["Stock Market Reactions to India's 2016 Demonetization: Implications for Tax Evasion, Corruption, and Financial Constraints"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3079391&partid=22912&did=365214&eid=985831" \t "_blank) ,[CESifo Working Paper Series No. 6707](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/PIP_Journal.cfm?pip_jrnl=254971&partid=22912&did=365214&eid=985831" \t "_blank)

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[VIKRAMADITYA S. KHANNA](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=52960&partid=22912&did=365214&eid=985831), University of Michigan Law School, Email: [vskhanna@umich.edu](mailto:vskhanna@umich.edu)

On November 8, 2016, the Indian government made a surprise announcement that certain currency notes (representing 86% of the currency then in circulation) would no longer be legal tender (although they could be deposited in banks over a limited period). The stated reason for this sudden “demonetization” was to combat tax evasion and corruption associated with “unaccounted-for” cash. We compute abnormal returns for firms on the Indian stock market around this event, and compare patterns of abnormal returns for different subsamples of firms defined by industry, ownership structure, and other characteristics. There is little evidence that sectors thought to be associated with greater tax evasion or corruption experienced significantly different returns. However, we find substantial positive returns for banks and for state owned enterprises (SOEs), implying market expectations that are puzzling in some respects, especially as the initial reactions do not show any evidence of reversal in the five months following the event. The bank results appear to indicate a market expectation of a persistent increase in financial depth. We also find a pattern of higher returns for industries that are characterized by a greater dependence on external finance, possibly suggesting an expectation of an easing of financial constraints. The returns for SOEs may be due to possible indirect effects of the announcement on perceptions of future corruption among these firms.

["Financial Literacy and Financial Behavior: Evidence from the Emerging Asian Middle Class"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3084021&partid=22912&did=365357&eid=1168002)   
[DIW Berlin Discussion Paper No. 1702](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/PIP_Journal.cfm?pip_jrnl=1078886&partid=22912&did=365357&eid=1168002)

[ANTONIA GROHMANN](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2452563&partid=22912&did=365357&eid=1168002), German Institute for Economic Research (DIW Berlin), Email: [agrohmann@diw.de](mailto:agrohmann@diw.de)

This paper analyses financial literacy and financial behavior of middle class people living an urban Asian economy. Other than most papers on financial literacy that focus on people in developed countries, we surveyed people living Bangkok. Using standard financial literacy questions, we find that financial literacy levels are largely comparable to industrialized countries, but understanding of more advanced financial concepts is lower. Similarly, savings accounts are held by most people, but more sophisticated products are a lot less common. We further show, in line with the literature, that higher financial literacy leads to improved financial decision making.

[Extracting Fama-French Factors in India, Premature?"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3074046&partid=22912&did=364639&eid=528217)

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[RAVPRITPAL (RAVI) KOHLI](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2841766&partid=22912&did=364639&eid=528217), Johns Hopkins University - Carey Business School, Email: [rkohli3@jhu.edu](mailto:rkohli3@jhu.edu)

Emerging market Fama-French factor research has been limited at best. In this work, we investigate emerging market Fama-French factors by studying current issues with the construction and deployment of these factors birthed from the Indian Stock Market. We establish a completely transparent process for and discussion regarding implementing the factors. We examine constituents of the Nifty 500 Index of the National Stock Exchange because of its high liquidity and representativeness. As of March 31, 2017, Nifty 500 Index represented 95.2% of the total market capitalization of the entire Exchange. We estimate the annual returns generated by the three Fama-French Factors as well as by the Carhart’s 4th Factor to range from 5% to 12%. We document two implementation constraints 1) short selling, given the limitation of short availability, and 2) liquidity risk, arising from the wide bid/ask spread of 20-25 basis points thus adding to higher transaction costs and possible market impact. Due to the prior two reasons, we argue that implementation of long-only portfolios is more prudent at this time. We estimate annual survivorship biases associated with these long-only portfolios range from 5%-6%, however, low B/M, small cap, and winners have extremely strong historical performance. We conclude that Fama-French factors, long-short portfolios, may be premature in India at this time but long-only portfolios could be an interesting addition to long-term investors.

[Return and Volatility Spillovers: An Evaluation of India's Demonetization Policy"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3076785&partid=22912&did=364513&eid=420086)

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[ARAVIND SAMPATH](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2666975&partid=22912&did=364513&eid=420086), Indian Institute of Management (IIM), Kozhikode, Email: [aravinds@iimk.ac.in](mailto:aravinds@iimk.ac.in)

We investigate the evolution of dynamic interactions among five major financial assets in the Indian economy, which its recent demonetization policy tried to influence. Spillovers account for more than 25 percent of the forecast error variance in all the five markets. In terms of total spillovers, the banking and the real estate sectors matter the most for the Indian economy. Gold market is responsible for the highest net volatility spillovers to other markets. Spillovers show major trends and cycles in their time series plots. The US economy transmits shocks directly to the key sectors of the Indian economy and via the gold and the foreign exchange markets. The events such as the election of the National Democratic Alliance government in India and the Indian government’s demonetization exercise were contemporaneous to some of the major episodes of return and volatility spillovers in the analyzed assets. India’s demonetization policy seems to have increased the importance of the IT sector for gold and banking sector volatility shock transmission.

["The Nature and Determinants of Capital Structure in Indian Service Firms"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3078393&partid=22912&did=364914&eid=774691) , Indian Journal of Finance, Forthcoming

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[SURESH N](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=979321&partid=22912&did=364914&eid=774691), M S Ramaiah University of Applied Sciences, Email: [nsuresh.ms.mc@msruas.ac.in](mailto:nsuresh.ms.mc@msruas.ac.in)

In the Indian context, the service sector has played an important role in the development of the economy since reforms in 1991, and is expected to continue to contribute significantly to the growth in the economy in the coming decades. With this rationale, service firms were selected for the study for the time frame from 2011 to 2015, and the nature and determinants of their capital structure are studied. Since interest expense gives tax shelter to firms, the trade-off theory suggests that firms may be incentivized to use these shelters and thus increase leverage. Therefore, this theory was put to test here. The pecking order theory which states that the firm will raise capital from internal accruals followed by debt and finally equity was supported by the research in this paper. Further conclusion derived from the study was that capital structure, as measured by debt-to-asset ratio, remained stable in the 5- year period with an industry average of about 0.31. This study also tested the hypothesis on the trade off model of capital structure, which stated that there is an optimal capital structure which firms tend to move toward, and several approaches were adopted to measure if this hypothesis was true. While firms' debt level in a year could be reasonably predicted by the debt-to-asset ratio in the prior year, the fit of the OLS regression became progressively worse as the number of lagging years was increased, suggesting that capital structure was sticky. The industry debt-to-asset ratio, while statistically significant as a predictor of firm debt level, resulted in a regression with a poor overall fit. While there is evidence to accept the pecking order hypothesis, there was not enough evidence to reject the trade-off model of capital structure for Indian service firms in the selected time period.

[Trading Range Breakout Test on Daily Stocks of Indian Markets"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3068852&partid=22912&did=363804&eid=1354971)

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In the financial literature Efficient Market Hypothesis (EMH) has been one of the dominant topics. An implication of weak-form of efficiency/random walk is that the trading rules will not generate economic profits. The purpose of this study is to analyze results of application of trading range breakout (TRB) test on daily stock prices of Indian Markets, thus investigating its efficiency at the weak form level (Fama,1970). The results from the trading rule tests indicated that the technical trading rules do not yield statistically significant forecasting power. It means that forecasting of returns based on trading rules cannot be employed to earn abnormal returns.

[Towards Financial Inclusion in India: Progress So Far, Issues and Challenges"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3070400&partid=22912&did=363436&eid=1158762)   
Indian Journal of Economics and Development, Volume 12, No. 4, 641-652, October-December 2016

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Financial Inclusion is one of the yardsticks to measure the growth of an economy as well as human well-being. Financial sector inclusion helps in eliminating poverty, reducing inequality and eliminating unequal access to opportunities etc. The major findings of this study shows that financial inclusion indicators such as: Geographic branch penetration (the number of Schedule Commercial 2 Banks branches per 1000 km demographic branch penetration (Number of Schedule Commercial Banks branches per 100000 population), and demographic ATM penetration (Number of Schedule Commercial Banks ATMs per 100000 population) has been increasing in different census period (1991, 2001 and 2011) of India. The performance of Urban Cooperative Banks in case of deposits and advances are also increasing from 2001 to 2011. It is also revealed that the number of accounts of Public Sector Banks, Private Banks, and Regional Rural Banks are more in rural area comparison to the urban area in 2015. Overall the result of this study justifying progress of financial inclusion and some recent initiatives taken by the government of India

[Persistent Performance of Fund Managers: An Analysis of Selection and Timing Skills"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3080181&partid=22912&did=366431&eid=336159)   
International Journal of Commerce and Finance, Vol. 3, Issue 2, 2017, 11-24

[BILAL AHMAD PANDOW](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2651454&partid=22912&did=366431&eid=336159), Middle East College, Email: [ibilalhussain@gmail.com](mailto:ibilalhussain@gmail.com)

The persistence in manager’s ability to select stocks and to time risk factors is a vital issue for accessing the performance of any asset management company. The fund manager who comes out successful today, whether the same will be able to sustain the performance in the future is a matter of concern to the investors and other stakeholders. More than the stock picking ability of fund managers, one would be interested in knowing whether there is consistency in selectivity and timing performance or not. If a fund manager is able to deliver better performance consistently i.e. quarter-after-quarter or year-after-year, then the managers’ performance in selecting the right type of stocks for the portfolio would be considered satisfactory. This paper has attempted to analyze the persistence in both stock selection and timing performance of mutual fund managers in India through Henriksson & Morton; Jenson, and Fama’s model over a period of five years. It is found that the fund managers present persistence in selection skills, however, the sample funds haven’t shown progressive timing skills in the Indian context.

[The Impact of Credit Constraints on Exporting Firms: Evidence from the Provision and Subsequent Removal of Subsidised Credit,"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3083237&partid=22912&did=366764&eid=631019) [The World Economy, Vol. 40, Issue 12, pp. 2854-2874, 2017](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/PIP_Journal.cfm?pip_jrnl=286744&partid=22912&did=366764&eid=631019)

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[PRIYA RANJAN](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=416020&partid=22912&did=366764&eid=631019), University of California, Irvine - Department of Economics, Email: [pranjan@uci.edu](mailto:pranjan@uci.edu)  
[JIBONAYAN RAYCHAUDHURI](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1806498&partid=22912&did=366764&eid=631019), University of East Anglia (UEA) - Email: [j.raychaudhuri@uea.ac.uk](mailto:j.raychaudhuri@uea.ac.uk)

We study the causal impact of credit constraints on exporters using a natural experiment provided by two policy changes in India, first in 1998 which made small‐scale firms eligible for subsidised direct credit, and a subsequent reversal in policy in 2000 wherein some of these firms lost their eligibility. Using firms that were not affected by these policy changes as our control group in each case, we find that credit expansion increased the growth rate of bank borrowing and had a positive effect on exports. The subsequent policy reversal in 2000 had no impact on the growth rate of bank borrowing or on exports.

[Analysis of Financial Performance of Selected Commercial Banks in India"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3087063&partid=22912&did=366896&eid=749336)   
Srinivasan, Palamalai and Britto, John (2017), “Analysis of Financial Performance of Selected Commercial Banks in India”, Theoretical Economics Letters, 7(7), 2134-2151

[SRINIVASAN PALAMALAI](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1865504&partid=22912&did=366896&eid=749336), Xavier Institute of Management & Entrepreneurship, Bangalore, [srinivasaneco@gmail.com](mailto:srinivasaneco@gmail.com)  
[JOHN BRITTO](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2865359&partid=22912&did=366896&eid=749336), Xavier Institute of Management and Entrepreneurship (XIME), Email: [johnbritto23@gmail.com](mailto:johnbritto23@gmail.com)

The present study attempts to evaluate the financial performance of selected Indian commercial banks for the period from 2012/13 to 2016/17. The study comprises 16 commercial banks, 11 representing public sector and 5 from private sector, and the financial performance of these banks are analysed using the financial ratios. The study shows that the financial performance of private sector banks is relatively better than the public sector banks throughout the study period. Besides, the study examines the impact of liquidity, solvency and efficiency on the profitability of the selected Indian commercial banks by employing the panel data estimations, viz. the Fixed Effect and Random Effect models. The empirical results from the panel data estimations revealed that the liquidity ratio and solvency ratio, and the turnover ratio and solvency ratio are found to have positive and significant impact on the profitability of selected public sector and private sector banks, respectively, bearing testimony to the fact that profitability is a function of those ratios.

[Evaluation of Mutual Fund Schemes: An Emperical Evidence"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3082706&partid=22912&did=366847&eid=705813) Das, A., & Megaravalli, A. V. (2017). Evaluation of Mutual Fund Schemes: An Emperical Evidence. Asian Journal of Research in Banking and Finance, 7(3), 43-58.

[ANIRUDDHA DAS](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2430523&partid=22912&did=366847&eid=705813), Calcutta Institute of Engineering and Management, Email: [aniruddas@gmail.com](mailto:aniruddas@gmail.com)  
[AMITH VIKRAM MEGARAVALLI](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2351237&partid=22912&did=366847&eid=705813), University of Naples Federico II, Italy, Email: [amith.vikrama@gmail.com](mailto:amith.vikrama@gmail.com)

Mutual fund buyers are concerned about the selection of the best fund in terms of performance among the set of alternative funds. We propose a simple approach to measure the mutual fund performance using Sharpe and Treynor measures. The present study investigates the performance of 15 open-ended, growth-oriented equity schemes for the period from April 2010 to March 2015 (five years) of transition economy. Monthly NAV of different schemes have been used to calculate the returns from the fund schemes. The historical performance of the selected schemes were evaluated on the basis of Sharpe and Treynor measure whose results will be useful for investors for taking better investment decisions. Empirical results indicate that Sharpe ratio was positive for all schemes which showed that funds were providing returns greater than risk free rate. Results of Sharpe measure revealed that 15 out of 10 schemes showed negative beta and & Treynor measure revealed that 15 out of 5 showed positive beta which indicated superior performance of the schemes.

[Contagious Effects of a Political Intervention in Debt Contracts: Evidence Using Loan-Level Data"](https://hq.ssrn.com/Journals/RedirectClick.cfm?url=https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3081340&partid=22912&did=365996&eid=1760882) Free Download

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Email: [tantri.prasanna@gmail.com](mailto:tantri.prasanna@gmail.com)

Using an unexpected government regulation that restricted the ability of micro-finance institutions to recover loans in one Indian state, we examine whether this intervention impacted bank loan performance. The bank loan delinquency rate increased significantly as a result. In response, the ex-post bank credit supply declined by more than half. For identification, we compare loans from branches located in regions subject to this intervention with loans from nearby branches of the same bank located in regions not subject to the intervention. We conclude that political interventions in credit markets could have significant spillover effects.