

APEF Draft Programme
& Abstract Book

ISBN : 9 7 8 - 9 8 1 - 1 8 - 4 5 6 5 - 9

Programme Book

15th December 2022

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

REGISTRATION: 09:30 – 09:50

APEF 2022 OPENING: 09:50 – 10:00

Dr Evan Lau

Professor, Universiti Malaysia Sarawak (UNIMAS)

KEYNOTE SESSION I: 10:00 – 10:45

‘To be confirmed’

Dr Kaihong Tee

Loughborough University

COFFEE BREAK: 10:45 – 11:15

KEYNOTE SESSION II: 11:15 – 12:00

‘To be confirmed’

Denise Cheok

Asst. Director, APAC Economist, Moody’s Analytics

LUNCH: 12:00 – 13:30

‘Halal’ Buffet Lunch at Atrium Restaurant on level 4

SESSION I: 13:30 – 15:00

Room: Seletar Ballroom

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

43 Diversity Leadership and Organizational Capital

Mohammad A Karim, Marshall University, USA

88 Need for economic remedies with the increase in Product Liability cases in 21st Century

Sonia Mukherjee, MIT World Peace University, India

90 Tourism Participation and expenditure by Indian households: An analysis of the effects of unemployment and Covid-19 using High-Frequency panel data

Rasmita Nayak, IIT Kharagpur, India

97 Impact of Tobacco Price Control Policy on Food and Non-Food Households Consumption Patterns: The Case of Indonesia

Salim Fauzanul Ihsani, Universitas Gadjah Mada, Indonesia; Heni Wahyuni, Universitas Gadjah Mada, Indonesia

COFFEE BREAK: 15:00 – 15:30

SESSION II: 15:30 – 17:00

Room: Seletar Ballroom

Session Chair: Mohammad A Karim, Marshall University, USA

124 Institutions, Economic Freedom and Economic Growth: An Empirical Study in ASEAN

Erwin Jafar, Gadjah Mada University, Indonesia; Lincoln Arsyad, Gadjah Mada University, Indonesia

125 Investment delegation of private foundations

Jerry Parwada, UNSW Business School, Australia

102 Does Board Diversity Improve Accounting Conservatism? The Moderating Effects of Board Roles: Evidence from a Developed Economy

Nuthawut – Sabsombat, University of Strathclyde, UK

105 Smart digitalization in Nordic municipalities through Internet of Things

Per PJN Nesse, Telenor and NTNU, Norway

16th December 2022

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

SESSION III: 09:00 – 10:30

Room: Seletar Ballroom

**Session Chair: Mohd Hussain Hussain Kunroo, Indian Institute of Management,
Sirmaur, India**

92 Corporate sustainability and conflict: An agency perspective

Purnima Khemani, Indian Institute of Management, Kashipur, India; Dilip Kumar, Indian Institute of Management, Kashipur, India

44 Problems with Accounting Conservatism Scale and its Correction

Kazuhiro Manabe, Nagoya University of Foreign Studies, Japan

87 Regional and Sectoral Varieties of Consumption Tax Rate Pass Through in Japan

Kazuki Hiraga, Nagoya City University, Japan

121 Corporate Political Connections in the Philippines: Firms, Politicians, and Non-Profit Motives

Marianne N Juco, UP School of Economics, Philippines

COFFEE BREAK: 10:30 – 11:00

SESSION IV: 11:00 – 12:30

Room: Seletar Ballroom

Session Chair: Purnima Khemani, Indian Institute of Management, Kashipur, India

98 Comovement between Oil Price Shocks, Exchange Rate and Stock Returns: Does the Source of the Shocks Matter?

Sreelakshmi R, Indian Institute of Technology-Madras, India

103 Energy and metal price uncertainties and the global economy

Jeffrey Sheen, Macquarie University, Australia

86 What drives India's Outward Foreign Direct Investment? A Country-level and Sector-level Analysis

Mohd Hussain Hussain Kunroo, Indian Institute of Management, Sirmaur, India

61 Proposition of Development and Growth Through Economic Development Index

Ashot Davoyan, London School of Economics and Political Science, UK

APEF 2022 CLOSING: 12:30 – 12:35

LUNCH: 12:35 – 14:00

'Halal' Buffet Lunch at Atrium Restaurant on level 4

Conference Networking: 14:00 – 17:00

END OF CONFERENCE

Virtual Presentation

Available on APEF.ear.com.sg on 14th December 2022

4 Research on the impact of consumer innovation on purchase intention of new energy vehicles -- regulated intermediary effect

杨柳, 哈尔滨工程大学, 中国; 许广义, 哈尔滨工程大学, 中国; 徐建中, 哈尔滨工程大学, 中国

13 Automation, Skill and Job Creation

Kaizhao Guo (University of Glasgow, UK)

26 Tax and fee cuts, investment in innovation, and high-quality development of equipment manufacturing enterprises

Jianzhong Xu, Harbin Engineering University, China; Dan Liu (Department of Economics and Management, Harbin Engineering University, China)

31 Environmental Information Disclosure and Energy Efficiency : Empirical Evidence from China

Lianghu Wang, Southeast University, China

33 Impact of ESG issuer credit rating on coupon interest

Sylwia Frydrych, SGH Warsaw School of Economics, Poland

40 Predicting a Browser's Next Online Behavior using Markov and Hidden Markov Models with Preference Clustering

Jasmin-Mae S Luy, Institute of Mathematics, University of the Philippines-Diliman, Philippines; Mary Elizabeth Segui, Institute of Mathematics, University of the Philippines-Diliman, Philippines

50 Bilateral Agreements: A Text Mining Approach to Assess Mobility and Implications on Health Workers

Banantika Datta, Indian Institute of Management Bangalore, India

52 Digital Renminbi: Impacts on Economic Integration of the Greater Bay Area

Weng Chi Lei, University of Saint Joseph, Macao; Xinru Wang, Guangzhou Panyu Polytechnic, China

94 Asset Liquidity, Information Acquisition, and Monetary Policy

Xinchuan Lu, University of California, Riverside, USA

95 A European study on financial risk attitude and cognitive decline in ageing societies

Michail Chouzouris, University of Piraeus, Greece; Antigone Lyberaki, Panteion University, Greece; Platon Tinios, University of Piraeus, Greece

99 Analysts' Biased Behavior and Conflict of Interest: Evidence from the Reputation Mechanism of Chinese Capital Markets

Lu Zhou, School of Management, the University of Bath, UK

117 Tax and non-tax policies towards the finance of sustainable economy: the mediating role of eco-innovation

Emmanuel Ebo Arthur, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Raymond Kwame Adane Darfo-Oduro, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Yee Yee Sein, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Solomon Gyamfi, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Viktor Prokop, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Jan Stejskal, University of Pardubice, Czech Republic

118 Combining factors

Christoph Reschenhofer, Vienna University of Economics and Business, Austria

127 The South Korean Export Benchmark: Validity of the Export-led Growth Hypothesis

Mayar M. Bakeer, The German University in Cairo, Egypt; Hebatallah Ghoneim, The German University in Cairo, Egypt

131 The effect of Financial Ratios on Fraudulent Financial Reporting during the Covid-19 Pandemic

Tyas Widyanti, Universitas Trisakti, Indonesia; Nurhastuty Kesumo Wardhani, Universitas Trisakti, Indonesia

132 The effect of Managerial Ownership, Working Capital Management, and Executive Compensation on company profitability

Daniel Junaedi, Universitas Trisakti, Indonesia; Nurhastuty Kesumo Wardhani, Universitas Trisakti, Indonesia

Abstract Book

15th December 2022

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

REGISTRATION: 09:30 – 09:50

APEF 2022 OPENING: 09:50 – 10:00

Dr Evan Lau

Professor, Universiti Malaysia Sarawak (UNIMAS)

KEYNOTE SESSION I: 10:00 – 10:45

‘To be confirmed’

Dr Kaihong Tee

Loughborough University

Abstract

COFFEE BREAK: 10:45 – 11:15

KEYNOTE SESSION II: 11:15 – 12:00

‘To be confirmed’

Denise Cheok

Asst. Director, APAC Economist, Moody’s Analytics

Abstract

LUNCH: 12:00 – 13:30

‘Halal’ Buffet Lunch at Atrium Restaurant on level 4

SESSION I: 13:30 – 15:00

Room: Seletar Ballroom

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

43 Diversity Leadership and Organizational Capital

Mohammad A Karim, Marshall University, USA

Abstract

In this study we attempt to examine the relationship between organizational capital and diversity. More specifically, we hypothesize that diverse firms are more likely to have higher organizational capital compared to non-diverse firms that eventually results in superior firm performance and enhances firm value. Additionally, we also hypothesize that the positive relationship between diversity and firm performance depends on the stages of firm's life as earlier studies show that firm life cycle is a determinant of organizational capital (Hassan and Cheung 2018).

88 Need for economic remedies with the increase in Product Liability cases in 21st Century

Sonia Mukherjee, MIT World Peace University, India

Abstract

There has been a growing interrelationship between the field of economics and law since the early eighties. Initially, the application of economics was limited to price controls, monetary damages, capital gains tax etc. With time, tools of economics expanded into other broader areas of law to provide solutions for the remedies to cases related to manufacture of defective and damaged product, breach of contract over exchange of goods and services and delivery of products. With globalization, rise of global value chains and further technological advancements with setting up of newer industrial hubs, cases of product liability have been on the rise. This makes the law makers ponder over the question as to how to tackle the problems related to product liability related to production and manufacturing negligence case. Generally, it is found that, the product liability cases rise over time when the manufacturers, distributors, suppliers, retailers and other entities offers defective products for sale in the market and such defective products sold cause injuries to the consumers. For example, the Swedish Furniture Retailer IKEA sold the wall mount for free, and the purchasers were not well informed about

the defect of the furniture. The furniture had propensity to topple which resulted in injuries and death of toddlers. The retailer had sold the furniture without warning about the product. Families purchasing this product filed a lawsuit against the retailer as the children using them were injured by the falling dresser. In the year 2016, the retailer agreed to pay a sum of \$50 million as settlement to three families filing lawsuit against it. Over time, similar incidents have increased with notable examples such as Johnson and Johnson's selling baby products, talcum powder causing ovarian cancer, Tres's some shampoo products causing scalp problems, Nestle Maggi Food products containing high amount of preservative than the prescribed limit and fairness creams promising fair and good quality skin without actual results. All these products available in the market have substantial defects and the consumers are not warned about the underlying defects. Over time with increasing interconnectedness and higher e-commerce revolution, online modes of shopping, changes in tastes and patterns, launch of newer products, manufacturing defects have increased worldwide. Looking into this scenario, the main question lies as to what kind to economic remedies will be suitable to deter such incidents in the future? Will higher penalty, compensatory damage and higher monetary fines deter the producer or strict liability deter them from committing such crimes? How will sanctions or punitive damages imposed on the manufacturer have an impact on the price and safety of the product in the future. Sometimes manufacturer selling products provide warranty for some years ensuring that the product is safe. But this phenomenon is not universally true.

Against this background, the study intends to discuss about product liability cases which have emerged over time and how use of economics can provide a remedy for such product liability cases. Some case studies on the defective products will be highlighted to understand the problems associated with defective products. Thereafter, using the theoretical insights with review of literature, a theoretical model will be framed to show how economic remedies such as hefty monetary fines, compensation, fines, penalties, insurance, warranty, can deter such incidence in the long run. The methodology of the study will primarily be a cost-benefit based analysis where the study intends to collect data from legal judgements passed over the years on a number of cases and portray that higher fines are capable of reducing product liability cases in the future. Tables and graphs will be included in the study for the purpose of indicating how higher penalty can stop defective manufacturing across the world. The study intends to focus on countries such as USA and India. Lastly, some suggestions and policy measures on methods will be discussed with reference to cases and incidents of product liability.

90 Tourism Participation and expenditure by Indian households: An analysis of the effects of unemployment and Covid-19 using High-Frequency panel data

Rasmita Nayak, IIT Kharagpur, India

Abstract

Tourism is one of the most important sectors to generate employment. (Ashley & Mitchell, 2009; Perles-Ribes et al., 2016). Many studies have also proved the relevance of the tourism sector in unemployment reduction (Dayananda and Leelavathi, 2016; Supriyadi & Kausar, 2017). It is derived from various research that, tourism growth is a palliative for unemployment, however, tourism growth is negatively affected by unemployment (Sánchez López, F. (2019). But there is little literature covering this reverse equation (Alegre et al, 2013). Previous research concentrated more generally on the impact of unemployment on total household consumption expenditure (Browning & Crossley, 2001; Browning & Crossley, 2009) or separately on non-durables like food expenditure (Bloemen & Stanca, 2005; Bentolila & Ichino, 2008) or small durables like shopping or clothing expenditure. However, as per our knowledge, there are no or very few papers (Alegre et al, 2013) that deal with the consumers' labor status on tourism expenditure.

The study is based on the household survey data collected by the Centre for Monitoring Indian Economy (CMIE). It is India's biggest regular household survey as comprehensively held thrice a year. The survey design involves a multi-stage stratification to draw the sample of households. Here, the Primary Sampling Units (PSUs) include the 2011 census's villages and towns, and the households from these PSUs are defined as Ultimate Sampling Units (USUs). The CPHS comprises 174,405 sample households (63,430 rural and 110,975 urban) across India, where urban areas account for 63.63 % of the sampled households. The data are divided into four categories separately- people of India (demographic and employment), Aspirational India (assets and amenities, household sentiments, investments, etc.), Income Pyramids (household incomes), and Consumption Pyramids (consumption expenditure of households). Here we will be using the employment data, wealth data, and tourism expenditure data from people of India, Aspirational India, and Consumption Pyramids data respectively from 2016 to 2021.

We will analyze the impact of household unemployment on both tourism participation and expenditure by using the Heckman model which explains the participants' tourism spending decisions in a two-stage process. Firstly, whether to participate in a trip or not and secondly if

participating, how much should be the quantity of tour expenses? Also, we will include the wealth index and other household's demographic, economic, and Psychographic factors.

The following are some expected results along with previous literature support. Alegre et al, 2013 stated that there is a negative relation between household members being unemployed and tourism participation along with tourism expenditure. Particularly if the main breadwinner of the household is unemployed. Again, if the process of job loss is expected to be longer due to any crisis, there is a drop in the travel budget (Alegre et al, 2019).

The result might be helpful for the governments, policymakers, and tourism practitioners to understand the negative influence of unemployment on the tourism sector or in a reverse way. By looking at the economic importance of the tourism sector, it might convince them about the requirement of solutions as soon as possible to reduce the unemployment issues and target the crisis (COVID-19 pandemic) based on unemployment status.

97 Impact of Tobacco Price Control Policy on Food and Non-Food Households Consumption Patterns: The Case of Indonesia

Salim Fauzanul Ihsani, Universitas Gadjah Mada, Indonesia; Heni Wahyuni, Universitas Gadjah Mada, Indonesia

Abstract

Tobacco as a commodity whose demand tends to be inelastic is one of the commodities that are routinely consumed by households with smokers. Households that consume tobacco need a special attention in their consumption patterns, especially for the portion of nutritious food. Tobacco consumption tends to be associated with addiction and illness and even death, nutritious food tends to be associated with health and productivity. The Indonesian government has implemented a series of tobacco control policies through price policies to improve control of consumption of excisable goods in the form of tobacco products and pay attention to the potential for sustainable revenues from excise on tobacco products. This study looks at the behavior of cigarette consumption at the household level as an economic phenomenon that is related to government policies in the economic field. This study looks at a series of tobacco price control policies implemented between 2007 and 2014, namely PMK No. 203/PMK.011/2008, PMK No. 181/PMK.011/2009, PMK No. 99/PMK.011/2010, PMK No. 190/PMK.011/2010, PMK No. 167/PMK.011/2011, PMK No. 179/PMK.011/2012, and PMK No. 205/PMK.011/2014, all of which regulate the Tobacco Product Excise Tariff as a series of policies that need to be evaluated for their impact on the consumption patterns of food and non-

food for households in Indonesia. In this case, households with their budgets may make changes to the portion of consumption, including the portion of nutritious food. The aim of this study is to find out how the impact of a series of tobacco price control policies on the consumption pattern of nutritious food for smoker households. This research is expected to provide input to tobacco control policy makers in providing policies. This research use the Difference in Differences (DiD) method using data from the Indonesian Family Life Survey (IFLS) waves 4 and 5 with the household as the unit of analysis. This method can control unobservable time-invariant variables and macroeconomic variables that affect all households. This study uses a binary treatment variable which will be equal to 1 if the household is recorded as consuming cigarettes in IFLS waves 4 and 5. This study concludes that a series of price control policies implemented by the Government of Indonesia between 2007 and 2014 had no impact on changes in aggregate food and non-food consumption patterns in households that consume cigarettes. However, if viewed more specifically, it turns out that a series of policies resulted in a decrease in the share of staple food consumption and an increase in the share of dairy consumption, though each of them was below 1%. Nevertheless, there is no significant impact were found for both food and non-food consumption when it was traced more specifically based on households by residence category and income group, except for the non-poor household smokers' group which tend to increase the share of dairy consumption.

COFFEE BREAK: 15:00 – 15:30

SESSION II: 15:30 – 17:00

Room: Seletar Ballroom

Session Chair: Mohammad A Karim, Marshall University, USA

124 Institutions, Economic Freedom and Economic Growth: An Empirical Study in ASEAN

Erwin Jafar, Gadjah Mada University, Indonesia; Lincolin Arsyad, Gadjah Mada University, Indonesia

Abstract

This study aims to analyze the impact or influence of institutions and economic freedom on economic growth and to analyze the causal relationship between institutions and economic growth. This study uses panel data samples from 8 countries in the ASEAN Region during the 2014-2020 period. This study uses dynamic panel estimation with the Generalized Method of Moment (GMM) and two-stage least squares (2SLS) approach. The results show that institutional variables have a short-term and long-term impact on economic growth while economic freedom has no short-term effect but has a long-term effect on economic growth. In addition, this study found that institutions have a causal relationship with economic growth. The implications of this research can be viewed from two aspects, namely empirical and policy. First, on the empirical side, this research adds to the literature on empirical evidence about institutional quality and high economic freedom affecting long-term economic growth in ASEAN countries. Second, strengthening the quality of institutions or institutions is an important requirement in increasing long-term economic growth in the ASEAN region. In addition, paying attention to aspects of economic freedom such as property rights is an important requirement in increasing long-term economic growth in the ASEAN region.

125 Investment delegation of private foundations

Jerry Parwada, UNSW Business School, Australia

Abstract

We study how private foundations manage their investments. Using a novel dataset, we show that foundations with financial experts are less likely to delegate their investment to outside portfolio managers whereas an internal investment officer hire is associated with more frequent use of external investment advisers. However, directors with financial expertise do not substantially alter asset allocation compared with nonoutsourcing foundations. In addition, our analysis reveals a local bias in the investment adviser choice by foundations. The local bias is weakened when a foundation has financial experts on their board. Our results suggest that financial expertise improves at least the operational process of investment.

102 Does Board Diversity Improve Accounting Conservatism? The Moderating Effects of Board Roles: Evidence from a Developed Economy

Nuthawut – Sabsombat, University of Strathclyde, UK

Abstract

This study aims to investigate the impact of Board diversity on accounting conservatism. We examine the business case for surface, deep, and aggregate levels of diversity. The study also

investigates the Board of Directors' moderating role in the relationship between Board diversity and accounting conservatism. This paper employs a fixed-effect regression analysis of a sample from six developed countries from 2016 to 2020: Australia, Singapore, Hong Kong, Canada, the United Kingdom, and the United States. Based on the model of Basu (1997), the conservatism ratio (C-Ratio) and conservatism score (C-Score) are applied as proxies for accounting conservatism in this study. The evidence reveals that Board diversity is positively related to conservative accounting. The research also confirms that Board monitoring and advisory roles can improve accounting conservatism. However, the positive link between Board diversity and conservatism is less pronounced when Board roles are stronger. The findings imply that 'the substitutive role', which balances Board diversity and Board roles in these effects, has more influence on conservative financial reporting. The authors contribute to accounting and corporate governance literature by showing how Board diversity is linked to better earnings quality. This paper also adds to prior research on the Board of directors and accounting quality by identifying complementary roles of the Board. In doing so, this study applies the multi-theoretical perspectives – human capital theory, agency theory, and resource dependence theory – to examine the impact of Board diversity on accounting conservatism.

105 Smart digitalization in Nordic municipalities through Internet of Things

Per PJN Nesse, Telenor and NTNU, Norway

Abstract

The corona virus outbreak spring 2020 demonstrated that digital solutions enables private and public organizations to execute their work previously performed in close proximity to each other. Nordic countries are recognized as leaders in digitalization in Europe according to the EU index for digital performance and competitiveness (DESI index). Common for these countries is their high governmental spending as percentage of total national gross national product (GDP) and that the authorities have encouraged their municipalities to digitalize in order to take on new tasks and face reduced future state funding. Telenor in an international provider of tele, data and media communication in Nordic countries and supports digitalization in public and private sector offering state of the art Internet of Things (IoT), 5G and AI technologies for municipalities and start-up communities.

The research question in the paper addresses the value that digitalization generates for public organizations and the barriers that is necessary to overcome extracting this value. Using IoT as an enabler for innovation and optimization of internal processes and services offered to the inhabitants is central in the study. The research design includes a novel desktop study of digital

transformation in 60 municipalities in the Nordic countries. A mix of small, medium and large municipalities in Norway, Sweden, Denmark and Finland is included. One of the findings here is that large municipalities score high on scope and maturity of digital services and smart municipality programs interacting with academia, IoT start-up's/SME's and other ecosystem entities as compared with the small and medium sized ones. Since Norway was ranked highest among the four countries we executed an in-depth study of selected Norwegian municipalities participating in the study. More efficient internal processes, increased quality of services, improved living conditions for inhabitants and business development based on open access to data gathered from an array of IoT sensors deployed by the municipality, are documented value from these case studies. A medium sized municipality use digitalization as strategy to save 10% annually of the operational costs in the municipality. 250 Bill NOK are expected savings from digitalization in 350 municipalities over a coming ten years. However, limited network coverage, competency to utilize technological advantages, organizational legacies, risks of vendor lock-in and economic operations versus investments are frequently mentioned as issues and obstacles. Results are discussed and compared with international findings and follow-ups survey studies are suggested in the end of the document.

16th December 2022

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

SESSION III: 09:30 – 10:30

Room: Seletar Ballroom

**Session Chair: Mohd Hussain Hussain Kunroo, Indian Institute of Management,
Sirmaur, India**

92 Corporate sustainability and conflict: An agency perspective

Purnima Khemani, Indian Institute of Management, Kashipur, India; Dilip Kumar, Indian
Institute of Management, Kashipur, India

Abstract

The commitment to make firms more sustainable has compelled businesses to re-evaluate their traditional practices, assure viability in mutual stakeholder systems and strive for overall

system stability (Sulkowski et al., 2018). The significant hindrance to establishing the business sense is the short-term perspective adopted by businesses (Siegrist et al., 2020). Dyllick and Muff (2016) assert that sustainability concerns require that the long-term business aspects should be given equal consideration as the short-term business aspects. It necessitates trade-offs over time to preserve both short-term profit and long-term value generation (Bansal and DesJardine, 2014). Failure to do so may inadvertently lead to conflicts between the shareholders and the firm managers. The agency theory, postulated by Jensen and Meckling (1976), contends that managers' self-serving behavioral tendencies lead them to conduct actions that prioritize short-term goals over long-term goals thus encouraging managerial empire-building tendencies and hindering firm's success. However, empirical studies investigating how corporate sustainability leads to agency cost are scarce (Ferrell et al., 2016; Gillan et al., 2021). The present study aims to highlight how corporate sustainability impacts the agency cost. Following Ng and Rezaee (2015), the study considers the impact of correlated components of corporate sustainability namely sustainability performance and disclosures on the agency cost. To the best of authors' knowledge, this is the first study to investigate the corporate sustainability – agency cost relationship by considering the different dimensions of corporate sustainability.

This study aims to address the following two important research questions:

- 1) Does the sustainability performance impact agency cost?
- 2) Do sustainability disclosures impact the agency cost?

The study considers Indian firms that are part of the Bombay Stock Exchange 500 (BSE-500) index. Out of these 500 firms (part of the index as of 15 January 2022), 74 are financial firms and 426 are non-financial. We limit our analysis to the non-financial firms and have removed the financial firms from the sample dataset. Due to the non-availability of the ESG disclosure score on Bloomberg, 63 firms have been further removed from the sample dataset. The final dataset consists of data for 363 firms from 2011 to 2021. The financial data concerning the firm-specific and governance-specific factors are obtained from the S&P Compustat database. The ESG disclosure score data are obtained from Bloomberg. The dependent variable for our study is agency cost and the independent variables are economic sustainability and ESG disclosure score. The study uses panel data regression to examine the relationship. To address the possibility of endogeneity, the study uses a lead-lag study design. The results suggest that the compliance with sustainability performance standards leads to higher AUR and hence lower agency costs. Higher economic performance facilitates the firms to employ its assets better for revenue generating activities, thus aligning the principal and agents' interests better. The study

also establishes the connection between ESG disclosure scores and corporate sustainability. Measured using the scores provided by Bloomberg, the findings reveal that the ESG disclosures have a negative effect on the AUR measure of agency cost. This inverse relationship implies that in India, higher ESG disclosures adversely affects a firm's profitability and firm value. Consistent with previous studies such as Fahad and Busru (2020) and Karpoff et al. (2022), our findings prove that the higher costs associated with ESG disclosures as well as the lack of positive behavior and sustainable investment culture burdens the stakeholders and creates conflict. Thus, the correlated components of corporate sustainability have opposite impact on the agency cost.

44 Problems with Accounting Conservatism Scale and its Correction

Kazuhiro Manabe, Nagoya University of Foreign Studies, Japan

Abstract

This study points out a problem with the conditional conservatism measure proposed by Ball and Shivakumar (2005) and shows that the problem can be solved by a threshold regression model. Ball and Shivakumar (2005) formulate a regression model in which conditional conservatism weakens the relationship between accounting accruals and operating cash flows pointed out by Dechow et al. (1998). However, there is no theoretical basis for the threshold of change in the relationship, nor has it been empirically confirmed. Therefore, this study used threshold regression to estimate regression coefficients including the threshold value. The results indicate that a change in the intercept coefficient around the threshold is more appropriate for testing timely loss recognition. The estimation results show that the threshold is higher than zero for most of the firms. This suggests that timely loss recognition, which takes into account the recoverability of investments and other factors, is performed at a higher level than that assumed by Ball and Shivakumar (2005). No change in slope coefficients across thresholds was observed for the entire sample. This suggests that timely loss recognition through accruals is not linearly related to operating cash flows. The change in the intercept coefficient around the threshold, which this study considers to be the "result" of timely loss recognition, was confirmed as a trend for the entire sample. This can be interpreted as a decrease in accruals due to timely loss recognition when operating cash flow declines to a level that raises concerns about the collectability of investments.

87 Regional and Sectoral Varieties of Consumption Tax Rate Pass Through in Japan

Kazuki Hiraga, Nagoya City University, Japan

Abstract

This paper investigates the contemporaneous (short-run) and dynamic (long-run) responses of regional and sectoral price level change in consumption tax rate hike (i.e., pass through) in Japanese monthly, 10 regional and 10 sectoral (commodity category) data. We show the effects not only contemporaneous but also pre-reform (from 12 month ago to one month) and post-reform (from one month ahead to 12 month) similar to Benedek et al.(2020). We obtain some remarkable results. First, aggregate pass through is incomplete, but case in 5% in 1997 and 8% in 2014 increase are complete (or overshifting) pass-through. Second, sectoral difference is large (e.g., the long-run pass through range from -0.25 to 1.48), while regional difference is small.

121 Corporate Political Connections in the Philippines: Firms, Politicians, and Non-Profit Motives

Marianne N Juco, UP School of Economics, Philippines

Abstract

We study and measures the extent of family relations between Philippine businesses and government, and provide the quantitative evidence for the rich anecdotal literature on Philippine politicians and their firms. Using a sample of 18,000 Philippine corporations, we establish stylized facts for these politically connected firms, illustrate the pervasiveness of these connections across regions and industries, and estimate the size of the economy that they capture. We examine common assumptions about the presence of politically connected corporations and their effect on economic growth, competition, and employment in the Philippines. We delineate two types of political connections according to motive: firms with politics-to-business connections motivated by political goals, and firms with business-to-politics connections motivated by profits. With this typology, we develop a theoretical model of politically connected firms, building on the distinct characteristics of Philippine corporations, institutions, and elite clans, to account for the heterogeneity of such connections, the mechanisms and effects on firm outcomes. Specifically, our model predicts that politics-to-business firms underperform and business-to-politics firms overperform on accounting-based performance measures relative to firms that have never been politically connected.

COFFEE BREAK: 10:30 – 11:00

SESSION IV: 11:00 – 12:30

Room: Seletar Ballroom

Session Chair: Purnima Khemani, Indian Institute of Management, Kashipur, India

98 Comovement between Oil Price Shocks, Exchange Rate and Stock Returns: Does the Source of the Shocks Matter?

Sreelakshmi R, Indian Institute of Technology-Madras, India

Abstract

This paper examines the dynamic comovement of oil shocks, exchange rate and stock returns in the Indian context for the time period 2005-2021, using the Partial and Multiple Wavelet Coherence approach. We investigate if the origin of oil shocks matter to the oil price-exchange rate-stock prices comovement in the Indian context. Results find that stock returns have a stronger comovement with the oil demand shocks followed by the risk shocks and supply shocks; which strengthens around crises periods. The multivariate analysis shows that filtering out the impact of exchange rate leads to drastic fall in the oil-stock comovement, highlighting the need to take exchange rate also while assessing the comovement. We also observe that the comovement is stronger in the medium and long-terms than in the short-term which indicates that the comovement is permanent and based on macro fundamentals. Results provide cues to the investors across different time horizons in making best investment choices, depending upon the scale of strong comovement and heterogenous nature of oil shocks in influencing the interrelation across different frequencies. Our results are also useful for the policy makers in the formulation of appropriate exchange rate policies to insulate the financial market in times of extreme oil swings.

103 Energy and metal price uncertainties and the global economy

Jeffrey Sheen, Macquarie University, Australia

Abstract

A novel measure of two classes of monthly commodity price uncertainty is constructed by applying mixed-frequency state-space modelling to forecasts of prices of six energy and fourteen metal commodities. Energy price uncertainty shocks are found to be contractionary

for the world economy, while metal price uncertainty shocks are not. Both metal and energy prices decrease following an associated price uncertainty shock, with counterfactual analysis revealing that energy price uncertainty has a mainly direct impact on energy returns while the impact of metal price uncertainty on metal returns is mediated through global financial markets. Global economic activity is a significant driver of both commodity uncertainties, while global financial uncertainty is only important for metal price uncertainty. Our results highlight the differences between metal and energy price uncertainties, both in terms of the driving forces behind them, as well as their economic impact

86 What drives India's Outward Foreign Direct Investment? A Country-level and Sector-level Analysis

Mohd Hussain Hussain Kunroo, Indian Institute of Management, Sirmaur, India

Abstract

The present study examines the relationship between the outward FDI and major macroeconomic variables of India. The paper covers country level as well as sector level analysis. The result at country level shows that some national economic characteristics determined India's outward FDI. The macroeconomic covariates explain to some extent India's outward FDI but national output is not playing its role significantly. On the other hand, host economies output is playing a significant role in attracting India's investment. Same applies to the exchange rate of the host economies. The rate of interest of home (country) is the most significant determinant of India's outward FDI. The opposite relationship between outward FDI and rate of interest explains that whenever domestic interest rate is lower as compared to the foreign rate, the capital may flight outside the home country and vice-versa. Common official language positively affects FDI flows as it serves a catalyst in mediating international transactions. Sector level analysis, which is estimated for seeking a direct effect of outward FDI on national output, is aligned with the results estimated at the country level. The estimated coefficient of outward FDI turned up positive and significant at 10% level of significance. Thus, our findings suggest that outward-FDI is not solely determined by national level economic parameters. Rather strategic interactive factors are working in the direction of economic integration of (Indian) market and resources.

61 Proposition of Development and Growth Through Economic Development Index

Ashot Davoyan, London School of Economics and Political Science, UK

Abstract

In modern economics, in addition to indicators of economic growth, the term “economic development” is regarded as relatively important. The term is considered a complex, multifactorial concept. In this article, I studied the importance of economic development and carried out a quantitative assessment through a number of indicators characterizing economic development in different countries. Consequently, the Economic Development Index was calculated, which included 11 sub-indexes, covering data of 102 countries from 2012 to 2019. Notwithstanding the quantitative assessment of economic development, it must be noted that it is, in essence, a qualitative phenomenon with complex, dynamic, and multifactorial-stochastic characteristics.

APEF 2022 CLOSING: 12:30 – 12:35

LUNCH: 12:35 – 14:00

‘Halal’ Buffet Lunch at Atrium Restaurant on level 4

Conference Networking: 14:00 – 17:00

END OF CONFERENCE

Virtual Presentation

Available on APEF.ear.com.sg on 14th December 2022

4 Research on the impact of consumer innovation on purchase intention of new energy vehicles -- regulated intermediary effect

杨 柳, 哈尔滨工程大学, 中国; 许 广义, 哈尔滨工程大学, 中国; 徐 建中, 哈尔滨工程大学, 中国

Abstract

In order to explore the influence mechanism of consumers' purchase intention of new energy vehicles, based on planned behavior theory, technology acceptance model and innovation diffusion theory, a research framework including consumers' innovation, perceived product innovation, social impact and individual cognitive response is constructed from the perspective of consumers, and data are collected through questionnaires, The empirical research is carried out by using Mplus and SPSS software. The results show that consumer innovation has a direct positive impact on consumer purchase intention, and perceived product innovation plays an intermediary role between consumer innovation and purchase intention; Consumer innovation is positively regulated by social influence in the process of influencing perceived product innovation; And individual cognitive response plays a positive regulatory role between perceived product innovation and purchase intention. Finally, it provides suggestions for new energy vehicle enterprises to promote consumers' purchase intention.

13 Automation, Skill and Job Creation

Kaizhao Guo (University of Glasgow, UK)

Abstract

This paper explores the heterogeneous effects of automation technologies on employment rate with respect to proportion of skilled workers, represented by regions from different income groups. Automation, as measured by both robotic penetration and ICT trade volumes, are replacing US labour force. Exploiting variations across US commuting zones with different income levels, I find insignificant employment response in high income areas, while the magnitudes of employment reductions are more sizeable and significant in low and middle income areas. Under shift-share IV strategies and generalised model specifications, further evidence supports that these patterns can be explained by a simple net job creation channel, as displacement effects outweigh productivity effects in low income CZs with lower proportion of skilled labour, and job creations are complementing job destructions in high income CZs with higher skill shares, especially for non-manufacturing sectors. The results are consistent with cross country analysis.

26 Tax and fee cuts, investment in innovation, and high-quality development of equipment manufacturing enterprises

Jianzhong Xu, Harbin Engineering University, China; Dan Liu (Department of Economics and Management, Harbin Engineering University, China)

Abstract

China's economy has entered a stage of high-quality development. Cutting taxes and fees is an important policy tool to improve the quality of real economy development and the supply-side structure. Select a-share equipment manufacturing listed enterprises from 2013 to 2020 as the research object, empirically analyze the impact of the overall tax burden of enterprises on high-quality development. Research shows that tax and fee reduction policies can significantly promote high-quality development of enterprises; The mediating effect shows that innovation input plays a partial mediating role in the impact of tax and fee cuts on enterprises' high-quality development. In other words, tax and fee reduction policies can encourage enterprises to increase investment in innovation, enhance their r&d innovation ability and market competitiveness, thus strengthening their value creation ability and promoting high-quality development of enterprises. Ipr protection is adjusting tax and fee reduction and high quality development of enterprises. In other words, strengthening the protection of intellectual property rights can solve the problem of information and external asymmetry of enterprises, optimize the innovation environment of enterprises, and enhance the promotion effect of tax and fee reduction policies on high-quality development of enterprises. This conclusion clarifies the mechanism of tax reduction and fee reduction policies on high-quality development of enterprises, which is of great significance for improving tax reduction and fee reduction policies, encouraging enterprises to invest in innovation, strengthening intellectual property protection and promoting high-quality development of equipment manufacturing enterprises.

31 Environmental Information Disclosure and Energy Efficiency : Empirical Evidence from China

Lianghu Wang, Southeast University, China

Abstract

This paper uses the exogenous shock of China's formal implementation of the environmental information disclosure system in 2008 to construct a quasi-natural experiment. Based on the panel data of prefecture-level cities from 2003 to 2019, the propensity score matching and difference in difference (PSM-DID) approach was used to systematically evaluate the impact of environmental information disclosure on energy efficiency · Overcoming the difficulties in measuring environmental information disclosure and the endogenous problem, this paper investigates the energy-saving effect of environmental information disclosure and illustrates its mechanism for the first time. The results show that environmental information disclosure significantly improved energy efficiency, and public participation played an important role in

energy conservation, a conclusion that remained true after a series of robustness tests. The test of the impact mechanism shows that environmental information disclosure can achieve the goal of improving energy efficiency by promoting industrial structure upgrading and technological innovation. This paper enriches the discussion on the relationship between environmental information disclosure and energy efficiency, and provides useful policy inspiration for improving the level of energy efficiency and achieving sustainable economic development.

33 Impact of ESG issuer credit rating on coupon interest

Sylwia Frydrych , SGH Warsaw School of Economics, Poland

Abstract

The increase in the issuance of ESG instruments, resulting from the increased interest in sustainable, socially, environmentally, and climatically stable development of the economy, has become the reason to consider the impact of the issuer's creditworthiness assessment on the coupon interest rate of issued ESG debt instruments. In other words, does the issuer's compliance with the criteria related to environmental, management or social relations have an impact on the amount of credit rating. Moreover, does the higher number of ESG issuer credit ratings, which is associated with higher costs, result in a lower cost of debt. The aim of the study is to assess whether the fact that issuers of ESG instruments have a credit rating from more than one rating agency has an impact on the coupon rate of the issued debt instruments. This goal was achieved through the process of analyzing credit ratings assigned by selected major rating agencies (S&P, Moody's, and Fitch). Due to the complexity of the data, mixed research methods such as observation, analysis and inference were used. The study used data from the Eikon Refinitiv database. The ratings of issuers announced on the issue date were analyzed. The study covers the years 2012-2021. In the analyzed period, 43.91% of issuers of ESG debt instruments had credit ratings from rating agencies such as S&P, Moody's, and Fitch. As 42.56% of debt instruments are issued in EUR and USD, only these currencies are included in the study. The results of the conducted research indicate that the credit ratings of the issuer of ESG instruments have an impact on the cost of debt financing. Having a creditworthiness rating from more than one rating agency by issuers of ESG debt instruments contributes to a lower cost of obtaining financing. In USD, the lowest coupon rate applies to debt instruments whose issuers have a credit rating of the three above-mentioned rating agencies. For debt instruments issued in EUR, it is sufficient for the issuer to have a credit rating from two agencies (S&P and Fitch). The conclusions of this study can be used in the process of obtaining

financing from capital markets for projects related to environmental, management or social relations.

40 Predicting a Browser's Next Online Behavior using Markov and Hidden Markov Models with Preference Clustering

Jasmin-Mae S Luy, Institute of Mathematics, University of the Philippines-Diliman, Philippines; Mary Elizabeth Segui, Institute of Mathematics, University of the Philippines-Diliman, Philippines

Abstract

A Markov process is a stochastic model where an event evolves depending only on its current state, and not on its history. A hidden Markov model is a prediction model that involves two components - an unobservable Markov process, and an observable process, which is typically not Markov. This model allows non-Markov behavior to be modelled, while retaining advantages that arise from the Markov setting. Markov and hidden Markov models coupled with preference-based clustering are utilized to predict the behavior of browsers on a vehicle website. Cross validation is then performed to determine webpage prediction accuracy of each of the models. Results show that preference clustering based on browsers' interactions yielded more accurate webpage predictions for both the Markov and hidden Markov models. Furthermore, the Markov model based on interactions with 2-fold cross validation yielded the best results among the prediction methods considered. The most appropriate prediction method is determined to help online experience providers configure platforms that involve a wide range of consumer demands to better suit browsers' preferences and predicted behavior.

50 Bilateral Agreements: A Text Mining Approach to Assess Mobility and Implications on Health Workers

Banantika Datta, Indian Institute of Management Bangalore, India

Abstract

Preferential Trade Agreements (PTAs) have increasingly become broader in scope and more comprehensive, covering a greater number and range of provisions. According to the World Bank's Deep Trade Agreements Database, nearly 60% of the PTAs signed between 2010-15 included labour provisions, compared to only 10% during 1990-95. While previous papers have measured the depth of PTAs by considering the presence of a provision in a PTA, we contribute to the literature by using content analysis of trade agreements to produce a true measure of breadth of PTAs with regard to provisions on labour liberalization. In addition, we perform a

manual coding of the PTA articles to measure the depth of PTAs. To our knowledge, this is the first paper to take such an approach to measuring the breadth and depth of PTAs.

The estimation results show that labour liberalization provisions have a greater effect on bilateral migration inflows than labour rights. Interestingly, we also find that not all labour provisions stimulate mobility, and that having an additional article on labour liberalization can on average stimulate bilateral mobility by 0.15%. Based on our manual coding of articles which contain labour liberalization provisions, we find that only around one-third have substantial content indicating actualization of intent. Hence, we infer that there is scope for deeper (far-reaching), more enforceable and substantive agreements with respect to labour provisions so as to facilitate mobility.

Next, we extend the paper by examining the implications of Bilateral Agreements in the context of health worker mobility, motivated by the growing global demand for health workers in recent years owing to demographic imperatives and more recently, the pandemic. According to WHO reports, global shortage of health workers was around 4.3 mn in 2006 and was projected to be 23 mn by 2030. Many developed countries significantly depend on international recruitment, e.g., the share of foreign-born doctors in 2016 was as high as 54% in Australia and 38.5% in the UK. The onset of the COVID-19 pandemic led to the introduction of major migration-related policy changes for health workers in several OECD countries, with implications for healthcare worker availability in source developing countries and the achievement of UHC.

This paper attempts to classify India's position in terms of health worker availability using a new framework that draws upon the WHO's existing methodology for measuring critical thresholds for health worker supply. We demonstrate that major source countries like India and the Philippines face shortages of health workers and that if they are to provide human resources for health (HRH) to other countries, this could be done effectively through bilateral labour agreements to manage the mobility of health workers and through targeted arrangements with receiving countries in the areas of medical education and training, health infrastructure, and technologies. These findings are significant at a time when countries are competitively recruiting health workers and there is a global shortage, which risks creating further inequities in HRH availability.

52 Digital Renminbi: Impacts on Economic Integration of the Greater Bay Area

Weng Chi Lei, University of Saint Joseph, Macao; Xinru Wang, Guangzhou Panyu Polytechnic, China

Abstract

The Guangdong-Hong Kong-Macau Greater Bay Area (GBA) is strategized as an economically integrated area. The degree of economic integration, reflected in the mobility of trade and capital flows has been strengthened by free trade agreements, but obstacles including border effects, capital controls, differences of exchange rate systems and inadequate cross-regional coordination remain. A potential breakthrough is the introduction of digital renminbi (e-CNY). Shenzhen was selected as a pilot city of e-CNY since April, 2020. The launches of e-CNY in Hong Kong and in Macau have also been officially discussed (Blaschke et al., 2021; Meneses, 2021). If e-CNY is adopted, the area will effectively become a single currency zone. According to Mundell (1961), a single currency or a fixed exchange rate between regional currencies can maximize economic efficiency of an “optimum currency area” (OCA). Recently, Yang (2021) empirically tested the feasibility of establishing a single currency zone in the GBA using trade data and found supportive evidence; the three regions responded to global shocks synchronously, making monetary policy dependence favorable. This paper is therefore motivated to explore how the adoption of e-CNY may impact economic integration in the GBA. This paper applies the price-based approach proposed by Cheung et al. (2003). In particular, interest rates, exchange rates, and price indexes from 2016M2 to 2022M7 are collected from local and international official databases. Hence, real interest differential (RID), uncovered interest differential (UID) and deviation from purchasing power parity (PPD) of each regional pair can be computed and analyzed quantitatively.

All UID, PPD and RID series have means within about 1 percent point from 0, indicating high degrees of financial integration, real integration and economic integration. With the exceptions of Guangdong-Macau RID, all series are stationary, implying mean-reverting behavior. Regressions on the structural break of e-CNY test-launch in Shenzhen (adjusted for the COVID-19 outbreak) find significant impacts on all RIDs, Guangdong-Macau PPD, and Hong Kong-Macau PPD.

This paper finds evidence of strong economic integration in the GBA, which is a condition for OCA. The interest parity and purchasing power parity conditions are expected to hold both in the short run and in the long run. With merely two and a half years of pilot program, the launch of e-CNY has already shown impacts on overall economic integration in the GBA.

94 Asset Liquidity, Information Acquisition, and Monetary Policy

Xinchan Lu, University of California, Riverside, USA

Abstract

The liquidity role of assets – the ability to facilitate trade – is essential in trading and exchanges. I study the effect of asymmetric information on asset liquidity in a New-Monetarist model, where the receiver of the asset possesses private information regarding the asset quality. I find that an increase in the severity of asymmetric information deteriorates asset liquidity but has an ambiguous effect on social welfare. In Pareto efficiency, the monetary authority implements the Friedman rule. Costly information acquisition is considered to study the production of private information. The model suggests that the value of private information is directly driven by the informational rent. I investigate various impacts on the agent's incentive to acquire private information and hence the severity of asymmetric information in the economy. By keeping the nominal interest sufficiently low, I find no incentive for the agents to acquire private information. However, if the nominal interest rate is high, reducing the asset supply lowers the severity of asymmetric information in the economy.

95 A European study on financial risk attitude and cognitive decline in ageing societies

Michail Chouzouris, University of Piraeus, Greece; Antigone Lyberaki, Panteion University, Greece; Platon Tinios, University of Piraeus, Greece

Abstract

Background: The continuous increase in life expectancy and the population ageing will force the older population to reorganize their life plan in order to ensure their well-being in the later part of life. Modelling approaches such as the Life Cycle Hypothesis (LCH) have been widely used in the past to describe individuals' plan of spending and saving choices during their entire life. Nevertheless, these approaches adopt simplifying assumptions having proven inadequate to describe the current transition to longer life expectancy. Modern research shows that financial-planning and financial choices are directly related to the levels of cognitive skill. Several studies show that there exist a negative correlation between one's age and their investment skills. In this study we study how, for EU residents aged 50+, cognitive skills are related to risk attitude.

Method: We use panel data from the 6th and 8th wave of the Survey of Health, Ageing and Retirement in Europe (SHARE) to derive a measure for financial risk preference and an index for cognitive abilities based on the evaluation of episodic memory, verbal fluency and numeracy skills. The combination of two waves led to a total sample of 29435 individuals from 17 countries. Associations between risk attitude and cognitive skills were examined with

ordered regression models. The models were adjusted for demographic factors such as gender, age, financial wealth and country of residence.

Findings: The study revealed that cognitive score plays an important negative role in predicting risk attitude. Our findings demonstrate a variation in all the components of cognitive functioning across the European regions. Also, suggest that gender differences in cognitive score are statistically significant in three out of four tasks. Analysis revealed the existence of a correlation between risk attitude and cognitive ageing. Controlling for the cognitive performance of the respondent, the age effect decreases by more than 50%, an impact which can be attributed to cognition.

Discussion: In summary, this study tracked the changes on risk preferences examining the cognitive profile of more than 29000 individuals over 50 years old using different cognitive tasks. Using a four item task, we found significant differences in cognitive performance across countries and gender. Also, negative effect of age, gender and household size on risk attitude were reported. Nevertheless, an in depth understanding of human behavior requires interdisciplinary approach controlling for physiological and sociological aspects.

99 Analysts' Biased Behavior and Conflict of Interest: Evidence from the Reputation Mechanism of Chinese Capital Markets

Lu Zhou, School of Management the University of Bath, UK

Abstract

Leveraging the unique regulated mandatory disclosure data of Chinese brokerage firms' trading commission fees, this paper investigates analysts' business relations with institutional investors, alongside the unique Chinese reputation mechanism environment where retail investors rely heavily on the analysts' external reputation. We manually collected and matched a large sample of 365,991 analysts-company-annual observed values of all Chinese A-share listed companies from 2007 to 2020 based on specific screening process, and provide evidence that security analysts issue more biased optimistic reports with more favorable recommendation ratings on stocks affiliated with large institutional investors. Further, we find that, comparing to non-star analysts, the star analysts' behavior of catering to institutional investors is more pronounced, indicating that the reputation mechanism of analysts does not help regulate the biased behavior, but in turn aggravate the frictions. The results highlight the

importance of conflict of interest oversight and call for an effective management of reputation mechanism in Chinese capital markets.

117 Tax and non-tax policies towards the finance of sustainable economy: the mediating role of eco- innovation

Emmanuel Ebo Arthur, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Raymond Kwame Adane Darfo-Oduro, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Yee Yee Sein, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Solomon Gyamfi, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Viktor Prokop, University of Pardubice, Faculty of Economics and Administration, Czech Republic; Jan Stejskal , University of Pardubice, Czech Republic

Abstract

Previous research indicated that government plays an important role through regulations and fiscal policies such as taxes in influencing Circular Economy benefits. Not only that, firms also play major role in complimenting the efforts of government towards a Circular Economy. However, countries in Central Eastern Europe (CEE) have shown a lag in achieving Circular Economy benefits as compared to countries in Western Europe. This study therefore introduces eco-innovation activities of firms as a mediating variable in between government tax and non-tax policies towards Circular Economy benefits. Data on 16 countries from 2000 to 2019 from the OECD and Eurostat was used. The counties carefully selected from Western and the CEE. They were Slovakia, Czech Republic, Hungary, Poland, Slovenia, Finland, Denmark, France, Germany, Norway, Netherlands, Austria, Spain, Belgium, Portugal and Italy. We confirmed the hypotheses that government tax and non-tax policies indirectly influence Circular Economy benefits through eco-innovation activities. Also, this research contributes to the green paradox theory by covering the stringency of government policies. Since government tax policies cause observed paradox, we recommend that non-tax-based policies through subsidies and strengthened institutional framework should be used to promote Circular Economy.

118 Combining factors

Christoph Reschenhofer, Vienna University of Economics and Business, Austria

Abstract

While the academic literature primarily investigates factor exposures based on covariances (i.e. beta exposure), most practitioners apply characteristics-based scorings to obtain factor portfolios. It hereby remains largely unexplored how firm-level characteristics can be combined to obtain optimal factor portfolios. This paper derives multi-factor portfolios that are formed via a combination of stock characteristic scores. Portfolios that are formed on multiple characteristics are less volatile, and exhibit higher after cost returns compared to the market and single factor portfolios. In addition, return, risk and turnover preferences are very sensitive to buy- and sell-thresholds. We further identify optimal weights for individual factor characteristics, but have to recognize the 1/N factor portfolio as a tough benchmark.

127 The South Korean Export Benchmark: Validity of the Export-led Growth Hypothesis

Mayar M. Bakeer, The German University in Cairo, Egypt; Hebatallah Ghoneim, The German University in Cairo, Egypt

Abstract

The Export-led growth hypothesis has been a controversial topic and its validity has been under scrutiny even for one of its well-renowned benchmarks, South Korea. The paper explores the causal relation between exports and GDP for South Korea for a time span of 61 years. Unit root tests are implemented and the existence of structural breaks were discovered. Then a cointegration test using the Gregory Hansen followed by an ARDL and Error correction model. The methodology emphasized the presence of a short-run causality and long run relationship. Finally a Toda Yamamoto Granger causality test showed that there is a bidirectional relation between GDP and Exports. Results shed light on the importance of the shift in the type of goods exported from Light industries to Heavy Chemical industries and how that shift may have been a turning point for the South Korean Economy and the affirmation of the ELGH.

131 The effect of Financial Ratios on Fraudulent Financial Reporting during the Covid-19 Pandemic

Tyas Widyanti, Universitas Trisakti, Indonesia; Nurhastuty Kesumo Wardhani, Universitas Trisakti, Indonesia

Abstract

Corporations are facing pressure to maintain their performance during the pandemic. Therefore, there is likely that companies attempt to fulfill investors' expectations by window dressing. The study aims at examining the effect of financial ratios on fraudulent financial reporting during the Covid-19 pandemic. Using logistic regression on Indonesian listed in the

consumer goods sector, this study provides empirical shreds of evidence that profitability and liquidity have a negative relationship with fraudulent financial reporting. This research contributes theoretically to show that it is important to know how financial ratios influence fraudulent financial reporting during the Covid-19 pandemic. This research also supports agency theory. This study uses 43 companies for three years consecutively during the pandemic. This study has a contrasting result with Zainudin & Hashim (2016) and Kaminski et al. (2004).

132 The effect of Managerial Ownership, Working Capital Management, and Executive Compensation on company profitability

Daniel Junaedi, Universitas Trisakti, Indonesia; Nurhastuty Kesumo Wardhani, Universitas Trisakti, Indonesia

Abstract

The determinants of the profitability of a Company might be the size of the free cash flow, the managerial ownership structure, working capital management, and executive compensation. Once a company has greater availability of free cash flow, the company has a greater ability to circulate the flow of money for the company's operations in generating profits. The author's purpose of research is to examine the effect of managerial ownership structure, working capital management, and executive compensation on the profitability on manufacture Companies 'sub-sector chemicals listed on the Indonesia Stock Exchange from 2016 to 2020.

Purposive sampling is the method being used by the authors, with the criteria of manufacturing companies' sub-sector chemicals listed on the Indonesia Stock Exchange, which submitted consolidated financial statements from the year 2016-2020. The analytical technique used is multiple linear regression.