

## PGR Course unit outline 2022/23

<b>Unit code:</b>	<b>BMAN80711</b>
<b>Title:</b>	<b>Empirical Corporate Finance</b>
<b>Credit value:</b>	<b>15</b>
<b>Semester:</b>	<b>1</b>
<b>Course Coordinator contact details:</b>	Coordinator on campus Prof. Maria Marchica (AMBS 4.029, <a href="mailto:maria.marchica@manchester.a.cuk">maria.marchica@manchester.a.cuk</a> )
<b>Other staff involved contact details:</b>	Prof. Murillo Campello (Cornell University, US) Prof. Roberto Mura ( <a href="mailto:roberto.mura@manchester.a.cuk">roberto.mura@manchester.a.cuk</a> )
<b>Pre-requisites</b> <b>Co-requisites</b> <b>Dependent course units</b> <b>Restrictions</b>	BMAN71152 Corporate Finance or any equivalent module with students expected to be familiar with the fundamental theories on capital structure: Modigliani-Miller Theorem, Static Trade-off theory and Pecking Order theory. This course is compulsory for all Finance and MBAR students. It is optional for Qualitative Accounting students.

### Course unit overview

This is a thorough PhD level class covering modern empirical work.

### Aims

This is a thorough PhD level class covering modern empirical work. For concreteness, the course is designed to help students understand how to operationalize empirical research on topics that are central to corporate finance. The overarching goal is to expose students to “state-of-the-art” empirical research methods and prepare them to conduct their own work using new tools. All students with an interest in finance, economics, accounting, human resources, and related disciplines are welcome to take the course.

### Objectives (Learning outcomes)

On completion of this course students will be able to:

- Operationalize empirical research on topics that are central to corporate finance, and more broadly, to apply empirical research methods to their own studies that relate not only to corporate finance, not just within academia, but also in other research-intensive institutions.
- Critically analyse and originally discuss relevant academic research.
- Will acquire econometric analysis, data processing, and computer programming skills relevant to academic research.
- Will acquire communication and presentation skills relevant to academic research. Technical skills of STATA programming that can be applied to areas beyond Corporate Finance.

### Syllabus content

On completion of this unit successful students will be able to operationalize empirical research on topics that are central to corporate finance, and more broadly, to apply “state-of-the-art” empirical research methods to their own studies that relate not only to corporate finance, but also to finance, accounting, and economics.

The course will include two parts.

Part I will cover topics such as:

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- Endogeneity and Basic Identification Strategies
- Difference Estimators
- LATE and Regression Discontinuity Design
- Matching Estimators

This part will be conducted by Prof. Campello and it will be lecture-based with extensive use of empirical studies (please see the reading list below).

Part II will consist of 2 two days training session on STATA that will cover:

- the basic/intermediate knowledge of STATA language to prepare databases, prepare and interpret estimations;
- more advanced topics related to operationalize panel data analysis and solve endogeneity issues.

This part will be conducted by Prof. Mura and it will be delivered in a Lab equipped with STATA license for all students.

Part I will run in November during Prof. Campello's visiting of A&F Division.

Part II will run over two weeks in January

### Methods of delivery

<b>Lectures</b>	Prof. Campello's part will comprise of 10 hours spread across 4 days.
<b>Seminar/Tutorial/Workshop/Lab Hours</b>	Prof. Mura's part will comprise two days sessions for a total of 12 hours conducted in a Lab.
<b>Independent Study</b>	128
<b>Total Study Hours</b>	150

### Reading List

#### LIST OF TOPICS AND READING MATERIALS

Endogeneity, Basic Identification, and Difference Estimators: Lecture Notes I & II

Ahern, K and A. Dittmar, 2012, "The Changing of the Boards: The Impact of Firm Valuation of Mandated Female Board Representation?" Quarterly Journal of Economics 125, 137-197.

(\* ) Almeida, H. and M. Campello, 2007, "Financial Constraints, Asset Tangibility, and Corporate Investment," Review of Financial Studies 20, 1429-1460.

(\* ) Bertrand, M., E. Duflo, and S. Mullainathan, 2004, "How Much Should We Trust Differences-in-Differences Estimates?" Quarterly Journal of Economics 119, 249-275.

(\* ) Bertrand, M. and S. Mullainathan, 2003, "Enjoying the Quiet Life? Corporate Governance and Managerial Preferences," Journal of Political Economy 94, 991-1113.

Bertrand, M. and S. Mullainathan, 2004, "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination," American Economic Review 94, 991-1013.

Bernstein, S., A. Kortweg, and K. Laws, 2015, "Attracting Early Stage Investors: Evidence from a Randomized Field Experiment," Journal of Finance, forthcoming.

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Besley, T. and A. Case, 2000, "Unnatural Experiments? Estimating the Incidence of Endogenous Policies," *Economic Journal* 110, 672-694.

(\*) Blanchard, O., F. Lopez-de-Silanes, and A. Shleifer, 1994, "What do Firms do with Cash Windfalls?" *Journal of Financial Economics* 36, 337-360.

(\*) Butler, A. and J. Cornaggia, 2011, "Does Access to External Finance Improve Productivity? Evidence from a Natural Experiment," *Journal of Financial Economics* 99, 184-203.

(\*) Campello, M. and J. Graham, 2013, "Do Stock Prices Influence Corporate Decisions? Evidence from the Technology Bubble," *Journal of Financial Economics*, 107, 89-110.

(\*) Campello, M. and E. Giambona, 2013, "Real Assets and Capital Structure," *Journal of Financial and Quantitative Analysis* 48, 1333-1370.

Grullon, G., S. Michenaud, and J. Weston, 2015, "The Real Effects of Short Selling Constraints," *Review of Financial Studies* 28, 1737-1767.

Imbens, G., 2004, "Nonparametric Estimation of Average Treatment Effects under Exogeneity: A Review," *Review of Economics and Statistics* 86, 4-29.

(\*) Jayaratne, J. and P. Strahan, 1996, "The Finance-Growth Nexus: Evidence from Bank Branch Deregulation," *Quarterly Journal of Economics* 111, 639-670.

(\*) LaPorta, R, F. Lopez-De-Silanes, A. Shleifer, R. Vishny, 1997, "Legal Determinants of External Finance," *Journal of Finance* 52, 1131-1150.

Rosenzweig, M. and K. Wolpin, 2000, "Natural 'Natural Experiments' in Economics," *Journal of Economic Literature* 38, 827-874.

(\*) Tang, T., 2009, "Information Asymmetry and Firms' Credit Market Access: Evidence from Moody's Credit Rating Format Refinement," *Journal of Financial Economics* 93, 325-351.

Empirical Methods (RDD & ME): Lecture Notes IV & V

Abadie, A., D. Drukker, J. Herr, and G. Imbens, 2004, "Implementing matching estimators for average treatment effects in Stata," *Stata Journal* 4, 290-311.

(\*) Almeida, H., M. Campello, B. Laranjeira, and S. Weisbenner, 2011, "Corporate Debt Maturity and the Real Effects of the 2007 Credit Crisis," *Critical Finance Review* 1, 3-58.

(\*) Angrist, J. and V. Lavy, 1999, "Using Maimonides' Rule To Estimate The Effect Of Class Size On Scholastic Achievement," *Quarterly Journal of Economics* 114, 533-575

Bakke, T. and T. Whited, 2012, "Threshold Events and Identification: A Study of Cash Shortfalls," *Journal of Finance* 61, 1113-1148.

(\*) Campello, M., J. Graham, and C. Harvey, 2010, "The Real Effects of Financial Constraints: Evidence from a Financial Crisis," *Journal of Financial Economics* 97, 470-487.

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Chava, S. and A. Purnanandam, 2011, "The Effect of Banking Crisis on Bank-Dependent Borrowers," *Journal of Financial Economics* 99, 116-135.

(\*) Chernenko, S. and A. Sunderam, 2011, "The Real Consequences of Market Segmentation," *Review of Financial Studies* 25, 2041-207.

(\*) Chava, S. and M. Roberts, 2008, "How does Financing Impact Investment? The Role of Debt Covenants," *Journal of Finance* 63, 2085-2121

(\*) Cunat, V, M. Gine, and M. Guadalupe, 2012, "The Vote Is Cast: The Effect of Corporate Governance on Shareholder Value," *Journal of Finance* 67, 1943-1977.

Dehejia, R. and S. Wahba, 1999, "Causal Effects in Nonexperimental Studies: Reevaluating the Evaluation of Training Programs," *JASA* 94, 1053-1062.

(\*) DiNardo, J. and D. Lee, 2004, "Economic Impacts of New Unionization on Private Sector Employers: 1984-2001," *Quarterly Journal of Economics* 119, 1383-1442.

Hahn, J, P., Todd, and W. van der Klaauw, 2001, "Identification and Estimation of Treatment Effects with a Regression-Discontinuity Design," *Econometrica* 69, 201-209.

(\*) Iliev, P., 2010, "The Effect of SOX Section 404: Costs, Earnings Quality, and Stock Prices," *Journal of Finance* 65, 1163-1196.

Imbens, G. and T. Lemieux, 2008, "Regression Discontinuity Designs: A Guide to Practice," *Journal of Econometrics* 142, 615-635.

Lee, D. and T. Lemieux, 2010, "Regression Discontinuity Designs in Economics," *Journal of Economic Literature* 48, 281-355.

(\*) Lee, D., 2008, "Randomized Experiments from Non-Random Selection in U.S. House Elections," *Journal of Econometrics* 142, 675-697.

(\*) Malmendier, U. and G. Tate, 2009, "Superstar CEOs," *Quarterly Journal of Economics* 124, 1593-1638.

(\*) Rauh, J., 2006, "Investment and Financing Constraints: Evidence from the Funding of Corporate Pension Plans." *Journal of Finance* 61, 33-71.

Rosembaum, P. and D. Rubin, 1983, "The Central Role of the Propensity Score in Observational Studies for Causal Effects," *Biometrika* 70, 41-55.

### Assessment

Mode of Assessment	Length required	Weighting within unit
1 term paper	3,000 words	100%
<b>Resits:</b> Same as above	Same as above	Same as above

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<b>Feedback methods</b>		
<p>Informal advice and discussion will be provided during lectures.</p> <p>Written comments will be provided on the term paper. These will be available either via Turnitin on Blackboard or from the Doctoral Programmes Office.</p>		

## Social Responsibility

*AMBS aims for our graduates to develop not only academic and professional skills, but also a sense of social, ethical and environmental responsibility towards the societies of which they are part. Please give details of how social responsibility is addressed in your course unit by highlighting any knowledge or skills that support students' social and ethical understanding and conduct.*

This is mainly a technical module that aims to expose students to “state-of-the-art” empirical research methods and prepare them to conduct their own work using new tools.

*Please indicate by ticking the box(es) below, which specific aspect of SR your module is linked to:*

A UN SDGs\*

Environmental Sustainability

Other (please specify)

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\* If a UN SDG, please note which one by reviewing the list [here](#)

For additional support on how embed SR into your module, please review the resources here:

<https://documents.manchester.ac.uk/DocuInfo.aspx?DocID=51837>

<https://documents.manchester.ac.uk/DocuInfo.aspx?DocID=47017>