

## Revisiting Bowman's Paradox in Accounting Risk and Return: New Indian Evidence

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This study revisits the Bowman's (1980, 1984) risk-return paradox using accounting risk and return proxies, for 1004 Indian firms, existing continuously between 2000 to 2015. We find strong evidence of a 'partial' paradox. Firms which are poorly performing or below-median in the ranking exhibit a paradox (negative risk-return association), while firms which are relatively superior performers (above-median), exhibit mostly a puzzling 'U' pattern (initially negative and then becoming positive). It seems that the relatively poor performing firms within the above-median group, are driven by high 'aspirations' to move up the pecking order, having required to face stronger challenges and competition, resort to desperate but risky measures without much success, resulting in a negative risk-return association. The relatively superior performers within this group however, are successful in leveraging their current superior position and adopt risky but successful strategies. These overall patterns seem to be robust and stand good across full sample, across sub-samples based on age, size and leverage even after adjustment for industry and the firm's own past performance.



**Keywords:** Bowman's risk-return paradox, Risk-return association, Accounting risk and return