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Bachelor Theses FSS 2023: Topics

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Advisor: Larissa Ginzinger

TOPIC NR2: **Shaping the Future of Investing: Are Finfluencers a Credible Source of Financial Advice?**
Advisor: Larissa Ginzinger

TOPIC NR3: **Closing the Gender Investment Gap: Are Female Finfluencers Helping Women to Take Responsibility for Their Finances?**
Advisor: Larissa Ginzinger

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Advisor: Vanessa Müden

TOPIC NR1: Women on Boards: The Influence of Board Diversity on Firm Performance

Advisor: Larissa Ginzinger

Corporate board diversity has received considerable political and media attention in recent years. Despite the 'grand gender convergence' (Goldin, 2014), women remain severely underrepresented in high-status, high-income occupations. This is particularly true in the financial and corporate sectors of the economy. As a consequence, many countries have attempted to address the persistent gender imbalances in the corporate sector through mandatory quotas. In 2005, Norway introduced the first gender quota for female board members, mandating that women make up 40% of the boards of public companies. Following Norway's lead, other nations such as Belgium, France, and Germany adopted similar mandatory or voluntary targets for gender representation.

In this context, recent research has investigated the influence of board diversity on firm performance. For instance, Kim and Starks (2016) report that women who are appointed as corporate directors diversify a board's expertise more than their male counterparts and contribute unique skills. Bernile et al. (2018), in turn, find that greater board diversity leads to lower volatility and better performance. The lower risk levels are largely due to diverse boards adopting more persistent and less risky financial policies. Similarly, Faccio et al. (2016) document that firms run by female CEOs have lower leverage, less volatile earnings, and a higher chance of survival than otherwise similar firms run by male CEOs.

Requirements:
The goal of this thesis is twofold. First, the student is required to provide a comprehensive literature review on board diversity and its impact on firm outcomes. The discussion should include, but is not limited to, (1) the status quo of gender imbalances in the corporate sector; (2) an overview of the most common explanations for gender differences in labor market outcomes discussed in the economics literature; (3) a comprehensive review and comparison of the studies investigating the impact of gender diversity on firm outcomes; (4) policy measures that can help to increase board diversity. Second, the student is required to produce summary statistics on the representation of women on boards using data from BoardEx. The analysis should take into account developments over time and industry heterogeneity. The BoardEx data will be provided by the supervisor.

Introductory Literature:

- Bernile, G., Bhagwat, V., & Yonker, S. (2018). Board diversity, firm risk, and corporate policies. Journal of Financial Economics, 127(3), 588-612.
- Faccio, M., Marchica, M. T., & Mura, R. (2016). CEO gender, corporate risk-taking, and the efficiency of capital allocation. Journal of Corporate Finance, 39, 193-209.
- Goldin, C. (2014). A grand gender convergence: Its last chapter. American Economic Review, 104(4), 1091-1119.
- Kim, D., & Starks, L. T. (2016). Gender diversity on corporate boards: Do women contribute unique skills?. American Economic Review, 106(5), 267-271.
- Matsa, D. A., & Miller, A. R. (2013). A female style in corporate leadership? Evidence from quotas. American Economic Journal: Applied Economics, 5(3), 136-169.
- Meyerinck, F., Niessen-Ruenzi, A., Schmid, M., & Solomon, S. D. (2021). As California goes, so goes the nation? The impact of board gender quotas on firm performance and the director labor market. SSRN Working Paper Series.
- Sila, V., Gonzalez, A., & Hagendorff, J. (2016). Women on board: Does boardroom gender diversity affect firm risk?. Journal of Corporate Finance, 36, 26-53.

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TOPIC NR2: Shaping the Future of Investing: Are Finfluencers a Credible Source of Financial Advice?

Advisor: Larissa Ginzinger

With millions of followers on Instagram, YouTube, TikTok, and similar social media platforms, finfluencers are considered the new investment gurus. Their investment advice is particularly appealing to younger generations with an affinity for social media.

At first glance, finfluencers' promise to provide valuable investment tips via short TikTok videos or Instagram reels seems attractive. Many regard the information provided by social media influencers as easy to understand, easily accessible, and low-cost, compared to traditional financial advice. However, many of the self-proclaimed financial experts have no academic background in finance, and their business models are often plagued by conflicts of interest. Finfluencers monetize their reach (i.e., number of followers or subscribers) by being paid for advertising and receive commissions when their followers buy products they have promoted.

Requirements:
The goal of this thesis is twofold. First, the student is required to provide a comprehensive discussion on whether finfluencers are a credible source of financial advice. The discussion should include, but is not limited to, (1) the role of (traditional) financial advice in individuals' investment decisions; (2) an overview of the most prominent finance influencers and their reach; (3) a detailed background check of the most prominent players and other criteria that might help to assess the credibility of finfluencers. Second, the student is required to design and conduct a survey on the role of finfluencers/social media in students' financial decisions. In analyzing the survey results, the student should particularly focus on the role of finfluencer credibility in students' experiences with financial advice via social media. The student should also assess whether students place more weight on a finfluencer's background/expertise or on the way the social media content is presented. The student will be supported by the supervisor in conducting the survey among undergraduate students.

Introductory Literature:

- Calcagno, R., & Monticone, C. (2015). Financial literacy and the demand for financial advice. Journal of Banking & Finance, 50, 363-380.
- Chalmers, J., & Reuter, J. (2020). Is conflicted investment advice better than no advice?. Journal of Financial Economics, 138(2), 366-387.
- Bloomberg (2023). More 'Finfluencers' Breaking Investment Rules, https://www.bloomberg.com/news/articles/2023-02-03/more-finfluencers-breaking-investment-rules-uk-watchdog-warns?leadSource=uverify%20wall
- Gaudecker, H. M. V. (2015). How does household portfolio diversification vary with financial literacy and financial advice?. The Journal of Finance, 70(2), 489-507.
- Kramer, M. M. (2012). Financial advice and individual investor portfolio performance. Financial Management, 41(2), 395-428.
- Stolper, O. A., & Walter, A. (2017). Financial literacy, financial advice, and financial behavior. Journal of Business Economics, 87, 581-643.
- The Guardian (2022). As 'finfluencers' spread through social media, beware the pitfalls, https://www.theguardian.com/money/2021/aug/22/as-finfluencers-spread-through-social-media-beware-the-pitfalls

TOPIC NR3: Closing the Gender Investment Gap: Are Female Finfluencers Helping Women to Take Responsibility for Their Finances?

Advisor: Larissa Ginzinger

With millions of followers on Instagram, YouTube, TikTok, and similar social media platforms, finfluencers are seen as the new investment gurus. In recent years, several female-curated social media accounts offering financial advice to women have emerged. Female finfluencers focus on targeting women and make it their self-proclaimed goal to combat the gender investment gap. The gender investment gap refers to the fact that women are much less active than men in financial planning, stock market participation, and retirement savings.

At first glance, female finfluencers' promise to close the gender investment gap by promoting financial literacy and being more approachable for women than male financial advisors seems attractive. Moreover, many regard the information provided by social media influencers as easy to understand, easily accessible, and low-cost, compared to traditional financial advice. However, there is great heterogeneity in the group of female finfluencers, ranging from individuals to financial platforms, and from self-proclaimed experts with no academic background to serious financial advice.

Requirements:
The goal of this thesis is twofold. First, the student is required to provide a comprehensive discussion on whether female finfluencers are helping women to take responsibility for their finances. The discussion should include, but is not limited to, (1) the status quo of the gender investment gap; (2) a detailed overview of female finance influencers and their reach; (3) a detailed analysis of female finfluencers' business models and target groups. Second, the student is required to design and conduct a survey on the role of finfluencers/social media in students' financial decisions. In the evaluation of the survey results, the student should particularly focus on gender differences in investment decisions and the likelihood of seeking financial advice via social media. In this context, the student should also evaluate whether homophily plays a role in the choice of following (the advice of) a finfluencer. The student will be supported by the supervisor in conducting the survey among undergraduate students.

Introductory Literature:

- Almenberg, J., & Dreber, A. (2015). Gender, stock market participation and financial literacy. Economics Letters, 137, 140-142.
- Baeckström, Y., Marsh, I. W., & Silvester, J. (2021). Financial advice and gender: Wealthy individual investors in the UK. Journal of Corporate Finance, 71, 101882.
- Bucher-Koenen, T., Alessie, R. J., Lusardi, A., & Van Rooij, M. (2021). Fearless woman: Financial literacy and stock market participation. National Bureau of Economic Research Working Paper.
- Bucher-Koenen, T., Hackethal, A., Koenen, J., & Laudenbach, C. (2021). Gender differences in financial advice, SAFE Working Paper Series.
- Bloomberg (2023). More 'Finfluencers' Breaking Investment Rules, https://www.bloomberg.com/news/articles/2023-02-03/more-finfluencers-breaking-investment-rules-uk-watchdog-warns?leadSource=uverify%20wall
- Stolper, O., & Walter, A. (2019). Birds of a feather: The impact of homophily on the propensity to follow financial advice. The Review of Financial Studies, 32(2), 524-563.
- The Guardian (2022). As 'finfluencers' spread through social media, beware the pitfalls, https://www.theguardian.com/money/2021/aug/22/as-finfluencers-spread-through-social-media-beware-the-pitfalls

TOPIC NR4: Liquidity and Corporate Governance

Advisor: Justus Veehof

An issue central to market making is adverse selection risk, i.e., the possibility of trading with a better-informed trader. Market makers must obtain compensation for the losses induced by these traders otherwise they would not make a market in the first place. They obtain this compensation by buying at the (lower) bid price and selling at the (higher) ask price.

Multiple studies indicate that good corporate governance reduces the informational asymmetry between market makers and informed traders, thereby also reducing the bid-ask spread of a firm's securities. Chung et al. (2010), for instance, document a negative relation between spreads and a self-constructed index capturing firms' overall corporate governance quality. Attig et al. (2006) show that a greater difference in the ultimate control and ultimate ownership of a company is negatively associated with several liquidity measures. The ultimate owner might advertently withhold information such that the controlling shareholders must exercise their voting rights based on incomplete information.

Requirements:

The primary goal of this thesis is to provide a comprehensive literature review on how a firm's corporate governance affects the liquidity of its securities. The discussion should include but is not limited to (1) an overview of the theoretical determinants of liquidity, (2) an overview of the empirical measures of liquidity, and (3) which corporate governance characteristics, in particular, seem to influence liquidity and through which channel. The student might also review how the legal and regulatory environment a firm resides in impacts liquidity. Potential variables of interest include the efficiency of the legal system or the quality of accounting standards.

Introductory Literature:

- Attig, N., Fong, W., Gadhoum, Y., & Lang, L. H. P. (2006). Effects of large shareholding on information asymmetry and stock liquidity. Journal of Banking & Finance, 30, 2875-2892.
- Chung, K. H., Elder, J., Kim, J. (2010). Corporate Governance and Liquidity. Journal of Financial and Quantitative Analysis, 45(2), 265-291.
- Eleswarapu, V. R., Venkataraman, K. (2006). The Impact of Legal and Political Institutions on Equity Trading Costs: A Cross-Country Analysis. The Review of Financial Studies, 19(3), 1081-1111.
- Harris, L. (2003). Trading and Exchanges: Market Microstructure for Practitioners. Oxford University Press, Chapters 4, 5, 6, 13, 14, 21.

TOPIC NR5: Designated Market Makers and Market Quality

Advisor: Justus Veehof

A prevalent design feature of today's financial markets is the existence of so-called designated market makers (DMMs). These are specialized financial institutions that are typically hired and paid by a firm to make a market in its securities. Hiring a DMM can be attractive to a firm because DMMs might improve its securities' liquidity, thereby reducing the cost of capital.

Several studies seem to confirm that DMMs indeed enhance the market quality of the instruments they are responsible for (Anand et al. 2009, Clark-Joseph et al. 2017, Menkveld and Wang 2013, Venkataraman and Waisburd 2007). Clark-Joseph et al. (2017), for example, exploit a computer glitch at the New York Stock Exchange that temporarily removed DMMs to provide causal evidence that they positively impact liquidity. Anand et al. (2009), in contrast, provide empirical evidence investigating securities traded at the Stockholm Stock Exchange. According to them, besides improving liquidity DMMs also appear to decrease a firm's cost of capital and accelerate price discovery.

Requirements:

The primary goal of this thesis is to provide a comprehensive literature review on how designated market makers affect the market quality of the securities they operate in. The discussion should include but is not limited to (1) an overview of the empirical measures of liquidity and price efficiency, (2) how DMMs affect the liquidity and price efficiency of the assigned securities, and (3) which factors influence a firm's decision to hire a DMM.

Introductory Literature:

- Anand, A., Tanggaard, C., Weaver, D. (2009): Paying for Market Quality. Journal of Financial and Quantitative Analysis, 44(6), 1427-1457.
- Clark-Joseph, A. D., Ye, M., Zi, C. (2017): Designated market makers still matter: Evidence from two natural experiments. Journal of Financial Economics, 126, 652-667.
- Harris, L. (2003). Trading and Exchanges: Market Microstructure for Practitioners. Oxford University Press, Chapters 4, 5, 6, 13, 14, 21.
- Menkveld, A., Wang, T. (2013): How do designated market makers create value for small-caps? Journal of Financial Markets, 16, 571-603.
- Venkataraman, K., Waisburd, A. C. (2007): The Value of the Designated Market Maker. Journal of Financial and Quantitative Analysis, 42(3), 735-758.

TOPIC NR6: Bankruptcies and Inventor Productivity

Advisor: Clemens Müller

A persistent finding in the literature is that employees experience lasting negative wage shocks when their company declares bankruptcy. The goal of this thesis is to look at how the performance of highly skilled employees is affected by bankruptcy of their employer. Specifically, how productive are inventors when their employer files for bankruptcy?

If indeed employees lose firm-specific capital, one would hypothesize a negative and persistent drop in productivity. To analyze this question is the main task of this thesis.

The thesis will start with a brief literature review on effects of bankruptcy on firms and specifically on their employees. The main task of the thesis is to visually plot the average productivity of inventors before and after their employer declares bankruptcy. Several additional extensions are possible: 1) are inventors who move to other employers more productive than employees who stay? Is employee productivity dependent on other factors such as distance or industry relatedness compared to the previous employer?

Requirements:
All data will be provided by the supervisor. Bankruptcy data is publicly available via the Florida-UCLA-LoPucki Bankruptcy Research Database. Additional cases can be collected from the Compustat Key Developments database. Patent data and data on inventors is publicly available from the United States Patent and Trademark office. Support working with patent data will be provided by the supervisor.

Introductory Literature:

- Baghai, Ramin; Silva, Rui C.; Thell, Viktor; Vig, Vikrant (2021). Talent in Distressed Firms: Investigating the Labor Costs of Financial Distress, Journal of Finance, Volume 76, Issue 6 Pages 2907-2961.
- Dou, Winston Wei; Taylor, Lucian A.; Wang, Wei; Wang, Wenyu (2021). Dissecting bankruptcy frictions, Journal of Financial Economics, Volume 142, Issue 3, Pages 975-1000.
- Graham, John R.; Kim, Hyunseob; Li, Si; Qiu, Jiaping (2019). NBER Working Paper 25922.
- Ma, Song; Tong, Joy Tianjiao; Wang, Wei (2022). Bankrupt Innovative Firms. Management Science, Volume 68, Issue 9, Pages 6355-7064.
- Matsa, David A. (2018). Capital Structure and a Firm's Workforce. Annual Review of Financial Economics 10:1, Pages 387-412.

TOPIC NR7: Celebrity Angel Investors and Startup Performance

Advisor: Clemens Müller

Angel financing is - after funding from friends and family – usually the very first source of capital for a startup. Some of the currently most successful companies were financed by angel investors. Angel investors provide their own funds in the form of capital, but also important connections, and advice, which is vital for the growth of a young enterprise. We know from the literature that angel investors are important for startup success (Kerr et al. 2014, Lerner et al. 2018).

The research question in this thesis is to look at the impact of celebrity angel investors, those publicly known and highly visible. Examples of celebrity angel investors are known in the business domain (Mark Zuckerberg, Marissa Meyer), politics (Al Gore), actors (Ashton Kutcher), sports and many more.

What impact do celebrity angel investors have on their portfolio startup success? From a theoretical point of view, the direction of the relation is ambiguous. Celebrity angels can increase visibility, help in marketing or form connections with venture capital. However, celebrity angels could also be detrimental if they are less diligent with their selection of investments. A negative example is Theranos, the startup by founder Elizabeth Holmes, now convicted for investor fraud. Theranos was financed by angel investors such as Rupert Murdoch, a media mogul as well as Larry Ellison, founder and executive chairman of Oracle.

A potential extension of this research question is to analyze cases when the expertise of an angel investor and the industry of the startup overlap. Does it make a difference whether Nico Rosberg, a former formula one race driver, invests in an e-scooter firm such as TIER compared to a startup not in his area of expertise?

The thesis will start with a very brief literature review on angel and venture capital financing as well as the general role of celebrity status in finance. As a first step, the student will collect a list of celebrities. This list will be merged to angel investors globally. The main task of the thesis is to test the impact of celebrity angel investors on startup performance. The final task is to discuss selection and other possible causality concerns.

Requirements:
All data will be provided by the supervisor. Help with creating the dataset will be provided. The data consist of angel financing data worldwide as well as success measures such as whether a startup went public (IPO) or was acquired (M&A). Support working with startup financing data will be provided by the supervisor.

Introductory Literature:

- Kerr, William R.; Lerner, Josh; Schoar, Antoinette (2014). The Consequences of Entrepreneurial Finance: Evidence from Angel Financings. Review of Financial Studies 27, no. 1 pages: 20–55.
- Lerner, Josh; Schoar, Antoinette; Sokolinski, Stanislav; Wilson, Karen (2018). The Globalization of Angel Investments: Evidence Across Countries. Journal of Financial Economics 127, no. 1 pages: 1–20.
- Focke, Florens; Maug, Ernst; Niessen-Ruenzi, Alexandra (2017). The impact of firm prestige on executive compensation. Journal of Financial Economics, 123, 313–336.

TOPIC NR8: Corporate "greenwashing" strategies

Advisor: Chia-Yi Yen

Investors have recently paid much more attention to Environmental, social, and governance (ESG) integration. With the growing demand, there is also a growing concern on corporate "greenwashing:" an attempt to create an inflated perception of their ESG accomplishments. This misconduct can be costly to shareholders.

To tackle corporate greenwashing, the first challenge is to define "greenwashing." First, the concept of "green" is itself subjective and complex. As there is no standardized ESG framework, the interpretation of ESG can vary from person to person, from institution to institution, and from industry to industry. As a result, it is difficult to measure how much corporations inflate their ESG achievement, particularly when we cannot precisely evaluate their "true" ESG accomplishments.

Second, transparency of ESG disclosure is another issue. Greenwashing misconduct is subtle and nuanced, and we lack information to detect them. Some consider "obfuscation" as greenwashing (Fabrizio and Kim, 2019), while others measure it by "selective reporting" (Marquis et al., 2016). Others argue that we need transparent ESG disclosure to detect greenwashing strategies of corporates.

Requirements:
The objective of this thesis is to conduct a comprehensive literature review on corporate "greenwashing" strategies. The student should discuss, but is not limit to, the following topics: the greenwashing incentives, the definitions and measures of greenwashing, its detrimental consequences for investors, and the potential remedies policymakers can consider, from the perspective of corporations. Apart from the literature review, the student has to apply two greenwashing measures on two companies, and analyze whether and how much they engage in greenwashing.

Introductory Literature:

- Fabrizio, K. R., & Kim, E. H. (2019). Reluctant disclosure and transparency: Evidence from environmental disclosures. Organization Science, 30(6), 1207-1231.
- Grewal, J., Richardson, G. D., & Wang, J. (2022). The Effect of Mandatory Carbon Reporting on Greenwashing. Available at SSRN.
- Marquis, C., Toffel, M. W., & Zhou, Y. (2016). Scrutiny, norms, and selective disclosure: A global study of greenwashing. Organization Science, 27(2), 483-504.

TOPIC NR9: Fund "greenwashing" strategies

Advisor: Chia-Yi Yen

Investors have recently paid much more attention to Environmental, social, and governance (ESG) integration. With the growing demand, there is also a growing concern on fund "greenwashing:" an attempt to "represent their investment strategy in the prospectus in a way that makes it appear more heavily tilted toward ESG than it is in reality" (Andrikogiannopoulou et al., 2022).

For capacity-constrained investors, it can be hard to spot greenwashing attempts. As reported by the Economist in 2021,[1] BlackRock's "fossil fuel screened" fund, which was supposed to exclude fossil fuel stocks, held shares in "Marathon Petroleum and Phillips 66," a company lobbying against climate change policies.

Other greenwashing strategies can be even harder to detect. For instance, funds that claim to consider ESG information for their investment decisions lack transparency in what exactly they implement. As there is no unified framework for ESG investing, ESG integration becomes a vague term describing that fund managers consider ESG factors alongside other financial factors.

The literature has developed measures to quantify the extent to which funds engage in greenwashing. One strand of the literature focuses on objective information, such as portfolio holdings (Starks et al., 2017; Kaustia and Yu, 2021). Another strand of the literature focuses on soft information in the fund prospectus, such as the usage of ESG keywords (Andrikogiannopoulou et al., 2022).

Requirements:
The objective of this thesis is to conduct a comprehensive literature review on mutual funds' "greenwashing" strategies. The student should discuss, but is not limited to, the following topics: the greenwashing incentives, the definitions and measures of greenwashing, its detrimental consequences, and the potential remedies policymakers can consider, from the perspective of funds. Apart from the literature review, the student has to apply two greenwashing measures on two funds, and analyze whether and how much they engage in greenwashing.

Introductory Literature:

- Andrikogiannopoulou, A., Krueger, P., Mitali, S. F., & Papakonstantinou, F. (2022). Discretionary Information in ESG Investing: A Text Analysis of Mutual Fund Prospectuses. Available at SSRN.
- Dumitrescu, A., Gil-Bazo, J., & Zhou, F. (2022). Defining Greenwashing. Available at SSRN 4098411.
- Hartzmark, S. M., & Sussman, A. B. (2019). Do investors value sustainability? A natural experiment examining ranking and fund flows. The Journal of Finance, 74(6), 2789-2837.
- Liang, H., Sun, L., & Teo, M. (2021). Greenwashing: Evidence from hedge funds.
- Kaustia, M., & Yu, W. (2021). Greenwashing in mutual funds. Available at SSRN 3934004.
- Kim, S., & Yoon, A. (2023). Analyzing active fund managers' commitment to ESG: Evidence from the United Nations Principles for Responsible Investment. Management science, 69(2), 741-758.
- Starks, L. T., Venkat, P., & Zhu, Q. (2017). Corporate ESG profiles and investor horizons. Available at SSRN 3049943.

[1] https://www.economist.com/leaders/2021/05/22/sustainable-finance-is-rife-with-greenwash-time-for-more-disclosure

TOPIC NR10: What is the driver of ESG investing?

Advisor: Chia-Yi Yen

Environmental, social, and governance (ESG) integration has gained increasing popularity in the asset management industry in recent years. According to the Index Industry Association (2022), more than two-thirds of asset owners have now incorporated ESG elements in their investment processes.

Despite the rapidly increasing demand for ESG investing, it remains unclear what incentivizes asset managers to engage in ESG investing. The literature presents two competing hypotheses. The first hypothesis is based on a risk perspective. Managers tilt their portfolios towards more ESG stocks in order to improve long-term risk-adjusted performance, taking into account the physical and transition risks associated with ESG issues. The second hypothesis adheres to the "greenwashing" narrative. Managers merely use the buzzword "ESG investment" in order to attract more fund flows, even at the expense of an under-diversified and inferior portfolio.

Requirements:
The objective of this thesis is to conduct a comprehensive literature review on the incentives of asset managers to engage in ESG investing. The student should discuss both risk and greenwashing perspectives. Specifically, from the risk perspective, what specific risk is associated with ESG factors? How can ESG risk be incorporated into traditional asset pricing model? From the greenwashing perspective, what are the costs and benefits for asset managers to engage in greenwashing? Are greenwashing strategies effective, in terms of more fund inflows? Besides, are there differences among various types of asset managers, such as mutual fund, hedge fund, pension fund, or other investment vehicles? Apart from the literature review, the student has to collect ESG-focused fund data from Morningstar and demonstrate the time trend of newly-launched ESG-focused funds over the past years.

Introductory Literature:

- Index Industry Association, IIA, 2022, Annual global ESG asset manager survey, Available at www.indexindustry.org
- Hartzmark, S. M., & Sussman, A. B. (2019). Do investors value sustainability? A natural experiment examining ranking and fund flows. The Journal of Finance, 74(6), 2789-2837.
- Krueger, P., Sautner, Z., & Starks, L. T. (2020). The importance of climate risks for institutional investors. The Review of Financial Studies, 33(3), 1067-1111.
- Lowry, M., Wang, P., & Wei, K. D. (2022). Are All ESG Funds Created Equal? Only Some Funds Are Committed. Only Some Funds Are Committed (March 15, 2022).
- Pedersen, L. H., Fitzgibbons, S., & Pomorski, L. (2021). Responsible investing: The ESG-efficient frontier. Journal of Financial Economics, 142(2), 572-597.

TOPIC NR11: Mutual fund flows and agency problems

Advisor: Chia-Yi Yen

Mutual fund flows, the net movement of money into and out of mutual funds, are often a driver of agency problems in mutual funds. These issues may result from managers' compensation packages that are tied to the volume of assets under management (AUM) or when they receive a fixed fee based on AUM. Consequently, managers face conflicting interests between maximizing their AUM and delivering optimal long-term investment performance to their investors.

The literature has documented many flow-related agency problems. Chevalier and Ellison (1997) find that mutual funds engage in excessive risk-taking to attract more fund flows. Harris et al. (2015) discover that some funds aggressively purchase stocks before the dividend payments in order to attract the fund flows of dividend clienteles, at the expense of higher turnover and increased tax liability for investors.

One way to mitigate such agency problems is through co-investment, also known as "the skin in the game," which requires fund managers to invest in the fund they manage. By doing so, the interest of fund managers is aligned with that of fund investors, thereby reducing the agency-related investment decisions (Ma and Tang, 2019).

Requirements:
The objective of this thesis is to conduct a comprehensive literature review on mutual fund flows and the corresponding agency problems. The student should discuss the cause of these agency problems, such as fee structures and conflicts of interests. Besides, the student should also discuss the consequences of these agency problem, such as the excessive risk-taking and suboptimal investment decisions. Finally, the student should discuss measures that mitigate these agency problems, such as managerial compensation structure and disclosure requirements. Apart from the literature review, the student has to visualize the relationship between fund flows and fund performance. Data will be provided by the advisor.

Introductory Literature:

- Chevalier, J., & Ellison, G. (1997). Risk taking by mutual funds as a response to incentives. Journal of political economy, 105(6), 1167-1200.
- Christoffersen, S. E., Musto, D. K., & Wermers, R. (2014). Investor flows to asset managers: Causes and consequences. Annu. Rev. Financ. Econ., 6(1), 289-310.
- Harris, L. E., Hartzmark, S. M., & Solomon, D. H. (2015). Juicing the dividend yield: Mutual funds and the demand for dividends. Journal of Financial Economics, 116(3), 433-451.
- Huang, J., Sialm, C., & Zhang, H. (2011). Risk shifting and mutual fund performance. The Review of Financial Studies, 24(8), 2575-2616.
- Ma, L., & Tang, Y. (2019). Portfolio manager ownership and mutual fund risk taking. Management Science, 65(12), 5518-5534.
- Spatt, C. S. (2020). Conflicts of interest in asset management and advising. Annual Review of Financial Economics, 12, 217-235.

TOPIC NR12: The impact of financial literacy on asset accumulation

Advisor: Vanessa Müden

The financial market and its products often appear complex and difficult to understand. Individuals with low levels of financial literacy may be overwhelmed by this complexity. Due to increasing inflation rates and low or negative interest rates, saving money in a traditional checking account became insufficient to accumulate wealth. However, the operation of more complex asset choices requires a minimum of financial literacy. Therefore, whether an individual is financially literate or not can determine his or her financial well-being.

Previous literature identified that an individual's level of financial literacy greatly affects his or her asset accumulation and retirement planning. For instance, Rooij, Lusardi, and Alessie (2011) report that individuals that lack financial knowledge may be less likely to participate in the capital market. In this regard, Black et al. (2018) suggest that lower levels of risk tolerance may be a potential channel through which financial literacy increases investment rates.

Requirements:

The goal of the thesis is to provide a comprehensive literature review that covers the impact of financial literacy on asset accumulation. To do so, the student is expected to first identify determinants that foster or suppress financial literacy and provide explanations as to why this may be the case. Second, it should be depicted how low (respectively high) levels of financial literacy affect one's asset accumulation. Questions that should be addressed (but to which the student is not limited to) are: How do differing levels of financial literacy affect a person's asset choice and how does this choice, in turn, impact his or her asset accumulation?

Introductory Literature:

- Black, S. E., P. J Devereux, P. Lundborg, and K. Majlesi. 2018. "Learning to take risks? The effect of education on risk-taking in financial markets." *Review of Finance* 22 (3): 951–975
- Koomson, I., R. A. Villano, and D. Hadley. 2022. "The role of financial literacy in households' asset accumulation process." *Review of Economics of the Household*: 1-24.
- Van Rooij, M., A. Lusardi, and R. Alessie. 2011. "Financial literacy and stock market participation." *Journal of Financial Economics* 101 (2): 449–472

FAKULTÄT FÜR BETRIEBSWIRTSCHAFTSLEHRE
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TOPIC NR13: Gender and capital market participation - Literature review

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Advisor: Vanessa Müden

In 2020, a combination of multiple factors, most notably the COVID-19 pandemic and persistently low-interest rates, led to record investments in the German stock market. The net amount invested as well as the number of investors increased significantly. Strikingly, when compared to men, the participation rates were three times lower among women (Deutsches Aktieninstitut, 2021). This development reflects a general trend: approximately one-fourth (22.5%) of men and only about one-tenth (12.5%) of women in Germany invest in the stock market (Deutsches Aktieninstitut, 2021). In 2022, these figures were even higher: There have never been more equity savers in Germany. Around 830,000 more people than in 2021 own shares, equity funds or equity-based ETFs. This means that almost one in five is involved in the stock market, i.e. around 18.3 percent of the population aged 14 and over (Deutsches Aktieninstitut, 2022).

Previous literature has identified multiple determinants that drive stock market participation. Most of these factors tend to negatively impact women's likelihood to invest. For example, one straightforward factor to affect capital market participation is financial wealth, usually generated through labor income. Since, statistically, women obtain a lower lifetime income e.g. due to career interruptions during child-rearing, women tend to have less financial resources that could be invested in the capital market. In a similar manner, other factors, such as e.g., the level of risk tolerance (see Fey et al., 2020) negatively affect the capital market participation rates of women.

Requirements:

The goal of the thesis is to provide a comprehensive literature review that covers the most important factors that prevent women from participating in the stock market. Students are expected to identify potential determinants that drive - or in turn, prevent - stock market participation of individuals and establish a connection on how these factors may negatively affect women's likelihood to participate in the stock market.

Introductory Literature:

- Bucher-Koenen, T., R. J. Alessie, A. Lusardi, and M. Van Rooij. 2021. "Fearless woman: Financial literacy and stock market participation." NBER. *Working Paper*.
- Fey, J. C., O. Lerbs, C. Schmidt, and M. Weber. 2020. "Risk attitude and capital market participation: Is there a gender investment gap in Germany?" ZEW. *Discussion Paper.*

TOPIC NR14: Gender and capital market participation - Empirical analysis

Advisor: Vanessa Müden

In 2020, a combination of multiple factors, most notably the COVID-19 pandemic and persistently low-interest rates, led to record investments in the German stock market. The net amount invested as well as the number of investors increased significantly. Strikingly, when compared to men, the participation rates were three times lower among women (Deutsches Aktieninstitut, 2021). This development reflects a general trend: approximately one-fourth (22.5%) of men and only about one-tenth (12.5%) of women in Germany invest in the stock market (Deutsches Aktieninstitut, 2021). In 2022, these figures were even higher: There have never been more equity savers in Germany. Around 830,000 more people than in 2021 own shares, equity funds or equity-based ETFs. This means that almost one in five is involved in the stock market, i.e. around 18.3 percent of the population aged 14 and over (Deutsches Aktieninstitut, 2022).

Previous literature has identified multiple determinants that drive stock market participation. Most of these factors tend to negatively impact women's likelihood to invest. For example, one straightforward factor to affect capital market participation is financial wealth, usually generated through labor income. Since, statistically, women obtain a lower lifetime income e.g. due to career interruptions during child-rearing, women tend to have less financial resources that could be invested in the capital market. In a similar manner, other factors, such as e.g., the level of risk tolerance (see Fey et al., 2020) negatively affect the capital market participation rates of women.

Requirements:

The thesis aims to identify reasons why women participate less in the stock market than men do. Based on empirical analysis, the student is expected to provide possible explanations why women invest significantly less often in the stock market than men do. All data are accessible at the University of Mannheim or will be provided by the supervisor. The empirical work for this topic requires the use of statistical software (e.g. STATA or R). Prior experience in using this software is helpful.

Introductory Literature:

- Bucher-Koenen, T., R. J. Alessie, A. Lusardi, and M. Van Rooij. 2021. "Fearless woman: Financial literacy and stock market participation." NBER. *Working Paper*.
- Fey, J. C., O. Lerbs, C. Schmidt, and M. Weber. 2020. "Risk attitude and capital market participation: Is there a gender investment gap in Germany?" ZEW. *Discussion Paper.*

TOPIC NR15: Sustainable investing and gender

Advisor: Vanessa Müden

More and more investors are becoming interested in sustainable investment strategies (Global Sustainable Investment Alliance, 2018). Women in particular seem to be making their investment decisions increasingly dependent on how sustainable they are: Almost 75% of women and over 66% of men find sustainable investments important, and around 20% each consider them very important. (J.P. Morgan Asset Management 2021). Almost one in ten female investors already invest sustainably. (J.P. Morgan Asset Management 2021). In particular, younger women and women who already invest are very familiar with sustainable investments and better informed about sustainable investment options (J.P. Morgan Asset Management 2021).

Previous literature has identified different possibilities that drive the support for more sustainable investments, e.g. investors may have expected sustainable investments to financially outperform conventional investments or may have strong preferences in favor of excluding specific companies or industries, such as the weapons industry (Bauer et al. 2021).

Requirements:

The goal of the thesis is to provide an empirical analysis that explores the question of why women seem to be particularly interested in sustainability aspects when it comes to investment choices. To do so, the student is expected to identify determinants that foster or suppress sustainable investing and provide explanations why women in particular seem to give sustainability criteria a high priority in their investment decisions. Questions that should be addressed (but are not limited to) are: How does gender affect investment choices; why are women to a higher degree interested in sustainable investing strategies; what characterizes sustainable investing? All data are accessible at the University of Mannheim or will be provided by the supervisor. The empirical work for this topic requires the use of statistical software (e.g. STATA or R). Prior experience in using this software is helpful.

Introductory Literature:

- Muhammad Atif, Md. Samsul Alam, Mohammed Hossain. 2021. "Are female directors greener?" Business Strategy and the Environment: 29 (8): 3449-3469.
- Rob Bauer, Tobias Ruof, Paul Smeets. 2021. "Get Real! Individuals Prefer More Sustainable Investments". The Review of Financial Studies: 34 (8): 3976–4043.
- OECD. 2021: ESG Investing: Practices, Progress and Challenges.