures prices for spices. In case of base metal markets, futures market leads to spot market for nearby, middle and far month contracts. In case of nearby month, the spot market also influences the futures market. This study supports that futures price representing the collective market opinion consider as reference price for spot market players like traders, farmers and other stake holders in commodity trading domain. Finally the study concludes that the information of futures prices reflecting in spot market, and by using this information about spot prices in future, farmers and stake holders can be able to reduce spot price risk in marketing decisions.*

## **EXTENT AND SOURCES OF INCOME INEQUALITIES IN HIMACHAL PRADESH\***

**R. K. SHARMA \* AND SONIKA GUPTA \***

### **ABSTRACT**

The present study examines the levels & sources of income along with their inter relationship and also quantifies the extent of income inequality through different sources. The results showed that the income per capita was found to be highest in zone I (Rs 23,330) followed by zone IV (Rs 21,558). The correlation between horticulture and total income was found to be highest in zone III. In this zone, in all the income classes, business & DPL did not contribute significantly towards total per capita household income. Here the income from crops was found to be more important because of the cash crops. The contribution of non-farm sector was found to be higher as compared to farm sector in zone I and zone II. The results revealed that in zone IV, the average income from different sources of income was found to be highest from horticulture (59.42 per cent) whereas in zone I & zone II, the share of non-farm income was found to be more as compare to farm income. The relative concentration coefficients based on the decomposition of the coefficient of variation depicted that service and pension in zone I and zone II, crops and horticulture in Zone III and horticulture in zone IV was inequality increasing. Thus, there were no specific sources which could be considered inequality increasing or inequality decreasing for all the zones. It varied from region (zone) to region (zone). For all the sources the values of Gini coefficient were estimated to be high. This indicated that there were large income variations within the different sectors. The results, thus, suggest that there may not be a common programme to stimulate rural development in Himachal Pradesh. For the rural development in addition to agricultural development, other strategies/policies, like emphasis on the non-farm sector, will have to be adopted for different areas.