CHAPTER 18

FINANCE AND BUSINESS ECONOMICS

Doctoral Theses

01. ARORA (Aastha)
Determinants of International Trade Flows in India: An Empirical Study.
Supervisor: Dr. Ritesh Kumar Mishra
Th 27485

Abstract

International trade plays a critical role in determining the economic growth path of any country. Strengthening international trade is one of the primary concerns for the policymakers given the fact that its growing contribution in the country`s income, employment, welfare has been continuously increasing in the recent years. In this regard, the present study aims to examine the determinants of India's international trade, i.e. exports and imports, by using monthly commodity level data for the period from 2007 to 2020. The first phase of the study attempts to investigate the short-and long-run impact of price, income and exchange rate on the exports and imports of the country using autoregressive distributed lag method. The results indicate that trade flows are negatively impacted by prices and positively by income. Further, a positive impact of exchange rate on imports and a negative impact on exports is observed. In the second phase, the study aims to examine the inter-linkage between exchange rate volatility and trade flows in India. Broadly the results at this phase of analysis suggest that exchange rate volatility has positive impact on the trade flows. In the third phase of empirical analysis, the study investigates the impact of uncertainty on trade flows. The findings suggest that the global uncertainty and risk parameters have a positive impact on the international trade. However, the economic uncertainty of Indian economy has a dampening effect on trade. The study also investigates the presence of asymmetric impact of the determinants of trade using the quantile regression estimator. It is observed that the impact of volatility and uncertainty is not symmetric and varies in sign, size and significance among the considered quantiles. Hence, separate commodity-wise policies are required along with monitoring prices and income to produce favorable trade results.

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02. JAIN (Arushi)
Impact of the RBI's Policy of Systemic Importance of Banks on their Performance: A Study of Indian Banks.
Supervisors: Dr. Varun Dawar and Prof. C. P. Gupta
Th 27486

Abstract

This study aims at empirically checking for the negative externalities associated with the tag of systemic importance of banks. The concept of systemic importance of banks was introduced after the financial crisis of 2008, to improve their resilience and ensure their long-term solvency. However, Basel committee and RBI itself says that merely designating the banks as Systemically Important leads to some negative externalities which may affect the whole rationale behind the introduction of this criteria. These externalities include the problem of moral hazard and weak market discipline. In light of this, this study has 6 objectives, first, to calculate Systemic Importance of all the selected banks in the study. Second, to check if moral hazard behaviour exists in the Indian banking sector and subsequently, to check if the moral hazard behaviour differs with systemic importance of banks in the Indian banking sector. Next this study checks if market discipline exists in the Indian banking sector and then checks if systemic importance of banks impacts the market discipline in the Indian banking sector. Lastly, this study checks if Systemically Important Banks (SIBs) perform better than other banks. For this study, all the public and private sector banks operating in the Indian banking sector. We studied banks' moral hazard behaviour by observing the impact of their level of Net Non-Performing Loans (NNPL) on their lending behaviour. As per our analysis when the systemic importance of the bank is considered, the systemically important banks are found to be engaged in risky lending irrespective of their level of distress, whereas the opposite results are found for the least important banks. For the next objective of weak market discipline, this study checks for the existence and strength of the market discipline with regard to its importance by analysing the responsiveness of the depositors towards the riskiness of the banks. The study uses fixed effects for the deposit growth model and system generalised method of moments (GMM) estimator in the cost of deposit model due to its dynamic nature. The results show that the market discipline is present at all levels of systemic importance. However, indicating the prominent influence of systemic importance on market discipline, the strength of market discipline is lower for systemically important banks as compared to other banks.

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