

IMPACT OF ABG SHIPYARD SCAM ON SHARE PRICE MOVEMENT OF SELECT INDIAN BANKS: A TESTIMONIAL FROM NIFTY BANK

Samrat Banerjee*, Monirul Islam**, Arushi Khandelwal***

Abstract *This study aims to examine and investigate the impact of the ABG Shipyard scam on banks' performance with a focus on the constituents of the Nifty Bank index. The Market model of the event study methodology has been employed to evaluate the effect of the ABG Shipyard Scam on stock returns of the select four banks (from which ABG had taken loans and defaulted) from the NIFTY Bank index. Findings suggest that investors reacted in an adverse way due to the ABG shipyard scam. The average anomalous returns were found to be negative for the majority of the days within the event window upon a CBI case filing. A fall in cumulative stock returns of 7% was traced, which is statistically significant. Although there have been few research works conducted on banking frauds and scams, the impact of ABG Shipyard scam has never been investigated before and might had comprehensive implications across various sectors. The current study provides an insight to the academicians, corporate chiefs and shareholders regarding the effect of scams on the concerned company, banks involved and NIFTY bank sector of the stock market. This study provides a clear indication regarding the importance of governance issues for the long-term sustainability of an organisation.*

Keywords: *Corporate Fraud, Event Study Methodology, Risk Averse, Cumulative Stock Returns, Long-Term Sustainability*

INTRODUCTION

In the last few decades, all Indian news channels seem to be reporting fraudulent events such as bank frauds and stock market manipulations committed by various individuals. From the likes of Harshad Mehta and Ketan Parekh to Vijay Mallya and Nirav Modi, by far the most substantial fraud was unveiled in 2019, known as the ABG Shipyard scam.

The fraudulent activities at ABG Shipyard had a notable impact on the stock prices of specific Indian banks, as shown by the Nifty Bank index. This paper investigates the influence of the scandal on bank stocks by utilising testimonial evidence from the Nifty Bank index (Singh & Tripathi, 2016). Evaluating the fluctuations in stock prices provides insight into the financial impact, market sentiments, and investor trust in the banking industry (Nandy & Chattopadhyay, 2014). It is important for investors and policymakers to grasp the wider consequences of financial frauds on stock markets and banking institutions by understanding these dynamics

(Naveen & Sekhar, 2024). This study seeks to uncover the scale and duration of the impact, offering valuable insights for financial market stakeholders via empirical analysis (Kumar, 2023). Exploiting various weaknesses and loopholes in our financial system has led to the misuse of customer funds. The banking industry is confronted with numerous challenges as a result of different types of fraud and unethical behaviour by both customers and employees of financial institutions. The banking sector continues to face significant financial challenges as a result of scams and frauds (Majumdar, 2016).

ABG Shipyard Ltd., managed to deceive a consortium of 28 banks by extracting approximately Rs. 22,000 crores of public money from these banks and using it to create personal assets, making this the largest bank fraud India has witnessed, far surpassing its predecessors. According to the FIR filed against ABG Shipyard Ltd. by Central Bureau of Investigation (CBI), the company owed – Rs. 7,089 crores to ICICI Bank, who was leading the consortium, Rs. 3639 crores to IDBI Bank, Rs. 2925 crore to SBI, Rs. 1614 crores

* Assistant Professor in Commerce, St. Xavier's University, Kolkata, West Bengal, India. Email: samrat.ban92@gmail.com; samrat.banerjee@sxuk.edu.in

** Associate Professor of Marketing, Department of Management, Sister Nivedita University, Kolkata, West Bengal, India. Email: moni05081985@gmail.com

*** Independent Research Scholar. Email: arushikhandelwal.work@gmail.com

to Bank of Baroda, Rs. 1327 crores to India Exim Bank, Rs. 1244 crores to Indian Overseas Bank and PNB, Rs. 719 crores to Bank of India and other parties including LIC and the Maharashtra Government. Among these, four specific banks – ICICI Bank, State Bank of India, Punjab National Bank, and Bank of Baroda – are also a part of the Nifty Bank index.

Previous studies conducted in relation to bank frauds suggest evidence of a decline in the stock prices of banks involved in the fraud cases, as well as a decline in the short-term stock returns of certain banks and select benchmark indices due to announcements of fraud, failures of corporate governance, etc. Researchers have studied the impact of expected and unexpected events on stock performance; however, very little research has been conducted on the ABG Shipyard case even though the magnitude of this event surpasses all others and affects some of the largest and most prominent banks in the banking sector.

Therefore, it becomes necessary to study the impact that India's biggest bank fraud had on these select banks. In other words, this research strives to evaluate the impact of the announcement on the performance of banks affected by the scam that are included in the Nifty Bank index, by analysing the returns offered by these stocks to judge their performance; to check whether the registration of the fraud had any impact on stock prices of the affected banks and to assess whether such scam generated significant cumulative stock returns or not.

LITERATURE REVIEW

Survey of Literature in Indian Context

- Sivasubramanian and Thiagarajan (2018) co-wrote a paper to examine the Punjab National Bank scam and its implications, using the 5W2H analysis model to identify various internal and external factors incidental to the scam and studied the impact of the same on the stock market, the jewellery sector, and the banking sector. The study concluded that out of the 39 banks listed in India, 34 banks saw a fall in their share prices during the designated period between February 12 and 15 February, resulting in the erosion of their market capitalisation. As a result, the stock price of PNB itself fell by 20.6% and the estimated loss to shareholder's wealth by PNB was worth Rs. 8.077 crores as well as a downtrend in the share prices of the banks exposed to the scam after 14th February, the date of the announcement.
- Alekhya (2019) conducted a study to investigate the effect of white-collar bank scams on the stock

market. The objective of the research was primarily study the impact of specific bank frauds on the stock market, measure the volatility of risk and return after the scam took place, and compare the short-run and long-run return performance of the bank scam on the stock market, with the focus on three scams that had a notable influence on equity markets, using the ARCH family model. These scams included the ICICI scam, PNB scam and the SBI scam. The effect of these scams was found to be significant and it was observed that the sample securities provided higher returns and high volatility in return prior to the scam. Furthermore, a majority of the sample securities were estimated to achieve good long-term performance returns.

- Sharma and Verma (2020) focused on investigating and analysing the reactions observed in the stock prices of banks with respect to the announcement of frauds, as frauds have significantly increased in both value and volume, especially in the banking sector. Their study concluded that in the majority of the cases, these banks face a significant abnormal loss and an increased absurd volume ratio due to such announcements.
- Parab et al. (2020) studied the influence of expected and unexpected economic events on the returns of the Indian stock market. The study examined 13 economic crises and 5 bank frauds between the time period 2008–2018, including both Indian and International economic crises. The economic events under consideration included various incidents, ranging from frauds to subprime crises. The study showed that in spite of the instant reaction received from investors, regardless of it being positive or negative, the effect was short-term and lasted for only a short period of time after which the NSE gradually recovered. The study also concluded that unexpected news leads to more exaggerated reactions than expected news causing pockets of inefficiency in the stock market and allowing short-term traders to earn abnormal returns.

Survey of Literature in International Context

- Davidson et al. (1994) intended to examine the reaction of stock markets to announced corporate illegalities by sampling various announcements made by corporates relating to the corporate crime that was committed and recording an insignificant market reaction. Although, the results of the stock market effect for the entire sample were insignificant, specific types of crimes were observed to be associated with negative abnormal returns. The overall results showed that the stock market indeed reacts to announcements made by

companies regarding illegal activities and the reactions are negative.

- Baucus and Baucus (1997) investigated the long-term financial consequences that a firm goes through as a result of illegal behaviour in their study by extending Baucus and Near's research and examining their sample of companies, thereby completing their model of the entire corporate illegality process. The sample consisted of Fortune 500 companies for which clear evidence of illegal activity was present, and the financial implications faced by them were examined from the year of conviction to the proceeding five years. The short-term consequences included a decline in the stock prices in the week following conviction and a further 2% drop on average in performance following announcements of final decisions or penalties. Long-term consequences of illegality differed on account of various factors such as the seriousness of the illegality, multiple illegalities, type of illegalities, and subsequent violations. However, overall, it was observed that the long-term performance of the prosecuted firms was worse due to corporate illegality in the form of lower sales growth, and lesser income from sales than that of unconvicted firms.
- Cox and Weirich (2002) in their work, attempted to scrutinise the response of the stock market to the risk and return of major corporations as a result of deceitful financial reporting during 1990–1999. The main objectives of the study were to test whether the returns offered by stocks taken in the sample would be negatively impacted due to the announcement of fraudulent activities, thereby proving the theory of efficient markets, whether or not the returns of these stocks will be able to rebound following the disclosure of the fraud, thus establishing the ground for the overreaction hypothesis, and whether the risk or uncertainty of the stock returns of these firms would initially increase and then subsequently decrease after the event, lending credibility to the uncertain information hypothesis. Upon examination, they concluded that the impact on the capital market was significant in dollar terms due to the news, and a strong negative impact was observed surrounding the day after the announcement was made. There was also evidence of overreaction correction two days after the event and evidence of the uncertain information hypothesis.
- Abdul Rasheed et al. (2012) investigated the impact of scams on the performance of banks in Nigeria. The authors argued that among the major factors that caused fraud, two were the most prominent, i.e., institutional factors and environmental or social factors. The period

from 2004 to 2009 was taken as the study window and analysed. The results indicated that the profits of banks in Nigeria were adversely affected by two factors – the number of frauds and the amount of money involved in the fraud. The research, therefore, concluded that fraud cases have adverse effects on the performance of banks in Nigeria.

- Eryigit (2019) conducted a study in which he aimed to find the effects of financial anomalies or irregularities of companies listed in the Capital Market Board of Turkey (CMBT) Bulletin on the short-term performance of the relevant companies. The findings indicated that penalty news regarding finance in the CMBT's bulletin had almost no statistical significance on the performance of the companies in the study.
- Richardson et al. (2022) conducted a study to investigate whether revelations of fraud in past accounting practices (ex-post) or the forecasting of probability of future fraud (ex-ante) would affect the future risk of stock prices crashing of companies. It was found that both variables under consideration, i.e., ex-ante as well as ex-post revelations of accounting fraud, had a significant positive relationship with the likelihood of stock prices in the future. Moreover, outcomes from the channel analysis conducted by them provided evidence that the opacity of information constitutes a framework through which accounting fraud influences the risk associated with stock price crashes and that this correspondence is stronger in firms operating in an environment supporting more opaque information due to the manifestation of principle-agent conflicts. This occurs largely because of managers' preferences to not disclose negative news or delay negative news, which leads to overvalued security prices and the subsequent release of this news to the stock market leads to the crashes of stock prices. A cross-sectional analysis conducted by the authors offered insights into the corporate governance conditions and heterogeneity of the sample firms, which amplified the link between accounting fraud and future stock price crashes.

RESEARCH GAP

Although there has been limited research work conducted on banking frauds and scams, the impact of the ABG Shipyard scam has never been investigated before. The impact of this scam is a pertinent area of research as this scam is one of the biggest banking frauds of India as the volume of money involved amounting to Rs. 22,848 crores which surpasses all its predecessors. The ABG Shipyard scam affects some

of the largest and the most prominent banks in India that are constituents of the Nifty Bank index. Therefore, it is important to analyse the impact of the scam on the stock market.

OBJECTIVES

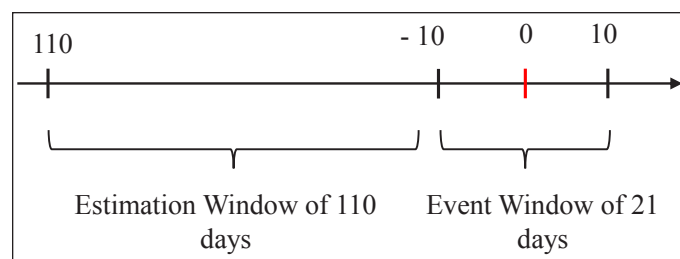
- To check whether the registration of the fraud by the CBI against ABG Shipyard Ltd. had a negative impact on the stock returns of the banks that gave loans to the company and were a part of the Bank Nifty.
- To evaluate whether such a scam has generated significant average and cumulative stock returns or not.

RESEARCH METHODOLOGY

Period of Study

Following the quintessential event study methodology format, the observation period for the investigation has been divided into two salient periods – the Estimation Window and the Event Window. The period from 2021–2022 is taken for observing the impact of the scam on the banks directly affected by it. The estimation window was used to calculate the normal returns offered by the sample stocks, whereas the event window encompassed the actual day when the event took place, the anticipation period i.e., the period prior to the event day; as well as the adjustment period i.e., the period following the event day.

In order to execute the event study, 110 days have been considered as the Estimation Window and 21 days have been taken as the Event Window. Of those 21 days, the CBI booked a case against ABG Shipyard on 7th February 2022, which was taken as the “event day”, denoted by 0, and 10 days immediately preceding and succeeding the event day were taken into the event window, as shown in Fig. 1.



Source: Author's own computation.

Fig. 1: Observation Period– Estimation Window and Event Window

Sample and Source of Data

The sample includes four banking stocks namely ICICI Bank, Punjab National Bank, Bank of Baroda, and State Bank of India. The sample banks were selected as they had been directly affected by the scam and were also part of the Bank Nifty index. As the Bank Nifty index is a broad market index for the banking sector and the four sample banks selected are part of the index and have experienced the direct impact of the scam, the inclusion of these companies in the sample was justified. The data was gathered from the website of the National Stock Exchange of India (NSE) for the entire observation period.

Research Tools

The event study methodology has been applied to analyse the impact of the ABG Shipyard scam on the returns of the stocks using SPSS. The stock price data of the selected banks were collected from the Capitaline Database.

To determine the stock and market return, daily returns were calculated using daily closing prices of individual stocks and the Bank Nifty index prices during the observation period. The Nifty bank index returns were taken as a proxy for market returns. The normal return was then calculated using the market-adjusted model or market model.

In order to calculate the normal return, the alpha and beta of stock and market returns in the estimation window were calculated. The formula used for computing the normal return is shown below:

$$\text{Normal Return} = \text{Alpha} + \text{Beta} * \text{Market Return}$$

Once the normal returns were calculated, we then went on to find the Abnormal Return, Cumulative Abnormal Return, Average Abnormal Return and Cumulative Average Abnormal Return for all the stocks included in the Nifty Bank index. The formulas for these are shown below:

- Abnormal Return (AR) = Stock Return – Normal Return
- Cumulative Abnormal Return (CAR) = Summation of Abnormal Returns in the stipulated window or observation period.
- Average Abnormal Return (AAR) = Summation of all Abnormal Returns of all individual Stocks during a particular period divided by Number of Observations or Stocks during the particular period.
- Cumulative Average Abnormal Return (CAAR) = Summation of Average Abnormal Returns during a particular window or observation period.

Once the AR, CAR, AAR, and CAAR were computed, we calculated the t-statistics of each using the following formulae:

- T-Statistics of Abnormal Return (AR) = Abnormal Return/Standard Error
- T-Statistics of Cumulative Abnormal Return (CAR) = CAR/ (S.D*(No. of days in the window^(1/2)))
- T-Statistics of Cumulative Average Abnormal Return (CAAR) = CAAR/ (S.D*(No. of days in the window^(1/2)))

Hypothesis Formulation

H_1 : ABG shipyard scam has an impact on average abnormal return of affected banks.

H_2 : ABG shipyard scam has an impact on cumulative average abnormal return of affected banks.

RESULTS AND DISCUSSIONS

Table 1: Abnormal Returns of Affected Banks

Abnormal Return				
Window	ICICI BANK	PNB	BANK OF BARODA	SBI
-10	0.00031723	-0.021212098	-0.034763924	-0.010232642
-9	0.010533944	0.000674555	0.018452025	0.00061913
-8	-0.019604623	0.009663886	0.034101482	0.015934495
-7	-0.017719616	0.033825386	0.038441407	0.017629777
-6	-0.009243408	0.002450788	0.006058585	-0.003065808
-5	0.000479418	0.006992883	0.028886017	0.01787444
-4	0.010552103	-0.024181634	-0.032543577	-0.028518067
-3	-0.020319839	0.008049158	0.001400232	-0.011704597
-2	0.002475593	0.005660646	0.009929668	0.008452311
-1	0.000743261	-0.01906008	-0.022395097	-0.013284453
0	-0.001027967	0.031302642	0.08276266	0.027732421
1	0.005965845	0.005816739	0.040380255	-0.006020345
2	-0.004906634	-0.029421178	-0.047750533	-0.011504801
3	-0.009011746	-0.032990798	-0.016252691	-0.003409556
4	-0.004917861	-0.009842538	0.004266582	-0.007361808
5	-0.000978562	-0.014087526	-0.015508358	-0.007398282
6	-0.009267534	-0.00922398	-0.007058242	0.005728208
7	-0.009995892	0.01101303	-0.02362922	-0.010515762
8	-0.006333274	0.001170096	0.000149331	0.004045812
9	-0.004737229	-0.010467582	-0.007431612	0.001058123
10	0.004019998	-0.009842362	-0.020053562	-0.010801777

Source: Authors' own computation.

It can be seen that abnormal returns are negative for 13 out of 21 days in the case of ICICI Bank, 10 out of 21 days for PNB and Bank of Baroda, and 12 out of 21 days for

SBI. This clearly depicts that the market has not responded favourably owing to the event announcement.

Table 2: Test of Significance of Average Anomalous Returns for Various Windows of Time

Window	AAR	Std. E	t-Statistic	p Value
-10	-0.016472859	0.007515932	-2.191725312	0.030767821
-9	0.007569914	0.004311469	1.755761965	0.082253485
-8	0.01002381	0.011152892	0.898763275	0.370981741
-7	0.018044238	0.01272895	1.417574721	0.159486639
-6	-0.000949961	0.003340944	-0.284338959	0.776750566
-5	0.013558189	0.006243195	2.171674762	0.032293352
-4	-0.018672794	0.009890104	-1.888028012	0.061980332
-3	-0.005643762	0.006385106	-0.883894794	0.37891632
-2	0.006629555	0.001643354	4.034159796	0.00010862
-1	-0.013499092	0.005106811	-2.643350892	0.009558916
0	0.035192439	0.017429922	2.019081848	0.04621002
1	0.011535623	0.010016457	1.151667096	0.252259808
2	-0.023395786	0.009629397	-2.429621233	0.016935201
3	-0.015416198	0.006420947	-2.400922669	0.018240577
4	-0.004463906	0.003078893	-1.44984115	0.150295654
5	-0.009493182	0.003343871	-2.838979424	0.00550273
6	-0.004955387	0.003598341	-1.377131062	0.171609223
7	-0.008281961	0.007163347	-1.15615807	0.250427264
8	-0.000242009	0.002191577	-0.110426795	0.912296732
9	-0.005394575	0.002448713	-2.203024802	0.029936094
10	-0.009169426	0.004962717	-1.847662408	0.067667538

Source: Authors' own computation.

Table 2 shows the different average abnormal returns for different periods of time within the event window of 21 days ranging from the period -10 to +10 as well as their p-values. AAR is negative for 14 days out of 21 days, showing that investors had an adverse notion towards investing their money in these banks during this particular time period. It is observed that the p-value is less than 0.01 for periods -2, -1, and 5, indicating that on average investors earned abnormal returns that were statistically significant at the 1% level; that is, on average they suffered significant losses on these stocks. P-values between 0.01 and 0.05 indicate that the abnormal returns earned on the stocks were statistically significant

at the 5% level and were observed on days -10, -5, -2, -1, 0, 2, 3, 5, and 9. It stipulates that during this time period, investors were risk-averse and refrained from investing in these particular banks due to the case registered by the CBI against ABG Shipyard and started withdrawing their funds from these stocks. P-values between 0.05 and 0.1 indicate statistical significance at a 10% level of significance, and this was observed in periods -10, -9, -5, -4, -2, -1, 0, 2, 3, 5, 9 and 10. The majority of the negative abnormal return has been observed after the occurrence of the event i.e., after day 0. We can see that the average abnormal return is negative for almost all days after day 0.

Table 3: Cumulative Abnormal Return of Affected Banks

Cumulative Abnormal Return				
Window	ICICI BANK	PNB	BANK OF BARODA	SBI
-10	0.00031723	-0.021212098	-0.034763924	-0.010232642
-9	0.010851174	-0.020537544	-0.016311899	-0.009613511
-8	-0.008753449	-0.010873658	0.017789583	0.006320984
-7	-0.026473065	0.022951728	0.05623099	0.023950761
-6	-0.035716473	0.025402516	0.062289575	0.020884953

Cumulative Abnormal Return				
Window	ICICI BANK	PNB	BANK OF BARODA	SBI
-5	-0.035237055	0.032395399	0.091175592	0.038759393
-4	-0.024684952	0.008213765	0.058632015	0.010241326
-3	-0.045004792	0.016262923	0.060032247	-0.001463271
-2	-0.042529198	0.021923569	0.069961915	0.00698904
-1	-0.041785938	0.002863489	0.047566818	-0.006295413
0	-0.042813905	0.034166131	0.130329477	0.021437008
1	-0.036848059	0.039982869	0.170709732	0.015416663
2	-0.041754693	0.010561692	0.122959199	0.003911862
3	-0.050766439	-0.022429107	0.106706508	0.000502307
4	-0.055684299	-0.032271644	0.110973089	-0.006859502
5	-0.056662861	-0.04635917	0.095464731	-0.014257783
6	-0.065930395	-0.05558315	0.088406489	-0.008529576
7	-0.075926287	-0.044570121	0.064777268	-0.019045338
8	-0.082259562	-0.043400024	0.064926599	-0.014999526
9	-0.086996791	-0.053867606	0.057494987	-0.013941403
10	-0.082976793	-0.063709968	0.037441425	-0.02474318

Source: Authors' own computation.

Table 3 indicates that cumulative abnormal returns are negative for 19 out of 21 days in the case of ICICI Bank, 11 out of 21 days for PNB, 2 out of 21 days in the case of Bank

of Baroda and 11 out of 21 days for SBI. This clearly depicts that investors were mostly sceptical regarding investment in the stocks of these banks.

Table 4: Test of Significance of Cumulative Average Anomalous Returns for Various Windows of Time

Window	CAAR	C Std. E	t-Statistic	p Value
(-10,-1)	0.000587239	0.01838278	0.031945053	0.974580841
(1,10)	-0.069276807	0.015156089	-4.570889369	1.41832E-05
(-5,-1)	-0.017627904	0.004631469	-3.806114983	0.000245937
(1,5)	-0.041233449	0.014038629	-2.937142184	0.004128919
(-5,5)	-0.023668914	0.021762398	-1.08760593	0.279436773
(-2,2)	0.016462738	0.015672889	1.050395868	0.296119501
(-10,10)	-0.033497129	0.026567466	-1.260832685	0.210362614

Source: Authors' own computation.

Table 4 shows the Cumulative Average Abnormal Return of the four affected companies i.e., ICICI Bank, Punjab National Bank, Bank of Baroda and State Bank of India that were directly affected by the ABG Shipyard scam and were present in the Nifty Bank index. We have taken seven different windows within the window period of 21 days, which shows that CAAR was negative for five of the seven time windows considered, which indicates that, on average, investors earned negative cumulative abnormal returns, which were significant for the time periods (1, 10), (-5, -1) and (1, 5) at the 1%, 5%, and 10% levels of significance. This shows that investors bore significant losses on these

stocks for 15 days within the event window, beginning from period -5 to 10.

It is observed that the p-value is less than 0.01 for the windows (-5, -1) and (1, 5) indicating that on average investors earned abnormal return cumulatively that were statistically significant at 1% level that is, on average they suffered significant losses on these stocks. P-values ranging between 0.01 and 0.05 indicate that the abnormal returns earned on the stocks were statistically significant at the 5% level during the window periods (-5, -1) and (1, 5). This stipulates that during this time period, investors were risk averse and refrained from investing in these particular banks

due to the case registered by the CBI against ABG Shipyard and instead started withdrawing their funds from these stocks. P-values between 0.05 and 0.1 indicate statistical significance at a 10% level of significance, which was observed for the periods (-5, -1), (1, 5) and (1, 10).

CONCLUSION

Banking scams adversely affect investors' confidence (Sharma & Verma, 2020). The findings suggest that investors reacted negatively to the ABG shipyard scam, which is clearly evident through the results of our empirical research. The average anomalous returns were found to be negative for the majority of days within the event window. Furthermore, the cumulative average anomalous returns also appear to be negative for the majority of timeframe within the event window. Additionally, it is also found that the average anomalous returns are statistically significant for the majority of days on and around the announcement date. The cumulative average anomalous returns also appear to have been statistically significant for three different timeframes lengths out of the seven different time lengths within the event window. The statistically significant negative returns during this period ranged from 2% to 7%. It can be observed that these select banks generated a highest cumulative negative return of approximately 7% immediately after the announcement of the event, i.e., from day 1 to day 10 days of the filing of case by CBI against ABG shipyard. It is also observed that these highest negative returns of 7% was statistically significant. Therefore, it can be clearly interpreted that the news of the CBI filing a case against ABG shipyard triggered the sentiments of the investors of NIFTY bank, thereby leading to a fall in stock returns of up to 7%.

Policy Implications

The current study provides insight for academicians, corporate chiefs, and shareholders regarding the effect of scams on the concerned company, the banks involved, and the NIFTY bank sector of the stock market. This study provides a clear indication regarding the importance of governance issues behind long-term sustainability of an organisation. Furthermore, this study highlights the volatility in the stock market due to a corporate scam.

Scope for Further Research

This research took into consideration only the effect of the ABG shipyard scam on the stock market, though there were other major events which took place during the same

period. During the same period of time, the Russia-Ukraine war was declared, which is believed to have a substantial impact on the stock market. In addition, the US Federal Rate hike and the Sri Lankan Economic Crisis were other notable events that occurred during the same period of time as the ABG Shipyard scam. In the future, these events can also be taken into consideration to analyse the overall effect on the stock market during this period.

Limitations of the Study

The study on the ABG Shipyard Scam and its impact on the banking industry is constrained by limitations in data availability and potential biases in sample selection. Market fluctuations during the scandal period, combined with assumptions of market efficiency, could result in unclear research outcomes. Regulatory and legal aspects of the scandal are not thoroughly examined, leaving room for further investigation into their implications for bank stocks. The study's focus on a specific time frame may overlook long-term impacts on bank stocks. To improve the strength and relevance of the results, it is important to tackle these constraints to gain a deeper insight into how financial scandals affect banking stocks in the Indian context.

REFERENCES

- Ayele, A., Malhotra, K., & Sharma, M. (2024). Developments in the banking sector and financial inclusion in Ethiopia. *Journal of Commerce and Accounting Research*, 13(3), 19–30.
- Alekhyia, P. (2019). Impact of financial scam effect on stock market. *Think India Journal*, 1–9.
- Abdul Rasheed, A., Babaita, I. S., & Yinusa, M. A. (2012). Fraud and its implications for bank performance in Nigeria. *International Journal of Asian Social Science*, 2(4), 382–387.
- Baucus, M. S., & Baucus, D. A. (1997). Paying the piper: An empirical examination of longer-term financial consequences of illegal corporate behaviour. *Academy of Management Journal*, 40(1), 129–151.
- Cox, R. A. K., & Weirich, T. R. (2002). The stock market reaction to fraudulent financial reporting. *Managerial Auditing Journal*, 17(7), 374–382. doi:https://doi.org/10.1108/02686900210437471
- Davidson III, W. N., Worrell, D. L., & Lee, C. I. (1994). Stock market reactions to announced corporate illegalities. *Journal of Business Ethics*, 1–7.
- Eryigit, M. (2019). Short-term performance of stocks after fraudulent financial reporting announcement. *Journal of Financial Crime*, 26(2), 464–476.

- Kumar, S. (2023). Critical examination of the working of SFIO and NFRA in India. *Maharshi Dayanand University Research Journal ARTS*, 21(2), 67–80.
- Majumdar, S. K. (2016). Concentration, collusion and corruption in India's banks: Roots of the bad debt crisis. *Economic and Political Weekly*, 51(29).
- Nandy (Pal), S., & Chattopadhyay, A. Kr. (2014). Impact of introducing different financial derivative instruments in India on its stock market volatility. *Paradigm*, 18(2), 135–153. doi:<https://doi.org/10.1177/0971890714558704>
- Naveen, T., & Sekhar, G. V. S. (2024). Analysis of corporate frauds in the Indian banking sector. *European Economic Letters*, 14(1), 1797-1802. doi:<https://doi.org/10.52783/eel.v14i1.1248>
- Pathak, H., & Kumar, S. (2024). Do crude oil price fluctuations affect the sectoral stock returns? Evidence from India. *Journal of Commerce and Accounting Research*, 13(3), 31–43.
- Parab, N., Naik, R., & Reddy, Y. V. (2020). The impact of economic events on stock market returns: Evidence from India. *Asian Economic and Financial Review*, 1–16.
- Richardson, G., Obaydin, I., & Liu, C. (2022). The effect of accounting fraud on future stock price crash risk. *Economic Modelling*, 117(4).
- Singh, V., & Pooja. (2024). Is disaggregate form of information value relevant? Evidence from Indian listed companies. *Journal of Commerce and Accounting Research*, 13(3), 1–6.
- Sharma, D., & Verma, R. (2020). Reaction of stock price to frauds' announcements: Evidence from Indian banking sector. *Asia-Pacific Journal of Management Research and Innovation*, 16, 157–166. doi:<https://doi.org/10.1177/2319510X20930879>.
- Sivasubramanian, G., & Thiagarajan, M. (2018). A critical analysis of the Punjab National bank scam and its implications. *International Journal of Pure and Applied Mathematics*, 119(12), 14853–14865.
- Singh, S., & Tripathi, L. K. (2016). The impact of derivatives on stock market volatility: A study of the Sensex index. *Journal of Poverty, Investment and Development*, 25, 37–44.