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Articles

- Application of New Institutional Economics to the Problems of Development: A Survey** — *Nisar A Khan and Saghir Ahmad Ansari* 1
- Microcredit and Poverty Alleviation: The Grameen Bank in Focus**
— *Tazul Islam* 33
- The Macroeconomic Determinants of Foreign Direct Investment in the Turkish Economy** — *Talat Ulussever* 50
- Social Cost-Benefit Analysis of Improved Water Quality in Rural Areas: An Exploratory Study in Coastal AP**
— *V Ratna Reddy, M Kullappa and D Mohan Rao* 68
- Multi-Perspective Evaluation of Community Development Programmes: A Case Study for a Primitive Tribe of Orissa**
— *B K Mangaraj and Upali Aparajita* 98
- Housing Problems of the Scheduled Caste and Scheduled Tribe Families in Karnataka: An Alternative Framework** — *M Mahadeva* 127

Book Reviews

- New Development Paradigms and Challenges for Western and Central India.* R Parthasarathy and Sudarshan Iyengar (eds)**
— *T R Chandrasekhara* 152
- Workforce Development Networks in Rural Areas: Building the High Road.* Gary Paul Green** — *Manjappa D Hosamane* 158
- Colonial and Post-Colonial Geographies of India.* Saraswati Raju, Satish Kumar and Stuart Corbridge (eds)** — *K S Sivasami* 162

Social Security for the Old: Myth and Reality. A B Bose

— M Ramanjaneyulu

165

Books at a Glance

167-171

Educational Infrastructure for Biotechnology in India. R K Mishra,
B Navin, P Geeta and Ch Lakshmi Kumari

Corporate Social Development: A Paradigm Shift. Debasis
Bhattacharya.

*Striving for Sustainability – Environmental Stress and Democratic
Initiatives in Kerala.* Sri Kumar Chattopadhyay and Richard W Franke.

Privatisation in Developing Countries (Volume 1). Paul Cook and
Colin Kirkpatrick.

A Prattler's Tale: Bengal, Marxism, Governance. Ashok Mitra.

Application of New Institutional Economics to the Problems of Development: A Survey

Nisar A Khan, Saghir Ahmad Ansari

With neoclassical economics increasingly being questioned on its ability to provide answers to the many economic problems and issues in low- as well as high-income countries, the New Institutional Economics (NIE) provides an exciting and challenging new paradigm. Institutions do structure economic forces and play an important role in expanding human choice — a fundamental goal of economic development. This paper presents a survey of the application of the NIE to the problems of development. The majority of the quantitative and qualitative studies pertaining to the role of institutions in the development process found a strong positive correlation between the quality and performance of institutions on the one hand and development outcomes on the other. The survey shows that the three major themes of NIE, i.e., the transaction costs, property rights and collective action, can effectively address issues that have remained more or less puzzles when analysed using conventional approaches.

Microcredit and Poverty Alleviation: The Grameen Bank in Focus

Tazul Islam

The Nobel Peace Prize to Professor Dr Muhammad Yunus and the concept of Grameen Bank (GB) has refreshed the public's interest in GB and microfinance in general. Looking into the GB model of microfinance, this article argues that there is a need to take stock of the services currently being provided by microfinance institutions (MFIs) for poor clients. The microfinance industry has reached a critical stage in its development, with MFIs focusing on financial sustainability through their credit-driven models, failing to make any significant achievement in poverty alleviation.

This paper examines microcredit's poverty-alleviating ability and argues that microcredit has insurmountable limitations as a model of sustainable poverty alleviation. Developing client-responsive, flexible, and quality financial and non-financial services is imperative now. Thus, the more appropriate and higher the quality of services on offer, the better will be the impact on poverty alleviation.

The Macroeconomic Determinants of Foreign Direct Investment in the Turkish Economy

Talat Ulussever

The amount of foreign direct investment (FDI) in the Turkish economy increased considerably over two decades and reached a historically highest level in the year 2006. With increasing FDI inflows and their effects on the Turkish economy, it has become critical to determine the factors that affect those inflows. In this study, we construct a single regression model and use data from 1960 to 2004 to estimate the determinants of FDI inflows into the Turkish economy. The

findings of this study are consistent with the literature and show that the statistically significant determinants of FDI inflows into the Turkish economy are openness, growth rate of the economy, foreign capital stock, infrastructure investment, and economic instability.

Social Cost-Benefit Analysis of Improved Water Quality in Rural Areas: An Exploratory Study in Coastal AP

V Ratna Reddy, M Kullappa and D Mohan Rao

This study attempts to assess the costs and benefits of improved water quality in rural communities on the backdrop of a proposed water purification project in coastal districts of Andhra Pradesh. Important issues assessed include: i) Health sector benefits due to averted illness, ii) Patient expenses saved due to averted illness, and iii) Value of productive days gained due to averted illness. Both qualitative and quantitative information is being elicited from households in six villages in three districts. Group discussions, discussions with local doctors and Naandi Foundation were conducted to get an overview of the situation. Cost-benefit analysis has been carried out from the angle of social welfare rather than from a purely economic point of view. Besides, a willingness to pay survey was conducted to assess the ability of rural communities to pay.

Important conclusions of the study include:

- i) All the sample tests for water quality and discussions with doctors confirm health and water quality linkages.
- ii) Households incur substantial losses due to ill health and the resultant loss of working days. Losses are more in terms of medical expenses followed by working days lost and expenditure on water. Such losses are relatively more among Below Poverty Line (BPL) households and also among women.
- iii) Households experience positive Social and Health benefits in the medium to long term.
- iv) Poor are paying disproportionately higher proportion of their income towards improved water supplies. Hence, discriminatory pricing or cross subsidisation could be a desirable option in order to reduce the burden on poor households.
- v) The viability of the technology is limited to large villages (above 500 households) eliminating the small and medium villages that are in majority. Appropriate institutional arrangements for managing the existing distribution systems appear to be a better option in these villages. The existing systems are also cost effective when compared with the proposed new technology.

Multi-Perspective Evaluation of Community Development Programmes: A Case Study for a Primitive Tribe of Orissa

B K Mangaraj and Upali Aparajita

In a welfare economy like India, sponsored development actions are being carried out not only by the government but also by various Non-Governmental Organisations. But all these actions need to be evaluated in terms of beneficiaries as well as national objectives. With various community development programmes in operation, suitable evaluation

procedures for these programmes may be adopted for designing and strengthening further course of action after implementation. In this context, an evaluation will be more meaningful if it involves various stakeholders for evaluating multiple perspectives for development. A fuzzy-set theoretic approach has been presented for such a procedure along with an illustration from *Dongria Kondh Development Agency*, a micro-project operating in Orissa.

Housing Problems of the Scheduled Caste and Scheduled Tribe Families in Karnataka: An Alternative Framework

M Mahadeva

Meeting the housing needs of the depressed sections has emerged as a major challenge. Social housing schemes, being the only avenue of meeting the housing and amenities needs, have been very ineffective in terms of the coverage due to inadequate financing by the government. Since public expenditure has not increased correspondingly to the housing needs during the '90s, the problem of housing of these sections has emerged as a major predicament for the state of Karnataka. Additionally, institutional inadequacies have further distanced the access to housing and amenities to houseless families. This paper documents institutional potentialities in the state to effectively address the problem besides suggesting a need-based housing development strategy — higher public expenditure, reorienting the existing institutional infrastructure and an integrated approach in meeting the total housing requirements of these families.