16TH FINANCE, RISK AND ACCOUNTING PERSPECTIVES CONFERENCE

RUNNING IN PARALLEL WITH

2ND SOCIAL AND SUSTAINABLE FINANCE AND IMPACT INVESTING CONFERENCE

SEPTEMBER 25. – 27. 2017

VENUE: HUGHES HALL, UNIVERSITY OF CAMBRIDGE, UK

ORGANIZED BY THE ACRN OXFORD CENTRE FOR INTERDISCIPLINARY RESEARCH

Map to the Hughes Hall College

WELCOME FROM THE CHAIR

Dear valued colleagues,

It is with great joy to welcome you to the 16th edition of the Finance, Risk and Accounting Perspectives Conference, running parallel with the 2nd Social and Sustainable Finance and Impact Investing Conference. This year's motto is Sustainability and Risk: Environmental, Social and Governance Perspectives. Recent economic developments have left us with much to learn and understand, and I am personally convinced that further narrowly focused inquiries without accepting the complex interplay will not lead to the right solutions. This is perhaps one of the reasons why this conference format has become so popular over the years; it provides the opportunity to listen to a broad range of topics and perspectives and engage in fruitful discussions.

As academics, we are at the forefront of thinking how we can model and ultimately manage business decisions. Not only in our research we sculpture the way people will approach decision-making for the years to come, but also through our teaching and lecturing we have a tremendous influence on young students who will become responsible for leading our businesses in the future. It is therefore vital to accept complexity and the importance of context in our fields ourselves, and to subsequently work on new innovative solutions for practice. I sincerely hope that the topics in this conference stimulate you to follow new, integrative research avenues!

I wish you a wonderful time here in Cambridge - network, find partners for your research projects, make new friends, reconnect to old ones and most of all, let's get inspired by the variety of people, cultures and approaches.

Prof Dr Othmar M Lehner

Director ACRN Oxford Centre for interdisciplinary research
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Abstract Proceedings 16th Finance, Risk and Accounting Perspectives and 2nd Sustainable Finance and Impact Investing Conference – Cambridge, Sept. 25-27, 2017.

Paper No.: 16001

Session No.: 1.2

Bernhard Kronfellner, The Boston Consulting Group Austria GmbH

Andreas Bohn, The Boston Consulting Group

FRTB: Default Risk Charge (DRC) Model – when is the Internal Model Approach advantageous?

Abstract: In January 2016, the Basel Committee on Banking Supervision (BCBS) issued the final version of the revised minimum capital requirements for market risk, also known as the "Fundamental Review of the Trading Book (FRTB)". The new regulation comes with many changes, one of which is a dedicated Default Risk Charge (DRC). This new capital charge replaces the Incremental Risk Charge (IRC) under Basel 2.5, and its calculation becomes mandatory for banks as of 2019, when the new BCBS capital requirements become effective. The biggest conceptual differences between DRC and IRC are that the former is designed to capture only default risk, whereas the latter also captured migration risk, and that equity positions are in the scope of the DRC, whereas they were out of the scope of the IRC. The biggest methodological differences are that the FRTB prescribes the use of a two-factor default simulation model in the internal model approach for DRC (whereas IRC had no specified number of factors), along with restrictions on the empirical data used to calibrate the model. The new prescriptions in the internal model approach will evoke some methodological questions, implementation options, and regulatory uncertainty across the banking industry.

While banks are preparing for this regulatory framework, we describe a potential model for the DRC in the internal model approach. We compare the results of our model with the standardized approach and derive suggestions for the methodological choices a bank is facing. Our findings suggest that the question whether to use the standardized approach or the internal model approach strongly depends on the structure of the trading book portfolio. In some cases the standardized approach is less capital-intensive than the internal model approach

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Paper No.: 16005

Session No.: 5.2

Magomet Yandiev, Lomonosov Moscow State University

Altana Andzhaeva, Lomonosov Moscow State University

Confirmation of the relationship between stock market parameters and interbank credit market on the example of the Kazakhstan Stock Exchange

Abstract: This article presents the calculations confirming practical applicability of earlier formulated theoretical model explaining relationship between the rate of one-day credits in the interbank market, volume of speculative investments and total securities under which transactions have been closed. This article is written based on the Kazakhstan stock exchange data

Paper No.: 16006

Session No.: 4.1

John Holland, University of Glasgow

A change strategy for research and theory construction for banks and financial institutions

Abstract: The aims of this paper are to: rethink empirical models and theory used in explaining banks and financial institutions (FIs); and to enhance the process of theory construction. This is a provisional response to the call by many authors for a new approach to developing theory in the world of finance and financial institutions. Theory faced problems of: limited explanatory power; narrow focus; and poor responsiveness to change. Problems have emerged during negative mutual interactions between social, knowledge and economic factors in financial institutions and markets. Dealing with these issues is problematic, but this paper illustrates how provisional progress can be made, and how a broad strategy for change in theory building can be developed. The elements of the change strategy include: developing empirical and theoretical narratives; and proposing actions by regulators and research councils to drive forward change. This approach does not seek to 'integrate' finance theory and alternative theory in 'meta theory'. The more modest aims are to: improve theory content and the process of theory construction; by creating incentives and opportunities for fruitful 'conversations' between academics (many disciplines) and practitioners; when using these theory sources concerning shared empirical phenomena.

Paper No.: 16007

Session No.: 5.3

Ruchi Tewari, Ahemdabad University

Taral Pathak, Ahmedabad University

Theoretical grounding for Sustainability Reporting: A Comparison between Indian and European Banks

Abstract: Emphasis on sustainable development is growing while the banking industry has the disrepute of holding a myopic focus on economic returns though it is a critical player in the development activity leading to practices like impact investing, where banks asses their performance through their contribution to both the financial and non-financial activities which they disclose in their annual reports and/or sustainability reports. Sustainability reporting (SR), is an important organizational communication because these are both qualitative and quantitative disclosures of the non-financial activities.

Therefore, it presents the firms focus and view on sustainable development and the manner in which the conflicting demands of the various stakeholder have been met. Theories of accounting disclosure– Legitimacy, Institutional, resource-dependency and stakeholder theory provide reasons for sustainablity disclosure (Chen and Roberts, 2010). The current study analyses the sustainability reporting of the top 20 Indian, European and International banks to investigate the focus of their social disclosures and analyse them through the theoretical lens of the 4 theories of accounting disclosure.

Content Analysis of annual and sustainability reports was done using an initial list of 119 words and phrases culled out of literature. After a pilot study, words which did not have a match were dropped and a final list of 30 words was used for analysis. Results indicate that SR of the banks is focused upon the basic needs of the areas where the banks operate - agriculture, water and energy draw the major focus. The results find support in the resource-dependency and legitimacy theories of social disclosures which has also been indicated by prior research. Findings scientifically validate the influencers in sustainability action and reporting and provides impetus and grounding to recent non-financial activities like positive impact financing, social responsibilities handled by hard-core financial institutions like banks.

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Paper No.: 16008

Session No.: 4.3

Taral Pathak, Ahemdabad University

Ruchi Tewari, Ahmedabad University

Impact Investment and Development Needs of India: A Conceptual Study

Abstract: Development needs of a country like India are extremely disparate and therefore a uni-focus of financial and government agencies on investment considering economic returns shall fail to achieve overall development of the country. The gradual trickle of impact investing in India should begin to look beyond the traditional sectors like manufacturing and agriculture towards non-traditional sectors like culture and heritage which involves the affective and cognitive attributes of the community while being a part of its daily chores. If funds are judiciously channelized towards this sector then a holistic impact on social and environmental growth can be expected along with the economic returns. Tourism and allied industries would be a direct economic beneficiary which would help in generate employment, preserve tangible and intangible heritage manifestations and inculcate a sense of pride in the self and social cohesion. The current article presents two conceptual models arguing the higher efficacy on the Impact investing model over traditional financing model.

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Paper No.: 16010

Session No.: // last minute cancellation

Christian Klein, University of Kassel

Bernhard Zwergel, University of Kassel

Anett Wins, University of Augsburg

Preferences regarding positive and negative screening criteria for sustainable investments - A survey among German retail investors

Abstract: Based on a representative survey (n = 1,014) among German retail investors we mainly analyze the differences between 'sustainable and responsible' (SR) and conventional investors that are either 'generally interested' (INT) or 'not interested' (CONV) to invest in sustainable investments. Among SR investors the negative screening investment strategy is more popular than the best-in-class approach. The opposite is true for the other two investor groups. Among all investor groups a majority assess ethical aspects to be more relevant for screening than ecological ones. The most frequently selected screening criteria are identical for SR, INT and CONV investors. Despite these commonalities, measures of intra-group and inter-group heterogeneity indicate that SR, INT and CONV investors are heterogeneous groups with very individual demands toward an ethical-ecological investment. Contrasting the supply side of SR investments with investors' demand shows that asset managers seem to gravely underrate the importance of some negative screens.

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Paper No.: 16014

Session No.: 4.1

Alfonso Del Giudice, Università Cattolica

Milena Migliavacca, Università Cattolica

Social Impact Bonds and Institutional Investors: an Empirical Analysis of a Complicated Relationship

Abstract: Over the past five years, Social Impact Bonds (SIBs) have attracted increasing attention from scholars, policy makers, and investors. Notwithstanding good intentions and policy-maker enthusiasm, SIBs have failed to attract significant private capital. Considering the SIBs issued worldwide to date, we look for SIBs funding's critical success factors, by investigating both the financial and contractual characteristics of SIB contracts. We provide evidence that financial investors are more likely to finance SIBs that are large, have fairly long maturities, and have higher internal rates of return (IRR). Given these characteristics, the riskiness of the investment does not prevent institutional investors from participating in an SIB issue. We find that institutional investors are more likely to participate in an SIB scheme when there are fewer agency problems.

Paper No.: 16015

Session No.: 2.2

Zita Drábková, University of South Bohemia

CFEBT Method as a Tool of Fraud Risk Management and Decreasing Information Asymmetry in Accounting

Abstract: The paper deals with the possibilities of using CFEBT approach to identify potential risks of manipulated financial statements beyond their true and fair view of accounting including accounting errors and frauds. The existing research has verified the hypothesis of identifying the risk of manipulation of financial statements in the case study for 5 accounting periods with a CFEBT score in the condition of Czech accounting regulations and international standards of accounting recording (IFRS) in case studies of particular accounting units, as well as in the case studies where the techniques of creative accounting window dressing off-balance sheet financing were used. The CFEBT results of the study cases were subsequently verified and compared with the results of Beneish and Jones Non-discretionary Accruals models in conditions of Czech accounting regulations and IFRS. The following paper further analyses and assesses the CFEBT approach to techniques and tools to identify risks of manipulated financial statements or tools for decreasing information asymmetry among the users of financial statements, with the use of main methods of creative accounting and accounting frauds in CFEBT model, Beneish's model, Jones' model of Non-discretionary Accruals in comparison with the results of Altman´s model of financial health of a business corporation. A CFEBT risk triangle of accounting errors and frauds was proposed on the basis of results revealed by case studies, tests of real data derived from financial statements of accounting units and tests of the approach of CFEBT, including a long-term theoretical and practical study of aspects of creative accounting.

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Paper No.: 16016

Session No.: 3.2

Patrycja Chodnicka-Jaworska, University of Warsaw

Piotr Jaworski, University of Warsaw

The Chinese and The Big Three Credit Rating Agencies – their impact on stock prices

Abstract: The aim of the paper is to analyse the impact of the changes in credit ratings on the stock market, comparing the Chinese and the American Big Three agencies. A literature review has been made and as a result the following three hypotheses have been put. The first one seems as follows: Changes in credit ratings have influence in the case of both upgrades and downgrades of stock prices. The second one is: A stronger reaction of the stock market is observed as an effect of credit rating changes presented by the Chinese and not the American agencies. The third one seems as follows: The impact of credit rating changes is stronger for non-financial institutions and larger companies. Daily observation of the rates of returns on the stock prices and long-term issuer credit ratings proposed by the Chinese and the biggest three rating agencies (S&P's, Moody's and Fitch) have been taken for the analysis. Data has been collected from the Thomson Reuters Database from the period between 1990 and 2016. Event study methods have been used to verify the mentioned hypotheses.

Paper No.: 16018

Session No.: 3.3

Mobeen Ur Rehman, Szabist Islamabad

Ameena Arshad, COMSATS Virtual Campus Islamabad

Energy Prices and Emerging Market Investor Sentiments

Abstract: Energy prices are known to have significant impact on equity returns, however its impact on investor sentiments is a new concept. This paper investigates the relationship between investor sentiments and energy price in an emerging market. Current literature deals with the impact of investor sentiments on energy prices however we have tried to investigate the reverse of it. This is because uncertainty in energy prices has major influence on investor confidence which affects their investment decisions in energy sector. Generalized autoregressive conditional heteroscedasticity (GARCH) with its exponential form (E-GARCH) is used to investigate the impact of energy prices on investor sentiments. A sharp increase in investor sentiment index is observed in the first and third quarter of 2006 and 2009 respectively that might be attributed to an increase in economic growth. Results of the study show that energy prices have noticeable effect on investor sentiments in Pakistani equity market. This finding highlights the fact that even in an emerging market like Pakistan with least market efficiency, investors are sensitive to the global energy prices.

Paper No.: 16019

Session No.: 1.1

Michael Dorff, Southwestern Law School

Why Public Benefit Corporations?

Abstract: Public Benefit Corporations ("PBCs") are a revolutionary new form of business organization that overturn the fundamental corporate principle of shareholder wealth maximization. Of the many questions that surround this new entity type, perhaps the most perplexing is why Delaware – the most influential and important state for corporate law by far – chose to adopt it. I explore this troubling question through qualitative empirical research. I find that Delaware primarily wanted to serve the needs of social entrepreneurs and financiers, but also hoped to harness the power of capitalism to remedy social ills that government has so far failed to fix. The PBC statute rather poorly implements either of these goals. The PBC statute is not a very good enforcement tool. On the other hand, the statute may prove an effective reinforcement tool, aiding sincere social entrepreneurs to pursue their various missions. Also, private ordering, such as certification by outside entities like B Lab, may fill many of the important gaps left by the law.

Paper No.: 16023

Session No.: // last minute cancellation

Maria Elena Bontempi, University of Bologna, Department of Economics

Assessing the Stability of Heterogeneous Corporate Capital Structures:

Abstract: Since there is much yet to be learned "about whether, or in what sense, capital structures are aptly described as stable" (DeAngelo and Roll ,2015), we suggest a set of methodologies to test for different types of stationarity of long and short term corporate debts, in the presence of heterogeneity in the speeds of adjustment to optimal targets. We find that capital structure stability is the exception, not the rule: only one third of firms' leverage is stationary. Short term debt is more prone to target adjustments, as it is less affected by adjustment costs and debt overhang effects for immediate investments and more affected by rollover risk. On the contrary, long term debt seems to be more driven by pecking order and market timing considerations, rather than by a dynamic trade-off model. Our methodology is useful for identifying sub-samples of homogeneous companies in their short and long term borrowing behavior, and for understanding how the two debts are interrelated.

Paper No.: 16025

Session No.: 4.2

Hemantha Herath, Goodman School of Business

Joint Cost Allocation in the Presence of Nonlinearities: Sawmill Processing of Alaska Hemlock

Abstract: Forest, paper and packaging (FPP) and mining industry are characterized by production processes which lead to joint production costs. Joint costs arise when production of one product simultaneously and necessarily involves the production of one or more other products (Manes and Cheng 1988, Horngren et al. 2013, IAS 2.14). Some specific examples are the processing of timber (saw logs) into products (lumber), and mining for metals and minerals. This article focuses on accounting methods of allocating joint cost at split-off point that are based on either the net realizable value at split-off point or the volume of production. Advantages of the physical measures approach is its observability, verifiability and economic plausibility (Horngren et al. 2013).

In general, practical and complicating measurement issues in joint cost allocation arises due to (1) substantial variation in physical volumes of joint products resulting from differential quality levels pertaining to raw materials. For example, low quality ore would result in variations in physical attributes of minerals/metals; and more mature timber might have higher amounts of unsound material affecting joint product and by-product output proportions which in turn affect allocated costs; and (2) variation in the product mix that affect output proportions in joint production processes. Both of the above factors result in nonlinear output volumes. Copulas allow modelling non-linear dependencies. Hence, the aim of this article is to use copula functions to investigate nonlinear dependencies in joint cost allocation. A numerical example is used to illustrate the proposed approach.

Paper No.: 16026

Session No.: 2.2

Manchuna Shanmuganathan, Associates (Research & Consultancy)

Perspectives of IFSR & US-GAAP: Harmonizing Financial Reporting

Abstract: Accounting Standards has evolved over the years and made significant progress during 20th century. As this study reviews and inflects on convergence of IFRS and US-GAAP in harmonizing financial reports. The International Accounting Standards Board (IASB) stipulates IFRS and Financial Accounting Standards Board (FASB) specify US-GAAP for financial reporting. In order to understand the history of developing financial reporting standards and how these standards are set in the United States and around the world, will be considered by examining FABS and IASB standard-setting process. Currently, standard-setting process for financial reporting is FASB responsibility in United States, whereas most of the countries around the world use IFRS, which are set by IASB, through harmonisation of financial reporting. These two standards-setting boards play a major role internationally as regulators. Both boards have acknowledged that in order to function, as it should be in the international capital markets, a single set of high quality accounting standards are necessary. It is evidence that convergence to IFRS is most beneficial to countries around the world. Indeed, there are differences in concepts of standards set by these two boards. Convergence of IFRS and its conceptual framework have influenced the American standard-setters because of its rationale. Further, this paper continues to analysis whether comprehensive income and components of other comprehensive income (OCI), to comprehend the reporting requirements of United States and United Kingdom, as to better reflect economic situation of a company compared to net income, while enhancing the value of information for investors and other users.

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Paper No.: 16027

Session No.: 3.2

Katarzyna Byrka-Kita, University of Szczecin, Department of Investments and Business Valuation

Mateusz Czerwiński, Department of Investments and Business Valuation, Institute of Management and Investment, Faculty of Economics and Management, University of Szczecin

Agnieszka Preś-Perepeczo, Department of Financial Management, Institute of Finance, Fa

CEO Succession Puzzle in the Polish Capital Market

Abstract: Purpose: This study analysed factors associated with the shareholder reaction to CEO succession, and in particular identified relations between characteristics of the successor and the market performance of companies on the Warsaw Stock Exchange.

Design/methodology/approach: An event study and multi regression analysis were performed.

Findings: The results revealed a negative market reaction to all CEO appointments, including both new appointments and re-appointments. Market performance was mainly driven up by the financial condition of the company and its market value rather than by the successor's characteristics. There was a significant positive relation between the shareholders' reaction and the appointment of successors born after 1970, but only within a few days surrounding the event. Previous experience as a CEO or board member had a negative effect on market performance. Investors did not expect CEOs to have an academic education. However, a general education had a more negative impact than an elite education. The market favourably acknowledged experience in the area of management, production, R&D and HR. The new CEO's gender and relation to the company did not affect market performance.

Research implications: The results of this study should significantly contribute to the literature on empirical analysis of the shareholder wealth effect, signalling theory and the phenomenon of information asymmetry.

Practical implications: The results may influence decision-making processes in companies and lead to a better understanding of how the CEO appointment process can impact market value.

Originality/value: The study will fill the research gap regarding developing markets. There has been no previous report on the effect of the CEO's age on market performance.

Paper No.: 16028

Session No.: 4.1

Jeremy Thornton, Samford University Brock School of Business

David King, Director of the Lake Institute for Faith and Giving, Indiana University-Purdue University Indianapolis

Financing Social Enterprise in the very long run

Abstract: Social enterprises share a common struggle to finance output that have public good characteristics. Public goods are notoriously difficult for private firms to produce, because of the incentive for their constituents to defect, or free-ride, on the contributions of others. Due of their historical success, this paper examines long-lived religions institutions for strategies to mitigate this collective action problem. We empirically examine the Southern Baptist Convention, which records its efforts to finance international mission activities since 1935. We test a variation of the club good model, which emphasizes imposing costs on members to separate out high intensity adherents. Consistent with the model, we find that contributions to international missions increase when the cost of affiliation increases. We do not find that the specific mechanism for collection within the Southern Baptist matters. We conclude that the club model of organization, where high membership costs are deliberately applied, offers valuable – and counter-intuitive –lessons for social enterprises more broadly.

Paper No.: 16029

Session No.: 5.1

Ahmed Marhfor, UQAT

Kais Bouslah, School of Management, University of St Andrews

M'Zali Bouchra, Department of Strategy and Social Responsibility, ESG/UQÀM Montréal

Corporate Social Responsibility, Price Efficiency, and Revelatory Efficiency

Abstract: The purpose of this paper is twofold. 1) We propose for the first time in the literature a new motive (learning hypothesis) that may explain why managers engage in corporate social responsibility (CSR). 2) We take into consideration the feedback effect from market prices to the real economy when we examine the relationship between CSR and managers' ability to identify value-maximizing projects. The idea behind the learning hypothesis (financial markets feedback effect) is that managers can learn new relevant information from their stock prices. In return, managers will use both the new information and other information they already have to decide on the level of investment that will maximize the value of the firm. In this study, we investigate whether a strong CSR engagement improves both revelatory and price efficiency. We refer to revelatory efficiency when stock prices reveal new information for managers that will help them take value-maximizing decisions. In addition, we refer to price efficiency when stock prices reflect more information about firm's fundamentals. Our findings suggest that firm's social activities do not translate into market prices reflecting more information about firm's fundamentals. Furthermore, CSR engagement does not allow firm's managers to extract new information from their stock prices and use this information to make value-maximizing investment decisions.

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Paper No.: 16030

Session No.: 4.2

Ahmed Marhfor, UQAT

Jean-Claude Macena, UQAT-UQAM Chair in Mining Entrepreneurship

Suzanne Durand, Department of administrative studies, University of Quebec in Abitibi-Témiscamingue (UQAT)

Business model and firm's financial performance: evidence from Canadian mining sector

Abstract: In this paper, we investigate the impact of business model design on the performance of Canadian mining companies. We propose a comprehensive typology of business models and use a variety of financial performance measures to test whether some business models do perform better than others. The findings indicate that all business models generate lower returns in comparison to a well diversified market portfolio. In addition, we have only weak evidence suggesting that some models (Productors and Streaming/Royalties) do have better financial performance than others. Overall, our results show that Canadian mining companies need to reevaluate the elements of their current business models.

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Paper No.: 16032

Session No.: 3.3

Don Chance, Louisiana State University

Z. Tingting Jia, University of Arkansas at Little Rock

Dividends on Unearned Shares and Corporate Payout Policy: An Analysis of Dividend Equivalent Rights

Abstract: We investigate a little-known executive compensation device called dividend equivalent rights, which are provisions on some options and performance-based equity awards that permit executives to receive dividends on shares they do not own and may ultimately never own. To our knowledge, this device is the only instance in the financial world where dividends are paid to entities who are not shareholders. After controlling for factors that affect dividend policy in general, we find that firms with dividend equivalent policies pay higher dividends. We estimate they have a relatively modest cost but that shareholders show a slight tendency to disapprove, suggesting a distrust of management. We examine the excess cash holdings of companies before and after adopting these policies and find a tendency for excess cash to increase before adopting these policies, but this build-up declines afterwards. We conclude that dividend equivalent rights are associated with the disgorgement of excess cash.

Paper No.: 16033

Session No.: 5.2

Weiping Li, Oklahoma State University

Su Chen, The University of Memphis

THE EARLY EXERCISE PREMIUM IN AMERICAN OPTIONS BY USING NONPARAMETRIC REGRESSIONS

Abstract: In terms of MSE (mean square error), our nonparametric methods of American put option pricings outperform the existing classical methods for both in-the-sample (Sep. 1, 2011-Jan. 31, 2012) and out-of-sample (Sep. 1, 2012 - Feb. 28, 2013) testings on the S\&P 100 Index (OEX). Our methods have better predictions and more accurate approximations. The Greek letters for both the early exercise premium and the American put option are computed numerically.

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Paper No.: 16034

Session No.: 5.2

Haiyun Zhang, University of International Business and Economics

Huifang Fan, Associate Professor, University of Science and Technology Beijing,

Frederick Lelin Zhang, Guanghua School of Management, Peking University, Beijing

A CASE STUDY IN FINANCIAL PRODUCT DESIGN: CHINA'S ADOPTION AND ADAPTATION OF CREDIT DEFAULT SWAPS

Abstract: Abstract: Derivative products play an increasingly important role in global financial markets. In advanced markets, they are usually introduced by commercial entities and evolve through trial and error. In emerging markets, regulators sometimes adopt an existing derivative product from advanced markets in order to facilitate local market development and solve certain problems in the local financial system. Given the need to not only draw upon lessons from advanced markets but also address uniqueness of the local environment, such adoptions often entail adaptations. China's experiment with credit default swaps (CDS) started in 2010 and involves a key product alteration with the substitution of the "specific underlying obligation" feature for the international standard feature of category-based obligations. This alteration catapults to the center of product design an obscure technical detail that has been scarcely investigated in the copious body of the world's CDS literature. Our research since 2010 is the first ever comprehensive investigation into the pros and cons of this product alteration, arguing for its reversal from multiple perspectives. It is worth noting that in 2016 China launched a new generation of CDS that uses the category-based obligations feature, as advocated in our prior publications. This paper connects and extends our previous findings, which were published mostly in Chinese. We also offer a preliminary evaluation framework for the design of a standard financial product intended to be widely used in the market.

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Paper No.: 16036

Session No.: 3.2

Laura Muro, Saint Louis University, Madrid.

Paolo Saona, Saint Louis University, Spain.

María Alvarado, Rey Juan Carlos University, Spain.

Corporate Governance Mechanisms and Earnings Management: An Empirical Analysis for Spanish Firms

Abstract: The goal of this paper is to examine how alternative corporate governance systems determine the managerial opportunistic behaviour materialized in the management of accounting earnings. This study contributes to the literature by investigating the relationship of firm-level and country-level corporate governance systems on the earnings management in the Spanish corporate sector. We used panel data in the empirical analysis to deal with the endogeneity and heterogeneity problems. Our analysis reveals that the varying efficiency of the corporate governance systems is reflected in the way in which accounting discretion is performed in the country. We found evidence that discretionary capacity of executives to manage the earnings is reduced as the voting rights of the controlling shareholder increased and that there is an inverse U-shaped relationship between insiders' ownership and the earnings manipulation. Regarding the board characteristics, we observe that more active, larger as well as independent boards and those with a larger proportion of female members oversee managers more efficiently, constraining their capacity to manage earnings. To the contrary, board duality increases the likelihood of opportunistic manipulation of financial reporting. We found in our research that when the institutional environment improves in the Spanish context, the discretionary power of the corporate sector to overstate the financial statements is reduced. The empirical findings prove the necessity of reinforcing the rules and regulations towards a more transparent disclosure of the financial statements.

Paper No.: 16039

Session No.: 4.3

Santanu Kumar Ganguli, Xavier Institute of Management, Xavier University

Soumya Guha,Xavier Institute of Management- Xavier University

Negotiated Bank Finance, Earning Quality and Firm Characteristics : Indian Evidence

Abstract: In of absence of active corporate bond market in India, where the privately negotiated collateral security based debt financing by the state owned public sector banks constitute the major source of debt financing of the firms , the paper empirically explores the relation between debt and earning quality of the non-banking non-finance listed firms after controlling for various firm and industry level characteristics. Based on the empirical results, the paper shows that in such a setting earning quality impacts and gets impacted by debt. The result is consistent with the agency theory of debt. The paper further reveals that – the concentrated shareholding pattern leads to lower debt financing, bigger and longer surviving firms resort to less earning management whereas firms with volatile profitability tend to have more discretionary earning and poorly performing firms avail of higher debt finance and at the same time - have poor earning quality.

Paper No.: 16040

Session No.: 2.3

Giancarlo Giudici, Massimiliano Guerini, Cristina Rossi-Lamastra

School of Management, Politecnico di Milano, ITALY

Elective affinities: exploring the matching between entrepreneurs and investors in equity crowdfunding

Abstract: Using a hand-collected database of 13 equity crowdfunding campaigns launched by Italian innovative startups from January 2013 to June 2016, which includes information about 384 equity crowdfunding investments carried out by 361 different investors, we empirically examine whether potential investors are more likely to finance a crowdfunding campaign if they experience affinity with entrepreneurs launching these campaigns, in terms of gender and age and geographical proximity. Furthermore, we investigate whether this effect depends on the risk of opportunistic behavior associated to proponents' location. We find a significant effect of geographical proximity and age similarity in explaining the probability that an investor finances a campaign. Moreover, these effects are particularly relevant if the proponent is located in area characterized by a high risk of opportunistic behavior. Interestingly enough, we do not detect any significant effect related to gender.

Paper No.: 16044

Session No.: 3.2

Michael Gelman, Ben Gurion University

Mosi Rosenboim,Department of Management, Ben-Gurion University of the Negev

Doron Greenberg, Department of Economics and Business Administration, Ariel University.

How to Evaluate Risk Management Units in Banks?

Abstract: The financial crisis of 2008 emphasized the importance of risk management in financial institutions and the importance of the risk management unit (RMU). Despite the growing importance of the RMU, to date, there is no measure in the academic literature for evaluating its performance. The challenge for this evaluation is to isolate the RMU's activities from the bank's risk management process and from its risk preferences. To accomplish this goal, we created a risk management unit index (RMUI). This index is based on a list of parameters that evaluate the functionality of the unit separately from the risk management process. We adopted these parameters based on the current relevant literature, which describes but does not evaluate them. We then grouped these parameters into three different categories, reflecting the RMU's roles: its relationship with top management and the board, its professionalism and its organizational status within the bank. We found a positive relationship between the RMUI and bank's risk management process as well as its risk governance characteristics, and a negative relationship between the RMUI and the number of past banking crises in the country. The RMUI transforms non- quantitative parameters into a simple and convenient index, allowing comparisons between RMUs and over time. Using internal organizational data, it can serve as a managerial tool to systematically evaluate the RMU's performance, as well as the ERM process as part of the organization's corporate governance. Risk managers, executives, board members, supervisors, auditors and investors will all find it a useful tool.

Abstract Proceedings 16th Finance, Risk and Accounting Perspectives and
2nd Sustainable Finance and Impact Investing Conference –
Cambridge, Sept. 25-27, 2017.

Paper No.: 16049

Session No.: 4.2

Michael Gelman, Ben Gurion University

Mosi Rosenboim, Department of Management, Ben-Gurion University of the Negev

Doron Greenberg, Department of Economics and Business Administration, Ariel University.

How did the 2008 Crisis Change the Relationship between Risk Management and the Performance of US Banks?

Abstract: In this paper we examine whether and how the global financial crisis in 2007-2009 changed the relationship between risk management and the performance of US banks and whether investors have begun to assess the characteristics of risk management differently after the crisis. We find that while in the pre-crisis period there was no significant relationship between the banks' sources of funding or non-performing loans and their performance, after the crisis, higher initial levels of stable funding and fewer non-performing loans were related to that performance. We suggest that this change stems from the fact that during the crisis, banks that had more stable financing and fewer non-performing loans performed better. We also find that after the crisis, the relationship between risky assets or the Tier 1 Basel capital ratio and the banks' performance became non-significant, because the crisis undermined investors' confidence in the banks' independent models for risk-weighted assets.

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Paper No.: 16050

Session No.: 1.2

Olivier Le Courtois, EMLyon Business School

Xiaoshan SU, PhD student at Beihang University

Structural Pricing of CoCos and Deposit Insurance with Regime Switching and Jumps

Abstract: This article presents a structural model with jumps and regime switching features that is specifically dedicated to the pricing of bank contingent convertible debt (CoCos) and deposit insurance. This model assumes that the assets of a bank evolve as a geometric regime switching double exponential jump diffusion and that debt profiles are exponentially decreasing with respect to maturity. The paper starts by giving a general presentation of the jumps and regime switching framework, where an emphasis is put on the definition of an Esscher transform applicable to regime switching double exponential jump diffusions. The following developments concentrate on the definition and implementation of a matrix Wiener-Hopf factorization associated with the latter processes. Then, valuation formulas for the bank equity, debt, deposits, CoCos and deposit insurance are obtained. An illustration concludes the paper and addresses the respective impacts of jumps and regime switching on the viability of the bank.

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Paper No.: 16052

Session No.: 4.1

Alessandro Rizzello, University Magna Graecia of Catanzaro

Rosella Carè; University Magna Graecia of Catanzaro

Managing principal agent conflicts in Social Impact Bonds: a theoretical approach

Abstract: Social Impact Bonds (SIBs) represent the most promising as well as debated tool that promote, at the same time, financial sustainability and social innovation in the delivery of social welfare services and, more in general, of preventive interventions able to generate future savings in public expenditure. SIBs involve different kind of actors: public commissioner, social impact investors, service providers, independent evaluators. Connections within these actors derive from complex outcome-based financial arrangements in which, among other, a joint of a pre-determined outcome triggers returns to impact investors from the public commissioner. The outcome-based nature of SIB contracts characterizes the relationships within actors involved and the relationships within SIBs actors may present conflicts and distortions understandable in the light of Agency Theory theoretical framework. Early scholar contributions on SIBs depicted similarities between SIB structure and Agency Theory discourses. This study focuses on the application of principal-agent theoretical framework in the SIB context by identifying the principal agent conflict and relative solutions emerging in SIB experiences to date.

Paper No.: 16053

Session No.: 4.3

Franziska Sump, Alexander Bassen; Katrin Gödker

University of Hamburg

Moral Considerations and the Effectivness of Defaults

Abstract: This paper explores the effectiveness of default options when moral considerations figure into human decision making. We argue that in-depth moral reasoning processes as well as variation in moral evaluations - and in turn different individual optima - may attenuate the impact defaults have on individual behavior. Based on existing field evidence, we propose a controlled laboratory experiment to examine the effectiveness of non-binding default options in a moral choice setting and to identify individual factors driving heterogeneity, such as participants' narratives in moral reasoning and moral preferences. Additionally, we apply our findings to a financial markets context and uncover new insights into investor behavior.

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Paper No.: 16054

Session No.: 3.1

Zachary Folger-Laronde, University of Waterloo

Olaf Weber, University of Waterloo

Determinants of Voluntary Climate Change Performance Disclosure of Conventional and Social Banks

Abstract: Purpose. With growing interest in the integration of climate change into banking operations and activities, voluntary disclosures from banks have increased. The purpose of this research is to determine the quality and investigate organizational determinants of carbon emission performance disclosures in published sustainability-related reports of banking organizations.

Design/methodology/approach. Including both large mainstream banking providers and the niche-sized social and sustainable banks of the Global Alliance on Banking Values, a content analysis was used to collect the presence of both internal operations and financing activities carbon emission performance disclosure data.

Findings. Disclosure of carbon emission performances between these two scopes differed significantly. While the disclosure of emissions associated with internal operations appears to be consistent with theoretical arguments, financed emissions are rarely reported. For the former, this may indicate a resource or stakeholder demand issue, whereas for the former, it may continue to be an accounting method issue.

Research limitations/implications. This study did not include in-depth analysis of motivations regarding voluntary carbon emission performance reporting. However, it enhances the understanding of the banks who are seeking to respond to stakeholder demand or legitimize their activities.

Originality/value. This paper contributes to the voluntary disclosure field by focusing on a sector-specific performance framework, including banking organizations commonly excluded from investigations in its sample, and determining the current state carbon emission disclosure behaviour of banks.

Paper No.: 16055

Session No.: 2.3

Guldem Gokcek, New York University & University of Liverpool

'IF I WERE VENTURE CAPITALIST……'

Abstract: Aim of this study is to determine how venture capitalists make funding decisions in emerging market countries. Researchers have tried to use broad theoretical approaches such as information asymmetry, multiple-agency theory, and institutional theory to understand the behavior of venture capitalist. However, their understanding of venture capitalist behavior was lacking determinants of venture capital in emerging markets. My study contributes to the economics, law, and finance literature by pointing out that venture capitalist' decision making related to funding process in emerging market countries depends on the factors which affect the investment and funding decisions.

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Paper No.: 16056

Session No.: // last minute cancellation

Shanty Noviantie, The SEACEN Centre

Angelita Chew, The SEACEN Centre

The evolution of monetary operations and network topology of Indonesia interbank market

Abstract: This paper examines the interaction between changes in monetary operations and network structure in interbank money-market of a small open economy under inflation targeting regime. The main contribution of this study is the use of direct analysis on daily bank-to-bank lending data in overnight unsecured money market. Further, the sample period of January 2001 – June 2015 captures three major changes in the main instrument of monetary policy in June 2008. Markov regime switching vector autoregression with time-varying transition probabilities (VAR-TVP) in Wang (2003) is used in analyzing bidirectional relationship between dynamics of monetary operations and structure or interbank network in Indonesia. Specifically, it will estimate the impact of changing magnitude and instruments of market operations on properties of interbank network. The analysis will also study how endogenous network dynamics in interbank market might influence the transmission of overnight rate to the entire yield curve in unsecured interbank market. The empirical findings show that the impact of monetary operation on money market varies with instruments of MOs whilst central bank's ’s liquidity management is not interpreted as changes in policy stance. Further, Further, dynamics of network structure in overnight money market do not count much in the setting of policy rates and size of monetary operations. However, network structure has influenced the size and prices in overnight money market. Thus, monetary operations need to take into account the impact of changes in the structure of interbank network on the size and interest rates in overnight money market.

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Paper No.: 16058

Session No.: 3.1

Jennifer Callahan, University of Waterloo

Sean Geobey, University of Waterloo, School of Environment, Enterprise and Development

A conceptual view of portfolio interactions and their implications for risk and return in impact investing

Abstract: As impact investing continues to develop, including refined data collection, effective data analysis will grow in importance. The sustained growth of the sector will be contingent upon its capacity to scale, as larger pools of capital managed as portfolios are capable of financing a greater variety of social and environmental initiatives with lower management cost structures. Moreover, once undertaken, these portfolios have the potential to produce learning that can generate new impact investment opportunities. Despite challenges at scale that include the relative subjectivity and incomparability of impact measurements, and the heterogeneity of investor values, there is still inherent value in investor transparency. Scholarship highlighting the benefits of dialogic accounting and the credit union sector's established values both align well with a portfolio approach to risk management that includes a radical transparency. Investors might find strategic opportunity in the space of informed inter-investor dialogue and where democratic processes surround portfolio management that does not exist in an arena where opacity is over-indulged. The relationship between large-scale impact investing efforts and sustainability goals is also considered.

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Abstract Proceedings 16th Finance, Risk and Accounting Perspectives and 2nd Sustainable Finance and Impact Investing Conference – Cambridge, Sept. 25-27, 2017.

Paper No.: 16059

Session No.: 1.1

Jennifer Callahan, University of Waterloo

Impact measurement for impact investing: Are we seeing the whole picture?

Abstract: ABSTRACT: As impact investing increasingly attracts the interest of investors and practitioners, the work to develop relevant and practical tools for assessing the social and environmental impacts grows ever more vital. A review of impact investing literature using a sustainability lens reveals that, despite some robust debate and several sophisticated metrics, the current measurement approach is incomplete. Widening the discussion around what constitutes net social return from impact investing, this paper highlights ongoing investor support for corporations that place no emphasis on sustainability and the lack of a metric that values the need for investor change in behavior. To address this, a modifier is added to the top-line impact factor in social return on investment (SROI) based on the premise that social value is realized whenever an unsustainable investment is liquidated in favor of an impact investment, because that action starves a venture with patently negative externalities of the funds with which it might grow stronger. This is a more holistic consideration of the benefits to society and provides a direct role for SROI in helping investors to transition towards sustainability.

Paper No.: 16063

Session No.: 4.2

Miwako Nitani, Nicolas Legendre, Shantanu Dutta

University of Ottawa

The Financial Crisis: Shifts in Demand, Supply and Character

Abstract: Examining the commercial lending market for Canadian SMEs during the 2007-2008 financial crisis, this study reports lenders' escalated aversion towards risk associated with research and development, expansion projects, inexperienced managements, high bank dependency, lower profit margins, and the use long-term loans to finance working capital financing. As for the demand side, upon the outbreak of the crisis firms of any description – regardless of their levels of bank dependency, cash generating capability, management experience, or size – started seeking bank loans, probably in anticipation of the contraction of credit supply and/or diminished cash generating opportunities. Those two, combined, could have resulted in a severe contraction of credit. However, commercial banks appear to have avoided such a contraction by being more tolerant to small and/or young firms, loan size relative to the size of the business, and exporting. As a result, a significantly higher loan application approval rate was observed during the crisis.

This study argues that the Canadian financial sector's relatively low exposure to the subprime mortgage market, with banks being able to maintain relatively stable Capital Tier I ratios during the crisis, helped avoid a credit contraction. At the same time, it poses questions regarding justification for the federal government's intervention in the market implemented in 2009, one meant, at taxpayer expense, to isolate SMEs from the perceived liquidity shock.

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Paper No.: 16065

Session No.: 4.3

Josua Oll, University of Hamburg

Dirk Baur, University of Western Australia Business School

The Role of Gold in Investment Portfolios: A Novel Sustainability Perspective

Abstract: This paper analyzes and contrasts the diversification benefits of gold and the volatility index VIX from a financial and a sustainability perspective. We find that the benefits of the VIX are vastly overstated if trading costs are not included and that gold particularly shines in comparison to other assets in the long-run due to its durability and longevity. We operationalize sustainability by means of carbon emissions and show that gold does not perform particularly well for short investment horizons but increasingly well for longer investment horizons since any gold bar or coin is only dug up once and not every year. The study also discusses the contributions of equity stakes and derivatives to carbon emissions and thus sustainability.

Paper No.: 16066

Session No.: 4.1

Deborah Cotton, University of Technology Sydney

Dr Joanna Nash, Associate at University of Technology Sydney

Reengineering Social Impact Bonds

Abstract: The social impact investing sector is increasing at a strong rate internationally, in particular in the UK, USA and more recently Australia. This paper looks specifically at social impact bonds (SIBs) from the perspectives of the issuer and the investors. While appearing somewhat complex to those wishing to raise funds via an SIB we unpack the bond to create a better understanding of it as a financial instrument. The complicated component is not the instrument itself but rather creating an investment proposal which incorporates, as all sound investment proposals do, an understanding of the project, its outcomes and how those outcomes will provide financial return. A greater level of data transparency from the Government sector will aid this process. The investors find this instrument less difficult due to its strong similarities with corporate bonds. We show how SIBs may be viewed in a similar way to corporate bonds and discuss how the introduction of ratings and a secondary market could significantly impact the attractiveness of SIBs for a greater range of investors.

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Abstract Proceedings 16th Finance, Risk and Accounting Perspectives and 2nd Sustainable Finance and Impact Investing Conference – Cambridge, Sept. 25-27, 2017.

Paper No.: 16067

Session No.: 5.1

Edward Jackson, Carleton University

Karim Harji, University of Oxford

The Household as the Unit of Analysis: Evaluating the Multidimensional Household Outcomes of Impact Investing in Rural West Africa

Abstract: Understanding how rural households in West Africa can more effectively reduce their conditions of poverty and increase their economic and social well-being has gained new importance and urgency as the region strives to address extremist violence and climate change, among other challenges. Impact investing – an intentional approach to allocating capital to deliver a blended financial and social return – is a growth sector, in terms of capital being allocated by a range of investors, as well as in the funds and enterprises that are seeking such impact capital. These types of investments seek to convert economic gains into social outcomes over time, for individuals and their communities, within a complex set of economic, social and cultural systems. In practice, however, there has been relatively less attention paid to household-level outcomes compared with enterprise-level or fund-level outputs. Short-term output measures are an inadequate proxy for long-term social progress, particularly in these complex environments.

Designating the household as a prime unit of analysis for evaluating the results of impact investments encourages a more robust approach to evaluating impact. This approach enables the assessment of the results of incremental income from jobs and self-employment on indicators of the well-being of the household and its members. It also places the focus on the critical micro-level processes of managing risk, creating opportunity, making decisions and allocating resources, all of which are influenced by power and gender relations. In addition, this approach allows for a more holistic understanding how social impact is created and valued, balance the goals of accountability and learning, and address some limitations of existing measurement approaches. There is an opportunity to align these techniques and tools with common standards and indicators, adopt lean data practices, apply a gender lens, develop and test household scorecards, and creatively integrate a mixed methods approach.

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Paper No.: 16068

Session No.: 5.3

Sharifah Faigah Syed Alwi, Arshad Ayub Graduate Business School

Mohamad Nizam Jaafar, Amirul Afif Muhamat, Ismah Osman
Arshad Ayub Graduate Business School, Faculty of Business and Management

Mohd Fuad Sawari, Kulliyyah of Islamic Revealed Knowledge & Human

Examining the Issues of Letter of Credit in Islamic Banks

Abstract: Islamic banks in Malaysia offer Letter of Credit (LC) using two Shariah (Islamic laws) contracts namely murabahah (cost-plus) or wakalah (agency) based on the customers' need for the LC issuance. Being the original product of International Chamber of Commerce, the implementation of LC with Shariah contracts has some challenges because all Islamic banks have to ensure their operation comply with the Shariah requirements in some laws and regulations issued under the Laws of Malaysia to avoid a stern penalty. Thus, the main objectives of this paper is to identify the issues faced by the Islamic banks in offering LC Murabahah or LC Wakalah and try to suggest the best practice according to Shariah. This research adopted qualitative method where the evidence on the issues of Islamic LCs is gathered from the bankers in twelve Islamic banks who directly involved with LC issuance. This paper found that there are three issues of LCs when they are to be offered by Islamic banks such as the issue of the existence of sale contract between importer and exporter will disallow the importer to apply for LC Murabahah from the bank, the issue of conversion of LC Wakalah to LC Murabahah in the midst of the LC issuance, and the issue on the title of goods stated in the bill of lading for both Islamic LCs. Bank Negara Malaysia's role is essential in preparing direction for the Islamic banks to offer LC facility in the very best manner and also Shariah compliant.

Paper No.: 16069

Session No.: 5.3

Ruhaini Muda, Accounting Research Institute

Salwana Hassan, Accounting Research Institute/Faculty of Business and Management, Universiti Teknologi

Nordin Abu Bakar, Faculty of Computer and Mathematical Sciences, Universiti Teknol

Financial distress and economic cycle in dual banking system

Abstract: The paper studies financial distress over the economic cycle in a dual banking system, Malaysia, with the objective of ascertaining whether Islamic banks have a role in mitigate financial distress. The study makes use of unbalanced panel data of 27 conventional banks and 16 Islamic banks for a span of period 2005-2014. The study uses Z-score and non-performing loans as financial distress and segregates the analysis for conventional and Islamic banks, as well as a collective analysis to study the banking system. The results indicate that first, the pro-cyclical of financial distress on economic conditions for Islamic and conventional banks. Second, the impact of economic cycle on financial distress for both banks are different. Conventional banks exposed to higher insolvency risk during the downturn of economic cycle relative to Islamic banks. The z-score indicates the conventional banks are more distressed relative to the Islamic banks. The impact on NPL for conventional banks also show similar results relative to Islamic banks. Collectively, it showed the pro-cyclicality of financial distress and economic conditions. However, the coefficients values are approaching the values of Islamic banking. The results imply that the operation of Islamic banking in dual banking system, such as Malaysia, provide positive contributions to the banking system as a whole. In addition, the results showed that both conventional and Islamic banks have same significant factors but notably for conventional banks size of bank affect financial distress differently. The larger the bank size, the lower the possibility of the bank to distress. However, Islamic banks resulted in having negative relationship between the market share and the Z-score. It is due to the limited opportunity in investment are available in Islamic banks.

Paper No.: 16070

Session No.: 2.3

Catherine Deffains-Crapsky, University of Angers

Carine Girard, Audencia Business School, Nantes

Bo banks play a role in Equity Crowdfunding? Tha Case of France

Abstract: Entrepreneurship plays a crucial role in economic development and understanding the financing of new ventures is crucial. A common belief about the financing of new ventures is that they are primarily financed by equity. Several empirical studies on entrepreneurial firm datasets show bank financing is an important source of financing for new businesses. Moreover technological innovation affects the way new ventures are funded. Equity Crowdfunding (ECF) platforms play an increasing role in the funding cycle of young and innovative companies. The aim of this explanatory qualitative research is to analyze the interactions between ECF and bank lending looking at the relationships these actors have implemented. Moreover, we investigate the demand-side through a qualitative analysis conducted with entrepreneurs who have successfully funded their company on a French ECF platform. Our results suggest that financial sources cannot be analyzed in isolation while their interconnectedness becomes increasingly important. Furthermore it questions the linear funding chain of outside equity financing because alternative funding sources offer various shades of funding.

Paper No.: 16071

Session No.: 2.1

Olga Biosca, Rachel Baker, Cam Donaldson, Fatma Ibrahim, Tim Laxton, Neil McHugh

Yunus Centre for Social Business and Health, Glasgow Caledonian University

Fair credit, health and wellbeing

Abstract: In this paper, we empirically explore, using financial diaries, the potential of fair microcredit to act in the role of a public health intervention. The financial diaries collected to explore the connection between microcredit and health track the financial lives of 45 low and moderate income individuals in Glasgow over the course of 6 months. The data set includes monthly cash flows of income and expenditure as well as balances of assets and liabilities. Our study finds evidence of an association between financial management strategies, such as the use of fair credit, and subjective health and wellbeing. Access to affordable, fast, small loans contributes to stabilise financial lives during shocks and transitional periods subsequently affecting health outcomes.

Paper No.: 16073

Session No.: 2.1

Leonid Shafirov, Southern Federal University

Sustainable lending for housing projects: Is affordable housing a myth for depressed Russian monotowns?

Abstract: The research presents the author's attempt to provide a link between the idea of sustainable consumer credit practice and increase in housing affordability, as one of the key elements for the local socio-economic development participatory programs for depressed territories in Russia. Lack of applied studies exists on retail product and service development aimed at harmonization of interests among all the parties involved in consumer lending system at the local level, in Russian developmental context. Meanwhile, housing affordability issue is one of increasing importance for Russian small towns and settlements, also relatively poor highlighted in existing research literature in terms of proposed measures to improve the local households' living conditions. This research gap is addressed in the paper relying on an integrative framework, blending the elements of the project management theory, pragmatic institutional economics, and reasoned action approach. Conceptual model is proposed to illustrate the process of institutionalization of sustainable lending and borrowing principles within the local communities, which implies prevention of wasteful-spending credit practices and transformation of consumer loan products into the financial source of development. The household survey, accompanied by the interviews with the community leaders in small depressed Russian monotown, have supported the relevance of sustainable credit products development to address local households' problems related to housing construction and renovation. The research findings have shown that Russian depressed mono-industrial towns are viewed as the testing areas for such pilot projects to be implement with the local authority's genuine participation.

Paper No.: 16075

Session No.: 2.1

Daniela Woschnack, Stefanie Hiss

University of Jena

Narratives of corporate accountability: How and why do corporations feel accountable for non-financial disclosure?

Abstract: This empirical study deals with narratives of corporations' accountability in the area of non-financial disclosure. Corporations and the society are interlinked in various ways. While corporations have extensive impacts on stakeholder and societal interests, they are confronted with social demands. Therefore, we shed light on the question: How and why do corporations feel accountable for non-financial disclosure? Following the new sociological institutionalism, corporations have to gain social legitimacy by balancing out the social demands they are confronted with and the socially accepted values and norms with their daily operations. Although the disclosure of non-financial information of corporations rose from a minor matter to an issue on corporations' agenda in the last decades, the field is still in its infancy. By conducting and analysing 38 interviews with various corporations and further relevant actors like sustainability accounting initiatives, sustainability rating agencies and audit and consulting firms using qualitative content analysis, we reproduce narratives of corporate accountability in the area of non-financial disclosure to explain the corporations' perspective itself.

Paper No.: 16077

Session No.: 1.2

Rajeshri Kaulagi, Al Koot Insurance and Reinsurance Company, Qatar

Economic effects of oil price voilatility and Risk Management on Construction Industry in Qatar.

Abstract: Slumping oil prices have severely affected government revenues. However, Qatar's commitment to host 2022 FIFA World Cup helps boost the Construction sector. Construction industry is inherently highly risk prone, with complex and dynamic project environments creating high uncertainty and risk. It is vulnerable to various technical, sociopolitical and business risks. Qatar's construction industry too faces a growing list of challenges in 2016 such as a shortage of labor, increasing construction inflation, and falling oil prices, appears unable to stymie the construction sector's growth trend ahead of the 2022 FIFA World Cup and the years ahead. Current economic downturn and challenges in a highly competitive construction sector requires contractors to manage their risks carefully and to adopt effective risk management. Managing risks in construction projects have been well recognized as a very important process in order to achieve project objectives in terms of cost, quality safety and environmental sustainability. Construction team is consist of professionals such as architects, engineer and quantity surveyor. Role of quantitative surveyor is evolving and being extended to keep pace with changing market forces. Thus, his knowledge of risks and an importance of risk management is crucial enabling him to deal with the risks appropriately which directly led to project success. This paper would report the research which aims to identify following:

- Understanding of construction professionals towards risk management,
- Level of its implementation, barriers or challenges,
- Impact of volatility in the oil prices and risk management on construction project,
- Impact on the cost of risk transfer through Insurance.

Paper No.: 16078

Session No.: 2.2

Supranee Sugaraserani, Rangsit University

Fair Value Accounting – Success or Waste on behalf of Efficient Information viewpoint: Evidence from Thailand Emerging Stock Market (MAI)

Abstract: This paper shows the evidence of information-efficiency provided by FVA. The data of 210 observations representing 30 listed firms on the MAI board of Thailand Stock Exchange over the period 2007-2015 were collected and analyzed. The empirical model developed from Watts and Zimmerman's PAT model was designed to test the efficiency of publicized information provided by FVA. Fixed Effect estimator was used to analyze the data. The result indicates that the players in the market put their trust in using publicized information, provided by FVA, in their decision because there is a signal of the value relevance between predictor variables and the firms' real value (i.e. stock returns). Hence, it is evidently expressed of the information-efficiency.

Paper No.: 16079

Session No.: 3.1

Maria Rosa Scarlatt, University of Surrey

Francesco Di Lorenzo, Copenaghen Business School

The Social Impact of Philanthropic Venture Capital Backed Social Enterprises

Abstract: Building on the prosocial organizing literature, this work assesses the relationship between the activity of social enterprises backed by philanthropic venture capital investors and inequality where they operate. Using Ashoka's portfolio of Indian social enterprises and the Integrated Public Use Microdata Series, results that a) Indian municipalities with social enterprises that have received funding by philanthropic venture capitalists are characterized by lower inequality, and b) among these social enterprises, those contributing mostly to inequality alleviation are those with a dominant prosocial orientation.

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Abstract Proceedings 16th Finance, Risk and Accounting Perspectives and 2nd Sustainable Finance and Impact Investing Conference – Cambridge, Sept. 25-27, 2017.

Paper No.: 16082

Session No.: 1.3

Christopher Kulins, University of Hanover

The Performance Implications of Crowdfunding

Abstract: Entrepreneurial ventures face an increasingly diverse set of funding sources. Although they have traditionally relied on business angel investments, corporate and independent venture capital as a major funding source, a growing number of them have considered crowdfunding. However, there is uncertainty about the long-term implications of crowdfunding, such as whether entrepreneurial ventures backed by the crowd are indeed more successful than their counterparts which secured financial resources from traditional investors. Relying on a unique data set of all videogames that secured funding through Kickstarter between 2009 and 2016 we find strong evidence that video games backed by the crowd are more successful. Thereby, crowdfunded games profit from complementary product extensions of innovative users. We believe this is the first study to operationalize, measure, and test the performance consequences of reward-based crowdfunding. We thereby answer to one of the most frequently mentioned calls in the field. Additionally, we show that the integration of lead-user theory and the corresponding discussion on innovation communities are fruitful lenses to enhance our understanding of crowdfunding.

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Paper No.: 16083

Session No.: 3.1

Donald Stevens, St Edmund's College

Dirk Brounenm, TiasNimbas Business School, Tilburg, Netherlands.

Winfried de Coo, TiasNimbas Business School, Tilburg, Netherlands.

Hassan Adan, University of Cambridge, Department of Land Economy

Franz Fuerst, University of Cambridge

Risks and Uncertainties Associated with Residential Energy Efficiency Investments

Abstract: This study sets out to discuss and test the factors which, in the existing literature, are identified as potential risk factors for consideration in energy efficiency retrofit valuation estimates. It reviews both the short- and long term assumptions regarding the various uncertainties associated with input parameters, to assess their potential effect on outcomes predicted by conventional calculation models. Potential risk mitigation strategies are discussed for each of the listed risk factors in reference to the energy efficiency risk dimensions presented. A general framework is developed and used to derive risk-specific parameters in a sensitivity analysis calculation. The results demonstrate that financial returns and payback periods are most sensitive to changes in debt, energy prices, interest rates, initial investment costs and holding periods. The results also underline the crucial role of market mechanisms (green rent premiums) for recouping these investments.

Paper No.: 16085

Session No.: 5.1

Asma Mobarek, Cardiff University Business School

Eva Liljeblom, Hanken School of Economics

Sabur Mollahm University of Hull

Do Independent Director or Independent Director Quality Matter for Bank Performance?

Abstract: This paper aims to examine whether board independence or independent directors' quality matters for bank performance. By using a sample of 169 banks from 32 countries for the period from 2004-2011, we find that independent directors' quality matters for bank performance, not the board independence. Our results are robust for true independent directors. Our study signposts significant implications for board monitoring systems by independent directors in globally large banks.

Paper No.: 16086

Session No.: 2.1

Yifat Reuveni, Tel-Aviv University

The Economic Value of Trust and Engagement – Building Community Development Finance Institute (CDFI) through collaboration: The case of the Arab olive oil industry in Israel

Abstract: This paper is based on the case of the olive oil industry in the Arab sector in Israel, an industry that struggling to stay afloat. In a sector where physic and economic barriers are constantly impeding the development of one of the most promising industries of the region, social finance innovations are highly needed. Considering its community engagement potential, this early-stage for-profit project has core social mission, measurable positive impact and potential for strong financial returns. However, political barriers are just one of the many problems faced by the co-operation of olive mill owners and olive groves growers. Fragmentation and mistrust in the other are also part of the challenge.

A CDFI development model plans to modernize the industry while maintaining its traditional values and character. It seeks to increase the profitability of the industry while preserving and highlighting its tradition, culture and historical roots. Raise scalability but keep the regional interests.

This paper is thus an invitation to review recent contributions from the social finance domain and explore possibilities for socio-economic synthesis to control growth and social mission together. It is reflecting on how engagement and trust can transform into economic value and by doing so help to include impact investment in the governmental and business community frameworks. In so doing, this paper can provide a forum for discussions about how not only access to credit but especially frameworks of partnership and trust can generate economic development and what a realistic scheme of regional sustainable finance could look like.

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Paper No.: 16088

Session No.: 5.1

Elisabeth Menschl, Johannes Kepler University Linz

Social Justice or Capability Approach Reloaded

Abstract: Globalization, Climate Change and Migration seem to be unsolvable problems. Within academic philosophy the novel focus of Capability Approach has attracted a number of scholars. It is seen to be relevant for the moral evaluation of social arrangements beyond the development context. It is also seen as providing foundations for normative theorizing, such as a capability theory of justice that would include an explicit 'metric' that specifies which capabilities are valuable and 'rule' that specifies how the capabilities are to be distributed. The capabilities approach is often discussed in terms of providing opportunities (Sen) and using human powers (Nussbaum). More often than not it is an argument to reduce poverty or increase the well-being of people around the globe. Recently, it has provided the framework to further advance arguments in other areas of applied ethics including business ethics, the environment, disability ethics and animal ethics. This entry will merely focus on the political, environment and social ethics because it calls attention to how far the capabilities approach can be extended. The philosopher Martha Nussbaum has provided the most influential version of such a capability theory of justice, deriving from the requirements of human dignity a list of central capabilities to be incorporated into national constitutions and guaranteed to all up to a certain threshold.

Paper No.: 16092

Session No.: Tuesday Keynote

Fergus Lyon, Middlesex University

Filling the finance gap for Green Sustainable Investment? A Review of UK Government Interventions to assist SMEs

Abstract: Support from public policy for SME access to finance has been under pressure in a time of austerity and spending cuts, amidst growing recognition of the need to meet growing finance gaps. This includes supporting sectors of the economy with wider social and environmental benefits. This paper explores evidence relating to the perceived finance gap for UK longer horizon green economy investments, seeking to explain the size of the gap and examine the justification for various government investment initiatives that have operated to address this, with varying degrees of success. Focusing on earlier stage innovative SME investment requirements into related sectors, such as cleantech energy and recycling and advanced manufacturing which can reduce carbon emissions, the paper highlights potential market failures within the broader contemporary technology and institutional paradigm, where improved research and government policy might make significant positive impacts. Our review and research provides considerable insight into the extent of the finance gap, what works well or less well in terms of UK government intervention initiatives and insight into the future policy requirements to address the finance gap for early stage longer horizon green, low carbon sector SMEs. We also explore the evidence of additionality of the government interventions and the extent to which other forms of finance are being leveraged in or displaced. This has implications for the greening of economies and delivering sustainable prosperity, suggesting a potentially expanded role for public sector supported finance initiatives.

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Paper No.: 16094

Session No.: 3.2

Julia Puaschunder, The New School Department of Economics

Financing Climate Justice through Climate Change Bonds

Abstract: Climate control needs have reached momentum. While scientists call for stabilizing climate and regulators structure climate change mitigation and adaptation efforts around the globe, economists are concerned with finding proper and fair financing mechanisms. In an overlapping-generations framework, Sachs (2014) solves the climate change predicament that seems to pit today's against future generations. Sachs (2014) proposes that the current generation mitigates climate change financed through bonds to remain financially as well off as without mitigation while improving environmental well-being of future generations through ensured climate stability. This intergenerational tax-and-transfer policy turns climate change mitigation into a Pareto improving strategy. Sachs' (2014) discrete model is integrated in contemporary growth and resource theories. The following article analyzes how climate bonds can be phased in, in a model for a socially optimal solution and a laissez-faire economy. Optimal trajectories are derived partially analytically (e.g. by using the Pontryagin maximum principle to define the optimal equilibrium), partially data driven (e.g., by the use of modern big market data) and partially by using novel cutting-edge methods – e.g., nonlinear model predictive control (NMPC), which solves complex dynamic optimization problems with different nonlinearities for infinite and finite decision horizons. NMPC will be programmed with terminal condition in order to determine appropriate numeric solutions converging to some optimal equilibria. The analysis tests if the climate change debt adjusted growth model stays within the bounds of a sustainable fiscal policy by employing NMPC, which solves complex dynamic systems with different nonlinearities.

Paper No.: 16099

Session No.: 1.1

Samuel Drempetic, Bernhard Zwergel, Christian Klein

University of Kassel

What do ESG Ratings really measure? The Role of non-content-related data for the ESG Score of a company

Abstract: For sustainable and responsible (SR) investors as well as for scholars the environmental, social and corporate governance (ESG) scores of rating agencies are an essential. Although there are occasional studies, which compare ESG scores of different raters, there is no broader discussion on the development and relevance of these scores. We analyse the influence of firm size, a company's available resources for providing ESG data and the availability of a company's sustainability data on a company´s sustainability performance measured through Thomson Reuters ASSET4 ESG ratings. We find a high significant positive correlation between the stated variables and ASSET4 ESG scores. This raises the question of whether the way ASSET4 measures sustainability gives an advantage to larger firms with more resources for providing ESG data. Due to our results SR investors and scholars should reopen the discussion about what sustainability rating agencies measure with ESG scores and what exactly needs to be measured.

Paper No.: 16100

Session No.: // last minute cancellation

Katarina Rentkova, Darko Panevski

Comenius University in Bratislava, Faculty of Management

The Financial Sector and Economic Development

Abstract: Economic growth is one of the ultimate goals of any economic system. The relationship between the development of the financial system and economic growth is a subject of longtime debates. Although it seems that it has reached indicative consensus, economists still have different thoughts on the importance of financial system for the economic growth of one country. The primary purpose of banks is to mobilize otherwise idle resources for use in productive investment. A wide array of theoretical models has appeared in the growth and development literature in the past decade to formalize the link between financial-system functioning and the growth of the real economy. In comparison to the traditional growth models in which output was seen as a function of capital, labor, and disembodied technological progress, the current models provide a richer framework for interpreting the potential impact of financial systems. The main issue of this paper is to analyze the relation between development of the financial system and economic growth by using the secondary analysis of literature and historical descriptive analysis for empirical research. The purpose of research is to put the Macedonian banking system and its economic growth in comparative and historical perspective with the banking systems of Central and Southeastern Europe countries.

Paper No.: 16101

Session No.: 3.1

Ante Busic, University of Cambridge, Department of Land Economy

Franz Fuerst, University of Cambridge/University of Melbourne

Does your personality shape your reaction to peer pressure? A spatial study of the diffusion of solar panels

Abstract: Fostering investments in green technologies through social norms is a cost-effective alternative to financial incentives. The success of energy efficiency programmes incorporating social influence methods depends in a large part on the extent to which individuals in a social system consider peer behaviour in their decisions. This study investigates the impact of geographical concentrations of personality traits on peer effects for solar photovoltaic (PV) systems. Using data on the Big Five personality traits of 366,000 individuals and adoptions of solar PV systems across 2,600 postcode districts in the UK, a first-difference fixed effect regression model is estimated to analyse the link between the personality traits and the peer effects. The results suggest that districts with spatial concentrations of Openness to Experience and Conscientiousness exhibit stronger peer effects, but only under settings of low financial subsidies for solar PV systems.

Paper No.: 16105

Session No.: 2.3

Sadok El Ghoul, Campus Saint-Jean, University of Alberta

Allen Berger, Ruiyuan Chen, Omrane Guedhami
University of South Carolina

Bank Deregulation and Externally Financed Growth: Evidence from Firm-Level Data

Abstract: We test the impact of bank deregulation on firms' access to external finance to fund growth opportunities. Using a difference-in-difference approach, we find strong (weak) evidence that interstate (intrastate) banking deregulation is associated with greater access to external financing to fund growth. This effect on externally financed firm growth is weaker for small and financially constrained firms, firms in industries more dependent on external finance, and firms in states where banking consolidation is high. Our study provides micro-level evidence on one channel through which financial sector deregulation affects firm growth, namely, firm's ability to obtain external financing.

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Paper No.: 16110

Session No.: 3.3

Paolo Saona, Saint Louis University

Pablo San Martín, Universidad Católica de la Santísima Concepción

Mauricio Jara, Universidad de Chile

Group Affiliation and Ownership Concentration as Determinants of Capital Structure Decisions: Contextualizing the Facts for an Emerging Economy

Abstract: This study considers the firm's affiliation to business groups and the ownership structure as a special set of determinants of the capital structure puzzle of Chilean firms, vis-à-vis the contextualization of the main theories. The major findings confirm some expected relations but some others are not in line with the current literature. Results show that group-affiliated firms take advantage of internal capital markets and transactions with related parties (e.g. low transference price or loans at competitive interest rates) which reduces the demand for debt. Majority shareholders in affiliated firms behave as controllers of managers on the one hand and avoid the supervisory role of debt on the other hand. In stand-alone firms, supervision led by majority shareholders is complemented by the monitoring role of debt through higher levels of leverage. The findings support the view that creditors are reluctant to finance companies with potentially high agency problems as a consequence of the existence of growth opportunities. Moreover, firm size and collateral impact positively on debt level, whilst profitability has the opposite effect according to the pecking order approach. Finally, we conclude that further developments in capital structure theories adjusted to the particularities of the different institutional contexts are needed.

Paper No.: 16111

Session No.: 5.2

Christian Kamtchueng, WeRepo

FVA Debate, Why Are They Still Debating?

Abstract: Funding Valuation Adjustment (FVA) has been introduced as the CVA and DVA after the default of Lehman Brother. Indeed as the result of the sub-prime crisis, the basis spread was not negligible anymore, credit and liquidity risk became the first concern. In addition, regulators put in place reforms, which associate capital reserve for each of these new risks. It became natural to adjust the so called fair premium (price linked to risk neutral measure) accordingly.

In fact the FVA debate is still opened, the industry is divided concerning its definition and its price adjustment status. If Academicians can argue, the risk is real; defaults occur and occurred because of liquidity issues (as demonstrated in The Fear Pricing Theory, credit risk and liquidity risk are linked to each other).

In one hand, we have for non cleared trade a risk associated to unknown(risky) cashflow, in the other hand we have to answer to the margin call. We distinguish different FVA terms, compare literature formulas and financial interpre-tations.

We are focus on the FVA charge independent of the hedging strategy used to replicate the contingent claim. As we explain in this article, we have to separate these two definitions. Indeed oe of them is clearly not hedgeable, it is a cost depending on our hedging choices whereas the one mentioned in this article is purely related to the cash flow due.

Paper No.: 16113

Session No.: 1.2

Christian Kamtchueng, WeRepo

Incomplete Market and Information Relevance Response to the No Believer on Self Finance Replication Strategy

Abstract: Black and Scholes is an institution in quantitative finance. The main innovation was in the existence of a self financing portfolio which is able to replicate the (supposedly smooth) price process of a contingent claim.

Clearly established as representation model via the market implied volatility, it is sim-plistic enough to understand the notion of dynamic hedging but also complex enough to capture the main risk drivers. Some assumptions are unrealistic such as the determinis-tic volatility of the underlying but one part of the industry rejects particularly the PDE method because of its mathematically incorrect derivation. What is wrong with this nu-merical method, as the Theory Pre Lehman should be independent of the numerical choice? Where is the confusion or missing points concerning the theory?

We will first derive the PDE and then respond to Gikhman comments [5]. then we will highlight new context which can in some degrees give reason to the skepticism thank to the new development in Information Relevance.

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Paper No.: 16114

Session No.: 5.3

Michael Imerman, Lehigh University, College of Business and Economics

Ben J. Sopranzetti, Rutgers Business School

Does the market differentially reward FinTech innovation by banks? Evidence from M&A in the presence of limited patent protection

Abstract: This paper provides an initial exploration of the market's reaction to bank acquisition of FinTech related technologies. Although due to the early nature of this study the sample size is relatively small, the empirical results are significant and interesting. The market positively rewards banks for engaging in software and mobile banking related FinTech acquisitions, but seems to offer little reward for banks engaging in other types of FinTech acquisitions, including those involving payment systems, money transfers, and online lending, among others. The market rewards acquirers with better operating performance and punishes those with higher operating leverage. Interestingly, the market's perception of the value of intellectual-property-based acquisitions was impacted significantly by the 2014 Supreme Court ruling in Alice Corporation. v. CLS Bank International. Although the Alice opinion did not specifically single out software patents, the case is widely considered to be a decision regarding software patents or patents on software for business methods. The value of software-related acquisitions seems to have diminished somewhat relative to other types of FinTech acquisitions.

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Paper No.: 16115

Session No.: 2.2

Peter Hofer, Thomas Plank, Hans-Christian Jetter, Conny Walchshofer

University of Applied Sciences Upper Austria

INTERACTIVE VISUALIZATION OF BIG DATA: A SURVEY OF CURRENT PRACTICE AND POTENTIAL BARRIERS FOR ADOPTION

Abstract: The rapid growth of the amount of available data calls for novel digital tools for analysis and decision support. One of these tools is the interactive visualization of data. It supports users in getting an overview of and insight into vast amounts of data. Although many different visualization approaches and interaction techniques have been proposed and discussed in academic research, we found that the current visualization practices lag behind this state-of-the-art in research. To better understand current tool use in practice and the reasons for this lag, we conducted a survey of current practices in Austrian companies, including the familiarity with and perceived usability of interactive visualizations. The responses enable us to describe the state-of-the-art of big data visualization in Austrian companies from a broad variety of business sectors and to discuss potential reasons for the slow adoption of novel interactive visualization types.

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Paper No.: 16116

Session No.: 3.3

Lisa Falschlunger, Heimo Losbichler
University of Applied Sciences Upper Austria

Othmar M. Lehner, University of Oxford

Applying Cognitive Fit Theory on Financial Information Visualization: recognizing Cognitive Load

Abstract: Using earlier research explaining the efficiency and effectiveness of cognitive processes in in-formation visualisation the current study enhances the theory of cognitive fit by borrowing from perspectives of the multi-store model of memory, the theory of working memory and the theory of cognitive load in order to contribute to the field of InfoVis. The additional perspectives allow a sharper focus on the human cognitive architecture and decision maker behavior during infor-mation processing and therefore help clustering the often observed heterogeneity of previous studies. This paper proposes an integrative model based on partial least square structural equa-tions, which builds on an innovative combination of the underlying constructs and subsumes the said theories into a unified holistic schema. For an empirical validation of the proposed en-hancements we analyze gaze behavior during information acquisition and processing. For this we use eye tracking data to gain detailed insights into the participants' cognitive state. The model improvements result in a R^2 of 0.567 and a high predictability as measured by Q^2 (0.301). With our paper, we contribute to theory by critically evaluating well known constructs and by provid-ing a novel holistic configuration with high predictability. What is more, it informs practice of how to test for an optimum visualization given specific tasks for a specific audience.

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Paper No.: 16117

Session No.: 1.3

Steven Michael, University of Illinois

Closing the Knowledge Gap in Corporate Entrepreneurship Through Staged Commitment

Abstract: Corporate entrepreneurship requires senior executives to evaluate proposals for investment and projects from corporate entrepreneurs. Properties of technology make this evaluation difficult, creating a knowledge gap. Whether through opportunism, overconfidence, or opportunism, corporate entrepreneurs are likely to induce overinvestment in projects, perhaps at the expense of corporate goals. In this paper we analyze this problem using the tools of agency theory, and identify a solution, staged commitment, used and useful in many areas of business.

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Paper No.: 16118

Session No.: 1.3

Theresia Harrer, University of Applied Sciences Upper Austria

Othmar M. Lehner, ACRN Centre, University of Oxford

Crowdfunding Platforms as Super-Catalysts in an Entrepreneurial Ecosystem

Abstract: Research into Crowdfunding (CF) rarely uses a holistic view on the positioning of relevant actors and their activities. We are looking at how crowdfunding platforms (CFP) as focal actors exert influence to create and delineate the field and apply an ecosystem perspective by studying structure (focus on activities) as well as affiliation (focus on actors) in multiple case-studies of platforms and ventures. The following major themes have been extracted from the data: Signalling, Isomorphism, Tools and Instruments, Investor Relations in Cascaded Funding Strategies and Agenda Setting. It is demonstrated how obstructive hurdles and service-gaps are targeted by CFPs to realize the implied value proposition of crowdfunding. As an outcome, we conceptualize and label a fine-grained set of value propositions for CFPs and discuss the broader role of financial intermediaries. With this we provide value for policy makers, platforms and entrepreneurs and contribute to the literature on entrepreneurial ecosystems and tech-innovations.

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Paper No.: 16119

Session No.: 3.3

Raul Martinez-Oviedo, Francesca Medda

University College London

Real Natural Assets: The real green investment alternative

Abstract: This paper presents an analysis of green investment performance grouped into two broad categories: non-real green assets and real green assets. The objective of this work is to identify which green investment alternatives offer greater financial benefits and are thus more attractive to investors. We also investigate some of the intrinsic risks associated with this asset class. Our performance analysis is based on the study of the expected returns, volatility, diversification potential, downside risk, association with inflation, and exposure to liquidity shocks in stock markets of real and non-real green assets, and to compare them with those of traditional asset classes such as equity, bonds and real estate, and other non-traditional assets, namely infrastructure. Our findings indicate that real green assets, in particular, may represent the appropriate alternative in the adoption of green investments.

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Paper No.: 16120

Session No.: 2.2

Minna Martikainen, Jyri Kinnunen

Hanken School of Economics

Corporate Insider Trading and Social Networks

Abstract: We explore whether corporate insiders with different levels of connectedness, measured by their centrality within a network of directorship interlocks, earn different abnormal stock returns on their reported insider transactions. Previous literature shows that insiders' personal attributes explain a large part of variation in abnormal insider profits, while an association between insiders' trading behavior and their social networks have received little attention. Our results imply that personal attributes such as age, gender, and education are mainly indirectly related to insider trade performance through their positive impact on connectedness. Well-networked insiders earn higher abnormal returns after stock purchases. This finding implies that insiders use their connectedness and its impact on their informational advantage over other investors to extract economic rents via insider trading. At the same time, we also find that the level of connectedness may be associated with reputational costs of misusing insider information, limiting well-networked insiders' willingness to engage in aggressive selling before stock price declines. These results remain after controlling for various firm- and insider-level characteristics, including executive hierarchy.