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PROGRAMME & ABSTRACT BOOK

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Programme Book

25th July 2019

Venue: Grand Copthorne Waterfront Singapore (Galleria Ballroom)

REGISTRATION: 09:00 – 09:50

APEF 2019 OPENING: 09:50 – 10:00

Dr Evan Lau Poh Hock

Associate Professor, Universiti Malaysia Sarawak (UNIMAS)

KEYNOTE SESSION I: 10:00 – 10:45

'The Economic Outlook Amidst Trade War Uncertainty'

Dr Steve Cochrane

Chief APAC Economist, Moody's Analytics

COFFEE BREAK: 10:45 – 11:15

KEYNOTE SESSION II: 11:15 – 12:00

'*Liquidity commonality in the financial market*'

Dr Kaihong Tee

Loughborough University

LUNCH: 12:00 – 13:45

POSTER SESSION: 13:45 – 14:00

Option Risk-Neutral Skewness: Its Determinants and Predictive Power for Returns

Chin-Ho Chen, Department of Finance, Feng Chia University, Taiwan

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SESSION I: 14:00 – 15:00

Room: Galleria Ballroom 1
Session Chair: Dr Kaihong Tee, Loughborough University, UK

Turnout, Polarization and Duverger's Law Linked via Altruism
ilhan sezer, Lebanese American University, Lebanon

Dynamic pricing in horseracing betting markets
Chi Zhang, Shandong University, China

Ambiguity aversion and framing effects in the insurance demand of ambiguous risks
Yasuhiro Nakamoto, Kansai University, Japan

Room: Galleria Ballroom 2
Session Chair: Per PJN Nesse, Telenor and NTNU, Norway

Preschool Availability and Female Labor Force Participation: Evidence from Indonesia
Daniel Halim, The World Bank, USA; Elizaveta Perova, The World Bank, USA; Hillary Johnson, The World Bank, USA

Impact of Various Employment Schemes on Employment Generation in Northern India: An empirical study in Punjab and Haryana, India
Neha Bansal, Amity University, Gurgaon, Haryana, India

Business Ecosystems and IoT innovations – Learnings from an experimental approach
Per PJN Nesse, Telenor and NTNU, Norway; Hanne K Hallingby, Telenor Research, Norway; Olai B Erdal, Telenor Research, Norway; Bente Evjemo, Telenor Research, Norway

COFFEE BREAK: 15:00 – 15:30

SESSION II: 15:30 – 17:00

Room: Galleria Ballroom 1
Session Chair: Mohammad A Karim, Marshall University, USA

Impact of Market State on Momentum Portfolio Risk and Performance: A Risk-based Explanation
Yi Liu, University of North Texas, USA

Multi-period portfolio Optimization model with fuzzy returns
Yongjun Liu, South China University of Technology, China; Weiguo Zhang, South China University of Technology, China

Pricing European vulnerable option under Jump Diffusion Process
Weiguo Zhang, South China University of Technology, China; Yongjun Lliu, South China University of Technology, China

Do share repurchases signal mispricing? Evidence from market reactions to repurchase announcements.
Mohammad A Karim, Marshall University, USA; Mohammed Chowdhury, Kennesaw State University, USA

Room: Galleria Ballroom 2
Session Chair: Anthony J Makin, Griffith University, Australia

Internationalization, Foreign Complexity and Systemic Risk: Evidence from European Banks
Yassine Bakkar, Tallinn University of Technology, Estonia

Development banking nexus with investment, TFP and economic growth: The experiences of Brazil, Korea, Uruguay and Germany since the 1950s until 2017
Reynaldo Senra, Kobe University, Japan

Trade Protection and Product Spillovers: Evidence from China

Piyush Chandra, Stonehill College, USA; Feifei Fang, Sun Yat-Sen University, China

The China-US Trade Imbalance and World Trade Slowdown

Anthony J Makin, Griffith University, Australia

26th July 2019

Venue: Grand Copthorne Waterfront Singapore (Galleria Ballroom)

SESSION III: 09:00 – 10:30

Room: Galleria Ballroom 1

Session Chair: Yutaka Horiba, Tulane University, USA

Index Rebalance Effects of S&P/ASX 200

Andrew Lepone, Macquarie University, Australia; Jin Boon Wong, Macquarie University, Australia; Zhini Yang, Macquarie University, Australia

Optimal international asset allocation for a DC pension plan

Mei-Ling Tang, Soochow University, Taipei, Taiwan

The effects of management fees on pension wealth

Noelia Bernal, Universidad del Pacifico Research Center, Peru; Javier Olivera, Luxembourg Institute of Socio-Economic Research, Luxembourg

The Empirical Determinants of Defined Contribution Pension Plans in Japan

Yutaka Horiba, Tulane University, USA

Room: Galleria Ballroom 2

Session Chair: John Beirne, Asian Development Bank Institute, Ireland

Home-Biased Gravity: The Role of Migrant Tastes in International Trade

Penglong Zhang, Tsinghua University, China

Taking a bigger slice of the global value chain pie: an industry-level analysis

Jihyun Eum, Bank of Korea, Republic of Korea; Chong-sup Kim, Seoul National University, Republic of Korea; Seungho Lee, Seoul National University, Republic of Korea

Profit Heterogeneity in G8 and Emerging Economies: A Variance Decomposition Analysis
Tanveer Ahsan, Rennes School of Business, France

Financial cycles across asset markets and regions
John Beirne, Asian Development Bank Institute, Japan

COFFEE BREAK: 10:30 – 11:00

SESSION IV: 11:00 – 12:30

Room: Galleria Ballroom 1

Session Chair: Khalid Bin Saboor, Beijing University of Aeronautics and Astronautics, China

Pegging or Floating Against International Currencies? A Markov-switching Perspective of Asian Exchange Rate Practices
Benjamin Keddad, Paris School of Business, France

Earnings per share and incentives pay-repurchase link: Australian evidence
Gilbert Amahoro Ndayisaba, RMIT University, Australia; Abdullahidahir Ahmed, RMIT University, Australia

Analyzing Extreme Financial Risks: A Score-driven Approach
Rodrigo Herrera, Universidad de Talca, Chile

Predicting Sukuk Rating: A comparision of hybrid models
Khalid Bin Saboor, Beijing University of Aeronautics and Astronautics, China; Liyan Han, Beijing University of Aeronautics and Astronautics, China; Qurat-Ul-Ain, Faculty of Contemporary Studies, National Defense University, Islamabad, Pakistan; Ayesha Afgun, ISSRA Research Associate, National Defense University, Islamabad, Pakistan

Room: Galleria Ballroom 2

Session Chair: Vijayendra Gupta, Sangam University, India

CEO overconfidence and the product market bargaining power of firm
Wen-Chun Lin, National Taipei University of Business, Taiwan

Are Australian CEOs underpaid? The globally integrated market for executive remuneration
Thomas R Simpson, University of Western Australia, Australia

Evaluation of Bayesian Nonlinear DSGE Models
Kuo-Hsuan Chin, Feng Chia University, Taiwan

Will Floods Change Your Mind in Mastering the Nature? Experimental Evidence from Bangladesh
Nourin Shabnam, Monash University Malaysia, Malaysia

LUNCH: 12:30 – 14:00

SESSION V: 14:00 – 15:45

Room: Galleria Ballroom 1

Session Chair: Julen Berasaluce, El Colegio de Mexico, Mexico

The Road to Service Export Diversification – Gambling and Convention in Macao
Weng Chi Lei, School of Business and Law, University of Saint Joseph, Macao

Research on Degree of IFDI Space Aggregation Based on Location Quotient Index
Xiaodi Li, Harbin Engineering University, China; Yuan Yuan, Harbin Engineering University, China

Research on the Export Competitiveness of Chinese Environmental Goods
Xiaodi Li, Harbin Engineering University, China; Yinxiang Jiang, Harbin Engineering University, China

Does Carbon Emission Reduction Affect Corporate Performances: Evidence from China
Shaolong Tang, Beijing Normal University-Hong Kong Baptist University, United International College, China

Trade, FDI and economic growth in China: 1982-2016
Julen Berasaluce, El Colegio de Mexico, Mexico

Room: Galleria Ballroom 2

Session Chair: Santosh Kumar, Chandragupt Institute of Management, India

Financing Strategies Selection for a capital-constrained supply chain: Reverse Factoring vs Dynamic Discounting
Wei Wang, Inha University, Republic of Korea

Media Management in Corporate Bankruptcy Process
Feng-Tse Tsai, Asia University, Taiwan; Ping-Chao Wu, Feng Chia University, Taiwan

A premium airline crumbled: Lessons to be learnt
Harish Nagar, Sangam University, India; Vijayendra Gupta, Sangam University, India

Paradigm Changes in Financial Architecture in Debt Contracts: Indian Evidences in Steel Firms
Santosh Kumar, Chandragupt Institute of Management, India

Should IRS be a Dealer? Tax Evasion with Indivisibility of Expenditures
Fu-Chuan Lai, Academia Sinica, Taiwan; K.L. Ueng, National Chengchi University, Taiwan

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END OF CONFERENCE

VIRTUAL PRESENTATION

Available on APEF.ear.com.sg on 15th July 2019

Return and asymmetric volatility transmissions between main stock market and second-tier stock market: The case of Hong Kong

Trang Thi Minh Nguyen, James Cook University, Australia; Taha Chaiechi, James Cook University, Australia; Lynne Eagle, James Cook University, Australia; David Low, James Cook University, Australia

Recognition and Prediction Modeling of Financial Distress in Listed Companies Based on Artificial Intelligence Method

Hanlin Wen, Huazhong University of Science and Technology, China; Xuan Yi Xia, Huazhong University of Science and Technology, China

Monetary Policy in India: Evidence of Financial Variables as Policy Indicators

Rohit Singh, Guru Gobind Singh Indraprastha University, India

The Impact of Incentives on Organizational Commitment in Public Organizations in Egypt

Noran Gamal, Faculty of Economics and Political Science, Cairo University, Egypt

Abstract Book

25th July 2019

Venue: Grand Copthorne Waterfront Singapore (Galleria Ballroom)

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APEF 2019 OPENING: 09:50 – 10:00

Dr Evan Lau Poh Hock

Associate Professor, Universiti Malaysia Sarawak (UNIMAS)

KEYNOTE SESSION I: 10:00 – 10:45

The Economic Outlook Amidst Trade War Uncertainty

Dr Steve Cochrane

Chief APAC Economist, Moody's Analytics

Abstract

The global economy has slowed to a range of 2.5% to 3%. This is near its long-term potential rate of growth but slower than last year and slower than previously expected due to the trade war. Global business sentiment has faltered and fixed capital investment has stalled around the globe. Policy makers are on high alert with central bankers poised to ease on monetary policy. There is a good chance the economy will navigate through this uncertainty given the agreement at the G-20 meeting by presidents Trump and Xu to start trade negotiations once again. We have been here before, however, and the risks seem uncomfortably high as a deeper trade war would likely lead to recession in many parts of the world. Southeast Asia has been rather resilient so far, but is outlook also depends upon the outcome of the trade war.

COFFEE BREAK: 10:45 – 11:15

KEYNOTE SESSION II: 11:15 – 12:00

Liquidity commonality in the financial market

Dr Kaihong Tee

Loughborough University

Abstract

Commonality/comovement is an important phenomenon in the financial market. In particular, this has implication for investment decision making, especially in a portfolio context. Following the global financial crisis in the 2007-2009 period, it brings to the attention the importance of market liquidity and its effect on financial market and performance. Liqudity is known as a factor implying market demand and supply and hence an important driver of investment return. The talk will discuss liquidity commonality in the financial market, focusing on the common liquidity trend/movement of the financial assets. In particular, we discuss latest development in the measure of liquidity commonality and its empirical findings, tracking the case of the foreign exchange market over a period of 18 years, explaining how various financial market and economic events could have potentially contributed to the commonality, giving implications for investment strategy and performance.

LUNCH: 12:00 – 13:45

POSTER SESSION: 13:45 – 14:00

Option Risk-Neutral Skewness: Its Determinants and Predictive Power for Returns

Chin-Ho Chen

Department of Finance, Feng Chia University, Taiwan

Abstract

This study investigates the determinants of risk-neutral skewness and examines the predictive power of skewness for future spot market returns. We use the approach of Bakshi, Kapadia, and Madan (2003) to extract the skewness of the risk-neutral return density from a collection of out-of-the-money options. Using the intraday data for stock index options spanning over ten years, we find that investor sentiment, market volatility, investor aversion, and option market liquidity help explain variations in skewness. Pessimistic sentiment causes skewness to be more negative. Additionally, skewness is found to predict future spot returns due to the misreaction of unsophisticated investors to information, with more negative skewness associated with

subsequent higher returns. In particular, in periods of pessimistic sentiment or options with higher liquidity, the predictive power of skewness is stronger. In addition, the predictability is robust even when we use alternative option-implied measures of skewness and the data periods include or exclude the financial crisis.

SESSION I: 14:00 – 15:00

Room: Galleria Ballroom 1

Session Chair: Dr Kaihong Tee, Loughborough University, UK

Turnout, Polarization and Duverger's Law Linked via Altruism

ilhan sezer

Lebanese American University, Lebanon

Abstract

We reexamine voting for a candidate to please voters who prefer the same candidate. We establish the existence of a unique equilibrium in which only two candidates enter the election, choose divergent policies, and voter turnout and polarization move in opposite directions with a change in the level of altruism. Our model provides a mechanism linking turnout, polarization and altruism; and shows that the decline of altruism, observed in the United States after the 1960s, is a driving force for the decrease in the voter turnout and the increase in the polarization of party positions in the United States over those years. We also extend our results to the case of voting for a candidate to anger voters who dislike the candidate.

Dynamic pricing in horseracing betting markets

Chi Zhang

Shandong University, China

Abstract

This paper presents a theoretical model of how betting odds are adjusted by bookmakers in a horse racing betting market. We introduce optimal stopping techniques into the betting literature for the first time through a two- horse benchmark model with both informed and uninformed noise punters. A risk-neutral bookmaker who selects a stopping time decides when to adjust the betting odds for each horse in a race. A costly learning process discloses what information the informed traders possess. Our main finding shows that increased fraction of

informed traders will initially lift the loss per trade to the bookmaker, but after reaching a certain point the loss declines. We also find out that as the fraction of noise traders goes up, the loss is incurred to learn, but the learning process is less informative and costs are the same, so the decision of changing the prices for each horse is taken sooner.

Ambiguity aversion and framing effects in the insurance demand of ambiguous risks

Yasuhiro Nakamoto

Kansai University, Japan

Abstract

Almost all studies implicitly suppose that the ambiguity is concentrated on a no-loss state, even if individuals suffer a loss. Designing for no-loss and loss treatments, we examine the framing effect in the situations with ambiguous risks. Then, we create three treatment groups (a conventional lab experiment): NA (a treatment group with known probabilities of an unlucky event occurring) and LA and HA (treatments groups with unknown probabilities which differ in the degrees of ambiguity). When participants were offered the insurance protection against a potential loss, the experimental results confirm that there are the framing effects which are quantitatively and qualitatively different in no-loss and loss treatments.

Room: Galleria Ballroom 2

Session Chair: Per PJN Nesse, Telenor and NTNU, Norway

Preschool Availability and Female Labor Force Participation: Evidence from Indonesia

Daniel Halim

The World Bank, USA

Elizaveta Perova

The World Bank, USA

Hillary Johnson

The World Bank, USA

Abstract

At 50.9 percent, female labor force participation in Indonesia is far below the regional average of 60.8 percent. Is it being hindered by a lack of affordable childcare services in the country? We exploit the joint variations in preschool-age eligibility and access to preschool across regions and over years in a difference-in-differences framework. Using a constructed panel of mothers to account for unobserved individual career and family preferences, we estimate the elasticity of maternal employment to preschool access. We find that mothers of age-eligible children are more likely to be employed as a result of improved access to public preschools. Mothers are absorbed in informal sector occupations that do not require full-time commitments.

Impact of Various Employment Schemes on Employment Generation in Northern India: An empirical study in Punjab and Haryana, India

Neha Bansal

Amity University, Gurgaon, Haryana, India

Abstract

Introduction: India's economic development saw a major boost with the introduction of the liberalisation policies in the early 1991s, which also affected the employment scenario. Over the years, various governments of the country have initiated several schemes to improve the employability of the populace. A majority of these schemes were also targeted at alleviating poverty through employment generation. Some of these major employment schemes which have had a critical impact on the country include Integrated Rural Development Programme (IRDP), Jawahar Rozgar Yojana/ Jawahar Gram Samriddhi Yojana, Rural Housing – Indira Awaas Yojana, Food for Work Programme, Sampoorna Gramin Rozgar Yojana (SGRY),

Mahatma Gandhi National Rural Employment Gurantee Act (MGNREGA 2005), National Food for Work Programme, National Rural Livelihood Mission: Ajeevika (2011), Pradhan Mantri Kaushal Vikas Yojna(PMKVY) and Heritage City Development and Augmentation Yojana (HRIDAY) . This study intends to create a comparative analysis of the impact of these schemes on the employment scenario of the country, particularly in the rural areas, where employment scenario was poorer than the rest.

Methodology: Empirical study consisting of survey method was carried out on beneficiaries, i.e. the end users of the schemes in selected rural areas of Northern India (4 villages each from Haryana and Punjab). Using a close-ended, structured questionnaire, a total of 138 individuals were included in the study. The survey responses were analysed using SPSS, wherein the impact of the employment schemes on the employment of the individuals was tested using correlation and regression analysis. Findings: The findings obtained from the primary data indicate that the employment schemes, particularly MGNREGA, in the long term have had a more significant impact on Haryana's rural population, where there was a noticeable increase in employment.

Conclusion: It can be concluded from the research that the major employment schemes implemented on a large scale have been beneficial for employability of people. In addition to that, the other benefits offered by the schemes included better compensation structures, better bargaining power for labourers in agriculture, better working conditions and leave policies.

Business Ecosystems and IoT innovations – Learnings from an experimental approach

Per PJN Nesse

Telenor and NTNU, Norway

Hanne K Hallingby

Telenor Research, Norway

Olai B Erdal

Telenor Research, Norway

Bente Evjemo

Telenor Research, Norway

Abstract

Internet of Things (IoT) and Artificial Intelligence (AI) technologies support digitalization and introduce organizations to increased and different quality and services, revenues from innovative services and products, as well as more cost efficient production processes. New technologies alone are however, not sufficient to succeed with digital innovations, there are

both organizational and commercial challenges that must be overcome and a high degree of uncertainty for the stakeholders involved. Telenor Group is an international mobile telecommunication operator in Scandinavia and Asia and drives digitalization through technologies and open innovation and ecosystems. One learning experience from working with digital innovations is the Start IoT ecosystem concept that Telenor established for research and experimentation in Norway. For Telenor, the purpose was to gain domain knowledge and achieve insights into technology and stakeholder needs and demands. The approach chosen was founded on open innovation, triple helix and innovation system theories on how business development is created in clusters of industrial companies, public actors, and small business entrepreneurs. The Telenor Start IoT learnings fall into three categories: The first is the long term collaboration agreements with universities, corporations, research labs, incubators and private/public IoT ecosystem players in three different regions of Norway. Secondly we find several joint protolabs between Telenor and HW/SW partners being established, enabling piloting and prototyping of IoT solutions for anything from healthcare and drones to smart cities. Thirdly, start-ups are offered free access to IoT devices, a developer portal, and experimental IoT network optimised for IoT devices, as well as support from the telecom operator and partners with their use cases and contact persons for further commercialization. In this paper we first describe ongoing digitalization and IoT/AI trends, then we introduce innovation system theories to make sense of the empirical data from the Norwegian experimental business ecosystem and finally we discuss how the Start IoT concept from Norway can be transferred to Asian business units. The article is based on a single case study where data were collected from core ecosystem actors.

COFFEE BREAK: 15:00 – 15:30

SESSION II: 15:30 – 17:00

Room: Galleria Ballroom 1

Session Chair: Mohammad A Karim, Marshall University, USA

Impact of Market State on Momentum Portfolio Risk and Performance: A Risk-based Explanation

Yi Liu

University of North Texas, USA

Abstract

The Momentum Puzzle has been a constant challenge to classic finance theory. Stocks that have performed better in the past tend to perform better in the future. Prior researches have failed to provide valid risk-based explanations because winner portfolios do not exhibit higher risk characteristics. Without a convincing risk explanation, the persistence of momentum profit is a violation of Efficient Market Hypothesis. Today, the momentum puzzle remains one of the very few major anomalies that cannot be explained by Fama-French factor models.

We find prior empirical efforts to measure momentum profits and its sources are contaminated by the state of the marker during both formation and holding period. By looking into different market states, classified by both traditional and non-traditional bull and bear market definition, we find the key to at least partially solve the momentum mystery. We find momentum stocks are risker when formed in bull market, and momentum profit is much higher in continuation of market than reverses of market condition, lending empirical support to risk based explanation. Our definition of market states is essentially based on the risk premium of major risk factors. When market risk is considered a risk factor, if realized market risk premium is positive, it is a bull market; when size is considered a risk factor, if SMB (small minus big risk premium) is positive, it is a bull market; when valuation (book-to-market) ratio is a risk factor, if HML (high minus low risk premium) is positive, it is a bull market.

We also explore simulations using models based on positive relationship between risk and return. Our simulation confirms that at least part of the momentum profit can be explained by risk.

Multi-period portfolio Optimization model with fuzzy returns

Yongjun Liu

South China University of Technology, China

Weiguo Zhang

South China University of Technology, China

Abstract

This paper discusses a multi-period portfolio performance evaluation problem in an uncertain economic environment where the returns of assets are characterized by fuzzy variables. Different from the classic Sharpe ratio, this paper defines two new performance evaluation indexes based on possibility theory, i.e., the lower and upper possibilistic reward-volatility ratios, to measure the compensations for above and below deviations from its expected value. A new multi-period portfolio optimization model is proposed based on the two performance evaluation indexes. In the proposed model, the constraints of terminal wealth demand, return and risk control at each period are taken into consideration. To solve the proposed model, an improved particle swarm optimization algorithm is presented in this paper. In addition, a numerical example is given to illustrate the idea of our model and solution comparisons are also given to demonstrate the effectiveness of the designed algorithm.

Pricing European vulnerable option under Jump Diffusion Process

Weiguo Zhang

South China University of Technology, China

Yongjun Liu

South China University of Technology, China

Abstract

In recent years, with the acceleration of financial globalization, the occurrence of sudden events has become more frequent. Some structural changes occur in the financial market. In this case, a pure diffusion model does not provide an adequate fit to financial data such as stock returns and interest rates. Therefore, jump-diffusion models has been introduced to model such financial time-series data. In this paper, we explore the European vulnerable option pricing with jump-diffusion processes on the underlying asset prices, firm value, and debt of a counterparty firm. First, we discuss a European options pricing model with credit risk. Second, a pricing of vulnerable options with fixed debt under jump-diffusion processes is presented. Next, a vulnerable options pricing model with stochastic debt is obtained. Finally, based on the triangular fuzzy number theory, we derive a European vulnerable call options pricing model

with fuzzy parameters under stochastic liabilities. The numerical calculation results show that the value of options with stochastic debt differs from that of the corresponding options with fixed debt. Moreover, in most cases, the value of options with stochastic debt is less than that of the corresponding options with fixed debt, implying that the change in the debt could increase the likelihood of a default and affect the value of the corresponding options. Therefore, considering the stochastic debt is not only necessary in the process of researching the option value but also more appropriate and practical in the actual market. What's more, using jumps to model sudden events in the underlying asset prices, firm value, and firm debt is necessary and can more accurately capture vulnerable option prices compared with other models. In addition, compared with the vulnerable options value in the model without jumps proposed by Klein (1996), our model is more appropriate in many business situations.

Do share repurchases signal mispricing? Evidence from market reactions to repurchase announcements.

Mohammad A Karim

Marshall University, USA

Mohammed Chowdhury

Kennesaw State University, USA

Abstract

In this study we examine the relationship between market reactions to repurchase announcements and pre-repurchase announcement year stock mispricing. Using a market-to-book decomposition approach we show that repurchase firms are undervalued during repurchase announcements. We also show that repurchase announcement acts as signal to the market about pre-repurchase undervaluation and market reacts more positively to undervaluation as to overvaluation. Finally, we show that there is no significant consistent evidence of subsequent market correction.

Room: Galleria Ballroom 2

Session Chair: Anthony J Makin, Griffith University, Australia

Internationalization, Foreign Complexity and Systemic Risk: Evidence from European Banks

Yassine Bakkar

Tallinn University of Technology, Estonia

Abstract

We evaluate the impact of the organizational and geographic complexity of a sample of listed banks across Europe that have foreign affiliates around the world on systemic risk for the 2005–2013 period. We investigate how the peak of the global financial crisis of 2008–2009 and the height of the European sovereign debt crisis of 2010–2011 might have affected such relationship. We find that internationalization and foreign complexity are important for greater stability in normal times but turn out to increase instability during years of financial turmoil and in the aftermath. More investigations show that such effects are more relevant for large and too-complex banks operating a network of foreign subsidiaries. Our findings contribute to the ongoing debate on the merits of imposing systemic risk-based and organizational complexity capital constraints (as in Basel III requirements), and bear critical policy implications for too-complex and systemically important banks and their implications for the stability of the financial system as a whole.

Development banking nexus with investment, TFP and economic growth: The experiences of Brazil, Korea, Uruguay and Germany since the 1950s until 2017

Reynaldo Senra

Kobe University, Japan

Abstract

25% of the development banks participating in the 2017 World Bank Survey were created since 2000s. This recent popularity takes place despite the lack of solid empirical evidence supporting the contribution to economic growth of these institutions. Indeed, most of the empirical studies analyzes their short run implications when these institutions frequently finance long-term projects. Considering this, I investigate the long-run implication of development banks for capital accumulation, total factors productivity and economic growth. Through cointegration methodology, I found long-run direct causality running from assets of development banks and growth in Germany, Korea and Uruguay. In Brazil the causality was

running from GDP to development banks. Only in Korea, the development bank caused also capital accumulation suggesting also an indirect causality. Finally, the causality of the development bank implied a harm of economic growth in Uruguay. Therefore, the contribution of development banks to growth was only found in the nations with higher economic and institutional development. In Korea I found bidirectional causality.

Trade Protection and Product Spillovers: Evidence from China

Piyush Chandra

Stonehill College, USA

Feifei Fang

Sun Yat-Sen University, China

Abstract

Most of the world trade is carried out by a surprisingly small number of firms. Many of these firms are multiproduct firms that export to more than one destination countries; and in some cases they might export completely different products to each destination. Thus, a bilateral trade shock that affects a particular set of products might have multiple spillover effects both across countries and across products that were not the original targets. While there is some recent evidence that a negative trade shock against an exporting country might lead it to deflect exports of the same product to other trade partners (Chandra 2015a, 2015b), ours is the first study to look at the impact of trade barriers on product spillovers. In particular, in this paper we use disaggregated customs data from China matched with firm-level manufacturing census data from the NBS during 2000-2006 to explore the effect of US antidumping duties against Chinese multiproduct producers. Importantly, we investigate the effect of US antidumping duties on the exports of other products (products that were not involved in the antidumping investigation themselves) by firms affected by US antidumping duties. We find that US antidumping duties lead to an increase of 7%-9% in Chinese exports of non-targeted products to the US by producers affected by the US antidumping duties. This shows resilience of Chinese exporters that in response to a negative shock adapt quickly and react by expanding their exports of alternative products. Note that the results do not seem to be driven by an increase in prices. Looking at the quantities directly, we find a similar increase of about 5.4%-7.8%. We find heterogeneity across sectors as well as across firm ownership types. Focusing the steel industry alone we find that the effect of US antidumping duties on non-targeted products was 13%, roughly twice the magnitude of the average effect; whereas, we do not find any statistically significant effect for the chemical industry, another frequent target of

antidumping actions. More importantly, our results are not driven by any single industry. Similarly, we find that the effect is most pronounced for foreign owned firms but not for state owned enterprises. Finally, we find that these multi-product firms respond to the US antidumping duties only by increasing their exports of the non-targeted products to the US. However, as expected, their exports of these non-targeted products to the rest of the world remain unchanged. This gives us further confidence that the result we see is due to US antidumping duties and not due to any underlying firm- or product- specific changes.

The China-US Trade Imbalance and World Trade Slowdown

Anthony J Makin

Griffith University, Australia

Abstract

This paper aims to address a puzzle about the performance of the global economy since the 2008-09 Global Financial Crisis: the slowdown in international trade which has exceeded the global economic growth slowdown. In other words, pre GFC, international trade growth exceeded world GDP growth, but the opposite has on average been true post GFC. The paper will canvass the relative importance of factors impeding world trade growth, including the China-United States trade dispute. The China-United States trade imbalance and valuation of the renminbi-dollar exchange rate have dominated bilateral economic relations between the top two economic superpowers for at least a decade. By making consumer goods and inputs to production more expensive, this ongoing trade dispute has worsened economic welfare in both countries and become the most notable manifestation of the rising tide of protectionism worldwide. Restrictive international trade measures imposed by governments worldwide since the GFC also help explain the world trade slowdown. For instance, over one thousand restrictive trade measures have been implemented by G20 economies since 2008 and continue to increase, currently at the rate of 17 per month according to the WTO. In addition, the world trade slowdown is a result of other macroeconomic factors. For instance, the paper explains how much of the decline in world trade growth has been attributable to weaker economic activity arising from stagnant investment, given the high proportion of international trade in intermediate and capital goods.

26th July 2019

Venue: Grand Copthorne Waterfront Singapore (Galleria Ballroom)

SESSION III: 09:00 – 10:30

Room: Galleria Ballroom 1

Session Chair: Yutaka Horiba, Tulane University, USA

Index Rebalance Effects of S&P/ASX 200

Andrew Lepone

Macquarie University, Australia

Jin Boon Wong

Macquarie University, Australia

Zhini Yang

Macquarie University, Australia

Abstract

This study examines the rebalance effects in terms of price, volume, volatility, and liquidity for the S&P/ASX 200 index and the contributing factors from 2011 to 2016. We find the announcement and revision effects for both additions to and deletions from S&P/ASX 200 index in terms of price, volume, and volatility effects. Also, the index rebalance event has stronger effects on addition than deletions. The price discovery for additions mainly occurs on announcement day, while for the sample deletions, it mainly happens on the effective day. The paper is the first one to find that the S&P/ASX 200 index rebalance event increases the market liquidity of the sample additions while deteriorates the deleted stocks' liquidity. It is also the first to find a negative correlation between S&P/ASX 200 additions' cumulative abnormal return during the announcement-effective interval and the interval length. This correlation provides an explanation for the different findings of the ASX/S&P 200 rebalance effects and that of the S&P 500 index - the longer announcement-effective interval of the S&P/ASX 200 rebalance gives potential arbitragers enough time to build up position upon announcement and then unwind the position to take profits before the effective day.

Optimal international asset allocation for a DC pension plan

Mei-Ling Tang

Soochow University, Taipei, Taiwan

Abstract

To allow being a successful pension plan under a self-contained defined-contribution (DC) retirement scheme, including foreign assets in the local pension portfolio could intuitively be beneficial to risk diversification and efficient frontier improvement for the fund's investment performance during its accumulation phase. This study then focuses on developing international asset allocation criteria for a DC pension plan under which the risk exposures relative to stochastic interest rates and the exchange rate with the minimum guaranteed are taken into account. An arbitrage-free framework referred to as the cross-currency HJM interest rate model (Amin and Jarrow, 1991) is introduced in processing the dynamic optimization programming for a DC pension fund. The proposed generalized stochastic framework suggests tractable and adequate criteria for the dynamic allocation of a DC pension fund. The constituents of the optimal solution are shown to be capable of reflecting changes in the evolution of the investment life cycle and the shift of the risk preference with time during the accumulation phase of a DC pension plan.

The effects of management fees on pension wealth

Noelia Bernal

Universidad del Pacifico Research Center, Peru

Javier Olivera

Luxembourg Institute of Socio-Economic Research, Luxembourg

Abstract

We study a policy change to the management fees of pension funds that the Government of Peru implemented in 2013 to shed light on the effects of individual choices on pension wealth. The reform established a new balance fee (default option) that is a percentage of the pension balance unless the individual opts to remain with the current load factor fee that is a percentage of salary. We use administrative data to simulate pension balances that account for the individual’s choice of fee and the corresponding counterfactual. Our results indicate that the reform has been potentially adverse to 63.8 percent of individuals. This figure is composed of 40.4 percent of individuals that were assigned to the default option and 23.4 percent who voluntary chose the load fee. These results reflect that the policy is badly designed and that individuals have an alarming lack of soundness in their financial decisions. We also detect

heterogeneity in the intensity of the losses and gains due to the reform, where the losses are larger than the gains. In particular, younger and poorer individuals and those who were assigned to the balance fee show higher losses. Moreover, the change in the fee is also associated with increasing inequality in pension wealth and a reduction in the people's well-being.

The Empirical Determinants of Defined Contribution Pension Plans in Japan

Yutaka Horiba

Tulane University, USA

Abstract

Traditional Japanese corporate pension plans with defined benefits (DB) for their retiring employees have been saddled with serious underfunding difficulties since the major stock market crash of the early 1990s. Partly in response to the deteriorating corporate pension conditions, the Japanese parliament legislated new laws in 2001 allowing the establishment of defined contribution (DC) pension plans by corporations. The DC plan circumvents the underfunding problem by linking the benefit payout to the actual market valuation of the accumulated pension assets which are managed by individual employees in collaboration with an independent financial contractor of the plan. This paper is based on a detailed examination of the comprehensive set of Japanese corporations listed on the major stock exchanges (Tokyo, Osaka, and Nagoya) as to the factors that led to their decision to adopt (or not to adopt) a DC plan during the period 2001-2015. The explanatory variables examined are a mix of financial and labor organizational factors including the employment size, the extent of the existing DB underfunding liabilities, overall debt exposure, operational profit and its variability, stock market valuation of the firm, firm-wide average age of the employees, job turn-over rate, the strength of the enterprise union representing the employees, and the cross-share holdings of the corporation's equity by commercial banks and other financial institutions. Rigorous statistical testing is performed with the use of the multivariate Cox proportional hazard model to explain the relevance of each proffered hypothesis. The result thus obtained provides a starkly different outcome in contrast with empirical findings reported in the literature focusing on U.S. corporate behavior. Our findings point to the relevance of several unique aspects and features of Japanese regulations as well as business practices in explaining the Japanese corporate DC adoption decision.

A number of policy implications emerge from our findings. Foremost among them is that the extent of meddlesome governmental guidelines and constraints placed on the DC pension

management must continue to be relaxed in order to ensure greater flexibility and efficiency in achieving the intended objectives of this relatively new Japanese corporate pension scheme. Specific areas of improvement include relaxation of rules and regulations governing the adoption of DC plans, particularly in switching from DB to DC plans, relaxation of the limit placed on tax deductibility of premium contributions to the DC plan, at least on par with the DB plan, and enhanced incentives for individual employees to participate in the plan with their own contributions. The current requirements for any corporation to obtain the government permit before being allowed to offer a new DC plan, which includes the consent of the employees' representative(s) for the plan, typically that of the company's enterprise union, remain stringent and must be relaxed.

Room: Galleria Ballroom 2

Session Chair: John Beirne, Asian Development Bank Institute, Japan

Home-Biased Gravity: The Role of Migrant Tastes in International Trade

Penglong Zhang

Tsinghua University, China

Abstract

Immigrants tend to buy products from their home countries. As a result, the more immigrants of a given ethnicity a country has, the more it will tend to import from those immigrants' country of origin. This effect of migrant heterogeneity is ignored by the standard gravity literature that assumes homogeneous preferences among resident national consumers. This paper embeds that observed regularity into a structural gravity model. Gravity derived from the Almost Ideal Demand System generates bilateral trade shares with three distinct components: ethnic composition of resident population, bilateral trade cost, and per capita income. Using international trade and transnational migration data among 40 countries, this paper estimates the home bias of each ethnic group in tastes. The results show that consumers' tastes for products from their country of origin deviate from unbiased levels by 35 percent on average. Ethnic taste bias is found to explain half of the home bias in trade. Counterfactuals suggest that anti-immigration policy significantly impedes trade with countries of origin.

Taking a bigger slice of the global value chain pie: an industry-level analysis

Jihyun Eum

Bank of Korea, Republic of Korea

Chong-sup Kim

Seoul National University, Republic of Korea

Seungho Lee

Seoul National University, Republic of Korea

Abstract

This paper analyzes how countries are linked into global value chains and their export performance in value added terms. We estimate the relationship between a country's mode of integration into global value chains, represented by global value chain participation and position indices, and its share in world's total value added at the aggregate and sectoral levels. We use OECD-WTO Trade in Value Added data of 61 countries over the period between 2000 and 2011. Based on the estimation results, we find that the extent of their upstream and downstream activities within global value chains is one of the key determinants of countries' export performance in value added terms. At the aggregate level, countries located upstream are associated with a higher share in total valued added. At the sectoral level, the positive effect of participating in global value chains thorough upstream activities on the share in total value added is apparent in the automotive industry, whereas the benefits of downstream activities are pronounced in the electrical and optical industry. Countries are expected to reap benefits from linking into global value chains either through forward or backward linkages in the textiles and foods industry. The effects of the mode of integration into global value chains on the share in total value added are found to be heterogeneous across industries.

Profit Heterogeneity in G8 and Emerging Economies: A Variance Decomposition Analysis

Tanveer Ahsan

Rennes School of Business, France

Abstract

This study investigates the significance of resource-based view, market-based view and institutions to determine firm-performance using a sample of firms listed in G8 economies and 16 emerging economies during the period from 2003 to 2014. We split 22,048 firms and 154,025 firm-year observations into pre, during and post-financial crisis period and apply a three-level hierarchical model (HLM) to synthesize the factors contributing to the performance of the firms nested within industries and industries nested within countries. The results favor the resource-based view for the G8 as well as the emerging economies and explain that firm-specific resources are at the core of firm-performance. We also observe a role-switching between industry and country fixed effects in the two sets of countries during flux and stability. Our results are robust to alternate proxies of firm-performance.

Financial cycles across asset markets and regions

John Beirne

Asian Development Bank Institute, Japan

Abstract

Understanding and characterizing financial cycles has gained increasing focus since the global financial crisis. This paper carries out an analysis of differences in financial cycles across asset markets and regions, as well as examining differences in determinants across regions. It is useful from a policy perspective to gain an insight into whether there are systematic differences in turning points across indicators used to gauge the financial cycle (e.g. credit/GDP, equity prices, real estate prices, and broader risk aversion). In addition, the determinants of the cycle across regions are assessed, using both the leading cycle indicator as a dependent variable, as well as a factor based on a range of indicators. Although there has been a substantial amount of recent academic work carried out on the role of the global financial cycle in affecting capital flows and underpinning investor behavior (e.g. Rey, 2013; Borio, 2012), relatively little attention has been paid to the heterogeneity of cyclical patterns across asset classes and interactions within and across regional financial cycles. Moreover, while cycles tend to incorporate a common global component, they do not necessarily move in step. For example, financial cycle downswings in many advanced economies in recent years have coincided with

upswings in many large EMEs (BIS, 2014). While the focus is on the Asia Pacific, a large sample of 38 advanced and emerging economies comprises the overall empirical work. This enables a comparative analysis to be made. On financial cycles, there exists a dearth of research for emerging economies. The paper aims at understanding which indicators of the financial cycle may be more important in Asia based on their early warning properties. In addition, by examining differences in amplitude in business and financial cycles, as well as the degree of synchronization, there are important implications for policymakers pertaining to the co-ordination of macroprudential and monetary policy at the national level. The paper also examines the drivers of the financial cycle, identifying whether domestic fundamentals or regional Asian spillovers or global spillovers from the US are more important for the Asia Pacific cycle. This has implications for the co-ordination across countries in the design of macroprudential policy frameworks needs to therefore be encouraged to limit the extent of negative externalities and opportunities for regulatory arbitrage by global banks. A related analysis drawing from this work examines capital flow volatility and financial cycles, notably the importance of abrupt fluctuations in capital flows for the duration and amplitude of financial cycles. Methodology: Extract the cyclical component from credit/GDP, real credit, real house prices, real equity prices for available advanced and emerging economies (Christiano-Fitzgerald band-pass filter). Evaluate the financial cycle measures (test for synchronization across the cycles; correlation with first principal component; early warning properties). Test for synchronization of financial and business cycles. Estimate the determinants of the financial cycle using a panel model. Policy implications: The policy implications pertain to understanding how to characterize the cycle, and as a result, where the design of macroprudential policy needs to be focused on. Cycle duration also has implications for the forward-looking nature of policy. Synchronization (or lack of) across countries also has implications for negative externalities.

COFFEE BREAK: 10:30 – 11:00

SESSION IV: 11:00 – 12:30

Room: Galleria Ballroom 1

Session Chair: Khalid Bin Saboor, Beijing University of Aeronautics and Astronautics, China

Pegging or Floating Against International Currencies? A Markov-switching Perspective of Asian Exchange Rate Practices

Benjamin Keddad

Paris School of Business, France

Abstract

We propose a two-state Markov-switching version of the Frankel and Wei (MS-FW) model to assess Asian exchange rate policies. We impose coefficient constraints on FW coefficients so as to detecte floating and pegging episodes against the main anchor currencies, such as USD, RMB, EUR, YEN and an Asian Currency Unit. After estimating episodes where Asian currencies co-move with international currencies, we link the estimated regime probabilities to a set of economic fundamental, in order to identify the determinants of exchange rate regimes in Asia. We focus on domestic fundamental such as inflation, external debt or financial development but also on regional and global factors (VIX and US shadow policy rate). With regard to regional factors, we pay particular attention to trade relationships, business cycle synchronization and export similarity with China. We focus on the following currency set: South Korean Won, Malaysian Ringgit, Singapore Dollar, Indonesian Rupiah, Philippine Peso, Thai Bath and New Taiwan Dollar during the period 2005:08 - 2016:08. We reveal that most Asian countries tend to constantly adjust the weight of their currency basket. When Asian countries loosen their peg against USD, these currencies tend to increase their correlation with the RMB. However, the soft USD peg regime has a longer duration in most Asian countries, while the regime with a large RMB weight tends to be shorter. Finally, China's trade dependence is a key factor in pegging Asian currencies to RMB. However, estimates on export similarity and competition with China lead to opposite results.

Earnings per share and incentives pay-repurchase link: Australian evidence

Gilbert Amahoro Ndayisaba

RMIT University, Australia

Abdullahidahir Ahmed

RMIT University, Australia

Abstract

This study integrates elements from the agency theory, the microeconomic principles of utility maximisation and draws on recent 'regime changes' in stock repurchases and long-term incentives pay (LTIP) for employees, to provide theoretical and empirical analysis that explains why Australian senior executives are investing in massive stock repurchases in a market environment characterised by relatively high stock prices. While traditionally companies invest on-market stock buyback programs (SBPs) predominantly to signal to the market that a company's shares are undervaluation, or to prevent the dilution of earnings per share (EPS), or to return unneeded resources to shareholders, our theoretical and empirical analysis show that also firms conduct SBPs to increase incentives pay for senior executives and non-executive employees. Our results are consistent with the agency theory; they provide theoretical and empirical evidence that senior executives conduct on-market SBPs to increase LTIP for both executive and non-executive employees to reduce agency costs in publicly traded companies. Specifically, we find that all incentives pay components (i.e. management and employees incentives pay) are positively related to repurchases, with the more powerful effect for management incentives pay. The additional empirical analysis shows that EPS fully moderate (do not moderate) the effect of repurchases on management (employees) incentives in the contractionary gap period, indicating that senior executives of low-quality earnings firm may engage their firms in stock repurchase activities to boost EPS and increase their incentives pay. Lack of significant beta coefficients on the interaction terms for non-executive employee incentives potentially indicates that senior executives may be benefiting most from stock repurchase activities at the expense of non-executive employees, while the later may mostly bear risks associated with repurchase activities. Accordingly, repurchase activities may be a vessel of 'wealth transferring' between senior executives and employees.

Analyzing Extreme Financial Risks: A Score-driven Approach

Rodrigo Herrera

Universidad de Talca, Chile

Abstract

This paper develops a new class of dynamic extreme value models. These models are driven by the score of the conditional distribution of both the duration between extreme events and the magnitude of these events. This data-driven framework leads to a feasible methodology for capturing the time-varying dynamic of the arrival intensity of extreme events as well as the tail of the distribution of the magnitude of these events. Within this framework, the role of realized measures of volatility are considered in a new light. Based on the novel decomposition into the conditional intensity and size extreme events, a insights into extreme spillovers between international markets is gained. New patterns emerge relative to spillovers based solely on total volatility.

Predicting Sukuk Rating: A comparision of hybrid models

Khalid Bin Saboor

Beijing University of Aeronautics and Astronautics, China

Liyan Han

Beijing University of Aeronautics and Astronautics, China

Qurat-Ul-Ain

Faculty of Contemporary Studies, National Defense University, Islamabad, Pakistan;

Ayesha Afgun

ISSRA Research Associate, National Defense University, Islamabad, Pakistan

Abstract

Sukuk is an Islamic Finance investment instrument that has, in recent times, received a lot of attention from investors and policy makers in both the developed and developing economies. The sukuk has been used to finance an arsenal of projects ranging from development work to economic drivers. The Sukuk takes its guidance from Islamic jurisprudence or 'Shariah'. Despite this fact, the rating and appraisal of this instrument has been done in relation to conventional bonds. Currently, the benchmark used for Sukuk and other Islamic instruments have generally been the LIBOR or other conventional measures/indicators. These make use of interest or riba which are forbidden by Shariah. In this study, we develop a hybrid prediction model that aims to predict the rating of Sukuk. Our target dataset includes Malaysian Sukuks over a ten-year period. The study also aims to compare the ensemble results with individual

techniques. Secondly, we first use the conventional LIBOR rate as indicator for the same, followed by the IPBM (Islamic Pricing Benchmark Model) by Ahmed et al. (2018). This should give a clear picture of whether a completely Shariah compliant system can be applied for rating Sukuk. Future work could encompass developing our strategy into an end-user multi-platform application.

Room: Galleria Ballroom 2

Session Chair: Vijayendra Gupta, Sangam University, India

CEO overconfidence and the product market bargaining power of firm

Wen-Chun Lin

National Taipei University of Business, Taiwan

Abstract

Previous finance literature discussing the impact of CEO overconfidence on the decisions and economics outcomes of firms has developed two dimensions: (1) the CEO overconfidence promote the innovation of firm, further enhancing the investment efficiency and firm value; (2) the overconfident CEO over-estimate the future outcomes, and then result in inefficacious investments and firm value impaired. Most of those studies focus on the overconfidence influence the investment and financing decisions and compensations of top manager, but ignore the confidence degree of CEO affect the operating decisions of firm. This study adopts the CEO replacement firms as the sample and analyze the effect of CEO overconfidence on the product market bargaining power of CEO replacement firms. We predict that overconfidence of successor CEO weaken bargaining power of firm from inefficacious investments of successor CEO, and then impair the profitability of turnover firm. Furthermore, we discuss whether the corporate governance merchanism of CEO replacement firms influences the association between the CEO overconfidence and bargaining power of firms.

Are Australian CEOs underpaid? The globally integrated market for executive remuneration

Thomas R Simpson

University of Western Australia, Australia

Abstract

This paper employs an innovative distributional test combining extreme value theory with non-nested model selection tests to provide new and compelling evidence that Australian CEO pay is part of a globally integrated market for executive talent. However, this evidence leaves an

anomaly: why is it that some countries (particularly the US) exhibit such a vastly higher average ratio of CEO pay to firm capitalisation? This disparity persists when the typically larger size of American firms is controlled for. A tentative theoretical answer for this putative puzzle is provided via a variant of Gabaix and Landier's (2008) model of the distribution of renumeration of management talent. Ultimately, it seems that the disparity is the result of country-specific factors that mitigate against the ability of managers to leverage their talents to improve firm valuation. Countries where CEOs are limited in their ability to improve firm value may be suffer from excessively stringent regulatory environments and unliberated labour markets.

Evaluation of Bayesian Nonlinear DSGE Models

Kuo-Hsuan Chin

Feng Chia University, Taiwan

Abstract

We apply a Bayesian approach to estimate a small-scale New Keynesian Dynamic Stochastic General Equilibrium (DSGE) model on the basis of first-order and second-order approximation techniques. In particular, the likelihood function for the nonlinear DSGE model approximation is constructed via the particle filter. We evaluate the performance of the linear/nonlinear model approximation in terms of the log marginal data density and out-of-sample forecasting exercise. With the use of U.S. macroeconomic time series data, spanning from 1960 to 2017 and crossing the so-called Great Inflation, Great Moderation and Great Recession periods in order, we find the nonlinear model approximation provides the best fit to the data. Moreover, by considering the transitions of Great Inflation to Great Moderation (GI-GM) and Great Moderation to Great Recession (GM-GR) periods as out-of-sample evaluation periods, we find, in terms of Diebold and Mariano (DM) and the fluctuation tests, the out-of-sample forecasts of output growth and interest rate generated from the nonlinear model approximation outperforms those of linear model approximation. Lastly, according to a sequence of forecast unbiasedness tests, we find the nonlinear model approximation, in most cases, generates the unbiased forecasts of inflation and interest rate. Since DSGE models nowadays serve as the reference models in the monetary authority and macroeconomic research, the results indicate that the policymakers/researchers should take the importance of the nonlinear features of the economy into consideration when they adopt the DSGE models on conducting the policy/research.

Will Floods Change Your Mind in Mastering the Nature? Experimental Evidence from Bangladesh

Nourin Shabnam

Monash University Malaysia, Malaysia

Abstract

Natural disasters evolve with the formation of earth, yet the understanding of its bearings on human behaviour is still in its infancy. By exploiting the plausibly exogenous district-by-year variations in the severity of the 1998 Bangladesh flood as a unique quasi-experiment, we provide a causal evidence on how natural disasters shape our perceptions about whether we should intervene in controlling for nature. Our estimates indicate that floods incentivise around 22 percent population to support mastering the environment through human interventions. Our results are robust to a battery of sensitivity tests, and likely to inform public policy on climate change by explaining why people remain lenient towards human interventions that may change the course of nature. JEL classification: Q01, K32 O13 O15, O44.

LUNCH: 12:30 – 14:00

SESSION V: 14:00 – 15:45

Room: Galleria Ballroom 1

Session Chair: Julen Berasaluce, El Colegio de Mexico, Mexico

The Road to Service Export Diversification – Gambling and Convention in Macao

Weng Chi Lei

School of Business and Law, University of Saint Joseph, Macao

Abstract

Macao is a major exporter of gambling services in the world. Economies of scale in the gambling industry are the driving forces behind Macao's pattern of export. However, rather than exploiting the economies of scale through further specialization in gambling services, the government of Macao aims at diversifying the service exports, focusing on Macao's relatively small convention industry. To provide a theoretical ground for this seemingly counterintuitive

strategy of the city, this paper builds a multiproduct model of service trade to investigate the determinants of the degree of service export diversification. In line with previous studies, the present model shows that if the cost of providing gambling services is relatively low, it is optimal for a city to export relatively more gambling services than convention services. However, as the market expands, the city will pursue a higher degree of diversification among the two services. 2006 Q1 - 2019 Q1 data of visitor expenditure, tourism price index and production costs of Macao provide empirical evidence that the degree of service export diversification is positively related to the size of the tourism market

Research on Degree of IFDI Space Aggregation Based on Location Quotient Index

Xiaodi Li

Harbin Engineering University, China

Yuan Yuan

Harbin Engineering University, China

Abstract

This paper introduces the location entropy theory, constructs the location entropy index model of IFDI, and measures the spatial agglomeration degree of IFDI which can directly reflect the relative level of IFDI in all regions of China, and observes the spatial distribution dynamics and regional differences of IFDI agglomeration among provinces. Then, the multiple linear regression modal that influenced the degree of IFDI space aggregation is constructed, the method of stepwise regression is used respectively on the empirical analysis of the factor influencing the degree of IFDI space aggregation in the east, central and west regions in China. The empirical analysis revealed that the agglomeration effect, infrastructure construction and the development level of the tertiary industry had significant positive effects on the degree of IFDI space aggregation in the east, the labor cost had negative effects on it. Degree of openness, market scale and agglomeration effect had significant positive effects on that in central region, but education level had negative effects. Market scale, infrastructure construction and agglomeration effect had significant positive effects on that in western region, but the labor cost had negative effects.Therefore, the eastern region should start to strengthen the construction of soft environment, promote the development of the tertiary industry, build a modern industrial system, and improve the mature labor outsourcing service system. The central region should take advantage of location to form an economic ties between the east and the west, strengthen the cultivation of high-quality and innovative talents. The western region should make full use of regional advantages to drive economic growth, set up a sound

transportation network, and use high-end equipment to replace low-skilled labor force. Finally, this paper puts forward some comprehensively proposes and countermeasures for regional development,and gives full play to the role of foreign capital in promoting regional coordinated development and spatial linkage.

Research on the Export Competitiveness of Chinese Environmental Goods

Xiaodi Li

Harbin Engineering University, China

Yinxiang Jiang

Harbin Engineering University, China

Abstract

With the rapid development of economic globalization, people's understanding of the international community's environmental protection and sustainable development has been deepening. In recent years, countries around the world have vigorously promoted green growth, taking the development of environmental goods and services as a new economic growth point and an important way to enhance international competitiveness. Under the developing international trend of trade in environmental products, it is of certain guiding significance to study the problems of export trade and how to improve the export competitiveness of environmental goods in China. Based on the background of sustainable development and the transformation of Chinese export trade, this paper first analyzes the current situation of export of Chinese environmental goods by collecting and collating the trade data of environmental goods from 2007 to 2016.Secondly, a comprehensive study on the export competitiveness of environmental goods in China was conducted. Through the construction of trade competitiveness index, we found that the export competitiveness of environmental goods in China is weak. By analyzing the comparative advantage of Chinese export trade of environmental goods, we know that Chinese export of environmental goods is won by quantity, and its technological innovation ability is weak. Finally, the paper puts forward some policy suggestions to improve the export competitiveness of environmental products in China and provides important policy agenda for Chinese export goods.In particular, China's trade policy agenda includes fulfilling its commitments on tariff concessions and market opening, opposing protectionism, strengthening property rights protection, promoting fair competition, actively participating in the reform and building of the global governance system, supporting the multilateral trading system and maintaining the international economic order.

Does Carbon Emission Reduction Affect Corporate Performances: Evidence from China

Shaolong Tang

Beijing Normal University-Hong Kong Baptist University, United International College, China

Abstract

Stakeholders including managers, shareholders, customers, suppliers, communities and government have raised increasing concerns about corporate social responsibilities (CSR). The objective of this research is to bring out justification for the divergent results and figure out the impact of environmental performances measured by percentage change of carbon emissions on corporate operating and financial performances. This study adds a forward one-year lag effect on dependent variables measuring corporate performances. The sample comprises 39 longitudinal data sets of 8 Hong Kong and 31 Mainland China carbon-intensive corporations which voluntarily disclosed their greenhouse gas emissions through Carbon Disclosure Project from 2012 to 2014. We incorporate company size, leverage ratio, sales growth rate, sector, and location as control variables. By conducting random-effect panel data analysis, the results show that carbon reductions enhance corporate operational and financial performances measured by ROA and Tobin's q, respectively. Our work suggests that the environmental efforts would result in better managerial decision making and be compensated by higher profitability in the immediately following year.

Trade, FDI and economic growth in China: 1982-2016

Julen Berasaluce

El Colegio de Mexico, Mexico

Abstract

This paper studies the causal relationship between external trade, investments and economic growth in China. A four-variable vector autoregression (VAR) is used to examine the statistical causal relationships between exports, imports, foreign direct investment (FDI), and economic growth using annually data from 1982 to 2017. We analyze Granger causality, impulse response functions and variance decomposition. All three tests confirm the bidirectional causality between economic growth and exports. We find that FDI has arrived responding to exports and that both exports and economic growth explain how imports have increased. These causal relationships are related to the particular case of Chinese opening.

Room: Galleria Ballroom 2

Session Chair: Santosh Kumar, Chandragupt Institute of Management, India

Financing Strategies Selection for a capital-constrained supply chain: Reverse Factoring vs Dynamic Discounting

Wei Wang

Inha University, Republic of Korea

Abstract

The recent economic situation has led to a decline in access to short-term financing needs, with a significant increase in the financing cost. This situation contributed considerably to the need for some new financing solutions that can optimize supply chain cash-flow. Among these, SCF has received an increasing attention. In practice, Wal-Mart has launched an innovative factoring financing solution to support many of its small suppliers. We consider two specific types of SCF arrangement based on practice. Firstly, reverse factoring (RF) that has emerged as a new financing scheme is typically proposed by the downstream retailers to help their upstream suppliers access to financing. Secondly, dynamic discounting (DD) in which the retailers make an early payment to their suppliers in exchange for a discount on the nominal value of the invoice. The purpose of this paper is to study the value and impact of RF arrangement on the players' operational and financial decisions and the supply chain performance while regarding the DD arrangement as a benchmark case. To study the financing mechanism of these two kinds of financing solutions, we build two models, based on the monetary and time perspective, that captures the impact of some key factors (i.e., payment term, financing rate, and discount rate) on supply chain performance and explores the interaction and trade-off between these factors. We show how the value of RF results from and how RF may significantly optimize the working capital for both supplier and retailer. However, we find that, when RF is associated with payment term extension and the supplier has access to DD arrangement, the value of RF is not always better off than DD and then we identify the threshold for the adoption of RF. Finally, we perform a set of numerical analysis to illustrate the main findings.

Media Management in Corporate Bankruptcy Process

Feng-Tse Tsai

Asia University, Taiwan

Ping-Chao Wu

Feng Chia University, Taiwan

Abstract

The objective of this paper is to investigate whether financially distressed firms manipulate media to come to an agreement with their creditors before filed in the court. Distressed firms can manage media through reducing exposure to the media, negative or uncertainty tones in news and reveal less involved risks in financial reports and hence have better bargaining power with their creditors in the debt negotiations. Using U.S. bankruptcy cases from BRD, New Generation Database and Capital IQ during the period of 2000 to 2014, we examine several media measures from Wall Street Journal and corporate 10-K reports of these filing firms. Adopting a difference-in-differences approach, we find distressed firms have fewer news coverage before filing for bankruptcies but no evidence shows distinct news tones in terms of negative words and uncertainty implications before and after bankruptcies. In addition, prearranged filing firms have no significant differing news coverage or tones comparing with non-prearranged firms before going bankruptcies. However, we discover that distressed firms reveal less information about tax and financial risks before bankrupt filings. In particular, the distressed firms having prenegotiations with creditors before going bankruptcies uncover less litigation risk before filed in the court. This suggests that prearranged bankrupt firms strategically mitigate disclosures about litigation risk to have a better deal with creditors in the negotiations before bankruptcies.

A premium airline crumbled: Lessons to be learnt

Harish Nagar

Sangam University, India

Vijayendra Gupta

Sangam University, India

Abstract

From just four aircraft in 1993-94 to 119 aircraft from 12 destinations back then to 65 destinations; and from 24 daily flights in 1993-94 to a whopping 662 departures and arrivals , the growth has been phenomenal. Looking back at the 25 years gone by, Jet Airways managed to change the landscape of aviation in India. The 26-year-old airline has posted losses in eight

of the past 10 years and its share of the domestic passenger market has fallen to about 15.5 percent in 2018 from 22.5 percent in 2015. About 60 percent, or more than $600 million, has been wiped off Jet's market value over the past year. The loss of aircraft and friction with lessors is the latest setback for Jet, which has been struggling for years. Purchases of wide-body aircraft 13 years ago and ambitions for the international market may have set Jet on its current course, industry insiders say. The beleaguered airline, which has a fleet of 119 according to its website, has been forced to ground two-thirds of its planes as it awaits a debt restructuring. Its collapse could put about 23,000 jobs at stake and dent Prime Minister Narendra Modi's image ahead of his re-election May 2019 bid. Passengers have been left stranded, with many taking to social media to voice their angst. It was assumed that the situation was fluid and the airline may be forced to reduce its fleet. The Indian government asked state-run banks to rescue the privately held airline without pushing it into bankruptcy.

Paradigm Changes in Financial Architecture in Debt Contracts: Indian Evidences in Steel Firms

Santosh Kumar

Chandragupt Institute of Management, India

Abstract

In order to tackle the mounting stressed assets in the banking system, a new legal framework, strategic debt restructuring ("SDR"), is introduced by Reserve Bank of India (Central Bank) on 8th June 2015 in order to turnaround the debt-ridden firms by envisaging change in management and promoters in 18 months period. Further, in 2016, Insolvency and Bankruptcy Code 2016 (IBC 2016) is introduced by the Government of India for faster resolution of stressed assets within 6 months at par with the developed regime. This study is accomplished to study the comparative efficacy of SDR and IBC 2016 on ailing firms especially in steel industries using three cases Bhushan Steel, Electrosteel and Monnet Steel. Results indicate that SDR was a damp squib but IBC 2016 has managed buyers and bidders for the three sampled steel firms. On the other side, there are few firms who are headed for forced liquidation. Reactions are mixed. There are many questions still to be explored. Does the IBC 2016 give a better financial architecture than the SDR? Are the insolvency professionals and agencies more capable than turnaround agents of SDR? Which of the financial architecture best suits to the debt contracts and value of the firm? What are the challenges ahead and how can we cope up? These findings may be useful to regulators, banks, utilities, investors, insolvency professionals etc.

Should IRS be a Dealer? Tax Evasion with Indivisibility of Expenditures

Fu-Chuan Lai

Academia Sinica, Taiwan

K.L. Ueng

National Chengchi University, Taiwan

Abstract

Tax evasion can be seen as private financial planning with risk, in short, an auditing gamble between a taxpayer and the government (IRS). Traditionally this (favorable) gamble is assumed to be taken by risk averters, no matter the scale of the gamble. However, with indivisibility of expenditures, we show that the risk preference of taxpayers is no longer globally concave, but depends on whether their disposable income levels are. We also show that some middle-income taxpayers may act like risk lovers and participate in some unfavorable gambles, and the IRS can thus raise their expected tax revenue by providing an unfavorable tax evasion gamble (like a dealer) for those "risk lovers". Consequently, the optimal deterrence is not to hang tax evaders with probability zero. Rather, allowing tax evasion may raise social welfare from the aspect of indivisibility, which is novel in the literature.

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VIRTUAL PRESENTATION

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Return and asymmetric volatility transmissions between main stock market and second-tier stock market: The case of Hong Kong

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Abstract

Although second-tier stock markets have been acknowledged as a critical mechanism in filling the global credit gaps for Small and Medium Enterprises (SMEs) and increasingly established in different part of the world, they have been under-researched. Specifically, the dynamic interactions between the main stock market and the second-tier stock market have been disregarded in the literature. Among others, the Growth Enterprise Market (GEM), established by the Hong Kong Stock Exchange in 1999, emerges as one of the world's most successful examples of a second-tier stock market for SMEs, making it attractive for researchers. Accordingly, this study aims to investigate the dynamic return and asymmetric volatility transmissions between the main market and the GEM in Hong Kong. Unlike previous studies, this study examines the cross-market transmissions under the joint impacts of volatility breaks, thin trading, and trading volume since ignoring these factors may distort the true corresponding estimates. A linear state-space AR model with Kalman filter and an augmented bivariate VAR asymmetric BEKK-GARCH model are employed for empirical analysis. The results determine that under the joint impacts of volatility breaks, thin trading, and trading volume, there exists a return transmission from the GEM to the main market with diminishing magnitude and significant level, however, the volatility transmission from the GEM to the main market, in essence, is eliminated. Furthermore, the main market return exhibit a causal relationship and a

long-run equilibrium relationship with Hong Kong's economic development. Therefore, arguably, the GEM can make an indirect contribution to economic development in Hong Kong via its return transmission across the main market. Consequently, any policies that promote the development of the GEM would stimulate Hong Kong's economic growth indirectly through its transmission mechanism with the main market.

Recognition and Prediction Modeling of Financial Distress in Listed Companies Based on Artificial Intelligence Method

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Abstract

This article refers to the comparison of recognition performance of different data mining technologies by Ophir Gottlieb et al. based on financial data of US listed companies. In order to make them proper to be applied in Chinese market, some adjustments to these methods are made by taking the differences between China and the Western into consideration. Unlike the researches above, not only the performance of single models is tested but we also test how good it is when ensembling them together. Based on the theory of fraud risk factor, this paper selects from aspects of financial structure, debt service ability, profitability, leverage, operating ability and cash flow. The results obtained with the ensembling model showed to be significantly superior to those obtained from each single model (the logistic regression model, decision tree and neural network). In addition, the regularities are extracted from these models as indicators of financial fraud, such as internal control, ratio of retained assets to assets to judge if there is fraud in one listed company.

Monetary Policy in India: Evidence of Financial Variables as Policy Indicators

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Abstract

The Central Bank of India changed its focus from direct instruments of monetary policy to indirect policy of monetary policy, thereby expanding the set of policy tools available for successful execution of Monetary Policy Outlook. Thus, developing an orientation tilt towards medium term instruments developed than long term. The study tries to find if, empirically, such

a stance of Apex bank has significant effect on very policy indicators in India. It uses the method of structural VAR to establish a linear relationship among short term and long term monetary aggregates such as money supply, bank credit, stock prices, exchange rates and policy aggregates IIP and WPI under Monetary Policy Targeting and Monetary Policy Indicator Approach.

The Impact of Incentives on Organizational Commitment in Public Organizations in Egypt

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Abstract

Purpose: The purpose of this research is to explore the dynamics of incentive systems practices in the public organizations. More specifically, this paper tries to point out some main aspects of incentive systems, which strongly influence the degree of employees' organizational commitment. The practical study here tends to show greater insights into the incentives-organizational commitment relationship and its validation at the Ministry of Communications and Information Technology (MCIT) in Egypt as a case study.

Design/methodology/approach: This research depends on descriptive analytical approach. The design of the study is both descriptive in the theoretical part and quantitative in the applied one. Theoretically, this paper implemented the analytical approach to define the main concepts using an empirical study to explore correlations in practice. Findings This paper concludes that the employment of best incentive systems practices is considered a significant tool in enhancing the organizational commitment. Also, the results of analysis provide evidence that incentives systems contribute to organizational commitment at MCIT. Practical implications

The findings and recommendations of this research can practically guide management to devise effective policies to improve organizational commitment using right incentive systems, particularly in the Egyptian public organizations. Originality/value This research has good implications for both theory and practice, as it offers contribution on literature in the field of study, as well as the practical contribution.

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