PAPER 1

Digital Lending and Financial Well-Being: Through the Lens of Mobile Phone Data

Authors:
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Abstract:
By leveraging machine-learning algorithms and using nontraditional digital data derived primarily from borrowers' mobile devices, digital lenders have vastly expanded access to credit in developing economies for millions of individuals without a prior credit history. At the same time, short-term, high-interest-rate digital loans are often issued to borrowers with low financial literacy and are subject to weak consumer protection, raising concerns over predatory lending practices. To examine how access to digital credit influences borrowers' financial well-being, we take advantage of a proprietary data provided by a large digital lender in Kenya that randomly approves loan applications that would have otherwise been rejected based on the borrower's credit profile. We find that access to digital credit enhances the financial well-being of borrowers across a variety of mobile-phone-based well-being measures, including their monetary transaction volume, mobility, and social networks, as well as borrowers' self-reported income and employment. Additionally, we provide some supporting evidence that access to digital credit leads to a greater improvement in financial well-being when borrowers have limited access to credit, take loans for business purposes, and obtain more credit. Overall, we demonstrate that access to short-term, high-interest-rate digital loans can benefit borrowers in developing economies.

PAPER 2

Textual Feedback as a Control Mechanism: Evidence from Patient Comments

Authors:
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Abstract:
We examine textual feedback using tens of thousands of patient comments and their corresponding numerical ratings of medical care providers. Patient comments incrementally explain care providers' current overall numerical ratings beyond granular subcomponent ratings. Moreover, care providers appear to use the information in written comments to improve performance in the future; after controlling for numerical ratings, care providers' future performance improves when they receive textual feedback that is more negative, specific, or salient, although specific comments appear to have a greater impact when they are not negative. We examine nuance in these average results by tying the content of comments to directly related outcomes. Comments about wait times are associated with longer future wait times when the feedback is not negative, specific, or salient, perhaps because care providers have already maximized performance on this dimension. Further, care providers who receive patient comments about medical mistakes experience a reduction in future mortality rates regardless of the manner in which the feedback is given, suggesting stylistic attributes of comments do not matter when they include information that is inherently negative, salient, and specific. Our results suggest that patient comments provide valuable feedback to care providers, even though patients themselves have a disadvantage in terms of medical knowledge and expertise.

PAPER 3

Audit Fee Disclosure in the Year of an Auditor Switch

Authors:
Yongtae Kim, Santa Clara University
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Abstract:
In the year of an auditor change, current regulation only requires disclosure of the audit fees paid to the successor auditor. Notwithstanding, a non-trivial percentage of companies voluntarily disclose fees paid to the predecessor auditor. We examine whether strategic motivations underlie companies' decisions to voluntarily disclose predecessor auditor fees in the year of an auditor switch. Consistent with signalling theory, we find evidence suggesting that incentives to avert investor suspicions regarding opportunistic motives for changing auditors influence decisions to disclose predecessor auditor fees. Specifically, the likelihood of voluntarily disclosing predecessor auditor fees increases when the successor auditor is appointed later in the audit period, when there is evidence of initial-year fee discounts, when the auditor change can be perceived as a downward switch, and when the short-window market reaction to the auditor change announcement is more negative. Voluntary disclosure of predecessor audit fees appears to be a credible signal, as evidenced by a reduced likelihood of subsequent restatements and auditor changes as well as larger subsequent earnings response coefficients.

PAPER 4

The Effect of Public Firm Audit Regulation on Private Firm Auditing: Audit-Partner-Level Evidence

Authors:
***Lisa Yao Liu**, Columbia University
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Abstract:
Using partner-level data on audit adjustments for public firms and audit-opinion data for private firms, we study whether and how public firm audit regulation impacts audit partners' private firm auditing practices. We exploit a regulation in China that applies only to public firm auditing and aims to increase transparency and rigor in audit procedures. Following the implementation of the regulation, audit partners issue more modified opinions for private firms. We explore two potential mechanisms through which audit partners treat private clients less leniently: knowledge transfer and increased professional skepticism. We find suggestive evidence consistent with both mechanisms. Collectively, our paper demonstrates that public audit regulations can have a positive spillover on private firms through audit partners.

PAPER 5

Earnings Targets and Myopic Patent Sales

Authors:
Jinhwan Kim, Stanford University
***Kristen Valentine**, University of Georgia *Presenter

Abstract:
We document a pattern of significantly elevated patent selling activity in the last month of public firms' fiscal year. We examine whether myopic incentives to meet earnings targets, or other reasons, explain this pattern. Using a sample of firm-month observations for innovative public firms, we find firms sell 9.6% more patents (or in aggregate 615 more patents per year) in the last month relative to the first half of the fiscal year. Consistent with our findings being attributable to reporting incentives, last-month sales are more pronounced among patents that are economically valuable and internally developed (which likely produce greater reported gains), and among firms that have the strongest incentives to meet or beat earnings expectations. Although patents sold in the last month are more valuable, firms are less likely to report these sales in their 8-K filings, relative to sales in other months, consistent with firms attempting to conceal their "myopic" motivations. In line with these sales being myopic, abnormally high patent sales in the last month are linked to significantly lower future firm performance. In contrast, we fail to find abnormally high last-month patent sales among private firms, firms with potential tax motivations, and firms with financial constraints, inconsistent with alternative explanations. Finally, patents sold in the last month are litigated more frequently in part because they are disproportionately sold to "patent trolls", who are accused of opportunistically acquiring patents to engage in frequent, frivolous litigation. Our findings highlight how financial reporting incentives contribute to myopic patent sales, which in turn harm firm value and impact the market for innovation more broadly.

PAPER 6

Corporate Green Bonds: Market Response and Corporate Response

Authors:
Sanjai Bhagat, University of Colorado Boulder
***Aaron Yoon**, Northwestern University *Presenter

Abstract:
We analyse the stock market response to a comprehensive international sample of 1,560 corporate green bond announcements between January 2013 and January 2022. We do not find any significant market response to these green bond announcements. We conduct a battery of tests to check the robustness of this result, including a focus on the power of event study methodology as it relates to event window length. Also, we find that in the year of the green bond announcements, the abnormal operating performance of these announcing firms is significantly negative, which is consistent with the argument that managers of these firms are using the green bond announcements as a cover for their poor business performance.