ABSTRACT

With the increasing integration of worldwide financial systems and intensified competition, there have been efforts to develop sophisticated models and customized answers for each type of problems and clients in financial systems. Financial engineering, as a newly created discipline among practitioners and academics, is tackling this requirement and intends to develop a framework for designing and implementing tailor-made instruments and solutions through existing creative process. Depositary Receipt (DR) is a structured financial instrument engineered to facilitate cross-listing of companies outside their home country in an efficient manner. One of the major incentives for wide spread use of DR, particularly by companies from emerging economies has been raising capital and enhancement of capital resources by these companies from the resources outside their home-market. Indian companies entered international arena in May 1992 through the issuance of DR. Since then, Indian companies have been progressively using this instrument to tap developed international markets. This study examines the efficiency of DR programs used by Indian origin companies in providing them with access to more efficient and developed markets to enhance their capital resources. And for this purpose, the host markets for the DRs issued by fourteen Indian companies for cross-listing and raising capital are studied for the period of 04/01/2002 till 02/01/2009.

In addition to more risks and higher volatilities of globalized and integrated financial systems, the rapid evolution of innovative products and strategies has created more complexities and varieties of unanticipated risks. This has brought about the emergence of regulatory efforts in national and international level to contain these problems to provide more stability and to prevent financial crisis. India has started the efforts to restructure financial system since 1992-93, with the core objectives of strengthening of the financial sector and improving the functioning of the financial markets. These efforts have been towards gradual harmonization with international best practices to promote efficiency, soundness, and stability of financial system. Since NPA has been one of the
prominent factors in any financial crisis, to examine the success of different regulatory efforts, we assess the magnitude and trends of NPA in Indian banking system for the period of 1999-2008, in thirty scheduled commercial banks as the sample.

**Keywords:** Financial innovation; financial engineering; structured finance; DRs; ADR; GDR; fungibility; banking risk management; risk based practices; financial reengineering; prudential regulation; harmonization; Basel II; minimum capital requirement; market discipline.