

ABSTRACTS

Session: Finance in a Changing World

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Abstract title: "Investment Attractiveness of Russian Oil Companies"

The main purpose of the research paper is the implementation of acts of econometric study that will identify the indicators that affect a greater extent on the investment attractiveness of Russian oil companies.

In accordance with the stated purpose, the following tasks were set and successfully solved:

- to give a definition of investment attractiveness;
- to review existing methods of evaluation of investment attractiveness;
- to evaluate the oil industry in the Russian Federation;
- to define the features of the oil industry during the analysis of investment attractiveness;
- to denote the relevant model of IA assessment for further research;
- to find the necessary data for econometric analysis, and conduct it;
- to prepare the recommendations for companies;
- to write the necessary inferences.

The object of this research paper is Vertically Integrated Oil Companies (VICs).

The subject of research is the key factors affecting the investment attractiveness (IA) of oil companies in the best way.

To achieve the goal and accomplish assigned tasks there are used following theoretical research methods:

- 1) comparative analysis;
- 2) analysis and synthesis of theoretical and practical material;
- 3) methods of analysis of financial statement;
- 4) economic and statistical analysis etc.

The study of the theoretical and methodological framework allowed forming the next position of the author: there are currently a large number of research papers, both foreign and Russian authors devoted to studying evaluation of investment attractiveness, transnational corporations and the oil industry. Talking about investment attractiveness field, there are Russian scientists, such as M.U. Sheresheva, E.V. Buzulukova, V.A. Tolmachev, A.P. Ivanov, L.M. Putyatina, I.V. Sergeev, I.N. Veretennikova and V.V. Yanovskiy, that investigated a lot of significant information in the observation area of studying. Among foreign authors, it is needed to mention T. Copeland, W. Sharp, H. Markowitz. Considering the research papers according to

transnational companies, the most valuable works of compatriots: E.A. Zvonova, M.N. Osmova, A.A. Hryseva. Among the foreign scientists, it is needed to mention the works of C. Bartlett, S. Ghoshal and especially information portal of UNCTAD and the UN conferences devoted to the study of the activities of transnational corporations. Also, it is worth noting the authors, whose research papers have an information about methods of evaluation of investment attractiveness were analyzed, such as R.A. Rostislavov, E.V. Belyaev, N.U. Bryzgalova, M.G. Egorova, V.M. Vlasova, A.G. Gilyarovskaya, V.V. Bocharov, N.N. Petuhova and W. Sharp.

The findings and conclusions presented in these papers do not include the exceptional features of the modern concept of investment attractiveness. Due to this fact, a topic of this work is highly relevant.

In order to increase the investment attractiveness of the oil companies, it is necessary to take into account factors that increasingly influence the Investment Attractiveness:

1. MVE/net assets;
2. operating costs per ton of crude oil;
3. position of the company in the industry;
4. coefficient of the real property value;
5. specific capital costs for exploration and production costs;
6. ratio of accounts receivable;
7. dividend per share.

Considering these factors it is obvious that the rates, related to the costs in an oil industry, have a major impact on the investment attractiveness. So, it is necessary to increase the cost-effectiveness to contain a lesser extent non-essential costs (for example, downtime) and constantly carry out the relevant work, improving these indices.

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Abstract title: "Competition in the Russian banking sector"

The aim of the research is to analyze the competitive power of a credit institution, its strategy and tactics development, implementation and improvement in a competitive environment. The subject of the research is the organizational and economic relations arising during the implementation of competitive strategies by credit institutions of the banking sector. The concept of “competition in the banking sector” is viewed as a dynamic process of rivalry among the subjects of a banking system for dominant positions at the market. In spite of reasonable disagreement concerning the definition of competition, there are three main aspects in modern economics which define its essence:

1. The competition as a degree of the competitive edge on the market.
2. The competition as a self-regulating element of the market system.
3. The competition as a criterion which determines the type of the market.

According to S. Dodonov, the first aspect is predominantly connected with the common understanding of competition as the rivalry among the institutions for better performance. The second aspect, as E. Sysoeva and N. Kretova emphasize, focuses on the analysis of the market structure through its participants and their shares in total sales. It is suggested that the competition represents some market condition under which the number of sellers of the same product should be so large (and the share of a particular seller so little) that changes in the volume of sales made by the particular seller will not influence the product price.

As L. Zhigun and N. Tretyak state, the third aspect characterizes the competition as an essential element of the market mechanism. In this case, the purpose of the competition is to recover economy back to the proper functioning by eliminating deviations.

The research required the application of the economic and statistic methods, the methods of structuring, systematic, logical and comparative analysis, mathematics, and expert assessments. The following techniques were used to achieve the aim of the research:

- Theoretical methods such as reviewing the literature on the topic area; content analysis of the main publications, official documents and regulations.
- Empirical methods including surveys, expert methods, interviews with managers of credit institutions, observation.

The techniques described in the works of G. Beloglazova, S. Dodonov, S. Drobyshevskiy, Y. Korobov, N. Kretova, M. Mamonov, M. Petrov, N. Rebelsky, E. Sysoeva, A. Tavasiev, Y. Ezroh, and others were applied as tools to research the issues of assessing the competition in the Russian banking sector.

The methodological basis of the study was laid by the works of G. Azoev, A. Batalov, L. Zhigun, M. Porter, A. Smith, I. Starodubrovskaya, E. Chamberlin, A. Yudanov, and others.

The research revealed the following problems hampering the development of the competition in the Russian banking sector:

- Insufficient sustainability and performance of the banking sector credit institutions resulting from low investment opportunities, the high rate of inappropriate expenses, and the nontransparent forms of business activity.
- The lack of incentives for the development of fair competition and self-regulation of credit institutions as the Bank of Russia focuses on their regulatory supervision. Its purpose is to monitor the standard-based performance of credit institutions rather than to encourage the world trends of the competition development through the risk-based supervision. This type of control assumes free initiative of credit institutions and promotes their competition.
- Restrictive activity of the Bank of Russia. Recent approaches to the regulation of the competition among the subjects of the Russian banking sector have restrictive rather than stimulating character.
- Insufficient financial transparency of the credit institutions activity. It is a well-known fact that some credit institutions intentionally misrepresented their reports and were involved in illegal activities. It undermines both the work of the whole banking sector and the social trust in it. Taking everything into consideration, one may conclude that the competition in the Russian banking sector has the characteristics of a highly monopolized market of banking services. It is dominated by national banks, particularly by Sberbank which has a lot of competitive advantages on both the market of deposits and the market of lending to individuals and legal entities. The impact of the competition regulatory agencies is predominantly in the form of the standard-based supervision and has a restrictive character which prevents the fair competition development among the subjects of the banking sector and their self-regulation.

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Abstract title: "World currencies time series analysis"

This work is about (USD/RUB, USD/EUR, USD/CAD, USD/GBP, USD/CNY, USD/JPY) world currency pairs quotes nonstationary time series regularities and interrelations analysis with nontraditional correlation mining usage. Multiple generalizations of modified and adapted correlation indexes are used with assistance of information entropic approach. Data analysis is achieved and it is much more detailed than in classic theory.

The subject for study is global foreign-exchange market represented by certain time series - currency quotations.

The work main goal is to find out and detect development and structural economic changes tendencies.

The actuality of the topic is conditioned by the fact that nowadays most economists use classic correlational analysis for admittedly nonsteady processes and it leads to false results.

In the work six currency rates data in relation to the American dollar (USD) are taken in the capacity of statistics base: Russian ruble (RUB), euro (EUR), Canadian dollar (CAD), British pound (GBP), Chinese yuan (CNY) and Japanese yen (JPY).

For the time series couples correlational relationships analysis we are to calculate three indexes: The first one is normalized autocovariance function of relation – correlation index calculated by the recurrence way.

The next one is modified index of correlation.

With the sample period broads changes range deviations varying not only in degree but in sign will be equal to the same periods of time and with the same statistics observation. It appears that the r index shows the connection between two ranges deviations from the process middle levels but not between the ranges. Modified index of correlation allows to estimate direct and negative correlation existence at the moment t thanks to congruence and incongruence of targeted variates growth signs.

The last one is adapted index of correlation showing the correlation index movement over time. Multiple generalizations of modified and adapted correlation indexes are calculated for structural changes in the world economics. Because correlation index is the time function that can be used for correlation relations analysis of phenomenon considered over the time.

Comparative analysis of correlation indexes shows modified index special sensibility however adapted index is much more sensible. Traditional index dynamics is represented by essentially smoothed graph that prevents data qualitative analysis. This hypothesis is proved by informative-theoretic approach involvement.

The normalized information index is achieved: $R(y,x)=0,014$

It means that the information amount is 1,4% of traditional and modified indexes correlation assignment entropy. As $R_{(y/x)}= 0,014 < 0,1$, so the relation between r and $[[r]]_{(mod)}$ is very weak. The same weak relation is between modified and adapted indexes of correlation, $R_{(y/x)}= 0,0143 < 0,1$.

Indeed, modified index of correlation is much more sensible than the traditional one. However, the adapted index is more sensible than that modified one.

Using nontraditional indexes for structural changes analysis in the world economics the indexes show their effectiveness. The adapted index clearly demonstrated eight serious periods in the world economics. The index showed not only crisis events but reacted on modest rates of economics rebuilding during the postcrisis years. Modified index shows more general picture and showed four serious periods.

The observes approaches united by the common name ‘nontraditional correlational analysis’ give an opportunity to get much more detailed information about variates relations. The data is more

detailed than in the classic theory. The approaches open new perspectives in the complicated dynamical systems analysis.

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**Abstract title: "Insurance companies as the center of risk - management of regional clusters
How insurance companies can influence on regional development of Russia?"**

Today the share of insurance companies is reduced on Russian insurance market. Proof of that: about 20 per cent of insurance companies leaved insurance market by the last year. Most of them – small insurance organization, which can be described like regional insurers. The share of top – 10 insurance companies is increased.

The oligopolistic tendencies of the market leads to ignoring of the interests of insurers. Big insurance organizations are not interested in managing of the risks of small companies and individuals. Ignoring of the insurance interest of consumers leads to the fact, that small and medium-sized businesses can not transfer their risks to insurer. Their risks are not managed. This trend does not let regional clusters of Russia to develop. At the same time, regional clusters are ones of the main factors of economic growth. Insurers, that are more interested in develop of individual insurance products and cooperation with business. Increasing the share of insurance companies, that specialize in the risks of small and medium-sized businesses, can be an effective measure for the development of regional clusters of Russia and increase the competitiveness of insurers.

Analyses of oligopolistic tendencies in Russian insurance market is based on panel data, presented by the Bank of Russia. Herfindahl-Hirschman index had raised by 109% from 2014 to 2015, which indicates an increase of concentration of Russian insurance market. During the reporting period the number of insurance contracts with individuals decreased by 10%, and the number of insurance contracts with entities decreased by 13.5%.

Analyses shows that consumers of insurance products acquire compulsory insurance products and refuse to purchase guarantee of insurance protection from risks that are not subject to compulsory insurance. Insurance companies make their profit at the expense of higher prices for compulsory insurance products, but not at the expense of qualitative and various insurance products aimed to satisfy the needs of the insured. Actually, manufacturers of insurance products ignore the interest of its customers.

Previously, it was noted that in order to stabilize Russian insurance market it is necessary to use a local compromise between insured and insurer's aims. Harmonization of the interests of insured and insurer is possible with conflict - compromise methodology, which is aimed at finding a local compromise that would satisfy the interests of both parties.

However, to resolve the conflict of interest between the parties of insurance relationship, it is necessary that a compromise solution had been interested in both the insured and insurance organization. Today, insurers act in low competition and don't face with the necessity of the struggle for the client. Interest of insured is ignored in described conditions.

A requirement for the implementation of the policy of using local compromise between insurer and insured is to increase the share of insurers that specialize in managing risks within regions. On the base of this analysis, that considered interaction of small and medium - sized business with insurance company like local compromise, aimed to realize strategy of cluster development of Russian regions and improving competitiveness of insurance market, these conclusions can be drawn.

1. Today there are oligopoly tendencies in Russian insurance market because of the growth of share of market, that is occupied by big insurers.
2. Oligopoly of insurance market leads to ignoring of the interests of a number of insured and, actually, to ignoring of the general aim of insurance.
3. Increasing the share of insurance companies, operating in a specific region, and specializing in management of risks of entities of this region, on Russian insurance market could become local compromise between insurers and insured.
4. Regional insurers can become a financial center of the cluster development of Russia.
5. Regional clusters that are created on the interaction of small and medium-sized businesses with regional centers of risk management, that are presented by insurers, can become a source of growth of Russian economy and lead to a stabilization of Russian insurance market.

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Abstract title: "The study of the factors affecting the profitability of M&A"

In mergers and acquisitions deals, companies face the challenge of proper structuring of the deal. Factors in M&A differently affect profitability of bidder companies. Despite the numerous studies on M&A in developed countries, a much smaller amount of research is concentrated in emerging markets.

The empirical research report evidence of the positive influence of deals on the share price (Wong et al., 2009; Chi et al., 2011); positive impact of corporate diversification (Ivashkovskaya et al., 2009); small positive abnormal returns of deals financed by cash (Kiymaz, 2004; Becher, 2000; Anderson et al., 2004). Deals with private companies are characterized by higher yields than that with public during the announcement of the transaction (Chang, 1998); payment with shares is perceived by the market as a negative sign and bad event (Myers and Majluf, 1984). Studies demonstrated the positive impact of earnouts on acquirers' performance (Ritter, 1991). However, the profitability of the contract highly depends on its quality that can become a problem for emerging markets.

The objective of this study is to identify the relationship between factors in mergers and acquisitions in BRICS countries and their effect on acquirers' performance.

Previous studies showed that corporate returns in mergers and acquisitions depended on several factors. This research tests the following hypotheses:

H1. M&A deals with earnouts create abnormal returns for acquiring companies from BRICS countries.

H2. The type of deal funding has an impact at acquiring companies' performance.

H3. The deal payment in cash has a negative impact at the long-term profitability of acquiring companies from BRICS countries.

- H4. The share-to-share payments affect negatively the long-term profitability of acquirers.
 H5. The long-term profitability of acquirers using earnouts in M&A deals is higher than the profitability of companies that do not choose this form of payment.
 H6. The legal entity of a target company has a significant relationship with the long-term profitability of acquirers.
 H7. The domestic deals create higher long-term results for acquirers than international M&A.
 H8. The deal value has the negative impact at the long-term acquirer's performance.
 H9. The size of the acquirer has the negative relationship with its long-term profitability.
 H10. The companies from different sectors of economy would demonstrate significant differences in the long-term after-deal profitability.

Long-term abnormal returns are analyzed on the basis of the BHARs (buy-and-hold-abnormal-returns) approach:

$$BHAR_{(i,t)} = \prod_{(t=s)}^{(s+T)} [(1+R_{(i,t)}) - \prod_{(t=s)}^{(s+T)} [(1+R_{(m,t)})]], \quad (1)$$

where $R_{(i,t)}$ — the return on equity of the acquirer; $R_{(m,t)}$ — return of the market portfolio; T — the period of the analysis.

Market portfolio is the stock market index (BOVESPA, MSCI, S&P BSE SENSEX, SSE Composite Index, S&P Africa 40 Index).

The multiple regression model is as follows:

$$BHAR_{i,t} = \alpha + \sum_{(i=1)}^N [\beta_{i,t} X_{i,t}] + \varepsilon_{i,t}, \quad (2)$$

Additionally, binary choice model is applied. To evaluate the binary choice, we used probit and logit models and marginal values.

The sample was collected from Zephyr database. The final base consisted of 28429 deals performed in 1998-2015 (Brazil – 1904, Russia – 3378, India – 4214, China – 15836, South Africa – 1345).

The theoretical contribution of the study is the reveal of the impact of different factors on the profitability of acquirers in BRICS countries. Factors that hypothetically affect long-run abnormal returns: deal size, market capitalization of the acquirer, industry affiliation, legal form of the target company, the method of financing. The research will study the hypothesis of the empirical evidence of the impact of these factors. Analysis of mean returns will show the significant differences in groups (diversification, domestic deal, earnout, private, cash, shares). Multiple regression suggests correlation of the abnormal returns and implied factors and shows the statistical model impact on the percentage return after the competition of the deal. Probit and logit models show the probability of creation or destruction the value of the merged company. In practice, the results can be used in further research of mergers and acquisitions in developing countries to generate hypotheses and methodology. Also, the results can be used for businesses when making strategic decisions on the structure of the transaction and the method of payment, so that in the long run to get the maximum return for investors. The managerial implication lies in managerial decisions on the deal structuring.

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Abstract title: "System of Islamic Banking Regulation and Supervision"

This work examines the system of Islamic banking regulation and supervision and the influence of various international standards on it. The purpose of this research is to define and consider the regulation of Islamic banks' activities.

To achieve this goal we assessed the current state of Islamic banks in the world, compared them with traditional banking, reviewed common Basel standards of supervision and its influence on Islamic banks. In addition, basic characteristics of Islamic banking regulation in accordance with standards of AAOIFI and IFSB were indicated and illustrated with regulation systems of countries which are the most significant in the field of Islamic finance (i.e. Bahrain, Saudi Arabia, Iran, Sudan, Malaysia). We have reviewed documents and reports of the international organisations such as IMF, BCBS, AAOIFI and IFSB, information from supervisory authorities' websites and different studies on the Russian and English languages.

Upon examination of all these sides of Islamic banking regulation, it becomes clear that this system still has been forming as standards of regulation are being set. Also there is no unified and universal code of rules as two international organizations (AAOIFI and IFSB) have their own codes. Further development of the Islamic financial system will require improvement of its regulation and supervision as in the case of Basel Accords. Investigation of the Islamic banking regulation has great importance for the Russian Federation where development of Islamic financial institutions requires formation of its own Islamic banking regulatory framework.

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Abstract title: "Features of the microfinance loan contract and its place in the system of civil-law contracts"

The purpose of the study is to determine the concept and characteristics of the microfinance loan contracts, to study foreign experience of legal regulation of microfinance loan contracts and to identify problematic issues, to search for their solution and to suggest recommendations for improving the legislation.

For achieving the purpose following tasks were solved:

- to reveal and analyze the concept of microfinance loan contract;
- to study loan contracts in microfinance organizations;
- to analyze the legal practice on the topic;

- to identify main problems of legal regulation of microfinance loan contracts.

In the study of this problem the following methods were used: comparative analysis method; synthesis of legal norms; historic method; formal-legal method. The historical method enables to analyze the evolution of the formation of the studied legal institution. Formal-legal method allows to determine the legal concept, to identify their characteristics and to interpret the content of legal provisions. The comparative analysis method was used for comparing the studied institution with other institutions of law.

The data sources of this study were textbooks and manuals, articles in specialized periodicals and electronic resources, which were used as theoretical foundations and practical materials on the studied problems.

Thus, summing up, it should be noted that the microfinance loan contract is an agreement where the lender (one side) transfer money into the borrower's (other side) property. The borrower, in turn, is obliged to repay the lender the same amount of money plus the specified percentage. Actors of this type of contracts can be any Russian or foreign natural and legal persons,

including persons without any citizenship. For specific categories of organizations there are certain restrictions. A microloan is different in nature from the loan agreement concluded with a credit institution. Providing microloans is not a banking service and it is not in the scope of the Federal Law "On banks and banking activities". Rules for the granting of microloans should contain main conditions of the microloan. The microloan contract may provide that the microfinance organization lend the target microloan with simultaneous granting to the microfinancial organization the right to control the use of the microloan for a specified purpose and imposing on the borrower the obligation to ensure the possibility of such control. Typically, a microloan can be lent for the short term (7 to 30 days) with the interest 1-2% for each day of utilization of the funds. Note that the annual percentage will be around 732%. Microloan contracts are in scope of requirements of Chapter 42 of the Civil code of the Russian Federation "Loan and Credit" and Law "On Protection of consumer rights".

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Abstract title: "Special aspects of strategies of private investors in Russia in the conditions of crisis"

Nowadays Russian economy is in condition of crisis. It has influenced on economic behavior of population, which includes not only consumption, but also a saving and, as a result, investment. Therefore the question of behavior of private investors in crisis is very relevant. The purpose of our research is studying of opportunities of investments for private investors in the conditions of crisis. In our research we will use the classification of investors this to the prof. of Higher School of Economics of T. V. Teplova. For more detailed studying we will stop on the population which considers the market as option of a saving. For private investors, the following investments are generally available: bank deposits, investments in mutual funds, to the real estate, in securities, in gold and precious metals. But not only the investment object, but also investor's strategy is important. Fundamental factors which influence on investment strategy are the purpose of investments (tendency to risk and the expected profitability level), restrictions (liquidity requirements, the tax load, etc.) and extent of participation (depends on capital which the investor already has an opportunity to attract it). The listed factors are combined differently in the instruments of investment.

After studying of main types of private investments we analysed data on them. The structural and dynamic analysis of statistical data on private investments was carried out. In particular, dynamics of amounts of the described types of investments for 2015-2016 was researched. For the analysis data of Federal State Statistics Service, and also results of a research of Deposit Insurance Agency and RBC were used. Conclusions were drawn on change of structure of private investments in Russia in the conditions of crisis. It is necessary to tell that data on investment of private investors into the residential real estate aren't provided at the moment. Therefore conclusions on their popularity in crisis were drawn on the results of RBC researches. Besides, the comparative analysis of types of private investments on the factors creating an investment strategy was carried out. On its basis ranging of subjects to private investments was made (depending on preference into crisis). It was confirmed later by a research by RBC of profitability of these types of private investments in 2016. In addition, we studied the distribution of investors to groups depending on amount of means which can be enclosed (was offered by the Central Bank). Besides, changes in the legislation, in particular, in tax, which aim was an attraction of private investments on the Russian stock market, and initiatives concerning investment instruments were researched.

To sum it up, it is important to point out some aspects of the Russian private investments which are connected with mentality of Russians. The behavior of private investors is conservative, investments in the safe assets – bank deposits are the most popular. Also we note a problem of low interest of the Russian private investors in financial investments what tells amount of these investments in comparison with others about. It is important to tell about efforts of the state to get out of this situation. However innovations, in particular, the individual investment accounts (IIA) require completions. At the moment this product is not attractive to private investors, perhaps, after thorough study of this investment object and accounting of requirements of parties

concerned, the situation will change. Financial investments can become a real alternative to traditional deposits that is especially important in crisis. Mutual funds were profitable earlier, but now they also require serious completion or should be transformed to other tool in the future. A traditional object of an investment of the Russian private investors – the real estate –do not make profit in the conditions of crisis. This fact once again confirms features of investment conditions in crisis.

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Abstract title: "The Role of Investors' Expectations and Financial Markets"

The research question consists of two parts: what drives investors in taking their decisions and how to measure and predict this behaviour. The objectives are to classify the investors profiles within available data and individual characteristics and external environment, find significant links between the factors (events) in the world and financial markets in order to predict investors' behaviour. The research is based on behavioural economics techniques with the use of Big Data-driven approach.

According to the research it is the bank of companies (with its indicators) both Russian and international. In addition, this information relates to all financial and political news / events that can influence investors' behavior. At the first stage the method is non-probability snowball sampling with the aim to catch all data and information (raw and secondary) for further data processing. After that the method of quota sampling in order to fill the gaps in the data. At the second stage, the method of cluster sampling (probability) for that data which has restrictions on

access and limited quota to get. Data sources are financial databases (e.g. Yahoo finance, MICEX, SPARK etc.), event bases (headlines, news, etc.). Methods are sentiment analysis, econometrics, machine learning, financial analysis, time-series analysis.

All in all the research of people's behavior demands the right task setting under wisely combining both standard economic assumptions and real understanding based on behavioral characteristics. Then, it is worth to use big data driven approach to conduct the big volume of data in real time and use self-learning algorithms to predict people's behavior more correctly. For research there is a need to specify the model correctly and reduce endogeneity problems.

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