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## **Editorial**

I am happy to present the October - December 2024 (Vol. LIII No. 3) issue of Prajnan. In this issue, we offer three full length articles and a book review. The papers cover a spectrum of subjects like IBC enactment and bank valuation, applications of blockchain in finance and banking, and drivers of FDI in BRICS countries. The book review is on the role of interest rates in monetary policy after the global financial crisis.

The first article is entitled **Enactment of IBC 2016 and Valuation of Indian Banks: An Event Study**. The authors, Snehal Herwadkar, Sonali Goel and Rishuka Bansal, evaluate the impact of the enactment of the Insolvency and Bankruptcy Code (IBC) 2016 on share prices of banks. They conclude, through an event study approach, that the announcement of IBC 2016 enactment resulted in a significant rise in bank share prices. In particular, the effect was stronger for those banks which were expected to benefit more from IBC implementation, i.e., institutions with higher C-D ratios and elevated NPA and stressed asset ratios. The study also indicates a few weaknesses in the IBC framework which have reduced its effectiveness.

The second article is on **Blockchain in Finance and Banking: Insights into the Journey So Far and the Next Steps**. The authors, Rachana Jaiswal and Shashank Gupta, employ bibliometric analysis to study recent trends in the application of blockchain in banking and finance and explore future directions. It shows that the subject has concentrated on topics like decentralised finance, cryptocurrency market dynamics, integration of accounting principles, and innovation and adaptation of technology in finance and interdisciplinary collaboration. It concludes with a brief discussion on policy implications and limitations.

The third paper is **Investigating the Determinants of Foreign Direct Investment in BRICS Economies**, by Sudeshna Sarkar and Jayanta Kumar Chakraborty. It studies the impact of IFRS adoption on FDI inflows in the BRICS countries. The result is instructive: countries with higher GDP attract more FDI if they adopt IFRS. Better reporting standards appear to increase FDI only in higher income countries; there may be a (GDP) threshold effect of IFRS on FDI. Another counterintuitive result is that FDI tends to increase with a decline in civil liberties. Perhaps, countries with less political freedom exhibit greater policy certainty and continuity, which is conducive to FDI. Better communication infrastructure also has a beneficial impact on FDI.

The final piece is a review of the book **Monetary Policy after the Great Recession: The Role of Interest Rates**, authored by Arkadiusz Sieron. The monograph has been reviewed by Debaditya Mohanti, faculty member, NIBM. The book delves deep into the intricacies of monetary policy, exploring its efficacy, limitations, and long-term implications, particularly in the context of ultralow and negative interest rates. It challenges conventional economic theories, critiques established practices, and offers a fresh perspective on the relationship between monetary policy and economic performance. It also examines the interplay between monetary and fiscal policies. The book is written in an accessible and engaging manner and will be a valuable

resource for scholars of monetary economics as well as readers interested in (unconventional) monetary policy.

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*

Professor of Finance

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## **Enactment of IBC 2016 and Valuations of Indian Banks: An Event Study**

***Snehal S Herwadkar***

***Sonali Goel***

***Rishuka Bansal***

The enactment of Insolvency and Bankruptcy Code (IBC) in 2016 resulted in a paradigm shift in the NPA resolution process in India. This time-bound mechanism with a creditor-in-control feature held the promise of faster resolution of NPAs and thereby higher profitability of banks in the medium term. Against the backdrop of the efficient market hypothesis which argues that stock markets incorporate all the available information in their pricing, the paper evaluates the impact of the introduction of IBC on stock prices of banks. Using the event study framework, the findings suggest that the IBC enactment announcement had a significantly positive impact on bank stock prices. A cross-sectional analysis reveals that the cumulative abnormal returns were higher for banks, which had weaker asset quality.

## **Blockchain in Finance and Banking: Insights into the Journey So Far and the Next Steps**

***Rachana Jaiswal***

***Shashank Gupta***

This study underscores the growing scholarly interest in banking and finance, evident from the recent surge in publications. Analysing 1120 Scopus articles from January 2016 to April 2024, this research investigates the evolving landscape of blockchain technology within the banking and finance sector. The findings delineate a consistent upward trajectory in scholarly output since 2016, peaking at 317 articles in 2023. Noteworthy citation performances from India and China, alongside influential contributions from Mexico, Germany, and Italy, underscore the global significance of this research domain. Co-occurrence network analysis underscores blockchain's pivotal role, with terms such as "artificial intelligence" and "cybersecurity" highlighting its integration for enhancing efficiency and risk management. Moreover, the world collaboration map illuminates extensive global research networks, fostering interdisciplinary innovation and knowledge exchange, while the tree map delineates prevalent terms associated with blockchain technology. This comprehensive investigation identifies emerging trends and clusters within the financial domain, providing valuable insights to inform strategic decision-making and imparting knowledge to foster innovation and drive growth in the field.

## **Investigating the Determinants of Foreign Direct Investment in BRICS Economies**

***Sudeshna Sarkar***

***Jayant Kumar Chakraborty***

The need for globally standardised accounting standards has increased as the financial system has become more multinational. Regulators think that International Financial Reporting Standards (IFRS) produced by the International Accounting Standards Board (IASB) generate uniform financial accounting. The purpose of this

study is to look at the impact of IFRS on FDI in the BRICS countries from 2000 to 2022. Because no macroeconomic study on the impacts of IFRS adoption on FDI in the BRICS area has been conducted, and no reliable evidence has been offered in the related current literature, this research is critical and provides an intriguing opportunity. From 2000 to 2023, the BRICS nations were studied using the Random Effect panel estimator. This study examines the link between mandatory adoption of IFRS and FDI inflows in BRICS nations. While IFRS adoption itself does not significantly impact FDI, economic openness and telecommunications infrastructure do. The authors recommend continued improvement of financial reporting standards, trade liberalisation, infrastructure investment, addressing regulatory hurdles, and promoting knowledge transfer to attract foreign investment. They emphasise that the specific factors influencing FDI can vary depending on the context and industry, highlighting the need for further research tailored to specific circumstances.

## **Book Review**

### **Monetary Policy after the Great Recession: The Role of Interest Rates**

***Arkadiusz Sieron***

Publisher: Routledge, UK; Year of Publication: 2021

Reviewed by **Debaditya Mohanti**, Assistant Professor, National Institute of Bank Management, Pune