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By Luis Nelson Beltrán Mora

Universidad de La Salle, Colombia

Resumen- El artículo muestra cómo ha sido el desarrollo económico colombiano desde el modelo de sustitución de importaciones en la década de los cincuenta, contrarrestándolo con el de apertura económica de la década de los noventa. Si bien en el último periodo el crecimiento económico ha logrado disminuir la pobreza; las políticas de mercado han empeorado la distribución del ingreso; sin duda la variable que hay que atacar para que el proceso de paz no solo tenga éxito, sino más importante asegurar un modelo económico que siga generando bienestar y que asegure el objetivo de la concordia de los colombianos.

Palabras Clave: distribución del ingreso, crecimiento económico, bienestar, pro-pobre, efecto goteo.

GJHSS-E Classification : JEL Code: JEL 011, 020, 023, 041, 047

MODELOECONOMICOPOTSCONFLICTOCOLOMBIANOCRECIMIENTOPEROCONDISTRIBUCIONDELINGRESO

Strictly as per the compliance and regulations of:

Modelo Economico Potsconflicto Colombiano: Crecimiento Pero Con Distribucion Del Ingreso

Luis Nelson Beltrán Mora

Resumen- El artículo muestra cómo ha sido el desarrollo económico colombiano desde el modelo de sustitución de importaciones en la década de los cincuenta, contrarrestándolo con el de apertura económica de la década de los noventa. Si bien en el último periodo el crecimiento económico ha logrado disminuir la pobreza; las políticas de mercado han empeorado la distribución del ingreso; sin duda la variable que hay que atacar para que el proceso de paz no solo tenga éxito, sino más importante asegurar un modelo económico que siga generando bienestar y que asegure el objetivo de la concordia de los colombianos.

Summary- The article shows how it has been the economic Colombian development from the model of substitution of imports in the decade of the fifties, offsetting it with that of economic opening of the decade of the nineties. Though in the last period the economic growth has managed to diminish the poverty; the policies of market have worsened the distribution of the revenue; undoubtedly the variable that it is necessary to attack in order that the process of peace not only is successful, but more important assure an economic model than continue generating well-being and that assures the aim of the concord of the Colombians.

Palabras Clave: distribución del ingreso, crecimiento económico, bienestar, pro-pobre, efecto goteo.

I. Introduccion

En los últimos 22 años, la economía colombiana logró una senda de crecimiento del PIB de 3.8% anual; el mismo contribuyó a disminuir la pobreza, si se tiene en cuenta que la población con ingresos por debajo de la media desciende de 54% en 1990 a 45% en 2012; sin embargo el incremento del PIB se ha acompañado de una mala distribución del ingreso que atenta en el mediano plazo incluso contra el propio crecimiento, y que en política de convivencia pacífica no hace sustentable el modelo de desarrollo vigente; el coeficiente[1] de GINI pasa de 47% en 1989 a 55.5% en 2012, siendo uno de los más altos en América Latina.

En efecto, la economía colombiana y especialmente el modelo de apertura que se implementó en los años noventa, si bien mejoró el ritmo de crecimiento económico por el aumento de la

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productividad y competitividad de los factores; dentro del fundamento del libre mercado e iniciativa privada local y extranjera, provocó una mala distribución de la renta que no solo favoreció al capital, sino que deterioró la participación del factor trabajo y los salarios en el PIB; esta situación contribuyó a aumentar el desempleo y a disminuir la demanda agregada, dos variables incidentales para entender el desarrollo de la economía colombiana.

La tesis en torno a que el crecimiento ayuda a disminuir la pobreza sigue siendo válida en la economía colombiana, pero si a la misma se le suma políticas públicas de redistribución del ingreso como el gasto social y una política de impuestos a la clase pudiente beneficiada de las ganancias, el modelo aperturista será integral para el desarrollo económico y la convivencia pacífica. Esta ponencia se desarrolla en cinco grandes ítem; en el primero, esta breve introducción que presenta la investigación; en el segundo ítem se muestra a manera de contexto, las cifras sobre crecimiento, pobreza y distribución del ingreso en la economía colombiana después del proceso de apertura; se concluye que la economía colombiana no solo logró en los últimos 22 años sendas de crecimiento superiores a las obtenidas en el modelo sustitutivo; sino que especialmente en los últimos 10 años el per cápita crece 3.5% anual; el crecimiento mejoró los índices de pobreza pero se acota sin embargo que empeoró la distribución del ingreso haciendo de Colombia uno de las peores naciones en América Latina en concentración del ingreso; los salarios descendieron como participación del producto, en tanto que las rentas de capital, especialmente las externas, ganaron en la distribución del ingreso; en el ítem 3 se repasa la teoría económica existente entre crecimiento, pobreza y distribución del ingreso, para señalar que la fórmula para abatir la pobreza sigue siendo en el largo plazo el crecimiento económico y una política solida de redistribución del ingreso; no basta solo concentrar el gasto social en educación y salud para aumentar la productividad del capital humano; es necesario, aumentar los impuestos de renta para la clase pudiente y disminuir los impuestos al consumo para reactivar el mercado interno y la participación de los salarios en el PIB.

En el ítem 4 se presentan los resultados del modelo desarrollo económico en Colombia implementado en los últimos 50 años; para señalar que

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el de sustitución de importaciones con alta participación del Estado en la economía, no solo sentó las bases de desarrollo industrial, sino que la pobreza pudo haber disminuido por el gasto público que contribuyó a mantener sendas de empleo y una participación alta del salario en el PIB que, incentivaron el propio crecimiento de actividades de mayor valor agregado como las industriales; en este modelo la pobreza aumentó porque el modelo sustitutivo y la política fiscal no consolidaron el gasto social especialmente el de educación como motor de crecimiento endógeno; sin embargo, la introducción de los impuestos de renta mejoraron la distribución del ingreso.

En el modelo de apertura comercial, si bien los incentivos al sector privado aumentaron las ganancias y en general el ritmo de crecimiento del PIB, la disminución de los salarios en el PIB como la salida de ganancias al exterior provocaron caídas en el consumo de los hogares y la demanda agregada en general, está situación le restó crecimiento al producto.

Los impuestos al consumo no solo contribuyeron a la disminución de la demanda, sino que también perjudicaron la renta de los más pobres. En los últimos diez años la distribución del ingreso favorece a los capitalistas y las ganancias, en especial del sector externo que ha obtenido prebendas a la inversión extranjera.

En el ítem 5 a manera de conclusiones y de proyecciones de política económica para la paz, se estudia la incidencia de la violencia armada en el crecimiento y en general a la distribución del ingreso; acotando que en Colombia en la década de los noventa los costos del conflicto le restaron crecimiento económico a la nación; pese a que en los años dos mil los costos de la guerra se pudieron reducir, se colige que el gasto militar restó espacio al gasto social y que hoy todavía la violencia armada genera entre otros incertidumbre inversionista; el arreglo político que debe ser la paz, podría liberar recursos para acometer gasto social en capital humano y restar cargas tributarias al consumo de los hogares colombianos en procura de un mejor bienestar y distribución del ingreso; la Universidad de La Salle es partidaria de seguir trabajando un modelo de desarrollo humano integral y sustentable para una paz duradera.

II. Las Cifras Del Desarrollo Economico Colombiano

Colombia logró un importante crecimiento económico después del proceso de apertura; el PIB a nivel de paridad y poder adquisitivo logró cuadruplicarse al pasar de US $120.000 millones en 1990 a US $500.000 en 2012; la tasa de crecimiento del producto no solo alcanzó una media de 3.8% anual, superior en más de 2.7 puntos porcentuales al registro de la década pérdida de los ochenta, sino que más importante el país pudo superar las crisis financieras internacionales de 1999 donde el PIB cae en 4.2%, y la de 2008 donde apenas crece 0.6%, respectivamente. En general desde el proceso de apertura la media de crecimiento del producto ha sido positiva, superando en más de 0.5 puntos porcentuales el promedio de crecimiento de las décadas de los sesenta, setenta y ochenta.
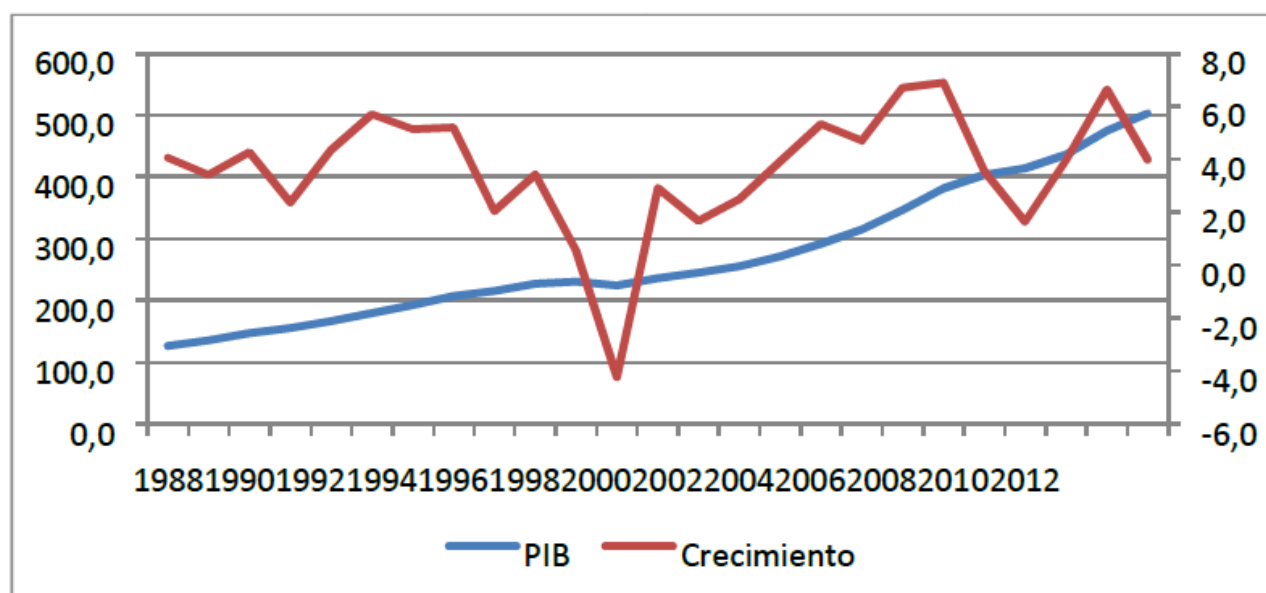
Fuente: autor con base a DNP y CEI Argentina

Gráfico No. 1 : PIB a precios de paridad y crecimiento anual 1988-2010

El crecimiento superó con creces la tasa de crecimiento poblacional de 1.2% anual en ese mismo período, y en este sentido debió contribuir al desarrollo social, si se tiene en cuenta que el PIB per cápita pasó en el mismo periodo de US $1.200 a US $7.800, respectivamente; con una tasa de crecimiento anual de 2.0% y de 3.5% entre 2002-2012. Sólo en la última década Colombia logró triplicar el PIB per cápita, y como si fuera poco entre 2007 y 2012 pasó de ser una economía de ingresos medios bajos a una economía de ingresos medios altos (DNP, 2013).
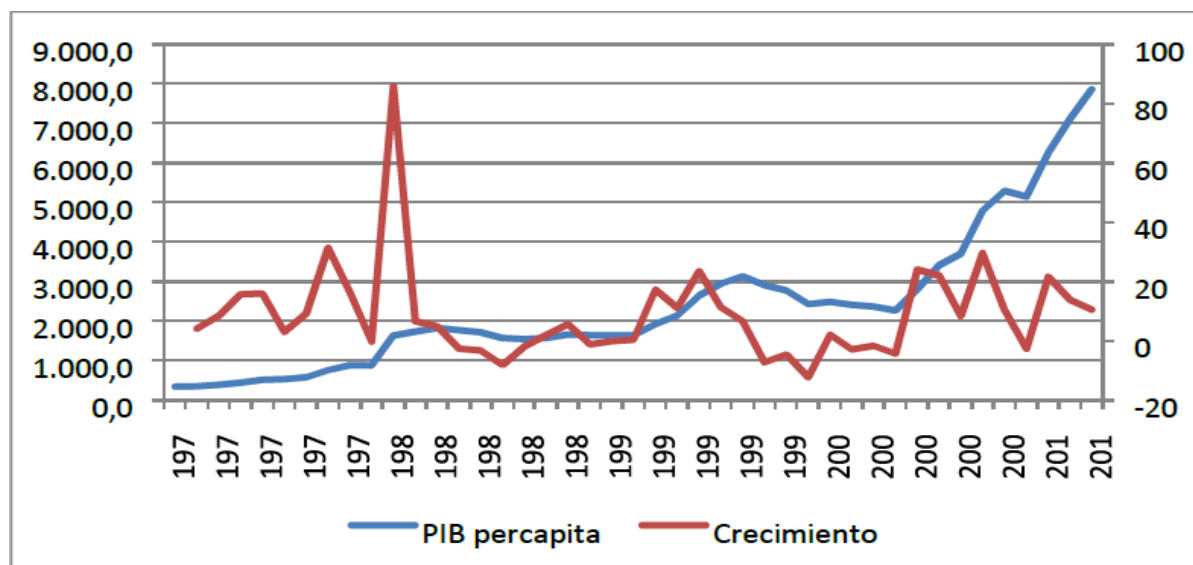
Fuente: autor con base a DANE y DNP

Gráfico No. 2 : Ingreso per cápita (dólares corrientes; tasas de crecimiento)

Si se compara el crecimiento económico de Colombia con otros países en el mundo, se colige que en los últimos 22 años el país superó en crecimiento a países como los Estados Unidos, Alemania y México; y que estuvo en los niveles de los países asiáticos que lograron aumentos entre 3 y 5 veces de su producción en ese período. Si bien el crecimiento del PIB es importante, hay que decir que todavía Colombia está lejos de los aumentos milagrosos como los registrados por China, Chile y Perú que, en el mismo período de tiempo registraron aumentos de la producción de 13.6, 4.9 y 4.6 veces, respectivamente.

Cuadro No. 1 : Crecimientos del PIB por países 1990-2012

	1990	2012	Var 90-12
Argentina	182,2	644,3	3,5
Brasil	786,2	2.355,6	3,0
Chile	65,8	320,5	4,9
Venezuela	136,8	401,9	2,9
México	612,4	1.758,9	2,9
Colombia	146,9	502,9	3,4
Perú	70,5	326,7	4,6
Hong Kong	95,5	369,4	3,9
Indonesia	276,8	1.216,3	4,4
Malasia	87,7	498,5	5,7
Singapur	54,5	326,5	6,0
China	910,3	12.405,3	13,6
Estados Unidos	5.800,5	15.684,8	2,7
Alemania	1.446,8	3.197,1	2,2

Fuente: Autor con base a CEI Argentina

El crecimiento económico se dio en actividades de bienes no transables como la construcción, los servicios financieros y gastos del gobierno. Estas actividades representaron cerca del 70% de la actividad económica en 2012; la actividad agrícola redujo su participación en el PIB de 11% en 1990 a 6% en 2012. El sector industrial pasa de una participación de 17% en 1990 a 12% en 2012; en general las actividades transables caen en su participación en el PIB de 35% a 29% en el periodo analizado; el sector dinámico en los últimos años ha sido el minero donde se proyecta una bonanza de cantidades y de precios en las actividades de petróleo, carbón y piedras preciosas, entre otros; la participación del sector minero aumentó de 7% a 11.9% entre 1990 y 2012.[2]

Cuadro No. 2 : PIB participación por actividades 1990-2012

	1990	1995	2000	2005	2010	2012
Agricultura	11,0	9,0	8,3	7,7	6,5	6,0
Explotación de minas	7,0	3,7	5,9	6,3	8,4	11,3
Manufactura	17,2	14,0	13,9	14,1	12,8	11,9
PIB TRANSABLE	35,2	26,7	28,1	28,1	27,7	29,2
Construcción	4,3	8,6	4,2	5,6	7,2	7,7
Finanzas	20,3	24,4	20,3	18,8	19,3	18,7
Transporte	5,6	6,3	6,3	6,8	6,4	5,8
Comercio	15,5	14,7	12,9	11,9	11,6	11,3
Gastos del gobierno	11,2	13,1	17,4	15,9	15,8	15,3
PIB NO TRANSABLE	64,8	73,3	71,9	71,9	72,3	70,8
PIB total	100,0	100,0	100,0	100,0	100,0	100,0

Fuente: Autor con base a DANE Colombia

a) Mejoran los indicadores de Pobreza

Entre 1990 y 2012 el crecimiento económico colombiano mejoró en líneas generales los indicadores de pobreza en Colombia, sin embargo por las metas del milenio todavía se está distante de lograr los objetivos mínimos en cada indicador, sobre todo si se compara por regiones del país, donde las rurales podrían estar lejos de las conquista de derrotar lapobreza. Según el indicador de ingresos para alcanzar la canasta básica o de artículos esenciales para la vida como son los alimentos, el vestido, vivienda, servicios y otros; en 1990, el 53% de los hogares no abastecía la canasta básica; indicador que baja hasta 45% en 2012; en el ámbito rural este indicador fue de 65% en 1990 y 60% en 2012. Según datos de la CEPAL el indicador de indigencia pasa de 28.5% en 1994 a 10.7% en 2012.
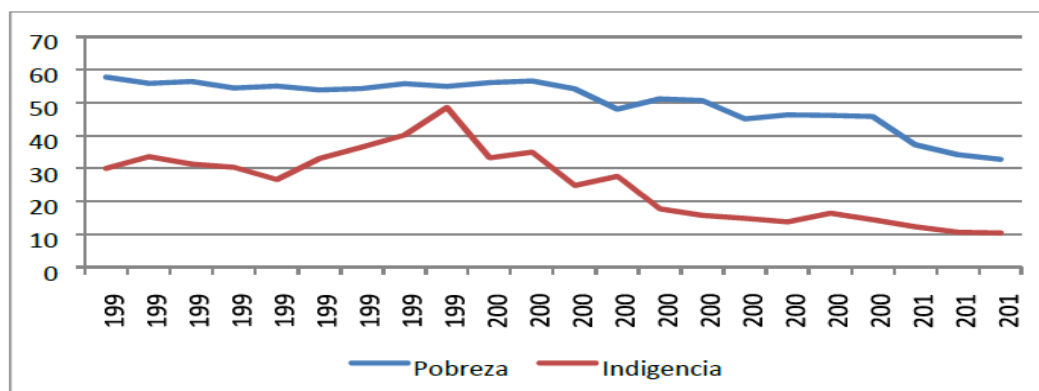
Fuente: Autor con base a DANE, CEPAL y otros

Gráfico No. 3 : Pobreza en Colombia 1990-2012

Cuando se le compara a Colombia en indicadores de pobreza con los países de América Latina se puede afirmar que el país supera en pobreza a la región en general y junto a Nicaragua, Bolivia, Honduras, Guatemala, Salvador y Paraguay es uno de los países con el mayor índice de la pobreza nacional y rural en la región.

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[2] El crecimiento económico por sectores de la demanda agregada interna estuvo representado entre consumo e inversión, todavía el sector externo visto por las exportaciones tiene una participación baja en el PIB; 13% en 2012; 1 punto porcentuales superior al registro de 1990.

Cuadro No. 3 : Pobreza en América Latina 2012

	Nacional	Urbana	Rural
Total América Latina	29,4	24,5	49,8
Colombia	34,2	30,5	46,2
Chile	11	11,3	8,7
Brasil	20,9	18,2	36,1
Bolivia	42,2	32,6	61,5
Argentina	6,2	5,7	6,4
Costa Rica	18,8	18,3	19,6
Ecuador	35,4	32,4	41,4
Salvador	46,6	41,1	55,8
Guatemala	54,8	42	66,5
Honduras	67,4	56,3	76,5
México	36,3	32,3	42,9
Nicaragua	58,3	52,9	65,4
Panamá	25,3	15,5	43,6
Paraguay	49,6	42,9	59,3
Perú	27,8	185	56,1
Uruguay	6,5	6,7	4,1
Venezuela	29,5		

Fuente: Autor con base a CEI

b) Empeora la distribución del ingreso

No obstante que el crecimiento económico y los indicadores de pobreza han mejorado; estas conquistas se han acompañado de una mala distribución del ingreso; la riqueza no solo se ha concentrado en los estratos más ricos de la población, sino como se comentará más adelante, el mismo beneficia al capital (DANE, 2012). Es claro que el indicador GINI se deterioró con las crisis económica de 1999 y se recuperó en la época de auge del PIB entre 2000-2012, sin embargo su tendencia general para el periodo de 1990-2012 indica un promedio de 56% en los últimos 22 años; 0.9 puntos porcentuales superior al promedio de los años ochenta. En términos muy escuetos en 2010 el 20% de la población más rica concentró el 56% del ingreso; es decir que el otro 80% de la población luchaba por el 44% del ingreso.
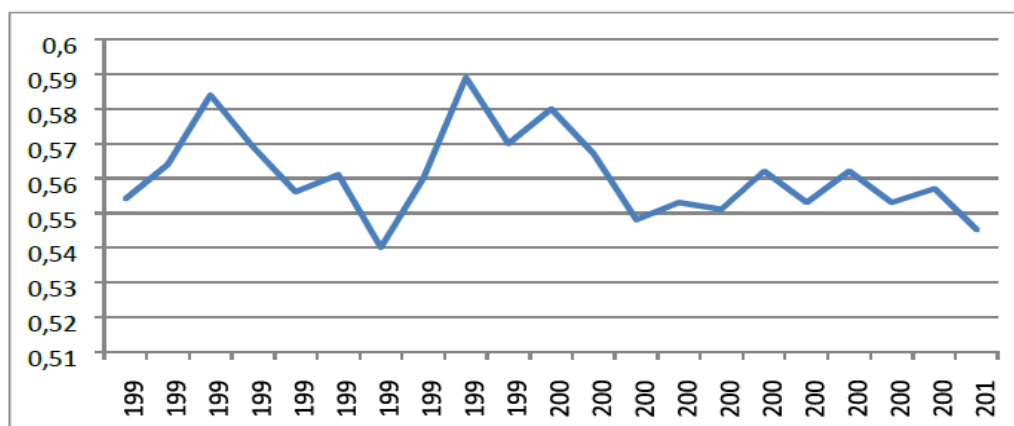
Fuente: Autor con base a DANE, CEPAL

Grafico No. 4 : Coeficiente de GINI 1990-2012

Finalmente cuando se mira por deciles de la población se puede constatar que, el ingreso se concentró en los estratos más ricos de la población. Con información de la CEPAL para el período 1991 y 2011 se tiene que el 10 de la población más rica concentró en 2010 el 41.2% del total de ingresos de la economía, en tanto que el 10% más pobre solo accedió al 0.8% del total de ingresos; estos resultados en comparación con 1991 indican que los más pobres redujeron en 0.4 puntos porcentuales su participación en el ingreso; en tanto que los más ricos aumentaron su participación en 2.2 puntos porcentuales.

Cuadro No. 4 : Distribución del ingreso: deciles de la población colombiana 1990-2012

	D.1	D.2	D.3	D.4	D.5	D.6	D.7	D.8	D.9	D.10
1991	1,20	2,90	4,50	5,50	6,30	7,20	8,70	10,40	14,30	39,00
2002	0,80	1,90	3,10	4,40	6,10	7,20	8,40	10,40	14,60	39,80
2010	0,80	2,00	3,30	4,60	6,10	7,40	8,60	10,70	15,30	41,20

Fuente: autor con base a CEPAL

III. Teoria Del Crecimiento Economico y la Pobreza

La teoría neoclásica desde finales de los años veinte ha insistido que las economías de mercado pueden lograr sendas de crecimiento sostenido de la riqueza o del PIB, si: utilizan los recursos productivos; si ellos se combinan perfectamente; y si se aumenta la productividad de los mismos; en economías de competencia perfecta, con rendimientos decrecientes, el cambio tecnológico surge como el elemento capaz de mantener sendas de crecimiento constante; Romer 1991 y Lucas 2005; insisten en la utilización de los modelos de crecimiento endógeno por la vía de gastos en educación y salud como motores del desarrollo. Sobre advertir que en las condiciones de competencia perfecta, estos modelos no solo ayudan con el crecimiento del PIB sino que fundamentalmente facilitan el desarrollo social[3].

El enfoque de crecimiento por la vía de oferta ha insistido también en el comercio internacional porque considera que el mismo produce aumentos adicionales del producto; de un lado, las exportaciones son generadoras de empleo local, y del otro lado, las importaciones proporcionan la transferencia de la tecnología para el aumento de la productividad; amén que las inversiones extranjeras directas no solo aumentan el empleo, sino que en la práctica son las empresas multinacionales las que más generan cambio tecnológico. Finalmente, el modelo neoclásico reclama de un manejo serio de la política económica, no solo para la realización del equilibrio, sino fundamentalmente para la estabilidad de los mercados; en este sentido se aboga por políticas fiscales y monetarias y cambiarias para reducir la inflación, las tasas de interés y mantener el tipo de cambio.

Otros modelos como los keynesianos y post-keynesianos coligen que la mejor alternativa para el crecimiento y desarrollo económico es la intervención del Estado y la inversión productiva (Keynes, 1936), en el mismo la demanda, el consumo, la inversión y el gasto público, tienen efectos multiplicadores en la producción, al generar incentivo o crowding IN sobre la propia inversión privada. Las políticas keynesianas para aumentar el crecimiento van desde el gasto de consumo público, hasta inversiones productivas como puede ser la construcción de grandes megaproyectos públicos con aumento de la deuda pública que termina siendo ganancia incluso para los beneficios del capital, si se tiene en cuenta que quien financia al Estado es el mismo sector privado.

El enfoque de crecimiento en este modelo es claramente la demanda agregada; las variables incidentales para el crecimiento son el consumo de los hogares, la inversión local, y el gasto del gobierno; este último porque puede aligerar tanto el consumo, como la propia inversión privada. Los keynesianos al aceptar que las economías tienen ciclos de expansión y depresión, defienden la política fiscal para estabilizar la tendencia de crecimiento de la demanda; en épocas de baja demanda y desempleo; el déficit fiscal es el instrumento para llevar a la economía a crecimientos en el corto plazo; el superávit fiscal en cambio es la alternativa para luchar contra el fenómeno de la inflación propio de la épocas de expansión[4].

Los modelos keynesianos están elaborados para economías cerradas, por tal motivo sus políticas tienden a la protección y el incentivo a la industria local, actividad que no solo es la que mayormente ocupa mano de obra, sino también una de las que más valor agregado genera al PIB. Los propios cepalinos han indicado que hay muchas contradicciones en el

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[3] En el modelo neoclásico, el crecimiento del PIB es función de las variables de oferta; actualmente se impone el denominado modelo de Investigación, Desarrollo e Innovación I&D&I, donde las inversiones en capital humano y tecnología generan aumentos de la producción por la vía de la productividad de los recursos.

[4] osLke ynesianos abogan por los impuestos directos como la estrategia para combatir la distribución de la renta; consideran que los impuestos indirectos como el consumo contraen la demanda agregada, toda vez que esta variable es la base del desarrollo del mercado local.

comercio internacional; el libre comercio no solo es desventajoso para las economías pequeñas por reducir los términos de intercambios, sino que fundamentalmente la especialización en la producción, reproduce el modelo Centro Periferia; esto es que habrán economías especializadas en la producción de los bienes manufactureros de mayor progreso tecnológico, economías desarrolladas; sino que fundamentalmente las menos desarrolladas en economía libre se volverán vecindades agrícolas y mineras, sin mayor valor agregado en el comercio exterior; las importaciones no solo desplazaran producción, sino que aumentan los niveles de desempleo local.

a) Efecto goteo

El pensamiento económico ha defendido al crecimiento económico como la variable suficiente para reducir la pobreza, el modelo utilizado es el del "efecto goteo" (trickle down); en el sentido que se espera que el crecimiento produzca un derrame vertical de ingresos de la población rica hacia la población en condiciones de pobreza. Es decir, los beneficios del crecimiento económico se van en un primer momento hacia los ricos, después cuando estos comienzan a gastar sus ganancias en el mercado local, los beneficios se dirigen hacia la población pobre. En conclusión, los pobres se benefician del crecimiento indirectamente a través de un flujo vertical de ingresos procedente de los ricos; la mala distribución del ingreso o desigualdad en este modelo se presenta sólo como la mera asimetría entre los propietarios de los factores de la producción, pero en sí misma no tenia porque afectar ni al crecimiento económico ni a la reducción de la pobreza; Kuznets[5] (1955) uno de los primeros teóricos del efecto goteo afirmaba que, la desigualdad del ingreso era algo natural en las primeras fases del crecimiento; pero que en el largo plazo, la misma tendería a desaparecer; kuznets, afirmaba incluso que la desigualdad de la distribución del ingreso aumenta en las primeras etapas del crecimiento económico, luego se estabiliza y finalmente se disminuye en las últimas etapas del crecimiento en la denomina curva en forma de "U" de los coeficientes coeficiente de Gini, y crecientes niveles de ingreso per cápita.

En la transición de una sociedad preindustrial a una industrial la desigualdad desciende más rápido. Kuznets acotaba que el crecimiento económico trae aparejada la redistribución gradual de la actividad económica: de actividades caracterizadas por un nivel relativamente bajo de desigualdad, se pasará a actividades modernas caracterizadas por un nivel de desigualdad relativamente alto.

b) Crecimiento pro pobre

Otra corriente de pensamiento sobre la relación crecimiento, pobreza y distribución es la denominada crecimiento pro-pobre; en la cual autores como Bragwati 1988 afirmaba que la pobreza no disminuye exclusivamente por el efecto indirecto del crecimiento económico, en ella inciden también el canal directo que es la utilización de políticas distributivas de la generación del ingreso. Dollar y Kraay (2000) investigan cuál es la relación entre el incremento del ingreso de los pobres y el crecimiento general de la economía, y concluyen que es diferente según los niveles de desarrollo, durante las crisis y/o entre distintos periodos de tiempo; demuestra que el crecimiento, sin importar la naturaleza de este, beneficia de la misma manera a los sectores pobres como a los no pobres es decir a los ricos; por lo cual en el largo plazo no hay distribución del ingreso; coligen estos autores incluso que el gobierno no tiene la necesidad de implementar políticas de crecimiento a favor de los pobres, y por lo tanto, señalan que las afirmaciones de los teóricos del efecto goteo no son tan concluyentes. Foster y Székely (2001:6) demuestran por medio de un método alternativo, que si bien existe una relación positiva entre crecimiento y el nivel de ingreso de los pobres, esta relación arroja un valor menor a uno, con lo cual el incremento en el ingreso de los pobres es menos que proporcional al incremento del crecimiento general, con lo cual la población pobre se ve menos beneficiada por el crecimiento de la economía, debido a que la distribución del ingreso se modifica en repercusión de los pobres. Autores como Lusting 2002 y Ravallion 2004 afirman incluso que las políticas a favor del crecimiento económico en presencia de un alto nivel de desigualdad aumentan la pobreza en el mediano y largo plazo.

La teoría del crecimiento pro-pobre propone que, para vencer la pobreza no solo se necesitan medidas que incentiven el crecimiento económico, sino que al mismo tiempo debe existir políticas que favorezcan la distribución del ingreso a favor de los más pobres; la hipótesis del modelo del crecimiento pro-pobre indica que los pobres deben recibir mayores beneficios que los no pobres en las políticas de crecimiento. La política propobre ha sido impulsada por el PNUD en los objetivos del desarrollo del milenio; donde no solo se propone erradicar la pobreza a través de mejorar la calidad de vida de los más pobres con salud, educación, sino de la creación de cadenas productivas sociales donde se involucren los sectores de más bajos ingresos al modelo de producción de mercado; estas deben ir acompañadas de políticas de responsabilidad social y gasto público en bienes meritorios públicos.

SEN (2010) considera que las políticas encaminadas solo al crecimiento económico, como las medidas para aumentar la productividad y

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[5] Simón Kuznets (1955) es el primer autor que plantea el estudio de la distribución del ingreso en el largo plazo, al contestar la pregunta sobre la relación entre el crecimiento económico y la distribución del ingreso.

competitividad de los factores, en presencia de alta desigualdad no solo son lesivas para los ingresos de los más pobres, sino que terminan por reducir los consumos en general de la economía y con esto se convierten en desincentivos al propio crecimiento. En efecto, generalmente los ajustes económicos que se realizan para crecer en los modelos neoliberales, sacrifican los empleos y las remuneraciones de los trabajadores; bajar los costos fijos de las empresas en épocas de represión, disminuye entonces los salarios y producen desempleo, contradiciendo la propia teoría económica neoclásica en torno a que el uso de los factores productivos es el principal instrumento para elevar el producción y las propias ganancias. También ajustes estructurales para generar equilibrio fiscal y monetario para reducir la inflación y aumentar la confianza inversionista, implican reducir la renta disponible de todos los estratos de la población en especial de los más pobres; la renta disponible baja por los impuestos directos e indirectos, bajará más cuando los impuestos son indirectos al consumo porque perjudica el ingreso y el gasto de los hogares; considera Foxley que las medidas que utilizan los modelos neoliberales como los recortes de gasto público social hacen que los estratos más vulnerables aumenten los cinturones de miseria y que, finalmente sea el propio crecimiento el que se altere por caídas de la demanda.

Finalmente a manera de reflexión es necesario que la lucha contra la pobreza se dé a través de políticas de crecimiento económico que incentiven el mercado local pero que fundamentalmente favorezcan la distribución del ingreso.

IV. Desarrollo a la Colombiana

Las ideas sobre el crecimiento económico han calado en Colombia; en efecto en los años treinta y después de la crisis de 1929 que, demostró que los modelos neoclásicos no eran capaces de recobrar la senda de crecimiento en el corto plazo, se adoptaron modelos de crecimiento keynesiano; López Pumarejo 1934-1938 sin conocer a Keynes practicó la política de la teoría general de la ocupación el interés y el dinero. La reforma constitucional de 1936 fue de corte intervencionista con claros visos activistas; el Estado y la política fiscal tuvieron un papel preponderante en el desarrollo económico colombiano entre 1930 y 1989; luego el pensamiento neoliberal y los postulados del mercado que calaron también en los economistas y políticos colombianos; incluso llevando los grandes preceptos a la constitución política de 1991 cambiaron la óptica y visión del modelo de desarrollo; en esta oportunidad no solo se defienden las tesis de la oferta, la productividad y competitividad, sino que se propende por favorecer la iniciativa privada y relegar al Estado a funciones netamente de estabilidad económica y distributivas del ingreso.

a) Modelo de sustitución de importaciones y distribución del ingreso

Las ideas de un modelo keynesiano de incentivo del mercado local al igual en que la mayoría de países de América Latina, se aplicaron entre 1930 y 1989 en Colombia; en los años cuarenta cuando los empresarios accedieron al poder, a expensas del Estado y de la creación de las principales empresas públicas con beneficios sociales y de fomento a la actividad productiva, lograron que las actividades industriales crecieran; de igual manera en los años 50 en el primer plan de desarrollo denominado Bases de un Programa de Fomento para Colombia, se aceleró la inversión pública para el crecimiento de la economía; en los años sesenta con las ideas cepalinas de Raúl Prebish se implementó el Plan de Decenal donde el Estado era el principal actor para el desarrollo y crecimiento económico; en este periodo y hasta los años ochenta se puede hablar en Colombia de un modelo endógeno de corte keynesiano que promovía el crecimiento económico y la industria nacional por la vía de la intervención del Estado que, con recursos públicos y altos aranceles incentivaba y protegía la industria nacional.

Sin duda que este modelo tuvo resultados positivos en el crecimiento económico y la industrialización del país. Entre 1950 y 1989 la industria nacional creció por encima del PIB pasando de una participación de 7% a 21%, respectivamente; fue tan importante el apoyo a la industria nacional que el país dejó de ser una economía agrícola cafetera para adentrarse en la industria liviana, la actividad minera y de la construcción; en efecto el sector agrícola pasa de representar el 45% del PIB en los años cincuenta a 14% en 1989. En este periodo de tiempo el modelo utilizado junto con las bonanzas cafeteras trajeron resultados interesantes en el crecimiento del PIB y la generación de empleo. Entre 1960 y 1980 la tasa de desempleo no superó el 15% anual; y la actividad manufacturera generaba más de 2 millones de empleos; en este periodo los mayores salarios tenían una participación de más de 40% del factor trabajo en el PIB; los mayores salarios e inversiones públicas permitieron el desarrollo del mercado interno que, visto por el consumo y la inversión pública crecían a tasas superiores al mismo PIB.

Entre 1950 y 1989 el desarrollo industrial no solo mantuvo tasas de crecimiento del empleo altas, sino que fundamentalmente el aumento de la demanda de trabajo también elevó la participación de los salarios en el PIB que llegaron hasta el 43% en 1989; es sobre la anterior premisa que se habla que en el modelo de sustitución de importaciones, como lo indican los teóricos del crecimiento pro-pobre, produjo un mejor desarrollo social, toda vez que el trabajo y los mayores salarios incentivaron todas las formas de consumo e inversión local; está última jalonada por las ganancias

del capital que por contabilidad nacional representaban cerca del 50% del ingreso.

Otro factor que explica porque a finales de los años ochenta la distribución del ingreso no era tan desfavorable, fue el manejo de la política fiscal; desde la reforma de 1936 y hasta la de 1986, los gobiernos de ese periodo insistieron en los impuestos directos como el instrumento más indicado para la distribución de los ingresos; todas las reformas fiscales atenuaron a aumentar el impuesto de renta y liberar a los ciudadanos de los impuestos al consumo; el impuesto de renta pasa de representar el 10% de los ingresos corrientes de la nación en 1940 a 35% en 1989.

Donde sí pudo haber fallado la distribución del ingreso fue el gasto público; entre 1970 y 1980 el gasto en bienes meritorios o de fomento se inclinó a ayudar a los empresarios y se olvidó del gasto social, especialmente los relacionados con el capital humano en este periodo el gasto social no superó el 7% del PIB, y la educación y salud apenas representaron 2% y 1% del PIB.

El modelo keynesiano hizo crisis a comienzos de los años ochenta entre otros factores por los desequilibrios fiscales y de balanza de pagos; el primero originado en el aumento desmedido del gasto público, y el segundo por la disminución de las exportaciones que para ese entonces no eran competitivas. También hacia finales de los años ochenta se encuentra un rezago de productividad de la industria nacional, que señalaban que el modelo de sustitución se había agotado siendo en términos generales perjudicial para el propio crecimiento del PIB que apenas alcanzó 1.0 % en la década.

b) Apertura y concentración del ingreso

Desde 1987 en el llamado Consenso de Washington los diagnósticos económicos de los organismos internacionales como el FMI y el Banco Mundial señalaban la necesidad de tener economías más modernas, productivas y competitivas; se insistió no solo otra vez en la tesis de la libertad de los mercados, sino que se propuso de manera tajante que el Estado asumiera un papel mínimo en la economía; debía solo regulador los mercados. Colombia no fue ajena al diagnóstico de agotamiento del modelo de desarrollo de sustitución de importaciones; en 1989 en un documento del Banco Mundial se realizó un estudio a la economía colombiana señalando que está debía modernizarse e internacionalizarse para aumentar el crecimiento económico y disminuir la pobreza. En el gobierno Barco se da los primero pasos para abrir los mercados a la competencia privada e internacional; el Estado comienza a reactivar los procesos de privatizaciones y asume más funciones sociales; el mercado va a quedar en manos del sector privado local y externo.

En el gobierno Gaviria se introducen las primeras reformas en los mercados financiero, Ley 45

de 1990; de comercio exterior Ley 7 de 1991; y mercado laboral desmonte de las cesantías 1990, y creación de los fondos privados de salud y pensiones 1993. En el gobierno de Samper pese al lema de ponerle corazón a la apertura, en su plan de desarrollo el Salto Social, el gobierno privatizó algunos activos estatales: empresas de servicios públicos domiciliarios y bancos, entre otros; aunque también el gasto público se dirigió a los temas de educación y salud se descuidó la calidad en la prestación de los mismos; en esta administración; el Estado realizó dos reformas tributarias encaminadas aumentar los impuestos al consumo; en este periodo el IVA pasó de 14 a 16%; en el gobierno de Andrés Pastrana si bien se mantuvo el impuesto al consumo y se realizaron políticas de inserción de la economía al comercio mundial; como también se fomentó los encadenamientos de las pymes locales se realizaron reformas de disminución del impuesto de renta a los grandes empresarios; el gasto social aunque se elevó al 13% del PIB, no tuvo en cuenta recursos para la investigación, el desarrollo, y la propia innovación; finalmente en los gobiernos de Uribe pese a los lemas del Estado comunitario, este tuvo un papel más regulador en la economía; las reformas tributarias en esta administración se concentraron en el IVA y en introducir más productos a la base gravable; el gobierno Uribe reformó el mercado laboral liquidando las horas extras y dominicales para los asalariados, y aumentó las bases gravables de los trabajadores de clase media; finalmente ese gobierno dio prebendas a los empresarios reduciendo el impuesto de renta, además que reactivó las privatizaciones, acelerando la entrega a los privados de los esquemas de prestación de los servicios públicos, incluido desde luego las pensiones y salud.

c) Resultados finales del desarrollo colombiano

Entre 1990 y 2012 el crecimiento del a economía Colombia disminuyó la pobreza; el mismo se dio entre otros factores por el aumento de la productividad de los medios de producción, la estabilidad macroeconómica y el mismo proceso de apertura que se acompañó de inversiones extranjeras y de un aumento sustancial de las exportaciones; sin embargo, el ritmo de crecimiento es todavía bajo para cerrar la brecha entre el PIB potencial y PIB efectivo; no solo hay problemas con la adopción del cambio tecnológico sino que, fundamentalmente no se han puesto en marcha los modelos endógenos inspirados en la educación capaces de generar la innovación necesaria para el desarrollo de los procesos productivos y el aumento real del PIB. Actualmente el crecimiento económico se ha dado con bajos niveles de utilización de los factores productivos. El desempleo pese a reducirse de 22% en 1999 a 11.5% en 2012, es alto para una economía con recursos abundantes de mano de obra; y de otro lado, las empresas en el sector

manufacturero reportan que solo trabajan al 58% de su capacidad instalada. Si en Colombia se utilizaran todos los recursos el PIB alcanzaría US $800.000 millones; que de mantener el crecimiento de la población el país pasaría a cerca de US $15.000 de per cápita en el 2017, con lo cual la pobreza bajaría otros 3 puntos adicionales.

El crecimiento económico también se ha manifestado en sectores de bajo valor agregado que, hace pensar a algunos analistas que la economía se está peligrosamente reprimarizando (Bonilla, 2010). La actividad industrial manufacturera perdió solo en los cinco años, 3 puntos porcentuales de participación en el PIB y la agricultura 5; los sectores en cambio con los mayores aumentos en producción son construcción, servicios financieros, servicios comerciales y servicios públicos; actividades conocidas como no transables. De igual manera, si bien los precios de los productos primarios como el petróleo y el carbón han estado altos en el comercio internacional y contribuido a aumentar el ritmo de crecimiento del PIB, el sector productivo ha convivido con una alta revaluación del peso que ha hecho perder competitividad cambiaria a las actividades transables en el sector externo.

La máxima expectativa de proyección de crecimiento de la economía colombiana y con esto de disminución de la pobreza está ligada actualmente a la explotación del sector minero; donde se estima no solo crecimientos superiores al 6% anual en los próximos 5 años, sino que se prevén inversiones extranjeras de más de US $50.000 millones entre 2012-2016 (PND, 2013).

El crecimiento económico se ha dado como en la mayoría de países emergentes, sobre todo en los latinoamericanos, con problemas de distribución del ingreso, que incentivan peligrosamente a no cumplir con el objetivo de reducción de la pobreza. El privilegio al uso del capital y la misma política fiscal que no contribuye equitativamente al mejoramiento de las rentas de los ciudadanos de ingresos bajos, ha impulsado una alta concentración del ingreso; no es un secreto que en Colombia el Estado en la última década haya realizado 10 reformas tributarias que favorecen claramente las rentas y ganancias de los capitalistas, y que castigan los salarios y en general el consumo de los hogares; cabe señalar que en Colombia el 10% de la población más rica concentra el 40% del ingreso; según Miguel Urrutia, el país "tiene una distribución de ingresos extremadamente desigual, asunto particularmente importante ya que la desigualdad es esencialmente la fuente de la mayoría de la pobreza que se encuentra en el país". (Urrutia, 2010, p 2)

El último informe sobre distribución del ingreso realizado por el DANE muestra que la aceleración de la apertura en los años dos mil comenzó a mostrar un deterioro adicional del ingreso interno. El Excedente Bruto de Explotación que el pago al uso del capital supera a la remuneración del salario; que entre 2000 y 2011 cae de 34% a 32% de participación en el ingreso[6]; en cambio el capital se incrementa de 34,9% en 2000 a 39,4% en 2011; según el DANE, el anterior resultado indica que ha habido una sustitución global del factor trabajo por capital, a partir del año 2007 el crecimiento de los excedentes brutos ha crecido a tasas de más del 40%; como se comentó anteriormente este hecho ocurre debido al auge económico en actividades asociadas al uso intensivo del capital tal como la explotación de minas y canteras, por encima de otras actividades relacionadas con uso intensivo en mano de obra como ya comentó industria y agricultura. Otro dato no menos preocupante es la participación del capital extranjero en el ingreso nacional; en tanto que la renta pagada al resto del mundo tuvo un crecimiento promedio de 13, 5% entre 2000 y 2011 (al pasar de $8, 3 billones a $31, 0 billones en ese periodo, la renta recibida del resto del mundo, tuvo un crecimiento de 8, 9% promedio (al pasar de $2, 1 billones a $4, 1 en 2011).

De todas maneras es importante señalar que el crecimiento económico junto con las políticas de gasto público especialmente social han mitigado el flagelo de pobreza en Colombia; después de la constitución de 1991 donde acatando el mandato ciudadano de los derechos económicos y sociales, no solo se aceleró el proceso de descentración política estatal, sino que se logró de parte del Gobierno Nacional Central GNC entregar recursos fiscales a la mayoría de la población en los entes territoriales y locales para los gastos en educación, salud y vivienda. Sobre educación hay que decir que esta incide en la mala distribución del ingreso y la concentración de riqueza en Colombia; este servicio se considera de baja calidad y no posee mayor cobertura situación que, ha llevado a tener una mano de obra no calificada que se traduce en un mayor desempleo y que castiga con mayor intensidad a los sectores más pobres.

El futuro sobre el desarrollo colombiano en el cual no solo incidirá las políticas de crecimiento sino también de distribución del ingreso no es tan optimista; el PNUD en el informe de 2012 sobre objetivos del desarrollo milenio señala como preocupante los resultados en materia de pobreza para Colombia; a 2010 el número de personas en pobreza extrema es decir que no alcanzaban a tener US$1.25 diarios para la subsistencia alcanzaba al 10% de la población. (PNUD, 2012). Finalmente en Colombia el crecimiento

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[6] A comienzos del periodo, el nivel del excedente era de $67, 6 billones, seguido por el de la remuneración a los asalariados ($68, 4) y en menor medida, el del ingreso mixto ($53, 1). Para el año 2005, mientras que el Excedente alcanzó un nivel de $113, 1 billones (seguido por la remuneración a los asalariados), el ingreso mixto llegó a $81, 9 billones. Especialmente hacia finales de periodo, el excedente aumenta en mayor proporción respecto a las otras variables, al llegar a un nivel de $223, 2 billones de pesos en 2011p, mientras que la remuneración a los asalariados llegó a un nivel de $196, 1 y el ingreso mixto a $134, 7 billones.

económico también se ha acompañado preocupantemente de un deterioro secular del medio ambiente; cifras de la CEPAL para 2010 señalan que en el país un crecimiento de la producción o del PIB de US $1.000 millones conlleva a aumento de 67 millones de toneladas de C02, lo mismo que indica que a pesar que Colombia es uno de los países con los mayores recursos naturales en materia de agua, oxígeno y biodiversidad, la explotación indiscriminada, y la falta de políticas públicas para hacer sustentable el desarrollo, agota minuto a minuto esta riqueza, al mismo tiempo que deteriora la calidad de vida de los colombianos. (CEPAL, 2013)

V. Proyecciones de Política Económica Para un Modelo Potsconflicto

No hay otro tema que haya puesto a teorizar: disciplinar, inter-disciplinar y transdisciplinarmente a las ciencias sociales que el proceso de paz en Colombia; el conflicto armado es una de las variables que causa violencia en el país; desde el último proceso de paz en 1998 este tema permitió a los economistas estudiar los fenómenos que causan pobreza y por esta vía violencia, como también los factores que generan violencia y por ende pobreza, o pérdidas de desarrollo económico a la nación. Los enfoques disciplinares apuntan incluso a reformar el modelo económico que se basa en la tesis liberal del mercado, por otro donde, el Estado tenga una mayor participación e intervención en la economía, un Estado que atienda el bienestar y desarrollo humano de los colombianos. La desigualdad y pobreza son flagelos que siguen explicando la violencia en el país.

La Universidad de La Salle en su Facultad de Ciencias Económicas y Sociales no solo tiene como misión y visión la paz, sino que también viene trabajando el concepto de Desarrollo Humano Integral y Sustentable DHIS (2007), que tiene por objetivo revitalizar las tesis del crecimiento con equidad para un modelo desarrollo futuro de país, donde los fenómenos de pobreza y violencia, o violencia y pobreza, se atenúan para mejorar el bienestar de los colombianos.

Cuando se mira las cifras que produce la violencia en Colombia como son los homicidios por todos los conceptos incluyendo los accidentes de tránsito, los robos, la delincuencia brutal de las ciudades y los campos se encuentra que nuestro que nuestra nación es uno de los países con las más altas cifras de este flagelo en el mundo[7]. Si solo se sumaran

los homicidios ocurridos en los últimos veinticinco años, el país totalizaría medio millón de vidas perdidas; solo en la última década el promedio anual superó las 25.000 personas; 51 homicidios por cien mil habitantes, según los datos del Centro Nacional de Referencia sobre Violencia del Instituto de Medicina Legal; la magnitud de la tragedia es alta, toda vez que la tasa de homicidios en el mundo es 5 por cien mil; Colombia tiene en la actualidad una tasa de homicidios entonces 10 veces superior a la mundial y las cifras de violencia indican que entre 1990 y 2010 la tasa de crecimiento anual de los homicidios supera el crecimiento económico anual del país[8].

En 2010 los homicidios por muertes generadas a causa de la política ascendieron a 2.500 lo que equivale a decir que la violencia armada es el 10% del total violencia que como ya se comentó atrás puede star generada en la pobreza y el descontento social generado por la mala distribución del ingreso; con esto estamos afirmando de entrada que el proceso de paz solo mejoría en 10% el primer mal que aqueja a la nación que es la violencia. Los costos económicos de la violencia armada se resumen en el trabajo de Pinto (2004) donde se destaca con ejercicio de valoración de costos directos como indirectos que la violencia armada ha impuesto a la economía nacional un costo de $16.5 billones entre los años 1999 y 2003.

Por la definición dada de violencia armada se contabilizan los pagos generados por el daño a infraestructura energética, vial y aeroportuaria, pagos de secuestros, extorsión, narcotráfico, desplazamiento forzado, el uso de minas antipersonal, así como el pago de indemnizaciones a víctimas, entre otros. Estas cifras al compararlas con los agregados económicos nos permiten pensar que realizar el proceso de paz si paga en la economía colombiana. Los costos a precios de ese año representaron el 7,4% del PIB; dos veces el déficit fiscal; 3 puntos superiores al gasto militar y 2.1 veces el Presupuesto de Inversión de la Nación y el 14,1% de la deuda del sector público no financiero. En el anterior escenario las cifras permiten afirmar que si el Estado invirtiera esos recursos en mejorar la distribución del ingreso por el lado de un mayor gasto público, a precios de 2013 aumentaría el gasto social a 20% del PIB que significaría no solo mejorar la distribución del ingreso es decir disminuir el GINI a menos de 50; sino que mejor aún el gasto social impulsaría adicionalmente el crecimiento económico.

Los modelos econométricos utilizados para medir el impacto de la violencia en el crecimiento y la pobreza son contundentes; la violencia armada le resta al país más o menos 2.5 puntos porcentuales de crecimiento económico y también entre 4 y 5 puntos de aumento de la pobreza; en este contexto es que se apoya el proceso de paz. Sin violencia la economía aumentaría el crecimiento a 6% anual que en un periodo

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[7] La violencia armada en Colombia es de vieja data y la tesis también muy histórica: en las ciudades y regiones más densamente pobladas del país, la primera causa de muerte es el asesinato o el homicidio. Según el más reciente "Forensis", informe anual del Instituto de Medicina Legal sobre las muertes violentas, en 2010 se presentaron en Colombia 29.922 homicidios, 489 más que en año 2009; la cifra es 2% anual superior al promedio de los últimos 25 años; cabe resaltar que 1999 se presentaron 23.209 homicidios7; en 1996, 24.256; y en 1991, 28.260, en cifras relativas, la tasa de homicidios por cada cien mil habitantes llegó a 51 en 2010, inferior a los 54 de 1998, 65 de 1996, y 84 de 1991.

de 15 años consecutivos abatiría flagelos como el desempleo y la propia pobreza.

Aunque el objetivo de esta investigación es diagnosticar y dar la solución para que el proceso de paz sea duradero, no hay que olvidar que la violencia a solucionar debe tener estrategias para reorientar los recursos y elementos disponibles para bajar los índices de violencia en general; luchar contra el delito; ganarle la pelea a la violencia de base y de descomposición social implica poner en ejecución políticas públicas de impacto social que le quiebren el dorso a la pobreza y a la mala distribución del ingreso; en los trabajos de DHIS no se desconoce que la base del desarrollo es el crecimiento pero este no es condición suficiente para resolver el tema de pobreza y abatir la violencia, se necesita de políticas de equidad donde se incluya a la sociedad civil al proceso productivo que se avecina, a propósito de la bonanza minera, es la oportunidad no solo para explotar nuestras ventajas comparativas aumentando los niveles de empleo locales, sino más importante para establecer cadenas productivas competitivas de inclusión social que mejoren la distribución del ingreso.

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Impact of Fdi in India: State-Wise Analysis in an Econometric Framework

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Abstract- While there are many empirical studies on the impact of FDI in developing countries, few of them have been carried out in India at the state level which gives a holistic as well as detailed view of the spillover of FDI. This paper analyzes the impact of FDI on eight major states in India during the post- reform period from 1991-2004 using three models, FE, RE and SUR models. FE (Fixed Effects) and RE (Random Effects) give a holistic view whereas the SUR (Seemingly Unrelated regression) model gives a more detailed picture of the eight states of India. Results show that overall FDI has a positive impact on labour productivity and employment for the period considered. However, across states FDI is more productive only when the states have more absorptive power also labour productivity is growing only at the expense of employment.

Keywords: *labour productivity; employment; fe model; re model; sur model; overall impact; and state-specific impact.*

GJHSS-E Classification : *JEL Code: F15, F20*

Strictly as per the compliance and regulations of:

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Abstract- While there are many empirical studies on the impact of FDI in developing countries, few of them have been carried out in India at the state level which gives a holistic as well as detailed view of the spillover of FDI. This paper analyzes the impact of FDI on eight major states in India during the post- reform period from 1991-2004 using three models, FE, RE and SUR models. FE (Fixed Effects) and RE (Random Effects) give a holistic view whereas the SUR (Seemingly Unrelated regression) model gives a more detailed picture of the eight states of India. Results show that overall FDI has a positive impact on labour productivity and employment for the period considered. However, across states FDI is more productive only when the states have more absorptive power also labour productivity is growing only at the expense of employment.

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I. Introduction

The importance of Foreign Direct Investment (FDI) is not limited to the financial capital that flows. The globalization of activities by multinational enterprises (MNEs), jointly with the efforts made by all kinds of governments, has transformed the role of FDI not only as a development indicator but also its close linkages with trade, technology transfer and financial flows (UNCTC, 1991). Economic growth of the host country increases due to increase in FDI by channelising foreign investors' managerial, technical, financial, accounting or legal expertise into new infrastructure and other projects. Competition from foreign companies can lead to productivity gains and greater efficiency in the host economy. Further application of foreign investor's policies to a domestic subsidiary may improve corporate governance. The standard of living in the host country is also improved and it can offset the volatility created by foreign institutional investment. In developing countries especially, FDI can result in transfer of all types of scarcities- financial capital, technological know-how, efficient managerial techniques, organizational skills and access to market abroad. The host country may be able to benefit from the employment opportunities created by new investors. FDI is also seen as a source of producing tangible and intangible assets in the host economy. It may provide rents (including high wages, benefits and profits) and potential spillovers and externalities that are extremely favourable to the host country's economic growth (Moran, 1998). Foreign firms seek not only domestic markets, but also provide access to external markets by sourcing manufactured products from domestic market (Nagraj, 2003). In short, FDI inflows can be a tool for bringing knowledge, managerial skills and capability, product design, quality up- gradation, brand names, channels for international marketing of products, and consequent integration into global production chains, which are the basis of a successful exports strategy (BlomStrom, Lipsey and Zejan, 1994; Borensztein, De Gregorio and Lee, 1998; United Nations Conference on Trade and Development (UNCTAD) 1999; Organization for Economic Cooperation and Development (OECD) 2002, Kokko, 1994).

Turning to India, a severe macro-economic and balance of payment crisis in 1991 led to an extensive and complete break from insulation strategy and opened the economy to import competition and to foreign investment. Foreign investment was introduced in 1991 under Foreign Exchange Management Act (FEMA), by then finance minister Manmohan Singh. Thereafter FDI inflows in India have undergone a significant improvement as compared with FDI inflows into all developing economies (RBI, 2008). High economic growth has resulted in high growth in domestic market, which is prime engine for India's viability as an investment destination for foreign investment. In addition, the FDI policy rationalization measures taken by the government have resulted in increased FDI inflows over the years. According to UNCTAD World Investment Prospects Survey 2007-2009, India emerged as second most favoured FDI destination after china. With India and China becoming important players in the global economy; it is indeed a great value and learning experience to undertake the research on the impact and incidence of FDI.

FDI inflows within India are quite uneven and is heavily concentrated around the relatively fast moving reformers, with already advanced industrialization, such as Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Delhi and Tamil Nadu whereas, Kerala, Orissa, Madhya

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Pradesh, Punjab, Rajasthan and West Bengal are lagging behind (see Appendix I and II). It is generally accepted that growth performance of the states has become more skewed after the reforms. Economic and political weekly (EPW) Research Foundation (2003) reports that the coefficient of variation (CV) in growth rates of gross state domestic product (GSDP) rose from 30.52 % during 1980-81 to 1990-94 to 41.1% during 1993-94 to 2000-01 and that of per capita GSDP from 50.20 to 68.04 during the same period. It also shows that Gini coefficient, a measure of inequality, has been rising over the years. Considering all the states together, it slowly moved up from 20.9 in 1980-81 to 22.8 in 1991-92 but has moved sharply after the reform and reached 29.2 in 2000-01. This paper thus tries to explore whether the impact of FDI inclined towards the skewed growth in India making rich states richer in relative terms and poor states lagging behind.

What follows in the following section is the review of relevant literature in section 2. Section 3 deals with model specification and econometric analysis. Section 4 discusses the result and section 5 concludes the paper.

II. Literature Review

The studies on impact of FDI are very limited. These studies have identified impact of FDI inflows on number of factors. However, many of these factors are either country-specific or industry-specific and would not apply to state/provincial level of FDI flows. It is evident from the empirical literature that there is either a positive or negative effect of FDI on economy and growth of the host country. A positive relationship between FDI and economy growth in china's economy was found by Chen et al (1995) and Berthelemy and Demurger (2000). A number of empirical studies have directly measured the spillover from foreign investment. For example, Caves (1974) examined the impact of foreign presence on value added per worker in Australian domestically owned manufacturing sectors and found that the disparity between foreign and domestic value added disappeared as the foreign share increased in labour-intensive sectors. Blomstrom and Persson (1983) also found that labour productivity was significantly higher in sectors where foreign firms employed a higher share of labour force. While Blomstrom and Edward (1989) found faster productivity growth and faster convergence of productivity levels in sectors with higher level of foreign ownership.

Ramstetter (1993) developed a macroeconomic model analyzing macroeconomic effects of FDI in Thailand. His model allowed simulations of effects of policy changes on enterprises for different ownerships. An examination of the impact of foreign investment on firms in Morocco's manufacturing sectors by Haddad and Harrison, 1993 suggested that foreign firms showed higher total factor productivity but their rate of productivity growth was lower than that of domestic firms.

On the other hand some of the negative spillover arising due to FDI was evident in the studies of Markusen and Venables, 1997, Agosin and Mayer, 2000 which stated that the most immediate and evident externality of MNE on domestic firms is that there will be some distortion in their market share. A rather neutral effect was observed by Fry (1992) who examined the macroeconomic effects of FDI on 16 developing countries. His findings suggested that: a) FDI inflow neither increased domestic investment nor did it provide additional balance of payment (BOP) financing; b) an increase in FDI reduced national savings; c) FDI did not exert significantly different effects on the rate of economic growth compared to domestic investment and d) FDI exerted both direct and indirect effects on current account. Bos et al (1974) also found that FDI played a minor role in increasing the income of the host country, while it posed a heavy burden on BOP. These effects were quite prominent in countries like, India, Philippines, Ghana, Guatemala, Argentina and Zaire.

The study in Indian context by Dua and Rashid (1998) shows a one-way causality from index of industrial product (IIP) to FDI where, IIP is taken as a proxy for GDP. However, IIP cannot be a proper proxy of GDP as industrial production contributes less than 30% of GDP. Chakravorty and Basu (2002) have tried to find out the impact of FDI on growth in India using vector error correction method. The model reveals that GDP in India was not caused by FDI and FDI in India tended to lower the unit of labour cost i.e. FDI was labour displacing. Raut (1995) in his study for Indian manufacturing sectors examined the R&D spillover using panel data over 1975-86. He observed the contribution of in-house R&D capital and industry-wise R&D capital to the productivity growth of private firms in India and points out that spillover R&D is a highly significant determinant of productivity growth. A statistically significant impact of imported disembodied technologies on productivity in Indian industries was observed by Rana & Hasan (2001).

There is hardly any study to show the impact of FDI at state level in India. The literature on influences of FDI within a country is relatively scarce. Most of the available studies relating to FDI flows impacting the state/province level relate to developed countries. Thus the present study is an endevaour to explore the impact of FDI inflows at the state level. The present study is expected to become the first of its kind where both overall impact and across the state impact of FDI are analysed simultaneously in India. The present study have made use of three models Fixed effect (FE), Random effect (RE) and Seemingly Unrelated Regression (SUR) model to examine the impact of FDI at the state level. This is a new attempt in this area as

rarely FE, RE and SUR models are used in the studies related to the impact of FDI. This paper contributes to the growing strand of literature by highlighting the role of advanced technology in introduction of productivity growth and employment growth and the requirement of absorptive power in these processes.

III. Model Specification and Econometric Analysis

While there are many empirical studies on the impact of FDI in developing countries, few of them have been carried out in India in an econometric framework especially in the transient period of post-reform. This paper which gives a holistic as well as detailed view of the spillover of FDI in different states in India has not been applied so far. We tested the effect of FDI on productivity and employment across different states in India and also investigated whether this impact of FDI in the post reform period depends on the absorptive capacity of the recipient states and indicate policy implication there from.

We assume that the impact of FDI on the above dependent variables is different in each state during this transient period. This is a more detailed study than assuming a common effect of FDI on these variables in India as a whole. Three models appropriate for the study have been made use of. They are Fixed Effect (FE), Random Effect (RE) and Seemingly Unrelated Regression (SUR). Panel estimator is a standard where elasticity coefficients are assumed to be constant, and the intercept varies over individual capturing the effects of those omitted variables that are specific to individual cross-sectional units but stay constant over time. However, any inference on the impact of FDI based on panel data model can be erroneous because of possible simultaneity between dependent and independent variables. Since the direction of causality remains uncertain (whether FDI is impacting higher labour productivity/employment or labour productivity/ employment is causing higher FDI inflows) in the analysis, we tackled this problem using SUR model. In principle, the endogeneity problem can be tackled by applying instrumental variable techniques but the fundamental problem is that there are no ideal instruments available. A good instrument would be a variable which is highly correlated with FDI but not with the error term in these regressions. The results of this instrumental variable estimation are reported in a similar analysis by Borensztein et al (1998) wherein it is considered that the instrumental variable estimation yields qualitatively similar result to those obtained by SUR estimation. Moreover in SUR model, the response parameter are allowed to vary from one unit to another invariant over time (and the errors are allowed to be contemporaneously correlated and heteroscedastic between individuals) since it is quite possible that

different attributes over the states will be reflected in different elasticity coefficients (Judge, et al. 1985). Hence the present study uses SUR model proposed by Zellner (1962) to estimate the effects of FDI on labour productivity and domestic employment across eight states of India over a period of fourteen years from 1991-2004. The eight states of India are chosen from all the four regions viz. Delhi and Haryana from North, West Bengal and Orissa from East, Maharashtra and Rajasthan from West, and Karnataka and Kerala from South.

a) Hypotheses

Based on the analytical framework and literature we derive some hypotheses regarding the impact of FDI, on labour productivity and employment growth across the regions in India.

H_{11}: FDI would have a positive impact on labour productivity across all the states of India.

H_{12}: Impact of FDI on labour productivity would be different in each state.

H_{21}: FDI would have a positive impact on domestic employment across all the states of India.

H_{22}: Impact of FDI on domestic employment would be different in each state.

b) Data, Variables and Methodology

Approved FDI data over the post reform period 1991-2004 for the eight selected states have been collected from the Secretariat of Industrial Assistance (SIA) newsletter, a publications of the Ministry of Industries and Commerce, Government of India. The data for the other variables are compiled from Handbook of statistics on the Indian economy (Reserve Bank of India), Indian statistical abstract, various issues, labour bureau, Ministry of Labour, Annual Survey of Industries, India all at state level. Several missing values for some observations were extrapolated.

The rationale behind the selection of these variables and their possible relations with FDI are discussed below before the empirical model is specified and tested.

c) Labour Productivity

The literature is optimistic about the impact of multinationals on host-country's productivity. The studies which find a positive correlation between average industry productivity and the presence of foreign firms in the industry include Globerman (1979) for Canada in 1972, Blomstrom and Persson (1983), Blomstrom (1986), and Kokko (1994) for Mexico in the 1970s, and Blomstrom and Sjoholm (1999) for Indonesia in 1991. The literature further provides the evidence the benefits that the host economies acquire are quite uneven, both across and within countries.

In the present study, net value added per worker has been taken as dependent variable to

measure labour productivity. Relative labour productivity has been used as a proxy for absorptive capacity. On the other side, along with FDI, other independent variables include gross capital formation and wage rate. Gross capital formation is taken as a proxy for the growth of domestic investment. It is hypothesised that The SUR model postulated for the impact study would be:

$$ln LP_{it} = \gamma_s + \lambda_{1s} \ln FDI_{st} + \lambda_{2s} \ln GCF_{st} + \lambda_{3s} \ln W_{st} + u_{st} \quad (1)$$

$$s = 1, 2.....8$$
$$t = 1, 2 ...10$$

Where LP is labour productivity; GCF and W are gross capital formation and wage rate respectively.

All the variables, dependent and independent, are deflated with their appropriate price indices and then they are transformed into log scale. FDI taken as percentage of SDP and deflated by wholesale price index is one of the independent variables Coefficients in the log-linear model directly measure elasticities of FDI with respect to explanatory variables.

To find whether the response parameters vary significantly from one state to another, which is invariant over time, some tests have been carried out using the three models: (a) pooled model with common intercept and slope, (b) panel data model with constant slope and heterogeneous intercept, and (c) SUR model with heterogeneous intercept and slope.

The null hypotheses postulated for the study are as follows:

H_{11} : Both elasticity and intercept coefficients are the same for all states.

That is: $\gamma_1 = \gamma_2 = ... = \gamma_S$

$$\lambda_1 = \lambda_2 = ... = \lambda_S$$

H_{12} : Regression elasticity coefficients are identical, while intercepts are not.

That is: $\lambda_1 = \lambda_2 = ... = \lambda_S$

H_{13}: Regression intercepts are the same, while elasticity coefficients are not.

That is: $\gamma_1 = \gamma_2 = ... = \gamma_S$

Under the assumption that u_{st} are independently and normally distributed over s and t with mean zero and variance $\sigma^2 u$, F-tests are used to test the null hypotheses H_{11}, H_{12}, and H_{13}.
Under H_{11}, the F-statistic carried out would be:

$$F_1 = \frac{(S_3 - S_1) / [(N-1) (k+1)]}{S_1 / [NT - N (k+1)]}$$

Where, S_3 is the residual sum of squares of common intercept and slope;
S_1 is residual sum of squares of within group with heterogeneous intercept and slope.

both gross capital formation and wage rate exert direct influence on labour productivity.

The first hypothesis relates to the production effect proxied by net value added per worker, wherein it is said that FDI may increase the labour productivity in states.

If F1 is not significant, we pool the data and estimate a single equation. If the F ratio is significant, a further attempt is made to find out if the non-homogeneity is due to heterogeneous slopes or intercept.

Under the null hypothesis of heterogeneous intercept and homogeneous slope (H12), the F-statistic would be

$$F_2 = \frac{(S_2 - S_1) / [(N-1) k]}{S_1 / [NT - N (k+1)]}$$

Where, S_2 is residual sum of squares of constant slope with heterogeneous intercept.

If F_2 with (N-1) K and NT - N (K+1) degrees of freedom is significant, then the null hypothesis of heterogeneous intercept but homogeneous slope is rejected. However, if F_2 is not significant, we can then determine the extent to which non-homogeneity can arise in the intercepts (Hsiao, 2003). If H_2 is accepted, we can apply a conditional test for homogeneous intercepts, as

$$H_3: \alpha_1 = \alpha_2 = ...= \alpha_{N,}, \quad given \ \beta_1 = \beta_2 =....= \beta_N$$

The F_1-test carried out on the residual sums of squares for SUR and pooled data model rejects the hypothesis for homogeneous intercepts and elasticity coefficients. Further, to find out whether non-homogeneity is due to heterogeneous slopes or intercepts, F_2-test has been carried out on the residual sums of squares for FE and SUR data and has been found to be significant at 1 percent level. This rejects the second hypothesis that regression elasticity coefficients are homogeneous and intercepts are not. These two F-tests suggest that the model $y_{it} = a_i + \beta_{ki} x_{it} + u_{it}$ is treated as maintained hypothesis (Hsiao, 2003).

d) Impact on Employment

The recent rise in unemployment in a number of countries in the context of the growing globalization has focused the attention on issues related to FDI and its potential employment effects in the host countries. Conversely MNEs can play an important role in generating employment directly as well as indirectly through backward and forward linkages. In general inflows of FDI are not necessarily associated with a net

generation or displacement of employment to such an extent as to have an insignificant influence on the aggregate level of employment. Employment creation is one of the many aspects which are related to inward FDI.

Empirical studies supported by the recent evidence suggest that MNEs can help in development process in the host countries by facilitating employment of local labour, transferring technology to the host countries as well as expanding trade and integration into The SUR model is given as follows:

$$lnE_{it} = \gamma_s + \lambda_{1s} \ln FDI_{st} + \lambda_{2s} \ln PI_{st} + \lambda_{3s} \ln GCF_{st} + u_{st} \tag{2}$$

$$s = 1, 2.....8$$
$$t = 1, 2 ...10$$

Where, E is employment; PI and GCF are per capita income and gross capital formation respectively.

To find whether the response parameters vary significantly from one state to another, which is invariant over time, we performed the same tests as above using the three models: (a) pooled with common intercept and slope, (b) panel data model with constant slope and heterogeneous intercept, and (c) SUR model with heterogeneous intercept and slope. The F_1-test carried out on the residual sums of squares for SUR and pooled data model rejects the hypothesis for homogeneous intercepts and elasticity coefficients. Further, F_2-test carried out on the residual sums of squares for FE and SUR data has been found to be significant at 1 percent level. This rejects the second hypothesis that regression elasticity coefficients are homogeneous and intercepts are not. These two F-tests suggest that the model $y_{it} = a_i + \beta_{k} x_{it} + u_{it}$ is treated as maintained hypothesis.

IV. Discussion of Results

a) Impact on Labour Productivity

i. Overall Impact

The Pooled, FE and RE result of impact of FDI on labour productivity concludes that overall benefit to the states is encouraging (see table 1). Hausman test statistics shows RE model to be superior to FE model. RE model captures the state-specific time-invariant effects on its intercept. The elasticity estimate of labour productivity due to FDI is positive and significant at one per cent. This result reveals that the states have benefited in general as labour productivity increases due to spillover effect of foreign direct investment through the introduction of capital, technology and managerial skill.

ii. State-Specific Impact

It should be emphasized here that the panel data methodologies focused on the different responses controlling the individual-specific time-invariant effects.

global markets. However, the view of most economists seems to be that no firm conclusion is acceptable about the net employment effects of FDI.

The second hypothesis states that FDI may have a favourable impact on employment growth. Gross capital formation is taken as a proxy for the growth of domestic investment and it is hypothesised that both gross capital formation and per capita income would also exert direct influence on employment along with FDI.

Allowing for the possibility of the slope coefficients to vary across states as well and the error term to contemporaneously correlate across industries, Table 2 summarizes the results based on SUR model. The result from the SUR model reveals a significant positive impact of FDI on labour productivity in West Bengal, Karnataka, Kerala and Maharashtra, while the elasticity estimate of labour productivity with respect to FDI is positive and insignificant in Delhi and Haryana. However the elasticity estimate of labour productivity with respect to FDI is negative and significant in Orissa and Rajasthan which are relatively less developed states. The effect of FDI on labour productivity is found to be significant and positive in the group of catching-up and/or more developed states. If the technology gap between the foreign and domestic set up is low it may lead to assimilate and exploit knowledge from the environment. On the other hand the impact of FDI on the receiving states, for instance Orissa and Rajasthan, will fail to materialise if there is lack of sufficient abilities to adopt superior technologies used by foreign firms. This shows that the level of growth is positively associated with the beneficial impact of FDI. Borensztein et al. (1998) and Balasubramanyan et al. (1999) also confirm the relation between the impact of FDI and the quality of human capital. The potential for positive spillovers depend on absorptive capacity and the presence of innovation capabilities in the host regions. The impact of FDI on productivity critically depends on the capacity to absorb technology in the host country (Nelson and Phelps, 1966; Benhabib & Speigel, 1994). FDI is an important vehicle for the transfer of technology also suggested that the application of this advanced technology requires the presence of human capital in the host country.

The more the economy is better developed, the more the state is ready to benefit from FDI. The policy implication of this result is that the favourable impact of FDI on productivity can be strengthened by improving the absorptive capacity of the recipient states.

b) Impact on Employment

i. Overall-Impact

Following the similar methodology as in the preceding section, the Hausman test shows RE model to be superior to FE models. The elasticity coefficient of employment with respect to FDI in RE model is positive and significant (table 3). The result is thus encouraging showing an overall expansion in employment in the states.

ii. State-Specific Impact

F-tests carried out between pooled, FE and SUR model reject the null hypotheses that regression elasticity coefficients are identical, and intercepts are not. After controlling for the size, FDI has uneven impact on employment in the states. There is a clear trade-off between labour productivity and employment. There is a significant negative impact of FDI on employment in the cases of West Bengal, Delhi, Kerala and Maharashtra. The more developed states, where the labour productivity has increased due to FDI inflows there is a reduction in the number of employed. On the other hand, FDI has a positive and significant impact on employment in Rajasthan, Orissa, Haryana and Karnataka (table 4). Thus less developed states show employment expansion with hardly any productivity improvement. This is probably due to labour intensive nature of the industries in these states where labour cost is already low.

Developed states on the other hand both labour cost is high and technology intensive industries are dominant labour productivity has taken place in a more pronounced manner. While SDP growth rate has not been at the same pace as the rate of improvement in labour productivity, employment contraction has taken place. Since our data is from 1991-2004, this clearly is the transient state where growth rate lags labour productivity improvement. The same is not true in the case for underdeveloped states such as Rajasthan and Orissa, as there has been hardly any labour productivity improvement with economic growth which is showing in expansion of employment in such states. However, in states such as Haryana and Karnataka there are few exceptions to these two trends where expansion of economy has inched passed the labour productivity improvement, it clearly shows that these states have already taken off in economic growth.

V. Summary and Conclusions

We tried to analyse the spillover effects of FDI on eight different states in India in the post reform period between 1991 and 2004. We used FE and RE models to study the overall effect of FDI and SUR model for more holistic picture. The FE and the RE model result revealed that the overall impact of FDI on productivity and employment is quite encouraging for the period considered. However the SUR model which gave a

detailed picture of the impact of FDI showed that across regions the impacts are quite uneven. For example FDI has a significant positive impact on labour productivity in West Bengal, Karnataka, Kerala and Maharashtra, whereas, in Orissa and Rajasthan labour productivity was negative and significant. The effect of FDI on employment was significant and negative in West Bengal, Delhi, Kerala, and Maharashtra; while other states exhibited a significant positive impact. Thus, those states where the labour productivity is rising due to FDI inflows generally revealed a significantly negative impact on employment except for Karnataka and Haryana, where the impact of FDI on both labour productivity and employment are positive and significant.

The above findings show that the impact of FDI on labour productivity is negative in less developed states, while it has significant and positive effect in catching-up and/or more developed states where technology intensive sectors are predominantly prevailing. For underdeveloped states there has hardly been any labour productivity improvement which showed in expansion of employment. Thus it can be concluded that the impact of FDI on productivity significantly depends on the absorptive capacity of the recipient states which may enhance the spillover effect and thereby strengthen the impact of FDI on productivity growth. That is, it is likely that at very low levels of absorptive capacity the potentially positive impact of FDI may fail to materialize. In Karnataka and Haryana where SDP growth has surpassed the labour productivity improvement there are exceptions to these two trends. It showed that these states have already taken off.

This poses a big question as to whether liberalisation is making the rich states richer in relative terms and leaving the poor states lagging behind or will it lead to any convergence across states. However, creating favourable conditions for FDI is likely to support productivity convergence. The favourable impact of FDI on productivity can be strengthened by improving the absorptive capacity of the recipient states.

Table 1 : Panel Data Model (Overall Impact On Labour Productivity)

Variable	Pooled	Fixed effects	Random effects
ln(fdi)	0.043(2.981)***	0.013(1.734)*	0.014(1.777)*
ln(gcf)	0.000(0.073)	0.004(0.827)	0.004(0.783)
ln(wage)	1.037(5.909)***	1.347(9.483)***	1.326(9.089)***
Constant	6.444(21.561)***	_	6.856(26.789)***
R^2	0.43	0.60	0.58
Adj. R^2	0.41	0.59	0.57
Nobs, Nvar	112,4	112,4	112,4

Note: Against each variable, the first row represents the elasticity coefficient and t-statistics in the parentheses.
* significant at 10 percent, ** significant at 5 percent, *** significant at 1 percent
Hausman Test: Ho: Random Effects; Ha: Fixed Effects
Statistic = -0.486; Probability = 0.999

Table 2 : Sur Model (State-Wise Impact On Labour Productivity)

Variable	Rajasthan	W.B.	Delhi	Haryana	Karnataka	Kerala	Maharashtra	Orissa
ln(fdi)	-0.042 (-5.081)***	0.041 (7.194)***	0.007 (0.575)	0.001 (0.224)	0.025 (4.749)***	0.039 (8.633)***	0.051 (17.225)***	-0.008 (-2.742)**
ln(gcf)	-0.018 (-5.235)***	0.181 (3.281)***	-0.016 (-0.303)	0.008 (3.940)***	0.062 (0.860)	0.125 (2.980)**	-0.041 (-1.824)	0.051 (1.480)
ln(wage)	3.466 (18.515)***	2.257 (9.907)***	1.873 (7.432)***	2.261 (10.813)***	0.486 (3.429)***	0.833 (7.589)***	1.702 (9.788)***	0.882 (8.538)***
Constant	10.473 (34.203)***	6.523 (21.510)***	8.212 (20.044)***	8.386 (25.373)***	5.248 (7.757)***	5.135 (21.020)***	7.690 (22.667)***	5.835 (17.866)***
R^2	0.61	0.85	0.67	0.84	0.88	0.88	0.89	0.67
Adj. R^2	0.41	0.77	0.50	0.77	0.79	0.83	0.85	0.48

Note: Against each variable, the first row represents the elasticity coefficient and the second row gives the t-statistics in parenthe¬ses.
*significant at 10 percent, ** significant at 5 percent, *** significant at 1 percent

Table 3 : Panel Data Model (Overall Impact On Employment)

Variable	Pooled	Fixed effects	Random effects
ln(fdi)	-0.0134(-1.141)	0.010(2.427)***	0.009(1.821)*
ln(pci)	0.564(14.366)***	0.077(2.291)**	0.127(3.329)***
ln(gcf)	-0.011(-1.269)	0.003(0.967)	0.002(0.527)
Constant	3.353(13.029)***	-	6.104(23.964)***
R^2	0.75	0.18	0.21
Adj. R^2	0.74	0.16	0.18
Nobs, Nvar	112,4	112,4	112,4

Note: Against each variable, the first row represents the elasticity coefficient and t-statistics in the parentheses
*significant at 10 percent, ** significant at 5 percent, *** significant at 1 percent
Hausman Test: Ho: Random Effects; Ha: Fixed Effects
Statistic = -7.826; Probability = 0.999

Table 4 : Sur Model (State-Wise Impact on Employment)

Variable	Rajasthan	W.B.	Delhi	Haryana	Karnataka	Kerala	Maharashtra	Orissa
ln(fdi)	0.022 (20.636)***	-0.005 (-2.655)**	-0.040 (-5.770)***	0.006 (11.302)***	0.027 (12.344)***	-0.027 (-14.45)***	-0.004 (-4.155)***	0.003 (4.610)***
ln(pci)	0.030 (6.442)***	-0.057 (-3.066)**	-0.179 (5.592)***	0.127 (30.577)***	0.462 (7.728)***	0.814 (12.986)***	0.145 (19.201)***	-0.004 (-0.271)
ln(gcf)	0.006 (20.609)***	-0.025 (-1.325)	0.461 (18.945)***	0.000 (0.712)	-0.124 (-3.412)*	-0.129 (-11.98)***	0.051 (6.476)***	0.073 (5.537)***
Constant	6.154 (230.244)***	7.467 (35.236)***	5.998 (25.126)***	6.528 (208.21)***	4.701 (10.755)***	2.659 (6.972)***	5.933 (106.831)***	5.784 (32.455)***
R^2	0.74	0.27	0.81	0.83	0.58	0.82	0.80	0.15
Adj. R^2	0.62	0.09	0.71	0.75	0.38	0.74	0.75	-0.27

Note: (1) Against each variable, the first row represents the elasticity coefficient and the second row gives the t-statistics in parentheses.
* significant at 10 percent, ** significant at 5 percent, *** significant at 1 percent

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APPENDIX I

State-wise Number of Approvals and Amount Approved of Foreign Direct Investment (FDI) and Foreign Technical Collaboration (FTC) in India (August 1991-December 2004)

States/UTs	No. of Approvals	Amt. of FDI Approved		Percentage to total
	Total	(Rs. Million)	(US$ Million)	% to total
Andhra Pradesh	1296	116344.4	3055.12	4.65
Assam	19	14.95	0.48	-
Bihar	49	7397.05	180.18	0.3
Gujarat	1242	124625.1	3278.24	4.98
Haryana	882	38763.08	1020.38	1.55
Himachal Pradesh	102	12266.45	309.43	0.49
Jammu and Kashmir	5	84.1	2.42	-
Karnataka	2649	190963.9	4837.22	7.63
Kerala	336	17815.42	446.69	0.71
Madhya Pradesh	243	92714.08	2520.93	3.7
Maharashtra	5064	371077.9	9640.37	14.82
Manipur	2	31.85	0.89	-
Meghalaya	5	529.6	13.66	0.02
Nagaland	2	36.8	1.03	-
Orissa	141	82293.13	2355.78	3.29
Punjab	203	21303.54	534.98	0.85
Rajasthan	344	29112.11	782.29	1.16
Tamil Nadu	2686	226512.9	5895.99	9.05
Tripura	4	30.88	0.74	-
Uttar Pradesh	815	48365.63	1307.93	1.93
West Bengal	689	77971.3	2167.03	3.11
Chattisgarh	48	6363.03	183.33	0.25
Jharkhand	81	1465.15	42.67	0.06
Uttaranchal	52	1256.49	38.66	0.05
Andaman & Nicobar	8	137.87	3.56	0.01
Arunachal Pradesh	2	110.6	3.52	-

Chandigarh	86	3241.7	80.34	0.13
Dadra & Nagar Haveli	72	1239.8	35.93	0.05
Delhi	2816	305226.3	8445.36	12.19
Goa	285	9993.78	251.93	0.4
Lakshadweep	1	5	0.19	-
Mizoram	1	15.22	0.35	-
Pondicherry	130	12861.53	313.74	0.51
Daman & Diu	44	590.34	14.72	0.02
States Not Indicated	6062	703435	19522.95	28.09
Grand Total	26466	2504196	67289.02	100

Note: The information excludes FDI raised through GDRs/ADRs.
Source: Compiled from the statistics released by Ministry of Commerce and Industry, Govt. of India

Appendix II

State-Wise Growth Rate of Net State Domestic Product (NSDP) at Current Prices in India (1994-95 to 2004-05)

States\UTs	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Andhra Pradesh	19.6	16.2	13.5	5.2	21.1	8.7	11.8	7.9	8	13.4
Arunachal Pradesh	7.5	22.7	1.1	10.1	13.6	7.6	9.5	8.4	9.7	13.9
Assam	15.9	10	7.5	9.5	12.4	15.7	7.6	8.5	9.3	6.5
Bihar	13.7	7.6	34.9	2.9	14.9	9.6	10.7	-0.2	13.8	-2.6
Jharkhand	11.2	8.6	6.6	34.8	13.9	-1.5	-10.5	16.7	13	9.5
Goa	18.2	16.5	20.6	25.4	25.1	11.8	13.8	4.4	15.8	5
Gujarat	31.6	10.2	20.2	4.2	16.2	2.8	-2.6	12.4	16.2	20
Haryana	19.1	13.1	19.8	8.2	13.1	11.9	12.8	10	9.5	12
Himachal Pradesh	22.2	14.2	14.7	14.8	21.8	14.5	11.3	10.2	8	11.3
Jammu & Kashmir	9.1	16.2	12.6	12.8	25.6	9.5	5.1	8	11	8.2
Karnataka	16.4	16.2	16.1	11.5	21.6	7.5	10.3	3	9.6	9.9
Kerala	21.7	21.7	15.2	10.3	13.7	11.6	11.9	1.8	13.6	8.7
Madhya Pradesh	10.3	12.5	15.4	9.4	15.5	12.5	-6.5	15.6	-3.8	21.8
Chhatisgarh	8.5	9.4	13.4	12.1	10.7	5	-3.7	22.4	4.2	23.6
Maharashtra	14.5	20.8	12.8	8.7	8	16.3	-3	11.8	13.3	9
Manipur	7	15.5	17.3	13.8	12.9	16	2.1	17.1	3.6	8.8
Meghalaya	9.4	20.7	9.8	14.1	19.1	12.8	14.8	10.8	7.5	9.4
Mizoram	8.7	27.8	14.4	4	11.4	13.1	26.9	8.7	14.1	NA
Nagaland	16.5	13.7	11.7	15.6	2.2	6.7	47.1	12.8	15.4	NA
Orissa	20.2	22.4	-4.8	23.5	11.5	9.9	-1.5	8.1	4.3	26
Punjab	12.8	12.1	14.3	10.2	15.1	9.4	8.5	7.1	3.9	10.4
Rajasthan	26.8	13.5	22.3	11.6	15.3	5.9	0.6	11.7	-5.4	27.1
Sikkim	8.5	18.2	13.7	15.3	16.2	6.8	15.7	10.9	14.1	11.8
Tamil Nadu	18.7	13.8	13.5	17.2	14.1	6.5	11.9	0.7	8.1	8.5
Tripura	4.3	22.8	20.6	20.6	15.2	20.7	16.1	14.2	8.7	11.3
Uttar Pradesh	16.5	12.3	20.8	7.1	10.7	8.4	4.5	4.1	9.1	9
Uttaranchal	22.1	7.9	8.7	8.7	10.9	7.4	14.4	6.6	12.9	15.6
West Bengal	16.3	19.3	10.9	20.4	18.5	10.1	10.3	9.6	7.3	12.6
Andaman & Nicobar Islands	20.7	8.8	17.1	12.9	-7	12.2	2.2	8	11.1	NA
Chandigarh	19.2	20.9	20.3	14.9	17.2	14	8.3	11.3	16.8	15.4
Delhi	23.4	8.6	19.6	23	15.9	12	18.9	7.9	6	11.9
Pondicherry	14.6	13.1	55.6	40.6	14	4.1	22	9.8	22.1	14.3
India	17.3	16.6	15.9	11.8	15.5	12.3	7.6	8.6	7.7	13.2

Note: Position as on 21.07.2006
Source: Compiled from the statistics released by Ministry of Agriculture, Govt. of India.

Manufacturing Sector Employment and Multidimensional Poverty in Pakistan: A Case Study of Punjab Province

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Abstract- Economic growth coupled with equitable distribution of income and low poverty levels are the prime objective of economists and policy makers. Industrial sector has been the 'engine of growth' in the process of growth and development of the developed economies of today. Pakistan economy is the sixth largest economy of the world. About 48 percent of population, in Pakistan, is living under multidimensional poverty. The industrial sector of the Pakistan economy contributes about one-fifth of shares in the GDP. It employs a large share of labor force. So these facts provided the aspirations to explore the impact of manufacturing sector employment on multidimensional poverty in Pakistan. Cross-sectional data of 34 districts of Punjab province is used for the analysis. Multidimensional poverty head count index is regressed on manufacturing sector employment, healthcare, and education service. The standard OLS method is used to estimate the poverty equation. The study confirms the poverty alleviating impact of manufacturing sector employment and human capital (healthcare and education). The estimated model qualifies the diagnostic, specification error and stability tests. The study also suggests some policy recommendations for the improvement of the human capital and manufacturing sector.

Keywords: multidimensional poverty, manufacturing sector, education, healthcare, least squares, punjab, pakistan.

GJHSS-E Classification : FOR Code: 750101, 149999

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Manufacturing Sector Employment and Multidimensional Poverty in Pakistan: A Case Study of Punjab Province

Sharafat Ali [α], Muhammad Asghar [σ], Sadia Anjum [ρ], Raheel Abbas Kalroo [ω] & Muhammad Ayaz [¥]

Abstract- Economic growth coupled with equitable distribution of income and low poverty levels are the prime objective of economists and policy makers. Industrial sector has been the 'engine of growth' in the process of growth and development of the developed economies of today. Pakistan economy is the sixth largest economy of the world. About 48 percent of population, in Pakistan, is living under multidimensional poverty. The industrial sector of the Pakistan economy contributes about one-fifth of shares in the GDP. It employs a large share of labor force. So these facts provided the aspirations to explore the impact of manufacturing sector employment on multidimensional poverty in Pakistan. Cross-sectional data of 34 districts of Punjab province is used for the analysis. Multidimensional poverty head count index is regressed on manufacturing sector employment, healthcare, and education service. The standard OLS method is used to estimate the poverty equation. The study confirms the poverty alleviating impact of manufacturing sector employment and human capital (healthcare and education). The estimated model qualifies the diagnostic, specification error and stability tests. The study also suggests some policy recommendations for the improvement of the human capital and manufacturing sector.

Keywords: *multidimensional poverty, manufacturing sector, education, healthcare, least squares, punjab, pakistan.*

I. Introduction

Economic growth with equity and equality has been the prime objective of economists and policy makers. There is no developed country in the world which has moved up the ladder of its growth and development without the development of the industrial sector. Industrial development is necessary to set up of the long term growth base of the economy. Economic growth is considered to be necessary for poverty alleviation both by economic theory and policy makers. The seminal studies by Lewis, Nurkse and Rosenstein-Rodan are based on the notion of national development agenda. These theorists believed the "trickle down" effect of economic growth on the poor and deprived segments of the population (Lipton & Ravallion, 1995). It is argued, in the structural change model (Lewis, 1954),

that there is a surplus labor in agriculture sector. The wages in the traditional sector are low. But in modern agriculture sector wages are slightly higher. This wage differential in traditional and manufacturing sector is an incentive for the mobility of surplus labor from the farms to modern sector. It is not elaborated in the Lewis model how industrialization have its impacts on relative poverty. The absorption of surplus labor in the modern sector, as suggested in Lewis model, is helpful in employing the unskilled labor and makes them earn higher income. It is believed, in some of the studies, that development of capital-intensive large scale industries would provide the basis for higher growth and sustainable development (Loveman & Sengenberger, 1991).

Adelman & Robinson (1989) are of the view that, in the process of development, the development takes place in urban areas and rural areas are unable to benefit from the development. The goals of poverty alleviation and equitable distribution can be achieved by developing the unskilled and semi-skilled labor intensive industries (Alderman & Robinson, 1989; World Bank, 1990). The utilization of the cheaper input (labor) may be ensured by growth in labor-intensive enterprises. During the process of growth, when there is surplus labor, the wages are high enough for poverty alleviation and low enough for business to compete in the market with competitors. Labor intensive enterprises may become competitive in international market and can be of critical importance in poverty alleviation but with the utilization of low-wage labor force in the production process. Labor-intensive industrialization is very important for poverty alleviation (Sen, 1960; Myrdal, 1968) and human capital accumulation has its important role in this process (World Bank, 1990). Hussain (1999) argues that capability of GDP growth to alleviate poverty and job creation is "constrained by the structure of the economy" in Pakistan. Economic growth in Pakistan could not create job opportunities and, moreover, could not help in poverty reduction. Therefore, it suggested that small scale enterprises create more jobs per unit of investment and more value added per unit of capital as compared to large scale manufacturers.

The contribution of SMEs in the economic growth and development has been recognized in theoretical and empirical studies. More labor is

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employed by small scale firms than that in multinational corporations (Mullineux, 1997). Small scale firms are sources of employment in less developed economies. The SMEs are "engine of growth" in the attainment of growth objectives (Advani, 1997). The dynamic and evolutionary nature of SMEs makes them "serve as agents of change" (Audretsch, 2000). The development of the industrial sector (especially the SMEs) contributes in the long run to the growth of the economy. It also improves the efficiency of the domestic market and productivity of the scarce resources (Kayanula & Quartey, 2000). There are large numbers of empirical studies shedding light on the importance of SMEs in growth and development of economies. Some of these studies are Feeny & Riding (1997), Cook & Nixon (2000), Mukras (2003), Lukas (2005), Aina & Amnes (2007).Beck & Demirgüc-Kunt (2004) do not support the argument that SMEs are helpful in promoting economic growth and poverty reduction rather it is the business environment that may affect growth in the economy.

Kniivilä (2007) suggests that development of industrial sector lays down the basis for growth of the economy. Industrial development helps to promote exports, more opened trade, liberalization of the economy and improvement in the business environment in the economies. Industrial sector growth, after the early stages of development, is important for sustainable long-term growth and poverty alleviation. The development of industrial sector makes possible the creation of non-farm employment opportunities. If the manufacturing sector growth utilizes labor more intensively, the poor benefit. Growth in Korea, during certain times, has been pro-poor. But, in Mexico, skilled labor benefited more than the unskilled ones during the growth process in the late 1980s and early 1990s. The experience of Chinese economy is evident that absolute poverty decreased. Pattern of industrialization determines the extent of decline in poverty and inequality. If the industrial sector utilizes higher proportion of unskilled and semi-skilled labor, it makes use of domestic raw materials (inputs). By using labor-intensive technologies, then growth would be inclusive. For instance, in early development phases, Taiwan economy made more use of unskilled labor than skilled labor. But, in Brazil and India, industrial sector growth could create relatively modest job opportunities for the unskilled.

Li and Luo (2008) discuss that promotion of labor-intensive industries and SMEs results in higher growth levels with low levels of relative poverty in Korea, Taipei China from 1950s to 1990s. The establishment of SMEs in these economies enables the absorption of rural surplus labor and decline in urban unemployment and thereby lower inequality. However, in the people's republic of China, income inequality increased despite a robust and higher growth during the last 3 decades. The authors suggested labor market unification,

encouragement of SMEs, a more profound labor-intensive growth policy for better inclusive growth. Ali (2013) explored the impact of small and medium enterprises on poverty in Pakistan. The author employed mostly used time series econometric techniques of unit root, cointegration and error correction analysis to examine the impact of small scale industries, income inequality, education and inflation on poverty for the period of 1972-2008 in Pakistan economy. The study suggested poverty alleviating impact of small and medium enterprises in Pakistan in long run.

II. The Model, Methodology and Data Sources

The present study is an attempt to examine the impact of manufacturing sector employment on multidimensional poverty in Pakistan. It is a case study of the Punjab province of Pakistan. The data of multidimensional poverty, number of employed labor in factories, number of patients treated at hospitals, and primary school enrollments in 34 districts of Punjab were obtained and used for the analysis. All of the data used in the analysis were secondary data. The data of the multidimensional poverty head count were taken from Table A-1 in Jamal (2012). The data for the number of patients treated in the hospitals and primary school enrolment were obtained from Punjab Development Statistics (PSD, 2011), published by Bureau of Statistics, Government of the Punjab, Lahore. The multiple regression model is estimated by using the Ordinary Least Squares (OLS). The model to be estimated is:

$$P = γ_1 M + γ_2 H + γ_3 E + μ_i \qquad (1)$$

Here P is multidimensional poverty head count, M is employment of workers in manufacturing sector at district level, H is the number of patients treated at hospitals in the districts of Punjab, and E is the primary school enrollment rate. $μ$ is the white noise error term. All of the variables are taken in the natural logarithm form. After the estimation of the model (1) diagnostic and stability tests are applied to test the robustness of the model.

III. Results and Discussions

The multiple regression model was estimated by using the classical technique of the OLS regression. The results of the OLS model are reported in the Table 1. The coefficient of employment of workers in factories is negative. The null hypothesis that employment of workers in the factories has no effect on poverty is rejected at 6 percent (as the p-value= 0.0538) significance level. Manufacturing sector employment significantly reduces the poverty levels in Pakistan. The results are in strong agreement with the theoretical economic literature and empirical studies that development of the industrial sector increases

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productivity. Productivity growth is a significant factor in poverty reduction and public welfare creation.

Entrepreneurs are major teamsters of innovation and productivity growth. Innovative entrepreneurs introduce new products in the market. Large scale industries, in the economy, are complemented by small scale enterprises because small scale industries are characterized by low transaction costs and are more flexible in decision making. Large scale industries may produce through division of labor and specialize. The division of labor and specialization increases the productivity and result in an increase in growth rate. Economic growth thereby helps in poverty reduction. Furthermore, well-established industrial sector is major a source of non-farm employment opportunities. Since the Pakistan economy has agriculture nature so the establishment of agro-based industries not only increases the productivity and efficiency of agriculture sector. Moreover, development of SMEs in the economy would help in generating more job opportunities due to their labor-intensive nature. The development of SMEs reduces poverty and income inequality in Pakistan (Ali, 2013).

Increase in the better and improved health services measured by patients treated as hospitals are also concluded to have poverty decreasing impact in the economy. The health elasticity of poverty is significant at 99 percent confidence level. The economies with the higher poverty like Pakistan levels are characterized with high birth and fertility rates, people are more vulnerable to diseases like malaria, dengue fever, and typhoid. The poor have inadequate approach to social protection and health care. These people are entrapped in a miserable spiral of low incomes. The cost of healthcare is very high. Due to high birth and fertility rates the poor households have more children to take care off. There is higher dependency ratio. But they have limited resources to feed and invest in education and health facilities. The provision of better healthcare helps to increase the enrollment rate and increases their earning potential. Furthermore, increased healthcare helps to decrease the birth and fertility rates and help in reduction of dependency ratio. Better healthcare enables the family heads to be more productive. More productive workers are an incentive for the domestic and foreign investment. Increase in investment may be beneficial for inclusive growth (OECD, 2003).

Table 1 : The OLS Results

Variable	Coefficient	Std. Error	t-value	p-value
Manufacturing Sector Employment (M)	-0.1488**	0.0742	-2.0049	0.0538
Patients treated at hospitals (H)	-0.5358*	0.1662	-3.2248	0.0030
Enrollment rate (E)	0.7225*	0.0893	8.0906	0.0000
R^2 = 0.5486 Adjusted R^2 = 0.5195 Durbin-Watson d-value = 1.6665 S. E. of Regression = 0.3633 Sum Square Resid. = 4.0932 Mean dep. Variable = 3.7354				
Source: Author *(**) indicate significance at 1%(5%) level.				

Education elasticity is also significant at 99 percent level of confidence but it has positive sign showing a poverty increasing impact in the economy. In the education process knowledge and skill is imparted to enable the individuals to function as 'active' agents of economic change. Education broadens the prospects of availing modern sector jobs and enables the individuals earn higher incomes over life time. There is a strong linkage between education and productivity. This productivity helps the low income family individual to earn living and break the cycle of 'chronic and pervasive' absolute poverty. But the results of the present analysis show that increase in enrollment rate is causing a rise in poverty. This may be due to the fact that education system in Pakistan is poor. More than 60 percent of population is living in rural areas (Economic

Survey, 2011-12). Human capital (education and better health services) helps reduce poverty in Pakistan (Ali & Ahmad, 2013; Ali et al. 2013).

The education facilities in rural areas are scarce. More than 48 percent of the population is living in absolute multidimensional poverty (Jamal, 2012). Punjab with the highest literacy of 60 percent amongst the provinces of Pakistan (Economic Survey, 2011-12) has 43.67 percent of the population below the poverty line (Jamal, 2012). The situation of poverty, in Pakistan, seems much sever in rural either it is observed on provincial level or on national level as the multidimensional poverty head count of rural Punjab and Pakistan are 57.69 and 64.89 percent, respectively. Moreover, the literacy rates of rural Punjab and Pakistan are 53 and 49 percent, respectively. Poverty, in Pakistan,

seems to be a cause rather than a consequence. The schooling of the poor children has higher opportunity cost. They seldom have a chance to enter the school. They are the ones who drop out from school first. The poor children are malnourished (Simmons, 1974). The poor families are even unable to complete their children's' primary education. Increase in literacy rate help in stimulating economic growth in Pakistan (Ali, 2014).

The estimated model is robust as adjudged by the R^2 and adjusted R^2 as estimated model explains about 55 percent and 53 percent variations in poverty explained by the explanatory variables included in the model. Durbin-Watson d-statistic is closer to 2 showing the error term to be uncorrelated. The testing procedure based on t-statistic is based on the assumption that the error term (μ) is normally distributed. So Jarque-Bera (Jarque & Bera, 1987) normality test is applied on the residuals. The normality test results, given in Table 2, show that the p-value of Jarque-Bera statistic (p-value = 0.5869) confirms the normality of the error term.

Table 2 : The Diagnostic Tests Results

Normality Test			
Jarque-Bera Test	1.0656	p-value	0.5869
Breusch-Godfrey Serial Correlation LM Test			
F-statistic	2.6076	Prob. F(2,29)	0.0909
Obs*R-squared	5.1814	Prob. Chi-Square(2)	0.0750
Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.9826	Prob. F(3,30)	0.4141
Obs*R-squared	3.0419	Prob. Chi-Square(3)	0.3852
Scaled explained SS	1.6411	Prob. Chi-Square(3)	0.6501
Ramsey RESET Test			
F-statistic	0.0970	Prob. F(1,30)	0.7576
Log likelihood ratio	0.1098	Prob. Chi-Square(1)	0.7404

Source: Author

It is assumed, in the classical theory of regression, that error term is homoscedastic and uncorrelated. If the error terms are heteroscedastic and autocorrelated then the OLS estimators are linear unbiased, consistent and normally distributed but are not efficient. So to confirm the efficiency of the OLS estimators Breusch-Godfrey (Breusch, 1978; Godfrey, 1978a) Serial Correlation LM test and Breusch-Pagan-Godfrey (Breusch & Pagan, 1979; Godfrey, 1978b) heteroscedasticity test are applied. The results of these tests reported in the Table 2 are evident that error terms are homoscedastic and serially uncorrelated. The regression specification error test (RESET) introduced by Ramsey (1969) also suggests that the estimated model has no specification bias.
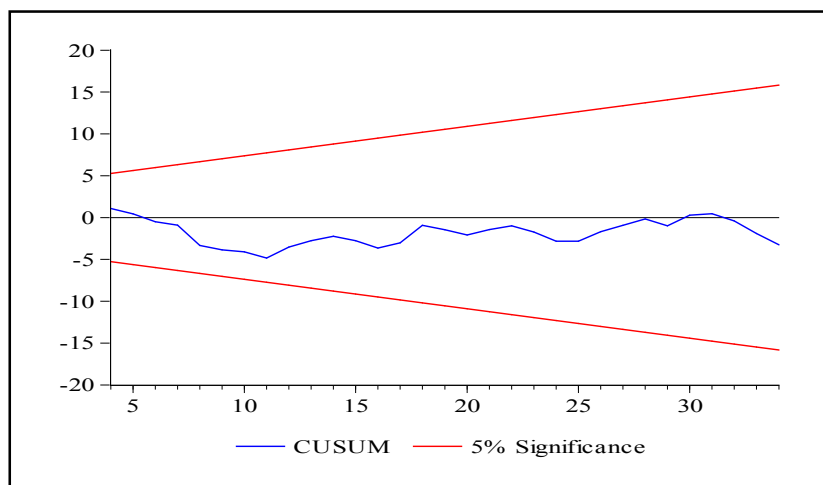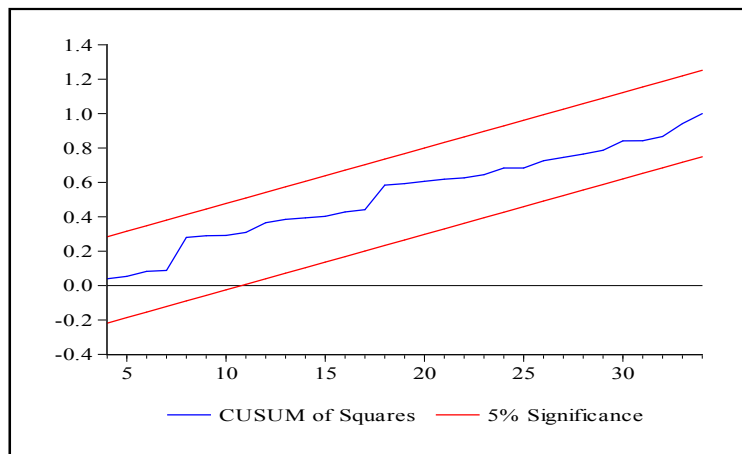

Source: Author

Figure 1 (a) : Graph of CUSUM of Recursive Residuals

The estimated regression model is stable. The CUSUM and CUSUM Square tests (Brown, Durbin & Evans, 1975) are applied to test the stability of the coefficients. The results of the stability test are portrayed in Figure 1(a) and Figure 1(b). CUSUM and CUSUM square test confirms the stability of association between the variables included in the analysis as test statistics stay between the 5 % critical values.

Source: Author

Figure 1(b) : Graph of CUSUM of Square Recursive Residuals

IV. CONCLUSION

There is a consensus amongst the economists and policy makers that manufacturing sector is critical setting the base for higher growth. Economic growth is important to achieve the objective of poverty reduction. Pakistan economy is one of those economies where menace of poverty is ruling supreme. The present study is an attempt to assess the impact of industrial sector on poverty. In this analysis, multidimensional poverty head count index is regressed on manufacturing sector employment, number of patients treated at hospitals and primary school enrollment. The data of 34 districts of Punjab are used for the analysis. The poverty regression equation is estimated by using the OLS method. The estimated model is statistically robust as it qualifies the diagnostic, specification and stability tests. The empirical results confirm that industrial sector employment has its poverty alleviating impact in the economy. Furthermore, it is found that improvement in the healthcare help in reducing poverty. The development of strong, productive and efficient manufacturing sector coupled with the improved human capital would be helpful in generating inclusive growth in Pakistan economy.

Political, social, macroeconomic stability, well-functioning institutions, and rule of law are the fundamental conditions for sustainable and inclusive growth. Moreover, any investment in the economy requires an investment-friendly environment, lower levels of corruption and red-tape, and prevalence of fair competition in the market. Furthermore, a strong and productive industrial sector cannot play its productive role in inclusive growth without the fulfillment of the energy requirements. There is an emergent need for solution of energy crises in the economy. Industrial development requires a well-functioning financial system. A well-functioning financial system channels financial resources to productive activities. Financial sector makes available the liquidity. Available credit to investor stimulates the domestic and foreign private investment. The cost of industrial production, in Pakistan, is higher due to higher gas and oil prices, higher sales taxes, and higher rates of income and corporate taxes.

There is a dire need for the simplification of regulatory and administrative procedures. The requisite requirements for investment and business should be as per economic and social standards. This would create market friendly environment in the economy and would be helpful in increasing the productivity. Though the share of agriculture sector has declined in overall economy but it is still an agrarian economy. So development of agro-based industries would greatly be fruitful in the process of poverty alleviation. The development of infrastructure and human capital formation by the government can be helpful in enhancing innovative technological advances in the economy. Education provides a corridor for socio-economic inclusion by enabling the people to avail employment and income opportunities. The increased research and development, innovation and invention and rapid technological changes have made the competition more intense. Human capital formation has got much more importance in manufacturing sector development and broad-based growth of the economy. These changes in the modern world of knowledge warrant investment in human resources and

technological development to set up long-term growth trajectory of the Pakistan economy. Human capital, in the economy, not only has its impact in stimulating growth but it also helps in poverty alleviation. Increase in education and health facilities makes the people more healthy, creative, innovative and productive.

Since the small scale industries are more efficient in employment generation and growth than the large-scale manufacturers. More focus should be on the growth of the small scale industries. The small scale enterprises growth should be based on growth having its nodes in rural areas. These nodes of small scale manufactures should be linked, on one hand, to agriculture sector, and on the other hand, to the large scale industrial sector as well. These backward and forward linkages not only would increase the productivity of agriculture sector but it also would reduce the import costs of larger-scale industrial sector (Hussain, 1999). This is because the small and medium enterprises need comparatively low infrastructure and rural workers can avail jobs near their towns. Most of the population and the poor live in rural areas. Higher percentage of labor forces is employed in small and medium enterprises. The focus on the development of rural small scale industries would be beneficial for decentralized industrial sector development. So, the objective of the poverty alleviation may be achieved by establishing a strong industrial base in the economy.

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Towards a New Theory of Corporate Social Responsibility in Developing Countries

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Abstract- There have long been conflicting expectations of the nature of companies' responsibilities to society. Some businesses have been practising what might be termed "Corporate Social Responsibility" (CSR) focusing on corporate image management or other activities aimed predominantly at business benefits. This paper discusses why corporate social responsibility is no longer an option for business organisations nor is still about programmes to produce socially and environmentally friendly products. A new paradigm in corporate social responsibility for corporations in developing countries is presented in which they need to create a strategic partnership with supply chain members, support their strategic partners and understand the effect of their bought-in products on the society as a whole.

Keywords: corporate social responsibility, bottom of the pyramid, democratisation of commerce.

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Strictly as per the compliance and regulations of:

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Abstract- There have long been conflicting expectations of the nature of companies' responsibilities to society. Some businesses have been practising what might be termed "Corporate Social Responsibility" (CSR) focusing on corporate image management or other activities aimed predominantly at business benefits. This paper discusses why corporate social responsibility is no longer an option for business organisations nor is still about programmes to produce socially and environmentally friendly products. A new paradigm in corporate social responsibility for corporations in developing countries is presented in which they need to create a strategic partnership with supply chain members, support their strategic partners and understand the effect of their bought-in products on the society as a whole.

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I. Introduction

The term Corporate Social Responsibility (hereinafter CSR) has been variably used across companies, industries and even countries. For some corporations, it is synonymous with corporate image management, reputation building or just doing good business practice, (Carroll, 1999; Stark, 2009; Weyzig, 2009) while it is environmental management for others. As such, CSR has been approached from different perspectives such as 'good corporate citizenship', (Waddock, 2000); 'stakeholder relations', (Hess et al, 2002), and 'economic contribution to the economy', (Carroll, 1999) to the post-independence Africa, it means Black Economic Empowerment (BEE), (http://www.aiccafrica.org/).

The former UN Secretary General Kofi Annan once told the UN General Assembly that world economies were transforming, (Mike and Slocum, 2003). This is true as winds of change are blowing through the corporate world today because of the rapidly changing and increasingly complex ("raplex") environment in which they are operating. In a different forum, while addressing business leaders, Annan also said, "You do not need to wait for governments to pass new laws you can and should now act in your own interest, (Ruggie, 2002). He was hinting on the proactive roles corporations need to play to improve their relations with stakeholders. What is now needed are sustainable strategies by corporations and not the cosmetic activities.

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Therefore, this paper discusses how large firms can create wealth for themselves and for the greatest majority through a new model of CSR. A new CSR model is proposed based on the concepts of the 'bottom of the pyramid' (BOP) and democratization of commerce (DOC).

II. Concept of csr Revisited

According to Wheeler (1996), the concept of CSR proposes that a private corporation has responsibilities to society that extend beyond making a profit. Carroll (1979) identifies these as economic, legal, ethical and discretionary responsibilities.

The firm's economic responsibilities entail the production of goods and services of value to society so that the firm is able to repay its creditors and shareholders. The legal responsibilities focus on the need of the business organization to obey laws as defined by the government. Ethical responsibilities entail following the generally held beliefs about behavior of society. For example, society expects the business organization to improve the welfare of its employees. Then, the discretionary responsibilities, in Carroll's own words, "are purely voluntary obligations" a business organization assumes. Few business organizations give attention to the discretionary responsibilities but may prioritise and fulfill economic, legal and ethical responsibilities in that order due to the fear of loss of confidence by creditors and shareholders and also fear of eminent government prosecution and social activism.

III. Theories of csr

Since the publication of the firm's responsibilities by Carroll, there has been a lot of debate on the role of CSR. These debates generated theories on which various views were grounded. Key among these theories are the instrumental theories, (Jenseen, 2000; Windsor, 2001 and Garriga and Mele', 2004); political theories, (Donaldson, 1982, Dion, 2001 and Wood and Lodgeson, 2002), integrative theories, (Preston and Post, 1980 and Brewer, 1992) and ethical theories (Freeman, 1994; Donaldson and Preston, 1995 and Freeman and Philips, 2002).

Instrumental theories 'focus on achieving economic objectives through social activities', (Garriga and Mele', 2004:63). Examples of economic theories include social investments, cause-related marketing, corporate constitutionalism and other investments

focusing on the bottom of the pyramid. Political theories focus on how corporations can responsibly use their power to influence decisions. This includes strategies such as corporate citizenship. Integrative theories focus on the integration of social demands, (Garriga and Mele', 2004) through public responsibility and stakeholder management and, ethical theories focus on doing the right thing to achieve a better society.

IV. BENEFITS OF THE TRADITIONAL CSR PARADIGM

Those business organizations that have religiously adopted the traditional CSR paradigm have been able to benefit from the massive capital infusions by satisfied and confident investors; have been able to attract outstanding employees at less than the market rate and have also been able to charge premium prices because of good will. However, they have not been able to exploit a great number of the markets. A greater number of markets still remain unserved or underserved because they are looked down upon by big corporations. Prahajad (2010) described such markets as 'the bottom of the pyramid'.

V. THE NEW CSR PARADIGM

The traditional paradigm assumes that the business environment is relatively stable and predictable and so corporations will continue to make huge profits.. This is challenged by an article in HBR (2003) which observed that given the economic uncertainty and loss of faith in corporate leaders, organizations are challenging assumptions about business leaders and people who make organizations work. In fact, the Intel Chairman, Andy Groove, in his book "**Only the Paranoid Survive**" cited in James (2003) writes, "all industries will eventually face changes in their competitive environment that will result from dramatic breakthroughs in new technologies, changes in consumer demand patterns or the rise of new competitors. The pressure is on the organization to continuously learn and adapt to the changing landscape of business in light of the "inflexion points" or sudden changes in the environment that spell a major crisis for the business organization.

Due to the effect of globalization, increasing competitor activity, ever dwindling resources, and changing consumer needs, the competitive advantage gained today may not be still there tomorrow. Business organizations need to establish higher order abilities such as partnering, learning and innovation, (Baker, 2000) in order to create a sustainable competitive advantage. Baker (2000) goes on to say that firms that collaborate with suppliers, customers and even competitors will easily establish a competitive advantage. This brings in the new paradigm of CSR I will call *'CSR through democratization of commerce'* (see

fig. 1) in which priority and more resources are given to discretionary responsibilities in order to fulfill economic responsibilities in this turbulent environment. Prahalad (2010) uses the term 'democratisation of commerce' (DOC) to refer to the organisation's efforts to bring the benefits of globalization to all micro-consumers, micro-producers, micro-innovators, micro-investors and micro-entrepreneurs. This is what highly valuable figures like Annan were challenging corporations to do. Micro- firms can be indirectly exposed to global markets through intentionally established mutual linkages with large firms. A successful CSR case to demonstrate 'democratization of commerce' comes from India where Amul has become the largest processor of milk in India due to its collaborations with tens of thousands of small holder farmers in the villages (the bottom of the pyramid). The company supports the farmers to guarantee the quality of milk. Collection points were then built in the villages. Contracting small-holder farmers helped Amul increase volumes without meeting the full cost of centralized production and at the same time enhanced community participation in the supply chain management. There was a win-win situation between the large and micro-entrepreneurs.

The more a business organization prioritises the discretionary responsibilities, the more resources it allocates to meet satisfy these responsibilities, the more adaptive and competitive it becomes, the more market-share is gained, the more revenue and return on investment is generated and the more satisfied will be the shareholders and the higher will be their propensity to expand that business. There is manifestation of a "the m*ore-the- more*" principle.
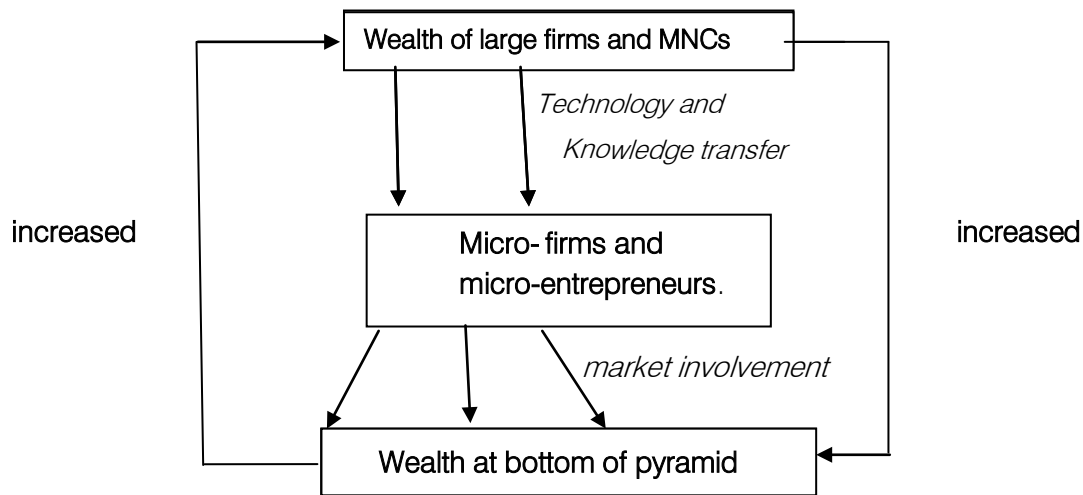
Figure 1 : The commerce democratization driven CSR model

a) *Wealth of the large firms and MNCs:*

These are the assets both financial and non-financial available to these large firms which they can use to fulfill their short and long-term goals. In order to create wealth at the bottom, these resources are used to establish sustainable supply chain synergies with the micro-firms and entrepreneurs. This can be in the form of technology and knowledge transfer, direct financial support, joint NPD and product launches, and other activities that can expose the micro-firms to the global market and increase their participation and involvement.

b) *Micro-firms and micro-entrepreneurs:*

These are market participants with limited resources to compete with MNCs particularly in the face of globalization. As a defensive strategy, they resort to underserved or unserved markets by the MNCs, and ironically, this is the larger market. Through democratization of commerce these micro-firms are mentored and incubated by large firms in preparation for global participation. This can be done through backward or forward integration, transfer of technology as well as general collaboration between the firms. The increased market presence of micro-firms will correct market failures, maximize employment of local people and enhance welfare. This will improve the perceived image of large firms and MNCs and will gain a good reputation. Positive image and good reputation will breed brand trust and affect which lead to loyalty. Loyalty is the ultimate desire of all firms in the global market as repeat purchases, market share gains and positive net profit contributions are registered.

VI. Implications of the New csr Model to Developing Countries

There is a myriad of factors that make this new paradigm of CSR very relevant to developing countries such as Zimbabwe. First, there is limited accessibility of capital particularly to the small business organizations. Secondly, the forces of globalization have exposed local business organizations to the dictates of the global companies. Consumers are now not only able to compare the quality of locally produced products with those from foreign companies, but can also access them as they are exposed to new global communications technologies. Third, there is a shortage of locally produced basic commodities due to scarcity of resources and low production capacity which is below 50% in certain sectors. Therefore, the following questions would need to be answered. Is it not the time for the bigger corporations to realign and build a watertight image with respect to stakeholders by supporting the smaller firms? Is it not the time to establish higher order abilities such as partnerships and collaborations with smaller firms, particularly suppliers to guarantee sustainable procurement of high quality inputs?

A greater part of the economy is in the hands of SMEs. These employ over 70% of the workforce in a wide spectrum of the economy ranging from horticulture to steel production. These SMEs face various constraints such as limited financial, technical and human resources as well as inadequate infrastructure. Most of these SMEs can be more active players if they are supported by the bigger business organizations.

The strategic responses of bigger business organizations could include supporting linkages through partnerships and stronger supply chain, sharing technology, joint product development and provision of finance (from seed investment to equity stakes). These are the discretionary responsibilities of business organizations.

Suppose each bigger business organization identified key SMEs in its supply chain and directed its discretionary responsibilities to them and established strategic alliances with them, what will happen to the

growth of these SMEs? The bigger business organization can also identify its core and non-core activities of its operations and assign the non-core activities to the SMEs. The SMEs will produce high quality products due to expertise and resource sharing; will learn responsible business practices and consequently will become more competitive and expand. On the other hand, the bigger organisation is assured of a constant supply of high quality inputs and enhanced reputation. It will also become more competitive as it will be performing core-functions only, and therefore, enough resources will be left for these core-functions to be performed within the organisation. This will lead to enhanced performance through specialisation.

Most SMEs employ locally and purchase locally. Therefore, the realignment of bigger business organizations will benefit the whole society in that more job opportunities are created and economy becomes stronger. Michael Armstrong, Chairman and CEO of AT&T summarized it all when he said, "In the 21st century, the world won't tolerate businesses that don't make partnerships seriously, but will eventually reward companies that do so," (James, 2003). The bigger business organizations can help the "small stand tall and the dying get life". This will only be realized with the realignment of bigger business organizations, and when they go beyond the traditional CSR.

VII. Conclusions

This paper has proposed a new focus of CSR which will not only improve the image and reputation of the large firms, but create wealth for the large firm, SMEs and micro-enterprises and the consumers in general through exposure to global markets exposure to global markets and increased product demand, efficient management of the supply chain and employment creation.

VIII. Recommendations

This paper recommends that large corporations could identify those SMEs that complement their businesses and match their functional strengths and business orientations. They could then enter into a business alliance with them, taking into consideration the needs and requirements of one another. Core operations could remain with the bigger business organization while the non-core areas are given to the alliance. In the case of SMEs forming the supply chain, capital and human resources could be availed to ensure continuous supply of high quality materials. The paper also recommends that Government could establish a framework to foster these business partnerships and also give incentives to companies to encourage establishment and sustenance of the partnerships.

Finally, the proposition needs to be validated through empirical testing and future researches on CSR could take this route.

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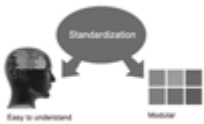
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(g) Discussion should cover the implications and consequences, not just recapitulating the results; conclusions should be summarizing.

(h) Brief Acknowledgements.

(i) References in the proper form.

Authors should very cautiously consider the preparation of papers to ensure that they communicate efficiently. Papers are much more likely to be accepted, if they are cautiously designed and laid out, contain few or no errors, are summarizing, and be conventional to the approach and instructions. They will in addition, be published with much less delays than those that require much technical and editorial correction.

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Format

Language: The language of publication is UK English. Authors, for whom English is a second language, must have their manuscript efficiently edited by an English-speaking person before submission to make sure that, the English is of high excellence. It is preferable, that manuscripts should be professionally edited.

Standard Usage, Abbreviations, and Units: Spelling and hyphenation should be conventional to The Concise Oxford English Dictionary. Statistics and measurements should at all times be given in figures, e.g. 16 min, except for when the number begins a sentence. When the number does not refer to a unit of measurement it should be spelt in full unless, it is 160 or greater.

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A major linchpin in research work for the writing research paper is the keyword search, which one will employ to find both library and Internet resources.

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Search engines for most searches, use Boolean searching, which is somewhat different from Internet searches. The Boolean search uses "operators," words (and, or, not, and near) that enable you to expand or narrow your affords. Tips for research paper while preparing research paper are very helpful guideline of research paper.

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- One should start brainstorming lists of possible keywords before even begin searching. Think about the most important concepts related to research work. Ask, "What words would a source have to include to be truly valuable in research paper?" Then consider synonyms for the important words.
- It may take the discovery of only one relevant paper to let steer in the right keyword direction because in most databases, the keywords under which a research paper is abstracted are listed with the paper.
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Acknowledgements: Please make these as concise as possible.

References

References follow the Harvard scheme of referencing. References in the text should cite the authors' names followed by the time of their publication, unless there are three or more authors when simply the first author's name is quoted followed by et al. unpublished work has to only be cited where necessary, and only in the text. Copies of references in press in other journals have to be supplied with submitted typescripts. It is necessary that all citations and references be carefully checked before submission, as mistakes or omissions will cause delays.

References to information on the World Wide Web can be given, but only if the information is available without charge to readers on an official site. Wikipedia and Similar websites are not allowed where anyone can change the information. Authors will be asked to make available electronic copies of the cited information for inclusion on the Global Journals Inc. (US) homepage at the judgment of the Editorial Board.

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27. Refresh your mind after intervals: Try to give rest to your mind by listening to soft music or by sleeping in intervals. This will also improve your memory.

28. Make colleagues: Always try to make colleagues. No matter how sharper or intelligent you are, if you make colleagues you can have several ideas, which will be helpful for your research.

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	A-B	**C-D**	**E-F**
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Introduction	Containing all background details with clear goal and appropriate details, flow specification, no grammar and spelling mistake, well organized sentence and paragraph, reference cited	Unclear and confusing data, appropriate format, grammar and spelling errors with unorganized matter	Out of place depth and content, hazy format
Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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