Jan 1st, 12:00 AM

04. Finance

University of Central Oklahoma

Abstracts from the 2014 Oklahoma Research Day

Held at the University of Central Oklahoma

01. Business Administration

04. Finance

01.04.01 Determinants of Dividend Payout

Zane, Swanson , Sivarama Krishnan

University of Central Oklahoma

This study develops an investor utility approach to the concept that dividend payout is based upon firm conditions and management objectives. The empirical version reports significant elasticity propositions consistent with the life-cycle theory or the residual income model. A comparison of the period before and after the 2008 financial crisis indicates factor stability with minimal impact.

01.04.02 Rent or Sell: An Investment Decision

Sivarama, Krishnan

University of Central Oklahoma

This is a real-life personal finance problem that is presented as an investment decision case with opportunities for analysis using the typical business finance capital budgeting framework. A number of conceptual and practical issues are raised in the case. These include: Estimating incremental cash flows, diversification benefits of real estate in a personal investment portfolio, risk and required rate of return for an investment in a less liquid market, application of the weighted average cost of capital concept for a leveraged real estate investment, and decision criteria for small business investment projects.

01.04.03 How do Bank Charge-offs Affect Bank ROA?

Sudan, Ghimire

East Central University

The research paper is about the performance of Oklahoma banks during pre-recession and post-recession. Moreover, the paper uses a time series multi regression analysis to study the factors affecting banks' performance. Bank charge-offs, a major factor affecting bank is studied by categorizing banks into small, medium, and large banks based on their asset size. The purpose of this study is to examine whether loan charge-offs decrease Return on Asset (ROA) at commercial banks in Oklahoma. Similarly, it also examine whether loan charge-offs and ROA increased or decreased during the recent economic downturn.

01.04.04 The Reaction of Blockholders to the Changes in Market Conditions

Halil, Kaya , Nancy Lumpkin

Northeastern State University

In this study, we examine the impact of business conditions as well as stock market conditions on blockholders' ownership in U.S. firms. We expect that in periods when the general interest in the stock market goes up (i.e. the S&P 500 Index goes up); the blockholders' interest in the market also goes up (i.e. there are more blockholders per firm and the share of blockholders in each firm is higher). We use the Aruoba-Diebold-Scotti (i.e. ADS) Business Conditions Index and the S&P 500 Index as proxies for business conditions and stock market conditions, respectively. We find that blockholders' investments more closely track stock market conditions compared to business conditions. Using nonparametric tests, we show that there are more blockholders per firm when stock market conditions are better. We also show that the total blockholder-ownership during these periods go up.

01.04.05 Debt Financing Activities in Hot Equity Markets

Halil, Kaya

Northeastern State University

"Hot markets" are generally defined as the months when the equity market is very active. This study examines the debt market activity, the debt maturity choice, and the leverage levels of the borrowers during these "Hot markets". I examine three debt markets: the public debt (i.e. corporate bond) market, the private placement market, and the syndicated bank loan market. Since financing conditions in general are better during these periods, I expect to see more activity in the public debt and the syndicated loan markets. Private placements are generally done by firms with low credit ratings and they are seen as an alternative to other types of financing instruments; therefore I expect the private placement market to become less active during these good times. Similarly, I expect public debt firms and syndicated loan firms to take advantage of these good times by offering longer maturities while private placements should become shorter. My robust regressions confirm these hypotheses. Finally, I run binary logistic regressions to see if "Hot markets" affect firms choice between equity and each of the three types of debt. My results show that there is a "pecking order" in financing: in good times, syndicated bank loans are preferred first, equity and public debt comes after that, and private placements are used only as a last resort.

01.04.06 Does the Culture Matter for Community Banks' Risk Taking?

Zhimin, Wang , Sudan Ghimire

East Central University

There are many community banks in U.S. Different regions have different cultures. In our paper, we aim to see if culture difference can explain community bank characteristics, for example, risk taking. We first partition U.S. into several regions based on the culture characteristics and then study if there is obvious difference across regions in community banks' risk taking. The data we use in our study is for more than 7,000 community banks from Federal Deposit Insurance Corporation (FDIC). We conduct our study with dummy variable approach.

01.04.07 Personal Finance Distance Education Curriculum Development and Course Design

Allen, Arnold

University of Central Oklahoma

This proposal seeks to fill a crucial need in the discipline of teaching, in general, and for the purposes of this study, effectively teaching personal finance via distance education by establishing an innovative curriculum redesigned to actively engage the distance learner in a shared process of knowledge acquisition and assessment via creatively constructed learning strategies of “peer-led” learning and “re-presentation” of course objectives and assessments through creative and scholarly processes. Integral to the scope of curriculum redesign are the “Central Six” tenets of Transformative Learning: discipline knowledge; leadership; research, scholarly, and creative activities; service learning and civic engagement; global and cultural competencies; and health and wellness. The Personal Finance distance education curriculum development will utilize customized delivery via D2L and Personal Finance textbook publisher, McGraw-Hill’s proprietary software program: Connect. Content delivery and learning assessments will be available through the Personal Finance distance education. These curriculum enhancements will increase distance learners’ satisfaction with course content and modes of delivery and promote student self-efficacy while engaging e-learners in the UCO virtual learning community.