



**Eastern  
Mediterranean  
University**

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**Department of  
Banking and Finance**

# The 2<sup>nd</sup> International Conference on Banking and Finance Perspectives



**Conference ABSTRACT BOOK**

**Editors:**

**Assoc. Prof. Dr. NESRİN ÖZATAÇ**

**Assoc. Prof. Dr. KORHAN K. GÖKMENOĞLU**

**April 21, 2017,  
Famagusta, North Cyprus**



*For more details please visit our official website: <http://icbfp2017.emu.edu.tr>*



**EASTERN MEDITERRANEAN UNIVERSITY**

**ICBFP'2017**  
**2<sup>ND</sup> INTERNATIONAL CONFERENCE ON**  
**BANKING AND FINANCE PERSPECTIVES**

**CONFERENCE ABSTRACT BOOK**

**Editors:**

Assoc. Prof. Dr. NESRİN ÖZATAÇ

Assoc. Prof. Dr. KORHAN K. GÖKMENOĞLU

Department of Banking and Finance  
Faculty of Business and Economics  
Eastern Mediterranean University

May - 2017

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## **Welcome Message by the Conference Chair of ICBFP'2017**

We are delighted that the 2<sup>nd</sup> International Conference on Banking and Finance Perspectives (ICBFP'2017) brought together a large number of distinguished academics and professionals in Famagusta, North Cyprus.

111 papers were submitted to ICBFP'2017 from 15 different countries. The conference served as an important platform for discussions on diverse finance themes such as banking and insurance, capital markets and Islamic banking, corporate governance and corporate finance, econometrics and financial modeling, SME finance and economics. This conference abstract book includes 58 abstracts.

We are grateful to our colleagues and assistants at Department of Banking and Finance of Eastern Mediterranean University who helped us to organize this conference with such high standards and professionalism. We are also grateful to the keynote speakers, Professor Paresh Kumar Narayan and Associate Professor Seema Narayan who shared their latest research findings with the conference participants and stimulated a lot of fruitful discussions.

We also would like to thank all our sponsors who provided us financial support. It would not be possible to organize this conference without the financial support of our sponsors The Central Bank of Turkish Republic of Northern Cyprus, Northern Cyprus Banks' Association, North Cyprus Directorate General of Foundations, Asbank, Koopbank, Creditwest Bank, Dağlı Insurance Company, Turkish Airlines, and Limassol Turkish Cooperative Bank.

Last but not least, we would like to thank all conference participants who contributed to the ICBFP'2017. We hope to meet you again in future ICBFP conferences in the coming years.

Conference Chair:

Assoc. Prof. Dr. Nesrin Özataç

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**ICBFP-001:**

**The Effect of Crude Oil Exports' Revenues on the Stock Market: Case of Iran**

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**ABSTRACT**

The Iranian economy vastly depends on crude oil prices. Any change in international oil prices can affect the structure of the economy. This study investigates the relationship among crude oil revenues and stock market returns in Iran by applying Johansen co-integration tests to check the long-run equilibrium relationship between oil revenue and stock market returns in Iran. Subsequently, this study applies the Granger causality test to check the causality between oil prices and stock returns. Monthly data from January 1996 to September 2015 is used to conduct empirical study. The findings of the study indicate that in the long-run, oil revenue and stock market returns are co-integrated. The results of Granger causality test shows that there is a uni-directional relationship running from oil revenues to stock market returns which indicates the effect of changes in crude oil revenues on the returns in Iran's stock market.

Key Words: Oil revenue, Stock market returns, Granger causality test.

**ICBFP-002:**

**The Fibras as a Tool for Investment Diversification in Mexican Hotel Sector: The Case of Fibra Inn**

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**ABSTRACT**

This paper seeks to make an approach to the financial instrument called REIT, Real Estate Investment Trust, specifically in the hotel industry in Mexico. This tool has allowed many investors to make business in the real estate sector, and it has provided a wider range of hosting services. This research takes us into the strategies the REIT leader in the hotel industry has implemented to position themselves as such. In large part this is explained by network theory and agent – principal theory. The study method is based on a literature review of several theories, as well as the study of a successful case. The analysis of results presents and describes the features that have contributed to business success.

Key Words: Diversification, Strategy, REIT, Gestion, Hotel.

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**ICBFP-004:**

**The Pension Traps of Northern Cyprus**

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**ABSTRACT**

This paper estimates the fiscal burden of the Pay-As-You-Go (PAYGO) Civil Service and Social Security pension systems in North Cyprus. Estimates are made of the difference between the present values of future contributions to be made and the pension benefits to be received by those currently retired and those to retire in the future who are contributing now. The analysis covers the period from 2015 until the last person now contributing retires and dies. Various parametric reform options are also assessed in this study. The estimated unfunded cost of these pension plans is found to be so large that none of these reforms is effective in fixing the fiscal imbalances already created. Structural reforms in the generosity of the pensions formula and the acceptable age of retirement and the rates of contribution must all be adjusted if the system is to be rescued.

Key Words: Pay-as-you-go, Social security, Pension liabilities, Reforms.

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**ICBFP-006:**

**The Relationship of Liquidity and Credit Risk with Its Impact on the Risk of Financial Distress Banking System of Iran**

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**ABSTRACT**

The research of the The research of present survey is considering the relationship between liquidity and credit risk and its effect at financial inability risk of a bank in IRAN (Mellat Bank of East Azerbaijan). Here in the answer to this essential question to the matter is studied. For this reason stoical data of 6 years 2011 to 2016 of financial statements of the Mellat Bank of East Azerbaijan are used.

Since there is not a certain form relation between liquidity risk and credit risk, in this survey structural transactions approaches are used. As a result it is seen that in Mellat Bank both credit risk have positive effect on liquidity risk and to liquidity risk have positive effect on credit risk. Thus one can say that, this relation in bank is bilateral and any type of risks is influenced another and this is mean management is very important in two risks to bank.

Key Words: Liquidity risk, Credit risk, Financial distress, Structural transaction approach.

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**ICBFP-007:**

**Corporate Debt Bias: Reasons and Possible Solutions**

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**ABSTRACT**

This paper examines the asymmetric taxation of debt and equity and its consequences on the capital structure of companies and the economy as a whole. Policy options, the main ones of which include the restriction or elimination of interest deductibility and the allowance for corporate equity, are proposed as solutions to the corporate debt bias. Country-specific examples of the implementation of policy options to eliminate the tax bias on debt financing are presented. Moreover, information on the availability of tax incentives for the encouragement of equity financing in Turkey is given.

**Key Words:** Corporate debt bias, capital structure, allowance for equity, corporate income tax.

**ICBFP-012:**

**Forecasting the Role of Urban Development in the EKC: Empirical Evidence from Turkey**

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**ABSTRACT**

This study searches the role of urbanization in Environmental Kuznets's Curve (EKC) in the case of Turkey, which has a developing economy and is interesting study context. The conventional, environmental Kuznets curve (EKC) has been revised by augmenting and controlling for urbanization with this respect. Results suggest that there exist positively significant effects of urbanization on CO2 emission in Turkey; CO2 emissions react to its long- term equilibrium path by 18.7 percent speed of adjustment in the revised EKC model. However, the inverted U-shaped EKC was not successfully confirmed in the case of Turkey.

Key Words: EKC, Urbanization, Pollution, Turkey.

**ICBFP-014:**

**Determinants of Small Business Lending in Palestine**

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**ABSTRACT**

This paper aims to determine the factors that drive banks and other financial institutions' decisions to provide loans to small and medium enterprises' owners specifically in Palestine. In order to achieve the study aim six banks and four micro finance institutions have been chosen for the period of 6 years (2008-2013). Loan guarantee fund programs and donations, business size and inflation were used as independent variables that influence banks or MFIs lending decision. To drive the end results, regression analysis is used. The findings illustrate that selected variables such as asset size have higher impact on both banks and MFIs lending decision, while inflation have no any significant impact on banks but negative impact on MFIs. The funding programs and donations have positive impact on banks and MFIs respectively. The study is equally useful for SMEs and bank owners to understand the factors influence on SMEs loans.

Key Words: SME lending, loan guarantee, banking sector, micro finance institutions.

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**ICBFP-016:**

**The Effect of Financial Crises on Banking Performance in Developed and Emerging Economies**

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**ABSTRACT**

The aim of the study is to examine the effect of crises on the stability of the banking system in 46 developed and emerging economies for the years 1999-2014. The variables are tested by using the two-step dynamic panel data analysis. The results indicate that the banking crises have an impact on the banking system stability. On the other hand, it is observed that the comparative conditions and the volatility on asset prices are the determinants on performance-stability relations. The most important finding is that the credit to GDP gap influence bank performance negatively.

Key Words: Commercial Banks, Bank Crises, Performance, Dynamic Panel.

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**ICBFP-017:**

**The Dynamic Impact of Financial Crises and Economic Volatilities on Insurance Sector**

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**ABSTRACT**

In this study, the effect of the international financial crises and the volume of the economic performance of the market share of the insurance sector and the premiums accumulated through life and non-life insurance sector are analysed. A dynamic panel data analysis is used to examine 30 developed and emerging economies for the years between 1995-2014. The results indicate that the crises and volatilities in economic conditions influence insurance sector negatively.

Key Words: Insurance, Crises, Dynamic Panel Data.

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**ICBFP-018:**

**Why do Firms Repurchase their Stocks? Evidence from an Emerging Market**

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**ABSTRACT**

Stock repurchase, as a corporate finance tool and a substitute for cash dividends, plays an important role in distributing excess cash. Following a prohibited period due to its potentially negative outcomes for shareholders and creditors, stock repurchase has recently been regulated within the company law systems of many countries pursuant to its increasing popularity in satisfying special financing requirements of companies. That the regulatory improvements have removed the uncertainty inherent in such transactions has increased the volume of, especially, the open market share stock repurchases. Turkish legislation has latterly been updated in order to allow stock repurchase for listed firms. We intend to explore why Turkish firms decided to repurchase their stocks. Having followed several panel regressions (conditional logistic regression, panel logistic regression and multinomial logistic regression), the results reveal that signaling hypothesis, i.e. undervaluation and positive information dissemination, and free cash flow hypothesis, i.e. excess cash distribution, hold for Turkish companies.

Key Words: Stock Repurchase, Panel Data, Turkey.

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**ICBFP-019:**

**Multi-objective ATM Location Problem in a Metropolitan City**

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**ABSTRACT**

Location problems are considered as an important branch of the strategic decision-making process. It is incontrovertible that finding the optimal locations of Automatic Teller Machines (ATMs) plays a salient role in retaining and enhancing the market share of the banks. In this study, a multi-objective linear mathematical model is developed to minimize the ATMs' establishment costs, the surcharge costs, the interchange costs, and the number of lost customers simultaneously. In order to demonstrate the applicability of the proposed model, a case study of Tehran metropolis is presented. The General Algebraic Modeling System (GAMS), which is an optimization compiler, is used to solve the problem. The result indicates the establishment location of the new ATM machines by considering the current outsiders' ATMs.

Key Words: ATM location, Multi-objective, Surcharge cost, Interchange cost.

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**ICBFP-020:**

**Optimality of Bank Financial Structure and Potential Effects on Banking Efficiency and Financial Stability**

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**ABSTRACT**

This paper attempts to propose a measure of "optimality of bank financial structure" as a proxy of regulation fairness, in terms of the "theory of the banking firm" under constraints of liquidity and capital adequacy. This has been conducted using Lagrange function to assess the optimal weights of assets that include cash, governmental investments, loans, non-governmental investments and other assets, and the optimal weights of liabilities that include deposits, equity and other liabilities.

The paper argues that "optimality of bank financial structure" may affect both of "banking efficiency" and "financial stability". This has been conducted using a sample of 15 countries, over the period from the 2004 to 2013. Using panel analysis according to OLS and GMM techniques, results indicate that hypotheses regarding the significance of this impact could be accepted.

**Key Words:** bank efficiency, capital adequacy, Data Envelopment Analysis (DEA), financial structure, liquidity, optimality, regulation, stability, theory of banking firm.

**ICBFP-023:**

**The Relationship between Interest Rate Volatility, Spillover Effect of the U.S. Interest Rate and Banking Sector Development: Empirical Evidence for Turkey**

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**ABSTRACT**

The article investigate the relationship between the interest rate volatility and spillover effect of the US monetary policy on the banking sector development of Turkey during the period 1980-2015. Pesaran et al. (2001) bounds test within ARDL modeling framework have been adopted for estimate both long-run and short-run relationships. In addition, this study employed the conditional Granger causality tests to examine the nature of causality among the interested variables. Amongst the main results, the existence of level relationship between banking sector development and the determinants is confirmed. The level relationship model reveals that the banking sector development affected negatively from the interest rate volatility. Moreover, the empirical findings show that the spillover impact of the U.S. monetary policy is negative on the banking sector development of Turkey. The ECM estimations are consistent with the long-run results and the negative impact of interest rate variations and federal discount rate are confirmed. The ECT is negative and strongly significant which considered as extra evidence for existence long-term feedback among the underlying variables in banking development model.

The main outcomes from Granger causality application reveal that there is unidirectional long-term causation run from the regressors toward banking development indicator while, there are three short-run causal effects run from real interest rate to GDP per capita growth rate, from real interest rate to banking development measurement and from federal discount rate toward real interest rate, indicating that federal discount rate will affect banking development through interest rate channel. The policy implication of this paper is that the monetary policy authorities in Turkey should make their plans with considerable for these effects that will improve the development of economic and the banking sector.

Key Words: Interest rate, volatility, Spillover effect, Banking sector, Turkey

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**ICBFP-024:**

**Maximizing the Return on Banking Technology Investments: The Efficiency Challenge**

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**ABSTRACT**

We have observed in Turkish banking and finance industry over the past two decades a remarkably fast growing need for improved technology services. This need has led banks operating in Turkey to speed up the proliferation of their internet based and other technology investments. This trend, however, has also brought along some efficiency issues. While the proportion of a bank's technology expenditures continues to rise, there is substantial proof that banks hardly reap the benefits of such investments within a projected time frame. The challenges that cause such inefficiency matters are discussed and solutions such as transformative leadership style whilst eliminating status quo and resistance to change for maximizing return on banking technology investments are proposed.

Key Words: Technology investments; Banking technology services, Turkish Banks, Return on investment

**ICBFP-025:**

**Frontline Employees at the Ghanaian Local Banks and the Stress of Long Hours of Work**

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**ABSTRACT**

A research model was designed to evaluate the ideal working time for front frontline employees at the Ghanaian local banks to reduce emotional exhaustion among the employees. Twenty local banks were involved in the research. Customer service and job involvement including organizational commitment and job satisfaction were the variables. Banks have traditionally paid much attention to customer behavior because it has several effects on revenue generation from customers. The present competition among banks has generated a new climate of approach to manage local banks through customer relationships that include job commitment, Job contribution, job satisfaction and turnover intentions among employees. It is resulted that majority of Local banks employees in Accra work long hours and get less paid. The results therefore show how most employees are emotionally exhausted and have turnover intentions, but difficult to find new jobs to replace the present stressful employment.

Key Words: Ghana, Emotions, Jobs, Satisfaction, Exhaustion, Banks.

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**ICBFP-026:**

**The Determinants of Corporate Cash Holding levels in Travel & Leisure Sector of Tourism Industry: Empirical Evidence from United Kingdom (UK)**

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**ABSTRACT**

This study examines the determinants of corporate cash-holding levels in Travel & Leisure sector of tourism industry. The study is based on a panel data set obtained from 66 publicly traded United Kingdom (UK) firms of travel & leisure industry for a span of 10 years between 2005 and 2014. UK is ranked as among the top ten tourist destinations all over the globe. This study is unique in the manner as it will determine the most imperative factors of tourism industry that have not yet been explored, thereby filling the gaps in the literature of financial management research. Cash management is vital for firms in this industry as it is volatile and sensitive to global and business cycles. The study covers further six sub-industries of travel and leisure viz airlines, gambling, hotels, recreational services, restaurants & bars and travel & tourism, affirming it to be an extensive comparative study. The model of the study includes determinants such as liquidity ratio, firm size, leverage and leverage ratio, investment opportunities, growth opportunities, liquid asset substitutes, profitability, z-score and dividend payout as a dummy. The data is obtained from Thomson Reuters Data Stream and World Scope and the estimation methodology of the study is the panel data Generalized Methods of Moments (GMM) system.

Key Words: Cash holding, Travel & Leisure, Cash Management, Generalized Methods of Moments.

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**ICBFP-028:**

**Mobile Robot Scheduling in Flow-Shop Cells and Its Importance on Minimizing the Production Time and Cost**

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**ABSTRACT**

All enterprises are principally concerned about the profitability of their businesses and willing to optimize their procedures for having more profit and less cost. One of these procedures is production planning and scheduling that plays a crucial role in minimizing the companies' production time and costs. Production planning and scheduling is in fact the procedure of ordering, monitoring and optimizing work and jobs in a manufacturing process. Scheduling technics and their applicability is highly related with the production system which is established by the organizations. In the recent decades, due to the practical application of Group Technology (GT) and Cellular Manufacturing (CM), lots of the organizations have utilized these structures for their production systems. In this research, a less common case of the manufacturing cells with a mobile robot is discussed. These cells contain a set of machines equipped with a buffer at each side. The capacity of the buffers in this research is one. The robot scheduling procedure becomes more complex than the normal cases due to existence of these buffers. This study aims to deal with this complexity and provide a decision-making tool box for the decision makers to determine and employ the best robot's scheduling scheme according to the characteristics of the problem.

Key Words: Robot scheduling, Production, Cost, Time.

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**ICBFP-029:**

**Bank Efficiency Change and Stock Market Returns Relationship: Evidence from Jordanian Banking System**

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**ABSTRACT**

This study aims to investigate the relationship between bank efficiency change and the stock market returns. The analysis framework is divided into two stages. In the first stage, we measured the bank efficiency change over time by employing Malmquist index using the Data Envelopment Analysis (DEA) technique. In the second stage, we examined the effect of the efficiency change on the stock market returns using panel data analysis. The study's sample contains 12 Commercial banks and 2 of them are Islamic banks. They were selected from Jordanian Banking System. The study covers the period from 2009 to 2015. The Core Profit approach has been used to identify the Inputs-Outputs mix. Within the efficient market hypothesis (EMH), the stock market prices should reflect all publicly available information, which should contain the bank's operation performance and growth in the marketplace. In this paper, we did not find a significant difference between Conventional and Islamic banks in relation to productivity (TFP), technical efficiency (TEC) and technological changes (TC). In addition, the Jordanian banking system seems to have volatile patterns in TFP and TC during the study period. The findings of this study indicate to the existence of a significant positive relationship between the bank's stock market returns and the first lag of the Book-to-Market Ratio (BTM), the Bank's Size (LTA), the Total Factor Productivity (TFP) and the Technological Change (TC).

Key Words: Bank Efficiency, Stock Market Returns, Data Envelopment Analysis, Malmquist Index.

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**ICBFP-034:**

**Dividend Policy of Travel and Leisure Companies in Western Europe**

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**ABSTRACT**

In this study, we examine the dividend payout behavior of travel and leisure companies in five western European countries which are ranked among the top 10 tourist destinations worldwide; namely, France, Germany, Italy, United Kingdom and Spain. The study focuses on the determinants of dividend policy for a time period of 2005 - 2015. We analyze the industry as whole and furthermore, we carry out a comparative analysis for the subsectors namely, gambling, hotel, airline, recreational services, restaurant and bar, and travel and tourism industries. The results of the panel data Tobit estimation methodology show significant positive effects of profitability, size, investment opportunity, and firm maturity. We also find significant negative effects of leverage ratio and asset growth on the dividend payout of travel and leisure companies. The results of subsectors comparative analysis demonstrate that, determinants differently affect the dividend payout decision across the six tourism-related industries. In the case of profitability, a negative effect on dividend payout in gambling industry, and also a negative effect of firm size in airline industry, is inconsistent with proposed hypothesis.

Key Words: Dividends; Determinants; Comparative; Travel & Leisure Companies; Western Europe.

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**ICBFP-035:**

**A Cross Country Analysis of Corruption and Bank Lending Performance**

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**ABSTRACT**

In recent literature corruption is listed as a factor that may cause banks to suffer from high non-performing loans (NPL). This empirical research aims to investigate whether corruption indeed affects NPL rates of banks in a sample of 53 countries which is composed of three sub-groups as 19 African countries, 15 former Soviet Union countries and 22 emerging market countries. By using dynamic panel data analysis (GMM) for the whole sample of countries between 2000-2015, we found that corruption is positively and significantly related to banks NPL rates. Further, the analysis was carried out separately for each of the three regions African, Soviet Union and emerging market countries. Consistently, the findings support that corruption is positively and significantly related with the NPL rates of banks in each of these regions, confirming that high corruption is one of the causes of high non-performing loans of banks. Furthermore our findings showed that the real GDP growth rate and the existence of credit bureaus in these countries are negatively and significantly related with banks' NPL rates whereas real interest rates, inflation rate and the recent global financial crises is positively related with the same.

Key Words: Banking, Corruption, Emerging Market, GMM.

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**ICBFP-037:**

**Regime Dynamics of Capital Markets in the Fragile Five**

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**ABSTRACT**

In 2013, Morgan Stanley declared Brazil, India, Indonesia, Turkey and South Africa as the troubled emerging market currencies under the most pressure against the US dollar. To have high and rising current accounting deficits made these markets more dependent on foreign capital flows. In the study, the mutual regime dynamics of these five capital markets are analyzed by Multivariable Markov Regime Switching Vector Autoregressive (MMS-VAR) Model. We analyzed monthly logarithmic returns from January 2001 to December 2016. The model that best describes the mutual switching is MSIH(3)-VAR(1) with three regimes. The regime switching mechanism in MSIH model specified by the intercept (I) and volatility/heteroskedasticity (H). The study indicates that the capital markets in the Fragile Five are governed by a long run relation and the volatility has got an important role in determining the switching mechanism.

Key Words: Regime dynamics, Capital market, multivariable markov regime switching vector autogressive model.

**ICBFP-038:**

**Examining the Relationship between the Stock Returns and Earnings Measures - Evidence from Borsa Istanbul**

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**ABSTRACT**

This paper investigates the relationship between stock returns and different types of earnings measures (such as net income, gross profits, operating profitability, cash-based operating profitability and accruals) for the firms traded on Borsa Istanbul. We construct portfolios by sorting firms according to the implied earning measures from low to high and analyze whether there are differences among them. Our sample period is from June 2007 to December 2015 covering 172 firms in average. Our results consistent with the previous studies indicating the profitability of equally and in some cases value weighted extreme portfolio investment strategies based on earnings measures.

Key Words: Stock returns, Borsa Istanbul, Portfolio.

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**ICBFP-039:**

**Factors that have an Impact on the Dividend Policies of the Firms: An Empirical Analysis on the Relationship between the Firm Performance and the Dividend Distribution with the Borsa Istanbul Dividend Index (XTMTU) Companies**

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**ABSTRACT**

As emerging markets began to receive a higher share from the global equity investments, investors have also started to pay more attention to the dividend policy choices of emerging markets. Dividend policy is one of the most important and the most frequently researched areas in the field of finance and dividend payout decision is one of the main elements of the corporate policy. Investors generally believe that dividends provide important signals about the firm performance, particularly about the firm's ability to generate sufficient funds. In this study, the factors affecting the dividend policies of 24 non-financial companies, which were traded at the Borsa Istanbul Dividend Index (XTMTU) and distributed regular dividends between 2011 and 2015, were investigated by panel regression method. As a dependent variable, the dividend distribution ratio was selected to examine the firm dividend policy. As company performance measures, current ratio, return on equity (ROE), return on assets (ROA), debt / equity ratio and short-term debt / total debt ratios were selected. The results indicate that the dividend distribution ratio and the current ratio, ROE and ROA are positively correlated. This outcome indicates that profitability has a positive affect on the dividend policy as ROA and ROE were chosen as profitability ratios. Additionally, this result shows that liquidity has also positive affect on the dividend policy as current ratio was selected to measure the impact of liquidity on the dividend distribution. However, the effect of the debt / equity ratio and the short-term debt / total debt ratio on dividend policy is negative/meaningless, which can be interpreted as the debt level of the company has no impact on the dividend policy.

**Key Words:** Dividend policy, Firm performance, Panel regression, Borsa Istanbul Dividend Index (XTMTU), Dividend distribution ratio.

**ICBFP-040:**

**The Determinants of Trade Credit for Listed Firms in Australian Securities Exchange**

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**ABSTRACT**

The influence of trade credit on firms' businesses has been examined by several researchers. In this paper, we identify the determinants of trade credit for firms that are existing in the middle of credit channel through examining four major points: 1) the impact of firm characteristic on using trade credit 2) the use of trade credit during global financial crisis 3) the relation between account receivables and operating profit margin 4) the role of trade credit in enhancing firms' businesses as an alternative source of finance.

In order to conduct this research, we collect data for firms that are listed on the Australian Securities Exchange (ASX) for ten years. According to our models, firm's size has significant impact on using trade credit. In addition, the trade credit decrease during the period of global financial crisis but this reduction is negligible. Furthermore, we notice that, operating profit margin and trade credit are negatively correlated (extending credit to customers is associated with giving discount for early payment and the cost of bad debts). Finally, we find a negative relationship between account payables and short term debts which agree with using trade credit as an alternative source of finance.

Key Words: Trade credit, Credit channel, Firm's characteristic, Operating profit margin.

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**ICBFP-043:**

**Net Stable Funding Ratio and Liquidity Hoarding**

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**ABSTRACT**

The Net Stable Funding Ratio (NSFR) as a component of the Basel III liquidity requirements seeks to limit maturity transformation of banks. This paper deals with the question if this form of regulation also influences liquidity hoarding motives and stability of interbank markets. Therefore the model introduces regulation into a two-period framework with asymmetric information and stochastic credit risk based on Acharya and Skeie (2011). It results that the NSFR increases the bid-ask spread on the interbank market due regulatory costs. Furthermore, institutional observability increases regulatory pressure and decreases liquidity hoarding motives of banks following from asymmetric information.

Key Words: Basel III, Regulation, Liquidity hoarding.

**ICBFP-045:**

**Effects of Hedging Practices on Company Value: The Case of Malaysian Multinational Companies**

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**ABSTRACT**

This paper investigates the value premium of hedging practices for Malaysian multinational nonfinancial companies (MNCs). For financial hedging, the instruments are derivatives and foreign currency debt. For operational hedging, companies use geographical dispersion strategies. Using Tobin's Q as a proxy for company value, the results indicate that multinationals that hedge foreign currency risk exposure through derivatives create value. Foreign currency debt is not a value-adding financial hedging instrument, and it has a significant negative value effect. Geographical dispersion through the location of subsidiaries across multiple countries or regions is not significantly related to value.

Key Words: Hedging, Derivatives, Tobin's Q, Foreign currency debt, Multinationals.

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**ICBFP-046:**

**The Effect of Corruption on Banks Non-Performing Loans: Empirical Evidence from MENA Countries**

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**ABSTRACT**

Corruption in the MENA countries continues to be a serious endemic problem according to the Transparency International 2016 Corruption Perception Index (CPI). Affecting many aspects of the economy including banks, corruption can be a significant barrier for socio-economic development of countries. Reportedly, in MENA countries a major influence is exercised by politically connected individuals and businesses over banks' lending activities. This research aims to investigate whether the high non-performing loans in this region among the channels through which corruption takes place. Using OLS and Fixed Effect estimation methods on a sample of 11 MENA countries over the period 2009-2014, results highlight that corruption in the MENA region has a positive and statistically significant correlation with the ratio of non-performing loans of banks. This indicates the existence of high credit risk in the banking sectors of MENA countries originating from widespread corruption in these countries.

Key Words: Banks, Non-performing loans, MENA countries.

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**ICBFP-049:**

**Cyclicalilty of Credit Risk in Emerging Market Economies**

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**ABSTRACT**

In the study, how the non-performing bank loans were affected by the economic and financial cycles in the emerging market economies was researched and the interaction between them whether one-way or mutual was also investigated. A panel data set compiled from 20 emerging market economies for 1999-2014 period was analyzed annually. Panel Granger and Dumitrescu-Hurlin tests were used as the analysis method. Findings indicate that non-performing loans are affected by variables that reflect volatility in economic activity such as output deficit and unemployment deficit. Similarly, it has been determined that financial variables showing strong cyclicalilty also affect non-performing loans. It has also been observed that although it is not strong in the same region, it has causal effects on the direction from non-performing loans to the economic and financial variables ranked above.

Key Words: Credit risk, cyclicalilty, panel causality tests.

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**ICBFP-052:**

**The Association between R&D, Innovation and Economic Growth: Panel Data Analysis for EU Countries**

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ABSTRACT

Developed countries invest more in technology with each passing day. In the last century, EU countries experience competition in the areas of science, industry and technology. In this context, Research and Development (R&D) studies of EU countries, the efficient use of information-communication technologies and technologic infrastructure become more of an issue. This situation helped EU countries to develop faster and gain economic momentum.

In this study, the association between R&D, innovation and economic growth in EU countries will be examined using 2000-2014 period with panel data analysis. Primarily, the relationship between economic growth and technology will be explored.

Key Words: R&D Spending, Innovation, Economic Growth, Panel Data Analysis

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**ICBFP-053:**

**Outbound Tourism Expenditure: A Review of Predictors and Analytical Approaches**

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**ABSTRACT**

Due to its significance of tourism expenditure in national and international level, the growing number of scholars attempts to model this potent research theme. A wide range of indicators employed to predict tourism complex phenomena of tourism expenditure. This review study aims to uses narrative-analysis to excavate the reasons of differentiation between results and to address the need for consideration of tourism expenditure on international scale. We reviewed 50 articles that are published in major-tourism journals since 2007 to 2017. We classified past studies based on the antecedents of tourism expenditure and methods used for testing respected research models. One of the key findings of this study is that outbound of tourism expenditure does not merely depends on the feature of destination counties or and psycho-demographic properties of tourists. Some sorts of socio-cultural conditions in origin countries consistently contribute in formulating the complex behavior of tourists in terms of their expenditure during outbound travels. Discussions and implications for further research are elaborated.

Key Words: tourism expenditure, complex phenomenon, narrative-analysis, outbound travel.

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**ICBFP-054:**

**Determinants of Financial Inclusion in Palestine and Comparison with MENA Countries**

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**ABSTRACT**

In this paper, we investigate the status of financial inclusion in the Middle East and North African (MENA) countries and also analyze in detail the determinants of financial inclusion through three main financial inclusion indicators: formal account, formal saving and formal borrowing for Palestine. We benefit from the World Bank Global Findex database conducted in 2014 and employ probit estimation method to analyze the association between individual characteristics and financial inclusion.

Results indicate that the main reason for being financially excluded in all MENA countries (except of Bahrain, UAE and Israel) is lack of money. In the manner of borrowing sources; the most used source is family and not financial intermediaries. We find a positive relationship between “GDP per capita” and “percentage of adults with a formal account” in MENA countries. In addition, we observe a positive correlation between “the percentage of GDP growth” and “domestic saving rate”. Furthermore, a positive relationship between “Percent of adults with a formal account” and “Domestic credit to the private sector (percent of GDP)” exist.

As for Palestine the research finds that 32% of Palestinian individuals own formal account, 8% hold formal saving account and only 6% used formal credit in the last 12 months. In comparison with other MENA economies, Palestine stands in the middle for owning formal accounts and among the lowest 6 countries in case of using formal accounts. Our estimation model indicates that owning formal account, using formal saving account and formal borrowing is negatively affected by being a female, older age, having lower level of income and incomplete education in Palestine. Moreover, gender, age, income and education affect the source of borrowing where the most used source of borrowing is from family.

Our main conclusion is that Palestine individuals, to some extent, have low use of formal services relative to other MENA countries. Political problems, high number of unreachable regions by monetary authority (regions under occupation) and the absence of local currency are highly affecting the financial inclusion situation in Palestine. We believe that relatively low level of financial inclusion have had and will continue to have negative implication on economic growth and poverty alleviation. The findings call for specific policy development that can help enhance finance inclusion which for now stands as a challenge for economic development in Palestine.

Key Words: Financial inclusion, financial intermediaries, MENA, Palestine.

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**ICBFP-055:**

**Examination the Drivers of the Financial Performance in Dual Banking system: Case Study on Emerging Market Economies**

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**ABSTRACT**

This paper performs empirical analysis on determinants of profitability in Islamic and Conventional Banks. The main focus of this study is to evaluate and measure of financial performance of Islamic banking firms operating in Egypt, Iran, Malaysia, Pakistan, Turkey, UAE in contrast to Conventional ones in those countries. To evaluate empirically performance of the banks, various financial ratios are employed. We measure performance in terms of liquidity, profitability, solvency, and efficiency. In this work, t-test, F-test, and OLS analysis are used to make hypothesis tests. Our findings reveal that there are similarities and differences in profitability determinants of Islamic and Conventional banking firms. The cost to revenue ratio has inverse relationship with profitability indicators in both banking systems. However, there are differences in financial performances between Conventional Banks and Islamic banks which are found in overall picture of all banks in terms of net income margin.

Key Words: Islamic Banking; Conventional Banking, GDP growth.

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**ICBFP-056:**

**Performance Ranking of Development and Investment Banks: ANP Application**

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**ABSTRACT**

Traditionally, Analytic Hierarchy Process (AHP) and Analytic Network Process (ANP) methods used for Multi-criteria decision making problems. Hierarchical definitions are not enough when relations between the components of multi-criteria decision-making problems are not one-sided rather mutual, Both AHP and ANP based on mutual comparison. ANP is the general form of AHP and considers the interactions and feedbacks between the components which are not directly related rather than creating a network that makes it possible to able to eliminating the levels which are in the hierarchical structure. In this study, ANP model based on the main criteria which are capital adequacy, asset quality, liquidity, profitability and income - expenditure and related 13 criteria which is known sub-criteria of development and investment banks. The framework investigates financial performances of 6 privately-owned development and investment banks by using Analytic Network Process based on experts' opinions and related literature for the period 2011-2015 in Turkey.

Key Words: ANP, decision-making, development and investment banks, performance ranking.

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**ICBFP-057:**

**Assessment of Healthcare Efficiency: Panel Data Analysis for OECD Countries**

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**ABSTRACT**

There have been significant changes in the presentation of health services along with technological innovations and developments experienced in the second half of the twentieth century. Due to the nature of the health care services, many different, complex and economically expensive services are required to be carried out together. For this reason, it is significantly importance that health services are delivered effectively and efficiently to people without sacrificing quality. In this study, the health care performance and efficiency of OECD countries have been analyzed in two stages. The data obtained from the OECD database. First, the efficiencies were determined by data envelopment analysis using the MaxDEA program, then the values of these countries were taken as dependent variables and Panel Data Analysis was applied with the R package program. As a result of the analisis, the socio-economic variables affecting the health care services of the countries have been determined.

Key Words: Healthcare, Efficiency, DEA, Panel Data

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**ICBFP-058:**

**The Nexus between Exchange Rate Undervaluation and Economic Growth Revisited**

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**ABSTRACT**

There is a general consensus that exchange undervaluation has positive relationship with economic growth among developing countries. While most of the previous work relied used GMM model, much have not been done in comparing these dynamics within economies using the Fixed Modified Ordinary Least Square (FMOLS) and Dynamic Ordinary Least Square (DOLS). This study extends the literature by applying FMOL, and DOLS, a technique of nonlinear model, in studying this nexus. Our findings, under both models, validate previous claim that currency undervaluation helps to boost economic growth particularly among developing countries.

Key Words: Real exchange rate, economic growth, developing countries, FMOLS, DOLS

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**ICBFP-061:**

**Longevity Risk in Life Insurance**

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**ABSTRACT**

In last years, longevity risk became as an important issue. One of the sectors that deal with longevity risk in their evaluations is insurance sector uses human life information as an input. If longevity risk is neglected, this case will cause to put false financial equivalence and also will bring the institutions face to face with serious losses during their capital adequacy calculations. The aim of this work is showing that capital liability is decreasing when we use longevity swap that is one of hedging approaches. Longevity swap is selected as an instrument for hedging. Lee-Carter model is applied to swap and mortality ratio equation. Estimation is done to swap and mortality ratio equation by using Monte Carlo simulation. Two conditions which are hedged and non-hedged cases were compared and has shown that under definig correct swap cost hedging provides to its user remarkable saving.

Key Words: Longevity risk, longevity swap, mortality ratios, Lee-Carter model, Monte Carlo simulation

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**ICBFP-063:**

**The Comparison of the Periods of Borsa Istanbul 100 Index with the Periods of Some Possibly Related Indices**

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**ABSTRACT**

In this study, it is aimed to reveal relations of Borsa Istanbul 100 index (BIST100) with some indices including Dow Jones (DJ), Standard and Poor's 500 (SP500), USD/TL currency rate (USD), average of Turkish time deposit interest rates up to one month (TIR), and US ten-year-bond interest rate (TYIR) by comparing periodicities of the mentioned indices. For this purpose, ten-years of daily data, starting from January 2007 to December 2016, were investigated. After applying double exponential smoothing, discrete Fourier transform was applied to reveal the periodic behavior of the data. Results showed that the periods of BIST100 were 4, 6, 11, 13, 20, and 55 months. In addition; 4, 6, 12, 14, 17, 20, 26, 33, and 55 months were found for DJ and SP500; 6, 11, 13, 15, 17, 21, 29, 38, and 72 months were found for USD; 11, 17, 20, 27, and 84 months were found for TIR; and 3, 10, 12, 15, 17, 20, 24, 40, and 65 months were found for TYIR. After examining the periods, it was concluded that the short-term behavior of BIST100 up to 20 months closely related with all indices studied. In the long term, the period of 55 months of BIST100 appeared to be related with the periods of 55 months of DJ and SP500.

Key Words: Borsa Istanbul, Returns, Index.

**ICBFP-064:**

**Banking System of Ukraine – the Period of Structural Changes**

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**ABSTRACT**

Banking system is an indicator of the economic and social development of any country. The banking system of Ukraine is undergoing a process of structural changes. The dynamics of the most important indicators of the banking sector of Ukraine activity was analyzed. The dynamics of the member banks of Deposit Guarantee Fund was presented. The dynamics of the member banks of Deposit Guarantee Fund was depicted in the paper. The dynamics of the reimbursement paid to the banks investors from the Deposit Guarantee Fund in 2016 on monthly basis was researched. The rating of the most stable banks functioning in Ukraine was made by the author. Rating of the parental banking groups which have their subsidiary banks in Ukraine was presented. The factors are to be assigned to the most challenging ones in terms of the economic situation in Ukraine concerning the banking sector functioning as well as the factors that could be considered as those influencing the state of the Ukrainian banking system were presented in the article.

Key Words: Banking System, Rating, Ukraine.

**ICBFP-065:**

**Antecedents of Customer Satisfaction and Positive Word of Mouth in the Internet Banking Sector**

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**ABSTRACT**

Internet banking has emerged as one of the most important popular e-commerce applications since its establishment. Although numerous studies have been conducted in the area of Internet banking, there is still a need to understand more the concept of Internet banking. The aim of this study is to investigate the factors influencing the customer satisfaction and positive word of mouth in the Internet banking sector in the Turkish Republic of Northern Cyprus (TRNC). Using a sample of 199 consumers and regression analysis, the findings indicated that perceived ease of use, accessibility, security and awareness have significant and positive effects on customer satisfaction and positive word of mouth. Managerial implications of the findings are discussed in light of the study's limitations and areas for further research indicated.

Key Words: Internet Banking, Positive word of mouth, Customer Satisfaction, North Cyprus, security, accessibility.

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**ICBFP-066:**

**Estimating the Effect of Common Currency on Trade in West African Monetary Zones: A Dynamic Panel-Gmm Analysis**

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**ABSTRACT**

The purpose of this study is to evaluate the effect of common currency on economic performance of ECOWAS member nations in terms of international trade patterns. To achieve this objective, we applied the Generalized Method of Moments (GMM) estimation technique to a dynamic panel gravity model of bilateral trade between ECOWAS countries. A dummy variable of common currency was introduced to determine if the ECOWAS member states that have already adopted a common currency (WAEMU) fare better than those that are yet to adopt a common currency (WAMZ). Results show that adoption of common currency by WAEMU states has led to better trade performance in comparison to WAMZ states. We conclude that there is a strong case for monetary integration in the ECOWAS sub-region.

Key Words: Monetary integration, International trade, Gravity model, Dynamics, GMM

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**ICBFP-067:**

**Modelling Business Sophistication, Innovation and Macroeconomic Development: Empirical Evidences from OECD Countries**

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**ABSTRACT**

This paper aims to discover the linkage between business sophistication, innovation and macroeconomic environment in 34 OECD countries using annual data covering the period of 2006-2014. The Panel techniques have been implemented to investigate the causal and long-run linkages are Kao and Pedroni cointegration, Fully Modified Ordinary Least Squares (FMOLS), Dynamic Ordinary Least Squares (DOLS), Panel Granger Causality and Dumitrescu-Hurlin Causality tests. Our empirical findings reveal that (i) there is positive linkage between innovation and business sophistication in the long-run; (ii) macroeconomic environment has significant and positive impacts on business sophisticate in the long-run, vice versa. Both Granger Causality and Dumitrescu-Hurlin Panel Causality tests reveal that uni-directional causalities run from business sophistication to innovation and from macroeconomic environment to business sophistication. In addition, the outcomes of Panel Granger Causality indicate that changes in macroeconomic environment significantly lead to changes in innovation.

Key Words: Business Sophistication; Innovation; Macroeconomic Development; Panel Cointegration; OECD

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**ICBFP-068:**

**Averting Cost Estimation of Unreliable Water Supply in North Cyprus**

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**ABSTRACT**

North Cyprus has suffered for at least 5 decades continuously growing water scarcity both in terms of quantity and quality. The Northern Cyprus Water Supply Project was implemented in order to address the chronic water shortages. Under this project, the water utility will be able to provide reliable (continuously pressurized) water to North Cypriot residents. The objective of this study is to estimate the amount that households are willing to pay for the convenience of a reliable supply of water using averting expenditure method. This is done by measuring the coping costs that households engage in through the design and operation of their water supply systems. It is found that a household size of three in North Cyprus pay coping costs of at least 3.35 TL/m<sup>3</sup> in addition to the municipality water utility charge. To put it differently, a typical household pays on average a coping cost more than what they pay for the municipality water utility per cubic meter of water consumption in order to avoid the inconvenience from lack of water.

**Key Words:** Averting Expenditure Method, Water Supply, North Cyprus.

**ICBFP-069:**

**The Interrelationship between Islamic and Conventional Financing: A Case from Malaysia**

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**ABSTRACT**

This paper investigates the bidirectional causal effect of Islamic and conventional finance in Malaysia over the period of 2009 to 2016. We examine the relationship between total deposit of conventional banks and interbank money market interest rate, and total deposits of Islamic banks and Islamic interbank investment rate. Time series methodology is employed in this study. Particularly, we use Cointegration, Granger Causality, and impulse response function under VECM approach. The cointegration test yields evidence of a long-run relationship between the variables. We further find unidirectional relationship running from the total deposits of Islamic banks and Islamic interbank investment rate to the total deposit of conventional banks and unidirectional relationship from the interbank money market interest rate to the Islamic interbank investment rate.

Key Words: Islamic finance, Conventional finance, Long-run relationship, Granger causality

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**ICBFP-070:**

**Assessing Electricity Distribution Companies in Turkey: Network Data Envelopment Analysis**

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**ABSTRACT**

The use of energy effects by developing generation, distribution, trading and sales in the Turkish electricity sector. This paper analyses the efficiency of Turkish electricity distribution companies from 2010 to 2015, using a Network data envelopment model (NDEA). Therefore, a customized network data envelopment analysis model is developed to evaluate the efficiency of electric power production and distribution processes. In the production phase, power plants generate the electricity. In the distribution phase, regional electricity companies transmit and distribute the electricity to the customers in houses. The results indicate that the NDEA approach can be a relatively more reliable method for efficiency estimating and ranking strategies.

Key Words: Energy, Network Data Envelopment Analysis, Efficiency, Electricity

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**ICBFP-071:**

**Assessing Renewable Energy Performance in Turkey: A Malmquist Index Analysis**

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**ABSTRACT**

Renewables are considered as clean sources of energy. The use of Renewable Energy is growing rapidly for energy generation and many studies indicate that these will have large contribution in the future economic and social needs. In our study solar, biomass, geothermal, wind and hydropower energies are reviewed and Turkey's electricity generation is examined by employing Malmquist Index Analysis for the period of 2005 - 2015. As a result, especially hydropower energy is more effective renewable energy source to increase its contribution to Turkey's electricity generation.

Key Words: Energy, Malmquist Index, Efficiency, Electricity

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**ICBFP-072:**

**Comparison of Banks' Financial Performances in TRNC: The Period 2012-2015**

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**ABSTRACT**

In countries where the capital market is not developing, the banking sector is the locomotive of the country's economy. In such economies, the need for money is provided by the banks through credit. In this case, the number of participants in the sector is also increasing. In this environment where profit margins fall and competition is increasing, banks should use their resources more effectively. In this study, the performance of the largest 10 banks according to asset size in the Northern Cyprus banking sector was investigated during 2012-2015 period. The financial ratios must be calculated in order to be able to measure financial effectiveness. Financial ratios to be used according to the literature are as follows; Capital to Total Assets, Loans to Total Assets, Loans Under Follow-up to Loans, Fixed Assets to Total Assets, Liquid Assets to Total Assets, Liquid Assets to Short-term Liabilities, Net Income (Loss) to Total Assets, Net Income (Loss) to Capital, Net Interest Income to Total Assets, Net Interest Income to Total Operating Income. These financial ratios were taken as input and applied TOPSIS (Technique for Order by Similarity to an Ideal Solution) and GIA (Gray Relational Analysis) methods. As a result, the financial efficiency of the bank, which is small in volume, has been found to be low. Also, it is seen that the asset size of the bank with the lowest efficiency scores decreased over the years.

Key Words: Multicriteria Decision, Topsis, Bank

**ICBFP-073:**

**Measuring the Financial Stability of Islamic and Conventional Banks in Turkey**

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**ABSTRACT**

The objective of this study is to measure and compare the financial stability of Islamic and conventional banks operating in Turkey for the period of 2006 to 2015. The sample consists of twenty nine banks, including five Islamic banks and twenty four conventional banks. The study focus on three kinds of variables: bank specific, banking sector, and macro- economic. The study builds on quantitative tools using panel regression in which the z-score used as a proxy for financial stability. We find that large commercial banks have financial stability, less than small commercial banks, large Islamic banks have financial stability, less than large commercial banks, and small Islamic banks tend to be financially stronger than large Islamic banks. The major results show that the existence of a financial crisis has a negative and significant impact on Financial Stability of banking sector in turkey. The findings also indicate that the bank size, loan to asset ratios, cost to income ratio. Income diversity and HHI have a negative and significant impact on the financial stability of banks operating in Turkey. Banks operating in Turkey with higher Islamic bank share have contributed effectively to improve the financial stability in turkey. The study showed that the oil prices and Political Stability have a negative and significant effect, while Stock prices have a positive and significant effect on the financial stability of the banks operating in Turkey. Regarding the macroeconomic variables (GDP, inflation) have significant effects on stability, which explains the importance of financial and economic policies of the government in increase the financial stability.

Key Words: Islamic Banking, Conventional Banking, Financial Stability, Financial Crisis.

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**ICBFP-074:**

**Dividend Policy and Control Enhancement through Holding Companies: The Case of Family Controlled Companies**

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**ABSTRACT**

In this paper, we analyse the dividend behaviour of family controlled companies in both holding and non-holding BGs traded in Borsa Istanbul (BIST). Turkey is an emerging market with weak investor protection. It has an insider system, families being the insiders. 80% of publicly traded non-financial companies are ultimately controlled by families in BIST. Typically, BGs in Turkey are organised around a holding company and controlled by families. For both family controlled holding and non-holding BGs, we empirically explore whether families use dividends for extraction of private benefits or for reputation building (i.e., the reputation building hypothesis). To achieve control, families use different CEMs such as pyramid wedge, dual class share wedge and board control mechanisms. We use exact measures of these CEMs and within the framework of extraction of benefits hypothesis and reputation hypothesis, explore whether they affect dividend behaviour of holding and non-holding BG companies differently. We use a panel dataset of 129 family controlled BG companies for a period of six years, 2009-2014. We use control to ownership ratio as a measure likelihood of minority shareholder expropriation by families. Overall, we find that holding and non-holding BG companies use dividend policy to build reputation. However, for holding BG companies, as the divergence between control and ownership rights widens, extraction of private benefits hypothesis dominates reputation building hypothesis. We also find that different CEMs affect dividend behaviour of holding and non-holding BGs differently. In holding BGs as the pyramid wedge widens level of dividend pay outs decreases supporting the extraction of private benefits hypothesis. On the contrary, as the pyramid wedge widens, dividend behaviour of non-holding BG companies support reputation building hypothesis. Dual class share wedge does not affect dividend behaviour of holding BG companies. But, in non-holding BG companies, as the dual class wedge widens, dividends decrease supporting the extraction of private benefits of control hypothesis. For both type of BG companies, board size and duality affect dividends positively supporting reputation building hypothesis. In line with the extraction of private benefits hypothesis, as the ratio of family members in the boards of holding BG companies increases, lower dividends are paid.

Key Words: Control enhancing mechanisms, dividend policy, agency problems, holding BGs, family firms.

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**ICBFP-075:**

**The Effect of Basel Criterias on Banking Profitability in Turkey: Analysis via Cointegration Method**

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**ABSTRACT**

New global financial regulations are implemented with respect to the developments in the financial system. A consideration of the place and significance of the Banking system globally and nationally that the importance of financial regulations regarding the system increases each day. In this respect Basel (Basel I, Basel II and Basel III criteria) reconciliation is conducted regarding the banking system. Especially to decrease the fragility of banks undertaking the role of financialmediators as a result of the global financial crisis in 2008, Basel II reconciliation has been expanded and BaselIII criteria has been determined on 12.09.2010. Even though it is expected that Basel III reconciliation will be beneficial for the stability of the banking sector, it is expected that the long term profitability of banks will decrease in relation to the possible increase of their capital and liquidity.

In this piece, Basel reconciliations are considered, its application in the Turkish banking sector is considered and by utilizing the data for 2002.Q4 and 2016 Q.3, the effect of capital sufficiency ratio (CSR) of banks active in the Turkish Banking Sector via cointegration method determined by Basel reconciliation. As a result of the analysis in the long term an opposite relationship between loan risk, liquidity risk, CSR and bank profitability. Therefore, in Turkish banking sector, by applying Basel reconciliations financial and macro economic fragility of banks decrease however their profitability decreases. In this respect, it may be foreseen that against strong active and equity structure in face of low profitability rates, banks active in the Turkish banking sector are to compete in tougher conditions.

Key Words: Basel, Bank profitability, Cointegration.

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**ICBFP-076:**

**Financial Development and Innovation: An Empirical Study for Advance Economies**

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**ABSTRACT**

This paper focuses on examining the effects of income, research and development expenditure, foreign direct investment, intellectual property rights, high skilled employment and financial development on the size of patent applications in advanced economies for the post crises period. A panel dataset of 29 advance economies for 2010-2015 periods is used. The paper employs both Poisson and Negative Binomial framework to account for country heterogeneity and over dispersion issues. The estimation results reveal that income, research and development expenditure, intellectual property rights, high skilled employment and financial development have significant and positive effect on the size of patent applications.

Key Words: Patent, R&D Expenditure, Foreign Direct Investment, Intellectual Property Rights, Financial development, Negative Binomial Regression.

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**ICBFP-077:**

**Determinants of NPLs in Islamic Banks: The Case of GCC Countries**

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**ABSTRACT**

There is no doubt that the banking system of any country plays an important role in its economic life through its strong relationship with the hall sections of economic activities and the different services that it provides which help in providing the economic life. There are two banking systems: commercial banks and Islamic banks.

One of the most important issues that the banks can face is the non-performing loans which can be simply defined as the loans that face the inability to be paid back by the borrowers. The effect of this issue does not stop on the borrowers but it expands to a negative impact on the banking system performance leading to the bankruptcy after a while which cause the others economic sections to fall down as well. As one of these banks, Islamic banks experience the non-performing loans and that is through the Islamic instruments. It is well known that Islamic banks follow the Islamic law in its transactions. Consequently, Islamic banks cannot charge the customers any interest for the delayed payments.

The aim of this paper is to investigate the determinants of non-performing loans of Islamic banks in golf corporation council (GCC) countries during the period of 2005 and 2015. To our knowledge, there is a paucity of studies done before on the NPL's determinants in Islamic banks in GCC region. Results of this study can be a guideline for Islamic banks in the region to control the amount of non-performing loans.

Key Words: Banks; Non-performing loans, GCC countries

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**ICBFP-080:**

**Theory of Debt-Deflation and Financial Instability Hypothesis: Altered Causal Links in Different Regimes of Finance**

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**ABSTRACT**

Financial turmoil of 2008 that engulfed U.S. and European economies put into question the main tenets of mainstream, i.e. neoclassical, economics. Although the regime of monetary policy based on the inflation targeting may have been effective in keeping inflation stable, the problematics of financial stability had been somewhat played down. As a reaction the so called macroprudential policy has come to the fore. More so, closely connected to recent developments was the threat of deflationary tendencies particularly in Europe where European Central Bank “shifted” its monetary policy to fight these tendencies. The problematics of deflation has become relevant. As these two “new” phenomena – the financial stability and possible destructive nature of deflation – have become germane to economic reality, so did economic theory struggle to explain these developments. The natural response was to turn to those theories that stressed the peculiar nature of financial stability and falling price level. Our paper is dealing with two main, and in our opinion the most relevant, theories that try to provide the explanation of aforementioned phenomena – namely Irving Fisher’s Theory of Debt-Deflation (DDT) and Hyman Minsky’s Financial Instability Hypothesis (FIH). As we shall argue, not only are these theoretical conceptions closely related to each other but also that proposed theoretical dynamics, as described by corresponding theories, may be altered in different regimes of finance. We shall try to illustrate that more “intimate” cooperation in indirect regime of finance between monetary and fiscal policies are necessary to both maintain financial stability on one hand and keep price level from falling on the other, whereas in direct regime of finance the main burden may lie in central bank interventions.

The structure of the paper is as follows. The next section provides the exposition of Fisher’s Theory of Debt-Deflation. The third part deals with Hyman Minsky’s Financial Instability Hypothesis. The fourth section contains our main arguments. The last part concludes our paper.

**Key Words:** Theory of Debt-Deflation, Financial Crises, Financial Instability Hypothesis

**ICBFP-082:**

**Evaluation of the Relationship between Tourism and Industry: A Case Study of Turkey**

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**ABSTRACT**

Tourism efficiency and advanced industry is an important indicator of a country's development. We think that the industry does not develop much in regions where tourism is active. Therefore, in this study, first we have compared the performance of a number of Decision Making Units (DMUs) and analyzed the efficiencies using Data Envelopment Analysis (DEA) method and MaxDEA software to calculate and rank the overall tourism efficiency of the cities in Turkey. Then, we investigated the first 500 major industrial companies in Turkey and evaluated the relationship between the industrial companies in the regions where tourism is active for the year of 2015. The findings provide a new perspective for tourism - industry relationship research and management practice in Turkey.

Key Words: Data Envelopment Analysis, Tourism, Industry, Efficiency

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**ICBFP-085:**

**Divergent Media Channels for Expediting Financial Literacy Outreach**

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**ABSTRACT**

Financial inclusion is imperative for the development and growth of any economy which eventually materializes only through financial literacy. Financial literacy is the understanding about financial products/ services and individual's ability and confidence, to make informed choices based on risk and opportunities to improve financial wellbeing. Although the financial literacy movement has gained momentum but still there remains a question about whether financial literacy campaigns and programs really meet the desired outcomes as set. There are evidences that individuals under-save, lack to understand the financial products/ services, fail to invest wisely resulting indebtedness. Customers everywhere would benefit from having greater financial knowledge and is relevant for all regardless of wealth and income. The research aims to study the role of media in stimulating financial literacy and in what way effective usage of different channels of media can facilitate in achieving higher financial literacy rate in India.

Key Words: Financial Inclusion, Financial Literacy, Media, Delivery channels

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**ICBFP-086:**

**The Impact of Entrepreneurship and Globalization on Economic Growth: Empirical Evidence from Panel Data Analysis**

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**ABSTRACT**

After mid-1990s, the concepts of globalization and entrepreneurship have been involved in most studies for investigating their impacts on economic growth. In terms of rapid globalization process by utilizing the factor of entrepreneurship, countries get more and more liberalized and developed based on gaining opportunities as well as economic and social benefits. This study empirically investigates the impact of the globalization and entrepreneurship on economic growth for developed, developing and underdeveloped countries by employing the neoclassical growth theories. Panel data on annual basis that range from 2000 to 2015 have been used through employing the latest available econometric procedures. The empirical Results will check in what degree the statement validates the impact of entrepreneurship and globalization on economic growth by implementing Panel data analysis. The results are expected to reveal empirical and statistical prove for further researches and applying in policy purposes.

Key Words: Globalization; Entrepreneurship; Economic Growth; Developed, Developing and Underdeveloped Countries, Panel Analysis

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**ICBFP-087:**

**Analysis of the Effect of Developments in Banking Sector on the Economic Development: Turkey Example**

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**ABSTRACT**

Banks, which are the building blocks of the financial system, manage the loanable fund supply and demand in economics through their “mediation” function. Enlargement of financial market volume also brings increase in national income and employment. Other important function of the banks in macroeconomic aspect is the fact that the provided funds to the financial system guide to sectors which will provide the most value to the economic growth. In this respect, existence of a strong financial system depends on a healthy growing and developing financial sector. In a country, such as Turkey, which has a saving gap, the importance of the banking sector on best usage of financial savings and procurement of economic growth through a stable economic development is undeniable.

In this work, based on this point of view; the relationship between the developments in the banking sector and the economic development, within Turkey’s economy, is tested by regression analysis method. Within this work, Human Development Index (HDI), as a dependent variable, is used to define the economic development. In order to show the development of the banking sector, independent variables, part of banking sector in finance sector (BGY), monetary easing (M2GY), development in the total credit volume of the banking sector (KGY), development in the total deposits volume of the banking sector (MGY) and development in the total assets of the banking sector variables are used. As a result of the regression analysis and performed tests, it is concluded that HDI variable will increase by 14% if AGY variable increases by 1%, HDI variable will increase by 18% if KGY variable increases by 1%, HDI variable will increase by 17% if MGY variable increases by 1%, HDI variable will increase by 27% if BGY variable increases by 1% and HDI variable will increase by 21% if M2GY variable increases by 1%. As a result of the literature work and the analysis performed, it is concluded that the developments in the banking sector positively effects the economic development in Turkey.

**Key Words:** Banking Sector, Economic Development, Regression Analysis

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**ICBFP-088:**

**Effect of Oil Price Volatility on Clean Energy Stock Market Performance**

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**ABSTRACT**

Recently clean energy firms become more attractive for the investors, this leads to the more comprehensive studies in this field. Thus the aim of this study is investigating the impact of oil price volatility on the performance of S&P500 clean energy market by contributing oil price and technology market performance. To explore this relation the Zivot-Andrews test was conducted to check the stationarity of the time series, since a structural break is found during year 2007-2008, and then Bound test co-integration is applied, because of different levels of integration among time series in order to check the probable existence of the long-run relationship in the model. The results indicate that clean energy sector performance converges to its long-run level by 1.09% speed of weekly adjustment. The most magnitude finding of this paper is that, oil price volatility has significant long-run effect on the performance of clean energy sector. However, no significant short-run impact is observable.

Key Words: Bound test, Clean energy stock price, Oil price, Oil price volatility, Technology stock price

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**ICBFP-089:**

**An Evaluation of Benefits, costs and risks of Electricity Transmission between Turkey and Cyprus**

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**ABSTRACT**

This study proposes an optimization model for electricity generation expansion planning in North Cyprus. The proposed model is employed to obtain the decisions whether or not to invest in an electricity transmission line between Turkey and Cyprus. The demand for next 20 years is forecasted based on current load duration curve for North Cyprus. The optimized situation thermal power plants strategy from current situation without transmission line is developed as first scenario. Then optimized cost of electricity supply with transmission line (33% and 50%) is evaluated as second and third scenario accordingly. The comparison is made in terms of the levelized cost of electricity generation in each scenario. The results show that cost of first scenario which is without cable optimized situation, has the lowest levelized cost, and it is recommended to TRNC to invest in transmission line.

Key Words: Electricity generation, Transmission line, Load duration curve, Cost–benefit analysis

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**ICBFP-090:**

**The Effects of Tax Reforms and Macro Settings on the Capital Structure of Russian Companies**

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**ABSTRACT**

We examine the effects of two subsequent major tax reforms in 2001 and 2002 on the financing decisions of listed Russian companies. We find that during the pre-tax reform period (1992-2000), the taxation settings had encouraged the use of debt financing. During the post-tax reform period (2002-2013), the tax incentives for debt financing decreased significantly due to the drastic decrease in company tax rate and the adaptation of flat tax system at the personal level. The post-tax reform also resulted in an increase in equity financing. At the macro level, the average debt ratios of Russian companies increased consistently during the post-tax reform period. The macro setting of greater access to debt is the main driving force behind this increase during this period.

Key Words: Capital structure, Tax reform, Taxation, Dynamic trade-off theory, Transition countries

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**ICBFP-091:**

**The Effect of Corruption on Banks' Credit Risk: A Comparative Study between Conventional and Islamic Banks**

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**ABSTRACT**

Recent research indicated that corruption is one of the factors that increase the level of non-performing loans (NPLs), i.e. credit risk, of banks around the world. This research aims to investigate whether corruption affects Islamic banks and conventional banks the same way, or whether the Islamic banks are protected from the negative affect of corruption due to its profit-loss sharing and sharia compliant model of financing.

Using a panel data analysis of 24 Islamic banks and 89 conventional banks from 9 Muslim countries we found that corruption is not significantly related with the level of impaired financing of Islamic banks, whereas it is positively and statistically related with the NPL levels of conventional banks. These results confirm that corruption does not affect Islamic banks and conventional banks the same way. It is likely that the Sharia committee and the internal accounting measures adopted by Islamic banks, and the profit-loss sharing nature of financing help Islamic banks to limit the negative affect of corruption on their credit risk. Further, these outcomes also emphasize that the conventional banks can benefit from anti-corruption measures and tight internal control and internal audit systems to reduce their credit risk arising from corruption.

Key Words: Corruption, Islamic banks, Conventional banks, Credit risk, Non-performing loans

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