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Lured by the contemporary economic and political events both in positive and negative directions and complemented by the publisher, IGI Global, it was in mind to develop such a research outcome in a co-operative manner so that the said economic and political scenarios can be highlighted and their impacts and implications are explained. After a series of screening by the expert teams of the IGI Global the ultimate title of the book was first-rated that would be expected to be capable of covering the original thinking. It was hence, *Globalization, Investment and Growth-Implications of Confidence and Governance*.

The lessons from the recent crisis in the so called developed economies and its aftermath in the rest of the world have compelled the economists, policy makers and governments of different countries to redefine the concept of long run growth states of an economy. The factors that need to be incorporated as crucial elements in analyzing the developmental status of the world economies in the post globalization scenario are the management of good and proper governance as well as to maintain good confidence level of the active economic agents like that of consumers and business houses. Hence the task was to reorient the working of the interlinkages among three prime indicators of developments—Confidence, Governance and Growth/Investment. An economy, to have a stable growth path, should have interlinkages among all three indicators to work in a bidirectional way. That means as the economy grows in quantitative terms the confidence of the economic agents, particularly of the consumers and the business houses, tends to rise. At the same time, if the consumers and business houses have better confidence upon the economy then the growth rate of the overall output will tend to rise. Similarly, if the quality of the governance improves the growth rate of the overall economy will tend to rise and in the reverse way high growth rate of the economy demands active governance by the ruling government of the country. Likewise, as the quality of governance improves the confidence of the economic agents rise and as the level of confidence rises the government should manage to follow active governance. In contrast, if it sounds bad, the impact of such crises travelled throughout the world like an epidemic via trade and service channels. The shares of exports, imports and total trade volumes of USA, France, UK, Germany, Greece, Japan, South Africa, Brazil, etc in world trade have fallen during the phase of 2009-10. There was a remarkable decline in the world trade share of the European Union from 40 per cent in 2008 to 36 per cent in 2010. The same story also is heard for annual growth rates of these countries. There are negative growth rates for USA, UK, France, Germany, Japan, etc for the period 2009-10 but the magnitudes of negative growth rates of Greece aggravates till date. Greece is one of the worst sufferers of the twin crises.

But the vibrations of these external shocks could not manage to affect the Asian Giants like China, India; rather they played the role of shock absorber of these crises. China, being front runner in the world trade, has improved, though slightly, in its trade share. India, although possessing a small share in world trade, made itself better off after the crises. The service channels have improved for China
and India since there were increasing trends in the remittances of the non-residents of the countries as well as their deposits to the home avenues. The foreign institutional investors (FIIs) moved to India and China as the economies are safe to invest. Hence, the overall outcome is the rising confidence level of the agents of India and China and the agents of foreign nations upon the economies of Asia, particularly upon India and China. At the same time these two economies maintained a sound average growth rate of overall economy amid the crises.

It was, thus, necessary to find out empirically the interrelationships among the newly concerned variables-consumer and business confidences, governance, etc. to judge the status of different categories of economies after the crisis and the necessary measures to be taken to save the countries by their own policy makers as per their requirements and available capacities. The issue of trade relations could be justified further and to establish whether bilateral or regional trade was better than open trade all along the countries that might give a signal to the success possibility of the Trade Reform Deal in the Bali WTO summit.

After invitation to the potential authors through the official website of the IGI Global and my personal networks for contributions to the said mission through chapter submission on the recommended topics a number of chapters has been shortlisted. All the chapters have attempted to justify their positions in terms of standard quantitative analysis as far as possible. After a double blind peer review system and additional review by me the number of chapters in revised form ultimately turned out to be twenty two with a standard volume. The entire book has been arranged by three different sections in the content to cover the basic themes as addressed in the title.

Section 1 highlights the roles of confidence or sentiments of the economic agents upon the economy in general and consumption and investment in particular. It also covers the reverse impact analysis of the positions and performances of economic variables upon the confidence or sentiment of the economic agents.

Section 2 throws light upon the interplay between the economic and political indicators and the growth determining factors in different classes of economies in the world. A probable balancing in choosing the classes of countries has been tried by the chapters to convey a message to the academicians and policy makers all round the world.

Section 3 covers general issues of global financial crisis and its impacts upon the economic indicators of different countries in the world. Some chapters have tried heavily on the searching the root causes of the crisis and some also analyzed its impacts upon the selected economies.

A brief outcome of the chapter contributions are addressed below sequentially.

Chapter 1 highlights the issues related to households’ consumptions spending and consumers’ confidence across different countries. It tries to address the financial crisis issue in light of its effect upon the interplay between the consumers’ confidence upon an economy and consumption spending of the households of the same economy. A simple correlation analysis for January 1996 to October 2012 shows that the occurrence of the crisis has badly affected the consumers’ confidence and consumption spending of the developed countries. Emerging countries have performed well despite the crisis. Also that majority of the developed countries with a few developing ones produce the result of bidirectional causalities whereas in leading emerging countries, consumption spending is making a change in confidence in a ‘causal’ sense for the entire period of study. During pre-crisis phase the results show that the leading developed countries experience unidirectional causal relation from consumption to confidence. But in the post crisis phase seven out of twenty countries produce a line of causation going from consumption to confidence and nine countries fail to show any line of causation.
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Chapter 2 throws light upon role of market sentiments on stock price movements in India. To it, in an efficient capital market, the prices of securities always fully reflect all available information implying that prices always reflect the fundamental values. When there is under–reaction or overreaction to new information, competition among the arbitrageurs quickly brings the price of an asset back to its fair value. But, if the asymmetry of information about a stock is high and there is a ‘limit to arbitrage’, sentiment of the noise traders is likely to influence the price of that stock. This paper aims at studying the role of market sentiment, during the period which starts with June 2003 and ends with July 2011, in influencing the return from investment in small capitalization stocks listed on Indian stock exchanges. We have found the presence of ARCH (1) in the time series on returns. Market sentiment, rate of interest and inflation are found to have significant influence on return from investment in small capitalization stocks. The presence of month effects in returns from such stocks has also been detected.

Chapter 3 places interests on the relation between consumer sentiments and confidences in light of the effect of the crisis. It specifically attempts to find out the impact of recent recession on the consumption pattern through consumer confidence index (CCI) of selected developed and developing economies. This chapter examines how the macroeconomic variables like growth rate, inflation, unemployment rate and debt-GDP ratio etc influence the consumer’s confidence during 1996-2012, in which the crisis occurred in 2008. Moreover, in this chapter we have explained the role of consumptions sentiment in terms of consumer confidence regarding future expectation. Apart from that, from the panel data set of 11 countries, we have found that more or less all the economies including the United States have experienced downward movement of consumer’s confidence in the presence of the great recession of 2008-2009.

Chapter 4 describes post crisis performance and confidence of the Indian economy. According to its view, the recent global financial crisis is widely viewed as a glaring example of limitless pursuit of deregulation of financial markets and failure of global corporate governance at the expense of caution, prudence, due diligence and regulation. Though the global economic slowdown had its epicenter in the US but the contagion is being witnessed in all major economies of the world. The present work seeks to analyze the post crisis experience of the Indian economy as compared to the global economic performances, using various macroeconomic indicators as output, employment, inflation, current account balance, movement in real effective exchange rate and inflow of FDI. It is based on a statistical analysis using secondary time-series data to assess the impact of the global financial crisis on the Indian economy in terms of the Exogenous Structural Break Model developed by Perron (1989). Finally it tries to highlight the confidence of the economic agents based on some well recognized confidence indices (for e.g. Business Confidence Index, Consumer Confidence Index, FDI Confidence Index etc.) during the post-crisis period.

Chapter 5 analyzes the role of micro and macro fundamentals on the stock price movements of Nigeria. In reference to it the Nigeria Stock Exchange which has been the toast of investors for nearly a decade started a steep decline in early 2008 even before the rest of the world joined. Market capitalization which peaked at N12.6 trillion as at the first week of March, 2008 quickly nosedived beginning in the second week of March 2008 losing nearly half its value by the end of the same year. Every indicator in the stock market had continued to slide down. As in many other stock markets under the same circumstances, there have been competing arguments as to the cause of the crash. But many of these arguments are not underpinned by strong empirical analyses. Besides, despite its growth and strategic positioning in the African market, the Nigerian capital market has received comparatively little assessment. Consequently, it is not clear that policies for the market are driven by strong understanding of the links between the market and the rest of the economy or more specifically between the market and broad macroeconomic
fundamentals as opposed to firm level and institutional variables and/or regulatory loopholes. This work therefore has been set out to systematically study the market with a view to understanding the different roles of market fundamentals and bubbles in the determination of stock pricing and market movements. Using both primary and secondary data, this chapter aims to show the relationship between stock pricing and behaviour of the stock market on one hand and micro and macroeconomic fundamentals in the Nigerian economy on the other from 1980-2009. Results from the primary survey indicate that the key drivers of share prices were neither broad macroeconomic indicators nor key indicators of the health of the firm. Prices were clearly shown to be much above levels that could have been determined by such indicators as posted profits of firms, amounts paid out as dividend and regularity of such dividend payout. Secondary data analysis equally showed that the relationship between actual levels of the all share price index for the period of our analysis and during the financial crisis were not driven by “expected” variables. While its fundamental values are driven by such monetary and relative price variables, actual values are driven by external sector variables and prices.

Chapter 6 tries to relate globalization, consumer’s preference and welfare in India by a sophisticated Computable General Equilibrium Model. The purpose of the chapter is to analyze general equilibrium effects of different trade liberalization policies for India under imperfectly competitive market structure and the obtained results are compared with the scenario of perfect competition as an ideal market structure. Since present day world trade is much akin towards the consumer’s preference for product variety, increasing returns to scale and market structure oriented industry behavior, it has considered monopolistically competitive market structure for the analysis. Computable General Equilibrium (CGE) modeling has been applied for the analysis as it seems to be relevant methodology for the purpose of policy simulation. Consumer’s love for variety and presence of increasing returns to scale benefit inherently present in the sectors which involves large fixed costs, are strong determinants of consumer’s as well as producer’s business confidence. The study reveals that increased welfare gain due to trade and openness is not much larger as compared to standard perfect competition scenario as the scale economy benefit is predominant only in few sectors like capital goods industries and not prominently visible in large agricultural and informal manufacturing sectors. For governance perspectives, policymakers must choose their FDI and liberalization policies very carefully based on sectoral characteristics.

Chapter 7 on the issue of governance and institutions highlights the interlinkages among governance indicators and capital accumulation under globalization on some selected counties in a broader way. According to it maintaining good governance is necessarily required for all countries in the world after the phase of globalization, especially when almost the entire world is struck by the global financial crisis originated from the USA. Good governance can lead to positively influence the growth rate of a country besides other important indicators determining overall development of a nation. The present study tries to concentrate upon establishing an interlinkage among capital accumulation of a sample of countries with principal components of governance for the time period 1996-2012. Primarily correlation analysis is done to judge the degree of interdependence among the variables. After that Granger Causality test is carried out to identify directions of causalities among capital formation and all the governance indicators. The study observes an inverse relation between governance indicators and capital accumulation for majority of the developing countries and in some cases positive relations for developed countries. Besides, it is observed that there are causal relations from capital formation to governance in most of the developed countries whereas in most of the developing countries there are causalities from governance to capital formation.
Chapter 8 addresses the issue of corruption, size of government and economic growth using global data. In line with it a big size government fosters corruption, which can lead to inefficiencies and resource costs that impede economic progress. In this chapter, it is argued that much of the previous studies have focused only on detecting the linear effects of corruption on growth. This study, therefore, adopts the Threshold Autoregression (TAR) Approach by using an annual panel data of 100 countries during 1990-2012 to evaluate any existence of a non-linear relationship. This study presents evidence that suggests the existence of a hump shaped (nonlinear) relationship between corruption and long-run economic growth. When the government size is small (11.518%), corruption positively affects economic growth. Whereas, when the government final consumption expenditure (% of GDP) is larger than 19.027%, corruption negatively affects economic growth. Furthermore, the result indicates that a non-linear relationship of the ‘Armey curve’ exists in our panel of countries. Thus, it recommends that government should investigate whether government size is over-expanding or not when designing its public finance policy.

Chapter 9 unfolds the empirical study on dimensions of good governance. Consistent with this, effectiveness of governance is realized through its responses to any financial crisis. This study empirically investigated the relationship between accountability, corruption, and government effectiveness, focusing on the economic crisis background the world was facing during the period 2002-2012. Its main purpose is to highlight the sizable gap that exists in the performance literature on cross-country studies especially against the changing economic world scenario. A comparison of the World Bank governance indicators between three countries chosen on the basis of income differentials and hence different adaptive characteristics of each country to the economic recession has been studied. The behavior of the governance indicators in the context of the world has been studied against the background of the shock that the depression had brought and the resilience factors embedded within the indicators in the face of the shocks were studied. Political stability and Absence of Violence/Terrorism and Voice & Accountability consistently showed negative impact on a country’s per capita national income. However, Voice & Accountability become significant after 2006. Economic recession in fact has allowed for citizen’s voice to rise in the face of poor governance. Control of corruption is highly significant showing its unaltered importance as an indicator of governance even in the face of economic recession and its impact on change in net national income suggesting policy-implications with respect to development.

Chapter 10 throws light on the inter-linkage between governance and poverty for the SAARC countries. According to it a good governance results in higher economic growth, better redistributive policies implying equitable distribution of wealth and resources, increased employment opportunities, rising income, production, consumption, investment and economic growth. In economies with high inequality, the aggregate demand made by the consumers in the society as a whole gets lower which in turn affects production. As production goes down the producers cut short their production expenses, as a result of which, unemployment occurs resulting in loss of earning opportunities. Thus, in an economy with persistent inequality and poverty, there is less equity in all the sectors of the economy. So a welfare state which always aims at good governance reduces poverty, lowers economic inequality and promotes equitable distribution and participation. This chapter aims at assessing the impact of governance on the country’s economic and human well-being in the selected South Asian countries. The study finds that for the countries-India, Pakistan, Bangladesh, Sri Lanka and Nepal, over the years 1990-2012, the growing rate of GDP per capita (PPP) and growing employment to population ratio has a significant negative impact on the Global Hunger Index as expected. Also the panel regression run for the eight SAARC countries over the period 2007-13 to find out the impact of each of the six governance indicators on the per capita GDP showed that political stability and absence of violence, government effectiveness and
regulatory quality have very strong and significant role in augmenting the economic output besides the remaining indicators. The trends for each of the indicators across countries over time show that except Bhutan, none of the countries are exhibiting good performance of the governance indicators.

Chapter 11 illuminates the case for leadership in sustaining governance. The chapter has three core aims. First, to discuss the concepts of governance and leadership while drawing upon key literatures and qualitative data to make sense of the factors that can enable leadership to sustain governance systems. Second, the chapter explores the practice of leadership at the Greater London Authority (GLA) level in the United Kingdom (UK) in order to establish features synonymous with the practice of leadership. Third, the relations between governance and leadership are explored so as to better understand how the latter is employed in sustaining the governance process at the GLA level in the UK.

Chapter 12 elucidates the concept of governance and its impact on economic growth in South Asian perspectives. In this attempt, the chapter examines the history and political economy of South Asia to determine the factors that affect growth. It observes that governance in South Asian context evolved through three phases. During each of these phases, dominant factors influenced governance in the region. Using World Governance Indicators (WGI) and GDP growth rates, it analyzes the relationship between political history and economy in each phase. The finding validates its hypothesis that ideologies of political leadership and their economic policies influence the institutions of government. The chapter finds that enhancing people’s participation in governance process would facilitate growth and distributive social justice. It also compares the phases of development of the concept of governance in South Asia with that of Brazil (owing to the BRICS alliance) and discovers the findings reinforced.

Chapter 13 sheds light on corporate governance and selected Indian firms’ performances. In line with it, ownership structure is considered to be of prime importance in corporate governance of a firm. The ownership structure significantly varies across the nations. The main focus of this study is twofold; firstly to see the impact of ownership structure on performance of the firms and secondly to investigate the relationship between stock market performance and ownership structure during the crisis period. Panel data analysis of CNX 200 companies has been done for the time period of 2006-2013. The study also takes into account the relationship between crisis period stock return and ownership structure. The results of this study reveal a positive relationship of promoter’s shareholding with performance while a negative relationship of performance is found with the non-promoters shareholding. In addition to that the regression of stock price performance on ownership variable gives a significant negative relationship during the crisis period.

Chapter 14 evolves the aspects of globalization, governance and food securities in BRICS countries. According to it food security is a major area of concern for the five nations group. BRICS countries account for more than 40% of the world population and 25% of world GDP in PPP terms. Besides, these countries have a key role to play in the post-crisis global economy as producer of goods and services, receivers and exporters of capital, and/or consumer market on large potential. More importantly, these ones envisage ways to promote food security and food production in Third World countries by raising agricultural productivity and output via initiatives like the creation of basic agricultural information exchange system of these countries; enhancing investments in the food supply chain; developing a social safety net through conditional income transfer programmes for the poorest of the poor. It is in this context the present chapter examines the status of food security of BRICS economies in the context of globalization and governance and its implications thereof.

Chapter 15 illuminates basic issues of the global financial crisis and its impacts upon global economic growth and investment through a vast literature survey. Consistent with it, for any economy to be healthy,
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A strong financial system is required to efficiently move funds from unproductive to productive economic agents. Banks play an important role in this respect. They are also said to play the most important role in the financial system of all existing financial institutions as their presence and structure reduces the problems of adverse economic selection, moral hazard, and asymmetric information; as well as ensuring the success of the overall role of the banking system through aggressive monitoring. This chapter thus attempts to a broad survey of the existing literatures on the issue and examines the causes of banking crises in the light of available evidence. More specifically, the research enumerates and analyses the role of both macroeconomic and microeconomic factors in precipitating such crises through a critical examination of the existing literature, and attempts to illustrate each factor with examples from key pan-global financial catastrophes.

Chapter 16 throws light upon waves of financial crisis on the basis of historical perspectives. To it, the global stock market cycles, crashes and the resultant panic over the past years have ended in ultimate devastating impact on the rest of the economy. A poorly performing or a financially fragile financial sector has often been identified as a major factor in creating and aggravating crises. Moreover, in this era of high trade and financial integration, crises in one market sets in motion much turmoil in other markets through long-term and short-term dynamic linkages among different markets or through what is better known as contagion. Hence, at this juncture, some inquiry of the market dynamics is likely to be instigated. This is the area where this study intervenes.

Chapter 17 elucidates the effect of global financial crisis on South Asian Economy with special emphasis on Indian economy. In line with it, most of the Asian countries were affected adversely for the recent global financial crisis, especially those economies whose growths are largely depended on the external trade. During the phase of shrinking world demand for domestic goods and services, efforts to raise productivity and competitiveness helps countries to protect export market. This chapter investigates the dependence on the external market and the effect of global financial crisis on the trade structure of some Asian countries. Some detail studies have been done for India in respect of compositional changes and productivity and efficiency changes of different industries within manufacturing sector during pre and post crisis period. Efficiency and productivity have been analyzed using the frontier model.

Chapter 18 discusses about the factors determining foreign direct investment inflow to Nigeria during pre economic crisis through empirical investigations for the period 1970-2006. This study suggests that the endowment of natural resources, trade intensity, macroeconomic risk factors like inflation and exchange rates are significant determinants of FDI flow to Nigeria. The findings also suggest that in long run market size is not the significant factor for attracting FDI to Nigeria, contradicting the existing literature. The results indicate that FDI flow to Nigeria is resource-seeking FDI along with the result that trading partner like the UK in North-South (N - S) and China in South-South (S - S) trade relation have strong influence on Nigeria’s natural resource outflow.

Chapter 19 analyzes the impact of microfinance on poverty in South Asian countries under the context of global financial crisis. The outreach of microfinance programme is considered as a means to enhance the economic wellbeing among the member households through poverty alleviation. Microfinance programme in the South Asia region has witnessed much more resilient to withstand shocks of global financial crisis compared to other continent in the world. To explore the impact of microfinance on poverty in the backdrop of global financial crisis, the chapter attempts to examine the relationship between microfinance institutions’ gross portfolio per active borrower and the measures of poverty. Empirical evidences based on Pooled Regression Analysis suggest that gross portfolio per active borrower is negatively and significantly associated with the poverty head count ratio or poverty gap measure,
which is consistent with the hypothesis that micro loans reduce poverty. The poverty alleviation role of microfinance in South Asian countries is not changing its dynamics even in post-crisis scenario.

Chapter 20 illustrates the effect of financial crisis upon investible capital flight from Nigerian economy. The global financial crises that happened between 2007 and 2010 had deleterious effects on countries across the world including Nigeria with regard to their respective levels of globalization. This was evidenced with sudden outflows of capital emanating from the capital market that impacted negatively on the banking system. The chapter has adopted a number of variables among which are investment and net portfolio investments and external reserves. The main technique used is the regression (both single and two-stage) the results of which indicate that the investment is not negatively impacted by the portfolio investment but has significantly negative effect on the external reserve and the saving of the country. The chapter also recommends a better control of the capital outflows and improvement in the business environment to reduce the capital haemorrhage faced by the Nigerian economy.

Chapter 21 elucidates the inter connections among urbanization, FDI and growth for India and China. The rapid urbanization and economic growth during new round of globalization is largely due to the inflows and outflows of FDI. The objective of this chapter is to analyze the causality and linkage among urbanization, GDP and foreign direct investment in China and India with the help of secondary data from 1979 to 2012. It focuses on determinants and pattern of FDI flow in China and India. China has historically attracted more FDI than India as a share of GDP, particularly in the early stage of its economic transformation. It achieved a significant growth rate of over 9 percent per year during 1990 to 2010 which was highest in the world during that period. There exist significant positive correlation between urbanization and flow of FDI to a particular region both in China and India. The rate of growth of FDI is significantly influenced by rate of growth of urban population at 10 per cent level of significance and by rate of growth of per capita GDP at 1 percent level of significance.

The last one that is Chapter 22 highlights the issues of institutional and cultural implications of Mexican small and medium enterprises’ internalizations into the European Union market. The aim of this chapter is to analyze from the perspective of institutionalism if the European Union market is a potential market for the internationalization of Mexican SMEs. This chapter identifies a framework of the current situation of Mexican SMEs, encompassing as the political-economic aspects that govern the cooperative relationship as the normative and cultural factors that impact directly businesses, concluding that the complexity of the European Union resulting from the uniqueness of each of its members is reflected in a set of formal and informal rules that negatively impact on the internationalization of Mexican SMEs to that market.

It is now becomes a news that the proposed project has drawn closer to reality. I expect that the said research outcome will lend a hand to the academicians and policy makers all around the world to have a better understanding of the said economic and political shocks that the book addressed to and making themselves prepared to visualize a safety valve against such shocks that may appear in the future in terms of any economic and political indicators.

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