Linkages among Confidence, Governance and Growth in the Era of Globalization-A study of some Asian countries

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Abstract

Economies of different countries in the world in the era of globalization have faced multidimensional challenges in managing their growth factors as well as the stake holders of such growth profiles. The political and economic turmoil of the last two decades around the world have opened the eyes of the economic agents like consumers, business houses and the governments of different countries to read and follow the events that are happening over the years. The paper has tried to study the causal relation and linkages among different growth factors like the confidence levels of the consumers and business houses and growth of GDP like economic factors and governance like non-economic factor over a selection of six Asian countries for the period 1996-2010. The study observes that consumer confidence has caused governance quality to change for India, Thailand and S Korea but the irony is that for the first two improving confidence leading to poor governance quality. The bilateral growth – consumer sentiments worked for Thailand. There is another bilateral causality between governance and consumer sentiment that happened in S Korea. Falling governance in China and Thailand has led to rise in business confidence of the countries. But business confidence and growth are no way causally related in any country.

Key words: Growth, Business Confidence, Consumers' Confidence, Governance, Correlation, Granger Causality

1. Introduction

Lessons from the recent financial and euro zone crisis in the so called developed economies that happened in the 2008-09 in the USA and its aftermath effects upon the rest of the world have compelled the economists, policy makers and governments of different countries to redefine the concept and dimensions of long run growth states of an economy. It is proposed in the macroeconomic literature by the growth theoreticians that an economy will reach the long run growth path at a steady state level of growth which is usually a lesser rate of growth compared to the short run growth rates since a sizeable growth rate of GDP is required at the early stages of developments. If it is felt to work good then the growth rates of developed economies should follow a lower quantitative growth figures. During a few decades back these economies have followed the average growth rates of around 2 to 3 per cent annually. And hence, these economies can be inferred to have attained the long run growth paths so far as the postulates of the growth theoreticians are concerned. The occurrences of the crises have opened the eyes of the economists, planners and governments of different countries. The factors that need to be incorporated as crucial elements in analyzing the developmental status of the world economies in the post globalization scenario are the management of good and proper governance as well as to maintain

good confidence level of the active economic agents. As it is often felt that a country's volatile economic indicators are affected by the credit ratings of different agencies that are based mainly upon the confidence upon the economy by the economic agents. Hence the task was to reorient the working of the interlinkages among three prime indicators of developments-*Confidence, Governance and Growth*. An economy, to have a stable growth path, should have interlinkages among all three indicators to work in a bidirectional way. That means as the economy grows in quantitative terms the confidence of the economic agents, particularly of the consumers and the business houses, tends to rise. At the same time, if the consumers and business houses have better confidence upon the economy then the growth rate of the overall output will tend to rise. Similarly, if the quality of the governance, governance being the normative in nature, improves the growth rate of the overall economy will tend to rise and in the reverse way high growth rate of the economy demands active governance by the ruling government of the country. Likewise, as the quality of governance improves the confidence of the economic agents rise and as the level of confidence rises the government should manage to follow active governance.

By Confidence it is meant how the economic agents perceive the future economic events at least up to six months. Mainly of two economic agents' (consumer and business houses) levels of confidences are taken into consideration in the study. The non economic factor, among others, that strongly influences the confidence levels of consumers and businessmen along with the growth rates is the governance indicators that are namely the Voice and Accountability (VA)(that tries to capture the perceptions of the extent to which a country's citizens are able to participate in selecting their governments as well as freedom of expression, freedom of association and a free media), Political Stability and Absence of Violence in the territory (PSAV)(that tries to capture the perceptions of the likelihood that the ruling government will be destabilized or overthrown by violent means including politically motivated violence and terrorism), Government's Effectiveness (GE)(that reflects the perceptions of the quality of public services, the quality of the civil services in implementing policies with the degree of independence from political pressures and the credibility and commitment of the government towards such policies), Regulatory Quality (RQ) (that reflects the perceptions of the ability of the government to formulate policies and regulations that permit and promote private sector and implement sound development), Rule of Law (RL) (that reflects perceptions of the extent to which economic and social agents have confidence in and abide by the rules of the society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence) and Control of Corruption (CC) (that reflects the perceptions of the extent to which public power is exercised for private gains (that is the rent seeking activities) including small and large volumes of corruption as well as gripping of the state by the few elites for private interests) as postulated by the World Bank as the notions of Good Governance.

The working of the interlinkages among all three indicators, confidence, governance and growth, is required by established as well emerging economies in the globalized world in order to achieve long run objectives. To quote Kofi Annan, former secretary general of UN, 'good governance is perhaps the single most important factor in eradicating poverty and promoting development'. An economy may not require effective governance in its early stages of developments because of the closed structure as well the small areas of economic activities. The importance of governance is felt relevant in the early 1990's after the boosting efforts of making all the countries into the single umbrella-the global village. The opening up of the doors of most of the countries made possible of flowing resources from one country to another which means one

country's consumers and business houses tend to perceive not only the economic conditions of their own nations but also that of the other nations. Managing good governance was, therefore, a challenge to all the heads of the nations so as to sustain in the competitive world.

Over the last decade the world economies faced two major crises. The first one originated by the fall of Lehman Brothers in the USA in September 2008 that led the country and its associated trading partners into a financial crisis and after that as one of its aftermath effects and with a common currency problem under the low interest rate regimes, the Euro zone crisis originated through the fall of the countries of the southern Europe, namely Greece, Spain, Portugal, Italy and Ireland. The values of CCI and BCI of all the countries took a common dip in the year 2009. But the calamities could not manage to affect the Asian Giants like China, India; rather they played the role of shock absorber of these crises. China, being front runner in the world trade, has improved, though slightly, in its trade share. India, although possessing a small share in world trade, made itself better off after the crises. The service channels have improved for China and India since there were increasing trends in the remittances of the non-residents of the countries as well as their deposits to the home avenues. The foreign institutional investors (FIIs) moved to India and China as the economies are safe to invest. Hence, the overall outcome is the rising confidence level of the agents of India and China and the agents of foreign nations upon the economies of Asia, particularly upon India and China. At the same time these two economies maintained a sound average growth rate of overall economy amid the crises. Most of the economic factors in determining the confidence levels of consumers and business houses in India and China have worked in favour of the countries and the net result is that the average CCI for India is 135 and for China it is 130 for the period January 2003 to January 2012. On the other hand from the investment perspectives the average BCI for China is 107 whereas it is 67 for India. These facts show the acceptability of India and China by the world consumers and producers.

2. Review of Literature

There is a plenty of literatures the essence of whose cannot be denied so far as our study is concerned. The study by Hussain (2000) tries to examine South Asia's poverty and locates its roots in the structure of the economy and of governance in South Asia. The analysis proposes that the nature of governance currently being practiced in South Asia precludes certain resource allocation and economic policy initiatives that are necessary for economic stability, growth and poverty alleviation. The study of Kaufmann et al (2002) tried to show the interrelationship between growth and governance in terms of Rule of Law indicator for 175 countries. The study observed that governance and per capita incomes of the countries are positively and strongly correlated. Also they found a positive causal link from governance to growth of per capita incomes but find a negative causal link from growth of per capita income to governance. In their effort Mourougane and Roma (2002) tried to investigate the usefulness of European Commission's confidence in forecasting the real GDP growth in the short run for the countries including Belgium, France, Spain, Netherlands, Germany and Italy. They observed significant signs of forecasting by a linear regression of real GDP of these countries upon their confidence indicators. The results for Spain seemed not satisfactory. Bank of Thailand (2004) tried to prepare a report on the relation between the confidence indicators and consumption and investment activities of the Thai people. The report says that growth rates of real private consumption and real private investment seem to move in tandem with consumer confidence and business sentiment indices,

respectively. Precisely it has shown that the Overall Consumer Confidence Index appears to be a coincident indicator of real private consumption. In contrast, it shows that Business Sentiment Indices appear to be leading indicators of real private investment. Resnick and Bimer (2006) tried to develop a conceptual framework that specified the linkages between different aspects of governance and pro-poor growth. The paper tried to review a range of quantitative cross-country studies that include measures of governance as independent variables and focuses on the dependent variable in at least two of the three notions of pro-poor growth: poverty, inequality, and growth. The study showed that governance indicators that capture a sound decision-making environment for investment and policy implementation, such as political stability and rule of law, were associated with growth but provide mixed results in regard to poverty reduction. In his pioneering work Keefer (2007) highlighted the important lesson from the fast growing countries like China and India that even with poor degrees of governance these two countries have maintained a sizeable growth rates in their territories. His observation from the 1980s to the present have shown that international risk rating firms report that investors have confronted frequently arbitrary government decision making and insecure contractual and property rights. Poor countries might infer from these experiences that countries can fall considerably short of achieving good governance and still grow rapidly. The reason of such high growth rates, as he pointed out, that China and India were able to leverage policy reforms into sustained, fast growth because of their large markets and abundance of low cost labor. In another theoretical work Aidt et al (2008) tried to show how political accountability work as a determinant of corruption and economic growth. In a system of considering governance as endogenous variable the study observed that the relation between growth and corruption is regime specific and in the system with good political institutions they found governance having negative impact on growth while with low quality political system corruption has no impact on growth. Kaufman et al (2009) originally prepared the worldwide governance indicators by survey methods through different agencies that bear minimum margins of errors. In another working paper Khan (2009) tried to establish that reduction of poverty was a function of growth, distribution of income and governance. Based on the available data the study pointed out that poverty reduction can be made through proper income and wealth distribution where governance did not matter much. Based upon the data available for Turkey Celik et al (2010) examined the relationship between consumer confidence and financial markets for an emerging economy, Turkey. They modeled consumer sentiment as a function of high frequency financial market variables such as interest rates, exchange rates and the stock exchange index. They found and established that in emerging economies there might be existence of cointegration between consumer confidence and the financial market variables of interest. Hence, in emerging markets consumer confidence should be viewed as an endogenous variable.

So far as the above set of literatures are concerned the present study feels that there is lacking of studies like the association among the growth, confidence and governance in world countries, especially in the Asian Belt. Hence, the present paper tries to frame the following objectives.

3. Objectives of the Study

The present paper seeks to examine the following hypothesis:

Is there any direction of causality among Growth, Confidence and Overall Governance in individual country case?

4. Data Sources and Methodology

Different agencies of different countries and organizations are continuously putting their efforts to estimate the levels of consumer confidence index (CCI) and business confidence index (BCI) for different countries in the world through the survey method. Consumer confidence index tries to estimate the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation. If consumer confidence level is higher, consumers are making more purchases, boosting the economic expansion and the magnitude of CCI rises. On the other hand, if confidence is lower, consumers tend to save more than they spend, prompting the contraction of the economy and hence, CCI is lower. A diminishing trend of consumer confidence in time to time suggests that in the current state of the economy most consumers have a negative outlook on their ability to find and retain good jobs. Like the index calculated by Conference Board in the USA on the basis of their survey. The survey consists of five questions that ask the respondents' opinions about the factors namely, Current business conditions, Business conditions for the next six months, Current employment conditions, Employment conditions for the next six months, Total family income for the next six months. Survey participants are asked to answer each question as "positive", "negative" or "neutral". On the other hand, business confidence index tries to estimate the degree of optimism on the state of the economy that business owners are expressing through their activities of investing and spending. Similarly, the BCI survey also covers matters of importance to the business sector, including monthly inflation figures and interest rates, performance and expectations on sales figures and foreign investment, analysis of the labor supply and demand, topics of current interest concerning the country's political, economic and social situation.

The idea is that the more confident business owners and managers feel about the economy, their companies, their jobs and incomes, the more likely they are to make investments and purchases that can lead to economic progress and hence, the BCI will take higher values.

To carry out the entire study we have used the data of one of such agencies (www.tradingeconomics.com) who compiled the data of different variables of different countries on the basis of the same country's published data by the running governments and the central banks. The confidence index value of less than 50 points up to negative values stands for the pessimistic view of the consumers and business houses regarding the future economic conditions of the country. An index value of over 50 points represents the optimistic view of the agents regarding the future state of the economy; a score of over 100 points is a good symptom of the economy as well as its citizens, although there are margins of errors in computing the results because the way of perceptions of different agents as well as of the agents across the same group may vary. World Bank compiles the data supplied by different survey agencies all over the world for publication of the results of governance indicators for a club of 196 countries varying in different geographical locations. The average range of values of estimates in all six indicators is -2.5 to 2.5. A country with a value close to -2.5 in any of the indicators implies the working of bad governance and a value close to 2.5 means very good governance. We have interpolated some missing data with respect to the averages of nearest figures to maintain continuity of the series of data in all aspects, wherever felt necessary.

We have a set of six Asian countries. The countries are Japan, South Korea, China, India, Thailand and Turkey. The time series data of all the selected indicators run from 1996 to 2010.

There is one major break of the data series for the period 2008 to 2009 that resulted out of the financial crisis in USA and it spread like flame to the European countries.

To complete the study we have applied basic statistical measures like average or mean and correlation coefficient. To examine the interlinkages among confidence, governance and growth we have computed primarily the correlation coefficients and their tests of significances for each of the countries to have a firsthand view of associations among the variables and then run the Granger Causality (1969) test for the individual country case. We have used the *Eviews* software to study the same.

## 5. Trends of the Indicators of the Countries

Let us first start with some basic nature of the series of data of the selected countries for the period 1996-2010. We are presenting the trend of the series of Average Annual Growth Rate of GDP, Business Confidence Index (BCI), Consumer Confidence Index (CCI) and Overall Governance Indicators because of the intention to find the associations among them. Figure 1, 2, 3 and 4 present the trends of all four endogenous variables respectively that can perform as both dependent and independent ways.

Figure 1: BCI of countries over time
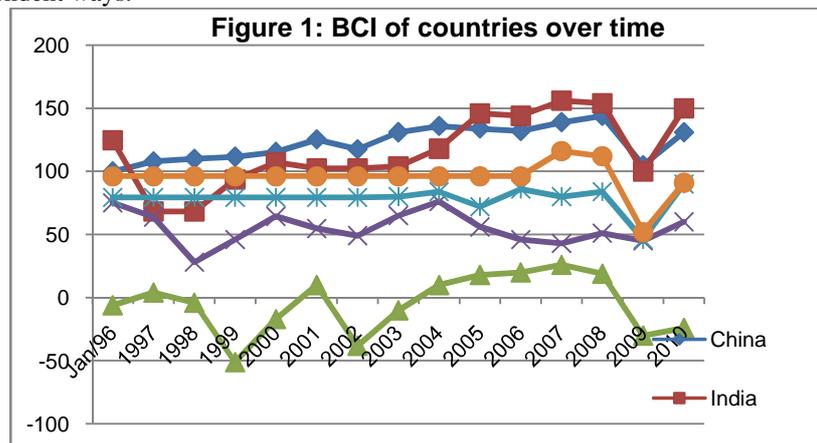
We observe from Figure 1 that China and India are following the rising business confidence over time and stay at the upper slot and Japan, S Korea, Thailand and Turkey are following downward trend. But the striking fact is that, except Japan, all the emerging countries are maintaining a good BCI as they all stay at above 50 points and China and India are leading the zone. All the countries faced a dip in their growth rates in the year 2009 that signify the impact of financial and euro crisis upon the economies.

Figure 2 presents the trends of CCI where we observe upward trends up to the year 2008 for S Korea, Thailand and India. Japan, China and Turkey are sliding, although here also, except Japan, all the countries are maintain a very high levels of consumers' confidence in their own countries. China and Turkey lead the group. Here also we find all the countries to suffer from the crisis.

Figure 3 presents the trends of annual average growth rates of GDP of the countries. It is observed that all the countries except Japan and S Korea are following rising growth paths over time. The formidable rates are observed for China and India. S Korea and Japan, having a developed nature,

are sliding in their growth rates and are probably the worst hit countries from the Asian Zone. We find again a common dip in the year 2008 for the financial crisis.

Figure 2: CCI of countries over time

Figure 3: Annual average growth rates of countries over time
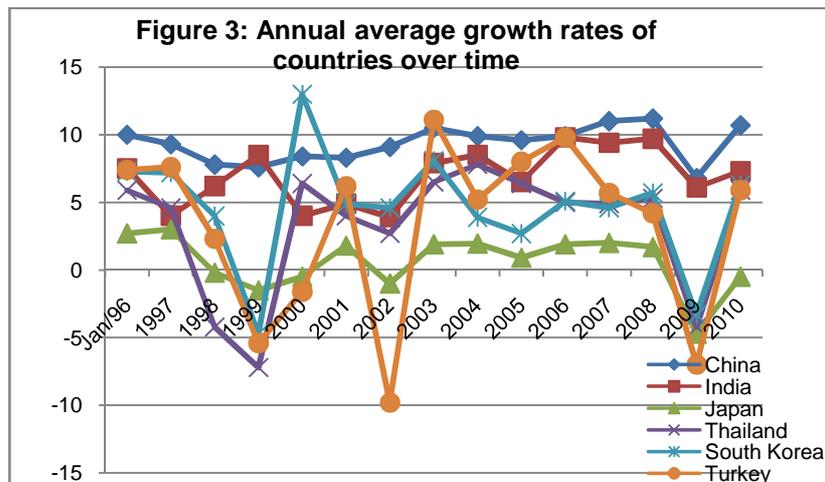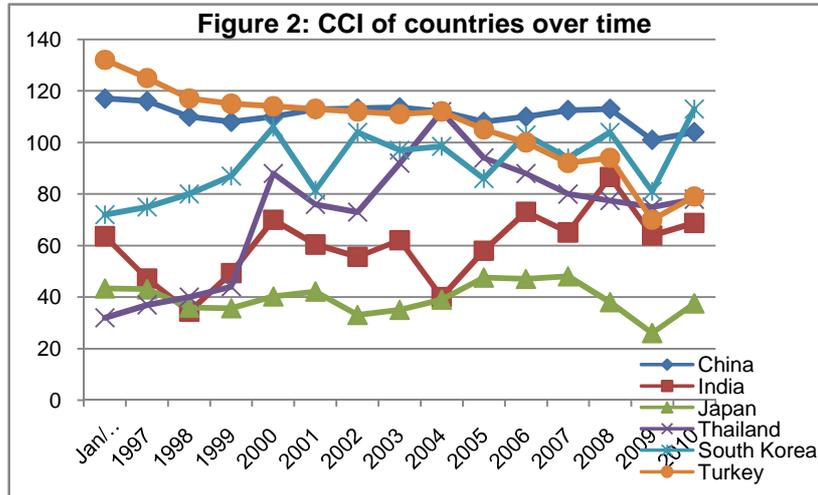
Figure 4 highlights the trends of average governance indicators which are done by simple arithmetic means of the six governance indicators with equal weights. We observe that all the high growth countries are poor and poor in their management power of their own economies. The growth trailing developed countries i.e Japan and S Korea are improving in governance area. All the four high growth countries are maintain negative figures in governance which are treated as below average in the world respect.

Figure 4: Average Governance indicators of countries over time
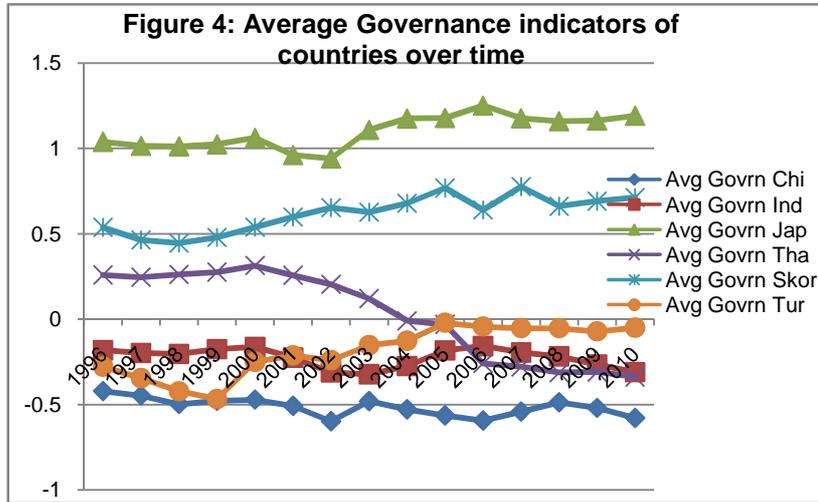
Hence, it is now required to examine the effects of high BCI, CCI and low governance indicators upon the growth rates of the countries. Usually the rising confidence leads to rise in growth rates of the countries but a rise in governance may not lead to high growth as is evident from Figure 3 and 4. Again, in the another side of the coin we can say that rise in growth rates can also lead to high confidence levels as well as governance level. So what ultimately happens is needed to be specifically examined that are done in the following sections.

5.1 Correlation results

Omitting all other indicators that help in explaining the said variables taken for our study, the signs and associations among the indicators provide a clue to the existing relations. Table 1 presents the country wise correlation matrix for the four selected variables. The expected signs of correlations among them should be positive. We observe from the table that both BCI and CCI are positively correlated with the growth rates of the countries but there are some negative signs of correlations among BCI, CCI and growth rates with the governance indicators. That means there are the countries like China, S Korea and Turkey where BCI and governance are negatively correlated, Thailand and Turkey where CCI and governance are negatively correlated, China, Thailand and S Korea where growth and governance are negatively correlated. That implies any improvement (or reduction) of either of the indicators leads to reduction (or improvement) of the other. The significant negative correlations are observed for China, Thailand and Turkey. No negative growth-governance correlations are significant.   There are two developed countries in the zone (Japan and S Korea) where governance and growth are positively correlated. No indicators of India are negatively correlated with governance but the positive signs of correlations are not significant.

Table 1: Country wise correlation matrix among the indicators

Indicators →	BCI						CCI						Governance						Growth					
Countries → Indicators ↓	Chi	Ind	Jap	Tha	SKor	Tur	Chi	Ind	Jap	Tha	SKor	Tur	Chi	Ind	Jap	Tha	SKor	Tur	Chi	Ind	Jap	Tha	SKor	Tur

		BCI	CCI	Governance	Growth
BCI	**Chi**	-	.01	-.49	**.69**
	Ind	-	**.61**	.04	**.62**
	Jap	-	**.73**	**.43**	**.71**
	Tha	-	.22	.19	**.68**
	SKor	-	**.45**	-.12	**.51**
	Tur	-	.39	-.03	**.41**
CCI	**Chi**	.01	-	**.43**	**.42**
	Ind	**.61**	-	.06	.31
	Jap	**.73**	-	.24	**.75**
	Tha	.22	-	-.45	**.52**
	SKor	**.45**	-	**.44**	.31
	Tur	.39	-	-.69	.18
Governance	**Chi**	-.49	**.43**	-	-.15
	Ind	.04	.06	-	.11
	Jap	**.43**	.24	-	.03
	Tha	.19	-.45	-	-.16
	SKor	-.12	**.44**	-	-.08
	Tur	-.03	**-.69**	-	.32
Growth	**Chi**	**.69**	**.42**	-.15	-
	Ind	**.62**	.31	.11	-
	Jap	**.71**	**.75**	.03	-
	Tha	**.68**	**.52**	-.16	-
	SKor	**.51**	.31	-.08	-
	Tur	**.41**	.18	.32	-

Note: The bold figures stand for significant correlation at least at 10 % level of significance

All countries' BCI are positively and significantly associated to growth rates that give one probable explanation of high growth of the economies of the emerging countries in the zone. Japan and China are the front runners in this respect. China, Japan and Thailand are the countries where CCI and growth rates are positively and significantly correlated. The countries where BCI and CCI are positively and significantly correlated are India, Japan, S Korea and Turkey. Two conclusions are derived from the correlation matrix that governance and the indicators are unusually correlated and the other indicators have any way positive impact upon each others. But the impurity of the above analysis is that the positive signs or negative signs of correlation do not make clear of the fact that who causes whom. That means –does BCI cause growth rate to rise or growth rates cause BCI to rise. Hence, we need to run causality test that is done in the following section.

6. Granger Causality Test

To go for testing causality between any two variable X and Y for any time period t with lag t-j and for country 'i' we follow Granger (1969) technique. Since we have only 15 data points for each country it is not required to go for stationarity (or unit root) tests of the selected indicators. Although, the time span is short, the causality test results will not concretize the argument but can give an idea about the possible causal relation among the selected variables. Granger test of causality is a short run concept that involves estimating the following regression equations:

$$Y_t = \sum_{i=1}^{n} \alpha_i X_{t-i} + \sum_{j=1}^{n} \beta_j Y_{t-j} + u_{1t} \ldots\ldots\ldots\ldots\ldots(1)$$

$$X_t = \sum_{i=1}^{n}\lambda_i \, X_{t-i} + \sum_{j=1}^{n}\delta_j \, Y_{t-j} + u_{2t}\ldots\ldots\ldots\ldots\ldots..(2)$$

where Y_t = time series values of the variable Y at period t

Y_{t-j} = …………………………………………lag t-j

X_t = time series values of the variable X at period t

X_{t-i} = ……………………………………………lag t-i

u_{1t}, u_{2t} = normally distributed error terms that are serially independent

α_i = responsiveness of Y_t w.r.t. X_t for i[th] country

δ_j = …………………..X_t w.r.t Y_t for the ith country

   X variable causes Y if $\sum\alpha_i = 0$ is rejected or $\sum\alpha_i \neq 0$ is accepted in equation (1) and $\sum\delta_j = 0$ is rejected by equation (2). On the other hand, Y causes X when the null hypothesis of $\sum\alpha_i = 0$ in equation (1) is accepted and $\sum\delta_j = 0$ in equation (2) is rejected. There will be bidirectional or feedback causality between X and Y if the null hypothesis of $\sum\alpha_i \neq 0$ is accepted in equation (1) and $\sum\delta_j \neq 0$ is accepted in equation (2).

   We have four variables viz Growth, BCI, CCI and Governance for which we are interested to test the causality between each of the pairs. We test such causality test for the individual countries at different lags which are not more than three because of the loss of valuable information from the data set through the omissions. Table 2 presents all the causality results with F statistics and probability (in parentheses) values where the null hypothesis is that X does not cause Y and if the estimated F values are above 3 and the probability values are less than 0.10 then the null hypothesis of no causality is rejected and the alternative hypothesis, i.e the presence of causality from X to Y is accepted. If any country shows the result of rejection of null hypothesis in any direction simultaneously then there are bilateral causal relations.

Table 2: Granger Causality test results

Hypotheses	CHI	CHI	IND	IND	JAP	JAP	THA	THA	SKOR	SKOR	TUR	TUR
Value of F and (P)	F P	Con	F P	Con	F P	Con	F P	Con	F P	Con	F P	Con
Grth dnt BCI	.41 (.5)	N	.42 (.5)	N	.58 (.4)	N	1.7 (.2)	N	.03 (.8)	N	.33 (.6)	N
BCI dnt Grth	.19 (.6)	N	.53 (.4)	N	.69 (.4)	N	1.35 (.3)	N	.01 (.9)	N	.95 (.3)	N
Grth dnt CCI	.98 (.3)	N	1.2 (.3)	N	1.2 (.3)	N	3.5 (.08)	↔	10 (.00)	→	1.4 (.2)	N
CCI dnt Grth	2.1 (.2)	N	.09 (.7)	N	1.4 (.2)	N	3.3 (.09)	↔	.00 (.9)	N	.00 (.9)	N
Grth	.26	N	1.2	N	.85	N	2.6	N	.02	N	4.7	→

dnt Govr	(.6)		(.3)		(.3)		(.13)		(.8)		(.05)	
Govr dnt Grth	**7.3** (.01)	→	**.51** (.5)	N	**.04** (.8)	N	**.08** (.8)	N	**.00** (.9)	N	**1.6** (.2)	N
BCI dnt CCI	**1.09** (.3)	N	**6.6** (.02)	→	**1.2** (.3)	N	**.32** (.6)	N	**4.9** (.04)	→	**2.1** (.17)	N
CCI dnt BCI	**2.05** (.2)	N	**1.5** (.2)	N	**3.6** (.08)	→	**.16** (.7)	N	**.63** (.4)	N	**.25** (.6)	N
Govr dnt BCI	**6.6** (.02)	→	**.79** (.4)	N	**3.6** (.08)	→	**.14** (.7)	N	**.05** (.8)	N	**.03** (.8)	N
BCI dnt Govr	**.95** (.3)	N	**.07** (.7)	N	**1.15** (.3)	N	**.51** (.5)	N	**.25** (.6)	N	**.16** (.7)	N
Govr dnt CCI	**.49** (.5)	N	**.46** (.5)	N	**1.74** (.2)	N	**.26** (.6)	N	**3.7** (.08)	↔	**1.9** (.18)	N
CCI dnt Govr	**1.7** (.2)	N	**7.5** (.01)	→	**1.96** (.2)	N	**5.7** (.03)	→	**5.6** (.03)	↔	**1.3** (.2)	N

Note: 'Con' stands for conclusion of the causality results. The symbols → and ↔ represent the unidirectional and bidirectional causalities respectively. 'N' stands for no causality.

We observe from the table that growth causes consumer confidence for S Korea where as there are bilateral causality between growth and consumer confidence in Thailand. With reference to Figure 2 and 3 it can be specified that falling growth trend of S Korea is allowing its CCI to rise. The possibility arises due to the fact that BCI causes CCI for the country. So the channel comes through positive correlation between BCI and CCI (Table 1). For Thailand, rising trends of CCI and growth are causing each other which are a natural outcome. Growth causes governance for Turkey while governance causes growth for China. Rising growth in Turkey has led to rise in levels of governance but for China, falling governance has led growth to rise. That simply show that for China, falling management quality of the government like corruption and fall of regulatory and legal quality have induced the working people to work more and hence more growth. It is also supported by the fact that poor governance causing BCI to rise because of scope of corruption and other illicit activities. Japan has also produced the same result of good governance leading to BCI rise. In most of the cases CCI causes governance levels to rise. It happens for India, Thailand and S Korea. But there is bilateral causality for S Korea. In case of India and Thailand the ironical fact is that rising CCI compelled the existing governments to perform badly that can be the notion of misusing or defecting with the consumers' sentiments. The result resembles the existing literature of the country (Keefer, op cit). BCI causes CCI for India and S Korea. This means rising business confidence as is evident from the rising stock indices in India has helped the consumers' sentiments to improve. But for S Korea the falling trend of BCI has caused CCI to rise because of the fact probably that the business houses were dominating to mobilize the existing governments to pursue a policy that would favour them. In no country case is BCI and growth rates causally

related although both of them are positively and significantly correlated. It may be the fact that there are certain variables that are omitted in our study that are correlated to either BCI or growth.

7. Concluding Remarks

On the basis of the above discussion of analyzing our framed objective it is now time to conclude the study. The study observed that for three countries, viz. India, Thailand and S Korea consumer confidence has caused governance quality to change but the irony is that for the first two improving confidence leading to poor governance quality. Growth caused consumer confidence for S Korea but the bilateral growth – consumer sentiments worked for Thailand. There is another bilateral causality between governance and consumer sentiment that happened in S Korea. Falling governance in China and Thailand has led to rise in business confidence of the countries. But business confidence and growth are no way causally related in any country. Therefore, we get the causal relations among the selected four indicators in a few country cases and better result may be obtained by pooling all the countries' data and run the same analysis.

The occurrences of no causal relations between the variables might have happened due to exclusions of other determining factors like infrastructure, unemployment, etc. The present study acknowledges the deficiencies. It may be tried in future to reestablish the entire model by means of inclusion of other indicators so that a concrete output can be obtained.

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