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Kamal Kishore

Demystifying Microfinance in Inclusive Growth

BP Srivastava and AM Sherry

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Manpreet Arora and Sarvesh Kumar

Trends and Progress of FDI in Indian Insurance Sector

K Navyatha and G Naresh Reddy

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Urvashi Sharma

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S Baranidharan

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CONTENTS

A Study of Advance Capital Assets Pricing Model (CAPM) and Three Factor Model of FAMA: The France Context Nenavath Sreenu	1
Correlation Between Capital Adequacy Ratio and Leverage Ratio: An Empirical Study of Indian Public Sector Banks Kamal Kishore	20
Demystifying Microfinance in Inclusive Growth BP Srivastava and AM Sherry	29
Entrepreneurial Learning from Experiences: Managing Change Manpreet Arora and Sarvesh Kumar	46
Trends and Progress of FDI in Indian Insurance Sector K Navyatha and G Naresh Reddy	52
Managing Diversity and Cultural Differences At Workplace Urvashi Sharma	63
Net Neutrality Issues and Different Cross-sections of Society - An Indian Perspective Debarshi Mukherjee and Sonia Dhir	80
The Dynamic Long Run and Short Run Linkages between Exchange Rates and BSE Sensex Return S Baranidharan	92

A Study of Advance Capital Assets Pricing Model (CAPM) and Three Factor Model of FAMA: The France Context

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ABSTRACT

The Capital Asset Pricing Model (CAPM), as introduced by Markowitz (1952), Sharpe (1964), Lintner(1965), Black (1972) and Mossin (1966), offers powerful and intuitively pleasing predictions about the risk and return relationship that is expected when investing in equities. Studies on the empirical strength of the CAPM such as Fama and French (1992), however, indicate that the model does not reflect the share return actually obtained on the equity market. Attempting to improve the model, Fama and French (1993) enhanced the original CAPM by incorporating other factors which may be relevant in predicting the return on share investments, specifically, the book-to-market ratio and the market capitalisation of the entity. Carhart (1997) further attempted to improve the CAPM by incorporating momentum analysis together with the 3 factors identified by Fama and French (1993). This research Paper empirically evaluates the accuracy of the above three models in calculating the cost of equity on the France Stock Exchange over the period 2005 to 2015. Portfolios of shares were constructed based on the three models for the purposes of this Research Paper evaluation. The results indicate that the book-to-market ratio and market capitalization are able to add some strength to the CAPM, but that the results of formulating book-to-market and market capitalization portfolios is highly volatile and therefore may lead to inconsistent results going forward. By incorporating the short run momentum effect, the robustness of the CAPM is improved for the purposes of this study,represents the ideal performance of an effective asset pricing model. The Fama and French (1993) and Carhart (1997) models therefore present a step forward in formulating an asset pricing model that will hold up under empirical evaluation, where the expected cost of equity is representative of the total return that can be expected from investing in a portfolio of shares. It is however established that the additional factors indicated above are volatile, and this volatility may influence the results of a longer term study.

Keywords: Market Price, Cost of Equity, Capitalization Rate and CAPM

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Correlation Between Capital Adequacy Ratio and Leverage Ratio: An Empirical Study of Indian Public Sector Banks

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ABSTRACT

Bank assets are impregnated with varying risk of loss depending upon nature of assets and counter party. Resultant loss has to be met by the capital which must be adequate and strong enough to absorb the same. Capital adequacy ratio, enunciated by the Basel Committee on Banking Supervision, reflects on the resilience power of banks in the face of deterioration in asset quality. In Basel III, the capital adequacy ratio has been supplemented by a non risk based measure in the form of Leverage Ratio, to keep a check on excessive build up of assets. Both the ratios have to be used in conjunction to assess the banks' soundness and stability. Regulators have prescribed the benchmarks for minimum attainment of these ratios. The two ratios differ in structure as one employs assets after filtering them based on risk factors adjudged in them and other takes assets on gross values appearing in balance sheets. The correlation between these two ratios in respect to new private sector banks in India is examined in this paper with its nuances. The study reveals that Indian public sector banks show a good correlation between capital adequacy ratio and leverage ratio.

Keywords: Basel III, Capital Adequacy, Leverage Ratio, Public Sector Banks, Risk Weighted Assets, Tier1 Capital.

Introduction

The Basel capital norms enunciated by Basel Committee on Banking Supervision (BCBS) and adopted by banks all over the world have brought about significant capital strength to the balance sheets of banks. Over the years, the capital components have been strengthened to bestow more resilience to banks. Lately, in the wake of financial crisis that struck banks in 2008-09, and visible inability faced by many banks in absorption of losses, Basel capital guidelines witnessed far reaching changes

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Demystifying Microfinance in Inclusive Growth

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It is indeed exciting that the World Bank President, Jim Yong Kim, has set a target for ending extreme poverty in this world by 2030. He has declared that all policies and strategies of the Bank would henceforth be directed to achieve this goal. Financial service providers have a big role in achieving the poverty goal, but it is evident now that financial services alone are inadequate for lifting the poor sustainably above poverty.

- Microfinance India Summit 2013 held on December 09, 2013.

ABSTRACT

The paper attempts to portray the concept of microfinance, its outreach and presence among the target-groups, roles played by banks, MFIs and some of the well performing NGOs / SHGs, while touching upon some focused areas for justifying its relevance in Inclusive Growth. The premise of microfinance has assumed phenomenal importance in accelerating the pace of financial reach of the targeted beneficiaries. Inclusive growth has always received special emphasis in the Indian policy making.

Keywords: Microfinance, Target-groups, Inclusive Growth, Financial Reach, Targeted Beneficiaries.

Microfinance

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their microenterprises (ADB).

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Entrepreneurial Learning from Experiences: Managing Change

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ABSTRACT

Entrepreneurial learning has remained an issue of research for wide variety of reasons. It is associated with constructing the meaning to a process that how entrepreneurs learn by recognising and working on opportunities. They also learn by meeting failures and their haphazard decisions. Review of literature suggests that people use their entrepreneurial learning's in the different stages of their lives and passes on the learning's to the next generations. As and when they pass different stages of life they understand and give a meaning to their learning's and Their ability to make decisions and confidence in conducting the business as they move further for gaining something new. The primary research method to know and to understand that how learning takes place in business decisions is either understanding and drawing out learning experiences from the narratives of the life stories of the entrepreneurs or analysing the case studies of such entrepreneurs who were taught a lesson of life by their hasty decision makings. This case helps us to understand the various aspects of learning and how learning is passed on to the next generation for incorporating change in the traditional business so as to sustain in the market.

Keywords: Entrepreneurship, Entrepreneurial Learning, Entrepreneur.

The Early Phase of Working

Bhadbhag was just 16 years old when the village "Matewal" in Punjab was declared a very disturbed area due to militant attacks. This village was near to border, so the area became more sensitive. Bhadbhag's father was a landlord and there were many acres of land for which he was an owner. He had to do nothing except enjoying the village life. His father was a very hardworking landlord who spent most of his time in the fields.

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Trends and Progress of FDI in Indian Insurance Sector

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ABSTRACT

Indian insurance industry is one of the sunrise sectors with huge growth potential and occupies a considerable importance as its contribution to GDP is quite significant. FDI in insurance increases the penetration of insurance in India and can meet India's long term capital requirements to fund the building of infrastructures. Foreign direct investment is released into the insurance sector as foreign Investors are watching India as a place for their investment with revenue growth potential and as it is the only avenue where people can put in money for as long as 30 years or even more. Government has gradually taken steps to open the sector with economic liberalization and has started bringing in new investments from global giants and the government was hard pressed to facilitate global integration by lowering trade barriers for the free flow of technology, intellectual and financial capital. And initially FDI in insurance was permitted only up to 29% and now was extended to 49%. But there are still plethora of uncertainties, restrictions and potential socio-economic risks. This paper includes genesis of FDI into the insurance sector, also a study on trends of FDI from the year 2005 to 2015 of all Life Insurance and non-life insurance companies including the benefits derived and also the drawbacks. This paper also studies the benefits of the increased FDI limit in insurance up to 49% during the recent time and also the issues.

Keywords: Foreign Direct Investment, Trend of FDI in Life Insurance Companies, Trend of FDI in Non-life Insurance Companies, Benefits of increased FDI Limit.

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Managing Diversity and Cultural Differences at Workplace

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ABSTRACT

Diversity refers to any perceived difference among people: age, race, religion, functional specialty, profession, sexual orientation, geographic origin, and lifestyle, tenure with the organization or position and any other perceived difference. Diversity is more than equal employment and affirmative action. Diversity management is ensuring that factors are in place to provide for and encourage the continued development of a diverse workforce by melding these actual and perceived differences among workers to achieve maximum productivity. Diversity management involves creating a supportive culture where all employees can be effective. In creating this culture it is important that top management strongly support workplace diversity as a company goal and include diversity initiatives in their companies' business strategies. It has grown out of the need for organization to recognize the changing workforce and other social pressures that often result. Showing ongoing organizational developments, makes it obvious that diversity management is not really a matter of decision but a matter of fact, thus, "no organization is free of the impact of demographic changes and globalization" (Agars/Kottke 2006: 55).

This research paper is an attempt to understand the different dimensions of diversity and cultural differences that pertain at workplace and how do the organizations manage them. For better understanding and interpretation, a comparative analysis amongst the diversity practices of three organizations is taken. These organizations represent different industrial sectors as such it will also help us to understand how diversity practices are managed in that particular industry. The three organizations are- Amul, Pyramid IT Consulting Pvt. Ltd. and American Tower Corporation.

Keywords: Diversity, Cultural, Cultural Differences, Policies, Organisation, Practices, Equal Employment etc.

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Net Neutrality Issues and Different Cross-sections of Society - An Indian Perspective

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ABSTRACT

The principle of net neutrality has gained much attention since 2006 and again in 2015 in India when Telecom Regulatory Authority of India released its consultation paper in which it invited public opinions with regard to the regulation of free availability and access of content (text, voice and media) on internet by various service providers. The topic gained much attention when the established telecom corporations started suggesting that they should be paid by the internet content providers like Facebook, Youtube, Google etc, for providing them the network for reaching the masses. Telecom companies argue that the internet content providers have been making high profits from low investments while they are the ones to have made high investments in building the infrastructure for these service providers to operate, due to which the internet service providers should share their revenues with the telecom companies.

The violation of net neutrality will take place if any kind of discrimination takes place in terms of providing any type of data to the consumers. This means their very right to free access to information from internet will be violated. Violation of net neutrality has generated much uproar around the world since telecom corporations like Airtel demanded that telecom companies like Airtel should be paid by the content providers like Google, Facebook, Amazon etc for letting them display their content on internet to the mass consumers and generating huge profits. This violation means that differential pricing is likely to be practised by the telecom firms in terms of charging both the internet service providers and consumers. Currently there are no laws in India which govern net neutrality which means the content available on internet can be accessed by anybody without any kind of discrimination. This study seeks to fulfill the knowledge gap by empirically analyzing the various cross sections of the society which are bound to get affected by the violation of net neutrality.

Keywords: Net Neutrality, TRAI Consultation Paper, Zero Pricing

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The Dynamic Long-Run and Short-Run Linkages between Exchange Rates and BSE Sensex Return

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ABSTRACT

The present study explored the dynamic effects of Exchange rates on BSE sensex return over a period from April 2002 to March 2016. The study analysis the long run relationship between exchange rates and BSE sensex return, and examines short run effect of exchange rates on BSE sensex return. The study employed statistical techniques namely, ADF Test, Correlation, OLS Regression, Cointegration Test, Granger Causality Test, VAR model and GARCH. The exchange rates play a crucial role in BSE sensex returns and deprecation of exchange rate affects growth of stock market and economy of a country. The study results found that exchange rates were negative correlated on BSE sensex return. In regression results revealed that exchange rates were 26 percent influenced on BSE sensex returns, especially US exchange rate recorded high negative impact on BSE sensex return compared to other exchange rates. The results exhibited that existence of co-movement relation between exchange rates and BSE sensex return. There was no causal effect from exchange rates to BSE sensex returns. VAR results exhibited that there was short run effect and GARCH results revealed that exchange rates were significantly volatile on BSE sensex return. The results concluded that exchange rates were significant impact on BSE sensex return and there were existence of long run relationship between exchange rates and BSE sensex return. The study results suggested to investor's community should aware about the movements of exchange rates; particularly in US XR because it has highly interaction with Indian stock market and it may reduce the risk from the high fluctuation of exchange rates. Policy maker should improve the policy regime and need to increases the exports comparatively import, reduce the rate of inflation, increases the production index, and government policy would positive effect the stock market and the growth of economy of a country.

Keywords: Exchange Rates, Correlation, Cointegration, Granger Causality, Investment Community

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