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Investors' Perception on Market Efficiency in Nepal

Jeetendra Dangol

The paper investigates the equity investors' perception on market efficiency in Nepal through a structured questionnaire. Three sub-groups of informed investors as respondents were chosen by using a judgmental sampling technique for the survey: (1) academicians, particularly university teachers, (2) chartered accountants, and (3) investors working in corporate positions (corporate officials). Nepalese investors believed in the existence of weak form and semi-strong form of market efficiency; whereas they rejected the existence of strong form market efficiency. The respondents agreed that dividend announcement is major market influential news in the share market. The study also found that the Nepalese investors discarded the dividend irrelevant theory as they agreed with the dividend signalling effect. The primary driver of the Nepalese investors' tendency to invest is confidence in personal ability to outperform, regardless of their belief about market efficiency.

Impact of Microfinance on Empowerment of Rural Women in Gujarat

Amola Bhatt
Shahir Bhatt

The microfinance sector has been evolving and gaining prominence as it is seen as a panacea to issues of poverty and women emaciation. The concept of providing microfinance by linking self-help groups (SHGs) to banks formally launched in India more than two decades ago is currently the world's largest microfinance initiative covering 7.4 million SHGs with a group savings of Rs 33,000 crore and an outstanding credit portfolio of Rs 43,000 crore (Status of Microfinance in India, 2013-14). It is noteworthy that over 84per cent of these SHGs comprise of only women. However, the much celebrated tool is under scrutiny with respect to its efficacy and impact. Literature has given contrasting views about the impact of microfinance on empowerment of women. Moreover, impact studies are contextual and short-lived. Hence, it made a case to study the impact of microfinance on women empowerment, especially in the rural areas, for which Gujarat was chosen as the sample region.

About 360 responses were elicited with the help of a structured questionnaire. The findings verify the positive impact of microfinance on several dimensions of women empowerment and empowerment as a whole. Also, duration of membership, availing of small loans, access to training

programmes and leadership positions in SHG/JLG had positive effects on women empowerment. Additionally, it was also found that the several dimensions of empowerment, viz. economic, socio-cultural, interpersonal, psychological, legal and political were inter-linked, which meant that influencing any one dimension would have ripple effects on the rest.

Are Large Indian Banks Systemically Important?

Radheshyam Verma

This paper tries to identify systemically important banks in India using an indicator-based measurement approach. Five criteria were used to identify systemically important banks – size, interconnectedness, substitutability, complexity and domestic sentiment. In India, domestic systemically important banks are dominated by public sector banks. During the peak of the global financial crisis most of these banks witnessed some amplification in their systemic risk score. It was found that large banks with lower capital, higher NPAs and more diversified income sources created more systemic risk. Additional regulation based on systemic risk considerations is needed to deal with the negative externalities created by DSIBs. This includes capital surcharges on DSIBs, restrictions on their large exposures and measures to reduce their involvement in non-interest income-based activities and closer supervision of products with greater complexity.

Invited Article

Credit Risk Modelling Challenges in IFSR 9

Sandip Mukherjee
Sayan Maji

In the wake of financial crises over the past few years, the industry has witnessed a major shift in regulatory practices. As observed during any financial crises, the financial situation of a bank becomes extremely sensitive to significant increases in credit risk. Therefore, appropriately determining how, when and in what amount should the effects of increases in credit risk must be recognised is a matter of priority for all stakeholders in the banking industry. The International Accounting Standard (IASB), as a result of the 2008 financial crisis, has revised the accounting standards for financial instruments to resolve 'too little, too late' recognition of credit losses. On July 24, 2014, IASB issued the fourth and final version of its new accounting standard – IFRS 9 Financial Instruments, which replaces most of the rule-based standards of IAS 39 with principle-based guidance.

Book Review

Village Diary of a Heretic Banker

Moin Qazi

Notion Press, Chennai, 2014, xxvii + 252 pp., Rs 325.

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