

July-September, 2016
Volume XLV
No. 2

Three Decades of Human Development Across Indian States: Inclusive Growth or Perpetual Disparity?

Sacchidananda Mukherjee
Debashis Chakraborty
Satadru Sikdar

The importance of strengthening human development (HD) achievements in a country to augment its growth potential is well known in development literature. Several initiatives to enhance the HD level have been introduced in India in the recent past. However, HD achievements still vary significantly across Indian states. The current paper attempts to observe the HD achievements for 28 Indian states over the last three decades and analyses the impact of economic growth on HD achievements. The methodology adopted in the National Human Development Report 2001 has been applied for constructing the Human Development Index (HDI) in the current analysis, and the indices for rural and urban areas within each state are calculated separately. The estimated results indicate that per capita GSDP (PCGSD) growth significantly and positively influence HD growth, but the inter-linkage between the two is weakening over time. The mutual existence of vicious and virtuous cycles in HDI-PCGSDP relationship for Indian states is also confirmed. The paper concludes that policy coordination between multiple initiatives to fuel economic growth in states is required for augmenting HDI. In addition, improvement of 'ease of doing business indicator' across states as well as efficient adoption of schemes like MGNREGA are going to be crucial.

Empirical Modeling of Profitability of Public Sector Banks in India

Ashish Kumar
Sanjay Dhingra

The present research paper examines the impact of bank-specific and economy-specific variables on the profitability of public sector banks (PSBs) in India over the period 2005-2015. The paper uses a dynamic panel model suggested by Arellano and Bover (1995) and Blundell and Bond (1998) to examine the impact of bank-specific determinants viz. size, capital adequacy, quality of assets, net interest margin, non-interest income, operational efficiency and macroeconomic variables namely GDP growth rate and inflation on return on assets (ROA). The empirical results explicitly demonstrate that

bank-specific and macroeconomic variables affect the variation in the profits of chosen banks over the period of the study. The results of the study are important both for academicians as well as policymakers. The policy implications from the study are that banks must pay attention to the bank-specific determinants and macroeconomic developments to sustain the growth of profitability.

Qualitative Analysis of Operational Risks – A Step-by-Step Approach

Akhilesh Tripathi

The consequences of global crisis have prompted preferred attention towards strengthening of qualitative-based analysis approaches such as key risk indicators (KRIs)/risk control and self assessment (RCSA). The paper concentrates on a quantitative analysis approach that can be applied to operational risk qualitative data. A major objective of the paper is to demonstrate how qualitative information gathered during the process can be analysed to provide conclusions that are applicable to the stakeholder, higher management and other targeted segments. Quantitative loss of data fails to capture various operational risk factors and their potential impact. We propose in our study a model framework to assess and measure operational risks through analysis of qualitative factors in a treasury and investment business line of a bank/financial institution (FI) in India.

We develop our model on a few main strands. We start with putting RCSA/KRIs-based participators' observations into mathematical footing to identify and specify degree and severity of risk level. We delineate the process for calibrating the data, estimating frequency deviations and specifying instances of deviations for segregation. We define frequency consequences, impact of likelihood range (probability rating), risk level, degree of risk severity, and also suggest risk mitigation steps. This paper shows how operational risk qualitative factors can be addressed quantitatively and risk management information can be presented in a clear and unambiguous fashion.

Brief Articles, Notes and Comments

Governance and Performance: Evidence from Indian IPO Issuing Firms

*Rekha Handa
Balwinder Singh*

Corporate governance and its principles owe their existence to the establishment of corporate form of business. Their eminence and

indispensability, however, was realised when serious gaffes on this account resulted in prominent debacles.

This paper addresses the less explored yet pertinent dimension of governance issues and practices adopted by firms at the point of first public interface. The public offering era ushers in distinctive changes in the structure and control patterns of the issuing firm, making IPO a necessary and attention-seeking event in the lifecycle of the company. A well-functioning corporate governance system can not only protect the shareholders' investment but also can motivate those professional managers or entrepreneurs to maximise the wealth of investors. At the time of IPO, when limited information is available about the firm, corporate governance parameters can serve as useful screening and sorting criteria to influence investors' perceptions.

The study analyses the influence of important governance parameters on the returns of Indian IPOs. An attempt is made to check for this contemporary dimension for the Indian economy whose financial and corporate potential has been put to question by the recent and devastating governance debacles.

Book Reviews

Global Game Change – How the Global Southern Belt Will Reshape Our World

John Naisbitt and Doris Naisbitt

New Delhi, Sage Publications India (P) Ltd., 2016, xix + 246 pp, Rs 595.00.

Reviewed by Dr K Srinivasa Rao, Industry Expert as Associate Professor, National Institute of Bank Management, Pune.

Financial Planning – Theory and Practice

Sid Mittra
Shailendra Kumar Rai
Anandi P Sahu and
Harry Starn, Jr.

New Delhi, Sage Publications India (P) Ltd., 2015, xx + 398 pp, Rs. 450.00

Reviewed by Dr Elizabeth James, National Institute of Bank Management, Pune.