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Editorial

Dear readers, I am glad to release the October-December 2020 issue of PRAJNAN, the Journal of Social and Management Sciences. I sincerely thank all of you for your continued support and guidance. 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. Our journal follows rigorous double blind peer-review process to ensure high standards of scholarly publication in the area of banking and finance in India. The journal is now indexed and abstracted in EBSCO and ProQuest. I look forward to your active participation and cooperation. You are invited to submit original research based articles in the subject areas but not limited to: (a) Financial Inclusion, (b) Profitability & Performance Management in Banks/FIs, (c) Macroeconomics/Banking Regulation; (d) Corporate Finance, (e) Time Series Analysis of Market and (f) Risk Management.

In this issue we present three full-length research papers, one brief article and two book reviews. The first paper "**Determinants of Vertical Intra-Industry Trade in India: Empirical Estimates on Select Manufacturing Sectors**" is by Sakshi Aggarwal and Debashis Chakraborty. In the last few decades, intra-industry trade in the Indian context has increased significantly which is in conformity with the global trends. This paper attempts to analyze the nature of Intra-Industry Trade (IIT) in India by taking cases of select sectors using a panel data framework. It decomposes the observed IIT into Horizontal IIT (HIIT) and Vertical IIT (VIIT) which may have different types of policy implications. The paper further examines the determinants of the VIIT in terms of certain industry level factors. The paper uses panel data regression for modelling for this purpose. The authors have considered several country specific and sector specific variables on the VIIT index. The empirical results indicate that VIIT index is positively related to trade facilitation, tariff reduction and presence of preferential trade agreements. On the other hand, it is negatively related to foreign direct investment. Coming to the sector specific variables, VIIT index is positively related to capital intensity, skill acquisition, increased spending on R&D etc.

The second article, "**The Insolvency and Bankruptcy Code, 2016: Ushering a New Era to Resolve Stressed Assets**" by Manoj Anand and Jagandeep Singh has brought out the evolution process of Insolvency Bankruptcy Code 2016 in India and also in different countries (e.g. Chapter 11 of USA) through use of literature available in public domain. It also has briefly explained the procedure for initiation of bankruptcy in India by the corporate sector and role and responsibilities of various stake holders. The article attempts to bring out issues facing the IBC code in India by highlighting resolution process of 5 big accounts under stress that is Bhushan Steel, Electro Steel, Monnet Ispat, Amtek Auto and Essar steel and has brought out haircuts taken by

lenders, method of financing the deals, innovative structures made for financing and also failure of Amtek Auto deal with Liberty house. The authors also carry out an event study to compute the impact of the approval of the resolution plan on the market returns for the Resolution Applicant and the firm undergoing the Corporate Insolvency Resolution (CIRP) process. The article has brought out various issues facing the resolution process and efforts being made by various stake holders. It brings out some interesting insights on each of the five cases, which would be useful in building knowledge on the IBC experience in India.

The third paper "**Regional Income Convergence and Spatial Spillovers in Madhya Pradesh**" is by Bilal Ahmad Bhat and Somesh K Mathur. This article looks into a very important aspect of development: regional convergence. This study attempts to test special convergence of growth taking districts of Madhya Pradesh as a case in point. The period of analysis of the paper is 2004-05 to 2012-13 (9 years) and it considers per capita District Domestic Products. The paper adopts various measures of convergence (e.g., unconditional and conditional convergence) and finds no evidence of unconditional beta (β) convergence. The findings from spatial data analysis provide demonstrate both unconditional and conditional convergence has taken place over the period. Moreover, the study finds that the growth rate of per capita income of districts depends on how better their neighbours are doing.

The fourth one is a brief article entitled "**Business Contingency Plan for MSMEs under COVID-19 Environment**" by Shyam Ji Mehrotra and V S Kaveri presents a live case as a source of guidance to MSMEs which discusses concept and process of preparation of and implementation of the Business Contingency Plan during lockdown. The paper highlights that the supply chains have been disrupted leading to severe shortages of components as well as intermediate goods in many MSME clusters. Further, there is a steep fall of demand for their products due to income loss at the individual level in many cases. Because of loss of production and income, there is severe liquidity shortage as MSMEs have to meet fixed cost though virtually no production resulting into continuous loss. The authors recommend that MSMEs will have to prepare and implement the Business Contingency Plan for business sustainability by taking lesson from the live case discussed in the article.

We have published two book reviews in this issue which are written by Shri Ganga Narayan Rath, former Chief General Manager, Reserve Bank of India and Dr V S Kaveri, former Professor, National Institute of Bank Management. Both reviews are on the same book titled "*Safe and Sound Banking: Deposit Insurance and Resolution in India-Development Issues and Policies*", by Dr Manas R Das, Himalaya Publishing House, 2020.

Dr Arindam Bandyopadhyay

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

Determinants of Vertical Intra-Industry Trade in India: Empirical Estimates on Select Manufacturing Sectors

Sakshi Aggarwal
Debashis Chakraborty

There exists a rich empirical literature on the presence of intra-industry trade (IIT), i.e., simultaneous exports and imports within the same product groups and its determinants, both in the context of developed and developing countries. With deepening of Global Value Chains (GVCs) and International Production Networks (IPNs) across the globe, a rise in IIT has generally been noticed and India is no exception to this trend. The current paper analyses India's IIT in select sectors and decomposes the same in Vertical IIT (VIIT) and Horizontal IIT (HIIT) categories in terms of product quality, using trade data at the HS 6-digit level. It is observed that India's IIT is predominantly vertical in nature. India's VIIT has increased significantly over 2001-18 in select sectors, barring the exception of base-metals and iron-steel segments. The analysis next focuses on the determinants of India's VIIT during 2001-15 in a panel data framework by considering both country-specific and sector-specific factors. The empirical results reveal that increase in capital-intensity, higher skill-intensity of workforce, multilateral as well as regional trade policy reforms, higher research and development orientation, trade facilitation measures and decline in industrial concentration facilitates India's cross-sector VIIT pattern. The interaction terms in the model indicates that growing sophistication in production may create greater scope for trade in vertically differentiated products. The results have interesting implications for India's recent manufacturing sector policy framework, particularly the 'Make-in-India' initiative.

The Insolvency and Bankruptcy Code, 2016: Ushering in a New Era to Resolve Stressed Assets

Manoj Anand
Jagandeep Singh

The growth of stressed assets in the Indian public sector banks has been unrelenting in terms of its negative impact on profitability as well as business growth. The Insolvency and Bankruptcy Code (IBC), 2016 is a defining moment in stressed assets resolution through competitive bidding process. It has ushered in financial creditors-control regime, timely resolution with a focus on transparency, accountability, equity and justice. The framework has been designed to expedite substantial recovery, encourage entrepreneurship and strengthen the wheels of commerce. Out of top 12 cases that account for Rs. 3.45 lakh crore, six cases were resolved as at March 31, 2019. This paper used case study methodology to examine the mechanism and efficacy of resolution plans for first five resolutions under IBC, 2016. The firms-in-distress were Bhushan Steel, Electrosteel Steels, Monnet Ispat & Energy, Amtek Auto, and Essar Steel.

Regional Income Convergence and Spatial Spillovers in Madhya Pradesh

Bilal Ahmad Bhat
Somesh K Mathur

This study examines the convergence of growth of per capita income across the districts of Madhya Pradesh first estimating the basic cross-section equations for unconditional and conditional convergence then provides the estimates from spatial data model over a period from 2004/05 to 2016/17. There is existence of unconditional beta (β) convergence and conditional beta convergence when controlled for more conditioning variables, sigma convergence also confirm the decline in disparity in distribution of per capita income. From the spatial data analysis a significant spatial autocorrelation is revealed in the initial level of per capita income and majority of other conditioning variables. The significant spatial econometric models implies that the growth rate of per capita income of districts depends on how better their neighbours are doing. This has important policy making implications in Madhya Pradesh.

A Brief Article

Business Contingency Plan for MSMEs under COVID-19 Environment

Shyam Ji Mehrotra
V S Kaveri

In the current COVID-19 pandemic scenario, MSMEs are critically hit hard experiencing loss of production and income though they have a significant role to play in the economy. While both the Government and the Reserve Bank of India have come forward with several economic relief measures during lockdown to infuse more liquidity in the market, facilitating banks to lend more and creating a conducive environment to overcome disruptions caused due to COVID-19 in demand for and supply of MSME products, much is expected from these enterprises. In particular, MSMEs are expected to prepare Business Contingency Plan suggesting strategies to survive, stabilize and surge under lockdown environment. In this regard, their efforts need to be strengthened. Appreciating this felt need, the present paper attempts to present a live case as a source of guidance to MSMEs which discusses concept and process of preparation and implementation of the Business Contingency Plan during lockdown.

Book Review

**Safe and Sound Banking : Deposit Insurance and Resolution in India
– Developments, Issues and Policies (DICGC Act, 1961 to FRDI Bill
2016 and Beyond)**

Manas R Das

Mumbai, Himalaya Publishing House, 2020, pg. lvi + 365, Rs. 1495.

Reviewed by **Shri Ganga Narayan Rath**, former Chief General Manager, Reserve Bank of India and Dr V S Kaveri, Former Faculty National Institute of Bank Management,