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Book Review

Editor's Note

Our policy is to review all books which are either sent to us or in our opinion are useful to our readers.

Kochhar, Kalpana; Sonali Jain-Chandra and Monique Newiak; ***Women, Work, and Economic Growth : Leveling the Playing Field;*** **2016, International Monetary Fund, IMF Publication Service, Washington D.C., USA, pp.348, Price US$ 30**

Women consist of little over half of world population, but their contribution to measured economic activity and growth is far below its potential. Despite significant progress in recent decades, labor markets across the world remain divided along gender lines and progress toward gender equality seems to have stalled. The challenges of growth job creation, and inclusion are closely intertwined. This volume brings together key research by IMF economists on issues related to gender and macroeconomics. With focus on macroeconomics stability, growth and prosperity, the IMF is committed to helping the effort of 189 member countries in promoting women's economic empowerment. In most countries women are still less likely than man to have a paid job. When they do find paid employment, they receive less money for similar work and are more likely to be employed informally, lacking social protection. Harnesing the potential of each and every one of our global sisters would provide a transformative boost to global growth support development, and reduce poverty. In rapidly aging economies for instance Japan, China etc., higher female labor force participation can mitigate the negative impact of shrinking workforce on potential growth.

This volume brings together key research by IMF economists on issues related to gender and macroeconomics. In addition to providing policy prescriptions and case studies from IMF member countries, the chapters also look at the gender gap from an economic point of view by covering issues such as income gaps and participation in the labor force, as well as legal impediments that affect the economic activities of women within some societies. The overview chapter one by Kochar, Jain- Chandra and Newiak presented the trends in female labor force participation rate, namely 50% for the past two decades, compared with an average of almost 77% for men. Authors showed that these global averages mark significant cross identity and cross regional difference in both levels and trends. Lack of basic rights, lower literacy rates for women and gender gaps in access to social and financial services all have implications for women's economic productivity. Fundamental, the key to fostering gender equality in the economy is increased involvement of women in the labor market and in position of responsibility and power. Equal employment opportunities and career paths will in turn bring more women into high level position of responsibility in the public and private sector and will support greater sharing of joint family and household responsibilities among men and women. The entire economy will benefit as a result. Gender inequality around the world (chapter two) by Jain-Chandra, Kochhar, Newiak, Zeinullayev and Zhand have highlighted that there had been tremendous advances in the elimination of gender inequality around the world but that various challenges remain in most countries. Female labor force participation has been rising in many regions, there have been rapid increases in female literacy rate in many regions, and gender gap in education have been shrinking worldwide and have closed in some regions. The precise nature of gender gaps varies but in the majority of countries there are differences between men and women in decision making power, economic participation, access to opportunities and social norms and expectations. Authors introduced a novel index of opportunities, which incorporated different dimensions of disparities in opportunities into a new measure and included education and health indicators equality of legal rights, and gender gaps in financial inclusion.

Cuberes, Newiak, and Teiguier analyzed the effects of gender inequality from a macroeconomic perspective in chapter three. Authors examined two specific gender gaps participation in the labor force and in entrepreneurial occupation and stimulates an economy, wide model to estimate the costs of county, specific gender gaps and to quantify the income lost relative to a situation without gender gaps. Gonzales, Jain- Chandra, Kochhar , Newiak and Zeinullayer in chapter four, analyzed the links between two phenomena income inequality and gender related inequality, which can interact through a number of channels. Authors were of the opinion that gender inequality is strongly associated with income inequality across time and for countries at all level of income and development, Kazandjian, Kolovich, Kochhar, and Newiak in chapter five focussed on the relationship between gender inequality and economic diversification. The empirical estimates supported the hypothesis, providing evidence that gender friendly policies could help countries diversify their economies. Sleinberg and Nakane in chapter six (a), explored the extent to which female labor participation could help slow the trend decline in Japan's potential growth rate, which was steadily falling with the aging of its population. Using cross-country database, authors observed that smaller families, higher female education and lower marriage rates are associated with much of the rise in women's aggregate participation rates within countries over time. Raising female participation could provide an important boost to growth. To increase women's attachment to work (as women drop out of the workforce following childbirth). Japan should consider policies to reduce the gender gap in career position and provide better support for working mothers. In chapter six (b), authors examined the determinants of female labor force participation in India, which has one of the lowest participation rates for women among poor countries. A number of policy initiatives can help boost female economic participation in the states of India, including increased labor market flexibility, investment in infrastructure and enhanced social spending. Authors in chapter six (c), examined trends and determinants of female labor force participation in Korea. It included an empirical analysis from which important implication can be drawn for reforms that could boost female participation. Comprehensive structural and policy reforms aimed at reducing labor market distortions that inhibit labor force participation. These reforms included making the tax treatment of second earners in households more neutral in companion with that of single earners, increasing childcare benefits, and facilitating more part time work opportunities. In fact after chapter five, this book then turns in depth analysis of gender inequality in various regions.

Authors in chapter seven (a), examined the drivers of and benefits from unlocking female employment in Europe. Authors also examined the relative importance of demographic characteristics and policy variables in women employment decision. This chapter highlighted that macro level policies matter beyond attitudes toward women's employment decisions and demographics. Moreover authors observed that greater involvement by women in senior management position and on board is positively associated with firm's financial performance. Eva jenker in chapter seven (b), showed that Hungary performed very well on a number of factors supporting gender equality like educational attainment of women and neutral tax system. Still women are significantly behind in political representation and in the workplace. Author proposed key measures to expand women's choices to reconcile work and family life, more work-friendly and equitable leave policies, and steps to reduce gender gap. Joana Pereira in chapter seven (c), indentified several measures that can help address the challenge by allowing more women to work full time in Germany. These include expanding high quality subsidized child care and after school programs, child related financial support, promoting individual taxation, healthcare insurance etc. Rasmussen in chapter eight (a), provided an overview of the drivers of female labor force participation in the gulf co-operation council. Ferhan salmas in chapter eight (b), examined for Pakistan, an integrated set of policy measures could help raise female labor force participation. In addition to policies that touched upon childcare, parental leave schemes, and flexible work arrangements, women's access to labor markets could be facilitated by infrastructure spending in rural areas to increase access to clean water and transportation to reduce the time women spend on domestic tasks.

Contributors of chapter nine observed that income and gender inequality jointly impede growth mostly in the initial stages of development, resulting in large growth losses in Sub Saharan Africa. In chapter nine (b), authors focussed on gender gaps in financial inclusion and observed that unequal access to financial services is strongly associated with higher income inequality particularly in Sub-Saharan Africa. Stefen klos and Monique Newiak quatified the growth losses from gender inequality in opportunities, such as gender gaps in education, unfavorable health outcomes, and inequalities in legal rights in chapter nine (c). Havley highlighted policy option that could bring greater gender equality but could also help address demographic challenges: more accessible contraception, legal reforms that empower women and closing gender gaps in education for male in chapter nine (d). Authors in chapter nine (e), estimated that real GDP in Mauritius had been 22 to 27 percent lower in the past compared with a situation without gender differences in labor force participation and entrepreneurship. Authors argues that expanding the supply and quality of childcare, extending parental leave to fathers, increasing financial literacy and promoting flexible work arrangements can complement programms by the Mauritian government to stimulate female labor supply. Lusinyen in chapter Ten (a), provided an overview of the constraints to female labor force participation in chile-where women are 35 percentage points likely to be in the labor force than men and earn up to 40 percent less. Authors in chapter ten (b) outlined the consequences as causes of gender inequality in Costa Rica, highlighted in particular the importance of information and the physical ability to reach jobs. This underscored the role of investments in infrastructure and information technology in reducing gender inequalities in the labor market.

Clements and Stotsky focussed on the effect of fiscal policies and examined how tax and spending reforms could be used to achieve greater gender equality in chapter eleven. Authors reviewed the evidence on the incidence and suggested that reform priorities differ between developing and advanced economies. Fiscal policies can help in addressing gap that exists in education, healthcare, economic empowerment and in economic opportunities. Reforms could also target low income households and pension reforms. Gonzales, Jain-Chandra, Kochhar and Newiak stressed on policies for equalizing legal rights between men and women in chapter twelve. Equalizing legal rights for eg., through guaranteed equality in the law, equal property and inheritance rights, and other economic rights, is associated with smaller gender gaps in labor force participation in a statistically and economically significant way. Chapters provided on overview trends in gender inequality of opportunities and outcomes across different regions, their implications for growth, and suggested policy prescriptions for the different case studies reviewed. Research results indicated that, for countries across all levels of development, income inequality is strongly associated with gender inequality. In emerging markets and low income countries, inequality of opportunity posed the main obstacle to a more equal income distribution. Lower economic diversification in turn obstruct growth in low income countries. Harnessing the potential of each and every human being would provide a transformative boost to global growth, support development and reduce poverty. In rapidly aging economies (China and Japan) higher female labor force participation can mitigate the negative impact of shrinking workforce on potential growth.

This volume is must for economist, policy makers, beaurocrats, politicians, students of MBA, international economics and those engaged in women studies and for NGOs. With focus on macroeconomic stability, growth and global prosperity, this volume by IMF is a great effort towards promoting women's economic empowerment. Number of defined and undefined questions were analyzed in the research process. Answers, one can have while reading this volume in revising tax codes, providing high quality and affordable childcare, well-designed parental leave policies, better infrastructure in rural areas, equal law to reduce dissemination, etc. There is some positive contribution for both developed and developing economies in the world. Entire world will benefits as a result. I thank Kochhar, Jain-Chandra and Newiak for editing this volume. Last, but not the least, I thank IMF for publishing this book for empowering women and economic growth and world prosperity.

Indian Institute of Finance Manju Agarwal
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Sahay, Ratna; Jerald Schiff, Cheng Hoon Lim, Chikahisa Sumi, and James P. Walsh; *The Future of Asian Finance;* 2015, International Monetary Fund, IMF Publication Service, Washington D.C., USA, pp.299, Price US$30

Asian Economies account for about 30% of the world's GDP. The Southeast Asian region comprised of more than 600 million people and a GDP of US$ 2.5 trillion. It is estimated that by 2030, two thirds of the world's middle class will be in Asia. The Asian region did relatively well during the global financial crisis with favourable macroeconomics and prudent supervision. The region is expected to have a growing middle class with higher household incomes that will demand greater range of financial services that include home mortgages, auto financing, working capital for start ups, equity financing , trade credit and products that can protect their livelihoods. Finance has reached the unbanked with technological innovations including mobile and internet banking. The region is observing fast paced innovation in the financial sector which is likely to be the engine of growth for the region. The developments in the region are not even as one can easily distinguish between advanced economies and emerging economies. The diversity in the region complicates the understanding of economic growth, fiscal and monetary policies.

Japan with its three pronged strategy of aggressive monetary easing, fiscal stimulus and structural reforms is trying to revive the economy after two lost decades. China growth has slowed but is showing recovery. India and Indonesia bank on the new structural reforms to trend the path of growth. Hongkong and Singapore are the Asia's financial centers. The boost in growth in these economies expected to come from greater financial inclusion, technological development and financial integration. The financial sector will be the engine of growth for the Asian economies if it is able to tackle the challenges of aging population in countries like China, Japan, Korea and Singapore; efficiently mobilise savings; meet the needs of investment in human and physical capital; develop greater depth in capital markets; initiate greater action and spirit for financial integration in the ASEAN region.

This book adopts a chronological approach that takes stock of the current state of play in Asia's financial sectors. The contributors then assess how they must adapt to support the transformation of Asia's growth models that meet the expectations of the diverse populations. Towards the end the book considers the challenges that need to be addressed in the process of growth and integration.

The book is divided into three parts. Part I contains four chapters. Part II contains three chapters. Part III contains four chapters. The structure of finance in Asia which is dominated by banks and limited to diversification by pension funds and insurance companies is discussed in Part I. Chapter two gives an overview of the Asia's financial system. It describes the financial system to be quiet diverse ranging from global hubs for securities and derivatives trading to low income economies where financial services have yet to reach much of the population. The most striking similarity in the region is the asset base of the banking sector which constitute about 60% of the aggregate assets of financial institutions across the region. Asia has six global systematically important banks, three in Japan and three in China. Government ownership of banks is fairly common in Asia and markedly higher in emerging Asia which includes China, India, Indonesia and Malaysia. Foreign ownership of locally incorporated banks is relatively limited. The second largest group of institutions include pension funds and insurance companies. The third group comprises of non bank financial institution with assets amounting to 50% of GDP end 2012. Chapter three explores the pricing of Asia's equity markets. The finding in the chapter suggest the need for improvements in the regulation of securities market in Asia that could enhance the role of the stock markets in long term financing. Chapter four finds that bond markets have grown rapidly and unevenly in Asia. The development of the bond market would provide for long term investors to meet the long term borrowers especially in the infrastructure sector.

Part II of the book comprises of Chapter five, six and seven. Chapter five discusses the lessons learned by Asia after the Asian financial crisis. The measures taken to protect the economies reduced the macroeconomic financial vulnerabilities of the region. The adopted exchange rate arrangements, built foreign exchange reserves, better bank balance sheet management and stricter regulations and supervision has helped the Asian markets to be resilent to the global financial crisis. However growing domestic imbalances from rapid credit growth, elevated house prices, higher leverage in the households and corporate sectors and deteriorating external positions have made many economies less resilient. Asia would remain the world's engine of growth. It is advised here that the economies may have to adjust to the lower economic growth rates than that were reached during boom phase prior to the global financial crisis. The need for structural reforms is reemphased with the need for stronger fiscal and macropudential policies that can contain systemic risks. Chapter six evaluates the impact of evolving economic structures, higher growth and demographic changes in the Asian economy on the regions financial sector. The rising income in the region has been accompanied by rapid financial sector growth. Higher dependency ratios in many Asian economies especially advanced tend to be associated with less savings and imply slower financial deepening. Other factors that would affect the sector are inflation, capital account openness and legal and institutional development. It is expected that the Asia's financial sector would be more integrated with the rest of the world. Chapter seven highlights the positive role that complementary coexistence of financial centers like Hong kong and Singapore can play in enhancing financial stability in the region.

Part III of the book looks at three specific challenges that face Asia in future which are the nexus of aging societies in need of infrastructure investment, increasing openness to capital flows and the evolving agenda of global regulatory reform. Chapter eight focuses on the regions aging population and the large infrastructure needs. The answer to these needs are greater financial innovation and integration in the region. Chapter nine talks about the initiatives in financial integration in the ASEAN. The process of financial liberalisation has been prudent and cautious not to excaberate the domestic vulnerabilities and risks. Chapter ten finds that traditionally the size and composition of capital flows in Asia have been driven to a large extent by the region's stronger growth prospects, global interest rates and investor's risk appetite. These flows continue to play an important role in the macroeconomic balances and react to fiscal and monetary policies. The economies continue to be cautious of their movements. Finally, Chapter eleven focuses on the global regulatory reform and its potential effect on Asia. The chapter reenforces that the region's financial supervisory frameworks are generally robust. Global regulatory requirement are less likely to impact financial institutions in Asia as they well capitalised and liquid. Growth in non banking financial institutions is likely to challenge the financial system in Asia.

The book builds a strong case for the bright future of Asia's finance that supports economic growth in the region. It finds that the lessons learnt from Asian Financial crisis have kept the economies on a vigilant stand and protects them from any other crisis. The growth in the region is impressive and the region has the potential of much faster and stable growth.

The book has not considered informal financing and its instruments as important source of financing in the region. The book has also not discussed the levels of financial literacy in the region which is the biggest challenge in financial inclusion. Even the most advanced economies struggle with infrastructure requirements of electricity, telephone line and internet in certain regions. Banking as a habit for dealing with day to day activities is in its nascent stages in many emerging Asian economies. Heavy investments in real estate and gold tend to reduce productive capital from reaching the financial system which could be used finance infrastructure or other needs. The book has also failed to evaluate the role of behavioural finance in the understanding the strengths and vulnerabilities of the financial system such as savings is a habit in the region and presence of cash economies. Asia is a vast land of opportunities and innovations are not limited. Economies of scale and scope in financial services need to be explored which this book has failed to investigate. The book is more rhetoric in the light of the ability of the financial system and economies of Asia that held themselves strong in the global financial crisis that emanated from the most developed economies that is USA and Europe.

The book is good in understanding the financial system through an international institution perspective. The strengths of Asia highlighted in the book and promising potential identified can lend confidence to the policymakers of many economies in Asia. The book is good guide to students of finance, professors of finance and financial systems, policymakers and to all Asians as it explains the nitty gritty with a strong confidence on the Asian financial system.

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Enoch, Charles; Wouter Bossu; Carlos Caceres and Diva Singh; *Financial Integration in Latin America : A New Strategy for a New Normal;* 2017, International Monetary Fund, IMF Publication Service, Washington D.C., USA, pp.206, Price US$ 25

Financial Integration can take many forms including cross border capital flows, foreign participation in domestic markets, sharing of information and practices among financial institutions or unification of market infrastructures. Financial integration can have regional or global dimensions depending on whether a country's financial market is closely connected to neighbouring countires or to global financial centers/ institutions.

The book is a study of seven Latin American economies namely Brazil, Chile, Colombia, Mexico, Panama, Peru and Uruguay. The book includes comprehensive coverage of the financial sector. Latin America has been characterized by the predominant role of banks within the financial sector. The repeated crisis in Latin America in 1980s and 1990s made many countries in the region to open their financial sector to the outside world especially Europe and United States. They protected themselves against external spillovers; foreign banks had to enter as self standing subsidiaries, currency controls limited domestic residents' holding of foreign currencies and investment regulations severely restricted the external exposure of pension funds and insurance companies. The model protected Latin America from the present global financial crisis.

The growing initiatives of the nonbank financial sectors indicate significant scope for financial integration. There has been significant downsizing of global banks from the region. Among the various reasons for such withdrawal is the regulatory pressure of the post crisis reforms, the enforcement of sanctions against tax violation and stronger money laundering regulations. Pension funds and insurance companies have expanded rapidly. Regional financial integration offers large number of benefits to Latin America. Stock Exchanges are facing increasing challenges with declining volumes. Latin American Countries need to work towards greater financial integration as drivers for growth and development in the region. The benefits of regional financial integration includes increased diversification of market risks, enhanced competition, economies of scale and cost reduction, transfer of know-how, operational best practices and convergence of regulatory practices toward higher financial standards. Financial Integration simultaneously also requires strengthening of regulatory frameworks, adoption of best practices and increased cooperation among supervisory entities.

The book first quantifies the possible benefits of regional integration. It then covers prospects for integration in the various sectors of the financial markets in seven countries. The areas integration sought are banking, pension funds, insurance and capital markets. The book identifies regulatory and legal barriers to regional integration and describes possible measures to contain the risks arising from integration. Chapter two highlights the benefits of financial integration. Chapter three to chapter six identify the challenges to the financial integration as barriers to cross border regional activity in banks, insurance companies, pension funds and capital markets. Chapter seven looks at domestic laws and regulations that constrain cross border financial activity. In the financial integration process the two blocs Mercosur (comprising of Argentina, Brazil, Uruguay, Paraguay and Venezula) and Pacific Alliance (comprising of Chile Colombia, Mexico and Peru) can play an important role which is discussed in Chapter eight. The last Chapter 9 evaluates the measure that can mitigate risk in cross border financial integration by enhancing consolidated supervision across countries as well as across entities within cross country conglomerates.

The book emphases on the need for an explicit, open, objective and nondiscriminatory statutory and regulatory framework for entry of cross border financial institutions. The need for equal access to credit bureaus and to deposit insurance is felt. Greater Cross border activity could be encouraged among financial institution through convergence of tax rates and arrangements. Agreements for avoidance of double taxation would give strength to the cross border financial activities. There is a need for harmonization of accounting and prudential regulatory frameworks with compliance to the International Financial Reporting Standards as well as Basel III prudential framework. The book recommends the need to relax restrictions of investment on pension funds and insurance companies whereby it should be ensured that procurement bids for financing infrastructure projects be open to institutions in the region.

The book stresses the need for full cooperation in the exchange of information among supervisors in the region to strengthen the financial integration. The book proposes setting up of supervisory colleges which ensures that supervisors meet regularly to take account of soundness of a bank. Also, it proposes the need to broaden the scope of the supervisory powers to supervisory control of nonbank parent industrial conglomerates who have banks as their subsidiary. The book also stresses on the need to harmonise legal frameworks for resolution and restructuring. Also on greater and consolidated supervisory control on cross border non financial institutions. The book further recommends that licensing of market players such as broker dealer be passported through the MILA Area (Latin American Integrated Market). Further there is a need to harmonise efforts that combat financing of terrorism across the region.

The book is recommended to the policy makers, researchers, professors, government officials involved with WTO and financial integration, MBA graduates and students with special interest in the Latin American financial sector. Policymakers of other regions can also learn about the benefits and challenges of financial integration.

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Agarwal, Yamini; *Capital Structure Decisions under Multiple Objectives: A Study of Indian Corporates*; 2013, IIF Publication, Delhi & G-Noida, India, pp. 223, Price ₹ 1150 or US $ 90

> *"Capital Structure Decision-Making in India : A New Successor to Modigliani and Miller"*
>
> *- John Ensminger*

The study of capital structure decisions began in the 1950s with the work of Dubrovolsky, Durand, Modigliani and Miller, and Schwartz, and others who attempted to define capital structures and describe the relationship that debt and equity could have in a particular corporate's strategies and operations. Not only has the study of capital structure decision-making evolved in subsequent decades, but the models that have been proposed have often had to be modified or even abandoned as the global nature of economic activities has changed, yet the need for new models has become increasingly clear. A recent book by Dr. Yamini Agarwal of the Indian Institute of Finance, *Capital Structure Decisions under Multiple Objectives*, advances this broad area of research by introducing a goal programming model that can be used to design and evaluate capital structure decisions for corporates.

Dr. Agarwal's book is subtitled A Study of Indian Corporates, but this should not suggest that the analysis and research contained in it will be of interest only to Indian finance specialists. Indeed, the global nature of modern finance and the international reach of many corporations in the 21st century make Dr. Agarwal's work, which was based on her doctoral thesis for the Indian Institute of Technology, an important source for anyone dealing with capital structure decisions anywhere in the world. She acknowledges that macroeconomic variables are country/region specific, and microeconomic variables are firm specific. Dr. Agarwal's work should be read by finance professionals in the Middle and Far East for similar characteristics in their countries and the firms in those countries that receive analysis. It should be read by European and American CFOs (and other officers) because it will provide valuable background concerning the decision-making processes of Indian businesses with which they may be considering developing relationships.

Prior Scholarship

The book begins with an analysis of the scholarship that began to be created concerning capital structure decision-making in the 1950s, succinctly describing the major theoreticians who have worked in the field. As Dr. Agarwal notes, capital structure decision-making is not static, but dynamic, and regularly requires "rebalancing over the paradigm shifts observed in the economy, industry and company." Variables that have been analyzed in capital structure design (Babu, 1998) include growth rates, financial risks, corporate control, situations of the relevant capital markets, regulatory restrictions and values of a firm's chief executives. Other researchers (Graham and Harvey, 2002) considered financial flexibility, credit ratings, earning and cash flow volatility, sufficiency of internal funds, interest rate levels, tax impacts, transaction costs, equity undervaluation or overvaluation, debt levels in comparable firms, bankruptcy and distress costs, concerns of customers and suppliers (e.g., with high debt levels) and the need to project a favorable impression, changes in stock price, debt issuance and retirement costs, attractiveness of the entity as a takeover target, production threats to rivals, commitments of cash flows, accumulation of profits, and the effects of capital structure choices in bargaining with employees. These factors (which can be divided into macro and micro-economic variables) indicate how complex capital structure decision-making can be.

Dr. Agarwal notes that "multinational corporations and domestic firms differ in their capital structures."Political risk and exchange-rate risk are more likely to be considered by multinational corporations. This is true in India, as elsewhere, as was previously established by Babu, who found that

Indian companies tend to have more debt-dominated capital structures than Indian companies. Bhole and Mahakund (2004) found that leverage increased measurably between 1996 and 2000 in India. Booth, Aivazian, Demirguc-Kunt and Maksimovic (2001) also looked at India, along with nine other countries, and divided countries into low-debt (e.g. Mexico, Brazil), middlelevel debt (Jordan, Turkey) and high debt, including India (Pakistan and South Korea). Dr. Agarwal notes that distortions occurred in India in part from imposed ceilings on interest rates and equity issue price controls, which force firms into debt markets. Dr. Agarwal goes through each of the macro and micro-economic considerations in capital structuring and usefully summarizing the major research on each issue. Although she is careful to point out where India has been a subject of such research, and where countries with similar economic structures have been subjects of prior research, the broad range of her perspective will make this analysis useful for anyone now getting into the topic, as well as those who wish to advance on prior research, including that of Dr. Agarwal herself.

Innovative Research

At the end of the second chapter, Dr. Agarwal throws down the gauntlet, now willing to list the limitations, indeed the flaws, of prior investigators. She notes such flaws as the following:

- Inadequate consideration of tax incentives.
- Failure to differentiate firms by risk class.
- Failure to adequately consider certain imperfections in the capital markets of certain countries, such as transaction taxes and costs of merchant banking services.
- Failure to consider market segmentation, specifically differences between personal and corporate leverage.
- A tendency to assume zero retention, i.e., 100% payout of dividends, which is rarely true in the real world.
- An incorrect assumption that all investors in a firm think alike about future prospects of the firm.
- A failure to consider that bankruptcy may be a real possibility for a firm, making assumptions about perpetual existence inappropriate.
- Treatment of capital structure decisions as isolated single decisions rather than a series of decisions with interacting but fluctuating variables.
- Assumption that firms are always dominated by a goal of value maximization.

Dr. Agarwal concludes this very important chapter by stating the reason for her research. The simplistic assumptions she has just detailed, she argues, "render these theories irrelevant in the present dynamic environment." Her research, she boldly states, "seeks to develop a new model for capital structure decisions which may incorporate multiple goals and provide for solutions."

To achieve this ambitious goal, Dr. Agarwal surveyed 434 companies. The survey was designed to understand the capital structure needs of Indian industry and the objectives of chief financial officers. In addition to the survey, financial records over a period of ten years were reviewed for additional data. A secondary objective in the research was "to study the behavioral and psychological aspect of capital structure decisions." A related object was "to measure the attitude, motivations, intentions or expectations of India's CEOs, COOs and CFOs." In addition to written inquiries, many executives were interviewed in person or by telephone. Industries sampled were divided into 20 categories, covering all aspects of the Indian commercial economy (agriculture to transport services, but including chemical, finance, healthcare, housing, media, metals, oil & gas, power, telecommunications, textiles, and tourism).

The fourth chapter will be valuable for corporations that are considering establishing operations in India, titled "Understanding of Capital Structure Practices in India," the discussion describes how "India observed drastic economic changes in 1990s." Dr. Agarwal states: "Previously, industry starved for capital as interest rates were high, regulations were stringent and the executive machinery process was cumbersome. That took more than 183 days to several years for clearing projects and even permission to issue shares or bonds was required. All this changed as private initiatives, international flows and other innovations were introduced with the globalization, liberalization and privatization drive.

As a personal note, the reviewer recently spent almost a month traveling India, and developed a solid sense that this is a country whose doors are now open for international business, with sophistication coming into its trade and finance markets in a way that will make a decision to locate an office, if not a factory, in the country very wise indeed. With this chapter's discussion of large companies in India, foreign investors will be able to better understand the thinking of partners and counterparties with which they may want do business.

Goal Programming Model Created by Dr. Agarwal

In the fifth chapter, Dr. Agarwal "attempts to contribute to a new dimension in the literature on capital structure decisions." This is done by "exploring the role of the decision maker in a multi-objective framework in India." The research indicates the complexity of the process in dividing objectives into a series of factors for separate purposes, with a numbered list of factors under each purpose, as follows:

— Factors affecting the decision to issue common stock/equity shares: 30.
— Factors affecting the decision to issue debt: 37.

— Factors affecting the decision to issue foreign debt: 10.
— Factors affecting the decision to issue convertible debt: 13.
— Factors affecting maturity structure of security investments: 6

Dr. Agarwal's survey indicates that Indian corporate decision makers preferred equity over debt. Stock splits and buybacks were rarely used, however. Prime lending rates were perceived as too high and regulatory bodies were seen by corporates as insufficiently transparent in their operations. Exposures in international markets were hedged. Indian CFOs were generally described as conservative.

With the sixth chapter, Dr. Agarwal goes quantitative, creating a model for dealing with a "multi criterion decision making process for capital structures." She states: "In presence of incompatible multiple goals, the decision maker is to identify the importance of the individual goals. When all constraints and goals are completely identified in the model, the decision maker analyzes each goal in terms of deviations from the goal that are acceptable and state whether over or under achievement of the goal is acceptable or not".

Thus, Dr. Agarwal finds a "goal programming model" to be "the most suitable choice among all mathematical programming models which undertakes multiple goals simultaneously." Techniques of correlation, stepwise regression and goal programming are used to develop, test and apply the model for capital structure decisions. She elaborates:

These regression equations based on the F-Statistics, R2, t-statistics are considered the best estimate for total debt to equity ratio and long-term debt to equity ratio. The equations develop for the total debt to equity ratio and long-term debt to equity are industry constraint equations which can be used by the firms provided the management weighs their action with respect to the industry norms. Further, economic specific constraints can also be developed on the same basis.

The development of economic specific constraints was not attempted in this research, but one must hope that Dr. Agarwal will follow up her work with additional insights.

Dr. Agarwal's survey was the first of its kind in India, and some of her conclusions will undoubtedly be tested by other scholars using similar surveys. Only time will tell whether all of her conclusions will be upheld, and the ideas she has proposed will be the subject of discussion for years to come. The book highlights the multiple considerations that go into capital structure decisions, and will undoubtedly be significant for research on corporates in other countries besides India. It is to be hoped that Dr. Agarwal will continue to work in this area as it is clear that she belongs in the first rank of researchers on capital structure decision-making.

Delta Hedge Publication & US Attorney John J. Ensminger
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Gasper, Vitor; Sanjeev Gupta and Carlos Mulas-Grandos : ***Fiscal Politics*****; 2017, International Monetary Fund, IMF Publication Division, Washington D.C., USA, pp. 530, Price US$ 40**

Experience matters a lot. A book is the reflection of a person's ideas generated out of his learning, and experience and the quality of the content depends very much on this. Hence I feel obliged to give introduction of the authors of this book as it makes a platform of understanding of the contents in depth.

Politics lie at the heart of the role that the state plays in the economy. Decisions to allocate resources, redistribute income, or stabilize the economy have a strong political component. Political developments can therefore have a power full impact on economic outcomes. For example, sudden policy shifts, uncertainty from political gridlock, or stalled budget negotiations can lead to market volatility and bad economic outcome. For this reason, analyzing the influence of political economy on policy outcomes is essential for the IMF's macroeconomic surveillance and policy analysis.

A deeper understanding of domestic and international constraints faced by policymakers facilitates our interactions with country authorities. By incorporating the understanding of a political dimension in its analysis, the IMF can also tailor its policy recommendations more closely to its mission of serving our member countries. A better understanding of fiscal policy decisions can help us come up with more inclusive—and therefore more sustainable—macroeconomic policies

The present book is a beautiful contribution Vitor Gaspar, Sanjeev Gupta, Carlos Mulas-Granados, Joao Tovar Jalles, Michela Schena, Christian Ebeke, Dilan Olcer, Mark Halierberg, Jurgen von Hagen, Estelle X. Liu, Yebenew Endegnanew, Mauricio Soto, Genevieve Vardier, Constant Lonkeng Ngouana, Fabian Gunzinger, Jan-Egbert Sturm, Ernesto Crivelli, Carolina Correa-Caro, Laura Jaramillo, Philippe Wingender, Jose Tavares, Till Cordes, Tidiane Kinda, Priscilla Mutboora, Anke Weber, Andrea Bonfatti, Lorenzo Forni, Mar Delgado-Tellez, Victor D. Lledo, Javier J. Perez, Sami Ylaoutinen, Brian Olden, Holger van Eden, Teresa Curristine, Tom Josephs, Eliko Pedastsaar, Johann Seiwald, Xavier Debrun, Marc Gerard, Jason Harris, Luc Eyraud and Tigran Poghosyan. I feel a sense of gratitude to the makers of this book as it can bring a revolutionary change in the condition of economy of a country and then that of International one. This can be quite helpful in bridging the Pyramidal Gap of of the world's Bottom of Pyramid though it is not directed towards that.

The growth of the Economy rests on the policies framed by the government and the main Institutional governance such as Government of India and the RBI. The respective policies framed by them are known as The Fiscal Policies and the Monetary Policies. The success of the economic growth demands a careful formulation and exact implementation of the policies.

But unfortunately we lack on both. Both the international and the domestic policies affect the performance of economy .This book describes how the local politics plays as a hurdle in the growth of the economy. The book provides an excellent solution to end/reduce the political war and ensure economic growth.

The book comprises three parts where first Part consists of description of the factors of local /national Politics such as election, ideologies of the ruling parties and the political divide among them. The book tries to show the impact of these factors on the Economy in monetary terms such as expenditure and investment and Returns on the fiscal variables such as Public Deficit, Debt, and Revenue etc. The Second part examines how institutions, fiscal rules, and fiscal councils can reduce the impact of politics on fiscal policy and improve fiscal results. Part three analyzes the interaction between political factors and institutions of super governance. The first finding could be mentioned as that during or approaching elections the expenditure of Government increases and hence the Fiscal Deficit widens its gap. The analysis is that of low-income countries (LICs) it's a research book and the evidences are given in analytical form as Tables, Charts, and Diagrams making the understanding at a glance very easy. The chapter contains the concept of corporate income tax (CIT), personal income tax (PIT) and value added tax (VAT) as the measures of Financial Performance.

The variation in their collection is due to political differences, the public investment and GDP Growth increases during elections. The book further states that low social spending and energy subsidies are the result of political turmoil. The same is liable to reduction in the stimulus packages for fiscal gain. Olson 2000 states that autocratic style of government responds favorably towards economic growth. If the perception of the general public is positive towards the functioning of the government then it results in the accumulation (deposit) of the taxes to the large extent. The concept of Fiscal non compliance is very clear and it is attributable to the political divide. The book reinstates the role of political fragmentation in increasing the public debt. Political considerations can lead to excessive spending in good times and can result in suboptimal fiscal outcomes.The book contain cases of different countries as examples and citation. Altogether there are nineteen chapters spread over five hundred thirty pages. The contents of every chapter are validated with the inclusion of sufficient references. For convenience of the reader index also is provided at the end of the book. The paperback edition of the book is an effort to keep the price low and easy handling.

The work done in the IMF Fiscal Affairs Department in this area examines rigorously the impact of politics on fiscal decisions and presents compelling evidence that strong institutions and smart rules can positive effect on macroeconomic outcome. The book is a first step to further integrate political economy issues into the IMF's policy analysis. I hope it will also spark further debate and research on this topic both inside and outside the IMF. The book considers a case of LIC i.e Low–Income Countries. The observations and findings are the observations and findings are not based solely on LICs rather these are included. At some places such as the findings related to CIT, PIT etc. the sample size taken is of sixty seven only. The sample under study could have been enhanced keeping in view the reach of IMF.

The essays in Fiscal Politics are gold mines of description and explanation of the sources of tension between optimal and equilibrium fiscal policies. The book presents a fascinating array of evidence about the purposes served by alternative rules, when they have worked, when they have broken down and how they can be improved. It is now widely accepted that understanding fiscal policy required understanding economics and politics. This valuable volume is rooted in political economy and covers a range of first-order issues which will be of interest to both researchers and policymakers. India is mentioned at few places only may be because of the limitations of the development of Indian economy. If the inclusion of India in the book it would have been more attractive to ASEAN Readers.

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Hagan, Sean; ***Selected Decisions and Selected Documents of the International Monetary Fund;*** **2016, International Monetary Fund, IMF Publication services, Washington D.C., USA, pp. 990, Price US$ 45**

Selected Decisions and Selected Documents of the International Monetary Fund is an annual publication from International Monetary Fund (IMF) and 2016th edition is the 38th issue of the series. It includes decisions, interpretations, and resolutions of the Executive Board and the Board of Governors of the International Monetary Fund, as well as selected documents to which frequent reference is made in the current activities of the Fund. In addition, it includes documents relating to the IMF, the United Nations, and other international organizations.

The book puts in detail the selected decisions and resolutions of the International Monetary Fund. The section is majorly divided into Articles beginning with Article III describing the Quotas and Subscriptions. The chapter begins with reference to earlier decisions in this category adding on the revised ones. Further it deals in adjustment of quotas, reforms, 14th general review of quotas and reform of the executive board. This also reviews the NAB credit arrangements and proposed amendment of the articles of agreement of the IMF on the reform of the executive board. The article also sheds light on gold and currency subscribed to the fund and accounting by members for transactions with the fund; following the guidelines on payment of reserve assets in connection with subscription.

Article IV illustrates the Exchange Arrangements and Surveillance. The section initiate with general decisions like notification of exchange arrangements, decision on bilateral and multilateral surveillance and summing up of earlier reviews. Further it dwells into surveillance over monetary unions, capital flows trade, and sovereign wealth funds, governance issues and military expenditures and surveillance procedures with consultation cycles in the article elaborating the surveillance procedures and documents and guidelines on minimum circulation periods for executive board documents.

Article V, Section 2(b) which firstly caters to Technical and Financial Services. It starts with the general discussion of enhanced surveillance procedures for transmittal of staff reports, midterm reviews and summing up of chairmen. Financial sector assessment program and G 20 mutual assessment contains the summing ups of chairman on mandatory financial stability assessments under financial sector assessment program. Confidentiality report is briefed following the G-20 mutual assessment process and the role of IMF. The next head- Observance of standards and codes provide the reports on observance of standards and codes with summing up by acting chairman. Thereafter offshore financial centers, anti-money laundering and combating the financing of terrorism, framework administered account, policy support instrument are discussed. Secondly the section deals with Financial services wherein poverty reduction and growth trust, establishment of trust for heavily indebted poor countries, proposal to enhance multilateral debt relief initiative and catastrophe containment and relief trust are discussed.

The Article V, section 3(a), (b), and (c) wherein first issue described is the Use of fund resources which looks into the interpretation of articles in agreement and use of fund's resources for capital transfers. The aspect of conditionality is talked about next putting light on guidelines and relationship between performance criteria and phasing of purchases under fund arrangements followed by the acting chairman's summing up and reduction of blackout periods in GRA arrangements. Thereafter credit tranche policies and facilities are described with stand-by arrangements, Tranche policies, trade integration mechanism, arrears to creditors and debt strategy an access policy in then credit tranches and finally the emergency financing mechanism and post program monitoring is elaborated.

The Article V; section 3 (d) and (f) which throws light on media of payment. Here the assessment of strength of member's balance of payment and gross reserve position for the purposes of designation plans, operational budgets, and repurchases under the article are discussed. Its followed by section 5,6,7,8,9,10 and 11 which details the ineligibility to use the fund's general resources, sales of SDRs by the fund, repurchases, charges and remuneration, and rates for computations and maintenance of value are discussed respectively. The books proceeds with Article V, section 12(f) which gives details of special disbursement account.

The Article VI, sections 1 and 3 throw light on use of fund's resources for capital transfers and controls on capital transfers. Article VII discusses the topic of Borrowing wherein the general and new arrangements to borrow, transferability of claims, establishment of the borrowed resources suspense accounts, investment by the fund of the currencies held in the borrowed resources suspense accounts and guidelines for borrowing has been summarized. Section 2 (b) talks about the unenforceability of exchange contracts; followed by Article VIII and XIV which details the payment policies, restricts and multiple currency practices. Section 5 of the article gives information on furnishing the information where the establishment of special data dissemination and standard plus is given along with the chairman's summing up.

The books advances the discussion with Article IX, section 5,7 and 8 which gives the archives of review of the fund's transparency policy and procedures of cooperation with investigations on fund activities by auditing institutions of members; interpretation of article IX section 7 and managing director's policy statement on immunity of fund officials. Article X comes next which details out the relations with other international organizations wherein the IMF- World Bank concordat and Fund/bank collaboration procedure is given. Article XII, section 3 and 4 talks about the adjustment of quota and voting power of executive directors. Also it gives the code of conduct for the members of the executive board of IMF and authorized signatories respectively. Article XII, section 6 and 7 information on reserves, distribution of net income, and investment and provide how investment account is establishment along with review of investment strategy and fund's income position from FY 2014 and 2014-15 under different heads followed by publication of reports like review of fund's transparency policy and web posting of PRS document related to reform of the fund's policy on poverty reduction strategies in fund engagement with low income countries. Article XIV sheds light on restrictions on payment and transfers detailing into meaning of 'In exceptional Circumstances'.

Next discussion in the row is article XV, section 2 which talks about valuation of the special drawing right wherein the SDR valuation basket gives the guidelines for the calculation of currency amounts alongside review of the method of valuation of the SDR. Article XVII, section 3 discusses the special drawings rights and other holders like Bank for International Settlements' change in terms and conditions of prescription as holder of SDRs and use of SDRs in various operations. Allocation of special drawing rights for the first, third and ninth basic period is discussed in Article XVIII, section 2. Article XIX, section 2 acts as an extension of Article XVII, section 3 with additional uses of special drawing rights. Thereafter Articles XIX, section 5 and 6 gives the designations of participants to provide currency along with rules for the same and abrogation of rules for reconstitution respectively. Article XX, sections 2 and 4 gives the charges of payment of net charges and assessment in the SDR department for the FY ended April 30, 1982 with review of the Fund's income position for FY 2014-15-16 are given. Article XXVI gives the remedial measures on overdue financial obligations to the fund. It's followed by Articles XXX (c) and (f) detailing the calculation of reserve tranche and freely usable currencies.

The book culminates with details of trust fund and subsidy account instruments of IMF. It has got the selected resolutions and related documents of IMF and United Nations and other related international organizations for user reference which makes the book a handy instrument while researching the IMF. The book has absolutely no lacunas as it supplements the user with list of decisions by number.

The book is of immense use for Academicians, scholars, researchers, policy makers and each person who is dealing in the area of financial management. Also the senior administrative officials can study about the decisions and try to get maximum usage out of them. The book is a must read for every individual working in the financial administration area.

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