

CHAPTER 17

FINANCIAL STUDIES

Doctoral Theses

01. AGAWAL (Tarunika Jain)
Interaction Between Credit Risk and Market Risk in the Indian Banking Industry: An Empirical Study.
Supervisors : Prof. Muneesh Kumar and Prof. Sanjay Sehgal
Th 22927

Abstract
(Not Varified)

In this study, we assess the level of interaction among bank risks. First, we estimate the credit, equity, interest rate and exchange rate risk. Interaction among bank risks are analysed in a Vector Auto Regression (VAR) framework at an aggregate level and for bank groups based on various bank specific characteristics. The study uses weekly bank level data for the period of 23 October 2004 to 1 August 2014 for 40 listed Indian banks. A survey, using a structured questionnaire primarily focuses on capturing the perceptions of 31 risk professionals in the Indian banks relating to the interaction among bank risks. We find that the equity risk and credit risk increase post the global financial crisis while interest rate and exchange rate risk get reduced. Large banks have more market risk; public sector banks have higher credit risk while private sector banks have greater interest rate and exchange rate risk. Also, there is positive interaction between equity risk and all other risks. A reciprocal relationship between credit risk and exchange rate risk is also observed. Further equity risk positively impacts credit risk. Interest rate risk seems to be affected by its own lagged values and doesn't seem to be impacted by other risks. The outcome of the primary data analysis suggests that the risk professionals perceive that bank risks have changed from pre to post crisis period and are affected by the bank specific characteristics. They are aware of and incorporate in their decision making the possible interaction between credit risk and market risk. The findings from the primary data analysis are in conformity with the results of the secondary data analysis. The study offers valuable insights for the regulators, supervisors, policy makers, banking industry, bank managers, investors, and academia as it augments the understanding of banks risk exposures.

Contents

1. Introduction 2. Risk management in Indian banking sector - conceptual and regulatory framework 3. Review of literature 4. Bank risk factors and changing credit and market risk exposures in the pre and post crisis periods 5. Dynamic interaction between banks' credit and market risk 6. Risk management in Indian banks – primary data analysis 7. Summary of findings and conclusions. References. Appendix.

02. GUPTA (Priyanshi)
Financial Integration Amongst EMU Countries: An Empirical Study.
Supervisors : Prof. Sanjay Sehgal
Th 22928

Abstract
(Not Verified)

This thesis consists of four empirical studies on the measurement of financial integration in stock market, bond market and retail banking in the European Economic and Monetary Union (EMU) during normal and crises periods, covering both the Global Financial Crisis (GFC) and the European Debt Crisis (EDC). The variation in degree of integration is investigated across economies based on their size by classifying them into Group A, B and C, based on their GDP. Chapter 3 covers the measurement of time-varying integration for stock markets of 17 EMU countries using daily returns of national stock market from Jan'02 to Jun'13. The integration is measured by employing seven indicators: Beta Convergence, Sigma Convergence, Variance Ratio, Asymmetric DCC, Dynamic Cointegration, Market Synchronisation and Common Factor Analysis. The results reveal that integration varies across different groups. Chapter 4 studies sovereign bond markets integration, using the same indicators as stated above. The measures indicate that the degree of integration varies between GIIPS (Greece, Ireland, Italy, Portugal and Spain) and non-GIIPS economies. Chapters 5 and 6 measure time-varying integration of retail banking to non-financial corporations (NFC) and households respectively, using five indicators, i.e. Beta Convergence, Sigma Convergence, Variance Ratio, Asymmetric DCC, and Dynamic Cointegration. The study employs data for short, medium and long term maturities on monthly frequency for all sample countries as well as EMU over the period 2003-14. The results report weak degree of integration in retail banking. Overall, the results reveal considerable heterogeneity in the level of integration across economies for stock markets, bond markets as well as retail banking sector. Further, the study reports that the twin crises, especially EDC, has adversely impacted the integration process across markets. The study concludes with policy inputs towards the goal of single financial market in the region.

Contents

1. Introduction 2. Theoretical framework and review of literature 3. Assessing time-varying stock market integration in emu for normal and crisis periods 4. Assessing time-varying bond market integration in emu for normal and crisis periods 5. Assessing time-varying retail banking market integration in emu for normal and crisis periods: Evidence from saving and lending rates to non-financial corporations 6. Assessing time-varying retail banking market integration in emu for normal and crisis periods: Evidence from savings and lending rates to households 7. Summary and conclusion. References.

03. KOHLI (Gunjan)
Determinants of Home Bias Phenomenon in Global Equity and Bond Markets: An Empirical Study.
 Supervisors : Prof. Sanjay Sehgal
Th 22929

Contents

1. Introduction 2. Theoretical framework and review of literature 3. Determinants of home bias in global equity markets 4. Determinants of home bias in global bond markets 5. Determinants of home bias in global equity markets 6. Summary and conclusion. References.

04. MEHTA (Divya)
Cross Listing and its Impact on Indian Companies: An Empirical Study.
 Supervisor: Prof. C. P. Gupta
Th 23190

Abstract
(Not Verified)

The study titled "Cross Listing and its impact on Indian companies: An Empirical Study" has been undertaken for which following objectives are framed: To study the impact of cross listing on the Indian shareholders' value; To study the impact of cross listing on the Financials, Corporate Governance, Intangibles; To examine the relationship between prices of Indian shares listed on Indian stock exchange and prices of DRs of the underlying stock. The first objective examines impact of cross listing on shareholders' value around announcement day and listing day. Event study methodology and Levene's Test for equality of variances are used. Sample of 153 companies is used for listing effect from 1992 to 2014. For announcement effect, sample consisted of 81 companies from 2000 to 2014. Results indicated that cross listing may not be creating value around the announcement and listing day. Hence, there exists 'Cross Listing Illusion'. The possible explanation for this could be 'Asymmetric Expectation Hypothesis'. The second objective examines impact of cross listing on Financials, Corporate Governance and Intangible which is done through Case Study Methodology. Three companies considered are Sterlite Industries India Ltd. listed on NYSE, Rolta Ltd. listed on LSE and Karur K.C.P Packagings listed on LuxSE. The period of study was five years. Results indicated that there is an impact of cross listing on financials and on intangibles of the company but not on corporate governance. Third objective uses Cointegration, VECM, Granger Causality and VAR to study the relationship. Sample of 174 companies were considered for the study from 1995 to 2015. Results indicated that prices of 148 companies listed on Indian stock exchange are found to be cointegrated with prices of the DRs and have error correction mechanism. Further, signaling effect is found to be present wherein NYSE granger causes BSE.

Contents

1. Introduction 2. Cross listing: Theoretical and legal framework 3. Review of literature 4. Research design 5. Impact of cross listing on shareholders' value: Announcement effect 6. Impact of cross listing on shareholders' value: Listing effect 7. Case study 1: Sterlite industries (India) LTD 8. Case study 2: Rolta LTD 9. Case study 3: Karur K. C. P. Packaging's LTD 10. Inter-relationship between underlying stocks in the Indian stock market and depository receipts on foreign stock exchange 11. Summary and conclusions. Bibliography. Appendix.

05. SURI (Sneha)
Valuation and Performance of Initial Public Offerings in India.
Supervisors : Prof. C. P. Gupta and I. M. Pandey
Th 22930

Abstract
(Note Verified)

The study examines the pricing and performance of Indian Initial Public Offerings (IPOs) . The first objective is to examine the offer price valuation of IPOs. Existing literature documents that the underpriced IPOs, that generate listing gains, are undervalued. We examine the offer price valuation of IPOs in relation to their peers and in relation to their financial and non-financial fundamentals. It is observed, that although there exist both undervalued and overvalued IPOs in Indian IPO market, larger proportion of IPOs are overvalued in relation to the peers. Underpricing or listing gains can be observed for both undervalued and overvalued IPOs. Further, larger size IPOs are more likely to be overvalued. The size of the IPOs, profitability, industry and market conditions, grading by IPO firms and exits by existing investors are found to explain valuation differentials across IPO firms. The second objective is to examine the long-run performance of IPOs purchased at the offer price. The buy and hold abnormal returns of the IPOs suggest that large proportion of IPOs trade below offer price over longer holding periods. Winners in IPO market turn losers after a holding period of one year. Larger size IPOs, which are overvalued , are found to be the worst performers in the IPO market. Therefore, long run performance also suggests that IPOs are more likely to be overvalued at the offer price. The study recommends that investors should either divest on

listing or hold IPOs for a period not exceeding one year from listing. Winners in the IPO market are more likely to be smaller IPOs. Also, investors should consider peer valuations before investing in IPOs. For the policy makers we recommend, examining the offer price valuation of larger IPOs and ensuring that the IPO market is not dominated by larger players charging higher prices.

Contents

2. Introduction 2. Valuation and performance of IPOs- a theoretical discussion 3. The Indian IPO market 4. Literature review 5. Research methodology 6. Initial performance of IPOs 7. Evaluation of IPO offer price – comparable ‘price/earnings’ multiple valuation approach 8. Evaluation of IPO offer price- prospectus information 9. Long run performance of IPOs 10. Summary, conclusions and policy recommendations. References. Appendices.

06. WADHWA (Sahaj)

Intra-Market Relationships Between Agricultural Commodity Futures and Spot Market Characteristics: Evidence from India.

Supervisors : Prof. Sanjay Sehgal and Prof. C. P. Gupta

Th 22931

Contents

1. Introduction 2. Indian agricultural commodity markets 3. Theoretical framework 4. Review of literature 5. Price discovery 6. Volatility and liquidity spillover 7. Price destabilization 8. Summary and conclusions. References.