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## Editorial

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### Sushanta Mallick

School of Business and Management,  
Queen Mary, University of London,  
Mile End Road, London E1 4NS, UK  
E-mail: s.k.mallick@qmul.ac.uk  
Website: <http://webspace.qmul.ac.uk/skmallick/>

### Srijit Mishra

Indira Gandhi Institute of Development Research (IGIDR),  
General Arun Kumar Vaidya Marg,  
Goregaon (E), Mumbai 400 065, India  
E-mail: [srijit@igidr.ac.in](mailto:srijit@igidr.ac.in)  
Website: [http://works.bepress.com/srijit\\_mishra](http://works.bepress.com/srijit_mishra)

**Biographical notes:** Sushanta Mallick is Reader (Associate Professor) in International Finance at the School of Business and Management, Queen Mary University of London, UK. Prior to this, he held positions at Loughborough University, UK, Royal Institute of International Affairs (Chatham House), London, and JPMorgan Chase, Hong Kong. His early research career began at the Institute for Social and Economic Change, Bangalore and Indian Statistical Institute, Bangalore, which was followed by a Commonwealth Scholarship leading to his PhD at the University of Warwick. He has published a book, contributed to edited volumes, and has published widely in many international refereed journals.

Srijit Mishra is an Associate Professor at IGIDR. He researches and teaches on development-related issues. His recent works are on agrarian crises and farmers' suicides in India and on measurement issues. He has co-edited *Agrarian Crisis in India*, Oxford University Press, 2009. He has been associated with a number of policy forums. Earlier, he worked at the Gokhale Institute of Politics and Economics, Pune and the Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar. His MPhil and PhD on Tribal Agrarian Economies were done at the Centre for Development Studies, Thiruvananthapuram and awarded by the Jawaharlal Nehru University, New Delhi.

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## 1 Introduction

This special issue of the *International Journal of Economic Policy in Emerging Economies* (IJEPEE) brings together six papers, selected through a peer-review process; one paper is independently written for this theme and five are from 35 papers presented at the international conference on quantitative approaches to public policy in honour of

Professor T. Krishna Kumar.<sup>1</sup> The first paper discusses progress in human development across countries and has some interesting results for Sub-Saharan countries and the Commonwealth of Independent States (CIS) but the other five are all based on Indian experience; it is the latter five that led us to indicate in the title that this special issue is about the Indian experience. The motivation for this special issue stems from Professor Krishna Kumar's contribution in the areas of quantitative methods and public policy, in particular, issues in development policy, and how they have shaped his professional career.

We summarise below the selected six papers focused on different aspects of development policy. The aim is to put together diverse development issues and their implications in different segments of an economy, which are critical issues for low- and middle-income countries in a globalised financial system that places high risk for greater capital mobility into these countries. This special issue focuses on different structural aspects that can give rise to varying degrees of country-specific risks. While the first two papers investigate challenges facing development or improvement in standard of living, the next two papers focus on labour market reform and trade liberalisation in influencing relative prices in those sectors, respectively, with the remaining two papers looking at the performance of two service sectors (electronics and banking) in the aftermath of liberalisation in India and the way forward in these sectors. Overall these selected papers contribute to our understanding of the effects of domestic policy challenges and their effect on development in low and middle-income developing countries.

The first paper by Hippu Salk Kristle Nathan and Srijit Mishra focuses on the state of the economic progress considering human development across 127 countries. This paper critically evaluates the existing measure of Human Development Index (HDI) and constructs an alternative measure to assess progress across countries. The paper reports that many emerging market economies are progressing well in their attainment of improved well-being, while very low-income economies like Sub-Saharan countries are still way off the notion of ideal path as constructed in this paper. On the eve of the 20th anniversary of *Human Development Report*, this paper is timely and would engage academia and public policy to have a critical look favouring a balanced development across the three dimensions of HDI – health, education and standard of living.

In the second paper, V.M. Rao makes a case for how best to design policies for rural development. He shows that a low level of institutional development can constrain policies to have its desirable impact on economic development. Rural areas and people have lagged seriously in growth and development in India. Currently, policy making for rural development is facing an unprecedented crisis. There is an urgent need to bring transparency and accountability in policy making to make it more effective. This paper offers a framework for tracking the processes linking development strategy to achievement of development goals and suggests indicators to monitor the performance of the policy maker with a view to making authorities accountable. Overcoming the crisis in policy making is a formidable task. The data base and indicators suggested in this paper could be of help in tackling the crisis and, more importantly, to put pressure on the policy maker to deliver on their promises by fuller and more reliable documentation and monitoring.

In the third paper, Meenakshi Rajeev examines labour management as one of the most crucial tasks, given stringent labour regulations in a developing economy. In recent years, the industrial sector in India is largely resorting to contract labourers, who are governed by the "Contract Labour (Regulation and Abolition) Act, 1970". The author

carried out a primary survey in India, and found that the key safeguards are not being followed by the entrepreneurs and the author shows that it is economically optimal for an entrepreneur and a labour inspector to collude. This is the kind of scenario that one would observe in many emerging market economies.

The fourth paper by Nilabja Ghosh, Sangeeta Chakravarty and M. Rajeshwor addresses the extent to which trade liberalisation in agriculture can be acceptable in developing countries. They look at the volatilities of agricultural crop prices facing farmers to understand whether trade liberalisation has indeed increased the unpredictability of prices. The EGARCH and EGARCH-M models were found to perform well in forecasting volatility, but food crops did not show any significant result, though two commercial crops were found to have shown increased volatility after trade liberalisation in India.

In the fifth paper, Rumki Majumdar and M.H. Bala Subrahmanya look at the influence of operational management decisions on Technical Efficiency Change (TEC) and Technological Progress (TP) and thereby Total Factor Productivity Growth (TFPG) in four sectors of Indian hardware electronics industry; namely, communication equipment, computer hardware, consumer electronics and other miscellaneous electronics. They find that these sectors have strived and achieved steady TP but not TEC in the period of economic liberalisation to cope with the intensifying competition. The management decisions with respect to asset and profit utilisation, vertical integration, among others, improved TP and TEC in the sectors. However, Research and Development (R&D) investments and technology imports proved costly for TFPG, indicating inadequate efforts and/or poor resource utilisation by the management.

Finally, the last paper by N.K. Unnikrishnan and Balwant Singh looks at the performance of the banking sector by measuring Gross Value Added (GVA) in this sector, which remains a debatable and unresolved issue. Current proposals for measuring GVA are the following:

- system of National Accounts, 1993s (SNA93's) Financial Intermediary Services Indirectly Measured (FISIM) approach
- user cost of money approach promoted by a set of researchers led by Fixler
- margin industry approach suggested by Triplett and Bosworth.

Each method has its merits and lacunae, especially for measurement of GVA for a developing country like India. Against this background the paper examines relevance of these approaches in making use of data from Indian banks.

Overall, the papers in this special issue aim to contribute to the broad debate about the implications of different aspects of development policy and to aid our understanding of the mechanisms through which they influence appropriate goals. We believe that the papers are topical and reflect the current challenges facing developing countries, providing relevant evidence with appropriate policy implications in order to improve the future growth potential of these economies.

### **Acknowledgements**

The guest editors for this special issue take the opportunity to thank peer reviewers who acted on our deadline to give their comments that helped us in selecting the

papers and also in improving the quality of the selected papers; to the Indian Institute of Management, Bangalore, where the papers were first presented under the aegis of “Quantitative Approaches to Public Policy – Conference in Honour of Professor T. Krishna Kumar”, held in conjunction with the Fourth Annual International Conference on Public Policy and Management, August 9–12, 2009; to the Reserve Bank of India and Queen Mary University of London for partial funding, to the Indira Gandhi Institute of Development Research for logistical and other support, and to the Editor of this journal, Professor Bruno Sergi, for making this happen.

### **Note**

<sup>1</sup>Publication of a selected set of papers presented in the conference is part of a larger exercise. Apart from the six being published here, six more have been selected for publication in a special issue of the *International Journal of Trade and Global Markets* and four are under consideration at the *Journal of Quantitative Economics*. All accepted papers have gone through anonymous peer-reviewing.