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SYNOPSES

LEADER-VERSUS-MEMBER AND FAIR-VERSUS-BIASED CATEGORISATIONS AS SAFEGUARDS AGAINST NEGATIVE EFFECTS OF DEMOGRAPHIC DIVERSITY ON GROUP ATTRACTION

Ramadhar SINGH, Naureen BHULLAR and Krithiga SANKARAN

Over the years, there has been an increase in participation by the under-represented sections of the society in the workforce. Consequently, people within organisations nowadays differ markedly in visible attributes of age, language, race, religion, and sex. One negative consequence of such demographic diversity is that people categorise similar others as in-group (us) but dissimilar others as out-group (them), and hence prefer the former over the latter. Two controlled laboratory experiments guided by information integration theory and social identity theory were conducted to investigate how leadership and fairness safeguard against possible negative effects of racial diversity on group attraction among Singaporeans. In Experiment 1, the leader's race was crossed with the team member's race. As predicted, the leader categorisation had a stronger effect than the member categorisation, and group attraction was driven by both the in-group preference and the out-group derogation. In Experiment 2, the leader reputation as fair versus biased was also manipulated.

As predicted, racial differences among members did not influence group attraction, but the fair reputation of the leader reduced the difference between the in-group and out-group leader by race much more than the leader's biased reputation did. Findings illustrate operation of positive social identity considerations due to racial diversity in teams. More important, they show that the leadership and fairness categorisations can be effective safeguards against negative consequences of racial diversity for group attraction in modern organisations that aspire to be fair and transparent.

RETAIL SHOPPER EMPOWERMENT: A CONSUMER-CENTRIC MEASURE FOR STORE PERFORMANCE

Ashis MISHRA and Radhika VISHVAS

This study aims to develop a scale for measuring a new construct, "Retail Shopper Empowerment (RSE)". It intends to identify the construct RSE theoretically, develop the constituents of RSE empirically along with their measures and integrate them into a comprehensive model. The scale development process followed the established 4-stage model (viz., dimension identification, initial validation, final validation, and test-retest reliability). The sample size for the focus group consisted of 128 shoppers: for initial validation, 585 shoppers across 30 retail stores; for final validation, 292 shoppers; and for test-retest, 76 shoppers. Confirmatory factor analysis (CFA), convergent and discriminant validity, and nomological modelling are used to develop the RSE scale. A second order CFA model is suggested where the four constituents of RSE are store environment, store convenience, relevant information, and control over choice set.

The RSE score can be used as a nonfinancial, consumer-centric performance measure for retail stores with adequate psychometric properties. The dimension identification and validations could be carried out across larger samples and multiple verticals for better generalisability. Further, the RSE framework contributes significantly to multiple theoretical constructs (viz., retail performance measurement, empowerment, marketing orientation and value co-creation). The RSE model can be implemented at the field level due to the robust scale development methodology adopted and the resultant parsimony (15-item scale). Primarily, RSE is an indirect predictor of financial store performance; and secondly, RSE scores can be modified by manipulating store strategy. Hence, it has direct relevance to optimal resource allocation of the retailers. Finally, as the constituents of RSE are derived dynamically from the target consumers and their preferences, it is a leading predictor of store experience of the consumers and in turn, customer satisfaction.

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A STUDY ON FACTORS DRIVING THE CAPITAL STRUCTURE DECISIONS OF SMALL AND MEDIUM ENTERPRISES (SMES) IN INDIA

Purnima RAO, Satish KUMAR and Vinodh MADHAVAN

The purpose of the study is to empirically examine the factors affecting the financial mix of small and medium enterprises (SMEs) in India. It also tries to identify the capital structure theory applicable to SMEs in India. The study also makes an effort to distinguish the factors affecting the capital structure decisions of manufacturing and service SMEs. The data employed in the study is taken from the electronic database PROWESS of Centre for Monitoring Indian Economy (CMIE) for the period 2006-2013. The sample consists of 174 non financial firms. The study applies the generalised method of moments (GMM) technique, to analyse the factors affecting the capital structure decision of SMEs in India. The study examines the effect of firm's profitability, tangibility, size, age, growth, liquidity, non-debt tax shield, cash flow ratio and return on equity on the leverage of the firm. To check the robustness of the data, leverage is defined by five different measures. The study incorporates the overall effect of firm specific variables determining the financing of SMEs in India. The empirical findings of the study have pointed out that the relationship of the independent variables studied changes with the different measures of debt. It also validates the applicability of pecking order theory for SMEs in India. The study also confirms the industry effects, thereby concluding the fact that determinants of capital structure are different for manufacturing and service industry. The research will help SME owner(s)/manager(s) identify the factors affecting the financing decisions of firms. The study will also contribute to the limited empirical literature on capital structure of SMEs in India.

AN ANALYSIS OF NPAS OF INDIAN BANKS: USING A COMPREHENSIVE FRAMEWORK OF 31 FINANCIAL RATIOS

Jaslene Kaur BAWA, Vinay GOYAL, S.K. MITRA and Sankarshan BASU

The recent revised restructuring norms disallowed Indian banks from recognising restructured assets on their books as standard assets and instead recognise them as non-performing assets (NPA). Indian banks were using this restructured asset window to delay recognition of bad loans on their books, thereby misrepresenting the asset quality. Several researchers have examined NPAs in the Indian context with a focus either on the operational side of banks or on the profitability and capital adequacy facet of banks during the liberalisation era i.e, the 1990s and early 2000s. One issue with considering the effect of each facet separately on bank NPAs is that it may or may not consider the interlinkage that may exist between these facets. Hence, this gives rise to the need to create and examine a comprehensive framework that deters NPAs across Indian banks.

Our study examines 46 Indian banks with 31 bank specific financial ratios over eight years (2007 to 2014). Together, these ratios reflect operating capability, liquidity, solvency, profitability, capital adequacy and business development capacity aspects across Indian banks that deter NPAs. The data was analysed using a generalised method of moments (GMM) model that dealt with endogeneity issues owing to the interlinkages that may be prevalent in the data series. This model captured NPA with an r-square of 85%. We find a negative significant relationship between intermediation cost ratio, return on assets and NPAs. Asset growth, lagged NPAs, and total liabilities by total assets are positively related to NPAs.

BACK TO NORMAL? A STUDY OF THE BEHAVIOUR OF VOLATILITY IN THE INDIAN STOCK MARKET

Lakshmi VISWANATHAN and S MAHESWARAN

In this paper, we undertake a study of the structure of volatility in stock returns in the Indian stock market, as also the impact of the global financial crisis of 2008 on the stock market. Ordinarily, this would be answered by comparing the level of volatility before and after the event of interest, but we attempt to go beyond this and understand what structural change there has been in volatility. We make our point in this paper by proposing a new statistic called the "Vol Ratio", which allows us to infer the behaviour of the volatility of volatility (Vol of vol) at various horizons.

We find that there has been a dramatic change caused by the global financial crisis of 2008. In particular, we find that the volatility of volatility does not die down or takes a very long time to do so in the Nifty index, subsequent to the global financial crisis. By way of contrast, prior to the crisis, the Vol of vol exhibits a rapid decline with respect to the horizon.

We analysed the data over k-day moving windows, such as when k =1, the original series was taken as it was and consisted of daily return data. When k = 2, observations 1 & 2, 2 & 3, and so on were added to form a new series of k-day returns. Based on this series, Vol Ratio and Vol of vol were calculated for each k ranging from 1 to 20. Prior to the crisis, the Vol of vol of long-term stock returns converges to zero for k-day $\geq$ 10, and so the k-day returns are normally distributed starting from k-day = 10. However, during the post-crisis period, the picture is completely different, in that the Vol of vol of long-term stock returns does not die down to zero even for k-day = 20. Hence, long-term returns are not normally distributed but remain a mixture of normals.

EFFICACY OF INDUSTRY FACTORS FOR CORPORATE DEFAULT PREDICTION

Khushbu AGRAWAL and Yogesh MAHESHWARI

Studies on financial distress prediction have predominantly focussed on firm-specific factors, and the use of accounting information is more common. A limited number of studies consider the impact of industry factors on the risk of default. Even the few studies that do so use an industry dummy variable, which may lead to a biased assessment of the creditworthiness of all the firms belonging to the same industry. Moreover, it provides little information on how the firm's sensitivity to the uncertainties in the relevant industry might affect its susceptibility to distress.

Departing from the existing literature, this paper is built on the conjecture that a firm need not necessarily face distress simply by virtue of belonging to a particular industry. This study is the first attempt to use a sensitivity variable for industry factors (industry beta) and to assess its impact on a firm's default probability. The industry beta is estimated by regressing the monthly stock return of each individual firm on the monthly return of the respective sectoral or industry index. The study uses logistic regression and multiple discriminant analysis for matched pair sample of defaulting and non-defaulting listed Indian firms. The industry beta is found to be statistically significant in predicting defaults. Higher sensitivity to industry factors leads to an increased probability of default.

The findings of the study have important implications for lending as well as investment decisions. The study highlights the significance of the sensitivity of a firm to uncertainties in the relevant industry and its impact on default risk. This establishes the fact that each firm is uniquely affected by the changes in the industry environment in which it operates. Hence, lenders and investors need to constantly monitor the sensitivity of a firm to these changes and understand its implications for default risk.

SUPPLIER SELECTION OF AN INDIAN HEAVY LOCOMOTIVE MANUFACTURER: AN INTEGRATED APPROACH USING TAGUCHI LOSS FUNCTION, TOPSIS, AND AHP

Rajnish KUMAR, Sidhartha S. PADHI and Ashutosh SARKAR

This paper proposes an integrated model by combining the advantages of three methods, namely: Taguchi loss function, analytical hierarchy process (AHP), and technique for order performance by similarity to ideal solution (TOPSIS), to help managers objectively evaluate suppliers by eliminating bias and subjectivity. The loss function is perhaps the most objective method to quantify loss, where it is possible to eliminate subjective discretion. The AHP is a time tested method for pair wise comparison used to find the weightages of criteria. Finally, combining TOPSIS to find which supplier is closest to best helps making an objective assessment of suppliers and also addresses the rank reversal issue generally incurred in multi criteria decision making (MCDM) problems. This framework will give purchase managers the authority to override an offer which is lowest in price as other criteria will play a significant role in getting the best supplier. Moreover, this framework of evaluating suppliers will include a performance report for managers to make a comparison with other firms in their domain. This will instil positive competition as they will have quantifiable objectives to work upon and further improve. The application of the proposed model to an Indian heavy locomotive manufacturer (HLM) is a new application area. Two real life cases of an Indian heavy locomotive manufacturer have been explained by applying the proposed model, along with sensitivity analysis to test the credibility of the proposed model.

ROUND TABLE

DIGITAL ACCESSIBILITY: CHALLENGES AND OPPORTUNITIES

Mukta KULKARNI

Digital accessibility can level the playing field for persons with disability and allow for productivity and inclusion, but there are several barriers to such accessibility. This round table article focusses on outlining the barriers to digital accessibility, solutions, and possible next steps to ensuring digital accessibility. It first provides the context for the discussion on "Best practices in digital accessibility" beginning with a brief overview of Web accessibility standards and guidelines, including the Web Content Accessibility Guidelines issued by the World Wide Web Consortium. Noting that technologies and technical standards operate in a historical, social and the regulatory context, the article outlines the limitations posed by the institutional context and the technology context. Key institutional stakeholders such as global bodies, governments, and organisations which undertake positive steps towards accessibility, often fall short in the creation or dissemination of accessible technologies or ensuring accessibility. Dominant institutional attitudes towards those with a disability may inhibit true inclusion. A major challenge around digital accessibility concerns the present inability of technology to cover the diverse types of disabilities, especially cognitive

disabilities. Cost factors and the complexity of guidelines also pose barriers.

The context note then reviews the state of accessibility in India, including the government's ratification of the United Nations Convention on the Rights of the Persons with Disabilities in 2007, and the positive policy steps taken since towards digital accessibility, which includes the National Policy on Universal Electronic Accessibility in 2013, and the Accessible India Campaign outlined in 2015, noting, however, that much more needs to be done.

After framing the issues, the article reports on the round table discussion in which diverse stakeholders participated, including players from government and industry, and those who worked specifically on accessibility solutions within workspaces and the education sector. They spoke about the specific barriers that hinder digital accessibility which include government initiatives and overall mindsets; specific accessibility solutions focussed on education, employability, and enablement or inclusion as aided through technology; and ways to further digital accessibility.