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Evaluation of the Research Part of the University of Luxembourg: Evaluation Report

Department of Finance (DF)



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Executive Summary

Department Overview

The Department of Finance (DF) is part of the Faculty of Law, Economics, and Finance at the University of Luxembourg. It specialises in financial institutions, asset management, sustainability, and fintech/data science. The DF has grown considerably in the past years but also experienced recent reductions in staff numbers due to the departure of key researchers. The DF has nonetheless maintained a strong research performance, attracted competitive funding and increased its publication output in high-impact journals. The DF has a Chair in Sustainable Finance, co-financed by the Ministry of Finance, the Ministry of Environment and the University, strengthening its research and industry connections.

Main Findings and Conclusions

The DF demonstrates excellence in research, with publications in leading journals. It has a growing presence in sustainability and engages in fintech, areas aligned with Luxembourg's economic priorities. The DF's research is structured around four thematic areas, providing thematic coherence but also revealing limited strategic coordination. The DF benefits from adequate financial resources, but incentives for obtaining external funding and undertaking interdisciplinary collaboration remain underdeveloped. The department has strong industry ties, mainly through teaching programmes and student placements, but lacks broader outreach and cross-disciplinary research engagement. The PhD programme has been successfully revised to enhance job market competitiveness, though national rules oblige it to be shorter than is considered global practices.

Areas for Improvement and Recommendations

To enhance its international reputation and research impact, the DF should develop a clear research strategy aligned with University's priorities. Further strengthening interdisciplinary collaborations, particularly in sustainability and digital finance, is recommended. The department should seek additional externally funded chairs and increase engagement with industry and policymakers. Better internal communication and integration within the University would help maximise the DF's contributions. Career development policies should also be revised to support early-career researchers better and improve work-life balance. Needed changes include flexible PhD duration and maternity/paternity leaves. Finally, teaching obligations should be made more flexible to incentivise research grant applications and further enhance the DF's visibility and impact in academia and industry.

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1 Introduction and background

1.1 Introduction to the evaluation

The Ministry of Research and Higher Education (MESR) of Luxembourg mandated Technopolis Group with the evaluation of the research part of the University of Luxembourg. This evaluation was conducted from May 2024 to June 2025. According to Art. 50/2 of the modified law on the organisation of the University of Luxembourg of June 27th, 2018, based on the original law of 2003, the University is subject to external evaluation every four years. The present evaluation assesses both the research and institutional aspects of the University. The main time period to be covered by this exercise is 2018-2023. In addition to a retrospective assessment of achievements, the evaluations' prospective elements include the evaluation of the strategies and plans of the University as well as the evaluators and the panel assessment of challenges and opportunities ahead.

The University's mission, as defined by law, is threefold: to offer higher education courses leading to degrees, diplomas and certificates; to conduct research; and to contribute to the social, cultural and economic development of Luxembourg.

This report is part of the assessment of the research performance of the Universities' 13 research departments and three interdisciplinary centres and covers the Department of Finance (DF), part of name of the Faculty of Law, Economics and Finance (FDEF). The evaluation is based on international external peer review and covers the performance of the department, taking into account various aspects such as inputs (e.g., finances, human resources, infrastructure, strategy) and outputs/impacts (e.g., research outcomes, innovation activities, services). A separate report covers the assessment of organisation, management, and governance matters.

The observations and recommendations presented in this report are based on a peer review by the following experts working in the research entities' research fields: Ania Zalewska, University of Leicester (Chair), Prof. Jannis Angelis, KTH, and Bruno Gerard, BI Norwegian Business School.

The assessment is based on a self-evaluation report submitted by the department, background information on the Luxembourg research system information provided by Technopolis Group, and an on-site visit to the Department in January 2025. The hearing, which was organised and moderated by Technopolis, consisted of a self-presentation by the department and its research groups, younger researchers, as well as group interviews with external partners and clients.

The committee applied the following evaluation criteria and organised the present report accordingly: quality of the research, impact of the research (third mission), and future potential of the research in the department.

The evaluation team would like to thank all those who helped us prepare the evaluation, those who provided information and those who were interviewed during the consultation.

1.2 The Department of Finance

The Department of Finance is part of the Faculty of Law, Economics, and Finance (FDEF). Its focus is on financial institutions and asset management, but it has growing expertise in sustainability and fintech/data science. The department has 16.3 faculty members, sharing one professor (Mark Podolskij) with the Department of Mathematics. In 2023, after a period of growth lasting several years, the department became smaller again due to the departure of

two full professors. Since the last evaluation, in total 5 faculty remained and 11 were hired. During the evaluation period, the DF received grants in the national competitive project funding (CORE) of €4.8m compared with €563k in the previous evaluation period. Publication output increased in quantity and quality, with 21 articles being published in FT50-list journals and further 9 articles in top statistics/mathematics journals. Currently, there are 22 PhD Students, and the number of PhD graduates per year varies between 2 and 4.

The DF has a Chair in Sustainable Finance which is co-financed by two Ministries (Ministry of Finance, Ministry of Environment) and the University. It is also involved in the National Centre of Excellence in Research (NCER) in fintech alongside with the Department of Law and the Interdisciplinary Centre SnT, funded by the FNR.

The teaching programmes target students who are likely to work in the local financial industry. The Master programmes have been changed from 1-year to 2-year, from fee- to non-fee-based, and were re-designed in collaboration with the finance industry.

2 Research strategy and organisation

The research of the DF is structured around four thematic groups: Asset Management, Financial Institutions, Sustainability and Fintech/Data Science. These groups also define research specialisation of the DF. In organisational terms, these groups are better described as research areas, to which various researchers contribute¹ This is a big change from the organisation into 11 thematic groups that DF had during the previous assessment in 2017. Although, the current structure may seem more coherent, especially given the small size of the DF, it has considerable shortcomings. The organisation has limited structuring effects: the groups are small, counting between four and five members; and activities are mainly driven by research interests rather than by an explicit strategy that is in line with the overall university strategy. The capability to leverage capacity seems reduced. Also, as the structure does not fully reflect the entity's diversity and competences, the DF does not get the credit it deserves in terms of contribution to university and national priorities.

The research focus, research collaborations and recruitment are highly international. There is a strong awareness of the General Data Protection Regulation (GDPR) and its impact on research.

The adoption of the current structure may also be, at least in part, related to the DF not having a comprehensive research development strategy. The self-evaluation report states that following the recommendation from the previous assessment the “focus will remain on producing high-quality research and publishing in top-tier journals across finance, economics, statistics, and econometrics.” This statement can be seen as a metric of performance assessment. The Panel concluded that the DF lacks a clear vision of how to leverage the capacity of the publication stars it has hired.

The self-assessment report reveals, and the interviews confirmed, that the DF is rather fragmented. Although relations within the DF seem very friendly and collegiate, there is little evidence of collaboration within the DF or with other UL departments and research centres.

¹ For instance, researchers belonging to the Asset Management and the Financial Institutions research groups also research (often extensively) topics overlapping with those researched on by the Sustainability and the Fintech/Data Science groups. Similarly, researchers belonging to the Sustainability and the Fintech/Data Science groups research topics that fall under the remit of the Financial Institutions and the Asset Management research groups.

Two issues arise from this. One is that the research identity and expertise of the DF can seriously be fractured by departures of individual researchers (something that the DF has already experienced). There are some efforts to create a thematic group around the Sustainability Chair, but these efforts need to be strengthened and expended to other thematic research groups. The other is that the DF's connections with the rest of the University are underdeveloped. Where there is evidence of research conducted with researchers from outside the DF or that might be deemed as cross-disciplinary, that research results from formal appointments (e.g., a joint appointment between the DF and the Department of Mathematics) rather than through a research collaboration by DF researchers who are not on cross-departmental contracts.

The DF is active in disseminating its research at conferences, academic and practitioner workshops and seminars, as well as via online platforms (e.g., SSRN) and general media to enable free of charge access to its research output. The DF researchers are committed to increasing their research visibility and network. During the interviews, the Panel was informed that thanks to a combination of internal and external funding (e.g., grants and chairs) financial resources are adequate. The department promotes interactions with academics and business community through the DF hosting research seminars, and conferences. There is funding available to support research visits and sabbaticals, as well as generous research grant schemes through the FNR.

In international comparison, the financial situation of the department and, more generally, of the University, is relatively comfortable. While the DF has won multiple competitive grants, incentives to apply for external and internal grants could still be sharpened. For instance, inflexible teaching obligations and automatic access to internal funding do not create incentives to seek research funding. This limits collaborative activities both within academia and with industry and policymakers.

Further incentive issues arise with career development. The 5-year limit for PhD completion is too short for the research area and the related global labour market. The Panel was informed during the interviews that maternity/paternity leave is not accounted for when the probation and performance of the DF researchers is assessed.

Recommendations:

- The Panel recommends that the DF develops a research strategy that is consistent with the University's research priorities and strategy. Its current strategy is successful in terms of publication output, but may be too narrow in scope, and fails to develop strength in depth among members of the department. Recently-established collaborations with Institutions, Ministries (such as the creation of the Sustainability Chair), industry, and internally with other departments and ICs (such as FinTech NCER) are promising and need to be strengthened.
- There is a need for better communication and recognition of the value the department provides within the University, and the potential the DF has for educational and train for public and private sector needs. Based on that, the strategy for recruitment should be developed in closer interaction with the University hierarchy.

3 Quality of Research

The DF members' publication record is excellent. Several papers have been published in the top journals in Finance, Economics, and Statistics, including the American Economic Review, Journal of Finance, Journal of Financial Economics, Review of Financial Studies, and Annals of Statistics. This record secures individual members' and the department's place among the best

in the field. This high-quality publishing record demonstrates the systematic and successful achievement of the objective to publish in top journals. It has been accomplished through carefully-selected external appointments, as well as by fostering a research environment that provides appropriate support. For instance, data access is facilitated, and funding is provided for networking with well-published researchers at foreign universities. This involves inviting external speakers to Luxembourg and financing research visits for DF researchers.

However, it is not clear how far the DF is internationally recognised in any of its targeted fields, because faculty expertise and interests are fragmented and sensitive to who has been appointed/left. For instance, the research reputation that the DF was building for years on asset management seems to have been eliminated by the departure of one of the professors and the abandonment of the asset management international conference series that for which the DF was known. The organisation of the DF in four small and disjointed research groups does not help.

The Panel finds that the current focus on building a more concise research group specialising in sustainable finance, led by the dedicated Chair in Sustainability, is a better organisational approach that will strengthen DF's research identity and national and international recognition in sustainability.

Regarding national and international collaboration, the Panel acknowledges that individual DF researchers tend to have good networks of cooperation partners in renowned universities (as evidenced by co-authors on publications), yet, holistically, the DF's collaboration record is limited to teaching arrangements within the Faculty of Law, Economics and Finance, and UL. The interviews revealed that the DF faculty do not have incentives to engage in cross-disciplinary collaborative research. This is partly because such research would be unlikely to be published in top Finance journals, which is the main research objective. Also, the easy access to non-cross-disciplinary grants from FNR reduces researchers' incentives to build cross-disciplinary collaborations. Finally, the preference of the UL for appointing well-established researchers (i.e., full professors) rather than early career researchers (i.e., Assistant Professors and post-docs) undermines incentives for individual researchers to venture outside their field of expertise.

The PhD programme in Finance has run for many years. According to the self-evaluation report, during the assessment period (i.e., 2018-2023), 103 students were admitted to the programme. The vast majority of PhD students (74) were financed by the UL or Luxembourgish institutes. Of the 103 students admitted to the programme, 14 have graduated. The self-evaluation report indicates that so far, one of these graduates was successful on the international academic job market. The interviews revealed that the programme underwent substantial revamping in recent years. In addition to a standard PhD training, students are provided with coaching on navigating the job market, excelling in job interviews, and more. The interviews showed that students are very appreciative of this new training and the ambitious approach, more generally. A more recent one-year Master in Quantitative Economics and Finance (MScQEF) prepares students for doctoral-level studies in Economics and Finance.

During the interviews, the Panel learnt that the DF faculty are concerned about the duration of the PhD programme. In many leading universities, Finance PhD programmes have been extended to six years to ensure that candidates have enough time to produce the high-quality job-market papers essential for securing positions in leading universities. The rigidity of Luxembourg's regulations prevents the DF from offering a sufficiently lengthy period of PhD studies to guarantee that the necessary quality of research is produced and ready for submission to journals when PhD candidates enter the job market. This presents a suboptimal situation not only from the perspective of PhD students but also from the viewpoint of the DF

faculty, scholarship allocation, the UL, and even Luxembourg itself. Further, it impacts the motivation of the DF faculty to provide the high-quality supervision required to produce research suitable for leading journals.

Recommendations:

Despite the excellent publication output in high-quality journals that the DF consistently produces, the Panel provides three recommendations to further enhance its research strategy.

- First, the ongoing efforts to attract and support exceptional research talent must be sustained, and best practices should be shared among faculty to reduce reliance on the contacts and activities of individual members.
- Second, the DF should actively incentivise faculty to pursue research aligned with the long-term interests of both the DF and UL, rather than solely for individual benefit, focusing on areas such as sustainable finance and increased cross-disciplinary research. This should be approached by supplementing support in the desired directions, rather than withdrawing existing support, to ensure that the collaborative and productive research environment is preserved.
- Finally, the time available for PhD candidates to complete their studies should be extended to address needs of the prolonged job-market paper process.

4 Resources

4.1 Financial resources and infrastructure

The DF receives ample funding to support faculty with databases, conference attendance, and teaching requirements. The primary financial resource is generated through the study programmes, which remain consistently popular among student applicants. State endowment increased from €2.47m in 2018 to €4.62m in 2024, covering salary of all the staff, researchers, admin and students under contracts. It also covers operational expenses assigned by the department such as travel costs and conference expenses. All through the evaluation period, an additional €4.24m came from FNR competitive funding, mainly FNR Core projects (€1.73m), and the Ministry of Finance (€1.19m starting in 2020), financing a Chair in Sustainability.

There are other substantial funding opportunities available, both internally and nationally. Faculty incentives to apply for external grants are mainly driven by career considerations, as they benefit individuals in terms of promotion or mobility. There is no systematic process for the buyout of teaching or administrative responsibilities for those awarded a research grant, nor is grant funding necessary for the acceptance or supervision of PhD students.

The FNR funding strategy calls for an increase in interdisciplinary collaborations. The DF has approached this requirement for interdisciplinarity through various sustainability initiatives, e.g. the interdisciplinary sustainability centre and the Master in Sustainable Finance. More diverse research and collaborations, such as those on biodiversity finance and social finance, have been discussed within the DF and external partners, who express their interest in this area. The emphasis on digital transformation in finance presents similar potential to foster closer interdisciplinary collaborations with both other university departments and SnT, and industry, some funding is available with the NCER. The teaching programmes generate income, and there is pressure from the university to increase the number of students in the master's programmes. However, a shortage of larger lecture halls and faculty to teach new courses practically limits the growth of student numbers. The university also restricts opportunities to offer

fee-based courses, which would otherwise present significant potential for increased revenue for the department.

Recommendations:

- Expand collaborations with industry and interdisciplinary centres to attract external funding e.g., from FNR or industry, building on the initiatives in digital transformation in sustainable finance.
- Actively pursue the possibilities of offering fee-based courses to professionals as part of lifelong learning, with fee levels set closer to the market rate.
- Seek more externally-funded chairs from partner institutions.

4.2 Human resources, careers, and related policies

There is a clear and common understanding within the DF of the standards of scientific excellence required. This influences the strategies employed for recruiting and developing new faculty, as well as for evaluating junior faculty in relation to their career advancement. The DF has hired six faculty members, five of whom are nearing promotion to associate professors. There is a teaching need for several additional hires, but the UL's emphasis is on establishing chairs rather than junior positions, would require external funding currently unavailable. Assistant professors can be promoted to tenured contracts after four years; however, the process is time-consuming and success is not assured, which discourages potentially strong candidates from applying to the DF especially as they also have a language requirement to master. Postdoctoral researchers are typically employed externally for specific projects (currently three out of four), and these positions are not used as a way to screen for future faculty members, limiting their role as a recruitment and selection channel.

The faculty's gender balance has improved but is not yet adequate, partly due to a structural imbalance in favour of male researchers and doctoral students in the finance field. Nonetheless, there is a clear awareness among the faculty of the need for further improvement in this area, and efforts are being made to attract more female applicants. A challenge is that employment practices do not sufficiently support parental and maternity leave. For instance, there is no provision for reduced teaching loads or pausing the probationary clock for those on parental leave.

For doctoral candidates, and to a lesser extent postdocs, significant effort is invested in preparation the job market. For example, candidates are encouraged to attend job market conferences, while faculty offer advice, guidance, and mock interviews. Support extends to careers beyond academia, with numerous opportunities to engage with industry during departmental seminars and research events.

Faculty from leading international institutions are regularly invited to the DF's research seminars, which enhances visibility and fosters relationships. These two factors, in turn, bolster faculty and researcher mobility and recruitment.

Recommendations:

- Enhance the DF's competitiveness in attracting talented researchers and scholars, by giving less importance to the language requirement for new hires for promotion.
- Explore introducing policies that better support parental and maternity leave, such as reduced teaching loads and pausing the probationary clock.

5 Contribution to teaching

The DF faculty provides high-quality instruction in the programmes offered, as demonstrated by surveys from students, alumni, and employers. The DF offers courses in the undergraduate economics programme, three master's programmes in finance, and a short lifelong learning certificate. Graduates of all programmes are highly employable, both locally and internationally. All faculty members are required to teach, with only limited concessions made for administrative duties, such as serving as department head. The teaching workload remains unchanged when a faculty member is awarded a research grant. The workload is substantial, especially considering the explicit research expectations, with stipulated hours in class (180 teaching units per year; 150 hours in the classroom, six MA theses) and a reduction in the early years after appointment. The courses offered by the DF may be taught by more than one faculty member, and colleagues support one another as needed, for instance, in cases of illness or shorter academic sabbaticals.

Most faculty members are actively engaged in research and integrate their ongoing investigations into courses where appropriate. For instance, foundational courses may emphasise basic theories, whereas students in Master's and PhD programmes are significantly exposed to research in asset management, fintech, and sustainable finance. The application of faculty expertise illustrates that the DF is well-positioned to offer lifelong learning courses, as evidenced by the success of the sustainable finance lifelong learning course. However, the lack of suitable teaching facilities constraints the growth potential of DF's programmes, as does the limited faculty teaching capacity.

Doctoral candidates and postdoctoral researchers tend to collaborate with the faculty member whose research aligns most closely with their interests. This is not necessarily the formally assigned supervisor. PhD candidates are trained to develop analytical and technical skills and are provided opportunities to attend international conferences. Mentoring is ensured through collective responsibility among faculty. However, there is a structural issue regarding the timeline of the doctoral programme, given the extended time required to develop a competitive job-market paper. Many comparable doctoral programmes have been extended to 6-7 years, while departmental PhD candidates must submit their work for assessment after only half that time. This reduces the chances of successful job placement in prestigious academic institutions, which is a key performance metric for the doctoral programme. In contrast, the placement record of graduated PhDs and postdoctoral researchers is strong for non-academic positions, as the skills developed in the DF appeal to employers in Luxembourg and beyond.

Recommendations:

- Make teaching obligations more flexible to serve as incentives for research grant applications, for instance, through teaching buyouts.

6 Contribution to the third mission

The DF has a clear focus on producing research that is publishable in leading academic journals. It contributes to the third mission through research dissemination, industry collaborations, and student placements. However, it is less common for industry representatives to approach faculty with research needs and ideas. This may indicate a perceived lack of opportunity and access from the industry's perspective, as representatives interviewed by the panel expressed a strong interest in engaging with the DF's research.

DF's external communication includes practitioner conferences, such as those focused on asset management and sustainable finance, along with regular webinars and lunch seminars. Additionally, there is a Fintech Hackathon that highlights the expertise developed in this area. The DF maintains strong connections with the industry through student internship placements and employment opportunities in the financial sector. There is a clear interest in developing new programmes, particularly in lifelong learning. However, implementing these initiatives is challenging, as the needed framework for developing and adopting the programmes has not yet been established. Regarding financing, the conditions can be restrictive; for instance, short courses are priced below market rate.

The approach to the third mission allows for a considerable degree of personal freedom and flexibility. However, it is suboptimal in terms of external communications and visibility, which hinders the strategic development of the DF's external activities and relationships. Faculty members in externally funded positions (e.g., Chair in Sustainable Finance) are expected to prioritise the dissemination of research findings. However, discussions are typically led and managed by individual faculty members rather than being systematic and conducted at a departmental level. This makes the establishment of research and teaching partnerships and collaborations an ad hoc activity, reliant on the drive and motivation of individuals. Such dependence places the DF at risk, as even established relationships may dissolve if the leading faculty member leaves.

Recommendations:

- To enhance the DF's fulfilment of its third mission, the panel recommends maintaining the current emphasis on quality research, along with an established set of formal requirements and incentives for research collaboration and dissemination of results with industry and the public to ensure societal impact, thereby making it a priority.
- The DF should develop a cohesive strategy towards external stakeholders, including industry, other university departments, and civil society.

7 Overall assessment and recommendations

The DF has an excellent record of journal publications that places it among leading European Finance Departments. The quality of research is further confirmed by its work-in-progress being accepted for presentations at leading international conferences. This also suggests there will be a similarly strong research performance in the near future. The DF provides very popular undergraduate and postgraduate teaching, and life-long learning courses sought by the financial industry of Luxembourg. PhD students graduating from the DF are sought after by financial institutions, maybe less so by other universities. The atmosphere in the DF seems harmonious and collegiate. There is a strong common desire to provide research published in top Finance journals and high-quality teaching. Yet, the DF's interactions with other departments are limited to the provision of teaching. Similarly, although the speciality of the DF would suggest that it should have a well-developed and wide-reaching financial/business network, this is not currently the case. Interactions with financial institutions and businesses are mostly limited to teaching and student placements. Part of the challenge lies in limited resources: the size of DF remains modest, and more than half of its faculty members are involved in managing teaching programmes in addition to carrying substantial teaching loads.

The partly-limited outreach and integration of the DF should be perceived in a broader context of incentives, policies and restrictions imposed by the UL. For instance, lengthy and opaque recruitment policies focused on appointing full professors have resulted in the top-heavy

structure of the DF and low incentives to create cohesive, cross-disciplinary research environment. A low level of influence of the DF over its direction of development (e.g., in appointments, infrastructure development, provision of degrees, etc.) further adds to its perception that there are few benefits in being proactive, and limits its activities to what DF researchers do best, i.e., publish academic papers in top journals.

Overall recommendations:

While the DF is very successful in producing high-quality research output and teaching, there are several issues that need addressing to ensure that the DF fully utilises available resources and opportunities to its, UL's and Luxembourg's advantage.

1. The Panel suggests that the UL in collaboration with the DF develops a strategic plan for developing DF that will include, but will not be limited to, specification of research themes and support for their development.
2. Regarding the recommendations for the DF, the Panel suggests that the DF creates a clear development strategy that fully utilises its current strengths. The strategy should include the development of interactions with more stakeholders (e.g., other departments within the UL, businesses, financial industry, policy makers, civic society, etc.)
3. The successful creation of the Chair in Sustainability and the associated research group can provide a valuable lesson in creating thematic research groups in line with societal demand. The creation of more funded chairs (e.g., in Fintech, or a related area) to align the DF with the UL's and national priorities should be treated with great urgency. In addition, the department should engage in cross-disciplinary research projects reaching out to other departments to strengthen competences in sustainability and biodiversity, possibly with funding from the IAS, and to build strong competences in sustainable finance and comparable fields of interest.
4. The Panel also recommends that the UL simplifies and improves the promotion procedure to retain talent and attract early career researchers. If the UL wishes to stimulate cross-disciplinary interactions it should also revisit its incentives, both financial (e.g. grants) and non-financial (e.g., teaching buyouts from grants, especially those awarded externally) for researchers to engage in cross-disciplinary research. The Panel thinks that communication channels between the DF, Faculty and UL should be strengthened.

