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## **Editorial**

I am happy to present the July - September 2023 (Vol LII, No. 2) issue of Prajnan. In this issue, we offer four full-length papers. The topics range from the effect of bank recapitalization on credit growth in India and determinants of non-audit fees to GHRM practices and employee retention in the IT sector and the drivers of online transactions.

The first paper, by Radheshyam Verma and Snehal Herwadkar, is entitled **Bank Recapitalisation and Credit Growth: The Case of an Emerging Market Economy**. Using bank-level data between 2008 and 2018, the authors show that a small dose of capital infusion by the government does not have a significant impact on credit growth. When lagged capital injection is substantial (captured by the square of capitalization two periods ago), the impact on bank credit growth is noteworthy. The article also suggests that beyond a threshold, any increase in capital adequacy ratio has a progressively smaller effect on bank credit growth. Hence, the study argues that, on both counts (i.e. quantum of recapitalization and level of capital adequacy), the relationship between bank capital and loan growth is nonlinear. Besides, it also confirms the familiar result that as GNPA ratios and stress conditions worsen, credit growth rate falls. This paper has important policy implications for the optimal size of capital infusion and the level of capital adequacy, for healthy bank credit growth in India.

The second paper is **Factors Affecting Non-Audit Fees: An Insight from Literature**. The field of Non-Audit Services (NAS) suffers from an acute lack of research and analysis, especially in India. The authors, Niva Kalita and Reshma K Tiwari, analyze the determinants of Non-Audit Fees (NAF), based on a Systematic Literature Review and bibliometric analysis. They also develop a scoring model to identify the key drivers of NAF. The paper identifies seventeen determinants of NAF, based on literature survey between 1981 and 2023. It will enable regulators to monitor the key drivers of NAS and NAF.

The third paper, **GHRM Practices and Employee Retention in the IT Sector: Parallel Mediation Approach**, is authored by Ella Mittal and Navneet Kaur. They conduct a survey of 328 IT sector employees in North India, on Green Human Resource Management (GHRM). Their empirical analysis shows that there is a significant positive relationship between GHRM on the one hand, and job satisfaction and organizational commitment on the other. In turn, higher levels of job satisfaction and organizational commitment enhance employee retention in the IT sector. Hence, GHRM provides an indirect boost to employee retention, through mediating factors like job satisfaction and organizational commitment. This study may enhance the adoption of GHRM in the corporate sector, and encourage deeper research on its diverse benefits.

The final paper, **Dynamics of Human Demography and Hedonic Motivation on Conduct of Online Transactions – An Empirical Study**, explores the drivers of online bank transactions, based on a survey of 1200 household units in Assam. The authors, Shazeed Ahmed and Karabi Goswami, find that younger age groups and more educated individuals exhibit a higher propensity towards online transactions. Income and occupation do not have a significant influence on the motivation to do online transactions. This study will help banks design customized online products for the appropriate target groups.

This issue also contains a review of the book *Advanced Introduction to Central Banks and Monetary Policy* (Jakob de Haan and Christian Pattipeilohy, Edward Elgar, 2022), by Sanjay Basu. This little book offers a clear, concise and compact coverage of the issues related to the evolution and organizational structure of central banks and the conduct of monetary policy. It also highlights the crucial role of these institutions in maintenance of price stability and financial stability in an economy. It concludes with a brief discussion of the challenges which central banks are bound to face in the foreseeable future. The book may be updated, in light of the recent spike in global inflation, which has created a dilemma

between the twin targets of price and financial stability. It may also focus more on the problems faced by central banks in developing countries.

We invite original research papers/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  
NIBM, Pune.

## **Bank Recapitalisation and Credit Growth: The Case of an Emerging Market Economy**

**Radheshyam Verma**  
**Snehal S Herwadkar**

The asset quality of public sector banks in India deteriorated during 2012-2018, which has had multidimensional ramifications. On the one hand, while significant loan loss provisions were required to be kept causing erosion of profitability of these banks, on the other hand, it affected their risk-taking ability and the resources available for on-lending to the commercial sector. From a macroeconomic perspective thus, poor asset quality and lower economic growth reinforced each other into a vicious cycle. The government intermittently infused capital in the public sector banks, but most of that was absorbed by the continuing deterioration in asset quality, delaying the revival in the credit growth cycle. This led to the question of how much capital infusion is necessary to kick-start the credit cycle. Using bank-wise data for the period 2008-18, the present study analyses this question in a dynamic panel framework. The findings of the study suggest that the relationship between bank capital and credit growth is non-linear. Any amount of recapitalisation in banks may be helpful in accelerating credit growth. However, the study found that the single threshold level of 13.1 per cent capital to risk weighted asset ratio (CRAR) would be optimal. Above this threshold level, incremental increase in bank capital has positive, but declining marginal effects on lending.

## **Factors Affecting Non-Audit Fees: An Insight from Literature**

**Niva Kalita**  
**Reshma K Tiwari**

Non-audit services (NAS) are of vital importance in the auditing profession. However, the diverse field of NAS suffers from a lack of research that particularly offer evidence for discerning the factors affecting non-audit fees (NAF). The purpose of this study is to fill this lacuna in the existing literature. The study is built on a systematic literature review (SLR) approach combined with bibliometric analysis. Additionally, a scoring model has been used to create a standard model that includes the key NAF drivers. A final corpus of 76 items of literature on NAF for the period 1981-2023 was retrieved systematically for the review. According to the study, there has been a consistent upward trend in NAF publications, with the United States leading the way. The analysis also aids in the identification of seventeen significant factors that affect NAF in accordance with the three distinct categories of auditor specific, auditee specific and engagement specific. The findings of this study may help regulatory agencies ensure greater oversight on the provision of non-audit services by supplying evidence on the variables influencing the NAF. While previous reviews have been undertaken employing many qualitative methodologies, this research seeks to use both qualitative and quantitative methods - which is uncommon - to synthesize the body of existing knowledge.

## **GHRM Practices and Employee Retention in the IT Sector: Parallel Mediation Approach**

**Ella Mittal  
Navneet Kaur**

The present study investigated the relationship between Green Human Resource Management (GHRM) practices with employee retention in the IT Industry of North India. The study also checked the mediating effect of job satisfaction and organizational commitment in the relationships of GHRM practices with employee retention. Data were collected from 328 IT employees through a self-administered questionnaire. SPSS (PROCESS Macro) and AMOS were used for analyzing the data. The results of the research show a positive but insignificant association between GHRM practices toward employee retention. However, the study found a significant positive influence of GHRM practices on job satisfaction and organizational commitment to employee retention. The study also reported the parallel mediation of job satisfaction and organizational commitment in the relationship between GHRM practices and employee retention. The findings of the study have contributed theoretically and practically towards improving employee retention.

## **Dynamics of Human Demography and Hedonic Motivation on Conduct of Online Transactions – An Empirical Study**

**Shazeed Ahmed  
Karabi Goswami**

The banking and financial sector of India is presently on its way towards an era of digitalization. This has led to several disruptions in the financial services sector and the conventional way of maintaining banker-customer relationship. This paper makes an attempt to identify the most tech-savvy person in a family who conducts online financial transactions. Further, it tries to study the role of demography and hedonic motivation to embrace a culture of digital transactions. The study was exploratory as well as descriptive in nature, with a sample size of 1200 individual household units. For the analysis of data gathered from the field survey, counts, percentage, chi square test and logistic regression has been used.

The study found that children are the most techno-savvy entities in a family, and they are the ones who mainly perform online financial transactions. And among the various demographic variables considered, it has been found that age and education level of the respondents have a significant impact on the hedonic motivation to adopt online banking. These identified variables can be used as the predictors of hedonic motivation that leads to adoption of online banking. The study also found that respondents in the younger age groups have more hedonic motivation towards adoption of online banking transactions. Further, in terms of educational qualification, respondents with higher level of educational qualifications have more hedonic motivation towards adoption of online banking. These observations can be important inputs for policy makers and marketers while taking key decisions.

## **Book Review**

### **Advanced Introduction to Central Banks and Monetary Policy**

**Jakob de Haan**  
**Christian Pattipeilohy**

Publisher: Edward Elgar, 2022.

*Reviewed by Prof Sanjay Basu*, Professor of Finance, National Institute of Bank Management, Pune