

REVIEWER'S REPORT

Manuscript No.: IJAR-59109

Title: Assessing the Nexus between Bank Efficiency and Stock Returns: Evidence from Indian Nationalized Banks

Recommendation:

Accept as it is

Accept after minor revision.....

Accept after major revision

Do not accept (*Reasons below*)

Rating	Excel.	Good	Fair	Poor
Originality		✓		
Techn. Quality		✓		
Clarity		✓		
Significance		✓		

Reviewer's ID: JPR-002

Detailed Reviewer's Report

- **Title and Scope:** The title is relevant and clearly reflects the core variables of the study. However, the manuscript should consistently use either *nationalized banks* or *public sector banks*, as both terms are used throughout the paper. The authors should clearly define the sample-selection criteria and explain why these twelve banks constitute the complete study population.
- **Abstract:** The abstract provides the objective, sample, methodology and major findings. However, it would be stronger if it reported key methodological details such as the number of observations and the specific regression approach used. The statement regarding “structural shortcomings” among publicly owned banks appears broader than what is directly established by the reported regression results and should be qualified.
- **Literature Review:** The review covers studies from India and other emerging/developed economies and identifies differences in previous findings. However, the literature review is largely descriptive. The authors should synthesize the literature more systematically and explicitly establish the theoretical and empirical gap that the present study addresses. The claimed limited evidence specifically on Indian nationalized banks should also be supported more strongly.
- **Research Gap and Objectives:** The research gap is identifiable, but the manuscript would benefit from explicitly stated research objectives and/or research hypotheses. The paper should

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clearly explain whether the expectation is that efficiency positively affects stock returns and provide the theoretical reasoning underlying the proposed relationship.

- **Methodology – DEA:** The use of CCR and BCC DEA models is appropriate for measuring different dimensions of bank efficiency. However, the justification for selecting the input and output variables needs greater explanation. Deposits, interest expenses, non-interest expenses and personnel expenses are used as inputs, while advances, interest income and non-interest income are treated as outputs. The authors should provide a stronger conceptual justification and discuss whether alternative specifications could influence the efficiency scores.
- **Stock Return Measurement:** The methodology states that annual stock returns are obtained by adding daily returns over the study period. This needs clarification because the mathematical aggregation of daily returns should normally distinguish between arithmetic and compounded returns. The authors should explicitly provide the formula used for stock returns and explain how corporate actions, dividends, stock splits and missing trading days were handled.
- **Regression Methodology:** This is the major methodological area requiring clarification. The manuscript refers to “panel data” and presents three regression models, but it does not clearly identify whether pooled OLS, fixed-effects, random-effects or another panel estimator was used. The authors should report the estimation technique, specification tests, treatment of heteroskedasticity/autocorrelation, and whether robust standard errors were applied. The relatively small panel—12 banks over 10 years—also requires appropriate methodological justification.
- **Results and Interpretation:** The DEA results are clearly presented, and the study identifies considerable differences across banks and years. For example, Bank of Maharashtra, Punjab and Sind Bank, and State Bank of India are reported as efficient across all ten years, while Canara Bank has considerably fewer efficient years. However, efficiency *scores* themselves should preferably be reported rather than only the number of efficient years. This would allow readers to understand the magnitude and distribution of efficiency.
- **Regression Results:** The regression findings indicate that CRSTE, VRSTE and SE are statistically insignificant, whereas NIITA and ROA are positive and statistically significant. The interpretation should be made more cautious because statistical insignificance does not necessarily establish that efficiency has no economic relevance. The authors should discuss coefficient magnitude, confidence intervals and possible endogeneity or omitted-variable concerns.
- **Conclusion, Implications and References:** The conclusion generally follows the reported findings, but some statements are stronger than the empirical evidence supports. The recommendations concerning digital practices, cost control, income diversification and investor

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communication should be explicitly connected to the empirical results. The manuscript also requires comprehensive language editing and reference-formatting corrections, including spacing, punctuation, capitalization, consistency of journal titles, and DOI details where available.