



University of Otago

2017 (Jun) PhD Workshop

Department of Accountancy and Finance, Otago Business School

Initiator: Professor Jin Zhang

Facilitator: Dr. Helen Roberts

Organizer: Xinfeng Ruan and Tin

Program for 2017 (Jun) PhD Workshop

Department of Accountancy and Finance, Otago Business School

11:00am-2:00pm, 7 Jun 2017 (Wed), Commerce Boardroom

PhD Presentations

11:05 am to 11:11 am	Presenter: Nhu Nguyen Title: Buffering or Hindering: The impact of political connectedness on the efficiency of capital allocation and firm performance
11:11 am to 11:17 am	Presenter: Ming Kuang Tan Title: Creating a modified monopoly for promoting students' higher order thinking skills and retention
11:17 am to 11:23 am	Presenter: Matt McCarten Title: Innovation and Securities Class Actions.
11:23 am to 11:29 am	Presenter: Haileslasie Gebremariam Title: Transparency and Microfinance Institutions' Risk in Sub-Saharan Africa
11:29 am to 11:35 am	Presenter: Xinfeng (Edwin) Ruan Title: Ambiguity on Uncertainty: A Resolution of the Equity Premium Puzzle
11:35 am to 11:41 am	Presenter: Sebastian Gehricke Title: Modeling VXX under jump diffusion with stochastic long-run mean
11:41 am to 11:47 am	Presenter: Jelita (Jay) Noviarini Title: Financial adequacy in retirement: a New Zealand perspective
11:47 am to 11:53 am	Presenter: Jiexiang (Jenny) Huang Title: The Effects of Media Coverage on CEO Power

11:53 am to 11:59 am

Presenter: Dzung (June) Nguyen Nguyen

Title: financial integration and bank efficiency of commercial banks in East Asia

11:59 am to 12:05 pm

Presenter: Renzhu (Stephanie) Zhang

Title: CEO succession gap and firm performance

Mix and Mingle

12:20 pm to 2:00 pm

Lunch

Abstracts

Title: Buffering or Hindering: The impact of political connectedness on the efficiency of capital allocation and firm performance

Nhu Nguyen, PhD in Finance

Abstract

We extend the literature on how firms and heterogeneity of political connectedness influence company performance through company survival and innovation. Political ties have a buffering role on long-term firm's survival and innovation. Our novel finding is that innovation value-added growth is the main factor that drives corporate investment choices. We also document that corporate investments are less responsive to innovation value-added growth in firms run by government-appointed CEOs, suggesting that government-appointed CEOs do not appear to allocate capital as efficiently as non-government-appointed CEOs. The inefficiency in the capital allocation process appears to lead to the distorted role of investment and internal funding on corporate long-term survival.

Title: Creating a modified monopoly for enhancing student's understanding of basic accounting concepts

Ming Kuang Tan, PhD in Accounting

Abstract

This study examined the effectiveness of a modified version of monopoly business simulation game named ASK Mr. Pi Bee in promoting students' higher order thinking skills and retention. A total of 200 accounting students from 8 high schools located in one of the largest province in New Zealand participated in this study. The schools were assigned randomly based on matching (decile, gender, class size) to one of the three conditions: ASK Mr. Pi Bee (Experimental Group), Extended problem (Control group 1), or Computer Assisted Instruction (Control group 2). To measure the game effects on students' higher order thinking skills and retention, a knowledge test was administered at the start of the intervention, immediately at the end of intervention, and then, three-eight months later. At this stage, the data analysis is in progress.

Title: Innovation and Securities Class Actions

Matt McCarten, PhD in Finance

Abstract

This paper examines the relationship between securities class actions and firm innovation. The findings indicate that innovative firms are relatively more likely to be sued. This paper presents evidence that innovation may increase the opportunities and pressures to commit misconduct. Furthermore, investment in innovation immediately falls post-filing resulting in a decline in the quantity of patents produced. However, the filing has no impact on the innovative quality or efficiency

Title: Transparency and Microfinance Institutions' Risk in Sub-Saharan Africa

Haileslasie Gebremariam, PhD in Finance

Abstract

Using a sample of 151 MFIs from 21 countries over the 2005–2014 period, we examine the impact of transparency on MFIs' risk in Sub-Saharan Africa (SSA). We use a three-stage least squares method to address the issue of reverse causality between transparency and risk. Our results indicate that SSA MFIs have low levels of failure risk and operate in a moderate business disclosure environment. Greater MFI transparency is associated with higher MFI credit risk. We also find that greater MFI transparency is related to a reduction in not-for-profit MFIs' failure risk and an increase in for-profit MFIs' failure risk. Country-level business disclosure does not influence MFI risk. Overall, our results provide new empirical evidence identifying the

difference between for-profit and not-for-profit MFIs risk behaviour and highlighting the impact of transparency on MFI risk.

Title: Ambiguity on Uncertainty: A Resolution of the Equity Premium Puzzle

Xinfeng (Edwin) Ruan, PhD in Finance

Abstract

This paper considers an asset pricing model with a multiple-priors recursive utility incorporating decision makers' concern with ambiguity on drift and jumps of driving process. Based on our empirical evidence, given a small relative risk aversion (RRA) coefficient (e.g., $RRA=2$), the model can well explain the equity premium puzzle, since the ambiguity aversion, as a complementary aversion of risk aversion, can increase the equity premium and decrease the risk-free rate. This paper documents that ambiguity on uncertainty is a resolution of the equity premium puzzle.

Title: Modeling VXX under jump diffusion with stochastic long-run mean

Sebastian Gehricke, PhD in Finance

Abstract

We develop a model for the popular VXX Exchange Traded Note (ETN), using a modified Heston (1993) framework, where the volatility process has jumps and a stochastic long run mean. We calibrate the model parameters using the VIX term structure data. We then extract a daily time series of the market price of variance risk from the VXX ETN and compare its performance in terms of predicting and explaining stock returns to variance risk premium measures used in the literature.

Title: Financial adequacy, asset liquidity and health shocks in retirement: Evidence from New Zealand

Jelita (Jay) Noviarini, PhD in Finance

Abstract

This study investigates financial adequacy of older people in New Zealand. Our analysis uses an income replacement rate method for panel data from the Survey of Family, Income, and

Employment for the period 2002-2009. This research is the first to examine the effect of different housing treatments and imputed rent on financial adequacy in New Zealand. The liquidation of residential housing is particularly important in New Zealand because of the large proportion of wealth invested in housing (St John, 2007). Housing has become a preferred form of investment due to the favourable tax treatment it receives compared to other investments. Our findings suggest that financial adequacy differs significantly across residential housing liquidation treatments; namely, full-liquidation, downsizing, or a reverse mortgage. The results also indicate that including imputed rent gives greater emphasis to the demographic differences. We find that more women are financially adequate in retirement than men. There are statistically significant differences between ethnicities. The New Zealand European/Asian groups are the most financially adequate. The inclusion of imputed rent into the adequacy calculation highlights variation between homeowners and renters. There is no evidence of significant variation in financial adequacy across regions. We report that male individuals of Maori or Pasifika ethnicity living in multiple-dweller houses in the North Island (Auckland, Waikato, and Wellington), together with those who rent are less financially adequate in retirement.

Title: The Effects of Media Coverage on CEO Power

Jiexiang (Jenny) Huang, PhD in Finance

Abstract

This study examines the role of media coverage on CEO power from 2010 to 2014. CEO power is measured by CEO pay slice, based on total compensation, cash compensation and equity compensation, respectively. In addition, the role of the CEO as another power measure for robustness. We find media coverage has a rich set of relations with a wide range of CEO power measures.

Title: Financial integration and bank efficiency of commercial banks in Asia

Dzung (June) Nguyen, PhD in Finance

Abstract

Asian has becoming an important and dynamic recipient of international banking flows in the past decades. In the context of financial integration, commercial banks could improve its performance by benefiting from better risk-income diversification or become more vulnerable to external shocks. Therefore, the thesis chapter aims to investigate the impact of financial

integration on bank efficiency with a sample of 10 East Asian countries during the period of 1990-2015. The chapter will construct a combined *de jure and de facto* measure to directly track the financial integration in banking sector. Then, it will estimate efficiency level of commercial banks which also accounts for the risk endogeneity by Stochastic Frontier Analysis. The impact of financial integration and other bank-specific, industry-specific and country-specific variables is finally examined in the specification of inefficiency term's determinants in the one- stage estimation approach

Title: Internal Financing and Firm Growth: Empirical Evidence from Ethiopia

Renzhu (Stephanie) Zhang, PhD in Finance

Abstract

CEO succession events are of significant importance corporate finance. Such events have provided a method of assessing the efficacy of CEO in shaping the fortune of the company by demarcating eras of stewardship. Previous studies focus mainly on 'Outsiderness' moderating effects of succession events, or whether difference in CEO educational background/ career history would affect firm performance. By looking at the difference in CEO backgrounds and constructing a 'Succession Gap' measurement which contains information about CEO career variety, insider-/outsider-ness, birthplace, gender, age, educational background, compensation package, religion beliefs, party affiliation, ..., the paper seeks to find out the most important factor in determining the post-succession corporate performance and find out whether a larger 'Succession Gap' would lead to better firm performance under four types of circumstances - Customary/ CEO-initiated/ Disability or disease/ Board-initiated successions.