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**ABSTRACTS****1. THE ACCOUNTING MEASUREMENT FOR MARK-UP FINANCING (MURABAHA) IN ISLAMIC BANKS**

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**ABSTRACT**

*Islamic finance has emerged in recent decades as one interesting trend in the financial world. Islamic finance derives its principles from the Shariah, which, in turn, is based on the Quraan and Sunnah. Since Islamic banks are one of the most important tools in Islamic finance, they, or the Islamic branches in conventional banks, have always tried to avoid any investment seen as contrary to the Shariah, such as interest-based loans or investments in alcohol, gambling, tobacco, pork products and sensual entertainment. Basically, the Islamic banks have developed four main Islamic financing techniques, which are: Mudarabah, Musharakah, Ijara and Murabaha. Among them, Murabaha has represented the most popular instrument of financing in Islamic banks in Arabian countries. Despite Murabaha is capturing 60% to 90% of all financing in Islamic banks, it is believed to be practiced without standardised accounting measurement bases. This research aims to discuss one of the most popular instruments of financing in Islamic banks, which is mark-up financing Murabaha, focusing on its accounting measurement. The results of this paper provide important implications of the accounting measurements of Murabaha in Islamic banks.*

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**2. ON THE WAY TO ADOPTING THE EURO: AN ANALYSIS OF MACROECONOMIC DISTURBANCES BETWEEN NEW AND OLD EUROPEAN UNION MEMBERS**

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**ABSTRACT**

*This study analyzes and compares macroeconomic disturbances Cyprus and the EMU-area countries from the beginning of 1990 to the end of 2004. We examine the relative importance of aggregate demand and supply shocks along with money, in explaining short-run real output fluctuations. The empirical results for the analysis are obtained by using the framework of structural vector autoregression model (SVAR). The structural impulses in the VAR model are defined as shocks in aggregate demand, aggregate supply and money growth. Results indicate that shocks in AD, AS, the money growth are all sources of macro shocks in Cyprus and the EMU-area.*

**Keywords:** Vector Autoregressive, European Monetary Union, Euro, Optimum Currency Area.

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**3. MUTUAL EQUITY FUND PORTFOLIOS:  
RISK REDUCTION THROUGH GLOBAL DIVERSIFICATION**

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**ABSTRACT**

*Investing in equity mutual funds enable investors to pool their money and place it under professional management. The portfolio manager selects the fund's equity securities, realizing a gain or loss and collects the dividend. This research deals exclusively with equity funds on a global basis. It examines*

*diversification from a U.S. investor's viewpoint whereby an investor holds a portfolio of U.S. equity funds along with other country equity funds. It was found that by diversifying through the addition of equity funds from other worldwide markets such as Asia- Pacific, South America and emerging markets, overall investment risk is substantially decreased. The mutual fund industry is divided into two sectors, namely short-term and long-term funds. Short-term funds include taxable money market mutual funds and tax-exempt money market mutual funds. Bond funds, equity funds and hybrid funds make up long-term mutual funds. Equity funds are basically comprised of common and preferred stock securities. Mutual funds provide opportunities for investors to diversify, thereby reducing risk. Ideally, investors seek a higher return on their investment but at lower risk.*

**Keywords:** Mutual Equity Funds, Portfolio Analysis, Sharpe and Treynor Ratio

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#### 4. DEFICIT SPENDING POLICY AND GROWTH: WITH EMPIRICAL EVIDENCE FROM MEXICO

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##### ABSTRACT

*Motivated by controversial relationships between deficit spending and growth, we first develop a dynamic optimization model to understand the impact of deficit spending policy under different scenarios. The mathematical solutions indicate that transfer payments may indeed play an important role in assessing deficit spending policy. Specifically, deficit spending policy is not effective if transfer payment is a rather large part of the government spending (such as in the United States). However, such a policy, in the short run, is likely to be beneficial if transfer payment spending is small, as in the case of Mexico. We then apply a vector autoregression model (VAR) to estimate the intertemporal relationships between GDP of Mexico and its deficit, debt to output ratio, money market rate, and exchange rate. The quarterly data from the recent two decades are used to test VAR. The empirical result suggests that GDP in the short run does respond positively to deficit spending, and also other variables such as monetary policy and exchange rate. However, the evidence reveals that an increase in debt to output ratio also corresponds with a reduction in GDP, which is the caveat of deficit spending policy.*

**Keywords:** Dynamic Optimization; Deficit Spending, Fiscal Policy, VAR.

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#### 5. FINANCIAL FLOWS TO EMERGING COUNTRIES: EVIDENCE FROM PANEL TESTS

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##### ABSTRACT

*Financial capital flows to emerging developing countries have grown substantially since the early 1990s. Indeed, because the remarkable growth in the flows has coincided with a period of low global interest rates and a period of domestic development in the recipient countries, there has been a growing debate in the literature as to whether the surge is driven primarily by push or by pull factors. This paper investigates the complex dynamics of financial capital flows to emerging developing countries by examining the key economic fundamental determinants of such flows in the most recent decade in a panel data context. The study employs various approaches, such as fixed effects and random effects methods, panel unit root tests, panel cointegration tests, and recently developed panel cointegration estimation technique. The results obtained from the empirical tests suggest that the recipient countries' growth prospect, a pull factor, is a particularly important determinant of these flows.*

**Keywords:** financial flows, emerging countries, panel analysis

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## 6. LOCATION FACTORS AND GOVERNANCE MECHANISM DESIGN FOR FOREIGN DIRECT INVESTMENT OF SMES IN CHINA

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### ABSTRACT

*In this paper we treat foreign direct investment as a complex transaction and discuss two strategic decisions, consideration of location factors and the arrangement of governance mechanisms, affecting foreign direct investment of Taiwanese small and medium-sized manufacturing firms in China. The results show that a higher technology risk makes investors adopt higher-level equity and structural control, and asset specificity does lead to higher structural control and socialization mechanisms to adapt to the outside disturbance; however, the opportunism possibility of exchange partners makes investors reduce the use of socialization mechanisms. Further, transaction characteristics significantly influence the consideration of location factors. In addition, investment risk reduces the motivation for equity control; however good location conditions positively impact the arrangement of governance mechanisms. The results also show that structural control, such as empowerment and the power to assign top management teams, constitutes the most critical governance mechanism for accessing foreign strategic resources.*

**Keywords:** location factor, governance mechanisms, transaction characteristic, cluster effect

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## 7. THE INFORMATIONAL CONTENT OF INTEREST RATE SPREADS: THE CASE OF BRAZIL

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### ABSTRACT

*This paper studies the information content of interest rates spread for the Brazilian economy. Empirical results suggest that the information content of interest rates spread has been increasing substantially in recent years with the implementation of the Inflation Targeting framework. Furthermore, risk premium has decreased substantially over the recent years, which suggests that monetary policy has gained credibility.*

**Keywords:** interest rates; monetary policy; information content; inflation targeting.

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## 8. THE IMPACT OF FINANCIAL CRISIS ON THE STABILITY OF MONEY DEMAND IN KOREA

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### ABSTRACT

*This paper examines the stability of money demand function during the pre-crisis and the post-crisis in Korea by employing cointegration estimation and impulse response function. The results show that there exists a long-run equilibrium relationship between M2 and its determinants--real income, short-term interest rate--in Korea during the full and sub-sample periods. However, the M1 monetary aggregate does not seem to have any meaningful cointegration relationship with its determinants during the pre and postcrisis periods. The CUSUM test provides evidence supporting that the Asian financial crisis in 1997 caused the instability in money demand function in Korea.*

**Keywords:** Cointegration Test, Error- correction Model, Money Demand

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### 9. FOREIGN-BRANCH BANK PERFORMANCE IN THAILAND: EVIDENCE FROM THE DE NOVO FINANCIAL REFORM

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#### ABSTRACT

*During the 1990s two simultaneous phenomena converged to greatly change the panorama in the financial services industry in Thailand. At the global level, large multinational banks were taking advantage of worldwide financial deregulation and rapid technological advances by offering a full range of financial products and services, competing fiercely in both their own domestic and far-flung global markets. At the Thai national level, the financial sector had to restructure in response to the financial reform mandated as an outcome of the financial crisis of 1997. This paper analyzes the determinants of foreign-branch banks' performance in Thailand, using quarterly financial time-series data from 1997-1 to 2003-4. Only one determinant, loan loss provisions, was found to be influence (negatively) the foreign-branch banks' performance.*

**Keywords:** Foreign Bank Performance in Thailand; Asian Financial Crisis of 1977, the Liberalization of Capital Markets, the Determinants of Foreign-Branch Banks' Performance, Loan Loss Provisions

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### 10. A PANEL DATA ANALYSIS OF THE EFFECTS OF THE ASIAN FINANCIAL CRISIS ON THE RELATIONSHIP BETWEEN FOREIGN DIRECT INVESTMENT AND GROSS DOMESTIC PRODUCTS

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#### ABSTRACT

*Large amounts of foreign direct investment (FDI) continue to flow into the Asian countries because of their liberal trade and investment policies. While the link between FDI and economic growth has been a subject of intense debate for several decades, several recent studies confirm that not only does FDI contribute to the economic growth of a country, but there is also an endogenous relationship between FDI and the Gross Domestic Product (GDP) of a country. The Asian Financial Crisis has affected the economies of different countries differently. Some countries suffered very steep declines in their economies, whereas other countries like China and India suffered very little. In this paper, we focus on the eight Asian countries, China, India, Malaysia, Singapore, Indonesia, South Korea, Philippines, and Thailand, and try to identify the contribution of FDI to the GDPs of these eight countries during and after the Asian Financial Crisis, using the technique of Panel Data Analysis. The main result of our study is that FDI has made a positive contribution to the economies of these eight countries during and after the Asian Financial Crisis. Further, our study also indicates that one dollar of FDI adds about 2.61 dollars to the GDP of each of the eight countries, when the negative differential (i.e., cross-country and period related) effects of the Asian Financial Crisis, identified through panel data analysis, are taken into consideration.*

**Keywords:** Asian Financial Crisis, Foreign Direct Investment, Panel Data Analysis

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## 11. BANKING EFFICIENCY TESTS FOR LATIN AMERICA

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### ABSTRACT

*The present paper estimates a stochastic frontier model for the banking systems of Latin American countries. Empirical results suggest that there is a relevant dispersion of the efficiency level among these countries, with X-inefficiencies. Average cost inefficiencies for the period from 2000 to 2005 are approximately 0.27. Furthermore, banking net worth is positively correlated with efficiency measures, which suggests that banks with higher capital are more efficient.*

**Keywords:** bank efficiency, Latin America, X-inefficiency

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