ISSN 0004-4555

The Asian Economic Review

Journal of the Indian Institute of Economics

Volume 54 **December 2012** **No.3**

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EURO CRISIS: IMPLICATIONS FOR BANKING SECTOR

VIGHNESWARA SWAMY*

ABSTRACT

The impact of the global financial crisis has dented India's growth prospects much more than had been predicted to begin with. Moreover, when the global economy was regressing to normalcy, another crisis in the form of sovereign debt crisis has surfaced. The mounting debts of several European sovereigns have caused sustainability concerns compelling investors to withdraw from these markets, which led to significant escalation of their CDS spreads. The current situation is characterized by widespread instabilities, the contagion of stress from smaller to larger countries threatening the financial system as a whole.

THE EXPORT PERFORMANCE OF INDIAN ECONOMY DURING AND FOLLOWING THE GLOBAL FINANCIAL CRISIS

SUMANJEET*

ABSTRACT

Towards the end of 2008 the global recession started to manifest itself in international trade. The fall in global demand and the slowing-down in economic growth translated into a substantial reduction in international trade that has affected the cross-border trade of virtually all countries and economic sectors. Indian exports trade naturally, could not remain unaffected in a situation where external demand was dwindling globally. Indian exports started to decline in July 2008. They declined from US$ 17,095 million in July 2008 to US$ 11,516 million in March 2009, which accounts for almost 33per cent decline. This growth contraction has come after a robust 25 per cent-plus average export growth since 2003. The services export was also affected by global financial crisis. For the first time in seven years, exports of services have declined in absoulute terms for four months in a row during October 2008 to January 2009. Due to sharp fall in exports, there has already been sharp fall in employment in the export oriented sectors like textiles and garments, gems and jewellery, automobiles, tyre and metal products. But, as a result of government measures and recovery in global economy, India's exports growth turned positive and exports grew by a whopping 54.1 per cent in March 2010 and recorded the highest growth rate among the world's top 70 economies in merchandise exports. India's merchandise exports during April 2010 at US$ 16.9 billion recorded a growth of 36.3 per cent as compared with a decline of 32.8per cent registered in April 2009. The present paper reviews India's export performance during and following the global financial crisis.

FOREIGN INVESTMENT, FOREIGN TRADE AND GROWTH NEXUS IN BANGLADESH: A MULTIVARIATE COINTEGRATION ANALYSIS

MD. MAHMUDUL HASSAN*

ABSTRACT.

Export, import and foreign direct investment (FDI) play important role in economic development and growth. This paper investigates the direction of causal link among export, import, foreign direct investment and economic growth measured in GDP. The paper uses a theoretically reliable technique to investigate legitimacy of the export led growth(ELG) hypothesis for Bangladesh considering the variable import as well and also seek relation between FDI and economic growth. The paper investigates the Granger-causality test among exports, imports, FDI, and economic growth in Bangladesh over the period 1980-2011 as well as the modern cointegration test also.What we find is no long run relation exists among the variables. And there is one way causal relation from export to GDP but GDP to FDI.

ECONOMIC GROWTH AND FINANCIAL DEVELOPMENT: EMPIRICAL EVIDENCE FROM GHANA

JOHN BOSCO DRAMANI * , FRANCIS TANDOH **
AND GODFRED M AAWAAR***

ABSTRACT

Despite growing literature on the existence of a long-run relationship among economic growth and financial development most findings have failed to establish clearly the direction of causality. The paper investigates the causal relationship between economic growth and financial development in Ghana spanning the period 1970-2010 employing annual data. The paper employs Johansen approach to cointegration to examine the existence of a long-run relationship among the series: economic growth and financial development for Ghana, tests for Granger causality within the Vector Error Correction Model (VECM) and examines the stability of the parameters over time. The findings indicate one cointegrating vector and one direction Granger causality running from financial development to economic growth. These evidences suggest that growing (a middle income) economies need efficient financial sector.

FDI TRENDS IN INDIA: A MULTI-DIMENSIONAL ANALYSIS

K. R. PILLAI AND M. S. RAO *

ABSTRACT

The saga of FDI trends in India, over the past two decades, signifies the sustained gentrification of foreign investment confidence. Though subject to erratic downfall, it did not impede the enthusiasm of external investors on India. The database shows that FDI has been growing sizably in the fertile soil of economic restructuring initiatives. This paper analyses the growth trends of inward FDI in India from 1990-91 to 2009-10 on a multi-dimensional perspectives. Along with the annual trend, decadal and five year growth trend has also been analyzed to understand the periodical phenomena. The paper reviews the main policy framework on FDI, suggests further policy guidelines for the future as well to enable the country to be an enduring liberal and seemingly attractive investor-friendly investment climate.

FDI AND ITS IMPACT – AN EMPIRICAL INVESTIGATION FROM INDIA

MARAM SRIKANTH* & BRAJ KISHORE**

ABSTRACT

The study is a modest attempt to explain the impact of Foreign Direct Investment (FDI) equity inflows on Indian economy by using monthly data for the period April 2005 to March 2011, before and after the eruption of Global Financial Crisis. The empirical study is based on 'Granger Causality Test' to establish the linkages between FDI equity inflows and macro-economic variables such as Inflation, Index of Industrial Production (IIP), interest rates, exchange rates and foreign exchange reserves. As per the results, there is a unidirectional causality from FDI equity inflows to IIP and WPI; and also from foreign exchange reserves to FDI. Hence, the Indian policy makers are encouraged to attract more and more FDI inflows into the country so as to accelerate the pace of industrial production thereby addressing supply side gaps to contain inflationary pressures in the economy and also to accumulate foreign exchange reserves so that

INTER LINKAGES OF INDIAN STOCK MARKET WITH ADVANCED EMERGING MARKETS

VANITA TRIPATHI* AND SHRUTI SETHI**

ABSTRACT

This paper examines the short run and long run inter linkages of the Indian stock market with those of Advanced emerging markets viz. Brazil, Hungary, Taiwan, Mexico, Poland and South Africa using daily data for the period 1 January 1992 to 31 December 2009. Using Johansen co-integration test and Granger's causality test we find that the short run and long run inter linkages of the Indian stock market with these markets has increased over the study period. Unidirectional causality is found in most cases. The findings have important implications for policy regulations and investment decision making.

FOREIGN DIRECT INVESTMENT AND STOCK MARKET DEVELOPMENT: EVIDENCE FROM INDIA

AMAN SRIVASTAVA*

ABSTRACT

Last two decades witnessed rapid increase in flow of foreign direct investment in India. The process which started in 1991 started giving results in term of increased flow of foreign direct investment in India. Since than a series of reforms has been started which systematically started the process of liberalization and globalization in India. A series of financial sector reforms also started during this period and eased the norms of foreign direct investment in various sectors. The financial system of India (especially stock markets) also positively responded to these reforms and witnessed a significant inflow of foreign investments. This paper is an attempt to examine the relationship of foreign direct investment and development of Indian stock markets. The study used cointegration technique under vector error correction mechanism (VECM) framework. The findings of the study suggest that increase in FDI flow have not significantly influenced the stock markets developments in India.

THE IDIOSYNCRASY OF INDIAN MANUFACTURING FIRMS AND FDI FLOWS

BIKASH RANJAN MISHRA*

ABSTRACT

The unprecedented growth of international productions and Foreign Direct Investment (FDI) flows over the last two decades has led to the upsurge in scientific investigation into the distinctive facets of FDI. Despite the considerable amount of research undertaken, it seems that there is very little comprehensive economic analysis of FDI flows with respect to Indian firms. The present study attempts to bridge this gap by answering the following research question: how do the idiosyncratic features of Indian manufacturing firms pull the massive inflow of FDI into them, i.e. do the micro-level characteristics of Indian firms significantly contribute to effectively channelize FDI flows or, in reverse motion, create hindrances in its path? In order to analyze this question the study uses a panel data structure constructed over the recent 5 years, ranging from 2006 to 2010 and covering 22 sectors in Indian Manufacturing Industries. Adoption of Fixed and Random effects estimation procedure help to identify that among a set of firm-specific factors, only technological intensity, both in-house and import along with product differentiation have negatively contributed for foreign investors' shareholding of local firms. The export performance, age, asset size and sales volume are among other remaining firm-specific idiosyncrasy which lack effective pulling effects in attracting FDI.

FOREIGN CAPITAL, WAGE INEQUALITY AND WELFARE IN THE PRESENCE OF TECHNOLOGY TRANSFER#

SUDESHNA MITRA*AND KAUSIK GUPTA**

ABSTRACT

The paper attempts to analyze the impact of a liberalization policy in terms of an inflow of foreign capital on the skilled-unskilled wage gap and also on the level of welfare of developing countries. A neo-classical full employment four-sector model has been developed for this purpose. It is also assumed here that technology transfer takes place through foreign investment in the economy. The paper shows that foreign capital inflow in the presence of technology transfer though increases wage inequality it improves the level of welfare under reasonable conditions.