Asia-Pacific Conference on Economics & Finance 2017

Programme & Abstract Book

Organized by

East Asia Research

Universiti Malaysia Sarawak

Programme Book

27th July 2017

Venue: Holiday Inn Singapore Atrium Level 3 (Seletar Room)

REGISTRATION: 09:00 – 09:45

APEF 2017 OPENING: 09:45 – 09:55

Dr. Evan Lau

Associate Professor, Director of Centre for Business Economics & Finance Forecasting

(BEFfore), UNIMAS

APEF 2017 PRIZE PRESENTATION: 09:55 – 10:00

Best Paper Award Presentation

KEYNOTE SESSION I: 10:00 – 10:45

'Social Economics: Empowering Statistical Analysis'

Dr. Evan Lau

Associate Professor, Director of Centre for Business Economics & Finance Forecasting

(BEFfore), UNIMAS

COFFEE BREAK: 10:45 – 11:15

KEYNOTE SESSION II: 11:15 – 12:00

'*Text and Impulses: The Bank of England's time-varying qualitative forecast performance*'

Dr. James Reade

Associate Professor, Department of Economics, School of Politics,

Economics and International Relations, University of Reading

LUNCH: 12:00 – 13:30

Buffet Lunch at Atrium Restaurant

SESSION I: 13:30 – 15:00

Room: Seletar 1

Session Chair: Kaihong Tee, Loughborough University

The Effect of Goods and Services Tax (GST) Imposition on Stock Return Volatility and Return Predictability

Yok Yong Lee, Universiti Putra Malaysia; Yahya Mohamed Hisham, Universiti Putra Malaysia; Bany-Ariffin A.M., Universiti Putra Malaysia; Aslam S., Universiti Putra Malaysia

Overconfidence in Bear-Bull Market States: Evidence from Pre-, During and Post-Global Recession

Suman Gupta, Indian Institute of Management Raipur

Correlation and Interdependence Structure in Stock Market: Based on Information Theory and Complex Networks

Songtao Wu, Southeast University

Genoeconomics - Integrating Genetic Data into Economic Research

Philipp Koellinger, VU University Amsterdam

Room: Seletar 2

Session Chair: Evan Lau, Associate Professor, Director of Centre for Business Economics & Finance Forecasting (BEFfore), UNIMAS

What's Mine is Yours: Sovereign Risk Transmission during the European Debt Crisis

Viet Nguyen, University of Melbourne

Foreign Banks' presence and Domestic Banks' performance: Evidence from Indonesia

Irwan Trinugroho, Universitas Sebelas Maret; Aina Mardiya, Faculty of Economics and Business, Universitas Sebelas Maret

Assessing the impact of remittances on consumption in China: the implications for economic growth

Harri Ramcharran, University of Akron

Shadow Banking and Investment: Evidence from Credit Intermediation of Non-Financial Firms in China

Erin So, Hong Kong Baptist University; Vinh Dang, University of Macau; Isabel Kit Ming YAN, City University of Hong Kong

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COFFEE BREAK: 15:00 – 15:30

SESSION II: 15:30 – 17:00

Room: Seletar 1

Session Chair: Suman Gupta, Indian Institute of Management Raipur

Timing the Liquidity of the commodity market: The implication for exposure management

Kaihong Tee, Loughborough University

The Value of Corporate Social Responsibility from the Perspective of Shareholders

Juniarti, Petra Christian University

Effectiveness of Selected Knowledge-Based Determinants in Macroeconomic Development of EU28 Economies

Viktor Prokop, University of Pardubice; Jan Stejskal, University of Pardubice; Petr Hajek, University of Pardubice

Determinants of Firms´ Innovation Activities: A Case Study of German Knowledge-Intensive Industries

Viktor Prokop, University of Pardubice; Petr Hajek, University of Pardubice; Jan Stejskal, University of Pardubice

Room: Seletar 2

Session Chair: Per Jonny Nesse, Telenor Research and Norwegian University of Science and Technology

Evaluating the" Unconventional" Unconventional Monetary Policy in Stock Markets: The Propensity Score Approach

Toyoichiro Shirota, Hokkaido University

Motivational Factors in International Non-Governmental Organizations in Vietnam

Nhung An, Chemonics; Ayi Ayayi, Université du Québec

Surveying Electricity Reforms: Empirical Evidence from Non-OECD Asian Economies

Rabindra Nepal, CDU Business School

Minimum wage and Women's Decision Making within Households

Jin Ho Kim, The George Washington University

28th July 2017
Venue: Holiday Inn Singapore Atrium Level 3 (Seletar Room)

SESSION III: 09:00 – 10:30

Room: Seletar 1

Session Chair: Rabindra Nepal, CDU Business School

Corporate Governance and Firm Level Financial Risks

Krishna Prasanna, Indian Institute of Technology Madras

Family Affair? – Insider Trading and Family Firms: Evidence from Thailand

Rapeepat Ingkasit, Thammasat University, Thailand

Plant heterogeneity and International Trade: Empirical evidence for Chilean manufacturing industry (1996-2007)

Jaime Campos, Universidad de Santiago de Chile

Pattern of R&D expenditure in the Indian service sector: A firm level analysis since 1999

Sonia Mukherjee, Jawaharlal Nehru University

Room: Seletar 2

Session Chair: Dr Binu James Mathew, College of Banking and Financial Studies

China's Aid and Africa's Economic Growth

Zhu Weiwei, Southeast University

Analyzing the Capital market movements and saving patterns of South Asian Countries Evidence from Pakistan, Bangladesh and Sri Lanka

Mah a Mobeen Ahmed, COMSATS Islamabad

Are Asian Dragons and Tigers catching up?

Olesia Kozlova, American University of Paris

Management of mobile financial services - review and way forward

Per Jonny Nesse, Telenor Research and Norwegian University of Science and Technology; Oddvar Risnes, Telenor Research; Hanne Stine Hallingby, Telenor Research and Oslo University

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COFFEE BREAK: 10:30 – 11:00

SESSION IV: 11:00 – 12:00

Room: Seletar 1

Session Chair: Sonia Mukherjee; Jawaharlal Nehru University

Agent-based simulation of cooperation diffusion in the irrigation self-governance

Jingjing Cai, Xiamen University

The Effect of Interpersonal Relationship between Auditor Partner and CEO on the Audit Quality

Albert A. Buntara, Faculty of Economics and Business, Universitas Indonesia; Desi Adhariani, Faculty of Economics and Business, Universitas Indonesia

Room: Seletar 2

Session Chair: Yok Yong Lee, Universiti Putra Malaysia

Ethical Altercations in the Language of Advertising

Dr Binu James Mathew, College of Banking and Financial Studies

Corporate Financial Structure, Macroeconomic Conditions, and Financial Performance: The Moderating Role of Ownership Structure: Evidence from Nigeria

Musa Abdullahi Bayero, Bayero University Kano

LUNCH: 12:00 – 14:00

Buffet Lunch at Atrium Restaurant

END OF CONFERENCE

Virtual Presentation

Available on APEF.ear.com.sg on 20th July 2017

How to reduce the unemployment and the poverty in Djibouti: Another alternative.
Mohamed Elmi, University of Djibouti

Bayesian Estimation of Asymmetric Stochastic Volatility Model for Developed and Emerging Stock Market

Kirti Arekar, KJ Somaiya Institute of Management Studies and Research; Rinku Jain, KJ Somaiya Institute of Management Studies and Research; Dr. Surender Kumar, Global Maritime Training Centre/ British Shipping Training Centre

CVA on discretely monitored barrier option under Stochatic Jump Model

Yaqin Feng, Ohio University; Min Wang, Department of Mathematics, Rowan University

The linked movement of house price and stock price with shocks.
Jae-Ho Yoon, Senior Advisor, POSCO Research Institute

Effect of disproportional voting rights on market performance of firm; Evidence from Chinese firms cross listed in US exchanges
Abdullah, Southwest Jiaotong University; Jianan Zhou, Southwest Jiaotong University; Shah Muhammad Hashim, Southwest Jiaotong University

Abstract Book

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Associate Professor, Department of Economics, School of Politics,

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Session Chair: Kaihong Tee, Loughborough University

The Effect of Goods and Services Tax (GST) Imposition on Stock Return Volatility and Return Predictability

Yok Yong Lee

Universiti Putra Malaysia

Yahya Mohamed Hisham

Universiti Putra Malaysia

Bany-Ariffin A.M.

Universiti Putra Malaysia

Aslam S.

Universiti Putra Malaysia

Abstract

This paper explores the effect of Goods and Services Tax (GST) imposition on stock return volatility and return predictability in stock markets of Malaysia, Australia and South Africa. The sample of this paper includes all companies with complete data of the daily stock prices and daily market capitalization for one-year window period before and after GST imposition on fee-based financial services. To analyse the stock return volatility, Levene's Test, Modified Levene's Test and O'Brien Test are performed. The structural change of return predictability is evaluated by using Switching Generalized Auto Regressive Conditional Heteroscedasticity (SGARCH) to capture the time-varying volatility of stock returns. This paper reveals that GST imposition has a significant positive relationship with stock return volatility in the emerging market but a significant negative relationship in the developed market. Consistent to the Efficient Markets Hypothesis (EMH), GST imposition has an insignificant relationship with return predictability. Thus, this paper contributes to academic literature by redefined the transaction costs as sufficient condition of EMH. The policymakers from the countries that are

moving towards taxing GST on fee-based financial services should take into account of its effect on stock return volatility, because proper GST implementation could mitigate excess stock return volatility.

Overconfidence in Bear-Bull Market States: Evidence from Pre-, During and Post-Global Recession

Suman Gupta

Indian Institute of Management Raipur

Abstract

Investors have been found to overestimate their skills, knowledge and traits while investing in the market and trade excessively. Empirical studies have attributed this behavior to overconfidence bias which is manifested through a significant relationship between trading volume and past market returns. In this paper, we provide evidence in favor of overconfidence hypothesis in an emerging market context. We found that Indian investors are overconfident more in up market than down market state. This asymmetry is robust in pre-, during and post-global recession samples. Overconfident bias persists only in up market state in pre-global recession, little evidence only in up market during global recession and highly overconfident in both market state in post-global recession.

Correlation and Interdependence Structure in Stock Market: Based on Information Theory and Complex Networks

Songtao Wu

Southeast University

Abstract

Mutual information (MI) and transfer entropy (TE) are employed to measure correlation and interdependence between stocks. Based on algorithms of Minimal Spanning Tree (MST) and Planar Maximally Filtered Graph (PMFG), redundant information contained in fully connected networks represented by MI and TE matrices are filtered and according networks are constructed. It is found that the MST of MI constructed on full sample of data, i.e. from January 1, 2007 to December 30, 2016, follows the power-law distribution. Most MSTs constructed on subsamples, a window length of about one calendar year rolling for one calendar month, also follow the power-law distribution. Small-world behaviour of PMFGs constructed on both MI and TE calculated from all sub-samples is observed. We further find that correlation between intra-sector stocks is generally greater than its inter-sector equivalent. However, stocks from

sectors with large intra-sector interdependence also interact intensively with stocks from other sectors. These results suggest different characteristics of intra- and inter-sector correlation and interdependence structure in the stock market.

Genoeconomics - Integrating Genetic Data into Economic Research

Philipp Koellinger

VU University Amsterdam

Abstract

Virtually all human traits have been shown to be at least partially influenced by genetic factors. This includes many aspects of heterogeneity that are relevant to economists such as educational attainment, income, risk preferences, altruism, overconfidence, and financial decision making. However, until very recently, the data and the methods that are necessary to identify the underlying genetic factors were not available yet. This is rapidly changing now, thanks to the completion of the Human Genome Project and recent technological advances which make it possible to collect high-quality genome-wide data quickly and at very low costs. It will be discussed how economic research can benefit from these developments, which methodological challenges have to be dealt with, and how they can be overcome. As an empirical example, results from a recent large-scale genome-wide association study on educational attainment (N~400,000) will be presented (doi:10.1038/nature17671).

Room: Seletar 2

Session Chair: Evan Lau, Associate Professor, Director of Centre for Business Economics & Finance Forecasting (BEFfore), UNIMAS

What's Mine is Yours: Sovereign Risk Transmission during the European Debt Crisis

Viet Nguyen

University of Melbourne

Abstract

We develop an empirical network model to study bilateral sovereign credit risk spillovers during the European debt crisis. We show that the spillover density is typically asymmetric with heavy tails. This confounds efforts to track time-variation in spillover activity using the mean-based summary statistics that are widespread in the literature. Density-based measures - specifically divergence criteria - yield stronger and timelier signals of changes in spillover activity than mean-based measures. This is particularly apparent for sovereign bailouts, which

principally affect the tails of the spillover density. Consequently, density-based measures provide valuable additional information about changes in the credit risk environment.

Foreign Banks' presence and Domestic Banks' performance: Evidence from Indonesia

Irwan Trinugroho

Universitas Sebelas Maret;

Aina Mardiya

Faculty of Economics and Business, Universitas Sebelas Maret

Abstract

We examine the impact of foreign presence on domestic banks' performance by studying conventional commercial banks in Indonesia. We use banks' financial statements of 97 commercial banks (66 domestic and 31 foreign banks) during the period of 2003 to 2013 resulting in 8600 observations. Estimated using panel data technique, results show that overall, foreign presence decreases performance of domestic banks. Going deeper, we find that foreign presence reduces state-owned banks' profitability as well as private domestic banks' profitability. However, there is no significant effect of foreign presence on the performance of regional development banks.

Assessing the impact of remittances on consumption in China: the implications for economic growth

Harri Ramcharran

University of Akron

Abstract

China is the largest recipient of remittance flows among the developing countries; its remittance/GDP ratio has been increasing in recent years. This paper empirically examines the consumption augmentation and stability effects of remittances within the framework of the permanent income hypothesis using data from 1994-2014. The results indicate the significance of "permanent income" (measured by real Gross National Income, exclusive of remittances) and "transitory income" (measured by remittances), and real interest rate (indicating consumer's ability for intertemporal consumption). The remittance elasticity is 0.0413 and the income elasticity is 0.7682, indicating that remittances have a smaller consumption augmentation effect. A high correlation between Remittances and Gross National Income indicates a pro-cyclical effect on consumption. The interest rate elasticity (-0.345) indicates effective credit availability policy (low interest rate). The results have important policy

implications regarding the government policy to emphasize consumption-led growth away from manufacture-led. Besides consumption augmentation, there is also evidence of a positive growth impact of remittances. Policies to increase or stabilize remittance flows are important.

Shadow Banking and Investment: Evidence from Credit Intermediation of Non-Financial Firms in China

Erin So

Hong Kong Baptist University

Vinh Dang

University of Macau

Isabel Kit Ming YAN

City University of Hong Kong

Abstract

We investigate how credit intermediation (CI) conducted by Chinese non-financial firms differs from formal bank lending in affecting the link between leverage and investment. We identify credit intermediation by estimating elasticity of liquid financial assets to financial liabilities. The firms are then grouped by industries, by ownership, and credit intermediation. Accounting for endogenity of leverage, our instrument-variable regressions yield the following results. First, the negative association between leverage and investment (debt overhang problem) is weaker in the "CI-active" industries, particularly those where CI is conducted by state-owned enterprises (SOE). Second, although personal political connection (PC) in general mitigates the debt overhang problem, this mitigation effect is smaller in "CI-active" industries. Third, the disciplinary effect of leverage on investment of low-performance firms is stronger in industries with active CI conducted by SOE; but the stronger disciplining effect only applies to private firms, but not SOE. The results suggest that state ownership and personal political connection influence the leverage-investment link under credit intermediation.

COFFEE BREAK: 15:00 – 15:30

SESSION II: 15:30 – 17:00

Room: Seletar 1

Session Chair: Suman Gupta, Indian Institute of Management Raipur

Timing the Liquidity of the commodity market: The implication for exposure management

Kaihong Tee

Loughborough University

Abstract

The awareness of liquidity conditions in the financial markets and its impact on investments has increased following the credit crisis of 2008. This has resulted, for example, in a focus for a "safe" liquidity conditions especially prior to executing arbitrage strategies. Consider the increased popularity of commodities' assets to be used as part of an investment portfolio for the hedge funds, this paper focuses on the relative value hedge funds, which is known to be adopting "pair trading" strategies for arbitrage and involved in the commodities' markets. Our findings, which are statistically robust, revealed evidence of liquidity timing abilities of these hedge funds, particularly those strategies related to convertible and diversified arbitrages. Our findings also revealed that such liquidity timing practices depend on firstly, whether the hedge funds took up leverages in their investments and secondly, the size of hedge funds. This paper provides evidence on the investment exposure management considering the liquidity condition of the commodity market and this has important implication on the financial stability of hedge funds.

The Value of Corporate Social Responsibility from the Perspective of Shareholders

Juniarti

Petra Christian University

Abstract

Supported by shareholder theory, shareholders usually precluded the benefit of CSR activities, they believe that CSR activities will diminish their value. Whereas, stakeholder theory opens a new insight that CSR activities will create long-term benefit. To prove to the shareholders that the consistent implementation of CSR activities will provide sustainable value, I exercise

accounting based measurement i.e earning persistence as one of the proxies of sustainable shareholder value. This research is applied to the companies that have enough-period of CSR implementation so that the benefit of CSR can be measured. The results support the argumentation of stakeholder theory that companies which implement CSR consistently are able to deliver sustainable shareholder value to their shareholder. The ability of earning persistence as the proxy of sustainable shareholder value is also supported. This results robust through several test in various time period.

Effectiveness of Selected Knowledge-Based Determinants in Macroeconomic Development of EU28 Economies

Viktor Prokop

University of Pardubice

Jan Stejskal

University of Pardubice

Petr Hajek

University of Pardubice

Abstract

In today's globalized world economy, national governments increasingly aspire to become knowledge-based economies. The crucial aspect is to increase the effectiveness of traditional production factors (labour force and capital) by new productivity determinants, such as knowledge, skills, and ability to learn. These have become the key determinants of contemporary national competitive advantage. Economic entities in knowledge-based economies have to be able to acquire, transfer and apply the knowledge, as well as to create innovations. In addition to governments, the key actors in knowledge-based economies include firms, universities, and non-profit organizations. Their interactions also provide support to the development of knowledge-based economy.

The stage of development of knowledge-based economy depends not only on the effectiveness of the national innovation system but also on the effectiveness of economic and institutional regime, education and skills of population and information and communication technology. Previous research has mainly focused on how to measure the determinants of knowledge-based economy. However, it is also important make an international comparison of the effectiveness of these determinants in generating macroeconomic outputs. This could give the national governments and public policy makers the guidance for decision making (for example in science, technology and innovation policies).

The aim of this paper is to determine which of the selected determinants of the knowledge-based economy provide the intended macroeconomic effects. The measurement of the effectiveness is performed by data envelopment analysis (DEA). In the case of inefficient determinants, DEA enables to detect how such a determinant should be regulated or modified to become more effective. We employed the DEA models and analysed the effectiveness of inputs involved in the macroeconomic processes. We used data from Eurostat for EU28 countries in the years 2011 – 2015. The results show that minority of EU countries were efficient and that these countries were at different levels of knowledge economy. Therefore, implications can be generalized for several types of knowledge-based economies.

Determinants of Firms´ Innovation Activities: A Case Study of German Knowledge-Intensive Industries

Viktor Prokop

University of Pardubice

Petr Hajek

University of Pardubice

Jan Stejskal

University of Pardubice

Abstract

Many scholars have confirmed that the business environment is essential for achieving the competitive advantages of firms in today's globalized world. This environment significantly affects the firms´ activities, especially their absorption and ability to convert the knowledge, innovativeness and creativity to market innovation. Business (innovation) milieu affect both the economic entities (firms) and knowledge-based organizations (universities and R&D organizations), as well as local and national governments. The public organizations can influence the environment through government (or regional) policies (typically through Investment Incentives Act, system of FDI support, etc.), and also specific financial schemes. These should be provided to help to the specific groups of firms in selected industries. Many studies have shown that these policies must be clearly targeted and must promote cooperative ties between market players. This could increase the efficiency of public subsidies, since a synergistic effect can be expected. The business innovation environment varies in different countries and industries. Various determinants should therefore be studied in both sectoral and national context. Thus, effective instruments can be found that affect the innovation activities in the firms. Above all, it is necessary to analyse these determinants in countries which are the

leaders in innovation production and are ranked highly competitive. For the same reason, knowledge-intensive industries have attracted increasing attention.

Germany is the largest economy in the European Union and one of the strongest and most competitive economies in the world. Therefore, the goal of this paper is to analyze the selected determinants influencing businesses innovation activities in different knowledge-intensive industries in Germany. We show that different factors influence the innovation activities in different industries. Our results provide (1) practical implications for policy makers (not only in Germany) and (2) an initial analysis of German industries and a proposal for partners and factors that affect the innovative activities of different sectors. This proposal could help other economies support the creation of innovation (especially European countries). For the analysis, we created multiple linear regression models using data from the Community Innovation Survey conducted in Germany between the years 2010–2012.

Room: Seletar 2
Session Chair: Per Jonny Nesse, Telenor Research and Norwegian University of Science and Technology

Evaluating the" Unconventional" Unconventional Monetary Policy in Stock Markets: The Propensity Score Approach

Toyoichiro Shirota

Hokkaido University

Abstract

This study analyzes the effect of the central bank's intervention in stock markets. A causal inference on such intervention is difficult because of the potential endogeneities that stem from sample selection and simultaneity issues. To address these problems, we apply Rubin's potential-outcome approach in a time-series context, exploiting stock price information of a single day. We find that first, there are aggregate liquidity effects in stock markets if an intervention is large enough, and the effects are stronger in a market downturn. Second, stock market intervention has a causal effect on market uncertainty. Finally, the central bank's interventions have had a considerable impact on stock prices.

Motivational Factors in International Non-Governmental Organizations in Vietnam

Nhung An

Chemonics

Ayi Ayayi

Université du Québec

Abstract

The paper studies motivation factors of employees working in eight International Non-Governmental Organizations in Vietnam. We find, using the 6-factor work extrinsic and intrinsic motivation scale (Tremblay and al, 2009) based on the self-determination theory (Deci and Ryan, 1985), that employees are most influenced by intrinsic motivation. We also find that autonomous regulations have higher impact than controlled regulations. Additionally, we find that external regulation plays more important motivational role in these organizations than introjected regulation. Overall, these findings tend to provide insights for managers of International non-governmental organizations in Vietnam on how to attract and retain talents.

Surveying Electricity Reforms: Empirical Evidence from Non-OECD Asian Economies

Rabindra Nepal

CDU Business School

Abstract

A shift in the global energy landscape towards decarbonisation and sustainable energy use has significant implications for electricity sector reforms in developing countries. Electricity reforms, implemented through the 'standard model', have their foundations in microeconomics and the rationale that restructuring towards greater competition can lead to higher efficiency, maximise economic welfare, and transfer surplus to consumers. After more than two decades of attempts at reforms, there is a strong case for surveying the empirical evidence on its outcomes. This paper investigates the outcomes of the standard model of electricity reforms for 17 non-OECD countries in Asia, applying instrumental variable regression techniques on an original and previously untested panel dataset from 1990-2013. Our results show a tension between economic outcomes and welfare outcomes. They confirm that the uniform application of the 'standard model' without reference to country-specific institutional heterogeneity has not always resulted in the outcomes originally intended. Our results call for a renewed thinking of electricity reforms, targeted at improving socioeconomic welfare.

Minimum wage and Women's Decision Making within Households

Jin Ho Kim

The George Washington University

Abstract

The importance of empowering women has been recognized as a key development goal by major development institutes such as the World Bank. In this paper, we are interested in the role of broad labor market policies on female empowerment in developing countries. Specifically, we study empirically the effect of minimum wages in Indonesia on women's role in decision making in the household. Despite the well-established theory of the household that predicts that the labor market environment is a key factor in household decision making, there is little empirical work that investigates this link in developing countries for broadly implemented policies such as the minimum wage. Using province-specific minimum wage increases in Indonesia from 1997-2014 and data from a panel of Indonesian households, we implement a method that exploits differences in minimum wages between geographically proximate districts located near the border between separate provinces. We find a positive and significant effect of minimum wage on the wife's role in making decisions related to household production. On the other hand, we find a negative and significant effect for decisions relating only to resource allocation. We reconcile these findings by first showing that minimum wage has a positive and significant effect on labor force participation for men but a negative effect for women. These findings contrast with other research showing that higher minimum wages reduce the gender wage gap. Our results indicate that in some dimensions higher minimum wages may not benefit women and thus the overall welfare effect is ambiguous. We argue that these findings are consistent, however, with existing theories of the household.

28th July 2017

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SESSION III: 09:00 – 10:30

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Session Chair: Rabindra Nepal, CDU Business School

Corporate Governance and Firm Level Financial Risks

Krishna Prasanna

Indian Institute of Technology Madras

Abstract

This paper empirically tests the relationship between corporate governance mechanisms and firm level risks using the Structural equation modelling. The study used firm level data of 404 Indian listed companies and 2424 firm year observations during the period 2007-2013. The sample firms straddled various financial risks and lag effects of global financial crisis during this period. Corporate Governance (CG) depicted as a latent factor has been extracted from five governance attributes such as ownership and management structure, board structure, duality, audit committee characteristics and audit quality. Empirical results exhibit strong negative association between the governance quality and four firm level risks measured from the volatility of stock returns, idiosyncratic risk, earnings volatility and cash flow sensitivity. Among the governance attributes, board structure and audit quality had emerged as the key determinants that exert significant influence on firm risk levels. The results indicate that firms with sound governance structure and practices would be able to mitigate the exogenous shocks, economic crises and such firms are considered less risky by the investors.

Family Affair? – Insider Trading and Family Firms: Evidence from Thailand

Rapeepat Ingkasit

Thammasat University, Thailand

Abstract

I analyze the price reaction to insiders' transactions in Thailand and whether the reaction depends on the firm's ownership, control and governance structure. I find that insiders can earn significant abnormal returns from trading shares in their firms. The effect is more pronounced when trades occurred prior to earnings announcement. The results provide reasoning for regulation that prohibit the insiders to trade prior to earnings announcement. The difference in legal definition of insiders, ownership structure and regulatory surveillance mechanism may explain the observed smaller abnormal returns compare to developed countries. Both family ownership and control structure affects the magnitude of market reaction. The findings support the entrenchment effect in family firms. The presence of specific categories of blockholder have monitoring effect while some types of blockholder seem to follow insiders' signal and strengthen the market reaction. The significant reduction in abnormal returns earned by insiders in the firm with voluntary blackout policy suggest that the policy effectively forbid the insiders to trade when they possess the valuable information that is not available to the public.

Plant heterogeneity and International Trade: Empirical evidence for Chilean manufacturing industry (1996-2007)

Jaime Campos

Universidad de Santiago de Chile

Abstract

There are very scarce evidence about the interplay among firm heterogeneity, international trade and industry dynamics in emerging small open economies. This paper attempts to reduce this gap by analysing the manufacturing industry in Chile during the period 1995-2007. In particular, we study how exporters have evolved in Chilean manufacturing sector during that period and its impact on productivity industry dynamics. To undertake our task we use data obtained from the Annual National Industry Survey (ENIA), which is undertaken by the National Institute of Statistics of Chile and provides very complete information about the universe of plants with ten or more workers, most of which are single plant firms (around 95%). Each plant is assigned a unique identification number and every year the survey provides information on production, value-added, sales, type of property, including percentage of foreign property, employment and wages for different type of workers, investment, exported

products, foreign licences, and many other plant characteristics. One significant feature of Chilean manufacturing plants is their high heterogeneity degree, nice feature to study the relation between firm (plant) heterogeneity and international trade. For instance, just above 70% of plants have less than 50 employees and produce just 10% of total output. Our analysis focuses on plant characteristics of successful exporters, and on the impact that exporters have on aggregate productivity. As a consequence, this paper adds empirical evidence on firm heterogeneity in international trade, and consistent with that, we have found that plants that exports are a small fraction of total plants, they are systematically different from non-exporters. We are still in the process of deriving further results.

Pattern of R&D expenditure in the Indian service sector: A firm level analysis since 1999

Sonia Mukherjee

Jawaharlal Nehru University

Abstract

The Indian service sector has registered a vibrant growth since the mid-eighties. With its expansion, new services have emerged in the economy. Services which were earlier non-tradeable have now become tradeable due to the usage of Information Communication and Technology (ICT). Hence, the export of services goods became easier and it surpassed the merchandise exports. Now, in a competitive world, the service exports needs to be innovated in a continuous manner through R&D investment, acquisition of plant and machinery, patents, import of tech-know how etc. In this study, the focus is just on the innovation activity in terms of Research and Development expenditure done by the service innovating firms in the past 15 years (since 1999). For this purpose, data was collected at the firm level from CMIE for (nearly 2200) firms. A rough examination of the data concluded that India service firms have not innovated much as compared to the manufacturing firms in terms of R&D expenses. The innovation activity in terms of R&D is much less (less than 10 percent). The main innovation firms were found to be Trading, gas and distribution, Electricity generation, Business consultancy, ITES, Computer software and Other Miscellaneous services. Results also said that the innovation propensity have been declining in terms of R&D in all the service firms. Hence, more innovation are needed to be done in order to diversify the export market and also retain India's position in services export among the top countries.

China's Aid and Africa's Economic Growth

Zhu Weiwei

Southeast University

Abstract

Since the new century, the scale of China's aid to Africa has been expanding. Meanwhile, Africa has maintained a high speed of economic growth in recent years. It is a controversial issue whether the rapid growth of African economy benefits from large amounts of China's aid. There is not any consistent conclusion on this issue till now. This paper uses panel data of 38 recipients in Africa over the 2000-2013 period to investigate the effects of China's aid on Africa's economic growth applying dynamic system GMM regression method, and the nighttime light data is used as the proxy variable of Africa's economic growth. First, we find that China's steady and continuous aid significantly promotes Africa's economic growth during the period of sample data. Second, China's aid for social infrastructure, economic infrastructure and government financial support effectively contributes to Africa's economic growth. Third, after classifying the recipients by the level of economic development, we find that China's aid has a significant positive effect on economic growth in Africa's low-income countries, but no significant growth effect in middle-income countries.

Analyzing the Capital market movements and saving patterns of South Asian Countries Evidence from Pakistan, Bangladesh and Sri Lanka

Mah a Mobeen Ahmed

COMSATS Islamabad

Abstract

This paper examines the role of capital market and saving pattern in the acceleration of economic growth in Sri Lanka, Pakistan and Bangladesh with special emphasis on the impact of financial sector reforms initiated in 2000. The data used in this study were collected from the period of 2000 to 2012 of 3 South Asian countries namely, Pakistan, India and Sri Lanka. The result shows that Pakistan was trying to improve its saving patterns but didn't achieve its goal. Pakistan achieved its higher saving pattern in 2003.Pakistan was trying to strengthen its stock market as it considered as a proxy of economy. Pakistan achieves its goal during the period of 2002-07. Pakistan was trying to focus on its "human development" Pakistan started

achieving its goal in 2011 & 2012, which was the period of "Pakistan People's Party (PPP)", as PPP is most dominant in Pakistan in terms of pay structure reforms. Bangladesh was trying to improve its saving patterns and is also achieved its goal. Bangladesh achieved its higher saving pattern in 2009.Bangladesh was trying to strengthen its stock market as it considered as a proxy of economy. Bangladesh was continuously achieving its goal during the period of 2002-11. Bangladesh was trying to focus on its "human development", but Bangladesh didn't achieve its goal because of some mismanagement policies. Sri Lanka was trying to improve its saving patterns but didn't achieve its goal properly because of too much uncertainty & fluctuations. Sri Lanka was trying to strengthen its stock market as it considered as a proxy of economy. Sri Lanka was continuously achieving its goal during the period of 2002-06. Sri Lanka was trying to focus on its "human development", but Sri Lanka didn't achieve its goal because of some negligence strategies. Sri Lanka achieved its higher saving pattern in 2005.

Are Asian Dragons and Tigers catching up?

Olesia Kozlova

American University of Paris

Abstract

This paper studies the catching up process in per capita income of the so-called Asian Dragons and Tigers. It contributes to the literature in several ways. First, it tests the catching up hypothesis using the longest time span ever considered, from 1870 to 2014. Second, it documents the experiences of these two groups of countries and provides potential explanations for them. Third, by using the Kejriwal and Perron (2010) algorithm, we are able to endogenously estimate multiple structural breaks in the level and the trend of the series without prior knowledge of their integration level. This surpasses technical concerns of previous empirical studies. Fourth, it inquiries into how the Asian financial crisis affected the catching up process among the Dragons and Tigers economies.

Management of mobile financial services - review and way forward

Per Jonny Nesse

Telenor Research and Norwegian University of Science and Technology

Oddvar Risnes,

Telenor Research

Hanne Stine Hallingby

Telenor Research and Oslo University

Abstract

Mobile Financial Services (MFS) represent an area of innovation and strategic importance for global initiatives against poverty, and mobile telecommunication providers. The World Bank wants financial inclusion of the poor and the telecommunication providers seek profit. It is widely recognized that successful adoption of payment and credit services is dependent on a digital solution; it requires a transition from current cash based over-the-counter (OTC) solutions to future digital accounts (mobile wallets). Firstly, this paper introduces a MFS terminology overview before reviewing previous research on MFS and the global industry picture for MFS today. The literature review on mobile payment services shows that researchers from late 90's until now have focused mostly on technology and consumer adoption. Contingency theory ("no single best way" for success) is still essential to capture differences between mobile payment services. Merchant adoption and studies of handling the mobile network operator, financial institutions and regulators have been given little weight. Only recently the research has picked up on studying MFS as complex ecosystem with lots of tension and dependent on local circumstances. We see that the MFS industry sector is growing strongly, and that it is a developing world phenomenon: roughly 300 services have been commercially deployed in 100 developing countries worldwide. Type of services, leading stakeholders, regulatory regimes and degree of success vary. Secondly we provide key learnings from the Easypaisa MFS case in Pakistan. This is an example of successful management of a complex ecosystem with processes and events that moved a MFS implementation from one state to another - from cash-based to digital solution. The demand from the Pakistani authorities for reverification of SIM cards through biometric ID together with simplification of the registration process imposed by Easypaisa, and the active use of digital solutions in large governmental money transfer programs, contributed to the uptake of mobile wallets and hence the unlocking of the established installed base using the manual OTC platform. The case study is based on interviewees with the mobile operator, agencies and governmental organizations like Pakistan Telecommunication Authority, BISP (the largest

social cash transfer program in Pakistan), and non-governmental organizations like Intermedia and Karandaaz. Finally we present the way forward for MFS including future trends, challenges and research recommendations. Examples on further research studies includes block chain technology and its potential disruption of the current MFS situation, together with data mining and analysis of mobile payment and credit transaction data. We foresee that this can provide insight into digital money transaction networks and give input for actions aiming for increased consumer adoption, merchant involvement and further uptake of mobile wallets.

COFFEE BREAK: 10:30 – 11:00

SESSION IV: 11:00 – 12:00

Room: Seletar 1
Session Chair: Sonia Mukherjee; Jawaharlal Nehru University

Agent-based simulation of cooperation diffusion in the irrigation self-governance

Jingjing Cai

Xiamen University

Abstract

This paper studies the factors that affect the successful self-governance in the irrigation management using Agent-based Modeling. The results show that the ultimate percentage of cooperation adopters has a smaller uncertainty in the scale-free social network while the uncertainty of diffusion velocity is larger in the random social network. The greater the resource dependence of adopters and the higher the proportion of policy support, the average number of cooperation adopters will be even greater, and the uncertainty of the proportion of adoption will be lower, but the velocity of cooperation diffusion fluctuates more violently. Since the types of initial adopters and resource dependence of adopters are different, the adopters' willingness of payment for the cooperation and its stability depend on the different ratios of policy support in the scale-free network. While the policy support and social learning among the adopters are improving the cooperation diffusion, the number of initial adopters is not the key to decide whether the diffusion is successful or not. The relationship between the ratio of initial adopters and cooperation diffusion depends on the particular structures of social

networks and the types of initial adopters. The results can be used as guidance for cooperation promotion strategies.

The Effect of Interpersonal Relationship between Auditor Partner and CEO on the Audit Quality

Albert A. Buntara

Faculty of Economics and Business, Universitas Indonesia

Desi Adhariani

Faculty of Economics and Business, Universitas Indonesia

Abstract

The purpose of this research is to present the empirical evidence on the effect of audit tenure and audit quality supporting the government's argument about implementation of audit rotation in Indonesia. This research focused on the personal relationship between auditor partners and CEO of client firms. Using multiple regression on panel data method, the results showed that there is a negative association between the auditor partner tenure, which create the possibility of such personal relationship, and audit quality proxied by discretionary accruals. This implies that the regulation of audit partner rotation is needed to maintain a high audit quality.

Room: Seletar 2

Session Chair: Yok Yong Lee, Universiti Putra Malaysia

Ethical Altercations in the Language of Advertising

Dr Binu James Mathew

College of Banking and Financial Studies

Abstract

In an age of technological innovations in advertising, visual illustration and audio or their combined forms have become ubiquitous. In the fierce competition of firms to boost brand recognition and sales, there has been a conscious shift from the traditional media to digital and online advertisements in promotion and marketing. The study proposes to extrapolate the impact of random samples of commercials and controversial use of language used. Is 'What You See Is What You Get?' While persuasive language is a part of advertising, distorted or exaggerated facts often mislead the target audience. In the paradigm shift in the approach and dissemination of advertisement and commercial literature, ethical norms followed by technical writers and advertising professionals have become a major concern these days. Although code

of ethics in advertising is in force in many countries, implicit breach of the norms is not uncommon. The study proposes to extrapolate manipulation of facts in used in commercials and presents the results of an action research on the impact of such use of language. The researcher introduces the fundamental concepts of ethics in advertising and commercial literature and then analyses consumers' perception of language used in popular advertisements. The research concludes by bringing awareness in the use of language in context that reveals gimmicks used in advertising.

Corporate Financial Structure, Macroeconomic Conditions, and Financial Performance: The Moderating Role of Ownership Structure: Evidence from Nigeria

Musa Abdullahi Bayero

Bayero University Kano

Abstract

Review of empirical studies from both developed and developing countries shows that the findings on the effect of corporate financial structure on financial performance continue to yield conflicting and inconsistent findings. While some findings reveal positive and significant effects, many studies show negative and significant findings. At the same time, there are some studies that show insignificant effects and as such the debate continue to call for a more empirical investigation. The objective of this study is to investigate how employing ownership structure could moderate the effect of corporate financial structure and macroeconomic condition on a firm's long-term performance using return on assets (ROA) and Tobin's Q as measures of corporate financial performance. The participating firms of this study are Deposit Money Banks (DMBs) that are actively listed in Nigerian Stock Exchange (NSE) during the 8-year period (2010-2017) using an empirical quantitative method of panel data regression analysis.

LUNCH: 12:00 – 14:00

Buffet Lunch at Atrium Restaurant

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Virtual Presentation

Available on APEF.ear.com.sg on 20th July 2017

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How to reduce the unemployment and the poverty in Djibouti: Another alternative.

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Mohamed Elmi

University of Djibouti

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Abstract

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The Unemployment and the poverty are problems which exist throughout in the world. Many methodologies and policies are proposed in the literature for defeating them. The Republic of Djibouti is among these countries which has the problems of the unemployment and the poverty. For fighting the unemployment and the poverty, the government of Djibouti takes many initiatives such as the Strategic Document for Reducing the Poverty (SDRP) in 2003 and National Initiative of Social Development (NISD) in 2007 and created agencies for promoting the entrepreneurships. Despite of all these measures, the unemployment and the poverty rate still remain critical level. In this paper, we propose another alternative: the classification of unemployed persons, the creation of service industries by structuring the informal jobs and a manner to create manufacturing industries. Our proposed methodology allows the reducing of the unemployment rate of order 6% (six percent) and if we apply it on all informal jobs in Djibouti, the unemployment rate will decrease of order 20% at 25% (twenty at twenty five percent). We also discuss how to update the used measures till today.

Bayesian Estimation of Asymmetric Stochastic Volatility Model for Developed and Emerging Stock Market

Kirti Arekar

KJ Somaiya Institute of Management Studies and Research

Rinku Jain

KJ Somaiya Institute of Management Studies and Research

Dr. Surender Kumar

Global Maritime Training Centre/ British Shipping Training Centre

Abstract

The Stochastic Volatility (SV) models are the latent process and are commonly used in stock market returns. In Stochastic Model (SV) the asymmetric property is based on the direct correlation between the improvements in both the returns and the volatility exists in both the emerging and developed stock markets. In this specific model, some unobserved component following some latent stochastic process.

This research is to study, the Asymmetric Stochastic Volatility (ASV) for developed and emerging stock markets which is estimated with Markov Chain Monte Carlo (MCMC) model. The Asymmetric Stochastic Volatility (ASV) is based on the size and magnitude of the stock returns. The asymmetric impact has identified the relationship between the stock returns and volatility dynamics. The data covers the daily closing prices for five years from 2010 to 2016. The study is based on secondary data. We considered six developed countries stock returns i.e. India (S&P CNX NIFTY & BSE SENSEX),Unites States (DOWJONES, NASDAQ- 100 & S&P -500) and United Kingdom (FTSE -100) and six emerging countries stock returns i.e. France(CAC- 40), Spain (IBEX 35), Malaysia(KLSE), Japan (NIKKI -225), Singapore(STRAIT TIMES) and Taiwan (TAIWAN WEIGHTED).

The findings provided that the in the developed stock markets high volatility persistence present in USA NASDAQ-100 and INDIA BSE SENSEX and in the emerging stock markets high volatility present in Malaysia and Singapore. The strong and significant leverage effect present in India S&P CNX NIFTY, USA DOWJONE, USA S&P -500 and UK FTSE -100 from the developed countries stock markets and the leverage effect present in France (CAC-40), Spain (IBEX 35) and Japan (NIKKI -225) from the emerging countries stock markets. The results also suggested that there is the higher variability present in emerging countries stock market as compared to the developed countries stock markets.

CVA on discretely monitored barrier option under Stochatic Jump Model

Yaqin Feng

Ohio University

Min Wang

Department of Mathematics, Rowan University

Abstract

Counterparty credit risk has become a topical issue since 2007 credit crisis, particularly for its impact on the valuation of the OTC derivatives. This paper studies the impacts of stochastic volatility and jump on evaluating CVA and exposures for vanilla option and exotic option products under both normal and stressed market conditions. As examples, we develop a dynamic framework for assessing exposure profiles of European, discretely monitored barrier option under the Heston, Betas models (stochastic jump model). We use Monte Carlo and Fourier based Cos Expansion method to assess impact of counterparty credit risk in pricing. Our results show that the stochastic volatility and jump which are widely ignored by practitioners play an important role in evaluating CVA and exposures, particularly for stressed market conditions.

The linked movement of house price and stock price with shocks.

Jae-Ho Yoon

Senior Advisor, POSCO Research Institute

Abstract

In order to find out the exact periods of the co-movement between house price and stock price for U.S. and U.K., this paper adopted FIML Markov-Switching Model by Yoon (2006).

This paper found that house price for U.S. and U.K. showed common business cycle with stock price during oil shocks periods and S&L crisis, housing bubble bust in 2008.

These results showed that international big shocks, such as oil shocks and housing bubble bust, cause common business cycle of house price and stock price for U.S. and U.K.

Effect of disproportional voting rights on market performance of firm; Evidence from Chinese firms cross listed in US exchanges

Abdullah

Southwest Jiaotong University

Jianan Zhou

Southwest Jiaotong University

Shah Muhammad Hashim

Southwest Jiaotong University

Abstract

We construct a list of Chinese firms cross listed in US exchanges and use this data set to compare the market performance of single class vs dual class firms. We study the sample of 121 Chinese firms cross listed in US exchanges which consists of 33 dual class firms and 88 single class firms. The sample size looks small but it is adequate for this study as these are almost only Chinese companies cross listed to US exchanges to date. Literature suggests that dual class firms is a controversial way of going public and investors attach discounts to dual class firms. In other words, single class firms outperform dual class firms in terms of accounting as well as market performance. We try to investigate whether Chinese dual class firms underperform in market compare to single class firms. Through descriptive analysis, we observe that dual class firms are either outperforming or improving at a steady rate in terms of ROA, EPS, abnormal return, Tobin's Q and P/E ratio compared to single class firms. Although the difference is not significant at some observations but it is so huge which cannot be ignored. We also observe 21 Chinese firms cross listed to US exchanges posting loses prior to IPO, they cross list as Chinese local exchanges do not allow them to list with negative performance. We then use OLS regression to compare the market performance of dual class and single class firms by comparing abnormal returns, Tobin's Q and P/E ratio controlling the accounting performance. For the initial year, we find no difference in market performance in terms of abnormal return and P/E ratio but dual class firms outperform single class firms in terms of Tobin's Q. Investors may focus on the prior accounting performance in the initial year as these are new to market. Contrary to literature, we find dual class firms outperform single class firms in terms of all variables used to measure the market value (P/E ratio, Tobin's Q and abnormal return). We observe that 42.42% of dual class firms belong to IT industry which runs on innovation and innovation does not produce results in short term, this may be one of the reasons of outperformance in second year. The another reason for contrary results is also evident from literature that firms which choose to list in US exchanges, show their credible commitment towards shareholder's rights as expropriation of minority shareholder's wealth in US is not so easy. When firms bond themselves to high standards, they do not intend to expropriate minority shareholder's wealth rather they focus on performance to compete and survive in the market.