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# Alternative investments in emerging markets: A review and new trends<sup>☆</sup>

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## ABSTRACT

This paper provides a review of the alternative investments literature in emerging markets, with a focus on art and wine, angel investment, venture capital and private equity, private debt, hedge funds, crowdfunding, and IPOs. We show that there has been relatively more growth in the scholarly interest in alternative investments in emerging markets compared to alternative investments and compared to emerging markets over the period 2000–2016. We highlight topics that have been the subject of scholarly focus, and identify topics for future research.

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## 1. Introduction

On April 9–10, 2015, the Shanghai University of International Business and Economics, in partnership with the Emerging Markets Review and York University's Schulich School of Business, hosted a two day academic conference on alternative investments in emerging markets. The conference attracted over 80 submissions, of which 15 were presented at the conference, and 12 of which are published in this special issue of the Emerging Markets Review. The conference was largely “demand driven” in that there is a growing interest

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in alternative investments, particularly in emerging markets, and as such a number of scholars discussed the idea of having a conference and special issue on topic, and the Shanghai University of International Business and Economics and the *Emerging Markets Review* were very receptive to the idea. Scholars were represented from Asia, Australia, Canada, Europe, and the United States at the conference.

The topics at the conference included art and wine, angel investment, venture capital, private equity, private debt, IPOs, and hedge funds. In this review, we discuss these topics as well as the related topic of crowdfunding. The conference papers highlighted a few central themes across these topics, including (1) the pronounced importance of information asymmetries between investors and investees in alternative investments in emerging markets, which can in turn offer high returns where investors can take advantage of unexploited information asymmetries where they have local knowledge, (2) the importance of due diligence and governance (both public governance and corporate governance; Zahra, 2014) in dealing with information asymmetries in alternative investments in emerging markets, (3) the diversification benefit of alternative investments in emerging markets, (4) the pronounced role of country conditions, including culture, law, and political issues, and finally (5) a unfortunate lack of data representativeness and comparability across studies, which in turn has resulted in a segmented literature with that has an arguably widely recognized unfortunate reputation of being extremely clubby among pockets of researchers.

This review highlights these issues and themes with reference to many of the papers around the topics of alternative investments literature in emerging markets that deal with art and wine, angel investment, venture capital and private equity, private debt, hedge funds, crowdfunding, and IPOs. The papers identified were largely those from Google Scholar searches. Also, there is some selectivity bias from the authors' familiarity with certain papers that we have seen presented at academic conferences. It is possible (although we hope not) that we have missed papers that we should have referenced, and indeed hope that future scholars identify such papers in other studies. Likewise, we highlight some avenues for future work whereby we hope some of the themes of alternative investments in emerging markets can be extended in the future.

This paper is organized as follows. Section 2 discusses the growth of alternative investments in emerging markets with reference to quantifiable data from Google Scholar. Section 3 discusses more specifically select studies on topic, and highlights some gaps in the literature. The last section summarizes and concludes, and offers some insights into future studies that could be done on alternative investments in emerging markets.

## 2. Growth of alternative investments research in emerging markets

Research on alternative investments in emerging markets is nascent and growing at a much more rapid rate than other similar fields. Figs. 1–4 provide evidence (proxies based on keyword searches that we expect reasonably represent research topics) that shows the trends explicitly with data from Google Scholar for each of the years 2000–2015, as well as up to June 2016. Fig. 1 shows that research on alternative investments grew substantially from an index value of 100 in the year 2000 to 423 in 2013 and 397 in 2015 and emerging markets grew from 100 in 2000 to 498 in 2013 and 462 in 2015, while alternative investments in emerging markets grew from an index value of 100 in 2000 to 687 in 2013 and 671 in 2015. Among the different types of alternative investments, the strongest growth has been in angel investment in emerging markets which grew to an index value of 1662 in 2014 and 1450 in 2015 (which has been fast growth relative to angel investment more generally which grew to an index value of 934 in 2015) (Fig. 1), followed by private equity in emerging markets which grew to an index value of 1198 in 2015 (while private equity more generally grew to 920) (Fig. 2), IPOs in emerging markets which grew to an index value of 1000 in 2015 (while IPOs more generally grew to an index value of 285) (Fig. 2), art and wine in emerging markets which has grown to an index value of 965 in 2014 and 862 in 2015 (roughly four times the growth of art and wine more generally which grew to an index value of 225 in 2015) (Fig. 1), and venture capital in emerging markets which grew to an index value of 602 in 2015 (while venture capital more generally grew to approximately 245 in 2015).

In general, the evidence in Figs. 1 and 2 show that research on emerging markets is growing, as is research on alternative investments, while research on alternative investments in emerging markets is growing at a more pronounced rate. These trends are consistent across topics that include art and wine, angel investment, venture capital, private equity, and IPOs.

There has been comparatively slower growth in work on hedge funds in emerging markets which grew to an index value of 412 in 2015 (compared to hedge funds which grew to 660 in 2015) and private debt in emerging markets which grew to an index value of 276 in 2015 (compared to private debt which grew to

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