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The Welfare Implications of Wheat and Wheat Flour Price Volatility in Pakistan

Isra Asif
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Abstract

The international food crisis has shown a sharp upward pattern and increased variability over the last two decades, sparking concerns that hunger and poverty will spread throughout the world. Rising agricultural commodity prices, however, also provide many low-income economies with an incentive and an opportunity to increase their growers' contribution to both domestic economic growth and poverty alleviation. In light of the global food crisis, which presents both opportunities and risks to different segments of society, the main objective of this paper is to categorize market participants in wheat and wheat flour into three groups: net-buyers, net-sellers, and subsistence. Net Benefit Ratio (NBR), introduced by Deaton (1989), is computed by gathering information from the eight modules of the Household Integrated Economic Survey (HIES). The findings demonstrate that 85 percent of the population under study was considered a net buyer of wheat and wheat flour, indicating that their welfare is negatively impacted by increases in wheat prices. Additionally, by acting to reduce risks and take advantage of opportunities presented by such a crisis, in comprehending the likely effects of the wheat crisis among heterogeneous households, this paper seeks to support national decision makers and their international development partners.

Keywords: Net Benefit Ratio (NBR), Net-buyers, Net-sellers, Self-sufficient, Wheat and wheat flour price.
Jel codes: Q18, Q02.

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Evaluating the Effectiveness of Deep Learning Models in Financial Time Series Analysis

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Abstract

In recent years, critical global events such as the enduring impact of the COVID-19 pandemic and the Ukraine war have raised questions among specialists about countries' capability to navigate economic challenges properly. The resulting volatility observed in financial markets has directed researchers to explore new predictive models, with a particular emphasis on Deep Learning models known for their capacity in handling uncertainty and outliers. In this research, three distinct Deep Learning models were applied to study the indices of Central and Eastern European Union (EU) countries: Bulgaria (SOFIX), Croatia (CROBEX), Czech Republic (PX), Estonia (Tallinn), Hungary (BUX), Latvia (Riga), Lithuania (Vilnius), Poland (WIG), Romania (BET), Slovakia (SAX) and Slovenia (SBITOP). The analysis is based on daily data collected from November 23, 2017 to November 23, 2022. The findings indicate that all three models successfully captured the data patterns within a relatively low number of epochs. Furthermore, the chosen evaluation metrics, including Mean Absolute Error, Mean Squared Error, and Root Mean Squared Error, yielded comparable results across all the models. This study underscores the significance of advanced predictive modeling, particularly Deep Learning, in the context of capital market analysis, especially during times of economic uncertainty.

Keywords: stock markets, deep learning models, COVID-19 pandemic, Ukraine war, CEEC economies.
Jel codes: C55, E17, E44

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Foreign Outsourcing Collaboration, and Firm-Level Characteristics

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Abstract

Foreign outsourcing of activities across economies has empowered the firms to derive the benefits from international fragmentation of production stages which is equally important for both development and developing economies. This fragmentation of production stages has enabled enterprises to relocate the production stages that have become inefficient due to the higher cost of production in home countries. This study consists of a multistage analysis to assess firms' characteristics that segregate the firms by engagement in various forms of outsourcing collaboration, firm sizes, and ownership status. The firms' characteristics have been assessed using trend analysis. The results reveal that firms that collaborate in foreign as well as domestic outsourcing possess superior characteristics compared to firms that solely participate in foreign outsourcing collaboration employing data from 217 textile and apparel firms collected from Faisalabad-Pakistan. Particularly large entities exhibit better characteristics. Large firms collaborating in foreign outsourcing demonstrate benefits such as higher capital stock, greater use of capital-intensive technology, greater rent and lease expenses, higher use of imported inputs, a higher proportion of educated workers, and a strong tendency for process innovation. Furthermore, small firms turn out to be more productive as well as more product innovative. Private limited liability companies (LLCs) outperformed compared to public LLCs in innovation while small sole proprietorship firms exhibit exceptional product innovation.

Keywords: Foreign Outsourcing Collaboration, Domestic Outsourcing, Firm Level Characteristics, Pakistan
Jel codes: F02, F6, M11, O14, O19

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Programming in Security Sector Management with Reference to the Republic of North Macedonia

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Abstract

Programming, defined as a process used to unify various sectors/departments in an organization, also called program management, coordinates several related projects or action plans simultaneously. Hence, a program can be defined as a set of interrelated activities whose main objective is to ensure that all work is related to the goals and objectives of the entire organization. Programs create complex plans in order to achieve long-term positive results. The starting hypothesis in this paper refers to the need for an appropriate programming, thus enabling prioritization in the allocation of resources with an emphasis of the security sector institutions (the Ministry of Interior and the Ministry of Defense) in the Republic of North Macedonia, which have adopted various forms of programming, or program management from which the annual programs are derived and which are subject to revision. The purpose of this paper is to contribute toward theoretical elaboration and improve empirical implementation of programming as a part of the consecutive management procedures starting from the executive decision making through the revision of annual reports of the institutions respectfully. The methodology applied in this paper encompassed qualitative analytical interpretation of primary and secondary data and quantitative display of findings in correlation with programming in the security institutions in the country of North Macedonia.

Keywords: programming, management, security management, Ministry of Interior, Ministry of Defense, Republic of North Macedonia.
Jel codes: F52, D73, H61, M48, N40

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Active Transformations of Existing Social Systems and Public Development

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Abstract

The present article attempts to describe and analyze possible future social transformations in social development. Parallels are drawn with historical facts and events that in past periods had a significant impact on the formation and development of social systems. Answers are sought for the influence of new social leaders on the process of active social transformations. Possible scenarios for the formation and development of new social systems are analyzed.

Keywords: Strategic management, Social systems, Social leaders, Social transformations
Jel codes: H00, P00, I20

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Roots and Causes of Financial Distress: An Empirical Investigation for Three Industries in Albania

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Abstract

This study aims to conduct an in-depth analysis on the drivers of the financial performance of pharmaceutical, energy and construction sectors in Albania. The authors use the components of Z' score as drivers of distress, specifically Working Capital/Total Assets, Retained Earnings/Total Assets, EBIT/Total Assets, Book Value of Equity/Book value of Total Debt, Sales/Total Assets. The years covered in the analysis are 2015-2018. The sample size is 200 companies. The results are compared with the original research of Dhamo and Kume (2016). According to the empirical findings of this research, X4 drives the energy sector to be in a better position in terms of credit risk as compared with the two other industries. Both energy and construction show lower credit risk, mainly due to X1 and X4, as compared with the same industries in the original research of Dhamo and Kume (2016). Financial ratio stability, which directly impacts the stability of Z' score, is an issue in the latter sample period, however.

Keywords: Financial distress, industry performance, default risk
Jel codes: G32, G33

Quality of Higher Education in EU Countries Assessed by Constructing a Composite Quality Index

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Abstract

Improving the quality of higher education is an increasingly important objective of any country's economic policy. Therefore, the evaluation of quality in higher education became important for the policy-decision makers and has led to the development of various methodologies by researchers over the years. In our paper we assessed the quality of higher education by constructing a composite index for a 3-year period, 2020-2022, considering ten variables reflected in four dimensions for the EU countries: teaching, research, institutional and economic dimensions.

In order to construct the quality indices, the principal component analysis (PCA) was applied to determine the importance of each variable; the weighting method was used to extract the factor coefficient score matrix loadings. This type of evaluation carried out regularly and objectively could represent an important support for the authorities and the higher education board members to improve the quality of their institution. By applying a panel data analysis, we measured the influence of some economic indicators on these quality indices. Through this study we observed the differences between EU countries in terms of higher education and the importance of each measurement dimension used. These findings can be used to compare the dynamics of higher education quality in each country.

Keywords: quality education, higher education, panel data analysis, composite index
Jel codes: B23, C33, C43, I21, I23

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Bibliometric Analysis of Cooperatives Studies

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DOI: https://doi.org/10.19275/RSEPCONFERENCES302

Abstract

Cooperatives are autonomous organisations of people who voluntarily join together to meet economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises. It is based on a unique model that promotes social development and provides a basis for commercial enterprises. They also create added value for products and services that are difficult for individuals, especially people with limited means, to obtain on their own. This is possible through effective joint utilisation of the resources of the members. Cooperatives are a participatory, sustainable business model that strengthens local economies, improves living conditions and gives people responsibility. This study aims to reveal the state of the "economics" research dimension of the cooperative literature by focusing on the studies searched in the "economics" category in the WoS database with Cooperatives in the author keyword. For this purpose, 667 open-access studies were analysed. As a result of the search in the WoS database, a data set was created. To examine the subject area holistically, a bibliometric analysis of studies on Cooperatives was conducted. The data were analysed using VOSviewer software. Firstly, the course of research on Cooperatives over the years and the distribution of research types were analysed. Within the scope of bibliometric analysis, firstly, citation analysis was conducted. Citation analysis revealed the most cited articles, authors, journals, institutions and countries in the field of Cooperatives. Citation analysis was also used to identify the authors, journals, institutions and countries that published the most research on Cooperatives. A co-author analysis was carried out, which identified the most collaborative organisations in the field of Cooperatives. A co-citation analysis was conducted, which analysed the most frequently co-cited authors on the subject of Cooperatives. Co-word analysis was used to identify the most commonly used author keywords in studies on Cooperatives. It is thought that the results of the study can be a guide for researchers who want to conduct studies on Cooperatives.

Keywords: Cooperative, bibliometric analysis, science mapping, Wos (Web of Science).
Jel codes: P41

Use of the TOPSIS-Entropy-GIS Method and Evaluation of the Sustainability of Carrying Capacity of Marine Waters to Determine Blue Economy Strategy Priorities in Indonesia

Dietriech G. Bengen, Akhmad Fauzi, Suntoyo, Akhmad Fauzi, Sakti Wahyu Trenggono, Sakti Wahyu Trenggono, Holiludin, Noor Cahyo D. Aryanto, Arief Sudianto, Deky R. Sukarno, Naufal S. Lovandika, Surya A. Simbolon, Suharyanto, Victor Gustaaf Manoppo, Kusdiantoro, Dyah Erowati, Nurul Khoiriya, Sitti Mumtazia Lestari

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Abstract

Management of coastal sedimentation is an important policy approach on accomplishing the Blue Economy in Indonesia. Accumulated coastal sedimentation possibly threatens ecosystems thus resulting in degradation of the carrying capacity. This conditions also plausibly harm the livelihoods of the community as well as the surrounding infrastructure. This study is designed to solve the problem of identifying areas experiencing heavy degradation of the carrying capacity as well as the priority areas using the Technique for Order Preference by Similarity to Ideal Solution (TOPSIS), which is integrated with the Entropy and Geographic Information System. The analysis was carried out on a national level in four major stages with 13 parameters for 32,284 spatial blocks by: (a) grading of inter-regional marine area; (b) screening of priority areas; (c) determining clusters of priority location; and (d) evaluation of Sustainability analysis. The result shows that the Java Sea and Sunda Strait, as well as the Natuna Sea and North Natuna Sea are the main priorities of Inter-Regional Marine Area to implement the management of coastal sedimentation. In detail, the priority location cluster in the Java Sea and Sunda Strait areas is located in the waters around Jakarta, West Java, Central Java, East Java, West Kalimantan, Central Kalimantan and South Kalimantan, while the priority location cluster in the Natuna and North Natuna Sea areas is located in the waters around Riau, Riau Islands, South Sumatera, and West Kalimantan. Moreover, the TOPSIS analysis is completed by doing a ground check to collect additional data and aspirations of local communities. The result of the Sustainability analysis using a qualitative approach through the BIRU method (Budget, Impact, Response, and Uncertainty) shows that there are variations in the intensity of budget variables, community response, problem intensity, and variables of the urgency of managing sedimentation problems in the priority areas.

Keywords: TOPSIS, Entropy, GIS, Sedimentation
Jel codes: Q01, Q22

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Setting the Utilization of Marine Space Tariff Based on Sustainability Principles. The Case of Indonesia

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Abstract

Managing marine space in a developing country like Indonesia poses significant challenges. The urbanization of the sea has turned marine areas into contested spaces among various user groups. The rise in population and economic activities along the coast has strained coastal ecosystems, leading to unsustainable exploitation of marine resources. Therefore, sustainable management of these ecosystems is crucial. This paper aims to tackle this issue by proposing a market-based instrument to sustainably control and manage marine space. The objective is to establish a fair tariff system for the sustainable allocation of marine space among different user groups. The study utilized the ranking method to determine appropriate tariff rates for various marine activities, calibrated with stakeholders in eight locations. The study's results offer different tariff sets based on economic, social, and environmental criteria, which can inform policy decisions on tariff systems for marine spatial planning in Indonesia. Valuable lessons can be gleaned from this study to enhance marine space management practices.

Keywords: marine spatial planning, tariff system, market-based instrument, sustainability
Jel codes: Q57, Q01

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Compulsory Earthquake Insurance in Türkiye and the Effect of the 2023 Kahramanmaraş Earthquake on the Insurance Sector

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Abstract

Insurance, simply, refers to a system where individuals transfer their risks to insurers, and protection against the transferred risks is provided by insurance companies. In Türkiye, following the devastating 1999 Marmara earthquake, resulted in significant loss of life and property, Compulsory Earthquake Insurance (CEI) was introduced to minimize earthquake losses. The TURKISH Catastrophe Insurance Pool (TCIP), a legal entity, was established to offer the insurance, both collects premiums and Shares compensations as an insurer. The insurance, substantial compensations were paid due to earthquakes in Van, Elazığ, and İzmir, highlighting the necessity of CEI. However, the impact of the Kahramanmaraş-centered earthquake on February 6, 2023, affecting 11 provinces, was profoundly destructive. Two major earthquakes with magnitudes of 7.7 and 7.6 occurred, resulting in the death of more than 50,000 people.

The total burden of the disaster by the earthquake on the TURKISH economy is estimated to be approximately 1.995 billion TURKISH Liras (103.6 billion dollars), constituting around 9% of the national income in 2023. The total number of residences in the region is approximately 2.6 million, with an insurance coverage rate known to be around 50% on average across the 11 provinces. The insurance sector has paid an estimated damage amount of approximately 5 billion dollars for the mentioned earthquake. In other words, around 5% of the total damage has been covered by the insurance sector.

Keywords: Compulsory earthquake insurance, Insurance business, Insurance rate, TURKISH catastrophe insurance pool
Jel codes: G22, G28, G52

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Implications of Macroeconomic Frictions and Imperfectly Rational Agents in a Small Open Economy Framework

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Abstract

We build upon the frontier research on hybrid expectations setting by integrating it into a small open economy DSGE model. Specifically, our Bayesian estimation encompasses three variants, a baseline model featuring financial frictions, a "non-financial frictions" counterpart, and a hybrid expectations version. The models utilise quarterly observed variables for Slovenia and the euro area from 2005Q4 to 2019Q4. The evaluation of in-sample fit strongly supports the adoption of hybrid expectations arrangement. A comparison between the baseline model and the "non-financial frictions" counterpart further reveals evidence supporting the inclusion of financial frictions and shocks. The unconditional variance decomposition of the baseline model emphasises the dominant role of supply shocks in explaining developments in real GDP, real wages, and inflation. Conversely, demand shocks primarily impact demand side aggregates, with financial frictions notably influencing real investment. In contrast to the findings above, the "non-financial frictions" version explains macroeconomic developments mainly through foreign and demand shocks, while in the hybrid expectations variant more power is attributed to either demand or supply shocks, depending on the observed variable. The examined impulse response functions align with the New Keynesian literature, with the hybrid expectations version generally exhibiting more persistent responses. Contrary to the in-sample fit results, the baseline model proves preferable for forecasting real GDP over the 8-quarters ahead horizon, particularly compared to the hybrid expectations version. Regarding inflation forecasting, both the "non-financial frictions" and hybrid expectations versions outperform the baseline model. Additionally, the performance of DSGE models in forecasting both aggregates is comparable to that of time series competitors. Our analysis underscores the absence of a one-size-fits-all approach when dealing with various exercises involving DSGE models. While an in-sample analysis warrants the use of hybrid expectations arrangements, a policy-maker may find it more effective to revert to a rational expectations model when forecasting.

Keywords: DSGE models, Bayesian inference, small open economy, monetary union, financial frictions, hybrid expectations, BVAR models
Jel codes: C11, C32, C52, C53, E17, E30, E37, E44, E51, F41

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Unraveling the Roots of Income Polarization in Europe: A Divided Continent

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Abstract

The issue of polarization, as opposed to inequality, has been little explored in European countries. In this paper, using data provided by the Luxembourg Income Studies Database, we look at the trend of income polarization in 12 European countries, the only ones available with two comparable years, using the relative distribution method. The results clearly show a trend toward polarization in almost the cases analyzed, with a concentrated prevalence in the lower tail of the distribution, thus observing a worsening in the distribution. Next, we look at drivers that may have contributed to these changes, using the RIF-regression method. It is interesting to observe how these characteristics are in many cases common across all countries: the occupational sector, level of education and area of residence have the same impact, albeit with different intensities, in all countries. This suggests the possibility of coordinated intervention across these nations, acting on the same variables for all of them.

Keywords: Europe; income polarization; RIF-regression; relative distribution
Jel codes: C14; D31; D63

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The Ambiguous Impact of Attractiveness Variables: A NARDL Approach to Cryptocurrency Price Determinants

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Abstract

We explore the main cryptocurrencies drivers, focusing on attractiveness. Using a NARDL model, we highlight the presence of an asymmetry effect in Google and Wikipedia searches related to cryptocurrencies, although it appears to be generally weak. The absence of a long-term effect on Bitcoin underscores a more complex evolutionary mechanism. The difference in asymmetry effect obtained suggests that the attractiveness of cryptocurrencies needs to be addressed both quantitatively and qualitatively.

Keywords: Cryptocurrencies, NARDL, attractiveness, asymmetry
Jel codes: G1-G4-E51

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Economies of Scale, External Tariffs and Dynamic Trade Agreement Formation

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Abstract

This paper employs an oligopoly model of trade and scrutinizes the static and dynamic implications of economies of scale for the external tariffs, welfare and the extent of endogenous Free Trade Agreement (FTA) formation. Focusing on how optimal tariffs of FTA insiders and FTA outsider respond to a bilateral FTA formation, we show both theoretically and empirically that the existence, magnitude and the direction of the tariff complementarity effect and the external trade diversion heavily depend upon the degrees of economies of scale. Our results provide an additional insights on the mixed empirical findings in the existing literature. Then, using a dynamic FTA formation model with Markov Perfect equilibrium, we show that the equilibrium path of FTA formation reaches global free trade unless countries are sufficiently myopic and dynamic free riding incentives prevent it. Such incentives rise as both the degrees of economies of scale and disceconomies of scale rise and thus global free trade is more likely to arise in the equilibrium path when industry exhibits constant returns to scale.

Keywords: Economies of Scale, Tariff Complementarity, External Trade Diversion, Tariff Bindings, Free Trade Agreement.
Jel codes: C72, F12, F13.

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Evaluating the Economic Viability of Forest Biomass Energy Production

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Abstract

Biomass has become a promising solution for generating electricity and heat through cogeneration technologies, which improve overall energy conversion efficiency. As the primary renewable energy source in the EU, biomass plays a crucial role in electricity production and at the same time serves as a balancing mechanism for other variable renewable energy sources. This paper explores the economic viability of producing energy from biomass, with a specific focus on utilizing forest biomass combined heat and power (CHP) systems. The aim is to evaluate the potential of biomass-based energy production both as a sustainable and economically viable alternative to traditional fossil fuel-based energy generation. A comprehensive financial assessment of the investment project in a wood chip power plant in Croatia was conducted, and the most significant indicators of economic viability, namely Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period (PBP), were calculated. The study found promising results highlighting the significant potential of biomass-based CHP technologies in the EU with positive economic indicators. Policy makers should provide targeted support and incentives to encourage investment in biomass energy production, while ongoing research on advanced gasification technologies, sustainable biomass supply chains and environmental impacts is crucial for a sustainable transition to renewable energy.

Keywords: economic viability, sustainability, energy generation, biomass
Jel codes: D25, Q56

Analysis of Healthcare Funding Trends in Croatia: Implications and Long-Term Consequences

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Abstract

Funding for healthcare services, as in the case of financing many other public sectors and services of general interest, faces challenges in in continuously rising costs and financing. This is significantly influenced by inflationary trends following the end of the crisis caused by macroeconomic activities in the post-pandemic period, as well as the war in Ukraine, which globally, especially in European countries, impacted the rise in energy costs.

System where contributions for healthcare services are funded from salaries, becomes particularly vulnerable during unfavorable economic conditions and crisis periods such as the pandemic. Despite the social component, the inability to adequately and timely fund healthcare costs inevitably, in the long run, leads to a deterioration in the quality of healthcare services. Although this challenge is not specific to single country but rather applicable to most countries whose healthcare financing is based on National Health Service or social health insurance model, this paper will analyze the situation and trends in Croatia, where healthcare services are financed through the Croatian Health Insurance Fund (CHIF).

The objective of this study is to examine the adequacy of funding sources during a ten-year period and analyze the impact of unfavorable social (economic and healthcare) trends on the sufficiency of healthcare funding in the Republic of Croatia. In line with the above, this study will analyze if, according to the projection of future cash flows and based on past trends, there is sufficient funding during the specified period and assess the impact of cash flow trends on the healthcare supply channels. in the healthcare system. Consideration of long-term consequences will also be part of this study. It is expected that results of this research will contribute to all stakeholders involved in projecting future cash flows in the healthcare system.

Keywords: healthcare funding models, healthcare system, state budget, projections of government spending on healthcare, budget financing
Jel codes: H51, I18 E64

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Geopolitical Uncertainty and Financial Assets in Tourism Industry

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Abstract

Geopolitical risk is a crucial consideration in various types of investments as they impact both projected cash flows and the required rate of return. We explore the time-varying relation between the daily Geopolitical Risks Index (GPRD) and the tourism industry. We use both tourism tokens market (TTI) and tourism equity market indices (WHRL) as proxies for the returns in tourism industry. The results from DCC-GARCH and time-varying Granger causality (TVGC) analyses reveal that both the GPRD-TTI and GPRD-WHRL pairs exhibit weak co-movements. However, during the COVID-19 period, significant but short-term bidirectional causalities emerge. Notably, during the Russia-Ukraine war, profound and persistent bidirectional causal effects are observed only in the GPRD-WHRL pair. These findings suggest that the cryptocurrency market may not effectively incorporate geopolitical risk factors, while equity markets successfully capture and respond to them. In this context, equity markets can serve as early warning indicators for geopolitical risks, following the conventional approach. Conversely, tourism tokens can be considered for portfolio diversification within their respective compositions.

Keywords: Geopolitical risks; Tourism industry; Equity market; Tokens market
Jel codes: L83; Z33; G14

Digital Accounting – A Trend or a Necessity of Nowadays?

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Abstract

The pandemic context amplified digitization and highlighted how important adaptability is. In an increasingly digitized world, adapting to the demands of the present and the future is not only a trend, but a necessity in many areas, including accounting. Hence, the need to access and manage financial information efficiently and securely has become imperative, so, the future of financial management in the digital age is represented by digital accounting (DA). It is well known that nowadays, emerging technologies, such as artificial intelligence, robotic process automation and machine learning, increase efficiency in all areas of activity, so this study empirically investigates how DA research is presented and included in accounting literature. To this purpose, it was extracted the information available in the Web of Science Core Collection database from all the studies that were published in accounting journals since 200, namely topics, keywords and research methodology. In this research it was only took into account the keywords proposed by the authors in the published works and it was established a minimum threshold of 5 simultaneous occurrences. The results of our study reveal that there is a significant research interest in the concept of digital accounting in scientific literature, highlighting both new opportunities and threats that affect business management. Adaptability and the desire to integrate new technologies into everyday life stimulate performance, provide value and bring new strategic perspectives to the top decision-making process. Continuous innovation is thus what ensures long-term resilience.

Keywords: digital accounting, artificial intelligence, resilience
Jel codes: M41, M15

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Management Voluntary Disclosure and R&D Investments: An Inverted-U Relationship

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Abstract

Unlike mandatory disclosure, managers have great discretion in deciding whether and how to release voluntary information concerning earnings forecast. In this paper, we examine the relationship between management voluntary disclosure (i.e. issuance of management earnings forecast) and R&D intensity. R&D is associated with higher information asymmetry. Therefore, managers are more likely to issue earnings forecasts for R&D-intensive firms to reduce information asymmetry. However, R&D is also associated with proprietary information costs. Consequently, the association between issuance of management earnings forecast (MEF) and R&D intensity depends on the tradeoff between costs and benefits. Consistent with prior research, we initially find an inverse relation between issuance of MEF and R&D intensity. However, we discover that the relationship is nonlinear as proposed by duopoly games. Forecast issuance increases in the first four quintiles but decreases steeply in the fifth quintile. When we account for nonlinearity, we find a positive association between R&D intensity and MEF. Moreover, we find that the negative association suggested by the linear model is observed only among firms reporting a loss. Accounting treatment to expense R&D under US GAAP could cause firms to report losses and deter managers from issuing MEF. Further analysis reveals that both reporting losses and nonlinearity are driving the inverse relationship documented in prior literature. Overall, our results suggest that managers strategically release discretionary information on earnings forecast for R&D-intensive firms to alleviate the negative impact of information asymmetry since the benefits of reducing it outweigh the proprietary information costs.

Keywords: Management voluntary disclosure; R&D; Information asymmetry; Nonlinearity
Jel codes: M41; G12; O3

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Strategic Citation: Evidence from the Dead

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Abstract

The scientific ideal is that citations to previous and contemporaneous work enable readers to put the contribution of the current work into proper perspective and ensure that credit is fairly apportioned. Another possibility is that papers are cited with an eye to influencing the choice of referees, to flatter editors, and as the membership fee of citation clubs. If this second possibility is true it might be expected that the death of an author results, other things equal, in a fall in the stream of citations received by each of her papers.

Thus, our work empirically investigates this hypothesis. We collected data from RePec and Scopus on 341 economies that have been reported as dead and who have written 2035 papers. Data on the year of the death, previous reputation of the authors, and the number of coauthors was also collected. Our unit of analysis is the number of citations received (not including the self-citations) by each paper in each of the years that go from 1996 to 2017. We find that the death of an author diminishes the flow of citations a paper receives, suggesting that citations do not entirely reflect the intrinsic merit of the research. We grudgingly acknowledge that Aizenman and Kletzer (AE 2011) were the first to look at this issue.

Keywords: bibliometrics, strategic citation, dead consequences, research output
Jel codes: A14, C33, D90, J00, N01

Reputational Impact on India's Pharmaceutical Exports: Need for a 'Carrot and Stick Policy?'

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Abstract

Due to consumption of counterfeit or adulterated medicines, every year over 0.1 million fatalities are reported in underdeveloped countries in general and Africa in particular. India, a major producer of pharmaceutical products, holds considerable export interests in both developed and developing quarters. Recent deaths in different countries, allegedly from consumption of cough syrups and eye drops, might lead to reputational ramifications for India's pharma exports. This paper studies whether loss of reputation might influence India's pharma exports to Africa through identification of endogenous structural breaks in the observed data and matching them with possible events triggering external shocks. Considering strategic interaction in a duopoly framework, the analysis also attempts to decipher the underlying behavior to find that reputational loss affects high-quality firms more vis-à-vis their low- quality counterparts within the pharma sector. Conversely, the export share of high-quality firms increases relatively more with reputational gain. Linking the theoretical framework with observed dynamics in domestic firm-level data and exports, the research offers insight on possible regulatory interventions regarding the impact of reputational loss on India's pharmaceutical exports.

Keywords: Medicine quality, Pharmaceutical Exports, Time-series, Structural Break, Firm behaviour, Reputational loss
Jel codes: L65, H32, L15, C32

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Artificial Intelligence Applications in Banking Sector: The Case Of Customer Relationship Management

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Abstract

The stunning developments in information technologies have had a significant impact on human lives. One of the elements of the social structure affected by the information sector is the economic system. Developing technology offers many opportunities to all sectors, from the products produced to customer habits and productivity. The financial sector has benefited more from the technology it has begun to use, thanks to new products, cost advantages and its contribution to profitability. The process known as financial technology (FinTech), which has emerged from the combined use of finance and technology, has taken artificial intelligence applications in the sector to new dimensions. In particular, the potential role of AI applications through the use of technology by banks, one of the most important players in the financial sector, needs to be closely examined. For banks, data is essential for all activities such as deposit taking, lending and asset liability management. Therefore, autonomous data management without human intervention offers great opportunities for banks to increase speed, accuracy and efficiency. Potential AI applications in banking can be categorised under four headings: 1) customer relationship management, 2) operational transactions, 3) corporate and commercial banking, and 4) regulatory compliance.

Customers in the financial sector demand financial services that are smart, easy to use, independent of time and place, and at an ever-decreasing cost. The widespread acceptance of the internet-based economy, as well as new uses of digital (especially mobile) devices and social media, have increased the appetite for using online channels not only for seeking financial information, but also for financial transactions. The banking sector is not indifferent to these developments and is adapting to the evolving technology. Artificial intelligence applications, which are at the forefront of financial technology, are being used in various ways in customer relationship management. This study evaluates artificial intelligence applications used in customer relationship management, such as customer credit scoring, insurance policies and customer-facing chatbots.

Keywords: Banking, Artificial Intelligence, Costomer Relationship Management
Jel codes: G21, M12