INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION AND MANAGEMENT

CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	**COUNTRY CHARACTERISTICS AND INFLATION: A PANEL ANALYSIS** *DR. WILLIAM R. DIPIETRO*	1
2.	**ROLE OF FINANCIAL MANAGERS IN GLOBAL FINANCIAL CRISIS** *DR. HAMID SAREMI*	4
3.	**PATIENT SATISFACTION IN TERTIARY PRIVATE HOSPIATL IN DHAKA: A CASE STUDY ON SQUARE HOSPITAL LTD.** *SYED HABIB ANWAR PASHA*	9
4.	**CAPITAL STRUCTURE PATTERNS: A STUDY OF COMPANIES LISTED ON THE COLOMBO STOCK EXCHANGE IN SRI LANKA** *DR. BALASUNDARAM NIMALATHASAN*	16
5.	**CORPORATE GOVERNANCE, COMPANY ATTRIBUTES AND VOLUNTARY DISCLOSURES: A STUDY OF NIGERIAN LISTED COMPANIES** *DR. UMOREN ADEBIMPE & OKOUGBO PEACE*	20
6.	**CURRENCY FUTURES TRADING IN INDIA** *DR. M. L. GUPTA*	30
7.	**IMPACT OF CASA DEPOSIT GROWTH ON THE PROFITABILITY OF NSE LISTED NATIONALIZED BANKS AND NEW GENERATION BANKS IN INDIA - A COMPARATIVE STUDY** *R. AMUTHAN & DR. A. RAMA CHANDRAN*	33
8.	**EMERGING NEW MARKET PENAEUS VANNAMEI CULTURE IN INDIA** *ASLAM CHINARONG & DR B.YAMUNA KRISHNA*	38
9.	**PRICE DISCOVERY IN THE COMMODITY MARKETS: THE CASE OF FEEDER CATTLE AND LIVE CATTLE MARKETS** *S. JACKLINE & DR. MALABIKA DEO*	42
10.	**CUSTOMER RELATIONSHIP MANAGEMENT IN RETAILING WITH SPECIAL REFERNCE TO FAST MOVING CONSUMER GOODS IN ERODE DISTRICT, TAMILNADU, INDIA** *DR. T. VETRIVEL*	47
11.	**PRODUCT- THE FIRST 'P' (OF 7P'S) IN INDIAN LIFE INSURANCE SECTOR: AN EMPIRICAL STUDY** *GANESH DASH & DR. M. BASHEER AHMED KHAN*	53
12.	**INVESTORS' PERCEPTION TOWARDS THE INFLUENCE OF SPERTEL RISKS ON THE VALUE OF EQUITY SHARES: A STUDY CONDUCTED AT COIMBATORE CITY** *E. BENNET & DR. M. SELVAM*	61
13.	**A STUDY OF CONSUMER ATTITUDE TOWARDS CHINESE PRODUCTS (TOYS) IN INDIA WITH SPECIAL REFERENCE TO JALGAON DISTRICT IN MAHARASHTRA** *PROF. YOGESH D MAHAJAN*	66
14.	**A STUDY ON FACTORS THAT MOTIVATE IT AND NON-IT SECTOR EMPLOYEES: A COMPARISON** *DR. S. SARASWATHI*	72
15.	**A STUDY ON WCM AND PROFITABILITY AFFILIATION** *DR. AMALENDU BHUNIA & SRI GAUTAM ROY*	78
16.	**DO GENDER DIFFERENCES IMPACT PROFESSIONAL DEVELOPMENT?** *DR. VARSHA DIXIT & DR. SUNIL KUMAR*	83
17.	**EMPLOYEES' PERCEPTION TOWARDS HUMAN RESOURCE PRACTICES IN AIRPORTS AUTHORITY OF INDIA AT CHENNAI** *DR. PRIYA MANI*	87
18.	**TECHNICAL ANALYSIS - A PARANORMAL PHENOMENON** *HARISH GAUTAM*	102
19.	**SUPPLY AND UTILISATION PATTERN OF AGRICULTURAL CREDIT: A STUDY OF SELECTED CREDIT INSTITUTIONS OF HARYANA** *DR. SANDEEP CHAHAL*	105
20	**ADVERTISING THROUGH SOCIAL MEDIA NETWORKS: LET'S CATCH UP WITH THE INTERNET AUDIENCE** *DR. GAJENDRA SINGH CHAUHAN*	112
21	**A LITERATURE SURVEY ON EMOTIONAL INTELLIGENCE SHOULD MATTER TO MANAGEMENT** *YOGESHWER SINGH RANDHAWA & DR. POOJA OHRI*	115
22	**IDENTIFICATION OF POTENTIAL COMMERCIAL LOCATIONS IN PATNA URBAN AREA** *AJAY KUMAR & DR. BIJAY KUMAR DAS*	117
23	**FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON TECHNOLOGY DIFFUSION: SOME ISSUES AND CHALLENGES AHEAD** *PABITRA KUMAR JENA & RASHI TAGGAR*	126
24	**AN EMPIRICAL INVESTIGATION INTO THE DETERMINANTS OF FINANCIAL PERFORMANCE OF INDIAN CORPORATE SECTOR: SIZE, GROWTH, LIQUIDITY, PROFITABILITY, DIVIDEND, LEVERAGE** *BIDYUT JYOTI BHATTACHARJEE*	133
25	**EMPLOYEE LAY OFF IN MERGER AND ACQUISITION-A CASE STUDY OF AVIATION COMPANIES IN INDIA** *RAHUL*	143
	REQUEST FOR FEEDBACK	146

CHIEF PATRON

PROF. K. K. AGGARWAL

Chancellor, Lingaya's University, Delhi
Founder Vice-Chancellor, Guru Gobind Singh Indraprastha University, Delhi
Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

PATRON

SH. RAM BHAJAN AGGARWAL

Ex. State Minister for Home & Tourism, Government of Haryana
Vice-President, Dadri Education Society, Charkhi Dadri
President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

CO-ORDINATOR

DR. BHAVET

Lecturer, M. M. Institute of Management, Maharishi Markandeshwar University, Mullana

ADVISORS

PROF. M. S. SENAM RAJU

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

PROF. M. N. SHARMA

Chairman, M.B.A., Haryana College of Technology & Management, Kaithal

PROF. S. L. MAHANDRU

Principal (Retd.), Maharaja Agrasen College, Jagadhri

EDITOR

PROF. R. K. SHARMA

Dean (Academics), Tecnia Institute of Advanced Studies, Delhi

CO-EDITOR

DR. SAMBHAV GARG

Faculty, M. M. Institute of Management, Maharishi Markandeshwar University, Mullana, Ambala, Haryana

EDITORIAL ADVISORY BOARD

DR. AMBIKA ZUTSHI

Faculty, School of Management & Marketing, Deakin University, Australia

DR. VIVEK NATRAJAN

Faculty, Lomar University, U.S.A.

PROF. PARVEEN KUMAR

Director, M.C.A., Meerut Institute of Engineering & Technology, Meerut, U. P.

PROF. H. R. SHARMA

Director, Chhatarpati Shivaji Institute of Technology, Durg, C.G.

PROF. MANOHAR LAL

Director & Chairman, School of Information & Computer Sciences, I.G.N.O.U., New Delhi

PROF. ANIL K. SAINI

Chairperson (CRC), Guru Gobind Singh I. P. University, Delhi

PROF. SANJIV MITTAL

University School of Management Studies, Guru Gobind Singh I. P. University, Delhi

PROF. SATISH KUMAR

Director, Vidya School of Business, Meerut, U.P.

PROF. ROSHAN LAL

Head & Convener Ph. D. Programme, M. M. Institute of Management, M. M. University, Mullana

DR. ASHWANI KUSH

Head, Computer Science, University College, Kurukshetra University, Kurukshetra

DR. BHARAT BHUSHAN

Head, Department of Computer Science & Applications, Guru Nanak Khalsa College, Yamunanagar

DR. VIJAYPAL SINGH DHAKA

Head, Department of Computer Applications, Institute of Management Studies, Noida, U.P.

DR. KULBHUSHAN CHANDEL

Reader, Himachal Pradesh University, Shimla, Himachal Pradesh

DR. ASHOK KUMAR CHAUHAN

Reader, Department of Economics, Kurukshetra University, Kurukshetra

DR. SAMBHAVNA
Faculty, I.I.T.M., Delhi
DR. MOHINDER CHAND
Associate Professor, Kurukshetra University, Kurukshetra
DR. MOHENDER KUMAR GUPTA
Associate Professor, P. J. L. N. Government College, Faridabad
DR. VIVEK CHAWLA
Associate Professor, Kurukshetra University, Kurukshetra
DR. VIKAS CHOUDHARY
Asst. Professor, N.I.T. (University), Kurukshetra

ASSOCIATE EDITORS

PROF. NAWAB ALI KHAN
Department of Commerce, Aligarh Muslim University, Aligarh, U.P.
PROF. ABHAY BANSAL
Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida
DR. ASHOK KUMAR
Head, Department of Electronics, D. A. V. College (Lahore), Ambala City
DR. ASHISH JOLLY
Head, Computer Department, S. A. Jain Institute of Management & Technology, Ambala City
DR. PARDEEP AHLAWAT
Reader, Institute of Management Studies & Research, Maharshi Dayanand University, Rohtak
DR. SHIVAKUMAR DEENE
Asst. Professor, Government F. G. College Chitguppa, Bidar, Karnataka
SUNIL KUMAR KARWASRA
Vice-Principal, Defence College of Education, Tohana, Fatehabad
PARVEEN KHURANA
Associate Professor, Mukand Lal National College, Yamuna Nagar
SHASHI KHURANA
Associate Professor, S. M. S. Khalsa Lubana Girls College, Barara, Ambala
ASHISH CHOPRA
Sr. Lecturer, Doon Valley Institute of Engineering & Technology, Karnal
MOHITA
Lecturer, Yamuna Institute of Engineering & Technology, Village Gadholi, P. O. Gadhola, Yamunanagar
SAKET BHARDWAJ
Lecturer, Haryana Engineering College, Jagadhri

TECHNICAL ADVISORS

AMITA
Lecturer, E.C.C., Safidon, Jind
MONIKA KHURANA
Associate Professor, Hindu Girls College, Jagadhri
SURUCHI KALRA CHOUDHARY
Head, Department of English, Hindu Girls College, Jagadhri
NARENDERA SINGH KAMRA
Faculty, J.N.V., Pabra, Hisar

FINANCIAL ADVISORS

DICKIN GOYAL
Advocate & Tax Adviser, Panchkula
NEENA
Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS

JITENDER S. CHAHAL
Advocate, Punjab & Haryana High Court, Chandigarh U.T.
CHANDER BHUSHAN SHARMA
Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email addresses, **info@ijrcm.org.in** or **infoijrcm@gmail.com**.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

Dated: ________________________

The Editor

IJRCM

Subject: **Submission of Manuscript in the Area of (Computer/Finance/Marketing/HRM/General Management/other, please specify)**.

Dear Sir/Madam,

Please find my submission of manuscript titled '____' for possible publication in your journal.

I hereby affirm that the contents of this manuscript are original. Furthermore It has neither been published elsewhere in any language fully or partly, nor is it under review for publication anywhere.

I affirm that all author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name(s) as co-author(s).

Also, if our/my manuscript is accepted, I/We agree to comply with the formalities as given on the website of journal & you are free to publish our contribution to any of your journals.

Name of Corresponding Author:

Designation:

Affiliation:

Mailing address:

Mobile & Landline Number (s):

E-mail Address (s):

2. **INTRODUCTION**: Manuscript must be in English prepared on a standard A4 size paper setting. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 12 point Calibri Font with page numbers at the bottom and centre of the every page.
3. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.
4. **AUTHOR NAME(S) & AFFILIATIONS**: The author (s) full name, designation, affiliation (s), address, mobile/landline numbers, and email/alternate email address should be in 12-point Calibri Font. It must be centered underneath the title.
5. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain background, aims, methods, results and conclusion.
6. **KEYWORDS**: Abstract must be followed by list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT:** The main text should be in a 8 point Calibri Font, single spaced and justified.
10. **FIGURES &TABLES:** These should be simple, centered, separately numbered & self explained, and titles must be above the tables/figures. Sources of data should be mentioned below the table/figure. It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES:** The list of all references should be alphabetically arranged. It must be single spaced, and at the end of the manuscript. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- Use endnotes rather than footnotes.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

Books

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

Contributions to books

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

Journal and other articles

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

Conference papers

- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

Unpublished dissertations and theses

- Kumar S. (2006): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

Online resources

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

Website

- Kelkar V. (2009): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on February 17, 2011 http://epw.in/epw/user/viewabstract.jsp

COUNTRY CHARACTERISTICS AND INFLATION: A PANEL ANALYSIS

DR. WILLIAM R. DIPIETRO
PROFESSOR OF ECONOMICS
DAEMEN COLLEGE
4380 MAIN STREET, AMHERST, NY
U. S. A.

ABSTRACT

This paper uses panel regression analysis on annual data across countries for the period 1996 to 2008 to look at the potential effect of four country characteristics, economic development, corruption, government size, and military size, on inflation. The central hypothesis is that some country attributes are likely to make countries more inclined to inflate, while other country characteristics are apt to make countries less inclined to inflate. The findings indicate that statistically each of these four country traits affects a country's propensity for inflation. Although policy makers may have the power and the technical know how to control inflation, the extent to which they do depends on the pressures and incentives on policy makers within the country to do so. These in turn depends on a country's personality or a country's DNA. There are many traits or attributes of countries that may make them more or less prone to inflation. Four potential country characteristics that are likely to influence inflation are the extent of economic development, the amount of corruption, the size of government, and the size of the military. The purpose of this paper is to use cross country panel regression analysis to empirically access whether or not any of these country characteristics have inflationary implications. The paper is broken down into five sections. The first section reviews a few relevant economic articles on inflation. The second section provides a country attributes model of inflation, and, within the framework of the model, discusses the four country attributes considered in the paper. The third section identifies the variables that are used in the empirical analysis and their sources. The fourth section shows the results of cross country weighted panel regressions of inflation on country characteristics. The fifth section concludes.

KEYWORDS

Inflation, Economy, Policy, Country.

I. LITERATURE HIGHLIGHTS

In the spirit of the present study, Aisen and Veiga are concerned with going one step beyond just simply explaining differences in inflation performance between countries as resulting from differences in the conduct of monetary and fiscal policy, but want to explain why countries differ in the conduct of monetary and fiscal policy (Aisen and Veiga 2006). Using a system-generalized method of moments estimator that can account for endogeneity between variables on a panel of one hundred seventy-eight countries for the years 1960 to 1999, they look at the effect of political instability, as measured by the number of government crises and by the frequency of cabinet changes, as well as a host of other variables, including the percentage of agriculture to GDP, the percentage of trade to GDP, and a measure of economic freedom, on inflation. Their results indicate that political instability is not just statistically relevant, but also quantitatively weighty. They suggest that greater political instability is likely to increase inflation because it makes governments more likely to use seigniorage instead of taxes to finance expenditures.

Early on, Kydland and Prescott noted, that, when inflationary expectations of the public are based on policy choices, decisions of policy makers can have an inflationary bias that is out of tune with the desires of the public (Kydland and Prescott 1977).

Under an implicit presupposition that the central bank has the power over inflation through monetary policy, Hammermann and Flanagan design their empirical model to look at factors influencing the central bank's decision of how much to inflate, its incentives, and the weight given to inflation control (Hammermann and Flanagan 2007). In their empirics, they set up a panel consisting of nineteen transition economies for the years 1995 to 2004, and consider a whole host of variables that could cause inflation differentials between countries. Some of the variables that they find to be important inflation determinants include liberalization and trade openness, the terms of trade, publicly administered prices, political stability, public debt, and financial market development.

Mafi-Kreft and Kreft test the hypothesis that limiting discretionary power in monetary regimes in transition economies disciplines monetary policy leading to lower inflation (Mafi-Kreft and Kreft 2006). Controlling for the budget deficit, real GDP growth, trade openness and agricultural share, they do panel regressions on twenty five transition economies for the years 1995 through 2001 of inflation, as measured by the depreciation of the real value of money, on central bank independence, on exchange rate flexibility, and on two dummy variables, one identifying whether a country is on a hard peg regime and the other whether a country is on a fast track to join the EMU. In support of their hypothesis, they typically find the appropriate signs and statistical significance for each of the latter four variables in their equations.

In a nice little article, Al-Marhubi focuses on economic freedom as a potential underlying cause of differences in inflation performance of countries (Al-Marhubi 2006). After providing several reasons why greater country freedom might lead to lower inflation, he runs cross country regressions of inflation on economic freedom for one hundred and eight countries on average annual data over the period 1970 to 2000. He finds a negative and statistically significant relationship between inflation and economic freedom when inflation is regressed on freedom alone and when controlling for other variables such as the level of economic development, trade openness, and central bank independence. From his results, Al-Murhubi concludes that economic freedom is certainly one of the important factors that need to be evaluated when considering whether a country will pursue enough monetary restraint to keep inflation under control.

Joshi and Acharya look at the effect of trade openness on inflation for a single country hypothesizing that greater trade openness generates conditions that reduce upward pressure on prices thereby lowering inflation (Joshi and Acharya 2010). They use cointegration analysis on quarterly data for twenty one years for India for the period 1984-85 to 2004-05 and find evidence for the presence of a long term positive relationship between inflation and openness when using alternative measures of trade openness and when including and excluding traditional money supply variables.

Based on an inflationary model that allows, under certain circumstances, government bond issue, as well as the money supply, to have inflationary consequences, Kwon, McFarlane and Robinson look at public debt as a potential source of inflation (Kwon, McFarlane and Robinson 2009). Using regression analysis on a panel consisting of seventy one countries over a period of forty-two years from 1963 to 2004, they find, that while increases in public debt is not typically inflationary for developed countries, it is generally inflationary for developing countries, especially for highly indebted developing countries.

Staehr uses panel estimation on annual data from 1997 to 2007 for ten new European Union members from central and Eastern Europe, and finds, among other things, that countries with large government debt tend to experience higher inflation than other countries (Staehr 2010).

II. THE VARIABLES AND THEIR DATA SOURCES

As is typical case for international data, there are a lot of missing values. The data set consists of annual data from 1996 to 2008 on a maximum of one hundred and ninety countries. The measure of inflation is the annual percentage rate of inflation using the GDP deflator. It comes from the World Bank's World Development Indicators (World Bank 2009). The measure of corruption (CORRUPT) is based on the corruption perception index of Transparency International (Transparency International 2009). It is computed as ten minus the corruption perception index and ranges from a low value of zero to a high value of ten with higher values indicating greater corruption. The proxies for the level of economic development, the size of the government, and the size of the military are,

respectively, real per capita GDP in 2000 U.S. dollars (GDPPC2000), the percentage of government spending to GDP (%GOVGDP), and the percentage of military spending to GDP (%MILITARYGDP). The data for the three variables comes directly from the World Bank's World Development Indicators.

III. THE COUNTRY CHARACTERISTICS INFLATION MODEL

The model consists of a single equation. The equation is as follows.

I = f (**T**)

In the equation, I represent a country's inflation rate, and **T** is a set, or vector, of country characteristics. The model merely puts forth the hypothesis that inflation, or the inflationary tendency of countries, depends on country traits. The basic notion is that different country characteristics are not only essential sources or causes of inflation but that they are also associated with different mosaics of incentives and pressures on inflationary decision makers with regard to how much to inflate.

Among the many possible characteristics with inflationary consequences, four potentially important country attributes are the level of economic development, the extent of corruption, the size of the government, and the size of the military. It is anticipated that there will be a negative relationship between the level of economic development and inflation, and a positive relationship between corruption and inflation, the size of the government and inflation, and the size of the military and inflation.

Different levels of development are likely to influence whether a country has a bigger or smaller proclivity for inflation. Inflation occurs when aggregate demand is greater than aggregate supply, or, dynamically, when the increase in aggregate demand is greater than the increase in aggregate supply. Poor developing countries have low productivity, and generally experience little or no productivity increases over time. Rich developing countries, on the other hand, have high productivity and established institutions and research organizations that insure growth of productivity. Thus, any upward shift in aggregate demand is likely to have greater inflationary repercussions for developing than for developed countries.

Corruption is apt to have inflationary consequences for several reasons. First, corruption places an added burden, in one form or another, on society. Someone is going to have to bear the cost of those living by corruption, and, as a general rule, higher costs spell higher prices. Second, there is a reduction in overall production (increased inefficiency in the overall economy) from corruption, as resources devoted to corruption are not used for productive activity. Third, from witnessing people living 'unfairly' from corruption, corruption dampens the incentives of those engaged in productive activities and gives them an incentive to switch to corrupt activities.

One reason why bigger government may have negative inflationary consequence is that, given a constant level of aggregate demand, bigger government can be inflationary if it transfers resources from more productive private uses to less productive public uses. Such a misallocation is likely to occur with increased frequently as the government grows in size due to the presence of diminishing returns in the two sectors. As the government grows, the government will have to dip more and more into activities in the private sector that have higher and higher profitability and use them for less and less valuable functions in the public sector.

Studies have found that the size of government has a negative effect on economic growth beyond an optimal size and that a large number of countries in the world are currently operating beyond their optimum. Because government size has a negative effect on economic growth, one of the channels by which government size may have a negative impact on inflation is through its negative effect on economic growth.

If the government expands for regulatory purposes, and the regulation, in line with capture theory, is ineffective, then the result is a higher cost of doing business and higher prices along with a greater expansion of a burdensome do nothing government bureaucracy.

There is also an inflationary bias in the way government pays for its factors of production and prices its goods and services. The pay of government workers, of fireman, of policeman, and of military personnel rarely, if ever, goes down, but rather, it is a matter of how much the increase in their pay there will be. In terms of the price of government goods, a similar phenomenon occurs. Now, the bigger the size of the government, the more this inflationary governmental bias in wages and prices takes hold of the economy.

What's more, the government tends to prop up or maintain industries, especially big industries, that otherwise would be declining in response to changes in relative scarcity prices. By so doing, the government prevents resources from properly reallocating to their current highest valued uses and artificially supports wages and prices above their true equilibrium values in these industries.

In addition, most governments have a series of programs such as unemployment insurance, minimum wage laws, and welfare that tend to make wages and prices slow their rate of decrease less than they would otherwise in the face of adverse circumstances.

Finally, but by no means of least importance, the government needs to finance its expansion. Increases in government spending can only be financed in three ways, by increasing taxes, by increasing public debt, or by printing money. All three of these have potential inflationary consequences.

As with the expansion of the government, and, perhaps, even more so, the expansion in the size of the military is a real potential inflationary danger. Most of the reasons offered as to why the growth in government size is inflationary are applicable with even greater force for military size. Political leaders are often enamored with the power that accompanies military expansion. Weapons are expensive and quickly become obsolete, and the military can easily become a perpetual sink hole for scarce resources. In the middle of the twentieth century, U.S. President Eisenhower coined the phrase *military industrial complex* to characterize, once established, the stubborn entrenchment, perpetuation, and growth of the military within the economy and the political system.

IV. PANEL REGRESSION RESULTS

Table I shows the results of cross country weighted panel regressions on annual country data from 1996 to 2008.

TABLE I: CROSS COUNTRY WEIGHTED LEAST SQUARES PANEL REGRESSIONS OF INFLATION ON COUNTRY CHARACTERISTICS

	(1)	(2)	(3)	(4)
CONSTANT	29.53 (34.24) *	20.60 (24.06) *	19.81 (23.96) *	21.39 (26.18) *
LOG(GDPPC2000)	-2.757 (-30.09) *	-1.338 (-10.24) *	-1.458 (-12.77) *	-1.863 (-15.48) *
CORRUPT		.6853 (8.54) *	.6364 (8.36) *	.3402 (4.21) *
%GOVTGDP			.1012 (5.60) *	.0768 (3.67) *
%MILITARYGDP				.3414 (4.97) *
RSQ	.283	.358	.528	.547
DURBIN WATSON STATISTIC	.956	.862	.822	.857
COUNTRIES	190	172	161	141
OBSERVATIONS	2361	1464	1334	1196

The table contains four equations. The first runs inflation on the level of economic development alone. The second adds the extent of corruption as an explanatory variable. The third adds the size of government, and the fourth tacks on the size of the military.

The equations are labeled in the first row of the table. The first column of the table identifies the explanatory variables. The list of explanatory variables is followed by a few relevant statistics. Each of the subsequent columns in the table shows the results of a single regression run. The body of the table shows, for any given equation and explanatory variable, the estimated coefficient (the top value) and its associated individual t-statistic (the value below the estimated coefficient in parenthesis). If a variable is significant at the one percent level or better in an equation, then an asterisk appears under the individual t-statistic.

The results indicate that all four attributes of the economy are important for inflation, with higher levels of economic development leading to lower levels of inflation, and greater corruption, government size, and military size, leading to higher levels of inflation. Each of the four nationwide characteristics are significant at the one percent level of significance or better in every equation in which they appear and their coefficients always have their theoretically expected signs.

The magnitude of the estimated effect of each of the variables is also quite substantial. Examining equation four, the equation containing all the explanatory variables, shows that an increase in the level of economic development brought about by a jump in per capita GDP from one hundred dollars per capita to one thousand dollars per capita is associated with almost a one and nine tenths reduction in the inflation rate. A one percentage point increase in the size of the government, which is measured by the percentage of government to GDP, leads to around an eight one hundred percent jump in the inflation rate. The make-up or composition of the government seems to really matter for inflation. The effect of the size of the military is about five times that of the size of the government. A one point upward jump in the size of the military that is calculated by the percentage of military expenditure to GDP causes the inflation rate to go up by over there tenths of a percent.

V. CONCLUSION

There is a tradition in western society, that if we understand the cause of something and how it works, then we can put it under our conscious control for our benefit. However, sometimes the very conscious control, not the knowledge of how something works, is the real problem. In this case, it is character that comes into play. Almost everyone, and certainly almost all economists, knows that inflation is caused by too much money chasing too few goods. However, given we have the knowledge of how inflation works, the real question is the search for the underlying factors as to why some countries tend to readily put themselves in an inflationary state, while other countries have less of a tendency or predisposition to do so. This study has found that four country traits, the level of economic development, corruption, the size of government, and the size of the military matter for inflation. If a country desires to be less inflation prone in the future, it would do well to promote economic growth and development, to come up with ways and means to reduce corruption, to undertake measures to keep the size of government under control, and to establish methods for keeping military expansion in check.

REFERENCES

Al-Marhubi, Fahim. 2006. "Economic Freedom and Inflation Performance: Cross Country Evidence," *The Business Review, Cambridge*, 5(2), pp. 168-173.

Aisen, Ari and Francisco Jose Veiga. 2006. "Does Political Instability Lead to Higher Inflation? A Panel Data Analysis," *Journal of Money, Credit, and Banking*, 38(5), pp.1379-1389.

Hammermann, Felix and Mark Flanagan. 2007. "What Explains Persistent Differentials across Transition Economies?," IMF Working Paper Number 189.

Joshi, Ajit R. and Debashis Acharya. 2010. "Inflation and trade Openness: Empirical Investigation for India," *IUP Journal of Monetary Economics*, 8(1/2), pp.113-127.

Kwon, Goohoon, Lavern McFarlane, and Wayne Robinson. 2009. "Public Debt, Money Supply, and Inflation: A Cross-Country Study," *IMF Staff Papers*, 56(3), pp. 476-514.

Kydland, Finn E. and Edward C. Prescott. 1977. "Rules Rather than Discretion: The Inconsistency of Optimal Plans, *The Journal of Political Economy*, 85(3), pp. 473-492.

Mafi-Kreft, Ellham and Steven F. Kreft. 2006. "Importing Credible Monetary Policy: A Way for Transition Economies to Fight Inflation?," *Economic Letters*, 92(1), pp.1-6.

Staehr, Karsten. 2010. "Inflation in New EU Countries from Central and Eastern Europe: Theories and Panel Data Estimations," Bank of Estonia Working Papers Number 2010-06, http://www.eestipank.info/pub/en/dokumendid/publikatsioonid/seeriad/uuringud/_2010/_6_2010/_wp_610.pdf, 8/3/10.

Transparency International. 2009. Corruption Perceptions Index (1996-2008), http://www.transparency.org/policy_research/surveys_indices/cpi/2009, December 2009.

World Bank. 2009. World Development Indicators Online, http://ddp-ext.worldbank.org.ezp.lib.rochester.edu/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=6, 6/13/2009.

REQUEST FOR FEEDBACK

Esteemed & Most Respected Reader,

At the very outset, International Journal of Research in Commerce and Management (IJRCM) appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to take this opportunity to request to your good self to supply your critical comments & suggestions about the material published in this issue as well as on the journal as a whole, on our E-mails i.e. **info@ijrcm.org.in** or **infoijrcm@gmail.com** for further improvements in the interest of research.

If your good-self have any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

Hoping an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

IJRCM