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Call for papers
Journal of Applied Research in Finance

Published two times a year, the Journal is the official publication of *The European Centre of Managerial and Business Studies*, academic organization devoted to the study and promotion of knowledge about financial economics. The journal has been established in year 2009 as a descendant to *Journal of Applied Economic Sciences* (JAES). Two issues are published per volume. All articles and communications are available online for free. Printed copies can be ordered at a cost. The editors maintain classic *double blind peer review* procedure aiming at high academic standards but at the same time emphasize dynamic referee process so that the journal tracks scientific progress in real time.

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Schedule

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Rural Transformation and Self-Help Groups – A Case Study

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Abstract

Rural women possess abundant resources to take up enterprises. She has the benefit of easy availability of arm and livestock based raw materials and other resources. Hence, she can effectively undertake both the production and processing oriented enterprises. Entrepreneurship development among rural women helps to enhance their personal capabilities and increase decision-making status in the family and society as a whole. This study discusses the role of Self Help Groups in women entrepreneurship in Vellapatti village of Tuticorin town. The present study is based on both primary and secondary data. Primary data have been collected by conducting a survey among 75 sample respondents from 9 Self Help Groups in different areas of Vellapatti village of Tuticorin town. Secondary data have been collected from books, journals, newspapers, internet and periodicals. Percentage analysis, averages, standard deviation, CHI square test and probability analysis were used. The data relates to the month of July 2013.

The level of social empowerment among the respondents was measured by asking them to give their opinion on identified indicators such as mobility, recognition in family, recognition in community, interaction with outsiders, literacy, asset building ability, control over family income, skill development, decision making, access to health services, sanitation, and credit sources etc., through five point continuum scale. The study reveals that 17.33 percent of the sample respondent's suggestions to improve the performance of SHGs are to provide more loans, whereas 60 percent and 22.67 percent of the sample respondents' suggestion is to provide loan at right time and to provide loan at lesser rate of interest. The present study undertaken in Vellapatti village reveals that SHGs have made a tremendous impact on social dimensions of women members.

Keywords: Self-Help Groups, rural women, entrepreneurship development, poverty reduction, decision making, microfinance.

JEL Classification : D14, D70, D92, M13, Q14

1. Introduction

The micro finance institutions are playing a dominant role in empowerment of women. The expansion of micro finance through self-help group model is high in south India and it has been largest in Tamilnadu. Empowerment (Bashin and Dhar 1998) is an ongoing and dynamic process, which enhances women's and any other marginalized and alienated group abilities to change the structures and ideologies that keep them subordinate. It is the process of making present power structures more inclusive, including all women and men, senior citizen, indigenous people and people with disabilities.

Empowerment is therefore clearly concerned with power and particularly with the power relations and distribution of power between individuals and groups. Rural women possess abundant resources to take up enterprises. She has the benefit of easy availability of arm and livestock based raw materials and other resources. Hence, she can effectively undertake both the production and processing oriented enterprises. Entrepreneurship development among rural women helps to enhance their personal capabilities and increase decision-making status in the family and society as a whole. This study discusses the role of Self-Help Groups in women entrepreneurship in Vellapatti village of Tuticorin town.

Conclusion

The present study undertaken in Vellapatti village reveals that SHGs have made a tremendous impact on social dimensions of women members. Microfinance has been one of the few effective tools for poverty reduction over the past years. Through the creation of self-help groups, poor people can safely deposit money and accumulate funds for future investments or emergencies as well as access loans for productive purposes leading to higher incomes. The SHGs would continue to produce revolutionary results in the study area if the organization promoting microfinance programs pay more attention to the existing and new groups for a visible success. Thus we can conclude that being a member of Self Help Group women is economically empowered.

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The Impact of the Exchange Rate on Economic Competitiveness – The Romanian Case

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Abstract:

The aim of this paper is to analyze the impact of the exchange rate on economic competitiveness of a country, in general, and on Romania's competitiveness in particular. In the research it is underlined the importance of a right choice of the equilibrium exchange rate at the entrance of ERM II and the equilibrium exchange rate is computed using the BEER method.

Keywords: equilibrium exchange rate, ERM II, competitiveness, BEER method.

JEL Classification: F31, F55, O52

1. Introduction

Choosing the right central parity at the entry into the ERM II is subject to the exchange rate knowledge and the establishment of the central parity as close to it, not to endanger the process of nominal and real convergence.

On short-time, the undervaluation of domestic currency has positive effects, leading to increases in exports, current account improvements and the growth of the competitiveness of the economy.

In the long-term, the situation must be examined very carefully, because the entry into the ERM II and the introduction of the euro at an overvalued exchange rate will lead to a loss of competitiveness of the economy and the slowing of the real convergence process. At the same time, an overvalued rate exchange increases the risk of a speculative attack. The entrance into the ERM II and the introduction of the euro at an overvalued exchange rate will involve inflationary pressures, in that the expected real appreciation of the exchange rate can be achieved only through a higher inflation.

In both cases, the convergence criteria can be damaged, making even more important the knowledge of the exact level of the equilibrium exchange rate.

2. Model and method

Understanding the determinant factors of the exchange rate is important in conducting the monetary policy, the assessment of the macroeconomic impact of the exchange rate evolution depending on the source of the shock that generated it.

In particular, it is important, although not easy to assess, to what extent the exchange rate is determined by various fundamental macroeconomic variables. To this end, several alternative econometric methodologies are used to estimate the determinants of the real exchange rate.

Although the equilibrium exchange rate estimates based on the *Purchasing Power Parity* theory are widely used in estimating the impact of the exchange rate on the macroeconomic variables, the validity of this theory is questioned, especially on medium and long time horizons. The most widely used alternative to PPP is the Harrod-Balassa-Samuelson model developed by Harrod (1933), Balassa (1964) and Samuelson (1964). Also, in the specialized literature, various approaches have been proposed for determining the equilibrium rate, more important being the *Natural Real Exchange Rate – NATREX* methodology, developed by Stein in 1994, the *Behavioral Equilibrium Exchange Rate – BEER* methodology proposed by Clark and MacDonald in 1999 and the *Fundamental Equilibrium Exchange Rate – FEERIA* methodology developed by Williamson in 1994.

The *BEER* model, formalized by Clark and MacDonald, was developed as an alternative to the FEER model and involves the modeling of the real exchange rate, in the reduced form, based on the cointegration relations. This equilibrium exchange rate is consistent with the actual values of the fundamental macroeconomic variables. The equilibrium real exchange rate obtained by the BEER methodology is consistent with the values obtained using the FEER model, if consistent with the equilibrium values of the fundamental variables (it is determined based on the equilibrium values of these variables using the cointegration relations determined from their actual values).

Clark and MacDonald take into account three variables in determining the long-term equilibrium rate:

$$\hat{q}_t = f\left(\overset{+}{tot_t}, \overset{+}{tnt_t}, \overset{+}{nfa_t}\right)$$

where: *tot* – represents the exchange ratio (*terms of trade)*;

tnt – the Balassa-Samuelson effect (the relative prices calculated as a ratio between the *non-tradable prices and the tradable prices*);

nfa – net foreign assets.

The sign placed above the right variables in the equation is the partial derivative.

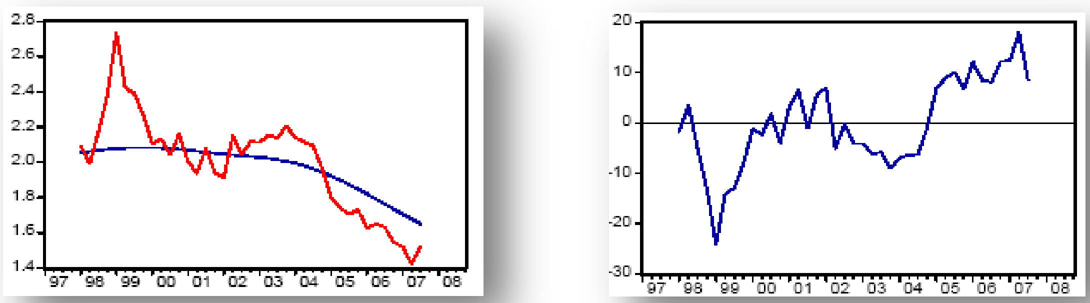
Econometric methods used in the BEER evaluation are mainly based on the VEC (*Vector Error Correction*) methodology developed by Johansen (1995). One of the advantages of this methodology, in contrast to other methods, is that it allows the testing of cointegration between variables and determining the number of cointegration relationships.

Conclusions

We see the negative impact that the degree of openness of the Romanian economy has on the exchange rate within the meaning of depreciation, and the positive influence of the net foreign assets.

Analyzing the path of the equilibrium exchange rate (Figure 1) and its deviation, we can see the overvaluation of the leu against the euro in the past three years, situation that has changed in the third quarter of 2007.

Figure 1. Real equilibrium exchange rate and real exchange rate deviation from the equilibrium value



The estimate of the equilibrium exchange rate of domestic currency has a tendency to appreciate (a decreasing trend), a trend that was accentuated in the second part of the period analyzed, the leu being overvalued compared with the equilibrium value.

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Dividend Policy: as Review and Research Agenda

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Abstract

This paper reviews the diverse literature and summarizes the state of knowledge on dividend policy related issues. It integrates the existing research in the field. A systematic analysis of extant dividend policy literature is conducted to order them into domains that have implications for managers and researchers. The paper is structured into three such domains: (A) Dividend payout announcement as signaling effect: in long run (future earnings performance of firm or structural change); and in short run (shareholders' wealth); (B) Tax effect, preferences and clienteles effect; and (C) Agency cost effect, dividend determinants, firm's characteristics, investors and managers behavior. This paper contributes by increasing the clarity of dividend policy related issues classification, reflecting on the implications of multi-polar effects of dividend policy. An effort is made to give answers to researchers/managers' related problems and advancing future agenda for scholars in this research community.

Keywords: dividend policy, signaling effect, market efficiency, firm value, agency cost, dividend determinants, macroeconomic factors, dividend payouts.

JEL Classification: G14, G12

1. Introduction

The Dividend policy has always been one of the key decisions for the finance managers and one of the key areas of finance researchers. The relevancy and irrelevancy of dividend policy with various effects like signaling, agency, tax preferences, bird in the hand, clienteles and determinants of dividend policy in respect of affecting stock value, shareholders' worth, firm value, earnings, capital structure, investment policy, leverage ratio, borrowing policy etc. has remained main concerns of the researcher in the area of corporate finance as well as behavioral finance.

The term dividend refers a share of profit to shareholders as a return in form of dividend yield, companies can payout dividend to their shareholders in two ways: a. stock dividend (share repurchase); and cash dividend. Determination of dividend payout policy is a key decision of firm as it is determined by firm's size, opportunity investment, growth, leverage or debt ratio, retained earnings level etc. Once dividend payout policy is designed by firms in respect of dividend yield, payout ratio, earnings per share and dividend per share, certain factors get affected by dividend announcement like earnings performance of company, share price, firm value. As various studies have traced that payout changes creates volatility in stock prices among the control variables (efficient market). It was discovered that the size and debt had the highest correlation with price volatility while size had a significant negative relationship with price volatility. Suggesting that the larger the firm the less volatile the stock price, on other hand debt has shown a significant positive relationship with price volatility suggesting that the more leveraged firm is, the more volatile would be the stock price.

As dividend policy and its effect on market value of firm in form of value creation in short run and in long run for the firm has been a subject of discussion and research for the academician and managers. Numerous studies have been conducted on dividend in the prospects of managers' view toward dividend policy, the issue of relevancy and irrelevancy of dividend has been puzzle, even since more than 60 years research work going on dividend but yet not conclusive result came out. As Fisher Black said about dividend policy 'the harder we look at the dividend picture the more it seems like a puzzle'. Dividend payout has been controversial issue and this controversy has been categorized into three categories: (i) there is a conservative group which believes that an increase in dividend payment increases firm value; (ii) There is radical group which believes that a higher dividend payment reduces the firm value; And (iii) middle of the road group claims that payout policy does not make difference in firm value.

Dividend dimensions: following are the aspects on which a wide work has been done for 40 years after revolutionary findings of Miller and Modigliani (1961) – irrelevancy of dividend:

- Dividend payout announcement as signaling effect: in long run (future earnings performance of firm or structural change); and in short run (shareholders' wealth);
- Tax effect, preference and clientele effects;
- Agency cost effect, dividend determinants, firm's characteristics, investors and managers behavior.

Conclusion

This review concludes that dividend policy is still an issue of discussion and research at global level. Many studies have been documented in the direction of its two dimensions: relevancy; and irrelevancy. The empirical results of studies have statistically significant and insignificant evidence for dividend dimensions. Although empirical results vary at industry level, corporate policy, economy level and country level in respect of same determinants for example, it is found that countries who abide with high dividend distribution tax, believes in paying low dividend example- India, Bangladesh, Pakistan, Saudi Arab. For example tax brackets vary country to country on dividend income and capital gain as long term capital gain is tax exempted in USA. Even tax reform act 1986 has eliminated the treatment difference between capital gains and dividend income in USA. Internal ownership and corporate governance is very dominant in Pakistan than Bangladesh and India. Agency cost effect has been seen in Bangladesh and India but not in USA and UK. Dividend policy explanatory factors are more dominant on dividend payout policy in emerging economy than emerged economy. For USA future earnings and past dividends are main determinants and focus on the smooth dividend policy. For Turkey current earning is main determinant in formulating dividend policy. In Malaysia dividend payment is very sensitive to change in earnings and dividend policy vary at industry level. Firms in emerging economy follow less stable and smooth dividend policy whereas in emerged economy smooth dividend policy is followed.

This review provides an insight to explore further scope for research in tax preferences domain in emerging economies. This review opens doors for more exploration of dividend policy in emerging economy in prospect of behavioral approach of managers and investors and characteristics of firm. Further the research scope may be explored in dividend relevancy with special reference to macroeconomic factors and stock price behavior in emerging economies. Dividend payout policy has been influenced by various branches or/ effects like signaling, agency, clienteles, tax preferences, stability (bird in the hand), characteristics of firm (size, profitability, growth, investment opportunity, capital structure, debt rating or leverage burden) with effect on firm value, stock value, current earnings, future earnings, shareholder's wealth and behavior of corporate governance/ managers, investors, suppliers of capital etc.

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European Health System – A Theoretical Analysis as an Alternative for Romania

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Abstract:

It is difficult to predict a people's health, since disease occurs primarily in modern society as the consequence of a way of life, while the society tries to heal what actually was destroyed by urbanization and by industrialization of working conditions and life. Partial failure of the executive is determined by the dissatisfaction caused by the malfunction of health services determined by the increase of healthcare expenses and also by the perception that health is not an investment in the economic sense. Also health insurance schemes have not been and still are not the proper solution to these problems but only palliative relative to the absence of viable alternatives.

Keywords: system, executive, health, services, patient, economy.

JEL Classification: I11, I15, H15

Introduction

Transformations in recent years have had profound repercussions on public health systems operating in central and Western Europe (Busse 2002).

They aim at ensuring human rights and unfettered access to patient care by (European Commission 2007):

- complete information on clinical status that is, the level of training, perception and therapeutic services that may be given (Figueras 2005);
- confidentiality of medical conditions;
- accepting confessional restrictions and philosophical beliefs (Puşcaş 2010);
- right to attentive care respecting considerations of human dignity and image (Josep 2004);
- the ability to accept or reject, partly or completely, the prescribed therapeutic act (OECD 1995);
- the ability to inform about the necessary treatment, not given or improperly administered etc.

Conclusion

'Health care market' has always been influenced by particular aspects of community needs. In this case, 'health need' is a problem to be solved by local or central government. This led to the idea to share out the 'risk' of falling ill throw collective insurance schemes. Macroeconomic study on the factors that condition the use of medical care, health insurance and social protection will always take into account:

- demand for healthcare as a concrete indicator, as the notion of 'need' is subjective and has no tangible value, manifesting itself unduly, usually unlimited;
- the 'health' offer of the existing medical structures, which endeavors to meet the need for health, respectively the preservation instinct of the individual.

The reform process should contribute to reducing or eliminating dysfunctions that occur in the 'health insurance' field both in countries with an acknowledged, stable and long-term established market economy and in countries that renounced the state monopoly of production factors, exercised through a centralized system of scheduling and management.

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