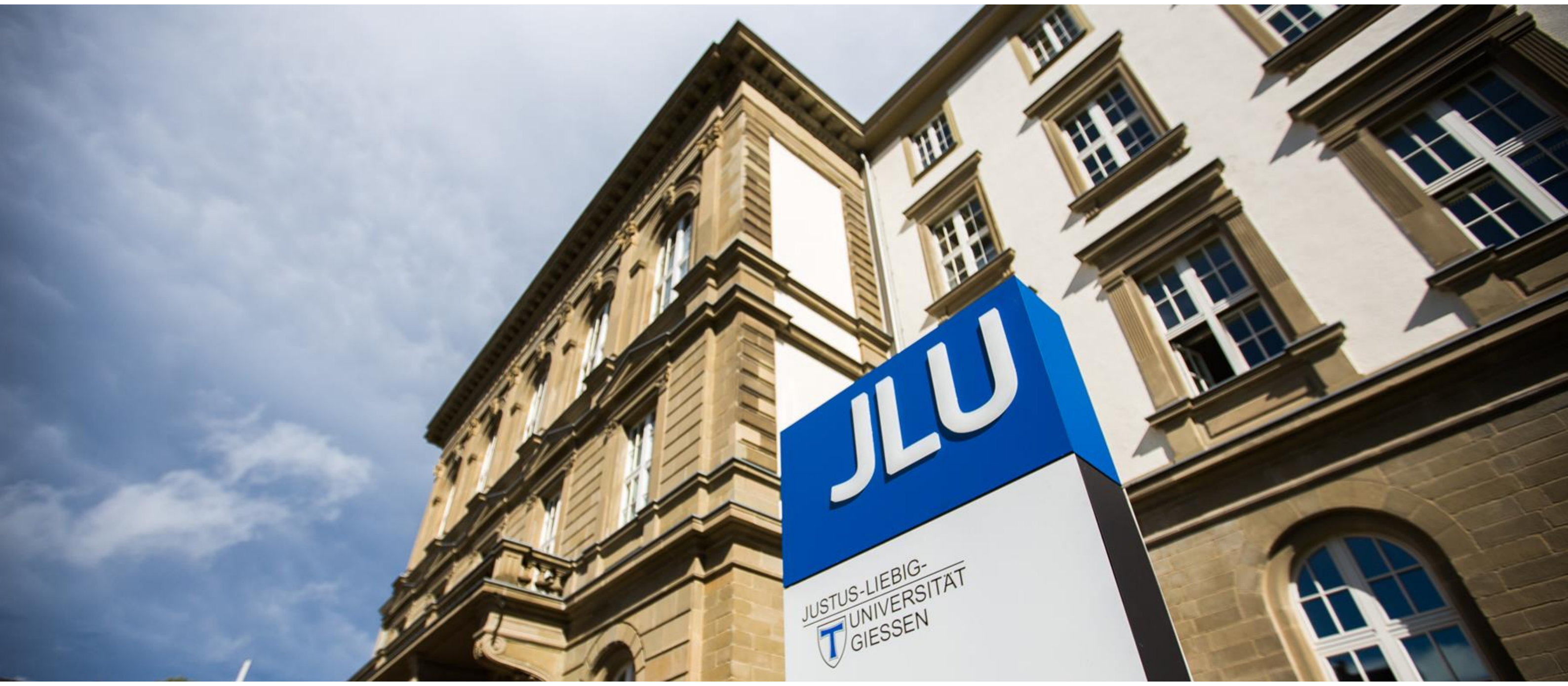
JUSTUS-LIEBIG-UNIVERSITÄT GIESSEN



BFGA 2022

Interdisciplinary Annual Conference of GGS

BFGA CONFERENCE 2022

4TH CONFERENCE ON BEHAVIORAL RESEARCH IN FINANCE, GOVERNANCE AND ACCOUNTING

- INTERDISCIPLINARY ANNUAL CONFERENCE OF GGS -

BFGA:2022

Interdisciplinary Annual Conference of GGS

Giessen Graduate Center for Social Sciences, Business, Economics and Law
Research Section Behavioral and Social Finance & Accounting

Justus Liebig University Giessen
Bismarckstrasse 22
D-35390 Giessen

Phone: +49 641 99 21370
Fax: +49 641 99 21379
e-mail: bsfa@ggs.uni-giessen.de

https://www.uni-giessen.de/fbz/zentren/ggs/forschung/sektionen/bsfa/Conf

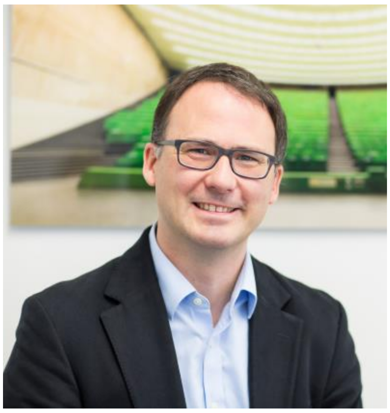
FB02 | ECONOMICS AND BUSINESS STUDIES

RESEARCH SECTION BEHAVIORAL AND SOCIAL FINANCE & ACCOUNTING

CONTENTS

BEHAVIORAL AND SOCIAL FINANCE & ACCOUNTING

BFGA CONFERENCE 2022



DEAR COLLEAGUE,

On behalf of Justus Liebig University, it is a pleasure and an honor to welcome you to the 4th Conference on Behavioral Research in Finance, Governance, and Accounting - this years interdisciplinary annual conference of GGS.

At this year's BFGA conference, we will again exchange and discuss ideas online with participants from many different corners of the world. We are looking forward to captivating presentations and stimulating discussions, regardless of whether you are attending the conference in your office, at home or somewhere else.

The "behavioral" paradigm has been pervading the different facets of research in the fields of economics and business studies for many years. The common ground of behavioral research projects is the analysis of perception mistakes in economic decisions that lead to deviations from individually rational behavior. Besides sentimental perceptions and individual emotions, however, broader societal trends have an impact on decision-making as well. Moral concepts, culture, language, religion, and ideologies evolve in larger social groups and influence individual decisions likewise.

The GGS-section "Behavioral and Social Finance & Accounting" analyses relevant issues in the field of Finance & Accounting with behavioral research methods and enhances them via the evolving "social" paradigm. This novel focus promotes close collective research work among scientists from the fields of economics and business studies, sociology, and psychology. We are delighted to contribute to this interdisciplinary research with our conference.

Following our call for papers, we received numerous manuscripts of high scholarly quality. The refereeing process led to a selection of 20 papers to be presented in six sessions over two days. We thank all our colleagues who submitted their research, and particularly those who will present their work and discuss other's, or serve as chairs. We also wish to express our gratitude to our sponsors: the Giessen Graduate Centre for Social Sciences, Business, Economics and Law; the Union Investment; the EB-Sim, and the departmental Alumni Association. Furthermore, we are delighted to welcome Professor Dr. Christine Laudenbach, Professor of Finance at SAFE Leibniz Institute for Financial Research and Goethe University in Germany, as the Keynote Speaker of the conference.

We wish all participants fruitful insights and discussions!

Prof. Andreas Walter and the **Organizing Committee**

JUSTUS-LIEBIG-UNIVERSITY (JLU)

JLU is one of Germany's top research universities featuring an extraordinarily broad range of subjects. Both rich in tradition and highly innovative, JLU is host to a number of projects which are beacons of German research. What is more, its unique range of subjects and its high-profile international cooperation programs in the areas of research, teaching and study ensure JLU's competitiveness at both national and international level.

The university is dedicated to excellent research and teaching with a distinct profile in cultural studies and the life sciences. In keeping with Justus von Liebig's principle of "research training through research", JLU is highly committed to excellent interdisciplinary postgraduate education in all disciplines.

After 400 years of innovative teaching and research, JLU is not only embedded in international partnerships and networks, it is also deeply interwoven with the city of Giessen, the city with the highest student ratio of all university towns in Germany.

GIESSEN GRADUATE CENTRE FOR SOCIAL SCIENCE, BUSINESS, ECONOMICS AND LAW (GGS)

The GGS was founded in 2012 and excellently complements the existing university research and networking landscape.

It has created a unique and outstanding environment for research and convivial exchange that brings together doctoral students and postdocs from JLU as well as from around the globe in order to support them on their way towards an academic career.

Through their extensive offer of workshops and programs, the GGS strives to provide answers to the various needs of PhD candidates and postdocs.

Additionally, members are supported in opening up new channels for interdisciplinary exchange and networking. Here, the GGS financially supports and assists in the formation of inter- and interdisciplinary research cooperations.

The GGS has set as their goal to enable all members to complete their dissertations on a high-quality level and at the same time to gain essential qualifications for both academic and non-academic career paths.

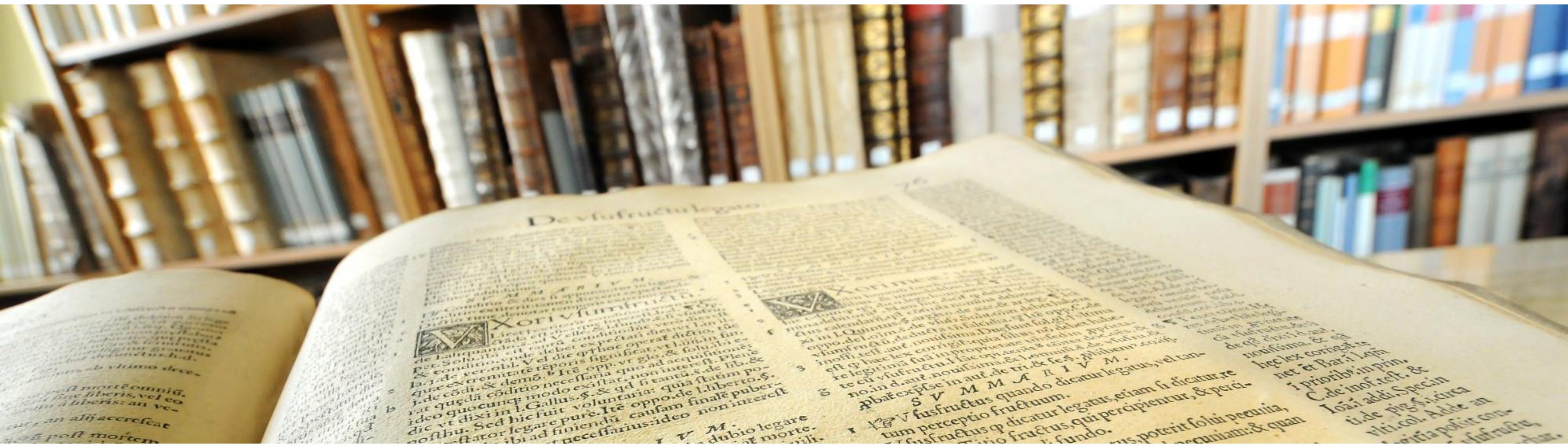
GGS SECTION BEHAVIORAL AND SOCIAL FINANCE & ACCOUNTING (BSFA)

The Behavioral and Social Finance & Accounting (BSFA) section is one of many sections of the GGS, which focuses on the "behavioral" paradigm that has permeated various facets of economic research for many years.

Based on the existing research, this BSFA section analyses relevant issues in the field of Finance & Accounting. The novel focus of research methods on behavioral and social paradigms requires close collective research between scientists of economics and business studies, sociology and psychology. Therefore, the section jointly composes of researchers of economics and business studies as well as of sociology.

The GGS section BSFA pools its research activities in regular brown bag lecture series and offers an own working paper series as outlet for research papers.

In addition, the BSFA section proudly organizes and hosts the annual BFGA conference with the help of the financial support from the GGS.



KEYNOTE SPEAKER

Professor Dr. Christine Laudenbach

Professor of Finance
at SAFE Leibniz Institute for Financial Research
and Goethe University – Germany

Research interests:

- Household Finance
- Individual Investor Behavior
- Gender Economics

Outstanding publications in:

- Journal of Finance
- Journal of Risk and Uncertainty
- Journal of Financial Economics
- Experimental Economics
- Management Science

Keynote speech:

“(Mis)perceptions about Investing”

Friday, November 11th 2022
09:00am – 10:00am

Stay tuned:

In addition to the virtual event, we would like to accompany the conference on social media as well.
Follow us on **Twitter** @BFGAConference, **LinkedIn** @BFGA-Conference and **Instagram** @bfga_conference and stay tuned for additional information about the sessions, presenters and much more.
You are also very welcome to be a part and post about our conference by using the hashtag **#BFGA2022**!

SUPPORTERS

Union Investment
EB-Sim
GGS
Alumni Association

UNION INVESTMENT

For over 60 years now the Union Investment Group has been a reliable asset management partner to both retail and institutional investors. What distinguishes the company as a portfolio management expert throughout the cooperative financial network is its strong partnership ethos and the exceptional professionalism in everything it does. More than five million investors have placed their trust in its wealth of experience, making Union Investment one of Germany's leading providers, with some €435 billion in assets under management. Offering a total of 1,313 investment funds, the company delivers solutions involving equity funds, fixed-income funds, money market funds, mixed funds, funds of funds, guarantee funds and open-ended real estate funds.

More details on
https://www.union-investment.de

EB-SIM

EB–Sustainable Investment Management GmbH (EB-SIM) is one of the leading asset managers for sustainable investments. The company, which is a subsidiary of Evangelische Bank, is based in Kassel and has additional offices in Frankfurt and Cologne. For more than 30 years, value-based asset management was one of EB's core business areas until it was spun off into EB-SIM as an independent subsidiary in December 2018. EB-SIM employs over 50 people and manages assets of approximately 5.4 billion euros. It offers institutional clients and, via wholesale distribution, private clients exclusively sustainable investments in equity, bond and multi-asset strategies, as well as private debt and real assets. Its investment strategies are consistently aligned with the United Nations' Sustainable Development Goals(SDGs) and the European Union's climate goals.

More details on
https://www.eb-sim.de

GIESSEN GRADUATE CENTER

The GGS supports the BSFA section and their doctoral student members by providing trainings, further education programs and the chance to establish a national and international network during the early phase of scientific qualification. Through the financial support, the GGS enables doctoral students of the BSFA section to organize and host the annual BFGA conference on their own behalf.

More details on
https://www.uni-giessen.de/fbz/zentren/ggs

ALUMNI ASSOCIATION

"WiWi-Verein" is the alumni association of the faculty Economics and Business Studies at Justus Liebig University Giessen. The main goal of WiWi-Verein is supporting the faculty in its teaching, research and event activities. The association also helps alumni maintain connections to their educational institution and fellow graduates.

More details on
https://alumni.wirtschaft.uni-giessen.de

PROGRAM:

Thursday, November 10, 2022:		Friday, November 11, 2022:	
9:00am – 9:10am	**Welcome speech** Prof. Dr. Peter Tillmann	9:00am – 10:00am	**Keynote speech** Prof. Dr. Christine Laudenbach
9:10am – 10:40am	**Session 1: Behavioral Finance I**	10:00am – 10:15am	Coffee break
10:40am – 11:00am	Coffee break	10:15am – 12:15pm	**Session 5: Accounting & Governance**
11:00am – 12:30pm	**Session 2: Economics**	12:15pm – 1:15pm	Lunch break
12:30pm – 1:30pm	Lunch break	1:15pm – 3:15pm	**Session 6: Corporate Finance**
1:30pm – 3:00pm	**Session 3: Behavioral Finance II**	3:15pm – 3:30pm	**Best Paper Awards** Sponsors: EB-SIM, Union Investment
3:00pm – 3:20pm	Coffee break	3:30pm – 3:45pm	**Closing remarks** Prof. Dr. Oscar Stolper
3:20pm – 4:50pm	**Session 4: Sustainable Finance**		
4:50pm – 5:00pm	**Closing remarks** Prof. Dr. Andreas Walter		

Stay tuned:

In addition to the virtual event, we would like to accompany the conference on social media as well. Follow us on **Twitter** @BFGAConference, **LinkedIn** @BFGA-Conference and **Instagram** @bfga_conference and stay tuned for additional information about the sessions, presenters and much more.
You are also very welcome to be a part and post about our conference by using the hashtag **#BFGA2022**!

SESSION 1 – BEHAVIORAL FINANCE I

CHAIR: PROF. DR. ANDREAS WALTER

1. Mental Accounting and the Marginal Propensity to Consume

09:10am – 09:40am
Authors: René Bernard
Presenter: **René Bernard,** Deutsche Bundesbank and Goethe University
Discussant: **Thibault Cézanne**

Abstract: This paper studies how consumers respond to unexpected, transitory income shocks and why. In a randomized control trial, I elicit marginal propensities to consume (MPC) out of different hypothetical income shock scenarios, varying the payment mode, the shock size, and the source of income. The results show respondents exhibit a higher MPC when exposed to a windfall paid out in cash or without any specification of the payment mode, respectively, compared to a windfall deposited in an instant-access savings account, suggesting consumers violate fungibility. Further, the MPC falls with the shock size, whereas it does not vary with the source of income. Using causal machine learning methods to explore treatment heterogeneity, I find that low liquidity, self-control problems, and a lack of cognitive sophistication contribute to MPC heterogeneity. The results are broadly in line with mental accounting theory.

2. Group Decisions and Asymmetric Payoffs: Risky Tax Avoidance in the Laboratory

09:40am – 10:10am
Authors: Eva Matthaei; Dirk Kiesewetter
Presenter: **Eva Matthaei,** Freie Universität Berlin
Discussant: **René Bernard**

Abstract: This paper investigates the dynamics of group decisions on risky tax avoidance strategies in a laboratory experiment. To identify how groups reach consensus, we compare individual to group decisions in three scenarios. The first scenario allocates the payoffs from group decisions equally to all members of the group. The second and third scenarios introduce asymmetric payoffs as a new factor of group dynamics. In these scenarios, we distinguish asymmetry in the distribution of costs and benefits, i.e., either costs or benefits are shared unequally among group members. The introduction of asymmetric payoffs allows us to separate shared consequences and communication as key drivers of group decision-making. The separation of cost and benefit sharing further allows us to separately discuss three different reasons that have been suggested by prior research to cause differences between individual and group decisions, i.e. rationality, social responsibility, and conformity. The results of the study demonstrate that the magnitude of the difference between individual and joint tax avoidance is reduced by an asymmetric payoff allocation. Regardless of the distribution of profit, however, group unanimity decisions align with a strong preference for conformity among group members.

3. Bank Manager Sentiment, Loan Growth and Bank Risk

10:10am – 10:40am
Authors: Frank Brückbauer; Thibault Cézanne
Presenter: **Thibault Cézanne,** University of Mannheim & ZEW
Discussant: **Eva Matthaei**

Abstract: We build a measure of the sentiment of bank managers from earnings press release documents. Using this measure, we present evidence on how banks' systematic over-optimism might affect the amount of credit that they supply to the real sector. Our empirical evidence suggests that decisions on the volume of new loans partially depend on past realizations of economic fundamentals, implying that loan growth and economic fundamentals might be systematically disconnected. Furthermore, we show that over-optimism on the part of bank managers spills over to their equity investors, who seem to interpret high bank manager sentiment as a positive signal for the risk associated with bank loan growth. Higher values of bank manager sentiment are associated with a weaker relationship between loan growth and the perceived riskiness of a bank.

SESSION 2 – ECONOMICS

CHAIR: PROF. DR. PETER TILLMANN

1. Household Finance and Life-Cycle Economic Decisions under the Shadow of Cancer

11:00am – 11:30am

Authors: Daniel Kárpáti
Presenter: Daniel Kárpáti
Tilburg University
Discussant: Jennifer Rogmann

Abstract: I study the causal effects of life expectancy on financial, economic, and demographic decisions. My sample consists of individuals who undergo genetic testing for a hereditary cancer syndrome. Genetic testing randomizes tested persons into two groups. Those who test positive learn that they face a high risk of cancer and a shorter life expectancy. Those who test negative learn that their cancer risk is not elevated. The differences in outcomes between these two groups identify the effects of life expectancy. I find that life expectancy has a positive effect on wealth accumulation. Lower savings rates, safer portfolios, decreased labor supply, and different preferences for household composition explain lower wealth accumulation under reduced life expectancy.

2. Higher Order Risk Preferences (Indirectly) Predict Economic Decisions

11:30am – 12:00pm

Authors: Yilong Xu, Maarten Boksem, Charles N. Noussair, Stefan T. Trautmann, Gijs van de Kuilen, and Alan Sanfey
Presenter: Dr. Yilong Xu
Utrecht University
Discussant: Daniel Kárpáti

Abstract: Economic theory predicts that individuals' higher risk attitudes such as prudence and temperance are crucial for savings and investment decisions. Under expected utility, prudent individuals save more when their future income becomes more uncertain; temperate individuals prefer less risky investments in the presence of greater background risks. We elicit individuals' (higher-order) risk attitudes using two methods and use the elicited (higher-order) risk preferences to predict economic decisions. We find that, in line with theory, the parameters of the decision tasks, such as the level of background risk and the uncertainty of future income strongly predict economic decisions. We also find some direct evidence that people with stronger elicited prudence preferences save more precautionarily as income uncertainty increases, but elicited temperance preferences do not seem to predict investment decisions as background risks increase. This may be because temperance is domain-specific or that the elicitation tasks may be too complex to allow extraction of reliable measures of temperance.

3. Inflation Expectations and Cognitive Uncertainty

12:00pm – 12:30pm

Authors: Joscha Beckmann; Timo Heinrich; Jennifer Rogmann
Presenter: Jennifer Rogmann
FernUniversität in Hagen
Discussant: Dr. Yilong Xu

Abstract: This paper provides a new perspective on inflation expectation formation based on a representative sample of US households. In our information provision experiment, participants are provided with professional forecasts of different historic accuracy and of different complexity. Our novel experimental design allows us to assess the influence of cognitive uncertainty while controlling for the uncertainty associated with forecasts and priors. First, we find that in line with standard Bayesian updating, providing subjects with forecasts of lower historic accuracy lead to higher uncertainty of expectations and smaller updates. Second, in line with cognitive uncertainty, more complex forecasts can lead to smaller updates in expected inflation.

SESSION 3 – BEHAVIORAL FINANCE II

CHAIR: PROF. DR. OSCAR STOLPER

1. Investor Sentiment and Sell-side Research Quality

01:30pm – 02:00pm

Authors: Yangyang Chen, Kaizhao Guo , Jingshu Wen
Presenter: **Jingshu Wen**
University of Oxford
Discussant: **Prof. Matthias Pelster**

Abstract: We investigate whether investor sentiment affects sell-side analysts' research quality. As institutional investors regard industry knowledge as the most important element of sell-side service, we use it to proxy for analysts' research quality. Using textual analysis to measure the industry knowledge in Chinese A-share healthcare reports, we find that analysts with higher industry knowledge are more accurate and more likely to conduct independent research. After controlling for confounding factors, we find that when investor sentiment is higher, analysts' research quality is significantly lower. Further analysis suggests that institutional investors reduce their demand for fundamental analysis during bubble periods, and that analysts cater to their clients' time-varying demand by strategically adjusting their efforts.

2. Headline Curiosity

02:00pm – 02:30pm

Authors: Russell Golman; Jingyi Qiu
Presenter: **Jingyi Qiu**
University of Michigan, School of Information
Discussant: **Jingshu Wen**

Abstract: We analyze how curiosity drives news consumption. We apply NLP methods and test predictions of the information-gap theory of curiosity in the context of news consumption on WeChat. As predicted, we find that people are more likely to consume news when: 1) the headline raises a salient question; 2) it appears more important, e.g., because the headline was displayed in a higher position on the webpage; 3) the topics mentioned in the headline are more surprising, as measured by the KL-divergence of the distribution over topics referenced in the headline; and 4) the headline has lower valence.

3. Leverage Constraints and Investors' Choice of Underlyings

02:30pm – 03:00pm

Authors: Matthias Pelster
Presenter: **Prof. Matthias Pelster**
Paderborn University
Discussant: **Jingyi Qiu**

Abstract: This paper investigates the impact of a 2018 intervention by the European Securities and Markets Authority (ESMA) limiting the amount of leverage that investors can take on their trading activities. While it successfully reduced the leverage-usage, investors shifted their trading activities to riskier assets in the process, consistent with the idea that leverage-constraint investors substitute leverage with riskier securities. Thus, the intervention was not as effective as the reduction in leverage suggests. Consistent with the notion that risky investment strategies spread through the population, I find some evidence of a spillover effect to investors who are not affected by the regulatory intervention.

SESSION 4 – SUSTAINABLE FINANCE

CHAIR: PROF. DR. ANDREAS WALTER

1. Every Emission You Create - Every Dollar You'll Donate: The Effect of Regulation-Induced Pollution on Corporate Philanthropy

03:20pm – 03:50pm

Authors: Simon Xu; Seungho Choi; Raphael Jonghyeon Park
Presenter: Raphael Jonghyeon Park
University of New South Wales, Sydney
Discussant: Dr. Marco Ceccarelli

Abstract: This paper investigates the role of charitable giving as a form of insurance by analyzing donations to nonprofits from philanthropic foundations associated with U.S. corporations that operate polluting facilities. Our empirical setting exploits the "close" attainment and nonattainment designation status of counties under the Clean Air Act as a source of exogenous variation in a firm's local pollution. Using regression discontinuity, we find that firms operating plants in close attainment counties pollute more and subsequently donate more to local nonprofits compared to those operating plants in close nonattainment counties. Firms maximize the insurance value of donations by using the most salient forms of charitable giving and reallocate donations to areas where they pollute the most. These donations are shown to insure the firm against negative stock price consequences by mitigating the market's negative reaction during the occurrence of adverse events. Overall, our evidence suggests that insurance-motives are a key determinant of polluting firms' participation in philanthropy.

2. Sustainability: Performance, Preferences, and Beliefs

03:50pm – 04:20pm

Authors: Valentin Luz; Victor Schauer; Martin Viehweger
Presenter: Victor Schauer
Ludwig-Maximilians-Universität München
Discussant: Raphael Jonghyeon Park

Abstract: Investors weigh financial and sustainability information for their investment decisions. However, evidence regarding the drivers of the individual investor's weighting is limited. In this context, we examine the influence of investors' sustainability preferences, the beliefs about others' sustainability preferences (higher-order beliefs), the combined financial and sustainability performance of a firm, and the presentation format on investment decisions. To answer our research question, we conduct an experiment with a non-cooperative coordination game that incorporates investors' higher-order beliefs, offering a new framework for experimental asset markets. The results show that investors weigh positive sustainability information more strongly than negative sustainability information. In addition, strong higher-order beliefs lead to higher investments in firms that are perceived as more sustainable. We show that sustainability preferences and higher-order beliefs affect investment decisions in the same direction but are different concepts. Thereby, we contribute to the understanding of investors' decision making in the context of sustainability.

3. Gender, Performance, and Promotion in the Labor Market for Commercial Bankers

04:20pm – 04:50pm

Authors: Marco Ceccarelli; Christoph Herpfer; Steven Ongena
Presenter: Dr. Marco Ceccarelli
Maastricht University
Discussant: Victor Schauer

Abstract: We investigate the role of gender in the U.S. labor market for commercial bankers. Using detailed banker level data from the U.S. syndicated loan market, we find that female bankers issue higher loan volumes than their male peers in the same institutions. Nevertheless, female bankers are under-represented among the more senior ranks and less likely to be promoted than their male counterparts even after controlling for a wide range of measures of performance and skill. The chance of promotion for female bankers is unevenly distributed across ranks. While women are more likely to be promoted at junior ranks, they are less likely to be promoted at higher ranks, consistent with a glass ceiling effect. These frictions in the labor market for bankers spill over into the capital market for borrowers. Importantly, we find that these patterns are concentrated in the early parts of the sample and weaken after a series of high profile discrimination lawsuits brought against banks.

SESSION 5 – ACCOUNTING & GOVERNANCE

CHAIR: PROF. DR. ARNT WÖHRMANN

1. Firm Opacity and Retail Investments in Attention Stocks and Lottery Stocks: Evidence from Robinhood Investors

10:15am – 10:45am

Authors: Zhan Gao; Jacob J. Leidner; James N. Myers; Linda A. Myers
Presenter: **Dr. Jacob J. Leidner**
University of Würzburg
Discussant: **Andreas Höhre**

Abstract: This study investigates whether firm opacity impacts the investment behaviors and outcomes of retail investors using the fintech brokerage Robinhood (i.e., "RH investors"). We theorize that higher firm opacity leads RH investors to make nonrational investment decisions. The testable prediction is that firm opacity increases RH investors' investments in attention stocks and lottery stocks, which are prominent nonrational behaviors of retail investors. Empirical findings using a measure of RH investors' stock holdings support this prediction. Furthermore, firm opacity amplifies RH investors' negative returns from investing in attention stocks and lottery stocks. Additional analyses show that the effect of firm opacity on RH investors' stock holdings persists during the COVID-19 pandemic, and that opacity affects RH investors' stock trading. These findings suggest that reducing firm opacity could help to lessen the nonrational investments, as well as the associated adverse consequences, of retail investors trading on Robinhood-type platforms.

2. The Influence of Director Incentives on Directorship Portfolios

10:45am – 11:15am

Authors: Corinna Ewelt-Knauer; Hannes Gerstel; Mohamed A. Khaled; Arnt Wöhrmann
Presenter: **Hannes Gerstel**
Justus Liebig University Giessen
Discussant: **Han Xiao**

Abstract: Reputation, risk, workload and monetary incentives impact directors' decisions to join or leave board seats. Using relative incentive proxies, we find that reputational and workload related incentives are most relevant regarding the composition of director portfolios. Moreover, we analyze the interplay of director incentives and directors accepting additional board seats and leaving existing board seats. Our results show that accepting an additional seat or leaving an existing seat significantly increases directors' reputational growth compared to non-adjusters. Taking on a firm perspective, we also find a positive association between the average portfolio reputation and risk of all outside directors on firm performance and earnings management. Our findings have practical relevance for firms wanting to retain skilled directors and for firms trying to decrease earnings management. Lastly, directors can increase their reputational growth by accepting additional board seats.

SESSION 5 – ACCOUNTING & GOVERNANCE

CHAIR: PROF. DR. ARNT WÖHRMANN

3. The Economics of ETF Redemptions

11:15am – 11:45am
Authors: Han Xiao
Presenter: Han Xiao
Pennsylvania State University
Discussant: Hannes Gerstel

Abstract: This paper provides novel evidence of redemptions in corporate bond exchange-traded funds (ETFs). I first investigate economic incentives for choosing redemption baskets in the primary market. ETFs dispose of bonds with high price pressure exposures, and authorized participants (APs) select assets negatively co-move with liquidity in AP portfolios. Regarding the economic impacts, redemptions decrease ETF returns, liquidity, and efficiency in the less elastic secondary market. APs profit from redemptions by correcting arbitrage between ETFs and underlying assets. Lastly, new policies in the COVID-19 pandemic consistently impact ETFs in both primary and secondary markets.

4. The Determinants and Consequences of Sustainability Incentives in CEO Compensation Contracts on CSP: European Evidence

11:15am – 11:45am
Authors: Andreas Höhre
Presenter: Andreas Höhre
Justus Liebig University Giessen
Discussant: Dr. Jacob J. Leidner

Abstract: Given the increasing public awareness of sustainability issues, firms frequently integrate corporate social performance (CSP) targets into executive compensation contracts. Utilizing a STOXX600 sample between 2014 and 2020, this study examines factors which lead to the integration of sustainability-related measures in CEO compensation contracts and analyzes how they affect future CSP. The results indicate that profitability, size, the existence of a compensation committee and higher shares of CEO equity compensation positively predict the likelihood of sustainability-related incentives, whereas firms with established CEOs make less use of this governance mechanism. Despite the expectations, the study does not find evidence that the use of sustainability incentives actually lead to better CSP. While the study develops a better understanding of the conditions under which firms implement CSP incentives into their organizational process, it highlights the need for enhanced incentive designs to enable the intended effects.

SESSION 6 – CORPORATE FINANCE

CHAIR: PROF. DR. PETER LIMBACH

1. Does Speculative News Hurt Productivity? Evidence from Takeover Rumors

01:15pm – 01:45pm

Authors: Christian Andres; Dmitry Bazhutov; Douglas Cumming; Peter Limbach
Presenter: **Prof. Peter Limbach**
University of Bielefeld and CFR
Discussant: **Moritz Sefried**

Abstract: Takeover speculation may hurt productivity because uncertainty and threat of job loss cause anxiety, distraction, and reduced collaboration and morale among employees and managers. Using a large panel of OECD-headquartered firms, we show that firm productivity temporarily declines after announcements of speculative takeover rumors that do not materialize. This productivity dip is more pronounced for targets and for firms in countries with weaker employee rights and less long-term orientation. Abnormal stock returns mirror these results. The evidence fosters our understanding of potential real effects of speculative news, which are common in financial markets, and the costs of the takeover threat.

2. The Information Value of M&A Press Releases

01:45pm – 02:15pm

Authors: Yang Cao; Florian Kiesel; Henry Leung
Presenter: **Yang Cao**
Grenoble Ecole de Management
Discussant: **Cristian-Mihail Condrea**

Abstract: How do managers comment on merger transactions? By analyzing initial public announcements of Mergers and Acquisitions (M&As) between 1995-2020 and extracting the linguistic sentiment from statements made by managers of acquirer and target firms, we provide new evidence on the informational value of M&A disclosures. We find that positive target sentiment results in positive returns for the target, while sentiment disagreement with the acquirer is associated with lower target returns. Further, the positive target sentiment increases the likelihood of a merger completion and tends to shorten the time to deal completion. We decompose acquirer sentiment into manipulative and fundamental components and demonstrate that acquirer CEOs with low confidence and large ownership holdings in the acquirer firm produce M&A statements that are more manipulative. This suggests that sentiment in M&A disclosures not only contains information on fundamentals and managerial attitudes but that it may be manipulated to protect the personal interest of managers.

SESSION 6 –
CORPORATE FINANCE

CHAIR: PROF. DR. PETER LIMBACH

3. Banks as "Anchors": The Role of Banks in Funding Innovation

02:15pm – 02:45am

Authors: Cristian-Mihail Condrea
Presenter: Cristian-Mihail Condrea
Frankfurt School of Finance and Management
Discussant: Yang Cao

Abstract: Bank investments in the venture capital (VC) market play an important role, especially outside main entrepreneurial hubs. Banks act as anchors to the companies, serving as a positive signal of their quality and attracting further investors. Due to their abilities in monitoring and higher local expertise, banks are able to select profitable VC investments and exit them successfully. I exploit the implementation of the Volcker Rule as a shock where banks are no longer allowed to sponsor or invest in VC funds. I find that companies in regions dependent on bank VC financing suffer a drop in financing and innovation. A proxy for attention to start-ups serves as another confirmation mechanism of our story. I add to the debate on cross-selling services by financial intermediaries and on the certification role that banks play in markets other than lending.

4. How Close is Your Crowd? The Role of Information Asymmetries for Investment Decisions in Crowdinvesting

02:45am – 03:15am

Authors: Moritz Sefried; Kristina Uhl
Presenter: Moritz Sefried
Eberhard Karls Universität Tübingen
Discussant: Prof. Peter Limbach

Abstract: Startups often rely on alternative forms of financing, such as crowdinvesting, as they usually miss reliable credit ratings. We explore the effect of information asymmetries on investment decisions and analyze which role signals, e.g., project likes, and the investor-startup-relationship play. Using a unique proprietary data set of the largest crowdinvesting platform in Mexico, we show that information asymmetries between investors and startups negatively affect the investment probability and investment amount. A relationship only diminishes this effect in specific instances while objective signals do in any case. Evidence is in line with the idea that investors with a close relationship to a startup should be used as fallback options instead of reliable investors in startups' early stage. Furthermore, we find that signals strongly influence investment decisions in this modern form of financing.

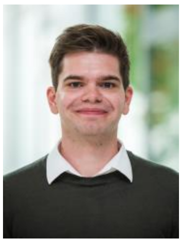
BFGA:2022

Interdisciplinary Annual Conference of GGS

CONFERENCE COMMITTEES

Martin Becker

Jenny Bethäuser



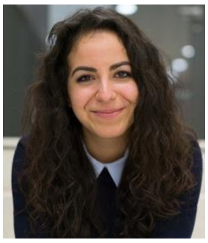
Moritz Grebe

Patrick Harmeth

Prof. Dr.
Oscar Stolper

ORGANIZING COMMITTEE

Prof. Dr.
Andreas Walter



Sinem Kandemir

Fabio Martin

Rebecca Sabel

Elena A. Tönjes

SCIENTIFIC COMMITTEE:

Prof. Dr. Christina E. Bannier
Chair of Banking & Finance
Justus Liebig University Giessen

Prof. Dr. Oscar A. Stolper
Chair of Behavioral Finance
Philipps University Marburg

Prof. Dr. Peter Tillmann
Chair of Monetary Economics
Justus Liebig University Giessen

Prof. Dr. Andreas Walter
Chair of Financial Services
Justus Liebig University Giessen

Prof. Dr. Peter Winker
Chair of Statistics and Econometrics
Justus Liebig University Giessen

Prof. Dr. Arnt Wöhrmann
Chair of Managerial Accounting
Justus Liebig University Giessen

JUSTUS-LIEBIG-
UNIVERSITÄT
GIESSEN

Giessen Graduate Center for Social Sciences, Business, Economics and Law
Research Section Behavioral and Social Finance & Accounting

Justus Liebig University Giessen
Bismarckstrasse 22
D-35390 Giessen

Phone: +49 641 99 21370
Fax: +49 641 99 21379
e-mail: bsfa@ggs.uni-giessen.de

https://www.uni-giessen.de/fbz/zentren/ggs/forschung/sektionen/bsfa/Conf

Follow us on
Twitter @BFGAConference,
LinkedIn @BFGA-Conference and
Instagram @bfga_conference
and stay tuned for additional information
about the sessions, presenters and much more.

You are also very welcome to be a part and post about our conference
by using the hashtag **#BFGA2022**!

GGS Giessen Graduate Centre for Social Sciences, Business, Economics and Law
Union Investment
EB-SIM Investments for a better world
wiwi alumni GIESSEN