

## Nishant Dass

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### ACADEMIC APPOINTMENT

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**College of Management, Georgia Institute of Technology**  
Assistant Professor of Finance

Atlanta, GA  
Fall 2007-onwards

### EDUCATION

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<b>INSEAD</b> , Fontainebleau, France Ph.D., Finance Dissertation: Essays in Corporate Finance (Chair: Massimo Massa)	2002-2007
<b>University of Illinois</b> , Urbana-Champaign, IL, USA M.S.	1999-2001
<b>University of Michigan</b> , Ann Arbor, MI, USA M.S.	1998-1999
<b>Regional Engineering College</b> , Jaipur, India B.Arch. (graduated with <i>Honours</i> )	1993-1998

### RESEARCH INTERESTS

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Empirical Corporate Finance  
International Finance  
Banking

### PUBLICATIONS AND WORK-IN-PROGRESS (abstracts on pages 4-5)

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“Mutual Funds and Bubbles: The surprising role of contractual incentives” (with Massimo Massa and Rajdeep Patgiri)

- Forthcoming in the *Review of Financial Studies*
- Cited in: Hulbert, Mark, 2005, “Paid for Performance, and Freed From the Herd”, *The New York Times*, October 23

“The Bank-Firm Relationship: A trade-off between better governance and greater information asymmetry” (with Massimo Massa)

- Under review at the *Review of Financial Studies* (invited through the RFS/NYFed/Wharton joint-conference, September 2006)

“Institutions and Stock-Market Correlations” (with Pushan Dutt and Ilian Mihov)

“Why are firms value or growth?”

“Why Do CEOs Increase Their Equity-Based Compensation? Because they have to.”  
(with Massimo Massa and Urs Peyer)

## INVITED PRESENTATIONS

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### Conferences:

“The Bank-Firm Relationship: A trade-off between better governance and greater information asymmetry”

- 7<sup>th</sup> All-Georgia Finance conference at the Federal Reserve Bank of Atlanta, October 2007
- European Finance Association 2007 Meetings, Ljubljana, Slovenia, August 2007 (Accepted but unable to present the paper)
- NYU Stern/New York Federal Reserve Bank conference on “Financial Intermediation”, New York, November 2006
- The World Bank/Journal of Financial Intermediation conference on “Bank Regulation and Corporate Finance”, Washington DC, October 2006

“Why Do CEOs Increase Their Equity-Based Compensation? Because they have to”

- American Finance Association Meetings, Chicago, January 2007
- Summer Research Conference at the Indian School Business, Hyderabad, India, August 2006

### Seminars:

“Institutions and Stock-Market Correlations” (with Pushan Dutt and Ilian Mihov)

- Brown-bag seminar, Georgia Tech, December 2007
- Brown-bag seminar, INSEAD, November 2007

“Why are firms value or growth?”

- Hong Kong University of Science and Technology, Singapore Management University, National University of Singapore, Chinese University of Hong Kong (February 2007)
- Georgia Tech, Colorado-Boulder, Purdue, Notre Dame, UC San Diego, UC Irvine (January 2007)

### Discussions:

Financial Management Association 2007 Meetings, Orlando, FL, October 2007

- Goldman, Eitan, Urs Peyer, and Irina Stefanescu, “Industry Competition and the Revelation of Fraud”
- Wang, Qian, “Does Corporate Governance Affect Preferred Stock Ratings and Yields?”

### Presentation of joint-work by a co-author:

“The Bank-Firm Relationship: A trade-off between better governance and greater information asymmetry”

- Western Finance Association 2007 Meetings, Big Sky, MT, June 2007 (Presented by Massimo Massa)

#### TEACHING INTERESTS AND EXPERIENCE

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Interests: International Finance and Corporate Finance

Experience:

- Undergraduates, Georgia Institute of Technology  
Multinational Financial Management, Spring 2008
- MBA, Georgia Institute of Technology  
Multinational Financial Management, Spring 2008
- MBA Program, INSEAD  
Tutor for Financial Markets and Valuation (core course in Finance)  
Jan-Feb 2005 and Sep-Oct 2005

#### SERVICE

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Ad hoc referee for Journal of Empirical Finance  
Discussant at the FMA 2007 Meetings (Orlando)  
Member of the IT Committee, College of Management, GA Tech

#### AWARDS AND HONORS

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PhD Fellowship, INSEAD	2002-2007
James Webb Young Fellow, University of Illinois	1999-2001
Doctoral Program Scholarship, University of Michigan	1998-1999
Certificates of merit, Mathematics Olympiad	1989 and 1991

#### PROFESSIONAL EXPERIENCE

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Summer internship in advertising at Fallon, Minneapolis, MN, 2000  
Apprenticeship in architecture at M/s. Perception, New Delhi, India, 1997

#### REFERENCES

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Available upon request

“Mutual Funds and Bubbles: The surprising role of contractual incentives”, forthcoming in the *Review of Financial Studies*

This paper deals with one of the potential causes of the financial market bubble of the late 1990s: herding behavior of mutual funds. We study the relation between the incentives contained in the mutual fund advisory contracts and the fund managers’ propensity to ride a bubble. We show that the incentives embedded in the contract induce managers to overcome their tendency to herd. We argue that investing in bubble stocks amounts to herding and contracts with high incentives induce managers to diverge from the pack, thus reducing their holding of bubble stocks. Therefore, during a bubble, the contractual incentives effectively induce managers to invest less in bubble stocks and more in “old-economy” stocks. We show that mutual funds with high-incentive contracts diverged from the herd and had relatively lower exposure to bubble stocks in the period prior to March 2000. The different exposure to bubble stocks significantly impacted funds’ performance both before the bursting of the bubble as well as afterwards.

“The Bank-Firm Relationship: A trade-off between better governance and greater information asymmetry”, under review at the *Review of Financial Studies*

Commercial banks acquire inside information about the firms they lend to. We study the impact of this informationally privileged position on the firm using a broad panel of U.S. firms over the 1993–2004 period. We consider two facets of the borrower-lender relationship: the information the bank gathers about the firm it lends to and the equity exposure the bank has by holding, either directly or indirectly, a stake in the firm it lends to. We show that a more intense relationship, by improving bank’s monitoring, ameliorates the quality of governance of the firm. It increases managerial turnover, abates rent-appropriation by managers, reduces their insider trading and curbs their incentives to initiate acquisitions. At the same time, however, the potential of the bank using its privileged information in the equity market increases adverse selection and reduces stock liquidity. Indeed, firms characterized by a more intense relationship with the bank display lower stock liquidity as well as trading volume and higher information asymmetry. Also, the behavior of the bank as insider crowds out institutional investors. The net effect on the firm’s value is positive – firms with more intense relationship display a higher Tobin’s Q. Moreover, a trading strategy based on the intensity of the bank-firm relationship yields roughly 6% per annum. Our results have normative implications for the role of banks in the development of financial markets.

“Why Are Firms Value or Growth?”

This paper attempts to understand value and growth categories from a corporate finance perspective. I address this by examining why do firms, that are value (growth) in one year, transform into the growth (value) category the following year. I propose CEO-turnover as a potential catalyst for this category-switch and find that the hazard rate of switching categories is 50% greater due to CEO-turnover. I test three hypotheses for why CEO-turnover affects the value/growth switch. First, the new CEO caters to the shareholders by responding to the value-premium in the economy. Second, the new CEO creates an “illusion of change” by bringing about superficial

changes that eventually lead to the firm's category switch. And finally, the CEO has accumulated human capital or a unique "style", and the firm's category-switch is only a manifestation of her style. I find evidence supporting the last hypothesis. Overall, the results imply that firms' being value or growth also depends on the CEO, and emphasize the importance of CEO-specific idiosyncrasies in corporate finance. The paper raises an interesting question – whether the value premium is related to the characteristics of the firms' CEOs.

“Why Do CEOs Increase Their Equity-Based Compensation? Because they have to”

We study whether the pay-setting process is controlled by managers or boards. In order to identify who controls it, we rely on the findings of the market timing literature. Since managers are more likely to believe that their firm is overvalued when the market-to-book ratio has been increasing over time, it should then be that if managers are in control of the pay-setting process, they would try to reduce their pay-for-performance sensitivity. We analyze CEO compensation during the sample period 1992–2003 and show that instead, an increase in firm-value over time leads to an *increase* in the manager's pay-for-performance sensitivity. Firms also significantly increase the option part of total compensation after increases in firm-value (measured by market-to-book ratio). This rejects the hypothesis that the average CEO is “self-dealing” and skims the company by setting her own compensation in a way consistent with the market timing theory. Our findings are consistent with effective boards either timing the market or increasing the pay-for-performance sensitivity because they are uncertain whether the high valuation is due to luck or skill. In addition, firms which increase the compensation after increases in value experience poorer returns in the subsequent months, suggesting that the board successfully timed the market or rightfully doubted that the high valuation was due to skill.