

CHAPTER 27

FINANCE AND BUSINESS ECONOMICS

Doctoral Theses

01. DASH (Tanusree)
Educational Inequality in India : A Multi-level Analysis.
Supervisors: Prof. Ananya Ghosh Dastidar and Prof. Sukanya Bose
Th 28297

Abstract

Reduction in educational inequality is a pertinent issue for an economy, as education is the most effective means of attaining social justice and equality. An inclusive education system improves human capital and augments economic growth. In this context, the thesis asks the following research questions: What is the extent of education inequality across states and UTs of India?; What are the trends and patterns of public and private education expenditure in India?; as expenditure on education is one the most important determinants of educational inequality. It also examines how private expenditure on education changes across socio-economic and demographic parameters. Further, it asks if there has been a disproportionate increase in the education expenditure among the deprived sections of the population. The study primarily utilised data from three recent NSS rounds on Social Consumption : Education – 64th, 71st & 75th. Additionally, it examines the association between educational aspirations and expenditure among low-income households through a primary survey carried out in a JJ colony in Gurugram, India. The analysis confirms nearly stagnant levels of public expenditure on education by centre and states/UTs as a proportion of GDP from 2001 to 2018. The study finds an increase in private education expenditure across most state/UTs and that average per student expenditure on education increased across all socio-economic and demographic groups between 2007-08 to 2017-18. Analyses of trends in private education expenditure across low-income households also confirmed an increase in average expenditure across most state/UTs in this period. Findings from the primary survey showed high educational aspirations of mothers for their children, irrespective of caste, religion and education levels. Indeed, high educational aspirations was a key factor driving increases in educational expenditure of marginalised households. The study recommends effective interventions and affirmative actions by the government targeting low-income households and educational policies prioritizing low-income states.

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1. Introduction 2. Indian Education Scenario: A Background 3. Trends and Patterns of Educational Inequality 4. Education expenditure and education inequality 5. Educational Aspirations: An Introduction 6. Findings of the primary survey and focus group discussion: An analysis 7. Findings, Conclusions & Policy Implications References. Appendices.

02. RAVINDER
Determinants of Dividend Behaviour Over Firm's Life Cycle: A Study of Indian Companies.
 Supervisor: Dr. Pankaj Chaudhary
Th 28298

Abstract

This study enquires “does the dividend behaviour of Indian firms vary over life cycle stages” and “how do different determinants of dividends fluctuate across various stages of firm's life cycle”. To empirically examine these issues, we collected data on 2066 Indian non-financial firms for the period 2001-2023. We employ ANOVA, pooled OLS regression, firm fixed effects, and random effects regression to test our findings' robustness. Our results are supported by two dividend payout proxies: total equity dividends divided by profit after tax (Div/PAT) and net worth (Div/NW). Dickinson (2011) cash flow-based classification divides sample firms into five life cycle stages: introduction, growth, mature, shakeout, and decline. The results show that from introduction to shakeout, firms increase dividends while declining firms decrease them. Stage-wise regression analysis shows that firm profitability (return on equity) has a “U-shaped” association with dividends, with turning points at different life cycle stages. Mature and shakeout firms' annual total asset growth negatively affects dividend distributions. The firm's leverage (debt-book equity ratio) positively affects dividends during introduction, growth, maturity, and shakeout. Institutional, DII, and FII ownership positively affect the firm's dividend payout during maturity. Life cycle interaction-based regression analysis showed that return on equity and dividends had a "U-shaped" relationship with different turning points at different life cycle stages. Growth, mature, and shakeout firms' growth potential lowers dividend payout, although introduction and decline firms' increase their dividends. The payouts increase with the firm's leverage during introduction, growth, maturity, and decline. Conversely, shakeout firms' leverage lowers dividends. During growth, maturity, and shakeout stages, institutional, DII, and FII holdings is positively impact the firm's dividend payout. Thus, our study makes novel contribution to existent literature by evaluating the validity of dividend life cycle theory in Indian context. Moreover, we offer fresh insights regarding the moderating effect of firm's life cycle on the relationship between dividends and profitability, growth opportunities, leverage, and institutional ownership.

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1. Introduction 2. Theoretical Framework 3. Review of Literature 4. Research Objectives and Hypotheses 5. Research Design 6. Overview and Trends in Corporate Dividends in India 7. Dividend Behaviour over Firm Life Cycle 8. Determinants of Dividend Behaviour over Firm Life Cycle. 9. Impact of Institutional Ownership on Dividends over Firm Life Cycle. 10. Summary & Conclusion. Bibliography and Publications and Conference Presentations.

03. SETHI (Simran)
Quality of Governance and Human Development: A State Level Assessment for India.
 Supervisor: Prof. Ananya Ghosh Dastidar
Th 28299

Abstract

Effective Governance is essential for development, as highlighted by the 16th Sustainable Development Goal. While various perspectives stress the significance of good governance for enhancing development outcomes, a quantitative measure is essential for selecting appropriate policy interventions. However, defining governance quantitatively is challenging due to differing definitions based on the roles of the state and other institutions. Most of the governance indices at the cross-country level are subjective and hence, biased. Few governance indices exist at the regional level for India, but the overall framework and methodology is not suitable to make intertemporal comparisons. Some indices are outdated, limiting their usefulness. Against this backdrop, the thesis develops a Governance Quality Index (GQI) for India at the aggregate and sub-national levels. The study defines governance, critically analyzes existing governance indices at cross-country and regional levels for India and uses the GQI to compare governance across states. The GQI is also compared with existing governance indices and used to examine the relationship between governance and development outcomes for India. The GQI includes six dimensions covered by sub-indices, viz., the Fiscal Quality Index (FQI), Basic Amenities Index (BAI), Law and Order Index (LOI), Environment Quality Index (EQI), Quality of Health Index (QHI), and Quality of Education Index (QEI). These are constructed with 21 primarily input-based indicators. The methodology employs consistent normative targets and the geometric mean to compute dimensional and index values for intertemporal comparison, covering 29 states and UTs for 2005-06, 2015-16, and 2019-20. From 2006 to 2020, the GQI improved for all states and UTs, driven by advancements in QEI, QHI, BAI, and FQI, while LOI and EQI declined revealing significant regional disparities. Analyses of the relationship between GQI and development indicators, using techniques like conditional probabilities and panel data estimation, reveal a positive and significant relationship, indicating that better governance is consistently associated with higher levels of human development and income. Finally, the GQI is compared with a few existing indices. Despite differences in the overall framework and methodology, there are some overlaps in states' performance across these indices and the GQI.

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04. SHARMA (Preety)
Study of Impact of Remittances on Economic Growth.
 Supervisors: Dr. Ritesh Kumar Mishra
Th 28702

Abstract

This study examines the impact of remittances on economic growth South Asian countries namely BIMSTEC using ARDL and GMM technique and investigates the relationship between remittances, health and education using a comprehensive dataset spanning from 1998 to 2022. The findings reveal that the inflow of workers'

remittances exert a significant and positive influence on education expenditure. This suggests that migrant households allocate a proportion of remittance inflows towards investments in education, underscoring the pivotal role of remittances in fostering human capital formation. However, the impact of remittances on health outcomes appears less pronounced, exhibiting mixed effects across different health indicators. The study underscores the importance of disaggregating data to discern rural-urban differentials in education and health outcomes, a limitation that prompts calls for further research. This distinction is critically given in the heterogeneous nature of socio-economic conditions and access services across rural and urban settings. Future investigations could thus explore the differential impact of remittances on education and health outcomes, underpinning an inquiries into the allocation of remittances inflow within household and communities offering its causal impact in the decision-making process. Keywords: Remittances, Economic Growth, Health and Education JEL Words: F24, J11, I15, I31, O15

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05. SURENDRA KUMAR

Determinants of Capital Structure over Corporate Life Stages: A Study of Indian Corporates.

Supervisor: Dr. Varun Dawar

Th 28300

Abstract

Capital structure decisions of firms have been a subject of enquiry since many decades. In literature it has been observed that capital structure is different at different stages of corporate life. Therefore, different determinants exist at different stages of corporate life. Our endeavour in this study is to identify the determinants of capital structure at all the corporate life stages of firms. Capital structure or financial leverage in our study has been defined as the ratio of book value of debt to book value of equity. The study uses Dickinson (2011) methodology to determine life stages of firms based on the pattern of cash flows from operations, investing and financing activities. Firms at their different life stages faces peculiar circumstances leading to their capital structure at each of the stages significantly different. A firm in growth stage has tremendous profitable opportunities and therefore, the motivation for nature of capital structure is different. Likewise, a firm in decline stage has the risk of slipping into bankruptcy and liquidation, therefore having the possibility of loss of enterprise value and capital. As firms move into life stage beyond maturity, these encounter varied situations in terms of financial flows. The decline stage of firms has been bifurcated into two sub-stages for the purpose of analysis. The study is India-specific and uses PROWESSIQ database of CMIE. The panel data has been taken from Financial Year (FY) (April 1 - Marh 31) 2001 to FY 2024 from BSE500 companies in the non-financial and non-governmental sector. There is 8677 firm-year data for 401 non-financial business firms.

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Decay 9. Summary and Recommendations. Annexures and bibliography.

06. DEEPAK (Verma)

Earnings Quality and Firm Performance: An Empirical Study of Indian Firms.

Supervisors: Dr. Varun Dawar and Dr. Pankaj Chaudhary

Th 28301

Abstract

According to agency theory, a conflictual relationship arises between managers and shareholders in the context of asymmetric information and agency problems. Earnings management (EM) occurs when managers make decisions in financial reporting and arrange transactions to alter financial reports. Financial reporting quality decreases the information asymmetry between corporate managers and stockholders, improves investor confidence, and increases firm valuation. Earnings quality (EQ) is associated with earnings properties, which provide information about firm performance that is pertinent for decision-making. However, less managed earnings may be considered high-quality, so low managed earnings should be high-quality. In the context of audit quality and earnings management, signaling theory suggests that audit quality can signal a firm's commitment to transparency and reliable financial reporting. High audit quality signals the firm's intention to provide accurate information to stakeholders, reducing the chances for earnings management (EM) and improving earnings quality (EQ). Discretionary accruals (DA) are estimated based on the Modified Jones Model and the McNichols Model as a proxy of accruals earnings management. The present study also modifies these models by replacing gross PPE with depreciation, which directly captures accruals due to depreciation. Financial performance is measured through book value measures (i.e., ROA, EPRSC) and market value measures (i.e., Tobin's Q, PBR); further, high variability in these variables shows low performance. Audit quality attributes include auditor size (A_SIZE), joint auditor (J_AUDITOR), auditor fee (A_FEE), auditor tenure (A_TENURE), and auditor rotation (A_CHANGE). Earnings quality (EQ) is captured through earnings persistence, smoothness, and low variability in discretionary accruals. Based on OLS, Panel fixed effect (FE), and two-stage least squares (2SLS) estimators, results indicate that accruals EM improves financial performance and auditor size, and joint auditor reduces earnings management (EM). Earnings persistence (EQ_PERS) and smoothness (EQ_SMOOTH) enhance financial performance.

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