# ABSTRACT PROCEEDINGS (DRAFT)

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# Abstract Overview

**Paper No.:** **1003**

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strictly double-blind peer-reviewed

**Title:** Investors' Sentiments and Industry returns: Wavelet Analysis through Squared Coherency Approach

**Keywords:** Investors' sentiments, stock returns, wavelet analysis

## Abstract
This study for the first time explores the time frequency relationship between investors' sentiments and industry specific returns. A sentiment index proxy is constructed using level and lag values of six indicators of investors' mood swing through Principle Component Analysis. The data on investors' sentiments and nine major industry's returns is used from 2001 to 2011. Wavelet Coherency analysis reveals that investors' sentiments and industry returns are significantly related and are in phase (cyclical). An optimistic view of the investors regarding an industry's performance results in higher returns and pessimistic view results otherwise. The relationship is significant on 0 8 and 32 64 months scale. Financial and energy crises play major role in the sentiment led industry's return. These findings are unique and were not possible through the traditional econometric estimates.

# Abstract Overview

**Paper No.:** **1010**

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strictly double-blind peer-reviewed

**Title:** Responsibility of Corporate Manager: To Synthesize of the Different Theories by Economic, Political, Social and Behavioral Perspectives

**Keywords:** Manager, accountability, corporate performance, financial crisis, behavior

## Abstract

Following the high profile financial scandals of 2007-2008, corporate management has been faced with strong pressures resulting from more regulatory requirements, as well as the increasing expectations of various groups of stakeholders. The responsibility acquired a big importance in front of this financial crisis. This responsibility requires more transparency and communication, inside the company with the collaborators and outside of the company with the society, while companies try to improve the degree of control and to authorize managers to realize the objectives of the company. The objective of this paper is to present the concept of the responsibility generally and the various types of manager's responsibility in private individual within the company, as well as the explanatory theories of this responsibility through the various perspectives such as: economic, political, social and behavioral. This study should have academic and practical contributions particularly for regulators seeking to improve the companies' practices and organizational functioning within capital market economy.

# Abstract Overview

**Paper No.:** 1018

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strictly double-blind peer-reviewed

**Title:** COMPARING THE PRECISION OF DIFFERENT METHODS OF ESTIMATING VAR WITH A FOCUS ON EVT

**Keywords:** VaR, HS, GARCH (1, 1), EGARCH, GJR-GARCH, AGARCH, DCC-MGARCH, FHS, EVT, Simulation Technique

## Abstract

Purpose – The paper aims to conduct a comprehensive research in sphere of risk measurement. This study would like to determine the forecasting precision of different risk estimation tools through implication of popular methods e.g. parametric and non-parametric methods in this field and more fresh and complicated methods e.g. semi-parametric methods and finally confirming the results with exploiting backtesting methods. Design/methodology/approach – The paper opted for a quantitative approach of measuring VaR. Estimating VaR by implying 8 different methods then comparing the obtained results based on backtesting criterion. We put into examination 6 major international stock exchange indices e.g. Canadian TSX, French CAC40, German DAX, Japanese Nikkei, UK FTSE100 and US S&P500 from 03-June-2003 to 31-March-2014 meanwhile we used rolling-window technic for backtesting purpose. The data were obtained from Yahoo! Finance. Findings – The paper empirically determined extend to which, the aforementioned methods are reliable in estimating one-day ahead VaR. we find out that EVT and HS are the two most precise methods albeit at very high confidence levels the EVT produces the most accurate forecasts of extreme losses. Results of this study encouraged financial managers to turn from using traditional methods of risk measurement to more fresh and reliable one such as EVT method of estimating VaR. Originality/value – This paper fulfills need to a comprehensive study of different proposed methods of measuring risk and showed the estimated VaR of them in a readily comparative manner.

# Abstract Overview

**Paper No.:** 1019

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**Title:** Governance and Agency Costs: Evidence from the UAE

**Keywords:** Corporate Governance, Agency Theory, Agency Costs, Product Market Competition, Emerging Economy

## Abstract

The paper investigates the effect of corporate governance mechanisms on agency costs of the United Arab Emirates (UAE) listed firms. Relying on a sample of 74 UAE listed firms affiliated to financial and non-financial sectors for the period of 2010-2011, the paper performs multiple regression analyses to test between whether there is a significant association between internal governance (board size, audit committee and portion of independent executive directors) and external governance mechanisms (external auditor, and product market competition) and UAE firms' agency costs while controlling for firm size and industry type. The paper relies on data published on years 2010-2011 and utilizes four different proxies to measure agency costs (asset utilization, audit fees, expenses ratio and free cash flow measures). The empirical results show that internal/external governance mechanisms are significantly influencing proxies of agency costs for UAE listed firms in different patterns and provides evidence showing that the product market competition, as an external governance mechanism, can substitute internal governance mechanisms in reducing mangers' self-interest behavior and containing agency costs. The findings are important to regulators, investors, managers, and researchers to contribute in developing new policies that establish better legal and regulatory infrastructure to increasing investors' confidence and attracting foreign investment. The paper is one of very few studies that examine the relationship between internal/external governance and firms' agency costs in an emerging market economy, the UAE.

# Abstract Overview

**Paper No.:** **1024**

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**Title:** Ambiguity of goodwill regulations - a case of Polish publicly traded enterprises

**Keywords:** goodwill, business combinations' accounting, IFRS 3, Polish accounting

## Abstract

Because goodwill appears as a consequence of consolidation process as well as business combinations, it is a regular item in statements of financial position prepared by modern entities. Polish publicly traded companies are obliged to follow international or Polish accounting standards that both include regulations referring to goodwill. Although Polish standard-setters are aiming at accounting harmonization, Polish standards are not fully converged with international standards. Moreover, international standards are not precise enough to oblige accounting professionals to act in a certain way when measuring goodwill. Freedom of action arising from ambiguity of choices should be used in a way to achieve relevance and faithful representation of financial information. Through the analysis of European Union and Polish accounting regulations authors suggest that legal foundations of goodwill disclosure and measurement should be more detailed. A survey conducted among Polish publicly traded companies acknowledges that goodwill is a complicated item in financial reports and that is why accounting professionals should pay more attention to disclosed information in order to achieve fundamental qualitative characteristics. Authors' contribution into the modern accounting literature is twofold. First, authors call for a greater attention to significance of information about goodwill, especially on economic substance of goodwill disclosed in financial reports, verifiability, understandability, and a risk regarding changes in estimates included in goodwill valuation process. Second, the importance of right teaching methods is pointed out in order to stress that arithmetical calculations following legal regulations of goodwill are not satisfactory for faithful representation of economic substance of goodwill.

# Abstract Overview

**Paper No.:** 1035

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**Title:** Corporate Social Responsibility and Firm's Transparency: Evidence from the Canadian Market

**Keywords:** Corporate social responsibility, firm's transparency, stock price informativeness, stakeholders' theory, agency theory.

## Abstract

In this article, we examine the association between Canadian firms' transparency and their corporate social responsibility (CSR) engagement. In particular, we empirically explore how CSR affects the amount of firm's future earnings information that is reflected in current stock prices. We consider that more transparent firms can "bring the future forward" so that their current stock prices track and reflect more information about future earnings. Most of our findings indicate that the relationship between CSR and firm's transparency is not statistically significant. One potential explanation of this neutral association is that Canadian firms already benefit from a richer information environment. Overall, our study suggests that many observers cynicism about CSR may be irrelevant. In fact, it appears that managers do not use CSR as a mechanism that advances their careers or other personal agenda.

# Abstract Overview

**Paper No.:** 1036

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**Title:** Mortgage Supply, LTV and Risk pricing

**Keywords:** Mortgage Supply, LTV and Risk Pricing

## Abstract

This paper starts by deriving the optimal LTV-ratio for a mortgagee that takes on deposits while supplying mortgages using housing as collateral. As the LTV-ratio represents the risk exposure of a mortgagee the optimal LTV-ratio varies according to moral hazard, funding, capital adequacy and risk pricing. Focusing on the supply side of mortgage markets the paper highlights the implications of both lending volumes and collateral values for the LTV-ratio. The paper continues by analyzing a mortgage's risk pricing response to falling house prices and an LTV-ratio that exceeds the LTV-ratio at origination. The relation between the interest rate margin and the LTV-ratio is shown to be kinked, distinguishing between risk pricing ex ante and ex post.

# Abstract Overview

**Paper No.:** **1045**

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**Title:** Optimal Dividend Policy and Stock Prices

**Keywords:** cash flow, capital budget, optimal dividend policy, mean reverting process, HRAR utility, volatility

## Abstract

This paper models a corporation with stochastic cash flow and capital budget to derive a stochastic model for corporate dividend as an exchange option on the cash flow and the capital budget. Then we solve optimal dividend policy problem completely based on the dividend model as an exchange option, under the assumption that the cash reservoir of a corporation follows a mean reverting process from empirical evidence and economic arguments. Our optimal dividend controls depend on explicitly with the cash flow and the capital budget of the corporation, and maximizes the HARA utility performance.
We specify the unique optimal dividend control for the cash flow and the capital budge.
Multiplicity or absence of optimal dividend policies are given for special circumstances of underlying cash flow and capital budget.
The stock price of the corporation is studied in terms of our stochastic dividend model. We find an explicit relation among the volatility of the stock price, the volatility of the cash flow and the volatility of the capital budget.
The ex-dividend stock price is positively proportional to the stochastic cash flow and the probability of the dividend delta with respect to the cash flow, and negatively proportional to the capital budget and the probability of the dividend delta with respect to the capital budget. Hence, our approach provides another passage through which countercyclical volatility of the stock price can arise from the countercyclical cash flow and capital budget directly.

# Abstract Overview

**Paper No.:** **1048**

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**Title:** How to Manage Risk More Reliably by Real option model? Multiplex and distribution based approaches

**Keywords:** * Real option, Mean reversion process, Private risk, Option to choose, Defer option, Leakage rate

## Abstract

Real option model as an advanced project economic valuation model is able to capture market and private risks, and management flexibility. In spite of real option model influence, it is not sufficiently in use by decision makers, due to various criticisms on real option method.

This study is an attempt to address some of the major criticisms of real option model . At first focusing on combination of private risk and real option model, distribution based approach is suggested. In this model the final real option value is divisible to market and private risks, considering the different effect of these two source of risks. Since the fact that prices of real world assets (commodities) follow from mean reversion process commonly accepted by academics, due to their long life and supply-demand effect on assets, in next step a version of real option model which is able to capture all concurrent flexibilities of manager with mean reversion process is presented. Besides it is in importance to know how the result of model should be interpreted in real world problems, then the interpretation of real option model is discussed as well.

Finally, applying the presented more reliable real option pricing model in real case and discussing its interpretation we try to make the suggested model more intuitive and clear.

# Abstract Overview

**Paper No.:** **1049**

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strictly double-blind peer-reviewed

**Title:** Effects of Managers' Individual Values on Company's Performance: the Case of France

**Keywords:** Manager, company's performance, individual values, value system, financial crisis.

## Abstract

The values of managers occupy a prominent place in the scientific research. The role played by individual values in decision making within the company is less clear. Despite this attention, this study examines the relationship between managers' individual values and the company's performance. Based on a sample of 1202 French managers, this study aims to explain the system of managers' individual values within the French company SBF120. A questionnaire was sent to 1,202 senior managerial leaders.
Our results highlight the existence of a positive relationship between the individual preferences of managers for competence, moral and social values and company's performance. This study should have academic and practical contributions particularly for managers seeking to improve the companies' practices and organizational functioning within capital market economy.

# Abstract Overview

**Paper No.:** **1054**

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**Title:** The Funding of Subsidiaries Equity, "Double Leverage," and the Risk of Bank Holding Companies (BHCs)

**Keywords:** Bank Holding Companies; Equity Financing; Double Leverage; Risk

## Abstract

"Double leverage" is the circumstance in which the parent company issues debt and acquires shares in the equity of the subsidiaries. We ask whether this type of intra-group financing has got an impact on the risk undertaken by Bank Holding Companies (BHCs). Our view is that, by double leveraging BHCs can exploit a shortfall in the balance sheet capital and are incentivized to assume more risk. Working on a large sample of United States BHCs we observe that the so-called "double leverage ratio" is positive correlated with risk-taking, while several tools do further suggest the existence of causality. Our outcomes are important for the stability of large banking groups, and give suggestions for a more effective monitoring of their activities.

# Abstract Overview

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**Title:** Is Basel the right gateway for a more efficient debt market? An International Comparison

**Keywords:** SMEs financing, Basel III, Ratings, Certainty Equivalent

## Abstract

Current literature does not agree on the impact that Basel regulation is having onto the banking system, small and medium size enterprises (SMEs) and the single country economies. Moreover, recent crises cast some doubts on the efficacy of the regulation itself. With this paper, we investigate this issue by comparing the credit allocation capabilities of different countries. In particular, we compare two Anglo-Saxon Countries (the USA and the UK) with a group of eight European Countries where Basel rules are fully implemented. We find that, without the competition of well-developed risk capital markets, Basel regulation struggles to be effective.

# Abstract Overview

**Paper No.:** **1056**

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strictly double-blind peer-reviewed

**Title:** Remodeling the theory of cognitive fit in decision making: acknowledging individual influences

**Keywords:** cognitive fit; information visualisation; task complexity; PLS; structural equation modelling

## Abstract

As the theory of cognitive fit does not give a valid explanation of which factors are of importance, no clear guidelines for choosing and designing the right visualization for a specific task can be deduced so far. This paper sets out to further our understanding of how individual factors influence information processing and as a consequence decision making while viewing visualizations. Using a controlled longitudinal experimental setting (leading to 4,460 individual observations), this study first provides evidence for the need to include visual complexity, task complexity, data complexity as well as individual complexity into a predictive model for the perceptual efficiency of information visualizations, and second suggests an enhanced structural model, showing a significant increase in predictive value over the previous simple task complexity/visualization model introduced by Vessey and later Speier. The predictive power of this model is enhanced by including data density, knowledge, experience, time of day, as well as spatial ability, with $R^2$ 0.344 rising to 0.439 and Q2 0.357 rising to 0.437.

# Abstract Overview

**Paper No.:**
**1060**

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**Title:** can regulatory mode theory explain the equity premium puzzle?

**Keywords:** behavioral finance,equity premium puzzle

**Abstract**

In this work I solve the equity premium puzzle modelizing the agent's decision making process according to the psychological evidence provided by the Regulatory Mode Theory (Higgins,Kruglanski, & Pierro, 2003; Kruglanski et al., 2000). This psychological theory identifies two motivational concerns in individuals which guide their choices: assessment and locomotion. Assessment is the tendency of the self-regulation system to evaluate and compare states; instead, locomotion is the tendency to move and change state. Following the rigorous analytical approach suggested by Rabin(2013) to apply psychology to economic models, I have built a Portable Extension of an Existing Model, the C-CAPM, where the representative agent is split into the assessment and the locomotion selves. The puzzle is solved under rather plausible conditions, as the numerical examples show. The behavioral explanation of the puzzle is based on the different motivations to bear risk (such as the desire to change state, locomotion), instead of the different types of risk evaluation, as in the models with loss aversion.
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# Abstract Overview


**Paper No.:** **1061**

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strictly double-blind peer-reviewed

**Title:** The role of environmental, social and governance issues in the investment decisions of superannuation funds in Australia


**Keywords:** ESG
Sustainable investments
Superannuation



## Abstract

Interviews with a range of superannuation funds and fund managers were conducted to determine the role environmental, social and governance issues played in investment decisions in Australia. The results were wide ranging with a few giving only minimal consideration to those who used these issues as a major factor in all investment decisions. There was strong agreement though on the need for better regulation around sustainability reports to provide some comparability. The most divisive issue was whether fund managers should use divesting and, if so, to what level. Many of those interviewed believed engagement was the best way to ensure sustainable outcomes from companies. The short term focus in the finance industry was felt by all to act against fund managers taking a longer term, often more sustainable, investment focus that would in reality better reflect the goals of superannuants.

# Abstract Overview

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strictly double-blind peer-reviewed

**Title:** CORPORATE GOVERNANCE AND BANK PROFITABILITY: LESSONS FROM NIGERIA.


**Keywords:** Non-performing loans, Global financial crisis, Banking knowledge, Shareholders' funds, Stakeholders, Cadbury report, Board of directors, Good corporate governance, First Bank, Liquidity, Bonus, Tsunami.



## Abstract

The growth of a bank is inextricably tied to its survival and profitability. Previous studies have shown a positive correlation of corporate regard and profitability. Profitability is the mainstay goal of a business. No matter how profit is measured or defined, profit over the long term is the clearest indication of the ability of the business to satisfy the principal claims and desires of employees and stakeholders. Corporate governance is the framework by which the various stakeholder interests are balanced or the relationships among the management, board of directors, and others are monitored. It is argued that lack of good corporate governance in banks is responsible for excessive risk taking and irresponsible lending that often result in huge non-performing loans and the erosion of shareholders funds. Studies show that almost 60 percent of failed banks had board members who either lacked banking knowledge or were uninformed and passive regarding supervision of their banks affairs. It is suggested that a strong bank managing director and a weak board of directors are a recipe for weak corporate governance. Weak corporate governance became a major global concern of banks before and after the global financial crisis between 2007 and 2009 for bank management. During the late 1980s and continuing into the present millennium many financial institutions crashed around the world largely due to corporate governance breaches. Despite the difficult times banks that embraced the basic principles of good corporate governance continued to make profit and growing stronger today. Nigeria that was not isolated from the global financial tsunami boasts of its oldest bank that prides itself in banking excellence based on strong corporate governance ethics. Corporate governance is essential to capture the rudiments and vision of sound bank management which involves not only contending with the daily issues of keeping the bank ahead of competition but also with more general matters of the banking industry and the economy of the country, thus, gaining the equilibrium for profitability. The survey research design was used for the study.

# Abstract Overview

Data generated were organized before they were analyzed. Based on the analysis of data, it was found that corporate governance has strong positive relationship with bank profitability.

# Abstract Overview

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**Paper No.:** 1066

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**Title:** MENA Stock Markets Integration: Pre and Post Global Financial Crisis


**Keywords:** Financial Integration
Cointegration
MENA



## Abstract

This paper examines the financial integration among Middle East and North Africa (MENA), and developed (US and UK) stock markets. The emphasis is placed on comparing the short-run and long-run linkages in pre and post global financial crisis. Paper finds one cointegration vector in both pre and post-crisis. MENA markets tend to display stronger co-movement in post-crisis. Results indicate more short-run causal relations in post-crisis than pre-crisis sub-period. MENA markets show more responsiveness to innovation in regional and international markets. The presence of increased linkages among MENA markets, and MENA and developed markets has important implications for portfolio investors and policy makers.

# Abstract Overview



**Paper No.:** **1067**

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**Title:** EQUITY LIQUIDITY AND FUNDING LIQUIDITY AS DETERMINANTS OF EUROPEAN CDS SPREADS

**Keywords:** equity liquidity, funding liquidity, credit default swaps spreads

## Abstract

We examine the impact of firm-specific equity liquidity and funding liquidity on credit default swap (CDS) spreads in a European context. Specifically, these relationships are analysed by employing a panel consisting of monthly observations on 82 iTraxx non-financial companies between December 2007 and March 2013. Additionally, the Euribor-Eurepo spread is newly used as a measure of funding liquidity for entities within the Euro-area. After controlling for other known determinants, results show that the bid-ask spread, a liquidity measure of price impact, shows a significant and positive relationship with CDS spreads in both our contemporaneous and predictive models. Unlike work in U.S. markets, liquidity measures incorporating volume of shares traded, such as the Amihud (2002) illiquidity measure, are insignificant. We also document a significant positive effect of funding liquidity on CDS spreads in both models. These results are important for regulators and policy makers as differing signals can be extracted from CDS spread movements related to either liquidity or credit risk.

# Abstract Overview

**Paper No.:**
**1069**

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**Title:** Financial Hedging and Firm Performance: Evidence from Cross-Border Mergers and Acquisitions

**Keywords:** Cross-border M&As; Risk Management; Financial Derivatives

**Abstract**

This paper studies the impact of financial hedging on firm performance in cross-border mergers and acquisitions (M&As). Using a sample of 1,369 acquisitions initiated by S&P 1500 firms between 2000 and 2014, we find strong evidence that derivatives users experience higher announcement returns than non-users, which translates into a $193.7 million shareholder gain for an average-sized acquirer. In addition, we find that acquirers with hedging programs experience lower stock return volatilities, higher deal completion probabilities, longer deal completion time, and better post-deal long-term performance. Overall, our results provide new insights into a link between corporate financial hedging and firm performance.

# Abstract Overview

**Paper No.:** **1071**

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**Title:** Probability of Default in Corporate Economic Distress

**Keywords:** Corporate Economic Distress; Recovery Program; Probability of Default; Distance to Default; Marginal Delay

## Abstract

The article suggests a model quantitatively studying development of a corporate economic distress. The model introduces new variables in a description of the economic distress related to the crisis dynamics, market trend and volatility, and corporate features. For the economic distress left unattended and for the recovery stage, the probability of default as a function of time and problem parameters is given, and the distance to default and the point of no return for launching the recovery program are estimated. The model helps selecting the program minimizing the probability of default over a set of available recovery programs. (JEL G30)

# Abstract Overview

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**Paper No.:**
**1072**

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strictly double-blind
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**Title:** FINANCE, RISK AND ECONOMIC SPACE

**Keywords:** risk ratings, economic space, option pricing, financial wave equations


## Abstract

We argue that risk management should play core role for financial modeling and forecasting and present a new look on financial processes modeling. The core issue of our approach is based on economic space notion that allows boost models and description of financial processes. We introduce economic space as certain generalization of common risk ratings and establish distributions of economic agents by their risk ratings as economic space coordinates. Economic and financial variables of separate economic agents determine macroeconomic and financial variables as functions of time and coordinates and that opens way for treating financial relations similar to mathematical physics equations. Economic space allows study financial models on discreet and continuous spaces with dimension determined by number of major risks measured simultaneously. To show applicability of economic space notion for financial modeling we present extension of Black-Scholes-Merton equation on n-dimensional economic space; develop macroeconomic models on economic space in a way similar to hydrodynamics and derive financial wave equations.

# Abstract Overview

**Paper No.:** **1072**

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**Title:** Wavelet De-Noising and Volatility Forecasting in

**Keywords:** Wavelet; De-noising; Volatility; Forecasting

## Abstract

This paper examines the ability of different GARCH models to forecast stock returns volatility under a range of forecast metrics, including both statistical and economic evaluation. In particular, we are interested in whether wavelet de-noising of the data prior to estimation affects the ability of the models to provide accurate forecasts. In de-noising the data, we consider both a hard and soft threshold for the wavelet procedure. Our key result demonstrates that de-noising the returns improves the accuracy of volatility forecasts regardless of whether we use statistical metrics, tests of equal predictive accuracy and a VaR procedure. In terms of particular volatility models, the asymmetric GARCH approach tends to be preferred although that result is not universal. Indeed, the central results from this analysis is that de-noising is more important than the specific model. Furthermore, when considering VaR forecasting wavelet de-noising is found to be more important at the key 99% level compared to the 95% level.

# Abstract Overview

**Paper No.:** **1073**

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**Title:** Financial Distress and Subsequent Returns: A Study on Japanese Firms

**Keywords:** financial distress, distress risk, stock returns, Japanese firms

## Abstract

This study attempts to investigate the relationship between financial distress and subsequent stock returns, and to analyze the effectiveness of financial distress prediction model's output as a predictor of future returns. The samples are non-financial, publicly listed Japanese firms in Tokyo Stock Exchange from 1980-2014. We measure financial distress using three financial distress prediction models, i.e. classic Total Asset to Total Liabilities ratio, the Altman (1968) Z-Score model, and our own YSCOREJ model, and evaluate their outputs. We also measures stock returns by both absolute returns and excess returns figures. Three layers of analysis are to be adopted in this study. First and arguably the most important, we establish six models on different returns and financial distress measures and perform Generalized Least Square regression procedures on the models. Then, additional two procedures include 10-portfolio return analysis approach and long-short portfolio return simulation. We find that controlling for book-to-market and size; the firms with higher distress risk tend to provide higher subsequent returns. This finding is further sustained by the additional two procedures, which records positive association between financial distress and subsequent returns. Thus, in overall we manage to convincingly argue that the firms with higher distress risk are associated with higher subsequent stock returns. The study also finds that the financial distress prediction models, especially our in-house YSCOREJ model, are solid predictors of future stock returns. This might also suggest that the distress risk is indeed one important risk factor of equity valuation.

# Abstract Overview

**Paper No.:** **1074**

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strictly double-blind peer-reviewed

**Title:** Corporate investment, debt and liquidity choices in the light of financial constraints and hedging needs

**Keywords:** Cash flow sensitivity, investment, debt issuance, cash holdings

## Abstract

We examine firms' simultaneous choice of investment, debt financing and liquidity in a large sample of US corporates between 1980 and 2014. We partition the sample according to the firms' financial constraints and their needs to hedge against future shortfalls in operating income. In contrast to earlier work, our joint estimation approach shows that cash flows affect the corporate decisions of unconstrained firms more strongly than those of constrained firms. Investment-cash flow sensitivities are particularly intense for unconstrained firms with high hedging needs. Investment opportunities (as proxied by Q), however, play a larger role for constrained firms with the effects being strongest in case of low hedging needs. Interestingly, constrained firms with low hedging needs are found to employ more debt to finance their investment opportunities and build up significant cash holdings at the same time. Our results hence indicate overinvestment behavior for unconstrained firms but no underinvestment for constrained firms if they have low hedging needs.

# Abstract Overview

FRAP- perspectives
conference - steyr, austria

**Paper No.:** **1076**

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strictly double-blind peer-reviewed

**Title:** Risk and return: The red phone problem of risk in structures

**Keywords:** Risk, Cost of Risk, Structural Risk Cost, Capital, Insurance, Savings, Reserves, Long Term Investments, Risk and Return, Macroeconomy

## Abstract

By defining a departure point, the red phone situation for the structural risk cost, it is possible to define the dynamics and properties of the structural risk cost. Structural risk cost becomes an economic cost component of risk and provides an inverse relationship between risk and return. The structural risk loss is underdeveloped in current economic literature, and is only hinted at in theoretical risk literature. The situation that can result in a structural risk loss is when a structure is exposed to risk induced cost which could exceed the available savings of the structure. In such a situation, long term investments owned by the structure could suffer value impairment, brought about by lack of capital to fund the long term investments. We name such situations red phone situations. Based on the description of the structural risk loss it is possible to argue that savings cannot be a uniform size in the presence of risk, but should be divided into savings and reserves, where reserves generate a higher premium than savings. Traditional risk reduction tools such as insurance adds an additional value component, compared to what is currently described in the literature, by keeping the structure protected from events that could expose the structure to a structural risk cost. Keeping the structures of society free from structural risk costs also benefits society economically, by assuring low risk cost in society.

# Abstract Overview

**Paper No.:** **1080**

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strictly double-blind peer-reviewed

**Title:** Expanding the Universe: Providing a Case for an Islamic Social Impact Bond

**Keywords:** socially responsible investment (SRI) sukuk, social impact bond (SIB), shariah compliant, Islamic finance, social finance.

**Abstract**

While the premise of Islamic finance is often couched in the principle of maqasid al-shariah and that of risk sharing with claims to social justice and welfare, the impact and contribution to the social sector has been minimal. This paper examines the claim among critics that there is an inherent weakness of the present day Islamic banking and finance industry in terms of its underdeveloped social sector and argues for the need for new models that will enhance a proliferation of shariah compliant financial products for solutions in the social sector. This paper further examines the framework for a socially responsible investment (SRI) sukuk, launched in Malayia in 2014 and the model of SIB (social impact bond) in the social finance space to come up with recommendations for structuring a shariah compliant SIB or social sukuk.

# Abstract Overview



**Paper No.:** **1082**

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strictly double-blind peer-reviewed

**Title:** The Effects of CSR-related Information in Investment Decisions: A Behavioral Finance Perspective

**Keywords:** Behavioral finance, investor decision-making, dual process theory, SRI, CSR, ESG, systematic literature review, conceptual framework

**Abstract**

As socially responsible investing (SRI) grows, the question arises, how capital markets may respond to investors' increased use of CSR-related information – especially since their relevance and reliability are subject to academic debate. This paper aims at contributing to the conceptual underpinnings of SRI research by examining CSR-related information in the investors' decision-making process. It therefore brings together the research fields of SRI and behavioral finance. Based on a systematic literature review, a conceptual framework is derived. Therefore, findings from existing psychology literature are used to complement the reviews' results. The framework offers a coherent scheme explaining investors' behavioral decision-making under the influence of CSR-related information in accordance with the dual process theory. It thereby unfolds the cognitive processes underlying the investors' individual socially responsible investment decision as well as resulting market dynamics. The findings provide new insights for both academics and capital market practitioners, as the paper outlines major behavioral determinants of investors' SRI decision-making.

# Abstract Overview

**Paper No.:** **1083**

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**Title:** LONG – THERM SUSTAINABILITY OF PORTFOLIO INVESTMENTS – GENDER PERSPECTIVE

**Keywords:** Gender, Long – term sustainability, Portfolio Investments, Risk

## Abstract

Financial market is the place where a supply of financial products and a demand for financial products are crossing. Financial institutions are standing on the supply side, and potential client on the demand side. The mentioned crossing is seen in a financial portfolio. Financial institutions want to achieve profit by selling products. It is a well-known situation: providing service deserves a reward. The client is purchasing a product for some purpose (insurance, mortgage, etc.), the financial institution or a financial advisor/broker should be helpful in the phase of creating a client's portfolio. By offering the product to client we have to know his/her needs first. In this article we consider that the needs analysis is the inevitable part of a client's portfolio building process, if we want to reach the concept of long – term sustainability and secondly that this process should be done by taking into account possible gender based differences.

# Abstract Overview

**Paper No.:** 1084

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strictly double-blind peer-reviewed

**Title:** Cuba Through the Working Glass: A Study of Reform with Mirror Data

**Keywords:** Cuba, economic reform, political reform, trade data

**Abstract**

Using a yearly event study and two sample t-test method, the author discovered significant growth in total trade (imports plus exports) between Cuba and its trading partners after Raul Castro officially came to power in 2006. Instead of relying upon data reported by the Cuban government, this study uses trade data reported to the United Nations by Cuba's trading partners, or mirror data.

# Abstract Overview

**Paper No.:** 1086

**Participant Name**
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strictly double-blind peer-reviewed

**Title:** Explanatory Co-movement in Asset Prices with Minimal Dependence Structures

**Keywords:** Asset co-movement; non-stationary dynamics; minimum spanning trees; dynamic correlation

## Abstract

In many fields, networks have been used to filter information and describe connected systems. In this paper, we build on the minimum spanning tree (MST) literature developing a layered MST that uses a multi-factor model to explain the dynamic dependencies among elements using systematic and idiosyncratic components of asset prices. This framework proves to be flexible with changes in the underlying data and the choice of factors for the investigation. We show applications of our framework in different contexts and observe that the methodology is helpful in understanding the change of the interdependencies among entities in a data-set. Using this approach we are able to demonstrate dramatic changes in the topology of asset prices networks.

# Abstract Overview

**Paper No.:** 1091

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strictly double-blind peer-reviewed

**Title:** The Use and Design of Incentive Systems in Nonprofit Organisations and Their Relation to Nonprofit Management Control Systems – Evidence from Austria

**Keywords:** Nonprofit Organisations; Incentive Systems; Management Control Systems

## Abstract

The exploratory study aims at analyzing the determinants and potential impact of the use of incentive systems in NPO. Focus lies on the use as part of and impact on management control systems within these organisations. 583 Austrian NPO were exctracted from the data base of the Austrian Controller Institute and contacted. Employing a standardised questionnaire which was distributed online, 58 NPO answered to all of the questions and thus could be included in the results of this study.

The findings show that 28% of the NPO being included in the sample already have established incentive systems for their top management. In most of these organisations, these incentive systems employ financial incentives such as bonusses. Besides that, a variety of non-financial incentives is employed. These NPO were characterised by the following factors: low dependency on public funds; little reliance on the intrinsic motivation of employees; competitive and expansive organisational culture; further developed management control systems.

Resentments against the use of incentive systems in NPO were more dominant in those organisations that did not use them, whilst NPO that did employ such systems showed a significantly higher level of acceptance and valued chanced higher accordingly. This can either be interpreted as a result of self confirmation bias – or lead to the conclusion that the experiences of those NPO already employing incentive systems are positive and thus indicate materialized practical benefits.

# Abstract Overview

**Paper No.:**
**1095**

**Participant Name**
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**Title:** An integrative perspective on the contemporary financial sector: societal costs versus monetary benefits

**Keywords:** financial market, financial crisis 2008, deprivation, financial crisis, banking crisis, Greece, Federal Reserve, globalization, unemployment, poverty, wealth gap, Bretton Woods, synthetic CDOs,

## Abstract

Economic cycles are characterized by economic booms, stagnancies, recessions and finally again economic upturns. However, the period between the previous crisis of 2008 and its followed crises and today was not really a noticeable economic upturn, but experts alert since the beginning of this year about one economic recession. How comes that the modern society faces record levels of economic added value, measured by the GDP on the one side, and record levels of (national) debts, unpleasant economic figures such as poverty or unemployment, although main collective challenges get continuously delayed such as tangible investments into environmental care.

This paper analyses the roots of this global monetary undersupply and shift towards undiscovered areas of society, elaborates coherences between such financial structures and its consequences to nation-states, the economy, society and individuals as well as finally, summarizes the contemporary financial and overall structure by examining literature of partly long experiences and comprehensive statistics. Closed system, including nation-states and communities, organizations, financial players but also individuals, tend to spiritual patterns of "Living in the moment" movements in term of solving problems as well as tend to hide major circumstances of the overall global system, and if there is one, which one?

# Abstract Overview

**Paper No.:** **1102**

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strictly double-blind peer-reviewed

**Title:** Capital Structure and Firm Performance: Does Credit Risk Make a Difference?

**Keywords:** Credit risk, bankruptcy, financial leverage, agency cost, firm performance

## Abstract

This study investigates the relationship between capital structure and firm performance, using a cross-sectional sample of the European firms from Austria, Belgium, Netherland, Portugal, Spain, the UK, Finland, Sweden, France, Italy and Germany in 2012. We test empirically whether a firm's credit risk will affect the relationship between capital structure and firm performance. This study extends the findings of previous studies, which concentrate only on the unitary relationship between capital structure and firm performance, by introducing a third factor, credit risk, into this relationship. Our results show that in low credit risk firms, financial leverage is negatively related to firm performance; while, in high credit risk firms, financial leverage is positively associated with firm performance. These results imply that credit risk is a very important factor that influences the positive or negative relationship between capital structure and firm performance. Therefore, understanding of a firm's credit risk can assist its financial manager making suitable financial decisions to maximize firm performance.

# Abstract Overview

**Paper No.:** **1103**

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strictly double-blind peer-reviewed

**Title:** Financial integration and international capital mobility in the EU member countries: Evidence from panel cointegration tests

**Keywords:** Capital Mobility; Feldstein-Horioka puzzle; Saving-Investment Correlation; Panel unit root tests; Panel co-integration; European Union

**Abstract**

In this paper we employ data from a panel consisting of fourteen EU member countries over the period 1970-2013 in order to examine the validity of the famous Feldstein-Horioka puzzle (F-H Puzzle). In spite of many criticisms, the F-H Saving-Investment correlation hypothesis is still used in the literature to infer the degree of capital mobility among countries. To this end we apply a battery of panel unit root and co-integration tests. The finding of the presence of co-integration of the savings and investment ratios and the observed magnitude of the estimated average savings-retention coefficient for the panel reveal that for this panel of EU member countries, the F-H puzzle is not valid and the long-run international solvency condition is maintained in most of these countries. The observed low savings-retention coefficients for these countries imply a moderate degree of capital mobility and the absence of the Feldstein-Horioka puzzle. This finding of the prevalence of a moderate degree of capital mobility is consistent with the macroeconomic experience of these countries during the period under investigation.

# Abstract Overview

**Paper No.:** **1110**

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strictly double-blind peer-reviewed

**Title:** Advantages and disadvantages of welfare accounting – empirical insights from implementation experiences in Austria and Germany

**Keywords:** balance sheet for the common good, welfare accounting, economy for the common good, sustainability, non financial-reporting, corporate governance, business ethics, performance management

## Abstract

This paper focuses on the viability of the Economy for the Common Good with regard to the advantages and disadvantages of welfare accounting. The balance sheet for the Common Good has been found to be practical and characterized by a high acquisition of useful information, but at a relatively high expense. For a given company, its size, industrial sector and business model have been identified as the most influential factors on the implementation of this alternative balance sheet, even though different implementation strategies have been developed and followed up.

Although the companies in this sample have unanimously regarded a two-year-rhythm of welfare accounting, no significant reduction of the workload has been observed in repeated balancing processes. High costs have been offset by innovations, improvements and an increase in retrieved, decision-relevant information. The development of the company has been an essential benefit, which has resulted in improved communication and staff motivation. But the complexity and constant revision of the balance sheet and its user manual remain challenging.

# Abstract Overview

**Paper No.:** **1117**

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**Title:** MODELS OF DETECTION MANIPULATED FINANCIAL STATEMENTS AS PART OF THE INTERNAL CONTROL SYSTEM OF THE ENTITY

**Keywords:** financial statements, fraud, fair and true view of accounting, detection of the risk of manipulating financial statements

## Abstract

Accounting remains the main source of information about the company for most users of financial statements. At he same time creators and users of financial statements want to get the best quality and quantity of information as much as possible. Users of financial statements are unable to obtain absolute certainty whether statements are true and fair, however, they need to know how much they can rely on financial statements. This paper deals with reducing the information asymmetry especially on the part of users of financial statements. The paper analyzes selected models of detection manipulated financial statements as an possibility to reduce the risk of accounting fraud and use as part of the internal control system of the entity or as a management tool for corporate governance or internal auditors. The risk analysis was performed on selected models the Beneish model, the CFEBT model, the Jones Non discrectionary Accruals model and selected bankruptcy models to detect accounting frauds in specific case studies of selected accounting unit.

# Abstract Overview


**Paper No.:** 1119

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strictly double-blind peer-reviewed

**Title:** Stock-Bond Return Dynamic Correlation and Macroeconomic Announcements: Time-Scale Analysis and the Financial Crisis


**Keywords:** Stock-bond Dynamic Correlation; Macroeconomic Surprises; Financial Crisis; Wavelet.



## Abstract

This paper examines the dynamic correlation between daily US government bond and stock returns during the period of recent financial crisis 2008. Within a time-scale analysis, our results can be summarised as follows. First, from our analysis on the raw return series and the dynamic correlation, certain macro surprises announcement exert significantly different effects across the crisis period. Second, with the decomposed series within 2-4 days window, we find that new announcements including the PMI, have significant effect on both the return and the correlation and this is consistent across all the series. Our findings remain somewhat robust after controlling for the stock market uncertainty, after excluding the 2001 dot-com crisis period and using the small growth and small value total stock market return indexes. We conjecture that the previous studies examined the U.S. markets failed to find some delays in the effect of macro surprises, because they focused on either the full sample period or they only used the recession/expansion economic state indicators. Considering the impact of financial crisis and during the bubbles bursting stage, investor sentiment merely determines the impact of some surprises and the level of persistence should not be equal to that outside the crisis.

# Abstract Overview

FRAP- perspectives
conference - steyr; austria

**Paper No.:** 1120

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strictly double-blind peer-reviewed

**Title:** Emerging Risks - A way forward

**Keywords:** Emerging Risks, Enterprise Risk Management

## Abstract

Emerging Risks are New Risks or are existing known risks. Existing ERM framework and capital models are developed to manage known arrays of risks that can potentially threaten earnings and profitability of the company. However, emerging risks by its nature are new risks or are not well understood, therefore have not been considered so far adequately.

Emerging risks introduce volatility into companies' earnings; even can potentially transform the very nature of companies' business models. However, there is no or little preparedness to manage such risk. It's time to think out of conventional thought /process which cannot be applied for testing the impact of emerging risks against business model. Therefore, there is an urgent need to improve our existing ability and capabilities to detect, assess, and respond to these risks, which can quickly develop into full-blown crises.

Emerging risks are evolving in uncertain ways, have been forgotten in their dormancy, or are new; typically do not have a well-defined distribution. They require more thought when modeling their impact. Ultimately, ERM and capital model should help in decision making that works well for long run and for full array of risks, known or unknown. These are challenges for Risk and Finance academicians; it will require more collaborative work to address emerging risks appropriately.

# Abstract Overview

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**Paper No.:** **1121**

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strictly double-blind peer-reviewed

**Title:** The impact of corporate governance and earnings management practices on cost of equity capital: evidence from Thai listed companies

**Keywords:** corporate governance
cost of equity capital
earnings management

## Abstract

The significant impact of recent, and often high-profile, corporate accounting scandals, is often attributed to earnings management and factors surrounding cost of equity capital. Understanding the relationship between these factors is important for both the management of corporations and for the confidence of their investors. The main of objective of this paper is to examine the influence of earnings management and corporate governance on the cost of equity capital in listed companies in Thailand and determine their impact, which could be used to initiate strategies to restore investor confidence. Earnings management in this paper is measured from the absolute value of discretionary accruals that are calculated from five different models. Corporate governance variables in this paper include board interlocking, board independence, board size, CEO-Chair duality, audit committee financial expertise, audit opinion, managerial ownership and institutional shareholders. The CAPM and Industry Adjusted Earnings to Price ratio model are used as a proxy for the cost of equity capital in this paper. To test the influence of these factors, a fixed-effect panel data regression model is applied. The results reveal that companies with higher earnings management, higher proportion of managerial ownership, institutional ownership, CEO-Chair duality and which receive modified audit opinions are likely to have higher cost of equity capital. In contrast, the companies that have higher proportion of board independence, audit committee financial expertise and board interlocking are likely to have lower cost of equity capital.

# Abstract Overview

**Paper No.:** **1122**

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strictly double-blind peer-reviewed

**Title:** Measuring non-performing loans during (and after) credit booms

**Keywords:** non-performing loan ratio, credit boom, housing loans

## Abstract

In this study we evaluate the distortion of the ratio of non-performing loans (NPL) caused by rapid credit growth to show that the bias in this ratio (caused by the prolonged credit boom) may indeed be significant. Next, we discuss an adjustment to the NPL ratio based on a theoretical model of a loan portfolio. This adjustment is robust for credit booms and busts; therefore, it can be used to compare credit quality ratios across distinct portfolios and banks as well as to simulate future NPL ratio developments. Our estimates of the portfolio of housing loans in Poland show that the new adjusted index of non-performing loans is robust to different model specifications.

# Abstract Overview

**Paper No.:** **1123**

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This project was presented as working paper at the 2014 FRAP conference. I would now like to share the results with the participants at the 2015 conference.

strictly double-blind peer-reviewed

**Title:** Law on the Market: Evaluating the Securities Market Impact of Supreme Court Decisions

**Keywords:** securities markets, abnormal returns, event study, legal prediction

## Abstract

Judicial decisions affect the securities markets in discernible and perhaps predictable ways. Whether there is "law on the market" (LOTM) has not been addressed in a systematic and financially rigorous manner. Using intraday data and a multiday event window, this event study seeks to determine the existence, frequency and magnitude of equity market impacts from decisions by the Supreme Court of the United States.

While certainly not present in every case, law on the market events are fairly common. Across all cases decided by the Supreme Court between the 1999-2013 terms, we identify 79 cases where the share price of one or more publicly traded companies moved in direct response to a Supreme Court decision. During fifteen years, Supreme Court decisions were responsible for more than $140 billion in absolute changes in wealth. Our analysis not only contributes to our understanding of the political economy of judicial decisionmaking, but also engages broader event studies of financial markets.

We also explore the informational efficiency of law as a market by highlighting the speed at which information from Supreme Court decisions is assimilated by the market. LOTM events have historically exhibited slow rates of information incorporation for affected securities. This implies a market ripe for arbitrage through a successful an event-based trading strategy.

# Abstract Overview

**Paper No.:** **1130**

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strictly double-blind peer-reviewed

**Title:** A DEA COMPARISON OF SYSTEMATIC AND LUMP SUM INVESTMENT IN MUTUAL FUNDS

**Keywords:** Mutual Fund
Systematic Investment Plan
Data Envelopment Analysis
Cluster Analysis

## Abstract

Investors have a plethora of investment options, either directly or indirectly. On top of it, new ways of making investment have come up with the advent and development of technology. This is particularly true about the mutual fund industry in that a new way of investment in mutual funds by paying a fixed amount of money on equal intervals, known as systematic investment plan (SIP). It resembles to a recurring deposit scheme of a bank or post office. The SIP has gained a sizable popularity and hence a structured study in Indian context is in place. And it is also important to understand and analyze investor's perception and expectations and unveil some extremely valuable information to support financial decision making of mutual funds. The objectives of the present paper include comparison of SIP with lump sum investment using data envelopment analysis (DEA) and to know the investors perception about different investment options (using cluster analysis). No such study has been conducted on comparing SIP with lump sum in India. Hence the maiden effort in this direction will be a very useful for the policy makers, regulators and fund managers for designing strategies for future implications. Since a sizable population is still using the traditional investment options and are deprived of the benefits of SIP, the findings of the proposed research would be of immense benefits to the society.