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INFLATION-UNEMPLOYMENT TRADE OFF: EVIDENCE FROM PAKISTAN

MUHAMMAD AFZAL* AND SAMIA AWAIS**

ABSTRACT

High economic growth, price stability and low unemployment are the most enviable macroeconomic goals. The success of government policies is reflected in low inflation and low unemployment. The nature and costs of inflation and unemployment can have vital impact on the economy and society. Unemployment situation in Pakistan has aggravated because of rapid population growth, lacklustre economic growth, fiscal indiscipline, escalating debt-servicing and non-development expenditure which have adversely affected Pakistan economic development and poverty reduction. Import prices and fiscal indiscipline are the major causes of inflation. The empirical results show that the Phillips curve holds in Pakistan. The reduced-form Phillips curve structure reveals that the expected inflation is significant for all periods. The current unemployment exceeds the lagged unemployment which means that unemployment has been increasing at an increasing rate and this difference causes a significant change in current inflation. Lack of governance or bad governance has remained the crux of the problem. Unless foreign policy objectives are rationalised and good governance is assured, economic problems will haunt the policy-makers and the resolution of economic problems may assume pitiless façade.

AN ANALYSIS OF COINTEGRATION OF INDIAN STOCK MARKET WITH GLOBAL MARKETS

AMAN SRIVASTAVA*

ABSTRACT

The perception is that under the existing global economic structure and developments the global stock markets of most countries are becoming gradually more integrated. Indian markets are no more exception to these developments and in India the issue is also gaining attention in the post liberalization era. With this background, the research aims to examine the common perception of global integration from an Indian stock market perspective. The investigation was carried out, in the first instance, in a straightforward way. The aim was to ascertain whether the Indian stock market is integrated with three Asian markets, namely Hong Kong, Singapore, and Japan and the four other global markets of the USA, UK, Germany and France, perceived to be driving Indian stock prices. Based on monthly data series from April 1992 to March 2009 both the long-run relationships and the short-run dynamics operating between the seven markets under the global economic and financial system were studied. The findings of the study suggest that Indian stock markets are very much integrated with other global markets in short run but less integrated in long run. improvement of product research, new product development, pricing strategies, packaging and product planning.

IMPACT OF STOCK SPLITS ON TRADING ACTIVITY AND VOLATILITY: A CASE OF INDIA

M. THIRIPAL RAJU* AND RAJESH ACHARYA H**

ABSTRACT

This paper examines the effect of stock splits on trading activity and volatility. The study is based on stock splits from 2005 to 2009 in three split ratio categories i.e. two, five and ten. Empirical result shows substantial increase in trading activity following split. We found significant decline in first order autocorrelation after splits. Change in volatility in post split period is significant and is positively influenced by market volatility and size of the split factor. In contrast to this control sample result shows that change in volatility is influenced by volume, average trade size, adjusted price, and market volatility. Absolute change in volatility is found to be lesser for splitting firms in comparison with controlling firms.

EFFECTS OF PRIVATE FOREIGN CAPITAL INFLOWS ON ECONOMIC GROWTH IN INDIA: AN EMPIRICAL ANALYSIS

NARAYAN SETHI*

ABSTRACT

The present study attempts to explain the effects of private foreign capital inflows (FINV) on some macroeconomic variables in India using the time series data between April 1995 to Dec.2007. The study also examines the impact of international capital flows on economic growth. The study analyzes the trends and composition. Cointegration test confirms the presence of long-run equilibrium relationships between a few pair of variables like private capital inflows (FINV) and economic growth (IIP as proxy of GDP) and FINV and Exchange Rate (EXR).The Granger causality test shows unidirectional causality from FINV to Exchange Rate (EXR) and bi-directional causality from FINV and growth (IIP). Finally study found that Foreign Direct Investment (FDI) is positively affecting the economic growth, while Foreign Institutional Investment (FII) is negatively affecting the growth. It concludes that capital inflows have not contributed much towards industrial production or economic growth. There are two reasons for this, one the amount of capital inflows to the country has not been enough and the amount of capital that does flow in, is not utilized to its full potential.

BILATERAL FOREIGN DIRECT INVESTMENT AND FOREIGN TRADE IN INDIA: ARE THEY SUBSTITUTES OR COMPLEMENTARY?

K. DURAI RAJ* AND V. NIRMALA**

ABSTRACT

This paper attempts to test the hypothesis of complementary/substitution relationship between Foreign Direct Investment (FDI) and foreign trade in India with her selected trade partners using co-integration technique and error correction framework. The data used are quarterly from 1992 II to 2009 III. The analysis revealed mixed results, but mostly supporting the substitution relationship with her trade partners. The findings support the observation that most FDI inflows in India are domestic market-oriented and market-seeking in nature.

GLOBAL FINANCIAL CRISIS & IT'S IMPACT ON INDIAN ECONOMY

KISHOR C. SAMAL*

ABSTRACT

The paper analyses the development and major causes of the 2008 Financial Crisis such as excessive decontrol, deregulation and liberalization in US economy particularly in the financial sector leading to reckless sub-prime lending, securitization of debt, speculative borrowing and investment in residential real estate, improper regulation of investment and commercial banks and rating, and others due to growth of financialization in the US political economy. It found that India is not among the worst affected because the nationalized banking system still dominates and greater degree of regulation in financial sector exists. The other factors which helped India to withstand the impact of the crisis are some unintended steps taken earlier to the crisis and after by the government of India such as farm loan waiver, huge investment on NREGS, implementation of 6th Pay Commission Report, large expenditure in 2009 General Election and others. In spite of these, India also suffered in terms of fall in industrial production, export and FDI flows and others. The most visible and significant impact was on Indian equity market where there was free fall. The paper concludes that the equity market in India is influenced more by FIIs than by economic growth. The important lessons learnt from the crisis and various packages to check it are that the role of saving is very important in an economy, and the dominant role of the government in the economic sphere is well recognized.

**TERMS OF TRADE, CAPITAL FORMATION AND AGRICULTURAL GROWTH IN
INDIA IN THE CONTEXT OF TRADE LIBERALISATION**

G. NANCHARAI AH* AND BIBHUTI RANJAN MISHRA**

ABSTRACT

To overcome the 1991 Crisis, India liberalised its economic policy in July 1991 and looked for an outward policy replacing the inward looking strategy of development. Economic Reforms initiated in 1991 have changed the economic scenario of India. The advocates of economic reforms argued that reforms in 1990s have mainly contributed to Growth in Indian Economy and is a fact. But now the major challenge that India is facing is the sectoral composition of growth. The share of agriculture to the total GDP basket has significantly come down. Further the share of capital formation in agriculture to total capital formation in the economy has drastically reduced. So it is now a serious concern of researchers and policy makers to investigate whether economic reform has caused this distortion in Indian economy or some other factors are responsible for this. Moreover the issue of price and non-price factors determining the agricultural supply or growth has generated a substantial debate in the academic and policy making circles in India. This paper attempts to address these issues by examining the determinants of private capital formation and growth in agriculture in general, and examines impact of intersectoral Terms of Trade on private investment and growth in agriculture in particular for the period 1980-81 to 2005-06 in the context of trade liberalisation, using more appropriate and comprehensive time series data. Results, suggest that Terms of Trade, institutional credit and liberalisation are important factors determining private capital formation in agriculture. Our study also revealed, non-existence of complementarity between public and private capital formation in agriculture. Agricultural Growth is significantly affected by Terms of Trade, irrigation, net area sown, net fixed capital stock in agriculture and trade liberalisation.

**CONSUMERISM IN INDIA :
INTER - STATE VARIATIONS IN RURAL AND URBAN SECTORS**

RAJNARAYAN GUPTA*

ABSTRACT

It is a common saying today that consumerism is increasing in the world, although it is very difficult to define the term. The present study attempts to give a measure of consumerism. Expenditure on consumer durables and their budget share are considered to be the two indices of consumerism. The study examines the levels of consumerism in different states of India. The investigation is made on the basis of NSS (National Sample Survey) data. The report of the 61st round survey of the NSSO (National Sample Survey Organization) has been analyzed for that purpose. The analysis finds wide variation in consumerism across states and across sectors. The study formulates two multiple linear regression models to identify the factors responsible for inter-state variation in consumerism in rural and urban sectors. Empirical findings show that variation in both the Monthly Per Capita Consumer Expenditure on Durable Goods (MPCEDG) and their budget share (BSDG) are explained by inter-state and intra-state inequality in income.

**DETERMINANTS OF HOUSEHOLD HEALTHCARE EXPENDITURE: CASE OF
URBAN COIMBATORE**

*People Spend Their Health in Gaining Wealth and Then Spend Their Wealth to Regain
Their Health - Spanish Proverb*

V.L.LAVANYA* AND MALARVIZHI.V**

ABSTRACT

Human Resource Development is fostered by a series of factors such as education, health, water supply and housing that constitute the basis needs. The delivery and quality of healthcare services available in a country to large extent to determine the development and conservation of human resources to their maximum potential. Health expenditure consists of all expenditures or outlays for medical care, prevention, promotion, rehabilitation and regulation and capital formulation with the regulation and capital formation with the predominant objective of improving health. To substantiate the objective, i.e., to find out the pattern of health care expenditure of the sample respondents 225, regression analysis is used and descriptive statistics are estimated. Mainly, four variables are used for this purpose; i.e. household health expenditure, income of the sample respondents, age and education of the sample respondents. Therefore, the study concludes that health literacy efforts should be made integral to preventive, promotive, curative and rehabilitative health care.

GLOBALISATION, INFORMALITY AND FEMALE LABOUR FORCE

SUJATHAN.P.K *

ABSTRACT

*In the era of globalisation, the conditions of female labour force and functions of the state have undergone unprecedented transformation. While globalisation prepared the ground for aggressive competition and cost – cutting in the corporate world, the best and the most feasible way-out to cushion its impact was to relocate the labour force to an inexpensive abode. This ‘reserve army’ of labour force are off the mainstream and are branded informal. Out of the informal labour force, female rather than male emerged as the providers of cheap labour and reservoirs of unbridled exploitation. This ‘relocated’ female labour force, in course of time, became ‘dislocated’ female labour force as they are stripped off conducive working conditions, job security, safety at work place and the power of unionisation. Accordingly, this informalisation of labour resulted in increased feminisation of labour which gradually transformed itself into ‘proletarianisation’ of female labour. This was fuelled by current global economic crisis. It is in this context that the State has to emerge as a savior with the help of an improved legal framework to guarantee equal pay and equal access to work. But, in a **neo-liberal** world, the State is a powerless instrument unable to wield its power. As such, the conditions of female labour force have become deplorable. Although increasing attention is being given to the impact of globalisation on labour, much of what has been debated is largely theoretical. Moreover, there is a bias towards studying the impact of globalisation on formal wage work and to a lesser extent on informal employment. Relatively very little has been attempted on the impact of globalisation on women in the informal economy. This paper tries to fill this gap by focusing on how globalisation affects workers especially female workers in the informal economy. The paper is divided into two sections. In the first section, the paper begins with how globalisation prepares the ground for feminisation of labour force. The paper also provides a global snapshot of the informal female work force and assesses with the help of ILO report 2009, how the present crisis impacted on the informal female labour force. In the second section, the paper dwells on Indian context. Taking cues from NSSO data 2006, the paper provides the extent of female informal labour in India. Last but not the least, with the help of the data obtained from Union Budget 2009-2010 mirrored in neo-liberal dispensation, the paper helps us to learn how the inadequate and insufficient spike in public expenditure tells upon the lot of female labour. Conclusively, the panacea to alleviate the problem is also discussed and brought out.*

**APPLICATION OF THE NREGS IN THE FOOD CROP SECTOR FOR IMPROVING
FOOD SECURITY IN KERALA : A THEORETICAL ANALYSIS**

A.D MANIKANDAN *

ABSTRACT

Kerala has a long history of food grain deficit, especially in rice. For instance, deficit in rice has increased steadily in the state from 45 per cent to 85 per cent between 1957 and 2008. However, there is no enough attention has been given to mitigate food insecurity problem in the state in a context there has been a large scale decline in the area and production of paddy. This paper gives a theoretical analysis on the application of the NREGS in agricultural sector of Kerala, especially in food crop sector in order to minimize labour cost of production in the paddy field. This is because labor cost of production of paddy is too high in Kerala compared to other states in India. Recent studies show that 60-70 per cent of the total cost of production of paddy is labor cost. In order to mitigate higher labour cost of production of farmers we argue that the need for the introduction of the NREGS in food crop sector, especially in small and marginal paddy land owned by vulnerable sections like SCs/STs, and women. Hence, farmers can reduce the cost of labor in the production process considerably. As a result, net return of farmers will increase due to increased competitiveness. In addition to this, we can improve not only food security by enhancing supply of food and but also bio-diversity and eco-system in the state. In sum, the intervention of the NREGS in the small and marginal paddy land is nothing but giving the unskilled agricultural labourers to farmers in 'zero' wage.

CAN LITERACY ALLEVIATE POVERTY? A STUDY OF INDIAN STATES

LAKSHMI KUMAR *, SWATI DUTTA ** ANDANITHA RAO ***

ABSTRACT

Achieving reduction of poverty is vital to the progress of a State. Why have some States been successful in reducing poverty while other not so triumphant? The primary purpose of this paper is to find out what factors contribute to poverty reduction in the Indian States.

We propose a Basic and an Interaction Simultaneous model and test them empirically. We use the Simultaneous equation system to investigate the impact of social sector expenditure on poverty reduction. Obviously, no single policy can bring about this change, but the results of our analysis points to two major conclusions. Firstly, States pursuing a high Social Sector expenditure or a positive policy towards attracting industries have had a greater impact in poverty reduction in the long run. Secondly, sustained commitment by the State to spend on primary education is the key to development, not freebies which are just a major dent on the State's budget with hardly any effect on alleviating the condition of the poor. The mindset of the government to treat the poor not as a 'beneficiary', but a person with dignity, needs quick change if we need progress out of poverty. Also the States which follow pro industry policy and attract industries too have success in reducing poverty.

CHALLENGES AND PRE-REQUISITE CONDITION FOR BUILDING KNOWLEDGE BASED ECONOMY IN INDIA

D. INDRAKUMAR* AND S.K. YADAV**

ABSTRACT

The globalised economy has brought tremendous changes in the in the production as well as consumption pattern of the economy. Especially the production has been completely changed into highly a knowledge based economy. Manufacturing and services sector has grown faster with the latest technological improvements. It was made big impact on the labour market too. These changes in the economy has been required a kind of skilled and multi-skilled lourners to fit for the available job market. It is very essential to convert the available huge labour force of the country or at least the new entrant into the labour market can make entry with the skills. In order to convert the labour to fit for the knowledge based economy it requires fundamental primary education. Thus the paper analyse the status of primary education in the country by its states. As per the data that even small states are struggling to provide the fundamental education.