



CONTENTS

Acknowledgement	xv
List of Figures	xix
List of Tables	xxiii
List of Symbols	xxvii
Preface	xxviii
1 Introduction	1
1.1 Background	2
1.1.1 Fractional calculus	2
1.1.2 Fractional order partial differential equations	5
1.1.2.1 Riesz-space fractional partial differential equations	6
1.1.2.2 Time fractional Black-Scholes model (TFBSM)	8
1.1.2.3 Time-fractional wave equation (TFWE)	10
1.1.2.4 Time fractional telegraph equation (TFTE)	11
1.2 Definition of some fractional derivatives	11
1.3 Literature review	14
1.3.1 Literature review on Riesz-fractional partial differential equation	14
1.3.2 Literature review on time fractional Black-Scholes model governing European option	15
1.3.3 Literature review on approximation of the Caputo derivatives and time fractional wave equation	17
1.3.4 Literature review on time fractional telegraph equation	19
1.4 Mathematical preliminaries	20
1.4.1 Legendre polynomials	20

1.4.2	Chebyshev polynomials of second kind	21
1.4.3	Function approximation	22
1.5	Numerical methods	23
1.5.1	Operational matrices	23
1.5.1.1	Kronecker product	25
1.5.2	Finite difference method	25
1.6	Challenges and motivations	27
1.7	Objective of the thesis	28
2	Efficient numerical algorithms for Riesz-space fractional partial differential equations based on finite difference/operational matrix	29
2.1	Introduction	30
2.2	Matrix transform method and the operational matrix	32
2.2.1	Matrix transform method for Riesz space fractional derivative	32
2.2.2	Function approximation by orthogonal polynomials	35
2.2.2.1	Shifted Legendre polynomials	35
2.2.2.2	Shifted Chebyshev polynomial of second kind	36
2.2.2.3	Function approximation	37
2.2.2.4	Operational matrix of integration	38
2.3	Construction of numerical scheme for RFDE and RFADE	39
2.3.1	Numerical scheme for Riesz fractional diffusion equation (RFDE)	39
2.3.2	Numerical method for Riesz fractional advection dispersion equation (RFADE)	45
2.4	Optimal error bounds of numerical approximation	49
2.5	Numerical examples	53
2.5.1	Numerical examples for Riesz-space fractional diffusion equation	54
2.5.2	Numerical example for Riesz-space fractional advection dispersion equation	64
2.6	Appendix	76
2.6.1	Derivation of equation (2.39)	76
2.6.2	Derivation of equation (2.52)	78
2.7	Conclusion	80
3	Computational algorithm for financial mathematical model based on European option	81
3.1	Introduction	82
3.1.1	The time-fractional Black-Scholes model	82
3.1.2	Main contribution of this chapter	85
3.2	Temporal discretization	86
3.2.1	L1-2 approximation of the Caputo derivatives	86
3.3	Basis function and operational matrices	91
3.3.1	Shifted Legendre polynomials	91

3.3.2	Shifted Chebyshev polynomial of second kind	92
3.3.3	Function approximation	93
3.3.4	The operational matrix	93
3.3.5	Spatial approximation	94
3.4	Derivation of numerical algorithm for TFBSM	97
3.5	Stability and convergence analysis of the numerical scheme	101
3.5.1	Stability analysis	101
3.5.2	Convergence analysis	107
3.6	Numerical results and discussion	113
3.6.1	Numerical stability	114
3.6.2	Numerical examples for the TFBSM governing European options	115
3.6.3	The study of effects of different parameters on the European call/put option	128
3.7	Conclusion	132
4	L3 approximation of the Caputo derivative and its application to time-fractional wave equation	135
4.1	Introduction	136
4.1.1	Purpose and contribution of this chapter	136
4.2	Formulation of the novel L3 approximation of the Caputo derivative .	138
4.2.1	Derivation of numerical scheme for TFWE	144
4.3	Formulation of modified L3 (ML3) approximation of the Caputo derivatives	148
4.4	Numerical Examples	152
4.4.1	Application to TFWEs	156
4.4.1.1	Numerical Stability	157
4.5	Conclusion	174
4.5.1	Future work	174
5	A new difference scheme for time fractional telegraph equation	177
5.1	Introduction	178
5.1.1	Our contribution	178
5.2	Time discretization	179
5.2.1	L3 approximation of the Caputo derivative of order $\alpha \in (1, 2)$.	179
5.2.2	L123 approximation of the Caputo derivative of order $\beta \in (0, 1)$	181
5.3	Numerical scheme for TFTE	183
5.4	Numerical examples	187
5.5	Conclusion	209

Bibliography	211
List of Publications	235