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Global Trends in Finance

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1st International on-line Conference on

Global Trends in Finance

25th November, 2011

e-BOOK of ABSTRACTS

ASSESSING THE EFFICACY OF BASEL III FOR EMERGING ECONOMIES IN TURMOIL: APPLICATION TO EGYPT AND TUNISIA

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Abstract:

The upheaval in Tunisia and Egypt is perceptually novel to a region that has historically been considered to be politically dormant. Undeniably, the ousting of the long-standing Mubarak and Bin-Ali autocratic regimes signals a new age of pride and democracy for these two North African countries, and possibly for the entire region. The early triggers of the revolutions may have been the political repression and the decidedly inequitable income distribution, but what actually precipitated the demise of the long-time leaders were the limited opportunities for economic progress and the high levels of youth unemployment. Despite the fact that the political gains of the twin revolutions are indeed unprecedented, the economic future remains highly uncertain. Moreover, the poor institutional frameworks inherited from the previous regimes renders the task of reinstalling law, order and stability categorically demanding.

Whilst the ousted regimes used to boast about the high macroeconomic performance of their nations, both Tunisian and Egyptian economies pale in comparison to emerging market economies (EMEs). In true fact, the short-lived better performance that was temporarily recorded by both nations amidst the Global Financial Crisis (GFC) stands witness to a low level of integration with the global financial markets, but not to sound economic policies. Thus, the prospects for establishing stability are linked to the elected governments' ability to adequately tackle the persistent problem of low income levels—a core grievance of the rioters that is still blemishing the post-revolutionary era and jeopardising its success.

This research studies the impact of Basel III on the Egyptian and Tunisian economies. Since both countries are currently undergoing an intricate socioeconomic and political transformation in the wake of their popular revolutions, it is highly onerous to expose their economies to further shocks. This paper specifies that since the banking reforms that were previously enacted by both nations have softened the blow of the global financial crisis, then the extra measures required by the impending Basel III are unwarrantedly costly and unnecessary. The paper culminates in proposing a set of policies and an alternative less stringent framework to prepare both economies to mitigate the impact of implementing Basel III.

Keywords: financial crisis, banking regulations, Basel III, emerging economies, economic growth

JEL Classification: G01, G17, G28, G38

GAME COMPLETE ANALYSIS FOR FINANCIAL MARKETS STABILIZATION

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Abstract:
The aim of this paper is to propose a new methodology to stabilize the financial markets using Game Theory and, in particular, using the complete study of a differentiable game, introduced in literature by David Carfì. Specifically, we will focus on two economic operators: a real economic subject and a financial institute (a bank, for example) with a big economic availability. For this purpose, we will discuss about an interaction game between the two above economic subjects: the Enterprise, our first player, and the Financial Institute, our second player. The only solution which allows both players to win something, and therefore the only one desirable, is represented by an agreement between the two subjects: the Enterprise artificially causes an inconsistency between spot and future markets, and the Financial Institute, who was unable to make arbitrages alone, for the introduction by the normative authority of a tax on economic transactions (tax that we propose to stabilize markets, protecting them from speculation), takes the opportunity to win the maximum possible collective (social) sum, which later will be divided with the Enterprise by contract.

Keywords: financial markets, game theory, stabilization of financial markets, arbitrages in financial markets

JEL Classification: D53, G01, G32, N2

ASPECTS OF MARKET BEHAVIOR, THE INTERNET AND THE EFFICIENCY RATE OF THE YOUNGER GENERATION

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Abstract:

Text of the paper focuses on issues related to our current phenomenon of the millennium - the Internet and new media, blogs, news portals, social networks, etc.., opportunities in implementing elements of the Internet in the market behavior of firms and entrepreneurs. Given that today's young generation seems to be digitally literate, we can say that from that perspective is part of the Internet market. Young people spend almost half to three quarters of their time at the computer and the Internet. Obtaining knowledge and information for the web. They work, trade and study through the Internet. Younger digital generation is virtually able to move to the other end of the planet and at the same time communicate, conduct interviews, expert discussions, or participate on-line to in conferences on the Internet. Internet provides integration of training, work area components with rest, relaxation and entertainment. It is obvious that the "new media", which are represented by social networks, play an important role in the life of the young generation. Nowadays, so many entrepreneurs, companies, organizations or institutions care for the involvement of social media into their communication activities by the implementation of advertising. This type of involvement is primarily within the remit of marketing departments and public relations departments. By this form, the of the companies and various organizations try to reach the market which at present consists of especially the younger generation. We can note that, there still are within the business community perceived barriers preventing wider use of social media. The article says the partial failure of business entities to determine return on investment to some extent caused by the lack of digital literacy, lack of understanding of digital social media and using the lack of effective tools to measure the activities carried out through social media. The business community is currently using to measure success of communications activities, social media, the number of social interactions, or comments, number of participants, or social site traffic.

Post also points out that for these reasons, a set of individuals of younger generation appears to be a potential market that can be used to create loyal customers, with all the elements for loyalty to the brand. Internet in this sense becomes one example of the youth market generation, another watched aspect is the ability of entrepreneurs to adapt its corporate access to various websites and to various social networks.

In conclusion, the contribution gives a rate effect of market behavior of companies through new Internet media on the younger generation, and discusses the pros and cons of using the Internet as a means of addressing market consisting of young generation.

Keywords: internet, new media, social networking, the young generation, market behavior, entrepreneurs and companies

ROMANIA'S BUDGETARY DEFICIT IN THE CONDITIONS OF FINANCIAL CRISIS AND GLOBALIZATION

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Abstract:

The existence of budgetary deficit is due to more causes and it's the reality around us, especially when Romania confront with big difficulties in its financial evolution.

In a global economy in which the force of work and the capital moves in deplane liberty inside but also beyond the national borders of any state, the set of the political taxes adopted by each country may to represent an important instrument for the adoption of the international resources, but also deepening factors of the social and economic imbalances.

This paper intends to discuss about the budgetary deficit of Romania in a moment in that financial crisis makes its presence very well. Some aspects will be discussed to find out methods and means to stop part of these destructive and negative effects.

Keywords: budgetary deficit, globalization, inflationary financing, economic and financial crisis, public financial deficit

JEL Classification: G0, G1, G2, G3

THE RELATIONSHIP BETWEEN MONEY, OUTPUT AND STOCK PRICES IN SELECTED EU-COUNTRIES

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Abstract:
The behaviour of stock market prices and macroeconomic variables are a subject of investigations both of policymakers and also economists. This paper is concerned with causal linkages among money supply, output and stock price development in the selected countries of the European Union. The main objective is to investigate and evaluate long-run equilibrium relationships between macroeconomic variables and stock prices as well as short-run dynamics using both the Vector Autoregressive (VAR) and Vector Error Correction (VEC) models in the analyzed countries. The emphasis of this paper in addition to evidence presented is garnered from the Euro-area and six EU-counties: the Czech Republic, Poland, Slovak Republic, Austria, Germany and the United Kingdom. Money supply M2, national stock market indices and real gross domestic product are used in this study. In the analysis, quarterly data in the sample period from 1995:Q1 to 2011:Q2 has been applied. The empirical part exploits unit root tests, Granger causality tests, Johansen co-integration analysis. We have applied tests for stationarity and co-integration and it has been discovered that there is a long-run co-integration relationship between money supply, stock prices and output. We have estimated both a VAR model and VEC model, and we have also generated impulse-response functions from the estimated VAR models, along with comparing the usefulness of VAR and VEC models for the real gross domestic product growth modelling. The evidence obtained from the analysis of time series suggests that in all cases we can discover the long-run relationships among variables applied. Money supply and stock market development have a certain predictive content for the real economic activity. When considering the results of the short-run analyses, we have to accept the great differences among countries. Based on the results of comparisons and evaluations of the VEC and the VAR models, we may state that VEC models are significantly better when the co-integrating relationships are enforced.

Keywords: stock market prices, money supply, real GDP, long-run relationship, cointegration, VAR model, VEC model

JEL Classification: E44, G10

FINANCIAL INTEGRATION OF THE EUROPEAN TRANSITION ECONOMIES

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Abstract:

Economic crisis affected economic activity in the European transition economies (ETE) with an unprecedented extent that may be compared to an initial shock ETE experienced at the beginning of the transition process in the early 1990s. Deterioration of the overall macroeconomic performance was followed by the various spurious effects leading to the slowdown in the process of convergence toward Western European countries. One of the key aspects of this long-term trend - participation of the ETE in the process of international capital flows became affected by the economic crisis too. While the overall benefits from the cross-border capital movements significantly contributed to the high rates of real output growth in the ETE (most of the countries from this group became large net debtors in the last two decades) during pre-crisis period, sudden shift in a direction as well as a size of a foreign capital inflows may markedly affect the speed of the recovery process from the economic crisis.

In the paper we observe main trends in the process of an international financial integration in ten ETE since 1995. To estimate effects of foreign capital inflows on the performance of ETE we analyze effects of foreign direct investments, portfolio investments and other investments on the real output development. To meet this objective we estimate vector error correction (VEC) model. We estimate two models (one with data sets for pre-crisis period only and second for the whole period). To identify structural shocks we implement a Cholesky decomposition of innovations. Impulse-response functions are computed to estimate short-run effects of foreign capital inflows on real output. Comparing results for both models should helps to assess the effects of economic crisis. Long-run effects of foreign capital inflows on the real output are estimated using linear Granger causality test.

Keywords: financial integration, international capital flows, economic growth, vector autoregression, Cholesky decomposition, impulse-response function, granger causality

JEL Classification: F15, F36, F41, F43

BARRO-RICARDIAN EQUIVALENCE - THE CASE OF SLOVAKIA

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Abstract:
The goal of the paper is to compare the theory of Barro-Ricardian equivalence in the conditions of the Slovak economy. First authors introduce the theory of Barro-Ricardian equivalence, and secondly, show the relevant data of the key economic variables (such as national savings, household savings and government savings). Due to the specific conditions that must be fulfilled to pronounce that the B-R theory is valid, authors place a hypothesis, that the B-R equivalence in Slovakia was never being valid.

Keywords: Barro-Ricardian equivalence, Slovak national economy, national savings

JEL Classification: H30, H50

DOES REGULATION HELP INDIAN MICRO FINANCE INSTITUTIONS?

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Abstract:
Whether regulation of Indian Micro Financing Institutions (MFIs) is beneficial and whether it enhances their performances is yet to emerge. World over many research findings do not confirm to any direct linkage of these aspects. Through this article an attempt has been made to explore this phenomenon by identifying the impact variables of performance indicators of outreach and sustainability of MFI through regression models. For this purpose 40 MFIs data from the mixmarket.org sources have been used for the year 2005-06 and 2009-10 to see any shift in their performance relationships with regulation. Two indicators of outreach namely number of active borrowers, and average balance per borrower / gross national income per capita representing the size of the loan are used. Similarly two indicators like operational self sustainability, and profitability represented through return on assets have also been used. Though a perceptible change has been noticed across many indicators of MFIs over the five years of the study period, in none of the four models of each of the year regulation emerged as a statistically significant determinant variable of performance. This suggests that though regulation is required for proper functioning of this sector a balanced and cautious approach is highly desirable from the regulators.

Keywords: MFIs, regulation, outreach, sustainability

SOME ASPECTS OF PRICING STRATEGIES IN MARKETING OF THE CHAIN STORES' BRANCHES IN SLOVAK REPUBLIC

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Abstract:

The chain stores (as big business subjects which own and operate great number of shops) in Slovak republic condition constitute the business network, which is dense enough and is easily available for everyone customers. By the implementation of their business policy they significantly change and influence the classical business structure. By the fact that they buy goods directly from the manufacturer, they omit the wholesaler and represent the competitor not only on the retail market but also on the wholesale market.

The article deals with pricing strategies in marketing of the chain stores' branches in Slovak Republic (specifically in Prešov region). The research aims are to define and analyse the most commonly used pricing strategies in marketing from the point of view of the management of the chain stores operating in Prešov region, including identification of various connections between the selection of pricing strategies and of differentiation of the organizations from the viewpoint of the selection of pricing strategies in marketing.

The most commonly used pricing strategies in Prešov region are strategy of price adjustments, promotional discounts strategy and competition pricing strategy. One of the research aspects of choosing marketing pricing strategies in branches of retail stores was global financial crisis. The global finance crisis doesn´t have influence to choose and implementation of pricing strategy, which is used by branches of stores management of in area of Prešov region.

Keywords: price, pricing strategies in marketing, stores´ branches

JEL Classification: M30, M31, E39

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