

ASIA-PACIFIC CONFERENCE ON ECONOMICS & FINANCE

27TH & 28TH OF JULY 2016

PROGRAMME & ABSTRACT BOOK

ORGANIZED BY:



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ISBN: 978-981-11-0248-6

Programme Book

27th July 2016

Venue: East Asia Institute of Management Campus (EASB)

Ah Hood Road Singapore (329975)

REGISTRATION: 09:00 – 09:45

Room: Auditorium

APEF 2016 OPENING: 09:45 – 10:00

Dr. Andrew Chua

Principal of East Asia Institute of Management

KEYNOTE SESSION 1: 10:00 – 10:45

The ASEAN Economic Community

Dr. Evan Lau, Associate Professor, Director of Centre for Business Economics & Finance
Forecasting (BEFfore), UNIMAS

APEF 2016 PRIZE PRESENTATION: 10:45 – 10:50

Best Paper Award

Presentation

COFFEE BREAK: 10:50 – 11:15

KEYNOTE SESSION 2: 11:15 – 12:00

*Globalization and open markets are challenged: The revival of protectionism and active
government intervention*

Dr. HUSZAR, Zsuzsa Reka

Department of Finance at National University of Singapore (NUS) Business School

LUNCH: 12:00 – 13:30

SESSION I: 13:30 – 15:00

Room: HTTC Seminar Room

Session Chair: Elaine Tan, East Asia Institute of Management, Singapore

H1.1

Mood Maintenance Hypothesis and Seasonal Effects on Investors' Reactions to Company-Specific Events.

Dr. Andrey Kudryavtsev, The Max Stern Yezreel Valley Academic College, Israel; Prof. Doron Kliger, University of Haifa, Israel

H1.2

Insights concerning the effect of weather on risk-taking in a speculative financial market.

Ming-Chien Sung, University of Southampton, United Kingdom; Johnnie Johnson, University of Southampton, United Kingdom; Shaosong Wang, Macau University of Science and Technology, Macao; Peter Fraser-Mackenzie, University of Southampton, United Kingdom; Chung-Ching Tai, Tunghai University, Taiwan; Leighton Vaughan Williams, Nottingham Trent University, United Kingdom

H1.3

Evaluation of cluster development strategic outlooks using book value and revenue multiples

Egor Koshelev, Lobachevsky University, Russian Federation; Sergei Yashin, Lobachevsky University, Russian Federation; Nadezda Yashina, Lobachevsky University, Russian Federation

H1.4

New insights into the prevalence of herding and its effect on financial market efficiency

Johnnie Johnson, University of Southampton, United Kingdom; Ming-Chien Sung, University of Southampton, United Kingdom; David McDonald, University of Southampton, United Kingdom; Leighton Vaughan Williams, Nottingham Trent University, United Kingdom

Room: Boardroom

Session Chair: Dr. Tan Jing Hee, East Asia Institute of Management, Singapore

B1.1

Application Review Authority to the concept of formal and becoming a new concept of Human Talent Management

Dr. Juan Nicolas Montoya Monsalve, National University of Colombia, Colombia; Dr. Álvaro Fernando Moncada Niño, EPFAC School of Graduate Studies of the Colombian Air Force, Colombia; ADE. Juan Daniel Montoya Naranjo, Notional University of Colombia, Colombia

B1.2

Japanese Lifetime Employment Revisited

Parissa Haghirian, Sophia University, Japan

B1.3

Conceptualizing of CSR reflections on financial performance for Malaysian Public Listed Companies

Norwazli bt Abdul Wahab, Universiti Teknologi MARA, Malaysia

B1.4

Consensus on Training and Firm Innovation Performance: An Empirical Study

Sangyun Han, Daejeon University, Korea, Republic of (KR)

COFFEE BREAK: 15:00 – 15:30

SESSION II: 15:30 – 17:15

Room: HTTC Seminar Room

Session Chair: Baba Gnanakumar Perbettan, Sri Krishna Arts and Science College, India

H2.1

Trading Around Earnings Announcements and Systematic Market Shocks

Wing Him Yeung, Lakehead University, Canada

H2.2

Risk of Standard and Floored Options- the comparative analysis

Ewa Dziawgo, Nicolaus Copernicus University in Torun, Poland

H2.3

The Implied Spot Price and Convenience Yield From WTI Crude Oil Options

Zhe Zong, University of Glasgow, United Kingdom; Christian-Oliver Ewald, University of Glasgow, United Kingdom

H2.4

Information Aggregation in OTC Derivatives Markets: Evidence from Consensus Prices

Lerby Murat Ergun, LSE, United Kingdom

H2.5

How valuable are Market-Based Indicators in Forecasting Major Event Outcomes

Johnnie Johnson, University of Southampton, United Kingdom; Ming-Chien Sung, University of Southampton, United Kingdom; Leighton Vaughan Williams, Nottingham Trent University, United Kingdom

Room: Boardroom

Session Chair: Shihan Dilruk Fernando, Commercial Bank of Ceylon PLC, Sri Lanka

B2.1

Corporate Social Performance and Likelihood of Corporate Fraud

Maretno Agus Harjoto, Pepperdine University, United States

B2.2

Portion of ownership and efficiency and efficiency of foreign banks in Indonesia

Sparta, Indonesia Banking School, Indonesia

B2.3

Capital Inflows and Credit Conditions in Emerging Market Economies

Shahana Mukherjee, Indian Institute of Management Bangalore, India

B2.4

Exports, Imports and Sustainability of the Current Account: An Analysis of China and India

Manoranjan Sahoo, IIT Madras, India

B2.5

Foreign Direct Investment and institutional equality: Empirical Evidence from Countries with different income levels

Fouzia Awan, University of Central Punjab, Lahore, Pakistan

28th July 2016

**Venue: East Asia Institute of Management Campus
Ah Hood Road Singapore (329975)**

SESSION III: 09:00 – 10:00

Room: HTTC Seminar Room

Session Chair: James Chua, East Asia Institute of Management, Singapore

H3.1

A study on the HRM practices and their challenges confronted by Human resource experts in Indian IT firm, Bangalore.

Saravanan Palaniappan, VIT University, India; Vasumathi Arumugam, VIT University, India

H3.2

Labor Market Regulations and Employment in Bangladesh

Farzana Munshi, BRAC University, Bangladesh

H3.3

Factors contributing to the success of Crowdfunding: The Malaysian Case

Maya Puspa Binti Rahman, International Islamic University Malaysia, Malaysia

Room: Boardroom

Session Chair: Pearl Wong, East Asia Institute of Management, Singapore

B3.1

A Dynamic Analysis of the Determinants of Greek Credit Default Swaps

Christian Richter, German University in Cairo, Egypt; Maria Correia, German University in Cairo, Egypt

B3.2

Nepotism in Bank Loan Markets: the Case of Beauty and Gender

Hua Cheng, University of Texas at Austin, United States; Yan Dong, Southwestern University of Finance and Economics, China; Xue Li, Southwestern University of Finance & Economics, China

B3.3

Does the information content of central bank speeches impact on the level of the exchange rate? -a comparative study of Canadian and Australian communications

Becksnale Masawi, Deakin University, Australia

COFFEE BREAK: 10:00 – 10:30

SESSION IV: 10:30 – 12:00

Room: HTTC Seminar Room

Session Chair: Farzana Munshi, BRAC University, Bangladesh

H4.1

Chinese firms' CSR and their Earnings Management Practices: Accrual and Real activities-based Earnings Management

Sangho Kim, Xi'an Jiaotong-Liverpool University, China

H4.2

Study on the Green Banking Practices in Sri Lankan Context: A Critical Review

P.M.P. Fernando, University of Kelaniya, Sri Lanka; Shihan Dilruk Fernando, Commercial Bank of Ceylon PLC, Sri Lanka

H4.3

Transboundary Pollution and Unsystematic Urbanization in South Asia-An Empirical Investigation

Devi Prasad Dash, IIT Ropar, India

H4.4

Corporate Social Responsibility and Dividend Policy

Mohammed Benlemlih, University of Grenoble Alpes, France

Boardroom

**Session Chair: Dr. Jyotsna Sinha, Motilal Nehru National Institute of Technology Allahbad,
India**

B4.1

The global competitiveness of ASEAN: Implications for Canadian businesses

Mark Kam Loon Loo, Concordia University, Canada

B4.2

Revisiting the Fiscal Theory of Sovereign Risk from the DSGE View

Eiji OKANO, Nagoya City University, Japan; Kazuyuki Inagaki, Nagoya City University, Japan

B4.3

Disposition Effect on Investment Decision Making: Regulatory Focus Theory Explanation

I Made Surya Negara Sudiman, Udayana University, Indonesia

B4.4

Current issues of the labour market in the Slovak Republic with an emphasis on the trends in migration policy

Andrej Privara, University of Economics in Bratislava, Slovak Republic; Eva Rievajová, University of Economics in Bratislava, Slovak Republic

LUNCH: 12:00 – 13:30

SESSION V: 13:30 – 14:30

Room: HTTC Seminar Room

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

H5.1

Prospect for Mutual Fund Industry in India: A comparative study with respect to US

Iftaqar Ahmad, Motilal Nehru National Institute of Technology Allahbad, India; Dr. Jyotsna Sinha, Motilal Nehru National Institute of Technology Allahbad, India

H5.2

Determinant Factors for the Formation and Development of a Smart Territory

Andra Zvirbule, Latvia University of Agriculture, Latvia; Baiba Rivza, Latvia University of Agriculture, Latvia; Zane Bulderberga, Latvia University of Agriculture, Latvia

H5.3

Performance Dynamics of Hedge Fund Index Investing

Midori Munechika, Toyo University, Japan

Room: Boardroom

Session Chair: Dr. Tan Jing Hee, East Asia Institute of Management, Singapore

B5.1

Indeterminacy and the properties of the utility function

Shun-Fa Lee, Tamkang University, Taiwan

B5.2

Social marketing activities to augment the brands of faith in diversified marketing in India

Baba Gnanakumar Perbettan, Sri Krishna Arts and Science College, India; Lakshman Raveendhar, Sri Krishna Arts and Science College, India

COFFEE BREAK/NETWORKING: 14:30 – 15:00

END OF CONFERENCE

VIRTUAL PRESENTATION (Available on APEF.ear.com.sg)

VI.1

The Efficiency Analysis of Singapore Real Estate Investment Trusts

HuiChen Chiang, Ming Chuan University, Taiwan

Abstract Book

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Dr. HUSZAR, Zsuzsa Reka

Department of Finance at National University of Singapore (NUS) Business School

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Mood Maintenance Hypothesis and Seasonal Effects on Investors' Reactions to Company-Specific Events.

Dr. Andrey Kudryavtsev

The Max Stern Yezreel Valley Academic College, Israel

Prof. Doron Kliger

University of Haifa, Israel

Contemporary research documents various psychological aspects of economic decision-making. The main goal of our study is to analyze the role of Mood Maintenance Hypothesis (MMH, Isen (1984, 2000)) in financial markets. MMH refers to people's tendency to maintain positive mood states, and implies that positive mood is associated with less critical thinking and reduced information processing, yielding three behavioral effects: (i) out of the blue, resulting in stronger negative reactions to bad news during good mood periods (ii) sunray on a cloudy day, leading to stronger positive reactions to good news during bad mood periods, and (iii) shallow thinking, producing stronger reactions to all kinds of news during good mood periods. Employing daylight duration changes and a measure of onset and recovery from symptoms of Seasonal Affective Disorder (SAD) as proxies for contemporaneous investors' mood, we test the role of mood in investors' reactions to analyst recommendation revisions. We find corroborative results, most notably that negative stock price reactions to recommendation downgrades are significantly stronger during daylight increasing periods, and alternatively, during the periods characterized by low rates of onset and high rates of recovery from SAD. The magnitude of the effect increases in longer event windows.

Insights concerning the effect of weather on risk-taking in a speculative financial market.

Ming-Chien Sung

University of Southampton, United Kingdom

Johnnie Johnson

University of Southampton, United Kingdom

Shaosong Wang

Macau University of Science and Technology, Macao

Peter Fraser-Mackenzie

University of Southampton, United Kingdom

Chung-Ching Tai

Tunghai University, Taiwan

Leighton Vaughan Williams

Nottingham Trent University, United Kingdom

This paper investigates the effect of a range of weather variables on individual spread traders' hourly trading volumes and their propensity to buy or sell (bullish/bearish trading sentiment). This is timely research because spread-trading markets, with over 1 million traders in the UK alone, have opened up speculation in financial markets to a wide cross section of the public. Many of these retail traders have little experience of financial market trading, yet spread-trading companies hedge into the underlying markets, exposing these markets to the decisions of less informed traders. We suspect that the decisions of these less informed traders might be swayed by factors other than their investments' underlying economic fundamentals and our unique dataset, consisting of the trading history of almost 1,614 spread traders, enabled us to test this view.

As a result of the demonstrated linkages between weather, mood and decision behavior, several studies have explored the degree to which weather can influence financial stock returns. However, no general consensus has emerged. One reason for this may be that some previous studies failed to examine the weather variables in the context of others, which could influence the manner in which individuals react. In addition, weather-related factors are often correlated with each other in certain circumstances and this has not been allowed for in some previous studies. Also, the majority of studies examining the relationship between weather-related factors and behavior in financial markets have used aggregated stock return information. This approach prevents a precise identification of those aspects of individual investors' trading behavior that are affected by the weather and does not allow us to observe

the extent to which there is a variation in the degree to which weather affects the decision behavior of informed and less informed traders. Our study aims to overcome the limitations of the previous literature indicated above, by examining the extent to which a range of weather variables interact to affect the decisions of individual financial traders.

Using a methodology which overcomes the limitations of previous research, we found that deseasonalized air temperature, rainfall, and wind speed all significantly impacted trading behavior, in terms of individual spread traders' hourly trading volumes and their propensity to buy or sell (bullish/bearish trading sentiment). The biggest effects being related to trading volume. Interestingly, the effects were in opposite directions in the winter and the summer. This may explain why some previous studies have found weak or non-significant effects of weather, as these seasonally mediated effects could cancel themselves out throughout the year.

Evaluation of cluster development strategic outlooks using book value and revenue multiples

Egor Koshelev

Lobachevsky University, Russian Federation

Sergei Yashin

Lobachevsky University, Russian Federation

Nadezda Yashina

Lobachevsky University, Russian Federation

This paper suggests an approach making it possible to recognize a core company of a future innovational and industrial cluster in order to subsequently expand this type of business up to a pilot cluster of the region. For that end, it is proposed to use book value multiples, Tobin's Q multiple and revenue multiples. They allow to determine whether the company in question will be able to become a core of a potential cluster in the very near future. The multiples can also help verify whether a large company meets its current position of the 'cluster core'. With this end in view, its book value multiple is compared with the profitability spread, and the revenue multiples are compared with the profit margin. If the values of the multiples are low, and the profitability spread and the profit margin are high, and if Tobin's Q multiple is greater than ~1, the company is underestimated in the stock market and will be developing in years to come more rapidly than other companies in the industry or cluster.

New insights into the prevalence of herding and its effect on financial market efficiency

Johnnie Johnson

University of Southampton, United Kingdom

Ming-Chien Sung

University of Southampton, United Kingdom

David McDonald

University of Southampton, United Kingdom

Leighton Vaughan Williams

Nottingham Trent University, United Kingdom

We develop insights into unresolved issues related to the prevalence, nature and effect of herding behavior in financial markets. In particular, we attempt to reconcile the apparently irrational behavior of herding with the efficient markets hypothesis. Previous studies have found it difficult to achieve this using traditional financial market data. Consequently, we examine these issues by employing data from an electronic exchange market for state contingent claims, which offers considerable advantages for this research.

Herding occurs when market participants neglect their own private information and adjust their actions to be more representative of those of other traders. The combined activity of many herding traders can result in extraordinary changes in asset values over a short period, possibly leading to bubbles, crashes and bank runs. While the consequences of herding are irrational at the aggregate level, herding may be rational at the individual level. Theoretical models have rationalized herding as ‘information cascades’, where decisions are made sequentially by different agents who each hold their own private information. There is uncertainty over the validity of price signals. Consequently, it may be rational for agents to disregard some of their private information when that held by others appears (as revealed by their actions) to conflict with their own.

While herding has a theoretically sound basis, empirical evidence for the phenomenon is inconclusive. Similarly, mixed results have been found in laboratory-based studies. The common finding from these studies is that participants do herd, but to a lesser extent than theoretical models predict.

We address the unresolved issues raised above and provide important evidence that furthers understanding of the prevalence, nature and effect of herding behavior in markets. In particular, we find that herding is more prevalent and leads to greater inefficiency than previous studies have suggested. We show that trading strategies designed to capitalize on

mispricing caused by herding can earn significant abnormal returns, with initial capital rising by 95% on around 500 trades. In addition, we are able to identify inefficiencies in over 33 percent of the 1514 separate markets considered, indicating that the prevalence of herding is a significant issue. In addition, our results help resolve the conundrum of why previous herding evidence is so mixed, as we are able to measure the extent of herding at different stages of the market and, separately, for 'buy' and 'sell' signals. Specifically, we show that it is possible to make abnormal returns by trading on herding activity because market participants overestimate the information contained in large price movements in the later stages of the market, when there is little time for the inefficiency to be corrected. Furthermore, we show that the extent of herding is greater following 'sell' (cf. 'buy') signals. Our results make important contributions towards informing regulatory practices in financial markets.

Room: Boardroom

Session Chair: Dr. Tan Jing Hee, East Asia Institute of Management, Singapore

Application Review Authority to the concept of formal and becoming a new concept of Human Talent Management

Dr. Juan Nicolás Montoya Monslave

National University of Colombia, Colombia

Dr. Álvaro Fernando Moncada Niño

EPFAC School of Graduate Studies of the Colombian Air Force, Columbia

ADE. Juan Daniel Montoya Naranjo,

National University of Colombia, Colombia

The aim of this paper is to analyze the concept of formal authority in organizations, using a theoretical discussion of its components, their mainstreaming in the administrative process, and its effect on the proactive development of business objects, pretending to determine if this variable is proactive or not, in the development of high performance practices in Human Resource Management, and whether or not a restriction, for people to become their strategic base and/or competitive. We also try, from a case study to determine the effect of expression authority in non-hierarchical designs, the effects of structural position in organizations, the impact of leadership, the relationship of structures and the charges regarding the successes and achievements of the organization, the effect on intra-relationships and communication, imposing, authoritarian, non-cooperation with the lack of consistency

with individual purposes, mission and Provisional Record, the continuum of bad decisions, relationship with management and control, and finally connect all these elements with the current organizational individuals, immersed in a knowledge society.

Japanese Lifetime Employment Revisited

Parissa Haghirian

Sophia University, Japan

Lifetime employment is seen as one of the major pillars of traditional Japanese management. Next to its economic importance it also plays a very emotional role for many Japanese. Lifetime employment and seniority principle are deeply rooted in Japanese culture and society creating a strong bond between employee and corporations generally considered major achievements of the Japanese economic development. However in the past years lifetime employment is increasingly named a hindrance for Japanese corporations to become more global, competitive and productive. Despite rising criticism there are little attempts to change the human resource systems of Japanese corporations. The presentation will provide an overview on the concept of lifetime employment, its historical background and development, relevance and the legal framework it is based on. It will further discuss the recent attempts to improve and adapt the Japanese Human Resource management system and presents how modern Japanese corporations deal with lifetime employment and still stay internationally successful.

Conceptualizing of CSR reflections on financial performance for Malaysian Public Listed Companies

Norwazli bt Abdul Wahab

Universiti Teknologi MARA, Malaysia

Over the years, the concept of corporate social responsibility (CSR) has become remarkable in Malaysia. There are several initiatives have been taken by government to enhance the development of CSR. But how would we know whether the companies have good CSR practices or not? Today's investors are not only looking at financial portfolios but looking forward to take appropriate action on dealing with CSR activities as part of the core strategy in the company by fulfilling its social responsibility. This study attempts to introduce a CSR disclosure index for measuring CSR activities and to analyze whether the CSR activities

contribute to the enhancement of company financial performance (ROE) and the firm value (Tobin's Q) of Malaysian public listed companies as a developing country. This study applied content analysis to examine the concentration of CSRD on the annual report and stand-alone sustainability report by concentrating on CSR dimensions specified by Bursa Malaysia. The four dimensions are community, environment, workplace and marketplace. A longitudinal data analysis with a large sample testing will be carried out by using panel data analysis. The statistical power with fixed effect and random effect model will be utilized. The findings from this study will contribute to new insights of innovative and compliance with CSRD really improves the performance of the companies. Finally, this study will provide the basis to urge Malaysian corporate bodies and Government-Linked companies (GLCs) to play bigger role in the development and well-being of people through corporate social responsibility (CSR).

Consensus on Training and Firm Innovation Performance: An Empirical Study

Sangyun Han

Daejeon University, Korea, Republic of (KR)

Including the training, the human resource management (HRM) is affecting on the internal knowledge producing and sharing in organization. Finally it can increase the innovation and financial performance. But, investigating the internal black box-how the employer training investment is connected to performance - is overlooked in previous studies. In this study, we try to light up the process using consensus theory. Although the consensus on strategy are discussed frequently in the previous literature, the object is limited of consensus to company's overall strategy at the firm level and the most common subject of it has been members of TMT(Top Management Team) in organizational settings. Most literature only focus on the direct effect of training and consensus on firm performance. And also the moderating effect of consensus on training strategy have received relatively little attention from scholars.

So, from the resource based view (RBV) perspective, this study empirically investigates the extent to which a firm that uses consensus on training strategy for innovation can increase its innovation performance, and how this effect is moderated the relationship between the training investment and innovation performance. We use a hierarchical regression model to analyze survey data from 278 Korean manufacturing firms and 1,505 observation in 2013. Training consensus imply that shared understanding of (ie., agreement on) a training strategy-relevant content for firm innovation by an group of individuals that can be comprised of

managers at the middle and operating levels of the firm. And the performance we used in this study are business ability, labour productivity, and financial result as innovation outcome or performance. This study enhances our understanding of this important consensus on training strategy process construct and benefits managerial practice by discussing means for improving the realization and implementation of employer training investment in firms.

COFFEE BREAK: 15:00 – 15:30

SESSION II: 15:30 – 17:15

Room: HTTC Seminar Room

Session Chair: Baba Gnanakumar Perbettan, Sri Krishna Arts and Science College, India

Trading Around Earnings Announcements and Systematic Market Shocks

Wing Him Yeung

Lakehead University, Canada

On average, firms experience positive abnormal returns around earnings announcement dates. Such abnormal returns are referred to as the earnings announcement premium, which was first documented by Beaver (1968). Prior literature mainly focuses on the existence of positive abnormal returns during earnings announcement periods (Ball and Kothari, 1991; Cohen et al., 2005; Lamont and Frazzini, 2007; Barber et al., 2013), and limited work has been done to investigate whether or not risk reduction is possible by holding stocks during earnings announcement periods only, while still being able to benefit from the earnings announcement premium at the same time. Investors holding stocks throughout the entire year are subject to systematic shocks in the market and shocks due to earnings announcements of the firms. On the other hand, investors holding stocks during earnings announcement periods only and holding risk-free assets for the remainder of the year are subject to fewer systematic shocks in the market. The paper hypothesizes that portfolios holding stocks for two days around each of the quarterly earnings announcements and risk-free assets for the rest of the year (active portfolio) are able to significantly reduce risk while still capture a considerable portion of the annual returns relative to those of portfolios holding stocks for the entire year (passive portfolio). This paper uses stock price data of S&P 500 firms in the United States

during the period from January 1, 1990 to December 31, 2013, and the empirical results are consistent with the above hypothesis. In particular, the active portfolio is able to generate higher returns for a given level of risk relative to the passive portfolio, and this holds regardless of whether bid-ask spreads are included or not.

Risk of Standard and Floored Options- the comparative analysis

Ewa Dziawgo

Nicolaus Copernicus University in Torun, Poland

The increase in the changeability of market conditions affects the growth of demand for new instruments and methods that would allow more effective management of market risk. Changes on financial markets necessitate the implementation of financial innovations. Their skilful introduction of risk management can help companies to thrive in an increasingly volatile environment. Therefore, in business practice, the risk analysis of introduced financial instruments is crucially important. Floored options are the path-dependent options in the class of exotic options. An floored option allows its writer to limit the risk. The article presents the properties of the floored option: construction of instrument, the pay-off function, the pricing model, the influence of selected factors (the underlying instrument's price, the time to maturity and the level of barrier) on the pricing and value measures of risk (coefficients: delta, gamma, vega, theta, rho). The article also contains the analysis the effect of the underlying instrument's price, the time to maturity and price volatility of the underlying instrument on the risk performance of standard options. The aim of the paper is to present the comparative analysis of the risk of standard and floored options. The empirical illustration included in the paper is presented based on an currency standard and floored options (on EUR/USD) pricing simulation

The Implied Spot Price and Convenience Yield From WTI Crude Oil Options

Zhe Zong

University of Glasgow, United Kingdom

Christian-Oliver Ewald

University of Glasgow, United Kingdom

The Schwartz (1997) two factor model serves as a benchmark for pricing commodity contracts, futures and options. It is normally calibrated to fit the term-structure of a range of future contracts with varying maturities. In this paper we investigate the effects on parameter estimates, if the model is indeed fitted to prices of options, with varying maturities and strikes. The use of option prices rather than futures in the calibration leads to non-linearities, which the standard Kalman filter approach is unable to cope with. To overcome these issues, we use the Extended Kalman Filter (EKF), and find that some parameters sensitively depend on the choice of strikes of the corresponding options, and are different from those estimates obtained from using futures prices. This realization is important, as the use of ill-fitted models for pricing options in the Schwartz (1997) framework may cause traders to bear serious financial losses.

Information Aggregation in OTC Derivatives Markets: Evidence from Consensus Prices

Lerby Murat Ergun

LSE, United Kingdom

This paper provides empirical evidence on the degree of dispersion in asset valuations across major broker-dealers in over-the-counter derivatives markets. Using a rich dataset on consensus prices for major equity index options, we quantify the difference in broker-dealers' price estimates for long-dated, out-of-the-money put and call options. We show that these differences are larger, the deeper out-of-the-money options are, and the longer are the times-to-maturity. We relate this finding to information flows and learning in the over-the-counter market for derivatives by analysing broker-dealers' reactions to pricing information that is shared among them via a consensus pricing service, Markit's Totem. We find that disagreement about asset valuations, as measured by individual broker-dealers' deviations from consensus prices, are more persistent for derivatives that are traded infrequently, and during periods of market stress.

How valuable are Market-Based Indicators in Forecasting Major Event Outcomes

Johnnie Johnson

University of Southampton, United Kingdom

Ming-Chien Sung

University of Southampton, United Kingdom

Leighton Vaughan Williams

Nottingham Trent University, United Kingdom

This paper seeks to identify how well market-based methodologies forecast uncertain major event outcomes, notably national elections, and to compare the performance of such methodologies with alternative forecasting models. We also seek to identify any systematic biases. The data is collected from various prediction markets as well as alternatives such as opinion surveys, statistical models and expert judgment. On the basis of established literature, we might expect that markets outperform other methodologies at a distance from the election but that any advantage diminishes or even reverses as time to the event reduces. We seek to test this hypothesis as well as to assess the value of combining forecasts in maximizing predictive power. Our results will add to the growing debate in the literature about the relative contribution of alternative methodologies in improving forecasts of major event outcomes.

Room: Boardroom

Session Chair: Shihan Dilruk Fernando, Commercial Bank of Ceylon PLC, Sri Lanka

Corporate Social Performance and Likelihood of Corporate Fraud

Maretno Agus Harjoto

Pepperdine University, United States

This study examines the impact of corporate social responsibility (CSR) on the likelihood and severity of corporate fraud. We hypothesize that firms with ethical corporate culture, measured by CSR activities, are less likely to commit fraud and have less severe corporate fraud. Using a sample of 149 criminal corporate fraud cases from the US Department of Justice (DOJ) from 2001 to 2010, we find that firms with higher net CSR and CSR strengths (concerns) scores have lower (higher) likelihood and severity of corporate fraud. We find that

firms with higher community, employee, environment, and product related CSR have lower likelihood of fraud. We find firms with higher diversity, employee, environment, and product related CSR have lower convicted fraud counts while firms with higher community and environment related CSR have lower size of restitution (fines) relative to firms' total assets. Overall, we find that (un)ethical corporate culture is (positively) negatively related with corporate fraud.

Portion of ownership and efficiency and efficiency of foreign banks in Indonesia

Sparta

Indonesia Banking School, Indonesia

This study aims to 1) know the description of foreign ownership in private national banks and non-foreign exchange, 2) determine the impact of foreign ownership on the efficiency of the national private banking and non-foreign exchange and 3) find out if there are differences in the impact of the percentage of foreign ownership of banks on the efficiency of the national private groups and non-foreign exchange.

Samples are banks in the group of Foreign Exchange National Private Banks (BUSND) and the National Private Banks Non-Foreign Exchange (BUSNND). The number of banks which became the object of research are as many as 54 banks from the year 2001-2013, with a total observation is 702. The number of observations included in the data processing is 648. This is due to the use of variable BOPO the previous year, so the data BOPO one year before starting 2002. Research variables used are BOPO, the share of foreign ownership, the size of the bank and the group dummy variables. The equation used is OLS research using panel data. The results of this study prove 1) Foreign ownership has positive influence on inefficiencies bank BUSND and BUSNND particular group. 2) The bigger the bank's assets, the bank tend to be more efficient than ever before. 3). There is no difference in the impact of foreign ownership on bank efficiency levels among the groups BUSND and BUSNND. The results of this study have implications for the policy to restrict foreign ownership in national banks. Revision of the Banking Act are being processed in the Commission XI one of which is to limit foreign ownership in national banks. The results of this study can be considered in the revision of the Banking Law, foreign ownership in particular point because of increased foreign ownership tends to decrease the efficiency of the banking system.

Capital Inflows and Credit Conditions in Emerging Market Economies

Shahana Mukherjee

Indian Institute of Management Bangalore, India

A large body of literature has documented the importance of development of a country's financial sector in contributing towards its long-run economic growth. In this context, the empirical literature has often viewed trends in domestic credit as a leading indicator of financial sector development, and established a positive association between domestic credit conditions and income growth. This association, however, may not be unequivocal as episodes of excessive credit growth are also linked to an increased likelihood of crisis. Such contrasting effects call for a better understanding of factors which shape domestic credit conditions.

While domestic credit is theoretically expected to be closely associated with a country's monetary policy, recently implemented structural changes have arguably weakened this association. In particular, an important development has been the increase in international financial integration. The removal of restrictions on the capital account has led to at least two significant developments. First, a direct consequence is the access to cross-border credit as domestic banks can directly seek funding from foreign banks/counter-parties. Second, while it improves international risk-sharing, it also creates a potential for economic distortions and increases the financial system's vulnerability to external shocks. In this context, the risks facing emerging market economies (EMEs) are likely to be considerable. Facilitated by loose monetary policies in advanced economies, gross private capital flows to several EMEs rose sharply between 2002 and 2007 and peaked at an average of 11 percent of GDP by the end of 2007. While all countries experienced sharp reversals during the global financial crisis in 2008, flows to EMEs were quick to resume and attained pre-crisis levels by the end of 2009. The period since then has witnessed a gradual rise in the level and volatility of capital flows to EMEs, raising concerns in recipient economies. The objective of this paper is to quantitatively assess the causal impact of capital inflows on domestic credit and thereby the risks associated with a reversal of such flows. This study examines the effect of capital-inflow shocks on domestic credit conditions in EMEs. We estimate a panel Vector Autoregressive (VAR) model for a sample of 11 Asian and Latin-American EMEs over the period 2003-2013 and identify capital-inflow shocks using sign restrictions. Our results suggest that capital-inflow shocks have a significant positive effect on real credit available to the private sector, with debt-inflow shocks exerting a larger effect. We also identify shocks to

domestic monetary policy and demand and find that the effect of capital-inflow shocks is comparable to these shocks. We also examine whether cross-sectional differences in the regulatory structure of credit markets can create differences in the observed impact of capital-inflows. Our results suggest that countries with relatively more liberal regulatory regimes experience a larger effect of debt-inflow shocks. The role of macroprudential measures, however, is less clear, as similar effects are observed even in countries with a larger number of macroprudential measures. Overall, our results lend support to the possibility that some countries may be circumventing these measures through an increase in their cross-border borrowing.

Exports, Imports and Sustainability of the Current Account: An Analysis of China and India

Manoranjan Sahoo

IIT Madras, India

In recent years, almost all the oil importing economies are enjoying the fruit of plummeting crude oil prices globally, which can restore their external sector balances and the prices of the goods and services in the domestic economy (because of the lower transportation cost) etc. As China is the second largest oil importer in the world, some of the economists and academicians argue that the recent economic slowdown of the Chinese economy has contributed in many ways for the falling global crude oil prices. Further, due to the slowdown of the global economy, the export growth of China has also been adversely affected. This raises bigger questions regarding the external sector sustainability of the Chinese economy. Recently, India is also facing several economic problems mainly after the 2007-08 global financial crisis. In 2012-13, India's current account deteriorated to a deficit of 4.8 percent of GDP. This was one of the major cause of the depreciation of the Indian rupee to a lowest level of 68 per dollar, and also a rapid increase in the inflation rate. This study examines the long run sustainability of the current account trend of China and India for the period of 1980-2014. As proposed by the past literature, the current account sustainability is examined by estimating the cointegrating relationship between the exports of goods and services, and the imports of goods and services plus interest payments on the external debt for both the countries. The cointegration test by Bayer and Hanck (2013) is applied to estimate the long run relationship among the variables. The results show that while China's current account is sustainable in the long run, India's current account is found to be unsustainable. These results

have certain important policy implications for both the countries. While the Chinese economy can work towards the recovery of its earlier growth pattern, the Indian government can focus on the export promotion policies to improve its external balances.

Foreign Direct Investment and institutional equality: Empirical Evidence from Countries with different income levels

Fouzia Awan

University of Central Punjab, Lahore, Pakistan

Less developed countries admire to attract foreign direct investment because it is considered to play a vital role in achieving the growth targets. Weak Quality of Institutional governance may obstacle to achieve the target. This paper examines, whether the quality of institutions have any impact on the inflow of foreign direct investment by using the data for 165 countries for the time period 1996-2014. The study uses classification of the countries according to income levels published by the World Bank. Fixed and Random effect models are used to investigate, whether all institutions are equally important for countries with different income levels.

The results exhibits that countries with different income levels have differing importance of institutions. Control of corruption has positive and significant influence on the inflow of FDI, for the overall 165 countries and for high OECD countries. Quality of Institutional governance have no effect on the inflow of FDI in low income countries but trade openness, GDP per capita growth and population growth have significantly positive influence. Trade openness has a positive impact on countries with all income levels. The paper concludes that countries should focus on the improvement of institutional governance, especially the institutions which are important to attract the FDI for them. Trade openness has a crucial role in attracting FDI, therefore, all countries might be open outward.

28th July 2016

**Venue: East Asia Institute of Management Campus
Ah Hood Road Singapore (329975)**

SESSION III: 09:00 – 10:00

Room: HTTC Seminar Room

Session Chair: James Chua, East Asia Institute of Management, Singapore

A study on the HRM practices and their challenges confronted by Human resource experts in Indian IT firm, Bangalore.

Saravanan Palaniappan

VIT University, India

Vasumathi Arumugam

VIT University, India

Human Resource Management function plays a critical role in partnering with business, external stake holders, generates values and credibility to the organization in terms of obtaining their goals and objective for the organization. The focus of HRM functions were moved from personnel functions to business driven HR functions majorly on strategic focus to business, Talent branding, performance generation, competence mapping, leadership development, good work life balance, better employee connect.

HR expert acts a change enabler by promoting the change within the company. Since regular change within business functions needs to be addressed through guiding, generating and implementing the policies and strategies to fulfil the business requirements. Moreover HR experts should more focus towards HRM practices such as Human resource planning, Talent identification, selection and on boarding, Talent mapping, Learning and development initiative, succession planning, Performance management, stress free work environment and generating a better work climate within the organization. Since the function is anticipated to create a value enhance amenity to their workers to meet the upcoming business requirements. The Major challenges occurs due to unbalancing and increase in level at stress towards work environment which needs to be focused through certain engagement initiative systematized by the employer will have an impact on lesser attrition rates and retaining the high performers

within the organization. HR managers face challenges with reference to change in the globalization policies, scientific developments and changes in governmental and legal requirements as well, which has a direct impact on business functions and its requirements. The key challenges faced by the HR experts in the industry is to attract the best talent, retain and engaging the talented workforce through Increasing empowerment and participation of employees and Focus on issues related to racial, ethnic at diverse work environment etc. HRM practice play a vital role in renovating its processes from traditional and transaction based approach to strategic partnering with business functions and its requirement, hence the HR experts shifts from administrative associate to a strategic partnering role, enabling and managing the change requirements for the business function. The Key factors should be focused by HR experts in terms of retaining the high performance workforce, minimizing the level of stress towards the work environment, increase in career growth and opportunities, generating the leadership abilities etc. HR experts partnering with business to counter various issues with respect to pre-onboarding requirements, formulating the effective strategies and policies which address the issues with regards to employee performance, employee grievances, identifying and developing the leadership skills, retaining the talented and high performance work force within the organization. This study helps in identifying and addressing the challenges confronted by the HR experts on their day to day events in Indian IT firm at Bangalore. The study is limited to IT firm at Karnataka, which can be extended to other Indian IT companies in India, other industries in India and abroad to have a fair understanding towards the HRM practices and their challenges confronted by Human resource experts.

Labor Market Regulations and Employment in Bangladesh

Farzana Munshi

BRAC University, Bangladesh

Do labor market regulations discourage formal sector job creation? The prevalent view is that they do. According to this view, labour market regulations (such as minimum wages, employment protection, firing rigidities, unionization, dispute resolution), however well-intended, create rigidity in the labour market and acts as obstacle to job creation. For instance, binding minimum wages cause an excessive supply of labour (unemployment). Proponents of minimum wage, however, argue that such binding minimum wages help the

young and less-skilled workers, increase workers average wages, their purchasing power and consequently stimulate labour demand which contributes to a reduction in poverty.

This study explores the impact of changes in minimum wages on employment of skilled and unskilled workers in one of the largest industrial sectors in Bangladesh: the readymade garments sector. Minimum wages in this sector increased in 1990, 2010, and in 2013, for skilled and unskilled workers. At the same period, number of total workers increased from 0.34 million in 1990 to 4 million in 2013. This study analyses the relationship, if any, between the changes in minimum wages and sector's employment using firm level data for the period 1985-2014. Creating productive job opportunities is a major challenge for Bangladesh, particularly in the context of the demographic dividend it is currently experiencing. The currently followed labour policy is Bangladesh labour law 2006 and Bangladesh labour laws (Amendment) 2013. The Labour Rule 2015 is under review. It appears that labor laws and regulations do not act as major constraints to formal sector job creation in Bangladesh due to ineffective enforcement. On the other hand, workers rights call for better protection in sectors where trade unions did not exist or collective bargaining failed due to weak trade unions. Therefore designing a labour policy would require a balance between imposing more regulations to protect workers' rights and weakening of regulations at the same time to create more and better jobs. Empirical evidence on labour regulations impact on labour market outcomes would be helpful to design a suitable labour policy.

Factors contributing to the success of Crowdfunding: The Malaysian Case

Maya Puspa Binti Rahman

International Islamic University Malaysia, Malaysia

Crowdfunding is getting the world's attention due to the fact that it is particularly useful to support the development of new ideas and initiatives that cannot be funded by traditional mode of financing such as financing from financial institutions. Being globally recognized as the next best alternative for entrepreneurs to raise funds, it is highly important to discover the factors contributing to the success of raising funds through this mechanism. Based on interviews with major industry players, this research critically address the issues associated with crowdfunding and presents the factors mostly important for project owners or entrepreneurs to consider before engaging in raising funds through the crowdfunding platforms, in Malaysia. Apart from enriching the literature in crowdfunding, this research is

expected to spur awareness on the importance and implications of crowdfunding in the Malaysian capital market.

Room: Boardroom

Session Chair: Pearl Wong, East Asia Institute of Management, Singapore

A Dynamic Analysis of the Determinants of Greek Credit Default Swaps

Christian Richter

German University in Cairo, Egypt

Maria Correia

German University in Cairo, Egypt

There is a consensus in finance literature that credit default swap spreads can be used to calculate the default probability of a government bond. The question is therefore what determines the credit default swap spreads and also what is a good indicator that predicts the future behaviour of this security spreads. In this paper, we investigate several variables which have been used in the past to predict the CDS spreads. We do this by analysing the behaviour of credit swaps spreads of Greek sovereign debt over the recent financial crisis. We take into account the changes on the data generating process as the crisis evolves. Moreover, we also investigate which part of the dynamic process of CDS spreads is explained by each possible determinant. In order to do so, we use a time-frequency approach. As it turns out, some determinants are better in explaining the short term behaviour of the CDS spreads whilst others explain the long term behaviour. We can also say by how many months one factor determines the behaviour of the CDS spreads for Greek sovereign debt.

With this information we are able to determine the probability of default and what it depends upon.

Nepotism in Bank Loan Markets: the Case of Beauty and Gender

Hua Cheng

University of Texas at Austin, United States

Yan Dong

Southwestern University of Finance and Economics, China

Xue Li

Southwestern University of Finance & Economics, China

This paper builds an oligopolistic model with agency problems to analyze taste-based discrimination related to physical attractiveness and gender in China's bank loan markets. The model predicts that high market concentration increases the degree of discrimination, which is confirmed by empirical evidence based on unique datasets containing information about market structure and household borrowing. In general, we find that in a more concentrated market, i.e., with a higher Herfindahl index(HHI), compared with average-looking people, good-looking people are more likely to obtain loans, and face a lower interest rate. However, in contrast with most findings in labor markets, we find that females are treated better than males in a more concentrated mortgage loan market. Although the disadvantage of bearing and raising children cannot be easily disentangled from discrimination in labor markets, it does not pose an issue in bank loan markets. Overall, the consistent pattern shown in various regressions suggests the existence of taste-based discrimination in bank loan markets. This paper contributes to the understanding of discrimination in bank loan market, and can potentially lead to better policies in combating such discrimination.

Does the information content of central bank speeches impact on the level of the exchange rate? -a comparative study of Canadian and Australian communications

Becksnale Masawi

Deakin University, Australia

Traditionally central banks have used direct intervention in currency markets when the exchange rate has moved away from equilibrium or when volatility has been excessive. Recently central banks have been using indirect intervention in the form of oral communication to do the same. However, the literature that examines whether indirect intervention has impact on the level or volatility of the exchange rate is sparse. This study examines whether indirect intervention has an impact on the level of the exchange rate by

examining central bank communication in Australia and Canada. Although these two countries may be argued to be similar in a number of ways, our study shows that the speeches delivered by their respective central bank officials produce different effects on their exchange rates. Using high frequency 5 minute intra-day exchange rate data we find evidence that Bank of Canada (BOC)'s speeches reduce the mean exchange rate returns while there is no such evidence for the Reserve Bank of Australia (RBA)'s speeches. Our study shows that socio-economic similarities between countries do not guarantee a similar impact of oral intervention.

COFFEE BREAK: 10:00 – 10:30

SESSION IV: 10:30 – 12:00

Room: HTTC Seminar Room

Session Chair: Farzana Munshi, BRAC University, Bangladesh

Chinese firms' CSR and their Earnings Management Practices: Accrual and Real activities-based Earnings Management

Sangho Kim

Xi'an Jiaotong-Liverpool University, China

We investigate the relationship between corporate social responsibility (CSR) and earnings management practices in Chinese firms. We test this relationship by measuring earnings management in two different methods— accrual-based earnings management (AEM) and real activities-based earnings management (REM). While AEM is regarded as less costly but easier to be detected by auditors (or regulators), REM is regarded as much costly but more difficult to be detected.

CSR practice in China is in early stage, and has many different characteristics from developed countries. Especially, Chinese government exert a huge influence on CSR initiatives in market and society. As a result, the major incentive for implementing CSR in China is to comply with central government policy. We find that there is a general positive relationship between AEM and REM, indicating that Chinese firms are likely to mix both

methods to meet the target earnings. However, when they are engaged in more CSR activities, they are likely to switch from AEM to REM, suggesting that the higher CSR engagement constrains the use of AEM, but encourages the use of REM. This result implies that Chinese firms may perceive the nation-wide CSR initiatives as a ‘legitimacy pressure’ from their stakeholders, particularly central government. This legitimacy pressure may also make the private Chinese firms more sensitive to CSR initiatives as they are in an unfavourable position to obtain the legitimacy compared with government controlled firms. We also find that the private ownership negatively moderates the association between CSR and REM. This paper contributes the prior literature in three perspectives. First, this paper extends the arguments regarding AEM and REM to CSR studies. This study document a shift from AEM to REM driven by CSR which is similar to the effects of the passage of SOX in US. This implies that Chinese firms may perceive nation-wide CSR initiatives as legitimacy pressure. Second, this paper can complement the prior management study by providing empirical evidence on the Chinese firms’ reactions against CSR initiatives. The shift from AEM to REM in Chinese firms can be interpreted as a kind of legitimacy strategy, in that Chinese firms make a symbolic compliance with government policy but do not make substantial changes in their operation. By linking accounting studies with management theory, this study shed a new light on CSR and earnings management literature. Third, the results in this study can also provide significant implications for CSR policy makers. Although Chinese government push hard for CSR initiatives, the intended objectives of CSR initiatives may be not necessarily achieved automatically and the firms may search for the alternatives. Therefore, the policy makers may need to encourage more voluntary participations from various stakeholders and increase market efficiency and scrutiny to compensate the government monitoring.

Study on the Green Banking Practices in Sri Lankan Context: A Critical Review

P.M.P. Fernando

University of Kelaniya, Sri Lanka

Shihan Dilruk Fernando

Commercial Bank of Ceylon PLC, Sri Lanka

In Sri Lanka, banking industry can be considered as a monopolistic competitive market. Therefore, both public and private sector banks are following a range of non-price competitive strategies in order to win the market. In this context, the concept of green

banking is becoming a novel technology oriented strategic initiative for Sri Lankan banks to achieve triple bottom line business results. Under this circumstance, the banks are basically introducing paperless and information technology oriented banking services to their existing and prospective customers while promoting the banks' role as a responsible corporate citizen towards achieving sustainable development. The core strategy used in this scenario is the usage of the term "green banking" as a brand positioning factor where above mentioned set of paperless and information technology oriented banking services are introduced to its customers. Through this innovation the banks are able to gain cost effective advantages rather than contributing to the environmental sustainability. Therefore, this paper is critically reviewing the above scenario by using case study approach while addressing to the basic question as whether the current green banking initiatives used by Sri Lankan banking sector are truly contributing to the environmental sustainability or not. The authors are exploring the above phenomena through a conceptual model and suggest realistic solutions to convert the Green Banking Strategies to achieve long term sustainable development of both the banking sector and the environment.

Transboundary Pollution and Unsystematic Urbanization in South Asia-An Empirical Investigation

Devi Prasad Dash

IIT Ropar, India

In this paper, we explore the popular rather a controversial issue of trans-boundary pollution in South and South East Asian Economies through the interaction of urban population growth, primary energy consumption, foreign direct investment and carbon dioxide emission. The question arises here, whether these developing economies are justified in pursuing the unsystematic trait of urbanization, industrialization that distorts the environmental mechanism. The resultant negative externalities are being visible through the domestic pollution as well as trans-boundary pollution across the neighborhood geographical region. Here we explore the theoretical foundation and further review certain related literatures. Using the panel specific variation, we estimate the relation among these variables for a 33 year period (1980-2012). By utilizing this time period, we obtain a long run cointegration among the variables from Pedroni Cointegration technique. Our Panel DOLS result has found a positive long run bidirectional relation among the variables. To check the cross-sectional dependence, we employ Panel 2nd generation Westerlund Cointegration test, (2007). We

further make a careful consideration of putting Westerlund ECM Panel Cointegration test by Pesryn and Westerlund (2008) to test the cointegration by taking into account of cross-sectional dependency. The test still rejects the null hypothesis of no cointegration. From this, we perceive that there might be the evidence of cross-sectional dependence in terms of trans-boundary pollution across the region.

Corporate Social Responsibility and Dividend Policy

Mohammed Benlemlih

University of Grenoble Alpes, France

Motivated by the importance of dividend policy in corporate finance, as well as the growing interest in CSR, this paper aims to define how dividend policy is influenced by firms' CSR level. There are potentially two important theoretical arguments that could explain why CSR activities may have an effect on firm dividend policy. On the one hand, the first argument is based on the free cash flow argument of Jensen (1986). Jensen argues that managers with large free cash flow have incentives to overinvest beyond an optimal level. High dividend payout policy reduces the resources under managers' control and constrains them from diverting free cash flow. From a CSR perspective, it is argued that managers derive private benefits from being identified as socially responsible (Brown et al., 2006). These private benefits associated with high CSR identification are likely to encourage overinvestment in social and environmental activities. This argument is particularly true when firms have access to high cash in place (Barnea and Rubin, 2010). If dividend policy serves as a disciplinary mechanism that avoids social overinvestment and prevents managers from wasting cash through high social expenditures, thus, we expect a positive relationship between CSR and dividend payout. On the other hand, the second argument is based on the signaling theory of dividends (e.g. Bhattacharya, 1979). Managers use dividend changes to issue a direct signal to the market regarding the future results of the firm: an increase in dividend payout serves as an indicator that informs market about an increase in the expected results. From a CSR perspective, firms need to honor explicit and implicit claims with financial and nonfinancial stakeholders (stakeholder theory). A high dividend payout strategy shows a firm's ability to honor financial stakeholders' claims. It also signals that CSR expenditures are far from exhausting firm's cash and lead to a better allocation of a company's resources.

Using a sample of 22,839 US firm-year observations over the 1991-2012 period, we find that high CSR firms pay more dividends than low CSR firms. The analysis of individual

components of CSR provides strong support for this main finding: five of the six individual dimensions are also associated with high dividend payout. When analyzing the stability of dividend payout, our results show that socially irresponsible firms adjust dividends more rapidly than socially responsible firms do: dividend payout is more stable in high CSR firms. Additional results suggest that firms involved in two controversial activities -the military and alcohol- are associated with low dividend payouts. These findings are robust to alternative assumptions and model specifications, alternative measures of dividend, additional control, and several approaches to address endogeneity. Overall, our results are consistent with the expectation that high CSR firms may use dividend policy to manage the agency problems related to overinvestment in CSR.

Boardroom

**Session Chair: Dr. Jyotsna Sinha, Motilal Nehru National Institute of Technology Allahbad,
India**

The global competitiveness of ASEAN: Implications for Canadian businesses

Mark Kam Loon Loo

Concordia University, Canada

Despite global competitiveness reports from the World Economic Forum and Institute of Management and Development, there is a lack of research that indicates the utilization of such data to identify business opportunities between nations. This study is timely as many nations seek new markets beyond the BRIC to stimulate growth. ASEAN has demonstrated resilient growth over the years despite a prolonged global economic slowdown. Using Canada as an example, a time-series analysis of a 16-year period from 2000 to 2015 is employed to evaluate sustainability in competitiveness, and over four 4-year periods to further compare growth trends between ASEAN and Canada. The findings suggest five areas where Canada can market products and services to the region: institutional governance, infrastructure, health and primary education, higher education and training, and technology. The limitations of the study and recommendations for future research are next proposed.

Revisiting the Fiscal Theory of Sovereign Risk from the DSGE View

Eiji OKANO

Nagoya City University, Japan

Kazuyuki Inagaki

Nagoya City University, Japan

We revisit Uribe's 'Fiscal Theory of Sovereign Risk' advocating that there is a trade-off between stabilizing inflation and suppressing default. We develop a class of dynamic stochastic general equilibrium model with nominal rigidities and compare two de facto inflation stabilization policies, optimal monetary policy and optimal monetary and fiscal policy with the minimizing interest rate spread policy which completely suppress the default. Under the optimal monetary and fiscal policy, not only the nominal interest rate, but also the tax rate work to minimize welfare costs through stabilizing inflation. Under the optimal monetary both inflation and output gap are completely stabilized although those are fluctuating under the optimal monetary policy. In addition, volatility on the default rate under the optimal monetary policy is considerably lower than one under the optimal monetary policy. Thus, there is not the SI-SD trade-off. In addition, while the minimizing interest rate spread policy makes inflation rate severely volatile, the optimal monetary and fiscal policy stabilize both the inflation and the default. A trade-off between stabilizing inflation and suppressing default is not so severe what pointed out by Uribe.

Disposition Effect on Investment Decision Making: Regulatory Focus Theory Explanation

I Made Surya Negara Sudiman

Udayana University, Indonesia

Disposition effect is the tendency of investors to sell stocks early when the price increases and hold stocks longer when its price decreases. As a consequence, the investors may lose opportunities to gain greater profits from stocks winner whose price continues to rise, on the other hand, they can be suffered greater loss when the stocks continue to decline. Disposition effect is a phenomenon widely studied in behavioral finance. There are two main competing theories attempting to explain this phenomenon i.e. the prospect theory and regret theory. Although both theories give a fairly comprehensive explanations, they fail to take into account the motivation of investors in making investment decisions. This paper seeks to make

a critical review of both the main theories, as well as provide a new explanation related to the motivation of investors from the perspective of regulatory focus theory. Regulatory focus theory explains that individuals can be grouped into two, i.e. the prevention and promotion. Regulatory focus theory adds more specific explanation that the disposition effect is more likely to occur in prevention rather than promotion. Explanation of disposition effect based on regulatory focus theory is a novelty in this paper.

Current issues of the labour market in the Slovak Republic with an emphasis on the trends in migration policy

Andrej Privara

University of Economics in Bratislava, Slovak Republic

Eva Rievajová

University of Economics in Bratislava, Slovak Republic

The labour market of the Slovak economy has its sensitive sites and vulnerabilities and the recent years of the last global crisis exhibited in Slovakia since 2009 more significant compared to most EU economies which had a measurable impact on deepening structural problems of the labour market and an increasing unemployment rate. Adverse effects of the crisis have mainly affected the category of disadvantaged people in the labour market. However, a persistent problem is also structural and regional dimension of unemployment. Trends in the Slovak labour market are influenced, among other factors, by the migration of Slovaks for work abroad. This on the one hand contributes to reducing the unemployment rate but on the other hand it also has its drawbacks: in some sectors and professions in Slovakia is in fact beginning to show a labour shortage. Slovak migration policy should focus primarily on these sectors that are most vulnerable to labour migration- at present it is mainly the health sector. The previous two years have brought the reflection of economic recovery of the labour market outcomes. Development of summary measures of the Slovak labour market is positive and this trend should, by short-term forecasts, continue in the coming years.

LUNCH: 12:00 – 13:30

SESSION V: 13:30 – 14:30

Room: HTTC Seminar Room

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

Prospect for Mutual Fund Industry in India: A comparative study with respect to US

Iftaqar Ahmad

Motilal Nehru National Institute of Technology Allahbad, India

Dr. Jyotsna Sinha

Motilal Nehru National Institute of Technology Allahbad, India

It has been a very tough time for mutual fund investors since the beginning of year 2016. The retail investors are watching the values of their equity holdings being eroded. The mutual fund investors as well as the fund houses are in complete doldrums regarding future investment scope of mutual fund industry. They are suffering from the consequences of the FII's who started pulling money from the Indian share market. But as an investor we shouldn't forget that 'every coin has two sides'. The market will revive soon. It is a matter of boom and depression. Sooner or later this phase will be over. Besides these drawbacks the Indian mutual fund industry is growing on yearly basis but not that much if we compared it with that of US. The study is descriptive in nature. It is based on secondary data which were collected from books, journals, reports and websites.

Determinant Factors for the Formation and Development of a Smart Territory

Andra Zvirbule

Latvia University of Agriculture, Latvia

Baiba Rivza

Latvia University of Agriculture, Latvia

Zane Bulderberga

Latvia University of Agriculture, Latvia

At present in the world, the concept of regional development is based on the principles of planning that involve smart growth and sustainable development. In most cases, a smart

territory is understood as a sustainable and efficient territory that provides a high quality of life to its inhabitants through optimal management of its resources. Besides, this approach may be employed in identifying a smart territory and in the strategic planning of it as well as in the efficient use of resources in the territory.

Most research studies focus on smart growth, which involves the sustainable use of resources, the development of the e-environment, solutions to urbanization problems, waste management, environmental management etc. However, quite few research studies are available on the factors determining a smart territory and their influence on territorial development. For this reason, research studies contributing to examining the groups of influencing factors in the aspect of formation of smart territories are important. In addition, the spectrum (kinds) of the factors is assumed to be very diverse. If it is assumed that smart growth and the formation of a smart territory is based on systems and subsystems, which shape a complex perspective on the formation of a territory, such groups may involve not only the economic aspect, but also the social aspect, life quality and sustainable community and business development. The research aim is to identify the factors that influence the formation of a smart territory and to assess their effects on territorial development. The specific research tasks are as follows: to select the factors that influence the formation of a smart territory; to assess the selected factors in terms of their influence on the development of a smart territory. Research methods employed: logical construction, monographic, focus group analysis, the Analytic Hierarchy Process.

Performance Dynamics of Hedge Fund Index Investing

Midori Munechika

Toyo University, Japan

The purpose of this paper is to investigate the persistence of performance and volatility of daily management investable hedge fund (HFRX) strategy index returns from April 1, 2003 to August 11, 2014 by applying a rolling application of ARMA-GARCH model.

Recently, there has been increasing interest in new forms of index offerings, so-called Smart Beta strategies. In the hedge fund sector, dynamic, multi-faced hedge fund investment strategies have now penetrated publically traded ETFs. For instance, investable hedge fund indices tracking the performance of their strategies are used as “index” funds, whose purpose is “hedge fund replication” for institutional investors. The most common structural problems of hedge fund investing are low transparency, low liquidity and high costs. However, the

index-based investing in hedge funds offered transparency, liquidity, and significantly lower fee level. On the other hand, many investors have come to believe that the offered investable hedge fund indices systematically underperform the actual hedge funds. What is a fair reward for the risks taken by the investor? How is an optimally diversified portfolio involving hedge fund investing constructed? Before answering to these fundamental questions, it is necessary to analyze preliminarily the performance characteristics of the investable hedge fund indices. Four principal hedge fund strategies indices (Equity Hedge, Event Driven, Macro/CTA, Relative Value Arbitrage) have peculiar characteristics - that is, serially correlated and volatility clustered returns. In addition, their unconditional return distributions are heavy-tailed and negatively skewed. These features exhibit the persistence of performance and volatility of the series. The level of persistence is an important dynamic property of time series data and it would give us an idea as to what the impact of the shock will be on the series. ARMA-GARCH type models can account for the persistence level of performance and volatility at the same time. In addition, hedge funds are generally free to change their trading strategies as market conditions evolve. This flexibility is a distinctive feature that delivers hedge fund returns. At the same time, it is possible to say that this feature potentially amplifies market volatility. Therefore, a rolling application of ARMA-GARCH modeling can potentially capture the broad shift of performance and volatility persistence in the investment strategy, especially in the period surrounding the financial crisis of 2007-2009. The empirical results show important difference concerning persistence performance between the directional (EH and Macro) and the non-directional (ED and RVA). Moreover, Macro/CTA strategy only indicates a negative news impact. Finally, it is important to note that time-varying parameter estimations of Macro/CTA has strongly affected by the isolated outliers during the financial crisis.

Room: Boardroom

Session Chair: Dr. Tan Jing Hee, East Asia Institute of Management, Singapore

Indeterminacy and the properties of the utility function

Shun-Fa Lee

Tamkang University, Taiwan

This paper studies an infinite-horizon two-sector growth model with sector-specific externalities and non-separable preferences. In the case with identical externalities in the two sectors, the model is degenerated to a one-sector model with non-separable preferences. We investigate how the income effect of the leisure demand and the Frisch labor supply elasticity affect the possibility of indeterminacy. We find out that, no matter in a two-sector or a degenerated one-sector model, increases in the income effect of the leisure demand always raise the possibility of indeterminacy. Moreover, due to non-separable preferences, higher values of the Frisch labor supply elasticity increase or decrease the possibility of indeterminacy depending on whether the income effect of the leisure demand is large or small.

Social marketing activities to augment the brands of faith in diversified marketing in India

Baba Gnanakumar Perbettan

Sri Krishna Arts and Science College, India

Lakshman Raveendhar

Sri Krishna Arts and Science College, India

The Indian Retail markets are highly fragmented and 50% population are living in rural places (Tapan,2014). The Indian fragmented markets in retailing sector is dominated by regional un-organised marketers, community based marketers, social groups, co-operative marketers and diversity marketing. India's Diversity marketing involves acknowledging the marketing activities towards diversified groups in the form of religion and regional community development centre for a social cause. The Indian diversity markets are no longer a substitute agent but a change agent in creating a brands of faith. Diversity marketers recognise the social marketing activities such as Cause-related Marketing, Green Marketing and Social group endorsement to reinforce the marketability of their brands. This research has been motivated to explore the brands of faith by social marketing activities in a diversity markets.

Past research conducted by Hill (2009) and Hiller (2007) proved that social marketing activities in the form of Corporate Social Responsibility (CSR) strengthen the brands of faith; but the trivial relationship between the marketing activities, branding and fragmentation has not been studied. This research aims to explore the relationship between demographic fragmentation strategies and brands of faith. The research enables the marketers to find out

the integration strategy linking social marketing activities with the brand image in the diversified markets. The research was carried out among 1126 customers in a diversified market controlled by Isha foundation. Brand image is measured through the Customer rating method (Carl Driesner, 2014). The segment identification in the fragmented groups is measured using discriminant analysis. The research reveals that consumers' occupation is the foremost discriminant variable, and Cause-related marketing is the positioning segment in creating the brands of faith in the diversified markets. To conclude segmenting the social marketing activities is essential in fulfilling the social promise made to the customers and it will yielding social currency in the form of "brands of faith".

COFFEE BREAK/NETWORKING: 14:30 – 15:00

END OF CONFERENCE

VIRTUAL PRESENTATION (Available on APEF.ear.com.sg)

The Efficiency Analysis of Singapore Real Estate Investment Trusts

HuiChen Chiang

Ming Chuan University, Taiwan

In this research paper, the researcher aims to evaluate the overall technical efficiency level of 14 Singapore Real Estate Investment Trust by employing Data Envelopment Analysis and Tobit Regression Analysis. The assessment is based on quarterly data that are taken from January 2007 to March 2015 from the respective REITs quarterly reports.

DEA is a data-oriented linear programming-based method that estimates production efficiency frontiers through inputs and outputs combination. The researcher used property operating expense as well as management fees as inputs and total assets as well as total revenues as outputs to obtain DEA Efficiency Scores. This is followed by running a

regression of several factors such as property-type, geographical diversification, geographical focus, and size against the DEA Efficiency Scores to see if these factors have any impact on the efficiency level of Singapore Real Estate Investment Trust. From this study, the researcher found that property-type affects efficiency level and Singapore REITs in retail sector perform better than those in commercial on average. On the other hand, geographical diversification does not impact efficiency. Singapore REITs that focus on overseas properties generally did better than those that focus in Singapore as well. In terms of size, small REITs perform better than their counterparts.

