



- Efficiency Measurement by DEA Approach to Aggregate Manufacturing Sector of India
M.Manonmani
- Efficiency of Resource Allocation and Factor Market Interlinkage in West Bengal, India : A Data Envelopment Analysis Approach
Arindam Laha
- Yield and Acreage Response in Agriculture of Odisha : Some Policy Implications
Kirti Ranjan Paltasingh & R.K.Mishra
- Child Poverty in India : Regional Variation, Determinants and Policy Options
Sudip Chakraborty
- Development and Female Economic Participation : A Comparative Study of India and Kerala
M.G.Mallika
- Inter-State Variation in Unorganised Manufacturing Industries in the Post-Reform India
Dilip Saikia
- Role of Trips in Indian Agriculture Sector : Balancing Traditional Knowledge and Biotechnology
Vani Aggarwal & Aditya Satpute
- Regional Patterns of Employment Growth : An Inter-State Analysis of Indian Manufacturing Sector
S.Padmavathy
- Financial Openness Causes Economic Growth in India : An Evidence from Co-integration
Sachin Kumar
- The Indian Subsidy Debate : Why or Why Not?
Debraj Bagchi
- The Global Financial Crisis : Challenges and Opportunities
R.K.Mishra & K.Trivikram

This Journal is Indexed in
 Cabell's Directory
 EBSCO Database
 Jawaharlal Nehru University
 (New Delhi)
 ProQuest
 Ulrichswab

Journal of Economic Policy and Research

Vol : 9

April – Sept, 2014

No : 2

Contents

Research Papers

- ★ Efficiency Measurement by DEA Approach to Aggregate Manufacturing Sector of India
M.Manonmani 1
- ★ Efficiency of Resource Allocation and Factor Market Interlinkage in West Bengal, India : A Data Envelopment Analysis Approach
Arindam Laha 14
- ★ Yield and Acreage Response in Agriculture of Odisha : Some Policy Implications
Kirtti Ranjan Paltasingh & R.K.Mishra 29
- ★ Child Poverty in India : Regional Variation, Determinants and Policy Options
Sudip Chakraborty 41
- ★ Development and Female Economic Participation : A Comparative Study of India and Kerala
M.G.Mallika 62
- ★ Inter-State Variation in Unorganised Manufacturing Industries in the Post-Reform India
Dilip Saikia 76
- ★ Role of Trips in Indian Agriculture Sector : Balancing Traditional Knowledge and Biotechnology
Vani Aggarwal & Aditya Satpute 106
- ★ Regional Patterns of Employment Growth : An Inter-State Analysis of Indian Manufacturing Sector
S.Padmavathy 128
- ★ Financial Openness Causes Economic Growth in India : An Evidence from Co-integration
Sachin Kumar 143

Perspectives

- ★ The Indian Subsidy Debate : Why or Why Not?
Debraj Bagchi 157

Book Review

- ★ The Global Financial Crisis : Challenges and Opportunities
R.K.Mishra & K.Trivikram 163

Efficiency of Resource Allocation and Factor Market Interlinkage in West Bengal, India : A Data Envelopment Analysis Approach

Arindam Laha*

Efficiency in resource allocation has a far-reaching impact on the observed level of agricultural output. The paper measures allocative efficiency of farmer households and its important determinants in the context of West Bengal agriculture by using cost minimization principle in Data Envelopment Analysis. Empirical evidence suggest that choice of tenurial contract, inter-linkage of factor markets and availability of credit are some of the factors, inter alia, which are found to have significant bearing on the level of allocative efficiency. Interestingly, inter-linkage of factor markets is observed to be an “efficiency improving institutional change” in rural agrarian economy.

Keywords : Allocative Efficiency, Inter-linkage, Rural Credit, Tenurial Contracts, Data Envelopment Analysis.

Introduction

In this process of agrarian transformation, a proper modification and replacement of existing institutions are assumed to take place specially for those inefficient institutions which put an obstacle in the allocation of resources. Efficiency in resource allocation has a far-reaching impact on the observed farm output level. Some cross-country evidences are provided to measure allocative efficiency of farmers in Nigeria (Welsch, 1965), Greece (Yotopoulos, 1967), China (Fan, 2000), Bangladesh (Wadud, 2003) and India (Schultz 1964, Hooper, 1965; Chennareddy, 1967; Sahota, 1968; Saini, 1968; Srivastava & Nagadevara, 1972). Some attempts have also been made to examine allocative efficiency

in West Bengal agriculture (Rudra 1992, Kumbhakar 1994, Ray & Bhadra 1993). In a study of the cost minimizing behaviour of farmer households in seven districts of West Bengal, Ray and Bhadra (1993) argued that though a farmer is technically efficient but they fail to select cost minimizing input bundle. In fact, the failure of cost minimization is principally due to imperfections in the markets for capital and labour. If land and capital is treated as quasi-fixed inputs, then little allocative inefficiency is found in choice of variable inputs. However, one of the important attributes determining allocative efficiency

* Dr. Arindam Laha, Assistant Professor, Department of Commerce, The University of Burdwan, West Bengal-713104, India.

Yield and Acreage Response in Agriculture of Odisha : Some Policy Implications

Kirtti Ranjan Paltasingh* & R.K.Mishra**

In this paper the yield and acreage response of farmers in agriculture of Odisha has been analyzed. A weather index, instead of rainfall has been included to get a better representation of sensitivity of weather in the response analysis. The empirical evidence suggests that there is price inelasticity of supply in the case of rice but reverse in the case of maize. However, the elasticity of weather and irrigation are found to be significant. Therefore, the paper concludes that importance of irrigation needs to be prioritized in agricultural policies of government. The declining trend of public investment in agriculture should be made reversed and the irrigation potential through public investment needs to be emphasized so as to bring more cultivable land under assured irrigation.

Keywords : Agriculture, Price Elasticity, Distributed Lag Model, Weather Index.

Introduction

Whether and to what extent the economic incentives enhance the farmers to change their farming decision and practices is vital for agricultural planning. The elasticity of supply response analysis holds the key in providing the essential information to adopt an effective policy measure for bridging the gap between demand for and supply of food grains. Agricultural supply response has remained a central issue in agricultural development especially in developing economies like India where more than 70 per cent of population are agriculture dependent. The agriculture in developing countries faces a lot of rigidities like low public and private investment, weak support services, institutional rigidities in the form of

government regulation and policy instability. These rigidities couple with large macroeconomic imbalances and cause huge economic misfortunes. For example, the high food inflation rate in India is pretty much supply driven. So here the study of farmers' supply response assumes a great importance in framing policy actions. If the response is very little then it endorses the fact that price instrument can no longer act effectively to bring about structural changes and development in agriculture (Palanivel, 1995; p. 251). At the same time if the other shifters in response

* Kirtti Ranjan Paltasingh, ICSSR Fellow, School of Economics, University of Hyderabad, Hyderabad.

** Dr.R.K.Mishra, Director & Senior Professor, Institute of Public Enterprise, O.U Campus, Hyderabad.

Child Poverty in India : Regional Variation, Determinants and Policy Options

Sudip Chakraborty

This paper reveals the extent, forms and causes of pervasive child poverty in contemporary India. Child poverty in India is multifaceted. The occurrence of child marriage in India in large magnitude is an issue of concern. Child sex ratio, defined as number of female per 1000 male in the age group of 0-6 years, consistently exhibits a declining trend. Regional disparity in child deprivation has been brought to light by India's official statistics. A large number of children in India suffer from severe malnutrition. Large-scale child mortality is a blemish on democratic India. Household survey undertaken in a cluster of villages in West Bengal in 2011-12 finds household poverty as push factor for occurrence of child labour in home-based tobacco work. Dependence of the families on child labour income must be stopped through economic empowerment of child labour families. Self-employment programme and wage employment in public works for the adult members can significantly reduce the dependence on child labour income for family sustenance. Compulsory and free quality education for all children should be provided along with free health care and nutrition at schools. Public action, therefore, must focus on elimination of child poverty. Anti-poverty programmes should be child-focussed.

Keywords : Human Capital, Child Marriage, Child Poverty, Engel's Ratio.

Introduction

Child poverty is the state of child deprivation caused by poverty that stands as a barrier to attaining decent childhood. Millions of children in this world are born to poor families, to poor neighbourhoods and communities and to poverty-stricken world regions. Sub-Saharan Africa and South Asia are homes to majority of world's poor children. In the emerging economies of the contemporary world, child poverty is mounting on the back of escalating income-inequality. But this state of affairs would set off massive loss to

humanity in future. Children of today will build the course of human destiny in their impending turns as adults. They hold the key to peace and prosperity of mankind of future. A nation's destiny would be shaped by the children of the present. They would contribute to nation building when they would be adults. Ironically, not all adults can take part in that great task. Adults have to be capable, intelligent, healthy, trained and educated enough to take up the

* Dr.Sudip Chakraborty, Head, Department of Economics, Ananda Chandra College, (North Bengal University), West Bengal-735101.

Development and Female Economic Participation : A Comparative Study of India and Kerala

M.G.Mallika

The economic analysis of female work participation gained attention since the pioneering works of Becker and Cain. The entry and participation of women in the labour market has been a major concern in labour economic research of present day. The present study tries to analyse the female labour market issue of India and Kerala in a framework of U shaped relationship between female economic participation and development. There is empirical evidence to support the U shaped relationship between female economic participation and Human Development Index, which can be taken as a proxy for development of a country. The study gives adequate materials to prove that Kerala is in the third stage and India is in the first stage. Hence, the labour market strategies for India may not be suitable for Kerala. The study uses HDR 2010, UNDP data along with NSS 55th and 66th round unit level data of the analysis.

Keywords : Kerala, Economic Participation of Women, Gender Economics, Labour Economics, U Shaped Relation.

Introduction

The economic analysis of female work participation gained attention since the pioneering works of Becker (1962) and Cain (1966). The role of women as economic agents has attracted much attention and there has been a boom in the literature on women studies in recent years. The entry and participation of women in the labour market has been a major concern in labour economic research of present day. The central issue of female labour force participation has been a recurring theme in research on labour at the national and international

context, both at theoretical and empirical grounds.

In India, the woman's employment as an area of research assumed prominence in 1980's. However, even after decades of research, woman's employment and its determinants are still vague though some broad associations and conclusions are put forth. Within India, the state of Kerala shows impressive performance over the years in the demographic and social development, have

* Dr.M.G.Mallika, Assistant Professor, P.G. Department of Economics, The Zamorin's Guruvayurappan College, Guruvayurappan College (P.O), Kozhikode, Kerala.

Inter-State Variation in Unorganised Manufacturing Industries in the Post-Reform India

Dilip Saikia*

The paper aims to analyse the regional pattern of unorganised manufacturing industries in India in the post-reform period. We find that the unorganised manufacturing industries continued to concentrate in few advanced States, whereas the backward States have been unable to catch up. The high-technology intensive industries are highly concentrated, whereas concentration is low for the resource-based low-technology intensive industries. Spatial concentration has declined across States in the post-reform period. There appears, however, to be widespread inter-state disparity in terms of factor productivity and it has increased in the post-reform period. The findings of the paper raise a number of policy issues for regional industrial development in India. The paper emphasises the need for proactive public policy to promote socio-economic infrastructure, reformulating local politics to ensure better governance, creation of enabling institutional base to support business environment to attract new investments and a strong political commitment among the local leaders to create necessary environment for growth in the backward States, and thus, achieve inclusive growth.

Keywords : Economic Reforms, Inter-state Disparity, Spatial Concentration, Unorganised Manufacturing.

Introduction

The regional variation in industrial development has been a matter of concern to the policy makers in India since the commencement of planning in 1950-51. The industrialisation process in India during the colonial period was highly uneven, with industries mostly concentrated in and around the three major ports cities of Bombay, Calcutta and Madras (Roth, 1970; Mohan, 1997).¹ As a result, regional disparity in industrial development was quite glaring at the time of independence.² Faced with

widespread disparity, the policymakers have advocated the strategy of '*balanced regional development*' right in the first five-year plan and it has been carried forward in all the subsequent plans. To this direction, a series of policy measures were adopted to guide the regional

* Dilip Saikia, Assistant Professor, Department of Commerce, Darrang College, Tezpur, Assam, India.

I am thankful to my esteemed supervisors Prof.K.J. Joseph and Dr. Vinoj Abraham of Centre for Development Studies, Trivandrum (India) for their guidance throughout my M.Phil work. The usual disclaimer applies.

Role of Trips in Indian Agriculture Sector : Balancing Traditional Knowledge and Biotechnology

Vani Aggarwal & Aditya Satpute

Historically, the onset of green revolution led to the introduction of high-yielding varieties (HYV) seeds that rewrote the growth story of Indian agriculture. Gradually the side effects of intensive farming were realized. Nevertheless, the initial success led to introduction of Bacillus Thuringiensis (Bt) cotton in India. Since then various divergent voices are raised to protect traditional seed holding rights of the farmers, which, has led to a policy paralysis ultimately contributing to the current stalemate in embracing Genetically Modified (GM) crops. The paper finds that the heightened scrutiny due to those fears has brought new evidence about non-viability of such crops for Indian conditions. The agriculture sector has overcome this technological stalemate and is silently evolving to embrace its vast cultural knowledge and biodiversity along with non-GM technology. The paper is a pivot on the role of trade related aspects of intellectual property rights (TRIPS) and its impact on agricultural innovation lead by traditional knowledge (TK) and biotechnology. The data extracted from RBI, FAO and UNCOMTRADE WITS suggests that the share of primary products in the total exports is on decline. Similarly, the yield of Bt cotton has become stagnant after an initial increase till 2004. After critically analyzing the reasons for current decline, the study suggests a relook at innovation by increasing the research and development (R&D) expenditure in TK and biotechnology by both public and private stakeholders.

Keywords : TRIPS, Agricultural Technology, Agricultural Policy Traditional Knowledge, Biotechnology.

State of Agriculture in India

Since independence, India has made strides in agriculture from being a net importer and today it has not only achieved food security through domestic production but also registered a high level of exports in agricultural goods. Globally, India has secured the largest position in terms of agricultural land, 179.9 million hectares (IBEF 2013). India accounts for only about 2.4 per cent

of the world's geographical area and 4 per cent of its water resources, but has to support about 17 per cent of the

* Vani Aggarwal, Research Fellow, Centre for WTO Studies, Indian Institute of Foreign Trade, Qutab Institutional Area, New Delhi.

** Aditya Satpute, Research Fellow, Legal, Centre for WTO Studies, Indian Institute of Foreign Trade, Qutab Institutional Area, New Delhi.

We are thankful to Dr. Murali Kallummal, Associate Professor, Centre for WTO Studies, for his valuable comments and suggestions. However, the usual disclaimer applies.

Regional Patterns of Employment Growth : An Inter-State Analysis of Indian Manufacturing Sector

S.Padmavathy*

Increasing the demand for labour or generation of employment opportunities is directly linked with the process of economic growth. The elasticity of employment indicates the percentage growth in total employment (or sectoral employment) to be expected from a one per cent growth in GDP (or GDP in individual sectors). Since labour is an input in the value addition process, an increase in output is normally associated with an increase in labour use or employment. This implies that the elasticity of employment is generally expected to be positive. However, employment elasticities are typically expected to be less than unity because productivity per person employed is expected to increase over time. This implies that employment increases less than proportionately to output growth. An attempt in the present paper is made to examine the regional patterns of employment growth and analyse the short-run and long-run employment elasticities in regard to both real wages and output for the manufacturing sector in 16 states of India for the period 1991-92 to 2008-09. From the estimates of the fit labour demand functions we could conclude, that the employment growth in the Indian Manufacturing Sector has been quite sensitive to changes in the real wages both in the short-run as well as in the long-run.

Keywords : Labour Demand, Employment Elasticities, Regional Patterns, Manufacturing Sector.

Introduction

Development of manufacturing sector in India over the last few decades has been quite phenomenal and has resulted in economic growth impelled by import substitution, export promotion and acquisition of modern technological capabilities. However, all these developments have been overshadowed by a general failure of the industrial sector in generating adequate employment to absorb the increasing number of work force.

Demand for labour or creation of employment opportunities is linked with growth in economic activities. Faster growth is, necessary to productively employ the increase in the labour force as well as for improving the quality of existing work force in the industry. Productive employment is not merely a means but an ultimate end in itself. There is a widespread concern that the acceleration in GDP growth in the

* Dr.S.Padmavathy, Associate Professor, KPR School of Business, Arasur, Coimbatore-641407.

Financial Openness Causes Economic Growth in India : An Evidence from Co-integration

Sachin Kumar*

The paper attempts to test empirically the hypothesis of finance-led growth in India. For this it traces the relationship between growth rate of GDP and the M3/GDP ratio, well researched indicator of financial deepening for the period of 41 years (i.e., 1971-2012) with the help of recently developed time-series techniques (i.e., Unit roots, Johansen's, co-integration test and granger causality). Unit roots were checked in the data with the help of ADF test and Phillips Perron Process. Two variables of interest i.e., GDP growth rate and M3/GDP are integrated at first difference level and significant at 5 per cent level. Co-integration results obtained with the help of co-integration technique developed by Johansen and Juselius (1991) confirm one co-integrating vector which tells about long-term equilibrium in the data. Granger Causality results showing that M3/GDP is causing economic growth in India i.e., F-test value is coming more than 4 (4.5). Our results support the view that finance is a leading sector in the process of economic development. We find considerable evidence of causality (i.e. causality runs from finance to growth) in India. In other words, Indian financial system follows "Supply Leading Hypothesis." The policy of increasing the level of financial deepening will serve as major determinant to the growth rate in India. Therefore, this study concludes that policy measures for infrastructure improvements should be taken into account to make financial sectors more vibrant to invigorate economic growth.

Keywords : Financial Openness, Economic Growth, Co-Integration, Causality.

Introduction

The recent financial crisis revives the debt on the finance and growth relationship and the importance of regulation of financial institutions. If we look at the theoretical and empirical literature on finance and growth nexus it showed ambiguous explanation. The theoretical literature was started through pioneering work of Schumpeter (1911). He stated financial development has

significance for growth. Because developed financial structure offered efficient

* Sachin Kumar, Project Fellow, University Grants Commission (UGC), Department of Commerce, Delhi School of Economics, University of Delhi.

Author is working as a Project Fellow on UGC project under Prof. Mahendra Pal, Emeritus Fellow-UGC, Department of Commerce, Delhi School of Economic, University of Delhi. I am very thankful for the support and guidance provided by Prof. Mahendra Pal, Prof. J.P. Sharma, Prof. K.V. Bhanumurthy and all DSE staff.

The Indian Subsidy Debate : Why or Why Not ?

Debraj Bagchi

Subsidies are usually criticized for the burden they cause on the budget of the government. However, considering that the majority of the Indian population spends heavily on the items that are subsidized, a reduction in the subsidies could distort their budgets in a significant manner. This paper tries to capture the arguments that are usually made on the subsidies and tries to analyse the issue in greater detail. Further, the paper proposes that rather than focusing on the expenditure side of the budget, we should try and think of possible ways of augmenting the tax revenues through better implementation and collection of the direct taxes.

Keywords : Subsidies, Taxes, Direct Taxes, Augmentation.

Section-1 : Introduction

Subsidies have always remained an important concern for the Indian government and hence have also been an important issue of discussion by researchers and the policy makers. The Indian government has been subsidizing crucial items like food, fuel etc. since independence. These subsidies have been very important in the Indian context where a significant share of population (both in rural as well as urban areas) is not always capable of affording even the necessary items at the market rates. However, in recent times, considering that India has been facing a high fiscal deficit over the years, there have been debates on whether subsidies are putting too much pressure on the budget of the government, leading to this high fiscal deficit.

This paper tries to focus on the existing views and patterns on subsidies in India and tries to look at possible options for the government which may be socially preferable for reducing the budget deficits. Section-2 of the paper looks at the existing issues and views on subsidies while Section-3 gives a detailed account of the trends and patterns in the subsidies provided by the central government. Section-4 tries to analyse Section-2 and Section-3 in greater details while Section-5 looks at the possible options for the government beyond subsidies. Section-6 concludes the paper.

* *Debraj Bagchi, Center for Budget and Governance Accountability, B-7 Extn/110 A, Harsukh Marg, Safdarjung Enclave, New Delhi-110029.*

The author works as a Research Consultant in the Center for Budget and Governance Accountability. The author is thankful to Mr.Subrat Das and Mr.Varun Kumar Das for their comments and suggestions. However, the usual disclaimer applies.

Book Review

The Global Financial Crisis : Challenges and Opportunities

R.K.Mishra & K.Trivikram

New Delhi, Academic Foundation (2013),

pp. 458, ISBN-10:8171889840, ISBN-13: 978-8171889846

*Reviewed by : Madan Sabnavis**

One outcome of the global financial crisis was the publication of a plethora of books on the subject, where the authors have delved into the 'why' of the crisis with specific focus on capitalist greed. It became fashionable to bash institutions and regulators who were supposedly responsible for this catastrophe. Against this background, the collection of 17 articles by authors from across the globe put together by R.K.Mishra and K.Trivikram, **The Global Financial Crisis : Challenges and Opportunities**, is refreshing as it looks beyond the cliché. While some of the pieces do give a background on how the crisis transpired, the analysis is at a different level where the experiences of various countries have been narrated with the causes and remedies being embedded along the way.

The genesis of the crisis was straightforward as it started with a banking crisis, which became a real-sector crisis leading to diminution of growth in the affected countries. This was exacerbated

by weak regulation where everything was left to the market, which was not quite able to deliver. Therefore, the diminished role of the state in an environment of globalisation of free trade hastened the contagion. While this is a view taken by Maurice Odle, there is a counter-view by Leo Goodstadt, who has argued in favour of minimum role of the state in such issues on the grounds that when there is more regulation, we automatically create a moral hazard where institutions know that they have to be rescued in case something goes wrong. An interesting analysis brought out is that almost all countries had to go in for a stimulus programme, which had gone to the extent of 24 per cent of GDP for South Africa and 12 per cent for China between 2009 and 2013. The focus was on providing this stimulus towards the unskilled workers, where the impact was more effective. This probably is a lesson to remember in future too, when such programmes

* *Chief Economist, CARE Ratings, Courtesy – The Financial Express.*