

The University of Scranton
Office of Research Services
FACULTY RESEARCH COMMITTEE – INTERNAL RESEARCH GRANTS

II. BUDGET

	Amount
A. Salaries and Wages (<i>students and other personnel paid through University payroll</i>) - specify no. of hours and hourly wage 133 hours at \$14 per hour	1,858
A. Total Salaries & Wages	1,858
B. FICA (<i>0.0765 x total salaries and wages</i>)	142
B. Total FICA	
C. Consultants and other Fee-for-Service Personnel (<i>personnel paid via check voucher</i>) - specify no. of hours and hourly wage	
C. Total Consultants	
D. Equipment	
D. Total Equipment	
E. Supplies	
E. Total Supplies	
F. Travel (<i>itemize mileage, per diem, hotel, airfare</i>)	
F. Total Travel	
G. Other	
G. Total Other	
H. TOTAL PROJECT COST	2,000
I. AMOUNT REQUESTED (<i>Max. \$2000 individual; \$3000 collaborative</i>)	2,000
J. Subtract I from H - If H is greater than I, explain in Budget Justification how the additional expense will be covered.	

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III. BUDGET JUSTIFICATION (1 page) - *Explain items included on Budget form, e.g., calculation base, relevance to the project, how additional expense will be covered.*

I need a capable graduate student who can work for a total of about 7-14 weeks (average of 10-20 hours per week) to help with obtaining economy-wide and industry-wide data, along with relevant literature, that will be necessary to conduct my research.

IV. NARRATIVE (maximum 6 pages) - *Please address all items; do not leave a section blank (specify “none” or “not applicable” as appropriate).*

A. Background, Relevance, and Significance

While numerous studies have attempted to address similar questions related to the effects of financial status on capital investment, the use of data at the level of the firm, as applied to the Great Depression and with extensive income and balance sheet information, has been rare, especially as viewed from the more recent financing constraint literature. This literature has provided both theoretical and empirical aspects related to the role of finance in firms' capital investment decisions. With the recent financial turmoil in connection with the sub-prime housing market and the related “credit crunch,” questions have arisen as to how it would affect the economy through changes in business and consumer spending. I hope to shed light on such a process through this research that uses firm-level data over the period of the Great Depression.

The relevance of this research is that it tries to understand the interactions between firms' financial and operating decisions in relation to the prevailing regulatory and macroeconomic conditions. The regulatory environment which I am referring to had to do with information disclosures made available to investors; and the macroeconomic environment refers to changes in economy-wide conditions that may have been partly a result of public policy decisions. These environments provide a context for examining how a firm's financial conditions affect its investment and production decisions.

The significance of the research lies in the fact that today's economies are still subject to financial crises of the proportion that make it critical to understand their mechanism. One of the best ways of studying such a question is to examine a similar period - the Great Depression in this case - with firm-level data.

B. Objectives

The objective of the research is to understand how and to what extent a firm's financial status conditions its response in terms of capital investment over the

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business cycle with different credit conditions and where the regulatory environment on information disclosures may affect the cost of capital.

C. Methodology

I use regression analysis to examine how capital investment may be related to a firm's financial status as measured in various ways: cash flow, dividend payout ratio, working capital, and quick ratio. Control variables will be used to account for investment opportunities available to the firm, and for industry- and economy-wide conditions, including the regulatory environment, that may affect the capital investment decision

D. References

Bernanke, Ben S. *Essays on the Great Depression*. Princeton, NJ: Princeton University Press, 2000.

Calomiris, Charles W. and R. Glenn Hubbard. "Internal Finance and Investment: Evidence from the Undistributed Profits Tax of 1936-37." *The Journal of Business* 68.4 (October 1995): 443-482.

Koch Albert R. *The Financing of Large Corporations, 1920-1939*. Cambridge, MA: National Bureau of Economic Research, 1943.

Merwin, Charles L., Jr. *Financing Small Corporations in Five Manufacturing Industries, 1926-1936*. Cambridge, MA: National Bureau of Economic Research, 1942.

Moody's Industrial Manual. Various years. New York: Moody's Investors Service.

E. Dissemination Plans

I plan to submit to a journal such as *Managerial Finance*, and to a future conference (October 2009) sponsored by the Financial Management Association.

F. Previous Internal Research Funding and Results (for all investigators)

I was approved for \$2,000 in 2007 and \$1,500 in 2006. The funds were used to pay graduate students for helping with finalizing the data set related to the use of derivatives and financing constraints, which I plan to present in April 2008 at a conference in Dallas. Part of these funds was also used in completing the data set to be used in this research.

G. Plans for Continuation Funding/Additional Funding Sources

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I think a possible source is through the KSOM faculty development plan.

V. BIOGRAPHICAL INFORMATION (1 page for each investigator)

I have a Ph.D. in economics. I teach courses in managerial economics, applied econometrics, intermediate micro- and macroeconomics, and principles of micro- and macroeconomics. I have also taught a course on the economics of e-commerce.

EDUCATION

1981	Ph.D., Department of Economics SUNY at Binghamton
1977	M.S., Economics SUNY at Binghamton
1975	B.S., Economics SUNY - College at Brockport

SCHOLARSHIP (publications and presentations)

Nguyen, Hong (with Michael Mensah and Yun Fan). "Derivative Instruments and Their Use for Hedging by U.S. Non-Financial Firms: A Review of Theories and Empirical Evidence." *Journal of Applied Business and Economics* 7.2 ((2007): 35-57.

Nguyen, Hong (with Michael Mensah and Satya Prattipati). "Transparency in Financial Statements: A Conceptual Framework from a User Perspective." *Journal of American Academy of Business* 9.1 (March 2006): 47-51.

Nguyen, Hong (with Michael Mensah). "The Use of Derivatives by Financial Firms." Paper presented at the *International Business and Economics Conference*, Las Vegas, September 3-7, 2005

Nguyen, Hong (with Michael Mensah). "An Empirical Study of the Impact of Finance on Production and Growth." *Proceedings of the International Conference on Policy Modeling*, The Sorbonne, Paris, June 30 - July 2, 2004.

VI. APPENDIX

A printout of the data set would take too many pages, so it will be made available upon request.