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FOREIGN DIRECT INVESTMENT IN BANGLADESH: AN EMPIRICAL ANALYSIS ON ITS DETERMINANTS AND IMPACTS
SYED MANZUR QUADER*

ABSTRACT
This paper attempts to evaluate the FDI Performance based on certain indicators and to examine the catalyst variables of FDI inflows in Bangladesh by applying extreme bounds analysis to the time series data from 1990-91 to 2005-06. The results reveal that Bangladesh has been ranked as an underperformer throughout the sample period. It was also found that wage, trade openness, net export, GDP growth and tax rate have robust result and all these relationships were statistically significant. Also two years lagged values of FDI and change in the level of domestic investment are found to have a positive effect on economic growth.

SPATIAL ANALYSIS OF INCOME INEQUALITY AND ECONOMIC GROWTH IN MENA
SHEKOOFEH FARAHMAND* AND MAJID SAMETI**

ABSTRACT
Income inequality is generally seen to affect long-term economic growth, although there is no consensus on the direction of the effect. If income inequality affects growth positively, it is possible that the poverty-reducing impact of this growth offsets the direct adverse effect of inequality on welfare, and thus reason to tolerate relatively high inequality.

This study tries to analyse a spatial relation between inequality and economic growth in some MENA countries. For this purpose, we use the Solow-Swan (1956) growth model. Inequality index measured by Gini coefficient is an essential key economic factor that considered in the study. In this way, the relationship between economic growth and inequality can be examined.

Using of spatial econometrics is the value added of this paper.
X-EFFICIENCY ANALYSIS OF PAKISTANI COMMERCIAL BANKS

C S VENKATA RATNAM

ABSTRACT

This paper contributes to literature by extending the analysis on efficiency assessment of commercial banks across Pakistan for the years from 2001 to 2006 by using Data Envelopment Analysis (DEA). The average efficiency scores of banks across Pakistan appear to be low. Foreign banks tend to perform better than those of the local banks in Pakistan, both being private and public. However, private local banks perform better than those of their counterparts in the public sector. Furthermore, findings of the research support the global advantage hypothesis where foreign banks appear to be overcoming the cross-border disadvantages. This might be surfacing out of their superior investment strategies, advanced management techniques, and better-quality services to their clients. On the contrary, Pakistani commercial banks, fail to support the home field advantage hypothesis, where local banks are expected to perform more efficiently than those from abroad. This might be due to concentrating on servicing the retail markets only, existence of competition in the banking industry, rising altitudes of interest rates, higher levels of non-interest and administrative expenses, pursuing less sophisticated investment strategies, and providing less competitive managerial services to their clients. The study bears some useful managerial implications for banking sectors of developing countries across the globe.

THE RANDOM WALK HYPOTHESIS: EVIDENCE FROM INDIAN STOCK MARKET

VED PAL* AND N.S.MALIK**

ABSTRACT

Using a battery of tests, viz. unit root test, serial correlation test, runs tests and Lo-MacKinlay variance ratio test we tested the empirical validity of the random walk hypothesis in Indian stock market using the data of closing price index of S&P CNX Nifty of National Stock Exchange of India. The unit root based tests provide the evidence in favour of stationarity of return series. The results derived from run tests and variance ratio tests evidenced that for daily based market index, the null hypotheses of random walk is rejected. The weekly and monthly return series found for its closeness with the random walk behavior. The study has also formulated a forecasting model for given series on market returns using ARMA process and daily data can be modeled as ARMA process.

MOTIVE OF PRODUCTION IN URBAN UNORGANISED MANUFACTURING SECTOR: A CASE STUDY

SUBRATA MUKHERJEE* AND SAUMYA CHAKRABARTI**

ABSTRACT

From our analysis of unorganized manufacturing units of Bolpur and Hindmotor of West Bengal we have found the following results. Firstly, the proportion of income spent on basic food items (rice, cheap vegetables etc) is negatively and significantly explained by monthly turnover. Secondly, monthly turnover does not explain the proportion of spending on investment. This is in contradiction to the idea of accumulation in orthodox literature. Thirdly, the relationship
between the dynamics of production and the motive of production shows that the producers have a plan for expansion to maximize ‘consumption’ and hence to improve their standard of living. Thus we may say that the relationship between the dynamics of production and the motive of production is ‘need maximization’ based one. Fourthly, the producers are not diversifying due to the lack of capital i.e. capital is a binding factor, though we hasten to add that expansion of facilities are essentially targeted to enhancement of consumption. The micro producers want to expand the businesses through investment on existing products as most of the producers don’t own the land and hence they want to have their own facility. Fifthly, the unorganized micro-producers’ turnovers are affected by skill, particularly family skill followed by community knowledge. This is a very important result, which confirms the views about informal/unorganized sector of ILO regarding the source of skill. Thus from the above results we can say that the community collaboration is also an important factor in the unorganized production system contrary to that of the organized sector.

ANDHRA PRADESH NEW INDUSTRIAL POLICY (2010-2015) TO ACCELERATE ECONOMIC GROWTH: A PROPOSITION

U. SUBRAHMANYAM* AND USHA NORI**

ABSTRACT
This paper is an extract from a Report on the New Industrial Policy of Andhra Pradesh for the period 2010-2015 prepared as a background study by Indian Institute of Economics. The New Policy framework is discussed in two sections. Section1 covers the States’s comparative advantage in terms of its resource endowments and Section 2 deals with the structure of the incentives and ways for developing industrial infrastructure. The study recommends that a) the fiscal incentives be offered in the form of exemptions; b) for zoning of industries, creation of industrial corridors and integrated industrial townships, a seven fold increase in the power production, specific budgetary allocations for industrial infrastructure and prioritization of infrastructural investment for promoting industrial infrastructure and c) for a greater degree of flexibility in the operational procedures particularly the Single window clearance System for speedy approvals and clean industrial environment to attract higher number of investors in the State.

CHANGING CROPPING PATTERN IN DISADVANTAGED DISTRICTS OF MAHARASHTRA- A STATISTICAL ANALYSIS

DEVYANEE NEMADE* AND RACHANA WANKHADE**

ABSTRACT
The Changing Cropping pattern in Disadvantaged Districts of Maharashtra State is selected for the study and to study the shifts in crop acreage for Yavatmal district as one of the disadvantaged district from Vidarbha region. The Central Government has identified 111 districts in India as Disadvantaged districts. The Maharashtra state has 9 such districts. With this in View Ralegaon and Ghatanji tahsils are selected as these are also being surveyed through the NAIP projects already in operation in the district. The Secondary data for the district are collected from the publications of the state Government for the period 1990-01 to 2005-06.
The Herfindhal Index for the tahasil and district shows diversification of crops. Structural Changes at the district level indicate that farmers retained 84 per cent of the area under Kh. Jowar while other area is diverted to Tur and Other Pulses. Similarly the Cotton farmers diverted to Kh. Jowar, Other Pulses and Sugarcane. The retention under Soybean is high at 80% level while rest area is diverted towards Kh. Jowar, Cotton and Other Pulses during 1998-99 to 2006-07. The Cotton farmers in the tahasil diverted in favour of Kh. Jowar and Other Oilseeds while Kh. Jowar farmers diverted to Tur (39.5%) and Other Oilseeds (7.5%). The results for Ghatanji tahasil indicated that Cotton farmers retained 51.50 % of their area and diverted some area to Kh. Jowar (48.2%) in period 1989-90 to 1997-98, while during 1998-99 to 2006-07, the retention is higher (93.3%) but the diversification is less (6.7%) in favour of Kh. Jowar.

AN ECONOMETRIC ANALYSIS OF SUPPLY RESPONSE OF COTTON CROP IN KURNOOL DISTRICT (A.P)

K. VISWESWARA REDDY AND K. SATYANARAYANA REDDY**

ABSTRACT

Cotton is one of the most important commercial crops in India. It occupies an area of 5.4 million hectares under rainfed conditions. About 60 percent of the Cotton is grown on vertisols in Madhya Pradesh, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu. It generates employment for about 60 million people either directly or indirectly, by involving them in the agricultural and industrial sector of Cotton production, processing, textiles and related activities.

The area under cotton is more or less constant ranging from 8.5 to 9.0 million hectares. On the other hand, productivity during the same increased by four-fold from 104 kg lint/hectare in 1956-57 to 462 kg lint/hectare in 2004-05 production increased from a meager 4.2 million bales (of 170 kg each) in 1947-48 to an all-time high of 24.3 million bales during 2004-05.

Supply response decisions of farmers were motivated by a number of economic, technological and sociological factors. Out of which only a few could be quantified: they are prices, costs and yield in principle. Most of these factors governed supply response decisions to make large changes in land utilization pattern. In a subsistence economy, prices had little effect the production plan and thereby on hectarage distribution. A high price for a crop at times might not tempt a farmer to put his land under that crop, since he might be deriving a number of benefits from diversified patterns of his land utilization.

In the present paper we have attempted to find out the supply response of cotton crop in Kurnool district by using adjusted lag model of distributed lag models. Attempt was also made to estimate short-run and long-run elasticities of cotton crop. It has been found that cotton area is responded by irrigation facilities but not prices. Price factor had a negative effect on prices in Kurnool district.
IMPACT OF GOVERNMENT EXPENDITURE ON POVERTY IN HIMACHAL PRADESH
S.H. BABA, M. H. WANI, K. D. SHARMA*

ABSTRACT
The present investigation perusing time series data categorized in three time periods viz period I (1970-80), period II (1980-90) and period III (1990-05) was carried out to study the structure of public spending, economic development and to examine the impact of spending on agricultural productivity and poverty in Himachal Pradesh. Simultaneous equation model was developed to estimate both direct and indirect impact of various expenditure variables on agricultural productivity and poverty. The results of the study revealed that although the expenditure on economic services increased in absolute terms, however, it grew at slower rate over the years after 1980’s. Contrary to this, the growth rate of expenditure on social services has improved significantly towards third period. The intensity of the total expenditure increased during 1980’s but in later period it increased marginally by less than 2 per cent of state gross domestic product (SGDP). Further, the sectoral share of SGDP revealed that although the agricultural GDP increased over the years in absolute terms but its percentage share in SGDP declined from 46.55 during 1970-80 to just 19.84 per cent during 1990-05. Moreover, the calculated ICOR for agriculture and non-agricultural sectors indicated that the capital was less efficiently used in agricultural sector than in non-agricultural sector. The increase in the total expenditure over the years led to the improvement of per capita income that enabled the state to reduce poverty to a great extent, but poverty still exists in some regions of the state which could be due to the regional disparity/inequality in allocation of funds and productive assets. The estimates of the model demonstrate that government spending on productivity enhancing investment such as soil and water conservation, agricultural research & education (R&D), education, power, road, rural development, targeted directly to poor, have contributed significantly to the reduction in rural poverty. Agricultural productivity was observed to help reduce poverty directly through improving income and indirectly by improving rural wages and non-farm employment. Government expenditures further determined potential increase in irrigated area, road density, literacy and village electrification.

EDUCATION AND ECONOMIC DEVELOPMENT IN INDIA
G. RAGHAVENDER RAJU*

ABSTRACT
The concept of human capital has been a crucial issue to much of the research in the economics of education, and largely used in the analysis of labour market and employment policy, the determinants of earnings, and the distribution of income. Economic theories of capital and investment tended to concentrate on investment in physical capital that generate income in the form of production of goods and services. However, economists have also pointed out that education and training create assets in the form of knowledge and skills which increase the productive capacity of manpower, and this is referred to human capital. With the pioneering contribution of Theodore Schultz and others, the economic contribution of education to economic growth is well recognised. Expenditure on education is regarded as an investment in human beings and this leads to human capital formation. Human capital is found to be very important in causing economic growth, sometimes, as important as physical capital, and sometimes more.
LIVING STANDARD, OUT-OF-POCKET HEALTH CARE EXPENDITURE AND DEBT TRAP IN URBAN SLUMS: MICRO-EVIDENCES FROM ORISSA, INDIA

APARIMITA MISHRA *

ABSTRACT

This paper analyses the interrelationship between living standard, out-of-pocket expenditure on health care and debt trap of urban slum dwellers of Sambalpur town, Orissa. The consumption expenditure pattern of the sample households shows that they spend higher proportion of the average monthly per capita expenditure on non-food items than food items. Among the non-food items the poor households spend high percentage of their income on health care. This catastrophic health expenditure has reinforced poverty and indebtedness among the urban poor.

The determinants of out-of-pocket expenditure on health care at the household level show that living standard has a negative effect on it. Thus with increase in living standard proportional expenditure on health care tends to come down. It is found that while total monthly consumption expenditure has strong positive influence on health expenditure, a female-headed household is more likely to spend a higher proportion at health care expenditure.

CHILD LABOUR AND RESTRICTIVE TRADE POLICY - A THREE SECTOR GENERAL EQUILIBRIUM FRAMEWORK

RUNA RAY* AND BISWAJIT CHATTERJEE**

ABSTRACT

The objective of the paper is to investigate the effectiveness of trade policy in eradicating the incidence of child labour. Trade policy in this paper advocates increase in protectionism in import-competing sector. This paper considers a 3x3x3 competitive general equilibrium framework of a small, open less developed economy which exports product produced by child labour. In this set-up, the paper shows that restrictive trade policy is effective in reducing the prevalence of child labour supply.