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Editorial Note

In the last six months the business sector in India is experiencing a slow growth phase. The favorable policy environment put in place by the Government does not seem to be encouraging the entrepreneurs. In such a slowdown of economic activity there is a need for multi pronged strategy to revive to business activity in the different sectors.

Accordingly in the present issue articles pertaining to various issues of management have been incorporated for the benefit of the readers. As a mark of respect to the Founder Director of CSIBER, we publish an article on Prof. Dr. A. D. Shinde. His life and experiments in higher education is an example for the current and future generations.

The research articles included in the issue are employee empowerment, domestic capital formation, savings and investment preference of retail investors. The unique feature of the articles is the use of advanced statistical techniques for analyzing the primary / secondary data. These articles show a direction to young researchers regarding the method in which analysis can be performed with the help of statistical tools.

As the journal is published from Kolhapur it becomes the duty of the publisher to highlight the case studies from industrially rich belt of Kolhapur. The case of turnaround story of Kolhapur steel in included to fulfill this requirement. The last feature of journal is the book review on marketing. The reviewer systematically presents the highlights of the sixth edition of the book exhaustively.

The present issue of the journal is therefore expected to be a good asset for young researchers as well as management teachers in different functional areas.

Dr. T. V. G. Sarma
Editor

and it was of an excellent quality. Soon thereafter, he got recognition as Research Guide and was very often invited by other universities as External Referee to evaluate the Ph.D. Thesis of several other candidates. I must confess that I was highly impressed by his constant involvement in teaching, research and administration of his Autonomous Institute.

Dr. Shinde had nominated, as Trustees, competent and trustworthy colleagues such as Dr. T. A. Shiware and Dr. P. Subbarao who are now working as Senior Directors in Mumbai. He had nominated me also as a Trustee of SIBER. Dr. Shinde expired two years back but his son Dr. Ranjit Shinde who is also a Research Guide and Senior Professor has taken over as Director of SIBER and is running the Institute very success fully.

1.3 Future of Commerce Education

Dr. A. D. Shinde and I myself discussed very often, several issues, pertaining to future of Commerce education. Information Technology has made considerable revolution in developing a new ERA of globalisation and privatisation. The use of internet, website, mobile phone, email id, etc., have made it possible to develop cross cultural communication and integration. In India, only 12% people are using internet whereas China is using 32% internet. We will have to speed up our import and export trade if we want to compete with western countries as well as China and Japan. The competition in the world has increased so much that we have only two alternatives –

Either Swim or Sink

Either Perform or Perish

Either Survive or Vanish

Either innovate or exit

Commerce Education will have to introduce innovative methods of teaching as well as incorporate new curriculum which would reflect the advantages of globalisation. Online business in booking of Railway tickets, airline tickets, reservation in hotels etc, has come to stay. Even small retailers are using computers. Our commerce education will have to incorporate all these changes. Students will have to be taught the concept of outsourcing, downsizing, and training in soft skills. Lessons in salesmanship to work in foreign malls that will soon be established in India, training in skill development, self-confidence, spoken English, etc. Above all, the commerce students will have to learn professionalism and be told how to improve their performance on the job. The students will have to learn international accounting standards and new techniques of financial management and marketing and advertising skills.

Revolution in Information Technology is so fast and the pressure of globalisation is so heavy that yesterday's knowledge of commerce has now become outdated and today's knowledge of commerce and trade will become out of date tomorrow. Commerce teachers will have to be given intensive training before they are promoted to the higher post.

The esteemed members of the All India Commerce Conference, meeting here in Mumbai, will have to take note of the future horizon of commerce education if they want to survive in competition with their counterparts in other countries.

Let us hope the contribution made by Dr. A. D. Shinde gives us inspiration to achieve our objectives.

* * * * *

THE CONTRIBUTION OF GROSS DOMESTIC CAPITAL FORMATION AND SAVINGS TO GDP IN INDIA DURING THE POST-REFORM PERIOD

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Abstract : Objective of the paper is to examine the effects of Gross Domestic Savings (GDS) and Gross Domestic Capital Formation (GDCF) on Gross Domestic Product at Market Prices (GDP at MP) at aggregate as well as disaggregate level during the two decades of post-reform period i.e., 1990-91 to 2009-10. This time period is further divided into two decades as Phase-I: 1990-91 to 1999-2000 and Phase-II: 2000-01 to 2009-10. To examine the effects of GDS and GDCF on GDP at MP two-variable regression technique has been applied. The main result obtained is that regarding public sector savings contribution to the increase of GDP. In the 1st phase it has contributed negatively and in the 2nd phase its contribution turns into positive and private corporate sector has contributed positively and to a large extent in both 1st and 2nd phases. But during the total period public sector contribution to GDP is more than that of private corporate sector. From the capital formation point of view, in both 1st and 2nd phases as well as during the total period contribution of capital formation to GDP from public sector is higher than private sector.

Key words: Gross Domestic Saving, Gross Domestic Capital Formation, Gross Domestic Product, Regression

1.0 Introduction

Capital formation is the main key to economic growth. On the one hand, it reflects effective demand and, on the other hand, it creates productive efficiency for future production. Capital formation possesses special importance for LDCs. The process of capital formation leads to the increase in national output in a number of ways. Capital formation is essential to meet the requirements of an increasing population in such economies. Investment in capital goods not only raises production but also employment opportunities. It is capital formation that leads to technological progress. Technological progress in turn leads to specialization and the economies of large-scale production. Capital formation helps in providing machines, tools and equipment for the rising labour force. The provision for social and economic overheads like transport, power, education, etc., in the country is possible through capital formation. It is also capital formation that leads to the exploitation of natural resources, industrialization and expansion of markets which are essential for economic progress (Jhingan).

According to Rakesh Mohan, "the secular uptrend in domestic growth is clearly associated with the consistent trends of increasing domestic savings and investment over the decades. Gross domestic savings have increased continuously from an average of 9.6 per cent of GDP during the 1950s to almost 35 per cent at present; over the same period, domestic investment rate has also increased continuously from 10.8 per cent in 1950s to close to 36 per cent by 2006-07. A very significant feature of these trends in saving and investment rates is that Indian economic growth has been financed predominantly by domestic savings. The recourse to foreign savings has been rather modest in the Indian growth process".

In this connection this paper objective is to examine the effects of Gross Domestic Savings (GDS) and Gross Domestic Capital

Formation (GDCF) on Gross Domestic Product at Market Prices (GDP at MP) at aggregate as well as disaggregate level during the two decades of post-reform period i.e., 1990-91 to 2009-10.

2.0 Data Sources and Technique

To examine the effects of GDS and GDCF on GDP at MP the time period chosen is 1990-91 to 2009-10. This time period is further divided into two decades as Phase-I: 1990-91 to 1999-2000 and Phase-II: 2000-01 to 2009-10. The data on the above variables are obtained from *Economic Survey, 2011-12*, published by the Govt. of India. To examine the effects of GDS and GDCF on GDP at MP two-variable regression technique has been applied. The regression technique has been estimated using GRETL software. The functional form of the regression equation is

$$Y_i = \alpha + \beta X_i + u_i$$

Where Y_i = Dependent Variable

α = Intercept of the regression equation

β = Slope of the regression equation

X_i = Independent Variable

u_i = Error term of the regression equation which distributes normally and independently as zero mean and constant variance.

3.0 Results and Discussion

The results of two-variable regression technique have been presented in Table-1.

3.1 Phase-I: 1990-91 to 1999-2000

3.1.1 GDS

In this period, one percent increase of savings from household sector (4.339) and private corporate sectors (18.973) have positive effect on increase in GDP while one percent increasing of savings from public sector (-11.827) leads to decrease in GDP as indicated by the signs of their β coefficients respectively. Total GDS (3.796) has positive effect on increasing GDP during this period. All the β coefficients are statistically significant at one per cent level except public sector. In this phase 95.3 per cent of variation in GDP is explained by household sector as denoted by R^2 and private corporate sector, public sector and total GDS explained 95.6, 11.4 and 98.8 per cent of variation in GDP. Private corporate sector has shown more contribution to the growth of GDP during this period.

3.1.2 GDCF

One per cent increase in total GDCF (3.680) has positive effect on GDP and it is statistically significant at one per cent level. At disaggregate level also one per cent increase in both the components of GDCF viz., public sector (16.450) and private sector (4.853) are contributed positively to the growth of GDP and both regression coefficients are statistically significant at one per cent level. Public sector, private sector and total GDCF explained 97.0, 96.4 and 96.9 percentage of variation in GDP respectively. In this phase capital formation from public sector is the main source for the increase in GDP.

3.2 Phase-II: 2000-01 to 2009-10

3.2.1 GDS

Total GDS and its sources are all contributed positively to the increase in GDP during this period. One per cent increase in total GDS has increased GDP by 2.483 and it is statistically significant at one per cent level. At disaggregate level private corporate sector (8.514) still dominating one to the growth of GDP followed by public sector (7.338) and household sector (3.879). 98.9, 95.5, 19.1 and 97.7 percentage of variation in GDP is explained by household sector, private corporate sector,

public sector and total GDS respectively. All the β coefficients are statistically significant at one per cent level except public sector.

3.2.2 GDCF

One per cent increase in GDCF has contributed to GDP by 2.244 and it is statistically significant at one per cent level. Both public (9.150) and private (3.126) sectors are positively contributed to the growth of GDP during this period and their regression coefficients are statistically significant at one per cent level. Public sector, private sector and total GDCF explained 99.1, 97.1 and 98.7 percentage of variation in GDP.

3.3 Total Period: 1990-91 to 2009-10

3.3.1 GDS

During the total period also total GDS (2.687) contributed positively to the growth of GDP and it is statistically significant at one per cent level. In this period savings from public sector (13.051) has shown more contribution to the increase of GDP followed by private corporate sector (10.306) and household sector (3.886). Household sector and private corporate sectors coefficients are statistically significant at one per cent level while public sector coefficient is significant at five per cent level. Household sector, private corporate sector, public sector and total GDS explained 99.2, 94.7, 24.6 and 98.5 percentage of variation in GDP during this period respectively.

3.3.2 GDCF

One per cent increase in Total GDCF (2.517) has revealed its positive contribution to the increase of GDP and it is statistically significant at one per cent level. Public sector (10.801) contributed more than private sector (3.461) to the growth of GDP during the total period and the coefficients are statistically significant at one per cent level. During this period public sector, private sector and total GDCF explained 97.1, 97.9 and 98.2 percentage of variation in GDP respectively.

4.0 Conclusion

From the above analysis, the main result obtained is that regarding public sector savings contribution to the increase of GDP. In the 1st phase it has contributed negatively and in the 2nd phase its contribution turns into positive and private corporate sector has contributed positively and to a large extent in both 1st and 2nd phases. But during the total period public sector contribution to GDP is more than that of private corporate sector. From the capital formation point of view, in both 1st and 2nd phases as well as during the total period contribution of capital formation to GDP from public sector is higher than private sector.

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* * * * *

Table 1: Regression Results						
Model		$Y_i = \alpha + b X_i + \mu_i$				
Parameters		α	t (α)	b	t (b)	R^2
Phase -I: 1990 -91 to 1999 -2000						
GDS	HOUSEHOLD	255010	3.116	4.339	12.82*	0.953
	PCS	318761	4.242	18.973	13.20*	0.956
	PUBLIC	1.39075	5.737	-11.827	-1.019	0.114
	TOTAL	135818	3.094	3.796	26.44*	0.988
GDCF	PUBLIC	-451591	-4.298	16.450	16.32*	0.970
	PRIVATE	286762	4.132	4.853	14.72*	0.964
	TOTAL	132230	1.828	3.680	16.07*	0.969
Phase -II: 2000 -01 to 2009 -10						
GDS	HOUSEHOLD	348759	2.621	3.879	28.11*	0.989
	PCS	1.57647	7.851	8.514	13.09*	0.955
	PUBLIC	3.38274	6.185	7.338	1.378	0.191
	TOTAL	795288	4.456	2.483	18.64*	0.977
GDCF	PUBLIC	953630	9.305	9.150	31.11*	0.991
	PRIVATE	999155	5.278	3.126	16.59*	0.971
	TOTAL	992311	7.917	2.244	25.15*	0.987
Total Period: 1990 -91 to 2009 -10						
GDS	HOUSEHOLD	347729	7.119	3.886	55.94*	0.992
	PCS	912984	7.180	10.306	17.95*	0.947
	PUBLIC	2.016	5.064	13.051	2.429**	0.246
	TOTAL	497091	6.593	2.687	34.63*	0.985
GDCF	PUBLIC	276152	2.445	10.801	24.59*	0.971
	PRIVATE	623354	7.332	3.461	29.54*	0.979
	TOTAL	559753	6.999	2.517	32.03*	0.982

Note: ** and * indicates significance values at 5 and 1 per cent levels.
Source: Authors calculation using data in Appendix Table

Appendix

Gross Domestic Saving and Gross Domestic Capital Formation and GDP in India during the period 1990-91 to 2009-10

(At Current Prices) in Rs. Crores

Year	Gross Domestic Saving				Gross Domestic Capital Formation			GDP at Market Prices
	House hold Sector	Private Corporate Sector	Public Sector	Total	Public Sector	Private Sector	Total	
1990-91	108603	15164	10641	134408	62000	84018	146018	586212
1991-92	105632	20304	17594	143530	68494	83069	151563	673875
1992-93	127943	19968	16709	164621	73854	113914	187768	774545
1993-94	151454	29866	11674	192994	81283	108454	189737	891355
1994-95	187142	35260	24266	246668	101530	140984	242514	1045590
1995-96	198585	59153	31527	289265	105091	214512	319603	1226725
1996-97	224653	62540	31194	318387	110633	202423	313055	1419277
1997-98	284127	66080	29583	379790	116367	269078	385445	1572394
1998-99	352114	69191	-3146	418159	130898	293148	424046	1803378
1999-2000	438851	87234	-9238	516847	154164	372999	542682	2012198
2000-01	463750	81062	-29266	515545	155299	355054	525078	2168652
2001-02	545288	76906	-36820	585374	169269	419000	602456	2348330
2002-03	564161	99217	-7148	656230	163403	455917	633277	2530663
2003-04	657587	129816	36372	823775	187730	530415	742717	2837900
2004-05	763685	212519	74499	1050703	240580	770598	1052231	3242209
2005-06	868988	277208	88955	1235151	293350	931331	1266073	3693369
2006-07	994396	338584	152929	1485909	356556	1134319	1540583	4294706
2007-08	1118347	469023	248962	1836332	441923	1401284	1896799	4987090
2008-09	1330873	417467	54280	1802620	531730	1396160	2000103	5630063
2009-10	1639038	532136	11796	2182970	591622	1624446	2332380	6457352

Source: Economic Survey 2011-12, Govt. of India.