

**PUBLIC SELECTION BASED ON QUALIFICATIONS AND INTERVIEW FOR THE AWARDING OF NO. 1 EXPERIENCED GRANT LASTING 12 MONTHS FOR CONDUCTING RESEARCH PURSUANT TO ART. 22 OF LAW NO. 240/2010 AT THE CENTRE FOR SOCIO-ECONOMIC DYNAMICS AND COOPERATION (CESC) (SC 13/B4 - FINANCIAL MARKETS, FINANCIAL INSTITUTIONS, AND CORPORATE FINANCE SSD SECS-P/11 – FINANCIAL MARKETS AND INSTITUTIONS) - TYPE B
PICA code: 20AR001**

announced with decree of the Chancellor Rep. no. 816/2019 of 19.12.2019 and posted on the official registry of the University on 13.01.2020

RESEARCH PROJECT

"Financial markets in the south of the world: what future and what role in the light of the climate risk and disaster risk?"

Research structure: Centre for Socio-Economic Dynamics and Cooperation (CESC)

Duration of the grant: 12 months

Scientific Area: 13 - Economics and statistics

Academic recruitment field: 13/B4 – Financial markets, financial institutions, and corporate finance

Academic discipline: SECS-P/11 – Financial markets and institutions

Scientific Director: Prof.ssa Laura Viganò

The research aim is to study the status of financial systems in the Countries of the South of the World, in order to understand their role in economic growth and in improving life conditions, starting from Africa and then extending the analysis to international comparisons. Recent, rapid evolutions and revolutions in the international financial world, due to both issues related to markets and intermediaries' stability and to the underlying profound modifications in productive processes and in enterprises localization, make it interesting to explore how the role of financial intermediaries changes in countries which, on one side, increasingly represent potential targets of productive investments and, on the other side, are certainly important output markets. Furthermore, financial systems are more and more considered as potential promoters of economic growth of marginal layers of the population. Microfinance, often innate in poor areas, has been institutionalized and embedded in financial systems as an important component of this process.

Local financial systems, once often structured based on schemes inherited from the former colonizing countries, were initially aimed at fostering sectors involved in international trade or other sectors considered as strategic by local governments and subsidized also through banking systems (Viganò, 1996). Over time, these systems have been largely privatized and, differently from the past, more focussed also on rural areas, often in collaboration with microfinance intermediaries. This transformation, while not uniform, has generally characterized several countries. The outcomes are differentiated depending on the contexts and geographical, political, historical and systemic situations,

The systems' overall performance, as well as the individual intermediaries' ones, are variable but, in recent years, a strongly growing trend emerges, with performances which are much higher than those of more developed economies. The challenges that operating in Africa entails, in fact, also represent an opportunity. Among these challenges, the strong demographic dynamics which leads to an estimate of a double number of inhabitants by 2050 (UN, 2019) makes it imagine a potential development of financial systems in a continent which currently shows a penetration rate of about one half of the one of other emerging markets. Large growth potentials, however, coupled with greater obstacles on the logistics side and with reference to customer relationships. Current high operating costs in African banks are a consequence of situations which can be faced with leaner banking models, also through technological and digital innovation (McKinsey, 2018). In this picture, a crucial role in financial systems consolidation is represented by risk management, still generally weak with reference to credit risk but also referred to other types of bank risks. Besides typical risks of financial intermediation, other risk still

affect several countries in the continent, like the political instability, and those related to climate and catastrophic events. In Africa, in 2018, 53 catastrophic events caused 2488 victims (SwissRe, 2019). In this perspective, not only it is interesting to understand how the financial system positions itself and manage its own risk exposure but also what financial products, bank and insurance ones, it offers to the overall population, with a special focus on marginal segments which further suffer the consequences of these events, as less equipped to face them.

The described evolution characterizes most of African countries but can be transposed to other countries of the South of the World. The study, in fact, aims at making comparisons with countries of different geographical areas which help interpreting the observed phenomena. The study is complementary to other researches of the FinDev-CESC group. In the past, the group researchers have intensively worked on banking systems, including the rural ones, and, in more recent years they have concentrated on microfinance, mostly based on field research. This project plans to be based mostly on publicly available information. For example it aims at investigating the trends in assets and liabilities of financial intermediaries, the effects of these settings on performances and the contribution to economic development. The final outcome would be an analysis of the most successful factors in fostering this process. Among them, a focus will concern systemic risks, of political or climatic nature, natural or man-made disasters, can influence growth processes. At the same time, the effects of these systemic risks on financial systems will be studied with an interest for the strategies implemented by intermediaries to face these situations. Specific research questions will emerge after a preliminary study on available information and data. We expect that strategies of resilience to systemic risks will play a big role in the ability of systems to stabilize and contribute to development.