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Editorial

I am very pleased to release the October-December 2021 issue of PRAJNAN, the Journal of Social and Management Sciences. I sincerely thank all of you for your continued support and guidance. **I am glad to welcome Dr Dilip Nachane, eminent academician for joining the Editorial Advisory Board of PRAJNAN.** Established in 1972, the journal focuses on publishing original research papers that have high academic and professional standards to the readers and our endeavor will continue. This journal is a place for exchanging original research based results on banking and finance and other areas of Social & Management Sciences that have relevance in building a new body of knowledge and improvement in practice of banking operations. Our journal follows rigorous double blind peer-review process to ensure high standards of scholarly publication in the area of banking and finance in India. The journal is now indexed and abstracted in EBSCO, ProQuest, and Indian Citation Index and also in prestigious UGC CARE list. I look forward to your active participation and cooperation. You are invited to submit original research based articles in the subject areas but not limited to: *(a)* Digital Transformation and Technology Change in Banking, *(b)* Developments in Global Financial Markets, *(c)* Risk Management and Risk Governance, *(d)* Macroeconomic Policy Measures; *(e)* Corporate Governance and HR Management.

In this issue we present five full-length research papers. The first paper **"Loss Aversion and Anchoring Biases in Indian Banking"** is by Hrudananda Panda and Kalluru Siva Reddy. In this interesting paper, the authors have devised methodology for estimation of Loss Aversion Coefficient (LAC) and anchoring index of Indian Bankers. Loss aversion behavior generally refers to the tendency to prefer loss avoidance than attaining gains (e.g. buying a stock if it is seen as risky with the likelihood of a loss even though the reward potential is high). The pain of losing is psychologically more powerful than the pleasure of gaining. It is a common cognitive psychology that has gained considerable interest in decision theory and behavioral economics. Anchoring bias occurs when economic agents rely heavily on pre-existing information or the firs information they receive when making decisions. The paper highlights the need of laboratory experiment on human subjects for getting insight into decision making rules by rational individuals. Authors find loss minimization tendency of respondents even in situations where the losses transfers to other parties. Similarly, people want to maximize gains even when gains transfer to others. The fear of incurring losses can prevent individual agents from taking well calculated risks that can give good returns. The authors find low LAC and moderate anchoring effect for the Indian banking industry and argue that the Indian bankers are balanced in their risk appetite without being excessively cautious about losses.

The second article, **"Diversification-Stability Nexus in the Indian Banking Industry: An Exploration Using Panel Threshold Analysis"** by Rachita Gulati and Nirmal Singh explores the relationship between income-diversification and bank-stability for Indian banking sector based on panel threshold regression analysis for the period 1998-99 to 2016-17. The study builds bank-stability index based on Principal Components Analysis (PCA) weighted CAMEL based framework and measures income-diversification by three indicators, *viz*., the ratio of non-interest income to total income, Hirschman-Herfindahl Index (HHI) based diversification index, and entropy index. It found that foreign banks are more income diversified than that of PSBs and private banks in India and there is a positive relation between income-diversification and bank stability. The authors conclude that income-diversification positively impacts the stability of the Indian banking industry; however, after a certain level (threshold) of income-diversification, the positive relationship between income-diversification and bank-stability deteriorates.

The third paper, **"Factors Affecting Workplace Pro-environmental Behaviour: Development of Conceptual Model"** by Hiba Zaidi, Feza Tabassum Azmi and Ruhena Reza article synthesizes literature on Factors affecting Workplace Pro environmental behavior. A model is developed on basis of a number of studies and it brings to focus key factors of work place pro environmental behavior. The review study presents a holistic overview of the literature available on workplace pro-environmental behavior and illustrates the determinants that need to be considered for further empirical investigations. The study stresses that environmental attitude and leadership support are highly significant for behaving environmental friendly. The authors claim that outcome of the study has different managerial implications for green firms that operate in the direction of environmental protection. Assessment of human behavior is useful to adjust interventions and lead the civil society towards stronger commitment to climate change mitigation and adaptation objectives. The framework discussed in this paper will motivate more scholars to empirically examine employee's green behavior and further advancement in understanding the topic.

The fourth research paper entitled **"Money Multiplier in India: An Econometric Analysis"** by Ritu Ranjan analyses the behaviour of India's money multiplier over the long run (1951-52 to 2019-20). This paper mainly examines how it has been affected by structural changes in the financial sector. The paper addresses an issue that is especially relevant for policy in an atmosphere of financial fragility. Using regression analysis framework and structural break analysis, the study establishes that the broad money multiplier and the narrow money multipliers are impacted by several incidents like Bank Nationalization, Financial Reforms and Demonetization. The author claims that the study findings have lot of relevance for monetary policy making in India. It argues that by suitably altering these ultimate determinants of the money multiplier, the monetary authority can alter the currency-deposit ratio and time-deposit ratio of public and also the reserve-deposit ratio of banks in the desirable direction for controlling the supply of money in the economy.

The fifth paper **"Corporate Insolvency Regime and Its Implications for the Indian Banking System: A Critical Assessment"** is by Pallavi Chavan, Nethaji Bhudevan, ACV Subrahmanyam and Ajay Kumar Choudhary. In this paper, the authors have highlighted that Insolvency and Bankruptcy Code (IBC) actually compliments the RBI's prudential framework for faster resolution of stressed asset. The study identifies that liquidation value of assets play very critical role in the corporate loan recovery process through IBC. The authors suggest that admitting cases early under IBC may be more beneficial for banks and can also improve NPA recovery. The paper aptly covers interesting features of IBC's evolution, resolution process, performance of Corporate Insolvency Resolution Process (CIRPs) and compares Indian corporate, insolvency regime in a global perspective. The study provides many interesting statistics about resolution time, sector-wise recovery rates, liquidation value and recovery rate versus slippage ratio experienced by Indian banking sector. This study also provides policy suggestions to improve efficiency of loan recovery process under IBC.

Dr Arindam Bandyopadhyay
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Loss Aversion and Anchoring Biases in Indian Banking

Hrudananda Panda
Kalluru Siva Reddy

This study, first of its kind for Indian banks, measures Loss Aversion Coefficient (LAC) and anchoring index of Indian bankers. Following the 50/50 coin-toss gamble paradigm, participants are presented with a potential loss and asked to indicate how much they should win to accept the gamble. Consistent with other studies, LAC of the sample was found to be 1.55. When adjusted for respondents who were willing to accept gains smaller than the probable loss, the LAC was found to be 1.85. The study also finds that people want to limit losses even when the losses transfer to 'other parties'. Similarly, they want to maximize gains even when the gains transfer to 'other parties'. This behaviour is indifferent to who the 'other party' is. The observed anchoring index for the sample is also consistent with results of earlier studies.

Diversification-Stability Nexus in the Indian Banking Industry: An Exploration Using Panel Threshold Analysis

Rachita Gulati
Nirmal Singh

This study investigates the nexus between income diversification and stability in the Indian banking industry for the period from 1999-2017. To achieve the objective, we performed the econometric analysis using the panel threshold regression approach. A composite index of bank stability is computed using the Principal Component Analysis (PCA) weighted CAMEL-based approach. Three proxies are employed to measure the income diversification of a bank: the ratio of non-interest income to total income, HHI based diversification index, and entropy index. The empirical findings suggest that the foreign banks are more income diversified than public and private banks in India. We note that income diversification positively impacts the stability of the Indian banking industry; however, the observed effect remains significant in the pre-threshold regime. Among the bank ownership groups, the significant threshold effect exists only for foreign banks. We report diversification effect on bank stability weakens in the post-threshold regime for public and private banks. The study reveals that after attaining a certain level (threshold) of income from diversified sources, the positive relationship between income diversification and bank stability deteriorates.

Factors Affecting Workplace Pro-Environmental Behaviour: Development of a Conceptual Model

Hiba Zaidi
Feza Tabassum Azmi
Ruhena Reza

Workplace Pro-environmental Behaviour (PEB) can contribute towards a significant decrease in environmental problems. This study is an attempt to investigate the existing literature on factors affecting workplace pro-environmental behaviour in various contexts. An in-depth analysis of the selected papers was done, and a conceptual model was proposed categorizing the determinants into demographic, internal and external factors. A review in terms of the subject area, year of publication, author, sampling elements and size, findings of the studies was made to provide a comprehensive picture. This review gives critical insights into how green behaviour may be (further) promoted to achieve environmental sustainability from an organizational behaviour/human resource perspective.

Money Multiplier in India: An Econometric Analysis

Ritu Ranjan

For a given quantum of monetary base, the overall supply of money in the economy crucially hinges on the value of money multiplier. Thus, from the perspective of monetary policy, the money multiplier assumes paramount importance. In view of this, the present paper carries out a detailed econometric analysis of the narrow as well as broad money multipliers in India over the period 1951-52 through 2019-20 using the recent data released by the Reserve Bank of India. The empirical results validate the theoretically hypothesised role of the behavioural asset ratios of public and banks viz., the currency-deposit ratio, time-deposit ratio and reserve-deposit ratio in affecting the money multiplier in India. Further, Chow's breakpoint test exhibits a structural change in the underlying empirical relationships on account of crucial macroeconomic developments such as bank nationalisation, adoption of financial reforms and demonetisation thereby giving useful insights for monetary policy-making in the Indian economy.

Corporate Insolvency Regime and Its Implications for the Indian Banking System: A Critical Assessment

Pallavi Chavan
Nethaji Bhudevan
ACV Subrahmanyam
Ajay Kumar Choudhary

The Insolvency and Bankruptcy Code of India aims at a time-bound resolution of stressed assets of corporates, providing the much-needed respite to creditors, particularly banks. Since its inception, there have been several upsides to the IBC's performance, such as instituting a creditor-friendly resolution regime and nudging debtors towards repayment. For banks, the IBC has ensured better recovery of large-value industrial loans over the existing recovery channels. The IBC complements the RBI's Prudential Framework for resolution of stressed assets ensuring a more effective use of the framework as compared to the pre-IBC restructuring schemes. Even if liquidation is predominantly the method of resolution used till now, most of the liquidated cases are non-functional. Although there are delays in resolution plan proceedings, it is the liquidation value of assets than the delays that influences recovery. Hence, admitting cases early under the IBC, through an appropriate incentive framework in banks, can help improve the IBC's efficacy.