

1. Interdisciplinary finance

Introduction

As a discipline, finance largely emerged from economics, and in terms of incorporating ideas, knowledge and theories from disciplines outside of finance, economics remains a key source of interdisciplinary knowledge. One of the first finance research strands to incorporate knowledge from disciplines outside of economics was behavioural finance. Since 1985 and the publication of DeBont and Thaler's article on stock market over-reaction, the behavioural finance literature, which draws heavily from the psychology discipline, has grown substantially (Branch, 2014).

The flow of ideas between disciplines is critical to developing new insights and processes. In reviewing the literature on interdisciplinary research, Rafols *et al.* note that it is credited for to scientific breakthroughs, addressing social issues, fostering innovation and generating new research avenues, while also revitalizing disciplines. Yet despite the clear evidence in favour of interdisciplinary research, Rafols *et al.* show that top-tier business and management journals (including finance) are systematically biased against interdisciplinary research in the favour of mono-disciplinary research.

Pieters and Baumgartner (2002) examine citation flows between top-tier economics journals and top-tier journals in nine other business and social disciplines including finance, management, marketing, operations research, political science, psychology and sociology. Using citations for 1995 to 1997, they find that economics is a key source of interdisciplinary knowledge in the other disciplines, yet economics journals rarely cite those disciplines, and when they do, the majority are from top finance journals. Pieters and Baumgartner (2002) also show that finance journals almost exclusively cite the top economics journals as their primary source of interdisciplinary knowledge.

Since the period examined in Pieters and Baumgartner (2002), there has been increasing acceptance of interdisciplinary finance research, and new research branches have been established as a result. Although seminal mainstream finance papers are extensively cited, foundation articles linking finance with other disciplinary areas are also highly cited. For example, Markowitz's (1952) paper on portfolio theory has over 37,000 cites[1], while market efficiency studies are also heavily cited (e.g. Fama, 1965 has over 11,000 cites, while Malkiel and Fama, 1970 is cited more than 23,000 times). To contrast, more recent papers linking finance with other disciplines include, law with over 23,300 citations (La Porta *et al.*, 1998), psychology with De Bondt and Thaler (1985) attracting 8,400 cites and sociology with 1,600 citations for Stulz and Williamson's (2003) work on culture and finance. Multidisciplinary studies also open further research avenues. For example, Barber and Odean (2001) linking the disciplines of psychology, sociology and finance has been cited over 4,500 times. This highlights the importance of interdisciplinary work in opening new avenues of research.

The goal of this special topic on interdisciplinary finance was to provide an outlet for interdisciplinary finance research that may face the biases identified by Rafols *et al.* We now briefly outline the four accepted papers for the special topic.

2. Interdisciplinary research in finance special topic overview

As highlighted above, there is now a large body of research stemming from La Porta *et al.* (1998) on examining how the legal and regulatory environment impact firms and markets. In the first special topic paper, Malm and Sah (2019) add to the legal and litigation literature,

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by exploring litigation risk and working capital management. Using a hand-collected data set of corporate lawsuits against S&P 1,500 companies, they show that higher litigation risk firms have longer cash conversion cycles. All components of the cash conversion cycle are affected, with higher litigation risk firms, take longer to pay suppliers, collect money from customers and turnover their inventory.

In the second paper, Li and Hwang (2019) argue there is an investors' behavioural bias link between discretionary accruals and stock returns. More specifically, when firms experience significant stock price increases (decreases), investors pay less (more) attention to the quality of financial information. Using quantile regression, the authors find supporting evidence. Investors positively price discretionary accruals when stocks prices are rising, but negatively value discretionary accruals in firms with recent substantial share price declines. In linking to the legal and regulatory environment, the authors also examine whether the Sarbanes–Oxley Act affects the investors' behavioural biases associated with earnings management. However, Li and Hwang (2019) find similar investor behavioural biases both before and after the regulatory change, suggesting the regulatory environment have limited impact on investors' behavioural biases.

The third paper also examines behavioural biases of investors. Drawing on the socioeconomic and psychology disciplines, Baker *et al.* (2019) examine how financial literacy and demographic variables are related to investor's behavioural biases including the disposition effect, overconfidence, mental accounting and herding, among others. They find financial literacy, negatively associated with the disposition effect and herding, has a positive association with mental accounting, but is unrelated to emotional and overconfidence biases. Investors' age, occupation and investment experience are key variables relating to behavioural biases, and males exhibit greater overconfidence.

In the fourth paper, Tolani *et al.* (2019) explore the importance of psychological biases and socioeconomic variables in individual's investment decision to purchase insurance. The authors, using a neural network method find a number of demographic and socioeconomic variables help explain an individual's intent to buy insurance, as well as their willingness to pay for the social security benefits of health insurance.

To conclude, we would like thank the people who contributed to this special topic. First, the authors for submitting insightful studies, and then for the dedication of the referees in providing extensive and thoughtful reviews. We thank Don Johnson for his valuable editorial assistance and for giving us the opportunity to act as Guest Editors of *Managerial Finance*. While we were disappointed that we were unable to put together a single dedicated special issue on interdisciplinary finance, it was not through the lack of paper submissions. We received over 30 submissions; unfortunately a large majority of submissions were outside of the scope of the special issue by having very limited or no intersection with other disciplines. This in itself is interesting, and perhaps as finance researchers, we have behavioural biases which predispose us, and/or incentive structures that condition us, to work in the mono-disciplinary manner highlighted by Rafols *et al.*

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Note

1. All citation statistics in this paragraph are based on Google Scholar citations as at 20 November 2018.

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Further reading

- Lagoarde-Segot, T. (2015), "Diversifying finance research: from financialization to sustainability", *International Review of Financial Analysis*, Vol. 39, pp. 1-6.