

AFRICAN ECONOMIC RESEARCH CONSORTIUM (AERC)

**COLLABORATIVE MASTER'S DEGREE PROGRAM
IN ECONOMICS FOR SUB-SAHARAN AFRICA
(CMAP)**

JOINT FACILITY FOR ELECTIVES



FINANCIAL ECONOMICS

COURSE OUTLINE

(Revised: July 2020)



[Facebook](#) [Twitter](#) [Website](#) [Email](#)

Copyright © 2016 African Economic Research Consortium (AERC), All Rights Reserved.

Our mailing address is:

African Economic Research Consortium (AERC)
3rd Floor-Middle East Bank Towers Building, Jakaya Kikwete Road
P. O. Box 62882
00200 Nairobi
Kenya



PART I: SUMMARY OF MAJOR TOPICS

SEMESTER ONE: FINANCIAL ECONOMICS I [60 HOURS]

- I Introduction to Financial Economics [8 Hours]**
- 1.1 Financial markets, institutions, instruments, and trading (an overview)
 - 1.2 Time value of money and risk aversion
 - 1.3 Understanding financial statements and cash flows (including free cash flows)
 - 1.4 The principle of value maximization
 - 1.4.1 Accounting rate of return
 - 1.4.2 Payback period
 - 1.4.3 Net present value
 - 1.4.4 Internal rates of return
 - 1.4.5 Profitability index
 - 1.5 Basic Valuation of Financial Assets
- II Financial Markets and Institutions [8 Hours]**
- 2.1 Financial intermediation and the economy
 - 2.2 Financial institutions: Commercial banks, investment banks, insurance companies, asset management companies, pension funds
 - 2.3 Asset securitization
 - 2.4 The role of financial markets in Africa's development
- III Equilibrium in Capital Markets [26 Hours]**
- 3.1 Concepts of return and risk
 - 3.2 Portfolio optimization, diversification, and the mean variance approach
 - 3.3 Asset pricing:
 - 3.3.1 Theories of asset pricing – CAPM and APT
 - 3.3.2 Empirical tests of asset pricing
 - 3.3.3 Market efficiency and empirical anomalies (size effect, seasonality and other anomalies, equity premium puzzle, martingales and random walks, stock market overreaction etc.)
 - 3.3.4 Behavioral finance
 - 3.3.4.1 Cognitive biases and information processing
 - 3.3.4.2 Prospect theory and Limits to arbitrage
 - 3.3.4.3 Behavioral explanations of asset price anomalies and puzzles
 - 3.4 Investment companies (hedge funds, mutual funds etc.)
 - 3.5 Risk-adjusted performance evaluation (including applications of Fama-French and other multifactor models)



IV Valuation of Financial Claims

[6 Hours]

4.1 Fixed income instruments

4.1.1 Bond prices and yields, Duration, Convexity, and Applications

4.1.2 Term structure of interest rates and yield curves

4.2 Equity (DDM, residual income, P/E multiples, free cash flows and other valuation models)

V Financial Derivatives

[12 Hours]

5.1 Options, futures, forwards, swaps

5.2 Pricing of derivatives

5.3 Hedging and risk management

SEMESTER TWO: FINANCIAL ECONOMICS II

[60 HOURS]

VI Agency Problems and Financial Contracting

[12 Hours]

6.1 Management vs equity holders

6.2 Large shareholders vs minority shareholders

6.3 Shareholders vs creditors

6.4 Firm vs government

6.5 Financial distress costs and other agency costs

6.6 Information asymmetry and financial signaling

6.7 Corporate governance

VII Corporate Finance

[34 Hours]

7.1 Valuation and Capital budgeting

7.1.1 Valuation of Investment Projects

7.1.2 Cost of capital and Capital structure

7.1.3 Valuation of firms (including levered firms)

7.1.4 Real options and capital budgeting

7.2 Dividend policy

7.3 IPOs: Methods of issuance and pricing

7.4 Option features of corporate securities

7.4.1 Convertible securities and warrants

7.4.2 Callable bonds, Performance bonds and Social impact bonds

7.5 The market for corporate control



- 7.5.1 Mergers and acquisitions
- 7.5.2 Other takeovers (Proxy fights, LBOs, MBOs etc.)
- 7.5.3 Takeover defenses, financial restructuring, and firm value

VIII International Finance [4 Hours]

- 8.1 Markets, investment, instruments, etc.
- 8.2 Parity relationships in international finance
- 8.3 International portfolio diversification

IX Issues in Finance [10 Hours]

- 9.1 Governance and risk management of financial institutions
- 9.2 Financial markets and economic development
- 9.3 Financial regulation
- 9.4 Financial Development, Financial Crises, and Financial Sector Reforms
- 9.5 Contemporary issues
 - 9.5.1 Remittances and regional integration
 - 9.5.2 Environmental, social and governance (ESG) ratings
 - 9.5.3 Sustainable investing and Impact investing
 - 9.5.4 Climate finance and other innovative finance
 - 9.5.5 Sovereign wealth funds
 - 9.5.6 Covid-19 and other emerging topics

PART II: DETAILED OUTLINE AND READING LIST



I. Course Objective

The purpose of the course is to provide a comprehensive instruction in contemporary Financial Economics at an advanced level. The course will emphasise theoretical as well as the empirical aspects of each topic in the syllabus.

II. Mode of Assessment and Grading

The course will comprise 120 hours of lectures and tutorials that will equally be divided between two semesters. The grading of each semester will be as follows:

Continuous assessment:	40%
Final examination:	60%

Continuous assessment shall be made up of one in-class test (25%) and at least one assignment (25%).

III. Prerequisites

Admission to the course requires sound grounding in economic theory and quantitative methods.

IV. Textbooks

Main Textbooks

S. A. Ross, R. W. Westerfield and J. F. Jaffe, B. Jordan (2016), **Corporate Finance**, 11th Edition, McGraw-Hill Irwin (**RWJJ**), OR

D. Hillier, S. A. Ross, R. W. Westerfield and J. F. Jaffe, B. Jordan (2021), **Corporate Finance**, 4th Edition, McGraw-Hill Irwin. (**HRWJJ**)

J. C. Hull (2015), **Options, Futures, and Other Derivatives**, 9th Edition, Pearson. (**Hull**)

Z. Bodie, A. Kane and A. Marcus (2018), **Investments**, 11th Edition, McGrawHill. (**BKM**)

Suggested Supplementary Textbooks

A. Damodaran (2012), *Investment Valuation: Tools and techniques for determining the value of any asset*, 3rd edition. Wiley, New York.

F. S. Mishkin (2018), *The Economics of Money, Banking and Financial Markets*, Global Edition, 12th Edition. Pearson. [**FSM**]

J. C. Hull (2015), *Risk Management and Financial Institutions*, 4th Edition, Wiley Finance.

J. R. Nofsinger (2012), *The psychology of investing*, 5th Edition, Pearson.

S. Howell, A. Stark, D Newton, D. Paxson, M. Cavus, J. Pereira and K Patel (2001), *Real Options*, London, Prentice Hall.



- Tirole, J. (2005) *The Theory of Corporate Finance*, Princeton.
- Sercu, Piet (2009) *International Finance: Theory into practice*. Princeton University Press.
- Danthine, Jean-Pierre and John B. Donaldson (2002) *Intermediate Financial Theory*, Prentice Hall.
- J. Cochrane, 2005, **Asset Pricing**, 2nd Edition, Princeton University Press. (See especially chapters 1-9, 17-21) (JC).
- J. Campbell, A. Lo. and A. MacKinlay (1997), **The Econometrics of Financial Markets**, Princeton University Press. (CLM)
- Meucci, Attilio (2005) *Risk and Asset Allocation*, Springer Verlag.

Other reading materials

Apart from the above prescribed and recommended textbooks students will be required to master contemporary articles in the leading journals of Financial Economics. The *Journal of Finance* (JF), the *Journal of Financial Economics* (JFE), the *Review of Financial Studies* (RFS), and the *Journal of Banking & Finance* (JBF) are the leading forums for publication of scholarly contributions in Finance. Other journals, such as *Financial Analyst Journal* (FAJ) and *Journal of Applied Corporate Finance* (JACF), feature expositional and practitioner-oriented articles in finance.

Significant contributions have also appeared in other finance, econometrics, economics and business journals, such as *American Economic Review* (AER); *Econometrica* (EC); *Financial Management* (FM); *Journal of Business* (JB); *Journal of Economic Theory* (JET); *Journals of Financial and Quantitative Analysis* (JFQA); *Journal of Money, Credit and Banking* (JMCB); *Journal of Political Economy* (JPE); *Quarterly Journal of Economics* (QJE).

On-Line Sources

Various journals can be accessed and articles downloaded from the following sources:

- 1 JSTOR (www.jstor.org)
- 2 Social Science Research Network (www.ssrn.com)



- 3 University of Maryland, E-Journals (<http://www.lib.umd.edu/ETC/EJNLS/ejnl.php3>)
4. Researchgate (www.researchgate.net)
5. AERC (www.aercafrica.org)
6. Other links (www.cob.ohio-state.edu/fin/journal/jofsite.htm)



SEMESTER ONE: FINANCIAL ECONOMICS I

[60 HOURS]

I Introduction to Financial Economics [8 Hours]

- 1.1 Financial markets, institutions, instruments, and trading (an overview)
- 1.2 Time value of money and risk aversion
- 1.3 Understanding financial statements and cash flows (including free cash flows)
- 1.4 The principle of value maximization
 - 1.4.1 Accounting rate of return
 - 1.4.2 Payback period
 - 1.4.3 Net present value
 - 1.4.4 Internal rates of return
 - 1.4.5 Profitability index
- 1.5 Basic Valuation of Financial Assets

BKM (Chapters 1-4)

RWJJ (Chapters 1, 3 – 7)

FSM (Chapters 1 – 6)

Damodaran (Chapter 10)

African applications

Adelegan, J.A and Adelegan, O.J. (2001): Investment Appraisal of the Privatization of Water Supply in Nigeria, *Conference Proceedings of the 27th WEDC Conference, Lusaka, Zambia between Aug. 18-25, 2001 (Zambia).*

II Financial Markets and Institutions [8 Hours]

- 2.1 Financial intermediation and the economy
- 2.2 Financial institutions: Commercial banks, investment banks, insurance companies, asset management companies, pension funds
- 2.3 Asset securitization
- 2.4 The role of financial markets in Africa's development

FSM (Chapters 1 – 6, 11)

Agarwal, S., Chang Y., and Yavas, A., 2012. Adverse selection in mortgage securitization. *Journal of Financial Economics* 105, 640 – 660.



Culbertson, J. M., 1957. The Term Structure of Interest Rates. *Quarterly Journal of Economics* 71(4), 485–517.

Morrison, A. D., Schenone, C., Thegeya, A., and Wilhelm, Jr., W. J., 2018. Investment-Banking Relationships: 1933–2007. *Review of Corporate Finance Studies* 7(2), 194 – 244.

African applications

Shimeles, A., 2010. Diaspora Bonds and Securitization of Remittances for Africa's Development. *AfDB African Economic Brief* 1(7).

III Equilibrium in Capital Markets

[26 Hours]

3.1 Concepts of return and risk

3.2 Portfolio optimization, diversification, and the mean variance approach

3.3 Asset pricing:

3.3.1 Theories of asset pricing – CAPM and APT

3.3.2 Empirical tests of asset pricing

3.3.3 Market efficiency and empirical anomalies (size effect, seasonality and other anomalies, equity premium puzzle, martingales and random walks, stock market overreaction etc.)

3.3.5 Behavioral finance

3.3.5.1 Cognitive biases and information processing

3.3.5.2 Prospect theory and Limits to arbitrage

3.3.5.3 Behavioral explanations of asset price anomalies and puzzles

3.4 Investment companies (hedge funds, mutual funds etc.)

3.5 Risk-adjusted performance evaluation (including applications of Fama-French and other multifactor models)

BKM (Chapters 6-13)

Bradfield, D. (2003). Investment Basics XLVI. On estimating the beta coefficient, *Investment Analysts Journal*, No. 57.

Fama, F. and French, K. R. (1992), The cross section of expected stock returns, *Journal of Finance*, 47(2), 427-465.

Fama, F. and French, K. R. (2015), The five-factor asset pricing model, *Journal of Financial Economics*, 116(1), 1-22.

Heim, L. (2010). The CAPM is Alive and Well: A Review and Synthesis, *European Financial Management*, 16(1), 43-71.

Hou, K., Xue, C. and Zhang, L. (2014), A comparison of new factor models, *NBER Working Paper Number 20682*.

Roll, R., 1977. A critiques of asset pricing theory's tests part I: On past and potential testability of the theory. *Journal of Financial Economics* 4(2), 129 – 176.



- Roll, R. and S. A. Ross (1980), An empirical investigation of the arbitrage pricing theory, *Journal of Finance*, 35 (5), 1073-1103.
- Song, Y., 2020. The Mismatch between mutual fund scale and skill. *Journal of Finance*, forthcoming.
- Fernandes et al. 2020. Survey: Market Risk Premium and Risk-Free Rate used for 81 countries in 2020, IESE Business School, memo?, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3560869
- KPMG 2020. Equity market risk premium research summary. March 21. <https://assets.kpmg/content/dam/kpmg/nl/pdf/2020/services/equity-market-risk-premium-research-summary-march-2020.pdf>
- Barberis, N. and Thaler, R. (2003) A survey of behavioral finance, *Handbook of the Economics of Finance*, (eds) Constantinides et al., Elsevier.
- Baker, M. and Wurgler, J, 2007. Behavioral Corporate Finance: An updated survey, *Handbook in Corporate Finance: Empirical Corporate Finance*, edited by Espen Eckbo.
- Brav, A. and Heaton, J. B., 2002. Competing theories of financial anomalies. *Review of Financial Studies*, 15(2):575–606. doi: 10.1093/rfs/15.2.575
- Dimson, Elroy, Paul Marsh and Mike Staunton (2003), Global Evidence on the Equity Risk Premium, *Journal of Corporate Finance*, 15(4).
- Fama, E. F., 1970. Efficient capital markets: A review of theory and empirical work. *Journal of Finance* 25(2), 383-417. doi: 10.2307/2325486
- Fama, E. F., 1991. Efficient Capital Markets: II. *Journal of Finance* 46(5), pp. 1575-1617. doi: 10.2307/2328565
- Jiao, Y. and Ye, P., 2014. Mutual fund herding in response to hedge fund herding and the impacts on stock prices. *Journal of Banking and Finance* 49. 131 – 148.
- Kahneman, D. and Tversky, A., 1979. Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2):263–291.
- Mehra, R. and Prescott, E. C., 1985. The equity premium: a puzzle. *Journal of Monetary Economics* 15(2), 145-161.
- Rabin, M. and Thaler, R. H., 2001. Anomalies: Risk aversion. *Journal of Economic Perspectives* 15(1):219–232.
- Shiller, R. J., 2003. From Efficient Markets Theory to Behavioral Finance”, *Journal of Economic Perspectives* 17(1), 83–104.
- Tversky, A. and Kahneman, D., 1981. The framing of decisions and the psychology of choice. *Science* 211(4481):453–458. doi: 10.1126/science.7455683



African applications

- Adelegan, O. J., 2003. Capital Market Efficiency and the Effects of Dividend Announcement on Share Prices in Nigeria. *African Development Review* 15(2&3), 218-236.
- Adelegan, O. J., 2004. How Efficient is the Nigerian Stock Market? Further Evidence. *African Review of Money, Finance and Banking*, 143-165, Supplementary Issue of 'Savings and Development' 2004, (Milan, Italy).
- Adelegan, O. J., 2009. The impact of the regional cross-listing of stocks on firm values in Sub-Saharan Africa. *IMF Working Paper 09/196*, 1-19. (Washington: International Monetary Fund, USA).
- Berger, D., Pukthuanthong, K. and Yang, J. J., 2011. International diversification with frontier markets. *Journal of Financial Economics* 101, 227–242.
- Afego, P. N., 2015. Market efficiency in developing African stock markets: What do we know? *Journal of Developing Areas* 49(1), 243-266.
- Alagidede, P., 2011. Return behaviour in Africa's emerging equity markets. *Quarterly Review of Economics and Finance* 51(2), 133-140.
- Jefferis, K. and Smith, G., 2005. The changing efficiency of African stock markets. *South African Journal of Economics* 73(1), 54 – 67.
- Li, Y. Hamill, P. A., and Opong, K. K., 2010. Do benchmark African equity indices exhibit the stylized facts? *Global Finance Journal* 21(1), 71 – 97.
- Olowe, R.A (1999): 'Weak form Efficiency of the Nigerian Stock market: Further Evidence', *African Development Review* 11, 54-68.

IV Valuation of Financial Claims

[6 Hours]

4.1 Fixed income instruments

4.1.1 Bond prices and yields, Duration, Convexity, and Applications

4.1.2 Term structure of interest rates and yield curves

4.2 Equity (DDM, residual income, P/E multiples, free cash flows, and other valuation models)

Feltham, G.A. and Ohlson, J. A. 1995. Valuation and clean surplus accounting for operating and financial activities. *Contemporary Accounting Research* 11: 689-731.

Grantier, B. J., 1988. Convexity and bond performance: The benter the better. *Financial Analysts Journal* 44(6), 79–81.



- Gordon, M. J., 1959. Dividends, Earnings, and Stock Prices. *Review of Economics and Statistics* 41(2), 99-105.
- Lawrence, E. R. and Shankar, S., 2007. A Simple and student-friendly approach to the mathematics of bond prices. *Quarterly Journal of Business and Economics* 46(4), 91-99.
- Macaulay, F. R. 1938. Some theoretical problems suggested by the movements of interest rates, bond yields, and stock prices in the United States since 1856. New York: Columbia University Press.
- Malkiel, B. G., 2015. Term Structure of Interest Rates: Expectations and Behavior Patterns. Princeton: Princeton University Press.
- Michaud, R. O., 1990. Demystifying Multiple Valuation Models. *Financial Analysts Journal* 46(1), 6-8.
- Ohlson, J. A., 2000. Residual Income Valuation: The Problems. Available at SSRN: <https://ssrn.com/abstract=218748> or <http://dx.doi.org/10.2139/ssrn.218748>
- Winkelman, K., 1989. Uses and abuses of duration and convexity. *Financial Analysts Journal* 45(5), 72-75.

V Financial Derivatives

[12 Hours]

- 5.1 Options, futures, forwards, swaps
- 5.2 Pricing of derivatives
- 5.3 Hedging and risk management

Hull

BKM (Chapters 20-23)

- Black, F. and Scholes, M., 1973. The Pricing of Options and Corporate Liabilities. *Journal of Political Economy* 81(3), 637-654.
- Benninga, S. and Wiener, Z., 1997. The Binomial Option Pricing Model. *Mathematica in Education and Research* 6(3), 1 – 8.
- Cox, J. X., Ingersoll, J. E. and Ross, S. A., 1981. The relationship between forward and futures prices. *Journal of Financial Economics* 9, 321 – 346.
- Guay, W. and Kothari, S. P., 2003. How much do firms hedge with derivatives? *Journal of Financial Economics* 70(3), 423 – 461.



Marshall, A., 2000. Foreign exchange risk management in UK, USA and Asia-Pacific multinational companies. *Journal of Multinational Financial Management* 10(2), 185 – 211.

African applications

Adelegan, O. J., 2009. The derivatives market in South Africa: Lessons for Sub-Saharan African countries. *IMF Working Paper 09/99* (Washington: International Monetary Fund, USA). 1-26.

SEMESTER TWO: FINANCIAL ECONOMICS II

[60 HOURS]

VI Agency Problems and Financial Contracting

[12 Hours]

- 6.1 Management vs equity holders
- 6.2 Large shareholders vs minority shareholders
- 6.3 Shareholders vs creditors
- 6.4 Firm vs government
- 6.5 Financial distress costs and other agency costs
- 6.6 Information asymmetry and financial signaling
- 6.7 Corporate governance

Tirole (Chapter 1, 6)

HRWJJ (Chapter 2) or RWJJ (Chapter 2)

Jensen M. and W, Meckling (1976) *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure* *Journal of Financial Economics* 3:305-360.

Haugen, R. W. and Senbet, L. W., 1981. Resolving the Agency Problems of External Capital through Options. *Journal of Finance* 36(3), 629-647.

Hellwig, M. F. (2009) A reconsideration of the Jensen-Meckling model of outside finance, *Journal of Financial Intermediation*, 18, 495-525.

Shleifer, A. and Vishny, R. W. (1997). A Survey of Corporate Governance, *Journal of Finance* 52(2), 737-783.

Claessens, S. and Yurtoglu, B. B., 2013. Corporate governance in emerging markets: a survey. *Emerging Markets Review* 15, 1–33.

John, K. and Senbet, L. W., 1998. Corporate governance and board effectiveness. *Journal of Banking and Finance* 22(4), 371 – 403.



- Shah, Sunit N. 2014. The Principal Agency Problem in Finance, CFA Institute
<https://www.cfainstitute.org/-/media/documents/book/rf-lit-review/2014/rflr-v9-n1-1-pdf.ashx>
- Bryan, Kevin. 2016. The Black Box of the Firm, at Voxeu.org VOX - CEPR Policy Portal
<https://voxeu.org/article/bengt-holmstr-m-and-black-box-firm>
- Hart, Oliver 2016. Incomplete contracts and control, Nobel lecture
<https://www.nobelprize.org/uploads/2018/06/hart-lecture.pdf>

African applications

- Adelegan, O. J., 2005. Internal and External Governance Mechanisms: Evidence from the Nigerian Banking Industry. *Corporate Ownership and Control* 2(3), 62-67.
- Ayogu, M. D., 2001. Corporate Governance in Africa: The Record and Policies for Good Corporate Governance. *African Development Review* 13(2), 308-330.
- Ojah, K., Muhanji, M. and Kodongo, O., 2020. Insider trading laws and price informativeness in emerging stock markets: The South African case. *Emerging Markets Review* 43, 100690.
- Okeahalam, C. C., 2004. Corporate governance and disclosure in Africa: Issues and challenges. *Journal of Corporate Governance and Compliance* 12(4), 359-370.
- Ujunwa, A., 2012. Board characteristics and the financial performance of Nigerian quoted firms. *Corporate Governance* 12(5), 656-674.

VII Corporate Finance

[34 Hours]

- 7.1 Valuation and Capital budgeting
 - 7.1.1 Valuation of Investment Projects
 - 7.1.2 Cost of capital and Capital structure
 - 7.1.3 Valuation of firms (including levered firms)
 - 7.1.4 Real options and capital budgeting
- 7.2 Dividend policy
- 7.3 IPOs: Methods of issuance and pricing
- 7.4 Option features of corporate securities
 - 7.4.1 Convertible securities and warrants
 - 7.4.2 Callable bonds, Performance bonds and Social impact bonds
- 7.5 The market for corporate control
 - 7.5.1 Mergers and acquisitions



7.5.2 Other takeovers (Proxy fights, LBOs, MBOs etc.)

7.5.3 Takeover defenses, financial restructuring, and firm value

RWJJ (Chapters 15-21)

Damodaran (Chapter 14)

Estrada, Javier (2011) The Three-Factor Model: A Practitioner's Guide, *Journal of Applied Corporate Finance*, Vo 23, No 2, Springer.

Öztekin Ö., 2015. Capital Structure Decisions around the World: Which Factors Are Reliably Important? *Journal of Financial and Quantitative Analysis* 50, 1–23.

Chang K., Kang, E. and Li, Y., 2016. Effect of institutional ownership on dividends: An agency-theory-based analysis. *Journal of Business Research* 69, 2551–2559.

Rangvid, J., Schmeling, M. and Schrimpf, A., 2014. Dividend predictability around the world. *Journal of Financial and Quantitative Analysis* 49, 1255–1277.

Liang, D. Lub, C-C. Tsai, C-F. and Shiha, G-A., 2016. Financial ratios and corporate governance indicators in bankruptcy prediction: A comprehensive study. *European Journal of Operational Research* 252, 561–572.

Coles, J. L., Daniel, N. D. and Naveen, L., 2014. Co-opted boards. *Review of Financial Studies* 27, 1751–1796.

Bernile, G., E. Lyandres and A. Zhdanov (2012). “A Theory of Strategic Mergers,” *Review of Finance*, 16, 517-575.

Hsieh, J., E. Lyandres and A. Zhdanov (2011). “A Theory of Merger-Driven IPOs,” *JFQA*, 46(5), 1367-1405.

Morellec, E. and A. Zhdanov (2005). “The Dynamics of Mergers and Acquisitions,” *JFE*, 77(3), 649-672.

Roosenboom, P., 2012. Valuing and pricing IPOs. *Journal of Banking & Finance* 36, 1653 – 1664. doi:10.1016/j.jbankfin.2012.01.009.

African applications

Adelegan, O. J., 2002. The Pecking Order Hypothesis and Corporate Dividend Pay-out: Nigerian Evidence. *African Review of Money, Finance and Banking*, 75-94, Supplementary Issue of ‘Savings and Development’ 2002, (Milan, Italy).



- Adelegan, O.J., 2006. Price Reactions to Dividend Policy Changes on the Nigerian Stock Market. *African Journal of Economic Policy* 13(2), 59-79.
- Adjasi, C. K. D., Osei, K. A., and Fiawoyife, E. U., 2011. Explaining underpricing of IPOs in frontier markets: Evidence from the Nigeria Stock Exchange. *Research in International Business and Finance* 25, 255 – 265.
- Gwatidzo, T. and Ojah, K. (2014). Firm's debt choice in Africa: Are institutional infrastructure and non-traditional determinants important? *International Review of Financial Analysis*, 31, 152- 166.
- Olowe, R. A, 1998. Stock split and Efficiency of the Nigerian Stock Market. *African Review of Money, Finance and Banking* 1-2: 97-125, Supplementary Issue of 'Savings and Development' 1998, (Milan, Italy).

VIII International Finance

[4 Hours]

- 8.1 Markets, investment, instruments, etc.
- 8.2 Parity relationships in international finance
- 8.3 International portfolio diversification

HRWJJ (Chapter 31)

- Butler, K. C. and Joaquin, D. C., 1998. A note on political risk and the required return on foreign direct investment. *Journal of International Business Studies* 29, 599 – 607.
- Levi, M. D. and Sercu, P., 2008. Erroneous and valid reasons for hedging foreign exchange rate exposure. *Journal of Multinational Finance Management* 1(2), 25-37
- Senbet, L. W., 1979. International Capital Market Equilibrium and the Multinational Firm Financing and Investment Policies. *Journal of Financial and Quantitative Analysis* 14(3), 455 – 480.

African applications

- Kodongo, O. and Ojah, K. 2011. Foreign Exchange Risk Pricing and Equity Markets Segmentation in Africa. *Journal of Banking and Finance* 35, 2295 – 2310.

IX Issues in Finance

[10 Hours]

- 9.1 Governance and risk management of financial institutions
- 9.2 Financial markets and economic development
- 9.3 Financial regulation



9.4 Financial Development, Financial Crises, and Financial Sector Reforms

9.5 Contemporary issues

- 9.5.1 Remittances and regional integration
- 9.5.2 Environmental, social and governance (ESG) ratings
- 9.5.3 Sustainable investing and Impact investing
- 9.5.4 Climate finance and other innovative finance
- 9.5.5 Sovereign wealth funds
- 9.5.6 Covid-19 and other emerging topics

Aebia, V., Sabatob, G. and Schmidc, M. (2012), Risk Management, Corporate Governance, and Bank Performance in the Financial Crisis, *Journal of Banking & Finance*, 36 (12), 3213–3226.

Andersson, F. N., 2016. A Blessing in Disguise? Banking Crises and Institutional Change. *World Development* 83, 135–147.

Freixas, X. and Rochet, J. (2008). *The Microeconomics of Banking*, MIT Press.

Goetz, M. R., Laeven, L. and Levine, R. (2016), Does the Geographic Expansion of Banks Reduce Risk? *Journal of Financial Economics*, 120(2), 211-444.

Grullon, G., Underwood, S. and Weston J. P., 2014. Comovement and investment banking networks. *Journal of Financial Economics* 113, 73–89.

Saunders, A. and Cornett, M. (2013). *Financial institutions management: A risk management approach*, 8th edition, McGraw-Hill.

Levine, R. (1997). Financial development and economic growth: Views and agenda, *Journal of Economic Literature* 35, 688-726.

Levine, R. (2005). Finance and growth: Theory and evidence, in *Handbook of Economic Growth, Volume 1A*. Edited by Philippe Aghion and Steven N. Durlauf, 865-934.

Issues in Africa's markets

Adelegan, O. J. and Radzewicz-Bak, B. E., 2009. What determines bond market development in sub-Saharan Africa? *IMF Working Paper 09/213*, 1-32. (Washington: International Monetary Fund, USA).

Adelegan, O. J., 2008. Can Regional Cross-listings Accelerate Stock market Development? Empirical Evidence from sub-Saharan Africa. *IMF Working Paper 08/281*, 1-44. (Washington: International Monetary Fund, USA).



- Allen, F., Carletti, E., Cull, R., Qian, J. O., Senbet, L. W. and Valenzuela, P., 2014. The African Financial Development and Financial Inclusion Gaps. *Journal of African Economies*, 23(5), 614–642 <https://doi.org/10.1093/jae/eju015>
- Lensink, R., Hermes, N. and Murinde, V., 1998. The effect of financial liberalization on capital flight in African economies. *World Development* 26(7), 1349-1368.
- Nicaise A. J. A., Adelegan O. J. and Diop I. T., 2019., Facteurs déterminants la participation des pays et les bénéfices de la finance climatique en Afrique de l'Ouest, Les Cahiers de l'intégration, No.002, édition 2019, 59-90, Union économique et Monétaire Ouest Africaine.(also available in English)
- Ngugi, R. W, Murinde, V. and Green, C.J (2003), “How have the emerging stock exchanges in Africa responded to market reforms”, *Journal of African Business*, Vol. 4, No. 2, pp. 89-127.
- Ojah, K. and Kodongo, O. 2015. Financial development in Africa: reflections and the way forward. *In The Oxford Handbook of Africa and Economics: Policies and Practices*. Oxford University Press.
- Uddin, G. S., Sjö, B. and Shahbaz, M., 2013. The causal nexus between financial development and economic growth in Kenya. *Economic Modeling* 35, 701–707.