

## ABSTRACTS OF THE ARTICLES

### PRMIA HUNGARY CHAPTER AND THE 2023 RESEARCH CONFERENCE

*Barbara Dömötör – Krisztina Megyeri*

Financial risks are a constant challenge for business organizations, and failure to manage them properly often has unforeseen consequences, as many crises have shown. In recent years, the regulation of risk management in financial institutions has increasingly focused on optimizing specific metrics, while a holistic approach, a classic risk management attitude, is necessary to understand and address the challenges of the operation on time. This paper describes the main activities of the Hungarian Chapter of the Professional Risk Managers' International Association (PRMIA), through the events of the past years. The focus is on the annual research conference of PRMIA Hungary, a selection of articles from which are included in this issue. In recent years, the spectrum of programs offered by the organization has developed and become more colorful, thanks to the voluntary work of the steering committee and the support of corporate partners and sponsors. Our aim is to connect and develop the risk management community, and we welcome all contributions.

*JEL codes:* G29, G32

*Keywords:* financial risk management, risk management professional examination system, risk management research

### PERCEIVED ETHICAL RISKS IN PUBLIC PROCUREMENT IN HUNGARY (2009–2021)

*Tünde Tátrai – Péter Juhász*

The conduct of participants in the public procurement market, their flexibility in terms of compliance with the rules and unlawful conduct cannot be studied only and exclusively within the framework of corruption research. This paper aims to present how market participants' perceptions of unethical conduct have changed over 13 years. Our findings demonstrate that the market of public procurements should not be held uniformly responsible for cases of corruption in spending public money. The paper summarises the results of five surveys carried out between 2009 and 2021. Participants of the public procurement market reported that misconduct was a major issue in public procurement in Hunga-

ry over the entire reference period. Grievances were the most pronounced on the part of tenderers. In the assessment of market participants, the regulation performs moderately in curbing practices restricting competition. At the same time, they rated their own and other participants' ethics medium at best in the whole reference period. Only contracting authorities reported some general improvement, in a single year (2021). There is a general market consensus that procurements of construction projects, services and high-value procurements are the most prone to corruption. In this respect, market participants perceived an improvement in 2021, at least in comparison to 2018. Respondents identified the highest risk of corruption in the planning, evaluation and performance stages. Based on our panel data regressions, the general level of ethics as perceived by market participants was stagnant, while corruption exposure followed an inverted U curve, peaking in 2018 and dropping between 2011 and 2009 levels in 2021. The reasons behind that slight improvement are clear. Digitalisation has made communication more traceable, and the controllability of the procedure has inspired optimism in market participants. In other words, transparency and accountability have a strong influence on the perceived level of ethics in public procurement.

*JEL code:* H57

*Keywords:* public procurement, ethical concerns

## **GEOPOLITICAL RISKS AND THE BANKING SECTOR**

*Szabolcs Grébel – Tamás Pesuth*

Geopolitical risks have come into the foreground recently as their effects on macroeconomy are analysed. This said, the banking sector is key due to its embeddedness in the economy and because risk management is an important part of the stability of financial systems. Banking regulations have quantified different types of risks over the past decades, but several types of risks can be considered in the model side by side with economic changes. One experiences the highest number of obstacles in preparing for risks that, on the one hand, are difficult to measure and, on the other hand, occur relatively infrequently but may exert a major impact on individual businesses or for the whole economy. Geopolitical risks belong to that group. In this paper, we survey the most significant geopolitical risks of the modern age and examine the corporate reports of banks in the US, Europe, and Asia to analyse the occurrence of terms relating to geopolitics. Then, we attempt to build an index which can help compare the regions more. Risk indexes have been on the rise recently following the conflicts of the past years. The risk index

formed from corporate reports also correlates with geopolitical indexes found in other types of the literature.

*JEL codes:* G10, G21, G28

*Keywords:* geopolitics, banking sector, risks, banking regulation

## LESSONS DRAWN FROM A STOCK MARKET GAME

*Gergely Fazakas*

A new approach in educational science promotes student involvement to replace frontal lectures. The objective is to create a cooperative environment in class applying the new educational techniques. Gamification is one effective solution to the problem. I used the stock market game described here to introduce my students to the world of trading systems and the basic rules of financial behaviour in a playful but challenging environment.

After the introduction and a description of the literature used, this paper describes how the game is played. I have been playing the game in the same order for years, which has had a dual advantage. On the one hand, based on practical experience, introducing new skills and knowledge is best done in an established order both for the fluency of the game and the effective processing of the new knowledge. On the other hand, the identical order of playing the games is important for subsequent statistical analysis and drawing the conclusions.

The analysis in the paper has been made using a simple statistical descriptive methodology. By their multiplicity, the 136 teams in the sample would have been sufficient to use deductive methodology, however, the participating students belonged to different groups (undergraduate and post-graduate, reading economics, reading other subjects), so the number of the individual teams has become lower. Also, if you look at the number of individual games, i.e. the 34-component sample, deductive statistics will produce more limited results.

It has become clear from the results so far that post-graduate students, particularly those reading non-economics subjects, were more prone to making emotional rather than rational decisions during the course of the game. Psychological elements had a more emphatic impact on their decisions compared to their peers who had a profound knowledge of economics.

*JEL code:* G40

*Keywords:* gamification, financial psychology, stock market game, financial behaviour

## THE BUDAPEST EXCHANGE MUSEUM PROJECT

*Márton Radnai – Márton Pelles*

The Budapest Exchange Museum portal – presenting the results of a research project launched eight years ago – went officially live as part of a half-day conference on 18 January 2024, the 160th anniversary of the foundation of the former Budapest Commodities and Stock Exchange. The portal was created to promote further high-quality research into financial and economic history as well as to pay tribute to this emblematic institute of Hungarian economic history that has overcome numerous ordeals during its 160 years of operation.

The original objective of the project was to quantify the long-term returns of financial investments, an interesting topic from both a theoretical and a practical point of view. In the first phase, we collected and digitalised the data required for these calculations. The second phase continued with the development of the portal, the compilation of a database from the available data and starting the research on returns. While studying the data, we realized how many companies and persons who had played a major role in the past have faded into oblivion. This inspired us to extend our research project by the current third phase which centres around the history of the 100 most prominent companies and the personalities associated with them.

This paper summarises the background and current results of the project as well as future plans.

*JEL codes:* G11, G15, N20, N80

*Keywords:* return, risk premium, financial markets history, company history

## BOOK REVIEWS

Kovács, Levente (2024): *Bankszövetségi krónikák a digitális átállás korszakában (2014–2024)* [*Chronicles of the Hungarian Banking Association (2014–2024)*]. Budapest: Hungarian Banking Association, 320 p. (Péter Vass)