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The Chinese Government Debt—What do we know and What should be Done?

HUBERT FROMLET *

Abstract

The Chinese economy has by now climbed to the second position in global GDP ranking. Thus, China's government debt matters increasingly to the rest of the world as well, both in a corporate and a macroeconomic perspective. Not enough is known about the real size of the total Chinese government debt. Insufficient statistical transparency is an important reason for this shortcoming. In this paper, an attempt is made to explain and discuss the real situation when it comes to the Chinese government debt. The current Greek/Southern European debt misery clearly shows that opaque statistics cannot be hidden away forever without sooner or later puzzling and/or frightening the financial markets. On the other hand, China cannot be analyzed completely with Western eyes. The sooner Chinese decision-makers decide on greater transparency in the government debt situation, and decisive steps towards more efficient fiscal policy are taken, the better the consequences for China itself and the global economy.

Plus Balanced Net Investment by Country required for the EU System to Survive: Empirical Analyses, 1990-2009

HIDEYUKI KAMIRYO *

Abstract

This paper universally applies the philosophy, zero, and dimensions born in old India to the current concept of quantum physics and element chemistry, which matches author's current endogenous system and presents methodology useful to the current world financial crisis. Once the EU top meeting reached mutual consensus with 26 countries on the December 9th, 2011, the current financial crisis will be saved. This paper proposes "one indispensable fact" that each country must have a plus net investment (gross investment>capital consumption) by country, with theoretical and empirical proofs for eighteen countries in Europe, where the above fact holds beyond Euro or Non-Euro currencies. This fact is based on the endogenous structure of the balance of payments and deficit in the endogenous-equilibrium and, reinforces the mutual consensus and thus, financial and monetary policies at the EU are sustainably integrated with the real-assets policy by country as a whole system.

Housing Investment Modelling for Sweden using the theoretical Tobins q Model and Error Correction Methodology applied on Swedish Quarterly Data Period 1986Q1–2008Q4.

BHARAT BAROT *

Abstract

Houses are the largest durable goods as ordinary household invests into and therefore the commitment for housing investment has to be planned more judiciously. This paper specifies a model for housing investment that is applied and estimated for Swedish quarterly data for the period 1986Q – 2008Q4. The basic dynamic model combines a few known elements from relevant housing investment theories like Tobin q model, neoclassical investment theory. Our purpose is to present an empirical investment model that is capable firstly to explain recent changes in housing investment. The results do indicate that the recent down turn in housing investment is very well explained by this simple model. The model has potential to be used as a forecasting model for Sweden and can also be utilized as blocks in wider macro-economic models for Sweden. Results indicate that the long-run q is 1.2. Short run semi-elasticity of interest rates is 1%.

Informal Reorganization of the Financially Distressed Firm and Bivalent Policy of Refinancing Rates

ANSELME NJOCKE *
GILLES RECASENS **

Abstract

This article deals with the bankruptcy problem. Three main questions are tackled in this research work. Firstly, we consider the property rights reallocation problem. Secondly, we analyze the question of the refinancing cost of the distressed firm under the hypothesis of a new debt financing to face the lack of equity financing. Thirdly, we wonder about the length of the renegotiation period and how it impacts the debt refinancing conditions. We suggest founding the reallocation of property rights, debt rights are supposed to be exchanged for equity rights, on the marginal contribution of new owners (initially debt-holders) in the reorganization process. We do not base this reallocation on the seniority degree of the old claims or on the relative debt corresponding to the status of initial claimer. Thus, we propose to use the Shapley value which is based on the marginal contributions of new shareholders. The analysis points out that the refinancing rate depends on the expected economic profitability and on the synergy effect generated by the new shareholders.

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Weak-Form Efficiency of the Saudi Stock Market

NADHEM AL-SALEH *
JASIM AL-AJMI **

Abstract

This paper reports the results of a series of tests carried out to examine weak-form efficiency of the Saudi Stock Market (SSM). The paper examines whether SSM follows a martingale process. Both traditional and newer econometric techniques were applied to test the data between 22 January 1994 and 31 December 2007 (inclusive) of eight industry-based indexes and a composite index. The outcomes of the ten different tests indicate mixed results. The unit root tests, Lo and MacKinlay variance ratio, and Chen and Deo multiple variance ratio test largely cannot reject the random walk hypothesis for both daily and weekly data. With the run test, and rank- and sign-based single and multiple variance ratio tests, the random walk hypothesis is mostly rejected for the daily data and some of the weekly indexes. Since the data are highly non-normal, the other tests may have low power, and the rank- and sign-based tests may be most appropriate.

A Study on Performance of FDI Inflow in Indian Segments

R. HAMSALAKSHMI *
K. SAMUVEL **

Abstract

India, with its relatively well developed financial sector, appears to be well placed to reap the benefits of FDI inflows. Liberalization of Indian economy in the early 1990s boosted the inflow of FDI to India, The potential benefits the growth rate of FDI inflow to India in fiscal 2008-09 was 65% In view of this, India should continue to take steps to ensure an enabling business environment to improve India's attractiveness as an investment destination and a global manufacturing hub. The present study concentrate on performance analysis of FDI inflow in highly attracting sectors as per RBI fact sheet of Indian economy. The paper examines the performance of FDI inflow during the study period 2005- 2009. By applying statistical tools it is evidenced that there is a highest positive correlation of 0.80 exists between FDI inflow and GDPFC. To examine the significant difference between the performance of FDI inflow among the different sectors one sample t- test is used, and the result shows that there is a significant different exist among the sectors.

Stock Market Volatility: Comparative Analysis of Developed and Emerging Stock Markets

S. KEVIN *

Abstract

Stock price volatility is the source of risk in stock market investment. The inter day variations in share prices show the volatility in share price movements. In this paper an attempt is made to understand the pattern and extent of stock market volatility across time periods and across countries and gorgerins such developed, Latin American Asia Pacific and other. The study measures and compares volatility of different stock exchanges for a period of 18 months from January 2008 to June 2009. Four important regions of the world have Developed countries region, latin American region, Asia-Pacific region been selected for the study. These regions are: developed countries region, Latin American region, Asia-Pacific region and other regions of the world. From each such region, a sample of important countries is chosen for analysis. The data set used for the study is the daily closing values of different stock market indices. The study finds close integration between stock markets within specific regions as well as across different regions of the world. The study has important implications for investment policies and activities. Only a portfolio which is diversified regions can have low risk profile.

Implications of Corporate Taxation on Financing Decisions
with special reference to Textile Industries in India

R. PARAMESWARAN *

Abstract

Wealth maximisation and profit maximisation is the ultimate goal of a business enterprise. Achieving this goal calls for augmentation of production and sales on the one hand and effecting reduction in business costs, on the other. In modern society, taxes constitute major cost of doing business and they take away a big slice of business income. This is true in a country like India because of the omnipotent and omnipresent character of its taxation which has now entered in to all departments of a business enterprise. The notable features of Indian tax system include multiplicity of taxes, recurring changes in tax system and gradual but certain upgrading of the incidence of tax. Tax consideration helps the finance manager in making financial decisions in such a way as may be conducive to the accomplishment of profit and wealth maximisation and there by maximise the value of the firm. Hence, in this paper an attempt is made to study the implications of corporation taxation on the financing decisions of the companies.

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Power Sectors Reforms in Andhra Pradesh

P. VENKATESWARA RAO *

Abstract of Doctoral Dissertations

Management and Monitoring of Industrial Sickness : A Study on the Role of ICICI

A. SATYANARAYAN *

Abstract of Doctoral Dissertations

Corporate Disclosure by Indian Companies

ROSHNA VARGHESE *

Abstract of Doctoral Dissertations

Marketing of Hospitality Services : A Study of Selected Star Hotels in Hyderabad

BANDARU SRINIVASA RAO *

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Impact of Mergers on the Wealth of Acquirer and Target Companies in India

INDHUMATHI. G *

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P. TAMIZHSELVAN *

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