

CHAPTER 16

FINANCE AND BUSINESS ECONOMICS

Doctoral Theses

01. JAIN (Saumya)
Impact of IFRS Convergence on Financial Statements and Value Relevance: Evidence from India.
Supervisor: C.P. Gupta
Th25966

Abstract

Global integration of world economies has resulted in increased demand for a common accounting language. The introduction of International Financial Reporting Standards (IFRS) is a step in this direction. IFRS are a set of global accounting standards issued by an autonomous international body, the International Accounting Standards Board (IASB) comprising of representatives from major national standard setting bodies around the world. The introduction of IFRS is one of the most significant advances in the field of international accounting. IFRS differ from domestic GAAP of individual countries in many aspects and also provide different recognition, measurement, presentation & disclosure requirements. As per the IASB, IFRS enhance comparability and quality of financial information, enabling investors and other users of financial statements to make informed decisions¹. India converged to IFRS w.e.f financial year 2016-17 for notified entities by introducing its own version of IFRS known as the Indian Accounting Standards (IND-AS). Transition to IND-AS has changed the face of financial reporting and has consequences for performance measurement, reporting, financial statement analysis, interpretation and comparability of financial statements. An important research issue is examining the impact of transition to IND-AS on companies which we have tried to address in this study. Three broad objectives have been developed which examine the impact of IND-AS on (1) Financial statements and Ratio Analysis (2) Value Relevance and Predictive Ability of Accounting numbers and (3) Comparability of financial statements.

Contents

1. Introduction 2. Introduction to IFRS 3. Convergence to IFRS in India: introduction 4. Research methodology 5. Ratio analysis and interpretation under ind-as 6. Impact of ind-as on financial statements and ratios 7. Value relevance of accounting items: comparison of as and ind-as 8. Comparison of value relevance of net income and comprehensive income under ind-as 9. Predictive ability of earnings: a comparison of as and ind-as 10. Measuring convergence of Indian accounting standards (ind-as) with ifrs 11. Impact of ind-as on comparability of financial statements 12. Impact of ind-as 116 on aviation sector: a case study of indigo airlines 13. Summary and conclusion. References.

02. KHAN (Mohd. Hashimuddin)
Economic Implications of India's Manufacturing Exports to Selected Asian and Latin American Countries.
 Supervisors: Prof. Ananya Ghosh Dastidar and Prof. Ram Upendra Das
Th25967

Abstract

The India's international trade has contributed a significant share in the GDP. The trade has also played a pivotal role in countries' development in the form of raising the standard of living, providing employment, and facilitating consumers to enjoy a greater variety of goods. Besides, manufacturing trade strengthens the industries to produce more and create a level playing field in the international scenario. The prime aim of the study was to analyze the economic and trade profile of India, with a view to explore the potential for boosting manufacturing exports to selected (thirteen) trade partners in Asia and Latin America that can create much needed employment opportunities for India. The first objective of the study was to understand India's broad economic and trade profile followed by importance of manufacturing exports for India. In addition, the emergence and deepening of intraindustry trade with the stated countries in selected products is also a matter of concern and have also analyzed as the second objective in the study. The third objective covers the India's manufacturing exports' prospects and potential with selected East Asian and Latin American countries. The final objective of the study is based on connecting all three objectives to investigate the impact of international trade on manufacturing sector employment and explore the employment implications of increasing manufacturing exports to selected countries of East Asia and Latin America.

Contents

1. Introduction 2. India's international trade with selected East Asia pacific and Latin American countries: broad patterns 3. An empirical analysis of India's intra-industry trade with selected East Asia pacific and Latin American countries 4. India's manufacturing exports to East Asia and Latin America: analysis of prospects and potentials 5. Trade and employment generation in Indian manufacturing sector: implications for manufacturing exports 6. Conclusions and policy suggestions. Bibliography. Appendices.

03. SHARMA (Mehak)
An Empirical Examination of Value Effect in Indian Stock Market.
 Supervisor: Prof. C. P. Gupta
Th25964

Abstract

The Efficient Market Hypothesis(EMH) and the Capital Asset Pricing Model(CAPM) form the foundational elements of financial paradigm as we know it (Franfurter and Elton; 2001; Dempsey, 2013; O'Sullivan, 2018). Under these paradigms, all existing information related to an asset is already reflected in asset prices, and the price of an asset will change only with new information. Since new information can arrive at any point in time, the inter arrival time and its effect on asset prices are both random. Thus asset price changes and future prices cannot be predicted. EMH argues that when new information arrives in the market, it is quickly disseminated, incorporated and reflected in the prices of the securities with little to no time delay. However, low P/B portfolios outperform high P/B portfolio consistently (Stattman, 1980; Lakonishok, Shleifer & Vishny 1994, Fama & French, 2006; Israel &

Moskowitz, 2013, Sharma & Jain, 2020). This is called the “Value Effect” or the “Value Anomaly”. Low P/B portfolios (firms) are called value portfolios (firms) and high P/B portfolios (firms) are called growth portfolios (firms). The difference in return when value portfolios outperform growth portfolios is called the Value Premium. The value effect is part of a group of anomalies explored in literature, which are evidences of shortcomings of the Efficient Market Hypothesis. Studies confirming the existence of the value anomaly goes back five decades (Basu, 1977). Of all the existing anomalies, the value anomaly has been regarded as one of the most consistent and profitable anomaly of the last half century (Arnot, Harvey, Kalesnik, & Linnainmaa, 2020). The fact that value anomaly has remained consistent in the market since its discovery, points that it is not temporary misalignment of prices in the market (Fama & French, 2006; Israel & Moskowitz, 2013). The persistence of the value anomaly, thus, makes it a strong challenger to the market efficiency.

Contents

1. Introduction 2. Literature review 3. Research methodology 4. Value effect in Indian stock market 5. Risk and value premium 6. Impact of size, momentum and stock fundamentals on value premium 7. Conclusion. References. Appendices.

04. SOBTI (Neharika)
Microstructure Analysis of Gold Markets: A Study of Price Discovery and Jump Dynamics.
 Supervisor: Prof. Sanjay Sehgal
Th25963

Abstract

This thesis comprises of three essays on the market microstructure of gold. Market microstructure is an important field of financial economics that examines the processes by which the latent demands of the investors are translated into prices and volumes. Gold is a mainstream international commodity, the third-largest reserve asset of central banks and a strategic financial asset. The first essay examines the intraday dynamics of price discovery of gold, its determinants, and volatility connectedness among gold spot, futures and exchange-traded funds (ETF) for three mature (New York, Shanghai, London) and three emerging (Mumbai, Tokyo, and Istanbul) gold markets. The first essay provides first-time evidence of the time-varying informational efficiency of three gold instruments—spot, futures, and ETF—for three mature and emerging gold markets at daily and intraday (hourly) basis for a long time period from 2010 to 2018 by adopting a GMM-based multivariate information share method using high-frequency data sampled at 1-minute. In addition, the high-frequency determinants of intraday price discovery leadership across mature and emerging gold markets are assessed using regression analysis. Using Diebold and Yilmaz connectedness index (DYCI) proposed by Diebold and Yilmaz (2014, 2016), the first essay also investigates the largest transmitter and receiver of volatility shocks among three gold instruments across six gold markets for different sub-sample periods. By adopting network maps, the first essay provides evidence on the commonality in price discovery and volatility connectedness in global gold markets.

Contents

1. Introduction 2. Intraday gold price discovery, its determinants and volatility connectedness among spot, futures, and exchange-traded fund 3. Macroeconomic

news surprises and round the clock international price discovery of gold 4. High frequency predictors of intraday price jumps and co-jumps in gold markets 5. Conclusion. Bibliography.

05. TIWARI (Harendra Nath)
Firm characteristics and capital structure decisions: an empirical study.
 Supervisor: Prof. C.P. Gupta
Th25965

Abstract

This research was undertaken to explore three major areas of capital structure on which research gaps exist so far. These are: 1. Which firm characteristics are important determinants of the capital structure of the firms? 2. How do changes in macro-economic conditions and changes in legal framework affect the choice of the capital structure? 3. Do the capital structure decisions of firms affect a firm's value? While several capital structure theories and empirical studies have been conducted over the years, the results remain inconclusive on how a firm determines its capital structure, and the impact which capital structure has on firm value. The present research work attempted to fill five research gaps identified from the literature review. First, identifying the firm characteristics that are important determinants of the capital structure. Second, assessing the impact of Global Financial Crisis, 2008 (GFC) & Insolvency and Bankruptcy Code, 2016 (IBC) on the leverage of the Indian firms. Third, in addition to the classical agency conflict between shareholders and managers, identifying agency conflict between managerial shareholders and lenders, if exists, through capital structure decisions. Fourth, the introduction of unobservable firm characteristics into the models of data analysis, and fifth, identifying the nature of the relationship between leverage and the firm value. We have conducted this research work using panel data of 1,102 standalone nonfinancial Indian firms listed on BSE having continuous data for the period of 2006-07 to 2018-19. The total observations in the panel structure were 14,326. Considering the panel structure of our data set, we have applied panel data regression models for data analysis. The dynamic panel regression model is employed to identify the determinants of capital structure and to assess the impact of GFC and IBC on leverage while, panel fixed effect regression models have been used for examining the relationship between leverage and the firm's value.

Contents

1. Introduction 2. Theoretical framework 3. Review of literature 4. Research methodology 5. Firm characteristics and capital structure 6. Promoter's shareholding, financial distress and capital structure decisions 7. Impact of global financial crisis and insolvency and bankruptcy code on capital structure 8. Capital structure and firm value 9. Summary, Conclusion and scope for Future Research.

M. Phil. Dissertations

06. JAIN (Soumya)
Impacts of IFRS Convergence on Financial Statements and Value Relevance: Evidence from India.
 Supervisor: Prof. C.P. Gupta

07. KHAN (Mohd. Hasimuddin)
Economic Implications of India's Manufacturing Exports to Selected Asian and Latin American Countries.
Supervisor: Prof Ananya Ghosh Dastidar
08. SHARMA (Mehak)
Empirical Examination of Value Effect in Indian Stock Market.
Supervisor: Prof. C.P. Gupta
09. SOBTI (NEHARIKA)
Microstructure Analysis of Gold Markets: A Study of Price Discovery and Jump Dynamics.
Supervisor: Prof. Sanjay Sehgal
10. TIWARI (Harenndra Nath)
Firm Characteristics and Capital Structure Decisions: An Empirical Study.
Supervisor: Prof. C.P. Gupta