



AERC VOICE

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From the Desk of Editor

Dear AERC Colleagues and Readers,

Welcome to the 5th issue of the AERC Newsletter! This issue brought to you my first Newsletter since I take up the editor's role. As the new Editor, please let me start by conveying my gratitude to all of you and the AERC Voice members, especially the former editor Ms. Nighat Bilgrami, Acting Directors of AERC, Dr. Malahat Kaleem and Prof. Dr. Moonis Ahmar and other team members, Muhammad Sabihuddin Butt and Ambreen Fatima who have set up milestones for the AERC Voice. For the last one year, AERC Voice has played an important role in presenting news and research articles on different topics. 2013-14 has been an exciting year of development for us. We are delighted to have launched the AERC newsletter and Alumni Directory. In the upcoming year, we have more initiatives lined up and hope that you will continue supporting us. In order to keep the readers widely interested and updated, we have, of course, continued the traditions of communicating significant events and activities of AERC. Hence, I would like to take this opportunity again, invite the timely research reports/essays/articles and submissions from staff and students to join us.



Starting from this issue, two new sections are added. First, Alumni News is the section where our alumni's are welcomed to share their memories about their Alma Ata life. We hope it would be pleasure for us to raise awareness about "where they are now" and creation of inspirations for the MAS students as well. Indeed, we will have the opportunity to be proud of them. Next, the section entitled Student News, where you can be meeting with our best performing students in terms of winner via competitions.

Let me close by again offering my sincere thanks for everyone's support during the publication of current issue. Special thanks for Mohsin Husnain, Nigar Zehra, Zia Abbass and Humera Sultana. Their incalculable help has got AERC Newsletter off the ground. So here, the issue is now in your hand. I hope you will all enjoy it.

Uzma Iram

Quote

"Desire is the starting point of all achievement, not a hope, not a wish, but a keen pulsating desire which transcends everything."

Napoleon Hill

Does the Institutional Quality Matter to Attract the Foreign Direct Investment? An Empirical Investigation for Pakistan

Mohsin Hasnain Ahmad

The importance of the linkage between institutional quality and economic growth was recognized by many economists and policy makers. North (1990) identifies the role of institutions in stimulating economic growth and says that that "the inability of societies to develop effective, low-cost enforcement contracts is the most important source of both historical stagnation and contemporary underdevelopment in the third world". Several studies show that good institutions can encourage private investments, improve the overall efficiency of the economic system and significantly contribute to the economic growth. The theoretical literature favors the role of institutions as they discipline the behavior of economic agents and introduce such rules and regulations that limit opportunism and build transactional trust in financial transactions, and ultimately enhance confidence of foreign investor and FDI inflows. There has been a growing interest among researchers to investigate quality of institutions as determinants of FDI in developing countries. A large number of empirical studies support institutional quality as an im-

portant determinant of FDI. Pakistan has great potential for FDI but lagged behind in exploiting the opportunities like many other developing countries in attracting FDI in comparison to other developing countries and has received only 0.06% of total world FDI in 2013.

Many believe that major investment hurdles in South Asia are deep rooted corruption, very weak political and institutional structure that creates gap between policies and their implementations in these economies (Sahoo, 2006). One of the important aspects of previous research is that they are based on cross-country analysis. Cross-country regression analysis is based on assumptions of homogeneity in the nature and quality of data that is a very restrictive assumption. Institutional aspects are unique for different countries and ultimately the validity of the results from cross country study becomes doubtful (Deaton, 1989). Therefore, it may be worthwhile to provide strong foundation for a policy formulation through exploring the

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Health Policies And Health Programs In Pakistan

Uzma Iram

This article provides an understanding of the health system and its functions in Pakistan because health policies can create a supportive environment that enables society to attain healthy lives and combat health problems irrespective of their age, gender and income. The main message conveyed in this article is that Pakistan has undertaken many health policies and programs to try and improve the health status of the population. While there has been noticeable improvement in some health indicators over the years, on the whole, Pakistan ranks poorly on this count. Being committed to MDGs, the Government of Pakistan restated the need to focus more on prevention and control of diseases, reproductive health, child health and malnutrition, rather than focusing on curative aspects.

The health system in Pakistan comprises both public and private health facilities. The public sector until recently was under the domain of the Ministry of Health. However, under the 18th amendment of the constitution of Pakistan, the Ministry of Health has been devolved in June 2011 and the functions of the ministry have been transferred to provincial health departments (Mezzera et al., 2010). The provinces are now responsible for developing their own strategies, programmes and interventions based on their local needs. The

role of the federal government (Ministry of Health) involves policy-making, coordination, technical support, research, training and seeking foreign assistance. The private health system now ranges from primary to tertiary care in both urban and rural areas. This sector provides varying levels of care through professional and paramedical health care workers (EMRO, 2007).

Notably, the health system in Pakistan suffers from a lack of investment by the national government and the performance of the health sector in Pakistan is primarily, because of low level of health spending and total expenditure on health as percent of GDP is only about 2 percent of GDP, which is much lower than other countries with similar income levels (UNICEF, 2010). Pakistan faces a wide array of health challenges; especially the burden of diseases which can be classified under two broad categories: half due to communicable diseases connected with poverty and low levels of development, reproductive health and malnutrition while the other half due to non-communicable diseases associated with affluent countries. The former are major contributors to the national disease burden (Pakistan, 2008). The extent to which they continue to threaten and diminish the

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Total Factor Productivity In Pakistan Revisited: A Dual Approach Of Productivity Measurement

Sadia Majeed, Q.M. Ahmed and M.S Butt

This paper developed a dual approach to growth accounting. Though application of dual approach to Pakistan has its own merit but it is problematic. Factor price information that this approach requires is often not easy to obtain. First, there are difficulties with regard to appropriate wage rates, since there is no organized labour market in the economy. The problem is more acute with regard to the rate of return to capital. Pakistan capital market is in transitional face and the scope and coverage of the organized capital market is limited. Banking sector is still under the regulations of government policies and so that the bank rates (on deposit and lending) are to a considerable extent determined by administrative decisions rather than market clearing. Despite these weaknesses the exercise presented in this paper vindicate the usefulness of the dual approach in addressing issues concerning TFP measurement.

Comparing the results from dual approach with the standard primal approach shows significant differences between the sets of TFP estimates for LSM sector of Pakistan. The analysis reveals that the divergences between primal and dual TFP estimates is caused by data inconsistencies between the user cost of capital and physical stock of

capital. Relevant empirical finding also suggests that even in the developed countries with thoroughly researched statistics, researchers should be aware that significant discrepancies may exist in the data. There is no agreed rule that would identify which TFP estimates are preferable is needed rather a detailed knowledge of the economy under consideration, enables a researcher to determine whether data on user cost or data on capital stocks are more reliable on a case-by-case basis. The usefulness of having two methods of constructing productivity estimates is that their comparison can provide a warning signal: a substantial divergence between the two should alert the researcher that the data on physical stocks and factor prices are inconsistent with each other or with the assumption of growth accounting. Whether one a priori has more faith in primal or dual estimates, our dual estimates strongly support standard primal estimates of the relative importance of TFP and factor stocks. The variance in TFP levels is even greater under the dual methodology than under the traditional primal approach to development accounting. Even when weaknesses in NIA cease to be serious, the dual approach can provide a useful check on the validation of the estimates obtained from the primary approach.

(Direct Investment) Continued from Page 1

relationship between FDI and institutions based on country specific analysis. Pakistan is a very interesting case study, because it is one of those countries that have experienced political turmoil in one form or the other, wide spread corruption, worse law & order situations etc which seem to be hurdles in attracting FDI in Pakistan. Overall, the results of the study strongly support the hypothesis that the institutional quality exerts long run impact in determining FDI inflows. The findings further demonstrate that interaction term of institutions and trade openness has significant impact on FDI both in short run and long run. This finding suggests that simultaneous implementation of these reforms i.e., trade openness policies and improving the quality of institutions are likely to attract more FDI both in short run and long run. Our results suggest that policies aimed at strengthening the protection of property rights, reducing corruption, government stability, high bureaucratic quality, and better law and order should be the priority for policy makers seeking to attract more FDI in Pakistan. Policy makers in Pakistan need to develop long-term strategies that would improve the institutional quality. Multilateral organizations such as the IMF and the World Bank should play their role in facilitating FDI by promoting good institutions in developing countries like Pakistan. Of course, this is not only explanation for attracting the inflow of FDI in Pakistan but there are other important determinants of FDI that emerge from this study such as trade openness policies, market size, physical infrastructure and macroeconomic stability. The key message of this research is that countries with high institutional quality tend to be more attractive for foreign investors to invest in these economies. The strong institutions improve private investors' confidence to invest in long term projects and export oriented industries, which is crucial for economic development.

(Health Policies) Continued from Page 1

well-being of Pakistan's children is of particular concern. Combating them will require a wide range of resources and actions, some well beyond the concerns of health policy. The first formal health policy in the country was announced in 1990. Before that, since 1960 health planning was part of the national Five-Year-Plans and four health policies have been announced in Pakistan. The timeline of health policies in Pakistan are: National Health Policy 1990, National Health Policy 1997, National Health Policy 2001, National Health Policy (2009).

Moreover, Public health interventions include a number of programmes which are federally led with provincial implementation arms. The government is implementing many health programmes focused on developing sustainable health care system to combat diseases and other major health concerns (Pakistan Economic survey, 2010-11). The health programs are: Expanded Programme on Immunization (EPI) 1978, National Program For Malaria Control, National T.B. Control Programme, National Program on Family Planning & Primary Health Care, 1994, National Maternal Neonatal And Child Health (MNCH) Program.

The Pakistan health policies emphasized within the Health for All policy draw attention to clean water, sanitation and prevent diseases in 1990. Several health programs were also included in the 1997 health policy such as immunization, family planning, maternal and child health.

Despite the fact that Pakistan has attempted to implement various health policies and programs to achieve the MGD target to reduce child mortality, the pace of improvement in outcomes has been sluggish. Therefore, without seriously addressing factors affecting the child mortality rate, it would be impossible to achieve the required target in reducing the under-five mortality rate in Pakistan. In order to achieve the MDGs, Pakistan would require a fundamental shift in its policy and strategic directions. Along with the allocation of significant additional resources for health, it needs to review and re-prioritize the use of existing resources, focusing more on primary health care. Pakistan must also adopt an integrated approach that views health, education, and other social sector development as fundamentally interrelated and interwoven. Without such an integrated approach, achieving the health-related MDGs is likely to remain subtle for Pakistan. There is a critical need to foster a healthy debate on the health-related MDGs in Pakistan so as to inform and, hopefully influence and public policy.

Furthermore, in order to achieve the MDGs, Pakistan must adopt a pro-poor health policy, thoroughly changing its health care system. Significantly more resources for health are required along with a fundamental shift in the structure and composition of the health care system. Following the recommendations of the WHO Commission on Macroeconomics and Health, Pakistan must put more emphasis on primary health care and on diseases and health issues that affect the poor and the disadvantaged. Critical choices made by Pakistan in its resource reallocation exercise now, will determine the future direction of human development in the country. Health and development professionals in Pakistan must engage in a healthy debate on the MDG and their implications for Pakistan. It is time to critically assess the challenges faced by the country in this regard. Such debate, hopefully, will inform and influence public policy leading to fundamental shifts in directions that are essential to achieve the MDGs.

Faculty Development

Dr. Samina Khalil Associate Professor/Senior Research Economist attended United Nations Environment Program (UNEP) Policy Workshop for Strategic Decision Makers on “Economics of Biodiversity and Ecosystem Services: Building Biodiversity and Ecosystem Services into National Policy” on 20 – 24 September, 2014, Kings College, University of Cambridge. UK.



The Director of the workshop informed the participants that UNEP had a tough job to select the right number with proper mix of interest, profile, geographical spread and gender balance. He congratulated the 29 participants from 22 countries including Dr. Samina Khalil, on being selected among 600 applications from 88 countries. UNEP provided financial support to cover all expenses of candidates for participation in the policy workshop.

The objectives of this international workshop were:

- i. to do a stock take of what is known about economics of ecosystem services.
- ii. to give participants a briefing on the main principles involved in the economic analysis of policies for biodiversity conservation and ecosystem management,
- iii. to discuss the possible tools for analysis of institutional issues in order to successfully incorporate biodiversity conservation and ecosystem management into national policy,
- iv. to identify the limitations of these tools and approaches.

The workshop therefore enhanced knowledge and skills of participants on the application of economic valuation and innovative response policies and tools by using information on the economic values of ecosystem services. It also provided a platform to allow networking among experts, policy-makers and practitioners who will participate in the workshop to share their experiences and promote their partnership development. The workshop included an update on most recent developments in the field, and was aimed at those working in policy analysis and implementation, management and financing in developing countries. It was delivered by four senior academics undertaking research in the field. It also provided a plenty of wonderful opportunities to meet and interact with colleagues from across the world and to discuss issues with course tutors. The workshop took place over the weekend leading up to the 2014 BioEcon conference.

Strategic Decision Makers in Planning, Revenue, Finance, Environment and senior decision makers, Chief Scientists, Director General, Chief Statisticians and Experts who have been involved in some of the key ongoing initiatives being implemented in the region, such as the sub-global assessments (SGAs) follow-up programme, UNDP-UNEP Poverty-Environment Initiative (PEI), GEF supported project for ecosystem services (ProEcoServ) and the TEEB follow-up initiative were invited to attend the workshop. Senior Government officials from developing countries engaged in policy design in both the field of ecosystem services and economic management were also invited to attend the training/workshop.

Key Deliverables and Outcome:

The workshop yielded the following expected results:

- Improved capacity of participants from developing countries to undertake Sub-Global Assessments;
- Improved capacity of participants from developing countries to deliver environmental policies based on sound and locally developed scientific information;
- Increased the technical capacity of participants in economic valuation and accounting of ecosystem services;
- Raised awareness on the relationships between ecosystem services and human well-being through outreach and dissemination activities.

Dr. Anjum Aqeel was selected and invited to represent Pakistan in the 2014 Economic Policy Forum on “Emerging Economies and the Global Economy Dynamic Interactions and Impacts” held on 1-2 November in Haikou, PR China which Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) co-organized with China Institute for Reform and Development (CIRD). Dr. Aqeel presented her paper titled ‘Estimating the Knowledge Capital Model for a Developing Country Pakistan’. Furthermore, Dr. Anjum was also invited to a second meeting in Beijing subsequent to Haikou to a Think Week on “Successful Investment Policy Design – Framing Challenges and Opportunities of Emerging Economies” between 3 and 6 November in Beijing. The Think Week was convened exclusively for EPF core members and selected international experts. Participants were given the unique opportunity to present and discuss investment policy topics with renowned Chinese institutions and experts in the field. There was an inspiring debate among experts about the current adjustment processes characterized by severe financial disruptions in BRICS+ countries. In its efforts to integrate with the regional economies, the Government of Pakistan can benefit from the recommendations of the Think Tanks gathered for the Think Week in Beijing. Such kinds of interactions among intellectuals and experts go a long way in paving the way for the integration of economies and regional peace and stability. The increased trade and flow of investment that follows would promote the welfare of billions of people living in this region and around the globe.



Award of Ph.D. Degree

We feel deeply pleasure to congratulate to Mr Mohsin Husnain Ahmad for awarding his doctoral degree from University of Karachi on 6th November 2014. Indeed this is great achievement of Dr Ahmad and he deserves this reward in response of his hardworking and brilliant research skills. AERC Voice wishes his myriad success and blessings



Orientation Day for Fall Session

We are pleased to inform you that AERC has started MAS evening program to facilitate the highly motivated students who wants to enhance their academic performance and career development with jobs. AERC provides such a platform to come true their dreams and welcomed them on the orientation ceremony held on 15th of October 2014. The ceremony was chaired by the Dean of faculty of Arts/Acting Director AERC Prof. Dr Moonis Ahmer followed by all faculty members of AERC. Dr Pervaiz Wasim, Incharge of Graduate Studies Program started the ceremony by highlighted the history and functions of AERC. Dr.Waseem provide very useful information to the new comers about the Graduate Studies Program and its rules and regulations and facilities of AERC in his welcome speech. On the other hand, opportunities also given to the new comers to introduced themselves. Dr. Moonis Ahmar concluded the ceremony with emphasizes the importance of MAS program and suggested useful clues about the research to the students regarding their academic responsibilities. The ceremony ended with some refreshment. It was the great time when students were getting interaction with faculty of AERC during the refreshment time. The classes have been started from 20th of October 2014. AERC Voice deeply congratulates to all **NEW COMERS** and keeps good wishes for their bright future.

Inception of Ph.D. Program

AERC Voice is very excited to announce that we are going to start the Ph.D program from January 2015. We have been Selected 23 successful candidates after carefully scrutiny and interviews. The final list of candidates has been displayed on 27th October 2014. We are eagerly waiting to say **WELCOME** on 1st January 2015.

Moreover eight of our staff members have also got admission in the first batch of AERC PhD program. It was great time when our junior staff showed their tremendous motivation for higher education. AERC has already set faculty development as its first priority through providing opportunities to achieve their academic excellence at home place.

The successful faculty are:

Mr. Roshan Ali Shah, Mr. Minhaj-uddin Siddiqui, Mr. Khurram Ifikhar, Mr. Tehseen Iqbal, Ms. Fauzia Sohail, Ms. Nigar Zehra, Mr. Zia Abbass and Mr. Kamran Abbass.

We all have many congratulations to new Ph.Ds. and keep best wishes for their success in all future endeavors.

Seminar Series

A seminar on Geographical Information System (GIS), organized by the Applied Economics Research Centre (AERC), was held on Wednesday, November 05, 2014. The seminar was presented by Professor Dr. Khalida Mahmood from the Department of Geography, University of Karachi. She has been the Chairperson of the Department from January 2009 till June 2012. Professor Dr. Khalida Mahmood also looked after MS Remote Sensing and GIS (Evening program). Her major interests are Economic Geography, Administrative Geography, Map and air-photo Analysis, Political Geography, etc. She has been involved in various projects and M.Phil/PhD research.



Professor Dr. Khalida Mahmood highlighted the significance and applications of Geographical Information System. She discussed different interfaces of GIS among them, data manipulation and integration, vectorisation, georeferencing, geo-processing, spatial analysis, etc. The importance of GIS for other disciplines like economics, ecology, agriculture, environment, urban and regional planning, engineering and many other applied sciences, were also discussed. The exceptional data handling processes by GIS have become the need of modern times. The dynamic vision of GIS was explained.

The seminar attracted a very large number of audiences. It was attended by the faculty, M.Phil and PhD students of the departments of Economics and Geography, University of Karachi. The AERC faculty appreciated the excellent presentation by Professor Dr. Khalida Mahmood and thanked her for presenting it on a very short notice.

An interactive session regarding Energy crisis: Management and sustainable development of energy resources has been organized by Applied Economics Research Centre on 17th Oct 2014. The honorable chief guest Dr. Shahid Amjad (professor and H.O.D at department of environment and energy management, Institute of Business Management) highlighted various aspects of energy crises prevailing in Pakistan. The session started with the discussion about the current existing capacity of energy generation. Later on, several modes by which energy is being generated, causes behind this crisis and then what options we have in our pocket along with their feasibilities were discussed. Another idea of smart buildings and smart control had also been highlighted for which entrepreneur's should have to be encouraged for an off-grid solution & for designing and constructing such buildings. The session ended up with two major policy conclusions; firstly, the energy crisis is not due to the lake of capacity but it's the managerial one. Secondly, we must shift from thermal energy resources towards renewable energy sources as they are abundant and green by their nature. Furthermore these projects should be completed in time. However, that's not an easy task for a country like Pakistan.

Excellence at all levels could be achieved whenever there is proper planning. In this regard Applied Economics Research Centre organized an interactive session entitled "the insight into project cycle and the role of research" on 3rd Sep. 2014. The honorable chief guest Dr. Iqbal Ahmed Panhwar shared his prodigious view point and of course very diversified information on this subject matter. However, Dr. Khaliq Irani also joined the session and added his valuable comments. The seminar started with the discussion of what does a project cycle constitute? What challenges we face? And how these Challenges could be addressed? Later on the session turned quiet intriguing when the topic was turned towards Pakistan as a subject matter. After a very long interactive session, the speaker concluded that as far as Pakistan's project planning is concerned we could optically discern that several ground realities were ignored. However, for a project to be prosperous, such policies should have to be adopted which complement the proposed project.

Announcement

Conferences play an important role and associated with healthy academic performance. AERC is organizing international conference under the theme of "Structural Reforms for Inclusive Development" on 17-18 March 2015. For this purpose we have announced conference program via posters, web page and emails. AERC has started receiving prompt response from interested participants in terms of abstracts. Two key speakers will be invited from abroad. A scientific committee would evaluate the final papers to select the outstanding papers for the conference. The privilege of lodging and boarding expenses will also be given to the successful presenters and discussants. We look forward to receiving research papers and welcoming all participants to AERC conference.

Congratulations

We heartily congratulate to Mr. Sohail Javed, for performing his Hajj this year. The Holy Prophet (peace be upon him) has described "The people who come to perform Hajj or Umrah are the guests of Allah because they visit His House on His Call; therefore, Allah grants them what they ask for". We also pleased to congratulate to Mr. Muhammad Sabih Uddin Butt and Humera Sultana, for performing Umrah sadat this year. We keep many good wishes for them.

Where there's a will, there is a way

To emphasize the importance of willpower and life's ambition is the reason for sharing this story. A single moment is enough to make us stronger or otherwise. Life gives us choices to either grab with both hands or just let it go and sit on the sidelines. Always remember that your focus on a goal determines your destiny and this was proved by Ms. Shahnaz Rashid who had been struggling against her sever and painful disease for her achievement. During the treatment, she and her family faced really a hard time and felt never-ending darkness surrounding. However, her efforts and courage to achieve her goal shattered all bounds. She lived to fulfill her promise with her loving mother for the completion of her M.phil. Courage is the most important of all the virtues without which one can't practice any other virtue consistently. Ms Rashid showed courage and will power to fulfill her ambitions with a smile despite facing severe illness since 2004. Indeed she magnified her life by sheer dint of confidence and was crowned with every success in life. She is doing well MASHALLAH and all obstructions have been removed from her life now. A model character like Ms. Rashid which motivates us to do something unusual regardless of the hurdles we face in our life. Dreams are only dreams until you wake up and make them real. AERC Voice and all staff of AERC wish for her a healthy and happy long life.



Where are they Now!

Dr Muhammad Nishat is an AERC Alumni from the first batch of MAS. Dr Nishat is currently working as an associate Dean at Institute of Business Administration, Karachi. After completion of MAS, Dr Nishat did his PhD in Economics (specialized in Finance) from Auckland Business School, University of Auckland, New Zealand in 1999. He has rich teaching experience in Financial Econometrics, Managerial Economics and Investment Analysis and Portfolio Management. He is an author and Co-author of more than 60 research articles in professional academic Journals. He has many articles on current economic issues in national Dailies, Various Research Reports. Dr Nishat has done many independent consulting assignments as an economist and marketing analysis. Indeed Dr Nishat proved his an excellent personality not only in the field of teaching and research but performed many administration assignments and ended them with successfully. He is actively involved in administrative responsibilities and has performed as a Chairman Finance and Economics, Acting Dean and Director, PhD Coordinator, IBA Karachi, Chairperson Academic Committee of IBA and incharge Graduate Studies AERC, University of Karachi. No doubt we are very proud to Dr Nishat as they are AERC alumni. We would congratulate him on all his great achievements during his career journey and keep best wishes for him.



We are very proud on Dr. Qazi Masood Ahmed as AERC Alumni. After completion of MAS from AERC he got his doctorate from University of Bath, United Kingdom. Indeed Dr. Ahmed career is a wonderful and series of success that is more than enough for inspirations. While at Applied Economics Research Centre, Dr. Ahmed was Associate Professor and Incharge of Graduate Studies Program. Dr. Ahmed supervised several M.Phil. and Ph.Ds thesis. During his tenure at AERC, he contributed a lot towards the development of centre education and research program. Currently he is associated with IBA as a Director Centre for Business and Economics. Dr. Ahmad has been associated with Government of Sindh. He has 20 years of experience in contract and core, research in the areas of Public Finance, Regional Economics & Macro Economics and an author of over many research articles published in national and international journals. Dr Ahmad also awarded Best University Teacher Award for 2002 by Higher Education Commission. AERC keeps best wishes for his immeasurable successes and happiness.



Student's NEWS

Congratulations: Honour of AERC's Students

AERC Voice pleased to highlight the contributions of our students via a competition program. In this regard Mr. Shehzad Rafiq won First Position and got prize of Rs. 10000 cash and second prize went to Ms. Shazmeen Maroof in the essay competition organized by KANUPP under the topic "Power Generation by Nuclear Power Plants-A Solution or Problem". The winners were very excited while shared their feelings with AERC Voice with these words "Indeed it was a wonderful experience for us to visit the Karachi Nuclear Power Plant. We are thankful to AERC and KANUPP for providing us this opportunity". The rest of Students participated in the essay competition are: Inam Ur Rehman; Usama Ehsan; Shabbir Ahmed; Muneza Munir; Ume Kulsoom and Farah Jamil. AERC Voice deeply congratulates to them for their efforts and success and have wishes for future bright future.

We also pleased to congratulate to Mr. Mehaluddin Siddiqui student of MAS in AERC, 2014-15, to compete in the intra-departmental speech competition, held on 11th September 2014, at Applied Chemistry and Chemical Technology Department of Karachi University. Many participants shared their ideas and arguments about the topic that was "HUM KHUDMUKHTAAR RIYASAT HAIN" in Urdu language. The competition was judged by well known speakers Absaar Ahmed and Abdullah and senior teachers of department. Mr. Mehal debate in to negate the theory and got first position and the memorial shield and certificate. We have good wishes for him for future endeavor.

Student's Research

Is There A Liaison Between Gold Prices and Oil Prices

Mehaluddin Siddiqui

It is commonly seen that inflation increases due to increase in oil price that impact negatively on the global economy. Higher oil prices are ultimately can be observed clearly at every finished product whether these are food items or items of general commodities. Gold has been considered as a Safe Heaven and Hedge against Inflation. It is one of the largest trading com-

modity among all the other commodities being traded on different commodities exchanges worldwide. Here it is pertinent to mention that price fluctuation of this precious metal not only depends upon demand and supply of gold but majorly on oil prices and its demand and supply. Oil prices, which are directly proportional to inflation, significantly lead the gold prices. Because of the fact that during inflation in order to hedge against inflation investors tend to invest in precious metals. Oil production and its demand and supply have high impact on gold prices. Commodities traders very keenly follow the data related to oil production, supply and demand and prices in order to estimate or predict the movement in gold prices and invest accordingly.

This study enables to create a relationship between the movement of oil prices and its impact on gold price, which would help the investor while investing in commodities. So, does fluctuation in oil prices eventually moves gold in same direction, keeping other factors constant? This means it is the study with the aim to find any direct relation of gold price with the oil prices. This means to show that the gold prices changes directly with the change in oil prices.

Gold spot prices taken as dependent variable whereas WTI crude oil prices used as independent variable. Data is taken of about 27 years from 1983 till 2010 and fluctuation in gold prices observed with the change in oil prices. Prices of gold and oil collected mainly from Bloomberg (Internet Data Provider Service). Simple Linear regression and correlation are used to test the outlined hypothesis.

The goal was to develop a theory that describes the relation between the prices of the two scarcest resources of the world i.e. gold and oil. The proposed theory and implementation have many potential applications. It will allow the investors that usually invest in commodities market, to get the better picture about the movement of prices and helps them to anticipate the further activity in the commodities. So they can invest accordingly.

The findings of simple linear regression revealed that there is an impact of oil prices on the gold prices in open market. This study found significant R^2 (i.e. R -square = 0.65; F 12532.547 at $p=0.000$) which explains that the regression model is explaining the dependent variables 65% significantly while the coefficient explains that the open market oil price effects the gold prices positively and significantly. So, analyses show that there is a correlation exists between gold prices and oil prices. So, a strong liaison exists between oil prices and gold prices and gold prices associated with oil prices with positive effect.

M.Phil. Thesis Series

**Institutional Development and Return Predictability In an Emerging Market:
A Case of Pakistan**

Abida Hafeez

Ms. Abida Hafeez has received her Ph.D. degree. She did her thesis under the supervision of Dr. Muhammad Nishat. Her thesis investigates the impact of institutional development and regulatory policy changes on the stock return predictability during 2002 to 2012 in the Karachi Stock Exchange. Comparison of return predictability has been drawn between the periods of financial reforms and non-reform period when the market remained highly regulated and segmented. Daily and weekly data sets of KSE 100 indices and monthly firm-specific data set have been used to test a well-defined information set of return predictability through the channel of Efficient Market Hypothesis (EMH) to detect anomalies.

Information set comprises of short-term return predictability based on past history of stock prices; time patterns and firm-specific return predictability. To analyze information set, econometric techniques include both parametric and non-parametric tests like run test, autocorrelation function, unit root test and ARTMA model for short term return predictability; dummy variable technique for time patterns; asset pricing models for firm-specific return predictability; chow test for policy changes.

The results suggest that the KSE is inefficient in weak form and implies institutional imperfections. The results reveal partial holiday effect only in second reform period following institutional change in the KSE. The KSE exhibits anomalies like Monday returns are negative and insignificant as compared to all other trading days; Wednesday returns are the second highest after Friday and Friday has always highest and positive return. It is observed that all the documented anomalies do not remain persistent in their occurrence and magnitude after implementing financial reforms and this finding is consistent with the notion of market rationality.

The results also provide evidence of a significant relationship between return and risk during all sub-periods. An augmented Fama and French three factor model reveals that the time variation in beta is priced in the KSE. It is found that the augmented Fama and French three-factor model perform even better to predict return and volatility for the investment analysis. Moreover, the volatility in returns increases significantly during the second reform period which is a manifestation of financial liberalization. Overall, the results indicate a significant impact of institutional development on return predictability in achieving market rationality and the findings of information set are consistent with the behavior of emerging stock markets.

The findings of this research study recommend coherent and sound policy implications for investors, portfolio managers, security analysts and financial market regulators. The portfolio managers and investors may consider size and value premia as investment strategies along with prediction regarding return and volatility while trading in the market. In addition, the impact of institutional development may be considered as it may affect the occurrence and magnitude of the stock return and investors may earn profit in short run but trends may be different in long run. The financial market regulators and policy makers may suggest regulatory policies in such a way that would enhance the awareness regarding informational execution which ultimately reflects in stock prices, thereby causing market efficiency.

**Measuring The Socio-Economic and Political Empowerment of Women:
A Comparative Study of Working and Non-Working Women in Pakistan**

Qurra-Tul-Ain Ali Sheikh

Ms. Qurat tul ain has been rewarded M.Phil. degree in 2014. She did her thesis under the supervision of Dr. Nuzhat Ahmad which was based on women's empowerment. According to her research, empowerment is a dynamic, multidimensional process which envisages women to understand their complete entity and power in all fields of life. The primary aim of this research was to recognize the set of main determinants of women's empowerment and then to look at the different socio-economic and political barriers which obstruct the women's participation in decision making process as well as in political participation. More specifically, the aim of this study was to bring into focus the measurement of socio-economic and political empowerment of working and non-working women in Pakistan. The data has been filtered out, to examine the net impacts of different variables on the decision making of working and non-working women, separately.

This research is an amalgamation of quantitative and qualitative methods, based on a cross-sectional data, collected from a primary survey of Applied Economics Research Centre (AERC) from four provinces of Pakistan. Using the information of AERC Survey "On the Subordination and Empowerment of Women in Pakistan", the major task has to measure and constitute statistics of the determinants, by computing four indices using different magnitudes of women's empowerment.

Linear regression analysis has been carried out to study the impacts of various socio-economic and demographic indicators of women's empowerment. Considering the multidimensional features and phases of women's empowerment, an index for each determinant has constructed i.e. Economic Decision Making Index, Household Decision Making Index, Mobility Index and Political Participation Index. These four indices were constructed, to measure the social, economic and political empowerment of women.

Empowerment was expected to be considerably influenced directly as well as indirectly by some socio-economic and demographic factors. Age of women, Age of women at marriage, Level of Education, Place of Residence, Media Exposure, Micro-Credit, Bank Account, Savings, Ownership of Physical Assets have shown positive and statistically significant impacts on all four indices of women's empowerment. Joint family system and Purdah showed negative but statistically significant impacts on economic and household decision making and also in case of mobility. However, it was reported that working women had higher social status as compared to the non-working women which is in accordance with the results obtained and certainly it would be a positive change in Pakistani society.

In order to highlight the prevailing conditions of political system and different perceptions about women's political empowerment, different focus group discussions of working and non-working women and personal interviews from various women political leaders have conducted in Karachi and Nawabshah. Finally, it is concluded that such fundamental aspects can help to build direction and guideline to the policy makers and organizations to deploy these factors while formulating policies in order to boost up the process of women's empowerment in Pakistan.



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