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# Research Digest

## Working Paper No. 247

Drivers of Academic Research and  
Patenting in India: *Econometric Estimation  
of the Research Production Function*

Amit Shoven Ray  
Sabyasachi Saha

April 2010



INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS

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OTC Derivatives Market in India: Recent  
Regulatory Initiatives and Open Issues for  
Market Stability and Development

Dayanand Arora  
Francis Xavier Rathinam

April 2010



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Economic Growth?

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(<http://icrier.org/page.asp?MenuID=24&SubCatId=175&SubSubCatId=756>)

**Sports Retailing in India: Opportunities, Constraints and Way Forward**

*Arpita Mukherjee, Ramneet Goswami, Tanu M Goyal & Divya Satija*

June 29, 2010

Sports retail is a small but fast growing segment of modern retail in India. Recently, the country has been hosting many international sports and this has given a boost to this sector. Many foreign and domestic corporate retailers have entered sports retail. Sports goods manufacturing is a focus area in the Foreign Trade Policy (2009-2014) and the government is taking a fresh look at the current foreign direct investment policy in retail.

This paper provides an overview of the sports retail sector in India. Specifically, it presents the different retail formats, consumer profile, retailers' supply chain and sourcing. It also examines the retail and sports policies and their implications for this segment of retail, analyses the barriers faced by this sector and suggests policy reforms.

The study found that the policy of allowing 51 per cent FDI in the single-brand format has not benefited this sector. The FDI ban on multi-brand retail is not an entry barrier since foreign retailers can establish their presence in India through other routes. The study found that since this is a niche segment of retail, FDI would not have an adverse impact on traditional retailers. It concludes that government should allow 51 per cent FDI in multi-brand sports retail. This will increase sourcing from India, lead to diffusion of technology, proliferation of brands and investment in sports and sports promotion, among others.

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([Http://icrier.org/page.asp?MenuID=24&SubCatId=175&SubSubCatId=734](http://icrier.org/page.asp?MenuID=24&SubCatId=175&SubSubCatId=734))

**The Service Sector as India's Road to Economic Growth?**

*Barry Eichengreen & Poonam Gupta*

April 20, 2010

Among fast growing developing countries, India

is distinctive for the role of the service sector. However, sceptics have raised doubts about both the quality and sustainability of the increase in service sector activity and its implications for economic development. Using National Accounts Statistics and cross-county data, this paper shows that the growth of services has been broad-based. It contends that the growth of service sector employment is not simply disguised manufacturing activity. The study also indicates that the skilled-unskilled mix of labour in the two sectors is becoming increasingly similar. Hence, it is no longer obvious that manufacturing is the main destination for the vast majority of Indian labour moving into the modern sector and that modern services are only a viable destination for the highly skilled few. To the extent that the expansion of both modern manufacturing and modern services is constrained by the availability of skilled labour, this just underscores the importance for India to continue to invest in labour skills. The study concludes that sustaining economic growth and raising living standards will require shifting labour out of agriculture into both manufacturing and services and not just into one or the other.

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**OTC Derivatives Market in India: Recent Regulatory Initiatives and Open Issues for Market Stability and Development**

*Dayanand Arora & Francis Xavier Rathinam*

April 16, 2010

The OTC derivatives markets all over the world have shown tremendous growth in recent years. In the wake of the present financial crisis, which is believed to have been exacerbated by OTC derivatives, increasing attention is being paid to analysing the regulatory environment of these markets. In this context, we analyse the regulatory framework of the OTC derivatives market in India. The paper, inter alia, seeks to prove the point that the Indian OTC derivatives markets, unlike many other jurisdictions, are well regulated. Only contracts where one party to the contract is an RBI regulated entity are considered legally valid in India. A good reporting system

and a post-trade clearing and settlement system, through a centralised counter party, has ensured good surveillance of the systemic risks in the Indian OTC market.

From amongst the various OTC derivatives markets permitted in India, interest rate swaps and foreign currency forwards are the two prominent markets. However, by international standards, the total size of the Indian OTC derivatives markets still remains small because credit default swaps were conspicuously absent in India until now. It appears that Indian OTC derivatives markets will grow fast once again after the present financial crisis is over. This research paper explores open issues that are important to ensure market stability and development. On the issue of the much discussed competition between exchange-traded and OTC-traded derivatives, we believe that the two markets serve different purposes and would contribute more to risk management and market efficiency, if viewed as complementary. Regarding the introduction of new derivative products for credit risk transfer, the recent announcement by the RBI that it would introduce credit default swaps is a welcome sign. We believe that routing of credit default swaps through a reporting platform and managing its post-trade activities through a centralised counterparty would provide better surveillance of the market. Strengthening the position of the Clearing Corporation of India Ltd. (CCIL) as the only centralised counterparty for Indian OTC derivatives market and better supervision of the off-balance sheet business of financial institutions are two measures that have been proposed to ensure the stability of the market.

## Working Paper No. 247

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### Drivers of Academic Research and Patenting in India: Econometric Estimation of the Research Production Function

*Amit Shovon Ray & Sabyasachi Saha*

April 3, 2010

This paper attempts to provide a comprehensive understanding of the drivers of academic research and patenting in India. Academic research is conceptualised as a research production process where research inputs (like research time and number of research scholars) are transformed into research outputs in the form of publications and patents. Research inputs by a faculty member are expected to be an outcome of his/her own decision-making process, which in turn determine his/her research outputs. Exogenous parameters, like faculty background, faculty attitude, research sponsorship and institutional factors, are expected to influence both set of endogenous variables (research inputs and outputs). The production function has been specified as a recursive simultaneous equation model and estimates the structural parameters using standard econometric methods. The results clearly identify several drivers of academic research and patenting in India, in terms of faculty background, faculty attitude and other parameters, from which concrete policy lessons for patenting of academic research in India are arrived at. In particular, the paper argues that putting in place institutional structures will not serve the purpose of giving research activity a fillip unless the fundamental issues of research environment, culture and attitude are addressed in the first place. In a sense, therefore, introducing an IPR legislation alone may not act as an instant magic formula to energise Indian academic research for commercial application.



# Notes



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