Conclusions

This study compared the efficiency of taxation systems in the Democratic Republic of the Congo and Belarus using indicators such as tax-to-GDP ratios, sectoral contributions, and administrative capacity.

The findings indicate that Belarus has a more stable and diversified taxation system supported by a stronger formal economy and effective tax administration. Revenue sources are distributed across industrial and service sectors, reducing dependence on a single economic activity.

In contrast, the Democratic Republic of the Congo faces persistent challenges related to a narrow tax base, heavy reliance on mining revenues, and limited administrative capacity. Although recent improvements have increased tax revenues relative to GDP, the fiscal system remains vulnerable to commodity price fluctuations.

To improve tax efficiency, the DRC should prioritize expanding its tax base, strengthening tax administration through digitalization, and encouraging the formalization of economic activities. Belarus, while relatively stable, could further enhance its tax system by simplifying compliance procedures and exploring new sources of revenue in emerging sectors.

Overall, the comparison demonstrates that economic diversification and institutional strength play critical roles in determining the effectiveness and sustainability of national taxation systems.

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INVESTOR SENTIMENT, ASSET PRICING AND INVESTMENT DECISION-MAKING IN CHINA'S STOCK MARKET

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This paper investigates investor sentiment's effects on asset pricing and investment decisions in China's A-share market, integrating traditional financial factors and climate risks. Using behavioral finance and data up to June 2025, we quantify the retail-dominated investor structure, reveal climate risk transmission to sentiment, and build the Climate Risk-Market Sentiment Index (CR-MSI). We provide strategies for investment and regulation to enhance market stability and predictability.

Keywords: Investor Sentiment, China's A-share Market, Climate Risk, Behavioral Finance, CR-MSI.

Market sentiment drives price deviations from fundamentals (Baker & Wurgler, 2006). China's A-share market is retail-dominated, making sentiment a key driver of short-term volatility. Climate risk has become a critical non-traditional factor amplifying market fluctuations.

Table 1

A-Share Investor Quantity, Proportion & Market Cap Holding (As of Jun 2025)

Investor Type	Quantity	Proportion of Total Investors, %	Market Cap Holding, %	Average Single Holding (10.000 CNY)
Total	240 mln	100.00	100.00	–
Individual	239 mln	99.76	31.28	15.86
Institutional	576.000	0.24	68.72	23.857.64

Source. Compiled by authors based on CSDSC (2025) monthly report.

As of June 2025, retail investors account for 99.76 % of investors but hold only 31,28 % of market value, while institutions hold 68.72 % (CSDSC, 2025). This structural mismatch intensifies sentiment-driven volatility, as shown in Table 1.

Behavioral finance theories-bounded rationality, herding, prospect theory-explain retail investors' irrational decisions and persistent mispricing, as illustrated in Fig. 1.

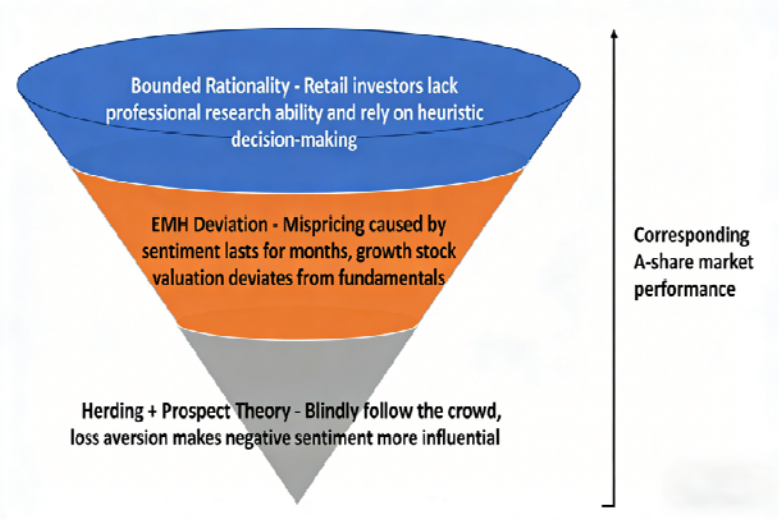


Fig. 1. A theoretical framework of A-share investor sentiment from the perspective of behavioral finance
Source. Compiled by the authors.

Simon's bounded rationality leads retail investors to rely on heuristic decisions, and sentiment causes persistent mispricing that contradicts EMH, as validated by Baker & Wurgler. Herding and loss aversion make negative sentiment more impactful than positive sentiment.

Sentiment is driven by both financial and climate risk factors, with core financial indicators forming a self-reinforcing cycle as presented in Table 2.

Table 2

Performance of Traditional Financial Factors in Different Sentiment Periods

Sentiment Proxy	High Sentiment Period	Low Sentiment Period	Core Signal
CSI 300 Turnover Rate	Peak, continuous rise	Trough, continuous decline	Trading enthusiasm
Closed-end Fund Premium/Discount Rate	Narrow discount (even premium)	Wider discount	Risk aversion level
IPO Activity	High volume, high first-day return	Low volume, low first-day return (break issue risk)	Short-term profit appetite
Trading Volume	Sharp surge, growth sector volume leading	Sharp drop, defensive sector volume leading	Market capital flow direction

Source. Compiled by authors based on A-share market historical data (2020–2025).

Climate risk affects market sentiment through three quantifiable channels, and each type of risk has a unique transmission mechanism to stock prices; traditional sentiment indices have obvious limitations in capturing climate risk, leading to measurement bias and inaccurate timing signals Table 3.

Table 3

Impact Mechanism of Climate Risk on Market Sentiment and Limitations of Traditional Indices

Type of Climate Risk	Core Impact Logic	Key A-share Sector Impact	Limitation of Traditional Sentiment Indices
Physical Climate Risk (Extreme weather)	Operational disruption → emotional panic → synchronized selling	Port, agriculture, hydropower	Fail to capture climate panic, leading to measurement bias
Climate Policy Shocks	Profit expectation reshaping → capital flow guidance	High-energy consumption, clean energy, new energy vehicles	Fail to cover sectoral sentiment differentiation
Climate Policy Uncertainty	Information asymmetry → risk aversion amplification → crash risk rise	All sectors (especially high-carbon sectors)	Ignore risk aversion amplification effect, unable to explain abnormal fluctuations

Source. Compiled by authors based on IPCC (2023) and S&P Global (2024) research reports.

Taking the 2024 typhoon disaster as a case, the correlation between physical climate risk, retail trading behavior and stock price volatility in A-share port sector is verified in Figure 2, and the chart clearly shows the time lag effect of climate risk on sentiment: the typhoon landing (T0) leads to a sharp surge in retail selling volume (T0+1 day), and the port sector stock price volatility index reaches its peak at T0+2 days, reflecting retail investors' overreaction and herding behavior under physical climate risk.

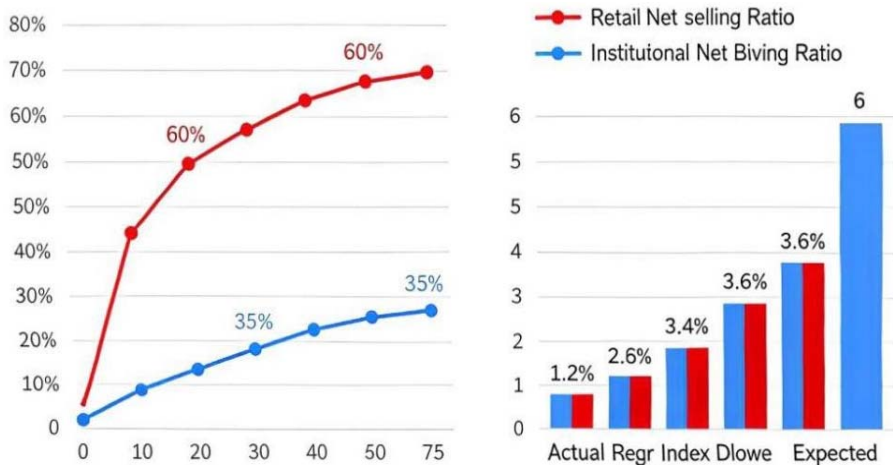


Fig. 2. Retail Trading Volume and Stock Price Volatility of A-Share Port Sectors During the 2024 Typhoon Period

Source. Compiled by the authors based on A-share port sector transaction data (2024) and [7].

The CR-MSI combines climate risk and traditional factors to measure sentiment more accurately, with targeted suggestions for investors and regulators.Findings show sentiment is driven by financial and climate risks in the retail-led A-share market; CR-MSI improves measurement and reduces irrational volatility, with future scope for index optimization.

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