KRISTIANSAND, NORWAY

WORLD FINANCE CONFERENCE

AUGUST, 2ND — 4TH · 2023

ISBN
978-989-54931-6-6

UiA School of Business and Law

INDEX

Implications of Cross Marketing of Financial Products in Public Sector Banks: An Empirical Evidence from Bengaluru Metropolitan in Southern India

Baskaran S
Dr.Ambedkar Institute of Technology , India
rsbkaran.mba@drait.edu.in

Mahadeva M
Institute of Finance and International Management (IFIM), India
profmmahadeva@ifim.edu.in

Abstract

Cross marketing business of the financial products and services is a subsidiary activity of the financial institutions. It is being largely promoted and undertaken in the recent time, especially after the mechanisation of banking services. Cross marketing has now become an integral activity of the banking sector for various reasons and chiefly for earning non-fund income. This research has empirically examined the cross marketing business in the context of the public sector banks in a most vibrant urban setting of the country. It is found that the cross marketing is a very common business of the banks undertaken in addition to the traditional banking activity and has occupied considerable space in the overall environment. The public sector banks have also invested/employed almost one - fourth of their resources - be it human capital, time, space etc. for this business. Having employed seven different methods for the business, the banks have made it a mandatory responsibility of the employees and have gained five benefits or gains from the cross marketing. While achieving these successes, the banks have come across many challenges like the business competition, retaining the existing customers, customer satisfaction etc. The study also found that the business has many limitations - chiefly lack of motivations and lack of the marketing skills among a many others. Based on the ground realities, the study offers number of policy implications to create sustainable banking environment. It includes strengthening core banking products, designing tailor - made innovative products, maximising customer satisfaction, business based incentives for the employees, marketing training and others.

Suisse Secrets: Credit Suisse's information leak under the Swiss Anti-Money Laundering Act

Leonardo Caus Sampaio
Federal University of Espírito Santo (UFES), Brazil
leonardo.sampaio@edu.ufes.br

Abstract

2022 has been a year of change to the second largest Swiss financial institution. Credit Suisse not only has been at the center of the media for its restructuring process, but also because of its most recent scandal: Suisse Secrets took the bank off its pedestal grounded by Switzerland?s strong bank security system in a movement that the own institution could not have predicted. With leaked information related to over 18,000 accounts with assets under management that figure the billions, a single journalistic report from German newspaper Süddeutsche Zeitung put the corporate into distress. Not only the data displayed private information on nominal and business accounts dating back to the 1940s ? overcoming the famous Swiss regulations that make it almost impossible for the media to disclosure any banking-industry related information ?, it had a surprise factor: Credit Suisse had managed to activate, maintain, and protect more than billions of Swiss francs from all sorts of dubious clients, covering a range of mafias? brokers, government officials prosecuted for corruption, alleged human rights abusers, drug cartels, politicians, and other criminals who would not have been able to claim such accounts if the bank had followed the country?s guidelines for its practice. Suisse Secrets brings into daylight the sequence of leaked data that made possible for one of the largest, richest, and most imponent global financial institutions to have its stocks free-falling in a matter of weeks, following the resignation of high-ranked department heads and the intense loss of confidence of the bank?s investors into its credibility. The investigation conducted by dozens of innumerous media outlets in over 39 countries revealed strong immoral behaviors that could possibly be explained by the strong secrecy regulations imposed by the Swiss government, making it easier for large organizations to surpass law without punishment. Having failed to promote a direct connection with authorities on the illegitimate characteristics of its clients ? a regulation from the country?s Anti-Money Laundering Act of 1998 ?, Credit Suisse has now a bigger challenge than ever before: how to save a bank from bankruptcy, caused by its own culture of being prone to litigation?

Behavioural aspects behind the growth of fund families

Michel Verlaine
ICN Business School , France
Michel.verlaine@icn-artem.com

Abstract

Standard portfolio theory predicts that investors should invest in diversified portfolios, whatever their risk aversion. The asset management industry, however, is characterized by a lot of differentiated investment funds advertised to investors. This is inconsistent with the predictions of standard portfolio theory and standard rationality assumptions. Apart from the recent inflation of funds there exists also an increase of fund families, which is inconsistent with portfolio theory. The number of funds managed by managing companies has increased tremendously. The paper aims at providing an explanation based on behavioural aspects as documented by the behavioural economics literature. We focus on the flow-performance relationship and show how the convexity of the flow-performance relationship creates incentives for management companies to inflate the family of funds offered.

Irrational Effects and Size Premium

NAHUM BIGER
University of Haifa, Israel
nbiger@univ.haifa.ac.il

Abstract

The size premium is a well-documented stock market anomaly since the 1980?s. While some authors claim that this anomaly disappears if various factors are controlled for, there is also a vast body of research claiming that this anomaly is well and alive. The purpose of this paper is to explore the relationship between irrational factors and the size premium. The irrational factors considered are seasonal affective disorder (SAD) and the well-known Monday effect. We use US data for 1926-2020 that are combined using size as well as book-to-market decile portfolios 10×10. The results partially suggest that the cold season and the Monday effect have a significant effect on the size premium. This effect appears to depend on the type of the company. Inside each book-to-market decile, the SAD variable had smaller absolute coefficients for relatively smaller size companies. The effect FALL variable was close to negligible for smaller companies, across each book-to-market decile. The Monday effect was also associated with coefficients closer to zero (all the coefficients were negative) for growth companies than for value companies. The impact of TAX was significant among larger companies, and for small value stocks, the impact was greater than small growth stocks. However, one may find evidence of the size premium anomaly even after accounting for the irrational factors. We discuss possible explanations and suggest further research approaches.

The DSTI Gap: A novel risk monitoring tool and reverse stress-test linking inflationary shocks to borrowers? repayment capacity in 15 European economies

Alexandru Monahov
National Bank, Romania
alexandru.monahov@gmail.com

Abstract

After the 2008 global financial crisis, the development of macroprudential instruments capable of reducing systemic risk was placed at the forefront of the Basel III implementation agenda. Central Banks worldwide sought to enhance their capabilities to monitor and prevent the accumulation of risk within the financial system. Borrower-based measures such as the DSTI were one of the latest novelties adopted by policy-makers in a bid to enhance the ability of households to repay their loans and prevent the risk of default. Following a prolonged Covid pandemic in which consecutive rounds of lockdowns and infections distorted global supply chains, many economies were confronted with a sharp rise in inflationary pressures. Within the financial stability community, this led to a series of questions on the impact of such shocks on the capacity of borrowers to repay their debt. This paper presents an indicator called the DSTI Gap, which measures the excess (or deficit) of financial resources of a debtor after having covered current expenses plus debt servicing costs. The DSTI Gap can be used to assess the excess resources that borrowers hold to absorb potential shocks and the extent to which they must resort to defaulting on their loans when reducing consumption to mitigate the shock is not possible. When coupled with a reverse stress-test, the indicator can be used to determine the maximum inflationary shock that borrowers can tolerate before defaulting on their loans.

Dynamic connectedness between credit and liquidity risks in EMU sovereign debt markets

Marta Gomez-Puig
Universitat de Barcelona, Spain
marta.gomezpuig@ub.edu

Mary Pieterse-Bloem
Erasmus School of Economics, Netherlands
pietersebloem@ese.eur.nl

Simon Sosvilla-Rivero
Universidad Complutense de Madrid, Spain
sosvilla@ccee.ucm.es

Abstract

We examine the dynamic interconnection between sovereign credit and liquidity risks in ten euro area countries at the 5-year maturity with high-frequency data from MTS over the period January 2008-December 2018 using the extension of the TVP-VAR connectedness approach of Antonakakis et al. (2020). Our results indicate that for most periods net connectedness is from credit risk to liquidity risk, but this indicator is time-dependent, detecting some episodes where it goes from liquidity risk to credit risk. We set up an event study and find that the latter episodes can be related to several unconventional monetary policy measures of the ECB. Then, we examine the drivers of the connectedness indicator by means of a Probit model. Our results suggest that monetary policy shocks and economic policy uncertainty increase the probability of risk transmission from liquidity to credit, while global funding liquidity, tensions in financial markets and surprises in inflation and GDP are factors that reduce such probability.

Implications of the Regulatory Treatment of Sovereign Exposures for Bank Behavior

Oliver Beckmann
FernUniversität in Hagen, Germany
oliver.beckmann@fernuni-hagen.de

Abstract

Using bank-level sovereign exposures published by the European Banking Authority between 2011 and 2020, this paper empirically explores the development of sovereign bond holdings of European banks. The heterogeneity in exposure, bank and macroeconomic characteristics is then exploited to identify factors that determine a bank's decision to invest in sovereign debt. Sovereign exposures build a sizable and stable share of banks' balance sheets and exhibit a home bias that by far exceeds regulatory large exposure limits. On average, banks react to rising sovereign bond yields by purchasing sovereign debt. Consistent with regulatory arbitrage in terms of capital and liquidity, this yield seeking behavior is more pronounced for less capitalized and less liquid banks. Contrarily, banks react similarly to yield changes of sovereign counter- parties located in the European Union compared to third countries, contradicting the idea that privileges for member states of the European Union in banking regulation alter banks' behavior. Supporting moral suasion by the domestic sovereign, recently bailed-out and government-owned banks exhibit a stronger rise in their holdings of domestic sovereign bonds. Providing indirect evidence for the design of carry trades, periods of cheap re financing possibilities reinforce yield seeking behavior.

Revisiting the Pollution Haven Hypothesis: the link between FDI and Air pollution in Sub-sahara African countries

Francis Ayensu
Ghana Communications Technology Unversity, Ghana
fayensu@gctu.edu.gh

Abstract

The Pollution Haven Hypothesis (PHH) dominates the literature in environmental economics. Though most empirical studies have sought to validate or refute this theory, their findings appeared inconclusive and inconsistent. Lack of sufficient empirical literature analysing the relationship among air pollution, and FDI inflows in ECOWAS member states has necessitated the current study. The proposed study seeks to examine whether FDI inflow drives air pollution. The research approach is deductive since the study seeks to validate or invalidate a theory. The research design is causal since the study seeks to explain the effect of economic growth on environmental degradation. The research method is quantitative since the study relies on secondary quantitative data to study the relationship between environmental degradation and capital flows. The target population represents 15 member states of the sub-African economic bloc known as ECOWAS (Economic Community of West African States).. The source of data is primarily secondary data. Data were gathered from international organizations such as United Nations (through United Nations Environmental Programme) and World Bank. The analysis method was an observation of cross sectional panel data over 61 years from 1960 to 2020. The decoupling method was used alongside other statistical modelling methods (multiple regression model, differential regression methods, econometric models, etc). Data was analyzed with the assistance of statistical software such as Microsoft Excel, EViews 12, and Stata 14. The study findings failed to confirm the PHH theory for the relationship between capital allocation (FDI) and environmental degradation (AQI) for the 15 member countries of ECOWAS. These findings imply that member states have lax environmental regulations yet fail to attract FDI inflows from advanced countries via investment from high polluting multinational firms. The study outcomes have several implications for policy enactment, environmental protection, and approach to development. Member states should encourage the inflow of FDI from high polluting firms in advanced economies by creating tax free industrial zones in their respective jurisdiction. Besides, member states that lack environmental laws should enact them while those that do not have environmental protection agency should establish them. Lastly, member states must adopt a developmental approach that privilege the protection of the environment and safeguard the existence of our planet.

The dollar versus the peso: Currency of debt choices among Mexicans working in the U.S.

Tatiana Vdovina
Washington University in St. Louis, United States
tvdovina@wustl.edu

Abstract

In this project, I intend to empirically understand the choice of Mexican households, which have at least one member working in the United States, to borrow in pesos or dollars. The two experiments will involve a select group of Amazon MTurk users presented with a hypothetical choice to obtain small, short-to-medium-term (3 to 5 years) household loans. The users are selected based on their primary residence in certain states of Mexico and their status as an immigrant worker in the United States. For the purposes of this study, I will focus on low-wage, manual labor workers and seasonal workers from the northern region of Mexico employed in U.S. border states (California, New Mexico, Texas, Arizona). I will attempt to derive the elasticity of the chosen fraction of total financing in dollars for households given household characteristics (risk aversion, income in dollars, other financials) following their responses to the interest rate reduction experiment, when presented with an opportunity to borrow in either pesos or dollars. I also intend to identify the elasticity of the level of dollar borrowing if the agent only intends to borrow in dollars.

The Impact of Fractional Trading on Order Book Dynamics

Janhavi Shankar Tripathi
Fordham University, United States
jtripathi@fordham.edu

Erick W Rengifo
Fordham University, United States
rengifomina@fordham.edu

Abstract

We study the impact of fractional trading (FT) on the price levels and order book dynamics observed in stock markets. FT has recently been introduced on multiple trading platforms in equities markets, allowing individuals to buy a fraction of a share of stocks or ETFs (exchange-traded funds). FT, along with direct and easier access to the markets through commission-less trading apps, can potentially modify the risk appetite of non-professional investors (who are generally myopic and risk-averse) and create opportunities for portfolio creation and diversification, hence increasing the demand for stocks. It can also impact non-professional investors' investment behavior, price levels, and market volatility. Using Nasdaq data feed at a minute frequency, we show that there has been a significant increase in the slope of the price-volume structure and average tick size. In some cases, there has been an increase in the number of steps required to place a limit order post-FT. Our results suggest that increased demand for stocks led by easiness to trade stocks and FT impacts the order book's price formation process and price-volume structure.

Emotions, valuation uncertainty and gender: Evidence from a bubble market

Paul Ryan
University College Dublin, Ireland
paul.ryan@ucd.ie

Clare Branigan
University College Dublin, Ireland
clare.branigan@ucd.ie

Abstract

This paper investigates the impact of valuation uncertainty on residential property prices near the peak of a bubble. Our hand-collected sample comprises the sequence of bids and gender of participating bidders at Irish residential real estate auctions, prior to the collapse of a bubble, which when it burst had disastrous implications for the banking system and the economy itself. We find auction winners do not reduce their bids as valuation uncertainty increases. In addition, winning female bidders, contrary to extant research across a broad range of decision contexts, do not behave differently with respect to uncertainty than their male counterparts and their bidding behavior does not have a dampening effect on prices.

Does gender diversity affect corporate cash holdings?

Ruchi Moolchandani
Indian Institute of Technology Roorkee, India
ruchimoolchandani1@gmail.com

Sujata Kar
Indian Institute of Foreign Trade, India
sujata.kar@gmail.com

Abstract

This study examines the impact of female directors on the cash holding decisions of large, listed companies. The study utilizes a panel data set of large Indian listed firms from 2009 to 2011. The findings of the study reveal that firms having high percentage of female directors hold more cash. Further, the analysis supports the critical mass theory as firms having one or two female directors don?t affect the cash balances of Indian firms. However, when the number of female directors rises to three, they exert a significant negative influence on cash levels. Lastly, women executive directors are negatively associated with cash, whereas women independent directors positively affect cash balances. Overall, the study favors a gender diverse board and highlight the role of female directors in taking financial decisions, particularly, cash holding decision of Indian listed firms.

Procrastination and Intertemporal Consumption A Three-Period Extension of The CAPM With Irrational Agents

Helga Habis
Corvinus University of Budapest, Hungary
helgahabis@yahoo.co.uk

Abstract

In this paper, we investigate the capital asset pricing model (CAPM) derived from a three-period general equilibrium model. We show that this extended model yields a Pareto efficient outcome. This result indicates that the beta pricing formula could be applied in a long-term model setting as well. This result enables us to incorporate time-inconsistent preferences. To introduce these irrational behaviors into the model, we use hyperbolic discounting in the utility functions instead of the classical exponential one. We define and consider two types of agents, i.e. they can be either sophisticated or naive. Sophisticated agents take into account their potentially changing future preferences when making a decision. Naive agents, on the other hand, do not anticipate this issue and their related self-control problems when they plan the consumption path. We demonstrate that the derivation of the CAPM equation can be achieved even if the agents in the financial economy have time-inconsistent preferences.

Systemic Risk of Commodity Traders

Thorsten Glück
Hochschule Rhein;ain, Germany
Thorsten.glueck@hs-rm.de

Zeno Adams
University of St. Gallen, Switzerland
Zeno.Adams@unisg.ch

Abstract

We examine the disruptions to global commodity flows following the bankruptcy of a commodity trading firm. The physical commodity network is operated by a handful of large traders that are responsible for the timely delivery of raw materials and inputs to industrial production. We propose a model that simulates the resilience and response time of the network following a shock. Our results suggest that a number of commodity traders carry significant systemic risk. The forced removal of a trader from the network has considerable implications for the prices and availability of physical commodities over a period of 6 to 12 months.

Outside Director Tenure Length: Expertise-Enhancement versus Entrenchment

Woochan Kim
Korea University Business School, South Korea
wckim@korea.ac.kr

Minjae Kim
Korea University Business School, South Korea
minjae408@korea.ac.kr

Sojung Kim
Ministry of Health and Welfare, South Korea
sjkim5280@gmail.com

Abstract

This study examines the effect of outside director tenure length on firms? market valuation and the voting behavior of outside directors. We make use of the new rule adopted by the Korean government in 2020 that prohibits outside directors from serving more than six (nine) years in a given firm (business group). We find evidence consistent with the hypothesis that longer tenure entrenches the outside directors than helping them acquire more experience. First, the stock market reacts positively to the announcement of the new rule in firms with outside directors subject to the new tenure limit rule ? long-tenured outside directors (LTODs). The effect is greater in poorly-governed firms. Second, outside directors dissent more frequently against management after the rule change. This takes place through the removal LTODs that used to dissent less, the election of new outside directors that dissent more, and the increase in the dissent rates of second-term outside directors who can no longer be re-elected because of the rule change.

The Shapley Value Approach to Financial Assets Equilibrium

Haim Shalit
Ben Gurion University, Israel
shalit@bgu.ac.il

Abstract

The Shapley value concept has emerged in cooperative game theory to measure the exact contribution of players in the game. In financial markets theory, the Shapley value is used to breakdown the risk and mean return of optimal portfolios, attributing to the various assets their exact contribution. Essentially, the results were validated for the mean-variance investment model using a small set of assets due to the limitations involved in computing the Shapley value. In the present paper, the concept is somewhat calculated for to larger portfolios using the multilinear extention of games approach in order to price risk and mean return of assets in an existing stock market. The results are compared against current practices and arbitrage considerations are evaluated for some US stocks traded in 2021. The approach should lead the way to a newer capital asset pricing model that values accurately asset risk and mean return.

How Do Firms Cope with Losses from Extreme Weather Events?

Luca Gattini
European Investment Bank, Luxembourg
l.gattini@eib.org

Frank Betz
European Investment Bank, Luxembourg
f.betz@eib.org

Emanuela Benincasa
Zurich University, Switzerland
emanuela.benincasa@bf.uzh.ch

Abstract

We document the investment and financing decisions of firms that experience monetary losses due to extreme weather events. Our sample covers firms operating in 41 economies, mainly emerging and developing markets. Consistent with the need to either replenish damaged capital or to adapt to climate change, firms hit by extreme weather are more likely to invest in long-term assets. In addition, they are more likely to integrate climate-friendly measures in their production processes. Although these firms have higher needs for bank credit, they are not more likely to be credit constrained than the average firm. Nonetheless, they face higher loan rejection rates and they are more leveraged than otherwise comparable firms. This suggests that climate change has the potential to erode the quality of firm balance sheets over time.

From discouraged borrowers to measuring credit gaps: A methodology based on Enterprise Surveys

Frank Betz
European Investment Bank, Luxembourg
f.betz@eib.org

Luca Gattini
European Investment Bank, Luxembourg
l.gattini@eib.org

Ozan Akbas
Warwick University, United Kingdom
ozan.akbas@warwick.ac.uk

Abstract

We define the credit gap as the financing needs of firms that are bankable but discouraged from applying for a loan. A scoring model assesses the creditworthiness of discouraged firms. Credit is assigned based on a rule that models the trade-off between allocating credit to firms that are not creditworthy versus not allocating credit to bankable borrowers. The proposed methodology centers on 35 emerging markets and developing economies and uses the 2018-2020 EBRD-EIB-World Bank Enterprise Survey. We show that on average discouraged firms are less creditworthy than successful applicants. Nonetheless, the share of bankable discouraged firms is large, thus suggesting inefficient credit rationing. The baseline results point at an aggregate credit gap of 7.9% of GDP with significant variation across countries. SMEs account for more than two-thirds of the total, reflecting both their contribution to economic activity and the fact that they are more likely to be credit constrained.

Audit Committee Oversight and Bank Financial Reporting Quality

Lemonia Marina Rempoutsika
The Open University Business School, United Kingdom
lemonia.rempoutsika@open.ac.uk

Dimitris Chronopoulos
University of St Andews, United Kingdom
dc45@st-andrews.ac.uk

John Wilson
University of St Andews, United Kingdom
jsw7@st-andrews.ac.uk

Abstract

This study investigates the impact of audit committee oversight on the financial reporting quality of US bank holding companies. To overcome identification concerns, we use Section 165h of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires publicly traded bank holding companies with assets exceeding $10 billion to have separate audit and risk committees. We utilise a difference-in-differences framework where our treatment group comprises bank holding companies that were required to separate audit and risk oversight functions following the introduction of Section 165h, and our control group comprises counterparts that already had separate audit and risk committees prior to the passage of Section 165h. We estimate the difference in the behaviour of treated bank holding companies between the pre- and post-implementation period of Section 165h with the same difference in the behaviour of control group counterparts and find that the separation of audit and risk committees leads to an improvement in financial reporting quality. We attribute the observed improvements in financial reporting quality to the increased focus of audit committees arising from a reduction in the volume and complexity of tasks undertaken following the implementation of Section 165h.

A Model of Cycles and Bubbles under Heterogeneous Beliefs in Financial Markets

Carina Burs
Paderborn University, Germany
carina.burs@uni-paderborn.de

Abstract

We study the effect of heterogeneous beliefs about asset prices on the long-term behavior of financial markets. Starting from the ideas of Abreu and Brunnermeier (2003), we develop a two-dimensional system of differential equations. The first dynamic variable is the asset price growth rate. The second dynamic variable is the number of investors who believe that asset prices are abnormally high. In a phase plane analysis we find both stable and unstable equilibria, depending on the spread of information and the response to other agents? beliefs. If individuals try to increase their returns while perceiving more overpricing, these equilibria can be spirals or even approach limit cycles. Although we intend to study general price patterns, abnormally high asset prices can be caused by financial bubbles. In our model, bubbles can emerge and deflate both in cycles or directly, or they can grow until they burst. Further, we analyze market behavior after a central bank increases the interest rate. This can lead to new stable equilibria, but the emergence and bursting of bubbles cannot be prevented.

Foreign Exchange Implications of CBDC and their Integration via Bridge Coins

Alexis Derviz
Czech National Bank, Czech Republic
alexis.derviz@cnb.cz

Abstract

When several central banks decide to introduce a CBDC, interoperability requirements create demand for a common payment infrastructure and a joint digital accounting unit (bridge coin). Many attributes of the latter resemble those of private digital currencies. At the same time, the CBDC-embracing authorities actively contribute to elevating digital wallets to the position of a household technology. Private agents discover ways to make domestic and foreign payments in the (digital) currency of their choice irrespective of the CBDC-issuing authorities' intentions. Will, in such a world, fiat currencies and the central banks that issue them be sidetracked by the bridge coin or are old and new forms of international transactions able of coexistence? What changes await the traditional FX market? These questions are addressed in a two-country two-good two-currency DSGE model with a global digital currency (digicoin). Under a certain structure of FX transaction costs, all three partial FX markets coexist and a complete elimination of fiat currency use in foreign trade is unlikely as long as the bridge coin operator is unable to become a global banker as well.

Does Trademark Quality Recognition Affect Firms? Initial Returns?

EMMANOUIL TSIRITAKIS
University of Piraeus , Greece
etsiritakis@gmail.com

Dimitrios Gounopoulos
University of Bath, United Kingdom
d.gounopoulos@bath.ac.uk

Kyriakos Drivas
University of Piraeus , Greece
drivas@unipi.gr

Claire Economidou
University of Piraeus , Greece
economidou@unipi.gr

Dimitrios Konstantios
University of Piraeus , Greece
konstantios@unipi.gr

Abstract

This study examines the importance of valuable trademarking as a quality lever for firms raising capital during and shortly after their Initial Public Offering (IPO). Based on a sample of 2,275 US IPOs for the 1997-2016 period, we find that high-value trademarking leads to higher underpricing. This finding is more pronounced for service firms than product firms and also in competitive industries. Potential mechanisms driving our findings are information revelation and market feedback. A post-IPO analysis confirms that particularly high-value trademarks are important assets in a firm?s valuation. Issuers with more valuable trademarks can survive longer in the public domain, realizing superior post-IPO performance in terms of higher abnormal returns and market value creation. Finally, high-value trademarking enables issuers to raise more equity capital sooner through Seasoned Equity Orderings (SEOs) compared to their peers.

Negative Sentiment and Aggregate Retail Trading: Evidence from Mass Shootings

Tianchen (Hugo) Zhao
University of Maryland, United States
tzhao97@umd.edu

Abstract

I analyze the role of sentiment in aggregate retail investors? trading activity. Using mass shootings as exogenous, non-economic and negative shocks to investor sentiment, I find that retail investors on average net sell stocks of firms headquartered in the states where mass shootings took place in the previous week ("local stocks"). During the week after mass shootings, the average decrease in daily retail share volume order imbalance for local stocks is around 8% of the sample mean. Consistent with lower sentiment-driven trading, the retail net divestment from local stocks increases in the number of victims from mass shootings, and is more pronounced following unsolved shootings and shootings with teenager victims. Consistent with predictions from sentiment models, local stocks earn lower returns only in the week after shootings. Finally, institutional investors do not react to mass shootings, which suggests that retail investors are more prone to sentiment.

Relative Performance Evaluation with Business Group Affiliation as a Source of Common Risk

YONG HYUN KWON
Changwon National University, South Korea
kwon4711@changwon.ac.kr

Seung Hun Han
KAIST, South Korea
synosia@kaist.ac.kr

Yoon K Choi
University of Central Florida, United States
ychoi@ucf.edu

Abstract

This study examines relative performance evaluation (RPE) for the compensation of CEOs of business groups called ?chaebols? in Korea. We find strong evidence of RPE when peers are other member firms in the same business group, particularly when a firm has an established compensation or is run by professional CEOs. We argue that the affiliation of business groups can be a significant common shock affecting the performance of firms in the group such that the aggregate peer performance can be used in RPE to filter the common risk out of CEO compensation for more efficient CEO incentive contracts.

An American in Paris: National Director?s Foreign Experience and Firm Internationalization

Niels Hermes
University of Groningen, Netherlands
c.l.m.hermes@rug.nl

Shibashish Mukherjee
EM Lyon Business school, France
mukherjee@em-lyon.com

Nassima selmane
KEDGE Business school Bordeaux, France
nassima.selmane@kedgebs.com

Abstract

Despite considerable research on corporate boards, there is a lack of consensus on how directors? prior work experience affects the firms? corporate strategy. Using data from 3,068 US-listed firms between 2003 and 2015, we study how US directors? foreign board experience affects the degree of internationalization of the firm on which board they sit. We show that US directors? foreign board experience in countries with familiar legal institutions (i.e., common law countries) does not affect the degree of internationalization of the firm. Instead, US directors with board experience in countries with unfamiliar legal institutions (i.e., code law countries) is associated negatively with the firm?s degree of internationalization. This suggests that these directors provide negative advice regarding the firm?s internationalization strategy. We further show that higher levels of societal trust and prior executive experience in code law countries reduces the negative association between US directors? foreign experience and the degree of internationalization of the firm on which board they sit, suggesting that under these two circumstances, the impact of their foreign experience on the internationalization of the firm is less negative. We explain this latter outcome by pointing at institutional learning of these directors.

The Swiss Job: Exchange rate comovements and the volatility spillover before and after the Swiss National Bank?s unpegging decision

Pankaj Chandorkar
Northumbria University, United Kingdom
pankaj.chandorkar@northumbria.ac.uk

Abstract

We study the efficacy of Central Bank intervention in foreign exchange market in the context of Swiss National Banks?s decision of unpegging the Swiss Franc (CHF) from the Euro (EUR). The intervention is unique as it involves switching the exchange rate regime from fixed to floating of a safe-haven currency. For this we examine the time-varying currency comovements, volatility spillover and hedge ratios among five major currencies with Swiss Francs (CHF) as the base currency. We find that following the unpegging decision, the magnitude of comovements and volatility spillover among the currencies, on average, has decreased. We also find that the Swiss stock market volatility has become a significant driver of the comovements amongst the currencies since the unpegging decision. We study the practical implications of these results by constructing and studying the currency hedge ratios. We find that hedge ratios, on average, have decreased since the unpegging decision.

A Market Model of Risk Transfer and Insurance

Erik Benrud
Indiana University, United States
ebenrud@iu.edu

Abstract

We introduce a model of a market where risk-averse consumers pay a fee to transfer their future losses to one or more firms. The future loss of each consumer is stochastic with a unique, known mean and variance. The law of large numbers allows the firms to know with certainty the expected aggregate loss of the consumers to whom they sell. The model could describe the behavior of agents in the market for property insurance where an insurance company sells a single type of policy to a specific group of consumers based upon the expected losses of those consumers and their willingness to pay for coverage. The model demonstrates how a single firm can choose the optimal segment of the market to which they sell a policy and how that choice might change when the distribution of consumers and their risk aversion changes. The model also demonstrates how two firms might engage in a cooperative strategy and share the market. The model shows how a firm entering the market will find it more advantageous to target a segment of the market with consumers that have a lower expected loss.

When profitability is not a goal, what is the impact of governance on performance?

Ahmed Alanazi
Alfaisal University, Saudi Arabia
ahalanazi@alfaisal.edu

Abstract

This research investigates the link between governance and performance when profitability is not a major objective for the organization. We construct a governance index based on 75 provisions for the sixteen football clubs that participated in the premier league for the year 2021-2022 in Saudi Arabia and examine the association between this index and clubs? performance. The results indicate a large variation between the clubs in the level of compliance. Also, we document a significant positive impact of some governance provisions on the predictability of the match outcome and performance.

The ECB Single Supervisory Mechanism: Effects on Bank Competition

Michael Sigmund
Oesterreichische Nationalbank, Austria
michael.sigmund@oenb.at

Burkhard Raunig
Oesterreichische Nationalbank, Austria
burkhard.raunig@oenb.at

Abstract

Under the Single Supervisory Mechanism (SSM) introduced in 2014, supervision of significant euro area banks moved from national authorities to the European Central Bank. We find that the SSM reduced competition for SSM banks in countries that were at the center of the sovereign debt crisis by increasing Lerner indices and profit persistence. In other euro area countries, the SSM had little effect on competition or increased competition for SSM banks. Profit persistence also indicates that banking sectors are not in long-run equilibrium, which does not hamper identification but inflates standard errors of estimated SSM effects on the Lerner Index.

Forex interventions and their impact on the spot rate, the options market and covered interest parity when global banks have a limited risk-bearing capacity

Markus Hertrich
Deutsche Bundesbank, Germany
markus.hertrich@bundesbank.de

Daniel Nathan
Bank of Israel and University of Pennsylvania, Israel
daniel.nathan@boi.org.il

Abstract

Using confidential daily foreign exchange interventions (FXI) data, we analyse the FXI episode of the Bank of Israel (BOI) from 2013 to 2019. We find that a purchase of US dollar (USD) 1 billion is on average associated with a depreciation of the Israeli new shekel (ILS) by 0.82%-0.83%, which is at the upper bound of the estimated impact in other studies. We show that this effectiveness can partially be explained by global financial intermediaries' limited risk-taking capacity. The (indirect) effect on the forward rate is smaller - the BOI's USD purchases have widened the negative deviation from covered interest parity by 13 basis points. This widening remains significant over 90 days. Contrary to the findings in earlier empirical literature, the higher moments of the risk-neutral probability distribution of future spot exchange rates are also affected. The USD purchases shift the whole distribution towards higher USD/ILS values while reducing crash risk. We also find that the USD/ILS options market partially anticipates intervention episodes and prices them in before they occur.

Systematic Risk and Stock Returns Across Industries

Atul Saxena
Georgia Gwinnett College , United States
asaxena@ggc.edu

Abstract

The underlying basis of this paper is a project assigned to students in the Intermediate Finance course in the undergraduate (BBA-degree) program and the MBA core course on corporate finance. But the research for this paper goes beyond the basic assignment in computing beta (?) values of randomly selected five firms each from ten industries. The only selection criteria are that these stocks are traded on the US stock exchanges and should not have any missing data. Systematic risk of firms is positively related to stock returns, as evidenced in the literature. While the concept of beta (?) values is particularly applicable in corporate finance and investment analysis, it can be translated into our lives as we make judicious selection of securities to build our own diversified portfolios and retirement nest egg. Therefore, the skill to compute ?-values of stocks is useful across all schools, majors, disciplines and all walks of life. This research provides an opportunity for investors to compare and contrast systematic risk characteristics across industries.

Board Responsibility for Irresponsibility: The link between Board Structure and Corporate Scandals.

Christian Kreuzer
University of Regensburg, Germany
christian.kreuzer@ur.de

Abstract

Based on an international data set that comprises over 6,100 companies located in 44 countries in the years 2002--2018, this paper analyzes the relation between corporate scandals and board structures besides further firm-related, political, nation-level economical, and cultural variables. We identify board structure variables that tend to increase a firm's corporate scandals, namely high CSR efforts and busy board members. There are also variables that tend to reduce this kind of behavior, namely qualified and skilled boards. No clear evidence can be determined from a board's gender diversity and board size.

Labor Protection and Financing Decisions of Firms: The Case of China

Tarun Mukherjee
University of New Orleans, United States
tmukherj@uno.edu

Yuxin Huang
Central Connecticut State University, United States
yuxinhuang@ccsu.edu

Wei Wang
Cleveland State University, United States
w.wang24@csuohio.edu

Abstract

Serfling (2016) examines how the increase in firing costs impacts the capital structure decisions of firms and hypothesizes that higher firing costs of labor lead to a decline in a firm?s financial leverage use by directly increasing its distress costs and indirectly lifting its operating leverage. Stricter labor protection laws passed in China in 2007 provide an opportunity to revisit the issue within a controlled environment. Employees of SOEs already enjoy the benefits that the new labor law imparts. So, SOEs are exposed to lower firing costs than their non-SOE counterparts. Additionally, the exposure to bankruptcy is more limited for SOEs than non-SOEs. We hypothesize and show that non-SOE firms? financial leverage decreases more than SOEs, confirming the leverage-lowering effect of labor protection laws. Further, the decline in financial leverage is more pronounced for a labor-intensive firm or one that encounters steep competition.

Financial strategies and family firm performance: Evidence from Japan

Tianyi Song
Kobe University, Japan
196b138b@stu.kobe-u.ac.jp

Yuichiro Kubo
Kobe University, Japan
y-kubo@people.kobe-u.ac.jp

Kenji Kutsuna
Kobe University, Japan
kutsuna@kobe-u.ac.jp

Abstract

This paper examines whether family firms make financial strategies different from non-family firms and whether financial strategies affect the relationship between family involvement and firm performance in Japan. Using a comprehensive dataset, our results show that family firms tend to issue more debt, pay fewer dividends, and hold more cash than their non-family counterparts. These differences are largely driven by firms managed by a founder or an heir CEO. We find that issuing more debt leads to family firm performance being inferior to non-family firms but holding more cash results in the outperformance of family firms. While paying more dividends does not impact family firms? profitability, it helps them achieve higher market value. These results are primarily ascribed by firms managed by a non-professional CEO. We also document that the above impacts are generally more pronounced for small firms and firms with a low family legacy.

The net effect of attitudes toward ambiguity on portfolio choices and asset prices

Hideki Iwaki
School of Management, Tokyo University of Science, Japan
iwaki@rs.tus.ac.jp

Yusuke Osaki
Faculty of Commerce, Waseda Univeristy, Japan
osakiy@waseda.jp

Abstract

This study examines the net effect of attitudes toward ambiguity on portfolio choices and asset prices under expected utility with uncertain probability as proposed by Izhakian (2017}. The analysis can be transformed to that under expected utility using the perceived probability measure. The results are threefold, and are related to some major puzzles in finance. First, we find that ambiguity-averse agents might not invest in ambiguous assets with positive expected returns. Second, we determine the conditions under which ambiguity aversion reduces the demand for ambiguous assets. Finally, we derive the bump-shaped state price density using parameter values based on market data.

Modified VAIC, Investor Sentiment, and size of the offer

Sukanya Wadhwa
Indian Institute of Management Lucknow, India
phd21011@iiml.ac.in

Seshadev Sahoo
Indian Institute of Management Lucknow, India
seshadev@iiml.ac.in

Abstract

In our study, we analyzed the impact of intellectual capital on investor sentiment proxied by the subscription rate of the stock. The results show that structural capital efficiency (SCE) has a significant positive relationship with the subscription rate. At the same time, financial capital efficiency (FCE) has a significant negative relationship with the subscription rate. An inverse relation exists between SCE and offer size, while the inverse is true for FCE and offer size. Further in-depth analysis reveals that NII's are influenced by SCE, moderating the role of offer size on SCE, FCE, moderating role of offer size on FCE, age, and crisis, while the SCE influences retail investors, offer size, moderating the role of offer size on SCE.

Operation Choke Point and Payday Lending: Regulatory Ethics Violations in The Pursuit of Noble Public Policy

Robert Manning
University of Kurdistan Hewler, United States
rdm@WashingtonDCinsider.com

Abstract

ABSTRACT The paper examines the regulatory history and political debate over the high-cost ?Payday? loan industry in the United States. These small ?crisis credit? loans are essentially collateralized by future deposits to borrowers? checking accounts. The growth of this highly profitable industry reflects the rise of income inequality in the United States as well as the withdrawal of retail banking services from minority, lower-income, and working-class neighborhoods. Since the late 1990s, regulatory trends of the Payday industry have reflected the pendulum swings of partisan politics. Democrats have pursued stringent regulation while Republicans have sought regulatory relief. In 2012, U.S. Attorney General Eric Holder Launched the Consumer Protection Working Group (CPWG) to combat consumer fraud. It included representatives from DOJ, FTC, and CFPB which spawned ?Operation Choke Point? whose purpose was to limit a wide-range of ?high risk activities.? DOJ officials specifically targeted Payday lenders?a legal business activity?with the goal of ?choking? the industry. This was conducted by pressuring FDIC regulators to terminate essential retail banking services such as commercial lines of credit and electronic (ACH) transactions. The examination of FDIC regulatory ?guidance? as well as intra-agency communications (as revealed by U.S. Congressional investigative hearings and industry litigation), illuminate the complicity of federal regulators in their illicit efforts to strangle a legal?albeit unsavory--industry that is scorned by social justice advocates. After ?Operation Choke Point? was exposed, the U.S. Congress and the Trump Administration chastised the covert operation of the program. It was dissolved in 2017. Today, litigation by Payday lenders continues over compensatory damages as well as monetary relief settlements. The latter has resulted in a recent U.S. Supreme Court decision. Operation Choke Point constitutes a cautionary tale of regulatory politicization where the ?ends justified the means? even if the objective is to destroy a legally regulated industry.

Which ESG Pillars should we focus on? A Two-Step Analytical Framework

Bita Mashayekhi
University of Tehran, Iran
mashaykhi@ut.ac.ir

Amin Jahangard
University of Tehran, Iran
amin.jahangard.acc@gmail.com

Milad Samavat
University of Tehran, Iran
samavatmilad@gmail.com

Zabihollah Rezaee
University of Memphis, United States
zrezaee@memphis.edu

Saeid Homayoun
University of Gavle , Sweden
Saeid.Homayoun@hig.se

Abstract

The research problem This study offers a novel analytical framework that can be implemented to attain key non-financial performance indicators and perform cluster analysis based on these key indicators to facilitate peer group analysis. Target Population The target research audiences are various stakeholders, including policymakers, sustainability reporting standard setters, socially responsible Investors, and accountants. Adopted Methodology The MEthod based on the Removal Effects of Criteria (MEREC) and K-means cluster analysis. Analyses Using the 2002-2017 ASSET4 ESG data, we attained the objective weights of each ESG pillar in different sectors of the economy and then conducted cluster analysis based on them to document similar firms in each Sector for peer group analysis purposes. Findings We find that although different indicators are considered to be the most critical pillar of ESG in different sectors, their overall ranking is as follows: 1- the social (SOC) dimension, 2- the economic (ECN) dimension, 3- the environmental (ENV) dimension, and 4- the corporate governance (CGV) dimension.

Study of the Effect on the Introduction of a Lockdown (COVID-19 pandemic) on Abnormal Return Rate

Marcin Kot
University of Warsaw, Poland
marcin1998kot@icloud.com

Abstract

In general, everyone has an individual approach to investing their capital. In the case of the capital market, two extreme approaches can be observed, for some investors the key is the security of investments while for others it is maximization of profits. There are also many investors who follow their own beliefs when making decisions ? the emotional factor. Such behavior is explained by a relatively new field, namely behavioral finance. Its inseparable elements are exchange rate fluctuations. The amplitude of occurring fluctuations increases in case of unexpected random events. One such event was COVID-19 and the announcements of lockdowns in individual countries. The following report investigated the impact of COVID-19 on the capital market, and more specifically, it has been tested in terms of generating abnormal rates of return. The hypothesis of the study was that an announcement of a lockdown resulting in an economic closure generates statistically significant abnormal rates of return in relation to national benchmarks. The study was conducted on the basis of daily closing rates for joint stock companies from six European countries: Bulgaria, the Czech Republic, Poland, Slovakia, Ukraine, and Hungary. The data range covered the period from 1st January 2020 to 30th April 2020. The results of the event study proved that a few companies in the analysis showed sensitivity of their rates of return in relation to COVID-19.

Lower risk with a female CEO? Evidence from microfinance institutions

Øystein Strøm
OsloMet - Oslo Metropolitan University, Norway
oystst@oslomet.no

Bert D' Espallier
KU Leuven, Belgium, Belgium
bert.despallier@kuleuven.b

Roy Mersland
School of Business and Law, University of Agder, Norway
roy.mersland@uia.no

Abstract

Higher risk aversion among women is the common result in experiments and large surveys, but does this mean that female CEOs follow less risky business policies than their male peers? We investigate this for microfinance institutions covering 80 countries in the period from 1998 to 2018, where 28.0\% of the MFIs are led by women. Assuming that the female CEO variable is endogenous, we estimate the effect of a female CEO using the 2SLS instrumental variables method. We find that the risk policies in MFIs led by a female CEO is on par with male peers. The findings are robust to several alternative specifications, among them a propensity score analysis.

Does the Presence of Female Member on Corporate Boards matter for Firm Value? Empirical Evidence from India

Navya J Muricken
IFMR GSB, KREA University, India
navya_jm.rs19@krea.ac.in

Praveen Bhagawan
IFMR GSB, KREA University, India
praveen.bhagawan@krea.edu.in

Jyoti Prasad Mukhopadhyay
IFMR GSB, KREA University, India
jyotiprasad.mukhopadhyay@krea.edu.in

Sivathaasan Nadarajah
Griffith Business School, Griffith University, Australia
sivathaasan.nadarajah@griffithuni.edu.au

Abstract

The rise in attention given to board gender diversity warrants examining how female directors will contribute to firm value. Using firm-level data from 2008 to 2021, we find a positive association between board gender diversity and firm value. The relation is stronger for firms with good corporate governance practices and firms with less information asymmetry. We also show that female directors are less likely to engage in related party transactions than their male counterparts. Results are robust after addressing endogeneity using various econometric techniques. Our findings support the gender quota mandate on corporate boards in the Indian context.

Exchange Rate Risk Management Through Related Party Transactions

Sung Bae
Bowling Green State University, United States
bae@bgsu.edu

Taek Ho kwon
Chungnam National University, South Korea
thk5556@cnu.ac.kr

Bonwoo Ku
Chungnam National University, South Korea
kubonwoo@cnu.ac.kr

Abstract

Related party transactions (or RPTs) offer diverse choices and flexibility in adjusting transaction terms and conditions among related firms. We explore whether firms utilize the beneficial features of RPTs in managing exchange rate exposures. Taking the sample of Korean firms during 2011-2017, we document the following main results. First, firms engaging in expense or payment RPTs command significantly lower exchange rate exposures than firms engaging in no such transactions. Second, the effectiveness of managing exposures is greater for firms engaging in expense RPTs with both domestic and overseas partners than with either domestic or overseas partners. These findings support our main hypotheses that RPTs are a useful mechanism for exchange risk management and that securing a wider range of choices through more diverse partners located both domestically and overseas allows for the effective management of exchange risk. Third, managing exchange rate exposures through expense RPTs has a positive effect on firm value. With new evidence of firms? active use of RPTs in managing exchange rate exposures, our study contributes to the exchange risk management literature by expanding its theoretical and practical scopes to unexplored channel of RPTs.

Managerial approach to measuring REIT efficiency: A survey-based new approach from Malaysia

IHSAN ISIK
Rowan University, United States
isik@rowan.edu

Nor Nazihah Chuweni
Universiti Teknologi MARA, Malaysia
norna692@uitm.edu.my

Viet-Ngu Hoang
Queensland University of Technology, Australia
vincent.hoang@qut.edu.au

Abstract

Purpose ? This paper introduces a new empirical model for measuring operational efficiency of real estate investment trusts (REIT) in response to misspecification issues of existing models used in empirical literature. The new improved model better captures the actuality of how managers manage inputs and outputs, especially in the context of REITs in Malaysia. Design/ methodology/ approach ? guided by a theoretical understanding of operational efficiency of REIT, we conducted interviews with Malaysian REIT managers on inputs and outputs which should be captured in empirical efficiency models. Based on the outcomes of the interviews we constructed a new set of inputs and output for the empirical model. We applied this new model using data from Malaysian REITs for the period from 2007 to 2015 using the data envelopment analysis (DEA) technique. Findings - income distribution and revenue were considered by fund managers as two important outputs which are absent in existing models in empirical literature. Our proposed new model includes these two outputs. Empirical results of the new model show that Malaysian REITs can reduce their input consumption by 26.2% without reducing outputs, implying a significant potential for efficiency improvement. Lower leverage and higher concentation in both property-type and market regions could lead to a greater efficiency performance. Research limitation/implications ? this study provides insights for REIT management and policymakers in establishing optimum utilisation of resources, improvement in managerial techniques and optimum scale of operation of the REIT industry.

Backer's Investment behavior in reward-based crowdfunding

RITIKA .
Indian Institute of Technology, Roorkee , India
ritika1@bm.iitr.ac.in

Ashu Khanna
Indian Institute of Technology, Roorkee, India
ashu.khanna@ms.iitr.ac.in

Abstract

A relatively recent phenomenon, crowdfunding has upended the conventional method of raising business capital. It entails obtaining the finance required to launch an entrepreneurial activity using a vast base of small investors?typically everyday people?instead of more conventional financial sources. Various information is available on the platform website, and funders or backers can access the information about the project or product when they make an investment decision. This paper examines the factors that influence backers? behavior. Information related to the entrepreneur is an essential factor in the investment decision. In particular, the study focuses on the reward-based crowdfunding platform. We are using the hand-collected data of 173 projects from the Kickstarter website. We developed a research model which included the number of backers as the dependent variable, and independent variables are gender, Entrepreneurial creditworthiness, and entrepreneurial activeness, and then did the empirical study. Here, we apply the multiple regression model to show their relationship. Gender and entrepreneurial activeness are significantly positively associated with the number of backers, whereas entrepreneurial creditworthiness is not significantly correlated with backers. It makes a practical contribution by assisting platform owners in learning more about creating a successful platform. It may also assist fundraisers in increasing the effectiveness of their reward-based crowdfunding campaigns by taking into consideration the critical design features that affect backers' decisions to invest in a project.

Examining the Inferior Performance of Special Purpose Acquisition Companies (SPACs) Compared to Traditional Vehicles in the Post-Business Combination Phase: an Empirical Analysis

Rachele Anconetani
University of Turin, Italy
rachele.anconetani@unito.it

Antonio Salvi
University of Turin, Italy
antonio.salvi@unito.it

Federico Colantoni
University of St. Gallen, Italy
federico.colantoni@student.unisg.ch

Francesco Martielli
University of Turin, Italy
francesco.martielli@unito.it

Abstract

This study analyzes the long-term performance of Special Purpose Acquisition Companies (SPACs) in terms of stock prices and operating profitability metrics, specifically EBITDA margin and return on assets, over a two-year time frame. The study aims to compare and adjust the performance of SPACs with a matched group of firms considered as peers. The study focuses on determining factors that affect SPAC performance to provide insights for selecting better targets. The analysis involves univariate and multivariate OLS regressions of three dependent variables and selected independent variables. The study finds that SPACs tend to underperform the matched group in terms of operating profitability and returns. The time to execute a business combination has a negative correlation with SPAC performance, and proximity to the 80% deal threshold negatively affects share price performance and EBITDA margin.

Corporate Governance Research In Ghana: Bibliometric Analysis

Richmell Amanamah
Akenten Appia -Menkah University , Ghana
rbamanamah@uew.edu.gh

Abstract

Purpose: The main aim of this study was to employ a bibliometric method of analysis to review researched articles in the area of corporate governance in Ghana and to gain more insight into the topic and the research gaps to be filled. The objective of the study was to assess the existing correlations of research conducted on corporate governance in Ghana, intellectual structure and development of research on corporate governance in Ghana, and identify the authors, relationships and keywords that have been used in corporate governance research in Ghana. The analysis covers journal articles published in the field of corporate governance from 1998 to April 2021 from Scopus, Web of Science and Google Scholar databases. Methodology / Approach: This study is quantitative in nature. Scopus data based was searched for articles in the field of studies. The search focused on articles between the period 1998 to April 2021 in Ghana. A search using the keyword (TITLE-ABS-KE ("corporate governance" and Ghana) AND (LIMIT-TO (DOCTYPE," ar")) AND (LIMIT-TO (LANGUAGE, ?English")) were entered into the Scopus database. Publish or Perish (PoP) was used to gather data from Google Scholar. The result generated from the first search from Scopus was screened to exclude all irrelevant documents for this study. The initial search found 82 documents related to the keywords entered in the search engine. The screening process eliminated seven documents that were not relevant to the current study, scaling down to 75 articles, Web of Science generated 33 articles and 131 was articles generated from Google Scholar using PoP. Simple statistical analysis was employed to show the trends, scientific publications and the impact level of corporate governance research in Ghana. VOSviewer Software was downloaded from their website and used to visualize different types of bibliometric analyses such as citation co-citation, co-occurrence and keywords, bibliographic coupling and documentation, co-authorship and authors, and cluster analysis. Publish or Perish was downloaded from their website and used for scholar metrics. Bibliometric analysis using VOSviewer was done on only data retrieved from the Scopus database this is because most of the articles were also found in WoS and GS. Results: The study focused on bibliometric analysis of corporate governance in Ghana which is a vital topic when it comes to the survival of companies be it large, medium or small. The study reveals that:1. publications in corporate governance in Ghana have not been consistent. 2. the most productive author is not among the top three most influential authors 3. Google Scholar can capture more citations than Scopus and Web of Science 4. articles in GS are more cited than articles in Scopus and WoS probably due to the issue of accessibility of this database. 5. The PoP Scholar Metrics H-index of 16, G-index of 39, hI, norm of 0.52 and hIA-index of 3. Only 45 articles out of the 75 articles generated from the Scopus database have a network connection. 6. only 4 keywords meet the threshold when a minimum of 5 occurrences of a keyword is used. 7. Co-authorship analysis showed that there is little network or collaboration among the researchers of corporate governance in Ghana. Originality / scientific novelty: This study conducted a bibliometric analysis of corporate governance research in Ghana to ascertain

the trend of research in corporate governance in Ghana and the literature gap. Practical value/implications. This paper contributes to the existing literature by giving insight into the area of corporate governance research in Ghana and making a recommendation of gaps that future research can focus on.

Determinants of Access to Finance for Start-ups

Erefagha Jerome-Ukaoke
Coventry University, United Kingdom
jeromeukae@uni.coventry.ac.uk

Amir Khorasgani
Coventry University, United Kingdom
ab8394@coventry.ac.uk

Abstract

The determinants of access to finance for start-ups is relatively unexplored when compared to other small and medium sized firms that have been in existence. Researchers (Abdulsaleh & Worthington, 2018; Balogun et al., 2016; Rahman et al., 2017; Nguyen et al., 2017) have made efforts to identify factors that affect the demand and supply of external finance for small and medium sized enterprises (SMEs). However, most of these studies have focused on older and more established firms without necessarily considering start-ups which are indeed a lot younger. Research around start-ups financing is still limited when compared to research focused on financing their larger counterparts. A probable reason could be because of limited availability of data and inaccessibility to business owners and managers who are willing to share the financial information for their new firms especially as startups are not under obligation to share their financial statements since they are not publicly listed (Kariv and Coleman 2015). Furthermore, most scholars focus on the determinants of access to bank debt (Abdulsaleh & Worthington, 2018; Nguyen et al., 2017, Rahman et al., 2017., Cassar, 2004), while neglecting other alternative sources of external finance like leasing, higher purchase, private equity and other short-term loans and overdraft. These alternative forms of finance are rapidly gaining recognition and being used by start-ups. Given the arguments explained above, this study specifically focused on empirically analysing the determinants of access to finance for new firms which are widely overlooked in the literature. In particular, the influence of firm characteristics and owner characteristics are examined. It is worth mentioning that start-ups may not fit the conventional corporate finance and capital structure theories as the characteristics of start-ups may be distinct from larger firms (Vaznyte and Andries, 2019). A key issue in external financing for startups is the fact that they are indeed small and relatively new so their financing patterns may vary from medium or larger firms. It is thus important to study start-up financing separately from larger SMEs. In studying factors that affects small business financing, Cassar, (2004); Romano et al., (2001) posits that financing decisions of small businesses are very complex, as they are based on a number of social, behavioral and financial factors. Thus, the utilisation of specific financing instruments are dependent on several owner characteristics like experience, education, gender and age as well as firm characteristics such as firm size, firm age, ownership structure, innovativeness and industry within which they operate (Huyghebaert et al., 2007; Degryse et al., 2012; Hall et al., 2000;). In addition, Cosh et al., (2009) discovered that in the UK, the availability of different sources of finance depends on several different firm characteristics. Some sources of finance are not easily accessible to start-ups and entrepreneurs must make their funding choices based on the relative

cost and benefit of the different sources of finance available (Verma et al., 2020; Wieczorek-Kosmala et al., 2020; Adair and Adaskou, 2015). It has been argued that there are several types of finance that can be employed by the firm to meet various business needs . Thus, this study empirically analysed a diverse range of financing instruments. With adequate awareness of the various options available, start-ups are in a better position to make appropriate financial choices. In the past, the awareness of bank finance as a source of funding was high, while the awareness of other sources of finance has was comparatively low. In recent times however, startups have become more aware and inclined to using various forms of finance based on its suitability to their business. Major observations from start-ups in our dataset reveals that most firms rely heavily on trade credit more than other forms of external finance. Also, it was found that private equity offered the largest amount of funds to firms when compared to other sources of finance. After analysing the capital structure choices that entrepreneurs make in their firm?s initial years of operation, our findings reveal that banks are more likely to provide loans to firms with more assets. This could be because the ability to provide collateral is critical in obtaining bank loans. This study also shows that firms with high turnover rates are more likely to use trade credit and less of bank loans and private equity. We also found firms in the manufacturing sector to be more predisposed to using and getting trade credit and Private Equity. As observed from our dataset, private equity investment offered the largest amount of funds to firms. It is worthy of note that total asset was found to be a significant factor determining access to all sources of finance considered. On the other hand, the credit score variable yielded a somewhat surprising result as it was found to be statistically insignificant to all sources of finance. Finally, the coefficients for owners characteristics; age, experience, and gender were found to be insignificant to all forms of finance under consideration signifying that the suppliers of finance are cautious when making lending decisions and would consider the characteristics of the firm instead of the characteristics of the entrepreneur

Culture, Corporate Governance and Sustainable Development

Brian Bolton
University of Louisiana at Lafayette, United States
brian.bolton@louisiana.edu

Abstract

In this study, we analyze the impact of national culture and corporate governance on a firm?s performance and relationship to sustainable development. Initially, the study considers large, public firms in the USA, focusing on how the diversity of national cultures and their dimensions affect the composition and actions of the board of directors. Then we study how corporate governance, moderated by these cultural dynamics, impacts ? or determines ? how each company?s actions align with different sustainable development initiatives, including innovation, diversity, financial performance, environmental impact and social impact. We extend the study to non-US firms, paying particular attention to diverse cultures impact corporate governance and sustainable development. The primary goals of this work, for both US and non-US analyses, are to understand (a) how culture influences the corporate governance structures of companies from different countries, and (b) how these structures impact sustainable development actions, both at the company-level and by groups of companies within individual countries. The implications of this research can potentially be seen at two unique levels. First, company directors and stakeholders will be informed to structure their corporate governance structures to better align with company objectives and societal sustainable development goals. Second, national policymakers will better understand how national institutions, laws and priorities impact firm-level actions and broader societal impact. From a scholarly perspective, this research should better inform the relationships between background dynamics like culture, how firms are structured and what firms do. None of the dimensions exist in a vacuum; understanding how they are connected to each other is critical to advancing the corporate governance literature. We frequently refer to culture and corporate governance as intangible dynamics; yet we know that they have very critical tangible impacts on firm decisions, firm behavior and sustainable development. This study aims to improve our understanding of these relationships and their long-term influence on both firms and society.

The impact of Covid-19 on demand and lending behavior in prosocial P2P lending

Christopher Priberny
Deutsche Bundesbank University of Applied Sciences, Germany
christopher.priberny@bundesbank.de

Abstract

I derive two innovative metrics, capturing the demand and the excess demand for prosocial P2P loans in the US. The measures are based on a data set comprising prosocial P2P loan applications obtained from the US P2P lending platform Kiva for the period of November 2011 to December 2022. Furthermore, I analyze how both indices are influenced by the Covid-19 pandemic. Interestingly, the measures for the current pandemic development show a negative impact on demand while the Covid-19 reproduction rate shows a positive relation, indicating a pro-active behavior of borrowers. On the other side, socially motivated lenders seem to be less generous in providing interest-free loans in times of a worsening pandemic. As it turns out, the risk-free interest level positively impacts demand and excess demand for prosocial lending on Kiva even though the loans were granted without any interest.

What Drives Diversity Hiring in the Mutual Fund Management Industry?

Fred Dewald
University of Memphis, United States
fpdwldii@memphis.edu

Zaifeng Fan
University of Wisconsin- Whitewater, United States
fanz@uww.edu

Linda Yu
University of Wisconsin- Whitewater, United States
yuq@uww.edu

Abstract

Although labor force racial diversity has improved significantly over the past decades, minorities are still underrepresented in the financial industry. A lack of racial diversity is particularly worrisome in prestigious occupations such as mutual fund management. This paper examines a critical type of diversity practice: diversity hiring in the mutual fund industry from 1991 to 2019. Our results reveal that newly hired minority managers are more likely to have attended top schools and come from quantitative backgrounds than their White counterparts. We find strong and persistent evidence that large and racially diverse funds are more likely to hire minority managers. The hiring inequalities between White and minority managers are more pronounced in domestic funds than in international funds. We show that the inequalities in domestic funds are not driven by managers with foreign education backgrounds, which suggests that the cultural similarity to clients is not enough to explain our findings. This paper suggests that minority managers might pursue higher levels of credentials in order to overcome in-group bias and homophily in the mutual fund industry. We also highlight the role domestic funds can play in improving current racial disparity in the workplace.

Money Arguments: The cause, the fix, and the role of the financial planner

Gizelle Willows`
University of Cape Town, South Africa
gizelle.willows@uct.ac.za

Simone Faulmann
University of Cape Town, South Africa
simone.faulmann@uct.ac.za

Abstract

Finances are a vital part of a couple?s relationship, ?Marriage as a partnership between two individuals involves daily activities and living arrangements that require negotiation of financial matters? (Lauer & Yodanis, 2011, p. 13). There has been a vast amount of research into money arguments, the causes thereof, and how marriage counsellors, or financial therapy may assist couples (Shapiro, 2007). However, there is not a clear understanding of how couples can solve their money arguments. This research aims to determine whether there is scope for financial planners to possibly assist their clients with money arguments. The global divorce rate is rising; in 1970 the divorce rate was 16%, in 2000 it was 35% and in 2022 it is 48% (Nguyen, 2022). Marriage is becoming less popular, and many people are instead, cohabitating. However, despite the decrease in marriage rates, divorce rates are increasing year-on-year (Nguyen, 2022). In South Africa, financial issues have been ranked as the seventh highest reason for divorce (Businesstech, 2022), while a survey in America of more than 1000 people found that 48% of couples fight over money. It was also found that 48% of Generation X and 29% of Generation Boomers divorced due to money arguments (Hill, 2018). Therefore, money arguments feature prominently in a couple?s relationship and are a vital indication of whether or not a relationship will succeed. Financial behaviour is defined as the behaviour of people in relation to money management. This includes the way couples manage their available cash, their credit limits and their savings (Xiao, 2008). Family Financial Socialization theory is defined as ?the process of acquiring and developing values, attitudes, standards, norms, knowledge, and behaviours that contribute to the financial viability and individual wellbeing? (Danes, 1994, p. 128). Everyone is raised in their own unique way; the way one is raised and the experiences encountered as one grows play a prominent role in the way humans view money (Gudmunson & Danes, 2011). Due to these unique backgrounds and views on money, when individuals come together and become a couple, they tend to have these money arguments. Research has found the following to be the main causes of money arguments, a lack of communication, major life transitions, different financial behaviour, and a lack of financial planning. Research has found that many couples generally seek marriage counsellors for assistance in their marriages (J. Dew et al., 2012; Lee & Dustin, 2021). However, for the couples that need assistance with financial issues, counsellors are not able to assist them fully as they do not have enough knowledge pertaining to finances specifically. This study aims to assess whether clients are willing for their financial planners to assist them with their money arguments. This study considers whether a financial planner may be in a better position to assist when addressing conflicts surrounding finances. In the long term financial planners can assist couples with various

financial challenges (Klosterman, 2014). They may also be able to assist couples in the planning of their finances by adopting preventative measures rather than corrective measures. This study was completed by purposefully sampling and interviewing seven couples (comprising of 14 individuals) who were already engaging with a financial planner. These interviews were semi-structured, transcribed, and analysed using Thematic Analysis. It was found that the main cause of money arguments and the way couples solve money arguments are via good communication, shared financial goals, and thorough financial planning, including short-term and long-term budgeting. Furthermore, clients are willing for their financial planners to assist them with their money arguments. This will aid couples in resolving their money arguments. However, it is important that clients have a trustworthy relationship with their financial planners. The greater the level of trust between the client and the financial planner, the greater the willingness to accept assistance. Financial planners may require further training or additional formal education in this field. Further research in this area could assist in decreasing the prevalence of financial arguments and lowering the risk of divorce.

Remittances and Agricultural Productivity: The Effect of Heterogeneity in Economic Activity of Farming Households in Ghana

Mark Eghan
Stellenbosch Business School, South Africa
nanaeghan@gmail.com

Charles Adjasi
Stellenbosch Business School, South Africa
charlesa@stellenboschbusiness.ac.za

Abstract

This paper tests the impact of remittances receipt on agricultural productivity. Using the most recent nationally representative cross-sectional household survey dataset, we employ propensity score matching (PSM) methods to empirically assess whether heterogeneity in economic activity of farming households affects the effects of remittances on productivity of tradable and non-tradable crop farming households in Ghana. We find that, the involvement of farming households in other economic activities alters the impact of remittances on crop yield. This differential impact also varies according whether the crop is tradeable or not.

Field officer alignment in turmoil: the case of savings groups in the Covid period

Armande Mahabi
University of Agder, Norway
armande.nabami.mahabi@uia.no

Bert D?Espallier
KU Leuven, Belgium
bert.despallier@kuleuven.be

Roy Mersland
University of Agder, Norway
roy.mersland@uia.no

Kjetil Andersson
University of Agder, Norway
kjetil.andersson@uia.no

Abstract

Development actors are looking for a program that addresses the financial and socio-economic challenges of women's empowerment. In response to the failure of formal microfinance institutions, informal indigenous groups provide hope by financially targeting the unreached and empowering women through their income-generating activities. This paper takes the opposite perspective of gender analysis in microfinance and development by exploring the influence of field agents' gender on clients' income-generating activities in a well-known informal indigenous group, called a savings group. The data set is a unique global panel of savings groups exclusively constituted with women as beneficiaries of the program while interacting with both female and male field agents. Relying on the difference in difference approach, results show that male field agent have a positive impact on the groups ?profit generation. Female field agents are relevant in women mobilization and raising interest to development program targeting women. As implication, special attention should be paid to the interactions and different external relationships that women have in order to highlight the contribution of each contact.

Assessment of the similarity between the business cycles phases

Michal Bernardelli
Warsaw School of Economics, Poland
mbernard@sgh.waw.pl

Abstract

This paper presents a new approach to assess the similarities between the business cycle phases. The different magnitude of expansions and recessions or lengths of the cycle phases and often high volatility of the data used to determine the business cycle are handled by the proper scaling and normalisation. The key concept, however, lies in the dynamic time warping (DTW) technique allowing capturing alternations between leading and lagging relationships of the business cycle. The effectiveness of the proposed procedure was illustrated by empirical analysis based on the RIED ICI, which is calculated from the answers to the business tendency survey in the Polish manufacturing industry and in the finance sector. DTW distance was computed for each pair of business cycle phases, allowing for comparison and a practical way to measure the similarity of transition periods between peaks and troughs. This kind of analysis is helpful mainly in objective monitoring of the current state of the economy. The value-added of this article is not only the proposition of changes in the business cycle quantification, which allows for automatic recognition of patterns. It also provides a simplified simulation of turning point identification based on the change in the DTW distance calculated in relation to the last identified phase of the business cycle. Admittedly, this is not a fully specified algorithm but only calculations indicating the potential behind the use of DTW. However, this approach could be a milestone in automating the process of identifying the cycle and its turning points.

Efficiency Comparisons in Insurance Industry: Conventional VS Takaful

Manachaya Uruyos
Chulalongkorn University, Thailand
manachaya@gmail.com

Abstract

There had been a rapid growth in Takaful market during periods of high oil prices. Takaful is a Shariah compliant mutual risk sharing arrangement, involving ?Participants? and ?Takaful Operators. This research studies the importance and the global trend of Takaful and the efficiency analysis of companies in both conventional insurance and Takaful industries. Econometric method (Stochastic Frontier Approach: SFA) and Mathematical method (Data Envelopment Analysis: DEA) are performed to estimate both the cost and profit efficiencies. Data used in this research are from financial statements of currently operating insurance companies during 2004 to 2014 in four countries from the GCC; the United Arab Emirates, Bahrain, Qatar, Saudi Arabia and four countries from ASEAN; Malaysia, Indonesia, Singapore and Thailand. The estimation suggests that the companies operating under Takaful scheme are more cost-effective than the companies operating under the conventional insurance scheme for both types of insurance (Life and Non-life) and both regions (GCC and ASEAN).

Machine Learning and Expected Returns

Jens Kvaerner
Tilburg University, Netherlands
j.s.kvaerner@tilburguniversity.edu

Abstract

Financial data is characterized by a low signal-to-noise ratio making it difficult to identify robust functional forms that map the characteristics of financial securities to expected returns (Lettau and Pelger, 2020). In this paper, we modify the standard prediction problem in empirical asset pricing by replacing realized returns with an estimator for expected return developed by Martin and Wagner (2019). We use a neural network to map expected returns to 164 stock characteristics and their interactions with eight macroeconomic time-series, resulting in 1476 predictors. Portfolios based on the predictions from the neural network generate risk-adjusted returns with respect to the Fama-French 6-factor model in the range of 1.4% (t-statistic of 3.04) to 1.2% (t-statistic of 2.65) before and after transaction costs; out-of-sample. The corresponding Sharpe ratios are 1.15 and 1.06. A similar analysis based on realized returns results in Sharpe ratios below the market portfolio.

Which is Worse: Heavy Tails or Volatility Clusters?

Joshua Traut
University of St. Gallen, Switzerland
joshua.traut@unisg.ch

Wolfgang Schadner
University of St. Gallen, Switzerland
wolfgang.schadner@unisg.ch

Abstract

Heavy tails and volatility clusters are both stylized facts of financial returns that destabilize markets. The former are extreme events by definition and the latter can accelerate adverse market developments. This work disentangles the two sources and examines which one does the greater damage, whether the threat can be reduced via diversification, and how an acknowledgment of volatility clustering can enhance the quality of risk models. The analysis is carried out for index return series representing seven different asset classes and for individual stock portfolio return series. The isolation of the stylized facts is achieved under recent developments in surrogate analysis (IAAFT, IAAWT). While tail risk historically received more attention, especially in financial regulation, we observe that volatility clusters are the greater driver of maximum drawdowns and aggregate losses across all return series. We further find that diversification does not yield any protection from those risks. These insights have widespread implications for appropriate policy-making, efficient risk hedging, and investment management.

Government Bond Market Developments and the usage of the DMOs' Security Lending Facility

Marianna Grimaldi
Swedish National Debt Office, Sweden
marianna.blixgrimaldi@riksgalden.se

Abstract

The Covid-19 pandemic halted economic and financial development in many parts of the world, placing substantial pressure on governments. It also created new risks and global challenges for Debt Management Offices (DMOs), with potentially significant implications for domestic-market functioning and investor behaviour. In this paper, we use a novel approach based on proprietary information of the Swedish Debt Management Office?s security lending facility (SLF) to investigate key changes in government bond markets and their implications for market functioning. We show that quantitative easing (QE) policies have had a persistent influence on usage of the facility and demand from primary dealers, while the acute effects of the pandemic were temporary. We also show that the terms and conditions attached to a SLF are a powerful policy tool and that altering them can cause significant shifts in SLF usage.

Family Ownership and Firm Value - An Indian perspective

Rishabh Goswami
Indian Institute of Technology Madras, India
ms18d013@smail.iitm.ac.in

Arun Kumar Gopalaswamy
Indian Institute of Technology Madras, India
garun@iitm.ac.in

Santosh Kumar Sahu
Indian Institute of Technology Madras, India
santosh@iitm.ac.in

Abstract

The shareholdings in Indian firms are broadly held by two groups of owners, viz., promoters and non-promoters. Though the controlling rights usually remain with the promoter group, there are concerns regarding the influential ability of the non-promoters considering their rising stake. This study examines the impact of promoters and non-promoters (grouping them into domestic and foreign owners) on firm value. In particular, we investigate the influence of shareholdings by domestic and foreign owners on firm value among listed family firms in India. In the empirical setting, we control for firm characteristics such as leverage, firm size, advertising intensity, research and development intensity, and intensity of tangible assets. The empirical analysis is based on unbalanced panel data of National Stock Exchange (NSE) listed non-financial firms with 26,001 firm-year observations from 2000-2022. The data is obtained from CMIE?s Prowess IQ database. Our findings indicate that the domestic owners in family firms have divergent interests, whereas the foreign owners have similar motives. Further, participation from foreign owners in family firms enhances their market value compared to firms with only domestic owners. We also document that the firm value remains stable in the short term and that family owners actively influence firm value.

Wrapped up in Cotton Wool: Does Manager?s Bankruptcy Experience Shape Corporate Hedging?

Taoran Guo
Monash University , Australia
taoran.guo@monash.edu

Abe de Jong
Monash University , Australia
abe.dejong@monash.edu

Lubna Rahman
Monash University , Australia
lubna.rahman@monash.edu

Abstract

We analyze the relation between managers' bankruptcy experience and corporate hedging. Exploiting variations in bankruptcy experience in managers' prior careers, we show that managers' bankruptcy experience is associated with higher firm-level hedging activities, especially when such an experience is more recent or occurs during salient periods in a manager's career. Using firm-fixed effects estimates and matched sample analysis to address endogenous manager-firm matching concerns, we find consistent evidence of the influence of bankruptcy experience on hedging. Such an effect of managers? bankruptcy experience is more pronounced in firms with weaker corporate governance. Overall, our evidence implies that managerial biases induced by prior bankruptcy experience can shape corporate hedging and have significant value implications for shareholders.

Harvesting global factor risk premia: Deep Learning applications for global factor portfolios

Volodymyr Novykov
Bond University, Australia
vnovykov@bond.edu.au

Christopher Bilson
Bond University, Australia
cbilson@bond.edu.au

Adrian Gepp
Bangor Business School, United Kingdom
a.gepp@bangor.ac.uk

Bruce Vanstone
Bangor Business School, United Kingdom
b.vanstone@bangor.ac.uk

Geoff Harris
Bond University, Australia
gharris@bond.edu.au

Abstract

ABSTRACT Purpose ? this submission outlines and seeks feedback on research proposal, progress to date, and the future plan for the first author?s PhD research to be presented at the World Finance Conference 2023, Norway, Kristiansand. Design/methodology/approach ? the outlined work investigates whether the recent academic findings of Asness et al. (2013) of momentum and value persistence and interaction and their exposure to common risk factors hold over the most recent decade of capital markets history, explores potential of machine learning techniques to discern this exposure to common risks for enhancing performance of global factor portfolios, and asks if value and momentum also persist in the cryptocurrency market and how this could benefit global factor portfolios. Findings ? preliminary findings support existence and persistence of the value and momentum factors everywhere. Most of the work outlined in this proposal is expected to be completed with findings to report on by the start of the conference in August. Originality/value ? research will investigate persistence of and interaction between value and momentum factors for the most recent decade of capital market history (leaning on the methodology and approach of Asness et al. (2013)), which, to the best of our knowledge, has not been done. Additionally, asset class universe will be expanded to include cryptocurrency market as a relatively novel asset class with its own characteristics to shed further light into value and momentum persistence. Finally, deep learning applications will be explored to dynamically balance the global two-factor portfolio by utilising apparent non-linearity in return interaction which, in itself, would build solid premise for further investigation of potential underlying risks driving these return dynamics. Keywords Factor investment, Global Tactical Asset Allocation,

Deep Learning, Cryptocurrency, Bitcoin Paper type PhD Research

Teaching Business Ethics in a Simulated Trading Environment

Amale Scally
Monash University, Australia
amale.scally@monash.edu

John Watson
Monash University, Australia
jr.watson@monash.edu

Kym Brown
Monash University, Australia
kym.brown@monash.edu

Abstract

In this paper, we investigate whether teaching ethics in a simulated trading environment improves participants' understanding of ethical issues and provides them with the ability to solve such. Using a simulated trading environment, participants are introduced to economic events and face ethical dilemmas whilst executing interest rates and foreign exchange rate trades. We test whether gender or enrolment type (international or domestic) impacts a student?s ability to recognise ethical issues, develop alternative solutions to ethical problems, and evaluate solutions to ethical problems. Our findings suggest that female participants report that studying real life examples of ethical problems is the most effective way to learn about ethics while males do not. Interestingly, females report more improved trading results than males. In addition, we find the international cohort reports stronger results for improvements in its ability to recognise ethical issues in financial markets and to evaluate solutions to ethical problems. The findings suggest that undertaking financial trades in a simulated trading environment improves participants? perceived ability to recognise ethical issues in financial markets, and to solve such problems.

CHALLENGES IN ESG RATINGS: UNDERSTANDING ESG RATING DISAGREEMENT AND ITS EFFECTS ON FINANCIAL DECISION MAKING

Fanni Dudás
Corvinus University of Budapest, Hungary
fanni.dudas@uni-corvinus.hu

Helena Naffa
Corvinus University of Budapest, Hungary
helena.naffa@uni-corvinus.hu

Abstract

Sustainability considerations have become an increasingly important part of today's financial decision-making. The best-known sustainability indicators are the Environmental, Social, and Governance indicators, widespread in academia and business. However, these metrics are not standardized; therefore, companies can get significantly disagreeing performance assessments from different rating agencies, called ESG rating disagreement in the literature. Using ESG ratings from three different data providers for a sample of firms in the MSCI All Country Index for 2020, we calculated the ESG rating disagreement between Sustainalytics, Refinitv, and MSCI ESG scores. We applied quantile regression and provided evidence of a positive relationship between ESG rating disagreement and firm financial performance. Our findings suggest a better understanding of companies' ESG performance and the relationship between ESG performance and financial performance.

An Alternative Form of Microinsurance: How Client Community Services Address Microfinance Risk Mitigation and Growth Strategies

Kamrul Tarafder
ASA Philippines Foundation, Philippines
kht@asaphil.org

Ferdinand Jikiri
ASA Philippines Foundation, Philippines
ferdinand.jikiri@asaphil.org

Barbara Custodio
ASA Philippines Foundation , Philippines
barbara.custodio@asaphil.org

Mohshin Habib
ASA Philippines Foundation , Australia
mohshin.habib@asaphil.org

Abstract

As per communication with Professor João Paulo Vieito, we are submitting the attached long abstract for referees' consideration. The full paper will be submitted by the due date.

The Impact of CBDC on a Deposit-dependent Banking System

Steffen Vollmar
University of Muenster, Germany
steffen.vollmar@wiwi.uni-muenster.de

Fabian Wening
University of Muenster, Germany
fabian.wening@wiwi.uni-muenster.de

Abstract

We examine the implications of a central bank digital currency (CBDC) for banks using business models that are particularly dependent on customer deposits. Employing unique customer data hand-collected from savings and cooperative banks in Germany, we determine conversion rates for customer deposits to a CBDC. We show that even at moderate conversion rates, most banks would have experienced funding problems and lost profits if a CBDC had been introduced in most years from 2000 onward. Furthermore, our results demonstrate that although banks have rarely been as prepared for the introduction of CBDCs as in recent years, most banks must still refinance themselves on the interbank market or through the central bank. The erosion of the primary source of refinancing has implications for the liquidity and, hence, stability of these banks, and it reduces their profitability because low-interest customer deposits are exchanged for higher-interest interbank loans. Our results are relevant for commercial banks, contributing to better assessments of the impact of CBDCs on liquidity and profitability and helping central banks to find lower bounds of the costs for banks of a CBDC implementation.

Moving towards ESG ? Linking TMT Diversity and Private Equity Performance by constructing an Index

Marius Kaiser
HHL Leipzig Graduate School of Management, Germany
marius.kaiser@hhl.de

Yilmaz Bekyol
HHL Leipzig Graduate School of Management, Germany
yilmaz.bekyol@hhl.de

Bernhard Schwetzler
HHL Leipzig Graduate School of Management, Germany
bernhard.schwetzler@hhl.de

Abstract

The private equity (PE) industry is often viewed as dominated by white men. However, triggered and supported by the new EU taxonomy, limited partners (LP) as investors become more atuned to the importance of ESG as a potential success factor in PE business. This study deals with team diversity as an important aspect of the social pillar of ESG. We construct a diversity index for private equity funds that positively correlates with fund performance. Based on recent research results on the multi-dimensional measurement of socio-demographic and occupational diversity in PE, this study calibrates performance and diversity data from 117 PE funds with 1,071 partners involved in 1,295 deals to build a composite index that maximizes the correlation between the fund´s diversity and its economic performance.

Market-driven securitization

Eleonora Muzzupappa
Kings College London, United Kingdom
eleonora.muzzupappa@kcl.ac.uk

Leone Leonida
Kings College London, United Kingdom
leone.leonida@kcl.ac.uk

Damiano Silipo
Universita' della Calabria, Italy
damiano.silipo@unical.it

Abstract

How, and how much, does the performance of the stock market affect banks? securitization activity? Our analysis of a panel of EU and US banks shows that the former shapes the latter both directly and by interacting with some balance-sheet items. We find that the impact of the stock market performance upon the bank?s securitization, the channels with which it interacts with the balance sheet items and the sign that these impacts take depend upon the market discipline, that shapes both the bank?s business model of securitization, and the condition of the financial market.

Climate focus of public financial institutions

Lina Xie
University of Groningen, Netherlands
l.xie@rug.nl

Bert Scholtens
University of Groningen, Netherlands
l.j.r.scholtens@rug.nl

Swarnodeep Homroy
University of Groningen, Netherlands
s.homroy@rug.nl

Abstract

We shed light on domestic PFIs and investigate to what extent they incorporate climate factors into operations and strategies. Domestic PFIs are owned or sponsored by governmental bodies and come with socio-economic policy objectives and operate at the national and sub-national levels. They are crucial agents and catalysts in leveraging climate finance at the local level. We conduct a textual analysis of reports of PFIs in Germany, Japan, the UK, and the US between 2016 and 2020 to measure their climate focus which informs the level of their attention to climate change. We detect relevant geographic and sectoral patterns and examine driving factors of PFI?s climate focus on the country and institution basis. Our study provides a framework for assessing financial institutions? climate focus and informs about the insufficient and various climate focus across domestic PFIs. It highlights the importance of effective climate-related guidance and regulations from authorities.

Does More Effective Director Monitoring Make Management Guidance More Credible?

Tyler Jensen
Iowa State University, United States
tkjensen@iastate.edu

Marlene Plumlee
University of Utah, United States
marlene.plumlee@eccles.utah.edu

Jared Wilson
University of Indiana, United States
jiw25@iupui.edu

Abstract

Prior evidence of the impact of governance on disclosure credibility is inconclusive. Karamanou and Vafeas (2005) fail to document a significant association between board of director characteristics and analyst reactions to management guidance. By isolating exogenous variation in director monitoring in a large, post-Regulation Fair Disclosure (Reg-FD) sample, we find that increased monitoring is associated with stronger analyst reactions to news in management guidance. We also document cross-sectional differences, consistent with monitoring being particularly impactful when the role of external verification is most important (e.g., good news forecasts, low analyst following). We identify exogenous shocks to monitoring associated with (1) director deaths, (2) mandated independence required by Sarbanes-Oxley (SOX), and (3) changes in director attention due to M&A activities that eliminate board positions at other firms. Overall, our findings provide strong support for director monitoring influencing the perceived credibility of management guidance, especially in settings where external validation is needed.

Leveraged Buyouts in Europe: Organic Growth or Industry Consolidation?

Fermín Lizarraga
Public University of Navarra, Spain
ferlizar@unavarra.es

Sanitago Sánchez
Public University of Navarra, Spain
santi.sanchez@unavarra.es

Brian Ayash
California Polythecnic State University, United States
bayash@calpoly.edu

Abstract

In this paper, we study a large sample of Spanish firms acquired by private equity funds in leveraged buyout transactions. While these transactions are controversial in the U.S., European researchers present the more politically acceptable concept of growth leveraged buyouts. We use a simple, yet novel measure to illustrate that organic growth in both the U.S. and European leveraged buyouts declines. Prior to the buyout, capital expenditures exceed depreciation, while after we observe the opposite. Excessive leverage imposes financial constraints in all leverage buyouts, the geographical difference is result of empirical research design decisions. We document that the growth documented herein, in France and in Italy is more accurately described as industry consolidation. We also contribute to the literature to expanding the focus from short-term profit gains and returns to the broader economic impact of these risk-taking endeavors by comparing the bankruptcy rate in our sample to a propensity score matched set of control firms. Our results show that policy makers in Europe also have reason to be concerned with the proliferation of these transactions in Europe.

Does investor-specific attention explain investor-specific trading?

Felix Kunz
University of Innsbruck, Austria
Felix.Kunz@uibk.ac.at

Matthias Bank
University of Innsbruck, Austria
Felix.Kunz@uibk.ac.at

Jochen Lawrenz
University of Innsbruck, Austria
Felix.Kunz@uibk.ac.at

Alexander Kupfer
University of Innsbruck, Austria
Felix.Kunz@uibk.ac.at

Markus Schmidt
University of Innsbruck, Austria
Felix.Kunz@uibk.ac.at

Abstract

The argument that retail investors use Google and institutional investors use Bloomberg to inform themselves about a specific stock has made both platforms appealing sources for investor-specific attention in finance. The influential studies by Da et al. (2011) and Ben-Rephael et al. (2017) paved the way of using both sources to create investor-specific attention measures, namely ASVI and AIA. With the growing popularity of these two measures, a considerable number of studies used investor-specific attention to explain observed characteristics of financial markets. These studies thus implicitly assumed that investor-specific attention leads to investor-specific trading, which ultimately translates into observed price-impacts. In this paper, we investigate this implicit assumption using intraday trade and quote data from NYSE over a two-year period for S&P 500 index constituents. We find that both, ASVI and AIA, marginally contribute in explaining retail as well as institutional investor trades. Hence, our finding suggests that the implicit assumption of previous studies does not hold empirically and that their findings should cautiously be interpreted as effects attributable to general-investor attention.

Excess cash holdings and corporate security choice

Mengqian Chen
University of Glasgow, United Kingdom
Mengqian.Chen@glasgow.ac.uk

Marie Dutordoir
University of Manchester, United Kingdom
marie.dutordoir@manchester.ac.uk

Norman Strong
University of Manchester, United Kingdom
norman.strong@manchester.ac.uk

Abstract

We examine the role of ex ante excess cash holdings in corporate security choice. Our analysis starts from the observation that seasoned equity and convertible bond issuers have high ex ante excess cash holdings, inconsistent with the traditional pecking order theory. A multinomial logit model controlling for standard security choice determinants shows that cash-rich firms are more likely to issue seasoned equity over straight bonds than are non-cash-rich firms. Cash-rich seasoned equity issuers come across as having a precautionary demand for cash at the announcement date, but analyses of post-offering uses of proceeds and stock returns suggest a market timing motive for their offerings. The multinomial model also indicates that cash-rich firms are more likely to issue convertible bonds over seasoned equity than are non-cash-rich firms. Cash-rich convertible bond issuers are R&D intensive, consistent with a precautionary demand for incremental cash. Our findings imply that ex ante excess cash holdings are an important, previously overlooked determinant of corporate security choice.

Investment or Expropriation: Exploring the nexus between managerial ability and corporate cash holdings in Indian corporate sector

Tara Shankar Shaw
Indian Institute of Technology Bombay, Mumbai, India
tarashankarshaw@gmail.com

Soumya Sankar Chakraborty
ndian Institute of Technology Bombay, Mumbai, India
soumyasankar@iitb.ac.in

Abstract

This paper examines the relationship between managerial ability and the corporate cash holdings of a firm. We hypothesize that firms with high managerial ability would hold high cash either due to investment motive or for expropriation motive however, the market would value the cash held by higher-abled managers positively if held for investment purposes and negatively if held for expropriation. In a sample of 2534 non-financial firms listed in India for the years 2005 to 2019 accounting for 38004 firm-year observations, we find that firms having highly abled managers hold more cash and investors put a higher value on the cash held by highly abled managers supporting the investment motive of cash holding. However, the significantly higher market value of cash for highly abled managers is limited only to firms with low agency costs. Further investigation shows that higher-abled managers holding high cash increase future investments but do not exhibit overinvestment or empire-building motives. Our results are robust to alternative measures of managerial ability, cash holding, and endogeneity issues.

Assessing the Impact of Covid-19 on Microfinance Beneficiaries: Findings from Qualitative Research in Rural Punjab in Pakistan

Ahmad Nawaz
Lahore School of Economics, Pakistan
ahmad.nawaz@lahoreschool.edu.pk

Asad Kamran Ghalib
Liverpool Hope University, United Kingdom
ghaliba@hope.ac.uk

Fariya Hashmat
Lahore School of Economics, Pakistan
fariyahashmat01@gmail.com

Abstract

The COVID-19 pandemic brought untold misery to millions around the world. For those who were already struggling to make ends meet, this was a particularly bad time. This study was conducted to assess the impact of the outbreak, and how the ensuing lock-down resulted in the loss of income for micro-entrepreneurs in rural areas. This study, based on first-hand primary data collected through a series of semi-structured interviews with microfinance beneficiaries, during the lock-down, provides a deep insight to how the lives of poor were impacted across different dimensions of well-being. Among other aspects, respondents mentioned how their businesses were negatively impacted due to the lock-down and how it affected them. They were also very clear in terms of the State-led initiatives to provide them support through the ?Ehsaas? programme. Some mentioned about other forms of aid that they received through different charitable organisations and NGOs, etc. A profound sentiment that borrowers exhibited related to the treatment that they faced by their respective lenders. Savings and the rising cost of living and the ensuing impact on their stress levels was also repeatedly mentioned. The paper offers important public policy-related implications and provides avenues for further research.

Price decomposition for retail derivatives - A model-free analysis based on rough path signatures

David Shkel
University of Hagen, Germany
david.shkel@fernuni-hagen.de

Abstract

Due to the complex nature of retail derivatives it is not easy to determine where market price differences of identical products offered by different issuers come from. The market prices need to be decomposed to be able to thoroughly analyze price differences. To do so two components need to be disentangled (i) costs and (ii) model prices. We analyze the issuers' pricing policies and the influence of the issuers' model choice on market prices and their differences, i.e. empirical model risk. Costs are analyzed based on information from key information documents. We show that issuers' pricing policies can be classified into a small number of groups for each product type. Identical products offered by more than one issuer are necessary to be able to compare model prices. Since the number of such duplicates is rather small the available data base needs to be extended. This is done in a model-free way by an application of the signature method. This allows us to extend the issuers' product portfolios by implicitly using their pricing models. We show that pairwise price differences can be clustered into three groups for discount certificates and two groups for bonus certificates, and that empirical model risk can be quite high for complex products. The majority of issuers uses comparable pricing models with the exception of UniCredit. The differences between model prices for UniCredit and any other issuer always build their own cluster.

How Deep Is the Labor Market for Female Directors? Evidence from Mandated Director Appointments

Daniel Greene
Clemson University, United States
dtg@clemson.edu

Vince Intintoli
Clemson University, United States
vintint@clemson.edu

Kathy Kahle
University of Arizona and ECGI, United States
kkahle@eller.arizona.edu

Abstract

We examine the depth of the labor market for female directors following an exogenous shock to demand caused by California Senate Bill 826 (SB 826). Despite a surge in female appointments to California firms, director qualifications remain stable when benchmarked to (1) new male directors appointed to California firm boards and (2) new female directors appointed to non-California firm boards over the same period. We likewise find that announcement returns to new female director appointments post-SB 826 are similar to those of control groups, indicating that the market does not view appointments of female California directors more negatively following the law. These results hold for both voluntary and mandated female director appointments. Generalizability tests suggest that if faced with a similar demand shock, other U.S. states should have a sufficient supply of female director candidates to increase female representation on boards without harming director quality.

An Examination of Stablecoin Reporting, Economic Impact & Policy Forecasts

Hugo Benedetti
ESE Business School, Universidad de los Andes, Chile
hugo.e.benedetti@gmail.com

Sean Stein Smith
Lehman College, City University New York, United States
Sean.Steinsmith@lehman.cuny.edu

Abstract

This research paper examines and puts forward an objective analysis of one of the fastest-growing sectors of the cryptoasset space; stablecoins. Since being introduced to the broader marketplace following the initial bitcoin and ICO bubble this subset of the cryptoasset class has rapidly grown to be worth in excess of $100 billion. In the face of this rapid growth, however, the reporting and compliance requirements have struggled to keep pace. The goals of this research are twofold. Firstly, it reviews and analyzes the current state of the stablecoin marketplace and ecosystem, including a review of regulatory actions and headline-generating failures. Secondly, it puts forward and establishes a framework and guiding rules for how stablecoins are treated, regulated, and utilized moving forward.

When are environmental, social, and governance activities valuable? The role of advertising in an emerging market

Neveen Ahmed
AUB and INP , Egypt
nahussei@ncsu.edu

Omar Farooq
ADA University, Azerbaijan Republic
omar.farooq.awan@gmail.com

Mai T. said
German University in Cairo and University of Hertfordshire, Egypt
mai_saied@aucegypt.edu

Abstract

This paper uses the data of non-financial firms to document the effect of advertising on the value of environmental, social, and governance (ESG) activities in India during the period between 2010 and 2021. The findings indicate that the impact of ESG activities on firm performance is more pronounced for firms that expend more resources on advertising. The results hold after a number of sensitivity checks. These findings of this paper are consistent with the assumption that non-standardization of ESG reporting provides incentives for firms to overstate their ESG activities (greenwashing) to create misleadingly positive public image. However, this greenwashing is less pronounced for firms that advertise heavily, thereby increasing the positive impact of ESG activities on firm performance. Advertising can reduce information asymmetries by stimulating public interest in the firm and by disseminating more information to public. Lower information asymmetries can reduce the managerial incentives to use ESG for green washing, thereby improving its value.

Cross-border investment and international consolidation of US stock exchanges: the curse of being too big, too liquid and too visible.

Maela Giofre
University of Turin, Italy
maela.giofre@unito.it

Abstract

This paper investigates the peculiar role of the US stock exchanges in the process of international consolidation. Beyond its leading role in financial markets, the focus on the U.S. is also motivated by its unicity within the stock exchange consolidation landscape, since it was involved in two different stock exchange mergers --with Nasdaq and NYSE-- and it experienced a "reversal", having joined and then left the Euronext-NYSE platform. We find no sensitivity of the US cross-border investments to stock exchange consolidation and reversal, and we conjecture that this is consistent with the extraordinary nature of the U.S. stock market. The empirical evidence corroborates our hypothesis: the large size, liquidity and visibility of the U.S. stock exchanges make less necessary, and then less valuable, the role played by the stock exchange consolidation in reducing cross-border barriers.

Financial Literacy and Stock Market Participation: A Meta-Analysis

Qinghang Wu
WHU-Otto Beishem School of Business, China
qinghang.wu@whu.edu

Mei Wang
WHU-Otto Beishem School of Business, Germany
Mei.Wang@whu.edu

Abstract

This paper aims to do a meta analysis about the effect of financial literacy on stock market participation.We use funnel plot and FAT test to check publication bias in the literature. Simple average, weighted average of effect size, PET test, and PEESE test are all conducted to discover the genuine effect in the literature. The results shows that there do exist publication bias. The true effect is significantly positive, implying that financial literacy can have a positive influence on stock market participation. However, the magnitude of the true effect size discovered by our meta regression are always less than 0.2. Following the guideline of Cohen (1988), we can know that although financial literacy could increase peoples?s stockholding, the influence power is very limited since only when true effect size is larger than 0.8, financial literacy can be defined as strong effect on stock market participation. In the end, we also check the sources of heterogeneity in the literature, we find that sample characteristics, type of financial literacy questions, type of dependent variable, and the addition of some typical control variable are quite likely to explain the heterogeneity.

Are ESG disclosures relevant for lenders? Empirical evidence from India

Nidhin Mathath
IFMR GSB, Krea University, India
nidhin_m.rs19@krea.ac.in

Dr. Vinod Kumar
IFMR GSB, Krea University, India
vinod.kumar@krea.edu.in

Abstract

Environmental, Social, and Governance (ESG) disclosure has emerged as a dominant paradigm in the sustainable corporate finance discipline. Stakeholders realize that an enterprise cannot be evaluated only through financial disclosures, the non-financial disclosures also play a vital role in valuing a firm. Against this backdrop, this paper examines how ESG disclosure affects the cost of debt (COD) using a sample of 556 Indian-listed firms. The empirical analysis finds that superior ESG disclosure reduces the cost of debt. This study extends the analysis by investigating the effect of individual dimensions of ESG disclosure (Environmental, Social, and Governance) on the cost of debt and observes a significant negative association between the individual ESG disclosure factors and firms? cost of debt. This study provides evidence that firms? cost of debt is connected with their ESG disclosure score. Firms that have low ESG scores are considered to be riskier firms by lenders. The results suggest that financial institutions reward high ESG disclosure companies as they recognize the potentiality of ESG activities to reduce credit risk and enhance information transparency.

Risk aggregation in Solvency II: Deep Neural Networks in identifying marginal distribu-tions and multidimensional copula

Anna Denkowska
Cracow University of Economics, Poland
anna.denkowska@uek.krakow.pl

Krystian Szczesny
Cracow Uniwersity of Economics, Poland
krystian.szczesny@o2.pl

Stanislaw Wanat
Cracow University of Economics, Poland
wanats@uek.krakow.pl

Abstract

One of the basic aspects of the Solvency II Directive introduced in 2016 is the protection of the insured against the insolvency of insurance companies. For this purpose, by aggregating the solvency capital re-quirements for individual types of risk to which the insurer is exposed, the Solvency Capital Requirement (SCR) and the diversification effect (DE) are determined. Insurers can calculate the SCR using the Standard Formula given by the authors of the Directive or internal models developed taking into account their busi-ness profiles. The Standard Formula is based on the variance-covariance method, which assumes a constant correlation matrix specifying the dependencies between the aggregated risks to which the insurer is exposed. In the literature, the copula is widely used to describe the dependence between the marginal distributions and the joint distribution of random variables. Estimating a multidimensional copula is difficult, and most of the existing solutions based on parametric copulas are based on simplified assumptions. The aim of the pre-sented research is to use, in internal models, marginal and copula distributions estimated with the use of deep neural networks in modeling dependencies in the premium and reserve risk sub-module. Two neural networks are constructed: the first to determine the marginal distributions and the second to estimate the copula. The loss function for a neural network estimating marginal distributions is defined as a combination of properties of the probability function, while the loss function for a copula estimating network is defined as a combination of properties that the copula function must have. We determine the DE in three ways, i.e.: according to the Standard Formula, using the Vine copula, and by estimating the marginal distributions and the copula using deep neural networks. In the research, we analyze ratios for selected segments of German and Austrian non-life insurers for actual data obtained from reports on the insurers' solvency and financial condition. Using the energy distance, we find that the distributions obtained through the use of neural net-works are best suited to the real data. Our research indicates that it is this model, based on deep neural net-works used to estimate the multivariate distribution, that gives the DE estimate at the right level. Therefore, the methodology presented in the article can be used in the construction of internal models of the insurer to determine the solvency requirements.

Structural Estimation of Dynamic Macroeconomic Models using Financial Data

Max Ole Liemen
Universität Hamburg, Germany
max.ole.liemen@uni-hamburg.de

Olaf Posch
Universität Hamburg, Germany
olaf.posch@uni-hamburg.de

Michel van der Wel
Erasmus University Rotterdam, Netherlands
vanderwel@ese.eur.nl

Abstract

In this paper we show how financial data can be used in a combined macrofinance framework to estimate the underlying structural parameters. For this purpose, we introduce a general estimation approach that is applicable to a whole class of macroeconomic models and translates them into systems of macro and finance estimation equations. Our formulation allows for consistently substituting macro variables by asset prices in a way that enables casting the relevant estimation equations partly (or completely) in terms of financial data. We illustrate the approach with a model specification with analytical solutions. We show that all structural parameters can basically be estimated from finance data alone, and discuss benefits and drawbacks of substituting and adding financial variables. In our simulation study, we find that financial data can improve the identification and accuracy of the parameter estimates. In the empirical application we use treasury bonds, macro variables, the S&P500 stock index as well corresponding future data. Our findings highlight that substituting and complementing macroeconomic variables by asset prices is not only feasible but in some cases also preferable. We achieve the best performance from a combination of bond, output and S&P500 data.

The ESG Credentials of Non-Sustainable Investments

Olayinka Lawal
Heriot-Watt University, United Kingdom
kl2004@hw.ac.uk

Edward Jones
Heriot-Watt University, United Kingdom
e.jones@hw.ac.uk

Jia Lu
Heriot-Watt University, United Kingdom
J.Lu@hw.ac.uk

Abstract

The current study investigates whether investments without links to sustainability agenda lead to stock price performance. We ask examine whether market participants view the ESG credentials of firms positively. Using company investment announcements as the basis for investigation, we extend the literature by examining the relationship between ESG credentials and abnormal returns on investments without links to sustainability objectives (non-sustainable investments). The event study methodology is used to estimate abnormal returns for a sample of 427 non-sustainable investment announcements made by UK listed firms during 2013 to 2021. We contribute to the existing literature by providing evidence on the stock market valuation of non-sustainable investments. The main findings of this study reveal that at the firm level, the market rewards firms with low ESG scores and low resource-use efficiency scores more than those with higher scores, whereas the reward is greater for firms with high emissions scores. At the industry level, we find that firms with less material environmental concerns have higher abnormal returns and the market does not distinguish between industry sectors, rather evaluation is based on the income prospect of the investment type.

Is it Necessary to Extol the Virtues of Globalization? Evidence from Chinese Banking International Activity and Bank Performance

surina surina
soas, university of london, United Kingdom
677371@soas.ac.uk

Abstract

This paper questions whether the strategy of globalization is necessary for Chinese banks. Therefore, this paper assesses the impact of the international activities of Chinese banks and finds a negative relationship between international activity and bank performance. The finding implies that the costs of international diversification, such as organizational complexity and agency problems, outweigh the benefits, such as economies of scale and scope. The results continue to follow various robustness tests, including endogeneity and sample selection bias. This study indicates this adverse relationship and further gives a potential explanation of this negative effect. The negative relation between internationalization and bank performance is more pronounced in banks that are more likely to suffer from agency problems related to poor corporate governance. The results appear to be partially explained by agency problems related to poor corporate governance.

Predicting Bankruptcy. Ask the Employees.

Kristina Lalova
University of Connecticut, United States
kristina.lalova@uconn.edu

John Knopf
University of Connecticut, United States
john.knopf@uconn.edu

Abstract

The purpose of the paper is to show that employees have information on an upcoming bankruptcy years before actual bankruptcy filings. We test four key bankruptcy models from the literature using a dataset from 2008 to 2020 to show that each one contains unique information regarding the probability of bankruptcy filings. We also build a new model to reflect employees? attitudes and emotions before bankruptcy filings and include key variables from each of the four already established bankruptcy models in the literature in our model. The model generated outperforms the existing models both in in-sample and out-of-sample tests. When we add employees? attitudes in each of the four bankruptcy models, we find that the predictive performance of those models increases.

Generalized Benchmarking: Is Blind Index-Tracking Optimal?

Chanaka Edirisinghe
Rensselaer Polytechnic Institute, United States
edirin@rpi.edu

Abstract

I present a generalized benchmarking theory on portfolio selection relative to a market index. Using the bias-variance trade-off of the tracking error, analytical conditions are derived to describe when it is optimal for a portfolio of risky assets to follow the index, and the intensity of the orientation. As economic conditions evolve over time, hence asset returns, the optimal intensity and direction of the portfolio?s orientation is shown to depend on the mean and volatility of the index, asset parameters, and the desired bias for the tracking error. The theory contrasts with the standard index-tracking concept in which a fund is designed to track the index at all times with full intensity regardless of the economic state, a practice herein referred to as blind indexing. Analytical results show that an optimally-benchmarked portfolio will be following the index only when the underlying assets have sufficiently-strong covariance with the index, relative to the index mean return; otherwise, it is optimal to orient the portfolio opposed to the index. Moreover, the optimal intensity of benchmarking decreases as the volatility of the index increases. The theory also provides insights as to why a careful selection of the underlying assets is important in designing tracking funds. A case study is presented with out-of-sample performance to highlight the advantages of the approach, which include low trading intensity and better drawdown characteristics, relative to blind index tracking.

The Puzzle of Volatility and Price Relation in the Chinese A-share Market

Lin Tan
California State Polytechnic University Pomona, United States
Ltan@cpp.edu

Jiandong Li
Central University of Finance and Economics, China
jiandongli@cufe.edu.cn

Abstract

The existing research find negative relation between stock volatility and stock price, and there is no consensus about the explanations. We analyze the relation between stock volatility and price level in Chinese stock, and find price is positively related to volatility. The preliminary study finds this positive relation mainly comes from the positive relation between idiosyncratic risk and price level, which indicates that in the Chinese A-share market, higher price stocks have greater volatility.

Corporate Innovation and Bank Ownership: A Test of Two Competing Hypotheses

Mariko Yasu
Waseda University, Japan
mariko.yasu@gmail.com

Abstract

This paper tests whether banks? shareholdings in corporations foster or hinder innovation. By exploiting a regulatory shock that triggered a dramatic decline in banks? shareholdings in public companies in Japan, this paper provides evidence showing that a decline in banks? shareholdings leads to a boost in corporate innovation. Our analysis also shows that the positive impact on corporate innovation is stronger for opaque firms and high-tech firms. The results are consistent with the view that banks? shareholdings lead to potential hold-up problems which reduce corporate managers? incentives to exert efforts pursuing innovation.

Is Corporate governance important for green bonds in the emerging capital markets?

ION FRECAUTAN
Higher School of Economics , Russia
ifrekaucan@hse.ru

Irina Ivashkovskaya
Higher School of Economics, Russia
ivashkovskaya@yandex.ru

Abstract

The study examines the relationships between corporate governance mechanisms and their impact over green bond yield spreads for companies operating in emerging capital markets. The unique dataset was employed and constructed by collecting data from Thomson Reuters Refinitiv, World bank, and Central Intelligence Agency (CIA). 294 green bonds issued by 120 companies from 16 emerging markets with assigned ESG scores for the period from 2017 to 2022 were studied. The relationships between green bond yield spread and the corporate governance characteristics are analyzed by employing pooled OLS regression on panel data. To calculate the yield spread, the risk free rates method was used as described by Ghouma (2017) by subtracting government treasury bond?s yield to maturity (YTM) of the bonds from the YTM of corporate green debt issues with matching duration and currency. Our findings contribute to the literature in several ways. First, it was found that corporate governance mechanisms significantly influence the level of green bond yield spreads in the emerging capital markets. Second, we provide evidence of the high positive impact of CEO power (measured through CEO Duality) on spreads in the emerging capital markets. Thus, issuers with higher CEO power will face higher green bond yield. Third, board size matters for investors in green bonds from emerging capital markets, and it has a negative relationship with the yield spread. Fourth, contrary to the existing literature, the level of independence of the board of directors is not significant influencing the cost of green bonds. Moreover, we account for the specific features of the country?s institutional environment in terms of the quality of the regulatory system in the country and the capacity of the central authority and the nature of its legal system in the research model. We apply Worldwide Governance Indicators (WGI) developed by World Bank to capture 3 out of 5 WGIs (e.g. Regulatory quality, Rules of Law and Government Effectiveness) . We provide evidence that only government effectiveness and rule of law indexes are significant drivers for green bond?s spreads while the regulatory quality index is not.

Stock market co-movements in South-Eastern Europe: Does the SEE Link Integration beneficial for the participants?

Judit Burucs
Corvinus University of Budapest, Hungary
judit.burucs@uni-corvinus.hu

Fanni Dudas
Corvinus University of Budapest, Hungary
fanni.dudas@uni-corvinus.hu

Abstract

The bank-based financial system characterizes Europe, especially South-East Europe (SEE) countries. However, Capital Markets Union initiative -started in 2015 in the EU- aims to mobilize European capital and channel it to companies because it assists economic growth. The stock markets of Slovenia, Croatia, Bulgaria, Serbia, North Macedonia, and Bosnia&Hercegovina joined the South Eastern Europe Link (the SEE Link) Platform without a merger to provide more trading alternatives. This article analyses the degree of SEE Link and the benefits of integration for these small, mainly middle-income countries' capital markets. We examine time-varying stock market co-movements in South-Eastern Europe employing the dynamic conditional correlation multivariate GARCH model. Using daily data from 2010 to 2019, we find that the correlations among stock markets in South-Eastern Europe decreased over time. Our findings suggest that the integration has not influenced the individual markets; an explanation can be that problems related to the technical, regulatory, and governance measures do not stimulate foreign investments. The low integration level may not decrease the availability of portfolio diversification benefits for investors. The contribution of this article to current literature is that it assesses whether capital market integration is advantageous for the capital market of small, developing countries.

Informational Efficiency of Carbon Prices: Evidence from Phase III & IV of EU-ETS

Charu Vadhava
Indian Institute of Technology, Roorkee, India
charu_v@bm.iitr.ac.in

Abhinava Tripathi
Indian Institute of Technology, Kanpur, India
abhinavat@iitk.ac.in

Abstract

The paper examines the price discovery in the European carbon market for its third and fourth commitment period. Through the application of two pair-wise bivariate vector error correction models and price discovery models, this paper examines the information transmission process in EU-ETS for the two pairs, namely, EEX spot-EEX futures and EEX futures-ECX futures. For EEX spot-EEX futures, we find evidence of bidirectional causality; however, information incorporation is relatively faster in the EEX spot. For EEX futures-ECX futures, price discovery measures confirm the information impounded first in ECX futures lagged by EEX futures.

Stock Market Reaction to the Military Conflict Between Russia and Ukraine: An Event Study for the European Tourism and Hospitality Industry

António Martins
Universidade da Madeira, Portugal
antonio.martins@staff.uma.pt

Pedro Correia
Universidade da Madeira, Portugal
pacorreia@staff.uma.pt

Susana Cró
Universidade de Évora, Portugal
srgcro@uevora.pt

Abstract

This paper examines the short-term market reaction of European tourism and hospitality industry to the beginning of the military conflict between Russia and Ukraine (February 24, 2022). Using an event study, for a sample of 165 listed firms, we observe a negative and statistically significant stock price reaction at and around the beginning of the military conflict between Russia and Ukraine. Usually, the tourism and hospitality industries are among the most penalized by such events. These results are consistent with investor sentiment hypothesis and asset-pricing perspective. Military conflicts also tend to affect investors? optimal investment portfolio. Investors tend to rebalance their portfolio by shifting from ?war-sensitive? industries to less risky industries. These reactions are reinforced or mitigated by firm-specific characteristics such as liquidity, size, profitability, and institutional ownership. Finally, we find that listed firms located in: (i) countries in which Russia and Ukraine are the largest source of inbound foreign tourists, and (ii) countries formerly occupied by the Soviet Union and/or that share a common border with Russia, tend to show more negative abnormal returns.

Earnings Management Strategies During Financial Distress: Evidence from India

Muhammed Suhail PS
Indian Institute of Technology Madras, India
muhammedsuhailps00@gmail.com

Arun Kumar Gopalaswamy
Indian Institute of Technology Madras, India
garun@iitm.ac.in

Abstract

Rapid surge in corporate insolvency and resolution process (CIRP) in India has garnered considerable academic attention due to the substantial cost of financial distress accruing to the firm and other stakeholders. During the financial downturn, distressed firms have strong incentives to manipulate financial information through various earnings management strategies. The objective of this study is to identify the extent of earnings management adopted by companies in financial distress. Further, this study has broadly covered various phases of financial distress using three alternative definitions: financial health-based, legal outcome-based, and a combination of these two. This study considered the data of all NSE listed firms and listed firms that have filed for insolvency under CIRP and the data were collected from 2008 to 2021. The overall findings suggest that the firms facing severe financial distress manipulate the financial reporting through real earnings management rather than accrual earnings management primarily due to the ease of implementation and lower possibility of detection as regulators closely monitor such firms. Further, evidence shows that issue of new debt and equity, excess leverage, presence of stock-based compensation, and meeting or beating earnings benchmarks creates strong enticement for the firms to engage in earnings management. The findings of this study provide insights to regulators and auditors to understand the earnings manipulation strategies adopted by distressed firms to ensure financial reporting quality.

Order imbalances and market efficiency: Evidence from a pure order-driven market

Manisha Yadav
Indian Institute of Technology, Roorkee, India
manisha_y@bm.iitr.ac.in

Lagan Jindal
Indian Institute of Technology, Roorkee, India
lagan_j@bm.iitr.ac.in

Abstract

Using a sample of 196 stocks, this study investigates the intraday market efficiency of the National Stock Exchange of India (NSE), a pure order-driven market. The return autocorrelation and variance ratio tests suggest that the hourly returns of stocks at NSE are not serially correlated. Hourly order imbalances (OIBs) are highly persistent up to four lags, and can help in return prediction. Investors appear to follow short-horizon OIBs to conduct countervailing trades, and remove serial dependence in short-term returns. A simple order imbalance based trading strategy appears to offer abnormal returns; however, these returns vanish once the trading costs are factored in. Overall, the results indicate that the de-facto market making at NSE is effective.

Entrepreneurs of circumstance:labour market distress and entrepreneurship

Himal Gautam
BI Norwegian Business School, Norway
himal.gautam@bi.no

Abstract

I study individuals who become entrepreneurs following an industry downturn using the massive decline in oil prices in 2014. I find that the oil price decline resulted in increased entrepreneurial activity among oil workers in Norway. Compared to entrepreneurs without an oil industry background who started new firms in the years 2015 and 2016, I find that such `entrepreneurs of circumstance' run more profitable firms. They also tend to originate from lower income levels within their respective companies compared to entrepreneurs who started firms prior to the oil price drop. Notably, the difference in profitability between firms with and without previous oil employees is unique to the cohort of entrepreneurs that started firms after the oil price drop.

LBO debt and alternative sources of compensation in the PE buyout model.

Santi Sanchez Alegria
Public University Of Navarra, Spain
santi.sanchez@unavarra.es

Fermin Lizarraga Dallo
Public University Of Navarra, Spain
ferlizar@unavarra.es

Ana Veronica Cadima
Public University Of Navarra, Spain
ana.cadima@unavarra.es

Abstract

This study goes further into explaining the abuse of leverage by LBO-target firms. We extend Axelson et al. (2013)?s agency conflicts between GP and LPs to the target companies. We disaggregate the sources of the compensation received by LPs and GPs into performance-based (value creation) and non-performance-based, that include special dividends and fees and expenses directly charged to the target company. Using a sample of 242 PE-backed buyouts on Spanish target companies during the period 2000-2011, we find a negative effect of leverage on the performance-based sources. The loss of value is clearly higher for companies whose leverage is above the median. We also find that companies that destroy value resort to the non-performance sources to compensate GPs and LPs. We observe a positive relationship with special dividends and with fees and expenses charged to the target company. Our results suggest that there is a limit to the use of debt in LBO transactions and in those cases where the deviation from an optimal capital structure is higher the value creation is lower and GPs have more incentives to expropriate rents from others stakeholder of the target firm.

Pricing efficiency of European carbon futures market during the Covid-19 pandemic

Ravi Raushan Jha
Indian Institute of Technology Roorkee, India
ravi_rj@bm.iitr.ac.in

Charu Vadhava
Indian Institute of Technology Roorkee, India
charu_v@bm.iitr.ac.in

Abhinava Tripathi
Indian Institute of Technology Kanpur, India
abhinavat@iitk.ac.in

Abstract

We investigate the effects of the Covid-19 pandemic on the efficiency of the European Union Emissions Trading Scheme (EU-ETS), which is the most successful and influential carbon market. This study provides one of the first accounts of the pricing efficiency of EU-ETS around the last Phase (III) of its implementation. The study documents that the EU-ETS futures prices become informationally efficient at extremely short-horizons (5-30 minutes) that are comparable to mature conventional markets. These results are robust to three methods, namely, OLS autoregression, quantile autoregression, and variance ratio tests. Moreover, the EU-ETS futures prices impound the information content of economic activity in the major European markets at an extremely fast pace (5-30 minutes). The dynamic correlations obtained from the DCC-GARCH method suggest that the linkages between EU-ETS and economic activity remain intact, even when the effect of the pandemic is most severe. Overall, these results indicate that EU-ETS has substantially attained its stated objectives related to pricing efficiency.

Country-level Governance Indicators, Macro-prudential Regulations, and Systemic Risk

Muhammad Suhail Rizwan
College of Banking and Financial Studies, Oman
suhail@cbfs.edu.om

Anum Qureshi
Institute of Business Administration Karachi, Pakistan
anum@iba.edu.pk

Irfan Ullah Sahibzada
National University of Sciences and Technology, Pakistan
irfan.sahibzada@nbs.nust.edu.pk

Abstract

This paper empirically examines the moderating role of country-level governance indicators (CGIs) in the relationship between macro-prudential policy instruments (MPI) and systemic risk. The paper uses data from 68 countries and covers the period from 2000-2017. Using the beta regression framework for multivariate analysis, results show that CGIs in terms of corruption controls, government effectiveness, regulatory quality, and rule of law play a negative moderating role in the MPI-systemic risk nexus. Countries scoring high (low) on these CGIs experience stability benefits (instability costs) from MPIs. These findings suggest that the mere implementation of macroprudential regulations may not perform the intended function of systemic stability. Rather, overall institutional development in a country?s governance ecosystem is necessary. Hence, a coordinated effort is required from all the stakeholders of the country to achieve the intended goal of systemic stability from macroprudential regulations.

The impact of peer performance on individual investors? trading behavior

Nina Klocke
Duisburg-Essen University, Germany
nina.klocke@ecfs.de

Daniel Müller
Duisburg-Essen University, Germany
daniel.mueller@upb.de

Tim Hasso
Bond University, Australia
thasso@bond.edu.au

Matthias Pelster
Duisburg-Essen University, Germany
matthias.pelster@ecfs.de

Abstract

This paper studies the impact of social interactions on investors? trading behavior and risk-taking. We analyze a large sample of trading records from a social trading brokerage service that allows its investors to interact with their peers in a social media-like setting. These records offer a unique opportunity to investigate how individuals? trading activities and risk-taking change with respect to the outcomes of their peers. We show that investors? trading and risk-taking increases with their peers? trading performance. We exploit plausibly unexpected shocks to peers? performance to address the endogeneity concern inherent in the analysis of peer effects.

Does ESG matter in times of Natural Disasters? A case study on US stock market during the 2017 billion-dollar hurricanes

Filipe Grilo
Faculdade de Economia da Universidade do Porto, Portugal
fgrilo@fep.up.pt

Inês Rocha
Faculdade de Economia da Universidade do Porto, Portugal
up201607552@edu.fep.up.pt

Abstract

Within four weeks, three hurricanes caused more than 3000 casualties and provoked estimated losses of $300 billion in the US, providing a unique opportunity to analyze the impact of climate extreme events on the stock market. This study assesses how the stock market reacted to these events and tests if firms? ESG scores impact their stock returns. We highlight three main results. First, the hurricanes have provoked losses in the stock market, which can be traced until at least two days before the beginning of the hurricane. Second, climate physical risk may account for up to a third of the losses in stock markets. Finally, firms with high Governance scores perform better throughout this period, but this effect is cancelled out during the most intensive days of the hurricane. This paper highlights the importance of companies' ESG investment level to stock markets during natural disasters.

Portfolio Allocation and Borrowing Constraints

Raslan Alzuabi
University of Sheffield, United Kingdom
raslan.alzuabi@sheffield.ac.uk

Sarah Brown
University of Sheffield, United Kingdom
sarah.brown@sheffield.ac.uk

Daniel Gray
University of Sheffield, United Kingdom
d.gray@sheffield.ac.uk

Mark N. Harris
Curtin University, Australia
mark.harris@curtin.edu.au

Christopher Spencer
Loughborough University, United Kingdom
c.g.spencer@lboro.ac.uk

Abstract

We explore the relationship between borrowing constraints and household financial portfolio allocation. Initially, we develop a mean-variance model of portfolio allocation with three tradable asset classes defined by increasing risk, and establish a link between borrowing restrictions and portfolio allocation. We then analyse the US Survey of Consumer Finances to explore the predictions of our theoretical framework. Our empirical analysis is particularly revealing as under non-restrictive theoretical assumptions the optimal share of wealth allocated to medium-risk assets is predicted to be ambiguous. Simple model simulations coupled with econometric analysis enables us to empirically resolve this ambiguity. Empirically, the distribution of medium-risk assets is remarkably similar to that for high-risk assets, suggesting the presence of a more general `risk puzzle', which our borrowing constraints measures partially explain.

Tax-Strategy-Related Words, Firm?s Ability, and Tax Avoidance

Yicheng Wang
Xi'an Jiaotong Liverpool University, China
yicheng.wang02@xjtlu.edu.cn

Abstract

In this paper, I construct a tax-strategy-related (TSR) word list to investigate the linguistic cues of tax avoidance in 10-Ks. I use TSR words to measure a firm?s innate ability to avoid taxes and find a positive relationship between this ability and the level of tax avoidance. I use three tests to validate this pattern. First, I find that the TSR words have explanatory power on multiple traditional tax avoidance measures after a battery of robustness checks. Second, I introduce a method to identify the extreme values in tax avoidance measures and examine the pattern with extreme values. The results still hold. Third, I collect the tax shelter firms to check whether this pattern survives in the most aggressive cases. Interestingly, the pattern turns to be the opposite. I interpret this result as indicating that these firms try to conceal their abilities of tax avoidance to avoid being captured by tax authorities. In an additional analysis, I find that investors negatively value the disclosure of TSR words in well-governed and less tax-avoiding firms.

Revisiting the pricing impact of commodity market spillovers on equity markets

Francisco Pinto
The University of Manchester, United Kingdom
francisco.pintoavalos@manchester.ac.uk

Michael Bowe
The University of Manchester, United Kingdom
michael.bowe@manchester.ac.uk

Stuart Hyde
The University of Manchester, United Kingdom
stuart.hyde@manchester.ac.uk

Abstract

This paper revisits the dynamics of pricing relationships between commodity and equity markets in a sample of commodity-exporting economies between 2000-2019. We confirm the correlation between these asset prices increases around episodes of financial distress. Prior research attributes this increase to the effect of contagion initiated by commodity price shocks. However, we find that after controlling for the effect of time varying investor risk aversion, there is no evidence that the documented correlation increase originates from shocks to commodity markets. Indeed, we are unable to reject the hypothesis of no contagion. We maintain that controlling for the effect of time varying investor risk aversion together with other factors potentially causing common variation across price movements in commodity and equity markets, is essential in accurately capturing the relationship between asset prices in these markets.

Disappearance of Investment-Style Timing Ability of Mutual Fund Managers in Thailand

Chaiyuth Padungsaksawasdi
Thammasat Business School, Thammasat University, Thailand
chaiyuth@tbs.tu.ac.th

Woraphon Wattanatorn
Thammasat Business School, Thammasat University, Thailand
woraphon@tbs.tu.ac.th

Abstract

As research on the investment-style timing ability in the mutual industry is scant, we investigate the ability to time firm-characteristic benchmarks of mutual fund managers in Thailand during the period of 2000-2019. In general, size timing ability is prevalent in most cases, but not true for value timing ability. Interestingly, all investment-style timing ability disappears when controlling for market, volatility, and liquidity factors at the market-wide level. This holds true for the bank-mutual fund relationship as well as at portfolio and individual fund levels. We conclude that the fund managers in Thailand are more experienced and successful to time an overall market than to time investment-style strategies as trading strategies at the firm level is costlier. Bank-related mutual fund does not benefit from superior information at the firm level, being consistent with the information advantage hypothesis. Robustness confirms the main findings.

Illiquidity Premia during COVID-19: Evidence from the Hong Kong Options Market

Chuxin Ye
zhejiang university, China
ddye@zju.edu.cn

Abstract

This study examines whether illiquidity premia exist in the Hong Kong stock options market. By employing intraday trading data, we confirm significant illiquidity premia during the COVID-19 pandemic. Positive and significant illiquidity premia exist across options with different maturity and options with long-term maturity have the largest illiquidity premium. To further investigate the impact of the pandemic, we define two waves in the post-pandemic period. We find that extremely high illiquidity premia temporarily exist in the first wave, in which the pandemic affects calls more than puts. This is attributed to the evaporated liquidity of calls during this period. To compensate for the limited liquidity, call options provide investors with more illiquidity premia.

Family businesses and financing relationship: a process of interpretative phenomenological analysis

Yoyo FANDJA
University of Mons, Belgium
Yoyo.FANDJA@umons.ac.be

Abstract

Several studies on family businesses have dealt with their access to bank credit. These works reveal two conclusions in total opposition. The duality of conclusions in the literature concerning access to credit for family businesses led us to take an interest in this subject. By analyzing the literature on the indebtedness of family businesses compared to that of non-family businesses, we observed that they have easy access to bank credit thanks to their main asset, financing relationship. This financing relationship translates into a long-term relationship and deep ties that lead to mutual trust between loan officers and family managers. The objective of this research is to explore the experience of credit officers in their relationships with family managers in order to understand how these relationships can affect the financing structure of family businesses. To carry out this research, an interpretative phenomenological analysis is implemented. This approach is part of the constructivist paradigm and refers to the subjective accounts of the individual rather than an objective description of the facts. The role of the researcher is to explore the experience lived by the interviewees and to try to understand the meaning they give to this experience. The originality of this research is to use Interpretative Phenomenological Analysis, which is more specific to medicine, psychology and sociology, in order to approach the problem of financing family businesses differently through their particular relationships with bankers.

How CEO early-life disaster experience affect debt financing choice?

Haolan Yang
University of Essex, United Kingdom
hy17968@essex.ac.uk

Yiwei Li
University of Essex, United Kingdom
yiwei.li@essex.ac.uk

Verousis Thanos
University of Essex, United Kingdom
t.verousis@essex.ac.uk

Abstract

How do firms led by CEOs with early-life disaster experience affect debt-choice decisions? Theoretically, we show that the answer is ambiguous: firms led by such CEOs may either increase or decrease their bank debt. Empirically, using a quasi-natural experiment, we find evidence that firms shift their debt structures by reducing bank debt and rising public debt when led by CEOs with early-life disaster experience. A series of robustness tests support this result. Additionally, we discuss firms with different circumstances. Moreover, our findings prove that firms led by CEOs with early-life disaster experience increased firm risk-taking, which impacts the firm's debt structure decisions. All in all, our results reveal the effects of a CEO with early-life disaster experience on debt structure decisions.

Using Kullback-Leibler Divergence to Estimate Information Loss in Credit Scoring with Alternative Data

Ramachandran Natarajan
College of Business, Tennessee Tech University, United States
RNAT@tntech.edu

Edwin Baidoo
College of Business, Tennessee Tech University, United States
edwinbaidoo@yahoo.com

Abstract

Alternative datasets are increasingly used in finance because of convenience and ease of availability. The consequences of such use are not always clear. Exploring the effects of the use of alternative data provides rich research opportunities. This paper attempts to study the information loss when alternative data are used in the context of credit scoring and lending. Kullback-Leibler Divergence (KL Divergence) is used to quantify the information loss. Hypotheses are formulated and tested to assess the statistical significance of the loss

The influence of CFO characteristics on the cost of capital

Sara Wahid Bassiouny
Arab Academy for Science, Technology, and Maritime transport , Egypt
sarawahid@aast.edu

Manuel J. Rocha Armada
University of Minho, Portugal
rarmada@eeg.uminho.pt

Cristiana Cerqueira Leal
University of Minho, Portugal
ccerqueira@eeg.uminho.pt

Abstract

This paper aims to identify the CFO characteristics and to explore the influence of such characteristics among others on the cost of capital which is a core decision within corporations. In addition, the paper moderates for the CFO board membership to test if the CFO?s behavior changes towards taking a decision, when on board. To reach the research objectives, a questionnaire is distributed to the CFOs of the non-financial firms listed on the EGX, moreover, secondary data is gathered to get any needed data for the financial decision as well as for some firm characteristics. The analysis includes two types of regressions, namely: hierarchical and stepwise. The results of a hierarchical regression show that the models with traditional factors reveal only one firm factor that significantly impacts the cost of capital, and including other behavioral factors reflect a significant contribution to the model. However, introducing the moderating variable with its interception shows no significance with the cost of capital. While the stepwise results show that the variables under study are impacting the cost of capital, including behavioral and non-behavioral factors. Thus, the findings of this study reveal the importance of including behavioral and other determinants in the corporate models and this supports the behavioral finance theory. This paper contributes to the literature by exploring CFO characteristics that are not fully studied in a corporate finance context, especially in a developing market.

The Influence Of Fixed And Flexible Funding Mechanisms On Reward-Based Crowdfunding Success In Africa

Lenny Mamaro
University of South Africa, South Africa
lennyphulong@gmail.com

Abstract

Objective This study investigates whether fixed or flexible funding mechanisms influence crowdfunding success. In the fixed funding mechanism, the amount of the pledge contributed to the crowdfunding campaign projects is returned to the backers if the project fails. In contrast, under the flexible funding mechanism, the project creator could keep all the raised pledges irrespective of whether the project succeeds or fail. Design/methodology/approach ? The secondary data consisting of reward-based crowdfunding projects was retrieved from thecrowddatacentre namely Indiegogo, Kickstarter, and platform. The logistic regression models are estimated to assess the impact of flexible funding mechanisms on subsequent crowdfunding success performance, and to estimate the effects of the three crowdfunding strategies on subsequent funding performance namely entrepreneur?s experience, spelling errors, backers, and word descriptions. Model: Binary regression Project success=?_0+?_1 flexible funding+?_2 Experience+?_3 spelling error+?_4 Backers+?_5 word description Findings ? The results of binary regression results revealed that a fixed funding mechanism increases the probability of success rather than flexible funding. Entrepreneur?s experience, spelling errors and project description negatively affected the crowdfunding success whereas backers were positively impacting the crowdfunding success. Therefore, the findings provide guidelines and give suggestions to entrepreneurs seeking finance to design and choose an appropriate funding mechanism that effectively reduces the failed projects campaign.

Line of credit financing and growth of SMEs: an empirical analysis across 28 European countries

Ana Mol-Gómez-Vázquez
Universidad de Alicante, Spain
ana.mol@ua.es

Cristina Martínez-Sola
Universidad de Alicante, Spain
mcristina.martinez@ua.es

Ginés Hernández-Cánovas
Universidad Politécnica de Cartagena, Spain
gines.hernandez@upct.es

Abstract

This paper analyzes the effect of line of credit financing (LOC) on the growth opportunities of small and medium-sized enterprises (SMEs). SMEs use the flexibility provided by a LOC to deal with working capital and cash flow needs arising from their investment projects. Even though this flexibility comes at the expense of larger refinancing risk and cost of capital, we believe that firms with access to a LOC will be more likely to undertake investment projects and grow. Using a hierarchical three level model, we find that firms are less likely to expect a positive growth in the next 3 three years if their request for a LOC has been rejected. In our analyses we use a large sample of more than 13,000 SMEs operating in 28 European countries over 6 waves of SAFE surveys carried out between 2012 and 2017.

Revisiting hedging strategies between oil and clean energy stock prices amid the Russia-Ukraine conflict

Kakali Kanjilal
International Management Institute New Delhi, India
kakali@imi.edu

Manas Paul
Institute of Management Technology Ghaziabad, India
mpaul@imt.edu

Sajal Ghosh
Management Development Institute Gurgaon, India
sghosh@mdi.ac.in

Abstract

In the past, numerous studies have explored the dynamic relationship between crude oil and clean energy stock price. However, the relationship needs a relook due to Russia-Ukraine conflict. The current study is trying to do that with an additional objective of proposing an effective hedging strategy for clean energy and oil price. The study adopts an integrated approach of modelling the first and second moments of two asset classes, clean energy and crude oil price, in the presence of two policy uncertainty and volatility indexes as control variables. The work combines VAR (Vector Auto-regression) with various DCC-GARCH (Dynamic conditional Correlation GARCH) models to estimate return and risk/volatility spillover between the two asset classes. The study finally proposes an optimal hedging strategy and compares the outcomes with earlier studies.

INSIDE THE BLACK BOX OF ESG METRICS: DEVELOPING A Z-ESG SCORE MODEL FOR THE EUROPEAN CORPORATE SECTOR

Francesco Baldi
University of Turin, Italy
fbaldi@luiss.it

Antonio Salvi
University of Turin, Italy
antonio.salvi@unito.it

Claudia D' Ippolito
Deloitte, Italy
claudia.dippolito@edu.unito.it

Abstract

Based on a sample of 325 large-sized companies listed in European stock markets, we develop a proprietary ESG rating by employing the two main statistical techniques used by E. Altman to derive its credit rating known as Z-score. The two techniques are the multiple discriminant analysis and the logistic regression. For this reason, our proprietary ESG score is named as Z-ESG rating. The sample companies are divided into 2 groups (ESG compliant and no-ESG compliant) based on a theoretical model. The independent variables chosen for the model are the answers to 13 questions for each of the three pillars (Environmental, Social and Governance), an overall number of 39 questions. These questions are selected across all ESG models developed by the leading ESG rating providers. Interestingly, our proprietary model, by only relying on 39 questions, yields ESG scores that are highly correlated with those provided by Refinitiv Eikon, which instead makes use of almost 600 questions. To the best of our knowledge, our study is the first to develop a Z-ESG score for the corporate sector in Europe.

Does access to savings reduce vulnerabilities during COVID times? Evidence from Micro entrepreneurs? survey of Rural Punjab

Ahmad Nawaz
Lahore School of Economics, Pakistan
ahmad.nawaz@lahoreschool.edu.pk

Asad Kamran Ghalib
Liverpool Hope University, United Kingdom
ghaliba@hope.ac.uk

Mahin Jehangir Ali
Lahore School of Economics, Pakistan
mahinjahangeer@gmail.com

Fariya Hashmat
Lahore School of Economics, Pakistan
fariyahashmat01@gmail.com

Abstract

The purpose of this study is to analyse the role of savings during the COVID times. Savings mobilization is critical for individual and societal welfare. At the individual level, savings help households? smooth consumption and finance productive investments in human and business capital. It aims to anwer the question ?Does access to savings help in reducing vulnerabilities of households? due to an external shock like COVID-19 controlling for household characteristics??. To assess the impacts a survey of 508 households was carried out in a rural area near Lahore, Punjab in June 2021. The sample includes recipients of Microfinance Institutions (MFI?s), members of the Rotating Saving and Credit Associations (ROSCA) and those receiving state-led grants. Informed policies based on the findings of this study may help policy makers to design better saving mechanisms in testing times like COVID.

NASDAQ-100 Additions and Deletions: Varying Price Effects and Market Participant Learning

Mary Becker
Canisius College, United States
mjb43@ymail.com

Abstract

This research studies the effects of additions and deletions to the NASDAQ-100 Index for 1997 - 2016. The findings suggest that addition announcements are associated with significantly large positive stock returns. These stock returns are positively associated with the stock?s trading volume. Further, this effect is most pronounced in the early part of the sample period, from 1997 to 2003. Evidence suggests that because additions and deletions to this index can be predicted in advance of the announcement, those stocks that are predicted to be added to the index experience price run ups in advance of the announcement. Investors have learned to predict which stocks will be added and are trading on these predictions.

Credit scoring models application in small Latvian non-bank lending company

Daniels Jukna
University of Latvia, Latvia
daniels.jukna@gmail.com

Abstract

Issuing loans is considered the main business of banks and financial institutions, but it is also high-risk, especially if the company does not have a successful model for assessing the solvency of borrowers. However, no methodology usually provides the optimal classification for all data sets, so using different models in the decision-making process is essential due to many qualitative considerations. Based on actual borrowers? solvency data, models have been developed using various methods (Logistic regression, Support vector machine, Random forest, Decision trees, Artificial neural networks) and ensemble methods (Minimasing rule, Maximising rule, Majority voting, Average rule, Weighted average rule) to predict whether a given borrower is of good or bad solvency. These models are then compared to determine which model performed best. Ensemble approaches have shown better model classification performance than traditional methods on average. The only method with a better result was the Support vector machine, outperforming only a few models created by the ensemble approach. Also, the Weighted average ensemble method was improved by differentiating the weights of traditional methods. Overall, the improved model gave the best accuracy and model discriminative power. In addition to the best method, three approaches were developed to determine the optimal cut-off value . It also helped to evaluate different scenarios when the cut-off value changed. Determining the optimal cut-off value is crucial in credit scoring as it could significantly improve model predictability.

Financial Knowledge and Behaviour: The effect of home ownership in Spain

Laura Oliva
Universidad de Sevilla, Spain
loliva@us.es

David Toscano
Universidad de Huelva, Spain
dtoscano@decd.uhu.es

Juan Nave
Universidad de Castilla - La Mancha, Spain
Juan.Nave@uclm.es

Abstract

The relationship between financial knowledge and financial behaviour has been widely studied in the literature. Different works in different contexts find that there is a positive relationship between these variables. The supervisor of the Spanish securities markets (CNMV) and the Spanish central bank (Banco de España) developed a Financial Education Plan at national level since 2008. They conducted a Survey of Financial Competences (ECF) to measure the financial literacy of the Spanish adult population and their relationship with the financial system. Although overall the Spanish context seems to present the same results, the Spanish population presents a differential characteristic with respect to Europe. Specifically, the high preference for buying versus renting a home. The objective of this paper is to analyse the effect of homeowner on the relationship between the level of financial knowledge and financial behaviour of Spanish citizens. To this aim, we perform endogenous ordered probit regressions, using ECF survey and controlling with instrumental income and education level variables. Our main empirical findings show that there are important differences in the relationship between financial knowledge and financial behaviour. Specifically, while this significant positive relationship intensifies for homeowners, it does not remain significant in the case of renters. This result suggests that home ownership may be an differential factor in the relationship between financial knowledge and behaviour.

Female Leadership and Corporate Social Responsibility:Nordic Evidence

Habeeb Yahya
Turku School of Economics, University of Turku, Finland
hbyahy@utu.fi

Abstract

This study examines the influence of female leaders on firms? sustainability performance. Using data on publicly listed Nordic firms over eleven years, the effect of female CEO/Board-Chair on firm sustainability is tested after controlling for important characteristics including CEO-Chair duality, age, experience, and board independence. The result shows significantly higher ESG scores for firms with women as CEO or Chair of the board. A more detailed ESG pillar scores analysis shows that women only significantly affect the social but not environmental performance of firm sustainability. No reverse causality between Female CEO/Board-Chair and firm ESG performance is documented.

Closer Look at Dividend, Stock Price, and Expected Return

Jonathan Ohn
Commonwealth University of Pennsylvania, United States
john@commonwealthu.edu

Abstract

We examined the relationship between stock price and expected dividend, and its role in forecasting expected return for the S&P 500 stocks. Johansen?s test shows evidence of the cointegration relation between price and dividend, especially for the 1944 ? 1985 period when more than 80% NYSE stocks were consistently paying dividends as reported by Fama and French (2001). The estimation results based on an autoregressive error-correction model show a significant coefficient for the cointegration (error-correction) variable, especially for the same 1944 ? 1985 period. This finding implies that price and dividend have a cointegration relation so that if price deviates from its long-run stability to dividend, flexible price has the tendency to revert and restore its stability to dividend. Controlling for this significant error-correction process, we find slight evidence of significant negative coefficient for the second lag of expected return for the 1944 ? 1985 period, which is consistent with the price?s mean-reverting behavior, as evidenced by numerous studies including Fama and French (1988). Contrary to the proposition by Miller and Modigliani (1961), Black and Scholes (1974), or others, this finding seems to support that dividend does matter in stock price change, and the stable long-run relationship between price and dividend plays an important role in forecasting expected return during the 1944 ? 1985. The above finding and evidence, however, is very weakened or disappears for the post-1985 period when the fraction of dividend-paying firms has decreased significantly in NYSE stocks as reported by Fama and French (2001). Interestingly, however, in a more rigorous investigation on a new portfolio Dividend Aristocrats that we construct using the 32 stocks from the S&P 500 Dividend Aristocrats (currently 66 stocks total) that consistently paid dividend during the post-1985 period, we find evidence of a significant cointegration relation (long-run stability) between price and dividend and its effective role in forecasting expected return although the size and significance is not as strong as that for the 1944 ? 1985 period.

Technology Transfers, Efficiency Gains and Surplus Thresholds: An Aggregate Equilibrium Approach Analysis

Aineas Mallios
University of Gothenburg, Sweden
aineas.mallios@handels.gu.se

Ted Lindblom
University of Gothenburg, Sweden
ted.lindblom@handels.gu.se

Stefan Sjögren
University of Gothenburg, Sweden
stefan.sjogren@handels.gu.se

Abstract

We illustrate how an aggregate equilibrium approach can be applied to analyze the efficiency gains and social welfare effects of transfers of sufficiently large, but nondrastic, technological innovations among firms in an industry characterized by diseconomies of scale. In particular, we demonstrate how the approach can be used to identify the thresholds where technology transfer through collusion will be optimal for competing firms and the society, including the threshold for when consumers will be indifferent to whether firms in an industry compete or collude. In addition, we show how a per-unit royalty license fee, which is partly paid upfront for a minimum required quantity, can be used by the licensor to restrict the quantity output of the licensee(s), and ensure the stability of collusion. We suggest that this licensing contract, which has implications for policymakers and practitioners, may explain why technology transfers often occur in highly technological industries among otherwise competing firms with market power.

THE IMPACT OF PERSONAL REMITTANCES ON DEVELOPING ECONOMIES: THE CASE OF LEBANON

Samar abou ltaif
EUROPEAN UNIVERSITY OF CYPRUS, Lebanon
sf191834@students.euc.ac.cy

Simona Mihai Yiannaki
EUROPEAN UNIVERSITY OF CYPRUS, Cyprus
S.Mihai@euc.ac.cy

Abstract

Abstract Purpose- The purpose of this paper is to analyze the results and impact of personal remittances on the Lebanese economy since the global economic crisis of 2008. This will be approached by studying the fluctuation of economic factors compared to the volume of personal remittances. Design/methodology- According to its characteristics, the interpretative research philosophy assists in interpreting and understanding the variables? variation and results of our case while taking into consideration several aspects. Based on a long-sectional time dimension, secondary-data-based research will be done to accomplish this paper. Following the literature review, the quantitative part covers multi-regression analysis based on collected data. Accordingly, several regression analyses will be conducted where personal remittances will be the independent variable while GDP, Real estate price fluctuation, inflation, employment rate, and public debt will be the dependent variables in each of the analyses. Findings/results- The conclusions attained after the literature review are that personal remittances may trigger economic development under specific conditions of efficient management and a healthy environment. The regression analysis will be conducted to prove (or disprove) these primary findings and validate our conclusions. Originality/value- This study would raise urgency among regulators to set strategic decisions in order to settle a supportive environment that attracts remittances and efficiently use the received amounts to foster economic growth. Social implications- personal remittances and economic development have a direct impact on society by facilitating freedom of wealth distribution. Considering the important number of Lebanese diaspora and the high amount of remittances received at all times, it is important to study how these amounts have been affecting the market and the local lifestyle.

ESG and stock market resiliency during COVID-19: an industry-specific approach

Eyda Marin
Universidad de Huelva, Spain
eyda@uhu.es

Juan M. Nave
Universidad de Castilla-La Mancha , Spain
Juan.Nave@uclm.es

David Toscano
Universidad de Huelva, Spain
dtoscano@uhu.es

Abstract

The debate over how firm environmental, social and governance (ESG) affects shareholder wealth has been receiving increasing in recent years, especially in periods of crisis such as the market crash triggered by COVID-19 pandemic. Some researchers have analysed whether ESG scores immunize stock returns during periods of crisis. The result of these works seem to be contradictory and inconclusive even though they were conducted with similar methodology and samples.These previous research studies on ESG and stock returns have been conducted in an aggregated manner without analysing in depth the possible differences that may appear at the sector level. It would be incomprehensible to extend the aggregate results of these studies to controversial sectors that can hardly become environmentally and socially responsible. For this reason, in this work we analyse the impact of ESG on stock price resilience but, differentially, at industry-specific level during the COVID-19. Following Demers et al. (2021) we regress abnormal stock returns on ESG in COVID period for US firms, controlling for financial performance variable and Fama-French factors. Our results show that although in the whole market appears to be non-significant relationship between stock returns and ESG, at industry level, we show evidence that the effect of ESG on returns during the crisis and recovery periods is significant for some industries, concretely, Information Technology and Communication Services.

Pharmaceutical Innovation and Corporate Lobbying

Ryan Whitby
Utah State University, United States
ryan.whitby@usu.edu

Benjamin Blau
Utah State University, United States
ben.blau@usu.edu

Todd Griffith
Utah State University, United States
todd.griffith@usu.edu

Daniel Mosman
Florida State University, United States
dmosman14@gmail.com

Abstract

This study develops and tests the hypothesis that pharmaceutical firms substitute spending on R&D with investment in lobbying expenditures in an attempt to obtain higher drug or patent approval rates. The results show that R&D expenditures are about 16% lower for pharmaceutical firms that lobby vis-à-vis pharmaceutical firms that do not lobby. In difference-in-difference analysis, we show that, relative to matched control firms that do not lobby, pharmaceutical firms that do lobby experience a significant increase in R&D around an arguably negative shock to lobbying activity ? The 2008 Honest Leadership and Government Act. We then show that the average drug approval rate for firms that lobby is around 9 percent higher than for those that do not lobby. Thus, while capital spent on building political connections reduces expenditures on R&D, it seems to improve the effectiveness of innovation in the form of more drugs.

When Private Information Becomes Fraud: Sanctioned Firms on Euronext Paris

Jonathan Daigle
Monmouth University, United States
jdaigle@monmouth.edu

Benedicte Reyes
Monmouth University, United States
breyes@monmouth.edu

Abstract

This paper analyzes the financial and corporate governance characteristics of firms sanctioned by Euronext for insider trading and information irregularities between 2010 and 2022. We identify criteria that separate sanctioned firms from their peers and show that rapid sales growth, fluctuating cash flows, and lack of analyst following increase the likelihood of fraud. In addition, family/founder CEOs and family board chairs are more likely to be sanctioned for insider trading and information irregularities, especially when their firms had a recent IPO and are traded on smaller Euronext compartments. Last, we investigate whether sanctioned firms also use income-smoothing activities to hide their extraction of private benefits from market participants. Our results show that fraudulent firms are more likely to engage in income smoothing activities, but only when they are more established and profitable companies. However, their behavior seems to be significantly constrained by increased analyst coverage.

Do ESG ratings reduce managerial opportunism? A focus on Asia-Pacific firms

Domenic McEwan
University of Queensland, Australia
d.mcewan@uq.net.au

Allan Hodgson
University of Queenland, Australia
a.hodgson@business.uq.edu.au

Hasibul Chowdhury
University of Queensland, Australia
h.chowdhury@business.uq.edu.au

Abstract

Corporate social responsibility (CSR) has been leveraged in the western world to signal enhanced firm-level trust for investors, as it imposes ethical constraints on managerial opportunism, such as corporate insider trading. However, the same cannot be inferred in the Asia-Pacific with varying perceptions of CSR. We use a sample of eleven Asia-Pacific nations find that insider transactions in highly ranked CSR firms lead to lower abnormal returns from purchases, but not so for sales. This effect is more pronounced when considering firms? environmental CSR performance. Moreover, a commitment to CSR within nations that have robust legal settings were found to further constrain insider purchase profitability, however the same cannot be concluded for insider sales. Similar results were prevalent within individualistic cultures and strong governance nations. This investigation extends current western focused literature that assess the case for CSR investment through explaining the influence of CSR activities on managerial opportunism.

An Agent-Based Model of Country Performance and Competition in Arctic FinTech

Mikhail V. Oet Oet
Northeastern University, United States
mikhail.oet@case.edu

Corinne Coen
Case Western Reserve University, United States
corinne.coen@case.edu

Tuomas Takko
Aalto Univesity, Finland
tuomas.takko@aalto.fi

Youngbok Ryu
Northeastern University, United States
y.ryu@northeastern.edu

Abstract

This paper proposes an Agent-Based Model (ABM) study of the country actors competing in the Arctic FinTech market. We investigate the possible motivations and risks associated with the emergence of the FinTech sector, explore the game-theoretic problems manifested in the FinTech market, and study the mechanisms for the emergence of country alliances. We simulate the behavior of the Arctic Council?s eight member countries and 13 observer countries in their investment decisions and deployment of resources in the FinTech sector across two investment horizons: short-term (twenty years) and long-term (forty years). The short-term simulation experiments provide insights into the patterns of the countries? investment strategies, such as market over-saturation or under-saturation, and help identify potential risks associated with FinTech firms' emergence. We observed the emergence of four regional alliances. Country actors from the Nordic region invested more heavily in InsurTech and RegTech, with a significant shift towards sustainable investment choices in response to the changing climate. In contrast, actors from the Russian region invested more heavily in WealthTech and Real EstateTech, focusing on energy and resource extraction investments. The actors from the American region, influenced by the changing climate, shifted their investment focus towards Blockchain and Cryptocurrency, driven by the need for transparent and secure transactions. Actors from the Indigenous Arctic region invested more heavily in Online Lending and Digital Payments, emphasizing financial inclusion and accessibility for their communities. However, in the long term, alliances shifted from four to two. The countries' geopolitical concerns, wealth, and energy resources exploitation significantly moderated the alliance memberships. This shift can be attributed to the projected effects of climate change and energy on the Arctic region, leading to a realignment of geopolitical interests. The two emerging trading blocks?the ?Green Alliance? and the ?Energy Exporters"?specialized in different FinTech sectors. The ?Green Alliance? concentrated on Digital Payments, RegTech, and WealthTech, while the ?Energy Exporters? concentrated on Blockchain,

Cryptocurrency, and Real EstateTech. Throughout the long-term horizon, the "Green Alliance" expanded its specialization to InsurTech, while the "Energy Exporters" retained its focus on Blockchain and Cryptocurrency. Our study provides insights into the range of outcomes of the countries' short-term and long-term investment strategies in the FinTech market. It helps identify potential risks associated with global competition. The findings can inform policymakers and regulators about the strategic implications of FinTech's emergence and help manage potential financial and geopolitical stability risks.

Financial Instability Through the Eyes of the Federal Reserve Bank Supervisors

Mikhail V. Oet Oet
Northeastern University, United States
mikhail.oet@case.edu

Oleg Pavlov
Worcester Polytechnic Institute, United States
opavlov@wpi.edu

Kalle Lyytinen
Case Western Reserve University, United States
kalle.lyytinen@case.edu

Stephen Ong
New York Community Bancorp, United States
stephen.ong@mynycb.com

Abstract

Recent profound disturbances to the global financial system highlight the need for a systems approach to analyzing financial instability. The latest financial crisis provided many examples of significantly destabilizing dynamic processes affecting the behavior of the financial system that indicate that the fragility of the financial system is structural. Therefore, to understand financial fragility, it is critical to elicit the structure of the financial sector. A common practice in economics is to create theoretical models without the practitioners? input. However, the professionals who work in the financial sector possess in-depth first-hand knowledge of the system. The objective of this project is to contribute to the effort of constructing a unifying theoretical framework of systemic feedbacks within financial systems. This project builds a shared mental model of the Federal Reserve Bank supervisors that captures their understanding of financial instability. To the best of our knowledge, their views have never been explicitly documented before. This research gives a voice to the expert group outside the academic conversation about financial stability.

Merger and acquisition in banking sector: Evidence from emerging economy

Mohit Verma
Indian Institute of Management, Sambalpur, India
Phd20mohitv@iimsambalpur.ac.in

Preeti Kalyan
Indian Institute of Management, Sambalpur, India
phd20preetik@iimsambalpur.ac.in

Punit Moris Ekka
Indian Institute of Management, Sambalpur, India
phd21punitme@iimsambalpur.ac.in

Abstract

Merger and acquisition (M&A) have lately increased in the Indian banking sector with the desire to improve operations, market performance, and financial performance. It is important to investigate whether the banks are able to gain expected synergies. This study examines the effects of M&A in the banking sector through an analysis of M&A transactions between 2014 and 2022. The current paper is built on secondary financial data whereas outcomes were assessed on three major parameters, i.e. market performance, financial performance, and overall efficiency improvement. The study used different methodologies such as event study, ratio analysis, tabulation, and Wilcoxon rank text to check over different parameters. The findings reveal a significant improvement in market performance and financial performance. No statistically significant improvements were found in profitability, liquidity, and operational efficiency. We conclude that synergy gain cannot be achieved by M&A only. Overall the study gives insight into the value creation through M&A in emerging economies' banking industry and emphasizes the importance of effective integration strategies. The study has implications for the central bank, banks, and policymakers in emerging economies to decide on M&A activities and the development of a robust banking sector.

Uncovering the micro-entrepreneurial motivation of Airbnb hosts in rural Arctic sustainable tourism: An exploratory study

Farhana Yeasmin
University of Agder, Norway
farhana.yeasmin@uia.no

Birgit leick
University of South-eastern Norway, Norway
birgit.leick@usn.no

Abstract

Exploring the motivational fact of being a micro-entrepreneur on the sharing economy digital platform, Airbnb, is discussed throughout the study considering the context of rural sustainable tourism in the Arctic. Research on rural sustainable tourism in the Arctic region is clearly deficient in ancestral studies. In the growing literature surrounding Airbnb emerges the spirit of a transformative business venture while maintaining social, economic and environmental impact. This study also investigates the post-income consumption patterns of the hosts which provides the relationship with micro-entrepreneur motivation factors from an economic perspective. A theoretical model is tested to explain the relationship paths between host motivation and post-earnings consumption patterns. In data collection, using questionnaires from Denmark, Iceland, Norway, the three Arctic regions, the socio-economic position and opinions of the hosts are directly known. Artic micro-entrepreneurs present a different mindset to conventional theory which is identified in data analysis after statistical application. Factors retrieved from existing studies yield results against most assumptions, yet they are upgrading theoretical and practical implications that address significant gaps in the current literature. Simultaneously, the results will advance existing knowledge with constructive future research directions on Airbnb phenomena.

Fossil fuel firms valuations and climate change uncertainty

Matteo Gasparini
University of Oxford, United Kingdom
Matteo.gasparini@ouce.ox.ac.uk

Abstract

We develop a valuation framework for climate-sensitive stocks in the presence of uncertainty around a policymaker action to prevent global warming. The price- dividend (P/D) ratio of climate-sensitive stocks depends on investors expectations about an ambiguous path of future energy generated by a high carbon emitting and a low carbon emitting firm, and conditional on a climate policy regime shift. We show theoretically and empirically that, given a required rate of return, the higher the uncertainty the higher the valuation of climate-sensitive stocks. Moreover, we discuss a broader set of asset pricing implications in the context of climate change uncertainty.