Compliance Report

To,
Registrar,
Kari SRVA Vishwavidlaya,
Sector 15, Gandhinagar
Date – 14/11/2014

Subject: Compliance report on Thesis “Decision Framing and Corporate Behavioral Finance: Study of Selected Indian Companies”

Dear Sir,
As per your mail dated on 12th November 2014, regarding evaluation report please find following compliances according to each suggestion given by referee.

1) Statement of Problem – On page no 93, mention of statement of problem, however it is very loosely constructed and hence researcher dilemma is unclear.
   • Explanation – Statement of problem is reconstructed as per suggestion and incorporated in chapter no 3, page no. 95
     • This study focuses on behavioural aspects of Indian corporate and capital market. This has been studied through measuring manager’s actions by issuing equity with the underlying pursuance of irrational investor. Are manager’s capable enough to issue equity when the market is overvalued and exploit investors by having no genuine need or investment purpose?

2) Literature Review – literature review is presented in the form of summary what has been said and written in the past, the critical evaluation of study is missing. Synthesis of such work is advisable.
   • Explanation – Most of the places literature has been analyzed in brief and short review has been provided. For example on page 50 to 69 i.e. section 2.3.1 to 2.3.11 literature has been critically reviewed.
     • In case of some theoretical terms and or model explanation, review of particular paper written in length.(i.e Irrational Investor Approach, page 54, section 2.3.4)
     • For example in graham’s survey, section 2.3.6.2 page no. 58, has been explained in detail and with responses chart together with interpretations.
In order to synthesis literature review it Synthesis of literature review has done by

Synthesis of literature review in terms of year is not feasible for this field so I have tried to restructure and sequenced properly the whole literature review to provide good flow of papers according to the topics. For example on page no 45,49,54,60,62,65 and 67 contents has been added.

Further a tabular summary of all studies also mentioned at the last of this chapter.(Table 2.2)

3) Research Design – Page no 100, includes research design. There is no mention of types of research, nature of research, and type of analysis. The researcher needs to clearly specify whether the study is explanatory, descriptive or casual.
   - Explanation - On page no 106 – section no 3.6.1, Research design is modified as per suggestion.
   - This research is secondary/ library research having descriptive study and involves regression analysis.

4) Sampling Frame - The researcher has failed to mention the source of information mentioned in the sample frame.
   - Explanation – As shown in section no 3.6.2.3, page 106 sampling frame is modified with source name as according to literature and according to sample terms.
   - As studied in the literature review and according many papers like Baker and Wurgler (2002), Alti (2006) Guney (2007), Dong at al (2011) the best way to measure mispricing is the issuance of equity as it provides single most financing decision of any firm. Taking these study as base my study, the population comprise of companies who raised IPO during 2002 to 2005. There are 257 companies initially who raised IPOs from the year 2000 to 2005 and 119 companies whose issue amount is minimum 100 million or 10 cr. There are 119 companies with issue amount minimum 100 million or 10 cr.There are 76 companies with issue amount minimum 500 million or 50 cr. – sampling frame is attached in Appendix –I. This data is collected through Indian capital market sites like BSE, and NSE.

5) Sample size determination – refer to page no. 102, there is mentioned of sample size determination by proportion method. This technique is used when the variable is
measured using two response option. More clarification is required on how P and Q in the formula are defined.

- Explanation – on page no 107, section no 3.6.2.5, this suggestion has incorporated. P is the population proportion which in the given study can be defined as proportion of number of companies which raised money more than 50 crore during 2001 to 2005 out of number of companies which raised money more than 10 cr during 2001 to 2005. And Q is the number of companies raised money between 10 cr to 50 cr during 2001 to 2005. There are 119 companies raised at least 10 cr during 2001 to 2005 and 76 companies has issued amount of 50 cr, which gives value of P as 0.30 and Q as 0.70. (This has modified on page no 109)

6) Test of Normality – page no 121 to 125 includes results f test of normality and in all cases the normality is violated and hence parametric testes are meaningless. How ever regression and correlation is (parametric testes) are extensively used in the study.

- Explanation – Although the normality is violated, but parametric test (i.e. t – test) can be applied looking at the large sample size (i.e. more than 30). And the results derived from t- test can be utilized for prediction of variables. (Page No – 131)

7) F test – F test for the significance shows how valid the regression model is. If F test is insignificant than there is no point in interpreting predictive ability of individual predictors. F tests on page 136, 140, 143, 146, 147, 150, 152, 153, 157, 159, 161, 163 are insignificant.

- As for following page no – value of F sig value is grater than 0.05, so that test is not significant and so null hypothesis accepted. The regression model (relation between dependant and independent variable) is not appropriate for perdition of that particular year. So, dependant variable has no relationship with this independent variable so given post IPO years. (Page 144 to 166)

- According to the suggestion given by referee following are my explanations.

- Whenever F test has value more than 0.1, I have accepted null hypothesis and rejected alternate hypothesis. As the page numbers given by respected referee totally mismatch with my page numbers, I have corrected each test by its hypothesis number and removed all other interpretation when F test is statistically insignificant.

- I kept only simple meanings and its consequences at few place (page no 152 – hypothesis 1 – C,3 –A ). Out of 21 regressions, there is 12 such hypothesis where
correction is required as per referee but according to regression tables only 10 regression analysis is totally insignificant rest of 11 are significant.

- The tabular summary of the hypothesis testing on page no 167 also proves the same that whenever null is rejected than only other variables are described to predict the relationship between dependent and independent variables.

1. On page no. 141 (Probably hypothesis 1 A – as on page 136 there is no regression result) significance value is greater than 0.1 so the null hypothesis is accepted and all other interpretation is removed.

2. Hypothesis 1 – B – (page 142) F test is statistically significant@ 90%, so null is accepted and it

8) Objective: Findings, conclusion and suggest should match the research objectives. Findings section includes findings for objective no 1, 2,and 3. Findings, conclusion and suggestion for the rest are missing.

Explanation – Findings, conclusion and suggestion for research objective 4 and 5 has been presented in the same chapter. By mistake it was typed again as Findings for research objective 3 instead of 4 and 5. (page 182 and 183)

With this I have tried my best to justify all suggestion given by expert/referee.

Thanking you.

PINAL SHAH.
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