

Corporate finance (prerequisite: introduction to corporate finance)

ECTS : 6

Description du contenu de l'enseignement :

Part 1. Prof. Laurent Frésard (Laurent.fresard@usi.ch)

Course Objectives

The objective of this part of the “Corporate Finance” course is to introduce you to key topics in corporate finance through the lens of empirical research. Corporate finance is largely a non-experimental field with lots of data. The nature, scope, and detail of available data continue to expand rapidly. These data are used to generate empirical insights to validate or invalidate existing theories and constitute a basis for further theories. In this class, we will discover central topics and mechanisms in corporate finance by focusing on how researchers have used data and empirical methods to develop novel knowledge that is relevant for the practice of finance.

The overall approach in this class is to read and understand (selected) prior empirical work and replicate or extend some of these studies. The topics have been selected to make you work with specific datasets and methods. The primary expertise necessary is the understanding of how to use or manipulate datasets. You will need to appreciate the methods, approaches, and intuition of econometrics including and beyond a first graduate level of econometrics. I will cover some of the underlying approaches in class but our objectives will be different from those of an econometric course. Rather than a formal derivation of the underlying assumptions and tests, we will assess why something works the way it does.

Deliverables - Empirical exercises

You will have three exercise sets and a mini project to hand in. They are designed to get you up and running with financial datasets and empirical methods. There is a lot of work going into extracting databases and matching datasets. You should treat this as a permanent lifelong investment and the costs will seem more bearable. You will have to extract data from the relevant source, run the assigned tests, and answer to question I will specify. You will write a short report for each assignment, explaining all your steps and interpreting your results.

Course outline and Readings

All chapters and articles marked with an * should be carefully read in advance. As we will discuss these papers in class, not reading makes your attendance almost useless. I will ask questions related to these articles in class.

Reading list for part 1.

- Selected chapters from the Handbook of Corporate Finance: Empirical Corporate Finance. Edited by B. Espen Eckbo: North Holland, 2007. **(HCF)**
- Cameron, A. Colin, and Pravin Trivedi, 2009, Microeconometrics: Methods and Applications, ISBN-13 #: 978-0-521-84805-3. Published by Cambridge University Press. **(CT#1)**
- Cameron, A. Colin, and Pravin Trivedi, 2009, Microeconometrics Using STATA, ISBN-13 #: 978-1-59718-048-1. Published by STATA Press. **(CT#2)**
- Angrist, D. Joshua, and Jorn-Steffen Pischke, 2009, Mostly Harmless Econometrics: An Empiricist's companion. ISBN-978-0-691-12035-5. Princeton University Press. **(AP)**
- Scott Cunningham, 2021, Causal Inference: The Mixed Tape, ISBN-978-0300251685. Yale University Press. Free online version at: <https://mixtape.scunning.com/>. **(CI)**

COURSE

Identification and Causality

- **AP**, chapter 2
- **CI**, chapter 4
- Roberts and Whited (2012), section 2
- Bowen, Frésard, and Taillard (2017)*
- Morck and Yeung (2011)
- Leamer (2010)

- Ruhm (2018)
- Ravallion (2020)

Compétence à acquérir :

The objective of this course is twofold: a. to introduce the student to state of the art econometrics applied in empirical corporate finance (e.g. to address endogeneity issues, to determine an identification strategy), b. to introduce the student to some important topics in the scientific literature on empirical corporate finance. Each class will focus on a single topic and discuss different research designs and econometric approaches.

Mode de contrôle des connaissances :

Part 1. The evaluation for the class consists of the exercise sets (45%) and a written final exam (55%).

Part 2. Project

Bibliographie, lectures recommandées :

Some Background resources

Michael Roberts and Toni Whited (2013) "Endogeneity in Empirical Corporate Finance", in George Constantinides, Milton Harris,

René Stulz (eds) *Handbook of the Economics of Finance*, vol 2, Amsterdam, North Holland.

Joshua Angrist and Steffen Pischke (2008) *Mostly Harmless Econometrics*, MIT Press.

Mandatory readings associated with part 2.

1. Corporate social responsibility

- Ferrell, A., Liang, H. and L. Renneboog, 2016, **Socially Responsible Firms**, *Journal of Financial Economics*, 122(3), 585-606.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2464561

- Liang, H. and L. Renneboog, 2017, **On the Foundations of Corporate Social Responsibility**, *Journal of Finance* 72 (2), 853-910. Victor and Jaouad

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2360633 : Jaouad + Victor

- Flammer, C., 2015, **Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach**, *Management Science* 61, 2549–568

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2146282

- (Just Skim in order to familiarize yourself with the law and finance literature; some other papers are below) Djankov, S., La Porta, R., Lopez-de-Silanes, F., Shleifer, A. 2008. **The law and economics of self-dealing**. *Journal of Financial Economics* 88, 430-465. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=864645

2. Social Responsible Investing

- Barko, T., M. Cremers, and L. Renneboog, 2022, **Shareholder Engagement on Environmental, Social, and Governance Performance**, *Journal of Business Ethics*, forthcoming.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2977219

3. Dividend policy / Bond markets

- (Not for class discussion but skim to familiarize yourself with the literature)

Survey paper: Farre-Mensa, J., R. Michaely, and M. Schmalz, 2014, **Dividend Policy**, In *Annual Review of Financial Economics*, Volume 6, edited by Andrew W. Lo and Robert C. Merton. Palo Alto, CA: Annual Reviews.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2400618

- Feito-Ruiz, I., L. Renneboog, and C. Vansteenkiste, 2020, **Elective Stock and Scrip Dividends**, *Journal of Corporate Finance* 64, 101660.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3245060

- Crane, A. D., Michenaud, S., & Weston, J., 2016. **The effect of institutional ownership on payout policy: Evidence from index thresholds**. *Review of Financial Studies*, 29(6), 1377-1408. Francesco and Wilson

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2102822

- Manconi, A., Neretina, E., & Renneboog, L., 2021. **Underwriter Competition and Bargaining Power in the Corporate Bond Market**, Working Paper. Ghalia and Dhia