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Impact of Acquisition Intensity on Long-term Stock Price Returns

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Abstract

Some companies pursue a more aggressive merger and acquisition strategy than others. While consensus empirical evidence on the effect of mergers and acquisitions suggests a negative impact on the stock value of the acquiring firm, the volume and value of M&A deals completed globally continue to rise. Analysing a sample of 3,013 US-listed companies and 12,083 M&A deals over a 36-year period, this paper looks at the impact of Acquisition intensity over time on the share price of the acquiring firms. We use a modified version of the Fama and French 3-factor model, adding a fourth factor called Acquisition Intensity to answer our key research questions: 1. Is Acquisition Intensity a common risk factor in explaining variations in stock price returns? 2. Do Organic growth companies outperform companies with an aggressive acquisition strategy? Our findings are relevant to a portfolio manager in portfolio stock selection, performance evaluation and rebalancing.

Study of Systemic Risks to Indian stock markets from rising share of ETFs

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Abstract

The objective of this paper is to study the significance of i) tracking error of ETFs ii) tracking error of index funds iii) compare tracking error of ETFs and index funds iv) compare tracking error of different types of ETFs. We also conduct an attribution study to understand the factors behind the tracking errors. We selected 10 ETFs and 4 index funds. Our study shows that: a) The tracking errors for both ETFs and index funds are significant b) The ETFs have lower tracking error than index fund c) The ETFs tracking non-Nifty indices have higher tracking errors than the ones tracking the Nifty. d) Our attribution analysis highlighted that the total expense ratio skews the tracking error in favour of ETFs. Further, for the less liquid passive funds, rebalancing was also a significant contributor to the overall tracking error.

The impact of price uncertainty on carbon capture utilization and storage (CCUS) projects: an analysis based on real option method

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Abstract

To achieve carbon neutrality and thus effectively implement the Paris Climate Agreement1 and the 2030 Agenda for Sustainable Development2, the United Nations is calling for the rapid deployment of carbon capture, utilization and storage (CCUS). The current form of carbon dioxide utilization under CCUS is to use carbon dioxide as a displacement tool to enhance oil recovery (EOR) in mature oil fields. This techniques help extract a larger portion of the oil in place by injecting captured CO2, thereby increasing overall oil recovery and extending the life of the reservoir. However, as the efficiency of power generation from thermal power plants generally declines after carbon capture and storage (CCS) retrofit, the future development of enhanced oil recovery through CCUS is filled with uncertainties. As a market-oriented policy tool, it is widely recognized that the carbon trading mechanism as well as feed-in tariff can effectively enhance the value of CO2 recycling technologies and promote their implementation. In this context, both a deferred and a growth option are analyzed using the continuous time model to overcome the shortcomings of traditional investment decision criteria such as NPV. The results of the sensitivity analysis show that a higher price of carbon and oil is needed to ensure a cost- effective investment in carbon capture (CCS) and utilization (EOR) projects respectively. It is suggested that the implementation of a specific feed-in tariff program for thermal power plants equipped with CCS technology can offset the shortfall in efficiency loss caused by technology retrofit. Accelerating CCS development in the short term also requires the combined efforts of other powerful political incentives.

Sources of Return Predictability

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Abstract

We develop an approach to determine whether a particular predictor represents a proxy for fundamental risk. We build on the assumption that risk-based predictors should be linked to new information about economic conditions. We show that most predictors forecast returns on either days with macroeconomic announcements or the remaining days, indicating that sources of return predictability differ across predictors: few are driven by fundamental risk; most have other origins. We show that Shiller?s excess volatility is confined to non-announcement days, suggesting that the ability to forecast stock market?s noise component underlies much of the predictability documented in the literature.

Social Media Sentiment, Investor Herding and Informational Efficiency

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Abstract

We examine the impact of social media sentiment on the informational efficiency of financial markets. Specifically, we explore the relationship between sentiment extracted from Twitter posts and two commonly used measures of efficiency: return autocorrelation and variance ratio. Our findings reveal that higher sentiment leads to higher return autocorrelation and variance ratio the following day, indicating a decrease in informational efficiency. We also demonstrate that the impact of social media sentiment on informational efficiency stems from the emergence of herding behaviors among traders, with higher sentiment leading to heightened herding activity. Our findings support the notion that higher social media sentiment contributes to a decline in the quality of the information environment, resulting in informationally inefficient equity prices.

Explaining the Forward Premium Puzzle: The Role of Ambiguity

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Abstract

This study investigates the persistent anomaly known as the Forward Premium Puzzle in international finance. While covered and uncovered interest parities in conjunction imply that forward rates should provide unbiased estimates of future spot rates, empirical evidence has consistently shown the opposite. This study proposes a novel explanation for the FPP by considering the influence of uncertainty. Drawing on the concept of ambiguity aversion, we explore the idea that investors demand compensation for the inherent risk and ambiguity associated with foreign exchange trades. By incorporating time-varying risk and ambiguity premiums into our model, we aim to shed light on the drivers behind the FPP. The findings contribute to the ongoing debate on the primary cause of this puzzling phenomenon.

ESG Matters: Why Prioritizing Sustainability Can Reduce the Risk of Bankruptcy

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Abstract

This research paper examines the impact of environmental, social, and governance factors on the likelihood of bankruptcy. The study confirms that companies with stronger corporate social responsibility practices are less likely to go bankrupt, in line with stakeholder theory, which suggests that companies should prioritize the interests of all stakeholders. The study also reveals that all three pillars of ESG have a positive impact on the Z-Score, with human rights, emissions, and management scores being the most important variables for reducing the likelihood of bankruptcy. Furthermore, the study finds that effective auditing and corporate governance practices can minimize the probability of bankruptcy in the short and long term. While ESG factors have a positive impact on a company's Z-Score in the short term, the study suggests that it may not persist in the long term due to the complex and multifaceted relationship between ESG and financial performance. The study recommends that companies prioritize genuine and long-term ESG efforts that align with their business strategies and values to build stakeholder trust and ensure financial stability.

Examining the moderating role of firms characteristics in the corporate governance-financial reporting quality nexus: evidence from developing country

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Abstract

The objective of this study is to provide a clearer understanding of how firm characteristics influence the relationship between corporate governance and the quality of financial reporting. A regression analysis was conducted using a sample of 598 firm-year observations from 46 firms to investigate the impact of corporate governance variables, specifically Board Size, Board Gender Diversity, and Independence of the Audit Committee, on the level of compliance with International Financial Reporting Standards (IFRS). The findings of the study indicated a significant impact of both Board Gender Diversity and Independence of the Audit Committee on the level of compliance with International Financial Reporting Standards (IFRS). Specifically, the link was shown to be highly influenced by firm characteristics such as size, age, and return on assets. The implications of these findings suggest that the success of corporate governance in guaranteeing high-quality financial reporting is dependent on certain characteristics of the organisation. It is advisable for regulatory agencies to consider the modification of governance principles in order to align with the unique characteristics of specific firms. There is a growing call for firms to actively promote and support gender diversity among their board of directors, as well as prioritise the independence of their audit committees. Furthermore, it is advisable for organisations to adopt a proactive stance in order to enhance internal controls and implement targeted training programmes for board members, with the aim of effectively addressing unique issues faced by the organisation.

Comment on the variance in the paper entitled ?Credit risk measures and the estimation error in the ASRF model under the Basel II IRB approach?

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Abstract

The European banking regulation does neither specify a methodology nor a level of confidence for the purpose of quantifying the margin of conservatism for the general estimation error (MoC C) of risk parameter estimates. In order to fill this gap, Casellina et al. (2023) determine the MoC C of probability of default estimates based on the upper endpoint of a confidence interval of the long run average default rate (LRADR). In doing so, the authors assume an infinite granular portfolio. Consequently, their level of MoC C does not increase with decreasing number of observations contrary to European banking supervisors? expectation. Therefore, we provide an upper bound / equation for the variance of the LRADR, which is a (strictly) monotonically decreasing function of the number of obligors. Replacing equation (11) of Casellina et al. (2023) with this upper bound / equation thus improves compliance with expectations of European banking supervisors.

Spillover effects of geopolitical risk on banking sectors: evidence from a sample of CIS countries

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Abstract

This study examines the spillover effects of geopolitical risks (GPR) on the banking sectors of a sample of Commonwealth of Independent States (CIS), with particular focus on the consequences of the Russia ? Ukraine war. We also investigate whether the performance of CIS banks has been impacted by economic sanctions imposed on Russia since the start of the conflict. We use the GPR index from Caldara and Iacoviello (2022), as a global measure of geo-political risk, and the Diebold-Yilmaz (2012) connectedness model, to estimate the spillover effects of the conflict on the performance of financial institutions of selected CIS countries. Our results do not show significant evidence of GPR transmissions on the performance (returns) and risk of the banking sectors in the countries examined. We suggest that this is mostly because the CIS economies examined tend to have low exposure to external financing and investment flows and are therefore less affected by global geopolitical risks. The high levels of state ownership and tight government control further limits financial institutions? exposure to external shocks. This study allows for a better understanding of GPR transmission mechanisms, and of the consequences of the conflict on Russia?s neighbouring countries, and can support policymakers and financial institutions in formulating risk management strategies.

Bankruptcy of listed companies and ESG scores

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Abstract

This paper investigates the relationship between positive Environmental, Social, and Governance (ESG) scores and corporate bankruptcy risk while considering various influencing factors. Our analysis reveals a nuanced but noteworthy negative correlation, with a maximum coefficient of -0.01. We meticulously account for confounding variables, including geography, sector, and the substantial impact of the 2020 pandemic on corporate bankruptcies. The findings suggest that firms with higher ESG scores may exhibit greater resilience during economic downturns, possibly due to enhanced stakeholder engagement practices. Additionally, a compelling connection emerges between company size and ESG performance, with larger enterprises demonstrating superior ESG credentials, likely driven by their increased resource base and opportunities.

Funds Transfer Pricing and its impact on interest rates offered to banks? corporate customers

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Abstract

The paper investigates the Funds Transfer Pricing (FTP) system used in the banking sector and its impact on the final interest rates offered to corporate customers. Theoretically, FTP rates should cover interest and liquidity risk thereby explaining significant part of the total cost that a bank incurs when granting a loan. The goal of the research is to: 1) statistically verify the existence of the interrelation between FTP indications and the final interest rates offered to corporate customers and 2) to indicate the factors influencing FTP and to measure their potential dependency on the external customer rates. With regard to FTP mechanism, the literature is mostly focused on its role within financial institutions, possible frameworks (structures) of the system itself and the derivation of FTP rates. There exists research which compares output of internal FTP indications and external rates offered to banks? customers. However, the study considering the statistical verification of that phenomena is missing, especially the one outlining the impact measurement of each FTP component on the final customer rate. In addition, the examinations of possible correlations of selected FTP factors would allow to better understand the pricing mechanism of the banking sector and enable the optimal decision funding metrics. In order to verify if FTP rates influence the interest rates offered to the banks? corporate customers, the generic FTP rates simulation for a corporate loan that could have been granted in the Polish banking sector from January 2014 to September 2022 have been prepared. Then these FTP rates have been compared against the average interest rate for the new and renegotiated loans offered to the corporate customers in the respective periods. Lastly, the interrelation has been verified from a statistical point of view, including testing of each variable used in FTP derivation against the offered interest rate. The importance of liquidity premium specific to the maturity and to the institution have been confirmed statistically significant when deriving the final FTP rate but also the total cost for corporate customers. However, it should be pointed out that the statistical model works merely in ?standard? market conditions. Adverse macroeconomic environment distorts the model estimations causing heteroscedasticity effects. Overall, the institution specific credit risk (represented by LP specific to institution) and a cost incurred by a bank for providing long term financing (LP specific to maturity) were transmitted on the corporate customer?s margin based on the sample. Such conclusion is in line with previous literature findings. However, an exact measurement of FTP components? impact on the customer rates constitutes a value-added of the research. A customer would be charged for any change of institution? credit risk or long-term financing cost almost directly (1.3 and 0.9 respectively). The changes of these 2 components explain ca. 77% of credit margin movements. In most economies, the banking sector serves as the main debt provider. Thereby, the proved interrelation (and its estimated correlation coefficients) between FTP rates? factors and final cost of loans for corporate customers should enable the FTP system to be used as the basis for the cost of debt calculation and eventually, be treated as a part of

the capital structure optimization tool.

BACKTESTING MEASURES OF RISK FOR DEVELOPED AND EMERGING REAL ESTATE INVESTMENT TRUSTS: IS MARKOV SWITCHING REGIME BETTER THAN SINGLE REGIME MODELS?

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Abstract

Recent literature has pointed out how Real Estate Investment Trusts (REITs) returns behavior is consistent with a Markov regime switching model. This paper tests advantage of the Markov regime switching GARCH (MRS-GARCH) over single regime model to calculate Value at Risk (VaR) and Expected Shortfall (ES) for REITs. Single regime, MRS-sGARCH, and MRS-gjrGARCH models are estimated for 6 different daily REITs indexes in rolling windows of 500 and 1000 days. Then Kupiec, Christoffersen and Engle & Manganelli tests are applied to calculated VaR in a backtesting process to assess models? performance. Tests proposed by Nolde & Ziegel and Bayer & Dimitriadis are used for ES backtesting. REITs indexes includes global, US, developed and emerging markets. Results presented a better performance in-sample of MRS-GARCH but show no improvement in VaR and ES estimations out-of-sample. Overall, these results dismiss a better performance of MRS-GARCH to measure risk through VaR and ES. These findings are similar for REITS in every market analyzed. This work contributes to studies that test superiority of switching regime to forecast volatility and measures like VaR and ES in different assets and sectors.

More Active Better Performance? Mutual Fund Managers Strategy Shifting and Performance

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Abstract

I introduce a new measure of active portfolio management, Strategy Shifting, which represents the divergence of the actual weight from the expected weight that the stock should have in the fund if the fund follows previous stock characteristics based trading strategies. My findings support that mutual fund changing strategies contribute to fund performance. The result is robust after controlling for other active management measures and fund characteristics.

The impact of heterogenous fiscal policy stance of euro area member states on the ECB monetary policy

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Abstract

We employ ?thick modelling? approach with various GMM model specifications to investigate if euro area fiscal stance of different member states has been impacting ECB monetary policy actions from 2002 until 2022. The results reveal that fiscal deficits did not bear a material and consistent effect, but in most cases the effect was the direct one. This means that higher fiscal deficits could have led not to looser, but to a more restrictive monetary policy stance. This conclusion has not changed after the Covid-19 shock. The estimate of the projected inflation indicator remained on a relatively high level both before and after the Covid-19 shock.

ESG Practices and Financial Performance: Internal Audit's Key Insights for Resilience and Sustainability

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Abstract

This literature review investigates the evolving role of Internal Audit (IA) in addressing sustainability, resilience and Environmental, Social, and Governance (ESG) considerations. It explores two key questions: 1) "How does Internal Audit contribute to an organization's sustainability and resilience efforts through ESG implementation?" and 2) "How the additional value created through ESG implementation can be measured?". It highlights the importance of corporate responsibility (CR) and sustainable responsible investment (SRI) in shaping ESG's value proposition. Overall, the research shows that ESG practices contribute to enhanced profitability and market value. It emphasizes IA's pivotal role in navigating the ESG landscape.

The Evolving Landscape of SME Financing

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Abstract

Despite the crucial role that SMEs play in the global economy, access to financing from traditional financial institutions remains a key constraint to SME growth. Traditional financial institutions have been employing a relationship-based approach when dealing with informationally opaque SMEs. However, these institutions are yet to adequately acknowledge the rise of the Internet. FinTech players are emerging in the commercial lending landscape with digital platforms that are addressing the pain points that SMEs have been voicing for several years when having to deal with traditional financial institutions to source term-debt financing, and putting into question the value of the relationship-based approach. This research aims to gauge the willingness of traditional financial institutions to adopt online commercial lending platforms that digitalize the SME financing process end-to-end for term-debt exposure of up to the local currency equivalent of ?1M. SMEs would gain increased access to financing, and an improved end-to-end experience, via traditional financial institutions that have proven their robustness across economic downturns, and traditional financial institutions would increase their competitive factor in a commercial lending landscape which now includes FinTech players.

Exploring Financial Literacy and Decision-Making Among Post-millennial Z Generation: A Small-Scale Experimental Study

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Abstract

This study investigates the financial behaviors and attitudes of young students at Vilnius University Business School, focusing on expenditure patterns, investment preferences, and responses to hypothetical financial windfalls. Gender disparities emerge, with males prioritizing transportation and investments, while females allocate more resources to public transport and home-related expenses. The research highlights that as available funds increase, students become more risk-averse but also exhibit greater consumerist tendencies. Income and risk tolerance significantly influence investment choices, with higher income moderating the risk appetite of certain groups. These findings underscore the importance of tailored financial education programs to equip young students with the skills and knowledge for prudent financial decision-making in today's complex financial landscape.

India?s Agricultural Finance: Its importance and Transition

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Abstract

Drying up of agricultural credit resulting from liberalization and prudential norms exposed the vulnerability of the sector and the political economy in turn intensifying a drive for credit creation for farmers. Meanwhile the financial sector was transforming itself with ICT which was proactively introduced into the rural sector setting agricultural credit into another transition and integrating agricultural finance with the nation?s financial sector drawn by rural branch expansion, kisan credit card (KCC) issue and their further automation. Branch expansion of Banks in the rural sector was the traditional instruments for banking expansion. The study finds that since its revival in early 2000s, bank branches continued growing slowly and steadily but KCC crashed following an initial resurgence even as credit creation grew. Banks remain stronger than KCC as determinant of credit which has a strong impact on income creation and determination of input after accounting for other natural, demographic and infrastructural factors.

Stock Price Crash Risk: A Systematic Review

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Abstract

Stock price crash risk is widely regarded as a useful indicator of overall stock market behavior. Stock price crash risk is defined as negative skewness in the distribution of returns which is important for investment decisions of companies. As a result, it is essential to systematically review the collected literature on stock price crash risk. In addition to reviewing past studies on stock price crash risk, this paper attempts a bibliometric analysis (BA). We systematically review over 473 articles and carry out a BA based on the journal, publication year, countries, statistical tools and techniques, citation analysis, and content analysis. Despite a large body of research, the findings further indicate a vast research gap in emerging economies. We believe that our current work of systematic literature review and BA will enormously facilitate academicians and practitioners working on stock price crash risk.

THE IMPACT OF THE INTERPLAY BETWEEN THE RISK MANAGEMENT PROCESS AND CREDIT APPROVAL PROCESS ON BANK PERFORMANCE: An overview of scientific literature and research methodology

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Abstract

In banking activity, prone to many risks, risk management is vital. The two processes of risk management and credit approval are essential in controlling risks. The aim of this research is (1) to determine and assess the relationship between the risk management process and credit approval process and (2) to evaluate the impact of that interplay on bank performance. We provide research insights on conceptualization and measurement of these processes, and we specifically focus on their interdependence and interrelationship. We note that the credit approval process has a positive impact on the credit risk management process by helping to mitigate the risk and the risk management process helps to improve the credit approval process by mitigating the possible approval for default clients. Both processes have a positive impact on bank performance, considering its effectiveness and efficiency measurements. To evaluate the impact of the interplay between the risk management and credit approval processes on bank performance, we aim at determining the relationships between the processes and checking whether one of the processes is a mediator to the relationship of the other process and bank performance. We come up with a research model, its four hypotheses, and research methodology framework and procedures. We suggest evaluating the risk management process, credit approval process, and bank performance by using effectiveness and performance metrics.

Resolving Market Uncertainty: Cross-sectional Estimates of Asset Returns

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Abstract

In this paper, we present an economic framework and empirical measures, estimated directly from the cross-section of asset returns, for studying the market uncertainty. We model the market uncertainty as a sum of long- and short-term components, where the short-term component captures market skeweness risk, as associated with financial constrains, and the long-term component is linked to market variance and macroeconomic risk. In addition, We expect the CSV/CSS measures to be significantly related to the future aggregate market re turns, especially when the cross-sectional skewness is added as a variable. The results of this research can be easily applied in the asset allocation and portfolio management practices and, also, in preparing financial policy measures.

THE EFFECT OF BANK CONSOLIDATION ON FINANCIAL STABILITY: EVIDENCE FROM THE MENA REGION

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Abstract

The banking sector in many MENA countries has recognized noticeable bank consolidation, which has dropped the number of banks and raised market concentration. This raises questions about the impact of such increase in concentration on the soundness of the banking sector and consequently on financial stability. Studies that explored this impact found conflicting results as some supported the ?Concentration-Stability Theory? while others found evidence in support of the ?Concentration-Fragility Theory?. This study examines the impact of concentration on the financial stability in the MENA region. It adopts the FM-OLS panel method on 16 MENA banking sectors covering the period 1996-2020. The empirical results show a negative relationship between banks? concentration and financial stability. Thus, banks? consolidation is harmful for financial stability in the MENA region and policy makers should adopt policies that encourage competition in the banking sector.

The Nonsense of Bitcoin in Portfolio Analysis

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Abstract

The paper demonstrates the absurdity of using Bitcoin in financial investments. By using mean-variance financial analysis, stochastic dominance, and the Shapley value theory as analytical statistical models I show the senselessness of Bitcoin by comparing it against other traded assets. The conclusion is reached by analyzing daily freely available market data for the period 2018-2023.

Localization Trends and Dynamics within U.S. Manufacturing

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Abstract

Objective: The primary aim of this study is to investigate the contemporary landscape of manufacturing industry localization within the United States. I seek to discern whether the phenomenon, initially highlighted by Ellison and Glaeser in 1997, still remains widespread across regions. Additionally, I aim to shed new light on the evolving geography of manufacturing within the United States, by exploring whether there are discernible shifts in this localization trend, aligning with the evolving dynamics observed since the early 1980s. Design and Methods: This study adopts a positivistic research approach, utilizing the Ellison and Glaeser (1997) index (EG Index) to quantity geographical agglomeration in U.S. Manufacturing. It then conducts a comparative analysis between 1987 and 2017. To explore whether industry localization remains consistent in the face of changing US manufacturing sector and its geographical agglomeration dynamics, it examines data spanning from 2012 to 2017. Main Outcome Measures: By employing the EG index, the research confirms that U.S. manufacturing exhibits widespread geographical agglomeration, with varying levels across industries. Conducting a dynamic analysis over a five-year period from 2012 to 2017, it becomes evident that there is a significant rise in concentration ratios in manufacturing firm- level Herfindahl indices (FLHI) at the firm level within the manufacturing sector. Adjusting the FLHI to the Gini index when plant-level data is lacking reduces the industry?s actual geographical agglomeration level, a concern not previously highlighted in the literature. Results: Comparative analysis between 1987 and 2017 underlines fluctuations in industry localization levels. Over the three decades, highly localized industries have declined, while mildly localized industries have shown a growth. The findings suggest a decline in overall industry localization from 1987 to 2017. Dynamic analysis during a five-year period from 2012 to 2017 reveals relative stability in both EG parameter and Raw Concentration, albeit with a notable increase in FLHI. Conclusion: Over the course of three decades, there appears to be a decreasing trend in the concentration of industries in US manufacturing, possibly influenced by FLHI adjustments. When examining a five- year period from 2012 to 2017, there was generally stable performance in both EG parameter and raw concentration measures, with a slight increase in FLHI.

Peer Effect in Capital structure of Geographically Agglomerated Firms

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Abstract

Purpose: This study aims to investigate the role of geographically agglomerated peer firms in determining corporate capital structures. The concepts of peer effects in capital structure decisions and geographically agglomerated industries are well-suited paradigms in terms of social interactions, knowledge spillovers, and learning motives among people (managers) and firms. The study lies within the purviews of New Economic Geography and Corporate Finance. Approach: This study uses a large dataset consisting of all U.S. manufacturing firms from 1965 to 2017. To address the reflection problem that arises when trying to infer whether group decisions influence the decisions of individual firms that comprise the group, takes a positivistic research approach by incorporating research methods to capture the peer effect in geographically agglomerated firms. Data analyzing methods include two-stage least square (2SLS) regressions with instrumental variables. Contribution: The main contribution of this study is in expanding existing the knowledge on peer effects by taking an interdisciplinary approach, combining the corporate finance literature with theories derived from economic geography. The research has implications for future research on capital structure, encouraging researchers to cross less-traversed avenues to test corporate finance theories.

The model of credit risk assessment in loan comparison platforms under conditions of economic uncertainty

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Abstract

Recent research shows that increased economic uncertainty has adversely affected the performance of natural and legal persons and significantly increased the share of non-performing loans in creditors' portfolios. Some lenders have tightened their credit risk assessment criteria for both private and business customers. Despite the various programmes adopted by governments to mitigate the impact of economic uncertainty on the short-term solvency of businesses, most of these measures have not yet addressed the problem of access to credit by natural persons. Reduced access to funding is one of the factors increasing inequality and financial exclusion, accelerated by increased economic uncertainty. Thus, the aim of the research is to develop the credit risk assessment model in loan comparison platforms that would contribute to solving the problem of lending facilities for natural persons in Lithuania. The developed model will contribute to solving the problem of lending facilities for natural persons in Lithuania. This research is the first to (i) study and evaluate the economic behaviour and credit risk of loan comparison platforms? participants and (ii) quantitatively assess the impact of loan comparison platforms in solving the problem of lending facilities for natural persons.

A structural model for ESG linked bank debt financing

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Abstract

This paper investigates issuance and possible design of sustainable bank debt instruments. While these types of securities have found their place in corporate industry, banks? decision to issue debt linked to ESG targets needs to be weighed against regulatory requirements on loss absorbing capacity, subordination, and no incentives for early redemption. I extend and further develop a structural model of a bank which finances its assets with short-term deposits, equity and may choose to issue ESG linked subordinated and senior debt. I study the par yields of these instruments and mispricing of ESG targets based on different initial capital levels and bank incentives for risk taking.

Gender corporate leadership and ESG performance: global insights

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Abstract

Environmental, Social, and Governance (ESG) compliance has experienced increasing attention from both companies and regulators in recent years. Given the strong interest in this topic, this study investigates the relationship between firms? ESG performance and the characteristics of their board and management. Specifically, we analyse whether the presence of women on the board of directors and in management roles can enhance the ESG score. Utilising a dataset obtained from Refinitiv that includes over 5,000 global companies from 2013 to 2022, we show that gender diversity is overall positively and significantly associated with firm?s ESG performance. However, when we segment the dataset by continent, this result holds true only for the Americas, Europe, and Asia. Additionally, we dissect the ESG factor into its three pillars (Environment, Social, and Governance) to determine which pillar primarily drives the aggregate indicator. Fixed-effects regressions reveal that gender diversity influences only the Governance Score pillar, while results vary for the other two pillars at continent-level analysis. Interestingly, a significant impact on all three pillars is observed only in the case of American companies. Furthermore, we employ different models to address potential endogeneity issues.

Family Firms and Tax Avoidance Preferences: Evidence from India

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Abstract

Firms take decision regarding tax avoidance by carefully analyzing the marginal benefits against associated costs. Compared to other firms, tax avoidance preferences of family firms may differ due to their higher ownership stake, long-term investment horizon, and reputational concern. Prior research on family firms? tax avoidance preferences have yielded mixed results, however, the focus has been largely on European countries, the US, and China. To our knowledge very few research has been conducted in an emerging context, especially in a country like India, where joint family culture is dominant. To address this research gap, this study utilizes hand collected data on Indian family firms to examine whether family firms in India engage in higher or lower levels of tax avoidance compared to non-family firms. Results suggest that family firms avoid less taxes compared to other firms in India. Nevertheless, our study also suggests that there is an inverted U-shape relationship exists between family ownership and tax avoidance. Additional analysis on the impact of CEO types on tax avoidance indicate that founder of family firms who is the current chairman or CEO are less likely to involve in tax avoidance compared to descendant and outside CEO. The findings of this study have implications for understanding the behaviour of family firms and the dynamics of taxation in India.

Monetary Interventions, Equity Markets and Sectoral Price Distortions

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Abstract

This study examines the effects of changes in the size of the Fed?s balance sheet on the value of selected stock market indices by industry sectors during the 2008 ? 2022 period, which includes the 2008 ? 2013 and 2020 ? 2021 Fed?s monetary interventions. The results of this study suggest that changes in the size of the Fed?s Balance sheet influence the pricing of equity securities in the long run, and although aggregate equity indices get similar effects from the central bank interventions, there are different degrees of sensitivity of sectoral indices to the Fed?s interventions. In particular, stocks in the financial industry within the S&P500 index may be more positively influenced, while the real estate sector is the most negatively impacted from changes in the size of the Fed?s balance sheet.

The Dollar Squeeze and Economic Growth

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Abstract

We explore the relationship between covered interest parity deviations---measured by the cross-currency basis (CCB)---and output growth. We fit quarterly data from advanced economies (AE) and emerging markets (EM) into a panel VAR model, and find that a positive shock to the CCB typically leads to a significant and negative response in output, implying that looser dollar funding conditions induce contractions. This seemingly counterintuitive result suggests that dollar squeezes generally operate by lowering the attractiveness of non-dollar-denominated assets. In EMs, agents then substitute out of local-currency investments in favor of safer (dollar) assets, which then leads to domestic liquidity shortages that impair growth. In AEs, the exchange rate then appreciates to compensate holders of local-currency assets, which erodes export competitiveness and hence growth. The effect of dollar liquidity shortages inhibiting growth only applies in one specific circumstance: in advanced economies during financial crises, when liquidity shortfalls becomes especially debilitating. The findings are robust to variations in model specification and alternative measures of key variables.

Carbon emissions, stock returns and portfolio performance

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Abstract

This study offers an explanation for the absence of a carbon risk premium on the basis of scaled carbon emissions. The relationship between carbon intensity and stock performance is underpriced before the Paris Conference of 2015, but strong and economically significant afterwards. The estimated carbon pre-mium can neither be diversified away by risk factors or size, nor can it be attributed to highly carbon in-tensive sectors such as Energy, Utilities and Industrials. In addition, portfolios with a low carbon intensity focus broadly outperform the benchmark and high carbon intensity portfolios regardless of size, alpha and beta factors.

Dynamic CoVaR

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Abstract

Despite the popularity of the Conditional Value at Risk (CoVaR), an outstanding methodological challenge may hamper its accuracy in measuring the time-series dimension of systemic risk. The dynamics of the CoVaR are entirely due to the inclusion of state variables, without which the CoVaR would be constant over time. We relax the assumption of time-invariant tail dependence between the financial system and each institution?s losses. In this way, we capture the endogenous nature of systemic risk build-up, which exhibits more procyclicality than the one implied by the standard Co- VaR.We find that an institution?s contribution to systemic risk increases in the run-up to crisis, serving as an early warning signal.

Time Zone Difference and Equity Market Price Efficiency Post Announcements

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Abstract

We study how the timing of earnings announcements influences the information content of the price of stocks owned mainly by WA (Western Australia) investors- the investors who reside in different time zones than that of the primary stock exchange in the country. We use data from an online retail broker to classify stocks into two groups based on their WA investor ownership: (1) stocks with high WA holdings and (2) stocks with low WA holdings. We find that stocks in the former group are noisier than the latter group in the first four hours after the announcement, but the noise dissipates over time and becomes insignificant in the 7-hours window. The pricing error is higher for morning announcements (07:00-10:00 AEST) than afternoon announcements (10:00-16:00 AEST) and evening (16:00-20:00 AEST) in the first four hours after the announcement. Our results indicate that WA-based firms' noisiness is higher than non-WA-based firms in the first four hours following the announcement. We also find that the tone of earnings announcements influences the level of noisiness. Our results are robust to alternative noise measures and benchmark periods.

Does energy efficiency impact the cost of debt? ? the role of investments in research and development!

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Abstract

The relationship between energy efficiency and firm performance is much discussed, but how investors consider a firm's energy efficiency is not as well researched. This study empirically extends the discussion on this relationship by analysing 31827 firms' year observations of Indian firms between 2010-2022 using Tobit regression. The analysis found that energy efficiency lessens the energy outlay and persuades the leverage decision by influencing the cost of debt. The results argue against the linearity assumption and instead support a curvilinear inverse U-shaped correlation between energy efficiency and the cost of debt when investment in research and development aids energy efficiency.

The impact of the adoption of IFRS on accounting quality of financial reporting: A review

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Abstract

Since the mandatory adoption of International Financial Reporting Standards (IFRS) by European listed companies, there has been much interest in empirical research based on adoption of IFRS and its particular impact on financial information reported by entities. IFRS adoption is considered to positively impact the accounting information by increasing the comparability and transparency of financial reports. This paper?s objective is to discuss the meaning of accounting quality and how this can be increased by adopting IFRS.

Is Pradhan Mantri Jandhan Yojana having an impact on the Financial Literacy of slum dwellers of Bengaluru?

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Abstract

Financial inclusion and equality of finance are very crucial for the inclusive and sustainable economic development of a country like India which is smitten by inequality. In India, initiatives to promote financial inclusion were not new. The Government of India and the Reserve Bank of India have launched numerous measures to promote financial inclusion in India. An essential step towards financial inclusion in India is the Pradhan Mantri Jan Dhan Yojana. The main goal of this scheme is to give participants inexpensive access to a basic savings account with deposit and savings options, credit and remittance options, and pension and insurance options. Government of India authorized all the banks to open a Jan Dhan account. People who live in slums are a financially excluded group in society. The majority of slum inhabitants worked for themselves or in the unorganized sector, and they depended on loans every day to support themselves. This scheme attracted most of the slum dwellers to gain financial literacy to understand this scheme better and take advantage of the same. This paper is an attempt to study the impact of Pradhan Mantri Jandhan Yojana on Financial Literacy of slum dwellers of Bengaluru to and help policy makers to work on the awareness of these schemes to the stake holders. Descriptive research is carried on for this study and survey methods is used to collect data from 500 slum dwellers of Bengaluru and study found that the mean values of financial literacy were high concerning Jan Dhan account holders compared to other respondents. Thus the PMJDY scheme is successful in the creation of financial literacy among slum dwellers.

Sustainability Concerns in a Behavioural Finance Framework

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Abstract

We propose a behavioural approach to sustainable finance, which integrates the ethical concerns of the investor in the asset allocation process. The proposed model adopts an s-shaped value function, similar to the likes of the prospect theory, but incorporating specific sustainability constraints, allowing the investor to decide to what degree their portfolios should be sustainable. We introduce a measure of statistical deviation from the chosen sustainability benchmarks and consequently introduce the notion of tolerance to sustainability deviation, much like the usual risk tolerance. The model is tested against a real-world asset allocation problem and optimised by means of evolutionary algorithms.

Market Instability from Option Flow

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Abstract

In recent years, the importance of derivatives has increased in financial markets, and their footprint has become noticeable in the trading of underlying assets. We apply a financial stability framework to investigate the tipping points in a simplified financial markets. We show that, depending on the quantity and endowment of option traders, asset prices may grow beyond reasonable valuations due to the impact of option trading. This effect feeds off of an underpricing of implied volatility and may lead to sudden price drops once volatility is appropriately priced.

Effect of the presidential pre-election periods on the speed of corporate capital structure adjustment

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Abstract

The objective of this research is to evaluate the moderating effect of the presidential pre-election period on the relationship between the adjustment speed of capital structure to the target and the adjustment of capital structure in listed companies. The research was developed with a sample defined by listed companies in European Union, Latin American, and North American, and the period of twenty years (2002-2021). The adjustment speed of capital structure to the target was evaluated based on the two-factor model by Frank and Shen (2019). The results indicated that the presidential pre-election period negatively influences the relationship between the adjustment speed of capital structure to the target and the adjustment of capital structure in listed companies. It was found that both in emerging countries and in developed countries, the adjustment speed of capital structure is reduced in the presidential pre-election period. In addition, the results allowed the verification that there are potential economic factors associated with uncertainties and correlated with variables over time that reduce the adjustment speed of listed companies. In this sense, the results contribute to the capital structure literature by provide that even with the adjustment gap of capital structure between periods and the difference in adjustment speed of capital structure between listed companies in emerging countries and developed countries, listed companies? managers make decisions to adjust the capital structure.

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