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IS EXPORT-LED INDUSTRIAL DEVELOPMENT A VIABLE POLICY? SOME EMPIRICAL EVIDENCE

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This paper re-examines the time-series evidence on the relationship between exports and industrial development for eight newly-industrialized economies in light of recent breakthroughs in time-series analysis. Specifically, the investigation employs the time-series procedure of Toda and Yamamoto (1995) where many shortcomings of the traditional approaches (e.g., the Vector-Error-Correction approach) are overcome. The investigation reveals that for all but one of the economies where a policy of export-led growth was explicitly adopted, there is evidence indicating that current increases in exports produce future increases in industrial output. Such evidence is not found for the economies where the policy was not explicitly adopted. This suggests that for a country without an explicit strategy of export-expansion, it appears unlikely that export-expansion will spontaneously stimulate industrial development.

THE COMPARATIVE EFFICIENCY OF “GRUPO” AND FOREIGN CONTROLLED BANKS IN LATIN AMERICA

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Bank efficiency studies in Latin America document that foreign banks are more efficient than local banks, but they do not isolate the performance of banks that are a part of business groups (“Grupos”). We investigate the efficiency of Grupos as compared to foreign banks and find that in the more economically free market of Chile, Grupo banks are more efficient but find no significant difference in the less economically free markets of Brazil and Mexico. We attribute our findings to agency issues, which affect both foreign and Grupo banks causing inefficient resource usage in less economically free markets. In more economically free markets, we attribute differences to increased availability of capital.

CORPORATE DIVIDEND POLICY IN CHINA UNDER MANAGERIAL ENTRENCHMENT

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The paper empirically analyzes corporate dividend policy under managerial entrenchment of publicly traded companies in China using mean T test, logistic regression and multivariate regression analysis methods. The results indicate that investment opportunity, the proportion of state-owned shares, and shares held by managers are the main determinants of corporate dividend policy. The study further shows that less investment opportunity, higher proportion of state-owned shares and shares held by managers are associated with higher amount of corporate dividend distribution.

THE EFFECT OF IPO LOCKUP AGREEMENTS ON STOCK PRICES: AN EMPIRICAL ANALYSIS ON THE TAIWAN STOCK EXCHANGE

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We examine the performance of Taiwanese IPOs surrounding lockup expiration. We find some evidence that investors in IT-IPOs could suffer significant wealth losses, in the days just prior to the lockup expiration. Non-IT IPO investors are not similarly affected. However, contrary to previous research, we find significant return reversals for both IT and non-IT stocks. After the lockup expiration dates trading volumes are also abnormally high. The returns to IT firms and firms with larger market capitalizations, exhibit greater sensitivity to lockup expiration dates than those of non-IT firms and small-cap firms.

CORPORATE PAY AND PERFORMANCE: WHO IS LOOKING OUT FOR THE SHAREHOLDERS?

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Executive compensation has been hotly debated in academia for a long time, even though in recent years it has become "coffee talk" for mainstream America. Recent "mega" compensation packages have only added fuel to the fire, especially in light of poor corporate and equity market performances. One relevant argument, which has not been included in previous studies and could help explain the mixed results, is the labor-leisure choice argument. Most studies have examined the now "stale" relationship between compensation and performance, with the premise that higher compensation should lead to better performance. There is also a reasonable consensus that this relationship is not true or at least not as economically significant. What is more interesting is the perception that this weak relationship is a result of the bull market of the 1990s. In order to study if this is indeed the case, I examined the relationship from a period prior to the 1990s bull market in U.S. equities. The results show support for the "backward bend" in the compensation structure of executives, suggesting that mega compensation structures may not be the best way to motivate executives and improve corporate performance.

EXCHANGE RATE DETERMINATION: A DIFFERENT PERSPECTIVE

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Purchasing Power Parity and Interest Rate parity are well established theories of exchange rate determination. Purchasing Power Parity is basically the law of one price, a basket of goods and services are priced in one country and the same basket of goods and services are priced in another country and the exchange rate is determined based on the prices of the commodity basket in each country. Interest rate parity is another theory which states that the interest rate parity determines exchange rate. This paper finds that although purchasing power parity and interest rate parity are well established theories of exchange rate determination, but there are other variables which are unique for each country for determining exchange rate for those individual countries. Therefore we cannot say that exchange rate of every country is determined by purchasing power parity or interest rate parity alone. This paper finds that for each individual country the variables that determine exchange rate are unique and different.

A TEST OF A MANDATED ACCOUNTING CHANGE: CONSOLIDATION STANDARD AASB 1024

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Corporate disinvestments and liquidations of 'controlled associates' are found to have coincided with the introduction of the amended Australian consolidation Standard AASB 1024 which mandated consolidation of controlled associate assets and liabilities that had previously been excluded from group financial statements. Reporting higher-than-expected group debt is argued to be costly in the presence of information asymmetry. Strong evidence is found that firms reducing equity ownership in or liquidating many of their controlled associates exhibited lower net-of-market returns relative to firms that did not. From this we infer the former firms faced higher disclosure costs.