

September 7-9, 2025

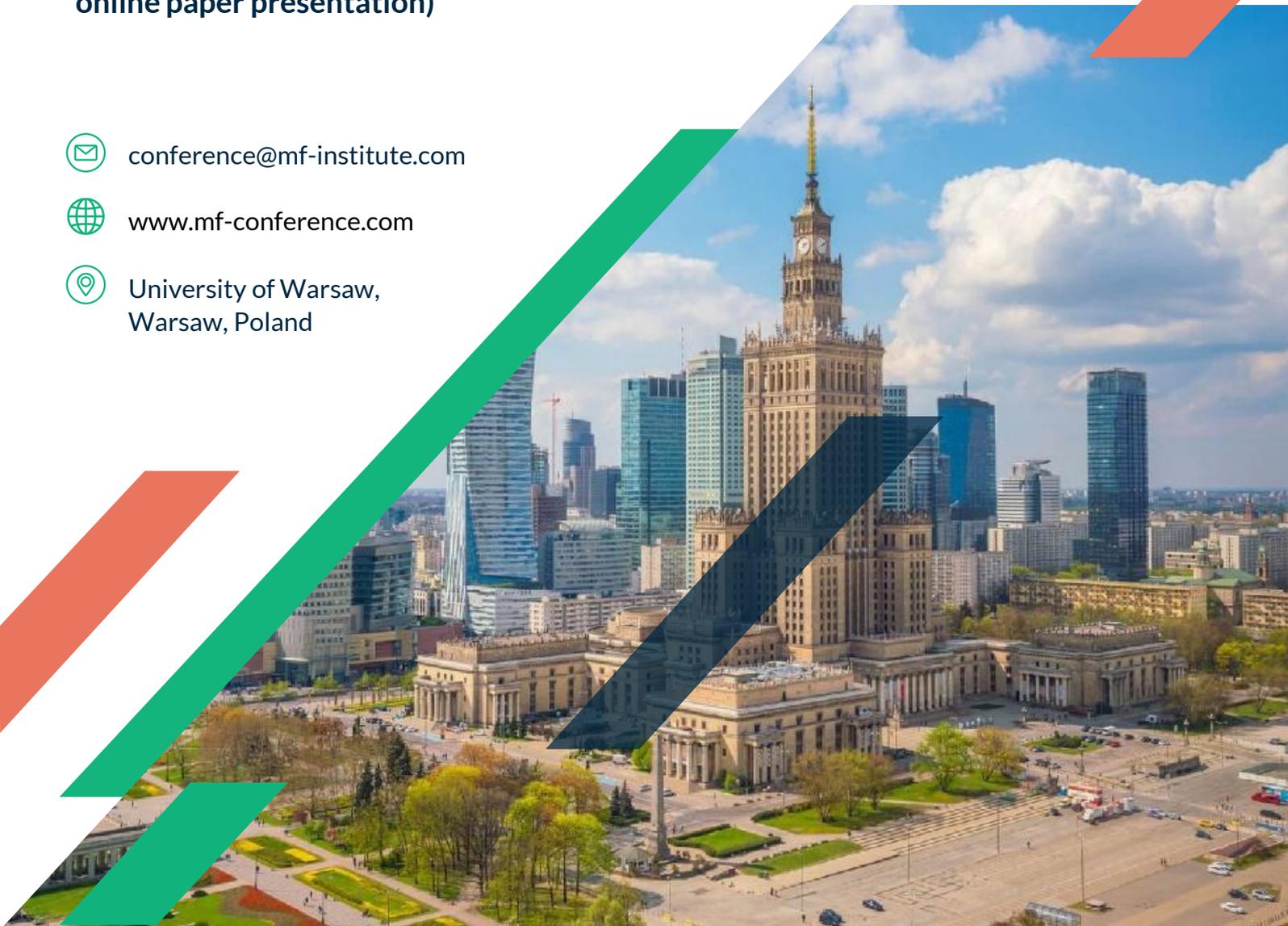
2nd MODERN FINANCE CONFERENCE

(HYBRID with both in-person and
online paper presentation)

 conference@mf-institute.com

 www.mf-conference.com

 University of Warsaw,
Warsaw, Poland



WELCOME NOTE

Following the successful 1st Modern Finance Conference, we are pleased to welcome researchers, academics, and practitioners in finance to the 2nd Modern Finance Conference in Warsaw, Poland, organized by the Modern Finance Institute in collaboration with the Faculty of Economic Sciences at the University of Warsaw and the Institute of Finance at the Poznan University of Economics and Business. The conference aims to provide a platform for disseminating cutting-edge research, innovative ideas, and novel approaches in all areas of finance. Participants will find opportunities to present new research, exchange information, and discuss current issues.

We are honoured to welcome an outstanding keynote speaker, Professor Iftekhar Hasan from the Gabelli School of Business at Fordham University (USA), as well as Professor Peter G. Szilagyi from EDHEC Business School, who will host a workshop on strategies for publishing in leading academic journals. We would also like to thank the authors of submitted papers, members of the Scientific Committee, attendees, and—last but not least—the participants who contribute as presenters, discussants, and session chairs.

Our special thanks go to editors of academic journals who kindly agreed to support our event: Professors Sabri Boubaker (Journal of International Financial Management & Accounting), Ilan Alon (International Journal of Emerging Markets), Marco Vivarelli (Eurasian Business Review), Wenfeng Wu (China Finance Review International), Christo Auret (Investment Analysts Journal), Peter Szilagyi (Journal of International Financial Markets, Institutions & Money), Monika Banaszewska (Economics and Business Review) as well as Chun-Ping Chang (Innovation and Green Development).

Finally, our hats are off to all the members of our Organizing Committee, as well as to all other supporters—both from within and outside of the University of Warsaw—for their invaluable contributions to the preparations of this event.

We wish you all a productive and scientifically stimulating conference, as well a chance to establish networking and collaborations, meet new colleagues, and discover one of the most unique cities in the world. We sincerely hope you will enjoy your visit to Warsaw!

On behalf of the Organizing and Scientific Committees,

The Conference Chairs

Adam Zaremba & Jan Jakub Szczygielski

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About the Modern Finance Institute

The **Modern Finance Institute**, established in 2023, is dedicated to advancing financial research, fostering connections between academia and industry, and promoting professional growth. Its key objectives include supporting the development of financial research, promoting financial literacy, and encouraging collaboration between finance scholars and business practitioners. The Institute also emphasizes socio-economic development through various initiatives, such as organizing conferences, providing financial support for research projects, and publishing academic literature. By fostering a deep understanding of finance, the Institute aims to contribute to the socio-economic progress of Poland and beyond.

About the University of Warsaw

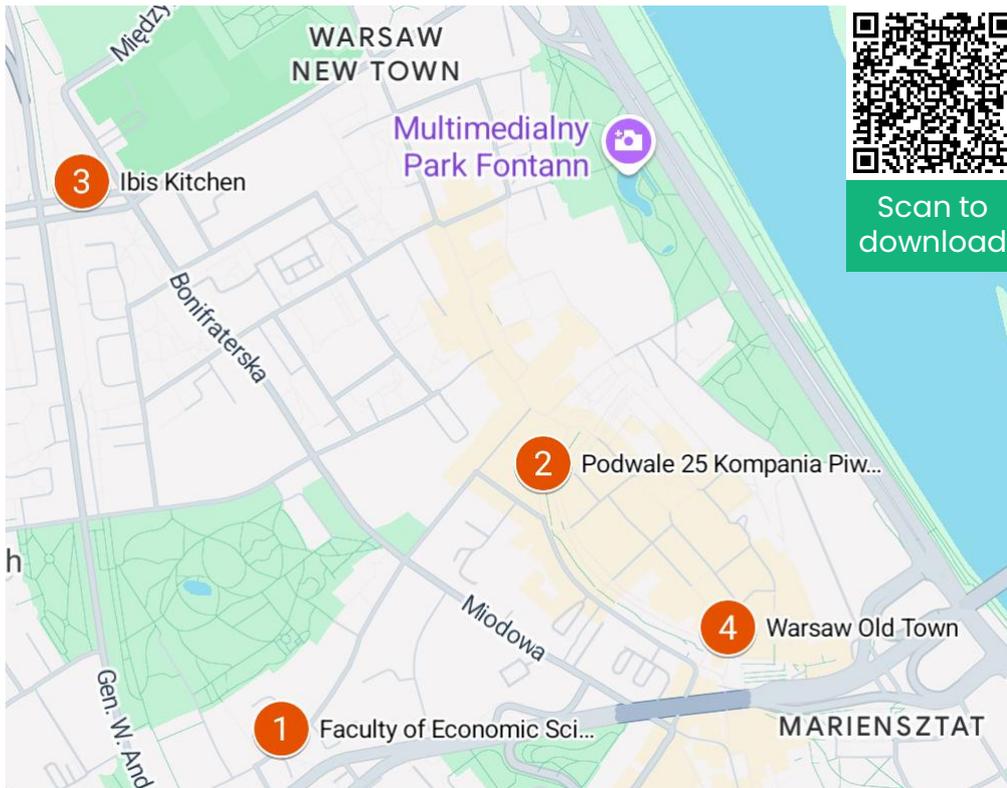
The **University of Warsaw** (Uniwersytet Warszawski), founded on November 19, 1816, stands today as Poland's largest public research university. Spread across more than 126 historic and modern buildings—including the iconic Main Gate and a stunning rooftop botanical garden atop its library—the university hosts over 36,000 students across more than 18 faculties in fields ranging from humanities and social sciences to natural sciences, law, medicine, and computer science en.wikipedia.org+1. Renowned for its distinguished alumni—Nobel laureates such as Olga Tokarczuk and Joseph Rotblat, innovators like Alfred Tarski and L. L. Zamenhof, and cultural icons from Frédéric Chopin to Florian Znaniecki—the UW combines a rich heritage with modern academic excellence, consistently ranking among the top universities globally.

About Warsaw: A City of History and Innovation

Warsaw, the capital of Poland, is a vibrant city where history and modernity blend seamlessly. With nearly 1.8 million residents, Warsaw is the political, cultural, and economic heart of the country. Established in the 13th century, Warsaw became the capital in 1596 and flourished in the 18th century. Despite being devastated during World War II, with over 85% of the city destroyed, Warsaw underwent an impressive post-war reconstruction, including the meticulous rebuilding of the Old Town, now a UNESCO World Heritage site. Today, the city's skyline reflects a blend of historical landmarks and modern architecture, symbolizing resilience and progress.

Warsaw offers a wealth of cultural and historical attractions. **The Old Town, Royal Castle**, and the **Warsaw Mermaid statue**, is the city's historic core. **Lazienki Park**, with its serene Palace on the Isle, provides a tranquil escape, while the **POLIN Museum** and the **Warsaw Uprising Museum** offer deep insights into the city's complex history. **The Palace of Culture and Science**, a symbol of Warsaw's post-war era, offers panoramic views of the city, and the **Praga District** across the Vistula River is known for its artistic vibe and trendy cafes.

Beyond its rich history, Warsaw is a hub of economic innovation. The city hosts numerous multinational corporations, start-ups, and leading universities, contributing to Poland's rapid economic growth. With its dynamic business environment, especially in the technology and finance sectors, Warsaw is a city of opportunities where tradition meets innovation, offering endless possibilities for exploration, learning, and growth. Whether you're interested in its history, culture, or business landscape, Warsaw is a city that continually evolves while staying deeply connected to its roots.



Conference events and travelling around Warsaw

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Getting around Warsaw is easy and efficient. The Jakdojade app (available on Android and iOS) can be used to navigate buses, trams, and the metro. Tickets can be purchased via Jakdojade and ticker terminals are also available in trams and busses. Metro tickets can be purchased from terminals outside metro stations before crossing turnstiles. Both Uber and Bolt operate in Warsaw. Additionally, the Veturilo bike rental system offers an eco-friendly option for short trips across the city, with easy access through apps on Android and iOS.

Walking Warsaw City Tour

- Date: September 7, 2025
- Time: 15h00-17h30
- Location: meeting point at Sigismund's Column (Kolumna Zygmunta), Castle Square

Welcome Drink & Early Registration

- Date: September 7, 2025
- Time: 17h30 -
- Location: Ibis Kitchen, ul. Muranowska 2, Warsaw

Conference Dinner

- Date: September 8, 2025
- Time: 19h30 for 20h00
- Location: Podwale 25 Kompania Piwna, Podwale 25, Warsaw

All social events are within walking distance from the Ibis Warszawa Stare Miasto hotel and the conference venue.

Conference Venue

- Faculty of Economics Sciences, University of Warsaw
- Address: Długa 44/50, 00-241 Warsaw, Poland

How to get there?

From the ibis Warszawa Stare Miasto hotel:

- Take tram 66 or 15 (towards Metro Ratusz Arsenal),
- Disembark at Metro Ratusz Arsenal 04, walk 300 metres on foot.



2nd Modern Finance Conference

Warsaw, Poland

SEPTEMBER 7-9, 2025

2nd Modern Finance Conference (MFC)

07 September 2025

15:00 -
17:30 **Warsaw Tour and Sightseeing**

17:30 -
21:00 **Early Registration and Welcome Drink**

08 September 2025

08:30 -
09:00 **Welcome coffee**

09:00 -
09:30 **Opening Remarks**

Opening Remarks [Online access](#)

09:30 -
11:00 **Parallel sessions**

ESG Performance and Stock Price Risk: A Comparative Study of Firms in the European Union and the United States

Authors: Sylwia Frydrych (SGH Warsaw School of Economics), Jörg Prokop (Carl von Ossietzky Universität Oldenburg), Michał Buszko (Nicolaus Copernicus University of Torun)

Presenters: Sylwia Frydrych (SGH Warsaw School of Economics)

Discussant: Divya Soni

Abstract: This study examines how corporate ESG (Environmental, Social, and Governance) performance influences stock price risk, focusing on differences between firms in the European Union (EU) and the United States (US). Using a propensity-score matched sample, the analysis explores the impact of overall and component ESG scores on volatility, systematic risk, and stock price crash risk. The findings reveal contrasting regional effects: higher ESG scores reduce systematic risk in US firms but increase it in EU firms. ESG performance mitigates crash risk in both markets, while its effect on volatility varies - reducing it in US firms with strong environmental performance but increasing it among EU counterparts. Governance also yields opposing impacts on systematic risk across regions. These results underscore the importance of regulatory and market context in shaping ESG's financial implications, offering valuable guidance for investors, policymakers, and corporate leaders.

Board Composition and ESG Risk: Evidence from the COVID-19 Shock

Authors: Mohamed Hegazy (Cairo University- Faculty of Commerce), Diego Prior (Universitat Autònoma de Barcelona), Mahmoûe Zarea (Cairo University- Faculty of Commerce)

Presenters: Mohamed Hegazy (Cairo University- Faculty of Commerce)

Discussant: Bilge Karatas

Abstract: This study examines the impact of board characteristics on ESG controversies among S&P 500 firms from 2017 to 2022, focusing on the pre- and post-COVID-19 periods. Using two-way fixed effects OLS regression, the analysis finds no significant relationship between board attributes and ESG controversies before the pandemic. However, in the post-COVID-19 period, board gender diversity significantly reduces ESG controversies, supporting stakeholder and resource dependency theories. Conversely, longer board tenure increases controversies, suggesting resistance to adaptive governance. Board-specific skills show no significant effect. The findings contribute to corporate governance literature by highlighting how board composition influences ESG risk in times of crisis.

The ESG Premium at Risk: How Cash and Controversies Reshape Firm Valuation.

Authors: Mahmoud Zarea (Universitat Autònoma de Barcelona), Diego Prior (Universitat Autònoma de Barcelona), Mohamed Hegazy (Cairo University)

Presenters: Mahmoud Zarea (Universitat Autònoma de Barcelona)

Discussant: Sylwia Frydrych

Abstract: This study explores how Environmental, Social, and Governance (ESG) performance affects corporate market valuation, emphasizing the mediating role of financial liquidity and the moderating influence of ESG-related controversies. Using fixed-effects panel regressions on 5,566 firm-year observations from S&P 500 companies (2007–2022), findings reveal a positive association between ESG performance—particularly governance and social dimensions—and firm value. ESG also correlates with reduced surplus cash holdings, which are negatively linked to valuation, indicating a partial mediation effect. However, ESG controversies moderate these relationships, diminishing or reversing ESG's positive impact and the negative effect of excess liquidity under reputational strain. This research introduces a novel framework integrating liquidity and reputational risk into ESG valuation discourse. It advances understanding of financial signaling, sustainability strategy, and stakeholder perceptions. The findings inform ESG-integrated modeling and corporate governance, offering practical implications for investors, managers, and policymakers.

Crypto Factor Zoo (.zip)

Authors: Aleksander Mercik (Wroclaw University of Economics and Business), Adam Zaremba (Poznan University of Economics and Business, MBS School of Business), Ender Demir (Reykjavik University)

Presenters: Aleksander Mercik (Wroclaw University of Economics and Business)

Discussant: Athanasios Fassas

Abstract: How many factors are genuinely needed to explain the cross-section of cryptocurrency returns? To answer this, we are the first to apply the alpha-based, iterative factor selection methodology of Swade et al. (2024)—originally developed for equities—to the cryptocurrency market. Using a comprehensive set of 36 return-predictive factors, we find that just two to three factors can eliminate all significant portfolio alphas. The most influential factors include turnover volatility, bid-ask spreads, and blockchain-native metrics such as the new-address-to-price ratio. Liquidity-related variables dominate the selection process, appearing consistently across weighting schemes, model specifications, and periods.

What Drives Cryptocurrency Returns: A Returns-Based Style Analysis

Authors: Athanasios Fassas (University of Thessaly), Stephanos Papadamou (University of Thessaly)

Presenters: Athanasios Fassas (University of Thessaly)

Discussant: Aswin Andika Putra

Abstract: This paper applies returns-based style analysis (RBSA) to 27 major cryptocurrencies. Our analysis focuses on four key factors: market risk, monetary policy, currency fluctuations, and crypto-specific dynamics. Our empirical results show that although traditional financial factors, such as equity market performance, interest rates, and exchange rates, do influence cryptocurrency returns, crypto-related factors have the most significant impact. Bitcoin and Ethereum exhibit strong sensitivity to market risk, underscoring their integration with traditional financial markets. In contrast, altcoin returns are predominantly driven by crypto-specific dynamics. Financial tokens demonstrate greater responsiveness to interest rate shifts, while meme coins are largely influenced by speculative trading and investor sentiment. These findings highlight the dominant role of cryptocurrency-specific factors in driving returns while maintaining linkages to traditional financial markets. The results provide valuable insights for portfolio managers, policymakers, and investors managing the changing crypto market.

Low-Risk Strategies in the Cryptocurrency Market

Authors: Davide Sandretto (University of Turin), Klaus Grobys (University of Vaasa)

Presenters: Davide Sandretto (University of Turin)

Discussant: Vipul Kumar Garg

Abstract: Empirical evidence shows that low-volatility securities deliver higher returns compared to high-volatility ones in international financial markets and across asset classes. This study investigates the performance of low-volatility investment strategies within the cryptocurrency market using a sample of highly liquid digital coins from 2016 to 2025. We find that some strategies have a positive and statistically significant payoff, but this does not survive to conservative transaction costs and benchmark risk-adjustment. Subsample splits and alternative estimation windows corroborate our findings. These results are relevant for the asset management industry, which may seek to replicate popular style investing in the cryptocurrency space.

Exponential Growth Bias under Uncertainty

Authors: Andreas Blickle (University of Hohenheim)

Presenters: Andreas Blickle (University of Hohenheim)

Discussant: Harshal Rajan Mulay

Abstract: Accurate understanding of exponential growth is essential for long-term investments. However, individuals often exhibit exponential growth bias (EGB)—a tendency to underestimate exponential growth—which leads to systematic misperceptions of long-term investment outcome distributions. This study investigates these misperceptions and proposes a descriptive theory of how people perceive such distributions. In a within-subjects study, 130 participants allocated investments across four time horizons and provided incentivized estimates of investment outcome distributions. Results show that, in certain dimensions, the perception of people can be described as if they compound annual return distributions correctly, but over a shorter time horizon than would be correct. This leads to underestimation of expected values and standard deviations, and overestimation of loss probabilities. Importantly, these estimates are significantly correlated both between and within time horizons, suggesting a consistent perceptual pattern, highlighting the importance of addressing EGB to support better long-term financial decision-making.

When Biases Collide: The Counterbalancing Effects of Overconfidence and Present Bias on Debt Behavior

Authors: Harshal Rajan Mulay (IIT Kanpur), Ayush Yadav (IIT Kanpur), Suman Saurabh (IIT Kanpur)

Presenters: Harshal Rajan Mulay (IIT Kanpur)

Discussant: Niharika Kasaudhan

Abstract: Behavioral biases play a critical role in personal financial decision-making, often leading to suboptimal outcomes. Two biases of particular interest are overconfidence bias – the tendency to overestimate one’s financial knowledge or abilities – and present bias – the preference for immediate gratification over future rewards. This paper examines how these biases affect debt behaviors using the FINRA NFCS data. This study finds that both biases are independently associated with a higher likelihood of risky debt behaviors, reflected by overspending, receiving debt recovery calls, and credit card mismanagement. However, the joint presence of both biases correlates with less risky debt outcomes than either bias alone, suggesting a mitigating effect when both biases co-exist. This pattern reflects cognitive dissonance, where the self-image of financial savviness arising from overconfidence bias contradicts the irresponsible behavior caused by present bias. Thus, individuals self-correct risky behavior to preserve a positive self-image.

Income inequality and risky borrowing: The city-level perspective from Credit Information Bureau data

Authors: Aneta Kłopocka (Uniwersytet WIZJA), Maria Vivero (University of Dayton)

Discussant: Andreas Blickle

Abstract: Using city-level variation in income inequality and data on credit card debt from the Credit Information Bureau of Poland for 2018, we examine whether income inequality contributes to risky borrowing on credit cards. Cross-sectional regressions show that income inequality is positively related to credit card balances and balances overdue by 90 days or more. Our results are robust to various inequality measures and suggest that inequality not only correlates with credit card usage, but might also encourage risky borrowing, or the type of borrowing that goes beyond a household’s ability to repay. The positive relationship between income inequality and risky borrowing is consistent with upward comparisons that trigger a “keeping up with the Jones” behavior among lower and middle-income households.

Does Underreaction Explain Short-term Return Reversals?

Authors: Gábor Neszveda (Central Bank of Hungary), Miklós Farkas (University of Bristol Business School)

Presenters: Gábor Neszveda (Central Bank of Hungary)

Discussant: Amar Soebhag

Abstract: Short-term return reversals are often attributed to investor overreaction or compensation for liquidity provision. We propose an alternative mechanism based on investor underinference: it takes time for investors to carry the industry news reflected in some stocks' prices over into the prices of fundamentally linked stocks. Stocks whose recent returns are inconsistent with the direction of their industry are hence likely to lag behind in reflecting the industry news and their returns should reverse subsequently, leading to within-industry return reversals. We find supportive evidence for this prediction: reversals based on stocks that lag behind in pricing industry news are twice as strong compared to the standard within-industry reversal strategy. The performance persists for several weeks and remains robust to documented frictions. Our findings suggest that underinference is a key mechanism driving short-term reversals.

Local, Global, and Hybrid Asset-Pricing Models in Heterogeneously Integrated Regions: Evidence from Local Industries

Authors: Pelin Bengitoz (Independent Researcher), Mehmet Umutlu (Edinburgh Napier University), Adam Zaremba (Montpellier Business School)

Presenters: Mehmet Umutlu (Edinburgh Napier University)

Discussant: YI ZHOU

Abstract: This study evaluates international asset pricing models across seven regions and 67 countries, focusing on varying levels of market integration. It assesses six models, spanning three classes of asset-pricing models: local, global, and hybrid. Hybrid and regional models consistently outperform global models, with regional models excelling in segmented markets and hybrid models in partially integrated ones. Furthermore, some regional factors have become globalized, such as market, momentum, and size. Our novel metric for regional integration reveals North America, Western Europe, and developed Asia-Pacific as the most integrated, while Middle East- North Africa, Latin America, and Eastern Europe remain more segmented.

AI Infrastructure, Firm Value and Expected Stock Returns

Authors: YI ZHOU (San Francisco State University)

Presenters: YI ZHOU (San Francisco State University)

Discussant: Gábor Neszveda

Abstract: This paper examines the impact of AI infrastructure on asset prices. Using large language models (LLMs) to analyze earnings call transcripts of S&P 500 firms, we construct novel firm-level measures of AI infrastructure. Firms with higher AI infrastructure earn quarterly alphas of 0.4% to 0.9% relative to firms with low AI infrastructure, after controlling for standard risk factors and anomalies. These firms are generally larger, exhibit higher Tobin's Q and R&D spending, and maintain lower future leverage. Our findings suggest that markets systematically undervalue AI infrastructure, as the expensing of intangible investments suppresses short-term earnings while generating long-term value—consistent with the productivity J-curve (Brynjolfsson et al. (2021)).

Forecasting Value-at-Risk for cryptocurrencies

Authors: Michael Michaelides (Cyprus University of Technology), Niraj Poudyal (Kathmandu University)

Presenters: Michael Michaelides (Cyprus University of Technology)

Discussant: Chiara Pellegrino

Abstract: Value-at-Risk (VaR), the primary measure of downside risk in market risk management, relies heavily on the accuracy of volatility forecasts produced by risk models. This paper shows that, for forecasting the VaR of cryptocurrencies, the time-heterogeneous Student's *t* autoregressive model outperforms standard models commonly used by practitioners.

A Fuzzy Framework for Realized Volatility Prediction: Empirical Evidence from Equity Markets

Authors: Stefan Lyocsa (Slovak Academy of Sciences), Shafqat Iqbal (Masaryk University)

Presenters: Stefan Lyocsa (Slovak Academy of Sciences)

Discussant: Michael Michaelides

Abstract: This study introduces a fuzzy-based volatility forecasting model. The proposed approach, RV-FTS, applies a fuzzy *c*-means clustering algorithm to estimate (time-varying) 'c' latent volatility states and their corresponding membership degrees. Our empirical study is based on volatility forecasts of 14 major stock market indices with more than 20 years of data. We predict one- to twenty-two-day-ahead volatility forecasts and compare the RV-FTS model with standard volatility model benchmarks, the GARCH, ARFIMA, AR and HAR models, and conditional combination forecasts. We find that in the short-term, day-ahead setting, the RV-FTS tends to outperform the GARCH, ARFIMA and AR model across most markets. When used for combination forecasts, the RV-FTS model contributes to greater forecast accuracy. Multiple-day ahead forecasts show that with increasing forecasting horizons, the utility of the RV-FTS model increases.

Insurance demand and extreme events: Evidence from the Covid-19 pandemic

Authors: Noemi Oggero (University of Turin), Davide Sandretto (University of Turin), Eleonora Isaia (University of Turin), Chiara Pellegrino (University of Turin)

Presenters: Chiara Pellegrino (University of Turin)

Discussant: Stefan Lyocsa

Abstract: Understanding how individuals change their financial behaviour in response to large-scale extreme events is increasingly important in a world facing rising systemic risks, from pandemics to climate change. The Covid-19 pandemic offers a unique opportunity to study such behavioural responses, particularly in relation to insurance demand. Our study analyses the effect of Covid-19 contraction on individuals' propensity to take out insurance, using representative survey data collected in Italy in 2021. We find that the direct experience of such an extreme event significantly increased the interest in purchasing insurance, and the magnitude of the effect rose with the severity of the event. Also, women exhibited greater sensitivity to the risky event, displaying increased insurance interest even at low event severity levels. Our results highlight how adverse external shocks can significantly influence insurance demand.

Tax cooperation, royalty payments, and profit shifting: Empirical evidence from new EU member states

Authors: Andrzej Cieślak (University of Warsaw), Oleg Gurshev (University of Warsaw)

Presenters: Oleg Gurshev (University of Warsaw)

Discussant: Anna Białek-Jaworska

Abstract: We study the extent of profit shifting in the European Union using novel data on intellectual property payments from post-2004 EU member states. First, verify the claim that there is profit shifting via the royalty payments channel from the “low tax” group of the EU members. Second, we estimate the effect of the transposition of the Anti-Tax Avoidance Directive (DAC1 or Directive 2011/16) on intra-EU profit shifting. Our results demonstrate that even the “low tax” group of EU members experiences substantial profit shifting even after adopting the aforementioned tax cooperation regulations

Country-By-Country Reporting (CbCR) As a Tool For Identifying Patterns of Profit Shifting by Multinationals

Authors: Nadiia Novytska (University of Luxembourg)

Discussant: Antonio Pellegrini

Abstract: The paper is devoted to analysing a database of CbCRs, which was developed as part of the AITAX13 project of the University of Luxembourg, and covers over 150 MNEs to identify patterns of profit shifting and aggressive tax planning. Several quantitative indicators were used for this reason, including effective tax rates, profit per employee, the share of profits declared in countries without employees, ultra-high pre-tax profit margins (exceeding 50%), and the share of total corporate profits taxed at rates below 15%. It was found that, based on these characteristics, many corporations transfer significant amounts of profits to low-tax jurisdictions where the presence of real economic activity is minimal. The findings confirm the effectiveness of CbCR reports as a tool for increasing transparency and detecting aggressive tax planning, consistent with the findings of recent studies and OECD estimates.

Profit Shifting From Services And Manufacturing: Double Tax Treaties And General Anti-Avoidance Rule

Authors: Milena Sitkiewicz (University of Warsaw, Faculty of Economic Sciences), Anna Białek-Jaworska (University of Warsaw, Faculty of Economic Sciences, Ministry of Finance), Wojciech Kędziora (University of Warsaw, Faculty of Economic Sciences, Ministry of Finance)

Presenters: Anna Białek-Jaworska (University of Warsaw, Faculty of Economic Sciences, Ministry of Finance), Wojciech Kędziora (University of Warsaw, Faculty of Economic Sciences, Ministry of Finance)

Discussant: Nadiia Novytska

Abstract: This study examines the impact of DTTs and GAAR on profit shifting in the services and manufacturing sectors. We adopt the Knowledge-Capital (KC) framework to check whether transfers to non-residents are explained by trade theory dedicated to foreign direct investments. We apply the GMM and difference-in-differences approach to administrative tax data of transfers to 110,907 non-residents in 134 countries from 2012 to 2019. Findings show that GAAR reduces profit shifting, except for interest. Service companies engage in more aggressive and frequent profit-shifting than manufacturing firms, whose passive income payments abroad are well explained by the KC, reflecting the cost of foreign capital (i.e., dividends or interest). Fewer profits are transferred to tax havens on the EU list with DTTs. The destination for passive income transfers depends on exemption from withholding tax and DTTs, which allow non-residents to avoid taxation on dividends.

Options on Drugs: Industry Exposure and Option Anomalies

Authors: Niclas Käfer (University of St. Gallen)

Presenters: Niclas Käfer (University of St. Gallen)

Discussant: Jacek Karasiński

Abstract: On average, writing options on pharmaceutical stocks yields higher returns than writing options on stocks in any other industry. The exposure to options on pharmaceuticals helps explain the persistent returns of delta-hedged option strategies, such as sorting options based on corporate cash holdings. Pharmaceutical stocks exhibit high growth potential and unique lottery features related to drug trials and development, leading to increased demand for their option contracts. Furthermore, the biotechnology bubble of the early 2000s inhibits common option risk factors from fully capturing the returns of pharmaceutical options.

A Moments-Based Approach to Anomaly Forecasts and Statistical Limits to Arbitrage

Authors: Guy Kaplanski (Bar Ilan University)

Presenters: Guy Kaplanski (Bar Ilan University)

Discussant: Huaigang Long

Abstract: Adopting a top-down approach to statistical limits to arbitrage, we form an anomaly-percentile distribution of 140 anomalies and estimate the first four moments to forecast mispricing. We interpret the mean and skewness of mispricing as proxies for potential abnormal profits, and the variance and kurtosis as measures for uncertainty and downside risk in mispricing. The empirical analysis shows that the mean and skewness (variance and kurtosis) are positively (negatively) associated with future abnormal returns. The negative effects of variance and kurtosis have intensified in recent decades. The negative relation between variance and kurtosis and realized returns increases with positive sentiment, high market volatility, high liquidity, and positive past returns. Our method is not confined to specific anomaly clusters and substantially improves the performance of anomaly-based portfolios. The results provide insights into the ways that uncertainty and opportunity in arbitrage profits influence market behavior.

Extrapolative expectations and asset returns: Evidence from Chinese mutual funds

Authors: Huaigang Long (Zhejiang University of Finance and Economics), Zhongwei Yao (Zhejiang University of Finance and Economics), Adam Zaremba (Montpellier Business School)

Discussant: Guy Kaplanski

Abstract: We examine how mutual funds form stock market expectations and the implications of these beliefs for asset returns, using a novel text-based measure extracted from Chinese fund reports. Funds extrapolate from recent stock market and fund returns when forming expectations, with more recent returns receiving greater weight. This recency tendency is weaker among more experienced managers. At the aggregate level, consensus expectations positively predict short-term future market returns, both in and out of sample. At the fund level, expectations are positively related to subsequent fund performance in the time series. In the cross-section, however, superior performance arises only when funds accurately forecast market direction and adjust their portfolios accordingly. This effect is stronger for optimistic forecasts and among funds with greater exposure to liquid stocks. Our findings highlight the conditional nature of belief-driven performance, shaped jointly by forecasting skill and the ability to implement views.

8. Climate Finance [Online access](#) Chair: Maria Leone

Does Climate Disclosure Affect Shareholder Wealth?

Authors: Sourav Prasad (IIM Bodh Gaya, Gaya, Bihar, 824234, India), Sankarshan Basu (IIM Bangalore, Bangalore, Karnataka, 560076, India)

Presenters: Sourav Prasad (IIM Bodh Gaya, Gaya, Bihar, 824234, India)

Discussant: Annastasia Mutorwa

Abstract: We investigate the impact of the draft rule of mandatory climate disclosure by the US Securities and Exchange Commission (SEC) on shareholder wealth. Using an event study methodology, we analyze the stock market reaction to firms that are affected and not affected by the draft rule. We find that firms affected by the draft rule experience significantly lower market reactions relative to unaffected firms. This effect is stronger for firms headquartered in states dominated by Republicans. Additionally, this effect is weaker for firms operating in the polluting industry. This suggests that, in line with shareholders' expense view, investors perceive mandatory climate disclosure as a cost to the company rather than a value-enhancing measure.

Investigating the Impact of the EU Emissions Trading System on the Corporate Sector in Selected European Countries

Authors: Simona Kovachevska-Stefanova (Faculty of Economics, Ss. Cyril and Methodius University in Skopje), Kiril Jovanovski (Faculty of Economics, Ss. Cyril and Methodius University in Skopje)

Discussant: Marinela Finta

Abstract: This paper investigates the impact of the EU Emissions Trading System (EU ETS) on listed companies in Germany, France, Poland, and Italy—the four largest emitting countries. Using a GMM estimator, the study examines how free allowances (FA), surrendered allowances, and verified emissions (VE) influence stock prices and the EV/EBITDA ratio. FA negatively affects both indicators in France and Germany, but shows a positive link to EV/EBITDA in Italy. Surrendered allowances tend to have adverse effects in Poland and Germany, while showing mixed results in Italy and positive outcomes in France. VE positively affects both indicators in Poland and Germany, but produces negative outcomes in France and mixed effects in Italy. Despite certain limitations, these findings provide valuable insights into how the EU ETS may shape corporate financial performance and investor sentiment.

Dynamic connectedness among energy markets and EUA carbon index: the role of GPR and VIX

Authors: Maria Leone (Polytechnic University of Marche), Alberto Manelli (Polytechnic University of Marche), Roebtra Pace (University of L'Aquila)

Discussant: Simona Kovachevska-Stefanova

Abstract: Energy raw materials are the basis of the productive and economic system. From this consideration emerges the need to examine in more detail how various uncertainty indices interact with the dynamic of spillovers connectedness among energy markets. The TVP-VAR model is used to investigate the connectedness among US, European, and Indian oil and gas markets. Following, the wavelet decomposition technique is used to capture the dynamic correlations between uncertainty indices (GPR and VIX) and connectedness indices. The analysis of the interdependence among connectedness of each market and the uncertainty indices is more heterogeneous. Political tensions and geopolitical risks are, therefore, causal factors of energy prices. Given their strategic and economic importance, policy makers and investors should establish risk warning mechanism and try to avoid the transmission of spillovers as much as possible.

11:00 -
11:30

Coffee break

11:00 -
15:30

Poster session

9. Posters Chair: Kuba Szczygielski

CAPM with Various Risk Measures: Low-beta Anomaly in the US and European Equities

Authors: Piotr Szczepocki (University of Lodz), Ewa Feder-Sempach (University of Lodz), Stan Uryasev (Stony Brook University)

Abstract: This paper revisits the risk-return relationship in Modern Portfolio Theory through the lens of the Generalized Capital Asset Pricing Model (GCAPM). While CAPM traditionally uses beta to measure systematic risk, it assumes a linear relationship between expected return and risk. However, the low-beta anomaly—where low-beta stocks outperform high-beta ones—challenges this assumption. Findings show that the risk-return curve is often flattened or inverted, supporting the anomaly. This research offers a novel methodological contribution by integrating drawdown risk into CAPM, enhancing portfolio risk assessment across US and European stock markets based on a longitudinal sample covering the period 1995–2024. Across both U.S. and European markets, drawdown-based betas derived from ERoD and CDaR—consistently outperform traditional CAPM beta in explaining the cross-section of returns, highlighting the drawdown-sensitive risk measures in modern asset pricing.

11:30 -
12:30

Keynote address: Prof. Iftekhar Hasan



Iftekhar Hasan is a professor at Fordham University, holding the E. Gerald Corrigan Chair in Finance and serving as the academic director of the Ph.D. program and co-director of the Center for Research in Contemporary Finance. He is a scientific advisor at the Central Bank of Finland, a fractional faculty member at the University of Sydney, and a research fellow at the Wharton School and IWH Institute in Germany. He is the managing editor of the Journal of Financial Stability and has been an associate editor for several journals.

His research focuses on financial institutions, corporate finance, capital markets, and emerging economies, often addressing public policy issues. He has published over 450 works, including 16 books and 330 peer-reviewed articles in top journals such as JFE, JFQA, RF, JAR, RAST, CAR, JME, JIBS, SMU, and MS. His work has been cited more than 34,000 times.

Professor Hasan has held visiting positions at universities across the globe, including in Rome, Strasbourg, Madrid, Lausanne, Hong Kong, Taiwan, Bucharest, and Sydney. He has also consulted for international organizations like the World Bank, IMF, and Federal Reserve,.

**12:30 -
13:30**

Lunch

**13:30 -
15:00**

Parallel sessions

The relationship between ESG practices and Earnings Quality: a systematic literature review

Authors: João Fragoso (Universidade Europeia)

Presenters: João Fragoso (Universidade Europeia)

Discussant: Mudeer Ahmed Khattak

Abstract: This study presents a systematic literature review examining the relationship between Environmental, Social, and Governance (ESG) practices and Earnings Quality (EQ). Drawing from 102 peer-reviewed articles published between 2010 and 2024, the review categorizes the findings into three main strands: studies evidencing a negative relationship (suggesting ESG enhances transparency), those finding a positive association (indicating potential opportunistic behaviour), and those with mixed or context-dependent results. The review further analyses moderating factors such as corporate governance and ownership structure. A distinction is made between accrual-based and real earnings management, revealing diverse strategic behaviours across contexts. In addition, the study explores how ESG disclosure quality, assurance mechanisms, and institutional environments shape financial reporting quality. The review identifies theoretical and methodological gaps in the literature and proposes avenues for future empirical research, particularly within the Eurozone, with emphasis on causality and the differential effects of ESG on financial reporting integrity.

The Value Relevance of Corporate Risk Management Disclosures in European M&A Transactions

Authors: Jörg Prokop (Carl von Ossietzky University of Oldenburg), Jan-Philipp Wallis (Carl von Ossietzky University of Oldenburg), Christopher Wilksen (Carl von Ossietzky University of Oldenburg)

Presenters: Jörg Prokop (Carl von Ossietzky University of Oldenburg)

Discussant: Anna Doś

Abstract: This study examines the role of corporate risk management disclosures under IFRS by acquirers in the context of mergers and acquisitions. Using a sample of 487 M&A announcements by firms listed on the STOXX Europe 600 index, we find that firms using hedge accounting are significantly less likely to use stock-based payments, preferring instead full cash compensation. This effect is particularly pronounced for firms reporting under IFRS 9 compared to those reporting under IAS 39. Furthermore, while there is no direct relationship between the use of hedge accounting and abnormal acquirer returns, our evidence suggests that the use of FX cash flow hedge accounting mitigates the (predominantly positive) stock price response to the announcement of cross-currency M&A transactions. Overall, the findings are consistent with an enhanced information environment for firms that use hedge accounting, and reduced investor uncertainty regarding the acquirer's future cash flows.

Unveiling the Shadows: The Impact of Reputational Events on ESG Reporting in Transition Economies

Authors: Anna Doś (Krakow University of Economics)

Presenters: Anna Doś (Krakow University of Economics)

Discussant: Jörg Prokop

Abstract: This study investigates how media coverage of ESG controversies influences corporate non-financial reporting in Poland, a transition economy with minimal ESG regulation. Drawing on signalling and agenda-setting theories, the paper examines whether companies respond to negative media attention by improving the quality of ESG disclosures (substantive response), increasing disclosure volume without added value (symbolic response), or remaining unchanged (defensive response). Using firm-level panel data from 2017–2022, reputational events are measured via the RepRisk database, while ESG reporting metrics are derived from manual content analysis. Results show that media exposure leads to increased disclosure quantity but not necessarily improved quality—suggesting symbolic rather than substantive responses. These findings underscore the media's role as an informal accountability mechanism in shaping corporate transparency in weakly regulated environments.

Bitcoin: Risk-on or Risk-off Asset? A Dynamic Correlation and Comparative Analysis with Gold, US Equities, and DXY

Authors: Aswin Andika Putra (National Formosa University), Jo-Yu Wang (National Formosa University)

Presenters: Aswin Andika Putra (National Formosa University)

Discussant: Adam Witt

Abstract: This study employs the DCC-FIGARCH model to analyze Bitcoin's evolving relationship with NASDAQ, S&P 500, gold, and DXY from January 2013 to June 2025. The findings reveal substantial volatility spillovers and long-memory volatility in Bitcoin. Over time, Bitcoin has been developing to be more positively correlated with the equities market as institutional adoption grows, although periods of decoupling are also observed. Bitcoin's weak yet persistent positive correlation with gold and significant negative correlation with DXY indicate its potential as an inflation hedge in the case of a weakening US dollar. Overall, Bitcoin displays relatively low, time-varying correlations with both risk-on and risk-off assets, suggesting its unique, hybrid qualities. In addition, Bitcoin shows the best long-term risk-adjusted return, which, coupled with its somewhat low correlations, affirms Bitcoin's potential to enhance portfolio performance.

Hedge funds through tough times

Authors: Mike Noori (University of Trento), Marco Bee (University of Trento)

Presenters: Mike Noori (University of Trento)

Discussant: Vishal Baloria

Abstract: We study HF's performance and tail responses to shocks in macroeconomic indicators during 2005-2025. Using autoregressive Fréchet, we first document the asymmetric time-varying right and left tails. Based on the tail performance, HF's possess poor market timing and tail management. We propose a TVP-VAR model to study HF's responses to shocks in VIX, repo, liquidity, and economic expectations. We compare the left tail responses to macroeconomic shocks of the 2008, 2020, 2022, and find persistent exposure to market crises. The 2022 market crisis had long-lasting impact on HF's tail compared to the 2008 and 2020 crises. Liquidity shocks show greater persistence on tails than those of other macroeconomic indicators. While liquidity shocks have little impact on the HF's performance, VIX and repo have a large and asymmetric impact on different strategies. Equity hedge benefits from turbulent market, calm market drives up event-driven performance.

Do Precious Metals and the US Dollar Act as Safe-Haven Assets for Brics Stock Markets?

Authors: Ewa Feder-Sempach (University of Lodz), Piotr Szczepocki (University of Lodz), Elizabeth-Ann van der Westhuizen (University of Pretoria), Cornelis Hendrik VanSchalkwyk (University of Pretoria), Jacomien Visagie (University of Pretoria)

Presenters: Ewa Feder-Sempach (University of Lodz)

Discussant: José Alves

Abstract: Our paper investigates the role of precious metals and the US dollar as safe-haven and hedge assets for BRICS (Brazil, Russia, India, China, India, and South Africa) stock markets. We employ the multivariate factor stochastic volatility model to examine the time-varying relationship between precious metals, US dollar, and BRICS stock market returns. The model captures dynamic volatility interactions and the potential safe-haven relationship in the BRICS markets over 20 years (2005-2025). We find that the BRICS stock market behavior show similar patterns, and we distinguished three main factors that shape the relationships between the precious metals, the US dollar, and BRICS markets. To investigate the safe-haven effect, we use the Baur and Lucey (2010) regression model with drawdown measures as dummy variables. The results demonstrate that precious metals display safe haven characteristics but to different extents, while the US dollar acts as a hedge asset.

Corporate Social Responsibility and Debt Maturity Structure: Evidence from a Quasi-Natural Experiment

Authors: Niharika Kasaudhan (Indian Institute of Management Raipur), Ranjan DasGupta (Indian Institute of Management Raipur)

Presenters: Niharika Kasaudhan (Indian Institute of Management Raipur)

Discussant: Mahmoud Zarea

Abstract: In 2015, the Government of India enacted a law that requires certain Indian firms to spend at least 2% of their average net profits over the past three years on specified corporate social responsibility (CSR) activities. We exploit this regulatory intervention in an entropy-balanced difference-in-differences (Entropy-DiD) framework to isolate the implications of CSR on firms' debt maturity structure. We uncover a reduction in the use of long-term debt relative to total debt in the post-regulation period, accompanied by a decline in their operating performance. Our results are robust to firm-year covariates, firm and industry-by-year fixed effects, and a placebo test with a fake enactment year. These results suggest that mandating firms to spend on CSR activities negatively affects corporate outcomes.

What Drives IPO Activity? Evidence from Exchanges Worldwide

Authors: Ishak Demir (The World Federation of Exchanges)

Discussant: Piotr Pluciennik

Abstract: This study investigates the factors driving Initial Public Offering (IPO) activity across 79 stock exchanges globally from 2002 to 2024. We examine how market liquidity, GDP growth, and financial development influence IPO frequency and size, distinguishing between advanced and emerging markets. Using panel regression analysis with high-dimensional fixed effects, we find that market liquidity and GDP growth consistently drive IPO frequency, while financial development primarily influences the size of offerings, particularly in emerging markets. Additionally, we introduce the novel Listing Stringency Index (LSI) and show that while stricter listing requirements correlate with larger IPO sizes, they do not necessarily increase IPO activity. The study also highlights a significant but temporary IPO surge during the COVID-19 recovery period, driven by exceptional market conditions. Our results provide critical insights for policymakers and market participants seeking to foster public capital markets and improve IPO market resilience.

Does a Creditor-Friendly Bankruptcy Reform Decrease Firms' Access to Equity Capital? Evidence from a Quasi-Natural Experiment

Authors: Aaraadhya Srivastava (Indian Institute of Management Raipur)

Presenters: Aaraadhya Srivastava (Indian Institute of Management Raipur)

Discussant: Satar Bakhsh

Abstract: We argue that creditor-friendly bankruptcy reforms, such as India's 2016 Insolvency and Bankruptcy Code (IBC), raise the ex-ante probability of bankruptcy, prompting risk-averse equity investors to reduce investments in more vulnerable firms. Using variation in firms' 'propensity to default' for identification and a difference-in-differences approach, we exploit the IBC as an exogenous policy shock. We find a post-reform decline in equity inflows to financially distressed firms relative to their non-distressed counterparts. These results hold across firm matching, alternative specifications, and a placebo test. The treatment effect is concentrated in standalone firms, which lack access to internal capital markets and thus face greater bankruptcy risk. Accordingly, we observe a relative decline in capital expenditure among standalone firms, with no such effect in group-affiliated firms. Our findings highlight unintended consequences of creditor-friendly bankruptcy reforms and offer important lessons for future policy design.

Same Same But Different: The Risk Profile of Corporate Bond ETFs

Authors: Aleksandra Rzeznik (York University), Johannes Dinger (KIT), Marcel Mueller (KIT), Mariese Uhrig-Homburg (KIT)

Presenters: Johannes Dinger (KIT)

Discussant: Loïc Maréchal

Abstract: We show that, while corporate bond ETFs systematically exhibit lower liquidity risk than the bonds they hold, they also face heightened intermediary risk. This effect is more pronounced for high-yield ETFs, for those with less liquid portfolios, and for funds reliant on weaker Authorized Participants. A stylized model reveals how partial segmentation between ETF and bond markets drives these diverging exposures. Overall, investors of corporate bond ETFs effectively trade reduced liquidity risk for increased intermediary risk, highlighting a fundamental trade-off embedded in the ETF structure.

Disentangling the sources of cyber risk premia

Authors: Loïc Maréchal (HES-SO Valais-Wallis), Nathan Monnet (Swiss Finance Institute, EPFL)

Presenters: Loïc Maréchal (HES-SO Valais-Wallis)

Discussant: Davide Sandretto

Abstract: We use a methodology based on a machine learning algorithm to quantify firms' cyber risks based on their disclosures and a dedicated cyber corpus. The model can identify paragraphs related to determined cyber-threat types and accordingly attribute several related cyber scores to the firm. The cyber scores are unrelated to other firms' characteristics. Stocks with high cyber scores significantly outperform other stocks. The long-short cyber risk factors have positive risk premia, are robust to all factors' benchmarks, and help price returns. Furthermore, we suggest the market does not distinguish between different types of cyber risks but instead views them as a single, aggregate cyber risk.

The factor structure of short maturity options

Authors: Jiwook Yoo (Fuqua School of Business - Duke University)

Discussant: Johannes Dinger

Abstract: Equity index options with less than one month to maturity have grown significantly in popularity over the past two decades, especially for very short maturities. S&P 500 (SPX) options with fewer than 10 days to maturity made up 17% of SPX option trading volume in 1996, rising to around 70% today. Despite this, research on short maturities remains limited. This paper examines deleveraged daily returns for short maturity options on the S&P500, Nasdaq100, and Russell2000. Using Instrumental Principal Components Analysis, I identify a low-dimensional factor structure explaining over 95% of the variation in option returns. The factors primarily reflect compensation for exposure to higher-order moments of the underlying indices, including risk-neutral variance and skewness. I propose a tradable factor model that outperforms existing models and quantify how exposure to the underlying index, variance, and skewness drives expected returns across different moneyness, maturity, and option types.

CBM&As from Central and Eastern Europe in 2009–2024: A Network-Based Analysis of Investment Patterns in Emerging Markets

Authors: Dominika Brózda-Wilamek (University of Lodz)

Presenters: Dominika Brózda-Wilamek (University of Lodz)

Discussant: INES GAFREJ

Abstract: This study investigates the structure and geographical patterns of cross-border mergers and acquisitions (CBM&As) initiated by Central and Eastern European Countries (CEECs) from 2009 to 2024. Using social network analysis (SNA) and MRQAP regression, it identifies key investment trends and the role of proximity factors. The findings show a significant rise in CBM&A activity, with CEECs increasingly targeting developed European countries. Poland, the Czech Republic, and Estonia are the most active investors, particularly in finance and high-tech sectors. The results also confirm that geographical and institutional proximity strongly influence investment flows. By combining SNA with a rarely used MRQAP method, the study provides a novel contribution to the literature, which has so far overlooked CEECs' role in global investment networks. The research offers practical insights for policymakers and business leaders, highlighting CEECs' evolving integration into the global investment landscape.

Convertible bond issuances and equity share price reactions: Evidence from Asian markets

Authors: Vipul Kumar Garg (Indian Institute of Management Lucknow), Sowmya Subramaniam (Indian Institute of Management Lucknow)

Presenters: Vipul Kumar Garg (Indian Institute of Management Lucknow), Sowmya Subramaniam (Indian Institute of Management Lucknow)

Discussant: Dominika Brózda-Wilamek

Abstract: The study investigates the stock market reactions to the issuances of convertible bonds (CBs) in the Asian markets using event study methodology. It examines the factors that influence the cumulative abnormal stock returns (CAR) during the CB issuance. The results of the study found that China, Hong Kong, Korea, Taiwan, and Vietnam exhibit positive stock price reactions to the CB issuances. This phenomenon suggests that in these countries the investors perceive corporations are raising funds through CB to maximize the value of the firm by investing in positive NPV projects. On the other hand, India and Japan show negative share price reactions, indicating that firms in these countries issue CBs when their equities are overvalued. Firm leverage, market run-up, and stock volatility are the major determinants of CAR during the CB issuance. The study is compelling, especially due to the recent rise in CB issuances across the Asian economies.

Wrinkles of Experience: CEO Age and Abnormal Investment

Authors: Conrad Ciccotello (University of Denver), Shahram Amini (University of Denver)

Presenters: Conrad Ciccotello (University of Denver)

Discussant: Rajesh Aggarwal

Abstract: Firms led by older CEOs significantly reduce their abnormal investment, defined as the deviation from the expected investment levels derived from a Q-theory model. CEOs in the top age tercile are associated with a 4.4% (or approximately \$669 million) decline in abnormal investment, driven primarily by reduced overinvestment. This decline in overinvestment translates to improved financial performance, reflected in higher profitability, greater efficiency, and increased firm value. The link between CEO age and overinvestment is robust to the inclusion of firm- and CEO-level characteristics and potential endogeneity concerns, and is distinct from CEO compensation-based risk-taking incentives, overconfidence, talent, and managerial abilities. CEO recession experience likely serves as a channel through which older CEOs mitigate overinvestment. Overall, the results show that CEO age and recession experience play a significant role in shaping corporate investment policy.

When Markets Never Sleep: Intraday Liquidity Patterns and Volatility Effects in Cryptocurrency Trading

Authors: Aleksander Mercik (Wroclaw University of Economics and Business), Barbara Będowska-Sójka (Poznań University of Economics and Business)

Presenters: Aleksander Mercik (Wroclaw University of Economics and Business)

Abstract: This paper examines the microstructure of cryptocurrency markets through the lens of liquidity dynamics, using high-frequency (15-minute) spread data from Binance and Coinbase for bitcoin and ethereum, paired with both fiat currencies and stablecoins. Using spectral analysis techniques, we identify significant cyclical patterns in intraday liquidity. Our analysis reveals distinct differences between weekday and weekend liquidity patterns, with weekend trading exhibiting significantly flatter intraday fluctuations and generally tighter spreads. This contrast highlights the influence of institutional trading activity that follows traditional market hours, even in markets theoretically designed for continuous operation. Out-of-sample tests confirm that models incorporating periodic components significantly improve predictive accuracy for most cryptocurrency pairs.

Forecasting Returns of European Equity Mutual Funds: A Comparison of Classical Time Series Models and LSTM Neural Networks

Authors: Marcin Bartkowiak (Poznan University of Economics and Business), Katarzyna Perez (Poznan University of Economics and Business)

Presenters: Katarzyna Perez (Poznan University of Economics and Business)

Abstract: This study compares classical time series models and Long Short-Term Memory neural networks in forecasting European equity mutual fund returns from 1990 to 2024. Classical methods include ARIMA and 3 Exponential Smoothing variants (Simple, Holt's Linear Trend, Holt-Winters Seasonal), valued for their interpretability and theoretical grounding. Forecasts are assessed using MAE, RMSE, and MAPE accuracy metrics, and their simulated investment strategies are benchmarked against a buy-and-hold approach. Performance measures such as Information Ratio, Maximum Drawdown, Calmar Ratio, and Maximum Loss Duration evaluate return consistency and resilience. LSTM model, trained via walk-forward validation, effectively captures nonlinear and long-range dependencies without requiring strict assumptions. Results indicate that while classical models perform satisfactorily in stable markets, LSTM demonstrates superior adaptability during volatile periods, albeit with reduced interpretability and higher computational demands. These insights can help analysts and investors improve active portfolio management through enhanced return forecasting.

Corporate income tax in the Netherlands – selected aspects of recent changes and their impact on companies

Authors: Pola Karolewska (Economic University of Cracow, Poland)

Presenters: Pola Karolewska (Economic University of Cracow, Poland)

Abstract: This paper analyzes selected changes to the Dutch Corporate Income Tax system introduced in 2024 and 2025, focusing on their impact on companies. Through doctrinal legal analysis, the study examines reforms related to mixed expenses, interest deductibility, investment allowances, loss relief, dividend withholding tax, and public tax reporting. Findings show a balance between base-broadening measures and targeted incentives, with modest increases in tax burden for some firms and relief for others, particularly those investing in sustainability. The research highlights that tax competitiveness depends on more than statutory rates alone. While not based on empirical data, the study provides a practical framework for understanding recent CIT changes relevant to companies, advisors, and policymakers.

Autonomous Mobility in Qatar: A Techno-Economic and Financial Analysis of Robotaxi Integration

Authors: Tariq El Dakruri (Department of Economics and Finance, Vistula University, Warsaw, Poland), Edip Senyurek (Department of Computer Engineering, Vistula University, Warsaw, Poland)

Presenters: Tariq El Dakruri (Department of Economics and Finance, Vistula University, Warsaw, Poland)

Abstract: This study evaluates the economic and environmental impacts of integrating autonomous robotaxis into Qatar's transportation sector, aligned with Qatar National Vision 2030. Using mixed-methods analysis, including cost-benefit modeling and emission frameworks, the research demonstrates that robotaxis could reduce operational costs by 20–40% through labor and energy savings while cutting CO₂ emissions by 10–20% via optimized routing and electrification. However, challenges such as charging infrastructure gaps, regulatory uncertainties, and public acceptance barriers must be addressed for large-scale deployment. Findings provide actionable insights for policymakers to balance economic gains with sustainability goals.

The asymmetric relationship between trade policy uncertainty and African forex markets

Authors: Zaghun Umar (Zayed University)

Abstract: Motivated by the potential impact of trade between different countries on the bilateral exchange rate, we study the impact of trade policy uncertainties on the forex markets of fifteen African economies by employing the causality-in-quantiles and the quantile-on-quantile framework for the period January 2015 to April 2025. We document the diverse predictive ability of trade policy uncertainty for several African economies across various quantiles, thereby underscoring a nonlinear and asymmetric relationship between trade policy uncertainty and forex markets. Our finding highlights the importance of designing cross-market and cross-asset hedging strategies for different economies and, as such, supports the integration of the African economies with global markets rather than the decoupling hypothesis. These findings have valuable implications for market participants, policymakers, investors, and regulators.

The DORA Regulation – Requirements and Challenges for Polish Banks

Authors: Zofia Polkowska (Szkoła Główna Handlowa)

Presenters: Zofia Polkowska (Szkoła Główna Handlowa)

Abstract: Regulation (EU) 2022/2554 on digital operational resilience sets out a new framework for digital risk management, including in the banking sector. The aim of this article is to assess the challenges associated with the implementation of the Digital Operational Resilience Act (DORA) in the Polish banking sector. An analysis of legal acts and a critical review of the literature on the digital transformation of the sector were carried out. The author discusses the key requirements set by DORA in the area of digital operational resilience, including ICT (Information and Communication Technology) risk management, incident reporting, system testing and supervision of relations with external suppliers. The publication also presents the main challenges faced by Polish banks in the process of adapting to the new regulations, such as the need to invest in IT infrastructure, organisational changes and cooperation with suppliers. The article contains recommendations for the practical implementation of

DORA.

Networks, Attributes and Director Elections

Authors: Yerzhan Tokbolat (Queen's University Belfast)

Presenters: Yerzhan Tokbolat (Queen's University Belfast)

Abstract: This study examines how director networks and personal attributes influence shareholder voting in director elections. Using a comprehensive dataset of director election votes, we analyse the impact of interlocking board connections on shareholder dissent. Our results reveal that directors with extensive networks face higher dissent rates, particularly at the upper end of connectedness. We also find that individual characteristics matter. Older and male directors receive more dissent, whereas Generation X directors tend to garner stronger support. Together, these findings underscore the dual role of social capital and personal attributes in shaping shareholder voting behavior, offering new insights into corporate governance and boardroom power dynamics.

Equity Risk Premium Adjusted for Geopolitical Risks: Sectoral Distributions and the Impact of Trade Wars, Sanctions, and Technological Rivalries

Authors: Sylwia Frydrych (SGH Warsaw School of Economics), Katarzyna Perez (Poznań University of Economics and Business), Michał Łukowski (Poznań University of Economics and Business), Małgorzata Snarska (Cracow University of Economics), Maria Czech (University of Economics in Katowice)

Presenters: Katarzyna Perez (Poznań University of Economics and Business), Michał Łukowski (Poznań University of Economics and Business)

Abstract: In this paper, our aim is to identify and assess the equity risk premium in various sectors in the US, Taiwan and China, and to explain this in terms of changes in investor risk aversion resulting from geopolitical uncertainty. First, we calculate the equity premium in 23 market sectors in the three aforementioned countries. We then calculate the risk aversion parameters for each sector within the sample using the modified Lucas utility function (Lucas, 1978; Mehra and Prescott, 1985; Barberis et al., 2001). Based on the results obtained, we then propose our own risk index. Finally, we compare this with the Geopolitical Risk Index (GPR) of Caldara and Iacoviello (2021).

16. Market Dynamics [Online access](#) Chair: Boone Bowles (Texas A&M University)

Do Exogenous Uninformed Order Flows Move Stock Prices?

Authors: Sida Li (Brandeis University), Ketian Guan (Brandeis University)

Discussant: Boone Bowles

Abstract: The literature suggests that stock prices can be influenced by exogenous order flows, even when they do not convey any information about future cash flows. Empirical studies employ various identification strategies to test this hypothesis, though it is difficult to find an exogenous, unexpected large order flow uncorrelated with cash flow news. In this paper, we analyze a large, exogenous, unprecedented asset purchase program around the boundaries of the CSI 500 and CSI 1000 indices. These boundaries are predetermined by market capitalization rankings well in advance of the asset purchase program. Stocks in the CSI 500 index receive a significant exogenous purchase equivalent to 4.49% of their market capitalization, while stocks in the CSI 1000 index receive only 0.51%. We find the CSI 500 stocks result in a 6.4% higher Fama-French 5-factor alpha.

Effect of regulatory changes on analyst recommendations: The case of Brazil

Authors: Riya Singla (Indian Institute of Management Amritsar)

Presenters: Riya Singla (Indian Institute of Management Amritsar)

Discussant: Kirti Saxena

Abstract: The study analyses the impact of the regulation on security analysts in an emerging economy, i.e., Brazil. The regulation, instituted by the Brazilian Securities and Exchange Commission in July 2010, improved the code of conduct for the analysts, made the analyst-affiliated institutions more responsible, and strengthened the structure of self-regulation. The sample period ranges from 1993 to 2020. The study finds that analyst forecasts and regulations show a negative relationship with the regulation, i.e., analyst optimism decreased post the implementation of the regulation. The findings suggest that the regulation seems to have effectively curbed the incentive to produce optimistic output. In addition, the fall in analyst optimism post-regulatory change shows that analyst output significantly depends on the policy environment in the nation.

Mutual Fund Shorts and Endogenous Research Intensity: Theory and Evidence

Authors: Adam Reed (University of North Carolina)

Presenters: Boone Bowles (Texas A&M University)

Discussant: Tomasz Kaczmarek

Abstract: Using granular data linking mutual fund holdings with their research behavior, we show that mutual fund managers acquire 5% more information about their shorts than their longs while shorts also earn higher abnormal returns. We reconcile these facts with a model of endogenous information acquisition that embeds short-side frictions. Extending the model with sequential-signals predicts—and the data confirm—that the highest-alpha shorts, paradoxically, are the least researched. Though this challenges conventional wisdom that more research leads to better returns, the intuition is straightforward: managers concentrate research on borderline cases, but extensive research is unnecessary for clear winners.

Unstable Gains: Evaluating the Reproducibility of Deep Reinforcement Learning in Trading and Portfolio Management

Authors: Przemysław Grądzki (University of Warsaw)

Presenters: Przemysław Grądzki (University of Warsaw)

Discussant: Alexandru-Victor Andrei

Abstract: This article investigates the reproducibility and robustness of deep reinforcement learning (DRL) in financial applications, focusing on algorithmic trading and portfolio management across stocks and cryptocurrencies. While DRL has gained popularity in these domains, most studies rely on single-run evaluations and overlook the high variance inherent to these methods. We reproduce influential DRL-based strategies under identical hyperparameters but across multiple random seeds and show that performance and learned policies vary widely under fixed configurations. These experiments highlight the fragility of commonly reported results. Even the best performing algorithms display substantial variability across runs. To improve reliability, we introduce a checkpointing strategy and quantify uncertainty using bootstrapping and permutation tests. Our findings reveal that prevailing evaluation practices risk misleading conclusions about strategy efficacy and also conceal the true risk profile of DRL-based financial models. This underscores the need for more rigorous and reproducible protocols in financial DRL research.

Multi-objective Explainable AI for Romanian Electricity Price Analysis

Authors: Alexandru-Victor Andrei (Bucharest University of Economic Studies), Daniel Traian Pele (Bucharest University of Economic Studies)

Presenters: Alexandru-Victor Andrei (Bucharest University of Economic Studies)

Discussant: Przemysław Grądzki

Abstract: This paper introduces a novel multi-objective explainable AI (XAI) framework to analyze electricity market dynamics. The increasing complexity and volatility of modern energy markets necessitate advanced analytical tools that offer both predictive accuracy and transparent, interpretable insights. Our approach simultaneously addresses three inter-connected objectives: price forecasting, volatility prediction, and price direction classification. By employing separate Random Forest models for each objective and leveraging SHAP explanations, the framework provides unified feature importance analysis. The study reveals that while some features are critical across all objectives, others are specialized. Notably, total load emerges as the dominant predictor for absolute price levels, whereas hydro generation and gas generation are primary drivers of volatility. The low correlation observed between feature importance scores across different objectives empirically validates the multi-objective approach, highlighting the distinct factors driving price, volatility, and direction.

Paraconsistent logic for predicting S&P and Ibovespa futures prices

Authors: Guilherme Martins (Federal Institute of Santa Catarina and Federal University of Santa Catarina), Newton da Costa Jr. (Federal University of Santa Catarina and Pontifical Catholic University of Parana)

Presenters: Guilherme Martins (Federal Institute of Santa Catarina and Federal University of Santa Catarina)

Discussant: Maria Leone

Abstract: This study presents a decision-making model based on paraconsistent annotated evidential logic $E\tau$ (PAEL- $E\tau$), applied to Ibovespa and S&P 500 futures trading. It identifies and resolves contradictions in technical analysis indicators, increasing investment decision reliability. Data from 1994 to 2023 train and test these models, applying moving average-based trading rules. Daily forecasts are generated from the recent past data, with a training and a testing period. Estimating degrees of certainty and uncertainty, PAEL- $E\tau$ assesses the predictive reliability of each indicator. Results indicate that isolated indicators produce conflicting signals, confirming inherent inconsistencies. However, PAEL- $E\tau$ mitigates these contradictions filtering unreliable signals. Despite short-term return improvements, statistical tests confirm no significant excess returns over buy-and-hold, reinforcing the weak-form efficient market hypothesis. The method provides an approach for handling contradictory, with potential applications in automated trading and hybrid AI models.

15:00 -
15:30

Coffee break

15:30 -
16:30

Panel discussion: What's hot in finance?

Editors' Panel: What's Hot in Finance? [Online access](#)



Iftekhar Hasan
Editor-in-Chief
Journal of Financial
Stability



Peter G. Szilagyi
Editor-in-Chief
Journal of International
Financial Markets,
Institutions and Money



Sabri Boubaker
Editor-in-Chief
Journal of International
Financial Management &
Accounting

18. Finance and Economic Development [Online access](#) Chair: Wook Sohn (KDI School)

What Drives Rural Household Savings? Evidence from an Emerging Economy

Authors: Pankaj Baag (Indian Institute of Management Kozhikode), Shaji KV (Indian Institute of Management Kozhikode), Arjun Upadhyay (Indian Institute of Management Kozhikode)

Presenters: Arjun Upadhyay (Indian Institute of Management Kozhikode)

Discussant: Wook Sohn

Abstract: Using a large financial inclusion survey conducted in rural India we attempt to find out the determinants of household savings in rural settings. We use a double hurdle model to first identify the determinants that cause savings and then those that impact the quantum of savings. We find that financial literacy, along with social security measures like insurance and pension, strengthen household savings for both agricultural and non-agricultural households. Our findings suggest that an increased focus on institutional support for the rural household is required to improve financial knowledge and attitudes toward financial products of the rural population.

The role of stock markets in economic growth: Empirical evidence from panel data analysis

Authors: Ishak Demir (The World Federation of Exchanges)

Discussant: Jiwook Yoo

Abstract: This study examines the relationship between stock market development and economic growth across 37 countries from 2003 to 2022. Using panel data analysis methods, including fully modified ordinary least squares (OLS) and panel vector error correction models, the research captures both short-term and long-term dynamics. Findings reveal a two-way influence between economic output and stock market capitalization in high-income countries in the short term. However, in low- and middle-income countries, stock market capitalization benefits economic growth, but the reverse is not true in the short term. In the long run, the analysis suggests a unidirectional positive effect of stock market capitalization on economic growth, with a weaker impact in low- and middle-income countries. The study suggests that strengthening stock markets in low- and middle-income countries is essential for fostering economic growth and sustainable development.

Is crypto adoption leading the way for financial development within the EU? A short panel model

Authors: Dr. Végh Marcell Zoltán (Szegedi Tudományegyetem, Faculty of Economics and Business Administration), Fejes Balázs Benedek (Budapesti Corvinus Egyetem, Institute of Strategy and Management), Buczi Tamás (Budapesti Corvinus Egyetem, Institute of Strategy and Management)

Discussant: Ishak Demir

Abstract: In this study, we aim to explore the relationship between crypto adoption and several well-established metrics of financial development. To achieve this, we use the Global Crypto Adoption Index scores (treated as exogenous) published by Chainalysis and combine them with other indicators of financial development, such as payment statistics, financial inclusion metrics, and financial literacy (endogenous variables). According to the literature, adoption of decentralized finance assets and methods often lags in regions with higher financial development compared to countries with less developed financial infrastructure. Nevertheless, EU policy should address this issue to maintain a competitive edge in the DeFi market and to prevent growing disparities in competitiveness among member states. Our analysis is based on a short panel model estimated in Stata, and we expect to present coefficient estimates and highlight additional unique effects derived from the model.

The Effects of Monetary Policy Transparency, Framework, and Independence on Inflation: A Case of Developing Countries

Authors: Wook Sohn (KDI School), Iegor Vyshnevskiy (Woosong University)

Presenters: Wook Sohn (KDI School)

Discussant: Aneta Kłopotka

Abstract: This paper examines the impact of monetary policy transparency (MPT) on inflation in 34 developing countries from 1998 to 2019, taking into account their central bank independence and monetary policy stance. The association between MPT and subsequent period inflation is overall weakly negative but significantly negative for Inflation Targeting (IT) countries. An application of the median quantile regression with fixed effects reveals that greater MPT is associated with lower inflation in the following period for the countries which have tight monetary policy stance or independent central bank controlling for its tight regime. The study suggests that monetary policy transmission may act against theoretical expectations for nations with non-IT regimes and dependent central bank, and central banks may benefit from increased MPT when they are independent in developing countries.

Mandatory Central Clearing and Derivative Offsetting

Authors: John Zhang (Audencia Business School)**Discussant:** Aaraadhya Srivastava

Abstract: Exploiting the adoption of mandatory central clearing by U.S. regulators, we explore the effects of this regulatory reform on banks' derivative offsetting. Using a triple-difference testing procedure, we find that derivative offsetting increases (decreases) for banks with higher (lower) capital ratios after the adoption of mandatory central clearing, in comparison to the control group. The results are economically significant and robust to a variety of alternative measurements and tests. Our findings suggest banks with different target capital ratios respond to central clearing reform differently.

"Not a dog. Not a wolf. All he knows is what he's not": detection indicators for Buffer Companies involved in complex fiscal frauds

Authors: Antonio Pellegrini (Bank of Italy), Marco De Simoni (Bank of Italy)**Presenters:** Antonio Pellegrini (Bank of Italy)**Discussant:** John Zhang

Abstract: Buffer Companies (BCs) are used in fiscal fraud, where they play a role in obscuring the link between illicit transactions and their final beneficiaries. They help extend the fraud chain and shield Real Operating Companies (ROCs) from direct involvement, while these latter ultimately benefit from illicit activities. This makes detection more difficult for AML functions of financial intermediaries (FIs). In this study, we build and analyze a unique dataset of BCs, sourced from Italian Supreme Court rulings and suspicious transaction reports submitted to the Italian Financial Intelligence Unit (UIF). Our findings reveal that BCs exhibit an "amphibious" behavior, combining features of both Shell Companies (SCs) and ROCs. We develop a composite indicator for identifying potential BCs, offering a screening tool for AML functions of FIs. This tool can support more effective detection and timely reporting of suspicious entities to UIF, thereby reducing the risk associated with serving potential criminal clients.

End-of-Day Reversal

Authors: Amar Soebhag (Erasmus University Rotterdam), Guido Baltussen (Erasmus University Rotterdam), Zhi Da (Notre Dame University)**Presenters:** Amar Soebhag (Erasmus University Rotterdam)**Discussant:** Szymon Stereńczak

Abstract: Individual stocks experience sharp intraday return reversals in the cross-section during the last 30 minutes of the trading day. This "end-of-day reversal" pattern is economically and statistically highly significant, is distinct from market intraday momentum, and primarily comes from positive price pressure on intraday losers. The effect cannot be explained by liquidity- or gamma-hedging effects. Instead, two novel channels related to attention-induced retail purchases and risk management by short-sellers at the end of the day are driving the effect.

Does Stock Market Performance Reflect Instability, Risk, or Uncertainty?

Authors: ROLAND CLERE (Independent researcher, PhD candidate at the Doctoral School of Legal, Political and Management Sciences, University of Lille, France.)**Discussant:** Chaoying Lin

Abstract: This article examines the volatility and performance of the U.S. stock market amid debates on informational efficiency. Using Monte Carlo simulations and regression models on the S&P 500 index, it demonstrates that annual returns and volatility are largely explained by fundamental variables known ex-ante. The findings highlight the challenge of distinguishing randomness from uncertainty, both impacting the required rate of return. The study uncovers an implicit valuation convention that makes short-term market performance partially predictable, contrasting with the longer horizons of Shiller's cyclically adjusted P/E ratio (CA-PE). Additionally, it proposes a novel, non-conventional explanation of the ex-ante required return based on capital accumulation and volatility and inflation derived from recent pre-investment observations. These results question Fama's semi-strong market efficiency hypothesis and suggest new opportunities for investors who recognize and interpret prevailing market conventions.

The Impact of Carbon Risk on the US Equity Retirement Investment Funds

Authors: Bogna Janik (Uniwersytet WSB Merito), Piotr Płuciennik (Adam Mickiewicz University in Poznan)**Presenters:** Piotr Płuciennik (Adam Mickiewicz University in Poznan)**Discussant:** Juliusz Jablecki

Abstract: The study examines the impact of Carbon Risk Scores (CRS) on market risk measured by Value-at-Risk (VaR) of US Equity Retirement Investment Funds. The GARCH-type models were used to determine the dynamic VaR measure and in the next step, the relationship between VaR and the funds' CRS. Furthermore, the relationship between VaR and funds' CRS was examined throughout the period analyzed for the funds grouping into nine-cell boxes according to Morningstar's Style Box classification. The correlation analysis indicates a statistically significant relationship between market risk and CRS indicators. These relationships are not constant over time, becoming significantly weaker towards the end of the analyzed period.

The Nexus of High-Frequency Trading, Market Fragmentation and Market Liquidity: A Cross-Market Equilibrium Analysis

Authors: Shahadat Hossain (University of Chittagong)

Discussant: Michał Łukowski

Abstract: This paper addresses the ongoing debate regarding the social benefits of two significant recent changes in the equity market microstructure: high-frequency trading (HFT) and trade fragmentation. Employing a unique, extraordinarily large dataset of millisecond time-stamped trades and quotes from 2008 to 2016, enriched with data from the London Stock Exchange (LSE) and three multilateral trading facilities (MTFs)—CHIX, Bats, and Turquoise, this study evaluates how HFT and fragmentation simultaneously impact market liquidity through a cross-market simultaneous equations model approach. The analysis reveals novel findings at the intersection of HFT and fragmentation, identifying an interlinkage that influences, at least partially, the extent of their individual effects on liquidity. The results demonstrate that HFT enhances liquidity across trading venues, with advanced low-latency features at the exchange level significantly narrowing both quoted and effective spreads. CHIX, in particular, stands out for attracting HFT due to its superior low-latency technology since its inception. Market fragmentation harms the primary exchange's liquidity while improving that of alternative trading exchanges. Further, cross-market liquidity and HFT activities suggest that HFT market-making activities are interconnected across markets, with HFT liquidity supply being higher at exchanges where spreads are wider. The impact of HFT is also time-invariant; it not only sustains but also improves market liquidity during periods of financial crisis. Additionally, HFTs concentrate on the primary exchange during periods of higher volatility. A statistically significant market-wide HFT component positively affects HFT activities across markets. Among other determinants, fragmentation positively affects HFT—the higher the fragmentation, the more HFT activity.

Which business cycle matters for dividends from foreign direct investments?

Authors: Rafał Woźniak (Faculty of Economic Sciences University of Warsaw), Jacek Lewkowicz (Faculty of Economic Sciences University of Warsaw), Michał Kupc (Narodowy Bank Polski), Józef Sobota (Warsaw)

Presenters: Rafał Woźniak (Faculty of Economic Sciences University of Warsaw)

Discussant: Clinton Watkins

Abstract: This paper aims to shed light on the determinants of dividends arising from foreign direct investment (FDI), with a particular focus on the role of the business cycle in the investor's home country – a factor that remains relatively underexplored in the literature. We use the Eurostat bilateral data on dividends and the stock of the foreign direct investment. Additionally, we calculate business cycle indicators for both reporting and partner countries. To test our hypothesis that the investor country's business cycle significantly influences dividend payments, we apply panel data models that account for both cross-country and temporal variation.

Stock and sovereign returns linkages: time-varying causality and extreme-quantile determinants

Authors: António Afonso (ISEG - Lisbon School of Economics and Management), José Alves (ISEG - Lisbon School of Economics and Management), Wojciech Grabowski (Department of Econometric Models and Forecasts, University of Lodz), Sofia Monteiro (ISEG - Lisbon School of Economics and Management)

Discussant: Zaghum Umar

Abstract: We employ a cross-quantilogram approach to assess relationships between quantiles of stock returns and sovereign yields, in the U.S. and Germany, in the period 1990-2024. Specifically, we focus on the lowest 5% quantile of stock returns and the highest 5% quantile of bond returns, providing insights into tail dependencies, crucial during market downturns and periods of heightened volatility. We also measure causality in volatilities extending well-known approaches analyzing volatility transmission. We find significant cross-market relationships between U.S. and German stock and bond markets, influenced by economic crises, macroeconomic dynamics, and monetary policy interventions, and financial stress play a crucial role.

Sovereign-bank nexus in Poland. The case of duration risk and its implications for banking activity

Authors: Marcin Czaplicki (Warsaw School of Economics)

Discussant: Lukas Diebold

Abstract: The article tackles the issue of the duration risk of banks' sovereign debt portfolio in Poland, identifies its determinants, and presents its implications for banking activity. We employ qualitative and quantitative data analysis (including OLS regression) and show that banks increase the exposure to duration risk at the time when rates are about to increase, and decrease this exposure at the time, when they are about to fall. In other words, they increase their vulnerability to duration risk when it poses a threat, and decrease it, when it presents a chance for rising valuation of bonds. Finally, the article elaborates on the implications of this sovereign-bank nexus in Poland, as it affects the deposit and lending policy of Polish banks, with the duration risk serving as an amplifying tool.

Banks, Governments and the Intervention Dilemma

Authors: Augusto Hasman (EHL Hospitality Business School, HES-SO, University of Applied Sciences and Arts Western Switzerland), Margarita Samartin (Universidad Carlos III de Madrid)

Presenters: Augusto Hasman (EHL Hospitality Business School, HES-SO, University of Applied Sciences and Arts Western Switzerland)

Discussant: Marcin Czaplicki

Abstract: This paper investigates the long-term relationship between government-provided public goods and the banking sector's role in converting liquid assets into long-term investments. We explore how deposit insurance can lead banks to take on excessive risk, and assess the implications of three regulatory approaches—non-intervention, liquidity requirements, and bailouts. Each policy introduces trade-offs, especially concerning the government's capacity to maintain public goods provision. By incorporating individuals' preferences for public spending and the relative importance of depositors in the social welfare function, we map out the conditions under which each regulatory approach becomes optimal. Our analysis offers a novel perspective by framing financial regulation within a long-term public finance context, showing that while interventions can curb banking-sector risk, they may also carry enduring fiscal consequences through reduced public services provision.

Loanly Governments: Sovereign Debt in the Wake of Credit Downgrades

Authors: Lukas Diebold (Universidad Carlos III de Madrid), Lukas Hack (ETH Zürich)

Presenters: Lukas Diebold (Universidad Carlos III de Madrid)

Discussant: Augusto Hasman

Abstract: This paper explores the funding structure of governments, examining financing beyond sovereign bond markets. We document significant heterogeneity in the use of bonds and loans and in the composition of foreign and domestic creditors. We relate this heterogeneity to sovereign credit ratings and present three key findings. First, sovereigns change the composition of financing instruments when credit ratings change. Second, not all rating changes and countries are alike. We find strong evidence for substitution from bonds to loans only when (i) credit ratings decrease and (ii) countries have been rated sufficiently low. Third, the strength of this substitution effect increases with the exposure to foreign bondholders, consistent with these investors being more sensitive to changes in creditworthiness. Finally, we show that the documented loan-bond substitution is accompanied by lower government spending and GDP, suggesting real adverse consequences from loan-bond substitution.

Nexus Between Tax Effectiveness, Taxation Policy, and Double Taxation Conventions. A Panel Data Model Approach

Authors: Florin Cornel Dumiter (Vasile Goldis Western University of Arad, Romania), Klaus Bruno Schebesch (Vasile Goldis Western University of Arad, Romania), Ștefania Amalia Nicoară (Vasile Goldis Western University of Arad, Romania), Horațiu Florin Șoim (Vasile Goldis Western University of Arad, Romania), Cristian Berțe (Vasile Goldis Western University of Arad, Romania)

Presenters: Florin Cornel Dumiter (Vasile Goldis Western University of Arad, Romania)

Discussant: Sovik Mukherjee

Abstract: Taxation represents one of the most important issues nowadays in the field of economics, *lato sensu*, and in the field of finance, *stricto sensu*. In this study, we tackle the complex problem of taxation policy in the context of tax effectiveness and with the background of the double taxation conventions for creating the fiscal space. In this regard, it is used Dumiter's (2023) index is used in order to evaluate and assess the impact of fiscal policy upon the economy, and to assess the tax effectiveness criteria of tax authorities. The research methodology encompasses panel data modeling techniques for a sample of 38 OECD countries with a long-run financial database. The conclusions of the study reveal that tax compliance and tax culture are very important features for reducing tax evasion, and a stable tax law framework is needed for the long-term efficiency of the fiscal policy

India's Balance of Payments in Three Decades of Liberalization: With a Focus on Exchange Rate Dynamics and Monetary Policy

Authors: Sovik Mukherjee (St. Xavier's University, Kolkata (INDIA))

Discussant: Florin Cornel Dumiter

Abstract: India's balance of payments (BoP) has undergone significant changes during three decades of liberalization, facing major global disruptions such as the East Asian crisis (1997–98), the global financial crisis (2007–08), and the Eurozone debt crisis (2011–12). This paper examines India's BoP from 1992–93 to 2021–22, focusing on structural shifts, exchange rate behavior, and monetary policy dynamics. The first part explores exchange rate volatility from trade balance and trade volume perspectives, analyzing real and nominal effective exchange rate movements alongside export and import trends in both pre- and post-reform periods. The second part investigates monetary policy through the relationship between the REPO rate and key variables: inflation, GDP growth, exchange rate, and money supply. Using Granger Causality and Johansen cointegration tests, the study finds unidirectional causality from all focus variables to monetary policy dynamics (captured through REPO rate). It concludes with policy suggestions.

What Determines the Pricing of Yankee Bonds?

Authors: Jeffrey Jun Chen (North Dakota State University), Tao-Hsien Dolly King (University of North Carolina at Charlotte), Jeffrey Lyon (University of North Carolina at Charlotte), Trung Nguyen (University of North Carolina at Charlotte)

Presenters: Jeffrey Jun Chen (North Dakota State University)

Discussant: Niclas Käfer

Abstract: Based on a sample from 105 countries from 1994 to 2022, we demonstrate that institutional demand plays a significant and incremental role in driving Yankee bond yields after controlling for bond characteristics, macroeconomic factors, and country and industry fixed effects. Total, buy, or net trading volume has a significantly negative effect on Yankee bond yield spreads. Robustness checks confirm that the impact is not limited to a particular home country or a specific industry sector, and it remains robust after we exclude crisis periods. The rate-reduction effect can be explained by the credit risk mitigation and liquidity improvement channels. We find the effect to be more pronounced for bonds issued by firms from countries with weaker creditor protection, lower sovereign credit ratings, or less sovereign liquidity. Our results highlight that the institutional demand serves as an important pricing factor for Yankee bonds.

Financial Knowledge and Behavior in Emerging Markets: Insights from Ecuadorian Millennials

Authors: Mercedes Baño (Universidad Católica de Santiago de Guayaquil), Christian Mendoza (Universidad Católica de Santiago de Guayaquil)

Presenters: Mercedes Baño (Universidad Católica de Santiago de Guayaquil)

Discussant: Jennifer Brodmann

Abstract: This paper investigates the cognitive and behavioral determinants of financial decision-making among individual investors in Guayaquil, Ecuador—one of the most dynamic financial hubs in an emerging Latin American economy. Grounded in behavioral finance theory, the study explores how financial literacy, emotional self-regulation, and personal saving habits influence rational investment decisions. A validated 31-item Likert-scale instrument was applied to a representative sample of 383 participants. Statistical analysis using Pearson correlation and Kolmogorov-Smirnov tests revealed strong positive associations between financial planning behaviors and sound investment choices. Conversely, emotional impulsiveness and fear of financial loss were found to hinder decision quality. This study contributes to the understanding of investor psychology in developing contexts and underscores the importance of targeted financial education and behavioral interventions. Its findings are particularly relevant for policymakers, financial institutions, and educators aiming to expand financial inclusion and resilience in emerging markets.

Bridging the Gap? Microfinance Institutions and Inequality in Developing Economies

Authors: Mehdi Mahmoudi (Paris-Panthéon-Assas University), Nicolae Bogdan Ianc (University of Orléans and West University of Timisoara)

Presenters: Nicolae Bogdan Ianc (University of Orléans and West University of Timisoara)

Discussant: Christian Mendoza

Abstract: We analyze microfinance institutions and inequality relationship in developing economies and use data from 2000 to 2018 on 60 developing countries. The findings reveal a dual impact of microfinance institutions: their social performance—manifested through financial inclusion and empowerment—contributes to reducing extreme inequalities, particularly by uplifting low-income populations. In contrast, certain aspects of financial performance, such as operational self-sufficiency (OSS), may inadvertently reinforce income concentration at the upper end of the distribution. This suggests that, on the one hand, social inclusion efforts may also benefit the wealthiest segments of society, possibly through indirect effects on overall economic activity. On the other hand, the growth of this share is strongly and negatively correlated with the risk portfolio, indicating that the financial vulnerability of MFIs tends to reduce income concentration at the top, perhaps by curbing the allocation of credit to the most profitable segments.

Deals in Sun and Fog: Venture Capital Investment and Innovation in Southern and Northern California

Authors: Jennifer Brodmann (California State University Dominguez Hills), Mahelet Fikru (Missouri University of Science and Technology), Anh Thu Mai (Purdue University Northwest)

Presenters: Jennifer Brodmann (California State University Dominguez Hills)

Discussant: Nicolae Bogdan Ianc

Abstract: Private investment in Northern and Southern California attracts attention due to the state's role as home to two global venture capital (VC) hubs. Using PitchBook data and the TechPulse Index, our study examines how market disruptions, firm characteristics, sector, and time trends affect venture capital deal size. In Northern California, financial services and Business to Consumer (B2C) firms raise larger deals, while energy firms raise smaller ones. In contrast, industry sector is not significantly linked to deal size in Southern California. Across both regions, firm financial health, measured by total equity and prior funding, is the strongest predictor of deal size. Older firms tend to raise smaller deals, but this fades when accounting for market disruptions. These findings highlight shared financial drivers and distinct regional patterns, offering insights for investors, entrepreneurs, and policymakers.

Banking Against the Odds: Performance and Lending Efficiency of Government Banks during Crisis.

Authors: Nitin Vishen (Indian Institute of Management Bangalore), Joel Christopher (Indian Institute of Management Bangalore), Abhinav Anand (Indian Institute of Management Kozhikode), Sankarshan Basu (Indian Institute of Management Bangalore)

Presenters: Joel Christopher (Indian Institute of Management Bangalore)

Discussant: Sida Li

Abstract: Government-owned banks are often inefficient but can stabilize economies during downturns. Using difference-in-differences analyses of Indian banks during the Covid-19 crisis, we show that government-owned banks significantly expanded lending, especially in severely impacted regions. However, contrary to prior literature, these banks outperformed private banks, achieving higher profitability, lower non-performing loans, and better stock market performance without compromising lending quality. We attribute this outperformance to pre-pandemic policy interventions, including the adoption of digital banking and regulator-driven balance sheet clean-ups, which enabled sustainable counter-cyclical lending. Deposit growth and non-banking activities do not explain the observed increases in lending and profitability.

19:30 -
22:30

Conference Dinner

09 September 2025

08:30 -
09:00

Welcome coffee

25. Sustainable Investing [Online access](#) Chair: Mahmoud Zarea (Cairo University- Faculty of Commerce)

Does market fear affect the ESG asset prices in the USA and India

Authors: Lalatendu Mishra (Indian Institute of Technology Kanpur)

Presenters: Lalatendu Mishra (Indian Institute of Technology Kanpur)

Discussant: Łukasz Wicki

Abstract: This study explores the effect of market fear on the ESG asset prices in the USA and India, using quantile regression. We have considered the ESG stocks and ETFs for the analysis. The volatility index is used as a proxy for market fear. The volatility index has a negative relationship with the ESG stock and ETF. The magnitude of this effect varies across the quantiles and assets in both countries. This study will help the stakeholders.

Do investors achieve any benefits when investing with ESG objectives? Risk-Return efficiency and performance analysis of equity investment funds in Europe based on the Sustainable Finance Disclosure Regulation (SFDR).

Authors: Łukasz Wicki (University of Warsaw)

Presenters: Łukasz Wicki (University of Warsaw)

Discussant: João Fragoso

Abstract: This study examines whether investors benefit from choosing equity funds classified under the EU's Sustainable Finance Disclosure Regulation (SFDR). Analyzing 4,779 funds across Articles 6, 8, and 9, it evaluates risk-return efficiency using metrics like Sharpe ratio, beta, alpha, and total returns. Employing statistical methods including ANOVA, regression, and logit models, the study finds that funds under Articles 8 and 9 may offer more consistent performance for certain indicators. However, results vary by metric and period. ESG funds also face higher compliance costs, and their narrower investment universe may reduce alpha returns. By focusing on SFDR classifications rather than ESG scores, the study offers new insights for investors, fund managers, and regulators into the financial implications of sustainability in portfolio design.

ESG and banking financial performance: A multi-level meta-analysis review.

Authors: Mahmoud Zarea (Universitat Autònoma de Barcelona)

Presenters: Mahmoud Zarea (Universitat Autònoma de Barcelona)

Discussant: Mehmet Umutlu

Abstract: This study clarifies the ongoing debate on the relationship between Environmental, Social, and Governance (ESG) performance and financial outcomes in the banking sector by synthesizing existing empirical evidence. A systematic review identified 28 peer-reviewed studies comprising 196 effect sizes. Employing a three-level random-effects meta-analytic approach, we assess the overall ESG-performance relationship and test key moderators, including ESG subcomponents, data sources, and financial performance measures. Results confirm a strong positive association between ESG engagement and bank performance. Environmental and social factors consistently drive value creation, whereas governance plays a lesser role. Return on Equity is particularly responsive to ESG variation, and divergence among rating providers underscores the need for methodological transparency. Findings are robust to publication bias. As the first meta-analysis exclusively targeting the banking sector—with integrated multilevel and subgroup analyses—this study reconciles conflicting results and offers actionable insights for researchers and policymakers.

Evaluating Digital Financial Inclusion's Impact on Regional Economic Efficiency in China

Authors: Satar Bakhsh (China University of Geosciences)

Presenters: Satar Bakhsh (China University of Geosciences)

Discussant: Ramona Rupeika-Apoga

Abstract: Digital financial inclusion narrows the gap in regional financial services, reshapes regional labor divisions, and enhances overall economic efficiency. Therefore, this study investigates the theoretical logic and impact of digital financial inclusion on regional economic efficiency using Chinese provincial panel data from 2011 to 2020. The results show that digital financial inclusion significantly improves regional economic efficiency. It primarily mitigates financial exclusion with the support of provincial transportation infrastructure and traditional financial development, improves the availability of factors in vulnerable areas and groups, and thus improves the overall regional economic efficiency. This promotion effect is based on a certain level of economic development and traditional financial development. Additionally, digital financial inclusion contributes to regional economic efficiency by fostering entrepreneurial activities and reducing educational disparities between regions.

Financial Inclusion and sustainability of economic Development. Empirical evidence from Selected EU member States.

Authors: Eugene Muvunyi (University of Szczecin)

Presenters: Eugene Muvunyi (University of Szczecin)

Discussant: Arjun Upadhyay

Abstract: This study examines the impact of financial inclusion on economic development in selected European countries from 2014 to 2023. Using econometric models and composite indices, the research draws on data from FAS-IMF, WDI, and Eurostat. Findings show no consistent relationship between financial inclusion and economic development across EU states. The effects varied before and after the COVID-19 pandemic, with 2020's economic downturn marking a significant structural break. In highly developed countries, some common indicators of financial inclusion proved inadequate. The study suggests that identifying optimal conditions for leveraging financial inclusion can help reduce development disparities, particularly by supporting low-income populations.

Structural and Demographic Predictors of Voluntary Pension Participation: Evidence from the Baltic States

Authors: Ramona Rupeika-Apoga (University of Latvia)

Presenters: Ramona Rupeika-Apoga (University of Latvia)

Discussant: Lalatendu Mishra

Abstract: Voluntary private pensions play a growing role in supplementing public retirement systems, yet participation remains markedly unequal. While most research emphasizes behavioral and informational drivers, this study examines how structural and demographic characteristics shape voluntary pension engagement in Baltic states. Drawing on social stratification theory, we focus on individuals already aware of retirement planning needs, thereby isolating structural exclusion from informational deficits. Using 2023 OECD/INFE survey data and logistic regression models, we find that higher income, education, urban residence, and self-employment significantly increase the likelihood of pension ownership, while unemployment, economic inactivity, and residence in Latvia or Lithuania reduce it. These findings contribute to the statistical measurement of long-term financial inclusion and highlight how socio-economic position and institutional context jointly structure access to retirement instruments. The results carry implications for evidence-based pension reforms, regional policy design, and sustainable economic planning in post-socialist EU members.

The moderating effect of company-specific investor sentiment on stock price reactions to exogenous shocks

Authors: Sabina Nowak (University of Gdansk), Anna Blajer-Gołębiewska (University of Gdansk), Lukas Honecker (University of Gdansk)

Presenters: Sabina Nowak (University of Gdansk), Anna Blajer-Gołębiewska (University of Gdansk)

Discussant: Ying Shi

Abstract: This study investigates the moderating role of market-based, company-specific investor sentiment (IS) on stock price reactions to exogenous shocks. Utilizing data from 367 S&P 500 companies, we construct a daily IS indicator based on principal component analysis of market variables. We assess abnormal returns and volatility surrounding three key pandemic-related announcements by applying event study methodology, GARCH modelling, and non-parametric tests. Our findings reveal significant differences in cumulative abnormal returns between high- and low-IS firms, particularly during the initial shock, suggesting that IS moderates stock return reactions. However, no corresponding moderating effect of IS on stock price volatility was found. These results imply that while IS influences return sensitivity to unexpected exogenous shocks, it does not buffer the impact of volatility. The study offers practical insights into the nuanced role of IS under crisis conditions and highlights the value of market-based sentiment measures.

Contagion Effects of Share Repurchase Announcements Within Business Groups

Authors: Amrinder Singh (Indian Institute of Management Sirmaur), Divya Soni (Indian Institute of Management Sirmaur), Kirti Saxena (Indian Institute of Management Indore)

Presenters: Divya Soni (Indian Institute of Management Sirmaur)

Discussant: Dionisis Philippas

Abstract: This study investigates whether share repurchase announcements made by business group-affiliated firms in India generate spillover effects on the stock prices of their peer firms within the same group. Drawing on a sample of publicly listed Indian firms, we construct portfolios of non-announcing (non-event) group firms to assess their cumulative abnormal returns (CARs) following a repurchase announcement by a group-affiliated firm (event firm). We document significant positive spillover effects, indicating that the market reacts not only to the repurchasing firm but also to its affiliated peers, suggesting shared investor sentiment and perceived reallocation of value within the group. These results contribute to the literature on intra-group dynamics, signaling theory, and investor interpretation of corporate actions in emerging markets.

The Imitation Game: To Conform or To Perform

Authors: Costas Siriopoulos (Zayed University), Manos Sfakianakis (European Commission), Dionisis Philippas (ESSCA School of Management)

Presenters: Dionisis Philippas (ESSCA School of Management)

Discussant: Yerzhan Tokbolat

Abstract: The concept of imitation introduces new rules in shaping the behaviour of organizations. Little has been written about the imitation behaviour of banking institutions and its role in their business paradigms and performance. This paper proposes a novel approach that classifies banks into reference clusters upon business activities, which amplify or dampen through imitative behaviour. Using an empirical setting of European banks, we argue that banks imitate, shifting their own ex ante business models, which may boost risk-taking and deteriorate business performance.

Monetary Sovereignty and Central Bank Institutional Design: Implications for Fiscal Policy Autonomy and Economic Stability

Authors: Michal Ostrowski (University of Wrocław)

Presenters: Michal Ostrowski (University of Wrocław)

Discussant: Muhammad Ali Nasir

Abstract: This paper analyzes how central bank institutional frameworks shape governmental fiscal autonomy. It develops a conceptual spectrum of monetary sovereignty based on the relationship between central banks and governments, distinguishing three institutional models: Integrated (treasury-central bank integration), Intermediate (partial independence), and Independent (full autonomy and prohibition on monetary financing). Each model differently defines fiscal policy constraints and the functional role of taxation—from monetary stabilization to revenue generation. Comparative analysis of key global economies, including the U.S., China, Japan, and European countries, reveals how institutional structures concretely limit government spending and tax policy decisions. Findings emphasize that even monetarily sovereign states deliberately adopt central bank independence to mitigate inflation risks, political deficit bias, and maintain currency credibility. The paper offers policy insights into how central bank governance impacts practical fiscal policymaking.

Monetary Policy and Credit Gap: What about Central Bank Independence?

Authors: Bilge Karatas (Utrecht University)

Presenters: Bilge Karatas (Utrecht University)

Discussant: Michal Ostrowski

Abstract: This study analyzes the influence of monetary policy on financial sector imbalances focusing on the role of Central Bank Independence in transmitting monetary policy to the credit markets. Based on the analysis on 41 developed and developing countries having quarterly data between 1980 and 2022, the study establishes that the expansionary monetary policy leads to an increase in the Credit-to-GDP gap. However, this relationship is reversed for countries that have high Central Bank Independence which is robust to the use of unconventional monetary policy as the monetary policy tool. The results in general indicate that the Central Bank Independence decreases and even reverses the effectiveness of monetary policy in influencing credit markets.

Asset Pricing with Investor Learning About the Fed's Ability to Control Inflation

Authors: Michael Hasler (University of Neuchatel)

Presenters: Michael Hasler (University of Neuchatel)

Abstract: This paper builds an asset pricing model to investigate the stock market implications of uncertainty surrounding the Federal Reserve's (Fed) inflation-fighting ability. In the model, investors learn about the Fed's ability to control inflation. This learning process amplifies the market risk premium and return volatility, particularly during highly accommodative or restrictive monetary policy cycles. The effect is stronger during restrictive cycles, as learning magnifies stock responses to inflation surprises. Moreover, a decline in the Fed's perceived ability further boosts risk premia and volatility by fueling expectations of more persistent inflation. Empirical tests support the model's predictions, demonstrating the central role of beliefs about the Fed's ability in driving asset prices.

Encouraging Systemic Awareness of Agents in Order for Economic Transformation to Evolve into a Reproductive Mechanism of New Rules Formation

Authors: Eirini C. Drakou (Department of Economics, University of Thessaly)**Presenters:** Eirini C. Drakou (Department of Economics, University of Thessaly)**Discussant:** Sankarshan Basu

Abstract: This paper explores the inter-relations between the key development factors which economic transformation literature indicates, by using exploratory factor analysis (EFA) of a dataset of 43 variables, spanning between 2017-2019, for 61 developed and developing countries. The aim is to apply systems thinking, under DSRP framework, in the interpretation of results, in order to highlight structural patterns and evolutionary processes that are unified as economic transformation. The interpretative and guiding key proved to be the fundamental importance attributed to the innovators and entrepreneurs initiating and driving the process, being the social group that forms synergisms of multi-stakeholder networks, inducing inclusive decision-making and setting the rules for open, active involvement of new entrants. This political economy perspective creates the ground for theoretical concepts of creative destruction, path dependence, path creation and transaction costs to be placed in an exploratory dialogue between them.

Exploring Global Trends in AI-Driven ESG: Research for Advancing Sustainable Finance

Authors: Nihal Touti (National School of Business and Management, Sidi Mohamed Ben Abdellah University, Fez, Morocco.), Asmaa Alaoui Taib (National School of Business and Management, Sidi Mohamed Ben Abdellah University, Fez, Morocco.), Boutayna Elghomri (National School of Applied Sciences, Sidi Mohamed Ben Abdellah University, Fez, Morocco.)

Presenters: Nihal Touti (National School of Business and Management, Sidi Mohamed Ben Abdellah University, Fez, Morocco.)**Discussant:** Marcin Potrykus

Abstract: This study explores the global scientific landscape of AI applications in ESG research, focusing on implications for sustainable finance. Using bibliometric network analysis of 581 peer-reviewed publications from 2005 to 2025, retrieved from Scopus and Web of Science, the paper identifies key publication trends, leading countries and institutions, and thematic research clusters. The findings reveal rapid growth in AI-driven ESG literature since 2015, with strong contributions from India and the United States. Co-authorship and citation analyses highlight hubs of collaboration and influence within the global research community. Cluster mapping identifies four main research fronts: ESG accountability through advanced technologies, AI-driven climate risk management, digital transformation in ESG practices, and AI-based decision-making for sustainability. By uncovering the structure and trajectory of this emerging domain, the study offers insights into how AI-enhanced ESG research supports improved decision-making, accountability, and innovation in sustainable finance.

Does economic complexity tame the stock markets? International evidence

Authors: Kirti Saxena (Indian Institute of Management Indore), Vaibhav Lalwani (XLRI Xavier School of Management Delhi-NCR)**Presenters:** Kirti Saxena (Indian Institute of Management Indore)**Discussant:** Joel Christopher

Abstract: Using panel data from 81 countries, we test whether economic complexity influences stock market volatility. Our results show that countries with more diverse and unique products (i.e., higher economic complexity) tend to experience higher asset-price stability. This relationship is particularly strong for emerging market economies. In additional tests, we find that the benefit of lower volatility kicks in after economic complexity breaches a certain threshold, below which the gains are either lower or insignificant. Our results are robust in response to concerns about endogeneity. Further analysis reveals that trade complexity significantly influences stock market stability more than technology and research complexities.

Investing in paintings, sculptures, photography, and prints: what we know about price bubbles in those markets

Authors: Marcin Potrykus (Gdańsk University of Technology)**Presenters:** Marcin Potrykus (Gdańsk University of Technology)**Discussant:** Eirini C. Drakou

Abstract: This article employs the GSADF test and phi correlation coefficients to investigate the occurrence and co-occurrence of price bubbles across 25 indices representing the art market. These indices include four segments of the art market: paintings, sculptures, photography, and prints. The analysis covers monthly data from June 1985 to July 2024. The most significant findings are as follows. First, the occurrence of periods identified as price bubbles was confirmed across all 25 indices. It was also shown that there is considerable variation in the duration of price bubbles among the indices studied, ranging from less than 10% (for the Prints German OM and Prints French 19th indices) to over 50% (for the Photography E&A, Photography American, and Sculpture Euro & NA indices). The overall average duration across all indices was 28.9%. Additionally, it was observed that the art market tends to experience positive co-occurrence of price bubbles.

Financial Stability in Commercial Banks: Current Key Trends

Authors: Elias Mukarker (Bethlehem University), Mohammad Alqudah (Universitat de Valencia), Lana Abu Farha (The University of Jordan), Samer Alrahamneh (University of Extremadura), Naji Alslaibi (Bethlehem University)

Presenters: Elias Mukarker (Bethlehem University)

Discussant: Eugene Muvunyi

Abstract: This study explores financial stability in commercial banks by analyzing the interaction between monetary policy, capital regulation, and macroprudential policy. Despite growing literature, there is limited consensus on how these tools collectively influence banking sector resilience. Applying a systematic literature review guided by PRISMA, the study synthesizes key trends, theoretical models, and empirical evidence. Findings suggest that accommodative monetary policy can heighten risk-taking behavior, while robust capital regulations help mitigate this effect. Four main themes emerge: the risk channel of monetary policy, capital adequacy frameworks, systemic risk modeling, and integrated prudential approaches. The study highlights increasing attention from central banks and international institutions since the 2008 financial crisis. By identifying conceptual overlaps and gaps, this research offers a comprehensive framework for policymakers to strengthen financial stability in a rapidly evolving economic landscape. It serves as a valuable resource for guiding future research and policy formulation in financial system governance.

Shadow Banks, Financial Inclusion, and Financial Stability: Does Institutional Quality Matter?

Authors: Rashmi Arora (University of Bradford)

Presenters: Rashmi Arora (University of Bradford)

Discussant: Naji Alslaibi

Abstract: The role of non-banking financial institutions or shadow banks in the financial sector is much complex and controversial. While they lead to increase in financial inclusion and support economic activity, at the same time they can also lead to creation of systemic risks and instability in the financial sector due to regulatory gaps. In this study we look at the NBFC sector in three of the original BRICS economies located in Asia- India, China and Indonesia. The research question of the study is: What is the relationship between shadow banks, (interconnectedness between banks and NBFIs) financial inclusion and financial stability? (IMF 2025). Does institutional quality make a difference in this relationship? The study examines triangular relationship and explores the moderating role of institutional quality in this perspective. We examine this specifically in the case of three Asian countries: India, China and Indonesia.

Nexus Between Capital Risk, Financial Performance And Basel II in the Common Monetary Area (CMA)

Authors: Annastasia Mutorwa (University of Namibia, Namibia), Christopher Shafuda (University of Namibia, Namibia), Dr MccPowell Fombang (University of Stellenbosch Business School)

Presenters: Annastasia Mutorwa (University of Namibia, Namibia)

Discussant: Tihana Škrinjaric

Abstract: BASELII aims to ensure banks hold enough capital to absorb unexpected losses and maintain financial stability. All members of the Common Monetary Area (CMA) implemented BASELII to maximise its benefits. However, existing literature presents conflicting views of implementation. Therefore, this empirical study aimed to assess whether BASELII provides the anticipated advantages by exploring the nexus between capital risk, financial performance, and BASELII. It used annual data from 2001 to 2023, with the Fixed Effect Model proving most suitable. Results showed insufficient evidence to confirm or deny the claimed benefits. Nonetheless, overhead costs (OVHC) demonstrated a significant positive impact on banks' financial performance; specifically, a one-unit increase in OVHC was associated with approximately a threefold increase in financial performance. Consequently, banks should carefully manage their OVHC, as they directly influence financial outcomes. These findings may benefit academics and banking practitioners and help fill the existing research gap on CMA countries.

Developing a House Price at Risk Framework for UK

Authors: Tihana Škrinjaric (Bank of England)

Presenters: Tihana Škrinjaric (Bank of England)

Discussant: Rashmi Arora

Abstract: The main goal of this paper is to better understand how to forecast house price dynamics at different parts of the distribution, with corresponding probabilities, at the UK national and sub-national level. We apply quantile regression to derive a measure of house-price-at-risk. We fit the forecasted probability density function, in order to derive measures of downside risks and uncertainty. Our main findings are that since the 1970s, the most important factors for median house price growth have been: GDP growth, stock market growth, mortgage interest rate change, transaction growth, as well as exuberance. For the tail of the distribution, we find the key drivers instead: transaction growth, mortgage rate change, credit to GDP gap, financial stress, and exuberance. At the regional level, we find heterogeneous results for the impact of changes in mortgage rates, with supply-inelastic regions having more reactive house price growth.

Dynamic Insights into RMB Exchange Rate Risk Spillover and Its Determinants: A QVAR and Deep Learning Approach

Authors: Huang Zhigang (Fuzhou University), Zhang Weilan (Fuzhou University), Chaoying Lin (Fuzhou University)**Presenters:** Zhang Weilan (Fuzhou University)**Discussant:** Shuo Jiang

Abstract: This study explores RMB exchange rate risk spillovers and their drivers across major currencies, focusing on time-frequency dynamics and structural asymmetries under different market regimes. Using a quantile VAR model, we find that spillovers exhibit a U-shaped pattern across quantiles, intensifying under extreme conditions. Return spillovers are short-term, while volatility spillovers are generally long-term but shift to short-term during market stress. Tail risks reveal asymmetric patterns: return spillovers remain balanced, whereas volatility spillovers are right-skewed. Additionally, we apply a deep learning model—Time Series Fusion Transformer—to capture nonlinear, time-varying spillover drivers. This model outperforms traditional approaches by handling high-dimensional, non-stationary data and uncovering dynamic heterogeneity and structural breaks. The spillover mechanisms vary notably across regimes, reflecting complex transmission channels and adaptive market behavior. These findings provide valuable insights for risk management and policy formulation in the exchange rate domain.

Towards empirical assessments of controlled cointegrated models

Authors: Takamitsu Kurita (Kyoto Sangyo University), Guillaume Chevillon (ESSEC Business School)**Presenters:** Takamitsu Kurita (Kyoto Sangyo University)**Discussant:** Jiawen Luo

Abstract: This paper explores a counterfactual analysis of monetary policy within the framework of a cointegrated vector autoregressive (VAR) model, adopting the perspective of an applied econometrician. We demonstrate that a new process derived from control theory should be regarded as a series of observables. This approach enables the econometrician to identify and evaluate policy interventions. We also introduce a data-driven procedure for classifying intermediate and final policy targets within the model. The practicality and effectiveness of this procedure are demonstrated through a counterfactual policy analysis of New Zealand's monetary policy data.

The Role of Uncertainty in Forecasting Realized Covariance of US State-Level Stock Returns: A Reverse-MIDAS Approach

Authors: Shengjie Fu (South China University of Technology), Oguzhan Cepni (Copenhagen Business School), Rangan Gupta (University of Pretoria), Jiawen Luo (South China University of Technology)**Presenters:** Jiawen Luo (South China University of Technology)**Discussant:** Takamitsu Kurita

Abstract: In this paper, we construct a set of reverse-Mixed Data Sampling (MIDAS) models to forecast the daily realized covariance matrix of US state-level stock returns. We decompose the realized covariance matrix into a diagonal variance matrix and a correlation matrix and forecasting them separately. Particularly, the realized variances are forecasted by combining Heterogeneous Autoregressive (HAR) model with the reverse-MIDAS framework, incorporating the low-frequency uncertainty variable as a predictor. While the forecasting of the correlation matrix relies on the scalar MHAR model and a new log correlation matrix parameterization. Our empirical results demonstrate that the forecast models incorporating uncertainty associated with economic conditions outperform the benchmark model in terms of both in-sample fit and out-of-sample forecasting accuracy. Moreover, economic evaluation results suggest that portfolios based on the proposed reverse-MIDAS covariance forecast models generally achieve higher annualized returns and Sharpe ratios

10:30 -
11:00**Coffee break**10:30 -
15:00**Poster session**11:00 -
12:00**Publishing workshop**



Peter G. Szilagyi is a Professor of Finance at EDHEC Business School. He holds a PhD from Tilburg University and previously held a research fellowship at Saïd Business School, University of Oxford. He served as Director of the MPhil in Finance at Cambridge and Director of Business Master's Programs at Central European University.

Prof. Szilagyi is a highly experienced editor. He currently serves as Editor of Elsevier's *Journal of International Financial Markets, Institutions & Money*. He was previously Editor and remains Advisory Editor at the *Journal of Multinational Financial Management*. He is also a Subject Editor at *Emerging Markets Review* and an AE at *Finance Research Letters*.

Prof. Szilagyi has published his research in leading academic journals, including the *Journal of International Business Studies*, *Journal of Business Ethics*, *Journal of Corporate Finance*, and *Energy Economics*. His work spans corporate finance, business ethics, and international finance.

12:00 -
13:00

Lunch

13:00 -
14:30

Parallel sessions

32. Market Anomalies and Trends [Online access](#) Chair: Adam Witt (Bournemouth University)

Decoding success in Equity crowdfunding: The impact of lead founders' signals on campaign outcomes

Authors: INES GAFREJ (institute of higher commercial studies of Sousse), Houssam Bouzgarrou (higher institute of finance and taxation of Sousse)

Presenters: INES GAFREJ (institute of higher commercial studies of Sousse)

Discussant: Ph.D. Hab. Piotr Łasak

Abstract: Drawing on signaling theory, this paper emphasizes the role of lead founders' signals in the success of equity crowdfunding (ECF) campaigns. We conduct a set of regression analyses using OLS and Quantile Regressions for 1,072 campaigns on four ECF platforms, from 2014 to 2024. We contribute to the literature by analyzing a dataset that encompasses both initial and seasoned campaigns launched on four ECF platforms. Our study delves deeper, focusing primarily on the lead founder. We find that a lead founder's education and experience in the fields in which the firm operates positively affect campaign outcomes. Such a founder is more convincing to potential investors. However, we find no evidence that a lead founder's entrepreneurial experience contributes to an ECF campaign success. Additionally, our data indicate that women-led firms tend to garner less interest from investors. Our findings provide valuable implications for founders, platforms and policymakers.

From Theory to Practice: Polish Equity Risk Factors and Their Implementation Costs

Authors: Juliusz Jablecki (University of Warsaw)

Presenters: Juliusz Jablecki (University of Warsaw)

Abstract: This paper investigates the performance and implementability of equity factor strategies – value, momentum, quality, and low volatility – in the Polish stock market over the 2014–2024 period. The “academic” factors constructed as long-short portfolios are found to produce positive returns lowly (or negatively) correlated with the broad market. However, once transaction costs – including bid-ask spreads, commissions, and market impact – are incorporated, net factor returns deteriorate substantially, losing much of their appeal. The absence of a developed short-selling market in Poland further challenges the direct replication of traditional academic factor models. Despite these frictions, factor signals can still add value in a long-only framework, particularly when turnover constraints and liquidity filters are introduced. Backtests of factor-tilted portfolios demonstrate that smart beta-style implementations, especially those complemented by short positions in WIG20 index futures neutralizing market exposure, offer a viable alternative to pure long-short factor strategies.

A Post-COVID Reassessment of the Autumn Effect in Gold Markets

Authors: Adam Witt (Bournemouth University)

Presenters: Adam Witt (Bournemouth University)

Discussant: Lidia Obojska

Abstract: Seasonality in the gold market is well documented, including the “Autumn Effect” identified by Baur (2013) and revisited during COVID-19 by Bentes et al. (2022). This paper re-examines the effect in light of structural changes introduced by the pandemic—such as Basel III, increased financial market volatility, and renewed flight-to-safety behaviour—which may have altered seasonal dynamics in commodity markets. Using a seasonal regression model with monthly dummies and post-COVID interaction terms, I find that September and November no longer exhibit significant excess returns, suggesting the Autumn Effect has weakened or disappeared. Instead, positive seasonality appears in Spring, particularly April and May. Asymmetric volatility in gold returns is also observed during this period. These findings highlight a shift in seasonal return and risk patterns post-COVID, with implications for policymakers and portfolio managers seeking to optimise gold market exposure under evolving macro-financial conditions.

A Meta-Analytic Review of Board Characteristics and Carbon Emission Disclosure: The Moderating Effect of Contextual Factors

Authors: *Mahmou Zarea (Cairo University - Faculty of Commerce), Mohamed Hegazy (Cairo University- Faculty of Commerce)*

Presenters: *Mohamed Hegazy (Cairo University- Faculty of Commerce)*

Discussant: *Rihem Soussi Fathallah*

Abstract: *Board characteristics play a pivotal role in Board characteristics are crucial for enhancing trans- parency and accountability in firms' reporting processes, fostering stakeholder trust, and promoting sustainable business practices. This paper synthesises 66 empirical studies on the link between board characteristics and carbon emission disclosures using meta-analyses with random effect models. The results show significant correlations between board independence, size, gender diversity, the presence of an environmental committee, and carbon disclosure, with CEO duality showing nosignificant relationship. Notably, environmental committees and gender diversity are most strongly associated with carbon disclosures. The study also reveals that geographical context significantly impacts outcomes, with no significant relationships found in the United States and Canada. This research contributes to the discussion on board attributes that enhance carbon emission disclosures, highlighting the need for innovative approaches*

Banking on the Green Transition: The Financialization of Tomorrow's Essential Metals

Authors: *Barbara Będowska-Sójka (Poznan University of Economics and Business), Michał Kasperek (Independent Researcher)*

Presenters: *Barbara Będowska-Sójka (Poznan University of Economics and Business)*

Discussant: *Mohamed Hegazy*

Abstract: *The transition to a net-zero economy critically depends on metals like copper, lithium, cobalt, and nickel, with global demand projected to increase twelvefold by 2050. Despite their growing importance, these critical metal markets have received less attention regarding financialization compared to traditional energy commodities. This paper examines financialization levels across these essential metals and analyzes emerging investment opportunities. We find that financialization progresses at different paces, reflecting unique market structures. Copper remains most accessible for financial investment, while lithium lacks physical LME trading but offers cash-settled lithium hydroxide futures. Cobalt and nickel feature both cash-settled and physically settled contracts. Metal markets differ fundamentally from equity or bond markets, involving physical commodities or derivatives trading. Our analysis suggests financialization will accelerate as demand grows, driving the development of new financial instruments including ETFs that facilitate project financing and improve market liquidity for critical transition metals.*

How will climate change impact the energy supply? Empirical evidence from Poland

Authors: *Kinga Tchórzewska (Kozminski University)*

Discussant: *Pola Karolewska*

Abstract: *Despite the growing frequency of power outages in the context of climate change, little is known about the underlying causes of grid instability. In this study, we document and quantify previously overlooked factors contributing to unplanned electricity outages: upstream water temperature and water height. Using high-frequency data from the universe of utility outage reports and a novel instrumental variable—upstream water flow—we establish that both water temperature and water height significantly affect the likelihood of unplanned outages at the plant unit level. Moreover, we demonstrate that these effects are non-linear. Specifically, the probability of an outage exceeds 50% when upstream water temperature reaches 25°C, while for water height, the outage probability peaks at 50 cm and diminishes as water height increases. These effects are predominantly driven by older power plants, suggesting that the age and resilience play a critical role in its vulnerability to hydrological conditions.*

Startups vs. Non-Startups on a Crowdfunding Platform: A Comparative Analysis.

Authors: Alina Palamarchuk (Technical University of Košice), Tomáš Štofa (Technical University of Košice), Michal Šoltés (Technical University of Košice)

Presenters: Alina Palamarchuk (Technical University of Košice)

Discussant: Dr. Vegh Marcell Zoltán

Abstract: The article discusses how crowdfunding campaigns perform differently for startups and non-startups. The study's primary goal is to determine whether startups outpace their comparable efforts in terms of fundraising effectiveness, sponsor commitment, and overall campaign success. For analysis, we selected a sample of projects, categorised as either startups or non-startups, based on characteristics such as innovation, scalability, and entrepreneurial orientation and selected six quantitative factors to consider: amount collected (EUR), target amount (EUR), percentage of funding achieved, number of contributors, number of updates, and number of public questions. The results indicate that startups raised, on average, more capital, set higher funding goals and attracted more public interest while non-startups were more consistent in achieving their funding goals and had a higher median number of sponsors.

Rethinking Competition Policy for Sustainable Banking: When ESG Efforts Backfire

Authors: Mudeer Ahmed Khattak (Sunway Business School, Sunway University, Malaysia), Noureen Ayaz (Institute of Business Administration Karachi, Pakistan), Syed Jawad Hussain Shahzad (Montpellier Business School, France)

Presenters: Mudeer Ahmed Khattak (Sunway Business School, Sunway University, Malaysia)

Discussant: Kuba Szczygielski

Abstract: This study integrates stakeholder theory with the competition-stability nexus to investigate how market competition moderates the relationship between environmental practices and bank stability. While prior research treats these domains separately, we theorize that competitive pressures alter banks' ability to translate environmental commitments into stability gains, as stakeholder demands and institutional contexts shape strategic trade-offs. Using a panel of 307 banks across 54 countries (2014–2023), we find that environmental practices reduce bank stability under high competition, supporting the competition-fragility view. This effect is pronounced in developed markets, where institutional pressures amplify short-term financial constraints, but is absent in developing economies due to weaker regulatory enforcement and differing stakeholder priorities. Notably, COVID-19 suggests crisis-contingent dynamics. We show how institutional contexts shape the sustainability efforts' impact on resilience, crucial for policymakers. Economies may need moderated competition and tailored institutional frameworks to align financial stability with sustainability.

Fintech Acquisitions and Market Reactions: The Role of Information Asymmetry and Pandemic Shocks

Authors: Ying Shi (Kobe University), Takashi Hatakeda (Kobe University)

Presenters: Ying Shi (Kobe University)

Discussant: Anna Blajer-Gońbiewska

Abstract: As fintech startups reshape the financial sector, traditional financial institutions are increasingly engaging in fintech acquisitions. This study investigates whether investor reactions to fintech acquisitions differ from those to non-fintech deals, especially during the COVID-19 pandemic. We focus on the role of information asymmetry, which arises from valuation challenges and uncertainties related to post-acquisition integration. Based on 398 acquisition deals by Japanese financial institutions, we find that fintech acquisitions trigger significantly more negative investor reactions. Causal mediation analysis shows that this effect is partly explained by information asymmetry. The negative response intensifies during the pandemic but returns to normal levels afterward. Robustness checks using alternative return measures, propensity score matching, and double machine learning with LASSO, Ridge, and SVM confirm these results. Further analysis shows that the negative impact is stronger when information asymmetry is likely to be higher, such as in acquisitions involving younger targets or larger deal sizes.

Modelling Japanese firms' dividend payout policies using new data

Authors: Clinton Watkins (Akita International University)

Presenters: Clinton Watkins (Akita International University)

Abstract: An impediment to understanding why firms pay dividends and how much to pay is the lack of data on firms' widely hypothesised dividend payout targets. Researchers have relied on limited survey data collected at a point in time. This research builds a novel database of voluntary numerical medium-term forward-looking dividend payout target disclosures made by Japanese firms in their Annual Securities Reports. Text analysis methods are employed to extract a panel of data on firms' targets. I examine the characteristics of the target disclosures in the time series and cross-section, the financial characteristics of the firms that voluntarily disclose targets, and use the targets to examine dividend smoothing and the speed of dividend adjustment. Further work to be included in the final version of this conference paper includes the relationship between voluntary dividend target disclosure and corporate governance of disclosing and non-disclosing firms.

Predicting regular and special dividends using machine learning

Authors: Harshal Rajan Mulay (IIT Kanpur), Gaurav Soni (Exon Mobil India Ltd), Suman Saurabh (IIT Kanpur), Parvathi Neelkathan (Independent Consultant)

Discussant: Katarzyna Perez

Abstract: In this research, we forecast equity dividends, special dividends, and equity dividend growth using machine learning techniques employing a large number of firm-year observations and sixty-nine features. We utilize logistic regression, decision trees, random forests, XGBoost, and ANN. Among these, tree-based models demonstrated the best performance. Random Forest and XGBoost are found to be the best models. Random forest gives 96.7% and 95.12% accuracies for equity dividends and equity dividend growth, respectively. While XGBoost gives 99.90% accuracy for special dividends prediction. Our models exhibited excellent performance across all 10 performance metrics. Additionally, we analyzed feature importance for each model and target variable. To the best of our knowledge, our study shows the highest accuracies among all published works for equity dividends and equity dividend growth. Further we are the first to predict special dividends using machine learning.

The dividend policy of state-owned banks during an economic crisis

Authors: Allistair Keane (HEC -University of Lausanne), Alain Schatt (HEC - University of Lausanne), Dusan Isakov (University of Fribourg)

Presenters: Dusan Isakov (University of Fribourg)

Discussant: Sabina Nowak

Abstract: This study examines the dividend policy of Swiss state-owned banks during the recent economic crisis caused by the COVID-19 pandemic. Our empirical analysis shows that these banks had higher pre-crisis dividend payouts than other Swiss banks. While other banks reduced dividend payouts during the crisis, state-owned banks maintained higher dividend levels and consistent payout ratios throughout the economic downturn. Thus, the gap between state-owned banks and other banks increased from 18% before the crisis to 24% during the crisis. Moreover, we document that these higher payouts are not due to higher profitability of state-owned banks. Finally, we find no significant differences in dividend yields except when comparing public and private state-owned banks. Overall, this study provides evidence of the significant influence of dominant state shareholders on banks' financial policies in times of economic crisis.

The Mutual Contagion Effects of Bank Credit Risk, Consumer Behavior and Supply Chain Stress - Evidence from China and the United States

Authors: Xiaotong Sang (VSB - Technical University of Ostrava), Shikai Gao (VSB - Technical University of Ostrava), Meiyu Lu (VSB - Technical University of Ostrava)

Discussant: Boris Fisera

Abstract: This paper examines dynamic contagion effects among credit risk, consumer sentiment, and supply chain finance in China and the U.S. from 2008 to 2024 using monthly macroeconomic data. Through Granger causality tests, VAR models, and SEM, results show China's credit risk is mainly affected by lagged supply chain stress, while U.S. risk is driven by bidirectional feedback between consumer confidence and 10-year treasury yields. In China, consumer sentiment impacts bank risk indirectly via supply chain bottlenecks; in the U.S., it directly causes credit market volatility. Both countries demonstrate a contagion loop of "supply chain pressure → consumer sentiment → credit risk," with stronger feedback in the U.S. The findings reveal significant differences in financial contagion mechanisms under distinct economic structures and provide theoretical support for policymakers in China and the U.S. to develop differentiated, targeted risk-blocking strategies for managing banking sector vulnerabilities.

Early Warning of Financial Risk in China's Banking Sector Using Support Vector Machines

Authors: Shikai Gao (VSB - Technical University of Ostrava)

Discussant: Xiaotong Sang

Abstract: This study develops a credit risk early warning model for the Chinese banking industry using Support Vector Machine (SVM) and Kernel Principal Component Analysis (KPCA). Monthly data from January 2008 to December 2024 are used to train the model, while predictions cover January 2009 to December 2025. KPCA is applied for dimensionality reduction to extract key risk features, followed by SVM for modeling credit risk. The model's performance is compared with BP neural network and Logit regression for validation. Results show that SVM achieves high accuracy and stability, particularly during periods of market volatility, and effectively detects early risk signals. The study observes that credit risk levels in the Chinese banking sector fluctuate over time. Based on these findings, it recommends that Chinese government agencies and banks strengthen vigilance against potential risks such as capital market bubbles and enhance internal risk prevention mechanisms to maintain financial system stability.

Sentiment Driven Loans

Authors: Boris Fisera (Slovak Academy of Sciences), Zuzana Kostalova (Slovak Academy of Sciences), Stefan Lyocsa (Masaryk University)

Presenters: Boris Fisera (Slovak Academy of Sciences)

Discussant: Shikai Gao

Abstract: Consumer sentiment affects economic growth by influencing consumption and investment choices. We explore one of the channels through which sentiment influences the economy, demand for loans. We create fundamental-driven and pure sentiment indices using several data-driven machine learning (ML) techniques. Fundamental-driven sentiment is the predicted sentiment from ML models augmented with numerous macro-financial variables. Forecast errors from ML models serve as our proxy for unexpected sentiment shocks, pure sentiment. Next, using local projections approach and a panel of Central European economies, we find that positive shocks to sentiment contribute to an increase in housing loans, while sentiment has a limited effect on consumer loans. Moreover, sentiment about future economic conditions has a greater effect on loans than sentiment about present economic conditions. Finally, we find that monetary policy stance influences the effect of sentiment: Sentiment only affects bank lending when monetary policy stance is persistently loose.

Retail Investors' Activity on Pleasant and Unpleasant Firms

Authors: Marinela Finta (Singapore Management University)

Discussant: John Haracz

Abstract: This study investigates whether retail investors trade depending on a firm's exposure to extreme temperatures as a proxy for physical climate risks. We define pleasant (P), unpleasant hot (UH), and cold (UC) firms as those firms without and with exposure to such events. Retail trading in both pleasant and unpleasant firms is in the right direction on average, yet their trading in UC and UH firms weakens and strengthens their imbalances' positive predictability for certain future returns. We document that while the performance of a trading strategy relying on UC firms is higher in the short run than that of P and UH firms, the P strategy outperforms in the long run. Retail order imbalances of UH and P firms also convey the most substantially positive effects on earnings surprises. Finally, retail investors' activity in pleasant and unpleasant firms leads to comovement in their return and imbalance levels.

An Excessive-Demand Measure Outperforms Other Demand Proxies in Explaining Lab Asset-Market Price Changes

Authors: John Haracz (Indiana University)

Presenters: John Haracz (Indiana University)

Discussant: Viviana Fernandez

Abstract: Excessive demand is defined as demand that promotes disequilibria in asset or goods markets and drives prices above fundamental values. The present study tests the capacity of a novel excessive-demand measure (EDM) and other demand proxies to explain lab asset-market price changes. Each of 9 experiments consisted of 15 periods of trading a risky asset. To capture excessive demand, each Period 1-14 was followed by a survey that elicited each subject's number of asset shares that they want to hold at the end of the next period. This measure was designed to tap into anticipatory affect that may drive asset-price bubbles. The EDM, which explained 34.5% of the variance in asset-price changes, outperformed excess-bids and interperiod price-momentum measures, which each explained less than 10% of this variance. The EDMs outperformance in predicting price changes aligns with numerous other findings that underscore the predictive power of measures related to anticipatory affect.

Non-Proportional Thinking in Repurchases

Authors: Kirti Saxena (Indian Institute of Management Indore), Divya Soni (Indian Institute of Management Sirmaur)

Presenters: Kirti Saxena (Indian Institute of Management Indore)

Discussant: Newton da Costa Jr.

Abstract: This paper examines the non-proportional thinking in the context of the repurchase announcements in India, using a hand-collected set of Securities and Exchange Board of India (SEBI) documents on 281 repurchase executions from 2008 to 2024. We find the presence of non-proportional thinking in the Indian market around repurchase announcements and their completion. Further, this tendency is amplified for the firms with poor past performance and higher repurchase participation from smaller shareholders. Our findings suggest that institutional investors, being well-informed, are less prone to this bias. The findings suggest that investors' financial decisions are affected by framing variability, which results in non-proportional thinking during share repurchases. This study helps investors recognize their behavioural biases. We add to the extant literature by providing the first evidence of non-proportional thinking in the share repurchase context.

The role of motivations and altruism in micro-angel investments

Authors: Viviana Fernandez (Universidad Adolfo Ibañez)

Discussant: Mercedes Baño

Abstract: This article investigates the motivations of a large global sample of micro angels – small investors who provide financial support and advice to early-stage businesses, often with close ties to the entrepreneurs. It is explored how four distinct motivations—contributing to society, accumulating wealth, keeping a family tradition, or fulfilling an economic need—influence micro angels' investment decisions. Statistical analysis reveals that for potential investors, contributing to society and keeping a family tradition are frequently more important drivers than simply accumulating wealth. Furthermore, impact-oriented micro angels tend to prefer funding unfamiliar entrepreneurs with good business ideas over family members. This preference is even more pronounced in altruistic countries, where micro angels are more open to investing in unrelated entrepreneurs with novel concepts. These findings generally hold true across various model specifications and sample periods.

Tax Avoidance and Environmental Performance: The Moderating Role of Analyst Coverage in Mitigating Agency Conflicts

Authors: ChengHsun Lee (NKUST)**Discussant:** Elias Mukarker

Abstract: This study investigates the relationship between corporate tax avoidance and environmental performance, with a focus on the moderating role of analyst coverage. Results indicate that higher tax avoidance is significantly associated with lower environmental performance, indicating that resources diverted towards tax strategies may detract from environmental initiatives. However, this negative relationship is attenuated in firms with greater analyst coverage, suggesting that external scrutiny can mitigate the adverse effects of tax avoidance on environmental outcomes. Additionally, enhanced environmental performance is associated with reduced information asymmetry, as evidenced by narrower bid-ask spreads, underlining capital market benefits. This research contributes to the literature by integrating agency and stakeholder theories to explain the interplay between financial strategies and sustainability efforts, and highlights the important role of analyst coverage in promoting corporate transparency and accountability. This study offers valuable insights for policymakers, investors, and stakeholders aiming to foster sustainable corporate practices.

Sustainable Finance and Responsible Investment: Exploring the Role of Corporate Governance and Ethical Decision-Making

Authors: Elias Mukarker (Bethlehem University), Mohammad Alqudah (Universitat de Valencia), Rasha Qawasmeh (Al-Ahliyya Amman University), Enas Farha (The World Islamic Sciences and Education University), Husni Samara (University Putra Malaysia)**Presenters:** Elias Mukarker (Bethlehem University)**Discussant:** Nihal Touti

Abstract: This study presents an integrative review of literature on sustainable finance and responsible investment, highlighting the critical role of governance and ethical decision-making. It synthesizes recent empirical and theoretical findings, focusing on key factors such as board diversity, audit committee effectiveness, active ownership, ESG disclosure, and climate integration. Evidence shows that gender-diverse boards and financially literate audit committees enhance corporate accountability. Ethical investment practices, particularly those involving ESG integration and shareholder engagement, are increasingly linked to improved financial performance and risk mitigation. The study also addresses emerging challenges, including digital transformation management, algorithmic governance, and region-specific ESG frameworks. Notably, it identifies critical gaps in geographical coverage and research methodology. This synthesis advances understanding of how administrative structures and ethical imperatives intersect to shape the future of sustainable investment, offering a foundation for scholars and practitioners aiming to refine responsible financial strategies in an evolving global context.

Uncertainty, manager bias and corporate leverage

Authors: Riya Singla (Indian Institute of Management Amritsar)**Presenters:** Riya Singla (Indian Institute of Management Amritsar)**Discussant:** ChengHsun Lee

Abstract: The present study aims to extend the literature on the impact of uncertainty on corporate leverage decisions by performing a detailed analysis of major firms functioning in the G-7 countries. Being nations at an advanced stage of development and evolved financial markets, the impact of uncertainty on corporate financing decisions can be established clearly. The sample period is from 2000-2024. The study concentrates on uncovering managerial biases' role in impacting corporate financing decisions during periods of uncertainty. The capital structure of the firm is expected to have lower debt levels due to uncertainty. However, we find that uncertainty spikes lead to an increase in managers' optimism and overconfidence bias. The optimistic and overconfident manager prefers more debt as the associated belief is that the rise in uncertainty shall not affect the firms operations and the fixed nature of debt repayment will not be impacted.

Cost Pass-Through and Mortgage Credit: The Case of Guarantee Fees

Authors: Charles Gavin Pearson (University of Florida), Ankit Kalda (Indiana University), David Sovich (University of Kentucky)**Presenters:** Charles Gavin Pearson (University of Florida)**Discussant:** Riya Singla

Abstract: Fannie Mae and Freddie Mac charge lenders "guarantee fees" to insure mortgages against credit risk. Using changes in guarantee fees as quasi-exogenous variation, we show that lenders completely pass through cost shocks to borrowers, on average, primarily via interest rates rather than upfront fees. However, pass-through is both asymmetric and heterogeneous. Lenders fully pass through cost increases but only 70% of cost decreases. Moreover, pass-through varies significantly by market structure and borrower characteristics. This heterogeneity limits the effectiveness of using guarantee fees as a tool for redistributing costs among borrowers and leads to an underestimation of their cost impact.

14:30 -
15:00

Coffee break

15:00 -
16:30

Parallel sessions

Votes, Power, and Pay: Unraveling the Impact of Dual-Class Structures on Executive Compensation

Authors: Bruno Fiesenig (Technical University of Darmstadt), Dirk Schiereck (Technical University of Darmstadt)

Presenters: Bruno Fiesenig (Technical University of Darmstadt)

Discussant: Dusan Isakov

Abstract: This study explores how different voting arrangements in dual-class firms influence executive compensation. Analyzing 2,497 publicly traded U.S. firms, specifically 239 dual-class and 2,258 single-class firms. Our findings confirm that dual-class structures generally correlate with higher executive pay. However, firms issuing shares with more than 10 voting rights per share do not follow this pattern, suggesting that the concentration of voting power plays a crucial role. Differences in compensation structures arise from the balance between agency and principal costs, where higher voting control can either entrench management or align incentives with long-term performance. Thus, dual-class structures do not uniformly impact executive pay; instead, their specific voting design significantly influences governance and compensation outcomes.

Unpacking the corporate social responsibility–Tax Avoidance Puzzle: The role of Board Expertise and Economic Policy Uncertainty

Authors: Rihem Soussi Fathallah (Institute of Higher Commercial Studies of Sousse), Hamza NIZAR (Institute of Higher Commercial Studies of Carthage), Houssam Bouzgarrou (Higher Institute of Finance and Taxation of Sousse)

Presenters: Rihem Soussi Fathallah (Institute of Higher Commercial Studies of Sousse)

Discussant: Bruno Fiesenig

Abstract: This paper examines the impact of Corporate Social Responsibility on corporate tax avoidance offering insights into how socially responsible firms evolve and adapt their tax practices over time and across different countries. Based on an international sample over the period 2002-2021, we use OLS regression models on panel data estimated with robust standard errors. Our study shows that corporate social responsibility has a negative effect on corporate tax avoidance. This finding suggests that companies might prioritize long term objectives through better reputation establishing trust within the community by meeting stakeholders' expectations instead of short term gains from tax avoidance. The findings support stakeholder and legitimacy perspectives suggesting that, companies should align their practices with all stakeholders needs. Investors and practitioners should closely evaluate a company's CSR practices alongside its tax practices. Socially responsible firms are less willing to engage in tax avoidance activities.

Exit threat and stock liquidity: Evidence from Open-Ended Pension Funds' reform in Poland

Authors: Agnieszka Stróżyńska-Szajek (Poznań University of Economics and Business), Aleksander Freitag (Poznań University of Economics and Business), Szymon Stereńczak (Poznań University of Economics and Business)

Presenters: Szymon Stereńczak (Poznań University of Economics and Business)

Discussant: Alina Palamarchuk

Abstract: Stock liquidity serves as efficient governance mechanism by facilitating the blockholders' exit and thus increasing exit threat, thus mitigating agency problems. The relationship between stock liquidity and corporate governance is likely endogenous due to the reverse causality. In this paper, we address this issue by examining whether an increase in blockholder's exit threat improves stock liquidity. We utilise a quasi-natural experiment from the Open-Ended Pension Funds' (OFEs) reform in Poland in 2014. The findings suggest that subsequent to the reform, which increased OFEs' exit threat, the stock liquidity of the treated companies has improved. The effect was stronger among companies with multiple OFE blockholdings and higher Type I agency conflicts. On the contrary, stock liquidity declined in companies with more severe Type II agency conflicts. Given the importance of stock liquidity for capital markets, our study serves as a prompt for incorporating changes aimed at improving CG.

FinTech Investment and Bank Performance in the Eurozone: The Moderating Roles of Regulatory Quality and PSD2

Authors: amna albuainain (ghent university), simon ashby (Merick business school)

Discussant: Laura Szafarczyk

Abstract: This study examines FinTech investment's impact on bank performance in the Eurozone, focusing on regulatory quality and PSD2. Using a two-step robust GMM estimator on bank-level panel data from 2015 to 2023, we find that increased FinTech spending compresses net interest margins, boosts return on assets, and leaves return on equity and yields unchanged. Regulatory quality plays a decisive role: regulatory quality both mitigates margin pressures and amplifies efficiency gains from digital finance investments. In addition, PSD2 is seen to negatively affect ROA and YEA as a reflection of short-term profitability pressures from increased compliance costs. Moreover, a significant interaction effect of FinTech investment and PSD2 is observed, which implies that the open-banking regime helped alleviate some of the margin pressures traditionally associated with FinTech expenditures. This study fills a gap by empirically assessing how fintech investment and the regulatory environment influence performance outcomes.

An Integrated Lévy-Prospect Theory Model for Asset Pricing in the MENA Region

Authors: Yousra IMEZDA (University Mohamed V - RABAT)

Presenters: Yousra IMEZDA (University Mohamed V - RABAT)

Discussant: amna albuainain

Abstract: Brownian motion models are insufficient for explaining the rapid jumps and "fat-tailed" return distributions in volatile emerging markets like the MENA region. A more sophisticated framework is proposed by combining the stochastic nature of Lévy processes with the insights of behavioral Prospect. The jump part in a Lévy process is not only stochastic but also depends on collective behavior out of loss aversion. A behavioral Lévy process model is tested by calibrating and simulating a region-wide MENA stock portfolio over 2012-2023. A significant risk premium for the jump component confirms the unified model, supporting the idea that investor's time-varying level of fearfulness determines asset returns dynamics. This research introduces a more sophisticated model for valuation and risk management, specifically targeting behavioral jump risk in emerging markets.

Shifting Financial Gravity: How Fintech is Reshaping Global Financial Hubs

Authors: Ph.D. Hab. Piotr Łasak (Institute of Economics, Finance and Management, Jagiellonian University, Kraków), Ph.D. Monika Bolińska (Institute of Economics, Finance and Management, Jagiellonian University, Kraków), Laura Szafarczyk (Doctoral School in Social Sciences, Jagiellonian University, Kraków)

Presenters: Ph.D. Hab. Piotr Łasak (Institute of Economics, Finance and Management, Jagiellonian University, Kraków), Ph.D. Monika Bolińska (Institute of Economics, Finance and Management, Jagiellonian University, Kraków), Laura Szafarczyk (Doctoral School in Social Sciences, Jagiellonian University, Kraków)

Discussant: Yousra IMEZDA

Abstract: The contemporary financial system is undergoing a dynamic transformation driven by the development of innovative financial technologies (FinTech). Traditional centers such as New York, London, and Tokyo have long dominated as hubs of capital concentration, institutional presence, and regulation. However, with the expansion of the FinTech sector, a shift in the global financial landscape is becoming increasingly evident — towards more distributed and innovation-driven ecosystems such as Berlin, Stockholm, and Silicon Valley. The objective of this study is to identify the key determinants behind the emergence of new technology-based financial centers through an analysis of FinTech firm locations and network connections. Preliminary findings highlight the growing importance of factors such as human capital, access to data, and digital infrastructure, which are reshaping the traditional logic of geographic centralization.

Can local media encourage empire building? Evidence from business journals

Authors: Vishal Baloria (University of Connecticut)

Presenters: Vishal Baloria (University of Connecticut)

Discussant: Conrad Ciccotello

Abstract: After a local business journal enters a market, local firms' investments become more sensitive to the level of cash holdings. The increased sensitivity is driven by visible firms in low-growth industries, which are more likely to be prone to empire building frictions. The increased sensitivity is also driven by firms located in areas where managers are more concerned about social recognition in the local business community. The effects are stronger before and after hostile takeover and leveraged buyout waves, which serve to discipline managerial investment decisions. We observe evidence of more value-destroying acquisitions, specifically of public targets and diversifying acquisitions, after local business journal entry into markets. Our collective evidence suggests that local business journals, which favorably cover investment and emphasize firm scale, growth, and networking, encourage moral hazard frictions. Our findings of local media engendering agency conflicts extend a burgeoning literature on the positive effects of local media.

HVO's Impact on Oil Companies' Strategies: Examining Energy Sector Financial Performance, Sustainability, and Regulatory Pressure

Authors: Joao Esteveao (ISEG, Universidade de Lisboa), Carolina Passarinho (ISEG, Universidade de Lisboa)

Discussant: Qiyuan Dai

Abstract: This study investigates the impact of Hydrotreated Vegetable Oil (HVO) on the strategic and financial performance of oil companies amid the energy transition. As a renewable biofuel compatible with diesel engines, HVO aligns with EU decarbonization goals. Using a quantitative, descriptive, and explanatory approach, the research analyzes secondary data from financial databases and European legislation. It addresses whether regulatory pressure, ESG performance, and market valuation influence HVO investment, and whether profitability differs between adopters and non-adopters. The study's originality lies in positioning HVO as the central variable in financial analysis. Results show that HVO investment is positively associated with higher ESG scores, market capitalization, and regulatory stringency, but also with lower ROA, suggesting transitional costs. These findings contribute to the debate on sustainable energy strategies and offer insights for corporate decision-makers and policymakers. The study lays the groundwork for future research on biofuel adoption and financial performance.

Valuation and Decision-Making in M&A: A Compound Real Options Approach

Authors: Qiyuan Dai (Technical University of Ostrava), Ewa Feder-Sempach (University of Lodz)

Presenters: Qiyuan Dai (Technical University of Ostrava)

Discussant: Joao Esteveao

Abstract: Mergers and acquisitions (M&A) play a vital role in enabling enterprises to achieve global expansion. However, it faces multi-layered uncertainties such as exchange rates, political shifts, market volatility, cultural gaps. To address this, the paper aims to develop a compound real options framework capturing interdependent flexibility options (delay/expansion/exit) inherent in M&A. Using a two-stage compound model, we dynamically assess the target company's value and M&A decision process. The results demonstrate the framework's effectiveness in optimizing decisions and enhancing returns for managers operating in complex international markets.

Quantum Reinforcement Learning for Portfolio Optimization

Authors: Ying Chen (National University of Singapore), Stefan Lessmann (Humboldt-Universität zu Berlin), Vincent Gurgul (Humboldt-Universität zu Berlin)

Presenters: Vincent Gurgul (Humboldt-Universität zu Berlin)

Discussant: Mateusz Buczyński

Abstract: This paper presents a fully quantum approach to portfolio optimization using Reinforcement Learning based on Variational Quantum Circuits (VQCs). We reimplement both Deep Deterministic Policy Gradient (DDPG) and Deep Q-Learning as a quantum circuit. Our quantum RL models outperform classical baselines at equivalent parameter counts, demonstrating both higher expressivity and more favorable scaling characteristics. However, due to limitations of current quantum hardware, inference still remains significantly slower than classical algorithms. Our findings suggest that while a quantum advantage is not yet realized for reinforcement learning in practice, it is likely to emerge as quantum hardware matures.

Implementing behavioral biases into financial reinforcement learning with reward functions and overfitting

Authors: Mateusz Buczyński (University of Warsaw), Marcin Chlebus (University of Warsaw), Marcin Zajenkowski (University of Warsaw)

Presenters: Mateusz Buczyński (University of Warsaw)

Discussant: Vincent Gurgul

Abstract: Reinforcement learning (RL) agents typically optimize objective reward functions to achieve task performance. However, in real-world decision-making agents often operate under bounded rationality and are influenced by cognitive biases. We explore how some behavioral biases can be systematically embedded into the reward functions of RL agents, moving beyond the view of biases as noise to be eliminated. We also propose a framework for testing biases such as overconfidence and intelligence into financial RL testing process. We further analyze how these modifications affect learning dynamics, agent behavior, and economic outcomes. We find that reward function design strongly shapes RL agent behavior: risk-seeking agents achieve higher returns in favorable markets but incur elevated downside risk, while risk-averse agents provide stable yet less profitable outcomes. Additionally, we observe that agents trained on extended datasets without volatility-aware objectives exhibit overconfidence-like behaviors, overfitting to past trends and reducing adaptability.

Enhancing Stock Return Prediction and Portfolio Performance with Adaptive LASSO

Authors: Soraia Santos (Coimbra University), Nuno Silva (Coimbra University and CeBER), Helder Sebastião (Coimbra University and CeBER), Pedro Godinho (Coimbra University and CeBER)

Presenters: Nuno Silva (Coimbra University and CeBER)

Discussant: ROLAND CLERE

Abstract: Abstract: This paper explores the predictability of monthly US stock returns using adaptive LASSO on firm-specific characteristics from June 1990 to December 2022. By efficiently selecting relevant features and managing high-dimensional data, adaptive LASSO improves return forecasts over traditional models. Key predictors include lagged returns, mean log-volumes, market values, dividend yields, and R&D expenses. We design two threshold-based portfolios: Adaptive LASSO 1/N (equal-weighted) and Adaptive LASSO SR (Sharpe ratio-weighted), incorporating a 0.3% transaction cost and a no-trade region to reduce turnover. These portfolios are evaluated against two benchmarks: the equal-weighted portfolio and the S&P 500 index. Both threshold-based portfolios outperform the benchmarks, with the Adaptive LASSO SR portfolio showing the best performance, while demonstrating resilience to transaction costs.

Do Academic Independent Directors Affect the Carbon Disclosure Decisions?—Evidence from Listed Companies

Authors: Shuo Jiang (Fuzhou University), Zhigang Huang (Fuzhou University)

Discussant: Zhang Weilan

Abstract: This study investigates how academic independent directors influence corporate carbon emission disclosure in China. Using upper echelons theory and panel data from A-share listed industrial firms between 2013 and 2023, we find that firms with academic independent directors are more likely to voluntarily disclose carbon emission information. The effect is stronger for firms located in carbon trading pilot regions, suggesting an interaction between internal governance and external regulatory environments. Additionally, firm size, profitability, ownership type, and listing age are significant determinants of disclosure behavior. These findings highlight the governance value of academic directors in promoting environmental transparency and support the integration of board-level expertise with institutional incentives to drive low-carbon transformation in the corporate sector.

Investments under Risk: Evidence from Hurricane Strikes

Authors: Rajesh Aggarwal (Northeastern University), Mufaddal Baxamusa (University of St Thomas)

Presenters: Rajesh Aggarwal (Northeastern University)

Discussant: Renatas Kizys

Abstract: We demonstrate that firms with plants in areas subject to a significant hurricane strike reduce their capital expenditures at the hurricane-affected plants and shift capital expenditures to plants in non-hurricane-affected areas. This effect is not present prior to 1997 and only appears from 1997 on. Our evidence is consistent with a significant climate event such as the signing of the Kyoto Protocol increasing perceived future hurricane risk from actual hurricane strikes and shifting firm behavior.

Market Shifts Under European Green Deal News: Green vs. Brown Stocks and Bonds

Authors: Michael Donadelli (University of Brescia, Italy), Ivan Gufler (LUISS Guido Carli, Italy), Renatas Kizys (University of Southampton Business School, UK)

Presenters: Renatas Kizys (University of Southampton Business School, UK)

Discussant: Barbara Będowska-Sójka

Abstract: The European Green Deal (EGD) stands out as the largest global largest initiative that aims to achieve net zero emissions by 2050. We examine the impact of announcements from the European Commission regarding the EGD on the corporate bond and stock markets. Using the event study methodology, we examine whether Green Deal-related News (GDN) trigger significant short-term market reactions. We find that GDN generally results in negative CARs across multiple stock portfolios. The response of bond portfolios is different. We also employ regression models to analyze the relationship between returns on corporate bond and stock portfolios and GDN. For the stock market, the estimated relationship between portfolio returns and GDN is negative, but typically significant for brown portfolios. For the bond market, the response of portfolios is rarely significant. We develop trading strategies based on GDN. Strategies anticipating the timing of GDN events can yield positive returns.

Left-digit bias in the FinTech era

Authors: Spencer Stone (University of Kentucky)

Presenters: Spencer Stone (University of Kentucky)

Discussant: Charles Gavin Pearson

Abstract: I show that a significant share of mortgage borrowers select rates within a 1 bp window just below whole-number rates (i.e. .99X-ending rates). Using a quasi-regression discontinuity design, I estimate that borrowers selecting these rates have all-in credit costs that are 7.4 bp higher, which translates to \$627 more in upfront fees. Cross-sectional tests indicate that this is due to borrowers' left-digit bias. I further find that FinTech borrowers are more prone to left-digit bias, paying higher credit costs as a result. Using within-FinTech variation in application speed, I show that FinTech lending increases bias by facilitating more intuitive (bias-prone) decision-making in borrowers. This result is not driven by the selection of biased borrowers to FinTechs. My results show that cognitive bias is an important driver of mortgage contract selection and that FinTech lending enhances its effect.

Performance of Quantitative Investment Funds

Authors: Jacek Karasiński (University of Warsaw)

Presenters: Jacek Karasiński (University of Warsaw)

Discussant: Philippe Adair

Abstract: The objective of this study is to evaluate the performance of quantitative funds in relation to the performance of qualitative funds. This study aims to answer the question of whether state-of-the-art and automated approaches to portfolio management guarantee higher performance compared to traditional approaches. By applying a variety of performance measures and econometric models, this study focuses on a sample of nearly three hundred thousand investment funds in the period from 01/01/2000 to 31/12/2020. The examined funds apply various strategies and invest in many different regions. The differences in performance between quantitative and qualitative funds vary between strategies and the geographic regions of a primary investment focus. Quantitative funds do not guarantee the outperformance of traditionally managed funds.

Financial Inclusion, Fintech and Gender Gap in MENA Countries

Authors: Philippe Adair (ERUDITE research team. University Paris-est Créteil. France), Imène Berguiga (University of Sousse; Tunisia)

Presenters: Philippe Adair (ERUDITE research team. University Paris-est Créteil. France)

Discussant: Spencer Stone

Abstract: People, especially youths, lack financial inclusion regarding account holding and the use of financial services, both traditional and digital. We tackle the following research question: Do financial inclusion patterns differentiate according to gender, age and driving factors (self-selection vs. discrimination)? We analyse the determinants of financial inclusion for 6,000 individuals over 2011-2021, addressing a representative sample of six MENA countries: Algeria, Egypt, Jordan, Lebanon, Palestine and Tunisia. Probit regressions provide four results related to hypotheses: (i) Gender gap (H1) regarding financial inclusion (account holding) rose during the pandemic. (ii) There is an age gap (H2) regarding account holding and use of traditional services, with an inverted age gap for digital services, predominating for females over males. (iii) Endogenous self-selection surpasses exogenous discrimination (H3). (iv) Despite the gender gap, men do not enjoy substantially greater financial inclusion than women, with respect to self-selection and discrimination (H4).

Recent demographic trends, fund flows and the geographic segmentation of the US mutual funds industry

Authors: Martin Bakundana (Makerere University)

Presenters: Martin Bakundana (Makerere University)

Abstract: Population aging across the globe has become a big concern for policy makers and governments worldwide, but particularly for the US. This Chapter investigates the impact of aging on mutual fund flows by analysing US mutual fund data from January 2000 to March 2019. We also examine how the aging of the population affects the investor choice between equity and fixed income funds. Our main finding was that locations with more seniors have lesser fund flows, and similarly, more flows into fixed income than equity securities; confirming that as investors move into retirement, they tend to draw down, instead of building up their financial assets. Our findings remain stable over time and robust to a number of sensitivity checks. We however document that funds which charge low expense fees do attract more fund flows compared to those that charge medium and high fees.

Are green bonds priced differently from conventional bonds? Evidence from Nordic Countries

Authors: Vilija Aleknevičienė (Vytautas Magnus University), Aida Kazilionienė (Vytautas Magnus University)**Discussant:** Carlos Andrés Zapata Quimbayo

Abstract: We explored the green bond premium in the secondary market of the issuers located in Nordic countries. These countries are characterized by strong environmental policies, and a smooth transition from strategy and plan to concrete actions, integrating all stakeholders. To link yields and prices of green and conventional bonds we used a matching method. A fixed-effects panel regression model is performed to control for the difference in liquidity between green bonds and synthetic conventional bonds to extract GBP. The findings did not support the existence of GBP either for all issuers or for different types (companies, financial institutions, governments). We divided the entire research period into stable and financial turmoil periods. Again, the existence of GBP was denied. The findings suggest that “greenery” is not incorporated into pricing models by adjusting for risk, preference, and regulatory impact.

The Stabilizing Effect of ESG: Evidence from European Firms

Authors: Katharina Kastens (Mendel University)**Discussant:** Vilija Aleknevičienė

Abstract: This study examines how ESG performance affects the likelihood of financial distress in European companies between 2011 and 2021. By using the Altman Z-score as an indicator of financial distress and logit models, we find that ESG engagement is generally associated with greater financial stability. However, the effect is not linear: high ESG scores do not always provide greater protection than low or medium scores. The stabilizing effect is most pronounced for moderately leveraged companies, while highly leveraged or small companies benefit less. Our results imply that ESG can act as insurance against financial distress, but only given the right structural and economic conditions.

Downside Risk Measures and ESG Factors in Optimal Portfolio Construction: Evidence from European Equity Markets

Authors: Carlos Andrés Zapata Quimbayo (Universidad Externado de Colombia), Bernardo León Camacho (Universidad de Los Andes)**Discussant:** Katharina Kastens

Abstract: We have developed an integrated framework for constructing European stock market portfolios that are both ESG-constrained and downside-risk-optimised. Extending traditional mean-variance approaches, we use downside risk (DR) measures, conditional value at risk (CVaR) and semi-variance, to better capture investors' asymmetric aversion to losses. ESG scores are introduced as binding constraints based on percentile thresholds, ensuring that portfolios comply with sustainability standards. Semi-variance and CVaR objectives are formulated as convex programs to enable tractable optimization. Using data from Euro Stoxx 50 and Euronext 100 constituents, our empirical analysis reveals that integrating DR measures can enhance tail-risk protection and potentially improve performance for loss-averse investors. However, ESG constraints result in reduced diversification and lower risk-adjusted returns (Sharpe and Sortino ratios). These findings highlight the inherent trade-off between sustainability and financial efficiency, as well as the importance of ESG integration.

Beyond Prudential Regulations: Dynamic Threshold Analysis of Credit Risk and Bank-Specific Factors Across Banking Models and Economic Contexts

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Abstract: This study extends the one-size-fits-all approach of standardized banking regulations through dual-track thresholds. Using the dynamic panel threshold model, our work provides evidence that key financial indicators, display distinct threshold impacts within conventional and Islamic banks across developed and developing economies. While Basel reforms impose uniform thresholds, our analysis reveals three context-contingent threshold insights. The ROA, ROE and NIM exhibit bank-based threshold effects, where CBs in developed countries admit a critical ROE threshold consistent with the IMF guidelines. Conversely, the CAR and the DIV ratios highlight the economic context dependence. Banks in developed economies need a high CAR than Basel's benchmark, aligning with EBA recommendations. While IBs' PLs mechanisms and Sharia compliance require higher capital buffers needs (+18.12%) as recommended by the Islamic Financial Services Board. In contrast, liquidity measures DTA and LTD thresholds maintain cross-model consistency, leveraging liquidity buffers.

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17:00**Best paper award & closing remarks**Best paper award & closing remarks [Online access](#)