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## **Editorial**

It gives me great pleasure to present the January-March 2024 (Vol LII No. 4) issue of Prajnan. We regret the inconvenience due to the delay in its release owing to a number of factors beyond our control. In this issue, we offer four full-length articles and one book review. The topics span a variety of subjects like foreign portfolio investment flows, optimal portfolio construction, financial exclusion of transgender individuals, and job satisfaction of bank employees.

The first paper is entitled '**Central Bank Balance Sheets of Advanced Economies and Foreign Portfolio flows to India**'. The authors, Manbhanjan Mishra, Manu Sharma, Prabal Bilantu, and Amarendra Acharya examine the impact of balance sheet growth at central banks in the US, EU and Japan on Foreign Portfolio Investments (FPIs) in India. They use variants of regression models for the analysis. The article finds that balance sheet growth in these central banks, after the global financial crisis, exerts a strong influence on FPIs to India. The implication is that the RBI should pay close attention to unconventional monetary policies in advanced economies, since these strategies influence money supply in India. The other important drivers of FPIs include the growth of Sensex, nominal effective exchange rate, the interest rate differential between 10-year sovereign bonds in India and the US, and the index of industrial production.

The second article is '**Construction of Optimum Portfolio Using Modern Portfolio Theory and Sharpe's Single Index Model**'. It is written by Jeelan Basha V. and Tejesh H. R. The authors construct an optimal portfolio, based on Nifty-50 shares, and compare the performance of the Markowitz's Modern Portfolio Theory (MPT) and the Sharpe's Single Index model (SIM). They find that MPT outperforms SIM, with a better risk-return profile. However, in order to achieve maximum returns, the portfolio has to be concentrated in a few securities. The contribution is significant at a time when the Indian stock market is buoyant and retail investors attempt to switch from bank deposits to mutual funds and other equity market instruments. They must be equipped with the tools to monitor and manage their portfolios.

The third paper is '**Addressing the Exclusion of Transgender Individuals from the Legal - Financial System: Towards Financial Inclusion, Autonomy, and Gender Equality**'. It is based on the survey of a small sample of transgender individuals. The authors, Nazish Anwar and Soheli Ghose, argue that lack of education has limited their employment opportunities in the formal sector. As a result, transgender individuals have much lower incomes and financial savings. Their access to loans and capital assets is also restricted, and the conditions have worsened after the Covid-19 pandemic. In order to achieve financial autonomy and gender equality, they need active governmental support. Transgender individuals should be included in financial literacy and microfinance programmes, as financial independence may erase some of the social stigma which they have to live with.

The fourth article is '**Job Satisfaction of Bank Employees: A Systematic Literature Review**'. The authors, Nzanbeni Humtsoe and Gautam Patikar, analyse job satisfaction in the banking sector, using Preferred Reporting Items for Systematic Reviews and Meta-Analysis Statements (PRISMA). This paper sheds light on the determinants, consequences, and interventions associated with employee job satisfaction in the banking sector by synthesising the results from various studies. The study enables banks to develop strategies that enhance employee job satisfaction, leading to improved organisational performance and long-term success.

We conclude this volume with a review of the book **Behavioral Public Economics: Social Incentives and Social Preferences** by Teraji Shinji. The reviewer, Smita Roy Trivedi, traces the evolution of the concepts of bounded rationality and behavioural economics. She observes that Teraji provides an analytical framework for 'behavioural' public economics and discusses in concise terms not only the economic and social problems that the domain tries to solve, but also the concepts and tools needed to address the issues. The mathematical models have been woven throughout the book for clearer appreciation of economic questions. However, the book does not cover criticisms of the nudge theory. In particular, how appropriate is it for the state to shape or dictate consumer preferences, even if individuals cannot make optimal choices?

We invite original research articles in all areas of banking and finance. Please submit your papers, comments, and suggestions to [editor\\_prajnan@nibmindia.org](mailto:editor_prajnan@nibmindia.org).

With warm regards,

**Dr Sanjay Basu**

Editor, *Prajnan*

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## **Central Bank Balance Sheets of Advanced Economies and Foreign Portfolio Flows to India**

***Manbhanjan Mishra***  
***Manu Sharma***  
***Prabal Bilantu***  
***Amarendra Acharya***

This paper examines the role of GDP weighted balance sheet growth of the Federal Reserve of United States, European Central Bank (ECB), and Bank of Japan (BOJ) as a driver of Foreign Portfolio Investment (FPI) flows into India. The study using ordinary least squares (OLS) regression, recursive regression, sign restricted vector auto regression (VAR) and Bayesian vector autoregression (BVAR) models shows that balance sheet growth of the central banks of the select few developed economies had a significant impact on FPI inflows/outflows to India after controlling for the effects of monetary policy easing announcements and domestic economic fundamentals.

## **Construction of Optimum Portfolio Using Modern Portfolio Theory and Sharpe's Single Index Model**

***Jeelan Basha V***  
***Tejesh H R***

In this paper we constructed and compared an optimum portfolio using the Modern Portfolio Theory (MPT) and Single Index Model (SIM) on selected sample of Nifty-50 stocks. Only five securities of Nifty-50 that satisfied preferred criteria, are selected for constructing an optimum portfolio. The findings reveal that MPT outperforms SIM with a maximum portfolio expected return of 60.7% and a minimum portfolio expected risk of 9.9%. However, it is also evident from both the models that in order to maximize returns and minimize risk, the highest proportion of investment is to be made in Britannia Industries and other securities receiving a negligible percentage.

## **Addressing the Exclusion of Transgender Individuals from the Legal Financial System: Towards Financial Inclusion, Autonomy, and Gender Equality**

***Nazish Anwar***  
***Soheli Ghose***

Employees' Gender-related financial matters often overlook the exclusion of transgender individuals from the legal financial system, resulting in a violation of equality laws and disregarding the contributions of marginalised gender groups to economic development. It is essential to address this exclusion to achieve financial inclusion, autonomy, and gender equality. Various factors impede the financial inclusion of transgender individuals, and without prompt action, the broader goal of financial inclusion will be hindered. Government and policymakers play a vital role in overcoming these barriers and ensuring equal access to financial services regardless of gender, ethnicity, socioeconomic status, or religion.

Promoting equitable financial access for transgender individuals fosters inclusivity and aligns with the positive impact observed in women's empowerment. However,

legal barriers limit their financial autonomy and independent living. Misconceptions result in limited opportunities for qualified transgender individuals. Addressing discrimination and ensuring equal treatment are crucial. Effective implementation and appropriate legislation are necessary to integrate the transgender community into the formal financial system, ensuring their equal participation alongside other citizens.

## **Job Satisfaction of Bank Employees: A Systematic Literature Review**

***Nzanbeni Humtsoe***  
***Gautam Patikar***

Employees' job satisfaction is a key factor that significantly impacts the performance, productivity, and overall success of organisations, including those in the banking sector. Existing knowledge of bank employees' job satisfaction has provided valuable insights into the factors that affect employees' attitudes, behaviours, and outcomes. Despite the existing knowledge, there are still several gaps in the literature that need to be addressed. The aim of this paper is to analyse the job satisfaction of bank employees using a Systematic Literature Review that was done using Preferred Reporting Items for Systematic reviews and Meta-Analyses (PRISMA) statements. Using exclusion and inclusion criteria, only 38 items were recorded. By reviewing these 38 articles and the data therein, this paper provides an insight into the level of employee satisfaction. This study holds a significant importance for both academia and the banking industry, and will set up the path for future research.

## **Book Review**

### **Behavioral Public Economics: Social Incentives and Social Preferences**

***Teraji, Shinji***

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*Reviewed by* ***Smita Roy Trivedi***, Associate Professor, National Institute of Bank Management, Pune