

BICM Research Seminar 14

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Paper details	
Title	Social Capital and Capital Allocation Efficiency
Authors	Md Nazmul Hasan Bhuyan, PhD, CFA North Carolina Agricultural and Technical State University
	Avishek Bhandari, PhD The University of Wisconsin–Whitewater
Presentation details	
Presenter researcher	Md Nazmul Hasan Bhuyan, PhD, CFA
Date:	August 11, 2022 (Thursday)
Time:	11:00 AM - 12:30 PM
Venue:	BICM Multipurpose Hall
Expected Participants	Faculty Members of BICM & Invited Guests
Discussants	Dr. M. Jahangir Alam Chowdhury Professor & Chairman Department of Finance Faculty of Business Studies University of Dhaka
	Shakila Halim Assistant Professor Department of Finance Faculty of Business Studies University of Dhaka

About the presenter

Dr Md Nazmul Hasan Bhuyan, CFA is an Assistant Professor of College of Business & Economics at North Carolina Agricultural and Technical State University. He was initially graduated from department of Finance of University of Dhaka. Then he obtained his masters (MBA) in Financial Management from Lamar University and PhD in Finance from Florida Atlantic University. Dr Bhuyan has published several peer reviewed international journals including Journal of Behavioral and Experimental Finance, Applied Economics etc. Dr Bhuyan has presented numerous seminar presentation as invited keynote speaker. His research interest includes corporate finance, investment, banking etc.

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The paper abstract is given below. If you have any questions regarding the seminar or you wish to present a paper or invite a guest researcher, please do not hesitate to communicate S. M. Kalbin Salema, Lecturer, BICM at kalbin@bicm.ac.bd.

Social Capital and Capital Allocation Efficiency

Md Nazmul Hasan Bhuyan, PhD., CFA¹
Avishek Bhandari, PhD.²

Abstract

Based on the social norms and structural theories of social capital, this study examines the relationship between community social capital and the firms' capital allocation efficiency. We hypothesize and find that the community social capital of a firm's headquarter area has a negative and statistically significant impact on its capital allocation inefficiency, which is robust to alternative proxies for community social capital and capital allocation inefficiency, propensity score matching, instrumental variable regressions and change analysis. In addition, we find that the effect of community social capital is more pronounced for firms with poor internal ethical culture and weak network connections to outside executives and directors, implying that community social capital becomes important in these situations. This finding links prior social norms and networks literature to capital allocation studies in that the norms and networks components of community social capital discipline self-interested managers' behavior and reduce information asymmetry-two channels of capital allocation efficiency. Overall, community social capital works as a compensatory monitoring and information transfer mechanisms and improve the firms' capital allocation efficiency.

JEL Classification: G30, G39, Z13

¹ North Carolina Agricultural and Technical State University

² The University of Wisconsin-Whitewater