ABSTRACT

TITLE: IMPACT OF FINANCIAL CRISES ON THE RISK-RETURN RELATION

NAME: ANAHITA DAS

Empirical finance is abundant with several competing theories that seek to explain the relation between risk and returns, with differing views on both, the direction and significance of such a relation. We examine the relation between risk and returns and attempt to establish whether a financial crisis affects this relation, in connection with India. We then proceed to examine the nature of the impact of a crisis on the risk-return relation. We apply a parametric conditional volatility model namely, the FIEGARCH-M model to daily stock index return data for India for the period extending from 2000 to 2015. The results indicate that the relation is significantly positive in the non-crisis period but during the financial crisis period, it surprisingly decreases but remains positive.