Detailed Table of Contents

Preface	xviii
----------------------	-------

Acknowledgment	xxii
-----------------------------	------

Chapter 1

Financial Risk and Corporate Governance: A Bibliometric Analysis	1
--	---

Elisabete Vieira, GOVCOPP, University of Aveiro, Portugal

Nicoleta Barbuta-Misu, University of Galati, Romania

Mara Madaleno, GOVCOPP, University of Aveiro, Portugal

This chapter intends to contribute to the analysis of the influence of corporate governance (CG) practices on company financial risk (FR) to understand the current state of CG and FR research. Although there is extensive research on CG and FR, to the best of the authors' knowledge, no recent study tries to update the current state of the research over the influence of CG practices on FR. To do so, the authors will conduct a bibliometric analysis focused on financial risk and CG studies resorting to different online available libraries. The study describes the evolutionary research studies published in the digital libraries Scopus and Web of Science between 2010 and 2020 and compares the results obtained in evolutionary terms. The study ends up concentrating the bibliometric analysis in the Scopus and Web of Science databases and the keyword "financial risk," leading to a total of 14,942 and 3,760 documents, respectively.

Chapter 2

The Relationship Between Risk and Firm Performance: A Review	25
--	----

Fitim Deari, South East European University, Macedonia

Hai Hong Trinh, Massey University, New Zealand

The relationship between risk and return is a crucial point in typical decision making, and empirical previous studies can help related stakeholders in this process. Henceforth, this chapter aims to present some fundamental theoretical concepts and interpretations of the relationship between risk and firm performance. Accordingly, this chapter offers a review of some highlighted studies in this field by presenting methodologies used and developed by several scholars. The chapter provides a timely reference source for a range of target audience from both academia and industry who have common interests to decompose and examine the relationship between risk and firm performance.

Chapter 3

Gender Diversity and Financial Risk: A Bibliometric Analysis	38
--	----

João Teodósio, Polytechnic Institute of Santarém, Portugal

Elisabete Vieira, GOVCOPP, University of Aveiro, Portugal

Mara Madaleno, GOVCOPP, University of Aveiro, Portugal

This chapter intends to contribute to the analysis of gender diversity and financial risk through a bibliometric review of the existent literature to understand the current state of financial risk research as well as to contribute to the analysis of the influence of gender diversity on financial risk. Although there is extensive research on financial risk, no recent study tries to update the current state of the research over the influence of gender on financial risk practices. This chapter describes the evolutionary research studies published in the digital library Scopus, between 2010 and June 2021, and compares the results obtained in evolutionary terms. When the research is concentrated on the bibliometric analysis in the Scopus database and the keyword “financial risk,” it leads to a total of 15,979 documents. Regarding the analysis concentrated on the keywords “gender diversity” and “financial risk” for the period between 2010 and June 2021, the authors end with a final sample of 96 documents. Proposals for further research are provided based on the current state of the art.

Chapter 4

Gender Differences in Risk Tolerance: New Evidence From a Survey of Postgraduate Students	64
---	----

Júlio Lobão, University of Porto, Portugal

In this chapter, the author examines the influence of gender on financial risk tolerance. The risk tolerance is assessed by the instrument developed by Grable and Lytton in a sample that includes 272 postgraduate students of the University of Porto (Portugal). The results show that males are significantly more risk-tolerant than females, even after controlling for factors such as the economic status and educational levels of the respondents’ parents. The gender differences seem to be essentially driven by a higher proportion of males with high levels of risk tolerance. Moreover, belonging to a household with a high level of annual income contributes to increase the likelihood of exhibiting high levels of risk tolerance. In the total sample, the levels of risk tolerance are lower than those reported in similar studies. Overall, the author documents that there are significant gender differences in financial risk perception.

Chapter 5

Corruption, Credit Risk, and Bank Profitability: Evidence of Angolan Banks	83
--	----

João Junco, University of Aveiro, Portugal

Wilson Luzendo, Banco de Desenvolvimento de Angola, Angola

Yuri Quixina, Instituto Superior Politécnico de Tecnologias e Ciências (ISPTEC), Angola

Mara Madaleno, GOVCOPP, University of Aveiro, Portugal

The economies of African countries are generally characterized by inefficient management of resources, strong heterogeneity in the rate of economic growth, as well as high levels of corruption and embezzlement of public funds, clearly highlighting the need to consider the role of government in the performance of the economic environment. Corruption is characterized by three key behaviors—bribery, embezzlement, and nepotism—characteristics that can influence the performance of any financial system. The objective is to examine the effect of corruption on credit risk in Angola. The result of the feasible generalized least squares (FGLS) estimation suggests that corruption increases non-performing loans in the Angolan economy; additionally, the authors find that the larger the bank’s assets (bank size), the more averse

to credit risk they become, and the smaller the state's stake in the banking system, the lower the non-performing loans.

Chapter 6

Risk Governance and Bank Performance: Do Risk Committee Activism and Finance Experts on the Risk Committee Matter? 99

John Agyekum Addae, Ghana Communication Technology University, Ghana & University of Aveiro, Portugal

Emmanuel Numapau Gyamfi, Ghana Institute of Management and Public Administration, Accra, Ghana

Global discourse is geared towards greater accountability and regulatory oversight of banks to promote sound financial systems and charter value. The authors applied dynamic pool panel analysis to investigate the relationship between risk governance and financial performance among African global banks spanning the years 2015 to 2020. They find significant positive association between financial experts on risk committee and bank profitability. The results further reveal that risk committee activism as a proxy for risk committee effectiveness significantly increase bank profitability. Therefore, stakeholders must prioritize regular risk committee meetings and attach importance to risk committee compositions with finance experts on the majority. Additionally, this study offers policy implications for regulators and bank managers to clearly define risk committee financial experts and minimum financial experts required to serve on the risk committee.

Chapter 7

Loss Aversion in Companies Whose Location Is Affected by Fire 116

Mara Madaleno, GOVCOPP, University of Aveiro, Portugal

Jorge Mota, GOVCOPP, University of Aveiro, Portugal

Fábio Brandão, University of Aveiro, Portugal

In Portugal, fires have originated a big debate not only because of the environmental damages they cause but also because of the material damages they provoke to families and companies. This way, it is important to understand how these events impact companies' cash holdings, not because of the direct damages caused by them, but because of managers' loss aversion. The empirical evidence, mainly documented by Dessaint and Matray and Kahneman and Tversky, were the main sources to this empirical study, where the authors have chosen to work with panel data analysis using a sample of 38,574 small and medium enterprises during the period from 2009 to 2015. About the obtained results, there is evidence that cash holdings increase when managers of a company located in a region close to a fire, but not directly damaged by it, perceive a salient event of a future fire. In other words, when they anticipate the occurrence of an identical event, cash holdings are increased to protect the company against it.

Chapter 8

Risk of Business Bankruptcy: The Application of DEA Method – Case Study of Slovak Businesses 148

Jarmila Horváthová, Faculty of Management and Business, University of Prešov, Slovakia

Martina Mokrišová, Faculty of Management and Business, University of Prešov, Slovakia

Recently, the demand of business owners to ensure the sustainability of their businesses has come to the fore. It results in a focus on identifying the risks of businesses' financial failure. Several prediction

models can be applied in a given area. Which of these models is most suitable for Slovak companies? The aim of this chapter was to point out the possibility of applying the DEA method in measuring the financial health of companies and predicting the risk of their possible bankruptcy. The research was carried out on a sample of companies operating in the field of heat supply. The indicators were selected using related empirical studies, a univariate Logit model, and a correlation matrix. In this chapter, two main models were applied: the DEA model and the Logit model. The main conclusion of the paper is that the DEA method is a suitable alternative in assessing businesses' financial health.

Chapter 9

The Impact of Social Screening on the Performance of US and European Funds 178

Joana Pena, School of Economics and Management, University of Minho, Portugal

Maria Céu Cortez, NIPE, Portugal & School of Economics and Management, University of Minho, Portugal

This chapter investigates the relationship between the performance and the screening strategies of US and European socially responsible funds. For the full sample and, in particular, for US funds, the results show a curvilinear relationship between screening intensity and fund performance. Continental European funds exhibit a positive relationship between the number of screens and performance. Furthermore, for the full sample and US funds, screening on governance impacts performance positively. In turn, environment and products screens have a negative impact on US fund performance. Finally, funds certified with social labels tend to yield higher performance. Overall, the geographical differences in the impact of the screening process on SRI fund performance are consistent with the contextual nature of socially responsible investments.

Chapter 10

Stock Market Volatility: A Pre- to Post-COVID-19 Analysis of Emerging Markets 204

Ezaz Ahmed, Columbia College, USA

Md. Mahadi Hasan, Anwer Khan Modern University, Bangladesh

Zakir Hossen Shaikh, Bahrain Training Institute, Bahrain

Mohammad Irfan, CMR Institute of Technology, India

Researchers examine stock volatility in emerging (E7) nations prior to and during COVID-19 announcements using multiple volatility estimations. The correlation coefficient matrix indicates that there is a strong positive correlation between the specified volatility estimators in the pre-COVID-19 and post-COVID-19 periods. Rogers-Satchell standard deviation has the first rank, and Garman-Klass has the last position in the pre-post-COVID-19 analysis volatility estimators. However, the authors discover a considerable influence of pre-post COVID-19 on the world's E7 countries. The findings' primary implication is that post-COVID-19 volatility is greater than pre-COVID-19 volatility. This means that investors' financial portfolios should be rebalanced to favor industries that are less impacted by COVID-19. Additionally, it serves as an early warning signal for investors and the government to take preventative measures in the event that it occurs again in the future.

Chapter 11

Environmental, Social, and Governance Assets: Recent History of Green Bonds – Genesis and Current Perspectives	231
--	-----

Helena I. B. Saraiva, Guarda's Polytechnic Institute, Portugal

Cristina Casalinho, Portuguese Treasury and Debt Management Agency, Portugal

This chapter presents a historical overview of the emergence and evolution of ESG assets and, in particular, analyses the main market trends that have been observed in recent years in relation to these assets. The authors intend to present a summary of the main moments and phases that these assets have gone through, from the moment of their appearance in 2007, the year in which the European Investment Bank carried out its Climate Awareness Bond as a test issuance. The movement associated with the issue of these assets is initiated by supranational entities with little homogeneity and no fixed conventions. To overcome this impasse, the green bond principles emerged and a process of defining the characteristics of these assets began, with a particular focus on transparency and the governance process. From this stage onwards, the market showed interest in these financial products and hence the emergence of a harmonising movement regarding green bond standards in which Europe seems to have taken a leading role.

Chapter 12

Managing the Current Risks of Companies: The Applicability of Tax Risk Management.....	250
--	-----

Feride Bakar Türegün, Bursa Uludag University, Turkey

Adnan Gerçek, Bursa Uludag University, Turkey

The taxation power of governments affects companies' business activities. For this reason, the legal limit of tax law must be known by taxpayers. Uncertainty, frequent changes, and interpretation differences in the tax field and reporting reveal tax risks. Today, companies, especially large ones, accept tax risk as a part of the risk management process. Focusing on tax risk management, this chapter presents the discussions on various definitions of tax risk and on the tax risk categories, factors that affect tax risk. The applicability of tax risk management is evaluated from the following perspectives in the chapter: empirical analyses conducted in different countries, tax control framework, and tax risk management practice in various countries. As a result, tax risks are manageable with the support of cooperative compliance models of revenue administrations in countries, the necessity of corporate governance principles, the situation of legal regulations, and the increasing risk management experience of especially large companies.

Chapter 13

Boosted Decision Trees for Credit Scoring	270
---	-----

Luca Di Persio, University of Verona, Italy

Alberto Borelli, University of Verona, Italy

The chapter developed a tree-based method for credit scoring. It is useful because it helps lenders decide whether to grant or reject credit to their applicants. In particular, it proposes a credit scoring model based on boosted decision trees which is a technique consisting of an ensemble of several decision trees to form a single classifier. The analysis used three different publicly available datasets, and then the prediction accuracy of boosted decision trees is compared with the one of support vector machines method.

Chapter 14

The Role of Big Data Research Methodologies in Describing Investor Risk Attitudes and Predicting Stock Market Performance: Deep Learning and Risk Tolerance 293

Wookjae Heo, Purdue University, USA

Eun Jin Kwak, University of Georgia, USA

John E. Grable, University of Georgia, USA

The purpose of this chapter is to compare the performance of a deep learning modeling technique to predict market performance compared to conventional prediction modeling techniques. A secondary purpose of this chapter is to describe the degree to which financial risk tolerance can be used to predict future stock market performance. Specifically, the models used in this chapter were developed to test whether aggregate investor financial risk tolerance is of value in establishing risk and return market expectations. Findings from this chapter's examples also provide insights into whether financial risk tolerance is more appropriately conceptualized as a predictor of market returns or as an outcome of returns.

Chapter 15

Determining Consumer Purchase Intention Toward Counterfeit Luxury Goods Based on the Perceived Risk Theory 316

Cláudio Félix Canguende-Valentim, University of Aveiro, Portugal

This study aims to understand the impact of financial, psychological, and social risk dimensions on attitude and intention to purchase counterfeit luxury goods. Data were collected through a questionnaire conducted with 116 Angolan consumers and were treated with structural equation modeling. The results revealed that only financial risk and social risk were influential in attitude toward counterfeit luxury goods. Attitude had a significant influence on the intention to purchase counterfeit luxury goods. The research contributes to the literature because there has been no previous study in an African country that seeks to understand the purchase intention of counterfeit luxury goods according to risk perception theory. On the other hand, this study is one of the few to report that social risk perception positively impacts attitudes towards counterfeit luxury goods.

Chapter 16

Insider Transactions and Performance: The Portuguese Case 340

Maria Elisabete Neves, Coimbra Business School Research Centre, ISCAC, Polytechnic of Coimbra, Coimbra, Portugal & CETRAD, University of Trás-os-Montes and Alto Douro, Portugal

Germano Maurício, Coimbra Business School, ISCAC, Instituto Politécnico de Coimbra, Portugal

Lucas Rodrigues, Coimbra Business School, ISCAC, Instituto Politécnico de Coimbra, Portugal

This study investigates the relevance of stock buy/sell transactions by insiders in Portuguese companies' performance. To achieve this aim, the sample covers the period from 2013 to 2017. The data from buy/sell transactions by insiders were collected in the internal transaction reports delivered by the companies to the Portuguese Securities Market Commission for the same time interval. The results, using panel data methodology, suggest a negative relationship between the long/short positions and the companies' performance, although the volume traded is not significant. Therefore, the increased control of Portuguese companies by their managers signals the existence of conflicts of interest of the managers, whether due

to financial reasons or to strengthen their continuity in the position. As far as the authors are aware, this is the first time that a study has been carried out using insider transactions for Portuguese companies and their influence on corporate performance.

Chapter 17

Does Technical Analysis Win? Evidence From the Period Between Donald Trump's Campaign and the First Date for Brexit..... 354

Maria Neves, Coimbra Business School Research Centre, ISCAC, Polytechnic of Coimbra, Coimbra, Portugal & CETRAD, University of Trás-os-Montes and Alto Douro, Portugal
Joana Leite, Coimbra Business School Research Centre, ISCAC, Polytechnic of Coimbra, Coimbra, Portugal
Renato Neves, Coimbra Business School Research Centre, ISCAC, Polytechnic of Coimbra, Coimbra, Portugal

The main goal of this chapter is to analyze the performance of four investment strategies within a recent period of international political uncertainties. RSI and MACD supported three competing investment strategies, which were compared to the conservative Buy and Hold strategy. Euro Stoxx 50 Index was selected through the Markowitz Theory, and the DAX index was established as a benchmark. The period considered was between the start of Donald Trump's official campaign to the US elections and the first date set for Brexit. Two subsequent additional studies were performed to evaluate their profitability. The entry and exit points were determined by international economic reports. Alternative time lengths for the RSI window were considered. The results suggest that, when the market is bear or undefined, the investor should have a strategy supported on technical analysis and he should consider more than one indicator to increase the information that is taken from the market. The passive Buy and Hold strategy should be considered when the market is considered a bull market.

Chapter 18

Hedging Effectiveness of the VIX ETPs: An Analysis of the Time-Varying Performance of the VXX..... 384

Özcan Ceylan, Özyeğin University, Turkey

This study introduces basic concepts about hedging and provides an overview of common hedging practices. This theoretical introduction is followed by an empirical application in which the hedging effectiveness of the VIX ETPs is evaluated. The iPath Series B S&P 500 VIX Short Term Futures ETN (VXX) and the SPDR S&P 500 Trust ETF (SPY) are taken for the empirical application. Dynamic conditional correlations between the VXX and SPY are obtained from DCC-GARCH framework. Based on the estimated conditional volatilities of the SPY and the hedged portfolio, a hedging effectiveness index is constructed. Results show that the hedging effectiveness of the VXX increases in turbulent periods such as the last three months of 2018 marked by the plummeting oil prices, increasing uncertainties about the Brexit deal, and rising federal funds rates and the month of March 2020 when the COVID-19 pandemic became a global concern.

Compilation of References 402

About the Contributors 461

Index..... 467