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Is FDI Led Exports in New Zealand?

P R Bhatt

The objectives of the paper are to study foreign trade and investment dimensions of New Zealand in comparison with its competitors such as Australia, China, India, Japan and Republic of Korea and to study the role of FDI to the growth of exports. Vector autoregression model (VAR) is adopted to estimate the long run causal relationship among exports, foreign direct investment and GDP. The cointegration test result shows that there exist a long run equilibrium relationship among exports, FDI and GDP. It is found from the estimated Error Correction Model that FDI is a significant variable and the result indicates that 1 per cent increase in FDI will lead to 0.62 per cent increase in exports with one year time gap. Granger Causality Test indicates that there is a unilateral relationship between exports and FDI and the direction is from FDI to exports which means that FDI causes exports.

Forecasting Stock Price with Artificial Neural Networks

Rudra P Pradhan

The paper presents an application of Artificial Neural Network (ANN) to forecast stock price in India during the period 1994-2010. The study presents five different ANN models on the basis of BSE, IIP, WPI and MS. The first model is a univariate model based on past BSE only. The other four are multivariate model based on BSE and IIP, BSE and MS, BSE and WPI, and BSE, IIP, MS and WPI. In each case, the forecasting performance is measured by mean squared errors and mean absolute deviations. The paper finally concludes that multivariate models showed better forecasting performance over the univariate model. In particular, the multivariate ANN model using BSE, IIP, MS, and WPI resulted in better performance than the rest of other models to forecast stock price in India.

Brief Articles, Notes and Comments

Financial Inclusion: A Survey in Mohali-Panchkula-Chandigarh Tricity

Harish Kumar Singla

The paper explores the ground level status of the first phase of financial inclusion in the Tricity, i.e. Chandigarh, Panchkula and Mohali after the SLBC (State Level Banking Committee) Report which has claimed that 100 per cent Financial Inclusion has been achieved in rural areas of Punjab and Haryana.

For the purpose of study, financial inclusion is considered as "If any single member in the family is having a bank account in any bank then the whole household will be treated as financially included. By household, we mean that members of the family are having same kitchen and are considered as joint family". A comprehensive questionnaire was used as an instrument to collect primary data and it is observed that financial inclusion in tricity is 70 per cent in terms of number of accounts (savings and loan). A lot is required to be done in terms of creating awareness about the banking services offered and making the household use them.

Share Trading in India: A Historical Perspective and the Present Situation

L C Gupta

Share trading in India used to be dominantly speculative because stockbrokers indulged in the 'badla system'. This has led to recurrent market crises. Hence, the government decided in 2001 to abolish the badla system and introduce stock futures and options.

A very serious gap in India's share trading mechanism relates to Small and Medium Enterprises (SMEs). The OTCEI was created about 20 years ago to fill this gap but it stopped working within 5-6 years.

The SEBI has been pursuing this problem but nothing concrete has been achieved. A useful model worth considering is UK's Alternative Investment Market (AIM), sponsored by the London Stock Exchange.

We suggest that the National Stock Exchange, which has confined itself to listing only the large companies, may be persuaded to take the lead in creating an SME exchange by involving other selected financial institutions.

Book Review

**Global Competition and Competitiveness of Indian Corporates:
Measurement and Analysis**

*Krishna Kumar
P R Bhatt (eds)*

Delhi, Macmillan Advanced Research Series, 2009, 351pp, Rs. 900.00.

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Telegraphic Reviews

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