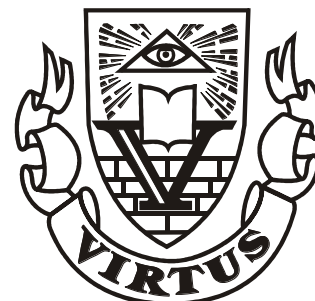


# JOURNAL OF GOVERNANCE AND REGULATION

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**ANALYST RELUCTANCE IN CONVEYING NEGATIVE INFORMATION TO THE MARKET** 7

*Luca Piras, Olga Denti, Enrico M. Cervellati*

This paper investigates one of the main sources of financial markets' public information: financial analysts' reports. Researchers analyze reports on S&P 500 index through a multidisciplinary approach integrating behavioral finance with linguistic analysis to understand how financial phenomena reflect in or are deviated by language, i.e. whether financial and linguistic trends follow the same patterns, boosting each other, or diverge. In the latter, language could conceal financial events, mitigating analysts' feelings and misleading investors. Therefore, authors attempt to identify behavioral biases (mainly represented by cognitive dissonances) present in analysts' reports. In doing so, we try to understand whether analysts try to hide perception of negative price-sensitive events or not, eventually anticipating and controlling the market "mood". The study focuses on how analysts use linguistic strategies in order to minimize their risk of issuing wrong advice. Preliminary results show reluctance to incorporate negative information in the reports.

**FAIR VALUE HIERARCHY IN FINANCIAL INSTRUMENT DISCLOSURE. IS THERE TRANSPARENCY FOR INVESTORS? EVIDENCE FROM THE BANKING INDUSTRY** 23

*Enrico Laghi, Sabrina Pucci, Marco Tutino, Michele Di Marcantonio*

The paper presents results of an empirical investigation on a sample of domestic and foreign listed banks who adopted fair value hierarchy in line with SFAS 157 and IFRS 7 recommendations. Research question can be formulated as follows: does fair value hierarchy improve transparency in financial instruments evaluation in banks annual report or it can be considered as a tool for earnings management?

**DISASTERS AND VULNERABILITIES IN THE FOREMAN AND KENNEDY ROAD INFORMAL SETTLEMENTS: BIOGRAPHICAL INFLUENCES** 39

*Bethuel Sibongiseni Ngcamu*

The main purpose of this empirical study is to investigate the extent in which the biographical profiles (age, gender, marital status, education levels, occupation (males and females), children and tenure) can influence vulnerability and disasters in these informal settlements. A quantitative research design was adopted and a survey method was used, whereby questionnaires were administered by the researcher to a population of 240, whereby, 140 questionnaires were completed generating a response rate of 63.6%.

The findings of this study reveals that the majority of the respondents in the Foreman and Kennedy Road informal settlements are black, poverty stricken, unemployed and who are suffered economic difficulties that make them highly vulnerable to disasters. This study will act an advisory role to the decision-makers as the research findings shows that in the foreseeable future in South Africa, informal settlements will be an integral feature of formal housing, which requires urban planners to include such settlements to housing planning.

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***F. Dilvin Taşkin***

This paper aims to analyze the relationship between corporate governance and bank performance. Return on asset (ROA), return on equity (ROE) and net interest margin (NIM) is considered as the measures of bank performance. Corporate governance is determined through the measures of internal governance mechanism which is measured by CEO duality and external governance mechanisms which are proxied by discipline exerted by shareholders, creditors and educated personnel and bank ownership. The analysis covers the period 1990-2000 and 2002-2011 which are the pre and post periods of the severe 2001 banking crisis. The results show that different governance characteristics are important in the pre and post crisis periods.

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**CORPORATE INSURANCE AND DEBT CAPACITY: EMPIRICAL EVIDENCE FROM ITALY** 54

***Fabrizio Santoboni, Gianfranco A. Vento, Pasqualina Porretta***

This work aims at investigating the existence of a “virtuous” relationship among corporate insurance purchases, credit risk and debt capacity. Such aim has been pursued through different steps: review of literature, to identify the reasons of corporate demand for insurance; analysis of Italian enterprises’ corporate insurance purchases; drafting of a questionnaire, to submit to a sample of the main insurance companies working in Italy, intended to identify what kind of role they play in the relation with enterprises and which insurance products they offer; drafting of a questionnaire, to submit to a sample of the main banks working in Italy, intended to investigate whether and how the possession of corporate insurance is taken into consideration in the determination of enterprises’ creditworthiness.

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**HOW PSYCHOLOGY AFFECTS DECISIONS IN CORPORATE FINANCE: TRADITIONAL VS. BEHAVIOURAL APPROACH** 76

***Luca Piras***

The aim of this research is to draw a theoretical line to connect on a common conceptual base, behavioural finance with what is internationally known as Modern Finance. The debate often involves discussions about the prevalence of rationality over irrationality. This paper address mainly two questions: as an economist, should I propend for traditional or for behavioural finance? And, perhaps more important, are they in opposition to each other?

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**TO BAIL OUT OR NOT TO BAIL OUT SYSTEMICALLY RELEVANT FINANCIAL INSTITUTIONS: THE INCENTIVES OF POLICY MAKERS** 88

***Lucas Marc Fuhrer***

The recent financial crisis has indicated that many financial institutions might be systemically relevant. Their bankruptcy would cause significant costs for the overall economy. However, there does still not exist a clear definition of systemic risks. Thus, the decision, whether an institution is, or is not systemically relevant is at the end made by policy makers. This paper has a closer look at the incentives of policy makers and their influence on the bailout decision. In the presented model it is possible to show, that too many financial institutions get bailed out, when assuming that policy makers tend to be more risk-averse than socially optimal. The costs due to this misallocation of resources might be significant.

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