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Herding in the Aftermarket of Malaysian IPOs: Does it Differs Across Underwriter Reputation?

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Abstract—This study examines the herding behavior of equity investors in an aftermarket of IPOs across different underwriter reputation and IPO market conditions using Christie and Huang (1995) method. The findings demonstrate that uninformed (non-private placement) investors tend to be rational in investing in IPOs underwritten by reputable and non-reputable underwriters in both declining and rising market conditions. The findings of this study also report that the investment decisions toward the new shares underwritten by reputable and non-reputable underwriters indicates that only informed (private placement) investors have the tendency to herd in investing in the shares underwritten by reputable underwriters, during the declining market condition. However, these shares are less potential for herding behavior based on the literature, as they are less risky.
Keywords—aftermarket IPO; herding behaviour; underwriter reputation; informed and uninformed investors; private and non-private placement investors, behavioral finance; Bursa Malaysia

UK AND EU SUBSIDIES AND PRIVATE R&D INVESTMENT: IS THERE INPUT ADDITIONALITY?

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Abstract

This paper investigates the effects of UK and EU innovation subsidies on private R&D in a sample of about 22,000 UK firms. The sample consists of R&D-active firms surveyed in at least one year over 1998-2012. The results are obtained from four different estimators with various degree of control for selection correction and time-invariant fixed effects. We report that UK innovation subsidies are not associated with additionality (complementarity) in privately-funded R&D intensity, and the additionality effect in manufacturing is small. In contrast, EU innovation subsidies are associated with the robust additionality of two percent. Ordered-Heckman estimations indicate that an increase in UK subsidies in total R&D is not likely to make a difference to private R&D effort. However, an increase in EU subsidy intensity is associated with higher rise in R&D investment for firms with certain R&D effort.

The findings also indicate that private R&D intensity is non-linearly related to wide range of firm-level and industry variables. Results from the full and from the manufacturing firm samples depict a consistent picture with respect to the effects of these covariates. Whilst turnover as a proxy for cash flow has a U-shape relationship with R&D intensity; the market concentration, firm age and size as measured by employment have an inverted-U relationship. In the case of industry-level factors, we observe that private R&D intensity is consistently higher in Pavitt technology classes one, two, and three compared to the excluded category of the unclassified technology class. Finally, private R&D intensity is lower during the post-crisis period of 2008-2012, which have been accompanied with appreciation of British pound and increasing FTSE-100 stock index.

The main implication of the estimations is that European R&D funding regime appears to provide businesses with greater incentives for additional R&D investment. This might be explained with our findings that the EU scheme is more likely to award the subsidy to sciences-based, specialized suppliers and scale-intensive firms, which tend to have much larger R&D projects where extra support might make a difference in undertaking additional innovation. Further research is necessary to identify why the firm selection in the EU subsidy regime is more successful in leveraging additional private R&D investment compared to the UK regime. However, our estimations show that both the UK and the EU innovation support regimes are essentially 'picking winners' with high R&D intensity that favour firms with greater turnover growth, large employment, or tend to select companies with defence R&D. Relatively small magnitudes of the estimated additionality effects suggest that a better mechanism design for public R&D support is needed both in the EU and the UK.

Key words: R&D subsidies, additionality effect, UK, EU, manufacturing

This is the first draft; it can be quoted with a proviso to that effect.

Title: Variation in the effect of R&D investment on firm productivity: UK Evidence

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Abstract

The effect of R&D investment on firm/industry productivity have been investigated widely thanks to pioneering contributions by Zvi Griliches and others in late 1970s and early 1980s. This is pertinent because innovation enables firms to introduce new products and processes with significant scope for productivity gains and growth. However, the sources of heterogeneity in the empirical findings have not been modelled and investigated in a coherent manner. In this paper, we investigate the extent of variation in the effects of R&D capital on firm productivity, using different R&D types and controlling for market concentration and technology classes. The evidence from 10,316 UK firms between 1998-2012 indicates that the effect of R&D capital on firm productivity is higher when: (i) firms are more R&D-intensive or located in more concentrated industries; (ii) firms are specialised suppliers of technology or located in the science-based technology class; and (iii) R&D investments consist of applied R&D, experimental R&D, intramural R&D and privately-funded R&D compared to basic R&D, extramural R&D or publicly-funded R&D. The findings indicate that R&D intensity and market concentration have complementary effects on firm productivity and that the technology class and R&D type matter.

Key words: R&D, knowledge capital, productivity, meta-analysis
JEL Classification: D24, O30, O32, C49, C80

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A marketing review about Romanian Internet Retail market

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Abstract

Romanian retail market is an evolving market due to the fact that Romanians are becoming increasingly familiar with the use of modern forms of communication and purchasing products from the online stores. In this paper, we intend to highlight some aspects regarding the Romanian retail market, to analyse the current state of Internet commerce in Romania and the differences between rural and urban areas in Romania related to this subject. In addition, during this presentation we will highlight the Romanian Internet retail prospects and some marketing considerations about this subject.

Small and Medium Enterprises in Indonesia and the Forthcoming Challenge

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Abstract–

Small and Medium Enterprises (SMEs) play a vital role in the country's economic development. During Asian financial Crisis, Indonesian Stock Exchange (IDX) collapsed, but informal economic sector (dominated by Small Medium enterprises) did not significantly affected by crisis and could survive well. The Indonesian Government has taken many measures to support the development of small and medium enterprises (SMEs), which are expected to play a crucial role in employment creation, gross domestic product growth. The government is devoting and designing the SME development plan to assist the SMEs to meet the new business challenges in the competitive global business environment. SMEs has been expected to be one of the solution of decreasing unemployment in order to achieve Millennium Development Goals that was released by world bank. The focus of this paper is discussing the competitiveness facing SMEs in the global business environment by examining the opportunities and supports from the government. Furthermore, this study also analyze the challenges of Indonesia SMEs in Indonesia it self like bureaucracy which is known as another important issue to start business in Indonesia, especially for SMEs. Many overlapping regulation between central government and in each province, it is not as easy as in other country to get a license for opening a company, it will take a complex process & long time and also the issue in globalize market challenge like that the ASEAN countries have reached agreement on the establishment of the ASEAN Economic Community that is scheduled to be realized in 2015.

Keywords: Small and Medium Enterprises, Millennium Development Goals, Challenges, Asean Economic Community

THE SUCCESS DETERMINANTS OF SMALL AND MEDIUM ENTERPRISES IN PORTUGAL

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Abstract

Entrepreneurs tend to be optimistic when they start up their new ventures. Nevertheless, the probability of business success is much lower than their expectations. In fact, many small businesses fail at their infancy stage and within a few years after start-up. Therefore, although the exact rate is not known, the failure rate of new small businesses is high. For instance, Dickenson (1981) and Lauzen (1985) report that about two thirds of small businesses are discontinued within their first five years of operation, while Barsley and Kleiner (1990) indicate a rate of about 80 percent. Other researchers report different small business failure rates, but all of them point out that this rate is very high within the first years of activity. At the same time, the important role played by the SMEs in economic growth, job creation, innovation, and technological progress is often underlined. In addition, given the weight of these firms in the generality of national economies, the SMEs' health and survival rate have a strong influence on the social and economic stability of the countries.

Therefore, it is relevant to study the determinants of SMEs' success and failure, a topic that has attracted a considerable amount of researchers for the last decades, along different paths.

The success determinants of Portuguese small and medium enterprises (SMEs) are examined using a sample of 207 Portuguese firms from several industries listed in the Dun & Bradstreet database that are at least five years old and with ten or more employees. The empirical study is based on the Lussier (1995) success versus failure prediction model. Our results do not fully support the international research on the determinants of SMEs' success. The determinants of Portuguese SMEs' success are: capital, record-keeping and financial control, planning, professional advice, age of owner, and marketing skills. Using logistic regression, the model adequately fits the data, and accurately predicts 43.4 percent of the failed businesses and 87.0 percent of the successful businesses for an overall accuracy rate of 73.2 percent.

Seeing Preparation of Five ASEAN countries (Singapore, Malaysia, Brunei Darussalam, Thailand, and Indonesia) Through the Youth Perspective Welcomes AEC

Abstract
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ASEAN Economic Community (AEC) is an international project which will applied in this last 2015. Where the goal is to increase ASEAN economies and make ASEAN as trading central. To reach the goal, ASEAN countries an a whole should have great preparation. They should making sure that every aspects ready to apply AEC such as government stabilities in economic, social, and politic. Those stabilities will have a big effect in AEC implementation. But the big homework for all ASEAN countries are creating that stabilities. So this research aim to answer the questions : "What kind of preparation that five ASEAN countries (Singapore, Malaysia, Brunei Darussalam, Thailand, and Indonesia) done to prepare AEC?" and "What should the government of five ASEAN countries (Singapore, Malaysia, Brunei Darussalam, Thailand, and Indonesia) do to prepare AEC?" from the youth perspective. This research use qualitative methods with semi-structured online and direct interview.

This research finds that the youth don't know much about what their government do to prepare AEC. They also argue that the government has no serious preparation especially for micro economic level. They believe that ASEAN is not ready for making AEC real in the last 2015. Government has too many homework to do before AEC applied. ASEAN countries need more time to prepare AEC. So it's not right way if AEC applied in the last 2015.

Keywords: AEC, ASEAN countries, government, preparations, youth

Comparing the Cost of Hospitalization for Immigrants and native Greeks in Eastern Macedonia and Thrace

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The number of immigrants entering the European Union countries through Greece have increased dramatically the last couple of years (Vasileva, 2012). Many of them have chosen to stay at Greece specially the years before the fiscal crisis which occurred after 2010. Their pressure to the cost of hospitalization for the National Health Service (NHS) systems is utmost important and has not been yet studied extensively especially for the region of Eastern Macedonia and Thrace (EMT).

This paper presents an extensive analysis of the cost of hospitalization for patients hospitalized for at least one day at five hospital of the region of EMT belonging to the National Health System (NHS). The multivariate Linear Mixed Effects (LME) models (Pinheiro and Bates, 2000) were used to evaluate the effect of factors Nationality, Days of Hospitalization and Year (2005-2011) on the dependent Cost variable for the five General Hospitals. The results indicate statistically significant main effects of all the variables, namely Nationality, Days of Hospitalization and Year on the response variable (logarithmic transformation of cost). More specifically, the estimate of the fixed effect for the factor Nationality reveals that the native Greek patients had different costs compared to the Immigrants. Furthermore, the Days of Hospitalization have linear effect on cost, as it was expected and increase it as the days of hospitalization also increase. The factor Year reveal statistically significant differences between distinct years of the study. Concerning the mean values of cost, it is evident that there was a linear trend with increasing cost values from 2005 to 2011.

Finally, in order to investigate in more detail, the cost for Immigrants, we decided to study whether patients from six countries (Albania, Armenia, Bulgaria, Georgia, Germany and Russia), which had the highest number of patients, presented statistically significant differences of the cost function for the five years of the study and according to the Days of Hospitalization.

This research was supported by the Project "Immigrants and Health Services – The case of Eastern Macedonia and Thrace region" that is co-funded by the European Union (European Social Fund) and National Resources - ARCHIMEDES III.

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The Role of Sovereign Credit Default Swaps in Four Asian Stock Markets*

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Abstract

We examined the potential risk-reducing benefits of sovereign CDSs as hedges or safe havens under conditions of risk in four Asian stock markets (China, Korea, Malaysia, and Thailand). By definition, the average correlation among portfolios is negative (hedge role) during periods of market stress or turmoil (safe haven). The empirical analysis utilised the bivariate DCC-GARCH model to calculate the time-varying dynamic conditional relationship between sovereign CDSs and MSCIs.

The major findings are as follows. First, the dynamic conditional correlation between changes in CDSs and stock market returns was negative, implying that increases in the sovereign default risk tend to be associated with reductions in the returns of stock prices. That is, CDSs serve as effective hedges against risk in four Asian stock markets. Second, CDSs demonstrated both strong and weak safe haven characteristics during periods of extreme stock market volatility. In fact, Korean CDSs acted as effective safe havens at the 1% level of significance during periods of extreme volatility. This finding indicates that the Korean CDS market is most responsive to extreme downturns in the stock market, and may reduce portfolio volatility. Third, regression analysis showed that CDSs provided strong safe havens against risk in four Asian stock markets during two financial crises (GFC and ESDC). Thus, CDSs also play important roles as hedges and safe havens in times of extreme stock market volatility and during periods of financial crisis.

The empirical results support the role of sovereign CDSs as strong hedges against risk in four Asian stock markets. Investors should purchase sovereign CDSs to protect against the risk of default (systematic) in stock markets. In addition, we distinguished between a weak and strong form of the safe-haven effect in the context of extreme stock market volatility and during periods of financial crises. A weak safe haven protects investors to the extent that it does not move in tandem with stocks in response to negative market shocks. Conversely, by moving against the trends followed by stocks during periods of market turmoil, a strong safe haven reduces the overall default risk for investors.

JEL classification: C58, G11, G15
Keywords: credit default swaps, hedge, safe haven, dynamic conditional correlation

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Trade-Off vs Pecking Order Theory: Evidence from Greek firms in a period of Debt Crisis

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Abstract

Two of the main rival theories of capital structure that came from the Modigliani-Miller Theorem are the Trade – Off theory and the Pecking Order theory. The first theory suggests that each firm has an optimal capital structure in a way that the benefits of debt offset the costs of debt, while the second suggests that each firm prefers the retained earnings to debt and debt to the issue of new equity. The present study examines which of the two theories explains better the behavior of the capital structure of Greek firms during the period 2008-2014. Using a sample consisting of all 159 non-financial, listed in Athens Stock Exchange, Greek firms and panel – data analysis, and separating the whole period into two sub-periods, the appropriate models are estimated. The chosen two sub-periods are 2008 – 2010 and 2011 – 2014. It has to be mentioned that 2010, which is the break point of the total examined period, is the year that Greece entered the Memorandum of Understanding with the so-called "Troika" in order to cope with the effects of the debt crisis. The results of the statistical analysis show that: (1) the trade-off theory is more suitable for the explanation of firms' capital structure choices during the total period (2008-2014) and the first sub-period (2011-2014), (2) the pecking order theory is more suitable in explaining firms' capital structure during the second sub-period (2008-2010), (3) the change of the economic conditions due to implementation of the Memorandum of Understanding and the debt crisis (increase of taxes, increase of interest rates, lack of access of the Greek banking system to international financial markets, decrease of liquidity) led them to adjustments in their optimal capital structure, while the pecking order theory was dominant in the period prior to the crisis. So, there is some evidence in this study indicating that when economic conditions change, firms adjust their capital structures according to the trade-off theory, whereas when the economic conditions remain stable, firms behave according to the pecking order theory. (4) profitability, tangibility and firm size are positively related with the debt ratio.

Keywords: Trade-off theory, Pecking Order Theory, Capital Structure, Greece

Institutional Investors Behavioral Biases: Syntheses of Theory and Evidence

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Abstract

This paper reviews the theory and empirical evidence of institutional investor behavioral biases in the lenses of behavioral finance paradigm. It surveys the research specifically focusing on behavioral biases among institutional investors in investment management activities worldwide. The survey and analysis reveal the following findings. First, the theoretical underpinning of investor's irrational behavior has been neglected in behavioral finance research. Second, the behavioral heuristics and biases are dynamic and complex. Third, understanding behavioral biases' origin, causes and effects requires interdisciplinary perspectives from the fields of psychology, sociology and biology. The analysis and alternative perspectives drawn in this paper provides new theoretical and conceptual insights to the field of behavioral finance and aims to suggest researchers, practitioners and regulators on the next course of actions.

Keywords: *Behavioral finance, institutional investors, irrationality, cognitive heuristics, affective biases*