



Abu Dhabi

WORLD FINANCE & BANKING SYMPOSIUM

December 16th – 18th, 2024



Hosted by

In Partnership with



مدرسة أبوظبي للإدارة
ABU DHABI SCHOOL OF MANAGEMENT



ISBN: 978-989-54931-9-7

INDEX

The Double-Edged Sword of the 2020 European Short-Selling Bans	
Dimitris Papadimitriou - King's College London	
Robert Kosowski - Imperial College London, CEPR	
Pasquale Della Corte - Imperial College London, CEPR	
Nikolaos Rapanos - Imperial College London	10
Market valuation of frontier technologies in life sciences and the incorporation of information based on VC investment choices	
Antonio De Marco - Politecnico di Torino	
Federico Caviggioli - Politecnico di Torino	
Giuseppe Scellato - Politecnico di Torino	
Elisa Ughetto - Politecnico di Torino	11
The Rapid Adoption of Cashless Payment Systems: A Revolution Transforming Financial Landscapes?	
Agnieszka Wójcik-Czerniawska - Warsaw School of Economics	
Zbigniew Grzymala - Warsaw School of Economics	12
Model-free Option Greeks	
Hauke Ball - University of Goettingen	
Julian Doerries - University of Goettingen	
Olaf Korn - University of Goettingen	13
Risk Disclosure and Sentiment: Guiding role of governance in sentiment-driven risk disclosure	
Surbhi Jain - Jindal Global Business School	
Mehul Raithatha - Indian Institute of Management, Indore	
Soumya Dash - Indian Institute of Management, Indore	14
Nonlinear PLS versus Equity: Risk Sharing and Managerial Incentives - Part I	
Abdulali Hadizada - Kiel University	15
Political Risk Contributes to Post-Crisis Violations of Covered Interest Parity	
Jamus Lim - ESSEC Business School	
Xin Long - ESSEC Business School	16
Quantitative Easing and Quantitative Tightening: The Money Channel	
Michael Kumhof - Bank of England	
Mauricio Salgado Moreno - Bank of England	17
Crowding in or crowding out? A time-frequency analysis of the investment	
Paulo Matos - Federal University of Ceara	18
Energy Markets, Financial Inclusion and the channels in between in Low Transition Economies: Does Institutional Quality Matter?	
Lawrence Madewe - Simon Dei-Dong Dombo University of Business and Integrated Development Studies	
Joshua Abor - University of Ghana	
Yakubu Sare - Simon Dei-Dong Dombo University of Business and Integrated Development Studies	19
Survey: Market Risk Premium and Risk-Free Rate used for 96 countries in 2024	
Pablo Fernandez - IESE Business School	20

Measuring the impact of transition risk on financial markets: a joint VaR-ES approach	
Lidia Sanchis-Marco - Universidad de Castilla - La Mancha	
Laura Garcia-Jorcano - Universidad de Castilla - La Mancha	21
Optimal trading with regime switching: Numerical and analytic techniques applied to valuing storage in an electricity balancing market	
Dávid Szabó - Corvinus University	22
Trends and Gaps in Global Research of Capital Structure During Crisis	
Gang Zheng - Universiti Brunei Darussalam	
Sazali Zainal Abidin - Universiti Brunei Darussalam,	23
Private equity buyouts & firm exporting in crisis periods: Exploring a new channel	
Marina Eliza Spaliara - University of Glasgow	24
Why Divest? The Political and Informational Roles of Institutions in Asset Stranding	
Ali Lazrak - University of British Columbia	
Murray Carlson - University of British Columbia	
Adlai Fisher - University of British Columbia	25
Revolutionizing Internal Audit: Unleashing AI's Precision, Efficiency, and Risk Management ? A Systematic Literature Review	
Spyridon Lampropoulos - University Of Patras	
Hera Antonopoulou - University Of Patras	
Constantinos J. Stefanou - International Hellenic University	
Georgios L. Thanasas - University Of Patras	
Hlias D. Merentitis - University Of Patras	26
Multidimensional disagreement of the credit ratings and ESG scorings granted to European banks. Are credit ratings related to ESG scorings?	
Michal Bernardelli - SGH Warsaw School of Economics	
Pawel Niedziółka - SGH Warsaw School of Economics	
Zbigniew Korzeb - Bialystok University of Technology	27
An Index of Economic Policy Uncertainty for the Group of Twenty (G20) Forum	
Moses Dumayiri - SD Dombo University of Business and Integrated Development Studies	28
Climate change exposure and bank distance-to-default	
Yuna Heo - University of Basel	29
In labels we trust? The influence of sustainability labels on mutual fund flows	
Svetoslav Covachev - Corvinus University of Budapest	
Sofia Brito-Ramos - ESSEC Business School	
Maria Céu Cortez - NIPE - School of Economics and Management, University of Minho	
Florinda Silva - NIPE - School of Economics and Management, University of Minho	30
Impact of Climate Change on Liquidity Risk of Banks- Evidence from India	
Swastika Mukharjee - Indian Institutes of Technology, Kharagpur	
Parama Barai - Indian Institutes of Technology, Kharagpur	31
Quantifying Credit Gaps Using Survey Data on Discouraged Borrowers	
Luca Gattini - European Investment Bank	
Frank Betz - European Investment Bank	
Ozan Akbas - Warwick Business School, The University of Warwick	32
Gambling Sentiment Spillover to Stock Returns: Evidence from China Surrounding FIFA World Cup	
Sung Bae - Bowling Green State University	

Chenyang Liu - Chungnam National University	
Taek Ho Kwon - Chungnam National University	33
Understanding the influence of gender diversity in shaping the long-term debt corporate policies: Evidence from Greek Listed Firms	
Anastasios Chatziz - International Hellenic University	
Agathi Koulidou - University of Patras	
Georgios Thanasas - UNIVERSITY OF PATRAS	
Nicos Sykianakis - University of West Attica	34
Monte-Carlo simulation for estimating polycrisis factors to profitability - case study from the poultry subsector	
Máté Varga - University of Debrecen Faculty of Economics and Business	
Patrícia Becsky-Nagy - University of Debrecen Faculty of Economics and Business	
Gergő Tömöri - University of Debrecen Faculty of Economics and Business	35
Estimation Credit Ratings by Using Machine Learning Models ? ESG Ratings Impact	
Patrycja Chodnicka-Jaworska - University of Warsaw	36
Hazy Returns: Does air pollution affect cryptocurrencies?	
Anirudh Singh - Indian Institute of Management Lucknow	
Madhumita Chakraborty - Indian Institute of Management Lucknow	37
Behind Dollar Savings in Mutual Funds: Are Shifting Sands Threatening Financial Stability?	
Bryan Gutierrez Cortez - University of Minnesota	38
THE IMPACT OF LEGAL FRAMEWORK ON CYBERFRAUD PERPETRATION IN THE SOUTH AFRICAN BANKING INDUSTRY	
Oluwatoyin Akinbowale - Tshwane University of Technology	
Mulatu Zerihun - Tshwane University of Technology	
Polly Mashigo - Tshwane University of Technology	39
Who cares about investing responsibly? attitudes and financial decisions	
Alberto Montagnoli - University of Sheffield	
Karl Taylor - Uuniversity of Sheffield	40
How Corporate Greenwashing is affected by Corruption and National Well-being?	
Fanni Dudás - Corvinus University of Budapest	
Dorka Forgács - Corvinus University of Budapest	41
Dividends and bank bailouts	
Thaer Alhalabi - University of Exeter	42
The Real Effects of Tick-Size Adjustments: Evidence from the 2016 Tick-Size Pilot	
Wentao Yao - Xiamen University	
Chen Lin - University of Hong Kong	
Hong Zou - University of Hong Kong	43
Negative nominal rates	
Julio Dávila - Nazarbayev University	
Elizaveta Lukmanova - Central Bank of Ireland	44
Recent Trends in Size Premium: A Meta-Analysis	
Humaira Mustafiz - University of Greenwich	45
Can Effective Working Capital Management Enhance Profitability in the Indian FMCG Industry? A Panel Data Analysis	
Gautam Prasad - Dr. Harisingh Gour Vishwavidyalaya Sagar, (A Central University) Madhya Pradesh	

Garima Dohar - Dr. Harisingh Gour Vishwavidyalaya Sagar, (A Central University) Madhya Pradesh	46
Cash Holdings, Financial Constraints, and Mergers and Acquisitions: Evidence from India	
Satyabrata Sahoo - Indian Institute Of Technology, Kharagpur	
Chandra Sekhar Mishra - Indian Institute Of Technology, Kharagpur	47
Debt Heterogeneity and Investment Efficiency: Evidence from India	
Mithun Samanta - Indian Institute Of Technology, Kharagpur	
Ajay Kumar Mishra - Indian Institute Of Technology, Kharagpur	48
Beyond Borders: The Crucial Role of Foreign Capital Inflows in Shaping Financial Markets Through Institutional Quality	
Zamin Farzam - Goa University	
Pournima Dhume Shinkre - Goa University	49
PRIVATE EQUITY SPONSORING BIG DREAMS OF THE INDIAN SMALL FINANCE BANKS: CAN THE MODEL BE TRUSTED?	
SANCHITA DHINGRA - UNIVERSITY OF DELHI	
ABHA SHUKLA - UNIVERSITY OF DELHI	50
Can Emotions Reverse the Disposition Effect?	
Giovanna Zanotti - Università degli Studi di Bergamo	
Giampaolo Gabbi - SDA Bocconi	51
Testing for the Asymmetric Optimal Hedge Ratios: With an Application to Bitcoin	
Abdulnasser Hatemi-J - United Arab Emirates University	52
Liquidity Creation and Bank Credit Risk: Evidence from BRICS Economies under Basel III Regulations	
Anil Sharma - Indian Institute of Technology Roorkee	
Rosy Chauhan - Indian Institute of Technology Roorkee	53
On Unspanned Latent Risks in Dynamic Term Structure Models	
Nikolaos Karouzakis - The American College of Greece	
Konstantinos Kalogeropoulos - London School of Economics	
Tomasz Dubiel-Teleszynski - London School of Economics	54
Are Ecosystems that different from Conglomerates? Performance and resilience perspectives from the Asian markets.	
Ilya Ivaninskiy - Higher School of Economics	
Irina Ivashkovskaya - Higher School of Economics	
Yakov Kogan - Higher School of Economics	
Artem Spiridonychev - Higher School of Economics	
Fyodor Shuklin - Higher School of Economics	55
Liquidity Shock and Bank lending: Evidence from Currency Demonetization in India	
Md Gyasuddin Ansari - Indian Institute of Management Kashipur	
Rudra Sensarma - Indian Institute of Management Kozhikode	56
Measuring the Financial Inclusion Index in Developed, Developing and Emerging Countries.	
Oumaima Sahtout - Lille University	57
Employee rights and investment cash flow sensitivity	
Thuy Duong To - University of New South Wales	
Eliza Wu - University of Sydney	
Ruoyun Zhao - University of Technology Sydney	58

ESG Ratings Are Trash	
Brian Bolton - University of Louisiana at Lafayette	59
Does Economic Growth in India Shelter Inflation? ? An Econometric Enquiry	
Parizad Dungore - University of Dubai	60
High-Frequency Stochastic Volatility model: A Pathway from Bayesian Inference to the Generalized Boltzmann Statistics	
Geoffrey Ducournau - Tsinghua University	
Jing Li - Tsinghua University	
Jinliang Li - Tsinghua University	61
The Impact of ESG and Climate Indices	
Katja Scherer - TU Dortmund	
Bernhard Scherer - Abu Dhabi Investment Authority - ADIA	62
Climate risk, ESG ratings, and the flow-performance relationship in mutual funds	
Ihsan Badshah - Auckland University of Technology	
Sara Ali - Auckland University of Technology	
Riza Demirer - Southern Illinois University Edwardsville	
Prasad Hegde - Auckland University of Technology	
Lavinia Rognone - University of Edinburgh Business School	63
CEO Gender and Firm Risks: The Impact of Compensation Incentives	
Chia-Hsien Lin - National Chung Cheng University	
Yenn-Ru Chen - National Chengchi University	64
An AI-Driven Multi-Objective Framework for Optimizing ESG Portfolio Management in the Indian Stock Market	
Kripamay Baishnab - Indian Institute of Technology Kharagpur	
Apurv Gaurav - Indian Institute of Technology Kharagpur	
Piyush Singh - Indian Institute of Technology Kharagpur	65
CEO compensation, family firms and Institutional investors: evidence from India	
Gobinda Gopal Pahari Pahari - Indian Institute of Technology, Kharagpur	
Chandra Sekhar Mishra - Indian Institute of Technology, Kharagpur	66
Investment Bank's Valuation and IPO Underpricing	
Mehdi Haghbaali - Tehran Institute of Advanced Studies	
Pejman Abedifard - University of St Andrews	
Masoud Fahmideh Kalatehei - The Swedish House of Finance, Stockholm School of Economics.	67
Rolling window GARCH analysis to measure the change in efficiency of the Johannesburg Stock Exchange.	
Philip Kotze - University of South Africa	68
Beyond the Numbers: Exploring the role of Financial Literacy in enhancing Overall Well-Being	
Jagriti Arora - Great Lakes Institute of Management	69
The Changing Relevance of Dual-Class Shares in Europe: A Corporate Governance and Performance Perspective	
Wolfgang Bessler - University of Hamburg	
Marco Vendrasco - University of Hamburg	70
The influence of CFO characteristics on the capital structure	
Sara Bassiouny - Arab Academy for Science, Technology and Maritime transport	
Cristiana Leal - University of Minho	
Manuel Armada - University of Minho	71

Mapping the Landscape of Subjective Financial Well-Being	
Sazali Abidin - Universiti Brunei Darussalam	
Muhamad Abduh - Universiti Brunei Darussalam	
Rabiatul Mahli - Universiti Brunei Darussalam	
Azilawati Banchit - Universiti Teknologi Mara	72
CFO Characteristics and Investment Decision in Non-Financial Firms	
Cristiana Cerqueira Leal - University of Minho	
Sara Wahid Raafat Bassiouny - Arab Academy for Science, Technology, and Maritime Transport	
Manuel Rocha Armada - University of Minho	73
The impact of government debt on corporate cash holdings: evidence from India	
Manoja Behera - Indian Institute of Technology, Kharagpur	
Jitendra Mahakud - Indian Institute of Technology, Kharagpur	74
Sustainability reporting issues: greenwashing prevention and changing regulatory landscape	
Agne Sneideriene - Vytautas Magnus University	
Renata Legenzova - Vytautas Magnus University	75
The Cost of Financial Misconduct in Nonprofits	
Artem Joukov - University of Texas at Dallas	
Erica Harris - Florida International University	
Vikram Nanda - University of Texas at Dallas	
Arun Upadhyay - Florida International University	76
Firms access to finance and share pledging: Analysis of listed firms in India.	
Malaya Prakash Behera - Indian Institute of Technology, Kharagpur	
Ajay Kumar Mishra - Indian Institute of Technology, Kharagpur	77
Analysis of the Impact of Climate-related Risks on the Green Bond Market	
Greta Keliuotyte-Staniuleniene - Vilnius University	
Maksimaviciute Migele - Vilnius University	78
Prediction of Multi indices across Pandemic and Geopolitical Crisis: An Application of Deep learning tools	
Aqila Begum - Birla Institute of Technology And Science	
Rajesh Mohnot - Ajman University	
Sreeram M - Birla Institute of Technology And Science	
Yuvraj Gansesan - University Sans Malaysia	79
How to Mitigate CEO Decision Horizon Problem in Russian Companies? The Role of Board of directors.	
Dmitry Podukhovich - National Research University, Higher School of Economics)	
Anastasia Stepanova - National Research University, Higher School of Economics)	80
Meta-Frontier and Risk-Adjusted Bank Efficiency in China	
Meng Xu - Kings College London	81
Competitiveness-Based Sustainability Performance Measurement in SMEs: Validation through Finance and Marketing	
Vivien Csapi - University of Pécs	
Mónika Tiszberger - University of Pécs	
Gábor Márkus - University of Pécs	
Ákos Tóth-Pajor - University of Pécs	
Petra Putzer - University of Pécs	83

Bridging the Gap: The Impact of Open Banking on Traditional Banking and FinTech Collaboration	
Agata Wolska - Kozminski University	84
Female Political Representation and Financial Inclusion in sub-Saharan Africa: The Role of Institutional Quality	
gifty enchill - University of Ghana Business School	
Gifty Ewurama enchill - University of Stellenbosch Business School	85
Stokvels and Banking Sector Size: Evidence from the ARDL Bound Approach	
Lindiwe Ngcobo - University of South Africa	86
Financialism: consumption without production	
Mirza Rizwan - Aligarh Muslim University	
Asif Akhtar - Aligarh Muslim University	87
Effect of the Fed's monetary policy on macroeconomic indicators of Gulf Cooperation Council (GCC) countries	
Nahhal Benaissa - Mohammed V University	88
Household Income Tax, Tax Structure and Inequality: An Index of Individual Tax Elasticity	
Yota Deli - University College Dublin	
Fotis Delis - Joint Research Centre	
Stamatia Ftergioti - Aristotle University of Thessaloniki	
Theano Kakoulidou - ESRI	89
EUROPEAN STOCKS WITH THE SAFE-HAVEN ATRIBUTES. DRAWDOWN BETA VS TRADITIONAL BETA FOR THE STOXX EUROPE 600 COMPANIES	
Ewa Feder-Sempach - University of Lodz	
Piotr Szczepocki - University of Lodz	
Stan Uryasev - Stony Brook University	90
Can precious metals act as safe-haven or hedge assets in capital markets of China?	
Joanna Bogobska - University of Lodz	
Ewa Feder-Sempach - University of Lodz	
Piotr Szczepocki - University of Lodz	91
Methods for Predicting Bankruptcy in Companies An approach	
Adalmiro Andrade Pereira - ISCAP - P Porto	
Tânia Teixeira - ISCAP - P Porto	
Inês Rocha - ISCAP - P Porto	92
Evaluating the transformative potential of using energy as a community currency: Perspectives and propositions for a rationale evaluative framework	
Dominic Anto - Indian Institute of Management Shillong	
Sgouris Sgouridis - Dubai Electricity and Water Authority PJSC	
Atul Mehta - Indian Institute of Management Shillong	
Ashutosh Murti - Indian Institute of Management Shillong	93
Exploring the Influence of Hedonic Motivation and Social Factors on the Adoption of UPI: A UTAUT Perspective	
Nishi Malhotra - Indian Institute of Management, Sambalpur	94
Labor Mobility, Climate Disasters, and Corporate Cash Reserve	
Yuna Heo - University of Basel	95
Nonlinear Dynamics in Energy Markets and Finance: Dynamic and Static Panel Threshold Perspectives	

Lawrence Madewe - Simon Dei-Dong Dombo University of Business and Integrated Development Studies, Box 64 Wa, Ghana	96
Geopolitical Turmoil and Gold Prices: How Geopolitical Risk Shapes the Value of Gold?	
Maria Czech - University of Economics in Katowice	97
Banking on Deposits: Can Deposits Drive Risk-Free Maturity Transformation?	
Mohammad Zeeshan - Indian Institute of Technology Delhi (IIT Delhi), India	98
Weathering the Storm: How Natural Disasters Shape Bank Consolidation	
Anh Do - Swansea University	
Linh Tran - Swansea University	
Tim Zhou - Swansea University	99
KTALS Prototype Model for FinTech Ecosystem in Mauritius	
Marie Belinda Carlise Poussin Deojee - University of Technology Mauritius	
Diroubinee Mauree-Narrainen - University of Technology Mauritius	100
Economic policy uncertainty and cross-border mergers and acquisitions: Evidence from China	
Tianyi Song - The University of Tokyo	
Kenji Kutsuna - The University of Tokyo	101
Dynamic model of government-backed venture capital	
Hyun Joong Kim - SDU (University of Southern Denmark)	
Doojin Ryu - SKKU (Sungkyunkwan University)	102
National Culture and Capital Flow Waves	
Dorra Laribi - Zayed University	103

The Double-Edged Sword of the 2020 European Short-Selling Bans

Dimitris Papadimitriou
King's College London, United Kingdom
papadimitriou.dimitris1@gmail.com

Robert Kosowski
Imperial College London, CEPR, United Kingdom
r.kosowski@imperial.ac.uk

Pasquale Della Corte
Imperial College London, CEPR, United Kingdom
p.dellacorte@imperial.ac.uk

Nikolaos Rapanos
Imperial College London, United Kingdom
nrapanos@gmail.com

Abstract

We study the effects of short-selling bans on liquidity and prices through the lens of a model that incorporates a regulator aiming at preventing a significant price decline. Empirically, we evaluate our model's predictions by exploiting the introduction of short-sales restrictions in some but not all European countries during the COVID-19 pandemic, while measuring the share of informed stockholders with institutional ownership. Consistent with our model, bans were detrimental to market liquidity and failed to support average returns, but were effective in limiting large price drawdowns in countries that implemented short-selling bans, especially for stocks with low institutional ownership.

Market valuation of frontier technologies in life sciences and the incorporation of information based on VC investment choices

Antonio De Marco
Politecnico di Torino, Italy
antonio.demarco@polito.it

Federico Caviggioli
Politecnico di Torino, Italy
federico.caviggioli@polito.it

Giuseppe Scellato
Politecnico di Torino, Italy
giuseppe.scellato@polito.it

Elisa Ughetto
Politecnico di Torino, Italy
elisa.ughetto@polito.it

Abstract

In this paper, we analyze whether the investment choices of venture capitalists can be viewed as an indirect proxy for the market potential of new technologies, and consequently, they should be considered an important metric to value intellectual property and the firms owning these intangibles. We empirically test such a hypothesis by using a large sample of enterprises with headquarters in the US and operating in two R&D-intensive sectors, i.e., biotechnology and pharmaceuticals. We assess the technological proximity between the aggregate portfolio of patents filed by all VC-backed firms together and that owned by each listed company. We preliminary find that market valuations of listed firms are positively correlated to the technological distance between the firms and the aggregate portfolio of VC-backed startups. This finding suggests that public market participants tend to attribute more value to more mature technologies, showing a risk-averse approach.

The Rapid Adoption of Cashless Payment Systems: A Revolution Transforming Financial Landscapes?

Agnieszka Wójcik-Czerniawska
Warsaw School of Economics, Poland
awojci5@sgh.waw.pl

Zbigniew Grzymala
Warsaw School of Economics, Poland
zgrzym@sgh.waw.pl

Abstract

This paper explores the preparation of clients to move toward cashless payment by distinguishing the principal factors that influence that shift. The reception of cashless payment frameworks by organizations can diminish the costs connected with taking care of immense measures of money on the lookout and upgrade upgrading speed. An installment passage upheaval has come about because of monetary digitalization. This paper endeavors to fathom the public's impression of a cashless world. The world is getting away from cash. Over the most recent quite a while, computerized installment programming has become standard. In cutting-edge countries, a cashless economy will lead smooth to consistent, and negligible communications. It can acquire the reality that social and financial advantages hinder nations. The discoveries of this study give huge useful ramifications to partners and innovation merchants to perceive factors that influence a company's reception of cashless payment frameworks to help deals. The paper gives a more all-encompassing comprehension of the elements impacting cashless payment frameworks.

Model-free Option Greeks

Hauke Ball

University of Goettingen, Germany

hauke.ball@uni-goettingen.de

Julian Doerries

University of Goettingen, Germany

julian.doerries@uni-goettingen.de

Olaf Korn

University of Goettingen, Germany

okorn@uni-goettingen.de

Abstract

This paper develops an alternative approach to determine option greeks. Based on transformations of the underlying stock's risk-neutral price distribution that reflect changes in stock price, volatility, and interest rates, it derives simple expressions for delta, vega, and rho. These greeks do not depend on specific pricing models and deliver internally consistent sensitivities for all strike prices. Model-free deltas and rhos closely resemble true ones under different model environments. For options written on the S&P 500, they are close to Black-Scholes greeks implemented with implied volatilities. However, a hedging study shows that model-free deltas lead to a significant improvement of hedging effectiveness.

Risk Disclosure and Sentiment: Guiding role of governance in sentiment-driven risk disclosure

Surbhi Jain

Jindal Global Business School, India

surbhijn10@gmail.com

Mehul Raithatha

Indian Institute of Management, Indore, India

mehulr@iimidr.ac.in

Soumya Dash

Indian Institute of Management, Indore, India

sranjan@iimidr.ac.in

Abstract

This study examines the effect of market sentiments on the risk disclosures of firms. We further investigate the moderating role of corporate governance in between market sentiments and risk disclosures. We use the top 200 Indian-listed firms as our sample. We find that market-based investor sentiment is negatively related to risk disclosures. Further, good corporate governance mitigates the negative influence of market sentiments on risk disclosures. We rely on OLS regression for our results. Additionally, robustness tests also support our results.

Nonlinear PLS versus Equity: Risk Sharing and Managerial Incentives - Part I

Abdulali Hadizada
Kiel University, Germany
a.hadizada@bwl.uni-kiel.de

Abstract

An entrepreneur raises capital to finance her business and extends effort to facilitate its success. If financing is possible solely with risk-free debt capital, the entrepreneur's effort will be first-best since she will not share the outcome of her business with an outside financier. However, risk-free debt is usually unavailable due to the significant risk involved in starting any business. Therefore, other financing arrangements involving risk sharing have to be considered. Such arrangements will result in a moral hazard problem and dilute the managerial incentives of the entrepreneur to extend effort. Financing with equity capital from an outside partner will result in second-best level of effort, and there will be no advantage from risk sharing if the entrepreneur is risk-neutral. Since risk-free debt financing is not always possible and financing with equity capital is not optimal for a risk-neutral entrepreneur, a third alternative is considered in this paper. It is shown that, a nonlinear profit-and-loss sharing arrangement can be structured so that the incentives of the risk-neutral entrepreneur to extend effort are not diminished. As such, the nonlinear PLS contract considered in this paper, which is based on Islamic profit-and-loss sharing contracts, is a feasible alternative to risk-free debt financing.

Political Risk Contributes to Post-Crisis Violations of Covered Interest Parity

Jamus Lim
ESSEC Business School, Singapore
jamus@essec.edu

Xin Long
ESSEC Business School, France
xin.long@essec.edu

Abstract

The large and persistent deviations in covered interest parity (CIP) observed after the global financial crisis presents a puzzle to international finance, given usual arbitrage opportunities. This paper suggests that a country's political risk is an underexplored factor in determining the cross-currency basis (CCB), a measure of such deviations. Using data for 33 advanced economy (AE) and emerging market (EM) currencies, we introduce country-specific political risk into the CIP condition, and test if such risk matters for the CCB. To identify the effect of political risk, we employ two strategies: a duration-to-election indicator, which we also pair with democratic accountability as instruments; and, a regression discontinuity around close elections. We find that higher political risks do result in more negative CCBs, consistent with our modified theory. Further explorations reveal that political risks affect CIP deviations differentially in AEs versus EMs, and that international reserves and dollar swap lines can relieve the effects of political risk. We also show that the results are driven by the effect of unanticipated (rather than systematic) political risk, operating on the synthetic dollar rate.

Quantitative Easing and Quantitative Tightening: The Money Channel

Michael Kumhof
Bank of England, United Kingdom
michael.kumhof@outlook.com

Mauricio Salgado Moreno
Bank of England, United Kingdom
mauricio.salgadomoreno@bankofengland.co.uk

Abstract

We develop a DSGE model in which banks interact with the real economy through retail loan and deposit markets, and with each other through reserves and interbank markets. Because banks disburse loans through deposit creation, they never face financing risks (being unable to fund new loans), only refinancing risks (being unable to settle net deposit withdrawals in reserves). Deposit withdrawals, which affect the funding cost and loan extension of one part of the banking sector at the expense of another part, have highly asymmetric effects, and affect aggregate financial and real conditions. The quantity and distribution of central bank reserves, and the extent of frictions in the interbank market, critically affect the size of these effects, and can matter even in a regime of ample aggregate reserves. Under conditions of scarce reserves, countercyclical reserve injections can help to smooth the business cycle. Based on a careful calibration of the model, we evaluate the welfare effects of different countercyclical reserve quantity rules, and find that they can make sizeable contributions to welfare that are of a similar size to the Taylor rule.

Crowding in or crowding out? A time-frequency analysis of the investment

Paulo Matos
Federal University of Ceara, Brazil
paulomatos@caen.ufc.br

Abstract

I use conditional continuous wavelet tools to address the relationship between private investment and public investment, both by the federal government and state and local government in U.S. I use quarterly data for total investment to GDP, and disaggregated investment in structures, equipment, and intellectual property products. I use net saving to GDP, debt to GDP, growth, interest rate and CPI as instruments, to isolate the crowding in and crowding out effects. I find unprecedented results varying over time and across a range of frequencies during recessionary and non-recessionary periods over more than seventy years. I show under which fiscal and monetary scenarios crowding in/out effects occur. The main findings suggest that the divergence on the previous findings ? whether crowding in or crowding out ? is partly due to aggregation of investments (by type), aggregation of the public sector, lack of flexibility to allow different short-term, medium-term and long-term reactions, lack of flexibility to allow time-varying reactions, and the impossibility to modelling reactions from the public sector in response to private sector investment (reverse causality).

Energy Markets, Financial Inclusion and the channels in between in Low Transition Economies: Does Institutional Quality Matter?

Lawrence Madewe

Simon Dei-Dong Dombo University of Business and Integrated Development Studies, Ghana

imatuna@ubids.edu.gh

Joshua Abor

University of Ghana, Ghana

joshabor@ug.edu.gh

Yakubu Sare

Simon Dei-Dong Dombo University of Business and Integrated Development Studies, Ghana

sareawudu@ubids.edu.gh

Abstract

Periods of uncertainty in energy markets give rise to global growth concerns. In this paper, we empirically test a structural model of the mediating role of institutional quality on energy and financial inclusion nexus for twelve (12) low-transition economies. Our analytical framework is based on qregsel a Stata model to test conditional means based on a flexible copula-based framework sample selection correction for quantile regression recently developed by Arellano & Bonhomme, (2017). Our motivation stems from the fact that a cumulative distribution function (copula) approach is superior to a control function approach. Control function models remove bias caused by selecting unobservable by explicitly modelling the selection process and how it relates to the observed outcomes. This imposes conditions on the data that may not be suitable with conditional mean models if the approach is non-additive with U-shape quantile curves on the selected sample. We contribute to the neo-institutional theory about prioritising the institutional domain in addressing poverty, that is, the promotion of strong institutions or developing financial inclusion. In our sample, we document that institutional quality enhances the beneficial impact on energy markets to drive inclusion in aggregate terms. We do not find support for the 'sands' in the wheels and 'grease' the wheels hypothesis and conclude that the distributional effect of low levels of corruption is counteracted by the fact that energy projects are capital-intensive, which distorts investments and widens inequality. We further argue that in low-transition economies, regular changes in government exert negative impacts on inclusion as it translates to a large degree of uncertainty in markets. We recommend that policy initiatives that enhance financial inclusion, such as allowing correspondent banking, facilitating government transfers to bank accounts, and exempting some individuals from onerous documentation, may spur inclusivity within an environment that limits bureaucracies.

Survey: Market Risk Premium and Risk-Free Rate used for 96 countries in 2024

Pablo Fernandez
IESE Business School, Spain
fernandezpa@iese.edu

Abstract

This paper contains the statistics of a survey about the Risk-Free Rate (RF) and the Market Risk Premium (MRP) used in 2024 for 96 countries. We got answers for 104 countries, but we only report the results for 96 countries with more than 6 answers. The paper also contains the links to previous years surveys, from 2008 to 2023.

Measuring the impact of transition risk on financial markets: a joint VaR-ES approach

Lidia Sanchis-Marco

Universidad de Castilla - La Mancha, Spain

lidia.sanchis@uclm.es

Laura Garcia-Jorcano

Universidad de Castilla - La Mancha, Spain

Laura.Garcia@uclm.es

Abstract

We propose a novel approach to measuring and forecasting financial risk conditioned to carbon risk exposure based on the joint quantile and expected shortfall semiparametric methodology from Dimitriadis and Bayer (2019) based on Fissler and Ziegel (2016). This method allows us to estimate and forecast two climate risk measures called CoClimateVaR and CoClimateES that capture the dependence of the European extreme bank returns on changes in carbon returns at extreme quantiles representing green and brown states. These measures have an advantage for forecasting purposes because both are jointly elicitable. We use the novel backtesting procedure from Bayer and Dimitriadis (2022) to evaluate the predictable role of our measures. We further built related measures, DeltaCoClimate and ExposureClimate, for VaR and ES specifications. These measures capture the financial risk excess from a normal state and the bank's exposure to climate risk, respectively. The main evidence states that the CoClimateES measure presents the highest risk for the brown (green) state due to the presence of carbon cost (carbon risk premium) in the Phase II (Phase III) of the EU Emissions Trading System. Furthermore, we found the highest (lowest) financial risk forecasts for CoClimateES in green (brown) states during COVID-19. These results offer important implications for investors and policymakers in the context of the effects of transition risk on the European financial system.

Optimal trading with regime switching: Numerical and analytic techniques applied to valuing storage in an electricity balancing market

Dávid Szabó

Corvinus University, Hungary

davidzoltan.szabo@uni-corvinus.hu

Abstract

Accurately valuing storage in the electricity market recognizes its role in enhancing grid flexibility, integrating renewable energy, managing peak loads, providing ancillary services and improving market efficiency. In this paper we outline an optimal trading problem for an Energy Storage Device trading on the electricity balancing (or regulating) market. To capture the features of the balancing (or regulating) market price we combine stochastic differential equations with Markov regime switching to create a novel model, and outline how this can be calibrated to real market data available from NordPool. By modelling a battery that can be filled or emptied instantaneously, this simplifying assumption allows us to generate numerical and quasi analytic solutions. We implement a case study to investigate the behaviour of the optimal strategy, how it is affected by price and underlying model parameters. Using numerical (finite-difference) techniques to solve the dynamic programming problem, we can estimate the value of operating an Energy Storage Device in the market given fixed costs to charge or discharge. Finally we use properties of the numerical solution to propose a simple quasi-analytic approximation to the problem. We find that analytic techniques can be used to give a benchmark value for the storage price when price variations during the day are relatively small.

Trends and Gaps in Global Research of Capital Structure During Crisis

Gang Zheng
Universiti Brunei Darussalam, Brunei
gangzheng144067@gmail.com

Sazali Zainal Abidin
Universiti Brunei Darussalam,, Brunei
sazali.zainal@ubd.edu.bn

Abstract

This study presents a holistic review analysis of capital structure in times of crisis through a bibliometric approach. The purpose of this study is to provide a critical overview on (i) the development of study on capital structure during crisis; (ii) identification of the trends for research and the main focus; and (iii) the gaps discussed in the literatures. Therefore, this paper provides the past studies on capital structure change in crisis and justify future research gaps for researchers who need a better understanding of the research progress and gaps. A detailed analysis of 763 documents found in the Scopus database for the 1986?2023 period was conducted. Most of the research focus on the study of impact of the capital structure during the crisis. The United States was the most productive country, representing almost 19% of the total documents. Over 95% of the relevant documents were published since 2009. Overall, research on this topic is increasing, especially in the last few years but some gaps remain, particularly on such areas of the as the study on capital structure in crisis as a whole, the focus on emerging markets, and the focus on SMEs.

Private equity buyouts & firm exporting in crisis periods: Exploring a new channel

Marina Eliza Spaliara
University of Glasgow, United Kingdom
marina.spaliara@glasgow.ac.uk

Abstract

This paper examines how the global financial crisis (GFC) and COVID-19 pandemic affect firm-level exporting of private equity (PE)-backed companies. We construct two matched samples, one for each crisis period, to assess the resilience of exporting under PE ownership in recessionary periods. We then explore how improvements in working capital management allow PE-backed firms to engage in international activities and maintain their export relationships relative to similar, non-PE-backed firms. Our results show that the export intensity and propensity of PE-backed firms are significantly more resilient to the effects of the GFC but less pronounced following COVID-19. PE investment enhances working capital management, which in turn improves the persistence in export markets at the onset of the crises.

Why Divest? The Political and Informational Roles of Institutions in Asset Stranding

Ali Lazrak

University of British Columbia, Canada

ali.lazrak@sauder.ubc.ca

Murray Carlson

University of British Columbia, Canada

Murray.carlson@sauder.ubc.ca

Adlai Fisher

University of British Columbia, Canada

adlai.fisher@sauder.ubc.ca

Abstract

We model stakeholder-driven institutional divestiture that promotes stranding of harmful assets through both an economic exposure channel and financial prices. We introduce two novel mechanisms. First, institutional divestiture weakens stakeholders' asset exposures, improving political conditions for stranding. Second, institutional divestiture credibly communicates information about citizen preferences, environmental harm, and economic benefits to financial markets and political participants. These channels drive harmful-asset divestiture, which reduces the asset price and raises its strand probability. Support for divestiture increases under supermajority strand requirements, and when institutions internalize rest-of-world welfare. We detail the equilibrium interactions between information, divestiture, prices, and stranding in a dynamic, rational-expectations game.

Revolutionizing Internal Audit: Unleashing AI's Precision, Efficiency, and Risk Management ? A Systematic Literature Review

Spyridon Lampropoulos
University Of Patras, Greece
spiridonlampropoulos@upatras.gr

Hera Antonopoulou
University Of Patras, Greece
hera@upatras.gr

Constantinos J. Stefanou
International Hellenic University, Greece
stefanou@ihu.gr

Georgios L. Thanasas
University Of Patras, Greece
thanasasgeo@upatras.gr

Hlias D. Merentitis
University Of Patras, Greece
hmereditis@yahoo.gr

Abstract

This systematic literature review explores the pivotal role of Artificial Intelligence (AI) technology in enhancing the Internal Audit function within modern business landscapes and its profound impact on audit efficiency and effectiveness. Guided by the central research question, "How does the application of AI technology contribute to enhancing the Internal Audit function and improving audit efficiency and effectiveness?" the review comprehensively investigates the ways AI integration optimizes audit processes, minimizes manual effort, and elevates audit precision. Additionally, it delves into the diverse methodologies utilized for AI integration, elucidating the inherent advantages of AI technology and its transformative effect on risk management within internal audits. Through a synthesis of varied studies, this review illuminates AI's potential to reshape the traditional audit landscape and identifies promising avenues for future research and practical applications, ultimately offering valuable insights for scholars, researchers, and businesses alike.

Multidimensional disagreement of the credit ratings and ESG scorings granted to European banks. Are credit ratings related to ESG scorings?

Michał Bernardelli

SGH Warsaw School of Economics, Poland

mbernard@sgh.waw.pl

Paweł Niedziółka

SGH Warsaw School of Economics, Poland

pniedz@sgh.waw.pl

Zbigniew Korzeb

Białystok University of Technology, Poland

z.korzeb@pb.edu.pl

Abstract

The study covers the 53 largest European banks and the largest banks from CEE countries. Credit ratings from 3 leading rating agencies and 8 ESG scoring providers are considered. The similarity is measured by cosine distance and Spearman rank correlation. The analysis shows a high similarity between the credit ratings with S&P's ratings being relatively more conservative. A much more significant divergence characterises the pairwise comparison of ESG scores. As the C/I ratio increases, the similarity of credit ratings increases, and sovereign banks have the relatively highest correlation of credit risk ratings. The most substantial divergence is recorded for UK banks, and the greater the value of a bank's own funds, the more visible the divergence of ratings given by Big Three providers. In the case of ESG scoring, none of the sample distribution criteria allowed for the determination of the relationship between the ESG scorings.

An Index of Economic Policy Uncertainty for the Group of Twenty (G20) Forum

Moses Dumayiri

SD Dombo University of Business and Integrated Development Studies, Ghana

mdumayiri@ubids.edu.gh

Abstract

Regrettably, although policy uncertainties exist in the G20 forum, there is a lack of G20-specific economic policy uncertainty (G20 EPU) index to measure and track its effects. We develop a novel economic policy uncertainty (EPU) index tailored to the Group of Twenty (G20) forum. We obtained data for the index development from the World Economic Outlook and policy uncertainty database. The index is available monthly from January 1997 to June 2021. The index reacts to major international events. Furthermore, it reveals two stylised facts about policy uncertainty. First, periods of higher G20 policy uncertainty correspond to turbulent times. Second, policy uncertainty spikes more in response to political developments and pandemics than financial crises. Policymakers and other market participants can use the index to predict economic and financial outcomes within and outside the G20 forum.

Climate change exposure and bank distance-to-default

Yuna Heo
University of Basel, Switzerland
yuna.heo@unibas.ch

Abstract

This study investigates the impact of climate change exposure on bank distance-to-defaults. Using a novel bank-level measure of climate change, we find that climate change increases the probability of bank default. The effect is more pronounced for banks with a higher exposure to climate disasters and higher loan portfolio synchronicity. The detrimental impacts are amplified for banks experiencing deposit withdrawal. Further, we find that climate adaptation policy can lessen bank default risk due to climate change. Our results are robust to using an instrumental variable approach and to using alternative measures. Overall, our findings provide suggestive evidence that climate change exacerbates financial instability, but adaptation strategy could build resilience to adverse impacts caused by climate change.

In labels we trust? The influence of sustainability labels on mutual fund flows

Svetoslav Covachev
Corvinus University of Budapest, Hungary
scovachev@gmail.com

Sofia Brito-Ramos
ESSEC Business School, France
sofia.ramos@essec.edu

Maria Céu Cortez
NIPE - School of Economics and Management, University of Minho, Portugal
mccortez@eeg.uminho.pt

Florinda Silva
NIPE - School of Economics and Management, University of Minho, Portugal
fsilva@eeg.uminho.pt

Abstract

The mutual fund market is characterized by the existence of several labels and certifications designed to help investors make informed investment decisions. This study investigates the impact of sustainability labels sponsored by government and non-profit organizations (GNPOs) on fund flows in a context where multiple labels coexist. After being awarded a GNPO label, mutual funds attract additional flows compared to otherwise comparable funds. This effect is stronger for top-performing funds, small funds, and funds targeting institutional investors. Furthermore, the flow effect associated with receiving a GNPO label is short-lived, consistent with the momentum of sustainability labels. Additionally, investors respond positively to both GNPO labels and a Sustainable Finance Disclosure Regulation (SFDR) sustainability-linked classification, regardless of whether they hold prior sustainability labels. Altogether, our findings suggest that investors incorporate new information from sustainability signals, highlighting the salience of such signals in driving investment decisions.

Impact of Climate Change on Liquidity Risk of Banks- Evidence from India

Swastika Mukharjee

Indian Institutes of Technology, Kharagpur, India

swastikamuk@kgpian.iitkgp.ac.in

Parama Barai

Indian Institutes of Technology, Kharagpur, India

parama@vgsom.iitkgp.ac.in

Abstract

Against the backdrop of the everchanging climate, this paper aims to investigate the impact of climate change, along with the moderating role of credit risk, on the banks' liquidity risk in India. The study uses the system generalized method of moment estimation technique by using an unbalanced panel data set of 63 Indian commercial banks, from 2000 to 2020. Also, the study uses a moderation effect model to assess the impact of climate change along with credit risk on Indian commercial banks. The study provides evidence that 1) Liquidity risk increases due to climate change, especially when both temperature and precipitation anomalies are jointly felt, as the banks experience a decline in their less risky liquid assets; 2) Climate Change escalates the bank's credit risk by raising the non-performing loans and the nationalized banks are more affected than the privately owned ones; 3) A heightened liquidity risk because of the interaction of credit risk and climate change, though credit risk alone promotes holding more liquid assets. This effect is severely felt by the banks when NPL interacts with precipitation anomalies, than with temperature anomalies. Especially the effect intensifies during erratic monsoons when both temperature and precipitation anomalies are felt at a time. India, being the biggest sovereign democracy, and a growing economic powerhouse of a bank-centric financial system, climate change should be taken into account by the financial regulators of the country when creating a high-level macroprudential regulatory framework. Also, it is high-time for the Indian banks to prioritize ESG principles and develop sustainable investment strategies to enhance their resilience to climate risks.

Quantifying Credit Gaps Using Survey Data on Discouraged Borrowers

Luca Gattini

European Investment Bank, Luxembourg

l.gattini@eib.org

Frank Betz

European Investment Bank, Luxembourg

f.betz@eib.org

Ozan Akbas

Warwick Business School, The University of Warwick, United Kingdom

ozan.akbas@warwick.ac.uk

Abstract

The credit gap in this study is given by the financing needs of firms that are bankable but discouraged from applying for a loan. To quantify the credit gap, we combine a scoring model that assesses the creditworthiness of discouraged firms with a credit allocation rule. Our study covers 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, suggesting inefficient credit rationing. The baseline results point to an aggregate credit gap of 8.4% 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.

Gambling Sentiment Spillover to Stock Returns: Evidence from China Surrounding FIFA World Cup

Sung Bae

Bowling Green State University, United States

bae@bgsu.edu

Chenyang Liu

Chungnam National University, South Korea

liucy@o.cnu.ac.kr

Taek Ho Kwon

Chungnam National University, South Korea

thk5556@cnu.ac.kr

Abstract

We examine the spillover effect of gambling sentiment on stock return behaviors by taking the FIFA World Cup (WC) as a mechanism for inducing sentiment. We target the Chinese stock market known for strong gambling preferences of individual investors but free from the local and foreign investor sentiments associated with WC matches of national teams. Our results show significant underperformance of Chinese stocks during the WC period relative to non-WC period, evidence in line with the literature. When sample stocks are divided into gambling-type stocks (GS) and non-gambling-type stocks (NGS) based on gambling property, they exhibit distinctively different return behaviors. GS command significantly higher returns in WC period than in non-WC period, but NGS exhibit the opposite trend. In addition, the outperformance for GS is most prominent for stocks with the highest level of gambling property. Our results further offer evidence of a significant increase in small-size trades of NGS during the WC period, supporting a more aggressive liquidation of NGS to shift to gambling-type assets by retail investors. Our results are robust to year and month effects and alternative measures of gambling property, WC period and stock returns.

Understanding the influence of gender diversity in shaping the long-term debt corporate policies: Evidence from Greek Listed Firms

Anastasios Chatziz
International Hellenic University , Greece
a.xatzis@ihu.gr

Agathi Koulidou
University of Patras , Greece
agathi.koulidou@gmail.com

Georgios Thanasas
UNIVERSITY OF PATRAS, Greece
thanasasgeo@upatras.gr

Nicos Sykianakis
University of West Attica , Greece
niksyk@uniwa.gr

Abstract

Social and economic factors are crucial in evaluating a company's performance, leading stakeholders to consider broader criteria. One such criterion is the gender diversity on the Board of Directors. Research indicates that the personal characteristics of Directors, such as gender, can influence their perspectives and impact the implementation of corporate policies. Studies show that women tend to be more risk-averse than men. Therefore, having gender diversity on the board may help moderate corporate policies. Our research focuses on how gender diversity influences boardroom decisions regarding long-term leverage using a dataset of Greek-listed firms from 2014 to 2018. Our results indicate that firms with female Directors have lower long-term leverage levels. To conduct our research, we utilized probit regression analysis and additional methods to ensure the robustness of our results, including two-stage least squares (SLS) instrumental variable, alternative measures, and additional variables analysis.

Monte-Carlo simulation for estimating polycrisis factors to profitability - case study from the poultry subsector

Máté Varga

University of Debrecen Faculty of Economics and Business, Hungary

varga.mate@econ.unideb.hu

Patrícia Becsky-Nagy

University of Debrecen Faculty of Economics and Business, Hungary

becsky.nagy.patricia@econ.unideb.hu

Gergő Tömöri

University of Debrecen Faculty of Economics and Business, Hungary

tomori.gergo@econ.unideb.hu

Abstract

The phenomenon of the early 2020s, described as a polycrisis, which took shape in the presence of the already widespread swine and avian influenza, trade restrictions and border closures due to Covid-19, increasingly extreme weather anomalies, droughts and the increase in feed and energy prices due to the war in Ukraine, was concentrated in the agricultural-based industry, such as poultry processing. In these extreme condition, certainty is important for companies, especially when it comes to outlining for the next financial year. That is why we wanted to test: "Is it possible to predict a company's profitability based on historical data from past business cycles?" thus providing a basis for future business planning. With this in mind, the aim of the study was to statistically estimate the expected profitability of three prominent players in the Central European poultry market by establishing the distribution parameters of these polycrisis effects, profit influencing factors and uncertainty factors, using Monte-Carlo simulation for the year 2023. In the model set up for the simulation, the data needed to determine the ROS and ROE of the companies were taken into account, so we evaluated the data series of the companies' possible future after-tax profits, taking into account the expected evolution of the euro exchange rate for companies with significant export activities, such as Company "A" and "C". The diverging performance of the three companies is illustrated by the simulation, which takes into account extreme changes between 2017-2022. The changes in this polycrisis period are undoubtedly observed in the estimated ROE of the companies. The simulation model, built on input distribution parameters reflecting both business practices and uncertainties of recent years, measured the relatively lowest probability of a negative future return on equity for Company "A" with the most consistent business activity, while for its competitors with a more fluctuating operation the estimation resulted in a more varied returns. We found that the model can give a good estimate predicting the factors that affect the profitability of companies, such as changes in raw material and energy prices, or management decisions, such as investments, inventory optimisation activities, and all factors that are directly or indirectly reflected in the accounting of companies.

Estimation Credit Ratings by Using Machine Learning Models ? ESG Ratings Impact

Patrycja Chodnicka-Jaworska
University of Warsaw, Poland
pchodnicka@wz.uw.edu.pl

Abstract

The aim of the study was to examine the impact of environmental, social and governance (ESG) measures on credit ratings assigned to non-financial institutions by the three large credit rating agencies according to economic sectors. As an effect of the literature review, the following hypotheses are proposed: A strong negative impact on changes in credit ratings of non-financial institutions is an effect of increasing the ESG risk. The reaction of credit ratings changes on ESG measures varies, considering the type of sector and ESG measures. An analysis was conducted for credit ratings of European and American non-financial institutions presented by Moody, DRBS and Fitch. Data were collected from Refinitiv (Thomson Reuters database) and the World Bank. The analysis was prepared for enterprises from European countries and the United States for the years 1990-2022. The final models were based on the database for the years 2000-2022 and shorter. This is related to the lack of data on ESG measures, which is the result of a historically less restrictive policy regarding the obligation to present ESG reports. Pursuant to the Directive on non-financial reporting, only a few groups of entities had to present the above-mentioned data. A longer period was used for the analysis due to the low volatility of the credit ratings. As a result, using a shorter period may result in a missing data problem. To the analysis were used machine learning models like LASSO and 2LASSO.

Hazy Returns: Does air pollution affect cryptocurrencies?

Anirudh Singh

Indian Institute of Management Lucknow, India

phd23035@iiml.ac.in

Madhumita Chakraborty

Indian Institute of Management Lucknow, India

madhumita@iiml.ac.in

Abstract

The study examines the impact of air pollution on the returns of different kinds of cryptocurrencies. Employing a panel regression on the cryptocurrencies for the period of January, 2014 to June, 2023, a significantly negative impact of Air Quality Index (AQI) levels is observed on the cryptocurrency returns. This impact remains absent for cryptocurrencies with lower energy consumption like stablecoins, and clean energy cryptocurrencies. These findings support the argument that the negative impact of air pollution makes investors penalize the cryptocurrencies that are more prone to damaging the environment.

Behind Dollar Savings in Mutual Funds: Are Shifting Sands Threatening Financial Stability?

Bryan Gutierrez Cortez
University of Minnesota, United States
gutie366@umn.edu

Abstract

I unveil the predominance of money market-like mutual funds as source of dollar savings in emerging markets and explore its consequences for financial stability. Using Peruvian data, I find that households significantly save dollars in mutual funds specialized in deposit investments, especially in foreign banks. This choice enables them to earn higher returns compared to saving in domestic banks. I associate this excess return to the ability of mutual funds to break the traditional market segmentation of dollar deposits. I identify a trade-off regarding the effects on financial stability. On one side, the financial system is less exposed to exchange rate risk as a sizable share of dollar savings is invested abroad. On the other side, mutual funds become significant term-deposit holders in domestic banks, which makes banks prone to withdrawals. After a meaningful mutual fund redemption, banks substantially financed by mutual funds increased their loan rates and sold their dollar securities.

THE IMPACT OF LEGAL FRAMEWORK ON CYBERFRAUD PERPETRATION IN THE SOUTH AFRICAN BANKING INDUSTRY

Oluwatoyin Akinbowale
Tshwane University of Technology, Nigeria
oluwatee01@gmail.com

Mulatu Zerihun
Tshwane University of Technology, South Africa
ZerihunM@tut.ac.za

Polly Mashigo
Tshwane University of Technology, South Africa
MashigoP@tut.ac.za

Abstract

The banking institution in South Africa is faced with the increasing rate of cyberfraud perpetration which affects the performance of the banks, customer satisfaction, profitability, as well as banking reputation. This study combines the explanatory research approach and systematic literature review on the impact of legal framework on cyberfraud perpetration in the South African banking industry. Initially, a total of 1579 literature were gathered from institution's report, and academic database using search engines. However, and the application of the inclusion criteria screened the literature to 50. The outcome of the review indicated the presence of legal frameworks, yet with increasing rate of cyberfraud perpetration. Authors criticize the non-stringent nature of the cyber-laws and the non-implementation of some of its provisions. This calls for the investigation into the level of compliance as well as review of existing regulatory policies to adequately address the dynamic and emerging trend of cyberfraud perpetration.

Who cares about investing responsibly? attitudes and financial decisions

Alberto Montagnoli
University of Sheffield, United Kingdom
a.montagnoli@sheffield.ac.uk

Karl Taylor
University of Sheffield, United Kingdom
k.b.taylor@sheffield.ac.uk

Abstract

The aim of this paper is twofold. Firstly, we investigate the determinants of individual's attitudes towards investing responsibly, based upon Environmental, Social, and Governance (ESG) considerations. Secondly, we look at how important ESG considerations are, over and above socio-economic characteristics including financial literacy and risk attitudes, in explaining whether individuals hold shares and/or equity, and the amount invested in financial assets. Using the UK Financial Lives Survey data which is collected by the Financial Conduct Authority, our analysis reveals that, firstly, individual characteristics have little explanatory power in terms of explaining responsible investments, except for: education; gender; age; and financial literacy. Secondly, those individuals who are interested in future responsible investments are approximately 7 percentage points more likely to hold shares/equity, and have around 77% more money invested in financial assets (i.e. just under twice the amount). We also undertake several sensitivity checks, including the role of selection on unobservables and the extent to which the exogeneity assumption regarding interest in future responsible investments can be relaxed, as well as matching estimation techniques to move beyond mere statistical associations.

How Corporate Greenwashing is affected by Corruption and National Well-being?

Fanni Dudás

Corvinus University of Budapest, Hungary

fanni.dudas@uni-corvinus.hu

Dorka Forgács

Corvinus University of Budapest, Hungary

dorka.forgacs@gmail.com

Abstract

Understanding the impacts of company actions on societal well-being is of paramount importance, and this study addresses this concern by assessing the associations between corporate greenwashing, corruption, and national well-being. How do different levels of corruption in a country affect firms' willingness to adopt ESG greenwashing behavior by influencing transparency, the regulatory environment, corporate governance structures. Also, how the socio-economic development indicators and social expectations of a country combine to influence the acceptance of ESG greenwashing practices by companies. It also delves into investigating how does board size influence firm's ESG greenwashing behavior, and to extent does a larger board size mitigate such behavior through enhanced monitoring capabilities. Using multiple linear regression on panel data from notable sources such as Bloomberg, Refinitiv Eikon, the United Nations, and the Transparency International for the period between 2018 and 2021, insight into global capital markets was gleaned. The universe of the study is the MSCI Worldwide Index, reflecting diverse economies. Furthermore, the greenwashing scoring system used provides wide acceptance as a measure of corporate greenwashing. The results of the study suggest that companies are more likely to engage in greenwashing if the level of corruption in the country is high. It also suggests that in countries with advanced economies, where people are more educated and have better access to information, companies are less likely to greenwash in their sustainability reports. The results of the study also indicate that the more members a company has on its board, the more likely it is that these companies will engage in greenwashing practices. Conclusions absorbed from this research may notably impact investors, managers, and policymakers. The findings could potentially enforce better sustainability disclosures and reporting standards, enforce stricter corporate governance policies, and influence investment decisions, all with an aim to drive more sustainable and ethical corporate behavior.

Dividends and bank bailouts

Thaer Alhalabi
University of Exeter, United Kingdom
t.alhalabi@exeter.ac.uk

Abstract

Bank bailouts aim to improve the real economy and restore market confidence by tackling immediate funding shortfalls. However, they may also lead to reputational losses. We examine TARP's short- and long-term effects on bank dividend payout and charter value. Contrary to the literature on bank bailouts, we are the first to show that the market stigmatized TARP recipients and imposed greater market discipline before repaying TARP funds, but the stigma and market discipline are reversed after repayment. We find that TARP induces substantial reductions in payout ratios among late-repayers and participants characterized by low pre-TARP charter value. Our dynamic analysis shows that the dividend decrease is not immediate, as participants paid large dividends during the program's first year, suggesting that signaling or risk-shifting incentives drive our results. From a policy perspective, our findings suggest that TARP benefited weak banks only temporarily.

The Real Effects of Tick-Size Adjustments: Evidence from the 2016 Tick-Size Pilot

Wentao Yao
Xiamen University, China
yaowentao@xmu.edu.cn

Chen Lin
University of Hong Kong, Hong Kong
yaowentao@xmu.edu.cn

Hong Zou
University of Hong Kong, Hong Kong
yaowentao@xmu.edu.cn

Abstract

We examine the real effects of the SEC's 2016 tick-size pilot on firms' M&A activities. Following the negative shock to stock liquidity, affected pilot firms reduce M&A intensity, mainly diversifying deals. These firms also lower stock payment proportions, avoid large transactions or public targets, but have higher completion rates and greater value gains, particularly for firms with less pre-pilot impaired goodwill. Partial M&A reversals occur after the completion of the pilot. Our findings suggest stock liquidity shocks lead to a firm's reduced M&A investment intensity by eliminating low-quality deals and structuring transactions more cautiously.

Negative nominal rates

Julio Dávila

Nazarbayev University, Kazakhstan

julio.davila@nu.edu.kz

Elizaveta Lukmanova

Central Bank of Ireland, Ireland

elizaveta.lukmanova@centralbank.ie

Abstract

We show the possibility of equilibrium negative nominal interest rates in a general equilibrium model with financial intermediation. We establish that the decentralization of the planner's steady state requires a zero nominal lending rate on bank loans to firms, as well as a negative nominal lending rate on central bank loans to banks. We also find that implementing the planner's steady state requires firms to be bound to collateral requirements that limit their leverage. The key driver of the results is the very defining characteristic of banking, namely banks' ability to create money by opening deposit accounts borrowers can withdraw from, and that are unbacked by household deposits. Our results can be used to rationalize the ultra-low rates policy implemented by major central banks in the second half of the 2010's and early 2020's.

Recent Trends in Size Premium: A Meta-Analysis

Humaira Mustafiz
University of Greenwich, United Kingdom
R.Mustafiz@greenwich.ac.uk

Abstract

The aim of this research is to investigate and understand the size premium using the method of meta-analysis. The goal is to determine whether the premium is influenced by publication biases or other underlying factors, such as the data universe, survivorship biases, behavioural factors, or estimation methods.

Can Effective Working Capital Management Enhance Profitability in the Indian FMCG Industry? A Panel Data Analysis

Gautam Prasad

Dr. Harisingh Gour Vishwavidyalaya Sagar, (A Central University) Madhya Pradesh , India

gprasad@dhsu.edu.in

Garima Dohar

Dr. Harisingh Gour Vishwavidyalaya Sagar, (A Central University) Madhya Pradesh , India

garimadohar17@gmail.com

Abstract

Purpose of the study: The study aims to investigate the relationship between working capital management and profitability in the top fifteen Indian FMCG industries listed on the National Stock Exchange (NSE). **Research objectives:** The objectives of the study are to analyze the relationship between return on assets and working capital components, such as the current ratio, accounts collection period, cash conversion cycle, accounts payable days, and inventory conversion period. **Research design:** This study is analytical and based on secondary data collected from the annual audited reports of FMCG companies. The study covers five years, from 2019?20 to 2023?24. The research utilized secondary data, which is collected from the annual audited reports of FMCG companies. The study employs panel data analysis using three main methods: pooled ordinary least squares, random effects, and fixed effects models. **Findings:** The study shows that the fixed effect model is more appropriate for identifying the relationship between working capital management and profitability. The fixed effect model revealed a weak negative correlation between return on assets and current ratio, account collection period, and cash conversion cycle. Conversely, a weak positive correlation was observed between return on assets and accounts payable days and inventory conversion periods, suggesting that as accounts payable days and inventory conversion periods increase return on assets tends to increase marginally. **Implications:** The study suggests that effective management of accounts payable days and inventory conversion periods can marginally enhance FMCG companies' profitability (return on assets). Conversely, longer account collection periods and a high cash conversion cycle could negatively impact profitability. **Limitations:** The study is limited to the top fifteen Indian FMCG industries listed on the NSE, which may not represent the entire Indian FMCG sector. The research covers a specific time frame of five years, which might not account for long-term trends.

Cash Holdings, Financial Constraints, and Mergers and Acquisitions: Evidence from India

Satyabrata Sahoo
Indian Institute Of Technology, Kharagpur, India
satyabrata.sahoo@iitkgp.ac.in

Chandra Sekhar Mishra
Indian Institute Of Technology, Kharagpur, India
csmishra@vgsom.iitkgp.ac.in

Abstract

This paper examines the impact of cash holdings on the performance of acquirer firms in India. We focus on the disciplinary role of financial constraints on acquisition performance in the presence of agency problems from a sample of listed Indian companies from 2000 to 2020. The result is robust to alternative measures of excess cash, financial constraints, and both short-term and long-term performance measures. We conclude that cash spending by managers of the acquirer firm relates to better operating performance and future profitability when associated with financial constraints. The precautionary motive provides a more accurate explanation for the positive impact of cash holdings on acquirer performance and long-term performance indicators.

Debt Heterogeneity and Investment Efficiency: Evidence from India

Mithun Samanta

Indian Institute Of Technology, Kharagpur, India

smithun028@gmail.com

Ajay Kumar Mishra

Indian Institute Of Technology, Kharagpur, India

akmishra@vgsom.iitkgp.ac.in

Abstract

This study investigates the role of debt heterogeneity as an external governance mechanism in enhancing firm investment efficiency. Analyzing a sample of 2,946 Indian listed firms from 2011 to 2023, our results support the Efficient Monitoring Hypothesis, indicating that debt heterogeneity enhances investment efficiency by mitigating both overinvestment and underinvestment tendencies, with a particular effectiveness in curbing overinvestment. We validate this argument by demonstrating that debt heterogeneity effectively reduces agency costs through efficient monitoring. Debt heterogeneity within group firms acts as a robust governance tool in minimizing unproductive investments. Additionally, firms with high agency issues, especially those with substantial cash holdings, benefit from increased creditor vigilance, leading to reduced investment inefficiency. Following the implementation of the IBC 2016, creditors display enhanced monitoring capabilities, particularly in addressing overinvestment concerns. Our robust results remain consistent across various firm characteristics, years, and industries.

Beyond Borders: The Crucial Role of Foreign Capital Inflows in Shaping Financial Markets Through Institutional Quality

Zamin Farzam

Goa University, India

zfarzam5@gmail.com

Pournima Dhume Shinkre

Goa University, India

pournima.dhume@unigoa.ac.in

Abstract

The present study examines the impact of FDI types (greenfield vs. merger and acquisitions) and FPI with the moderating role of institutional quality on financial market development in emerging and advanced economies from 2003 to 2021. The findings based on the Prais-Winsten regression model with panel-corrected standard error (PCSE) and two-step system Generalized Methods of Moment (GMM) estimations show that that greenfield FDI has a significant negative impact, whereas M&A FDI, FPI, and institutional quality have a significant positive impact on financial market development in the entire panel. In emerging economies, greenfield FDI and FPI have a significant negative impact, while M&A FDI exerts a significant favorable influence on financial market development. Additionally, the findings highlighted institutional quality's positive but insignificant role in financial market development. In advanced economies, greenfield FDI has a significant negative impact. At the same time, M&A FDI and institutional quality exert a significant positive impact, and FPI has a positive but insignificant impact on financial market development. The moderation analysis suggested that institutional quality positively moderates the negative impact of greenfield FDI on financial market development and plays a crucial role in the linkage between the M&A FDI, FPI and financial market development in the entire sample, as well as in the sub-samples of emerging and advanced economies. The heterogeneity of findings urges policymakers to enact M&A FDI-oriented policy and promote institutional quality to mitigate the negative effects of greenfield FDI and FPI on financial market development, particularly in emerging economies.

PRIVATE EQUITY SPONSORING BIG DREAMS OF THE INDIAN SMALL FINANCE BANKS: CAN THE MODEL BE TRUSTED?

SANCHITA DHINGRA
UNIVERSITY OF DELHI, India
sanchita@sgtbkhalsa.du.ac.in

ABHA SHUKLA
UNIVERSITY OF DELHI, India
ashukla@commerce.du.ac.in

Abstract

Small finance banks (SFBs) were set up in 2015 in India when RBI issued licenses to ten entities which included eight micro-finance institutions. Each of these ten entities were backed by a private equity (PE) investor, who through equity facilitated the transformation of these non-banks into banks. However, PE has the potential to harm these SFBs since timely exits with profits is the ultimate objective of PE. This article aims at understanding - first, the role played by PE in the process of SFB licensing and second- the anatomy of investments and exits made by PE in SFBs. The purpose is to highlight the dangers if any of such investments. We found that PE was instrumental in not just enabling these SFBs to get the license but also in providing additional capital support post licensing. The data, which was sourced from Venture Intelligence, revealed that most of the amount invested by PE between 2005 and 2020 in SFBs is still unexited and has come largely through foreign investors. There is a strong possibility that SFBs might be engaging in high-risk activities under the influence of profit-minded PE and therefore we recommend a dedicated and comprehensive framework to regulate PE activity in SFBs.

Can Emotions Reverse the Disposition Effect?

Giovanna Zanotti
Università degli Studi di Bergamo, Italy
giovanna.zanotti@unibg.it

Giampaolo Gabbi
SDA Bocconi, Italy
giampaolo.gabbi@sdabocconi.it

Abstract

This study investigates emotional influences on the disposition effect, a behavioural bias in financial decisions. Using an experimental design with MSc in Finance students, and traditional measuring approaches, we find a robust presence of the disposition effect. Positive (e.g. sexual activity) and negative (e.g. bad news) incidental emotions moderate the effect. Positive emotions reverse the disposition effect by promoting optimism. Negative emotions amplify the effect for winners, while combined (positive and negative) emotions override it. Gender differences suggest different emotional effects. Our findings reveal the complex relationship between emotions and financial behaviour and shed light on the mechanisms of the disposition effect.

Testing for the Asymmetric Optimal Hedge Ratios: With an Application to Bitcoin

Abdulnasser Hatemi-J
United Arab Emirates University, United Arab Emirates
ahatemi@uaeu.ac.ae

Abstract

Reducing financial risk is of paramount importance to investors, financial institutions, and corporations. Since the pioneering contribution of Johnson (1960), the optimal hedge ratio based on futures is regularly utilized. The current paper suggests an explicit and efficient method for testing the null hypothesis of a symmetric optimal hedge ratio against an asymmetric alternative one within a multivariate setting. If the null is rejected, the position dependent optimal hedge ratios can be estimated via the suggested model. This approach is expected to enhance the accuracy of the implemented hedging strategies compared to the standard methods since it accounts for the fact that the source of risk depends on whether the investor is a buyer or a seller of the risky asset. An application is provided using spot and futures prices of Bitcoin. The results strongly support the view that the optimal hedge ratio for this cryptocurrency is position dependent. The investor that is long in Bitcoin has a much higher conditional optimal hedge ratio compared to the one that is short in the asset. The difference between the two conditional optimal hedge ratios is statistically significant, which has important repercussions for implementing risk management strategies.

Liquidity Creation and Bank Credit Risk: Evidence from BRICS Economies under Basel III Regulations

Anil Sharma

Indian Institute of Technology Roorkee , India

anilsharma@ms.iitr.ac.in

Rosy Chauhan

Indian Institute of Technology Roorkee, India

rosy25chauhan@gmail.com

Abstract

This study empirically examines the impact of liquidity creation, on the credit risk of 499 banks in the BRICS economies from 2013 to 2021. We assess how liquidity creation, following the adoption of Basel III liquidity requirements, affects credit risk in emerging markets. Employing the two-step system generalized method of moments (GMM) estimator; we find a notably positive relationship between LC and bank credit risk, which holds true across different bank sizes and various LC indicators. Excessive LC can raise the probability of a financial crisis due to heightened credit risk, underscoring the need for regulatory oversight. Policymakers should implement stricter liquidity management regulations, stress testing, and enhanced transparency to mitigate these risks and ensure financial system stability.

On Unspanned Latent Risks in Dynamic Term Structure Models

Nikolaos Karouzakis

The American College of Greece, Greece

nkarouzakis@alba.acg.edu

Konstantinos Kalogeropoulos

London School of Economics, United Kingdom

k.kalogeropoulos@lse.ac.uk

Tomasz Dubiel-Teleszynski

London School of Economics, United Kingdom

t.dubiel-teleszynski1@lse.ac.uk

Abstract

We explore the importance of unspanned risks to a real-time Bayesian investor seeking to maximize her utility. We propose a novel class of unspanned Dynamic Term Structure Models that embed a stochastic market price of risk specification. We develop a suitable Sequential Monte Carlo inferential and prediction scheme that takes into account all relevant uncertainties. We find that latent factors contain significant predictive power above and beyond the yield curve. Most importantly, they exploit information hidden from the yield curve and generate significant utility gains, out-of-sample. The hidden component associated with slope risk is countercyclical and links with real activity.

Are Ecosystems that different from Conglomerates? Performance and resilience perspectives from the Asian markets.

Ilya Ivaninskiy

Higher School of Economics, Russia

ilya.ivaninskiy@gmail.com

Irina Ivashkovskaya

Higher School of Economics, Russia

iivashkovskaya@hse.ru

Yakov Kogan

Higher School of Economics, Russia

j.kogan.j@gmail.com

Artem Spiridonychiev

Higher School of Economics, Russia

A.spiridonychiev@uzum.com

Fyodor Shuklin

Higher School of Economics, Russia

fyodorshuklin@gmail.com

Abstract

Accelerated technological progress leads to advances within and beyond industries. Ecosystem business model is a particularly popular cross-industry advancement in research and business literature. In this paper we assess the performance, resilience and market valuation of ecosystems in Asia compared to conglomerates. The topic is particularly interesting since these models bear a lot similarities: ownership of businesses in diverse industries, ways of attracting talents, approaches to governance, etc. and yet, while ecosystems are typically praised, conglomerates are normally assessed negatively. The region was chosen due to its economic rise, increasing global dependance on its businesses and proliferation of both ecosystems and conglomerates. As may be expected, we get controversial results that are not yet conclusive, potential for future research. Ecosystems? performance is similar to the conglomerates both in terms of profitability and ROE as well as market capitalization; volatility of the ecosystems is higher than of the conglomerates both during economic shocks and times of stability. However, revenue growth is better for ecosystems suggesting that in future ecosystems can outperform conglomerates.

Liquidity Shock and Bank lending: Evidence from Currency Demonetization in India

Md Gyasuddin Ansari

Indian Institute of Management Kashipur, India

gyasuddin.ansari@iimkashipur.ac.in

Rudra Sensarma

Indian Institute of Management Kozhikode, India

rsensarma@iimk.ac.in

Abstract

This paper examines the effect of a change in bank deposits on banks' lending and investment behaviour. To identify the change in deposits, we exploit the sudden announcement by the Indian government in 2016 to demonetize high denomination currency notes, that led to a surge in bank deposits. We find that the increase in different types of bank deposits had a negative effect on bank lending. Instead, banks increased their reserves with the central bank due to risk aversion. We find a positive impact on the one-year ahead bank lending, suggesting a long-run increase in lending due to demonetization. Finally, we investigate the implications for monetary policy transmission and find that the increase in deposits due to the liquidity shock weakened the monetary policy transmission to bank lending in the long-run.

Measuring the Financial Inclusion Index in Developed, Developing and Emerging Countries.

Oumaima Sahtout
Lille University , France
oumaima.sahtout@univ-lille.fr

Abstract

This paper examines financial inclusion an overview of financial inclusion in MENA (Middle East and North Africa) countries, the emerging BRICS (Brazil, Russia, India, China, South Africa) countries, and the developed G7 countries (United States, Japan, Germany, United Kingdom, France, Italy, Canada). We use a new multidimensional index based on a two-level principal component analysis (PCA) to assess financial inclusion over the period 2004-2021. Financial inclusion is measured across four key dimensions: usage, barriers, access, and trust; the addition of the last dimension provides a more comprehensive perspective on financial inclusion. The results show that each country has its definition of financial inclusion, reflecting its specific situation. For developing countries, the dimensions of barriers and trust play a crucial role in financial inclusion. For emerging countries, financial inclusion is more related to the dimensions of usage and barriers. For developed countries, access and use are key aspects of financial inclusion. In addition, we find that the dimensions used to calculate the financial inclusion index are not equally important, which may lead policymakers to adopt a new strategy to promote financial inclusion.

Employee rights and investment cash flow sensitivity

Thuy Duong To
University of New South Wales, Australia
td.to@unsw.edu.au

Eliza Wu
University of Sydney, Australia
eliza.wu@sydney.edu.au

Ruoyun Zhao
University of Technology Sydney, Australia
ruoyun.zhao@uts.edu.au

Abstract

We examine the impact of Right-to-Work (RTW) laws on firms' investment cash flow sensitivity. Using a large sample of U.S. public firms from 1950 to 2021, we find that firms located in the RTW states have a higher cash flow sensitivity of investment and lower investment efficiency. These firms, arguably with weaker employee rights, also receive less value from each additional dollar of investment in non-cash assets. The effect is stronger for firms with more financial constraints, higher information asymmetry and weak corporate governance. It is also more pronounced when firms have more intensive labour demands, weak union power and higher risk.

ESG Ratings Are Trash

Brian Bolton

University of Louisiana at Lafayette, United States

brian.bolton@louisiana.edu

Abstract

This paper is about ESG ratings; this paper is not about ESG as a concept, a tool or a strategy. This paper is about ratings that obscure real information, distract managers and mislead users. This paper is about ratings that attempt to provide a quantitative and meaningful measurement of any firm's performance within environmental, social or governance dimensions ? but, in reality, do very little (at best). The purpose of this paper is to highlight the weaknesses of ESG ratings ? and probably most other indexes ? and to encourage users to be more direct in how they acquire and use information. The principal problem is that we never know what we are seeing when we see an ESG score. When you see an ESG rating, you typically see a number. How was that number generated? What data went into generating that number? What are the categories? What are the components? What are the weights of the different categories and components? What information is not in that number? What is that number supposed to tell us? What does that number really tell us? And, perhaps most importantly, what are we supposed to do with that number? ESG ratings and indexes suffer a number of fatal flaws; this paper will discuss many of these ? though it is certainly impossible for any paper to address them all. This paper synthesizes the perspectives introduced in Edmans (2023a, 2023b) arguing that the components within ESG can all be critical to long-term value creation, and in Berg, Kölbel and Rigobon (2022) documenting the methodological issues inherent in creating ESG ratings. They argue for various improvements in how scholars and practitioners create ESG ratings. I argue that we get rid of them, altogether. But getting rid of ESG ratings does not mean that we get rid of Environmental, Social, Governance and other factors as drivers of economic value. This paper concludes by offering ways forward for scholars, investors, practitioners and policymakers to better manage and apply our desperation to invoke Environmental, Social and Governance dynamics into understanding how firms create value.

Does Economic Growth in India Shelter Inflation? ? An Econometric Enquiry

Parizad Dungore
University of Dubai, United Arab Emirates
paridungore@gmail.com

Abstract

This research work is an endeavor to study the effect of inflation on economic growth. Is growth in the economy on account of real economic growth or is it on account of rising prices? Economic growth is proxied by the Gross Domestic Product (GDP), Index of Industrial Production (IIP) and S&P BSE Sensex (sensex). The causality test marginally accepts a causal relation between sensex and inflation as proxied by the Consumer price Index (CPI). The standard structural vector autoregressive (SVAR) model reveals that the stock market, proxied for economic growth does not shelter inflationary. The augmented SVAR model reveals similar findings for the Indian GDP when the sensex variable is treated as endogenous or exogenous. However, the impulse responses imply that inflation provides a meagre boost to IIP in terms of real economic growth. Other variables, namely crude oil, and the Dollar/Rupee Exchange Rate; (\$/?), and Real Effective Exchange rates (REER) create inflation inflammation. Other exogenous variables considered in the model namely Fed Rate, the Indian Bank rate, World commodity prices and U.S inflation (CPI-US) have a bearing on Indian inflation and sensex.

High-Frequency Stochastic Volatility model: A Pathway from Bayesian Inference to the Generalized Boltzmann Statistics

Geoffrey Ducournau
Tsinghua University , China
G.ducournau.voisin@gmail.com

Jing Li
Tsinghua University , China
lijing3@sem.tsinghua.edu.cn

Jinliang Li
Tsinghua University, China
jll@tsinghua.edu.cn

Abstract

We investigate high-frequency intraday stochastic volatility (SV) for four Chinese stocks listed on the Shanghai and Shenzhen stock exchanges through the application of a Dynamic Generalized Boltzmann (GBSV) model. Utilizing Bayesian inference, we demonstrate that the steady-state distribution of this model conforms to a generalized inverse gamma (GIGa) distribution, which effectively captures the complex behaviors exhibited at both high and low volatility levels. Leveraging this model, we simulate expected out-of-sample daily stock volatility and stock prices, conditioned on prior non-overlapping minute-by-minute weekly historical data. The sample residual diagnostics and goodness-of-fit statistics indicate that the GBSV model possesses a robust capability for providing accurate forecasts of intraday variance and stock prices. Given its simplicity and rapid calibration compared to conventional SV models, the GBSV model emerges as a more effective alternative for volatility modeling and asset pricing.

The Impact of ESG and Climate Indices

Katja Scherer

TU Dortmund, Germany

katja.scherer@tu-dortmund.de

Bernhard Scherer

Abu Dhabi Investment Authority - ADIA, United Arab Emirates

bernhard.scherer@adia.ae

Abstract

Green finance will lower carbon emissions if it increases the capital costs of polluting firms. For this to happen, substantial green capital is required. Climate Change and ESG indices play an essential role in this. They serve as ESG or climate investors' benchmarks and can guide the required investment flows. However, how successful are these investments in impacting the capital costs of companies? Our paper shows that popular climate indices display statistically significant but economically insufficient changes in capital costs relative to their respective parent indices. Without a sufficient impact on capital costs, these investments will not lead to the hoped-for changes in corporate investment projects.

Climate risk, ESG ratings, and the flow-performance relationship in mutual funds

Ihsan Badshah

Auckland University of Technology, New Zealand

ihsan.badshah@aut.ac.nz

Sara Ali

Auckland University of Technology, New Zealand

sara.ali@aut.ac.nz

Riza Demirer

Southern Illinois University Edwardsville, United States

rdemire@siue.edu

Prasad Hegde

Auckland University of Technology, New Zealand

prasad.hegde@aut.ac.nz

Lavinia Rognone

University of Edinburgh Business School, United Kingdom

lrognone@ed.ac.uk

Abstract

We extend the burgeoning literature on climate finance by examining the informational role of mutual fund sustainability ratings on the asset allocation decisions by investors when faced with climate risks. Utilizing data on a large sample of equity mutual funds in Australasia (Australia and New Zealand), we find that climate risk plays a significant role on the sensitivity of fund flows to past performance. We find that the sensitivity is stronger for mutual funds that enjoy high sustainability ratings, and we show that the informational value of past performance over subsequent fund flows becomes more important when investors face greater climate risks. We argue that sustainability ratings of managed funds not only complement performance but also help improve the efficiency of asset allocation decisions, more so during a heightened climate risk environment.

CEO Gender and Firm Risks: The Impact of Compensation Incentives

Chia-Hsien Lin
National Chung Cheng University, Taiwan
chlin@ccu.edu.tw

Yenn-Ru Chen
National Chengchi University, Taiwan
yrchen@nccu.edu.tw

Abstract

This paper delves into the risk-taking propensities of female CEOs by exploring the nexus between CEO gender and the incentivization of risk through stock options. Our analysis reveals that the influence of risk incentives on female CEO behavior is constrained, with female CEOs typically receiving fewer risk incentives but greater wealth incentives, possibly stemming from perceived gender-based risk aversion. We also demonstrate that female CEOs are more frequently appointed by firms with higher risk profiles, yet these firms experience a significant reduction in risk subsequent to the appointment of a female CEO. Contrary to conventional beliefs regarding female risk aversion, our findings suggest that female CEOs are not averse to engaging in risk-taking activities. This study contributes to a deeper understanding of gender dynamics in executive decision-making and its implications for firm risk management strategies.

An AI-Driven Multi-Objective Framework for Optimizing ESG Portfolio Management in the Indian Stock Market

Kripamay Baishnab

Indian Institute of Technology Kharagpur, India

kripamayb@kgpian.iitkgp.ac.in

Apurv Gaurav

Indian Institute of Technology Kharagpur, India

gauravapurv13@gmail.com

Piyush Singh

Indian Institute of Technology Kharagpur, India

psingh@iitkgp.ac.in

Abstract

Environmental, Social, and Governance (ESG) portfolio management impact the investor in Sustainable and Socially Responsible Investments (SRIs). The current investigation represents a novel three-step framework for multi-objective portfolio optimization tailored to the Indian stock market, aiming to create a self-sufficient Intelligent ESG Portfolio using AI to emulate asset managers. Leveraging advanced machine learning and optimization techniques, it operates on a diverse asset universe of 30 stocks, simulating a retail portfolio scenario. Predictive Modeling employs advanced AI-based architectures like Gated Recurrent Units (GRU), Seasonal Autoregressive Integrated Moving Average with Exogenous Regressors (SARIMAX), ARIMAX, Multivariate Bidirectional Long Short-Term Memory (MBi-LSTM), and ensemble models including Generalized Autoregressive Conditional Heteroskedasticity (GARCH) combine with Autoregressive Integrated Moving Average (ARIMA) to enhance return prediction accuracy, capturing the Indian stocks market's unique fluctuations. Portfolio Allocation uses the Non-dominated Sorting Genetic (NSG) algorithm to optimize risk, return, and Environmental, Social, and Governance (ESG) scores, focusing on downside risk management. Dynamic Rebalancing, integrated through an Actor-Critic Reinforcement Learning (RL) algorithm, ensures continual portfolio adjustment to maintain an optimal balance. The framework's effectiveness is compared to the conventional Mean-Variance Markowitz (MVM) method, aiming to demonstrate superior performance and practical viability in the Indian market.

CEO compensation, family firms and Institutional investors: evidence from India

Gobinda Gopal Pahari Pahari
Indian Institute of Technology, Kharagpur, India
pahari.gobinda1@kgpian.iitkgp.ac.in

Chandra Sekhar Mishra
Indian Institute of Technology, Kharagpur, India
csmishra@vgsom.iitkgp.ac.in

Abstract

This paper examines the influence of family control and institutional investors on CEO compensation in India, using a dataset of 1729 listed NSE firms in India from 2009 to 2023. The findings reveal that family control reduces the levels of total and cash CEO compensation, indicating that controlling families do not exploit minority shareholders through CEO pay. The study also shows that institutional ownership is linked to higher CEO cash and total compensation, particularly in family firms. Additionally, foreign institutional investors and domestic institutional investors both significantly increase CEO compensation levels. Finally, the results suggest that institutional investors impact the structure of CEO pay. This study also found a significant positive pay performance sensitivity while interacting firm performance with family firms and family CEOs and their impact on the CEO pay. A strong connection between CEO pay and performance can align the interests of CEOs with those of shareholders, acting as a disciplinary measure to ensure CEOs make decisions that benefit shareholders and reduce potential CEO entrenchment. In firms with controlling family shareholders, CEO entrenchment is likely minimal since these family shareholders have incentives to provide oversight and minimize managerial entrenchment.

Investment Bank's Valuation and IPO Underpricing

Mehdi Haghbaali

Tehran Institute of Advanced Studies, Iran

m.haghbaali@teias.institute

Pejman Abedifard

University of St Andrews, United Kingdom

pa31@st-andrews.ac.uk

Masoud Fahmideh Kalatehei

The Swedish House of Finance, Stockholm School of Economics, Sweden

Masoud.Fahmideh.Kalatehei@hhs.se

Abstract

This paper examines the impact of a unique pre-IPO information production process in an emerging market on the underpricing of firms going public. We measure the accuracy of financial performance forecasts in the mandatory IPO valuation report prepared by investment banks and demonstrate that the magnitude of IPO underpricing is inversely correlated with the accuracy of such forecasts. A one standard deviation higher accuracy is associated with a 9% lower IPO underpricing. Additionally, we find that the accuracy of future earnings predictions is negatively associated with the valuation bias measured as the difference between the post-IPO equilibrium price and the price reported in the valuation report. This study underscores the crucial role of (accurate) information disclosure in mitigating information asymmetry between market participants and insiders, which carries important implications for policymakers.

Rolling window GARCH analysis to measure the change in efficiency of the Johannesburg Stock Exchange.

Philip Kotze
University of South Africa, South Africa
kotzepn@unisa.ac.za

Abstract

The efficiency of a stock exchange has many implications, including the likely effectiveness of active investing and the accurate pricing of assets. The Johannesburg Stock Exchange has been found to be efficient in prior research, but, there is recent evidence that its efficiency is declining. Furthermore, the exchange has lost a large amount of listings, dropping from over 900 to less than 300. There is little research regarding the level of efficiency of the exchange and no works exploring the change in efficiency in light of the change in size and compositions of the exchange could be found. The study aimed to determine whether the efficiency of the exchange has declined, as proxied by the speed of mean reversion of returns, and whether any change was driven by smaller stocks as we know that large stocks are efficiently priced on the exchange. A general autoregressive conditional heteroskedasticity (1,1) was applied to the data together with an Augmented Dickey Fuller based test for robustness. The results shows a decline in efficiency of the stock exchange as well as the different sub-indices studied. All sub-indices studied declined in efficiency and the decline in efficiency is not ascribed to smaller listed firms, but rather an overall decline in the efficiency of the stock exchange. A recommendation is made for a future study to consider the speed of reversion of individual stocks which would allow the study of firm characteristics possibly driving the change in efficiency of the exchange.

Beyond the Numbers: Exploring the role of Financial Literacy in enhancing Overall Well-Being

Jagriti Arora

Great Lakes Institute of Management, India

jagriti.a@greatlakes.edu.in

Abstract

The purpose of this study is two-fold. First, it examines the relationship between financial literacy and financial well-being. Second, it also analyses if financial well-being has an impact on the overall well-being of individuals. The study uses financial inclusion insights (FII) survey data conducted by Intermedia, comprising 47,132 individuals that are representative of the Indian population. Instrument variable (IV) estimation has been used to analyze the relationship between financial literacy and subjective financial well-being. The findings reveal that financial literacy is an essential antecedent to subjective financial well-being and that financial well-being significantly contributes to the overall well-being of individuals. Further, robustness tests support the findings. The study contributes to the growing literature on financial well-being in the context of developing countries like India and highlights the subjective measure of financial well-being.

The Changing Relevance of Dual-Class Shares in Europe: A Corporate Governance and Performance Perspective

Wolfgang Bessler
University of Hamburg , Germany
wolfgang.bessler@uni-hamburg.de

Marco Vendrasco
University of Hamburg ,
Marco.Vendrasco@uni-hamburg.de

Abstract

Dual-class shares split the ownership and control rights of a firm in such a way that some investors receive superior voting power. They typically grant ten votes per share and usually provide the owner with the vote majority despite having only a minority equity stake. Many countries allowed different dual-class share structures for decades. Regulators and institutional investors always viewed them critically and recommended to adhere to the 'one-share-one-vote' principle. More recently, many entrepreneurial firms employ them when going public in the U.S. and Asia. In Europe, we observe a drastic decline of firms with multiple-voting shares in the Nordic countries, a rise in loyalty shares in Southern European countries, and decline of preference shares in Germany. In this study, we examine the financial and operational performance of firms with dual-class shares for 13 European capital markets from 1994 to 2020. The focus is on the costs and benefits of disproportional ownership and voting arrangements and on differences between single- and dual-class firms. We find that IPOs with dual-class shares are relatively lower valued compared to single-class firms, but they are more profitable. There is no general valuation discount, although regional and country differences exist. The ownership structure, life cycle effects, operational efficiency and agency problems of dual-class firms are important factors leading to specific valuation and performance effects in some countries. Currently, most stock exchanges around the world allow dual-class shares, especially to attract unicorns and to stay competitive. Germany remains the only European country prohibiting shares with multiple voting rights.

The influence of CFO characteristics on the capital structure

Sara Bassiouny

Arab Academy for Science, Technology and Maritime transport, Egypt

sarawahid@aast.edu

Cristiana Leal

University of Minho , Portugal

ccerqueira@eeg.uminho.pt

Manuel Armada

University of Minho, Portugal

rarmada@eeg.uminho.pt

Abstract

This paper aims to identify the CFO characteristics and to explore the influence of such characteristics among others on the capital structure. 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 that four factors significantly impact the capital structure and introducing the moderating variable with its interception reflect significance. The stepwise results confirm the results of the hierarchical regression with an addition of few more factors that significantly impact the capital structure decision. Thus, the findings of this study reveal the importance of including behavioral 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.

Mapping the Landscape of Subjective Financial Well-Being

Sazali Abidin

Universiti Brunei Darussalam, Brunei
sazali.zainal@ubd.edu.bn

Muhamad Abduh

Universiti Brunei Darussalam, Brunei
smuhamad.abduh@ubd.edu.bn

Rabiatul Mahli

Universiti Brunei Darussalam, Brunei
rabiatalatiqahhm@gmail.com

Azilawati Banchit

Universiti Teknologi Mara , Malaysia
azila@uitm.edu.my

Abstract

The subject of financial well-being, particularly Subjective Financial Well-Being (SFWB), has garnered significant attention in recent years. This paper employs a bibliometric analysis approach to map the clusters, networks, and trends within this research area. Utilizing a systematic literature review methodology, this study examines 48 publications on SFWB published between 1985 and 2023. By applying bibliometric analysis methods, the research identifies trends, mutual influences, and citation patterns among these publications to assess the quality of the research. The findings provide a comprehensive overview of citation trends related to SFWB, highlighting the most influential journals, the most cited papers, and their networks. Additionally, the study explores keyword distribution, co-authorship patterns, and bibliographic coupling. This investigation aims to assess the current state of research on SFWB and offers insights that can serve as a reference for employing visualization techniques in this field. The results are intended to aid researchers in developing a deeper understanding of SFWB and guide future research directions.

CFO Characteristics and Investment Decision in Non-Financial Firms

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

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

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

Abstract

This paper studies the factors influencing investment in non-financial firms. We explore the impact of Chief Financial Officers (CFOs) characteristics, including behavioral bias, personality traits, financial literacy, and various demographics jointly with firm characteristics on the investment decision. Additionally, we moderate for the CFO board membership to analyze whether the CFO's influence changes when they hold a board membership position. We use primary data collected through a questionnaire applied to CFOs, supplemented by secondary data on investment decisions and firm characteristics. The results of OLS regressions show the relevance of conventional firm factors in the investment decision along with CFO demographics (gender and marital status), while stepwise regressions show that, beyond these, CFO behavioral biases (such as anchoring) and personality traits (such as openness influence the firms' level of investment. These findings emphasize the importance of incorporating CFO characteristics that have not been thoroughly examined in a corporate finance context.

The impact of government debt on corporate cash holdings: evidence from India

Manoja Behera

Indian Institute of Technology, Kharagpur, India

manojabehera5@gmail.com

Jitendra Mahakud

Indian Institute of Technology, Kharagpur, India

jmahakud@hss.iitkgp.ac.in

Abstract

This study examines the impact of government debt on corporate cash holdings in India during 2004-2021. Consistent with precautionary motive, we find that government debt positively influences corporate cash holdings. This study also finds that the positive impact of government debt on cash holdings is more pronounced for financially unconstrained firms. Our results are consistent across various robustness tests such as types of government debt, alternative cash holdings measures, and endogeneity concerns.

Sustainability reporting issues: greenwashing prevention and changing regulatory landscape

Agne Sneideriene
Vytautas Magnus University, Lithuania
agne.sneideriene@vdu.lt

Renata Legenzova
Vytautas Magnus University, Lithuania
renata.legenzova@vdu.lt

Abstract

The sustainability reporting landscape is changing rapidly as various national and international bodies develop and adopt sustainability disclosure standards and legislation. The most significant regulation is being proposed by the EU with the Corporate Social Responsibility Directive (hereafter ? CSRD) entering into force. National governments have some flexibility in implementing the CSRD to align it with their existing legislation and compliance frameworks for financial and non-financial reporting requirements. The results of the analysis revealed show that only a minority of EU countries have implemented the Directive on time. Furthermore, there are differences in the national laws implementing the CSRD. The accuracy and reliability of sustainability reporting continue to be threatened by inconsistent regulation and the presence of greenwashing, which affects the quality of disclosure, complicates the decision-making process, increases costs, and undermines stakeholder confidence in the information disclosed.

The Cost of Financial Misconduct in Nonprofits

Artem Joukov

University of Texas at Dallas, United States

amjoukov@crimson.ua.edu

Erica Harris

Florida International University, United States

erharris@fiu.edu

Vikram Nanda

University of Texas at Dallas, United States

Vikram.Nanda@utdallas.edu

Arun Upadhyay

Florida International University, United States

arun.upadhyay@fiu.edu

Abstract

How severely are nonprofits affected by disclosure of financial fraud? Existing literature focuses on declines in charitable giving, though donations account for merely 20% of nonprofit revenues. Using a large dataset extracted from IRS-filings, we find that post-fraud, there is sharp, long-term decline in service revenues and employee compensation. There is, however, surprisingly little change in volunteerism or employment. While charitable revenues decline, they rebound fairly quickly. We uncover suggestive evidence that fraud benefits other nonprofits in the same zip code. This is consistent with long-term revenue drop post-fraud and highlights the role of competing nonprofits as a governance mechanism.

Firms access to finance and share pledging: Analysis of listed firms in India.

Malaya Prakash Behera
Indian Institute of Technology, Kharagpur, India
mpbehera1997@gmail.com

Ajay Kumar Mishra
Indian Institute of Technology, Kharagpur, India
akmishra@vgsom.iitkgp.ac.in

Abstract

This examines the impact of firms' access to finance on the share-pledging behavior of the controlling shareholders. We measure the firms' access to finance as the firms' debt heterogeneity representing the different sources from which the firm has raised debt. We test the relationship between promoter share pledging and debt heterogeneity from 2009 to 2023 for the firms listed in India. We use the panel fixed effects and logistics regression to examine the impact of firms' access to finance on the share-pledging behavior of the controlling shareholders. We also use the KZ index and WW index of financial constraints as alternative measures of firms' access to finance to test for the share pledging behavior. Our findings show that debt heterogeneity is negatively related to share-pledging meaning that lower access to external funds instigates the share-pledging behavior of the promoters. The KZ index and WW index of financial constraints are positively related to share-pledging that shows higher financial constraints also induce share-pledging behavior among the promoters.

Analysis of the Impact of Climate-related Risks on the Green Bond Market

Greta Keliuotyte-Staniuleniene
Vilnius University, Lithuania
greta.keliuotyte-staniuleniene@evaf.vu.lt

Maksimaviciute Migle
Vilnius University, Lithuania
maksimaviciutemigle@gmail.com

Abstract

In addition to the numerous benefits, participants in the green bond market are exposed to some risks, including climate-related risks. For this reason, there is a need to evaluate whether climate-related risks can affect the return of green bonds. Therefore, the aim of this research is investigate whether events caused by climate-related risks (physical and transition) affect the return of green bonds. To reach this aim the following methods are used: (i) multiple linear regression; (ii) vector auto-regression (VAR) model; (iii) Chow test; and (iv) Bai-Perron test. S&P Green Bond Index, S&P Municipal Green Bond Index, S&P Global Clean Energy Index and S&P 500 Bond Index are selected as dependent, while the USD index, US inflation rate, Global Economic Policy Uncertainty Index, and CBOE volatility index are selected as independent variables. Furthermore, for this research 10 events caused by climate-related risks are selected to study the impact of climate-related physical and transitional risks. The research covers the period from September 2013 to September 2023 (monthly data). The results of the research reveal that the changes of macroeconomic factors, as well as political uncertainty and market volatility, might be associated to the changes in the green bond market return. The return of green bonds is the most affected by transition risks, especially political shocks and shocks in the consumer segment. However, the research shows that investors' decisions do not change immediately after the event, so there are noticeable lags in the change in bond returns.

Prediction of Multi indices across Pandemic and Geopolitical Crisis: An Application of Deep learning tools

Aqila Begum

Birla Institute of Technology And Science, United Arab Emirates

aqilarafi@gmail.com

Rajesh Mohnot

Ajman University, United Arab Emirates

r.mohnot@ajman.ac.ae

Sreeram M

Birla Institute of Technology And Science, United Arab Emirates

sreeramragha@gmail.com

Yuvraj Gansesan

University Sans Malaysia , Malaysia

yuvraj@usm.my

Abstract

This study explores the dual application of deep learning tools to predict multiple indices using time-varying parameters, evaluating the interconnectedness between cryptocurrencies, global stock markets, and alternative indices during the period from the Covid-19 pandemic to the geopolitical crisis. Daily data spanning from January 2018 to June 2022 was considered. Additionally, a simple univariate time series forecasting model for gold prices was implemented, using a dataset with 18,000 observations from 2004 to 2023 based on the closing prices of the gold index. To demonstrate how feature selection affects accuracy in multivariate time series forecasting, a different dataset was used to predict Microsoft's closing price, incorporating five other feature variables and considering 60 previous values for each. A comparison was conducted to assess whether features selected through connectedness models yielded better accuracy.

How to Mitigate CEO Decision Horizon Problem in Russian Companies? The Role of Board of directors.

Dmitry Podukhovich

National Research University, Higher School of Economics), Russia

dpoduhovich@hse.ru

Anastasia Stepanova

National Research University, Higher School of Economics), Russia

anstepanova@hse.ru

Abstract

If a company wants to grow successfully and is willing to improve its corporate performance, it needs a sustainable balance between short-term and long-term investments projects. However, in today's world of a highly turbulent economy there is growing evidence that companies are neglecting long-term projects due to increasing uncertainty, associated risks, and a rather high focus on short-term goals. A special place within the problem of short decision horizon of a CEO is taken by such behavioral feature of decision-making as managerial myopia in long-term investments. This characteristic of decision-making manifests itself when short-term rewards are overestimated and long-term consequences are underestimated due to personal risk-taking attitudes (Lavery, 2004). To mitigate the CEO horizon problem, the board of directors needs to align the interests of the CEO with those of the shareholders. Since for Russian companies it is difficult to track the performance of such incentives as the percentage of CEO stock ownership (CEO Ownership) or CEO stock options, due to the lack of disclosure of this information in many public companies - it is necessary to determine what role a company's board of directors can play in relation to the CEO horizon problem. The Russian market is characterized by high uncertainty and pressure on the industry from large investors and the state, which cause the development of short-termism in this market, and the short-sightedness of CEOs leads to the reluctance of companies to invest in long-term projects. Therefore, in our opinion, it seems possible to identify and track the formation of the decision-making horizon of CEOs in Russia. Based on the sample of 96 public Russian companies that are included in the Moscow Exchange Broad Market Index (MOEXBMI) we were able to identify which board characteristics can mitigate the horizon problem. According to the analysis, board size and the presence of women can mitigate the horizon problem and improve corporate performance. A significant negative moderating effect is observed when testing the hypothesis of CEO presence on board and its effect on the horizon problem. Our results have implications for the corporate governance of Russian companies. The results show that boards of directors play an important role in mitigating the CEO horizon problem by influencing risk attitudes and CEO motivation. However, the effectiveness of boards of directors depends on the quality of their performance. In addition, our study may have practical implications for investors. Since the stock market reacts negatively to the CEO horizon problem, a less powerful CEO, a larger board of directors, and the presence of women on the board may increase firm value.

Meta-Frontier and Risk-Adjusted Bank Efficiency in China

Meng Xu

Kings College London, United Kingdom

meng.2.xu@kcl.ac.uk

Abstract

China's banking sector has undergone a series of significant reforms, culminating in the establishment of a preliminary modern banking system structured into four tiers of commercial banks. However, notwithstanding China's status as the world's largest emerging economy, concerns persist regarding the optimal functionality of its banking system, primarily attributed to high levels of concentration. Despite deliberate efforts aimed at diversifying the industry through the marketisation of bank ownership and the promotion of local and private banks, concentration remains a prominent issue. This concentration is particularly evident among the six largest state-controlled commercial banks, collectively commanding a substantial share of over 40% of the total assets in the industry, exceeding comparable concentrations observed in the banking markets of developed nations. Furthermore, the unique regulatory framework within China introduces variations in market competition and production efficiency across different categories of banks. Consequently, the conventional approach of aggregating all banks into a single analytical framework and utilising risk-unadjusted models may yield results fraught with bias and fail to capture the inherent heterogeneity within the sector. To effectively confront these challenges and offer a comprehensive assessment of the efficiency of Chinese commercial banks in the aftermath of the reforms, this study adopts a Stochastic meta-frontier (SMF) approach, complemented by risk-adjusted models. The scope of analysis encompasses annual data spanning from 2010 to 2019 for a representative sample of 193 Chinese commercial banks, collectively representing over 80% of the sector's assets by the conclusion of 2019. To facilitate nuanced examination, three distinct bank groupings are delineated based on ownership structures and business scopes, thereby enabling tailored efficiency evaluations and technology gap assessments. The findings underscore the indispensability of incorporating risk-adjusted efficiency models to account for the nuances of credit and liquidity risks within the efficiency estimation process. This scrutiny reveals that larger banks, particularly state-owned and joint-stock commercial banks, tend to derive benefits from assuming a higher degree of risk, while conversely, smaller entities, such as rural commercial banks, may encounter detriments when doing so. The influence of bank size and capitalisation levels on inefficiency manifests divergently across various bank groups. Concerning the technology gap, larger banks exhibit superior technological capabilities and adept cost management practices compared to their smaller counterparts. In terms of cost meta-efficiency, discernible improvements transpired over the observation period, with state-owned and joint-stock banks demonstrating superior performance relative to local banks. Conversely, the landscape of profit meta-efficiency presents fluctuations, with rural commercial banks exhibiting an upward trajectory, while the nation and city commercial bank groups grapple with a decline, suggesting potential weakening of monopolistic profit margins within larger banks. Regression analyses unveiled insights pertaining to the potency of market power in enhancing profit performance, albeit at the potential expense of cost management. The advent and

establishment of new banks have precipitated a decentralisation phenomenon within the banking sector, correlating with improvements in both cost and profit efficiencies. Variables including listing status, foreign investment, state-owned shares, and concentrated ownership exhibit notable correlations with bank efficiencies. However, the involvement of inexperienced private shareholders emerges as a potential impediment to cost management for local banks. Furthermore, the impact of macroeconomic conditions on cost efficiency is elucidated.

Competitiveness-Based Sustainability Performance Measurement in SMEs: Validation through Finance and Marketing

Vivien Csapi

University of Pécs, Hungary

csapiv@tkk.pte.hu

Mónika Tiszberger

University of Pécs, Hungary

tiszbergerm@tkk.pte.hu

Gábor Márkus

University of Pécs, Hungary

markus.gabor@tkk.pte.hu

Ákos Tóth-Pajor

University of Pécs, Hungary

toth-pajor.akos@tkk.pte.hu

Petra Putzer

University of Pécs, Hungary

putzerp@tkk.pte.hu

Abstract

Adopting environmental, social, and governance (ESG) initiatives is widespread among large companies. Still, small and medium-sized enterprises (SMEs) are also increasingly moving towards sustainability in response to risks and opportunities expressed by their stakeholders or as their own initiative. While large companies are well-aware of the importance of ESG, the adoption of ESG practices among SMEs is still in its early stages. This presents opportunities and challenges for these small businesses. In our study, we aim to assess the sustainability performance of SMEs in terms of competitiveness. To do so, we have developed an SME ESG metric (SM-ESG) based on an existing framework that focuses on competitiveness. Our hypothesis is that the sustainability aspect of competitiveness can be broken down into three pillars: environmental, social, and governance pillars. To validate the effectiveness of this metric in capturing the sustainability performance of SMEs, we examine their financial and marketing performance. The study found a direct and indirect relationship between a company's SM-ESG measure, and its capacity to generate equity value. This applies to firms of different sizes, indicating the universal relevance of these findings. The connection between marketing performance and equity value creation, influenced by the SM-ESG measure, highlights the importance of incorporating sustainability into marketing strategies. It implies that marketing goes beyond simply selling products or services and plays a crucial role in shaping the firm's overall value proposition in a sustainable economy.

Bridging the Gap: The Impact of Open Banking on Traditional Banking and FinTech Collaboration

Agata Wolska
Kozminski University, Poland
agatawolska66@gmail.com

Abstract

Open banking is revolutionizing the retail banking industry by allowing customers to share their data with third parties. This facilitates the entry of new companies into the market, promoting increased competition, innovation, and improvements in processes such as customer registration and fraud management. The banking sector is shifting from traditional closed models to a more open and innovative framework, emphasizing the collaborative relationship between established banks and FinTech companies. As regulatory frameworks evolve, open banking disrupts traditional banking practices by promoting transparency, data sharing, and customer-centric services. This research paper examines the growing partnerships between traditional banks and FinTech firms, highlighting how collaboration enhances innovation, agility, and customer experience. By analyzing current trends and future implications, this study demonstrates how open banking is reshaping the financial ecosystem, ushering in a new era of collaboration that ultimately benefits consumers and drives industry advancement.

Female Political Representation and Financial Inclusion in sub-Saharan Africa: The Role of Institutional Quality

gifty enchill

University of Ghana Business School, Ghana

ddlenchill@yahoo.com

Gifty Ewurama enchill

University of Stellenbosch Business School, South Africa

giftyenchill1@gmail.com

Abstract

ABSTRACT This study investigates the relationship between female political representation, institutional quality, and financial inclusion in sub-Saharan Africa (SSA). Using data from 33 SSA countries spanning from 2000 to 2020, the study employs system-Generalized Methods of Moment (GMM) and fixed effect panel regressions techniques to analyze the mediating role of institutional quality. The findings reveal that while female representation in parliament negatively affects financial inclusion, institutional quality positively influences it. However, the interaction between female representation and institutional quality has a positive effect on financial inclusion, indicating that higher institutional quality mitigates the negative impact of female representation. Additionally, the study finds that female representation has a stronger impact on financial inclusion in countries with strong economic settings and at lower quantile levels of financial inclusion. Based on these results, the study suggests policy recommendations to enhance financial inclusion in SSA, including advocating for gender policies, improving institutional environments, prioritizing women empowerment, and integrating mobile money systems into financial sectors. These measures aim to address the challenges of gender disparity and institutional deficiencies to promote inclusive financial systems and reduce the number of unbanked individuals in SSA.

Stokvels and Banking Sector Size: Evidence from the ARDL Bound Approach

Lindiwe Ngcobo
University of South Africa, South Africa
lngcobo@unisa.ac.za

Abstract

The study examined stokvels and banking sector size using ARDL bound test approach to cointegration using quarterly time series secondary data ranging from 1987Q3 to 2020Q1. Data were subjected to unit root analysis to ensure that they were integrated of order zero ($I(0)$) before regressing the variables in the specified models. The F-statistic value for the linear ARDL and the asymmetric ARDL, bounds test result shows evidence of cointegration among dependent variables because the computed asymmetric ARDL F-statistic values exceed the tabulated value of the upper bound at the 5% level of significance. Therefore, there is no cointegration between the dependent and the independent variables. Therefore, the study failed to reject the null hypothesis of no cointegration amongst the variables in the lower bound. The negative coefficient of the $ECT(-1)$ shows that the relationship between stokvels and banking sector size are cointegrated. It is evident that there is an inconclusive debate on the drivers of banking sector size. This study contributes to this debate by introducing the variable, stokvel. A similar study can be conducted with inclusion of all banks that make up the banking sector and their impact on South Africa's economic growth.

Financialism: consumption without production

Mirza Rizwan
Aligarh Muslim University, India
mirza.rizwan@hotmail.com

Asif Akhtar
Aligarh Muslim University,
asifakh@gmail.com

Abstract

By the turn of century from 1900 to 2000, world population increased almost fourfold while the growth in wealth produced worldwide was 37 times, resulting in a significant rise of average per capita income. However, distribution of wealth worsened leading to more poverty and percentage below poverty line (BPL). In the last 25 to 40 years, globalization has created 1800 billionaires, but more than 70% of the worker class have not experienced improvements in their living standards. One after another global recession apparently indicates we live in one world economy, whereas these recessions are marked by excessive debt accumulation. This exploratory research has been taken to find answer to this deep contrast of excessive wealth generation with simultaneous rise in public debt and poverty. In the process of analysing secondary data to find answers to such contrast, we noticed a shift in industrial and competitive capitalism to financial and monopolistic one. This shift is generating surplus wealth which is being further diverted from labour to capital in such a designed free market. This is primarily being done through creating and manipulating financial instruments, which is originally linked to economic reality but progressively removed from the real-world economy and develop a life of their own. We called it FINANCIALISM, which is fundamentally about inequality in terms of generating profit without producing. These profits are retained by coalition of large bankers, leading industrialists, war mongers and speculators with a nexus of strong state to crack down on domestic opposition or foreign military interventions.

Effect of the Fed's monetary policy on macroeconomic indicators of Gulf Cooperation Council (GCC) countries

Nahhal Benaissa
Mohammed V University, Morocco
benaissanahhal@gmail.com

Abstract

The monetary policy decisions of the United States Federal Reserve have an international impact due to the hegemony of its currency. The modification of the Fed's interest rates represents a ripple effect on international interest rates and significantly influences other economic and financial indicators around the world. The pegged exchange rate to the US Dollar in the Gulf Cooperation Council countries (GCC) reduces the exchange risk for commodities denominated in Dollars and constitutes an anchor point for the monetary policies and the macroeconomic objectives in these countries. In this context, this paper applies the Panel Var methodology over the period 2015-2023 to assess the impact of the Fed's monetary policy on the macroeconomic variables in the GCC countries. The main results of this empirical study reveal a significant sensitivity of GCC macroeconomic variables to US monetary policy.

Household Income Tax, Tax Structure and Inequality: An Index of Individual Tax Elasticity

Yota Deli
University College Dublin, Ireland
yota.deli@ucd.ie

Fotis Delis
Joint Research Centre, Spain
fotios.ntelis@ec.europa.eu

Stamatia Ftergioti
Aristotle University of Thessaloniki, Greece
ftergioti.st@gmail.com

Theano Kakoulidou
ESRI, Ireland
Theano.kakoulidou@esri.ie

Abstract

We examine how different tax systems affect income tax elasticity, progressivity and inequality. Using readily available aggregated administrative data on income distributions and tax parameters from EU countries we: (a) simulate income distributions in all countries, (b) create a non-parametric individual index which captures the responsiveness of income tax elasticity across the income distribution, and (c) we map the Irish income distribution on those of EU countries and the UK to compare across different tax structures. Our findings suggest that tax credits create a more progressive tax system with the Irish one being one of the most progressive in the EU. The novelty of our distribution analysis can be used by other papers which attempt to estimate income distributions and their effect on taxation. Importantly, our new index captures the interplay between income distribution, tax structure, and income inequality and can be used as a new dataset on individual tax elasticities.

EUROPEAN STOCKS WITH THE SAFE-HAVEN ATTRIBUTES. DRAWDOWN BETA VS TRADITIONAL BETA FOR THE STOXX EUROPE 600 COMPANIES

Ewa Feder-Sempach
University of Lodz, Poland
ewa.feder@uni.lodz.pl

Piotr Szczepocki
University of Lodz, Poland
piotr.szczepocki@uni.lodz.pl

Stan Uryasev
Stony Brook University, United States
stanislav.uryasev@stonybrook.edu

Abstract

The objective of the article is to calculate Conditional Drawdown-at-Risk Beta and Expected Regret of Drawdown Beta, accounting for the drawdowns of the STOXX Europe 600 index in the period 2014-2023. These drawdown betas show the impact of unprecedented events of the COVID-19 crisis, the Russian invasion of Ukraine, and the Israeli-Palestinian conflict. Similar to the standard beta, the drawdown betas relate the expected return of an asset to the expected return of the market, but are based on the concept of drawdown (decline in the value from a peak to a subsequent low). The numerical results show that drawdown betas are sensitive to market distress during unexpected events. The drawdown betas may have negative values and work as safe-haven assets for investors during financial crises, while the standard beta is positive. We provide a case study demonstrating the approach for European markets.

Can precious metals act as safe-haven or hedge assets in capital markets of China?

Joanna Bogobska
University of Lodz, Poland
joanna.bogolebska@uni.lodz.pl

Ewa Feder-Sempach
University of Lodz, Poland
ewa.feder@uni.lodz.pl

Piotr Szczepocki
University of Lodz, Poland
piotr.szczepocki@uni.lodz.pl

Abstract

The main objective of the article is to examine the role of four precious metals, gold, silver, platinum, and palladium, as potential safe havens and hedgers for investors trading on the main Chinese Stock Exchanges during the period 2014-2023. We apply the regression model with dummy variables to capture extreme stock market movements with residual term modelled as a GARCH process if heteroskedasticity exists. The main findings show that precious metals can play the role of safe-haven and hedge assets, but to a different extent. Gold seems to work as the best hedge and safe haven for all Chinese markets, in contrast to silver and platinum. Palladium can also serve as a safe haven, but only for Shenzhen investors. Gold is the best safe-haven and hedge, as it is perceived as a financial asset that performs monetary functions. The novelty of the research lies in investigating the safe-haven and hedge effect in different currencies and quarter-by-quarter manner.

Methods for Predicting Bankruptcy in Companies An approach

Adalmiro Andrade Pereira
ISCAP - P Porto, Portugal
adalmiropereira@mail.telepac.pt

Tânia Teixeira
ISCAP - P Porto, Portugal
teixeira.taniac@gmail.com

Inês Rocha
ISCAP - P Porto, Portugal
inesroch10@gmail.com

Abstract

The financial system is constantly subject to uncertainty and changes that can lead a company to collapse and pose a high risk to the economy. In order to avoid this scenario, it is important to study bankruptcy prediction models, as they are useful tools for the survival of companies, attracting the attention of many managers and financial analysts. In this sense, the aim of this work is to analyze some of the bankruptcy prediction models and apply what is considered to be the most important, the Altman model, verifying its predictive capacity. To this end, 499 Portuguese companies were chosen for the sample, 455 with active activity status and 44 companies with insolvency status, and which presented data for the years 2020, 2021 and 2022. The companies had a CAE related to the restaurant sector (CAE 56) and the data was collected using the Sabi database.

Evaluating the transformative potential of using energy as a community currency: Perspectives and propositions for a rationale evaluative framework

Dominic Anto

Indian Institute of Management Shillong, India

dominic.phd20@iimshillong.ac.in

Sgouris Sgouridis

Dubai Electricity and Water Authority PJSC, United Arab Emirates

sgouris.sgouridis@dewa.gov.ae

Atul Mehta

Indian Institute of Management Shillong, India

atul@iimshillong.ac.in

Ashutosh Murti

Indian Institute of Management Shillong, India

ashutosh@iimshillong.ac.in

Abstract

This article critically examines the utilization of energy as a community currency, elucidating a structured framework designed to address energy accessibility, energy efficiency, the need for a cleaner energy mix, the inherent dichotomy between economy and ecology, socio-economic inequality, poverty alleviation, alternative mechanisms for climate financing, and the establishment of inclusive pathways for wealth generation. This article advances an evaluative framework for assessing the merits of employing energy as a community currency compared to conventional climate financing options and community electrification initiatives. Through a comprehensive exploration of the economic, environmental, and energetic dimensions, this framework facilitates a nuanced understanding for policymakers, regulators, and researchers. Importantly, it positions energy as a community currency to be a potent instrument for critically examining prevailing fractional banking systems, alternative currencies, climate finance options, and conventional community electrification programs.

Exploring the Influence of Hedonic Motivation and Social Factors on the Adoption of UPI: A UTAUT Perspective

Nishi Malhotra

Indian Institute of Management, Sambalpur , India

nishim13fpm@iimk.ac.in

Abstract

Digital transformation and Paytech have changed the domain of commerce through transition to cashless economy through transition to cashless economy. This paper aims to explore the role of social factors and hedonic motivation in promoting adoption of Unified payment interface. PLS SEM method has been used to explore the relationship between various hedonic motivation such as performance expectancy, effort expectancy on usage of UPI (Unified Payment Interface) using UTAUT framework. The findings establish that performance expectancy, social factors and hedonic motivation and pricing have direct effect on adoption of UPI (Unified payment interface).

Labor Mobility, Climate Disasters, and Corporate Cash Reserve

Yuna Heo
University of Basel, Switzerland
yuna.heo@unibas.ch

Abstract

We show that firms with high skilled labor increase their cash buffers as a response to intense natural disasters, whereas firms with higher routine-task labor remain unchanged. We also find that firms in states with high labor mobility increase their cash holdings. The effect is more pronounced for firms affected by more frequent natural disasters. We further show that state-level climate adaptation policies can mitigate firms precautionary saving responses caused by climate disasters. Overall, the findings provide suggestive evidence that firms with skilled workers who are exposed to severe disasters have a conservative financial policy to shield from the increased cost of labor adjustment caused by natural disasters.

Nonlinear Dynamics in Energy Markets and Finance: Dynamic and Static Panel Threshold Perspectives

Lawrence Madewe

Simon Dei-Dong Dombo University of Business and Integrated Development Studies, Box 64 Wa,
Ghana, Ghana

imatuna@ubids.edu.gh

Abstract

Energy is a critical input for economic growth, which entails the financialisation of energy solutions. It involves mobilising capital through markets/institutions and acquiring inputs for production from abroad (private capital flows) to generate power. The financialisation of energy projects requires isolating the scale and technique effects as the transition may indicate the demand side of energy generation. This leads us to argue that the optimal level (Threshold) in energy markets accounts for financial systems and can fundamentally reveal the pre(condition) for markets to facilitate development in financial systems. This paper considers the estimation and inferences of panel threshold regression with unobserved individual-specific threshold effects for a cross-section of forty-eight economies from 1980 to 2021. Our motivation stems from that within-regime differencing cannot eliminate the endogeneity problem induced by the fixed effects, so the correlated random effects models are suggested as an alternative solution. This solution is valid for dynamic and static models regardless of the existence of unobserved individual-specific threshold effects. Although the forms of endogeneity in the correlated random effects models are less general than in the fixed effects models, they are more practical since no nonparametric components are involved in the estimation and inference procedures. Our results are robust to different scenarios of simulations and reveal the sensitivity of energy and its discrete proportions and financial growth potentials. We recommend that these countries increase energy production by reducing energy intensity (increasing energy efficiency), energy conservation (implementation of energy savings projects), and outsourcing energy infrastructure to increase their investment in energy projects and achieve their full energy potential and financial development.

Geopolitical Turmoil and Gold Prices: How Geopolitical Risk Shapes the Value of Gold?

Maria Czech

University of Economics in Katowice, Poland

maria.czech@ue.katowice.pl

Abstract

This paper sets a main objective and two specific objectives. The main objective of this study is to analyse the impact of geopolitical risk on the volatility of gold prices over the period January 1968 - July 2024. The specific objectives are as follows: 1. analysis of the volatility of geopolitical risk (monthly interval); 2. analysis of the volatility of monthly average gold prices. With reference to the research subject and the objectives, the following hypotheses were formulated: H1. Gold prices are sensitive to geopolitical risk and their level is affected by the changing global geopolitical situation H2. The correlation between gold prices and geopolitical risk is positive H3. Gold prices are more sensitive to geopolitical threats and more resilient to geopolitical acts. The following were used to verify the hypotheses: time series analysis, simple linear regression analysis, multiple linear regression and comparative analysis. Two multivariate linear regression models were constructed to examine the impact of geopolitical risk on gold prices. Eighteen one-dimensional linear regression models were constructed to examine the timing of the impact of geopolitical risk (GPRA Index and GPRT Index) on gold prices. On the basis of the time series analysis, it was shown that the gold price remained in a sustained upward trend during the whole period. The research showed that the gold price was characterised by a high level of volatility (87.46%), which was estimated to be influenced by geopolitical risk. However, the results of the study did not support this thesis. Time series analysis showed that geopolitical risk at the same time had a significantly lower level of volatility, relative to gold price volatility. The results of the study showed that the various indexes and sub-indexes of geopolitical risk varied in terms of volatility. Regression analysis showed a low degree of correlation between geopolitical risk and the gold price. By examining the individual components of geopolitical risk, it was proven that the sub-indexes of geopolitical risk (GPRT and GPRA) interact differently with the gold price. The results show that the GPRT index is positively correlated with the gold price, while the GPRA index is negatively correlated. In the research, it was proven that the timing of the impact of individual geopolitical risk sub-indexes on gold prices varied. As the research results showed, gold prices are sensitive to geopolitical threats represented by the GPRT index only in the short term (up to three months). In contrast, in the case of the impact of the GPRA index on gold prices, it was proven that geopolitical acts affect the dynamics of gold price decline up to 36 months, with the largest decline in gold price caused by geopolitical acts observed in month 12

Banking on Deposits: Can Deposits Drive Risk-Free Maturity Transformation?

Mohammad Zeeshan

Indian Institute of Technology Delhi (IIT Delhi), India, India

md.zeeshan@dms.iitd.ac.in

Abstract

This paper challenges the conventional wisdom that maturity transformation inherently exposes banks to interest rate risk. By examining the role of the deposit franchise, we argue that banks can effectively manage interest rate exposure. We propose a novel theoretical framework where banks, through their market power in retail deposits, can create a synthetic interest rate swap, offsetting the interest rate risk of their long-term assets. Empirical evidence from Indian banks supports this hypothesis. We find a strong negative correlation between a bank's interest expense sensitivity and the maturity of its assets, indicating a strategic alignment of asset and liability durations. Moreover, banks exhibit remarkable stability in net interest margins despite significant interest rate fluctuations. Our findings suggest that the traditional view of bank risk, primarily focused on balance sheet duration, may be incomplete. By emphasizing the role of the deposit franchise, we offer new insights into bank behavior, monetary policy transmission, and financial stability.

Weathering the Storm: How Natural Disasters Shape Bank Consolidation

Anh Do

Swansea University, United Kingdom

q.a.do@swansea.ac.uk

Linh Tran

Swansea University, United Kingdom

l.t.t.tran@swansea.ac.uk

Tim Zhou

Swansea University, United Kingdom

t.zhou@swansea.ac.uk

Abstract

This paper examines the impact of natural disasters on county-level bank mergers and acquisitions (M&As) in the US from 2000 to 2019. We find that natural disasters generally lead to decreased M&A transactions, with acquiring banks showing increased caution towards deals involving targets based in different or distant markets. Despite this reduction in overall deal activities, banks tend to pay higher premiums for targets in these regions, potentially anticipating future performance improvements or synergies. Furthermore, heightened public awareness of climate risk appears to mitigate the negative effects of natural disasters on M&A activities, suggesting that banks may be more inclined to pursue acquisitions in areas with strong climate risk management and resilience. This study provides insights into how natural disasters influence banking behaviour and M&A strategies.

KTALS Prototype Model for FinTech Ecosystem in Mauritius

Marie Belinda Carlise Poussin Deojee
University of Technology Mauritius, Mauritius
carlise.poussin0404@gmail.com

Diroubinee Mauree-Narrainen
University of Technology Mauritius, Mauritius
d.mnarrainen@utm.ac.mu

Abstract

This study addresses the skills gap in the rapidly expanding FinTech sector in Mauritius, a vital contributor to the nation's economy. Operating in a volatile, uncertain, complex, and ambiguous environment, FinTech companies in Mauritius face challenges in aligning workforce skills with industry demands. Through a mixed-methods approach, this research uncovers the gap between the available skills and the evolving needs of the industry. The study introduces the Knowledge, Talent and Skills (KTALS) Prototype Model, a strategic framework focused on knowledge, skills, and talent development to bridge this gap. The model emphasizes continuous education, professional training, and the application of knowledge in real-world settings to foster a sustainable pipeline of skilled professionals. By leveraging the Quintuple Helix Model, the research identifies critical gaps in knowledge creation on the intersections of industry, government, and academia, offering insights for future work to further promote FinTech in Mauritius.

Economic policy uncertainty and cross-border mergers and acquisitions: Evidence from China

Tianyi Song

The University of Tokyo, Japan

tianyisong@g.ecc.u-tokyo.ac.jp

Kenji Kutsuna

The University of Tokyo, Japan

kutsuna@g.ecc.u-tokyo.ac.jp

Abstract

This paper examines the impact of economic policy uncertainty on cross-border mergers and acquisitions (M&As), using a sample of Chinese cross-border M&As in 25 countries from 2004 to 2021. We find that heightened economic policy uncertainty in the target country positively affects the value of cross-border M&As, which is contrary to extant international evidence. We also find that the positive relationship between heightened economic policy uncertainty in the target country and cross-border M&As is more pronounced for acquirers characterized by low-quality corporate governance and high-degree financial difficulty. Elevated economic policy uncertainty in the target country does not significantly affect acquirers' short-term stock performance or long-term operating performance. Our findings also suggest that the institutional differences positively moderate the effect of economic policy uncertainty on cross-border M&As, while cultural differences and geographical distance negatively moderate the relationship between economic policy uncertainty and cross-border M&As.

Dynamic model of government-backed venture capital

Hyun Joong Kim

SDU (University of Southern Denmark), Denmark

hyun@sam.sdu.dk

Doojin Ryu

SKKU (Sungkyunkwan University), South Korea

doojin.ryu@gmail.com

Abstract

The literature in Business and Economics lacks a unified stance on the efficiency and performance of government investments in venture capital industries compared to private investments. We present a theoretical framework to elucidate the divergent empirical results concerning the effectiveness of government-backed venture capital (GVC) investments. In our model, The dynamic negotiations over ownership allocation between the startup's entrepreneur and the venture capitalist (VC) serve as a pivotal mechanism through which a VC's incentives influence the startup's operations. Within this equilibrium, the structure of the public-private partnership within a startup shapes its investment decisions and outcomes. When a GVC investor assumes an active role as a general partner during the project's growth, the startup internalizes social welfare considerations, resulting in outcomes that align with societal objectives but may fall short of economic optimality. Conversely, when a GVC investor adopts a relatively passive role as a non-dilutive limited partner and collaborates with a private VC investor (syndication), the startup attains economic optimality as decisions are guided solely by consensus among private entities. These insights are instrumental in reconciling the conflicting observations regarding the impact of GVC participation on the crowding in or out of private investors.

National Culture and Capital Flow Waves

Dorra Laribi

Zayed University , United Arab Emirates

dorra.laribi@gmail.com

Abstract

In this paper, we aim to analyze the determinants of cross-country SRI equity fund flow waves relative to their conventional counterparts. To this end, we use a comprehensive and survivorship bias-free dataset of SRI equity and conventional funds for 48 countries from January 1998 to July 2019. This study provides new evidence on massive, SR fund outflows and on the factors behind this behavior in terms of global push factors and domestic pull factors. It also enhances the role of national culture as a determinant of fund flows? patterns. We use the four national cultural dimensions (Hofstede, 2001) broadly documented in the literature as driving cross-country cultural differences: power distance, individualism versus collectivism, masculinity versus femininity, and uncertainty avoidance. The results reveal that the drivers of massive outflows in international equity fund flows vary across countries (advanced versus emerging economies). When investigating the role of culture, our findings indicate that indeed, national values have a significant impact on the occurrence of extreme episodes, particularly for ethical fund flows. We also find that the magnitude of capital cutoffs is determined mainly by an association of global, domestic, contagion, and cultural factors.

FUTURE MEETING



www.world-finance-conference.com

