

CHAPTER 19

FINANCIAL STUDIES

Doctoral Theses

01. BABBAR (Sonal)
Mutual Funds Performance in India: Assessment of Alternative Asset Pricing Benchmarks and Role of Funds Characteristics.
Supervisors :Prof. Sanjay Sehgal
Th 23658

Abstract
(Not Varified)

The study focuses on Performance evaluation of mutual funds and Fund characteristics determining funds performance. Following performance measures have been employed using both Unconditional and Conditional versions.: Jensen's measure (1968); Three Moment Model; Four Moment Model; Fama and French (1993) model; Carhart (1997) model; Elton, Gruber and Blake (1999) model; Fama and French (2015) model and Firm Quality model. Daily and monthly data for 237 open ended Indian equity schemes from April 2003 to March 2013 are used. August 9, 2007, when global financial recession sets in, divides total period into two sub periods. Multiple time series regressions with an intercept dummy (for effect of recession) are estimated. Public Information variables used are Dividend Yield, Treasury Bill yield, slope of Term Structure of interest rates and corporate Default Risk Spread. Model selection indicators used are Adjusted R Square, Akaike Information Criterion, Schwarz Bayesian Criterion and Log Likelihood Test. Funds in India devise their investment strategies by concentrating more on small firms, value stocks, past winners, more profitable firms which follow conservative investment policy and exhibit less cash flow variability. Signs of Coskewness and Cokurtosis Variables are found to be consistent with theory. Time varying property of betas of funds is evident. Conditional Carhart (1997) four factor model is the most appropriate performance benchmark for Indian mutual fund industry. It examines fund characteristics namely size, growth in size, expense ratio, portfolio turnover, net asset value and age to determine future performance of funds. Time series regression using Conditional Carhart model is employed to estimate performance followed by Panel data regression examining relationship between fund characteristics and performance. 237 equity schemes from April 2007 to March 2013 used. Funds that are small, low growth, low net asset value and older funds are successful in generating superior one period ahead performance.

Contents

1. Introduction
2. Performance evaluation of mutual funds: Theoretical framework
3. Review of literature
4. Efficacy of the asset pricing models: unconditional performance measures
5. Efficacy of the asset pricing models: conditional performance measures.
6. Mutual fund characteristics and investment performance
7. Summary and conclusion. References. Appendices.

02. BATRA (Neetika)
Directed Credit Program: A Study of Leading in Indian Banking.
 Supervisors : Dr. Muneesh Kumar
Th 23657

Abstract
(Not Varified)

Mandatory directed credit or priority sector lending (PSL) is part of the regulatory framework for commercial banks/ financial institutions in many countries, both developing and developed. However, compliance and lending effectiveness of such programs may be determined by a host of factors. The present research work aims at examining the PSL patterns. It is based on an analysis of secondary data relating to PSL (1998-2014) for eighty banks in India, and is supported by findings from the survey of ninety-seven lending officers of various banks. The results indicate gaps in the patterns of sectoral target compliance by different bank groups, along with the lending preferences and challenges faced by banks in such lending. It also identifies bank-specific characteristics like the nature of ownership, size, performance, etc., which have a significant impact on the PSL patterns. Further, with a small change in the guidelines, the program can also be made an effective instrument for reducing geographical inequalities, to enable its optimal use in alignment with the current national priorities. The present research work therefore, also examines the geographical patterns of PSL, based on analysis of secondary data relating to PSL (1999-2013) for thirty-five states and Union Territories in India, and supplemented by the findings of the primary survey. The results indicate notable disparity in PSL across various states and regions in India. They also identify state-specific characteristics like its level of economic development, urban orientation, agrarian/industry oriented economy, and bank penetration, which have a significant impact on its per-capita PSL amount. The findings indicate that contrary to the objectives, the economically advanced states are receiving higher per-capita PSL amount. Based on its findings, the research work offers policy suggestions for enhancing the effectiveness of directed credit or PSL program so as to contribute to the national priority of balanced development.

Contents

1. Introduction 2. Directed credit program: A theoretical framework 3. Literature review 4. Research design and methodology 5. Determinants directed lending: Evidence from bank lending patterns in India 6. Geographical patterns of directed lending: An empirical study of Indian Banking 7. Conclusions and recommendation. References. Appendix.

03. DUTT (Mala)
Intra-Market and Cross-Market Information Linkages for the Equity, Commodity and Currency Market: An Empirical Study
 Supervisors : Prof. Sanjay Sehgal and Prof. Muneesh Kumar
Th 236661

Abstract
(Not Varified)

This study examines domestic and international information linkages in terms of price discovery and volatility spillovers for the equity, commodity and currency markets in India during the period August 29, 2008 to March 31, 2015. It is conducted in four Phases: Phase

I covers spot and futures segments of Nifty on India's National Stock Exchange (NSE), and Nifty futures on counterpart exchanges abroad, i.e. Singapore Exchange (NGX), Chicago Mercantile Exchange (CME) and Osaka Stock Exchange (OSE). Phase II covers spot and futures segments of Gold on India's Multi-Commodity Exchange (MCX), and Gold futures on 5 counterpart exchanges abroad, i.e. COMEX, Dubai Goods & Commodity Exchange (DGCX), Tokyo Commodity Exchange (TOCOM), Hong Kong Exchange (HKE) and Singapore Mercantile Exchange (SMX). Phase III deals with spot and futures segments of USD/INR on India's NSE, with USD/INR futures on counterpart exchanges abroad (SGX, DGCX and CME). Phase IV covers linkages across the three domestic spot and futures markets in India. Overall, it emerged that price linkages as well as both Short Term (ST) and Long Term (LT) volatility linkages are present in the USD/INR market, both at domestic and international levels. In the equity market also, price and volatility linkages exist at domestic and international levels, but volatility linkages are only short-term linkages. In the gold market, price as well as ST and LT volatility linkages exist at domestic level, but at international level, price linkages are absent since 2013 and LT volatility linkages that are present, are also weakened since 2013. No price linkages are observed either between domestic spot segments or between domestic futures segments, but ST and LT volatility linkages are present. These results lead to several significant policy suggestions for the Government, aimed at ensuring higher efficiency of the three key financial markets in the country.

Contents

1. Introduction 2. Structure of financial markets and the sample instruments 3. Conceptual framework and review of literature 4. Domestic and international information linkages for the equity market in India 5. Domestic and international information linkages for the commodity market in India 6. Domestic and international information linkages for the currency market in India 7. Domestic information linkages across spot and across futures segments of the equity, commodity and currency markets in India 8. Summary, conclusions and policy suggestions. References.

04. JAIN (Payal)
Information Linkages in Mature and Emerging Equity Markets: An Empirical Study.
 Supervisors : Prof. Sanjay Sehgal
Th 23660

Abstract (Not Varified)

The study measures information linkages in mature and emerging equity markets during normal as well as crisis periods. The study examines price discovery and volatility spillovers in equity markets of eight mature market economies (MMEs) and eight emerging market economies (EMEs). MMEs include Australia, Canada, France, Germany, Italy, Japan, U.K. and U.S.A. EMEs include Brazil, China, India, Indonesia, Mexico, Russia, South Africa and Turkey. The analysis is conducted on daily closing stock index prices from January 1, 2003 – June 30, 2014. The study period encompasses the 2007-09 global financial crisis (GFC), and hence the analysis is divided into sub-periods – pre-crisis, crisis and post-crisis. Return spillovers are examined employing static and dynamic cointegration tests. ADCC and BEKK specifications of EGARCH framework are applied for analysing causality-in-variance. Results for price discovery amongst sample MMEs, and EMEs indicate that no single market is consistently dominant across the entire sample period. Regional patterns are observed in ADCC results for sample MMEs. Findings confirm reduced economic influence

of the U.S. on other MMEs, as a result of the crisis. Information linkages among sample EMEs became weaker during GFC and did not revert to stable period levels after the crisis. Results of price discovery between EMEs and MMEs indicate that MMEs lead EMEs in normal periods. Volatility spillovers of MMEs with China and of Italy with EMEs weakened in post-crisis period as compared to pre-crisis period implying that the GFC damaged the information transmission process. Overall, MMEs are revealed to be more homogenous as compared to EMEs, and cross-linkages between EMEs and MMEs are weak. The GFC impacted linkages among the markets, with reduced integration in post-crisis period as compared to pre-crisis period. The study has important implications for policymakers, investors and academicians.

Contents

1. Information linkages amongst mature and emerging equity markets: An introduction
 2. Information transmission amongst mature and emerging equity markets: Theoretical framework and market profile
 3. Information linkages amongst mature and emerging equity markets: Review of literature
 4. Examining information transmission amongst mature market economies during normal and crisis periods
 5. Examining information transmission amongst emerging market economies during normal and crisis periods
 6. Examining information transmission amongst mature and emerging market economies during normal and crisis periods
 7. Information linkages amongst mature and emerging equity markets: Conclusions. References.

05. NANDA (Aradhana)
A Study of Pension and Provident Funds Reforms in India.
 Supervisors : Prof. C. P. Gupta and G. S. Sood
Th 23659

Abstract (Not Verified)

Evaluate the old system of pension and provident fund management (system established before 2004) in India in the light of the international pension fund systems; analyze whether rate of returns on Provident Funds is low and study the comparative rate of return on Provident funds in relation to long term savings instruments such as TEN YEAR Bonds and Five year fixed deposits of banks; conduct a comparative study of countries with respect to contribution rate, rate of return and also the rate of inflation; emphasize the need for devising sustainable economic policies to meet the challenges of rising life expectancy and securing adequate returns to lead a decent retirement life. perform a socio-economic evaluation of the new system and suggest support system needed for proper implementation of the new system program me in the form of institutional and regulatory framework.

TESTABLE HYPOTHESES: The old pension and provident fund system have structural deficiencies and these reflect in poor returns. That the returns on provident and pension funds have been low vis-à-vis returns on long-term bank deposits and government bonds and hence the need for reforms.

DATA and METHODOLOGY The study relies on both Primary and secondary sources of data. The Survey is based on well-designed structured questionnaire, Non Probability sampling method/purposive sampling.

FINDINGS : The rate of return on Provident funds is low'. The NEW PENSION SCHEME has a positive response from the workers. The Workers want structural changes in the interest of efficiency and higher returns. There is a great deal of acceptance of Pension and Provident FUND savings as the most important forms of old age savings .

Contents

1. Information: Issues and objectives 2. Review of existing literature 3. Pension system-an international perspective and lessons for India 4. Pension and provident funds system in India- a historical perspective 5. Existing pension and provident funds system in India; An evaluation 6. An evaluation of rate of returns from provident funds in India 7. From old to the new system: a paradigm shift 8. The survey analysis 9. An integrated model for the Indian pension and provident funds system: the proposed structure 10. Summary, concluding remarks and directions for further research. Selected Bibliography. Annexures.

06. PANDEY (Piyush)
Assessing Financial Integration in the East Asian Economic Community Region: An Empirical Study.
 Supervisors : Prof. Sanjay Sehgal
Th 23663

Abstract
(Not Verified)

The study assesses the financial market integration for the ASEAN+6 member countries (henceforth referred to as East Asian Economic Community i.e. EAEC region) in equity, bond and currency market segments. The study is based on two strands of literature- one which assesses the degree of integration of the market segments (equity, bonds and currency) individually for the EAEC members using various econometric techniques (price based and quantity based indicators) and second which deals with the fundamental determinants of these inter-linkages. The study found out that the process of financial integration post the Asian financial crises has all but begin in the East Asian Economic Community region and the equity, bond and currency markets were found to be integrated at different levels for the member countries with the highest dependency found for the EAEC-ASEAN group followed by ASEAN-5 group and lastly by ASEAN group in that order. Panel regressions confirmed that fiscal discipline and trade linkages were the significant factors besides others driving the linkages for the various market segments in this region. It can be argued further that the findings of the present study would be adding to the existing literature on financial integration in this region and could provide strong arguments for expanding the present ASEAN Economic Community region in the near future to a more economically viable East Asian Economic Community region. The possible formation of a bigger and more representative East Asian Economic Community will help the region gain prominence in the global trade and financial system landscape and will be the cornerstone to what is described as the "Asian Century". The study finally provides policy suggestions for policymakers, investors and academia with a concluding remark about the directions for future research.

Contents

1. Information 2. Review of literature 3. Assessing stock market integration for the east Asian economic community region 4. Assessing bond market integration for the east Asian economic community region 5. Assessing currency market integration for the east Asian economic community region 6. Summary and Conclusions. References.

07. SONI (Harshmeeta Kaur)
Operational Risk Management Framework in India Banking: A Study of Policies and Practices.
 Supervisors : Prof. Muneesh Kumar
Th 23662

Abstract
(Not Varified)

The study attempts to examine three issues related to Operational Risk in Indian banks. These include ORM Framework and the associated policies and practices; Operational Risk Disclosure practices and Impact of operational risk events on market valuation of affected banks. To examine the first issue, comprehensiveness of ORM Policy Statements is studied using the case-study method. To examine the second issue, disclosure index technique is used to evaluate the disclosure levels of Indian banks over the four years period FY2012-2015. To examine the third issue, rolling regression based event study methodology is used for a short run analysis of the impact of operational risk events on valuation of affected Indian banks. The results of the study offer a number of useful findings with regards to these issues. The degree of comprehensiveness of the ORM Policy statements of Indian banks is found to be low. ORM Policy statements of large sized banks in India are more comprehensive in comparison to the medium sized banks. However, extremely low degree of comprehensiveness of ORM Policy statements is observed with respect to ORM Culture; Operational Risk Disclosures; Independent Evaluation of ORM Function; Operational Risk Training and Awareness and Operational Risk Management Solution. The Average Disclosures for the Indian Banking Industry marginally improved from 32% in FY12 to 37% in FY15 indicating low levels of disclosure with an insignificant improvement over the years. Moreover, extremely low levels of disclosure were observed with regards to majority of the Index elements. The bank characteristics, Profitability and Depositors' Confidence are significantly negatively associated with disclosure levels. Lastly, operational risk events have a significant negative impact around the press release date and a negative impact around the settlement date on Indian Banking Industry where impact is more profound for the banks with low disclosure levels.

Contents

1. Information 2. Operational risk management in banks: A theoretical perspective 3. Review of literature 4. Orm framework and the associated policies and practices: A case study of select Indian banks 5. Operational risk disclosure Practices 6. Impact of operational risk events on market valuation 7. Summary of findings and Conclusions. Bibliography