The 22nd Annual Conference on Pacific Basin Finance, Economics, Accounting, and Management

4-5 September 2014
Aichi University, Nagoya Campus, Japan

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and Management

Conference Organizers:

Aichi University, Japan

Rutgers University, USA

Foundation of Pacific Basin Financial Research and Development, Taiwan

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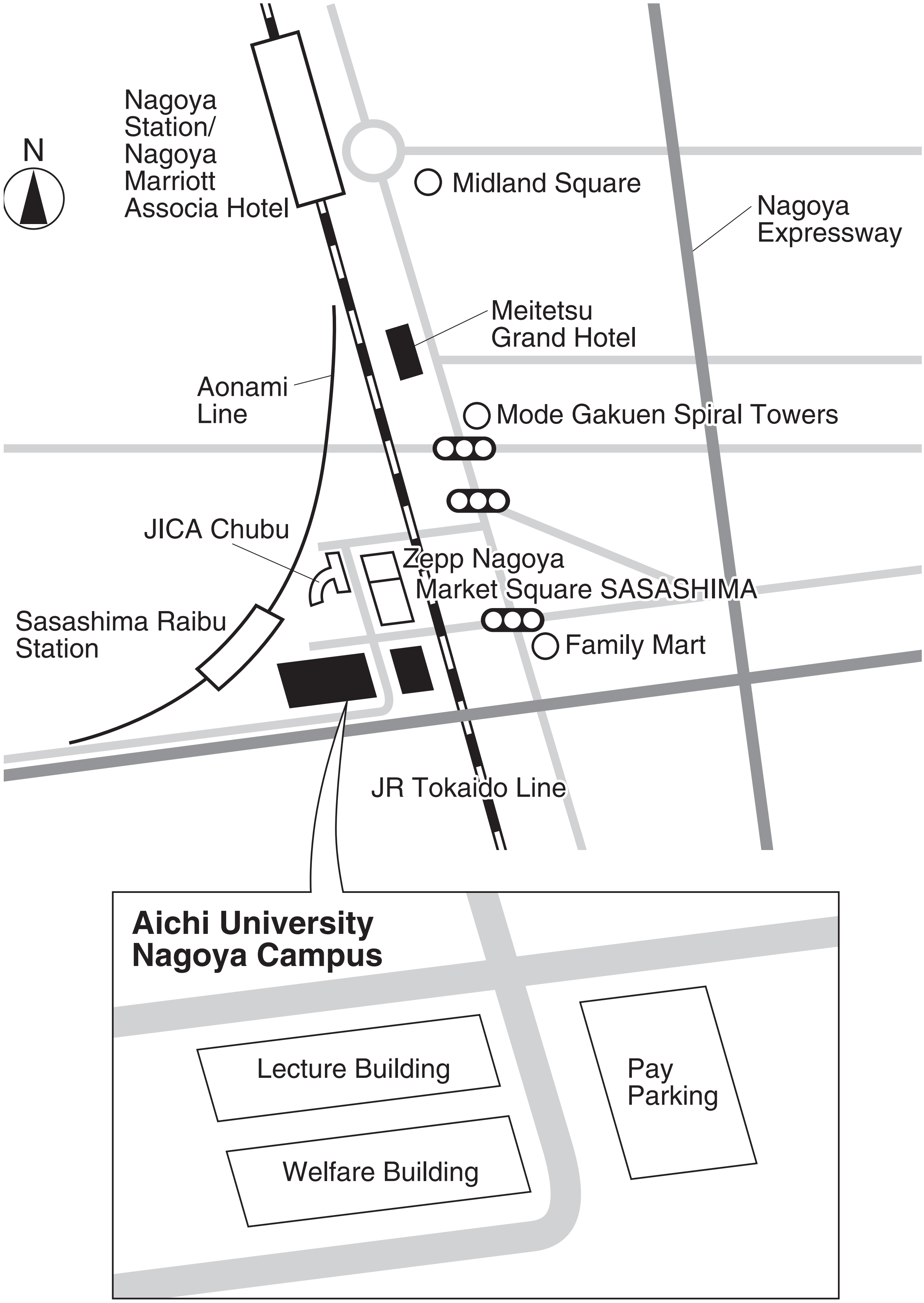
Tsung-ming Yeh, Akita International University, Japan
Gillian Yeo, Nanyang Technological University, Singapore

History of the Conference:

Year	Venue/Country	Host Organizer
1993	U.S.A.	Rutgers University, New Jersey
1994	Hong Kong	Hong Kong Chinese University, Hong Kong
1995	Taiwan	Taiwan Institute of Economic Research, Taipei
1996	U.S.A.	Rutgers University, New Jersey
1997	Singapore	Nanyang Technological University, Singapore
1998	Hong Kong	Hong Kong Polytechnic University, Hong Kong
1999	Taiwan	National Taiwan University, Taipei
2000	Thailand	Chulalongkorn University, Bangkok
2001	U.S.A.	Rutgers University, New Jersey
2002	Singapore	Nanyang Technological University, Singapore
2003	Taiwan	National Chiao Tung University, Hsinchu
2004	Thailand	The Consortium of Thai Universities, Bangkok
2005	U.S.A.	Rutgers University, New Jersey
2006	Taiwan	Foundation of Pacific Basin Financial Research and Development
2007	Vietnam	Ho Chi Minh City University of Technology, Ho Chi Minh City, Vietnam
2008	Australia	Queensland University of Technology, Brisbane, Queensland, Australia
2009	Thailand	University of the Thai Chamber of Commerce, Bangkok, Thailand
2010	China	Graduate University of Chinese Academy of Sciences, Beijing, China
2011	Taiwan	Foundation of Pacific Basin Financial Research and Development, Taiwan & National Chiao Tung University, Taiwan
2012	U.S.A.	Rutgers University, New Jersey
2013	Australia	Deakin University, Melbourne, Victoria, Australia
2014	Japan	Aichi University, Nagoya, Japan

MAP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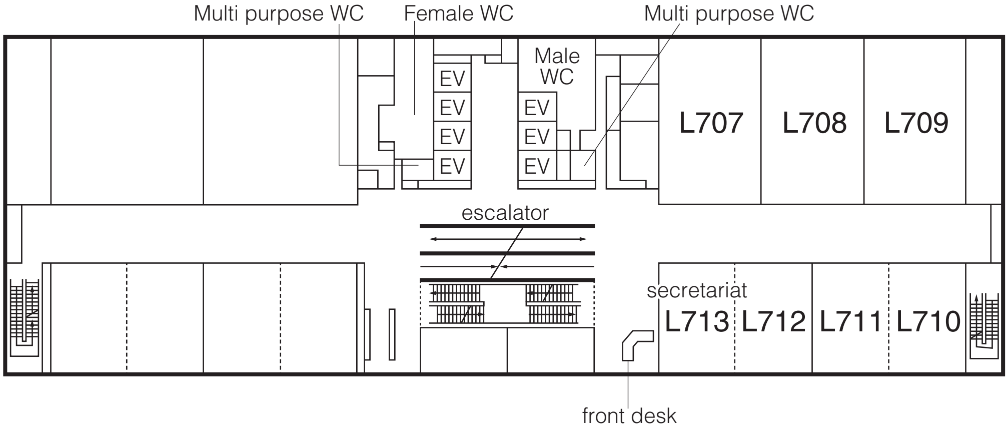
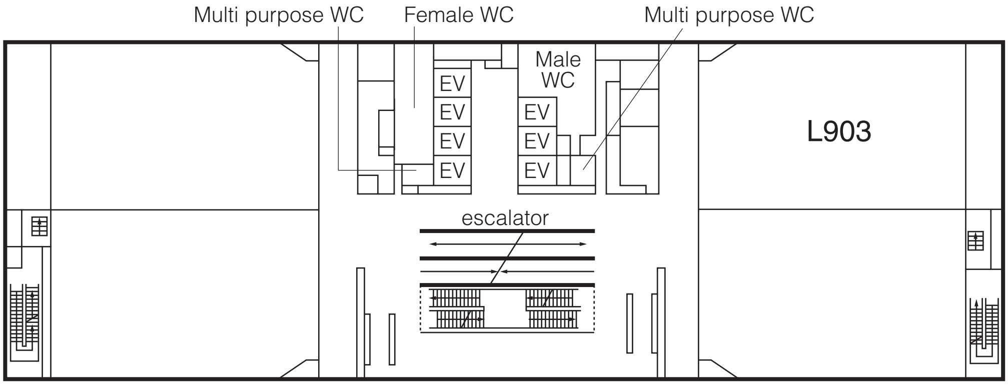
Nagoya Station/ Nagoya Marriott Associa Hotel
Midland Square
Nagoya Expressway
Meitetsu Grand Hotel
Aonami Line
Mode Gakuen Spiral Towers
JICA Chubu
Zepp Nagoya
Market Square SASASHIMA
Sasashima Raibu Station
Family Mart
JR Tokaido Line
Aichi University Nagoya Campus
Lecture Building
Welfare Building
Pay Parking

FLOOR GUIDE

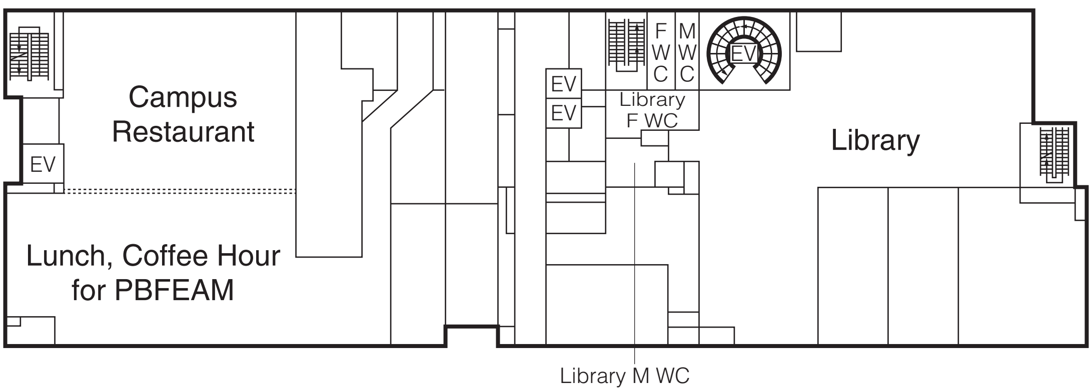
Lecture Building 7F



Lecture Building 9F



Welfare Building 1F



How to use washlet toilet: https://www.youtube.com/watch?v=_M26PPTHYmE

Conference Agenda: Day 1

Thursday, 4th September 2014		
8.00 a.m. – 9.00 a.m.		Registration (Level 7 – Lecture Building)
9:00 a.m. – 9:10 a.m.		Welcoming Speech: **Aichi University President Motohiko Sato** (L903) Opening Speech: **Professor Cheng-Few Lee, Rutgers Univesity** (L903)
9:10 a.m. – 10:35 a.m.		Keynote Speech I: **Professor Koichi Hamada, Yale University /The University of Tokyo Abenomics and Stock Market** (L903) CHAIR: Professor Yasuo Hoshino, Aichi University/The University of Tsukuba
10:35 a.m. –10.45 a.m.		Photo Session with **Professor Koichi Hamada**
10:45 a.m. –11:00 a.m.	Morning Break (Welfare Building 1F, Campus Restaurant)	
11:00 a.m. – 12:20 p.m.		Keynote Speech II: **Professor Akira Ishikawa, Aoyama Gakuin University, Knowledge Information Strategy: From Business Intelligence to Knowledge Sciences** (L903) CHAIR: Professor Naoyuki Kaneda, Gakusyuin University
12.20 p.m – 12.30 p.m.		Photo Session with **Professor Akira Ishikawa**
12:30 p.m. – 1:30 p.m.	Lunch (Welfare Building 1F, Campus Restaurant)	
1:30 p.m. – 3:00 p.m.	BREAKOUT SESSION II	
	Session 1	Corporate Finance I (L708)
	Session 2	Banking and Stock Performance (L709)
	Session 3	Investments I (L712)
	Session 4	Accounting (L707)
3:00 p.m. – 3:30 p.m.	Afternoon Break (Welfare Building 1F, Campus Restaurant)	
3:30 p.m. – 5:00 p.m.	BREAKOUT SESSION III	
	Session 5	Bonds (L708)
	Session 6	Risk Management & Labor Market (L711)

	Session 7	Earnings and Accruals I (L712)
	Session 8	Chinese Stock Market (L707)
	Session 9	Investments II (L709)
6:00 p.m. – 8.00 p.m.	Conference Dinner (Meitetsu Grand Hotel 11F – Kashiwanoma Room) Photo Session Taisho Koto Performance	

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Conference Agenda: Day 2

Friday, 5th September 2014		
9:15 a.m. – 10:45 a.m.	BREAKOUT SESSION IV	
	Session 10	Corporate Governance & CSR I (L707)
	Session 11	Information, Trading and Market Microstructure (L708)
	Session 12	Corporate Finance II (L709)
	Session 13	Investments III (L712)
10:45 a.m. – 11:00 a.m.	Morning Break (Welfare Building 1F, Campus Restaurant)	
11:00 a.m. – 12:20 p.m.	Special Session	**Professor Cheng-Few Lee, Rutgers University** **The Joint Determination of Capital Structure and Stock Rates of Return** (L903) CHAIR: Professor Marc Bremer, Nanzan University
12:20 a.m. –12:30 a.m.		Photo Session with **Professor Cheng-Few Lee**
12:30 p.m. – 1:30 p.m.	Lunch (Welfare Building 1F, Campus Restaurant)	
1:30 p.m. – 3:00 p.m.	BREAKOUT SESSION V	
	Session 14	Valuation and Tax Issues (L707)
	Session 15	International Stock Market (L708)
	Session 16	International Finance (L709)
	Session 17	Corporate Finance and Marketing (L712)
3:00 p.m. – 3:30 p.m.	Afternoon Break (Welfare Building 1F, Campus Restaurant)	
3:30 p.m. – 5:00 p.m.	BREAKOUT SESSION VI	
	Session 18	Corporate Governance & CSR II (L707)
	Session 19	Earnings and Accruals II (L708)
	Session 20	International Management (L709)
	Session 21	Micro Finance and Credit (L712)
5:00 p.m.	Conclusion of Conference	

Welcome from Aichi University President Motohiko Sato

Dear Conference Participants,

It is my pleasure to welcome you to the 22nd PBFEAM conference hosted by Aichi University in Nagoya, Japan. You will find this year's program diverse, with papers across a number of different areas. These range from the international stock market, corporate finance, asset pricing, and market microstructure in Finance to corporate social responsibility, financial accounting and taxation, and international management.

We are also pleased to welcome our first keynote speaker, Professor Koichi Hamada, who is Professor Emeritus of Economics at Yale University, Professor Emeritus at the University of Tokyo, and an advisor to Prime Minister of Japan, Shinzō Abe. The second keynote speaker is Professor Akira Ishikawa, Professor Emeritus at Aoyama Gakuin University. In addition, I wish to note that selected papers from the conference will be published in *Review of Quantitative Finance and Accounting* published by Springer (8 issues in 2 volumes per year) and *Review of Pacific Basin Financial Markets and Policy* published by World Scientific (quarterly) .

I trust you will all enjoy this conference with its extensive program of a wide range of papers and prestigious keynote speakers.

Motohiko Sato
President
Aichi University

First Keynote Speaker : Professor Koichi Hamada, Yale University/The University of Tokyo

Koichi Hamada is Tuntex Emeritus Professor of Economics at Yale University, where he specializes in the Japanese economy and international economics, and Professor Emeritus at the University of Tokyo, where he taught before coming to Yale in 1986. Professor Hamada has an L.L.B. (he passed Japan's national Bar Examination in 1957), and an M.A. in Economics from the University of Tokyo as well as an M.A. and Ph. D. in Economics from Yale University. His work on policy coordination, one of which first applied game theory to international finance, was published as The Political Economy of International Monetary Interdependence (MIT Press, 1985), and some of his economic articles are collected in Strategic Approaches to the International Economy: Selected Essays of Koichi Hamada (Edward & Elgar, 1996). He is a fellow of the Econometric Society and served as its council member from 1980 to 1985. Hamada was the President of the Japanese Association of Economics and Econometrics (now the Japan Economic Association) from 1994 to 1995 and was the founding President of the Japan Law and Economics Association in 2003 (now its honorary fellow). He was awarded the imperial decoration, the Order of the Sacred Treasure, Gold and Silver Star, which is given to those who have accumulated distinguished achievements for Japan, 2006.

In Japan, he participated in many policy committees at the Ministry of Finance, MITI, the Economic Planning Agency and other ministries. Hamada also serves as one of the associate editors for many journals including Econometrica, Journal of International Economics, Journal of Economic Theory, Journal of Public Economics, Journal of Development Economics and Journal of the Japanese and International Economies.

Hamada's game-theoretic study of international monetary relations is regarded as one of the first studies that drew attention to the strategic aspects of macroeconomic policy in interdependent nations. He was one among the few who applied the methodology of "Law and Economics" to Japan's legal system in the 1970s. His current research topics include: international capital movements, regional integration, political economy of international monetary reform, economics and politics of Japan's last decade, a comparison of economic functions of the Japanese and the U.S. legal systems.

In 1997, Professor Hamada served as a member of the external evaluation team of the Enhanced Structural Adjustment Facility (ESAF) Program of the International Monetary Fund by request of its Board of Directors. He was a member of the Consulting Group that advised Mike Moore, Director General of the World Trade Organization (WTO), on the future perspectives for the world trade system, and he was until recently a member of the Consulting Group that advises Supachai Panitchpakdi, Director General of the WTO.

From January 2001 to July 2002, Professor Hamada was on leave from Yale University to serve as the first President of the Economic and Social Research Institute (ESRI, keizai Shakai sogo kenkyujocho), Cabinet Office of the Japanese Government. The ESRI engages in policy-oriented research and compiling the GDP statistics. Hamada was in a position to advise the Council on Economic and Fiscal Policy (CEFP, Keizai Zaisei Shimonkaigi), a body created to promote the administrative reform (Kozo Kaikaku) chaired by the Prime Minister.

Koichi Hamada was a recipient of a Fulbright Scholarship, the Ford Dissertation Fellowship and the Center for Institutional Reform and the Informal Sector (IRIS) Fellowship. He was a recipient of Nikkei Tosho Bunka Prize (1967) for "Economic Growth and Capital Movements," the Ekonomisuto prize (1980) for "Banking Behavior and Monetary Policy." He was also awarded the Otto Eckstein Prize (1988) by the Eastern Economic Association for "The Impact of the General Theory in Japan," recognized as the best article in the Eastern Economic Review for the year.

Second Keynote Speaker: Professor Akira Ishikawa

Akira Ishikawa is Former Dean and Professor Emeritus of International Business at Graduate School of International Politics, Economics, and Business, Aoyama Gakuin University in Tokyo, Japan.

He was born in Odawara, Kanagawa in 1934. He has MBA from the University of Washington and Ph.D from the Graduate School of Business at University of Texas, Austin. He has ever taught at Graduate School of Business at New York University as assistant professor and Graduate School of Management at Rutgers University as associate and full professor, and University of Tsukuba, International University of Japan, Temple University and Meiji University in Tokyo, University of Ulm in Germany, and University of Hawaii among others.

He has published more than 100 books in English, Japnanese, and foreign languages from the first: Corporate Planning and Control Systems from New York University press in 1975 up to the latest: Corporate Strategy for Dramatic Productivity Surge, and Introduction to Knowledge Information Strategy both from World Scientific in 2013.

Professor Ishikawa has many memberships such as Innovation Fusion Society Japan (supreme advisor), Sci. Council Japan (alternate member), Aerospace Industry Association Japan (council 2004), Knowledge Management Society Japan (board directors 2001—), Crisis Management Society Japan (president 2000—), Fin. Management Society Japan (board directors 2001—2003), Corp. Accounting Society Japan (hon. president 2001—), Management Accounting Society of Japan (board directors 1992—98, 2004—), Group Decision and Negotiation (associate editor 1992—2008), Human Systems Management (member editorial board 1991—), Association Information Education Colleges and Universities. (chair promotion committee 1992—2000), Japan Info.-Culture Society (board directors 1997—), Japan Society Fuzzy Theory and Intelligent Informatics (trustee, adv. board 1991—), Am. Accounting Association (hon.), Japanese Association Administrative Sci. (hon.), Society Management Analysis (hon.), Metalogicon (member editorial board 1997—), Business Continuity and Risk Management (member editorial board 1913-).

Special Speaker: Professor Cheng-Few Lee, Rutgers University

Cheng-Few Lee is a Distinguished Professor of Finance at Rutgers Business School, Rutgers University and was chairperson of the Department of Finance from 1988–1995. He has also served on the faculty of the University of Illinois (IBE Professor of Finance) and the University of Georgia. He has maintained academic and consulting ties in Taiwan, Hong Kong, China and the United States for the past three decades. He has been a consultant to many prominent groups including, the American Insurance Group, the World Bank, the United Nations and The Marmon Group Inc., Wintek Corporation and Polaris Financial Group, etc.

Professor Lee founded the Review of Quantitative Finance and Accounting (RQFA) in 1990 and the Review of Pacific Basin Financial Markets and Policies (RPBFMP) in 1998, and serves as managing editor for both journals. He was also a co-editor of the Financial Review (1985–1991) and the Quarterly Review of Economics and Business (1987–1989). In the past 40 years, Professor. Lee has written numerous textbooks ranging in subject matter from financial management to corporate finance, security analysis and portfolio management to financial analysis, planning and forecasting, and business statistics. Professor Lee has also published more than 200 articles in more than twenty different journals in finance, accounting, economics, statistics, and management. Professor Lee has been ranked the most published finance professor worldwide during 1953–2008. In May 2013, Professor Lee earned the Siwei Cheng Award in Quantitative Management at the International Academy of Information Technology and Quantitative Management (IAITQM).

BREAKOUT SESSION I

SESSION 1: CORPORATE FINANCE I

ROOM NUMBER: L707

#15 The Performance of Taiwanese Firms After a Share Repurchase Announcement

Chuan-Hao Hsu, Feng Chia University, Taiwan

Hung-Gay Fung, University of Missouri-St. Louis, USA

Abstract: This paper uses a stochastic dominance test to examine the financial performance of Taiwanese firms from 2000 to 2013 after their announcement of a share repurchase program. Our results show that the firms in the repurchase portfolio perform poorly prior to the announcement but improve dramatically to outperform different benchmarks after the repurchase announcement. For firms in the repurchase portfolio, we find that (1) the firms with a high book-to-market ratio outperform firms with a low book-to-market ratio, (2) smaller firms outperform larger firms, and (3) there is no significant difference in performance between firms with different percentages of completing the repurchase programs.

#44 Corporate Vanity and Stock Returns: A New Measure of Agency Costs

Foong Soon Cheong, Rutgers University, USA

Abstract: I conjecture that firms with new and glitzy assets, as measured by extremely low accumulated depreciation, are likely to suffer from agency problem. A trading strategy that buys (sells) firms with high (low) accumulated depreciation yields an annual return of 14%. The return of this trading strategy is robust, and persists after controlling for profitability, firm age, size, P/E ratio, capital expenditure, abnormal capital investment, asset growth, leverage, momentum, earnings surprise, and industry and year fixed effects. In subsequent quarters, firms with low accumulated depreciation are significantly more likely to retire their old assets (despite having relatively pristine assets), pursue aggressive sales expansion (at a loss), and miss their EPS forecasts.

#75 The Relationship between Intraorganizational Networks and Organizational Innovation Performance

Sui-Hua Yu, National Chung Hsing University, Taiwan

Abstract: This study analyzes the structure of intraorganizational networks and shows how network structure influences the organization's overall innovative outcomes. Using patent collaboration network as the proxy for the intraorganizational network, we find that the cohesion of the intraorganizational network has the inverted U-shaped relationships with the organization's innovation performance. As for the centralization of the intraorganizational network, it has an adverse influence on the organization's innovative outcomes. Our findings

indicate that different configurations of intraorganizational networks could lead to heterogeneous firm innovation.

#104 Managerial Overconfidence, Family Control and Product Market Competition

Tsui-Jung Lin, Chinese Culture University, Taiwan

Yi-Pei Chen, Chung Yuan Christian University, Taiwan

Ting-Hsien Yi, Chinese Culture University, Taiwan

Abstract: We examine the governance role of family control to determine the corporate competitive strategy in the product market and focus on cost leadership strategy and differentiation strategy. We find that comparing with non-family business, family firms prefer to follow a cost leadership strategy rather than a differentiation strategy. An overconfident CEO tends to follow aggressive competitive strategies, either cost leadership or differentiation oriented. Family firms with overconfidence and non-overconfidence tend to follow aggressive cost leadership strategies but conservative differentiation strategies. We further find that a family member serving as CEO tends to be overconfident, and therefore, overconfident family CEO will be more likely to engage in corporate differentiation strategy. Overconfident family CEOs tend to be more aggressive than those without overconfidence in the differentiation strategy, especially when family firms have relatively high market shares.

DISCUSSANTS

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#75: Foong Soon Cheong, Rutgers University, USA (fscheong@andromeda.rutgers.edu)

#104: Sui-Hua Yu, National Chung Hsing University, Taiwan
(shyu@dragon.nchu.edu.tw)

SESSION CHAIR: Yi-Pei Chen, Chung Yuan Christian University, Taiwan

SESSION 2: BANKING AND STOCK PERFORMANCE
ROOM NUMBER: L709

#86 Financial statements based bank risk measurement and aggregation with off-balance sheet items

Jianping Li, Chinese Academy of Sciences, China

Xiaoqian Zhu, Chinese Academy of Sciences and University of Chinese Academy of Sciences, China

Lu Wei, Shandong University, China

Dengsheng Wu, Chinese Academy of Sciences, China

Xiaolei Sun, Chinese Academy of Sciences, China

Abstract: Due to the problem of data sparseness, financial statements based approach to bank risk measurement and aggregation is receiving increasing attention from researchers, however, most of the studies curtly ignore off-balance sheet items. This paper aims to incorporate off-balance sheet items which are reported in the notes to financial statements into risk measurement. Specifically, other than balance sheet assets, off-balance sheet items are corresponded with risk exposures, which making risk exposures more accurate and rational. In the experiment, we construct two hypothetical banks of different sizes based on Chinese banks and calculate their economic capital respectively. The results show that : (1) Ignoring off -balance sheet items in risk integration will lead to deviations. The total risk of large bank is overestimated while small bank's total risk is underestimated; (2) although the large commercial bank's total loss per asset is small, it needs more economic capital to cope with risks because of its larger scale.

#93 How the Market Judges Bank Risk for US and Chinese Banks

Yibing Chen, Chinese Academy of Sciences and University of Chinese Academy of Sciences, China

Cheng-Few Lee, Rutgers University, USA

Yong Shi, Chinese Academy of Sciences, China and University of Nebraska at Omaha, USA

Abstract: Since 2007-2008 subprime crises, banking risk determination becomes a very important indicator for banking regulator and banking manager. The main purposes of this paper are: (i) to compare US GDP and stock index with Chinese GDP and stock index, (ii) to compare banking financial statements of JP Morgan Chase Bank and Bank of China and (iii) to use both single index and multi-index models to estimate banking risk for both US and Chinese banks.

We find that Chinese banks have higher market risk than those of US banks. In addition, we also find that Chinese economy grows faster than US economy. However, Chines stock market does not perform as well as US stock market.

#105 The Effects of Corporate Lending Structures Involving Multiple Banks on Corporate Risk Management

Vivian W. Tai, National Chi Nan University, Taiwan

Yi-Hsun Lai, National Yunlin University of Science and Technology, Taiwan

Ying Chun Lu, National Chi Nan University, Taiwan

Abstract: The higher the debt ratio of a corporation, the higher its level of distressed risk and the stronger its risk-shifting incentives will be. Hence, the manner in which lending banks, as creditors, play their supervisory role to mitigate this agency problem between shareholders and credit-holders becomes an important issue. Adopting the listed non-financial firms in Taiwan from 2005 to 2009, we examine the monitoring mechanism of structure of multiple banks on corporate's hedging strategy and find that, for healthy firms, the higher the ratio of bank loans and the greater the number of foreign lending banks, the more effective the monitoring will be in forcing the companies to enhance their willingness to hedge and the extent of their hedging. Meanwhile, for financially distressed firms with a higher number of lending banks, the greater the divergence of the lending banks and the greater the number of multiple-banking relationships, the more effective the monitoring of the lending banks will be in pressing the borrowing firms to pursue stronger hedging strategies which may be able to mitigate their risk-shifting incentives and protect creditors' wealth. Additionally, the association between lending banks' structures and borrowing firms' hedging strategies is, after controlling for industry differences, stronger in firms with larger sizes, more growth opportunities, higher profitability, and greater transparency and robustness. Our findings are consistent with the risk diversification hypothesis of the structure of multiple banks.

#128 The Performance of F-shares in Taiwan: A Preliminary Evidence

Chin-Chen Chien, Hsuan-Chu Lin, She-Chih Chiu, and Hsing-Ying Lin, National Cheng Kung University, Taiwan

Abstract: This paper investigates the stock and accounting performance of F-shares. We use eight indices to measure stock performance and three indices to measure accounting performance. The findings show that F-shares are more volatile in the listing year. After listing, F-shares are significant in regard to the capacity to use both net assets and assets to generate profits. Meanwhile, the systematic risk for F-shares is slightly lower than the market. F-shares' riskadjusted excess returns are slightly lower than the market in the listing year and the year following listing. However, the systematic risk-adjusted excess returns of F-shares are slightly higher from the listing after excluding nonsystematic risk. The active risk-adjusted excess returns and expected excess returns of F-shares are also higher than the market in the listing year. The abnormal returns for the F-shares are slightly higher than the market one year after listing. In addition, there is no obvious earnings management for F-shares.

DISCUSSANTS

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#105: Yibing Chen, Chinese Academy of Sciences, China (chenyibing.cas@hotmail.com)

#128: Vivian W. Tai, National Chi Nan University, Taiwan (whtai@ncnu.edu.tw)

SESSION CHAIR: Vivian W. Tai, National Chi Nan University, Taiwan

SESSION 3: INVESTMENT I
ROOM NUMBER: L712

#6 Analysts' Preference for Growth Investing and Vulnerability to Market-Wide Sentiment

Kotaro Miwa, Tokio Marine Asset Management Co., Ltd., Japan

Kazuhiro Ueda, The University of Tokyo and Japan Science and Technology Agency, Japan

Abstract: Existing studies have argued that market-wide sentiment primarily affects individual noise traders, rather than other sophisticated market participants. Contrary to this perspective, in this study, we find that financial analysts, who are sophisticated market participants, may be more vulnerable to sentiment than their peers. As a reason for this vulnerability, we focus on analysts' preference for growth investing, and predict that, due to this preference, their fair value estimations for growth stocks would be more upwardly biased by bullish market-wide sentiment than those of their market peers. We also predict that this biased estimation for growth stocks would lower the investment value of their recommendations. As is consistent with our predictions, we find that, especially during periods of bullish sentiment, analysts consider growth stocks to be undervalued, even though these stocks are in fact overvalued. In addition, we find that recommended stocks experience poor relative return performance, especially after periods of bullish sentiment, and that this poor performance cannot be observed after controlling for growth factors.

#7 Quantitative Monetary Easing and Stock Price in the Asian Markets

Tatsuyoshi Miyakoshi, Hosei University, Japan

Kui-Wai Li, City University of Hong Kong, Hong Kong

Abstract: We examine to see whether Japan, US or EU would be the main driver of stock prices in the Asian markets during quantitative monetary easing period (2001-2013). We found that the main drivers are the US and Japan in driving upward the stock returns of Malaysia (Singapore). This happened when Japan increased the growth rate of Japanese base money, while the US decreased the stock returns for most of the Asian country except for the South Asia. The EU monetary base has very limited effect. We found that the policy of advanced countries has significant influence on the Asian stock markets.

#64 Effects of Momentous Macro-Economy Variables on Stock-Exchange Prices: The Case Study: IRAN / Tehran Stock Exchange (TSE)

Ali Hassanzadeh, Kavosh Research Co., Iran

Pouya Baghdadi, Monetary and Banking Research Institute(MBRI) and Kavosh Research Co., Iran

Mohammad Reza Sarokhani, Mellat Bank of Iran, Iran

Abstract: This paper examines the effects of selected macroeconomic variables on the stock market index in Iran. Using quarterly data, we examine the relationships between the Tehran Stock Index (TSE) and five macroeconomic variables consist of gross domestic product, nominal effective exchange rate, money supply, gold coin price and investment in housing sector from 1996:1 to 2008:1. Various econometric analyses such as Co-integration and Vector Error Correction Method (VECM) are employed on time series. It finds that Iran's stock market index is positively influenced by the growth rate of the GDP, the money supply and negatively affected by the gold prices, the private sector investment in housing sector and the nominal effective exchange rate.

#29 Home Bias in Portfolio Choices: Social Learning amongst Partially-informed Agents

Wen-Lin Wu, Feng Chia University, Taiwan

Yin-Feng Gau, National Central University, Taiwan

Abstract: Using an 'incomplete information' model, we set out in this study to explore the role of social learning in the global portfolio choices of stock market investors. It is presumed that, when attempting to estimate the true domestic (home) mean returns, partially-informed followers acquire their private domestic signals from partially informed leaders. However, our calibration results indicate the existence of home bias when partially-informed agents have poor quality information; they also show that such agents are prone to learning bias, which leads to them overreacting to new domestic information due to their overconfidence in their domestic private signals, whereas they demonstrate a conservative response to new information on the foreign markets. Any linkage between the private signals of partially-informed agents may lead to correlated foreign investment strategies amongst such agents through social learning. We suggest that the effects on international portfolio decision rules attributable to the acquisition of private signals and information dissemination should help to interpret the determinants of this observed phenomenon of home bias.

DISCUSSANTS

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SESSION CHAIR: Wen-Lin Wu, Feng Chia University, Taiwan

SESSION 4: ACCOUNTING
ROOM NUMBER: L707

#14 Management Earnings Forecasts and Accounting Conservatism

Bikki Jaggi, Rutgers University, USA

Joshua Ronen, New York University, USA

Hua Xin, Rutgers University, USA

Abstract: Hui et al. (2009) argue that accounting conservatism is used as a substitute for management earnings forecasts (MEFs) to reduce information asymmetry between investors and management, and they document evidence in support of their argument. In this study, we argue that accounting conservatism does not serve as a substitute for all MEFs. Instead it serves as a substitute for informative MEFs and not for opportunistic MEFs. Our findings showing a negative association of accounting conservatism with informative MEFs but not with opportunistic MEFs support our argument. Additionally, we document that accounting conservatism is especially used as a substitute for pessimistic MEFs. On the other hand, our findings show a positive association between accounting conservatism and optimistic MEFs, suggesting complementarity between accounting conservatism and optimistic MEFs. Furthermore, we document that accounting conservatism is especially used by firms with strong corporate governance, suggesting that strong corporate governance encourages the use of accounting conservatism rather than issuance of MEFs to reduce information asymmetry and minimize potential legal suits for the firm.

#89 Value relevance of International Financial Reporting Standards (IFRS): evidence from Peruvian companies

Gustavo Tanaka, Doshisha University, Japan

Abstract: The main purpose of this paper is to investigate the value relevance of accounting information of the firms listed at the Lima Stock Exchange (BVL) for the period of 1994-2012. The market value relevance was tested using the Ohlson (1995) model. According to previous studies the combined value relevance of both book value and earnings per share was very high in the first years of adoption of international accounting standards (IFRS), but sharply decreased in the following period. On the contrary, in this research the empirical results generally indicate that the value relevance of the companies listed in the Peruvian stock market continues to be strong (even lower) after the early adoption period of IFRS in Peru. Moreover, the combined effect of book value, earnings per share and cash flow per share, proved to be particularly relevant, with higher relevance than the combined effect of book value and earnings per share. Furthermore, when investigated separately, the value relevance of book value was higher than that of cash flow per share or earnings per share (EPS).

The contributions of this research are multiple: 1) There is not much research regarding Peruvian accounting, in general, and specifically in the Value Relevance topic; 2) This is the first study of Value Relevance of Peruvian listed companies using such a long period of time (nineteen years); and 3) This paper proves that Peruvian accounting figures are value relevant,

which is a very important statement, especially for stakeholders like investors and shareholders.

The study faces some limitations. First, the data used in the research was collected to include only companies with available data for variables and years (1994 to 2012). A longer period was preferred but regretfully the sample size before 1994 was so low that it is was not appropriate for the analysis. A second limitation is that the sample size in the first years of analysis is not very large. However, the data's size is consistent with the development of the Peruvian stock market.

#96 The need for International Accounting Standards

Gustavo Tanaka, Doshisha University, Japan

Abstract: Currently more than 120 countries worldwide comply with IFRS. However, IFRS is not only the one set of accounting reporting standards. A number of accounting standards exist in this global world (US GAAPs, Japanese GAAPs, IFRS, etc.) and a several factors (cultural, legal, economic and financial, historical and political variables) explain these differences. Thus, some important questions are raised: Why is a single set of international accounting standards needed? What are the advantages and disadvantages of applying a standardized standards worldwide? Are IFRS the best choice? What issues exist for the actual compliance of IFRS around the world? This paper addresses those important questions by reviewing the following topics: the accounting differences among different countries' accounting systems, the reason why a uniform set of international accounting standards is needed, IFRS and US GAAP (a comparison between the most applied accounting standards), the historical process IFRS followed in order to be implemented, the process in the accounting harmonization (full adoption, convergence, etc.) and the countries' reaction to IFRS. Finally, some issues regarding the actual compliance with the IFRS are revised.

#103 Agency and IFRS Implementation: The Relationship between Primary Actors

Joshua Hudson, Kwansei Gakuin University, Japan

Abstract: This article helps to demonstrate the complex relationships between three of the primary actors involved in the implementation of International Financial Reporting Standards. The broad reaching effects of implementing a global set of accounting standards have yet to be clearly identified and analyzed. In more closely examining the macroeconomic impact that is likely to occur, it is essential to provide a framework in which to more easily view the environment and thus establish reasonable conjectures that will be beneficial in identifying various driving factors within these relationships. The existence of principal agent relationships between investors and companies has been thoroughly established in academic publications. This paper examines a more complex multi-agent relationship that should be considered and explored; looking beyond the established agency relationship of investors and companies and expanding it to include the multi-faceted role fulfilled by government, more clearly demonstrating the complications involved in fully adopting IFRS. From the perspective of investors as principals, and both companies and governments acting as their agents, we identify a complex knot of possibilities whose deconstruction is far beyond the scope of this paper. It is essential to understand the basics behind this theory and embrace the

existence of this proposed relationship between investors, companies and government which will be assumed as my research progresses.

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SESSION CHAIR: Joshua Hudson, Kwansei Gakuin University, Japan

SESSION 5: BONDS
ROOM NUMBER: L709

#12 Industry Risk and Corporate Bond Yield Spreads

I-Neng Kuo and Han-Hsing Lee, National Chiao Tung University, Taiwan

Abstract: Previous studies in literature indicate that a firm's exposure to industry downturns is an important factor for line of credit, loans pricing and recovery rate. The purpose of this paper is to examine whether industry risk is significant in explaining bond yield spreads. We use three industry risk measures in our empirical analysis. The first industry risk measure is the unlevered industry beta. The other two are tail risk measures that account for the higher correlation of firms in the industry downturn: the correlations between the firm and industry returns conditional on the industry downturn and the marginal distress estimate (MDE) measure (Acharya, Pedersen, and Philoppon, 2010). The empirical results reveal significant relationships between two tail risk measures of industry risk and bond yield spreads. Our evidence supports that industry risk play an important role in explaining bond yield spreads.

#18 Pricing Convertible Bonds under the First-Passage Credit Risk Model

Tian-Shyr Dai, National Chiao Tung University, Taiwan

Jr-Yan Wang, National Taiwan University, Taiwan

Chuan-Ju Wang, University of Taipei, Taiwan

Abstract: A convertible bond is a corporate bond that allows the bond holder to convert the bond into the issuing firm's stock to share the profit and the growth of the firm. Pricing convertible bonds can be intractable due to the hybrid attributes of both fixed-income securities and equities, and their complex relations to the firm's default risk. For pricing methods based on a reduced-form model, the stock price is employed for evaluating the conversion options and the default risk is determined by calibrating the credit spreads of the issuer's straight bonds; however, the relationship among the default probability, the stock price, and the dilution effect (due to bond conversions) are not well analyzed in the reduced-form-based methods. In contrast, the relationship among these three factors can be easily analyzed in the structure-form-based pricing methods since these methods directly model the firm's capital structure and the evolution of its value process. However, the firm value cannot be directly observed in the financial markets, and the jump-to-default events are hard to be modeled in these methods. To address the aforementioned issues, this paper proposes a two-factor tree that simultaneously models the issuer's stock price and the short term interest rate processes. In specific, since the stock price can be treated as a contingent claim on the firm's asset, the unobservable firm value and its volatility for each node of the tree can be endogenously derived by taking advantage of the option pricing formula. Then the jump-to-default probability for that node is estimated by taking advantage of "distance to default" measure like Moody's KMV model. In addition, the tree model can also deal with the dilution effect. Numerical results and sensitive analysis are given to confirm the robustness of our pricing method.

#71 Financial Fragility of Urban Households in Malaysia

Selamah Abdullah Yusof, Wan Jamaliah Wan Jusoh and Rohaiza Abd Rokis, International Islamic University Malaysia, Malaysia

Abstract: Household debt in Malaysia has been on an upward trend and increasing at a relatively fast pace. This study provides an in-depth micro analysis of the current Malaysian urban households' vulnerabilities by examining the extent of their ability in dealing with financial shocks and factors that attribute to their financial fragility. Using a recent strictly random sample, it is found that Malaysian urban households are financially vulnerable. Only 10 percent of the households are resilient to shocks related to unemployment, physical disability, divorce, death, or changes in interest rate or stock market. More than a fifth of the households are not able to survive for at least three months if their income is cut off. Additionally, more than a fifth of these households do not have enough savings or any other source to turn to if there is a need to raise RM10000 within a short period. The inability to cope with financial shocks differs across ethnic groups partly due to the wealth disparity and access to sources of funds. Initiatives must be undertaken to assist the households in facing these challenges and for them to exercise financial prudence. Additionally, household debt must be closely monitored to ensure that it is sustainable.

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SESSION 6: RISK MANAGEMENT & LABOR MARKET ROOM NUMBER: L712

#40 On Pertinent Risk

Haim Shalit, Ben-Gurion University, Israel

Abstract: Pertinent risk is developed by applying Aumann and Serrano's (2008) riskiness index to the lower tail of investment returns. Not only is the measure monotonically consistent with stochastic dominance rules, but it also offers a complete ordering of financial assets by their lower tail returns. The pertinent risk index uses all the lower partial moments and thus provides a better tool to evaluate risk than the existing VaR and CVaR downside risk measures. Since nowadays, decision making rules under uncertainty involve utility functions that weigh more the losses than the gains, pertinent risk is thus more relevant in projecting the preferences of all risk-averse expected utility investors. Furthermore in lieu of estimating the moments using historical data, we infer on probability distributions from option prices and compute the risk-neutral moments needed to solve for pertinent risk. The proposed closed-form solution measures downside risk by weighting the low partial moments estimated from risk-neutral probabilities distributions implied by option prices.

#99 A Study on Internal Labor Movement in and Policy Multiplier in Thailand

Autsawin Suttiwichienchot, Chulalongkorn University, Thailand

Nattapong Puttanapong Thammasat University, Thailand

Abstract: The main objective of this paper is trying to measure the effectiveness of selected supply side and demand side policies on Thai economy by using Computable General Equilibrium (CGE) model. We found that there is a special characteristic of the unskilled labor movement among agricultural sector and other sectors in Thailand and this characteristic can represented by Harris-Todaro expected wage equation. Therefore, we developed the CGE model incorporating Harris-Todaro expected wage equilibrium for the labor market. The simulation result shows that, for selected supply side policy, the reduction of switching cost, increasing labor productivity (which are selected supply side policy), increasing in government spending and export promotion (which are selected demand side policy) can contribute positive impacts to Thai economy. Interestingly, we found that if both the reduction of switching cost and the increasing labor productivity are implemented together, they will generate even more positive impacts to Thai economy than separately implemented. This finding suggests policy maker should implement both the reduction of switching cost and the increasing labor productivity together in order to gain more benefit to Thai economy. These two policies are supply side policy and related to labor market, thus improving labor market is a great choice for Thailand. Lastly, we found that all policies have the similar non-linear characteristic.

#122 Evaluating the Hedging Effectiveness in Crude Palm Oil Futures Market during Financial Crises

You-How Go, Universiti Tunku Abdul Rahman, Malaysia

Wee-Yeap Lau, University of Malaya, Malaysia

Abstract: This study examines whether there is a significant change in hedging effectiveness on Crude Palm Oil (CPO) futures market from January 1986 to December 2013. Eight hedging models with different mean and variance-covariance specifications have been evaluated. As the volatility of spot and futures markets is not similar across time, both markets exhibit asymmetric information transmission. Our results of out-of-sample evaluation show, firstly, the time-varying hedge ratios with basis term produce better performance during both financial crises. Secondly, high dynamic hedge ratios during the Asian financial crisis contribute to the support for CCC-GARCH model. Thirdly, during global financial crisis, BEKK-GARCH model appears to provide more risk reduction as compared to others. From the perspective of economic modeling, incorporating the basis term in modeling the joint dynamics of spot and futures returns during the crises provide better results. This study recommends that CPO market participants to adjust their hedging strategies in response to different movement in market volatility.

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SESSION 7: EARNINGS AND ACCRUALS I
ROOM NUMBER: L712

#4 A New Perspective on Post-Earnings-Announcement-Drift: Using a Relative Drift Measure

Michael Clement, University of Texas at Austin, USA

Joonho Lee, Singapore Management University, Singapore

Kevin Ow Yong, Singapore Management University, Singapore

Abstract: Prior research finds that investors under-react more to analyst-based earnings surprises than to seasonal random walk earnings surprises. In this study, we use a relative measure of drift to examine the properties of the two drifts to gain insights into why there is a more delayed reaction to analyst-based earnings surprises. We find that the magnitudes of investors' immediate and delayed responses to analysts' earnings forecast surprises are greater than both the immediate and delayed responses to random walk earnings surprises. More importantly, we find that investors react proportionately faster and more thoroughly to analyst-based earnings surprises than to random walk earnings surprises based on our new measure. This finding is more prominent in recent years than in previous years. In cross-sectional tests, we also observe there are differences in the extent of investor under-reaction between time-series based earnings surprises and analyst based earnings surprises. Finally, we find that a double-sorting trading strategy utilizing both the magnitude of firms' earnings surprises and our relative drift measure is able to generate incremental hedge return. Our results complement existing research findings by utilizing a relative drift measure to provide a greater understanding toward the interpretation of both drifts.

#22 Income Shifting As A Reaction To The Tax Rate Change: Detecting For Earnings Management And Tax Management (Evidence From Indonesia)

Sabar Warsini, University of Indonesia, Indonesia

Abstract: The research is aimed to investigate income shifting strategy carried out by the company as a reaction to the corporate income tax rate decrease. It is conducted by the Indonesian government from 30 % to 28 % in 2009 and decreased again to 25 % in 2010. Furthermore, this study also investigated whether the motive for income shifting is resulted from earnings management incentives or tax management incentives. In contrast to existing research, this study used the book-tax difference approach to measure of income shifting. By using a sample of 240 public companies listed on the Indonesia Stock Exchange, the following results obtained: First, in 2008 and 2009 the company performed income shifting in response to a decrease in corporate tax rates, and shifting income in 2009 was not significantly different from in 2008. Secondly, earnings management incentives factor gave negative effect on income shifting, while tax management incentives factor did not significantly affect income shifting.

#84 The Relationships between the Systems Acceptance and Use, the Systems Success, the Critical Implementation factors, and the Success of Information Technology Projects in Vietnam

Thanh D. Nguyen, HCM University of Technology, Vietnam

Thi H. Cao, Saigon Technology University, Vietnam

Tuan M. Nguyen, HCM University of Technology, Vietnam

Abstract: With information technology (IT) as an enabling technology, the implementation success of IT projects seems to be crucial in any organization. In addition, to the common aspects in almost projects such as project mission or client acceptance, such as system usage, perceived ease of use, or intention to use are found more or less particular in IT projects. This study aims to develop and validate a theoretical explanation of the factors that influence the implementation success of such sorts of IT-driven projects. The paper positions itself as an effort to integrate the mainstream research models of IT systems success and effective project implementation. For the former, that is a combination between Venkatesh et al. (2012)'s Unified Theory of Acceptance and Use of Information Technology (UTAUT) and DeLone & McLean (1992, 2002)'s Information Systems (IS) Success models. In regard to the latter, Belassi & Tukel (1996); Pinto & Skevin (1989)'s critical factors in successful project implementation are taken into consideration. A survey was conducted among 250 participants who have got themselves involved in IT projects with the different roles and positions, and then the survey data was analyzed by structural equation modeling (SEM). The research findings help to confirm the critical success factors of project implementation, the extended UTAUT model and the IS success model in the context of IT projects in Vietnam.

#35 Joint Responsibility Policy and Optimal Incentive Contracts

Te-Chien Lo, National Dong Hwa University, Taiwan

Abstract: This paper proposes a two-tier agency model and shows that imposing Joint Responsibility policy between Agent_1 (Board of Directors) and Agent_2 (Chief Executive Officer) is NOT a good policy for Principal (Shareholders). Joint Responsibility states that Agent_1 is accused of not identifying in advance Agent_2 who takes on destructive risky projects. We design two cases (Case_1 excludes Joint Responsibility and Case_2 includes it) and prove that Principal's payoffs in Case_1 weakly dominate that in Case_2. In addition, static comparative analysis shows that how the change of the losses from the bad state of the high risky project, or the parameter of Agent_1's monitoring costs, alters Agent_1's monitoring and Principal's payoffs in equilibrium.

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SESSION 8: CHINESE STOCK MARKET
ROOM NUMBER: L707

#3 US and Chinese stock markets' Correlation with RMB Appreciation

Rahul Bishnoi and Jia Lan, Hofstra University, USA

Abstract: The paper analyzes the relationship between the RMB exchange rate fluctuations and the stock market performance in both US and China, using Ordinary Least Square Test with monthly data from July 2005 to September 2013. The results show a different relationship between stock market performance and RMB exchange rate in US and China. Between S&P500 performance and RMB exchange rate, the relationship is positive, while the relationship between SSE performance and RMB exchange rate is negative.

#70 The Response of Dynamic Herd Behavior to Investor Sentiment and the Global Market: Evidence from the Greater China Region Stock Markets

Wan-Ru Yang, National University of Kaohsiung, Taiwan

Abstract: This paper investigates the dynamic reaction of stock market herding in China, Hong Kong, and Taiwan to unexpected shocks from domestic and cross-market factors. Herd behavior in emerging markets is, on average, more pronounced than that in advanced markets. Moreover, when stock market returns go up, herding is significant in emerging markets relative to advanced markets. For bearish market sentiment, traders tend to follow the market consensus. Market herding in the Greater China Region positively responds to U.S. herding. When U.S. stock market returns increase or market volatilities decrease, Greater China Region investors herd to trade. Compared with advanced market herding, emerging market herding is more likely to boost market returns and is more influential on investor sentiment. Investor sentiment and U.S. herd behavior have high explanation ability to changes in herd behavior in the Greater China Region.

#92 The Relation between Corporate Investment and Expected Stock Returns: Empirical Analysis from Chinese Stock Market

Jieting Chen and Hideaki Kato, Nagoya University, Japan

Abstract: This study examines the effect of corporate investment on stock returns using the financial and stock data of 1165 companies listed in Chinese Equity Market, with a sample period from 1999 to 2012. Applying asset growth (AG) as well as investment-to-asset (I/A) as the proxies of corporate investment, we have found that there is a significant negative relation between corporate investment and subsequent stock returns on stock level, especially among the small companies. Furthermore, we construct an investment-based risk factor, AGR, which is defined as the difference in returns between low-investment stocks and high-investment stocks. Empirical results show that AGR factor have positive and statistically significant risk premium and can forecast the abnormal returns on portfolio level. Comparing

with other factor models, including Fama-French three-factor model as well as CAPM, models that contain AGR can explain more cross-sectional abnormal returns. AGR in those models has outperformed HML factor. In addition, AGR factor plays an important role in explaining why the investment-return relation in companies with small size and low B/M value or companies with big size and high B/M value is particularly significant. Results show that firms with such characteristics tend to have heavier loadings on AGR factor, indicating that such kind of firms have significant larger exposure to investment factor.

#101 Panel Data Analysis of Performance of QDII Equity Funds in China

Hui Jin and Yanka Cao, Hangzhou Dianzi University, China

Abstract: Based on a sample of 16 QDII Equity Funds in China established before 2010, this paper evaluates the performance of these funds during 2009 to 2013 by risk-adjusted measures of return and analyzes the influencing factors of performance using panel data models. Empirical study shows that most Chinese QDII funds almost get no excess return compared to risk-free rate, and exchange rate is the main factor affecting the fund performance. Industrial and regional concentration on asset allocation have positive effects to fund performance, which implies that QDII funds' activities do not meet the principle of risk diversification and may increase the risk in long term investment. Although the size of fund is limited by the approved QDII quota, there is only low correlation between size and performance.

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SESSION 9: INVESTMENT II
ROOM NUMBER: L709

#34 A Comparative Statics Analysis of the Results Related to a Two-Dimensional Real Options Model

Jing-Hui Dong and Yoshio Iihara, Toyo University, Japan

Abstract: In this paper, we carry out the comparative statics analysis for two-dimensional real option model, and discuss some usage of the model, especially focused on the expected waiting time to invest. In the one-dimensional model, higher discount rate leads to longer expected waiting time. We consider to use the 2-dimensional model for easing the problem. The results of comparative statics analysis and numerical examples show that modest changes in investment cost have effect to shorten the expected waiting time. As a result, we find the two-dimensional models are not only more realistic, but also useful for making more acceptable investment plans.

#36 Integrated Portfolio Risk Measure: Estimation and Asymptotics of Multivariate Geometric Quantile

Hwei-Lin Chuang, National Tsing Hua University, Taiwan

Yu-Jen Wang, National Chiao Tung University, Taiwan

Min-Teh Yu, National Chiao Tung University, Taiwan

Abstract: We extend the value-at-risk (VaR) and average value-at-risk (AVaR) models to the multivariate setting to implement an integrated approach of risk management. Two nonparametric estimation procedures, the multivariate order statistic and multivariate quantile regression approach are adopted to estimate multivariate value-at-risk (MVaR) and multivariate average value-at-risk (MAVaR). Furthermore, we derive the asymptotic distributions of estimators of MVaR and MAVaR based on the large sample statistical inference.

#50 The 52-Week High and Momentum in Taiwan Stock Market: Anchoring or Recency Biases?

Ying Hao, Chongqing University, China

Hsiang-Hui Chu, National Chi Nan University, Taiwan

Keng-Yu Ho, National Taiwan University, Taiwan

Kuan-Cheng Ko, National Chi Nan University, Taiwan

Abstract: In this paper, we examine the role of the 52-week high in explaining momentum profits in Taiwan stock market. We propose that investors in Taiwan are not subject to the

anchoring bias of a stock's past 52-week high when making their investment decisions, because it is not readily available piece of information to investors in Taiwan. However, the 52-week high may still convey information to investors if a stock reached its 52-week high price recently, which can be attributed to the recency biases as suggested by Bhootra and Hur (2013). Based on a sample consisting of all common stocks listed on the Taiwan Stock Exchange, we find that Bhootra and Hur's (2013) measure based on the recency to the 52-week high generates significant momentum profits, while George and Hwang's (2004) measure based on the nearness to 52-week high does not. Further investigations show that the profitability of the recency strategy is concentrated in small firms, confirming that our results are more likely to be driven by behavioral forces. We also demonstrate the robustness of our results in several aspects.

#33 Improving Pricing Accuracy for Various Numerical Methods with the General Control Variate Method

Chun-Yuan Chiu, Tian-Shyr Dai and Hua-Yi Lin, National Chiao Tung University, Taiwan

Abstract: The control variate method is a popular variance reduction technique used in Monte Carlo methods which are frequently used to price a complex derivative by calculating the expected discounted payoff of that derivative. This method is used in much financial literature to exploit information about the errors in estimates of known quantities - which are usually the prices (or the expected discount payoffs) of derivatives that can be analytically priced { to reduce the error for estimating an unknown quantity, which is usually the price of a complex derivative of interest. This paper generalizes the core idea of the control variate method in two ways: First, the idea of reducing the errors for estimating unknown (discounted) expected values can be generalized extended to a boarder class of operators, the linear operators, like the inverse Fourier transform and the convolution. Second, our method can be separately applied to reduce the error contributed by one or more numerical procedure(s) that are (repeatedly) involved in a numerical pricing method to suppress the overall pricing error. Thus our general control variate method can be applied to reduce the pricing errors of a wide classed of numerical pricing methods, such as the tree method, the characteristic-function-based pricing method, and the convolution-based pricing method. Numerical results shows that our approach can effectively increase the accuracy and the effciency of many numerical pricing methods.

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SESSION 10: CORPORATE GORVENANCE & CSR I
ROOM NUMBER: L707

#24 Asset Tunneling: Does Corporate Governance Matter? Evidence from Indonesia

Ratna Candra Sari, Yogyakarta State University, Indonesia

Hadrian G. Djajadikerta, Edith Cowan University, Australia

Zaki Baridwan, Gadjah Mada University, Indonesia

Abstract: It has been suggested that tunneling activities through related party transactions is one of the most challenging aspects of corporate governance in Asian countries. However, studies that focus on the effectiveness of corporate governance in relation to tunneling are still limited and the results have been inconclusive. This study tries to develop a detection model to distinguish related party transactions that can be categorised as tunneling activities, and to examine whether corporate governance mechanisms can explain the tunneling activities in Indonesian listed companies. The main findings of this study suggest that companies with concentrated ownerships have a greater tendency to conduct tunneling transactions compared to companies with dispersed ownerships, and the overall corporate governance mechanisms implemented by the companies could not be used as predictors for tunneling behaviour.

#26 Corporate Governance, Business and the Environment

Maliah Sulaiman, International Islamic University Malaysia, Malaysia

Shayuti Binti Mohamed Adnan, University Malaysia Terengganu, Malaysia

Abstract: Traditionally, discussions on corporate governance (CG) have largely focused on economic sustainability. This is not surprising as CG issues have largely arisen out of accounting irregularities uncovered at prominent organizations, such as Enron, Tyco and WorldCom, and various other well-known companies. The focus of CG now, however, is broader….besides profits, companies are also focusing on the "people" and the "planet" too. Thus, the emphasis of CG today is on both the economic and environmental sustainability. Given this, boards cannot be lackadaisical about social and environmental issues. How can companies achieve this? According to the Coalition for Environmentally Responsible Economies (CERES) in its CERES Roadmap for Sustainability", a sustainable company is one that has the necessary governance structures in place, extensive stakeholder engagement undertaken and the standards and scope of public disclosure and transparency instituted. Essentially, the Roadmap contains 20 specific expectations for corporate performance that are categorised into 4 main perspectives: governance, stakeholder engagement, disclosure and performance. Thus, companies should embed sustainability issues in management and board structures, goal-setting and strategic decision-making and engage in robust dialogue with stakeholders across the whole value chain. Additionally, companies should regularly report on sustainability strategies and performance. Disclosure will include credible, standardized, independently verified metrics encompassing all material stakeholder concerns, and detailed goals and plans for future action. Further, a sustainable company is one that embarks on achieving reductions in carbon emission and water use, procurement of renewable energy,

improved energy efficiency and having a supply chain that meets high environmental and social standards. More importantly, companies are increasingly aware that a large part of their output consists of material waste (or non-product output). In particular, material flow cost accounting (MFCA), an environmental management accounting (EMA) tool that has now become an international standard, ISO 14051, can help companies address environmental issues as well as improve their bottom lines. Finally, to be proactive on environmental issues companies must understand and manage its environmental costs; introduce waste minimization schemes; understand and manage lifecycle costs; measure its environmental performance and embark on a strategic approach to environment related management. Most importantly, the tone should be set at the top. Top management commitment is essential, preferably at the board level. Accordingly, companies should ensure that directors' skill sets include risk management of social and environmental issues. Most importantly, companies should realize that enhanced environmental performance can and will lead to improvement in the economic performance of the enterprise.

#46 Corporate Governance and Performance of Financial Institutions during the 2007-2008 Credit Crisis

Tsung-ming Yeh, Akita International University, Japan

Abstract: This study uses the event of financial crisis as an investigation setting for examining the relationship between performance and governance structure. The empirical results of this study find that banks' performance and risk-taking is not sensitive to the conventional mechanism for shareholder interest alignment, such as managerial ownership and board composition. In contrast, the risk-taking by non-bank financial firms is positively related to managerial ownership and board size prior to financial crisis. Non-banks with higher managerial ownership and a larger board suffered to a greater magnitude. The results suggest that the heavy regulation and monitoring by financial authority did have restricted banks' risk-taking propensity, which could have been encouraged by the conventional shareholder alignment mechanisms such as managerial ownership. This supports the notion that regulation substitute for conventional corporate governance, which is also consistent with the facts that banks, as compared against non-banks, have weaker such conventional governance mechanism. The implication for corporate governance policies is that regulations in some particular industries may as well substitute for conventional corporate governance.

#76 Coercive Tender Offers in Japan

Kotaro Inoue, Tokyo Institute of Technology, Japan

Hideki Kiyoshi Kato, Nagoya University, Japan

Marc Bremer, Nanzan University, Japan

Abstract: This paper is an empirical investigation of the degree to which legal rules impact the welfare of minority shareholders. Its focus is on tender offers in Japan. While an efficient market for corporate control is vital for an economy's growth and development, insufficient legal standards permit coercive takeovers that have negative implications for capital markets. Japan's legal system changed in 2006 to require bidders making tender offers that seek more than two-thirds of the voting securities of a target to make an offer to buy the remaining

securities on equivalent terms. However, acquirers with the stated aim of securing less than two-thirds control of voting securities have no such obligation. We find evidence that these acquirers tend to make coercive two-tier offers that expropriate the interests of minority shareowners of the targets. This practice is harmful to Japanese capital markets as well. We conclude that Japan should modify its laws to require that acquirers provide full information concerning clean-up merger conditions as well as to pay an equivalent amount in the clean-up to minority shareowners as was offered in the initial tender. These conclusions have relevance for other countries that have not yet considered the appropriate level of protection for minority shareholders.

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SESSION 11: INFORMATION, TRADING AND MARKET MICROSTRUCTURE
ROOM NUMBER: L708

#38 Does the Media Blow the Whistle? −Evidence from China

Chintan Huang, Ming Chuan University, Taiwan

Peigong Li, Xiamen University, China

Shumei Hsu, Xiamen University, China

Abstract: The political intervention of Chinese government undoubtedly blocks the corporate governance role of the media. However, the increasing competition for advertising revenues and subscription fees as well as the sheer cut of government fund which was the main financial support of the government owned media force domestic media to respond against corporate misbehavior more actively to attract social attention and to build sound reputation without touching the line. Using a unique sample, we report that, among all 96 sanctioned listed companies by the China Securities Regulatory Commission (CSRC), 60.42% of which is challenged by domestic media before the investigation of the CSRC. This evidence indicates that the Chinese media plays an active watchdog role in monitoring corporate governance violation and protecting the rights of minority shareholders. Due to the rapid transition of Chinese media industry, and the fuzzy boundary between national and local media and the ambiguity of the ownership of media groups, no evidence suggests that national and commercially oriented media play a more active role than the local and politically oriented media in China. However, we do find that negative media coverage is driven by the severity of corporate misbehavior. To the best of our knowledge, this is the first paper to investigate the watchdog role of the media in transitional economies.

#59 A Unified Approach to the Optimal Stopping Problems With Monotone Thresholds

Mitsushi Tamaki, Aichi University, Japan

Abstract: As a class of optimal stopping problems with monotone thresholds, we define the candidate-choice problem (CCP) and derive two formulae for calculating the expected payoff of the CCP attained by the monotone threshold rule. We apply the formulae to the best-choice duration problem, because Ferguson, Hardwick and Tamaki (1992) found this problem to be a CCP, but left unsolved the expected payoff. The similarity between this problem and the best-choice problem with uniform freeze studied by Samuel-Cahn (1996) is recognized. As an interesting comparison, we also give the explicit form of the optimal expected payoff of the best-choice duration problem with recall.

#17 Bid-Ask Spreads, Quoted Depths, and Unexpected Duration between Trades

Jun Ruana, Xiamen University, China

Abstract: We examine the intra-day informational effects of unexpected duration between trades on bid-ask spreads and depths. The difference between realized duration and the

prediction from an autoregressive conditional duration model is used as a proxy for unexpected duration. We find that unexpected short duration increases the quoted spread as well as the adverse-selection component of the spread. Unexpected duration accompanying buyer-initiated trades has a larger impact on the quoted spread than that accompanying seller-initiated trades. These results are consistent with both information uncertainty in Easley and O'Hara (1992) and the effect of short-sales constraints in Diamond and Verrecchia (1987). Moreover, we find some weak evidence that unexpected short duration increases quoted depths, suggesting that the overall liquidity impact of information asym-metry is more complicated than previously thought.

#97 Commercial Sex and Asymmetric Information in the Era of HIV

Peera Tangtammaruk, Chulalongkorn University, Thailand

Abstract: This paper studies the behavior of sex workers and clients in the commercial sex market under conditions of asymmetric information for the case of Thailand. First the basic game-theoretical asymmetric information model is adapted to the situation in which only the sex worker knows his/her HIV status in order to deduce the behavior of client and sex workers in the commercial sex market under conditions of information asymmetry. The basic model shows that clients concerned about HIV would prefer safe sex, but is likely to engage in riskier transactions under conditions of information rents such as higher prices, or when there are signals that the sex worker is HIV-free. The paper then considers the case of "reverse" asymmetric information, i.e. when the client may be HIV-infected and the sex worker does not have this information. The Nash equilibrium solution informs us that the sex workers' dominant strategy is safe sex, while risky sex is still possible when the client offers significantly higher incentives. Lastly, the paper investigates the possible equilibrium in the situation of "double-sided" asymmetric information in which both the sex worker and client know their situation, but either party does not.

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SESSION CHAIR: Mitsushi Tamaki, Aichi University, Japan

SESSION 12: CORPORATE FINANCE II
ROOM NUMBER: L709

#78 What Lies Beneath the Implementation of the Expensing Employee Compensation Policy

Hsuan-Chu Lin, National Cheng Kung University, Taiwan

Ren-Raw Chen, Fordham University, USA

Ting-Kai Chou, National Cheng Kung University, Taiwan

Michael Long, Rutgers University, USA

Abstract: Different from most prior studies which examine the impact of SFAS No.123(R) on corporate governance, we explore the potential wealth transfer effect between debtholders and shareholders that lies beneath the implementation of the expensing employee compensation policy. Under the accounting measure, although implementing such a policy would increase the equity book value, this effect could not be observed because debt book value is unchanged. However, through a structural framework under the economic measure, we argue that implementation of such a policy would result in wealth transfer from debtholders to shareholders which decreases debt fair value and increases equity fair value. Based on 582 Taiwan listed firms over the period 2005-2010, we find that a significant increase in equity value as a percentage of firm total value for firms that were affected by these rulings, compared to firms that were not affected, taking into account unobservable firm effects, size, performance, and growth opportunities. The increase in equity-to-value ratio is particularly pronounced in affected firms with greater use of employee compensation policy and higher leverage. Our results suggest that mandated expensing of employee compensation affected the wealth transfers between shareholders and debtholders.

#83 A Revisit on the Useful Financial Ratios: An Application of Sliced Inverse Regression Approach

Fu-Lai Lin, Da-Yeh University, Taiwan

Cheng-Few Lee, Rutgers University, USA

Yu-Fen Chen, Da-Yeh University, Taiwan

Abstract: Literature has made considerable contributions on the usefulness of financial ratios on bond rating predictions through the principal component analysis; however, few have ever taken the information of the dependent variable being predicted into consideration. This paper features in taking the information of the associated dependent variable into account and applies the sliced inverse regression (SIR) approach to construct a meaningful grouping structure of financial ratios as predicting the bond rating. The main findings are as follows. Firstly, as using the pre-determined financial ratios (Pinches and Mingo, 1973) on the prediction of bond rating, the SIR procedure performs better than traditional principal component analysis in its discriminant power of bond rating. Second, not all "useful" financial ratios proposed by Pinches, Mingo and Caruthers (1973) are useful to predict the

bond rating. And finally, the variation of financial ratio structures over different industries is analyzed as predicting the bond rating. Our results provide the evidence of marked cross-sectional differences exhibited in the determinants of bond rating prediction.

#100 The Announcement Effect of Cash Dividend Changes on Share Prices: Evidence from Dhaka Stock Exchange

Naheed Rabbani, Nagoya University, Japan

Abstract: This paper investigates the announcement effect of cash dividend changes on share prices of Bangladesh listed firms. Standard event study methodology is used to investigate the effect for an event window of -3 to + 3 days relative to dividend announcement date. CAR for different windows have been calculated for 41 days around announcement date. Contrary to the conventional findings, results of this study show that announcement of dividend increase do not have any significant impact on share prices and shareholders earn only normal return during the announcement day. However, CAR (-20, -1) reveals that investors earned significant positive abnormal return in the preannouncement period. Consistent with the hypotheses, dividend decrease, on the other hand, generates significant negative abnormal return. Unlike dividend increase announcement, no significant abnormal return is observed in the preannouncement period although negative abnormal return persists even twenty days after the announcement. Investors earn insignificant negative abnormal return when no change in dividend announcement is made. Whereas dividend increase is not regarded as good news by the market, dividend decrease is considered as bad news. Information leakage, unpredictable dividend policy could be the possible reasons for which information signaling does not hold for Bangladesh listed firms.

#111 Profitability of Momentum Strategies: The Role of Consistent Winners and Losers

Hong-Yi Chen and Chia-Hsun Hsieh, National Central University, Taiwan

Abstract: Momentum profits, resulting from returns on buying winners and selling losers, are robust and persistent in the stock market; however, less than 60% of winner and loser stocks remain in winner and loser groups in the subsequent formation month. This study demonstrates that consistent winners and losers produce subsequent momentum profits, while inconsistent winners and losers experience a strong reversal. Both past stock price performance and next-period return play an important role in determining consistent winners and losers. In addition, an asymmetric effect is observed that the next-period return has a larger effect on the duration of winners, while past return can explain the duration of losers more. A consistent momentum strategy can yield significant profits despite controlling for market risk, size, book-to-market ratio, and momentum factor.

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SESSION 13: INVESTMENT III
ROOM NUMBER: L712

#79 The Effect of Overconfidence on Belief Adjustmet Model in Investment Decision Making

Luciana Spica Almilia and Putri Wulanditya, STIE Perbanas Surabaya, Indonesia

Abstract: The objective of this research is to test the effect of investor characteristic that is overconfidence on increasing or reducing the information order effect in investment decision making setting done by non-professional investors. Subject criteria in this research are: having knowledge in the field of investment and stock market and financial report analysis. Based on the subject criteria, then subjects in this research include: accounting students who have the knowledge in the field of investment and stock market and financial report analysis. This research is using experimental method of 2 x 2 (between subjects). The researcher in conducting this experimental research is using web based, which is an experiment that is done by the researcher by asking subjects to open a website address that has been designed by the researcher in the form of interactive media. The characteristic of individual (high confidence and low confidence) is measured by calibration testing. Independent variable used in this research consist of 2 active independent variables (manipulated) which are as the followings: (1) Pattern of information presentation (step by step and end of sequence); and (2) Presentation order (++-- or --++).Dependent variable in this research is a revision of investment decision done by research subject. Early participants in this study were 111 students, but only 78 students were completely fill material experimentation and manipulation checks. The research result is consistent with that predicted that individuals who have a high level of confidence that will tend to ignore the information available, the impact on individuals with a high level of confidence will be spared from the effects of the information sequence.

#82 An Reexamination of Institutional Herding and Some Implications on 2007-2008 Financial Crisis

Sheng-Yung Yang, National Chung-Hsing University, Taiwan

Yu-Fen Chen, Da-Yeh University, Taiwan

Po-Ju Lin, National Chung-Hsing University, Taiwan

Abstract: Applying Sias's (2004) measurements of institutional herding behavior and an updated data/sample period from 1999 to 2012, this study reexamines institutional herding behavior towards stocks trading in NYSE, AMEX and NASDAQ. We decompose the correlation coefficients of two successive institutional demands on stocks into two parts, following their own trading or following others' trades to explore the magnitude of institutional herding. We also investigate the sources of institutional herding by examining whether institutional herding originates from institutional momentum trading, characteristics herding or market sentiment.

The results indicate that institutional herding does exist. They are more likely to follow other institutional trading than to follow other own previous trading as we consider securities with more than five institutional trading. Institutional herding does vary with time. The magnitude of institutional herding increases after 2007. An insightful observation is obtained in 2006, indicating a high correlation between institutional successive demands on stocks. As we decompose the correlation into institutional following themselves or others to trade, we find institutional investors tend to follow their previous trading during the third quarter of 2006 to the first quarter of 2007. We argue that institutional investors pre-recognize the 2008 crisis event. We also investigate the sources of institutional herding and find that momentum trading and market sentiment are associated with institutional herding.

#47 National Security Law and Liquidity Risk in Market Downturn

Junmao Chiu, Yuan Ze University, Taiwan

Huimin Chung, National Chiao Tung University, Taiwan

Abstract: This study examines whether a better national security law mechanism could reduce the tendency to withdraw liquidity shock during the market decline period. Our empirical results show that downward liquidity risk is higher than upward liquidity across countries, indicating the asymmetric market liquidity risk from the liquidity covariance with market return and suggesting funding constraints hypothesis. Firms listed in the better disclosure requirement country are associated with less impact on market-wide liquidity shocks in market downward period, especially for disclosure related with the equity ownership structure, equity ownership of insiders, and firms' contracts outside the ordinary course. There are no national security law effects on market upward liquidity risk. The compensation disclosures for firm's directors decrease market downward liquidity more significantly in the post-subprime crisis period. Our study provides a better understanding of the effect of fly to quality in the market decline period.

#106 No-Arbitrage Term-Structure Modeling for Portfolio

Peter C.L. Lin, Stevens Institute of Technology and Gamma Paradigm Capital, USA

Abstract: Term-structure modeling has long been a building block for complex portfolio management. Mainstream research has focused on simple interest-rate dynamics. In much of that research, a collection of risk tools and pricing formulae are constructed based on the simplified market assumption. Despite the elegance of the framework, and after studying deeply its practicality in applications, one notices that a crucial yet natural factor is missing: the relationship between the portfolio and the term structure built on the portfolio. Two important difficulties emerge when incorporating both two components into a model: trading strategies cause discrepancies between asset classes, and the assumptions for risk neutrality derivation. Therefore, this research establishes a framework for advanced term-structure construction that overcomes these limitations in current models.

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SESSION 14: VALUATION AND TAX ISSUES
ROOM NUMBER: L707

#23 Using Alternative Models and a Combining Technique in Credit Rating Forecasting

Cheng-Few Lee, Rutgers University, USA

Kehluh Wang, National Chiao Tung University, Taiwan

Yating Yang, National Chiao Tung University, Taiwan

Chan-Chien Lien, E.SUN Commercial Bank, Taiwan

Abstract: Credit rating forecasting has long time been very important for bond classification and loan analysis. In particular, under the Basel II environment, regulators in Taiwan have requested the banks to estimate the default probability of the loan based on its credit classification. A proper forecasting procedure for credit rating of the loan is crucially important in abiding the rule.

Credit rating is an ordinal scale from which the credit category of a firm can be ranked from high to low but the scale of the difference between them is unknown. To model the ordinal outcomes, this study first constitutes an attempt utilizing the ordered logit and the ordered probit models, respectively. Then, we use ordered logit combining method to weight different techniques' probability measures as described in Kamstra and Kennedy (1998) to form the combining model.

The samples consist of firms in the TSE and the OTC market, and are divided into three industries for analysis. We consider financial variables, market variables as well as macroeconomic variables and estimate their parameters for out-of-sample tests. By means of Cumulative Accuracy Profile, the Receiver Operating Characteristics, and McFadden 2 R , we measure the goodness-of-fit and the accuracy of each prediction model. The performance evaluations are conducted to compare the forecasting results, and we find that combing technique does improve the predictive power.

#25 The Information Value of Credit Rating Reports

Sumit Agarwal, Vincent Chen and Weina Zhang, National University of Singapore,

Singapore

Abstract: We test if Standard & Poor's (S&P) credit rating reports contain valuable information beyond credit ratings. We find that positive (negative) linguistic tone in the reports are significantly related to positive (negative) abnormal returns at the time of downgrade announcement and the tone can predict future rating downgrades. We discover that the provision of tone is more consistent with the building of reputation by S&P rather than pleasing the rated firms. Investors, however, are overly concerned about the conflict of interest faced by S&P as a result of an issuer-paid business model. Overall, our study reveals important information value of credit rating reports, which have attracted more attention from regulators than academics.

#56 Alternative methods to derive statistical distribution of Sharpe performance measure: Review, comparison, and extension

Lie-Jane Kao, Kainan University, Taiwan

Cheng-Few Lee, Rutgers University, USA

Abstract: A crucial assumption for the single-period representation of the performance measure Sharpe ratio, is the stationary of the time series of excess returns R1,…, RT. In literature, the most often adopted stationary assumption is the i.i.d.. When the excess returns R1,…,RT are i.i.d. normally distributed, the exact distribution of the Sharpe ratio is non-central t distributed, which can be approximated by a normal distribution. If relaxing the normal assumption, an asymptotic normal distribution of the Sharpe ratio, which takes into consideration the skewed and leptokurtic characteristics of non-normal excess returns, can be obtained using the GMM approach. Relaxing the i.i.d. assumption by assuming strictly-stationary and ergodic excess returns, the same asymptotic normal distribution can be derived using the GMM approach. This study reviews and improves previous distributional results on Sharpe ratio in two respects: (1) deriving the asymptotic distribution by adopting the least restricted stationary assumption on the excess returns R1,…,RT, namely, weakly-stationary-ergodicity; (2) deriving the asymptotic distribution when R1,…,RT obeying a GARCH process that allows for heavy-than-normal tails and non-linear dependent structure. Monthly excess returns of the value-weighted index of all the CRSP firms, of 5 mutual funds and 5 hedge funds from Jan. 1947 to Dec. 1968, Jan. 1969 to Dec. 1990, and Jan. 1991 to Dec. 2012, respectively, are adopted to demonstrate the distributional results. It is hoped more accurate statistical inference of the Sharpe performance measure can be obtained.

#127 The Tradeoff of the Commons Stochastically

Xiaoyong Cao and Jiong Gong, University of International Business and Economics, China

Abstract: We develop a model of scarce, renewable resources to study the commons problem. Our model formulation differs from the existing literature in that usage of the commons is assumed to be stochastic in nature. One example is the microwave spectrum for mobile and wireless communications. We investigate three resource allocation mechanisms: free usage, exclusive franchise and a regulated monopoly model. We show that the welfare tradeo among them depends on the relationships among commons characteristics and usage patterns. In particular, property rights are not always the best solution.

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SESSION 15: INTERNATIONAL STOCK MARKET
ROOM NUMBER: L708

#9 Understanding the REIT–Sponsor Firm Relationship in Japan: The Influence of the Funding Approach

Mamoru Nagano, Seikei University, Japan

Abstract: By considering the unique characteristics of real estate investment and trusts (REITs) in Japan, this study investigates how their relationships with sponsor firms influence decisions on stock and debt issuance by using data on 51 REITs and 755 real estate deals in 2003–2011. The implications derived from the presented empirical analyses are threefold. First, in terms of the determinants of the choice of funding approach, a continuous high stock price trend or a rise in the stock price of a REIT increases the probability of using stock issuance to fund real estate investments when the real estate deal partner is its sponsor firm. Second, our results further suggest that a high stock price and the existence of the REIT–sponsor firm relationship encourage a REIT to choose stock issuance even when it purchases real estate assets that are frequently sold and purchased in the secondary market. Third, debt issuance or bank borrowing is chosen when stock price is low regardless of the sponsor firm relationship, and whether the REIT chooses debt issuance or bank borrowing depends on the real estate deal value.

#32 Market Return, Liquidity, and Foreign Institutional Trading Activity: A Study of Taiwan Futures Market

Robin K. Chou, National Chengchi University, Taiwan

Keng-Yu Ho, National Taiwan University, Taiwan

Ying Hao, Chongqing University, China

Pei-Shih Weng, National Dong Hwa University, Taiwan

Abstract: Using a large data set with detailed classification of different trader types, this study sheds further light on trading activity of foreign institutional traders on the Taiwan futures exchange (TAIFEX). Compared with domestic traders on the TAIFEX, we find that foreign institutional traders act as constrains. In addition, when the market becomes illiquid, foreign institutional traders are net buyers and individual traders net sellers. The results imply that foreign institutional traders may meet individual traders' demands and contribute to the recovery of liquidity dry-ups. The empirical findings also suggest that the order imbalance of foreign institutional investors is positively associated with market liquidity and market returns.

#74 Market States and Momentum: Evidence from Dhaka Stock Exchange

Khan Mostafa Saidur Rahim, Nagoya University, Japan

Abstract: This paper investigates whether market states can explain momentum profit in Dhaka Stock Exchange (DSE). Market states hypothesis posits that momentum is evident only in the UP market states. This paper finds evidence of significant momentum profit in the UP market states and insignificant momentum profit in DOWN market states for DSE. Both raw and risk adjusted returns produce similar results at UP and DOWN market states. Robustness of the results has been ensured by using different indices for defining market states, and methodological issues like time to define UP and DOWN market states, consideration of lag for constructing momentum portfolios. Findings of this study also reveal that market microstructure affect momentum profits and their dependence on market states. Momentum profit with one month lag between formation and observation periods produces more significant results than momentum profits without considering lag. Regression coefficients show that momentum profit is not only evident in UP market states but also significantly different from DOWN market states. This study also finds evidence of non-linear relationship between market states and momentum profits. Maximum momentum profit is observed at the median market states, not at the peak. Findings of this study are supportive to the overreaction hypothesis.

#80 The Impact of Pre-trade Transparency on Order Imbalance: Evidence from the Taiwan Stock Exchange

Hsiu-Kuei Chen, National Taichung University of Science and Technology, Taiwan

Abstract: This paper provides evidence regarding the effect of pre-trade transparency on order imbalances (OIB). In order to appreciate the manner in which order imbalance varies with market transparency, it is necessary to explore order imbalance of different kinds of investors. In addition to order imbalance, this study utilizes Structure Vector Auto-regression (SVAR) model to further examine order persistence, order commonality and information content of OIB simultaneously. The results show that OIB of individual investors declines and do not cause imbalance pressure with transparency enhancement, while foreign investors and two types of local institutional investors, investment trusts and security dealers, increase OIB under the more transparent market. Order commonality of individual investors between all types of institution investors does not increase with more pre-trade transparency. Surprisingly, the grab attention effect of pre-trade transparency is not obvious for individual investors. Further, under the transparent market, individual investors, dealers and general corporations take more contrarian strategies, while foreign investors become less contrarian. The respond of investment trust on transparency is marginal in terms of order imbalance. With regard to variation of information content of OIB, foreign investors predict future returns best, investment trusts take the second place, and individual investors are the worst. In sum, more public information on limit order books seems to benefit institution investors more.

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SESSION 16: INTERNATIONAL FINANCE
ROOM NUMBER: L709

#61 Monetary Policies and Oil Price Fluctuations Following the Subprime Mortgage Crisis

Naoyuki Yoshino, Asian Development Bank Institute, Japan

Farhad Taghizadeh Hesary, Keio University, Japan

Abstract: This research examines how monetary policies have affected crude oil prices after the subprime mortgage crisis. Our earlier research found a significant impact from easy monetary policies on energy prices during the period of 1980 to 2011. This current paper reports that the quantitative easing of US monetary policies weakened the US dollar by shifting US investors to invest into the oil market and other commodity markets. An empirical analysis shows that the weaker exchange rate of the US dollar pushed oil prices in the period of 2007-2012 upward, while world economy was in recession in 2009-2012.

#77 Prediction Model of Potential Budgetary Slack through Local Government Financial Statements Figures (Case Study in Indonesia)

Daissy Erdianthy and Ancella A. Hermawan, Universitas Indonesia, Indonesia

Abstract: This study aims to obtain empirical evidence about the existence of budgetary slack in local government in Indonesia after applying New Public Management (NPM). This study also wants to get a model to predict potential budgetary slack through the figures of financial statements in Indonesian local government. In implementing NPM, local governments in Indonesia using Performance-Based Budgeting system (ABK). Performance-Based Budgeting system focuses on the efficiency of the performance of an activity. Efficiency is the ratio between the output with the input. An activity is said to be efficient, if the output generated is greater with the same input, or output produced is the same with fewer inputs. But efficiency in significant large amount indicates potential budgetary slack, thus required further research to examine it. Budgetary slack according to Bradshaw (2007) is the excess demand of resources (input/budget) or under statement production capability (performance targets). Potential local government budgetary slack in this study is measured by dividing the average achievement of performance with budget absorption, with budgetary slack threshold above 115%. Budgetary slack threshold of 15% refers to the Newman study, 1975. Budgetary slack needs to be examined so people understand that the efficient use of the budget in local government financial reports should be based on the achievement of performance targets based on sufficient performance information at planning and budgeting stage. By finding prediction models that are considered able to explain the level of local government budgetary slack, this study is expected to predict and detect local government potential budgetary slack. This will encourage the policymakers to develop policies that support efficient and effective local government budgets, while creating prosperity for all Indonesian people. This study used a binomial logistic regression models with categorical dependent variable are 0 (no potential budgetary slack) and 1 (potential budgetary slack). By using SPSS 22 statistical tools, it proved that only a few districts/cities in Indonesia are still have potential budgetary slack (less than 20%). It also proved that the revenue growth, asset quality, size and SiLPA, have significant impact in detecting potential local government budgetary slack. Prediction model accuracy that there is a potential local government budgetary slack is 67.3% while the accuracy that there is no potential local government budgetary slack is 96.2%. The figures of local government financial statements have contributed 71.9% to the prediction model of potential budgetary slack.

#95 Effects of Basel Capital Accord on Small and Medium-sized Enterprises: An Empirical Study on a Sample of firms from an Iranian Bank

Farhad Taghizadeh, Keio University, Japan

Abstract: The purpose of this study is to find the relationship between lending to Small and Medium-sized Enterprises (SMEs) and Basel II Capital Accord for the first time in Iranian banking system. The study accomplished by bivariate Probit regression on the 1492 credit firms in one of the specialized sample from an Iranian bank in the financial period of 2012 to mid-2013. Results showed that 69.96 percent of small firms were in very low risk category of credit portfolio. This proof explains a consistent and balanced relation of assets risk-weighted distribution system (RWA) in Basel II Capital Accord and firms' size. In other words, the smaller size of the firm, the smaller will be the size of their risk-share in the credit portfolio. Furthermore, according to the results found by Probit regression with endogenous covariate, the more ratings of a firm recovers, the firm will enjoy less risk-share in bank's portfolio. Thus, regarding the main goal of the Basel II Capital Accord that is improvement of the efficiency of banks risk management systems and besides, the important role of SMEs in development and extension of the business and economic cycles of the country, it is indispensable that banks, chiefly specialized banks to take action toward allocation of part of credit portfolio to SME financing. Accordingly, it is essential to design particular credit scoring models for these firms.

#115 Country and Industry Concentration and the Performance of International Mutual Funds

Takato Hiraki, Tokyo University of Science, Japan

Ming Liu, International University of Japan, Japan

Xue Wang, Renmin University of China, China

Abstract: We examine the relationship between portfolio country versus industry concentration and performance using a hand-matched data set of international equity funds. When sorted by concentration measures, funds in the most concentrated quintile outperform the diversified quintile by 0.16% and 0.30% monthly in country and industry dimensions, respectively. Further analysis shows that the superior performance of concentrated funds is largely driven by industry rather than country concentration, suggesting the existence of global industry private information. Finally, we show that industry-concentrated funds rotate top-holding industries less frequently than their diversified counterparts and the industries they purchase subsequently outperform the industries they sell.

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SESSION 17: CORPORATE FINANCE AND MARKETING ROOM NUMBER: L712

#58 Pay-Risk Sensitivity of CEOs and Bank Performance

Chia-Hao Lee, National Taichung University of Science and Technology, Taiwan

Pei-I Chou, National Open University, Taiwan

Abstract: This study investigates the mediation effect of the pay-risk sensitivity of CEOs on the relation between risky investment and bank performance over the sample period of 2000 to 2007. The empirical results of the study show that CEOs of BHCs engage in more private MBS will increase their pay-risk sensitivity incentives, and then induces the relation between risky investment and bank performance to become negative. These results imply that the pay-risk sensitivity incentives indirectly induce manager to increase his own benefits at the expense of shareholders. Furthermore, we classify CEOs of BHCs as three levels of overconfidence, and find that the pay-risk sensitivity incentive has a mediation effect on the relation between private MBS and firm performance in excessively overconfident CEOs group, implying that the levels of CEOs confidence should be considered while compensation committee designs a flawless contract for encouraging managers put shareholders' best interest in front of theirs.

#66 The Identity of Directors and Firm Performance: Evidence from Taiwan

Yi-Ping Chen and Chia-Pin Chen, National Chung Hsing University, Taiwan

Abstract: Whether the identity of directors in the board influences firm performance is the main issue in this article. Who controls the corporations? Some might say it's not the directors who control the corporation but the Chief Executive Officer (CEO). But for companies with concentrated shareholder, the directors of board play an important role for firm performance. There are different legal regulations to regulate the identity of directors. Taiwan is a country that allows a legal entity to be a director . Besides that, Taiwan is the only country that allows a legal entity to assign plural number of representatives to be elected as directors. This challenges corporate governance in Taiwan since it violates the fairness between individual shareholders and corporate shareholders. This paper focuses on the publicly held companies of Taiwan and analyzes whether the identity of board affects firm performance. We analyze non-financial publicly held corporations at Taiwan Stock Exchange between 2006 to 2012. The result provides a significant negative relationship between the firm performance(Tobin's Q, ROE and EPS) and the ratio of corporate director in the board. The findings provide an insight for the regulators to reconsider if a proper regulation is necessary for better corporate governance practices.

#125 Signaling and Risk-mitigating Effects on Sequential Conversion Behavior of Convertible Bonds: A Recurrent Survival Approach

Lie-Jane Kao, KaiNan University, Taiwan

Li-Shya Chen, National Chengchi University, Taiwan
Tai-Yuan Chen, KaiNan University, Taiwan

Cheng-Few Lee, Rutgers University, USA

Abstract: Convertible bonds (CBs) are well-known for their risk-mitigating effect in reducing the agency cost and the adverse selection cost problems associated with information asymmetry. In response to the adverse selection cost problem, two types of signals, namely, the debt-like signal by Constantinides and Grundy (1989) vs. the equity-like signal by Stein (1992), are considered in this study based on the rate of sequential conversions by bondholders. A recurrent survival analysis technique is adopted to estimate the rate of sequential conversions. The empirical study shows that higher spread of conversion vs. stock prices and higher buy-back ratio of stock repurchase provide debt-like signals of CBs; while lower risk-free rate, higher capital and/or investment expenditures, higher non-management institutional ownership and higher total asset value provide equity-like signals of CBs. On the other hand, this study shows that the rate of sequential conversions is intact for less risky firms in cases of higher ratio of discretionary asset or higher free cash flow. For riskier firms, the rate of sequential conversions is reduced in cases of higher ratio of discretionary asset or higher free cash flow. This result disapproves the possibility that bondholders will convert their CBs before their optimal conversion time to collide with shareholders as the risk-shifting opportunities arise. Therefore, it is concluded that higher risk-shifting potential can not deteriorate CBs' risk-mitigating effect on the agency cost of asset substitution.

#126 Consumer Responses to Penalty Fees: A Preliminary Study

Jen-Hung Huang, National Chiao Tung University, Taiwan

Abstract: Penalty fees imposed on consumers by sellers are widespread in modern economies. Yet, works on consumer response to penalty fees are limited. It seems that penalty fees are imposed on consumers to a lesser extent and less harsh in Eastern societies than inWestern societies. The purpose of this study was to examine consumer responses to penalty fees from a cross-cultural perspective. It was hypothesized that (1) consumers with high collectiveness value will perceive a higher degree of unfairness for penalty than consumers with high individualistic value, and (2) the influence of relationship strength on fairness perception will differ between consumers high in individualistic value and consumers high in collectiveness value. An experiment was conducted to collected data from Taiwan consumers. The results supported both hypotheses. Directions for future research were proposed.

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SESSION 18: CORPORATE GORVENANCE & CSR II
ROOM NUMBER: L707

#53 The Effect of Strategic Corporate Social Responsibility and Competitive Strategy to the Relationship Between Supply Chain Management and Company Performance (Case Study in Indonesia Manufacturing Companies)

Titi Suhartati, University of Indonesia, Indonesia

Abstract: This study aimed to examine the effect of supply chain management (SCM) on firm performance moderated by strategic corporate social responsibility (SCSR) and competitive strategy. Specific targets to be achieved from this research is that there a choice of competitive strategy associated with supply chain management. If the choice of competitive strategy (cost leadership and differentation) in accordance with the supply chain management, so it is expected to produce optimal business performance. Sample firms are manufacturing company listed in Indonesia Stock Exchange (BEI) for the period 2010-2011. Financial data and annual reports obtained from the Thomson Reuteurs and Indonesia Stock Exchange database. Multiple regression equation models was used to test the hypothesis. Results show that supply chain management and strategic corporate social responsibility have a positive and significant effect to the company performance. Also show that the effect of supply chain management on firm performance become stronger moderated by competitive stategy and proven that the supply chain management have related with competitive strategy. This study tries to fill the gap regarding the relationship of strategic CSR, competitive strategy, supply chain management and company performance that have not been examined by previous studies.

#54 Are European Environmental Regulations Excessive?

Huy Nguyen Anh Pham, Vikash Ramiah and Imad Moosa, RMIT, Australia

Abstract: This paper investigates the impact of announcements of European environmental regulations on the French equity market. Using event study methodology and asset pricing models, we assess whether announcements of stringent (lax) policies have a positive (negative) impact on the share price of environmentally-friendly businesses and a negative (positive) impact on polluters. Additionally, we estimate the change in systematic risk following the new regulations and we develop a test to check if these effects are excessive. According to the results, the French capital market is particularly sensitive to announcements made by the European Union Emission Trading System (EU ETS). Surprisingly, while chemicals, oil and gas industries show negative reactions, other polluters such as construction and materials, and industrial transportation exhibit positive abnormal returns reactions. Therefore, we argue that a move towards a greener nation may have a mixed effect on abnormal returns. One of the key findings of this study is that environmental regulation on water, soil and air provides different results from the environmental regulation from EU ETS. Our results show that environmental regulations are excessive in a relatively small proportion of firms.

91 Comparative Study of the Influence of Institutional Investors on Corporate Governance and Firm Performance between Japan and France

Mitsuru Mizuno, Nihon University, Japan

Abstract: This study compares the influence of institutional investors on corporate governance and firm performance in Japan and France. Using the data of firms listed on the First Section of Tokyo Stock Exchange and the data of firms mailing up SBF120 in France during 2005-2010, this paper examines the influence of institutional investors on corporate governance and the relationship between institutional investors and firm performance in Japan and France. The results suggest that corporate governance was enhanced by institutional investors in both countries. It was also found that there is a statistically significant difference between the change in institutional investors' shareholdings and ROE, proxy for firm performance, in Japan, whereas a significant difference was not observed in France. However, by classifying the firms into three groups based on the change in the ownership share of institutional investors during 2005-2010 in France, it was observed that the mean value of ROE in group 3 is higher than on other groups, indicating that the group with the highest increase of institutional investor's ownership during the period shows better performance that the other groups. The results imply that institutional investors select firms for investment based on the expected performance of ROE in both countries.

#121 Determinants of Corporate Social Responsibility of A Social Enterprise: An Empirical Analysis

Huang Wei Quan, Jeffrey, Chia Hui Ching, Soh Huang Chi and Chew Soon-Beng, Nanyang Technological University, Singapore

Abstract: This paper makes an attempt to estimate the corporate social responsibility (CSR) of a social enterprise in Singapore. Following the literature, we measure CSR based on a set of standard questions to gauge how the public values CSR according to these standard questions.

The social enterprise being studied is NTUC Fairprice. NTUC is Singapore's labour movement which is a macro-focused union that works well with the government to achieve growth with equity (see Yao and Chew (2014) for the theory of the macro-focused union). In this study, we also measure the CSR of Giant, another supermarket which is a commercial firm. A comparative analysis of the estimate of the CSR of these two firms is then made.

The main finding is that, based on a field survey, Singaporeans value the CSR of NTUC Fairprice more highly than that of Giant. Our regression analysis reveals that the CSR valuation of NTUC Fairprice is basically determined by how people perceive NTUC Fairprice in terms of their sentiments. On the other hand, the only variable that is statistically significant in explaining changes in the CSR valuation of Giant is Malay respondents.

The study also finds that, based on the second field survey, almost 85% of respondents chose to become members of NTUC because of non-collective bargaining benefits and only 10% joined the union because of sentiment.

The main conclusion is that union members are always supportive of the social effort of NTUC Fairprice and other cooperatives. The main policy implication is that NTUC is far-

sighted in making non-collective bargaining benefits available to the general public provided that they become union members.

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SESSION 19: EARNINGS AND ACCRUALS II
ROOM NUMBER: L708

#57 Do Japanese Firms Change Their Dividend Distribution in Response to the Change in Statutory Tax Rate on Dividend Payment?

Naoyuki Kaneda, Gakushuin University, Japan

Hiroki Yamashita, Aoyama Gakuin University, Japan

Abstract: This paper examines how the abolishment of lower tax rate on dividend payment affects the behavior of Japanese companies in early 1990s. Both in univariate and multivariate analysis, we find that they decreased the dividend payments in response to the abolishment. This is consistent with the idea that firms are more likely to retain more earnings and pay dividend less after the tax burden on dividend payment increased. In addition, multivariate analysis reveals that earnings and previous fiscal year dividend payment positively relate to dividend payment in the current fiscal year. We also find that larger firms pay smaller amount of dividend, and that smaller leverage, higher book-to-price ratio and larger shareholding by banks and financial companies make firms pay larger dividend.

#68 The Effect of Restatements on Trading Volume Reactions to Earnings Announcements

Chunlai Ye, Texas A&M International University, USA

Lin-Hui Yu, National Taiwan University, Taiwan

Abstract: This paper examines whether restatements affect trading volume reactions to earnings announcements. We contrast material restatement and other restatement firms, recognizing that investors perceive different degrees of credibility loss in these two types of restatements. We predict and find that restatements increase the degree of differential interpretation of earnings announcements, consistent with investors utilizing or generating private information of different quality that is incorporated into investors' trading decisions. We further document that this effect is attenuated in firms with material restatements. Second, we find that differential precision in pre-disclosure private information decreases in firms with material restatements, consistent with investors engaging in more information processing activities when faced with higher uncertainty. Finally, focusing on material restatement firms, we document the effect of restatements on trading volume is more pronounced after the passage of Sarbanes Oxley Act (SOX) and for firms dismissing auditors. Overall, these results indicate that restatements affect investors' behavior in forming judgments regarding earnings announcements.

#108 Islamic Student Loan-Backed Securitization: New Framework for Higher Education Loans in Malaysia

Shafinar Ismail, Universiti Teknologi MARA, Malaysia

Mohammed Hariri Bakri, Universiti Teknikal Malaysia, Melaka, Malaysia

Rosalan Ali, Universiti Teknologi MARA, Malaysia

Azman Mohd Noor, Universiti Islam Antarabangsa, Malaysia

Abstract: In a particular country, government and private parties have their own system to finance their higher education students as access to higher education has been a vital task to most countries. Most of the countries implement mortgage type to the student in order for them to continue studies. Research has shown that the default rate is higher for those countries that implement the mortgage-type loans. Many researchers have tried to address this issue, usually by analyzing the repayment collections to reduce the default rate. Governments in many countries have been under financial constraints to adequately support their higher education institutions as it had to compete with other compelling needs of the economy, such as public health and public infrastructure. This research thus attempts to proposed Islamic student loan-backed securitization as an alternative financing in the Malaysian higher education (HE), in order to relieve the pressure currently imposed on the government budget. Student loan securities have been implemented in other countries; however, it is a new concept for Malaysian HE as Islamic student loan-backed securitization is new and become the first in the world. This study particularly focuses on the student loan problem, which has not yet been implemented as a securitization process in Malaysia. This work considers the characteristics of Malaysian higher education, suggests a structure for Islamic student loan-backed securitization, and proposed a framework of Islamic student loan-backed securitization in resolving the problem. The expectation is that the new financial instrument will benefit both the students and the government. This framework is proposed to create structure and issue a highly graded and marketable sukuk that complies to global shariah principles. This research forecast that in year 2038, National Higher Education Fund Corporation in Malaysia will be no longer depend on government to fund higher education loans.

#117 Does IFRS Adoption Mitigate Earnings Management? Evidence from an Emerging Market

Napaporn Likitwongkajon and Siriluck Sutthachai, Khon Kaen University, Thailand

Abstract: This study examines the impact of IFRS adoption on earnings management in Thailand. As previous studies on the IFRS adoption and earnings management conducted on data from developed countries, this study fills in the existing literature by studying an emerging market. Specially, shareholder variables are included to control for the impact of ownership structure on earnings management. The sample contains 761 Thai listed firm-year observations in the year before (2008) and after (2011) the adoption of IFRS. Using multiple regressions, the results reveal that IFRS adoption has positive significant association to earnings management. That is financial report after the adoption of IFRS is associated with higher earnings management. In addition, high leverage, small, high growth, high profitable, high loss, non-big 4 audited, high free float-holding, and less insiders-holding firms engage in higher accruals earnings management.

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SESSION 20: INTERNATIONAL MANAGEMENT
ROOM NUMBER: L709

#41 Empirical Study on Performance of ICT Companies in Japan by Using Financial Data

Mohd Fazli Mohd Sam and Yasuo Hoshino, Aichi University, Japan

Abstract: Information and Communication Technology (ICT) has rapidly developed across the globe which involve many industries. Accordingly, new knowledge and innovation have been created resulting in the continual development in the economy and society. Japan's industrialized, free market economy is the second-largest in the world. Its economy is highly efficient and competitive in areas linked to international trade. ICT sector has an enormous impact on the economic growth of a country. This empirical research aimed to investigate the performance of ICT industry in Japan by using financial data from Orbis Database. 32 ICT companies were being used in this study. Various resources were used to support our findings such as The Global Information Technology Report publish by INSTEAD and World Economic Forum, OECD report and Sales Maximization Model.

#73 Financial Literacy and Saving Behavior Among Business Students at Universiti Putra Malaysia

Amalina Abdullah and Mohd Zikruldin Ismail, Universiti Putra Malaysia, Malaysia

Abstract: Financial literacy is important for making future financial decision related to individual spending and saving behaviour. Previous studies highlighted that financial literacy is still low among students and many people failed to manage their finances effectively. The objective of this paper is to determine the financial literacy level and undergraduate students' perception towards saving behaviour. Data were collected using self-administered questionnaire and there were 192 respondents from undergraduate students who enrolled for business administration programme at Universiti Putra Malaysia. The results showed that saving behaviour, parental socialization and peer influence had positive correlation with financial literacy, whereas self-control showed negative correlation with financial literacy. The mean values for financial literacy among these respondents are still at moderate level.
Each students needs to learn more knowledge in dealing with personal financial management and effective strategies to increase positive attitude towards saving behaviour. The higher education authority such as ministry of education can improve the existing business courses by adding personal financial management and encouraged more saving activities rather that spending too much money for unnecessary items. Parents always play the central role in facilitating and promoting their children's saving or investment.

#81 The Determinant Factors of Accounting Students' Choice on Information Technology Careers

Nurul Hasanah Uswati Dewi, STIE Perbanas Surabaya, Indonesia

Abstract: Accounting is a profession that many IT-related activities. The development of AIS and audit process as a result of the progress of IT and accounting developments will bring opportunities for accountants. These opportunities can be exploited by accountants who have adequate knowledge about computer-based AIS and auditing. Instead, the accountant who does not have enough knowledge about computer-based AIS and auditing will be displaced position because it is not able to provide the services required by the client. The important role of accounting information systems professionals, motivate researchers to analyze further the interest of students to the profession in the field of accounting information systems. This study also explores more about the factors that influence students to choose and do not choose a profession in the field of accounting information systems. The study will be performed by means of survey method. The population to be studied is that of undergraduate accounting students. The sample will be taken randomly (random sampling). This research shows that the interest in undergraduate accounting students for a career in the field of information systems is very small and this research also appears that the academic supervisor is a factor influencing student choice in choosing a career in the field of information systems. Beside this, this study also found that respondents are not interested in a career in accounting information systems more due to that field of information systems is not a career they aspire.

#60 Understanding Green Purchase Behavior among Gen Y in Malaysia by Examining the Factors Influenced

Nurul Zarirah Nizam, Aichi University, Japan and Universiti Teknikal Malaysia Melaka, Malaysia

Ismi Rajiani, Universiti Teknikal Malaysia Melaka, Malaysia

Nusaibah Mansor, Aichi Institute of Technology, Japan and Universiti Teknikal Malaysia Melaka, Malaysia

Siti Norbaya Yahaya, Aichi Institute of Technology, Japan and Universiti Teknikal Malaysia Melaka, Malaysia

Yasuo Hoshino, Aichi University and University of Tsukuba, Japan

Abstract: The purpose of this study is to examine the factors that influence green purchasing behaviors of Generation Y and to contribute the Theory of Reasoned Action (TRA). Respondents in this study among generation Y in Malaysia (North, South, East and West) and will considered their demographics profile. A target total of 500 usable questionnaires will be analyzes by using Statistical Package for Social Science Software version 19. Five hypotheses have been developed from Literature Review reading and will tested using bivariate Pearson Correlation Analysis and analysis of variance (ANOVA) to find the relationships between demographics variables and the background of green purchasing behavior. All the variables are social influence, environmental attitude, environmental concern, eco-label and government's role.

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SESSION 21: MICRO FINANCE AND CREDIT
ROOM NUMBER: L712

#65 Waghf as an Islamic Micro Finance Source: Introducing the Model of Establishment of Waghf Micro Finance Institutes in the Country

Ali Hassanzadeh, Kavosh Research Co., Iran

Naser Tahbaz, Tarh and Andisheh of Behsasz Mellat Co., Iran

Mohammad Hassan Mogharei, Vasepari Mellat Co., Iran

Shahriyar Kosari, Currency Exchange Mellat Co., Iran

Abstract: By applying the concept of waghf (waghf) of Islamic economy, this study will introduce a native (adapted) model for micro finance institutes and will analyze it. In fact, while introducing the proposed model and explaining fund raising methods (including consecrating of moveable and immoveable assets such as stocks, money and issuing waghf money and group documents) and methods of allocation of funds (Islamic transaction, participation and ghars-al-hassan contracts), it's compliance with Islamic jurisprudence and the economic necessity of establishment of these institutes will be discussed and by applying micro finance literature, will introduce methods for marginalyxing the difficulties. The findings of this study which are based upon theoretical analyses show that the waghf concept in Islamic economy has the capacity to be considered as a source of income for micro finance institutes.

#63 Ranking Grouped Credit Client by New Method (Case Study: A Sample Bank of Republic Islamic of Iran)

Pouya Baghdadi, Monetary and Banking Research Institute(MBRI) and Kavosh Research Co., Iran

Fathali Khoshbin, Mellat Bank of Iran, Iran

Alireza Jalali Farahani, Mellat Investment Bank, Iran

Ali Qasemi Armaki, Mellat Bank of Iran, Iran

Abstract: Data Envelopment Analysis (DEA) is a widely used non-parametric method for ranking of Decision-Making Units (DMU). Despite the fact that DEA method does not require numerous prerequisites, but the necessity of the DMUs to be homogeneous is one of the most important rules in applying this technique. On the other hand, in real world problems, due to the nature of DMUs, the need for ranking the grouped data has gain significant importance. Credit rating of the financial facilities applicants is considered by the banks and financial institutes as one of the most important management issues and significant budget is allocated to develop and implement an effective rating system. Since the applicant organizations operate in different businesses and industries, and simultaneous rating of these companies using the DEA method leads to the violation of the homogeneity rule, thus, application of this powerful tool is restricted. The purpose of this paper is to resolve this key

weakness in such a way that makes it possible to simultaneously consider the heterogeneous companies (DMUs). The results of the proposed method have been shown for a well-known private bank which implies an enhanced capability for rating the decision-making units.

#55 The Moderating Effect of Non-Performing Financing in the Relationship between Loan Financing and Securities Financing on Profitability of Islamic Banks in Indonesia

Hening Widi Oetomo, School of Economics Indonesia (STIESIA) Surabaya, Indonesia

Abstract: The objective of the research was firstly to know the effect of Loan Allocation and Securities Allocation on the profitability of Islamic banks in Indonesia. The second objective was to look at the role of Non-Performance Financing in mediating the relationship between Loan Allocation and Securities Allocation on the profitability. The population was entire Islamic Banks in Indonesia totaling 11 banks. Sample was drawn using saturated sampling technique so that the entire populations became sample. Used data here were secondary data. The data were collected within period of 2009 to 2012 derived from annual reports of Indonesia Bank. Statistical technique used here was multiple regression and residual technique. The results showed that Loan Allocation had significant positive effect on profitability, while the Securities Allocation had significant negative effect on profitability. Non-Performance Financing was showed to not moderate the relationship between Loan Allocation and Securities Allocation on profitability of Islamic banks in Indonesia.

#62 Data Envelopment Analysis and Consolidation of A^2 for Ameliorate Credit Scoring Process

Mohammad Ebrahim porzarandi, Islamic Azad University and Mellat Financial Group, Iran

Pouya Baghdadi, Monetary and Banking Research Institute(MBRI) and Kavosh Research Co., Iran

Bahaeddin Mizan, Kavosh Research Co., Iran

Saeeid Ghobadi, Tadbirgaran Behsaz Mellat Co., Iran

Abstract: This paper develops a decision support tool using an A2 method and data envelopment analysis (DEA) approach (A2-DEA) to effectively deal with the bank credit customer selection problem and credit scoring drawn from large bank in Iran. This has led to fewer calculations, faster and more accurate decision making, less complexity, and ability to analyze many scenarios with only one or a few judgments of decision makers while the effect of the subjective opinion of one single decision maker will be avoided. This proposed method is compared with adaptive analytical hierarchy process approach, which is suggested by Lin et al., in 2008, and it is named A3. An illustrative example demonstrates the implementation of the proposed approach. This example demonstrates how this approach can avoid the main drawback of the current method, and more importantly, can deal with the credit customer selection more convincingly and persuasively. The implementation results show that this method is significantly valid for ranking credit customers. Comparison of methods shows that although A3 have benefits, it also suffers from limitations, which can be avoided by the A2-DEA model, also improves the time and cost needed for implementing in comparison.

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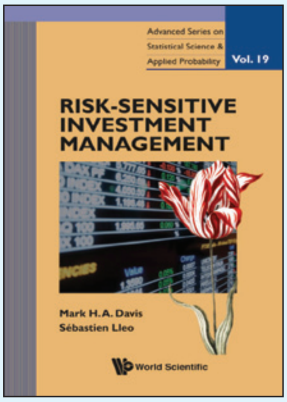

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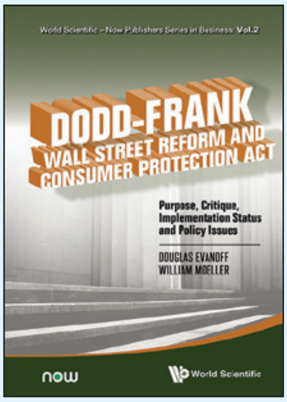

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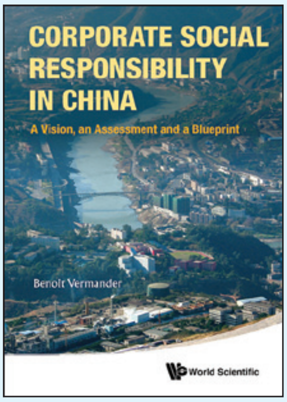

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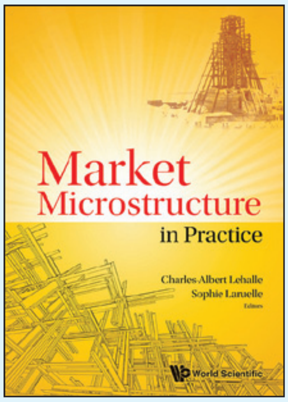

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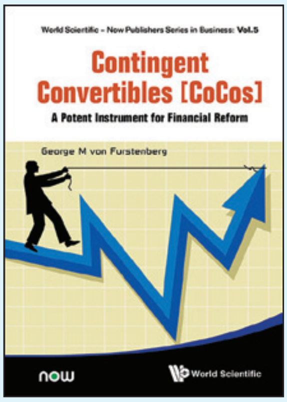

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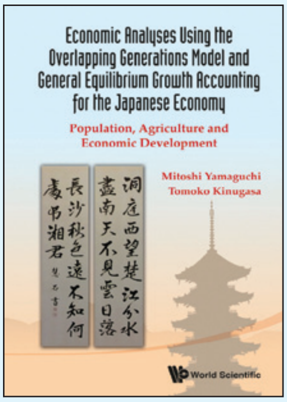

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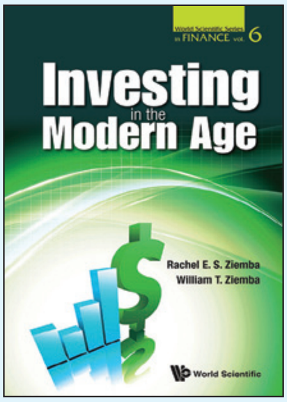

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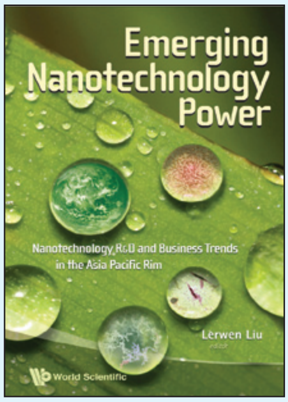

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