

Objectives of the JDEF

Economic development process improves the living standards of millions of people living in cities as well as rural areas by massive use of science and technology in transforming the production technology of goods and services, by creation of fundamental infrastructure in transports and information technology and by better systems of health, education, governance and international trade. In the last three decades India, China and many other developing economies are emerging as major economies in the global economy. Rapid rate of capital accumulation occurring through massive investments in public and private sectors facilitated by financial system that usually focuses on minimizing the risks and maximizing returns from investment projects has been one of the main drivers of growth in these economies. What are or should be the most efficient economic, social, environmental, health, education, trade and technology policies to mitigate COVID-19 type shocks as well as for long run development of economies around the world will be focus of the Journal of Development Economics and Finance in regular and specialized issues in coming years. Articles will balance between theoretical and empirical analyses.

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Summary of Articles in Vol. 3(1)

This volume contains nine research-oriented articles relating to economic development and finance for India and emerging-developing and other economies.

T. Lakshmanasamy in Easing Healthcare Access in Inaccessible Villages in India: Fuzzy Regression Discontinuity Estimation of the Impact of New Rural Roads:

***Abstract:** The Pradhan Mantri Gram Sadak Yojana (PMGSY) programme of India provides new road connectivity for unconnected habitations with a population of at least 500. This paper evaluates the causal effect of the new road connectivity on the healthcare benefits accrued to the previously unconnected village households, specifically the pregnancy care and contraceptive use, awareness and hygiene, and social interaction. The nonparametric fuzzy regression discontinuity design (FRDD) is applied to the data derived from the 2007-2008 District Level Household Survey (DLHS-3) and the Socioeconomic High-Resolution Rural-Urban Geographic Platform for India (SHRUG) data. The FRDD estimates show that in the treatment villages, more women seek antenatal care, have delivery conducted in hospitals and use modern contraceptive methods. In the villages newly connected with roads, awareness of government health care programmes like prevention of sex selection and female foeticide, treat water and take health insurance coverage has increased. The provision of all-weather roads to unconnected villages is also more likely to impact social interaction and more participation in women self-help groups, and village assembly takes important decisions on preventive healthcare.*

Seham H. Negem and Keshab Bhattarai in Trade, Human Capital and Economic Growth in BRICS and EU Economies:

***Abstract:** This paper examines the impact of both trade and human capital on economic growth of the European Union and BRICS. Over the period 2010-2020, the estimated model is based on endogenous growth theory. Our theoretical model is estimated for the EU and BRICS economies using error correction approach since cointegration is detected. Despite using only one equation, our econometric technique deals with simultaneity problem created by the interdependence of variables. Data from 28 EU and 5 BRICS countries are pooled for the period of analysis. There is no contradiction in the empirical results for the*

BRICs and EU economies. They show existence of significant bi-directional relationship running from real exports (X) with positive coefficient, real imports (M) with negative coefficient and human capital (HK), represented by secondary school enrolment, with positive coefficient to economic growth, represented by real GDP per capita, in both short run and long run (but not for M in the long run for BRICS); confirming a robust causation among these four variables. Another bi-directional correlation appears between real exports (X) and human capital (HK) for the EU. For the BRICS, however, a unidirectional causation running from human capital (HK) to real exports (X) has been detected as well as a unidirectional causality running from real imports (M) to human capital (HK).

Ram Pratap Sinha in Mutual Fund Performance Evaluation: A Unifying Approach:

Abstract In a market with declining interest rates and narrowing alternative investment opportunities, mutual funds do constitute an important segment of the Indian financial market. Mutual fund schemes have a pass through structure i.e. investor return depends entirely on the income generated by the corpus of the scheme in the capital market which in turn depends heavily on the market conditions and also (albeit to a lesser extent) on the fund management abilities of relative mutual fund. While the risk emanating from adverse market conditions is an unavoidable risk, the second kind of risk can be mitigated (to certain extent) through portfolio reallocation which in turn depends on fund management skills. Performance evaluation of mutual funds is therefore an area of research which has generated considerable interest in the minds of both academicians and industry experts.

The methodology of mutual fund evaluation has two distinct strands. The traditional approach is essentially a ratio based approach which evaluates observed portfolio performance relative to the market portfolio. Thus this approach uses an external benchmark for performance evaluation. The non-parametric approach, on the other hand, uses an endogenous benchmark as it generates a risk-return frontier (from the observed data) which is then used for evaluating the performance of any observed fund. The present study adopts a hybrid path as it attempts to use the market portfolio risk-return data for performance evaluation in a non-parametric setting.

Dhirendra Gajbhiye, Sonam Choudhry and Shobhit Goel in Changing Dynamics of Indian Pharmaceutical Sector: Opportunities and Challenges:

Abstract: COVID-19 pandemic has disrupted the supply chains for global pharmaceutical companies; however, it also provided an opportunity for countries like India to expand their share in global drugs & pharmaceutical exports by leveraging its existing strengths. The Indian pharmaceutical sector has established itself as the pharmacy of the world, being the largest provider of generic drugs and amongst the biggest supplier of low-cost vaccines. This paper attempts to understand the possible dynamics of the pharmaceutical sector, focusing on export opportunities and challenges for India. While India has successfully expanded production capacity in case of personal protective equipment in a very short period, other areas, including diversification of suppliers and moving up in the value chain, will require sustained efforts. An empirical analysis using firm-level panel data of 67 pharmaceutical firms has been undertaken to identify the factors

impacting export competency. Empirical results confirm the import dependency of Indian pharmaceutical firms on raw materials. They also reveal the importance of investment in research & development and higher capital outlay in boosting exports.

Md. Tanzeer Alam and Rozina Akter in Nexus between Financial Development and Economic Growth in South-Asian Countries:

Abstract: *The purpose of the study is to investigate the nexus between financial development and economic growth in south-Asian countries. The study extracts data from WDI for the four south-Asian countries namely Bangladesh, India, Pakistan and Sri Lanka covering time frame 1995-2019. The study uses principal component analysis (PCA) to construct the index of financial development with incorporation of five variables. Then, vector error correction model (VECM) is applied to trace the direction of causality between financial development and economic growth. The study figures out mixed findings in this region in case of direction of relationship. In Bangladesh and India, the study finds the same results that economic growth and financial development influence each other in the short-run in what is called the feedback hypothesis. And, the identical short-run causality is found in case of Pakistan and Sri Lanka where financial development serves as the driving force behind economic growth, recognized as a supply-leading hypothesis. Long run causality between financial development and economic growth is only found in case of India. The policies should be formulated distinctively by country in such a way that more importance should be placed on the specific determinant that induces development.*

Tarsem Lal in Impact of Demographic Factors on Usage of Financial Services by Marginalised Communities through Financial Inclusion:

Abstract: *The current study is undertaken to assess the impact of demographic factors on usage of financial services by marginalised communities through financial inclusion. Primary data were collected from the 424 bank account holders belonging to marginalised communities breathing in district Samba of Union Territory of Jammu and Kashmir (India) by using purposive sampling technique. Statistical techniques like EFA, CFA, One-way ANOVA and Independent sample t-test were used for data analysis and scale purification. The finding of the study revealed that demographic characteristics like age, gender, marital status, occupation, education level, income level, place of residence, and purpose of credit significantly affect usage of financial services by marginalised communities through financial inclusion. The current study is restricted to Samba district only because of time and resources constraints, which in future could be conducted in other districts of Jammu and Kashmir. The data were collected from respondents belonging to marginalised communities only, which in future could be collected further from other section of the society. Comparative study of households who are covered under the financial inclusion drive and those who are still financially excluded has not been done yet, and thus could be undertaken in future. Though every attempt has been made to make the study objective, yet the possibility of subjectivity in some cases cannot be ruled out. The current study advances debate on financial inclusion and makes significant contribution towards the existing literature relating to financial inclusion. It looks into how for the demographic*

characteristics of marginalised communities influence their exclusion from usage of financial services. The study also provides valuable insights for the policy makers, researchers and academicians both at the countrywide and intercontinental level to devise and put into practice programmes that will widen right to use financial products & services.

Tarsem Lal in Investigating the Causes and Impact of Child Labour on Growth and Development of Working Children in Jammu District of Jammu and Kashmir:

Abstract: *The purpose of this paper is to investigate the causes and impact of child labour on growth and development of working children in Jammu district of Jammu and Kashmir. Primary data were collected from 276 children working in hotels, restaurants, tea stalls, sweet shops, poultry farming, dairy farming, construction works, bakeries, repair shops, private homes and various small manufacturing units located in Jammu district of J&K. Statistical techniques like SEM, One-way ANOVA and t-test were applied for data analysis. The finding of the study reveals that child labour present everywhere in the world, but in J&K, it has an exceptional grounds, urge and dearth of financial resources. There exists no policy on child labour in J&K state as child labour goes unchecked and the Child labour Act 1986 seems ineffective and resting in books only. The current study is restricted to Jammu district only because of time and resources constraints. Children were sometimes not willing to respond correctly in presence of their employers. Being teenager, it was difficult to get satisfactory answers from them, sometimes they could not even go after the questions, and hence the possibility of subjectivity in some cases cannot be ruled out. The current study advances debate on eradication of child labour through financial inclusion. The study also makes contribution towards the existing literature relating to child labour and fulfils the research gap to some extent by investigating the causes and impact of Child Labour on growth and development of working children in Jammu district of Jammu and Kashmir.*

Ratna Khatun in Contribution of Banks on Agricultural Development in Bangladesh:

Abstract: *Most of the cases, the determinants of agricultural development are crops, purchase and installation of irrigation equipment, livestock, marketing of agricultural goods fisheries, poverty alleviation and income generating activities. Banks also disburse loan on each of these sectors. So banks play an important role on agricultural development in Bangladesh. Timely and adequate flow of agricultural credit can meet farmers demand to enhance agricultural productivity. The aim of this paper is to determine the contribution of banks on agricultural development in Bangladesh. This study collected time series data from various sources and analyze the contribution of agricultural credit of banks in Bangladesh.*

Joginder Singh in Farm Sector and Economic Disparity: A Cross-country Analysis:

Abstract : *The study of income distribution plays significant role in balancing the economic, social and political scenarios of a nation. The country-wise analysis of income distribution data indicated that despite distinct peculiarities of various economies, the rate of economic progress is bound to widen the economic gap and despite stringent fiscal measures, it is often impossible to revert back to the original and well-matched*

level of economic dispersion. As a consequence of economic growth, the farm sector due to inbuilt slow growth normally gets squeezed and outflow of quality resources is bound to happen. Yet the upkeep of agricultural sector exerts positive effect in normalizing the income disparity. Therefore, poorer nations with high incidence of poverty came out to be more egalitarian.

Lubainah Ateeq in Examining Herding in the BSE100 Pre and During Pandemic Era: Does Governance Matter?:

Abstract: *This study investigates herding towards market consensus in the Indian market by examining the stocks that constituted the Bombay Stock Exchange 100 (BSE100) pre and during pandemic situations using the Cross Section Absolute Deviations of Return (CSAD). We document a stronger herding activity during the pandemic against the period before the COVID-19 discovery. We also examine if governance scores influence herding decisions on the firms and reported no herding activity in the period before the pandemic. The findings on firms with lower governance scores indicate less severe herding activity during the pandemic time. Herding is more perilous among firms with higher governance scores during pandemic time suggesting rational herding practice with investors imitating the market movement only on selected firms with lesser governance risk but refuse to follow the sentiment on a perceived riskier investment.*

Sajawal Khan and Muhammad Ejaz in Exchange Rate Dichotomy: Demand versus Supply Side Dominance:

Abstract: *Changes in exchange rate have profound effects on economic activity in an economy. Generally, appreciation of domestic currency is considered contractionary, while a depreciation expansionary. However, depreciation can be contractionary too-hence the term Exchange Rate Dichotomy-for countries with high share of imported capital.*

Using cross country analysis of 97 economies over the period, 2003-2017, we show that this indeed happens as supply side effects overwhelm the effects on demand side for a group of countries dependent highly on imported capital (G2) than the group with lower share of imported capital to total investment (G1). Impulse Responses obtained from SVAR and DSGE models show that depreciation in G2 countries has result in lower exports growth and higher inflation for longer durations compared to export growth and inflation in G1 thus indicating that supply side dominates the demand side effects in G2.

The evidence shows that overemphasis on adjustment in exchange rate - especially enforced around program designs of Breton wood institutions - may not be the panacea. Instead, the policy makers must focus on reforms aimed at enhancing the productive capacity of an economy. This, of course, must be achieved without prejudice to the principles and mechanisms needed for a market-based adjustment of exchange rate.

Sunil B. Kapadia in How increased trade impacted economic growth in India post-economic reforms? A discussion:

Abstract: *This study focuses on economic reforms and their impact on industrialization, external trade, and overall growth and development in India.*

Trade liberalization has become an important part of many countries' development strategies for the past two decades or more. Per section of researchers, participation in the international economy was the primary source of growth in many East Asian countries that have experienced fast and better economic development during the past 50 years (World Bank 1993).

The Indian economy has undergone a major change since the implementation of 1991 reforms both quantitatively and qualitatively. For India, earlier gradual efforts towards liberalization of controls were strengthened in a broad-based wave of domestic deregulation. Industrial licensing was done away with completely, except for a list of environmentally classified industries. Accompanying this was the opening up of various industries to the private sector, which had been earlier reserved for the public sector.

The economy is viewed in either a virtuous or a vicious cycle of savings, investment, and export with investment and export as the key drivers of the cycles by the Indian Economic Surveys 2018-19 and 2019-20. The study concludes that the country has achieved significant economic growth, trade volumes have increased manifold, with handsome receipt of FDI over the past few decades.