



LISBON
SCHOOL OF
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Empirical Research in Finance

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Empirical Corporate Finance (ECF)

Master in Finance

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- Academic Research**
- Research in Finance**
- My own Research**
- Future research in PPPs and Transportation**

First comment:

“No size fits all”

This session is about Finance and about how I do Research

Please always consider that you need to adapt what is here to your specific field and to the work with your supervisor!

What is important in Research?

- Be happy !
- Be useful !
- Be productive !

Defend your Msc Thesis !!!!!!!!!!!!!!!

You will need:

Time

Perseverance

**Intelligence and good analytical skills (English, writing,
econometrics and statistics)**

Time, Time, Time, Time,

You need Time !!!!!!!!!!!!!!!

Have periods in your week planning to write

Monitoring your work progress

You will need encouragement, but also motivation (think on the reward from doing the Msc!)

Your thesis can be published!

Meaning you should:

- Be oriented to results**
- Be practical**
- Be focused**
- Be reasonable**

And, foremost:

- Always follow your supervisor and meet all deadlines**

- ✓ Always important to be a good researcher.
- ✓ But is also very important to be a good writer!
- ✓ Few papers get published and only 10% of published papers get cited!
- ✓ Your thesis should be a new work, that makes a scholarly contribution

Always ask yourself during the work:

- ✓ What is my thesis about?
- ✓ What contribution do I aim to achieve?
- ✓ What will be new and different?
- ✓ What will justify my time and resources spend on it?

How to be original?

Discovering new facts

New constructs: A new way to think the problem

New causality: Something that contradicts the main literature on the topic

Or make a conceptual thesis, where you show that you can summarize theory and research in a coherent and ordered way, as no one ever have done.

How **NOT** to be original?

Replicating methodologies

Replicating methodologies to a country never studied before (why it is relevant?)

Do not say “no one has examined this before”

(put on the positive – there might be a reason for no one ever looked to this before)

- ❑ But always remember on your work, that science have show that average people **can only hold about 7 ideas at the forefront of your attention.**
- ❑ **Very important: Narrow your work! Focus on a very specific topic! Do not try to take all!**
- ❑ People only remember 25 words: **Try to summarize your work on +-25 words.** It will help you to structure your work and gives you part of your abstract.
- ❑ This 25 words (more or less) will give the main reason why people should read your work.
- ❑ **Repeat those 25 words several times in the text**, mainly in the abstract, introduction and conclusions.
- ❑ Use some of those words in the title and the keywords.

- ❑ Important Questions:
- ❑ What is this work about?
 - ❑ Develop and communicate a question and then provide some conclusions
- ❑ What contributions this work provides?
- ❑ What will be new, different and relevant to the readers?

A paper almost always follow this structure
(except review of literature papers or survey papers):

1. Introduction
2. Literature review
3. Hypotheses; Methodology and data
4. Results and Discussion
5. Conclusions, Limitations and future work

Title:

**Precise, not vague; and also with the most important words of the work
Not to short and not to long**

Abstract:

- Repeat the main idea**
- Put conclusions on it**

Answers the following questions:

What was done?

Main results

Why done this work?

What is the value?

What are the results?

Why it is useful?

What is the benefit for readers?

Introduction:

- Big picture
- What I do
- Why it is relevant for existent studies
- How I do it
- What I find – Conclusions should be in the introduction too (this is not a novel!)
- Implications
- What others found
- Roadmap of the thesis

Hypotheses, Methodology and Data

- Research Questions and objectives
- Dependent variable and diagnostic tests
- Hypotheses (with the main literature that supports the Hyp.) and independent variables (with the main literature for each variable)
- Diagnostic tests and basic statistics (descriptive)
- Endogeneity (if used)

Results and discussions

- Present only the results that are statistically significant, by hypothesis and according to your objectives.
- Uses of the results—explicit applications to problems—e.g., simulating policy responses; analyzing implications for interesting phenomena.
- Tell the story – Result values are in the tables.
- The reader wants to know the story!

The most important is Publishing in good journals!

Acceptance rates are dropping (competition is huge!)

Publish in a Top journals can take 3-4 years (3/4 major revisions)

Have a “portfolio” of journals (from A to C)

An outstanding master thesis is publishable and may be key if you decide to apply for a PhD!!!

How about Literature Review?

How I decide if it worth to take 30-60 minutes to read a paper carefully?

- 1. Read the abstract and see the quality of the journal and the nº of citations.**
- 2. If it is still interesting, I read the introduction and conclusions.**
- 3. If it is still interesting, I “skim very fast” the paper”**
10 minutes so far!
- 1. If it is still interesting, then I read it**

How about Literature Review?

How I organize Literature review in my papers?

1. Usually 2-3 subsections: 1 – overall; 2- Mains results from LR and 3 – Main studies

(see examples)

How about Literature Review?

I always use LR tables when I'm reading the papers for the LR

(see examples on Aquila: Carmen Silva 2016 and Nadia Ahmad 2017)

Literature review table (to theoretical papers)

Author	Topic paper	Type of analyse	Main conclusions
Name (year)			

Literature review table (to empirical papers)

Author	Region/Country	Period	Methodology	Dependent variable	Independent variables	Main conclusions
Name (year)						

How about data?

Cross section is more poor, and usually not used (although I have some papers with cross section, but in C journals !)

Panel data, with many years and if possible with different industries and if possible with different countries (endogeneity)

Different data sources

Multiple samples (replications – Dif-in-Dif: Endogeneity)

How about Econometrics?

Data diagnostics are very important, specially residuals and stationarity of data

Endogeneity is the main topic (IV, Dif-in-Dif, 2-stage least square regression, matching estimators,)

Regression will depend on your dependent variable (OLS, GLM, Tobit; Probit, Logit, Cox-Hazard duration model; VAR,)

Various tests for robustness of results—but only major ones. Minor checks go in footnotes.


Submitting a paper

First, decide which journals you want to send before write the paper. Journals that you cite in your work!

**2 examples: Renegotiations in Portugal paper
Cost overruns in Transports paper**

Second, write and rewrite, and review the paper

You should have a copy editor to finally review the paper!



**That “defines”
the paper:
Scope
Structure
Methods
Outline
Size**

Submitting a paper

Third, submit the paper to the best journal of your list

If there is a “desk rejection”, send to the second best journal and so on

NEVER GIVE UP A PAPER!

Submitting a paper

- Is there a match between the subject of your article and the journal's aim and scope?
- What is the readership and target audience?
- Is the journal highly visible?
- What is the “CV value of publication”?
- What is the journal’s turnaround time?
- How many times a year is the journal published?
- What are the publication charges?

Paper Language

- Active voice (use spellchecker in word)**
- Remember that the paragraph is the basic unit of writing.**
- Short sentences (no more than 20-30 words)**
- 1 sentence – 1 idea**
- 8-12 lines paragraphs (150 words – ½ page)**

Paper Language

- Avoid colloquial language and expressions**
- Avoid redundancy**
- Uniform the unit long (sentences)**

Paper Language

- ❑ **Use transitional words such as time links (then, next, ...); cause-effect (therefore, as a result, ...), addition (moreover, furthermore, similar,....), contrast (but, conversely, however, although,)**

Paragraph structure:

- ❑ **1st: Topic sentence – what the paragraph is about**
- ❑ **2nd: Main body of the paragraph- developing the idea**
- ❑ **3rd: “wrap” sentence: make the bottom line message of the paragraph and moves to the next one.**

Paragraph structure:

- Do not use the last sentence of the previous paragraph to start the new one
- Do not use the first sentence of paragraph Y to sum the paragraph X (the previous one)
- Try not start a paragraph with a authors name

Paper Language – Structure of a chapter

- ❑ Chapter title
- ❑ A “high impact” start element (Quotation; Example; Paradox)
- ❑ A piece of framing of the chapter
- ❑ Develop of the chapter ideas
- ❑ Chapter conclusions and Link to the next chapter (in the next chapter do not start by refereeing the previous one)

Example: LR on the cost overrun paper no Public works and management

Tables with data or results

- ❑ **Always have a small paragraph beneath the table title and the table**
- ❑ **Explains the table, the acronym and the abbreviations and the definitions**

Tables should be readable by their selfs!

(see examples)

Figures and Graphs

Do not use many figures and graphs!

Each type of graph have some specific type of data to be used

R&R of a paper

In top journals R&R are very demanding

Top journals usually have 3 reviewers (and they are usually very good)

You need to address ALL the questions from each reviewer!

And you need to write a lot!!! Usually R&R to a top journal can have 40-60 pages of response (see example)

R&R of a paper

Always send a letter to Editor explaining the main changes in the paper

Always reply separately to each reviewer

Never say to Reviewer 2 “please see answer to Reviewer 1”

It is impolite

Shows low commitment to the reviewer question

You do not know if R2 will have access to R1 reply

R&R of a paper

If you do not follow a reviewer comment or suggestion explain in detail why, and never antagonize the reviewer!!!!!!

For each comment:

- 1 – Summarize the comment**
- 2 – describe what you did**
- 3 – Discuss how what you did have addressed the reviewer comments**

Why we act as reviewers of a paper?

- 1 – Improves our capacity of writing and research**
- 2 – Improves our knowledge of the topic**
- 3 – It is necessary (duty)**
- 4 – Earn “brownie points” with the Editor**

How to write a review report

- 1. Be concise, but specific**
- 2. Be firm, but polite**
- 3. General comments: why the decision (accept, major R&R, minor R&R, reject)**
- 4. Be fair!**

Case Studies

(I'm not a fan of case-studies, although I have some papers with case-studies)

Case studies are frequently used in management as a research tool (Yin, 2008). This author emphasizes that this should not be confused with case studies for teaching purposes, as criteria differ substantially. Despite some criticism that this is a weak research method, I personally tend to consider it extremely valuable in this particular field for a number of reasons that came from case-studies intrinsic characteristics. The first reason why case studies are useful is that they are appropriated for new areas of research (Eisenhardt, 1989). In new areas, with only very recent or little knowledge, creating a study through selected examples can be a useful tool to understand the concepts and decisions involved in the issue.

Case Studies

This type of research can be used to achieve various research aims: to provide a description of phenomena, to develop or test a theory, and to explore areas where the existing knowledge is limited.

The two questions in a case-study are “how” and “why”. The goal of research is to expand and generalize theories, not to enumerate frequencies (Yin, 2008). According to Yin, the advantage is that case studies provide a wealth of detail, give credibility to situations, and provide real outcomes. In this paper none of this is clear.

Papers of literature review

Table 1. Options for the added value of LRPs

Options for added value	Comments	Main output (examples)
Empirical insights	A synthesis of what is already known (and maybe what is not)	State of knowledge Gaps in literature Weaknesses of methodologies used
Methodologies	An analysis of methods used, and their advantages and disadvantages	Overview of dominant methodologies used Pros and cons of methodologies used Opportunities for new methods
Theories	An investigation of different theories used, and their importance. This might cover the implications for the results	Overview of main theories used Strengths and weaknesses Impact of theories used on results Potential for other theories
Gaps in literature and a research agenda	This can relate to reviews with an empirical, methodological, and theoretical focus — to explore omissions and limitations in approaches and suggest ways forward	Main gaps in literature Avenues for future research
Relevance for real-world applications	A discussion or synthesis of how useful the literature is for real-world applications (policy, planning, etc.) — perhaps with the use of case studies	Overview of knowledge available for real-world applications Design guidance Examples of real-world cases that are (not) underpinned by results from literature Comparison between cases or countries
Conceptual model	Provides explicit structure on how dependent and independent variables are related. Can be presented preceding or following the review part of a paper	Scheme, figure presenting the conceptual model Overview of which parts are (not) well founded/underpinned by literature

- Research in Finance tends to be mainly quantitative, with models**
- Management research, and particularly Strategy, tends to be more based on Theory**

- Research in Finance is mainly in these areas:**
 - Corporate Finance**
 - International Finance**
 - Financial Intermediation**
 - Financial Markets**
 - Behavioral Finance**
 - Empirical Investments**
 - Theoretical Asset Pricing**