
Editorial

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Biographical notes: Kusum W. Ketkar is the Executive Director and Program Chair of the Association of Indian Economic and Financial Studies (AIEFS). She has served as faculty at various universities including Vanderbilt University, New York University, Yeshiva University, Jawaharlal Nehru University, University of Business and International Economics, Beijing and Seton Hall University. She is a graduate of Delhi University and earned her PhD in Economics from Vanderbilt University. She has published in many leading journals like *Journal of Environmental Economics and Management*, *World Development*, *Applied Economics* and so on. She has done research on a variety of topics including economic growth, efficiency and profitability of public sector banks, outsourcing, remittances, corruption, foreign direct investment, capital flight and debt crisis.

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This special issue of the *International Journal of Economic Policy in Emerging Economies (IJEPEE)* brings together six papers, selected through a peer-review process, from 15 papers presented at the AIEFS sessions at the ASSA meetings held in Denver, USA, 6–9 January 2011. This special issue focuses on different aspects of international development, including institutional quality enhancing entrepreneurial activity, alternative innovative sources of financing namely investor-targeted bond

issuance, worker remittances and inward FDI, along with a paper discussing the issue of population imbalance.

The aim is to put together diverse development issues and their economic and social implications for developing countries in general. While the first paper investigates the role of institutional quality in enhancing innovation and entrepreneurship, the next three papers discuss different sources of financing in development, with the remaining two papers focusing on the role of gender in influencing labour market and population imbalance. Overall these selected papers contribute to our understanding of the effects of several development policy challenges and the way forward in formulating long-term policy strategies in low and middle-income countries.

The first paper by Niranjana Chipalkatti, Jonathan P. Doh and Meenakshi Rishi focuses on the impact of institutional quality on early stage and formal entrepreneurial activity as well as on the process of knowledge spillovers, using four institutional variables,

- the protection of property rights
- business freedom
- financial depth
- corruption as proxies for institutional quality.

They measure early stage entrepreneurship using the Global Entrepreneurship Monitor (GEM), and a World Bank dataset (WBES) that specifically measures formal business entry. They find that strong financial institutions matter for formal and early-stage entrepreneurship. Formal entrepreneurship is deterred by corruption but the presence of corrupt institutions positively influences the conversion of early-stage entrepreneurial entities into formal business ventures. The existence of a knowledge spillover process is evident for early stage entrepreneurship.

In the second paper, Suhas L. Ketkar and Manoj K. Dora provide evidence on an innovative source of inward capital flows to developing countries via issuance of diaspora bonds, which they argue depend upon the wealth of their diaspora in the developed world. They use the New Immigrants Survey data from the USA to determine the wealth accumulation and assets diversification of recent immigrants from Asia, Sub-Saharan Africa (SSA), Latin America (LA), and Middle East and North Africa (MENA). Income as well as wealth levels of recent immigrants from Asia are the highest followed by immigrants from LA, MENA and SSA. Their quantile (median) regression results on wealth levels reveal that the immigrants' region of origin is statistically not significant in determining their wealth levels. But the household head's years of US residence, age, and number of years of schooling exert statistically significant positive impact on the household's wealth. Also, the number of children in the household below the age of 18 influences wealth positively. Furthermore, the Poisson regression results on asset diversification indicate that immigrants from SSA and LA are less risk averse than those from Asia, and hence should be willing buyers of diaspora bonds.

The third paper by Keshab Bhattarai looks at the education system in Nepal and the migration of Nepalese people to the UK. The opportunity cost of emigration in a labour

surplus economy of Nepal, which currently seems to be lost in restoring the peace and promulgation of a new constitution, is very little in comparison to its benefits in terms of increased flow of remittances, transfer of knowledge, ideas and technologies. Thus emigration results in a brain gain rather than a brain drain to Nepal. This process also takes some pressures off the high rates of unemployment and population growth in Nepal. Similarly net effects of immigration are positive for the UK in terms of output, employment and its contribution to the stability in wages and inflation. A steady increase in enrolment of overseas students like this helps not only to maintain high and globally competitive standards in the higher education institutions in the UK but also creates a pool of potential workers. Efficiency of the whole process could be improved by introducing relevant policies.

In the fourth paper, Kamal P. Upadhyaya, Rabindra Bhandari and Robert Rainish examine the effect of real exchange rate volatility on the foreign direct investment inflow in Bangladesh, India, Pakistan and Sri Lanka, along with other determinants of FDI, using annual time series data. The estimated results show an inconclusive relationship between the exchange rate volatility and inward FDI, suggesting that there are other non-price factors determining inward FDI flows to South Asian countries.

In the fifth paper, B.P. Chandramohan, Shailendra N. Gajanan and B. Muthulakshmi look at the influence of higher education in explaining earnings differential for women in the IT sector, showing a case for premium due to communication advantage in English language. This establishes the role of education and schooling in tackling income inequality and development. Looking at data on women employees in the IT sector in Chennai, Tamil Nadu, they estimate the source of earnings differential and examine the existence of an English language premium.

Finally, the last paper by Sanjukta Chaudhuri addresses an important development issue relating to the extent to which son-biased family formation in India leads to two forms of mortality disadvantage for the girl child: pre-natal sex selective abortion and post-natal infant mortality. Whether the increase in sex selective abortion replaces post-natal mortality is a matter of debate. Using India's National Family Health Survey (NFHS) 2005–2006 and regression models, the paper demonstrates that an increase in mother's education and labour force participation reduce female mortality disadvantage. Higher standard of living reduces post-natal mortality, but increases pre-natal sex selection. In addition, regional variables also influence the pattern of mortality disadvantage. Once socioeconomic variables are controlled, increased availability of abortion technology will increase the number of sex-selective abortions, but girl child mortality after birth will decline. From a policy perspective, the results call for

- an urgent enforcement of abortion laws to prevent its increasing abuse to abort female foetuses
- the need to increase women's education and labour force participation to reduce both forms of girl child mortality disadvantage.

Overall, the papers in this special issue aim to contribute to the broad debate about the implications of alternative sources of financing, entrepreneurship and development. We believe that the papers are topical and reflect the contemporary challenges in developing countries, providing relevant evidence with appropriate policy implications.

Acknowledgements

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