CHAPTER 24

FINANCE AND BUSINESS ECONOMICS

Doctoral Theses

01. AGRAWAL (Rahul)
Trade Performance of Landlocked Developing Countries: A Case Study of Afghanistan.
Supervisors: Prof. Ananya Ghosh Dastidar
Th 29028

Abstract

This thesis examines profitability and investment (asset growth) anomalies across five major Asian equity markets, namely India, China, Japan, South Korea, and Indonesia. The study period is 1999–2024. While these anomalies are well-documented in Western markets, evidence from Asia remains limited and fragmented. The study evaluates their significance, time-varying behavior across market states, and behavioral underpinnings using a cross-sectional dataset. The profitability anomaly is examined both on a static and a dynamic basis. Using ROE as a static measure, significant profitability premiums are found in China and India, while evidence is weak and insignificant in Japan, Korea, and Indonesia. Results remain robust after controlling for size, book-to-market, and momentum. Premiums are attributed to investor underreaction to earnings surprises and slow incorporation of fundamentals. Importantly, profitability premiums are time-varying, expanding during market upturns and exhibiting heterogeneous responses across volatility regimes. Dynamic profitability measures, including profitability growth and acceleration, yield no significant unconditional returns but exhibit meaningful time-varying patterns. Profitability growth performs better during market upturns, with volatility playing a differential role across countries. Profitability acceleration shows no consistent premiums, suggesting that investors are constrained in effectively pricing second-order changes in firm performance. For the investment anomaly, contrary to the evidence for developed markets, high-asset-growth firms outperform low-asset-growth firms in China, India, and Japan. The anomaly is absent in Korea and Indonesia. Behavioral explanations are heterogeneous: overreaction to low-growth firms in China, anchoring bias in Japan, and macroeconomic distress linkages in India, with premiums intensifying during downturns and high-volatility regimes. Overall, this thesis demonstrates that profitability and investment anomalies are neither universal nor static across Asian markets. Their strength is fundamentally conditioned by market states and investor behavior. The study offers meaningful implications for asset pricing, portfolio strategy, and emerging market research.

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02. RADHA BHOLA

Study of the Impact of Ownership Type and Asset Quality on Banks` Performance.

Supervisor: Dr. Ritesh Kumar Mishra

Th 29030

Abstract

This study examines the determinants of profitability and asset quality of scheduled commercial banks in India during the period 2010–2021, while also assessing the impact of ownership type on bank performance. In addition, a bibliometric analysis is conducted to evaluate academic productivity and research trends related to bank profitability and performance using data extracted from the Elsevier Scopus database. The empirical analysis is based on secondary data collected from reliable sources, including the Reserve Bank of India (RBI) and the International Monetary Fund (IMF). The study covers public sector banks, private sector banks, and foreign banks to provide a comprehensive view of the Indian banking sector. To achieve the research objectives, several econometric techniques such as Fixed Effects (FE), Random Effects (RE), Generalized Method of Moments (GMM), and Quantile Regression are used to ensure robustness and capture distributional differences. The first objective examines the key determinants of bank profitability, measured by Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM), using bank-specific, industry-specific, and macroeconomic variables. The second objective identifies the determinants of asset quality, measured by the Net Non-Performing Assets (NNPA) ratio, using financial ratios as explanatory variables. Finally, the study also examines the joint effect of ownership and credit risk on profitability. The findings reveal that non-performing assets are a major determinant. The results also show that ownership type influences profitability, with differences observed between public and private sector banks, suggesting that a single policy may not be suitable for addressing credit risk problems in India. Overall, the study contributes to the literature by combining econometric and bibliometric approaches and provides useful implications for policymakers, regulators, and banking institutions to improve asset quality, manage credit risk, and enhance banking sector performance.

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03. SIMRAN

The Impact of ESG Performance on Risk-Return Profile of Banks Evidence from G20 Economies.

Supervisor: Dr. Pankaj Chaudhary and Dr. Varun Dawar

Th 29031

Abstract

Banking sector, as the institutional intermediary of financial resources, plays a pivotal role in promoting sustainable finance, as supported by stakeholder and legitimacy theory. The study empirically assesses the financial materiality of ESG performance and whether banks are penalized or rewarded for it with respect to their risk-return

profile. The study examines the impact of ESG performance on bank profitability, valuation, stock return volatility, cost of funds, cost of deposits, and the cost of equity capital. The study employs panel data covering a sample of 163 banks from G-20 economies over the period 2011-2023. The empirical panel data techniques involve fixed-effects regression and method of moments quantile regression methodologies. ESG performance is measured by the ESG scores provided by LSEG Refinitiv. The data pertaining to bank-level variables have been obtained from LSEG Refinitiv, and macroeconomic data have been obtained from the World Bank. The first essay of the study finds a dynamic impact of ESG performance on profitability, suggesting that a cubic relationship exists between the two. Also, the impact varies for overvalued and undervalued banks. The second essay reveals that ESG performance reduces banks' stock return volatility. This impact is consistent in covid period. Additionally, larger banks experience greater volatility-reduction benefits from their sustainability practices. The third essay reports that ESG scores significantly reduce both deposit costs and the overall cost of funds, and this impact is larger at lower levels of costs. The fourth essay finds that ESG performance effectively reduces banks' cost of equity capital, and this impact is larger at lower levels of costs. Furthermore, the study provides evidence that ESG improvements produce an additional reduction in the cost of equity for banks with high stock return volatility. The study provides multiple insights for banks, regulators, and investors.

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1. Introduction 2. Review of literature 3. Research Methods 4. The Dynamic Impact of ESG Performance on Bank Profitability and Value Creation 5. The Impact of ESG Performance on Stock Return Volatility of Banks 6. The impact of ESG performance over the borrowing costs of G20 banks 7. The Impact of ESG performance on Cost of Equity of banks 8. Conclusion References and Appendices.