CHAPTER 19

FINANCIAL STUDIES

Doctoral Theses

01. MITTAL (Arjun)
Financial Integration Between Brics and other Emerging Markets : An Empirical Study.
Supervisors : Prof. Muneesh Kumar and Prof. Sanjay Sehgal
Th 24479

Abstract
(Verified)

In this study dynamic interactions between stock, currency and bond markets of BRICS (Brazil, Russia, India, China and South Africa) and other select Emerging Market Economies (EMEs) as classified by IMF, (2015) are analyzed in order to identify possible candidate countries to be included in an extended BRICS emerging block. We employ ADCC-EGARCH model as well as Diebold-Yilmaz (2012) Spillover index methodology and block aggregation technique developed by Greenwood-Nimmo, Nguyen, & Rafferty (2016) to examine associations as well as return and risk spillovers within and across BRICS and other EMEs. The results suggest that the cohesiveness within BRICS equity markets and within BRICS currency markets are moderate. However, low associations were found within BRICS bond markets. The results also show increased integration amongst BRICS (only in equity and currency markets) during and after the global financial crisis (2008-09), implying the presence of contagion effect. On analyzing for association and dominance of BRICS with other EMEs, it is suggested that in the first phase, Hungary, Mexico and Poland emerge as common countries which show higher level of equity, currency and bond markets integration with BRICS making them the most feasible candidates to be included to create a larger 'Emerging Market Economic Block'. Turkey, Chile and Columbia may be kept under watch and can be included in the emerging market block in the later phase when they exhibit stronger financial market integration with BRICS members. This expanded block will not only ensure strengthening trade and financial ties among the participating countries, but also provide a better balance between the emerging and the developed world. This study contributes immensely to literature on international finance dealing with financial integration, particularly for emerging markets. The study provides important implications for global policy makers, international economic agencies, investors and the academic community.

Contents

1. Introduction 2. Review of literature 3. Dynamic linkages between brics and other emerging equity markets 4. Dynamic currency linkages between brics and other emerging markets 5. Assessing dynamic integration among bond markets of brics and other emes 6. Summary, conclusions and policy suggestions. References.

02. NIGAM (Narander Kumar)
Impact of Diversification Strategy on Firm's Financial Performance : An Empirical Study of Indian Firms.
Supervisors : C.P. Gupta
Th 24478

Abstract
(Not Verified)

Firms often choose a diversification strategy to improve its financial performance. After an extensive examination of literature encompassing over the last fifty years, we found that the majority of the studies suggests a negative relationship exists between a firm's diversification and its performance. Further, we found that diversification level has actually increased since 1990. This implies that there have been certain gaps in measuring the true impact of diversification on a firm’s financial performance. Hence, the main objective of this study is to measure the true impact of diversification on firm’s performance. After reviewing extensive literature, firstly, we found that existing diversification measures have a measurement issue. Secondly, studies missed to consider an important aspect of the firm’s financial performance measures i.e. risk-adjusted return, along with other two other aspects i.e. risk and return. Thirdly, we find issues in measuring the contemporaneous relationship between diversification and firm’s performance measures, since diversification is a long-term strategic decision of the firm, its impact may take some time. In this study, we add a new dimension into the existing literature by expanding related diversification into positively related diversification and negatively related diversification. Then, we develop a new measure of diversification based on the correlation between group firms’ sales and it has been proven better empirically also. Thereafter, we measure the impact of all type of diversification on the first leg of all three aspects of the firm’s financial measures. In this study, we find negative related diversification, related diversification, and total diversification also show a positive relationship with firm performance and coefficients of return and risk-adjusted return for negative related diversification strategy are the highest and coefficient of risk is lowest among other types of diversification indices used. Thus, the present study strongly suggests the superiority of negative related diversification strategy over others.

Contents

1. Introduction 2. Introduction and theories of diversification 3. Review of literature 4. Research methodology 5. Measurement of diversification 6. Diversification and firm’s financial performance return analysis 7. Diversification and firm’s financial performance-risk analysis 8. Diversification and firm’s financial performance-risk-adjusted return analysis 9. Summary and conclusion. Appendices. References. List of publications.

03. NARAIN

Study of Dividend Policies of Indian Companies: Value Creator or Distributor.

Supervisors : Prof. Chandra Prakash Gupta

<u>Th 24480</u>

Abstract
(Not Verified)

Dividend policy has been continued to be recognised as an important puzzle in corporate finance. An extensive search of the extant literature on dividend policy of the Indian companies reveals the devoid of the role of special dividend, ex-dividend behaviour of share prices and dividend induced risk-adjusted returns to Indian investors. Thus, the study undertakes these areas of research. An extensive open search revealed that most of the special dividend announcements were without any rationale in the public domain. Among the traced reasons for declaring a special dividend, it was found that most of the announcements were made in celebration of the Jubilees and anniversaries with a token amount of dividend per share. This study comprehensively spans from April 1992 to December 2018 covering dividend payouts of more than 2000 companies announced on BSE Ltd. An event study analysis of dividend announcement indicated that the dividend announcements could generate an average annual return of 155%, 47% and 45% p.a., over and above the normal return, around each type of announcements of Special, Interim and Final dividends respectively. Alternative tests of parametric and non-parametric genre validated the test results. Thus, the study presented sufficient pieces of evidence on the role dividend announcements in value creation even after accommodating the altered levels of risks by estimating the conditional standard deviations using EGARCH model around these announcements. This study also reveals that the average fall in the price of the shares turning ex-dividend is two-thirds of the dividend amount announced on those shares, plausibly due to the short-term trading around ex-dividend day, rather than tax effect. Thus, distribution of value is also a value creating activity. Based on the research presented in this study, this work provides implications for the various participants of the Indian capital market, regulators, managers, investors, academicians, etc.

Contents

1. Introduction 2. Theoretical framework 3. Review of literature 4. Research methodology 5. Dividend policy: Value creation 6. Dividend policy: Value distribution 7. Dividend policy: Risk adjusted return and value 8. Summary and conclusions. References.