

2016-2017

Artistic and Scholarly Development (ASD) Grant Application

Name(s) Amit Ghosh

Department(s) or School(s) Economics

Title of Project Determinants of Banks Loan Charge-off rates

Amount Requested 3170 Your Email: aghosh@iwu.edu

- If your proposal is funded, would you be willing for the Mellon Center to use it as an exemplary submission in the online Handbook? Yes No
- Will you use human beings as experimental subjects? Yes No
If yes, please submit the appropriate approval notice. If you have questions about whether IRB approval or exemption is required for your project, please see the pdf link on "Policies and Procedures" at https://www.iwu.edu/irb/forms/IRB_PolicyProcedure.pdf.
- Will you use animals as experimental subjects? Yes No
If so, have you requested IRB and/or IACUC approval? Yes No
If yes, please submit the appropriate approval notice.
(See the IACUC link to protocol forms at <https://www.iwu.edu/associateprovost>)

Please complete the following checklist by placing a check mark against each item to insure that your application is complete. Incomplete and/or late applications will not be considered.

1. Project Summary included in hard copy of proposal and Word copy (emailed to sbrownaj@iwu.edu) Yes No
2. Proposal as per format described in Handbook Yes No
3. ASD grant budget page Yes No
4. A Brief Vita Yes No
5. Reports for previous ASD grants have been filed separately with the Mellon Center Yes No NA

Amit Ghosh 03/10/2017
Signature of Applicant and Date

Laia Ouel D'bal 3/14/2017
Signature of Chair or direct supervisor

Please note that a recommendation letter from a direct supervisor or chair is not required for ASD grants.

Print**Clear**

ASD Grant Budget Page

Faculty Name(s) Amit Ghosh

Project Title Determinants of Banks Loan Charge-off rates

A. Equipment Description (please give source of recent estimate) \$ _____

B. Supplies and Services (please itemize) \$ 1170

Purchase of statistical software package SAS (see attached for price quote)

C. Travel Expenses (please itemize) \$ _____

D. Consultancy Fees \$ _____

E. Living Expenses (see proposal guidelines) \$ _____

F. Student Wages (see proposal guidelines) \$ _____

G. Faculty Stipend (maximum \$2,000 per faculty Member) \$ 1750

H. Publication Expenses \$ 250

I. Other \$ _____

TOTAL \$ 3170

(Maximum award \$3,500 per individual or \$5,500 for a joint proposal from two or more faculty members)

NOTE: List all expenses, even if the total exceeds the maximum grant. If your budget exceeds the maximum grant, explain how you will make up for the shortfall.

March 6, 2017

Amit Ghosh
Illinois Wesleyan University
aghosh@iwu.edu

Dear Amit:

Per your request, please review the SAS quote below. Don't hesitate to contact me with any questions in the future.

Included with the software:

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Sincerely,

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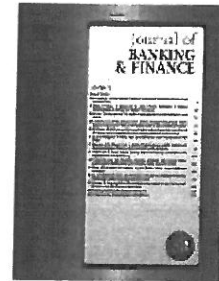
Pam.Katchuk@sas.com

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TABLE OF CONTENTS

●	Description	p.1
●	Audience	p.1
●	Impact Factor	p.1
●	Abstracting and Indexing	p.2
●	Editorial Board	p.2
●	Guide for Authors	p.4



ISSN: 0378-4266

DESCRIPTION

The *Journal of Banking and Finance* (JBF) publishes theoretical and empirical research papers spanning all the major research fields in finance and banking. The aim of the *Journal of Banking and Finance* is to provide an outlet for the increasing flow of scholarly research concerning financial institutions and the money and capital markets within which they function. The Journal's emphasis is on theoretical developments and their implementation, empirical, applied, and policy-oriented research in banking and other domestic and international financial institutions and markets. The Journal's purpose is to improve communications between, and within, the academic and other research communities and policymakers and operational decision makers at financial institutions - private and public, national and international, and their regulators.

Main subjects covered include: Accounting and Financial Reporting; Alternative Investments; Asset Pricing; Banking Efficiency; Banking Regulation; Bank Solvency and Capital Structure; Behavioural Finance; Commodity and Energy Markets; Corporate Finance; Corporate Governance and Ethics; Credit Rating; Derivative Pricing and Hedging; Empirical Finance; Financial Applications of Decision Theory or Game Theory; Financial Applications of Simulation or Numerical Methods; Financial Economics; Financial Engineering; Financial Forecasting; Financial Risk Management and Analysis; Portfolio Optimization and Trading; Regulation of Financial Markets and Institutions; Stochastic Models for Asset and Instrument Prices; Systemic Risk.

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AUDIENCE

Financial Economists, Policy Makers in both private and public institutions.

IMPACT FACTOR

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GUIDE FOR AUTHORS

Submission Fee

The journal charges submission fees of **USD 250** for unsolicited new manuscripts and USD 150 for revisions. Note that a paper that was rejected by the editor but is later re-submitted by the author is considered a new submission. All submissions will only be considered after payment of the submission fee via SubmissionStart. After submission of your manuscript, you will receive an email with payment instructions. The submission fee is non-refundable and a paper may be rejected by the editors without being sent for review. More information is listed below under **Editorial Strategy and Policies**.

The proceeds of submission fees are used for the development of academic activities in the interest of the Journal's audience and for providing tokens of appreciation to those reviewers who deliver quality review reports within a given time limit. However, please note that the reimbursement is on a personal title and not transferable to an organization. Those reviewers who are not able to receive a reimbursement on a personal level are kindly requested to waive it.

Introduction

Authors thinking of submitting an article to the Journal of Banking and Finance (JBF) should first consider carefully whether the paper falls within the 'Aims and Scope' of the journal as described on the journal homepage <http://www.journals.elsevier.com/journal-of-banking-and-finance>, i.e. that it falls broadly within the fields of banking and finance. The journal homepage also includes a list of 'Main subjects covered' which may provide further guidance as to whether the paper is likely to be of interest to JBF.

In addition, authors need to bear in mind that JBF readers include not only academics but also a range of finance professionals. Therefore, authors need to be mindful that their research has non-trivial applications to the interests of professionals in the banking and finance industry. Amongst other things, this includes a clear statement of the research questions at the outset, and thereafter engaging substantially with the body of literature surrounding the questions asked. Moreover, they should ensure that the paper is likely to be of interest to a large proportion of JBF's wide-ranging readership (i.e. the paper should be neither too narrow nor too technical).

First-time authors and authors who are new to Elsevier may be interested in additional information about the process for submitting a manuscript or the process for publishing in scholarly journals, in general, please visit <http://www.publishingcampus.elsevier.com>

Editorial Strategy and Policies

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The number of submissions to the JBF has been increasing markedly for several years and is now so great that the editorial team has implemented a desk-rejection strategy. Reasons for desk rejection are clearly explained below. Desk rejection will normally be done within 3 weeks of submission. No refund of the submission fee will be given due to the editorial time needed to make this important decision.

As the number of submissions increase, the standard of papers accepted for publication has been rising. Submitted papers that have little direct relationship to the core JBF issues, even if such papers are good, are likely to be desk rejected as 'out of scope'. In addition, papers that do address a JBF issue, but do not meet our quality standards, are also likely to be desk rejected. Problems with quality include: insufficient intellectual depth; an analysis that is inappropriate to the research question being asked, or not sufficiently rigorous; that the language, style, or grammar does not conform to accepted standards of scholarship; or that the paper is excessively long. Authors should write in a complete but concise style and, if possible, submit manuscripts that are no longer than about 40 pages, when formatted according to our preparation guidelines described below. The third reason and final reason for desk rejection is that the paper makes only a marginal contribution to the field of research.

Review Process

Submitted papers are first considered by one of the two Managing Editors and then allocated to a Handling Editor, which may be the Editor or an Associate Editor who is a specialist on that topic. Papers that are not desk rejected are then typically sent out to two referees. If one or more of these turns down the invitation to provide a review, other referees will subsequently be appointed. Normally, at least two authoritative reviews are needed before the Handling Editor can make a decision (or

Amit Ghosh

Office:
Department of Economics
Illinois Wesleyan University
P.O. Box 2900, Bloomington, IL 61702-2900

Phone: (309) 556-3191
Fax: (309) 556-1719
URL: <http://blogs.iwu.edu/aghosh/>
Email: aghosh@iwu.edu

Education

2006. **Ph.D.**, Economics, Claremont Graduate University, CA, USA.

Professional Positions

2014-Present: Associate Professor, Department of Economics, Illinois Wesleyan University.

2008-2014: Assistant Professor of Economics, Illinois Wesleyan University.

2006-2008: Visiting Assistant Professor, Economics and Business Department, Colorado College.

Publications Record:

- 28 journal articles (21 sole-authored).
- 2 book chapters and one encyclopedia entry.

Publications post-tenure:

[1] “How do derivative securities affect bank risk and profitability? Evidence from the US commercial banking industry,” forthcoming in *The Journal of Risk Finance*, Vol. 18(2), 2017.

[2] “Do bank failures still matter in affecting regional economic activity?” *Journal of Economics and Business*, Vol. 90, Mar-April 2017, pp.1-16.

[3] “How does Banking sector globalization affect economic growth?,” *International Review of Economics and Finance*, Vol. 48, 2017, pp. 83-97.

[4] “Industry-specific and regional economic determinants of US commercial banking profitability,” *American Journal of Finance and Accounting*, Vol. 4(3/4), November 2016, pp. 261-283.

[5] “Determinants of gold demand in Reserve Bank of India’s foreign exchange reserve portfolio,” *Economics Bulletin*, Vol. 36(4), October 2016, pp. 1929-1937.

[6] “Foreign banks and private sector credit: A global and emerging markets perspective,” forthcoming in *Emerging Markets Finance and Trade*.

[7] “How does banking sector globalization affect banking crisis?,” *Journal of Financial Stability*, Vol. 25, August 2016, pp. 70-82.

[8] “Banking sector globalization and bank performance: A comparative analysis of low income countries with emerging markets and advanced economies,” *Review of Development Finance*, Vol. 6, 2016, pp. 58-70.

[9] “What drives gold demand in central bank’s foreign exchange reserve portfolio?,” *Finance Research Letters*, Vol. 17, 2016, pp. 146-150.

[10] “Do real estate loans reflect regional banking and economic conditions?,” *Journal of Financial Economic Policy*, Vol. 8(1), 2016, pp. 37-63.

[11] “Banking-industry specific and regional economic determinants of Non-Performing Loans: Evidence from US States,” *Journal of Financial Stability*, Vol. 20, Oct 2015, pp. 93-104.

[12] How do openness and exchange rate regimes affect inflation? *International Review of Economics and Finance*, Vol. 34, Nov 2014, pp. 190-202.

[13] “Do exchange rate regimes matter for economic growth?” *Economia Internazionale / International Economics*, Vol. 67(3), 2014, pp. 351-372.

[14] “Does the policy trilemma still hold? Fresh evidence and its implications,” *International Journal of Monetary Economics and Finance*, Vol. 7(2), 2014, pp. 81-106.

[15] “A comparison of exchange rate regime choice in Emerging Markets with Advanced & Low Income nations for 1999-2011” *International Review of Economics and Finance*, Vol. 33, Sep 2014, pp. 358-370.

Conference and Invited Presentations/Participation

Allied Social Sciences Annual Meetings, 2012, 2013, 2017.

Asia Pacific Economic Association Conference. 2006.

Eastern Economic Association Annual Meetings, 2012.

Midwest Economic Association Annual Meetings, 2010, 2011, 2013.

Southern Economic Association Annual Meetings, 2010.

Western Economic Association International Annual Meetings, 2006, 2006, 2014, 2016.

Refereeing Service

Manuscript Reviewer for: *Applied Economics*; *Applied Economics Letters*; *Applied Financial Economics*; *Asian Pacific Economic Literature*; *Economics Bulletin*; *Emerging Markets Finance and Trade*; *Emerging Markets Review*; *International Journal of Banking, Accounting and Finance*; *International Journal of Economic Policy in Emerging Economies*; *International Journal of Monetary Economics and Finance*; *International Review of Applied Economics*; *International Review of Economics and Finance*; *Journal of Banking and Finance*; *Journal of Economics and Business*; *Journal of Economics and International Finance*; *Journal of Financial Stability*; *Journal of International Trade and Economic Development*; *Journal of Risk and Financial Management*; *Journal of the Asia Pacific Economy*; *Singapore Economic Review*; *The Quarterly Review of Economics and Finance*.

Grants and Honors

Artistic and Scholarly Development Grant IWU, Spring 2011, Spring 2012; Winter 2012.

Continuous Professional Development Grant IWU, Spring 2016.

Curriculum Development Grant IWU, Fall 2011; Fall 2012.

Instructional Development Grant IWU, Fall 2010.

Summary of previously IWU-funded grants and leaves: 3 ASD grants awarded thus far:

[1] April 2011 – What is the extent of exchange rate flexibility in Latin America?

-- Published in *Journal of Financial Economic Policy*, Vol 5(2), 2013 pp. 238-250.

-- Presented at the Midwest Economic Association annual meeting, St. Louis, MO, March 2011.

[2] May 2012 – Does the Policy Trilemma still hold?

-- Published in *International Journal of Monetary Economics and Finance*, Vol. 7(2), 2014, pp. 81-106.

-- Presented at the Midwest Economic Association annual meeting, Columbus, OH, March 2013.

[3] December 2012 – How do Openness and Exchange rate regimes affect Inflation?

-- Published in *International Review of Economics and Finance*, Vol. 34, Nov 2014, pp. 190-202.

-- Presented at the Allied Social Sciences Association annual meeting, San Diego, CA, Jan 2013.

Summary of Most Recent ASD grant (December 2012):

The grant enabled me to purchase the statistical software package *STATA*. It was used to self-educate myself and compute several advanced statistical techniques (e.g. dynamic Generalized Method of Moments model etc.) that were essential to this project. This greatly enhanced the quality of my paper. Secondly, the grant money was used to finance the submission fee to *International Review of Economics and Finance*, a very prestigious journal in the field of international finance. Finally, the faculty stipend allowed me to devote my time exclusively in making extensive revisions on this paper based on the feedback received in the *ASSA* meetings.

[100 words]

Project Title: **Determinants of Banks Loan Charge-off rates**

Amit Ghosh
Associate Professor
Department of Economics
Illinois Wesleyan University
Bloomington; IL 61701.

[Summary of the project proposal]

A key feature of the recent financial crisis in the US was deterioration in banks loan performance. Decrease in loan performance can not only have deleterious consequences for banks' profitability but can also impair their ability to provide new loans. Banks loan charge-off rate is used to proxy loan performance. Using a very extensive dataset of all 5176 banks that were operational from 1999 to 2016, this study examines the influence of different balance-sheet conditions on loan charge-off rates. The topic is extremely crucial for banks in identifying channels through which loan performance is affected. In regard to prudential banking supervision, minimizing loan charge-off rates is necessary to foster a sounder banking system. However, this requires an understanding of the determinants of loan charge-off rates. The present study achieves this. The end product will be an oral presentation in a professional conference and a sole-authored manuscript in a peer-reviewed journal.

[Word Count: 150 words]

Project Title – **Determinants of Banks Loan Charge-off rates**

A. The end product of the project:

The end product of this project is expected to be a solo-authored manuscript in a prestigious field journal in banking like the *Journal of Banking and Finance*. I also expect to make an oral presentation at the annual meetings of the Midwest Economics Association (*MEA*) in late-March 2018 (location and exact date not yet announced).

B. Scholarly Significance of the Project:

B.1 Nature of the problem:

A key feature of the recent economic and financial crisis in the US was deterioration in the performance of loans given by banks. In the build up to the crisis, concerns loomed amongst US banking regulatory and supervisory authorities like the Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) that concentration in loans, especially commercial real estate had reached a level that could lead to undesirable outcomes in the event of a significant downturn. Such concerns became true from 2007 onwards with a sharp rise in problem loans. Lax lending standards by bank managers as well as poor loan monitoring mechanisms resulted in sharp escalations in poorly performing loans for banks across the nation. Decrease in the quality of loans and hence loan performance can not only have deleterious consequences for banks' profitability but can also impair their ability to provide new loans. This in turn can rein in various investment projects and stall overall economic activity. Therefore, it is of paramount importance to investigate the various determinants of banks loan performance.

B.2 Scholarly context (or debate):

When banks underwrite new loans some portion of these loans are allocated to reserves for loan losses. Additions to these reserves come from an income statement item, called loan loss provisions, which are set aside as new loans are made and as potential problem loans are identified. Problem loans generally proceed through several steps. Once interest becomes overdue, the loan is designated 'past due' but still accruing interest, as if interest was still being paid. If a loan is past due 90 days or more and accruing interest, then it must be reported to the regulatory authorities. At some point, the loan will be given a non-accrual status, indicating that the bank no longer continues to count the unpaid interest. The final stage places the loan into the default category. Then the loan is written off through the accounting entry called 'charge-off.' At the same time, some of the previously charged-off loans may experience some recoveries. The difference between charge-offs and recoveries, that is, net charge-offs, enters as a reconciliation item in the balance sheet of a bank (Miller and Noulas, 1994). Thus, net charge-off rates of loans is a widely used measure of banks loan performance with a rise in net charge-off rates signifying deteriorating loan performance.

Although a sizeable body of academic literature has examined the underlying factors that influence the quality of loans of banks in the US and elsewhere (for e.g., Beck et al. 2015; De Bock and Demyanets, 2012; Espinoza, and Prasad, 2015; Ghosh, 2015; Hasan and Wall, 2004; Klein, 2013) there is scant literature that has examined the determinants of banks loan performance (i.e. loan charge-off rates).

B.3 Methodology to be used:

The present study will examine the underlying determinants of loan charge-off rates in the US banking industry for the period 1999 to 2016. The year 1999 is the starting point of this analysis due to the fact that in that year the Banking Services Modernization Act was enacted in the US where banks were allowed to enter newer lines of business (like underwriting and trading securities, brokerage and investment banking, etc.) in addition to their traditional niche areas of providing loans.

The balance sheet of a financial institution records all its assets and liabilities. For example different types of loans that are a source of earnings for banks fall under its asset holdings. On the other hand, liabilities include items like customer deposits (for example, our checking and savings accounts). Using balance-sheet data of banks for the period 1999-2016, the present study will examine the influence of different balance sheet conditions on banks loan charge-off rates. Such an approach will enable me to capture the influence of different dimensions of banks financial conditions on loan performance. To this end, I have already identified 5176 commercial banks that were operational in the US for the period 1999-2016.

The key balance sheet factors that will be used to examine their influence on net loan charge-off rates are as follows. Firstly, banks extent of capitalization as measured by the ratio of banks core capital to assets ratio. Secondly, banks size measured by the logarithmic value of total assets. Thirdly, I will use three variables to capture banks asset management. The ratio of total securities (like holdings of US Treasury securities) to total assets, total loans to total assets and the ratio of real estate loans to total loans, respectively. Fourthly, bank's liability management will be measured by the ratio of total deposits to total assets. Banks income or earning streams can be decomposed into two components: interest income and non-interest income. Interest income includes traditional commercial bank activities like interest earned from different types of loans, and investment securities. Non-interest income includes activities like investment banking, asset management and insurance underwriting, fee-paying and commission-paying services. The ratio of non-interest income to the sum of non-interest and net interest income will be used to measure bank diversification in their business model. Finally, cost efficiency of banks will be measured by the ratio of non-interest expenses (like salaries and employee benefits, advertising expenses), to the sum of non-interest and interest expenses.

The next step in the empirical methodology will be creating a database of these variables by retrieving such bank-level balance sheet data. The banking industry in the US is highly regulated. Banks operate with open books with regulators looking over their shoulders. As such banks are required to report their quarterly balance sheet and income statement information to the Federal Reserve System, the FDIC, and the OCC. These are called the Reports of Condition

and Income database (or Call Report Files). These reports are publicly available from the FDIC's website and will be retrieved from there. For all 68 quarters, I will use data on 5176 commercial banks over this 17 year span using their unique identifying code with the Federal Reserve.

Such data for each and every quarter will be saved in an Excel spreadsheet. Then they will be imported into the statistical software package *SAS*. Then I will run a program to filter the data for these already identified 5176 banks. This procedure will be repeated for each and every quarter. This will allow me to complete building my entire dataset for this project.

Finally, using this very extensive dataset of all 5176 banks that were operational between 1999Q1-2016Q3, I will perform econometric analysis. Econometrics is a branch of economics that uses economic theory, mathematics, and statistical inference to quantify economic phenomena. In other words, it turns theoretical economic models into useful tools for economic policymaking. More precisely, I will perform *regression analysis* to examine the effect of these aforementioned balance sheet variables on banks loan performance. A regression equation enables us to understand and estimate how the typical value of the dependent variable (expressed in the left hand side of an equation) changes when any one of the independent variables (expressed in the right hand side) is changed. So, the dependent variable here will be the loan charge-off rate while the independent variables will be the earlier mentioned balance sheet variables.

B.4 Contribution the individual expects to make with the work:

Understanding the underlying balance sheet factors that affect banks loan performance is extremely crucial for banks management in identifying channels through which loan performance is either worsened or improved. Furthermore, from a policymaker's perspective an overarching goal of banking supervisory authorities is to ensure a stable and efficient banking system. It is in regard to prudential banking supervision, minimizing loan charge-off rates is extremely necessary to restore a sounder banking system and foster overall financial stability in the aftermath of the 2008-09 financial crisis in the US. However, any policy response by banking regulatory authorities first requires a deeper understanding of the underlying determinants of banks loan charge-off rates. To the best of my knowledge, the present study is the first of its kind that performs such an analysis.

Moreover, I will first examine the underlying determinants of the net charge-off rate of total loans, and then its different constituent categories – commercial & industrial (C&I) loans, agricultural, real estate and individual loans. I will further examine how balance-sheet factors affect different categories of real estate (like single-and multi-family residential, non-farm non-residential, construction and land development loans) and individual loans charge-off rates (credit card, auto, consumer loans). Analyzing aggregate or overall charge-off rates while useful can mask important differences between the heterogeneous influences of different balance-sheet variables on different types of loan charge-off rates. This study uncovers such relationships by using sector-specific loan charge-off data and examines in details the key factors that affect different disaggregated categories of loan charge-off rates. This information is extremely useful for banks that specialize in a specific category of loan.

C. Professional Significance of the Project.

In my post-Ph.D. professional career I have already published several journal articles, two book chapters, and an encyclopedia entry on various topics, and have made some modest contributions in the fields of international and financial economics. One of my ongoing research agendas is examining the impact of innovation and deregulation in the US banking industry. This project falls under this broader research umbrella. In fact, it opens a new and exciting genre of research for me.

Importantly, most of my earlier research has exclusively used ‘macro’ level data – for example, data at the country level. As outlined above, in this project I will be using ‘micro’ or bank-level data covering all 5176 banks functional in the US between 1999 1st quarter to -2016 3rd quarters. This implies a very large sample size of 367496 observations. This project will allow me to learn and harness my skills in managing very large-sized database and use of corresponding statistical techniques, which will truly allow me to professionally develop as an economist.

This project will also expand my research horizon, and hence enrich me as an economist. Publication of this research project will not only result in the greater scholarly reputation of my work, but will allow me to remain more engaged with the scholarly community in the economics profession. For example, I may be honored with the opportunity to review manuscripts for prestigious journals on related topics, invitations to chair sessions, or discuss a paper in prestigious conferences.

With the help of this ASD grant I expect to complete a journal article publishable in a prestigious journal in banking. Such completion will result in greater scholarly reputation in economics and will lead to new and interesting collaborations in the future. An ASD grant will enable me to purchase the statistical software package *SAS* and learn using it. Furthermore, this project is extremely data-intensive. This will expose me to new state-of-the-art statistical techniques using large datasets that would also be used in future projects. More importantly, the database itself will open the doors for new research avenues. Specifically, it will allow me to examine the “impact of loan charge-off rates on bank profitability in the US,” another topical economic issue in the near future.

D. Proposed Expenses.

My proposed topic is solo-authored. This requires much of my time, endeavor and commitment. In fact I have already initiated the organization of this research project. The project is very data-intensive and requires devotion of extensive amount of time in building the database (as outlined in the methodology section). So I am requesting a summer stipend of \$1750 to support my entire research efforts (from my scholarly vision, to literature survey, data collection, statistical analyses and their interpretations etc.). Funding is also requested to purchase the statistical software package *SAS* priced at \$1170. *SAS* enables me to compute several advanced statistical techniques that are essential to this project, which cannot be done using *SPSS*, a much simpler software package used widely on-campus. Access to *SAS* will also allow me to work

from off-campus. *SAS* is especially very suitable when a researcher uses a very-large sample of data, as is the case here. I have explored the option of buying this software through IWU's Information Technology. However, IT does not have any contractual agreement with the vendor of this software. So, buying through IT will not anyway reduce costs. The quoted price is the lowest at which it can be obtained for academic research purposes. Finally, submitting a manuscript to a reputed journal in economics entails a fee. I am also seeking funds to finance this submission fee of \$250. [Please see Budget Page]

E. Proposed timetable.

May to end-June 2017: I will devote my time exclusively to data compilation, and its organization. I will also write a draft of the introduction of my manuscript that would motivate my research question.

July to end-August 2017: Conduct my statistical analyses along with its interpretations.

September to end-November 2017: Write up the complete paper by linking the different sections. Once the preliminary draft is ready it will go through rigorous iterations.

December 2018: Submit the manuscript for presentation at the in *MEA* 2018 annual meetings.

March to end-May 2018: Present the paper at the annual meetings of the *MEA* in late March 2018. Then incorporate feedback and submit the manuscript for peer-reviewed publication in end-May 2018.

F. Student Assistants.

Not Applicable.

G. IRB/IACUC Review.

Not Applicable.

APPENDIX

References:

Beck, R., Jakubik, P., & Piloui, A. (2015). Non-performing loans what matters in addition to the economic cycle? *Open Economies Review*, 26(3), 407-445.

De Bock, R. Demyanets, A. (2012). Bank Asset Quality in Emerging Markets: Determinants and Spillovers. *International Monetary Fund Working Paper* 12/71.

Espinoza, R., Prasad, A. (2010). Nonperforming loans in the GCC Banking System and their Macroeconomic Effects. *International Monetary Fund Working Paper* 10/224.

Ghosh, A. (2015). Banking-industry specific and regional economic determinants of nonperforming loans: Evidence from US states. *Journal of Financial Stability*, 20, 93–104.

Hasan, I., & Wall, L. (2004). Determinants of the Loan Loss Allowance: Some Cross-Country Comparisons. *The Financial Review*, 39, 129-152.

Klein, N. (2013). Non-performing loans in CESEE: Determinants and Impact on Macroeconomic Performance. *International Monetary Fund Working Paper* 13/72.

Project Title: **Determinants of Banks Loan Charge-off rates**

Amit Ghosh
Associate Professor
Department of Economics
Illinois Wesleyan University
Bloomington; IL 61701.

[Summary of the project proposal]

A key feature of the recent financial crisis in the US was deterioration in banks loan performance. Decrease in loan performance can not only have deleterious consequences for banks' profitability but can also impair their ability to provide new loans. Banks loan charge-off rate is used to proxy loan performance. Using a very extensive dataset of all 5176 banks that were operational from 1999 to 2016, this study examines the influence of different balance-sheet conditions on loan charge-off rates. The topic is extremely crucial for banks in identifying channels through which loan performance is affected. In regard to prudential banking supervision, minimizing loan charge-off rates is necessary to foster a sounder banking system. However, this requires an understanding of the determinants of loan charge-off rates. The present study achieves this. The end product will be an oral presentation in a professional conference and a sole-authored manuscript in a peer-reviewed journal.

[Word Count: 150 words]

2016-2017

Artistic and Scholarly Development (ASD) Grant Application

Name(s) Kristine Nielsen

Department(s) or School(s) School of Art

Title of Project "Recasting Postwar German Art History"

MAR 21 2017

Amount Requested \$3500 Your Email: knielse1@iwu.edu

- If your proposal is funded, would you be willing for the Mellon Center to use it as an exemplary submission in the online Handbook? Yes No
- Will you use human beings as experimental subjects? Yes No
If yes, please submit the appropriate approval notice. If you have questions about whether IRB approval or exemption is required for your project, please see the pdf link on "Policies and Procedures" at https://www.iwu.edu/irb/forms/IRB_PolicyProcedure.pdf.
- Will you use animals as experimental subjects? Yes No
If so, have you requested IRB and/or IACUC approval? Yes No
If yes, please submit the appropriate approval notice.
(See the IACUC link to protocol forms at <https://www.iwu.edu/associateprovost>)

Please complete the following checklist by placing a check mark against each item to insure that your application is complete. Incomplete and/or late applications will not be considered.

- Project Summary included in hard copy of proposal and Word copy (emailed to sbrownaj@iwu.edu) Yes No
- Proposal as per format described in Handbook Yes No
- ASD grant budget page Yes No
- A Brief Vita Yes No
- Reports for previous ASD grants have been filed separately with the Mellon Center Yes No NA

Kristine Nielsen 3/21/17
Signature of Applicant and Date

[Signature]
Signature of Chair or direct supervisor

Please note that a recommendation letter from a direct supervisor or chair is not required for ASD grants.

Artistic and Scholarly Development Grant Application

Kristine Nielsen, School of Art

Project Title: "Recasting Postwar German Art History"

Submitted March 21, 2017

Summary of Project:

"Recasting Postwar German Art History"

This project will serve as the Introduction to my current book project, *Confronting Inglorious Monuments*. The chapter will demonstrate how two German art histories emerged after World War II, both versions drawing on distinct scientific and political frameworks. Art historians initially forged German identities as victims of the Third Reich. East Germany promoted an art history of objectivity involving at times conflicting German and Soviet traditions. In West Germany, an objective discipline of art history negated particular styles, methods, and language pertaining too closely to the Third Reich. This chapter will explore the tensions in the juxtaposition of these two parallel art histories as well as their merging after 1990. It argues that postwar German art and art histories were fundamentally and urgently iconoclastic in their practices in both East and West.

Summary of Previous ASD Grants: Not Applicable

Narrative

A. End Product

The end product will be a completely new, introductory chapter, "Recasting Postwar German Art History" for my current book project, tentatively titled *Confronting Inglorious Monuments*. I will conduct research at the Archive of the Academy of Arts in Berlin for my chapter, in May 2017, and I will write and complete the book chapter during the summer of 2017.

B. Scholarly Significance of the Project

The nature of the problem to be examined pertains to the developments in art and art history in the two Germanys during the Cold War and during and after German unification in 1990. West Germany, the Federal Republic of Germany (FRG), was at odds about the right way to handle a troubling national legacy after World War II, and so deliberately avoided too many political icons and symbols that might remind viewers of the recent National Socialist past. Abstract art was promoted as a free art in a capitalist society, yet West German art historians also wanted to consider abstraction a-political to counter the Nazi past and Communist East. Meanwhile, the response to the heroic monuments erected by the Nazi regime was a subsequent and general distrust in any type of glorification represented in political images. The result was that few obviously heroic monuments, military parades, or aggressive visual confirmations of a West German identity were erected, performed or showcased after 1945. There were few visual affirmations in public images, but numerous visual negations. Art historians sought to escape the subjectivism and emotionalism of Nazi art language. Thus, postwar art historians in West Germany pushed objectivity in art to the forefront, often erasing any explicit political function and repressing the past. The coded concept of "propriety" (*Anständigkeit*) came to signify personal integrity and scientific quality in West German art research. During my research trip in

Berlin, I will be reading art history publications in the archives, written during the Cold War, to study the preferred viewpoints and interests of art historians.

Matters were quite different in East Germany, the German Democratic Republic (GDR), where fascism was negated or displaced as a character belonging to West Germany. East German authorities initiated an approach to the staging of images, which conceptually contrasted with, yet formally paralleled that of the National Socialists. Figurative art was the only art worthy of pursuit. Abstraction was censored and considered decadent and capitalist. Art historians were often writing propaganda in the service of politics. The inauguration ceremonies for public monuments in the GDR were in many ways the ultimate visual claim for power. By the 1980s, the veneration of socialist heroes in public monuments had become one of the main agendas of the East German political party. Postwar art historians in East Germany framed the history of art as an objective science of Marxism, Stalinism, or Marxist-Leninism, stressing art for political purposes while rejecting any identification with a fascist past. My trip to the Berlin archives will include an examination of East German art history textbooks written during the Cold War. What lessons do they want East German students to learn about art?

During the unification process in 1989-1990, the ideological split in art and art history eventually caused an “image strife” (*Bilderstreit*). The West considered the political East German art unworthy of attention and the East wanted to move on and forget the propaganda of the past. Post-1989 exhibits of GDR art often caused controversy, most scandalously with a 1999 Weimar exhibit, *Aufstieg und Fall der Moderne* (“Rise and Fall of the Modern”), that deliberately and provocatively displayed GDR art in an amateurish and negative light as if to convey that the art belonged in a flea market. The topic remains current and relevant today as the ideological split between an eastern and western art history continues to exist and be debated, demonstrating a conceptual blockage in viewpoints. I hope to meet with a few German art historians (such as Horst Bredekamp) in Berlin who are very familiar with these heated debates. I also hope to visit any exhibitions in museums or galleries that might address the topic.

My introductory chapter “Recasting Postwar German Art History” will likely be an important contribution to the understanding of Cold War German art historical practice because of the new way that I am framing the material. **The scholarly significance** of my chapter is that I will argue that both sides approached the study of art as an *iconoclastic practice* by keeping a clear view in mind of what each side was *against*, whether fascism and communism or capitalism. Iconoclasm as a methodology is the destruction of an image, broadly understood, in order to produce a new one that confronts and replaces the former. My argument is that iconoclasm is a consistent tool used to guide artistic activity and worldviews in Cold War Germany. My introductory chapter will frame the topic of iconoclasm that serves as the main theme of my book on public memorials.

In order to complete this new chapter for my book project, I will conduct research at the archive of the Academy of Arts in Berlin (*Akademie der Künste*), which holds crucial documents on art history in Berlin in the twentieth century (including meetings, publications, dissertations, procedures). My earlier research on public monuments was conducted in more politically focused state archives (*Landesarchiv, Bundesarchiv*) where I was able to read the administrative and political goals for monuments. The new direction toward an examination of two art histories

for my Introduction requires that I focus on the art historical discourses in East and West rather than political leadership. Berlin as a divided city during the Cold War remains the best place to study the clashes and differences in aesthetic frameworks.

C. Professional Significance of the Project

The professional significance of this research trip and chapter are paramount at this stage of my professional career as an art historian with a book project near completion. From a scholarly point of view, this research trip will facilitate the completion of my Introduction to my book, while professionally it will also serve as a very important moment to pause and reflect on, and add to, my scholarly accomplishments before I am up for tenure in the fall of 2017. My tenure references are almost exclusively art historians of Cold War East and West Germany and making sure that I am fully up to date on the scholarship is crucial at this moment in my professional career.

D. Proposed Expenses

I am requesting a grant of \$3500, of which \$1500 will go toward my May travel and living expenses while \$2000 will serve as a taxable stipend. I will be using my faculty travel funds (\$600 + \$200 department) for this trip, but this amount only partially covers my travel expenses.

Travel expenses

Flight to Berlin (found on Orbitz) and local transport \$1200

Living expenses:

Hotel in Berlin (5/15-5/20; Orbitz) \$ 750

Food \$ 350

Total \$2300

Subtracting university faculty funds \$2300-\$800 **\$1500**

E. Proposed Timetable

15-20 May, 2017 Berlin research trip
June-August, 2017 Write and complete book chapter

F. Student Assistants: Not Applicable

G. IRB/IACUC Review: Not Applicable

Print

Clear

ASD Grant Budget Page

Faculty Name(s) Kristine Nielsen

Project Title "Recasting Postwar German Art History"

A. **Equipment Description** (please give source of recent estimate) \$ N/A

B. **Supplies and Services** (please itemize) \$ N/A

C. **Travel Expenses** (please itemize) \$ 400

Flight to Berlin and local transport \$1200

(Subtracting university faculty funds 1200-800)

D. **Consultancy Fees** \$ N/A

E. **Living Expenses** (see proposal guidelines) \$ 1100

F. **Student Wages** (see proposal guidelines) \$ N/A

G. **Faculty Stipend** (maximum \$2,000 per faculty Member) \$ 2000

H. **Publication Expenses** \$ N/A

I. **Other** \$ _____

TOTAL \$ 3500

(Maximum award \$3,500 per individual or \$5,500 for a joint proposal from two or more faculty members)

NOTE: List all expenses, even if the total exceeds the maximum grant. If your budget exceeds the maximum grant, explain how you will make up for the shortfall.

Kristine Nielsen
Ames School of Art
Illinois Wesleyan University
knielse1@iwu.edu

ACADEMIC POSITIONS

Assistant Professor of Art, 2013–present
Ames School of Art, Illinois Wesleyan University, Bloomington, Illinois

Visiting Assistant Professor of Art, 2012-2013
Ames School of Art, Illinois Wesleyan University, Bloomington, Illinois

Andrew W. Mellon Postdoctoral Fellow in the Humanities, 2010-2012
Illinois Program for Research in the Humanities
University of Illinois at Urbana-Champaign, Illinois
Position included an appointment as Visiting Assistant Professor in the Program of Art History and the Department of Germanic Languages and Literatures

EDUCATION

The University of Chicago, Chicago, Illinois
Ph.D. in Art History, 2010
Dissertation Title: “Gestures of Iconoclasm: East Berlin’s Political Monuments, from the Late German Democratic Republic to Postunified Berlin”
Specialization in Modern and Contemporary Art, minor in Historiography and Theory
M.A. in Art History, 2003

Københavns Universitet, Copenhagen, Denmark, and University of Rome ‘La Sapienza’, Rome, Italy
Cand.Mag. in Art History, 2001
B.A. in Art History, minor in Linguistics, 1999

HONORS AND AWARDS

*Mellon Foundation Team-Teaching Grant, Illinois Wesleyan University, spring 2017
*Mellon Foundation Class Project Grant, Illinois Wesleyan University, spring 2017
*Curriculum Development Grant, Illinois Wesleyan University, spring 2016
*Mellon Humanities Fellow, Illinois Wesleyan University, Bloomington, IL, 2015-2016
*Junior Faculty Leave, Illinois Wesleyan University, spring 2015
Stone Summer Theory Institute Fellowship, School of the Art Institute of Chicago, 2011
Getty Research Institute, Library Research Grant, Los Angeles, CA, 2011

PEER-REVIEWED PUBLICATIONS

“A ‘Freak of Nature’: Mattias Olofsson’s Stor-Stina and the Burden of a Colonial Past,” *Identities and Identifications* (under review).

* “Monumental Attack: The Visual Tools of the German Counter-Monument in Two Works by Jochen Gerz and Esther Shalev-Gerz, and Horst Hoheisel,” *Images: A Journal of Jewish Art and Visual Culture*, Vol. 9 (2016). Print and online.

* “A Perfectly Nebulous Experiment: C.T.R. Wilson’s Cloud Chamber,” in *Art, Technology and Nature*, edited by Camilla Skovbjerg Paldam and Jacob Wamberg. London: Ashgate, 2015. Pp. 175-184.

* “Vittigheden som politisk våben,” Special Issue on Image Wars, *Periskop – forum for kunsthistorisk debat* 15 (2012): 98-123. Print.

“*Quid pro Quo*: Assessing the Value of Berlin’s Thälmann Monument,” in *Art Outside the Lines: New Perspectives on GDR Art Culture*, edited by Elaine Kelly and Amy Wlodarski. Volume 74 of the German Monitor Series. Amsterdam and New York: Rodopi, 2011. Pp. 65-89.

“Reframing The Workers’ Militia Monument in Post-Unification Berlin,” Special Issue on 3D-Sculpture-Installation-Monuments, *Passepartout* 32 (2011): 229-247. Print.

“What Ever Happened to Ernst Barlach? East German Political Monuments and the Art of Resistance,” in *Totalitarian Art and Modernity*, edited by Mikkel Bolt Rasmussen and Jacob Wamberg. Aarhus: Aarhus University Press, 2010. Pp. 147-169.

“Politisk ikonoklasme og idolatri i den moderne visuelle kultur” (Political Iconoclasm and Idolatry in Contemporary Visual Culture), in *Visuel kultur – viden, liv, politik*, edited by Hans Dam Christensen and Helene Illeris. Copenhagen: Multivers, 2009. Pp. 329-348.

Book Reviews, Contributions, Translations, and Entries

* Contributor to *Farewell to Visual Studies* (Stone Art Theory Institutes), edited by James Elkins, Gustav Frank, and Sunil Manghani (University Park, PA: Pennsylvania State University Press, 2015).

* Review of *Architecture, Politics, and Identity in Divided Berlin* by Emily Pugh, *Sehepunkte* 15 (2015), No. 6. <http://www.sehepunkte.de/2015/06/25238.html>. The review also appears in *Kunstform* 15 (2015), No. 6.

* Translation of Hans Dam Christensen, “A Sign of the Times? Art History as/vs Cultural History,” in *Images of Culture: Art History as Cultural History*, edited by Mikkel Bøgh et al. Copenhagen: Museum Tusulanum Press, 2014.

Review of “Theories of Memory: A Reader” edited by Michael Rossington and Anne Whitehead, *Ekfrase: Nordic Journal of Visual Culture* 1 (2010): 72-73.

PRESENTATIONS

* “Performing the Sami Experience”

Fourth Euroacademia International Conference, *Identities and Identifications: Political Uses of Collective Identities*, Venice, Italy, March 4-5, 2016

* “Inglorious Images: Postwar German Confrontations”

Invited lecture, 53rd Fine Arts Season Lecture Series, Fine Arts Society of Peoria, Peoria, IL, Oct 8, 2015

* “Division and Unity: Cold War Memorials in East and West Berlin”

Faculty Colloquium Speaker Series 2015-16, Illinois Wesleyan University, Bloomington, IL, Sept. 11, 2015

* “Medium Matters: Berlin’s 750th Anniversary”

International Conference, Transatlantic Institute for the Study of East German Art and Iowa State University, *Reassessing East German Art: 25 Years After the Fall of the Berlin Wall*, Ames, IA, Sept 16-17, 2014

* “Iconoclasm and the West German Counter-Monument”

German Studies Association Annual Conference, *Modes of Memory in Late 20th and early 21st Century German Culture: Compensation, Revenge, and Iconoclasm*, Denver, CO, Oct, 2013

* “Transitional Territories: Berlin’s Socialist Cultural Heritage”

College Art Association Annual Conference, *Destruction of Cultural Heritage in European Countries in Transition 1990-2011*, New York, NY, 2013

* “The Post-1989 Disposal of Communist Waste”

Mid-America College Art Association Annual Conference, *Laid Waste: Dead Matter, New Landscapes and the Politics of Trash*, Wayne State University, Detroit, MI, 2012

“What Ever Happened to Ernst Barlach? East German Political Monuments and the Art of Resistance.” Invited Keynote Speaker for *Writing With Images: An Art Symposium*, graduate student symposium, Program of Visual Culture, Department of Art History, Illinois State University, Normal, IL, 2011