JiE

Journal of INTERNATIONAL ECONOMICS

Volume 7, No 2, July-December 2016

ISSN 0976-0792

Indexed in:
- Ebsco Database
- Ulrichsweb
- ProQuest

IPE INSTITUTE OF PUBLIC ENTERPRISE

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Journal of International Economics
ISSN 0976-0792 Volume 7, No.2, July-December 2016, pp.4-12

The Impact of External Funds Flows on Forex Reserves of India

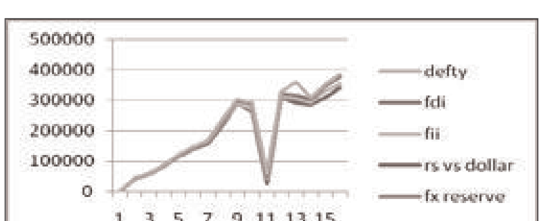
A Kotishwar

FDI and FII play a key role in any country foreign exchange reserves and are essential for the developing economies like India. We cannot deny that the exchange rates are of vital importance and are usually looked upon before making any investment decision abroad by foreign investors. This paper has focused on the external fund flows and its allied economic factors for the 2001 to 2015. Bi-variate Correlation is applied on the FDI, FII and Rs vs. Dollar rate and observed that Variables have strong positive correlation among them. Regression analysis is implemented on Rs Vs Dollar, FDI and FII it was observed that exchange rate fluctuation has impact on FII and FDI. Granger causality test was applied on FII, FDI and fx reserve and it was found that FII and FDI are having the impact on fx reserves. This study is useful to the Indian investor's fraternity such as HNI's, QIB, Indian Mutual Funds and retail investors.

Keywords: *FII, FDI, Dollar, Exchange Rate*

Introduction

NSE was established in 1992 even though after 18 years of completion foreign investments are more than the Indian investments. Indian investors prefer other asset class to equity investment hence regarding the stock market investment still they are in the nascent stage. Stock market is dominated by foreign investors and they are benefiting from by being a part of wealth distribution and wealth creation. Indian investors because of their low risk appetite, sentiments and perceptions are not able to be a part of this asset class. Before investing in the security they just consider few factors which is not enough to get decent returns. To understand this problem of the Indian investor I started collecting the data for the period of 2001-15 for the variables such as exchange rate, FDI, FII and foreign reserves



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Journal of International Economics
ISSN 0976-0792 Volume 7, No.2, July-December 2016, pp.13-22

Characteristics of Domestic Service Sector and Financial Enterprises of India in the Context of Export Performance

Prem Kumar

Condition and characteristics of domestic firms influence the export performance of firm's output. Performance of service sector export has been satisfactory. India has witnessed positive service trade balance over the period of 2000-01 to 2012-13. However, performance of financial service export is not satisfactory. Further, the percentage share of financial services to total service export is fluctuating within the low range of 3 to 5 per cent. However, a substantial proportion of service sector workers are engaged in financial service sector. It has potentiality of expansion. In this context, the condition and characteristics of domestic service sector with specific focus on financial services need to be analysed.

Keywords: *Service Sector, Financial Service, Export Performance*

Introduction

India's service sector provides the bulk of employment and income. Its contribution to Indian economy is beyond debate. Moreover, performance of Indian service sector export can be said satisfactory. India has witnessed positive service trade balance over the period of 2000-01 to 2012-13. In terms of service export, India performed better than Brazil, Hong Kong, Indonesia, Malaysia, Russian Federation, Singapore and South Africa. India contributes around 1.61 per cent to world's merchandise export. But, this figure comes to around 3.32 per cent in terms of commercial service export.

Financial enterprises occupy crucial place in Indian service sector. 7.78 per cent of service sector enterprises are financial enterprises. A substantial proportion of service sector workers are engaged in financial sector (15.91 per cent). These figures indicate the possibility of its expansion and its importance in service sector export.

Methodology

Main data sources are WTO, RBI, Ministry of Corporate Affairs, Government of India and National Sample Survey's 63rd Round on "Service Sector in India (2006-07): Operational Characteristics of Enterprises". Export performance of service sector, particularly financial service, has been analysed by data provided by WTO, RBI and

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Cross Border Mergers and Acquisitions and The Exchange Rate: A Literature Review

Meghna Sharma

The concept of mergers and acquisitions has been an interesting area of study in the literature of finance. The whole process of a financial entity merging, and thereby aligning its operation and management, with another financial entity, indeed provides vast aspects to be studied. With globalization at large and trade liberalization in particular, mergers and acquisitions between companies situated in different countries have become wide spread. The obvious questions that narrate the reasons behind such activities relate to the determinants of cross-border mergers and acquisitions. While that question answers the basic foundation of mergers and acquisitions, a question that arouses practical concern is who gains more from mergers and acquisitions when judged in terms of domestic and cross border; acquirers of domestic targets or acquirers of foreign targets. This paper is a review of the literature available on the reasons and gains from mergers and acquisitions and what motivates cross border mergers. It also leads the way for further studies on how the exchange rate can be a determining factor in understanding gains from mergers.

Keywords: *Mergers and Acquisitions, FDI, Exchange Rate, Currency, Cross Border Mergers, International Finance*

Mergers and Acquisitions: An Introduction

The concept of mergers and acquisitions has been an interesting area of study in the literature of finance. The whole process of a financial entity merging, and thereby aligning its operation and management, with another financial entity, indeed provides vast aspects to be studied. With globalization at large and trade liberalization in particular, mergers and acquisitions between companies situated in different countries have become wide spread. The obvious questions that narrate the reasons behind such activities relate to the determinants of cross-border mergers and acquisitions. While that question answers the basic foundation of mergers and acquisitions, a question that arouses practical concern is who gains more from mergers and acquisitions when judged in terms of domestic and cross border; acquirers of domestic targets or acquirers of foreign targets. While investigating on such gains, a question that requires attention is whether the strength of the domestic currency affects gains from these

Journal of International Economics
ISSN 0976-0792 Volume 7, No.2, July-December 2016, pp.35-55

Financial Crisis and the Performance of Commercial Banks: Indian Experience

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The present study is an attempt to evaluate the performance of commercial banks of India during 2002--2013, its post liberalization period, involving the period before and after financial crisis of 2008. The study used different indicators such as deposits, advances, expenditure, income, profitability, capital adequacy, NPA etc. for this purpose. An attempt is made to study the efficiency of group wise commercial banks before and after the financial crisis using panel data. Assuming variable returns to scale, the DEA - non parametric Malmquist indices of total factor productivity (TFP) have been computed; and the total factor productivity is decomposed into technical efficiency and technological change and technical efficiency change is further decomposed into pure efficiency change and scale efficiency change. Based on various indicators we find mixed evidence on the performance of banks after the financial crisis. The DEA analysis suggests that Indian banks are impacted in terms of declining efficiency during financial crisis but got recovered during the post crisis. Technical efficiency scores increased after the crisis and the pattern of efficiency scores predicted by DEA is U-shaped for the study period. The scale efficiency of public sector banks and technical efficiency of private commercial banks have increased after the financial crisis.

Keywords: *Commercial Banks of India, Financial Crisis, Performance, Panel Data, VRS, Malmquist Index*

Introduction

The objective of this paper is to evaluate the performance of the banks in India during 2002--2013, using different performance indicators such as deposits, advances, expenditure, profitability, and capital adequacy, NPA etc. before and after the financial crisis of 2008. An attempt is also made to assess the efficiency of the commercial banks during this period using non- parametric Malmquist DEA approach. The reason for choosing 2002-2013 as study period is that, during this period banking sector witnessed both robust growth and also got impacted by economic slowdown due to global financial crisis of 2008. A lot of literature and debate has gone

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Forecasting portfolio value-at-risk via DCC-MGARCH Model: Impact of Brexit on Valuation of UK Pound and Indian Rupee

Rahul Sharma and **Somesh K Mathur**

In this paper, we will implement the DCC (Dynamic Conditional Correlational) MGARCH model to forecast the VaR (Value at Risk) for a given portfolio. We have taken data on the exchange rate of Indian rupee with US Dollars, Euro and British Pound. We will try to predict the volatility from the DCC MGARCH model and see how Brexit have affected the rates of return in terms of the Indian rupee. For our calculations, we have assumed an equal weighted portfolio. At the end of paper, we will evaluate our model performance by analyzing the forecast error using predictions failure and average deviations between VAR and realized returns.

Keywords: *DCC Model, Portfolio, VaR, Brexit, Forecast Error*

Introduction

To evaluate the performance of a portfolio it is necessary to quantify the risk involved with it. As a result, there is a need for risk management. One of the important technique for solving this problem is to calculate the VaR (Value at risk). However, for evaluating VaR, we are required to know the volatility in the rate of returns from a given collection of assets. The information on volatility for a given collection of assets lies in the variance-covariance matrix. This variance-covariance matrix can be forecasted using MGARCH techniques. There are various MGARCH techniques like BEKK Model, Vech Model, CCC Model, DCC models, among others to account for the variance-covariance matrix. For this paper, our main focus will be to understand and implement the DCC MGARCH model. The portfolio of interest in this paper will be the foreign exchange rate of US dollars, British pound and Euro in terms of the Indian rupee. We will see how Brexit have affected the risk involved with the above portfolio. Finally, we will comment on the performance of the model by calculating the forecast error. The idea of this paper mainly follows from the paper titled “Estimating portfolio value-at-risk via dynamic conditional correlation MGARCH model – an empirical study on foreign exchange rates” by Yuan-Hung Hsu Kua, and Jai Jen Wangb(2008).

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Journal of International Economics
ISSN 0976-0792 Volume 7, No.2, July-December 2016, pp.64-69

Export Competitiveness of Selected Agriculture Products in India in the Global Market: CMS Analysis

Ahamed Kabeer M

Spices and Cashew industry has the potential to generate employment and foreign exchange for developing countries. The present paper aims to explore competitiveness of spices and cashew export in India in the global market in the context of new economic scenario. The Time series data from 1991 to 2013 were used to measure Constant Market Share Model. It takes into account three effects other than the competitiveness effect namely world the trade effect, commodity composition effect, and market distribution effect. For the purpose of analysis entire study period divided into three parts, first period (1991-2001), second period (2002-2013) and final period represent the whole period from 1991-2013. It has been found that As a result of competition from rival India has eroded their competitive edge and the effects such as world trade effect, market distribution effect, and the competitiveness effect has shown favorable results with regard to spices and cashew, whereas commodity composition have registered negative influence on total effect. It has been suggested that India has to make effective policy to promote export and competitiveness forthcoming years to capture the world market.

Keywords: *Reforms, Export, Competitiveness. Spices, Cashew*

Introduction

Agricultural trade has a dominant role in the economic development of the nation. The agricultural sector has received special attention in all countries at every stage of development. For a developing country like India, agricultural sector is an engine of economic growth due to lively hood food security and its interdependence with industrial sector. The Development of a nation and welfare of people especially of a country like India to great extent depends on the agricultural sector. (Rathna, Sharma, Kallumal, and Biswas 2010). The export opportunity allows agricultural sector to expand productive capacity to the fullest extent. In the four decades since the beginning of planned development in 1951, India followed a strong inward oriented policy. With the adoption of the import substitution strategy in the first three five-year plans, the inward orientation becomes very powerful. Several measures were taken since the early 1970s for export promotion, but they were not adequate enough to provide needed

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Journal of International Economics
ISSN 0976-0792 Volume 7, No.2, July-December 2016, pp.70-82

Spatial Composition of Indian Small and Medium Enterprises' Export

Tareef Husain

In this era of globalisation, the small scale sector faces an ever increasing competition from the multinationals, and it is generally been argued that, to survive in the growing competition from large scale industries, Indian small scale sector requires to raise their export activities. Simultaneously, India as an economy consists of various sub-national entities, where export activities of Indian small scale sector are sourced by few Indian states, having healthy export conducive infrastructure. This study is an attempt in the same context i.e. exploring the export of Indian small scale sector located in various Indian states, in the light of various export promotion policies of the respective state governments. Mainly, the present study concentrates on the registered sector of Indian small scale sector, using unit-level data of third and fourth all India micro, small and medium enterprises censuses. The exploratory results reveal that export from the Indian small scale sector has grown significantly, but only few Indian states have participated in this growing export. Moreover, this study finds that the SMEs export is lower in the states where overall export is higher and vice versa. In this regard, this study has some important policy implications for sub-national as well as national polices makers by revealing the status of export from Indian small scale sector located in various Indian states.

Keywords: *Export, Spatial Composition, SMEs, Regional Policies*

Introduction

Small scale sector and export, both are of immense significance for their extensive contributions in an economy. World's 65 per cent of employment roots in the small scale sector (IFC, 2006)[1]. Likewise, Indian SMEs (small and medium enterprises) sector also plays an important role in the employment and income generation in India, by employing upto 29.5 million employees (Ministry of Finance, 2008) and holding 37.5 per cent stake in India's gross domestic product (Ministry of Finance, 2015). As far as the export from the registered sector of Indian SMEs is concern, it is also noteworthy, carrying 1.97 per cent share in Indian GDP (gross domestic product); similarly, the merchandise export from Indian SMEs[2] accounts for 11.7 per cent of overall Indian merchandise export, during 2006-07 (Table-1).