



**EASTERN MEDITERRANEAN UNIVERSITY**

**ICBFP'2018**  
**3<sup>RD</sup> INTERNATIONAL CONFERENCE ON**  
**BANKING AND FINANCE PERSPECTIVES**

**CONFERENCE ABSTRACT BOOK**

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## **Welcome Message by the Conference Chair of ICBFP'2018**

We are delighted that the 3<sup>rd</sup> International Conference on Banking and Finance Perspectives (ICBFP'2018) brought together a large number of distinguished academics and professionals in Famagusta, North Cyprus.

120 papers were submitted to ICBFP'2018 from 25 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 60 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, Prof. Dr. Philip Molyneux, Prof. Dr. Colin C. Williams, and Prof. Dr. Muhammad Shahbaz who shared their latest research findings with the conference participants and stimulated a lot of fruitful discussions.

We also would like to thank our sponsor who provided us financial support. It would not be possible to organize this conference without the financial support of our main sponsor The Central Bank of Turkish Republic of Northern Cyprus.

Last but not least, we would like to thank all conference participants who contributed to the ICBFP'2018. 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 Determinants of Nonperforming Loans: The Case of Turkey**

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**ABSTRACT**

The aim of this paper is to investigate the macroeconomic and sector-specific factors likely to affect nonperforming loans (NPLs) for the Turkish banking sector. The study covers a quarterly time series span of 2006–2015 and uses the time series econometric methods of the Johansen cointegration test, vector error correction model (VECM), and the Granger causality test. In the analysis, we use the industrial production index (IPI), top 100 companies among the Borsa Istanbul Stock Exchange Index (BIST 100), and exchange rates between the Turkish lira to euro (EUR) and Turkish lira to U.S. dollar (USD) as proxies for the state of the economy and bank-specific factors; return on asset (ROA) and return on equity (ROE) are proxies for the managerial efficiency of banks in determining NPLs. The general findings support the relevance of both micro- and macroeconomic fundamentals significantly affecting Turkish NPLs. In this study we also illustrate the adverse impact of external foreign currency financing on the ability to service debt for Turkish credit market participants. The findings may prove to be helpful when designing macro- and microeconomic policies aimed at mitigating systematic risk.

Key Words: Nonperforming Loans, Return on Asset, Return on Equity, Vector Error Correction Model, Granger Causality, Turkey.

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**ICBFP-003:**

**Determinants of External Debt: The Case of Malaysia**

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**ABSTRACT**

Since the 1980's, Malaysia's external debt has been on an increase as a result of several economic factors, including two economic crises. Rapid increase in the external debt has become a national concern. In this study, we aim to investigate the determinants of Malaysia's external debt for the period of 1970 to 2013 by using annual data. For this aim, we have performed the Johansen cointegration test, vector error correction model (VECM), and Granger causality test. The findings show that there is a long-run relationship between the variables and the GDP, recurrent and capital expenditure Granger causes external debt. These findings indicate that GDP growth is a solution for the external debt problem. In contrast, we believe that recurrent expenditures should especially be kept under control, and we offer several policy recommendations, such as reforming subsidy systems. Also, finding alternative sources to finance capital expenditure is important for a healthy growth of the economy.

**Key Words:** External Debt, VECM, Causality, Malaysia.

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**ICBFP-004:**

**Asset Allocation, Capital Structure, Theory of the Firm and Banking Performance: A Panel Analysis**

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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 periods from the 2004 to 2015. 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-005:**

**Does Research and Development Expenditure Impact High-Technology Export in Turkey: Evidence from ARDL Model**

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**ABSTRACT**

This paper investigates the possible causal relationship between the research and development expenditure and high-technology export in Turkey. Time-series data are collected over the period ranging from 1995 to 2014. The motivation to conduct this research arose from the fact that research and development expenditures have an important role in contributing to high-technology export all over the world and both of these economic terms report increasing trend in the observed period. Moreover, up-to-date studies on the matter to do not take into account the case of Turkey, therefore there was a need to conduct an empirical research. For this purpose, this paper suggests the econometrics of time-series including Johansen cointegration test to explore the presence of cointegrating relationship between economic terms of interest. In addition, authors are interested to explore whether the causal relationship exists between research and development expenditure and high-technology export in Turkey and use Granger causality test for this purpose. In order to control for the potential reverse causality and in order to investigate the long- and short-run relationship between economic terms of interest, the paper suggests ARDL approach. Johansen cointegration test suggests the cointegrating relationship between the research and development expenditure and high-technology export. Granger causality test reports a bidirectional relationship between the economic terms of interest. Therefore, the research and development expenditure is reported to contribute to high-technology export. Besides that, results indicate that the improvement in high-technology export may contribute to research and development. In terms of ARDL model it is important to emphasize a significant positive short- and long-run relationship between economic terms of interest in the initial model. The extended model controls for the impact of economic freedom. The obtained results do not differ in sign and significance from the initial model. Therefore, the initial model can be considered stable.

**Key Words:** ARDL, Economic Freedom, High-Tech Export, Research and Development Expenditure, Turkey.

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**ICBFP-007:**

**Testing Carbon Hysteria Hypothesis for Turkey**

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**ABSTRACT**

Climate change as a consequence of global warming has been one of the main problems of humankind for last decades. Carbon dioxide (CO<sub>2</sub>) is the most important greenhouse gas in the atmosphere since the density of it is much more than the other greenhouse gases. Thus, CO<sub>2</sub> is a proxy for greenhouse gases and countries have been tried to reduce carbon emissions to suppress global warming under the international contracts such as Kyoto protocol and Paris agreement. However, global carbon emissions have been increasing dramatically. In this study, resistance of carbon series of Turkey to a given shock is analyzed. If the carbon series has a unit root, it will not resist to any shock and in this case there will be carbon hysteria, that is, carbon hysteria hypothesis will be valid. If the carbon series stationary, carbon emissions will resist to any shock and there will not be hysteria so, carbon hysteria hypothesis will be invalid. In the current study, the series of annual CO<sub>2</sub> emissions per capita between the years 1960 and 2014 is analyzed by using unit root tests. First, ordinary unit root tests are performed on the series and then, unit root tests with structural breaks which allow one, two and multiple breaks are performed. As a result of the all unit root tests, carbon hysteria for Turkey is discussed and carbon hysteria hypothesis is tested.

**Key Words:** Carbon Hysteria Hypothesis, Unit Root, Structural Breaks.

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**ICBFP-008:**

**The Cyclicalities of Allowance for Impairment Losses in Indonesia**

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**ABSTRACT**

As post October 2012, the arrangement of loan loss provisioning in Indonesia had changed into Allowance for Impairment Losses (CKPN). As a new form of loan loss provisioning, CKPN aims to prevent banks from losses by forming a provision for the asset impairment based on bank self-assessment. There have been many works done concerning cyclicalities of loan loss provisioning in some countries with the result that the establishment of provision by banks tends to be procyclical. As a result of this behaviour, if there is a weakening of the economy, banks will tend to form additional provisions that can reduce their profitability and CAR. This study examines how loan loss provisioning of Indonesian banks especially since the implementation of allowance for impairment losses (CKPN) responds to their earning, credit growth, and to the changes in the business cycle (reflected by GDP growth) using panel data of 102 banks in Indonesia during the period of 2011q1-2017q1. We find empirical evidence that banks on average have followed an income-smoothing pattern as evidenced by the positive and significant relationship between loan loss provisions and bank earnings. On the contrary, credit growth and GDP growth has an undesirable negative coefficient which means tend to be procyclical. As a conclusion, the results suggest that, on average, Indonesian behaviour of banks loan loss provisioning follow a procyclical pattern that is potentially worsening the business cycles, especially during a recession period.

**Key Words:** Loan Loss Provision, Procyclical, Countercyclical, Expected Losses.

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**ICBFP-012:**

**The Impact of Funding Liquidity Risk on Bank Risk-Taking Behavior in Indonesia**

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**ABSTRACT**

This research aims to analyse the impact of funding liquidity risk (FLR) on bank risk-taking behaviour in Indonesia. Funding liquidity risk is proxied by the bank deposit level, in which the higher the bank deposit, the lower the funding liquidity risk level. This research hypothesises that the lower the FLR, the bank will act excessively in taking risks. Using data of 102 commercial banks in Indonesia from the first quarter of 2011 to the first quarter of 2017, this study uses the Modified Panel-ADL Fixed Effects regression method to see how the effect of deposit on risk-taking, both asset risk and overall risk. The results of this study indicate that there is a positive and significant correlation between deposit and bank risk-taking behaviour which is proxied by risk-weighted asset (RWA), but there is no evidenced from the non-performing loan (NPL) and loan loss provision. This result is also proved by using dummy variable banks with a high deposit that indicate a positive correlation with overall risk.

**Key Words:** Risk-Taking Behaviour, Deposit, Liquidity Risk.

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**ICBFP-014:**

**A Decision Making System for Electronic Trading in Financial Markets**

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**ABSTRACT**

Algorithmic Trading (AT) is an advanced electronic trading technique that enables investors to trade stocks through a computer program without the need of human interventions. In algorithmic trading systems, the order decisions are made automatically based on the trading strategies, so that a decision making system is generated by implementing a trading algorithm into a computer program. In this paper, we propose a novel decision making system for trading in electronic markets by applying the algorithmic trading technique with a new automated-trading strategy. The proposed decision making system is developed for VIOP-Derivatives Market of Borsa Istanbul (BIST). The technical analysis method is used to form the framework of the presented algorithmic trading system. The data of Derivatives Market in BIST, and the tick price data for 30 stocks, which are underlying assets of the BIST30 futures contract for nine months in 2015 are used to back-test the system and validate the obtained results implying that the proposed automated trading system has a high success rate.

**Key Words:** Algorithmic Trading, Automated Trading Strategy, Decision Making Systems.

**ICBFP-025:**

**Corporate Governance: Leadership Effectiveness or Financial Innovations a Dilemma in Banking Sector in North Cyprus**

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**ABSTRACT**

This paper briefly overview results of a survey conducted in 2015 in North Cyprus on thirteen firms randomly selected from different sectors of the economy based on a proposed comprehensive and coordinated eight elements corporate governance model.

The previous study revealed that, (1) firms in North Cyprus on average had lower governance rankings due to inefficient legal framework; (2) at firm level internal and external governance positively correlated with the corporate culture and corporate legality elements but negatively correlated with average corporate governance rankings which implied that firm level corporate governance mechanism need to improve. (3) Proper corporate governance was positively associated with internal and external governance behaviour of firms. There was internal country level financial market inefficiency and the negative incorporation between internal and external governance implied that there is a need for enforcement to improve the capital market in North Cyprus in order for firms to create long-term investments (financial innovations) in local financial markets. Therefore, the study aims to corroborate all the results with banking sector in North Cyprus and stress the importance of the elements in the proposed model to address the dilemma about 1) leadership effectiveness; and 2) financial innovations for better running companies in the banking sector.

The new research evidence revealed that, improvements in the corporate market culture and corporate legality elements provisions and enforcement and improvement in the overall legal framework of capital market increased the overall mean corporate governance score leading to better leadership effectiveness and financial innovations in the banking sector which opens up new ways of conducting further research.

**Key Words:** Governance; Corporate Culture; Corporate Legality; Leadership effectiveness; Financial innovations.

**ICBFP-026:**

**Testing the Moderating Role of Financial Sector in the Effects of Tourism Development on Environmental Quality: Evidence from Turkey**

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**ABSTRACT**

The aim of this study is to analyze the moderating role of financial sector in the effects of tourism development on environmental quality in the case of Turkey. The analysis has been done through (1) the main effects model and (2) the interaction effects model for the purpose of considering direct and indirect effects on this nexus. Annual data which ranges from 1960 to 2013 has been used with this respect. The results of this study suggest a long-term equilibrium relationship in the proposed models. Financial sector has been found significant to moderate the effect of tourism development on carbon dioxide emissions both in the shorter and longer periods. However, an inverted U-shaped Environmental Kuznet's Curve cannot be validated according to the results of this research study.

**Key Words:** Tourism Development; Sector; Moderating Role; Environment; Turkey.

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**ICBFP-030:**

**Evaluation of FDI in CE, SEE and Kosovo in Relation to Growth Rates and other Indicators**

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**ABSTRACT**

Foreign Direct Investment, and related to it, economic growth are among the main indicators in all countries that are looking for their growth. The challenge is for developing and transition countries such as SEE and Kosovo. The high level of FDI globally (2007) has not yet been repeated. In economic literature, it is considered as a "need" for the analysis of the factors that influenced the chronic level of FDI over a decade. Facing the theoretical criteria, the model Boreinsztein, et al. (1989), FE and RE technique through macro Panel Stata, judged in its entirety, it is concluded that the improvement of FDI requires money also to improve the specific factors in each country, as we conclude that the FDI determinants in CE, SEE and Kosovo are economic growth, domestic (local) investments, and government spending. Despite the importance of foreign capital flows, the paper emphasizes the importance of cooperation between domestic and foreign firms and the idea that the expectations of foreign investors and the benefits of the local economy are realized on the basis of improving their long-term profits.

Key Words: FDI, Economic growth, Domestic investment, Government spending, FE-RE.

**ICBFP-032:**

**Measuring the Compliance of Banks Operating in the Kingdom of Bahrain with Basel II Requirements related to Internal Control**

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**ABSTRACT**

At the end of the last century, the global banking system realized the importance of developing a new role and philosophy of capital. McDonough (1999), President of the US Central Bank, said that increased pressure on banking systems had underscored the need to adopt a new definition of capital. The Board of Governors in 2005 Identify the relationship between capital adequacy and risk and how to measure them accurately to ensure that administrative practices are appropriate, and he emphasized on having a board that has the ability to formulate policies according to specific limits of risk.

In order to manage the risks, the executive management needs to periodically evaluate the procedures in place on the ground and ensure their suitability, the existence of efficient administrative bodies and personnel, and conduct constructive dialogue in order to enhance the internal controlling system.

Control systems must maintain the stability of the banking system through specific and appropriate roles that facilitate the methods of solving banking problems when they occur and reduce the likelihood of occurrence. Internal control systems may sometimes have to spend a long time dealing with some of the issues, as in the financial crises faced by some countries in South-East Asia, and sometimes need to spend more time reducing the possibility of occurrence. As an attempt to improve oversight procedures, the Basel Committee on Banking Supervision (Basel, 1998) has issued a paper that provides a framework for assessing internal control systems that can be effectively applied by bank supervisory functions.

**Key Words:** Banking system, Risk, Internal controlling system.

**ICBFP-033:**

**The Effect of European Debt Crisis on Export: Case of Turkey**

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**ABSTRACT**

The crisis that arose in Greece at the end of the year 2009 spread to a wider area, affecting the other countries that have extremely public debt like Spain, Portugal, Italy and Ireland. That crisis has led to a serious demand shrinking in European countries. European Union (EU) member countries are among the most important commercial and financial partners of Turkey. Thus, a crisis that will break out in Europe will be able to seriously affect Turkish economy via especially foreign investment inflow and export. In this study, the effects of the Euro Area member countries' net external debt on Turkey's exports of motor vehicles and trailers are analyzed using the Cointegrating Regression Models (Fully Modified Ordinary Least Squares-FMOLS, Dynamic Ordinary Least Squares-DOLS and Canonical Cointegrating Regression-CCR) in the light of quarterly data (2008Q1-2017Q2 period). According to the analysis results, increases in the total external debt of Euro Area-19 countries will reduce the Turkey's exports of motor vehicles and trailers. On the other hand, as the income of euro area countries increases the Turkey's exports. The increase in the inflation rate in the Euro Area-19 countries has resulted in products of Turkish origin becoming relatively cheaper; this has led to an increase in the number of products these countries buy from Turkey. In addition, an increase of 1% in the real effective exchange index will decrease the Turkey's export as 0.57%.

**Key Words:** European debt crisis, Export, Time series methods.

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**ICBFP-034:**

**The Nexus between Financial Crises and Youth Unemployment Rate: Case of Turkey and TRNC**

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**ABSTRACT**

Beginning from the early 20th century, the world economies entered a rapid developmental process. In this process, especially the total supply-demand unbalance caused the economic problems and these unresolved problems brought crisis along with it. Technological development, diversification in the financial instruments, movements of financial liberalization, and the other changes experienced caused the various crises to be experienced in the national and global scale.

One of the significant effects of the experienced financial crisis is over employment or unemployment rates. The employment of young people in terms of developing countries such as Turkey is extremely important. Turkish and the TRNC universities, due to the current education system students are completing their educational lives at the beginning of the 20s; therefore these students are being included in the active population. The time spent preparing for the post-graduate vocational and academic exams and the loss of job-seeking time reveals that young people are involved in the process as temporary unemployed for a certain period of time.

The aim of this paper is to assess the effects of financial crises on youth unemployment rate (YUR). YUR is a kind of unemployment which denominator is the total population aged 15 to 24. In this context, Turkey and the TRNC data is used in the form a panel data analysis. Changes in macroeconomic data such as GDP, inflation, foreign direct investment volume and openness will be used as indicators of financial crisis.

**Key Words:** Financial crises, Youth unemployment rate, TRNC, Panel data.

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**ICBFP-035:**

**Forecasting Economic Activity of East Asia through the Yield Curve (Predicting East Asia's Economic Growth & Recession)**

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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 analyzes, the socio-economic variables affecting the health care services of the countries have been determined.

Key Words: Real GDP, Recession, Term spread, Probit model.

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**ICBFP-036:**

**Risk Information of Stock Market using Quantum Potential Constraints**

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**ABSTRACT**

Stock market modeling and risk managing have recently been one of the most important topics in finance. Using a method borrowed from the statistical and Bohmian quantum mechanics, this study seeks to answer the question of how quantum potential controls the price returns. The interconnection between today's and yesterday's prices has led to the emergence of quantum potential describing the collective behavior of stocks returns in the various times. It is shown that, using the empirical data of some market indices, the quantum potential walls confine the variations of the price return into a definite interval where the distance between the walls can be a proxy for the risk of the relative stock index. In other words, the investigation of different return frequencies shows that the market risk increases as the distance between the potential walls increases. The magnitude of the risk is different for different indices allowing the traders to decide on their portfolio selection and their investment horizon. Our results are consistent with the behavior of the developed and emerging markets.

Key Words: Quantum potential, Entanglement, Price return, Risk.

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**ICBFP-041:**

**Service Quality, Customer Satisfaction, and Customer Loyalty: An Empirical Study on Commercial Bank in Jordan**

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**ABSTRACT**

**Purpose** – This study aim is to examine the relationship between service quality (SQ), customer satisfaction (CS) and customer loyalty (CL) in the Jordanian commercial bank. Also, investigate CS as a partial mediator of the impact of SQ on CL.

**Design/methodology/approach** – Data has been collected from 210 customers from commercial banks. Statistical analysis has been used to analyze the collected data. Hence, multiple regressions were used to measure the mediating role.

**Findings** – The results showed that the five dimensions of SQ associated positively with CS and CL. CS play partially mediates between five dimensions of SQ on CL.

**Practical Implications** – Management of bank should recognize the importance of dimensions of SQ and their impact on CS and CL. Thus, the management should be focus on the tangible dimension like improvement in the design and equipment of bank that provide a good atmosphere to customers. Also, the management should be providing the training programs periodically for employees to improve the level skills of employees to deal with customer problems and train of employee on how to meet the customer needs on time.

**Originality/value** – the studies extant in the banking sector in Jordan are inadequate to give empirical evidence about the vital role of SQ dimension in CS and CL.

**Key Words:** Quality service, SERVQUAL, Customer satisfaction, Customer loyalty, Commercial Bank.

**ICBFP-042:**

**The Impact of Monetary Policy Announcements on the Stock Returns of U.S. Banks during the Global Financial Crisis**

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**ABSTRACT**

Historical development of Islamic banking Indonesia demonstrates an uncommon figure. Indonesia, aside of huge potential for the promising progress of Islamic finance, and specifically Islamic banking, suffers a slow progress, if not a stagnancy. As a country with the highest number of Muslims population compared to the rest of the Islamic world, namely around 180 million, the asset of Islamic banking business is considered to be very low. After 25 years of its emergence, the said asset is still around six (6) percent compared to total asset of banking business (Islamic and conventional). If the number is then compared with Malaysian achievement, which is around 28 percent, Indonesia's achievement is very low, considering that Malaysia's Muslim population only shares around 60 percent, far lower compared to 85 percent of Muslims of total Indonesian population. The question as regard to the causes of this stagnancy is then arising. This paper seeks to identify causes of stagnancy in terms of asset growth of Islamic banking business in Indonesia. Particular reference will be addressed to legal policy adopted by Indonesian government in governing Islamic banks and Islamic banking business as well. The flaws in legal policy will be identified and examined by factual cases encountered in the practice of Islamic banking business. At the same time, legal policy adopted by Malaysian government in the area of Islamic banking business will be analyzed to find out its role in optimizing the asset growth of Islamic banking business. Having this, the possibility of the borrowing of Malaysian legal policy to be adopted by Indonesia will be constructed. The conclusion of the paper will be the suitability of Malaysian legal policy to transplanted in Indonesia to accelerate asset's growth. Lastly, the paper will raise a recommendation on how such transplantation should be initiated.

**Key Words:** Monetary Policy; Conventional and Unconventional Announcements; U.S. Banks; Event Study; Global Financial Crisis; Central Bank Communications.

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**ICBFP-044:**

**Islamic Microfinance as a Salvation for the Ultimate Layers of the Population**

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**ABSTRACT**

In this article, Islamic finance was considered as one of the ways to solve the problems of the poorest sections of the population. Namely, by developing microfinance in accordance with the Shariah rules. Money is not a means to increase profits, but serves as an instrument for making deals with the conclusion of contracts that facilitate the development of partnership.

Key Words: Islamic Finance, Islamic Microfinance, Principles of Islam.

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**ICBFP-045:**

**What is the Difference Between an Islamic Bank and Non-Islamic Bank?**

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**ABSTRACT**

This paper develops a theoretical model for a conventional and an Islamic bank and shows how debt in conventional banks and Murabaha instrument in Islamic banks converge under competition. This competitive pricing mechanism induces Islamic bank to structure the Murabaha financial product with risk profile similar to the conventional bank's debt. Thus, the competition crowds out original Islamic financial structures and creates Shariah compliant replicas. The competitive pricing on the asset side in Islamic bank also causes the liability side Mudarabah rate with depositors to converge with the conventional deposit rate. Theoretical arguments in this paper are then supported by an empirical analysis using the linkages of benchmark interbank offer/lending rates between conventional banks and Islamic banks. For conventional banks, we take London interbank offer rate (LIBOR) and for Islamic banks we take Islamic interbank benchmark (offer) rate (IIBR). Our theoretical and empirical findings suggest that the Islamic financial instruments that are currently dominant in the industry differ from their conventional counterparts only in terms of their legal lexicon but in essence have little financial or structural difference.

**Key Words:** Theoretical model; Conventional bank; Islamic bank; Interest free Banking; Shariah compliance; LIBOR; IIBR.

**ICBFP-047:**

**An Empirical Analysis of Intellectual Capital and Firm Performance of Oman's Financial Sector Companies**

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**ABSTRACT**

According to a growing body of literature, success of organizations cannot be attributed to physical and financial resources only. Intangible resources such as skilled employees, infrastructures, innovativeness, brand name, trademarks among others are part of the competitive advantage of every company. Intellectual capital has also been observed as the main drivers of value creation for companies in the competitive markets rather than physical and financial capital. Traditional accounting does not recognize intellectual capital in financial statements as they are non-physical and non-financial thereby creating an obstacle in recognizing it's important. A deeper empirical investigation would promote the benefits of intellectual capital and its reporting. Central Bank of Oman reported that despite overall slow economic performance in 2017, the financial sector acted as a cushion for negative effects on financial stability. Thus this study seeks to contribute to the intellectual capital literature by investigating its relationship with firm performance for the Oman's financial sector companies. Data is collected from annual reports of 37 listed financial sector companies for the period 2012 to 2016. The data includes independent variables of Value Added Intellectual Coefficient (VAIC) and dependent variable of return of assets which is analysed using the multiple regression analysis. This research adopts the legitimacy and stakeholder theory for intellectual capital. The findings of this study may be used, by financial sector to develop strategies that enhance company performance.

**Key Words:** Return of Asset, Multiple regression analysis, Financial sector.

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**ICBFP-051:**

**Migration Influence on Human Capital under Globalization**

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**ABSTRACT**

Intellectualization and globalization are modern characteristics of sustainable development of national economies. The countries are in competition with each other for having modern knowledge holders and creators of new technology and culture. Human capital has become not only the driver and competitive strength but also prevailing form of social wealth and base for intellectual and social capital not only economic but also civilizational progress in broad terms. Amid globalization of economics specific processes take place making impact on human capital. Migration can have a diverse impact and change quality and quantity indices of human capital. The article deals with main trends in use of human capital at modern world labor market. Migration impact has been analyzed in the OECD countries on development of human capital, possible strategies of behavior on the world stage have been identified.

Key Words: Human capital; Migration processes, OECD countries, Globalization.

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**ICBFP-052:**

**Tourism Destination Marketing and Entrepreneurship in Ghana**

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**ABSTRACT**

The amalgamation of tourism destination marketing and entrepreneurship contributes to the comprehension of how majority of the tourism marketing takes place in the destination market settings. This study therefore seeks to investigate the void that exists in the literature of tourism and entrepreneurship through a designed conceptual research model to examine the relationships between tourism and entrepreneurship through questionnaire and to highlight their contribution to the tourism relevant literature. Data from entrepreneurship organizations and tourism firms were collected from employees that deal with visitors in Ghana to analyze the results. The findings propose that the digital word of mouth plays important role in destination market satisfaction, potential visitors' intentions, attractions and the future direction of tourism and entrepreneurship capabilities.

**Key Words:** Tourism, Entrepreneurship, Attractions, Visitors, Ghana

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**ICBFP-058:**

**New Locomotive of Global Islamic Finance: Sukuk (Lease Certificate)  
A Comparison with Sukuk Market of Turkey (2010-2018)**

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**ABSTRACT**

With the new products emerging in Islamic finance, the dynamics of the industry have begun to change. The sukuks were initially issued to attract the funds of the gulf countries and but it has become known all over the world over time. The aim of this paper is to introduce Sukuk that has become one of the most important and popular products of today's Islamic finance industry. With this study, we will also investigate to look at differences between Turkey and Global sukuk market in terms of their volume, market share, the total amount of issuances and market structures. This paper has been divided into two parts. The first part deals with how the global sukuk market had been established and developed. The second part begins by laying out the Turkish sukuk market and its development process, and investigates the similarities and differences between Turkish and global sukuk market. The result of this paper shows that sukuk market of Turkey has a large number of structural problems. Nevertheless, it is seen that growth rate of Turkish Sukuk Market is higher than growth rate of global sukuk market. This paper can be used as a guide by sukuk investors. It was also aimed to detect obstacles in the growth of sukuk in Turkey, compared to global sukuk market and made a suggestion which to whom it may concern.

**Key Words:** Sukuk, Lease certificate, Islamic finance, Interest free banking, Islamic banking.

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**ICBFP-061:**

**An Applied Analysis for the Effects of Short-Term Capital Movements and Real Exchange Rate on Economic Growth for in Turkey**

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**ABSTRACT**

The economies that have saving deficit moved on to the path of financial liberalization with the effect of neoliberal policies, so they've removed the financial obstacles in order to increasing their foreign capital volumes. Policymakers in Turkey encouraged more liberal policies time to time to facilitating foreign capital access, as Turkey had severe capital bottleneck in crisis terms. In this case, the short term capital movement has led to harsh crises because of sudden stop. Turkish economy had several severe crisis experiences due to hot Money movements. In this sense, it has become a necessity to prefer foreign capital in the period of saving deficit even if it is short-term. In this study, the theoretical and empirical relationship between economic growths, short term capital movements and exchange rate are discussed. Real exchange rate, short-term capital movements and economic growth variables are used in the study. The findings which obtained from the Granger causality tests show that short-term capital has been a unidirectional causal relationship to economic growth. On the other hand, there is a bi-directional causality relationship between real exchange rate and economic growth in Turkey.

**Key Words:** Short Term capital flows, Economic growth, Real exchange rate, Granger Causality Test, Sudden stop.

**ICBFP-063:**

**Cryptocurrency Mining and its Energy Consumption**

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**ABSTRACT**

A cryptocurrency is a virtual coinage system that functions much like a standard currency, enabling users to provide virtual payment for goods and services free of a central trusted authority. The crypto currencies have emerged as a new and impressive phenomenon in financial markets. They have evolved erratically and at unprecedented speed over the course of its short lifespan. Transactions in the crypto system are stored in the blockchain, which is stored in a decentralized, peer-to-peer network. The security of the blockchain depends on a compute-intensive algorithm for crypto money mining, which prevents double spending of cryptocurrencies and tampering with confirmed transactions. This algorithm which called 'proof-of-work' is energy demanding. How much energy is actually consumed, is subject of debate. This paper aims to describe that crypto currencies energy consumption and which ways will be the sustainable for this situation.

Key Words: Blockchain, Crypto currency, Bitcoin mining, Energy consumption.

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**ICBFP-064:**

**Assessing the Factors Militating against Microfinance in Alleviating Chronic Poverty and Food Insecurity in Rural Northern Ghana**

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**ABSTRACT**

This research focuses on the failure of microfinance to alleviate poverty and food insecurity in the rural northern regions of Ghana. It contends that rural northern Ghanaians have failed to grasp the opportunities provided by many microfinance services to address poverty and chronic food insecurity, but instead have migrated to the rural areas of southern Ghana. The study adopted descriptive and survey investigation strategies. A snowballing sampling procedure was used to sample and investigate 300 respondents, comprising 200 (66.6%) women and 100 (33.3%) men who mostly practice Susu, an informal microfinance service, in their new rural settlements in the Bono Ahafo Region of Ghana, Sunyani. The statistical analysis revealed that the Susu, which is a traditional West African informal form of micro saving and lending, is an effective financial tool for improving the lives of women in rural northern Ghana by reducing poverty and chronic food shortage. However, the prevailing patriarchal beliefs, which are an integral part of the lives of these women, are the main stumbling blocks for this worthy cause. It is recommended that district assemblies should enforce the by-laws that forbid any outmoded unproductive cultural activities that currently exist in rural northern set-ups, and that the women should be made aware of their rights and privileges, with the support of the men.

Key Words: Microfinance, Poverty, Rural northern Ghana, Bono ahafo, Chronic food insecurity, Sunyani, Southern Ghana.

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**ICBFP-065:**

**The Effect of Political Instability Risk on Banking Sector's Insolvency Risk: Worldwide Evidence Utilizing Dynamic Panel Data Model (GMM)**

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**ABSTRACT**

This paper investigates the effect of political instability risk on insolvency risk of the banking sector. Utilizing dynamic panel data model (System-GMM), the findings refer to that; the political instability risk significantly increases the insolvency risk. Furthermore, the most important channels of the political instability risk that affecting insolvency risk are the levels of corruption and the country risk through the poor of government effectiveness, respectively. The result also strongly supports the “too big to fail” hypothesis. Finally, the robustness’ results confirm the baseline conclusions estimated by System-GMM

Key Words: Political instability risk, Insolvency risk, Banking sector, Dynamic panel data model (System-GMM).

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**ICBFP-067:**

**Improving the Mobile Payment Experience and Removing the Barriers**

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**ABSTRACT**

Sitting in the intersection of commerce, banks and mobile revolution, mobile payments are expected to grow by double-digits in the forthcoming years. There has been an increasing and intensive interest in mobile payments domain from banks, telecom companies and technology giants. Notwithstanding the introduction of numerous innovative mobile payment solutions, mobile payment experience is still frictional and restricting. This paper analyses the current mobile payment market starting with a historical development perspective and proposes a new solution to improve the mobile payment experience. The advantages of proposed solution for customers, merchants and banks are discussed in detail and compared with existing solutions.

**Key Words:** Mobile payment, Online payment, Mobile wallet, Tokenization.

**ICBFP-068:**

**Importance of Awareness of Default Risk on Conducting Monetary and Fiscal Policies**

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**ABSTRACT**

We develop a class of DSGE models with nominal rigidities and investigate importance of awareness of default risk at the point of conducting monetary and fiscal policies. We introduce the default risk in the model. The default mechanism is based on Uribe's who show the trade-off between stabilizing inflation and suppressing default. We assume two policy authorities: the policy authority that is aware of the default risk and those who are not. If the policy authorities are aware of the default risk, the welfare costs function which stems from second-order approximated utility function contains the quadratic term of the premium difference which is difference between the government debt yield and its coupon rate. If they are not, the welfare costs function does not contain such a quadratic term. We analyze two policies: the exact and the false policies. The exact is optimal monetary and fiscal policy and conducted by the policy authorities which are aware of default risk. The false is optimal monetary and fiscal policy and conducted by the policy authorities which are not aware of default risk. We solve the LQ problem and the model is solved numerically. Further, we calculate coefficients of simple rules which are a class of Taylor rules and a class of Bohn rule. We find that there is no distinction on simple rules between the exact and false policies if the interest spread is low. However, if the interest spread in the steady state is high, the policy authorities should give up to stabilize inflation and minimize the premium difference. We calculate welfare costs under two policies. If the interest spread is low, there is much difference on welfare costs between two policies. However, if it is high the difference on the welfare costs isn't negligible and is very high. If policy authorities are not aware of the default risk, the policy authorities introduce tighter policy which generates much welfare costs. If the interest spread is high, policy authorities should be aware of the default risk.

**Key Words:** DSGE models, Default risk, Monetary policy, Fiscal policy.

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**ICBFP-069:**

**The Determinants of Loan Pricing in the Eurozone**

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**ABSTRACT**

Several researches attempt to find how banks set the suitable interest rate on their loans. In our research, we will illustrate how setting lending rate can differ among banks in the Eurozone during European debts crisis period. In order to conduct this research, we collect data for large banks in the Eurozone from 2009 to 2016. In our study, we attempt to test the influence of banks' characteristics and economy conditions on determining the lending interest rate that borrowers have to pay. We also examine how information asymmetry affect setting borrowing rate.

**Key Words:** Lending interest rate, Debts crisis, Bank's characteristic, Information asymmetry.

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**ICBFP-070:**

**Short Run Dynamics and Long Run Effects of Egypt's Currency Devaluation Policy on its Bilateral Trade Deficit with Saudi Arabia**

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**ABSTRACT**

Egypt suffers from a growing bilateral trade deficit with Saudi Arabia, one of its most important trading partners. Although the devaluation of the domestic currency is anticipated to improve Egypt's trade balance, few studies have confirmed the effectiveness of this exchange rate policy. Therefore, the objective of this study is to evaluate whether the J curve hypothesis holds for Egypt's bilateral trade balance with Saudi Arabia from 1995 to 2016, using the ARDL approach to capture both short run dynamics and long run effects. The empirical results support the existence of the J curve i.e. that the devaluation of the Egyptian pound has a positive impact on Egypt's bilateral trade balance with Saudi Arabia after an initial deterioration. As the coefficient of the lagged error correction term implies that the short run adjustment process fluctuates around the long run value before eventually converging to it, the study recommends taking Egypt's economic and political instability into consideration to reach a better judgment on the suitability of the domestic currency devaluation policy for improving Egypt's bilateral trade balance with Saudi Arabia.

Key Words: Egypt, Saudi Arabia, J-curve, Trade balance, Exchange rate.

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**ICBFP-071:**

**Capital Structure of SOEs and non-SOEs in Selected G-20 Countries: Developed and Emerging Markets**

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**ABSTRACT**

This study explores the effect of ownership on the capital structure decision of enterprises in selected G20 countries using 6,744 firms' data over the period 2011 to 2015. We found clear evidence that capital structure decisions of enterprises are significantly affected both by ownership structure (state owned or non-state owned) and level of economic development (developed or emerging economy). Our findings indicate that state owned enterprises are highly levered relative to their non-state owned peers in developed economies and also state owned enterprises in emerging economies. While in the case of emerging economies, non-state owned enterprises do carry more leverage than state owned enterprises. Additionally, the results of the interaction indicate that state ownership is positively associated with leverage in developed countries while it is the opposite in the case of emerging economies. We also document country level analyses which are consistent with the cross country findings.

Key Words: Capital structure, SOE, Tangibility, Profitability, Tobin's Q, Emerging.

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**ICBFP-072:**

**Financial Sector-based Analysis of the G20 Economies using the Integrated Decision-making Approach with DEMATEL and TOPSIS**

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**ABSTRACT**

This study aims to evaluate the performance of G20 economies. For this purpose, financial sector-based factors are taken into the consideration. Within this framework, 9 different indicators are identified. As a result of DEMATEL analysis, it is concluded that domestic credit provided by financial sector is the most important indicator whereas the indicator of automated teller machines has the weakest importance. In addition to this aspect, with the help of TOPSIS methodology, it is identified that Italy has the best performance while Argentina is on the last rank. While considering these aspects, it is recommended that G20 countries should focus on the significant criteria emphasized in the study in order to increase their performance.

**Key Words:** Financial system; G20 Economies; DEMATEL; TOPSIS.

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**ICBFP-073:**

**Due Diligence for Bank M&A's: Case from Turkey**

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**ABSTRACT**

This research was carried out since due diligence is an important part, at level, of decision making for merger and acquisition of banks. There is no standard or rules for due diligence format. Some of the consultancy firms are giving the checklist for due diligence. This study is prepared according to the experiences of due diligence in several banks in Turkey after the economic crises in 2000 and 2001. In banking sector, banks can work with financial advisors, auditors; or they prefer to arrange a group of workers for doing the analysis in their corresponding fields in the departments. The study method is based on a literature review of several theories and hypothesis for bank M&A's, as well as the study of a successful case on bank merger from Turkey.

Key Words: Due diligence, Banking, Merger and acquisition, Turkey.

**ICBFP-075:**

**The Future and Viability of the U.S. Dollar as International Reserve Currency**

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**ABSTRACT**

After the global financial cataclysm of 2008, financial globalization took off from real economic developments: while global GDP and the volume of international trade have slowed significantly, international capital flows have been amplified by the global glut of liquidity made available to the globalized financial system. This discrepancy is not without consequences. Cash flow recycling in U.S. dollars has caused a rise in global debt, while the slowdown in growth has resulted in over-capacity production that has deteriorated balance sheets in emerging countries. Capital reflows from emerging countries to advanced countries have caused unbalanced dynamics in stock and currency markets.

The intensification of financial interdependencies creates a dilemma for U.S. monetary policy, which has been founded on the independence of its objectives with regard to developments in the rest of the world. This new situation raises a lack of coordination within the international monetary system.

This paper deals with the impact of the excesses of financial globalization on the international monetary system and the dilemmas they pose to central banks. The study method is based on a recent literature review of several theories, as well as the study of different cases. The results present and describe the features that may contribute to the restructuring and redesigning of global capitalism.

**Key Words:** Financial globalization, International monetary system, U.S. Dollar, Monetary policy, Global financial turmoil.

**ICBFP-077:**

**'Whatever it takes' to Change Beliefs: Evidence from Twitter Markets**

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**ABSTRACT**

This paper investigates the extent to which changes in beliefs about an intervention of the ECB explain the sudden reduction of government bond yields for the PIIGS countries as suggested by the literature on self-fulfilling default crises. To study this change, we follow a direct approach by extracting beliefs from Twitter data. Collecting tweets from July to September 2012, we build a data set of opinions of Twitter users related to the ECB actions. At first, we document that there are large increases in the volume of tweets around important dates of central bank communication, showing that Twitter was used to both communicate and interpret the ECB actions by the users. Second, we create a belief index of the perceived likelihood of the central bank intervention which allows us to capture the dynamics of beliefs. We show that this belief index jumps at two important days of ECB communication, namely the day of Mario Draghi's 'Whatever it takes'-speech and the day of the OMT programme announcement. Those large increases in our belief index coincide with large decreases in the sovereign spreads of the PIIGS countries. Interestingly, in spite of a large volume of tweets at the day of the ECB governing council's meeting on August 2nd, we do not observe a notable change in beliefs at this day, consistent with the behaviour of spreads. To our knowledge, this is the first paper studying the events of summer 2012 with an attempt to directly measure beliefs. Our results are consistent with the theoretical prediction that a central bank, which credibly commits to an intervention, can restore the fundamental "good" equilibrium.

Key Words: European Central Bank (ECB), Twitter.

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**ICBFP-078:**

**Change in Network Efficiency in Case of Turkish Banks**

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**ABSTRACT**

The Data Envelopment Analysis (DEA) is an applied methodology to evaluate the efficiency of a decision making units (DMUs) with multiple inputs and multiple outputs. The underlined idea about Network DEA models were that by computing the efficiencies of the two sub-processes was possible to recognize the inefficiency sources of the entire structure. Therefore, the objective of the paper is to measure the network efficiency of Turkish banks using the network DEA. The analysis was focused on the 2005-2015 time period, as during this period has the banking sector gone through massive structural changes, changes in regulation, and was affected by the financial crisis. To obtain a consistent efficiency measurement results, the integration of factors in a three sub-periods (2005- 2008; 2009-2012; 2013-2015) allows for insights on the banks processes of production and profitability. As a result, the development of the banking market as well as the development of economy has led to changes in efficiency

**Key Words:** Network DEA, Banking, Efficiency, Economy

**ICBFP-079:**

**Estimating Boone Competition Indicator for Turkish Banking Industry**

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**ABSTRACT**

There are a lot of indicators for the measure of the competition in the industries. Recently, Boone (2004) suggests an indicator for the homogenous product market. The advantage of the Boone indicator is that it is able to measure competition of bank market segments, such as the loan market and other products. Generally the other measures of competition can consider the entire banking market only. Boone indicator measures the effect of efficiency on performance in terms of profits or market shares. The basic idea is that competition promotes the performance of efficient banks and negatively affects the performance of inefficient banks, which is reflected in lower profits or smaller market shares. The aim of this paper is to estimate the Boone indicator of Turkish banking sector from 2003 to 2016, a period which includes structural changes in the financial sector as well as 2008 Great Recession and to compare it with other indicators.

**Key Words:** Banking industry, Competition, Loan markets, Marginal costs, Market shares;

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**ICBFP-080:**

**The Relationship between Efficiency and Persistence of Profits in Turkish Banking Industry**

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**ABSTRACT**

The aim of this paper is to examine the relationship between efficiency and persistence of profits in Turkish banking industry from 2003 to 2016. In order to estimate the efficiency we employ stochastic cost frontier approach with the data of commercial banks in Turkey. The persistence of profits is estimated by the AR (p) model. To the best of our knowledge, this is the first study that relates efficiency to persistence of profits. This analysis lets us evaluate the performance of Turkish banking system in the restructuring period and how the efficiency affects profitability of banks. We expect the impacts of efficiency on persistence of profits to differ across private and state-owned banks and domestic and foreign banks.

**Key Words:** Banking industry, Efficiency, Stochastic frontier

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**ICBFP-081:**

**What do Results of Granger Causality and Impulse Responses Functions Tell us about Tourism- Growth nexus in Latin American Countries?**

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#### ABSTRACT

This study empirically investigates the relationship between tourism specialization (proxied by the relative GDP share of tourism receipts) and economic growth (annual growth rate of GDP) for the sample of fifteen Latin American countries over the period 1995-2016. The empirical methodology is based on the application of Granger causality testing and the impulse responses analysis of the relevant tourism and growth variables for each individual country. The main findings of the paper can be summarized as follows: positive effect of tourism is confirmed on the economy of Argentina and Uruguay and its negative effect is confirmed on the economy of Chile. Negative effect of Economic growth on Tourism is obtained in Ecuador. Economic growth may have a positive impact on the tourism sector in Costa Rica and Guatemala.

Key Words: International tourism, GDP share of tourism Receipts, Latin American countries.

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**ICBFP-082:**

**The Role of Tourism Development in Environmental Kuznets Curve: Evidence from Top 50 Tourist Destinations**

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**ABSTRACT**

International tourism has only been investigated as an engine of growth in some countries. Tourism development not only contributes to an economy, but it also contributes to the other segments. Tourism growth leads to a growth in energy capacity, but on the other hand, expansion in tourism leads to an increase in the level of pollution. An increase in tourism activities comes with an increased demand for energy for various functions such as transportation, catering, accommodation, and the management of tourist attractions. In this respect, an investigation of the relationship between international tourism and pollution is of great interest to both policy makers and practitioners in tourism and would be a contribution in tourism literature. This study empirically investigates the role of tourism development in Environmental Kuznets Curve (EKC) of top 50 tourist destination countries. Panel data on annual basis that range from 1995 to 2017 have been used through employing the latest advanced econometric procedures. Results reveal that tourism development exerts significant long-term effects on the EKC. Carbon emissions in the EKC model converge towards long term equilibrium path significantly through tourism development.

Key Words: Tourism; EKC, Energy consumption, Top 50 tourist destinations, Panel data analysis.

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**ICBFP-082:**

**The Impact of New Product Announcement on Firm's Stock Returns: Evidence from U.S. Stock Exchange**

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**ABSTRACT**

Launching a new product is very essential for the company's success. Since this important event contains information to influence investors concerning the future prospect of the company. Meanwhile stock market reacts substantially to this news. This paper is exploring the impact of announcing 20 new products on the selected U.S Company's stock returns. The analysis covers two scopes; the one sample (analysis of each company), and the whole sample (the entire companies) of the selected firms traded in NYSE market. Results of the study indicate that introducing new product has no significant effect on the company's stock returns on the announcement day, through calculating abnormal return, within the two scopes. However there is a significant negative impact for the whole sample analysis during the event period, through calculating cumulative average abnormal return.

**Key Words:** New product; Event study; Abnormal return; Technology firms;

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**ICBFP-084:**

**What Determines SME's Use of Bank Financial Services and Credit in Turkey: A Demand Side Perspective to Access to Finance**

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**ABSTRACT**

SMEs' access to finance has been an important research topic in many countries. Nevertheless, the existing literature has been largely limited to studies on the supply side of finance. Most of the investigations have focused on the lending practices of financial institutions to SMEs. Using firm level data from the 2015 World Bank Enterprise Survey of 6000 enterprises in Turkey, this research sheds light to the demand side of SME finance. The findings indicated that only 20% of SMEs had recently applied for a loan, and only 7% of these applications were rejected by banks. In the same survey, 70% of firms mentioned that they did not need a loan, or they had sufficient capital to finance their working capital and fixed assets. Nevertheless we found significant regional differences in terms of SMEs' use of formal financial services such as having a bank account, overdraft facility or line of credit. Over 90% of SMEs in the more developed regions of Turkey, such as Marmara and Aegean regions have a bank account. In contrast, less than 10% of SMEs appear to have a bank account in the less developed regions such as Eastern and Southeastern Anatolia. Similar differences are also found with respect to utilizing other financial services such as overdraft facilities and lines of credit. Further, our GLMs regression analysis provided statistically significant evidence of the regional discrepancies for SMEs' having a bank account, utilizing an overdraft facility and whether have applied for a bank loan or not. The results also showed that SMEs' ownership structure, their financial performance, and their owners' level of education are key determining factors for using formal financial services. On the other hand, owners' gender and the years of experience in business did not make a difference whether SMEs applied for a loan or utilized financial services. These findings underline the importance of developing regional policies to improve SMEs utilization of financial services in Turkey. Providing incentives for banks to increase their branch network and physical existence in the less develop regions, and improving financial literacy of SME owners in these regions by business associations will help businesses to have better access to finance.

**Key Word:** SMEs, Turkey, GLMs regression

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**ICBFP-085:**

**The Relationship between Inflation, Bank Credit, and Economic Growth: The Case of Uganda**

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**ABSTRACT**

This study explores the relationship among inflation, bank credit, and economic growth for the case of Uganda using data obtained from the World development indicators from 1983- 2015. The long run equilibrium relationship among variables is confirmed by the Johansen (1988) cointegration test. Vector Error Correction (VECM) results indicate a negative long-run relationship between inflation and economic growth and also a long run negative relationship between bank credit and economic growth in Uganda. This adds to the available literature on the study of inflation, bank credit and economic growth in the world and its uniqueness in the results of the negative relationship between bank credit and economic growth which is a rare case. Also, the results would enable the policymakers in Uganda to make the right decisions to enable the development of the country as well as ensure that the negative relationship between bank credit and economic growth does not adversely affect the country's economy.

**Key Words:** Inflation; Bank credit; Economic growth; Cointegration.

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**ICBFP-088:**

**International Insurance Industry and Systemic Risk**

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**ABSTRACT**

After the global crises, it was observed that not only the banking sector but also the insurance industry has systemic risk sources. Moreover, there are studies that found that insurance companies are even more risky compared to other financial intermediaries. In regard to this, life and non-life insurance companies and banks' systemic risk causalities are analyzed. Systematic risk measurements and conditional capital inadequacy were used. Dumitrescu-Hurlin panel causality tests were used to analyze the weekly global data for the years between 2005 and 2015. The main aim of the study is to find out if there is a relation between the systemic risk of life and non-life insurance and commercial banks. However, the results of the past studies indicate that the transfer of bank systemic risk has a strong role. The results of the study reveal that especially in regards to conditional risk based value the systemic risk of life and non-life insurance companies and banks have strong causalities. It can be concluded that insurance companies' systemic risk has a potential to be dispersed regarding to the geographical area.

Key Words: Systemic risk, Global crises, Banks, Insurance.

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**ICBFP-089:**

**Bounds of Macrofinance and the Quality of Credit Portfolio in Emerging Economies**

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**ABSTRACT**

In this study, the bound of macro-finance and the quality of Credit Portfolio in 23 emerging economies is investigated. Panel VAR Models and Dumitrescu-Hurlin Panel causality tests are used for the years 1998-2015. The relation between the credit quality, the credit volume, credit to GDP gap, real interest rate, inflation and current deficit are investigated for the years between 1998 and 2015. It is observed that except growth there is are strong relations between those variables. There is a one way relation between the credit quality and the economic growth. Panel VAR model action and reaction function indicate that the shocks on credit gap, growth and current deficit cause a strong and long term effect on the credit quality. The countries that have been investigated are found to have a steady current deficit and the growth period are mostly had an international effect. It is inevitable not to have such effect on current deficit and growth. Credit volume and credit deficit also indicate cyclicity and growth accordingly.

Key Words: Macro-finance, GDP gap, Credit portfolio, VAR.

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**ICBFP-090:**

**The Impact of Islamic Banking on Financial Inclusion in Countries with Different Level of Income: Evidence from Middle East and North Africa**

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**ABSTRACT**

In this paper, we investigate the impact of Islamic banking on financial inclusion in fourteen Middle East and North African countries. For this purpose, we employ a probit estimation method to 2014 World Bank Global Findex database, analyzing the association of individual characteristics and Islamic banking with financial inclusion among MENA countries with different level of development. We find that financial inclusion, particularly among middle income countries of MENA, are relatively worse than the world average. Our estimation model indicates that financial inclusion is positively affected by being a man, richer and being older in MENA. Interestingly, we find that education is not positively associated with formal account in the middle income countries but it is as expected in high income countries. We also document with empirical evident that Islamic banking contributes to financial inclusion especially for individuals with high degree of religion affiliation. Furthermore, estimates show that the effect of Islamic banking on financial inclusion is better in middle income countries than high income within MENA.

Key Words: Financial Inclusion, Islamic Banking, Financial intermediaries, MENA.

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**ICBFP-092:**

**Origins of Money Stock, Institutional Rigidities and Residential-housing Market: A Preliminary Analysis of the Czech Republic**

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**ABSTRACT**

The problem of sustaining overall macroeconomic stability and, in particular, the stability of financial sector in face of possible asset bubbles has been come germane to contemporary macroeconomic policies. Especially, central banks have lately had to put a particular emphasis to this issue. Even though, theoretical explanation of (asset) bubbles can be traced very far in the history of economic thought, the latter problematic had always subsided following a prolong times of prosperity and had been resurfacing after a crisis having come to existence. Particularly, the last two decades have been characterized by two distinct features; namely that, the central banks in developed countries had been very successful in keeping rates of inflation low, but not on their designated inflation targets necessarily, and perhaps more importantly, during latter period rates of interest had remained both low and stable as compared with their behaviour in the preceding century. Nonetheless, the view of continuous and harmonious growth was shattered by the U.S. financial crisis of 2008, which was followed by the European Debt Crisis. Both events have put to question not only the prevailing epistemological view of so-called “theory” of efficient markets but has forced central banks to resort to “unconventional” monetary policies and has seen the advent of the macroprudential policy, the sole function of which is to uphold the (domestic) financial stability. While the spectra of deflation has been banished, at least for the time being, and inflation targets have been met, central banks (particularly in Europe) have been reluctant to rise their main monetary policy instruments, and as a result rates of interest have remained low. The unprecedentedly long time period of low rates of interest begs the question whether another threat of asset bubble might not be forming.

**Key Words:** Stability, Bubbles, European Debt Crisis, Monetary Policy

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**ICBFP-093:**

**Does Financial Development Increase Energy Consumption in the Long Run in Argentina?**

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**ABSTRACT**

This article adds to the existing literature by examining equilibrium and dynamic relationships among energy consumption and financial development, In addition to economic growth and industrialization as additional determinants in energy consumption model in Argentina during the period of 1971-2014. The unit root properties of the series were tested using ADF and PP. The ARDL approach was applied to detect co-integration among the variables and VECM was implemented to confirm the existence of the causal relationship between the variables. The results show that positive long run relationship is found among energy consumption, financial development, economic growth and the industrialization. Finally bidirectional causalities between energy consumption and financial development are found. The findings recommend for policy makers to explore alternative sources of energy which would be useful in facing the increased demand of energy due to the growth rate of economic and industrial expansion and focus on improve financial development in Argentina.

Key Words: Energy Consumption, Financial Development, Economic Development, Industrialization.

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**ICBFP-095:**

**Problems and Solution Suggestions of the Artisans who are Operating in TRNC**

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**ABSTRACT**

This study aims to create a profile of shopkeepers and artisans who are members of the Turkish Cypriot Chamber of Shopkeepers and Artisans (TCCSA), in order to determine their common problems and the solutions to those problems. Members of the TCCSA are taken into account in this research. Descriptive comparisons and variety of statistical methods are applied. The data used for the research contains; membership records of TCCSA, General Census of Industry and Business Establishments stats and primary data collected by survey. Among 4,238 members of the chamber, 229 participants attended to the survey. This sample group is counted as 5% of the total number of members. By applying stratified sampling method, face to face surveys are conducted with the members. The size of the sample is determined by considering gender and industrial representations of the members from each region of the country. Macro (external) and micro (internal) economic problems of shopkeepers and artisans are seem to be appearing due to inefficient regulations and economic sanctions on Turkish Republic of Northern Cyprus (TRNC). Leading struggles of shopkeepers and artisans are determined as taxes, high energy prices and unfair competition.

Key Words: TRNC, SMEs, TCCSA, Shopkeeper, Artisan, Micro Enterprises.

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**ICBFP-096:**

**Modeling Autoregressive Conditional Variance of Exchange Rate Volatility: Empirical Evidence from Turkey**

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**ABSTRACT**

The exchange rate volatility has an important effect on the economy and finance sector of the nations. In literature, the exchange rate volatility generally assessed by autoregressive conditional heteroscedastic variance (ARCH) model which was developed by Engle (1982) and generalized autoregressive conditional variance (GARCH) model by Bollerslev (1986) and Tylor (1986). This paper employs ARCH family models for evaluating volatility of Dollar exchange rate against Turkish Lira by using daily data from 04.01.2016 to 02.04.2018. EGARCH model found as best fitted model by employing information criteria. According to best fitted model of EGARCH, no leverage effect is found and there is asymmetric effect on the volatility of USD/TL exchange rate.

**Key Words:** Exchange Rate, Volatility, Unit root, ARCH models, GARCH, EGARCH, TARCH, and Turkey.

**ICBFP-097:**

**The Role of Distance and Securitization Decisions of the Swedish Savings Banks**

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**ABSTRACT**

The role of distance at the financial intermediation literature is not fully explored. The studies are limited due to limited data availability, which makes it hard to generalize due to narrow and bank specific samples. Most of the previous research has been conducted for Germany (due to strong presence of the Savings Banks) and Belgium (due to advanced industrial and technological development - to minimize the effect of information and transaction costs). An another EU country with exceptional level of technological and industrial development together with significantly evolved IT infrastructure is Sweden, about which there was not so much said in the financial intermediation literature.

This paper aims to set up a study of the Swedish savings banks behavior given the presence of competing commercial bank branch. We rely on balance sheet data provided by Swedish Savings Banks Association from 2010 up to 2016 enriched by bank branches spatial distributions, collected through Google API services.

The results demonstrate the evidence of the effect of commercial bank presence on the propensity of the small bank to securitize the private loans and initiate relational lending at the time of the strong digitalization and IT infrastructure development. This brings up that the effect of distance still affects the market structure and it is not yet fully understood.

Key Words: Industrial Development, EU, Market Structure.

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**ICBFP-098:**

**An Empirical Examination of Integration between Turkish Stock Market and G7 Countries' Stock Markets**

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**ABSTRACT**

This study empirically observes the short and long-term relationship between Turkey's equity market and selected G7 countries' equity markets (United States, United Kingdom, France, Canada, Japan, and Germany) in order to analyze the potential benefits from international diversification in Turkey using monthly data from 01/1990 to 01/2018. The study used unit root tests, Johansen cointegration method, VECM and Granger causality test to investigate the integration between the equity markets. Empirical results confirm the existence of long term relationship between all the countries' equity markets and Turkey's market excluding the US financial market. Canadian and British stock indices showed negative long-term coefficient with the Turkish stock market index. These results have important implications as investors with the urge to decrease risk can internationally diversify their portfolio by adding the Turkish stock index alongside with the British or Canadian stock indices.

**Key Words:** International Portfolio Diversification, Financial Integration, Cointegration Test

**ICBFP-100:**

**What do We Know about Public versus Private Capital Dynamics and Income Inequality in North Cyprus**

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**ABSTRACT**

The purpose of this paper is to explore income inequality trend and its sources, in North Cyprus over the period 1998-2015. The first fold of the study traces the inequality trend in North Cyprus over the 17 years the study by employing Gini coefficient, the shares of income groups and rich poor ratio. To show how income inequality evolved over time employed two different methods. The first method examines differences from mean total (population) income for each income group and the second method examines the difference from the mean as a proportion of mean income in order to show how income inequality evolved over the period.

The second fold of the study examines income shares of factors and the composition of national wealth between publicly and privately owned assets in order to understand inequality among individuals.

Key Words: income, inequality, private capital, public capital, functional distribution

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**ICBFP-102**

**An Evaluation of the Effects of Interest Rate Spread on Bank Performance: The Case of China**

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**ABSTRACT**

The aim of this study is to investigate the relationship between the bank performance and the interest rate spread for the case of China between the years of 2014-2016. Therefore the investigation was done using ratios to add light to what interest rate spread is all about and give proper direction on how its changes affect the performance of the banks in China. From the results, we are able to conclude that there is a positive relationship between the interest rate spread and bank performance.

Key Words: Interest rate, Bank performance, China

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**ICBFP-104**

**The Effect of the Corporate Tax Reforms in the Capital Structure of Russian Oil Companies**

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**ABSTRACT**

We investigate the micro and macro determinants of the capital structure of Russian oil companies with taking the effects of the two tax reforms of 2001 and 2002. Our results reveal that tax reforms affect the financing decision of companies. During the pre-tax reform period, high company tax rates had provided greater incentives for debt financing. However, during the post-tax reform period, the tax advantage of debt financing decreased significantly due to the significant cut in the company tax rate. This has also led to an increase in the level of company equity. We test the presence of the bankruptcy costs and agency costs in Russian companies. We use the emerging market score (EMS) model to estimate the presence of the bankruptcy costs and use the total strategic holdings as a proxy of agency costs. We find a positive relationship between EMS and leverage. Russian companies with lower bankruptcy probability have greater leverage, and it is in line with the trade-off theory. Our findings are also consistent with the agency theory.

Key Words: Tax Reform, Corporate Finance, Capital Structure, Dynamic Trade-Off Theory, Transition Countries

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**ICBFP-105:**

**Absorption Capacity of EU Funded Projects/Prorgammes in Albania**

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**ABSTRACT**

Albania aspires to join the European Union and it holds the candidate status. In this process the EU supports financially the reforms to introduce the necessary political, economic and institutional reforms to bring them in line with EU standards. Since 1991 EU has given considerable amount of financial assistance to Albania. The purpose of this article is to make a literature review of the content of EU funds in supporting candidate and potential candidate countries and to define the absorption capacity and its aspects.

**Key Words:** EU funds, Absorption Capacity, Albania

**ICBFP-106:**

**Job Satisfaction of Hotel Employees: A Case Study of Five-Star Hotel in North Cyprus**

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**ABSTRACT**

Employee job satisfaction has directly affected on customer satisfaction and customer loyalty. The study examines the factors that has impacted on the job satisfaction, and examines the relationship between demographic characteristics of hotel employees and job satisfaction. The study findings indicate that there is no significant difference between demographic variables of employees and job satisfaction.

**Key Words:** Customer Satisfaction, Demographic Characteristics, Job Satisfaction.

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**ICBFP-107:**

**Profitability Determinants of Islamic and Conventional Banks during the Global Financial Crises: The Case of Emerging Markets**

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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 and conventional banks during the global financial crises in emerging market economies. To evaluate empirically performance of the banks, various financial ratios are employed. We measure performance in terms of liquidity, profitability, solvency, and efficiency. 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.

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**ICBFP-108:**

**Web 2.0 and Social Media Platforms Development for Online Financial Services in Albania**

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**ABSTRACT**

The article aims to study the development of the online financial services in Albania through the usage of Web 2.0 and Social Media platforms. The increased development of Web 2.0 platforms in the today world creates a big impact as well in the financial industry. Their effect is present through the development of direct interaction and communication of the customer and the financial services institutions within these platforms. This kind of interaction and all the information and other data shared creates the possibility to develop financial products in the best proper way.

The study presents the findings that, managing the interaction of the Web 2.0 and Social Media platforms in the Albanian social media environment have challenges related to the coordination of activity in all these platforms. Taking in consideration that different social media platforms have different usage from the end consumer, Digital Banking platform and Facebook social site had the focus of the study. The paper presents the case study of one of the biggest companies in the financial services industry and the way the platforms integration helps developing online financial services.

**Key Words:** Web 2.0, Social Media, Knowledge Management, Online Financial Services.

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