



**14th EBES CONFERENCE - BARCELONA
PROGRAM AND ABSTRACT BOOK**

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EBES Eurasia Business and Economics Society

Eurasia Business and Economics Society (EBES) is a scholarly association for scholars involved in the practice and study of economics, finance, and business worldwide. EBES was founded in 2008 with the purpose of not only promoting academic research in the field of business and economics, but also encouraging the intellectual development of scholars. In spite of the term "Eurasia", the scope should be understood in its broadest term as having a global emphasis.

EBES aims to bring worldwide researchers and professionals together through organizing conferences and publishing academic journals and increase economics, finance, and business knowledge through academic discussions. To reach its goal, EBES benefits from its executive and advisory boards which consist of well-known academicians from all around the world. Every year, with the inclusion of new members, our executive and advisory boards became more diverse and influential. I would like to thank them for their support.

EBES conferences and journals are open to all economics, finance, and business scholars and professionals around the world. Any scholar or professional interested in economics, finance, and business around the world is welcome to attend EBES conferences. Since 2012, EBES has been organizing three conferences every year: One in Istanbul (possibly in the early summer) and two in Europe or Asia (possibly in January and in fall).

In 2011, EBES began publishing two academic journals. One of those journals, *Eurasian Business Review - EBR*, is in the fields of industry and business, and the other one, *Eurasian Economic Review - EER*, is in the fields of economics and finance. Both journals are published bi-annually and we are committed to having both journals included in SSCI as soon as possible. Both journals are published by *Springer* and currently indexed in the *Cabell's Directory*, *Ulrich's Periodicals Directory*, *RePEc*, *EBSCO Business Source Complete*, *ProQuest ABI/Inform*, *IBSS: International Bibliography of the Social Sciences*, and *EconLit*. In 2011, EBES also started to publish the *EBES Anthology* annually to give opportunity for the papers presented at the EBES conferences.

Furthermore, in 2014 EBES partnered with Springer which has started to publish EER and EBR, along with a new conference proceedings series: *Eurasian Studies in Business and Economics*. The new series includes selected papers from the EBES conferences and expects its first title to be released early next year. The proceedings are already indexed in the Thompson Reuters Proceedings Index and both EBES and the Springer expect that the series will benefit greatly from the partnership.

On behalf of the EBES officers, I sincerely thank you for your participation and look forward to seeing you at our future conferences. In order to improve our future conferences, we welcome your comments and suggestions. Our improvement is only possible with your valuable feedback and support.

I hope you enjoy the conference and Barcelona!

With my very best wishes,

Jonathan Batten, PhD
President

Welcome to the 14th EBES Conference - Barcelona

We are excited to organize our 14th conference on October, 23rd, 24th, and 25th, 2014 at Hotel Silken Diagonal in Barcelona, Spain. We are honored to have received top-tier papers from distinguished scholars from all over the world. We regret that we were unable to accept more papers than we have. In the conference, 437 papers will be presented and 745 colleagues from 61 countries will attend the conference.

We are pleased to announce that distinguished researchers **Jonathan Batten** and **José-Luis Peydró** will join the conference as keynote speakers.

Prof. Batten is professor of finance in the Department of Banking and Finance at *Monash University*, Australia. He is a well-known academician who has published articles in many of the leading economics and finance journals and currently serves as the editor of *Emerging Markets Review*, associate editor of the *Journal of Banking & Finance*, *Journal of the Asia Pacific Economy*, and *Research in International Business and Finance*.

Prof. Peydró is a prominent academician specialized in the fields of banking, systemic risk, financial crises and monetary policy. He is currently professor at *Universitat Pompeu Fabra*, part-time professor of banking and finance at *Cass Business School, City University* (London), advisor at *Bank of Spain*, and affiliated professor at *Barcelona Graduate School of Economics*. Previously, he was a visiting scholar at the *University of Chicago*, consultant at the *Federal Reserve Board* and *International Monetary Fund*. He also serves as the associate editor of the *Review of Finance* and associate editor of the *Spanish Review of Financial Economics*. His research has appeared in many of the leading economics and finance journals such as *Econometrica*, *Review of Financial Studies*, *Journal of Finance*, *American Economic Review*, and *Journal of International Economics*.

EBES conferences have been an intellectual hub for academic discussion for our colleagues in the areas of economics, finance, and business. Participants have found an excellent opportunity for presenting new research, exchanging information and discussing current issues. We believe that our future conferences will improve further the development of knowledge in our fields. In addition, based on the contribution of the paper to the field, the *EBES Award Committee* has selected one of the papers for the **Best Paper Award**. The Best Paper Award winner will be announced during the conference.

We would like to thank to all presenters, participants, board members, and keynote speakers and are looking forward to seeing you all again at the upcoming EBES conferences.

Best regards,

Ender Demir, PhD
Conference Coordinator

CONFERENCE PROGRAM

Sustainability of CSR Activities and Firm Value

Seong Ho Bae, Kyungpook National University, South Korea; Kwang Hwa Jeong, Korea University, South Korea; Seok Woo Jeong, Korea University, South Korea; and Woo Jae Lee, Korea University, South Korea

The Status of Implementation of Controlling System in Logistics Companies - Presentation of Selected Results of Empirical Research

Justyna Dobroszek, University of Lodz, Poland

Assessing of Business Subsidiary Operations and Consolidated Financial Statements through a Common Global Accounting Language, IFRS vs. GAAP

Paul Lee, Cleveland State University, U.S.A.

The Effectiveness of the Company and Use of the Managerial Tools

Libuse Svobodova, University of Hradec Kralove, Czech Republic

GROWTH AND DEVELOPMENT I

Room: Fa

Chair: Hock Tsen Wong

Recent Trends in Economic Governance - Promoting Instrument for Economic Growth across Central and Eastern European Countries

Mihut Ioana Sorina, Babes-Bolyai University, Romania

The Common Agricultural Policy's Implications for Food Price Volatility

Larisa Nicoleta Pop, Babes-Bolyai University, Romania

Democratic Participation and Socio-Economic Development

Guner Tuncer, Dumlupinar University, Turkey and Ozer Ozcelik, Dumlupinar University, Turkey

The Role of Institutions in Socio-economic Development

Alise Vitola, Riga Technical University, Latvia and Maija Senfelde, Riga Technical University, Latvia

The Economic Effect of Knowledge-Intensive Services on Economic Growth

Gabriela Liliana Cioban, "Stefan cel Mare" University of Suceava, Romania

FINANCE II

Room: Sol

Chair: Michi Nishihara

The Effects of Political Events on Stock Market with a New Fama-French 3-factor Model

Wenbo Meng, Nankai University, China and Liuling Li, Nankai University, China

Multi-Factor Asset Pricing Models in the South African Stock Market

Uchenna Chukwuzitere Tony Okeke, Coventry University, United Kingdom and Timothy Rodgers, Coventry University, United Kingdom

Two-Beta CAPM: Implications of Asymmetry of Returns

Alexander Bukhvalov, St. Petersburg State University, Russia and Barbara Bukhvalova, BI Norwegian Business School, Norway

Geographic Influences on IPO

Giulia Baschieri, University of Bologna, Italy; Andrea Carosi, University of Sassari, Italy; and Stefano Mengoli, University of Bologna, Italy

On the Separability of the Real and the Financial Decisions

Alfonso Herrero de Egana Espinosa de los Monteros, UNED, Spain; Alberto Munoz, UNED, Spain; and Carmen Soria Bravo, UNED, Spain

ABSTRACT BOOK

appropriate) for estimation. As a robustness test we utilize the data for the Russian market (2003-2012). While we do not perform our analysis for all markets, we find general support of the hypothesis that it is the nature of the companies rather than the nature of the particular markets that drives previously published comparisons of emerging and developed markets.

Keywords: CAPM, Asymmetry of Return Distribution, Downside Risk, Cost of Capital, Developed vs Emerging Markets
JEL Classification: G12, G01

Geographic Influences on IPO

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Abstract

Literature on IPOs is more and more challenging. Recent research looks at IPOs as phenomena connected with the surrounding environment (e.g., Braun and Larrain, 2009; Hsu et al., 2010). We contribute to this literature by testing whether the firm geographic location matters in IPOs. Our key conjecture is that listed firm clustering around the IPO headquarters i) decreases the likelihood to go public, ii) lowers the underpricing, and iii) boosts the long-run under-performance. These conjectures are motivated by previous research showing that i) retail investors exhibit a preference for local stocks (Local Home Bias, LHB) (e.g., Coval and Moskowitz, 1999), ii) the proximity to the issuing firm reduces outsider information gaps (e.g., Feng and Seasholes, 2004), and iii) the LHB boosts corporate market price (e.g., Hong et al., 2008). To test these conjectures we merge datasets on the Italian private firms (95,745 firm-year observations), listed firms (3,835), and non-financial IPOs (157) over 1999-2012. We capture firm clustering around the IPO by introducing a spatial clustering index based on the harmonic mean of distances between each IPO and the other firms. As predicted, we find firm clustering around the IPO decreases the likelihood to go public, lowers the underpricing, and boosts the long-run underperformance. We control for local wealth, endogeneity, self-selection bias, information asymmetries and the complexity of the price-setting process. Our findings highlight that the firm location matters in IPOs. The firm location affects almost every aspect of the corporate finance such as equity issuance (Loughran, 2008), financial structure (Gao et al., 2011), and payout policy (Becker et al., 2011), among others; we first relate to this literature. Our findings also provide evidence on underwriters' valuation skills. When attempting to price an IPO, the main problem issuers and investment banks face is the estimation of the aggregate demand (e.g., Lowry and Schwert, 2004). Our results further support this evidence. The complexity of the pricing problem increases in isolated firms because of the LHB which makes additionally relevant the local supply and demand for local stocks. Indeed, the LHB seems implemented in the price-setting process; however, the offer price is not properly adjusted, and isolated IPOs are more underpriced than clustered IPOs. The more reliable explanation is that underwriters fail to estimate the firm value related to the firm location. The main implication would be that a location factor should be included in IPO pricing.

Keywords: IPO, Local Home Bias, Going Public Decision, Underpricing, Long-Run Performance
JEL Classification: G10, G14, G32

On the Separability of the Real and the Financial Decisions

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Abstract

The financial manager faces two basic problems: First, the firm's investment, or capital budgeting, decision; Second, the financing decision. Capital investment and financing decisions are typically separated, that is, analyzed independently. The basic idea behind Modigliani and Miller's famous proposition I is that: In perfect markets changes in capital structure do not affect value. As long as the total cash flow generated by the firm's assets is unchanged by capital structure, value is independent of capital structure. The aim of this paper is not to attack or discuss MM theorem. The theorem is mentioned because capital budgeting applies the same rule to projects, and projects as opposed to firms are not supposed to last forever or indeterminately. If we introduce a time limit to investments, to separate investment and financing decision in project analysis markets might not be correct, even in a perfect market. The purpose of this paper is to explore the validity of the separation rule through NPV and IRR rules, as representatives of academic and business practice, and compare their results with simulations that will include the financial decision of the firm. The analysis will take into consideration what would happen when the flow of funds from investments differs from the flow of funds that finance the project, not the financial structure or distribution among bonds and stock. A singular experiment proving that we can change the net present value of an investment modifying the financial structure cannot be used to affirm a universal statement; however, it can be used to show that a theory is wrong.

JEL Classification: G30, F49

Keywords: Financing Decision, Capital Investment, Cashflows