

Topics for Bachelor/Master Theses

We provide interested students of business administration with the opportunity to write their theses in the following area of research:

Sustainable Finance

According to the World Economic Forum (2021), environmental threats represent one of the greatest risks facing society today. As a result of global warming, environmental scandals, and ongoing environmental degradation, environmental awareness is steadily increasing. This has implications for all financial actors. In order to meet current needs without compromising the ability of people to meet their needs in the future, investors and companies are increasingly incorporating ESG (environmental, social and governance) criteria into their decision-making processes.

■ TOPIC AREAS:

A) Motivation to Invest Socially Responsibly and Willingness-to-Pay for SRI Products

Socially Responsible Investing (SRI) is growing fast. In 2020, approximately 17.1 trillion USD of US assets under management were characterized as socially responsible – an increase of 42 percent compared to 2018 (US SIF, 2020). Examining this shift in investment preference, one strand of research in the Sustainable Finance literature focuses on the investor perspective and investigates the motivational factors of individuals to invest socially responsibly. Next to the empirical evidence on superior financial performance of responsible firms (Guenster and Koegst, 2018), social preferences, such as altruism, can be identified in the literature as well (Brodback et al., 2019). Individuals are shown to value corporate social responsibility as measured by a higher willingness-to-pay for sustainable assets (Brodback et al., 2021). These insights emphasize that investors do not only rely on pecuniary motives but also intrinsic motivations when conducting investment decisions.

- Preferences of SR Investors and their Decision-Making Processes
- Environmental, Social and Governance (ESG) Criteria and their Implications on Financial Performance

B) Green Bonds

One particular SRI instrument are green bonds – corporate bonds that are used to finance environmentally-friendly projects. Due to rising environmental awareness, green bonds have emerged in recent years as a complementary financial product especially designed for debtors. The issuance of green bonds rocketed from approximately 5 billion USD in 2013 to almost 100 billion USD in 2018 (Flammer, 2021). From an investor perspective, green bonds are suggested to represent a credible signal of a firm's commitment to the environment. From a corporate perspective, green bonds are expected to lead to a lower cost of capital and to create reputational advantages, such as an increase in institutional ownership (Tang and Zhang, 2020).

- Issuance of Green Bonds: Cost of Capital / Financial Performance / Reputational Effects

C) Financing of For-Profit Social Enterprises

Over the last couple of years, companies are increasingly committing themselves to sustainable practices, for example, by complying with certain environmental standards (e.g., The Equator Principles, UN Sustainable Development Goals). One particular type is the for-profit social enterprise – a hybrid of commercial enterprise and non-profit organization. This type of business can be traced back to entrepreneurs who are intrinsically motivated, which means that they combine the profit motive with a social mission. In this context, B-Corps represent externally certified for-profit social enterprises (e.g., Patagonia, Ben and Jerry's). Primary evidence from this young research field suggests that for-profit social enterprises differ from commercial enterprises in their financing decisions and enjoy several advantages, for example, in terms of employer attractiveness and stakeholder management (Siqueira et al., 2018; Conger et al., 2018).

- For-Profit Social Enterprises and their Capital Structure
- The Implications of B Corp-Certification

D) Climate Risk / Climate Change

Given the evident threat of future global warming, climate poses a growing systematic risk to all businesses. Higher climate risk is shown to lower corporate profitability and lead to higher earnings volatility (Huang et al., 2019). In addition to these exogenous extreme weather-related events, environmental awareness and climate change media exposure represent external pressures affecting a firm's strategic management decisions (Delmas and Toffel, 2008). Consequences such as carbon taxes or disclosure requirements are changing the way companies operate. Adaptation to climate change is therefore becoming increasingly important.

- The Effect of Climate Risk / Climate Change on Corporate Financial Performance
- The Implications of Environmental Awareness / Climate Change Media Exposure

E) [Student's own proposal]

As an alternative to the presented topics, students can also propose their own research topic. To do so, we kindly ask students to prepare a short proposal.

- PROSPECTIVE THESIS ADVISORS:
 - Christian Dreyer, M.Sc.
 - Philip Mensing, M.Sc.
 - Oliver Schulz, M.Sc.

- STARTING LITERATURE:

Brodback, Daniel/Guenster, Nadja/Mezger, Daniel (2019): Altruism and Egoism in Investment Decisions, *Review of Financial Economics*, Vol. 37(1), pp. 118-148.

Brodback, Daniel/Guenster, Nadja/Pouget, Sébastien/Wang, Ruichen (2021): The Valuation of Corporate Social Responsibility: A Willingness-to-Pay Experiment, Working Paper.

Conger, Michael/McMullen, Jeffery S./Bergman Jr., Brian J./York, Jeffrey G. (2018): Category Membership, Identity Control, and the Reevaluation of Prosocial Opportunities, *Journal of Business Venturing*, Vol. 33(2), pp. 179-206.

Delmas, Magali A./Toffel, Michael, W. (2008): Organizational Responses to Environmental Demands: Opening the Black Box, *Strategic Management Journal*, Vol. 29, pp. 1027-1055.

El Ghoul, Sadok/Guedhami, Omrane/Kim, Hakkon, Park, Kwangwoo (2018): Corporate Environmental Responsibility and the Cost of Capital: International Evidence, *Journal of Business Ethics*, Vol. 149, pp. 335-361.

Flammer, Caroline (2021): Corporate Green Bonds, *Journal of Financial Economics (forthcoming)*.

Guenster, Nadja/Koegst, Jakob (2018): Environmental Responsibility and Firm Value. In: Green Crimes and Dirty Money, Routledge.

Huang, Henry H./Kerstein, Joseph/Wang, Chong (2018): The Impact of Climate Risk on Firm Performance and Financing Choices: An International Comparison, *Journal of International Business Studies*, Vol. 49, pp. 633-656.

Siqueira, Ana C. O./Guenster, Nadja/Vanacker, Tom/Crucke, Saskia (2018): A Longitudinal Comparison of Capital Structure Between Young For-Profit Social and Commercial Enterprises, *Journal of Business Venturing*, Vol. 33(2), pp. 225-240.

Tang, Dragon Y./Zhang, Yupu (2020): Do Shareholders Benefit From Green Bonds?, *Journal of Corporate Finance*, Vol. 61, pp. 1-18.