

CENTRAL EUROPEAN REVIEW OF ECONOMICS AND MANAGEMENT

Volume 7, Number 4
December 2023

NEW IDEAS IN FINANCE

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Vol. 7, No. 4

Publisher: Uniwersytet WSB Merito Wrocław (WSB Merito University Wrocław)
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The journal is reviewed according to the principle of double blind peer review, as well as in compliance with the standards of the Polish Ministry of Science and Higher Education. CEREM is a continuation of the WSB University in Wrocław Research Journal (Zeszyty Naukowe WSB we Wrocławiu – ISSN 1643-7772; eISSN 2392-1153)

CEREM is registered in the IC Journal Master List, and indexed in the Central and Eastern European Online Library (CEEOL), Index Copernicus, Google Scholar, EconStor, BazEkon and ERIH PLUS.

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ISSN 2543-9472; eISSN 2544-0365

Cover and logo design: Sebprojekt.pl

Publisher: Uniwersytet WSB Merito Wrocław (WSB Merito University Wrocław), ul. Fabryczna 29-31, 53-609, Wrocław, Poland

CONTENTS

1. Editorial	7
2. Kimberley Jasmijn RIJSKAMP, The Effect of the Acquirers' Market Capitalization and Payment Method on the Short-term Return of M&As in Greater China and South Korea	9
3. Anya DESHPANDE, The Effect of Financial Leverage on Firm Profitability and Working Capital Management in the Asia-Pacific Region	43
4. Christoph THALHAMMER, The Effect of Ownership Concentration on Firm Risk and Value: evidence from Germany	73
5. Timothy DROODUIN, IPO Underpricing and Overpricing and Long-Term Firm Performance in the Netherlands, United Kingdom, France, Sweden, and Italy: Learning from three Dutch IPOs	109
6. David UMORU, Oseni Hussein OMOMOH, Devaluation and Stock Prices	159

Editorial – New Ideas in Finance

Obviously, finance is a topic that has been enjoying much attention all around the globe lately. Whether in better economic times (the late 2010s) or worse times (the early 2020s), the finances of households, corporations, and public institutions appear to make a difference. No wonder: the adage of the neo-classical finance view that finance does or should not matter has been given up in favour of ideas on (how to study) the contribution of finance to wealth.

Whereas acquisitions are just a means of direct investments, they are special in that one company takes over another already existing one. The typically low effect of market capitalisation of acquirers on their returns has been studied before, as are the effects of ways that they are paid for, albeit to a lesser extent. Kimberley Rijskamp singles out geographically close Chinese and South Korean companies and comes up with interesting findings.

Designing an appropriate capital structure is often thought to be one of the core issues in corporate finance. Whereas the effect thereof on financial returns has been studied often, this is rather rare for the Asia-Pacific region. Nevertheless, this is exactly what Anya Deshpande does, and she adds the effect of working capital to this. Again, this has also been studied before, but the combination of the topics and the data sample is an interesting one.

Christoph Thalhammer takes a slightly different approach in that he focuses on a single country and even one from the Western hemisphere, namely Germany. This country is exceptional in that it is moving towards a more Anglo-Saxon type of corporate governance. The author picks up the effect of ownership concentration on both firm value and firm risk. Strikingly, he finds a U-shape relationship of the former relation and links this to firm risk.

The effect of underpricing and overpricing of initial public offerings (IPOs) of firms on their long-term performance has also been studied before. Interestingly, Timothy Drooduin takes on board a sample from a number of Western European countries: the Netherlands, the United Kingdom, France,

Sweden, and Italy. On top of this, he also studies the actual IPO processes with three specific Dutch firms and denotes lessons from these.

The contributions described above stem from the University of Groningen, The Netherlands. The last study is special in that it is from Africa and uses a macro-economic instead of micro-economic approach. David Umoro and Oluwatoyin Dorcas Tedunjaiye from the Edo State University in Nigeria employ a sample of ECOWAS countries. They look at effects of interest rate volatility and exchange rate devaluation on aggregate savings. Often, they do matter.

Wim Westerman

Co-editor CEREM

29 September, 2023