

**July-September, 2020**  
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## **Editorial**

I am glad to present you the July-September 2020 issue of PRAJNAN. I sincerely thank our readers, authors, referees, editorial committee and editorial board members their continued support and guidance. Special thanks to all reviewers who supported the journal with their expert comments on papers. Established in 1972, the journal focuses on publishing original research papers that have high academic and professional standards to the readers and our endeavor will continue. This journal is a place for exchanging original research based results on banking and finance and other areas of Social & Management Sciences that have relevance in building a new body of knowledge and improvement in practice of banking operations. The rigorous double blind peer-review process and the thorough care taken in copyediting and production by our team ensure the journal's place as a premier venue for scholarly publishing in the area of banking and finance in India. The journal is indexed and abstracted in EBSCO, ProQuest and Indian Citation Index. The journal invites submission of original research based articles in the specified subject areas but not limited to a) NPA management and Restructuring of Loans; b) Fiscal and Macro Policy Issues and their impact of Economy; c) Risk Management and Financial Stability, d) Financial Management under Covid 19 pandemic situation, e) MSME and Rural Finance and Development Economics and f) Emerging Trends in Digital Lending and Payments.

In this issue, we publish four full research articles and three book reviews.

The first article "**Impact of Trade Liberalisation on Tea Industry in India (1964 to 2017)**", by Parashram Patil and Muhammadriyaj Faniband, empirically examines the impact of trade liberalization on performance of Indian tea industry. Using time series data for period 1964 to 2017, the author compares industry performance before and after opening up of the economy through trade liberalization policy. The study reveals that trade liberalization does not have any impact on production, productivity and export. However, it has positive significant effect on import performance. The authors highlight specific problems faced by the tea industry and suggest requirement of various policy intervention and quality improvement to enhance export performance.

In the second paper, "**Stock Markets, Macroeconomics and Financial Structure of BRICS Countries and USA**", Pradiptarathi Panda and M Thiripalraju have made a detailed analysis of financial environment of BRICS countries and USA in terms of several market based as well as economic indicators. BRICS is a grouping acronym for Brazil, Russia, India, China, and South Africa. The study examines various financial and macroeconomic indicators for BRICS countries and explains why these countries are good destinations for investors and investors can get more economic value by investing in these markets.

In the third paper, "**Dynamics of Contagion and Spillover Effects: Further Evidence from Major Equity Markets**", Rakesh Shahani and Fahad Umar examine the extent of volatility spillovers, co-movements and contagion in return of stocks if

any in US, UK, Japan, India and China. The volatility transmissions are estimated through Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model. In this time series modelling approach, authors have considered contemporaneous residuals and lag residuals in the mean equation as contagion transmission and spillover of returns. The study finds that India and China, the two emerging markets of Asia observe a lot of co-movements in returns with spillovers being linked to developed markets.

In the fourth paper, "**Cooperative Banks and Deposit Insurance**", Manas Ranjan Das provides insightful discussions on importance of deposit insurance in India particularly with reference to the cooperative banking system. The author has made detail descriptions of the cooperative banking system, its regulatory architecture and analyzes the trends related to coverage of cooperative banks and their deposits under deposit insurance. The article provides many important statistics related to cooperative banks, their business, extent of protection and claim settlement statistics. The author has suggested various ways to prevent higher risk taking behavior of some cooperative banks and ensure depositor confidence.

Amol Randive, Research Scholar and Assistant Professor - Management & Head - Industry Connect & Career Support, Vishwakarma University (VU), Pune has reviewed the book titled "*The Story of Indian MSMEs: Despair to Dawn of Hope*" authored by B. Yerram Raju; published by Konark Publishers, 2019.

Elizabeth James, Assistant Professor, National Institute of Bank Management has written the second book review on the book titled "*Sales People Don't Lie*" authored by Roshan L. Joseph; published by Sage, India, 2018.

The third review has been written by V S Kaveri, former Professor, National Institute of Bank Management, Pune, authored on book titled "*Evolution of Banking System in India since 1900*" authored by O P Chawla, Sage Publication, New Delhi, 2019.

**Dr Arindam Bandyopadhyay**

*(Editor, PRAJNAN Associate Professor, Associate Dean, Consultancy & Training & Dean Education, NIBM)*

## **Impact of Trade Liberalisation on Tea Industry in India (1964 to 2017)**

**Parashram Patil**  
**Muhammadriyaj Faniband**

We examine the impact of trade liberalisation on Indian tea industry specific factors, namely, area under cultivation, production, productivity, import and export during 1964 to 2017 period using regression method. We divide data into two sub-periods. The pre-liberalisation and liberalisation period is from 1964 to 1991 and the post-liberalisation period covers the period from 1992 to 2017. We find that tea area under cultivation is not changed after the trade liberalisation. Further, we reveal that tea production and productivity are not affected in the post- trade liberalisation period. Moreover, empirical evidence indicates that trade liberalisation has a significant and positive impact on tea import. However, we note an insignificant impact of liberalisation on tea export. The causality between productivity and cultivation area, import and export does not exist.

## **Stock Markets, Macroeconomics and Financial Structure of BRICS Countries and USA**

**Pradiptarathi Panda**  
**M Thiripalraju**

Financial institutions, financial intermediaries, market microstructure, macroeconomic pictures, financial market regulators and financial instruments are the different important components of the financial environment of a country. An efficient and effective financial environment requires smooth functioning of the whole financial system of an economy. This study provides a broad overview of financial environment of BRICS countries and USA with investment opportunities in BRICS countries. We have considered the market depth, market microstructure, portfolio weights, CAGR and several macroeconomic indicators to assess the investment climate. For data analysis, daily, monthly and yearly data have been considered in this study. Our detailed analysis finds that BRICS countries are a good destination for investors.

## **Dynamics of Contagion and Spillover Effects: Further Evidence from Major Equity Markets**

**Rakesh Shahani**  
**Fahad Umar**

The present study investigates dynamics of contagion and spillover of volatility amongst stock markets of five economies ; US , UK and Japan and two Asian emerging economies viz. India and China. The period of study is eleven years;

January 1, 2009-December 31, 2019 and the data is daily closing prices of their stock market indices. The study makes a distinction between contagion and spillover whereby a shock is considered spillover if its impact is seen with a lag of one period only, while contagion is a residual transmission (Masson, P (1998); Dungey, M and Martin, V L (2007)). The results revealed substantial contagion and information flows from one market to another, be it developed or emerging. Further although US markets still decides the direction of markets, the importance of other markets has increased over the years. Further, US market on its own now appears to look for clues from both developed and emerging markets including India and China. The two emerging markets of Asia, India and China observe a lot of co-movement in returns with spillovers being linked to the developed markets. The study also tested for pre-conditions of stationarity, autocorrelation and heteroscedasticity.

## **Cooperative Banks and Deposit Insurance**

### **M R Das**

The Deposit Insurance Corporation (Amendment) Act, 1968, required DICGCI to register all the 'eligible co-operative banks' [as defined in Section 2(gg) of the DICGC Act] as insured banks. At March-end 2019, 1,941 cooperative banks were registered with the DICGCI with their insured deposits at Rs. 3,800 billion which constituted 11.2 per cent of the total insured deposits of all the insured banks. Compared to commercial banks, extent of protection was substantially high in respect of cooperative banks. During 1998-2019, premium collected from cooperative banks grew at an average annual rate of 15.3 per cent (commercial banks: 19.0 per cent). Up to March-end 2019 since its inception, the DICGCI has settled claims of 351 cooperative banks with the amount of claims settled at over Rs. 48,000 million. The current flat-rate premium system has led to under-pricing of risks (to the DIF) in respect of the cooperative banking sector. *Ceteris paribus*, this encourages more aggressive behaviour by cooperative banks. Therefore, DICGCI should quickly act on implementing a risk-based premium system. Two DIFs – one for commercial banks and the other for cooperative banks – needs to be instituted. The paper adds to the existing limited research on Deposit Insurance in India and especially, in relation to the cooperative banking system.

## ***Book Reviews***

### **The Story of Indian MSMEs: Despair to Dawn of Hope**

**B Yerram Raju**

Konark Publishers, 2019, pp 224, Rs. 750/-

Foreword Duvvuri Subbarao, Former RBI Governor.

*Reviewed by* **Prof Amol Randive**, Research Scholar and Assistant Professor, Management & Head – Industry Connect & Career Support, Vishwakarma University (VU), Pune.

### **Sales People don't Lie**

**Roshan L Joseph**

Sage Publications Pvt Ltd, India, 2018

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

### **Evolution of Banking System in India since 1900**

**O P Chawla**

Hard Cover, First Edition: 1st July, 2019; Sage Publications India Pvt. Ltd., New Delhi-110044, India; Price: Rs. 1095. Pages: 332.

*Reviewed by* **Dr V S Kaveri**, Former Professor, National Institute of Bank Management, Pune.