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1. Sources of Systemic Instability, Bailout Mechanism and Efficient Regulation

by T.V.S. Ramamohan Rao

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Abstract

Inefficiencies intrinsic to organizational arrangements result in production falling short of planned levels. It also prompts enterprises to plan production levels in excess of what can be sold on the market. As a consequence, enterprises commit resources to produce their planned production levels but cannot recover them to start the cycle again. The entire economy, not merely these enterprises, experiences a financial crisis. Systemic instability is defined not merely in terms of losses to corporate enterprises, but also social welfare maximization. This prompted government interventions in the form of bailouts of losses of enterprises. However, the system did not specify an upper limit and resulted in cascading effects of instability of production, financial and government regulations. They resulted in a larger malaise like the Greek crisis. The study argues that bailouts should be over a short time to enable enterprises to correct their miscalculations about the extent of the market and organizational efficiency. In addition, regulatory policy should attempt to bring about organizational rearrangements to improve their efficiency in route the ideal of systemic stability and welfare maximization.

2. Union Bank's Risk Attitude and Performance: Theory and Evidence

by Ganti Subrahmanyam

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Abstract

This study tried to verify three important hypotheses relating to the performance and risk attitude of Management of Union Bank of India. The three hypotheses are: i) measuring risk attitude of the Bank Management; ii) whether the Bank stock returns provide a hedge against inflation risk and iii) whether the Bank stock is liquid. The study used monthly data covering the period Feb-2003 to Dec.2014. For model-dependent realism we used the most popular Capital Asset Pricing Model (CAPM) framework with the application of some novel tools. On the first hypothesis, the evidence appears to suggest that the Bank Management is relatively risk conservative. On the second hypothesis the evidence seems to suggest that the Bank stock returns do not provide a hedge against inflation risk. This evidence, however, very much tends to agree with similar international evidence. On the third hypothesis, the evidence seems to indicate that the Bank stock is liquid despite the evidence from the other two fronts.

3. Scientific Exploration and Empirical Verification of J-curve and Marshall-Lerner Condition in India, Pakistan and China during (1983-2013)

by Tripti and Gargi Bandyopadhyay

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Abstract

This research paper has attempted to scrutinize the international trade sector of three countries namely India, Pakistan and China by using the J-curve phenomena and the Marshall-Lerner condition. The period from 1983-2013 is particularly interesting to study as it involves the various reforms, policy measures and economic situations which led to the structural changes in the domestic markets of these countries and as a result affected their international trade share. The sole stimulus to explore this region came as no study was undertaken to verify the J-curve pattern using the Marshall-Lerner condition in any of these countries. In order to derive the conclusion, an export-import model is created by the annual data of five variables namely; Exports, Imports, GNI, Exchange Rate and the World Income has taken from the World Bank database (for total exports and imports). This model is analyzed using the best possible econometric technique where all these variables are tested for Stationarity and then for Co-

integration via SAS and finally OLS technique has been implied in order to find the import and export elasticity. In order to analyze the J-curve, the trade balance (export – imports) is plotted on a line graph for the 31 year period. Overall, the results of this study suggest a fulfillment of the Marshall-Lerner condition criteria in all the three countries but the degree of satisfaction differs due to the export and import elasticity and also indicates the existence of the J-curve in all except in Pakistan, even though it has very high export elasticity.

The findings are also supported with the theoretical aspects. Thus, establishing the relationship between a country's trade balance and the domestic currency carries the practical significance for the nation's conduct of monetary policy. Therefore, this paper serves as a stepping stone towards future research on which the policies can be adopted in India, Pakistan and China & this will be helpful for the growth and development of the global market as a whole

4. Measuring Sacrifice Ratio by Episode Method: Methodological Issues

by Dinabandhu Sethi and Debashis Acharya
GRIB, Vol 8; Issue 1; July 2016, 65-75

Abstract

This paper flags some of the important issues concerning estimation of the sacrifice ratio for emerging market economies in general and for the Indian economy in particular. A survey of the most recent studies in the area and some of our own results indicates that, sacrifice ratio estimates depend on a host of factors. The factors are the definition of an episode, procedure of measurement, frequency of data, and choice of variables.

5. Impact of Gaps on Stock Returns: A Comparative Study between Trading Vs Non

Trading Hours by Shradhanjali Panda and Ananya Mitra
GRIB, Vol 8; Issue 1; July 2016, 77-86

Abstract

It is a common belief that securities undergo through smooth and slow changes over a period of time. Because of this assumption, investors generally estimate expected return considering a longer period of time (generally up to a month). But, in reality abrupt changes happen because of continuous supply of information in the market. The most interesting fact is, this information has different effects on securities characteristics during the trading hours in comparison to non-trading hours. The characteristics of the securities can be expressed in terms of average return, mean and variance. The present paper is designed with an assumption that securities switch from one state to the other in periodic intervals. In this study, we analyze the portfolio allocation based on time asymmetry of stock characteristics. Changes in stock prices are compared during trading and not-trading periods to examine the covariance and mean between securities. Numerically the allocation of fund is computed. Time period of the study is 3 years i.e. 1st October, 2012 to 30th September, 2015.