THE ROLE OF RISKTAKING IN MODERATING THE INFLUENCE OF OWNERSHIP STRUCTURE AND SELECTED ECONOMIC FACTORS ON STOCK MARKET IN TURKEY

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THE ROLE OF RISK TAKING IN MODERATING THE INFLUENCE OF
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ON STOCK MARKET IN TURKEY

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SHIVAN AHMED MOHAMMAD DOSKI

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ABSTRACT

This study investigated the moderating influence of risk taking (RT) on the association between ownership structure (OS), economic factors (EF) and stock market performance (SMP). This study was motivated basically by the inconsistent findings in the latest literature related to the relationship between OS, EF and stock market performance. Therefore, a new research emerged which suggests examining the influence of the third factor (RT) that may better describe and explain this relationship. This study integrated two theories; the agency theory (AT) and the capital asset pricing model (CAPM). Due to the lack of the studies that emphasized all the sectors and subsectors in the emerging markets, therefore this study targeted all the listed companies in Istanbul stock exchange in Turkey divided to five sectors covering the period from 2004 to 2010 for both RT and industrial ownership ratio. The study followed a rigorous process for econometrics testing by using Eviews statistical software package and utilizes hierarchal regression through using SPSS statistical software package. The findings of this study showed that both OS, EF were statistically significant predictors of stock market performance. Moreover, this study supported the expected outcomes of both agency theory and capital asset pricing model confirming the importance of RT behavior to any decisions made by the companies’ top management regarding investing decisions that affect the company performance which in its turn affect the overall performance of the stock market. In addition, this study revealed the point that the foreign ownership in Turkey has a large shareholding percentage out of total company’s ownership. The results of this study indicated that RT is moderating the influence between some of the ownership structure variables and stock market performance measured by stock market capitalization, while the moderation effect depends on the moderate variable measurement that divided by five sectors, similarly to the economic factors, in which the effect of some economic factors is moderated by RT in different sectors.

Keywords: Ownership Structure, Economics Factors, Risk Taking, Stock Market Performance, Turkey.
ABSTRAK

Kajian ini menyiapkan pengaruh penyederhanaan risiko (RT) pada hubungan antara struktur pemilikan (OS), faktor-faktor ekonomi (EF) dan prestasi pasaran saham (SMP). Kajian ini didorong oleh penemuan yang tidak konsisten dalam kajian literatur terkini yang berkaitan dengan hubungan antara OS, EF dan SMP. Oleh itu, satupenyelidikan baru mencadangkan supaya dilakukan penelitian lebih lanjut untuk memahami pengaruh faktor ketiga (RT) yang mungkin akan menerangkan dan menjelaskan hubungan ini dengan lebih baik.

Kajian ini mengintegrasikan teori teori agent (AT) dan teori penetapan harga aset (CAPM). Disebabkan kurangnya penekanan pada semua sektor dan subsektor dalam pasar baru, kajian ini disetarakan pada semua syarikat yang terdaftar di bursa saham Istanbul di Turki yang dibahagikan menjadi lima sektor yang meliputi tahun 2004-2010 untuk kedua-dua RT dan pemilik asing. Kajian ini melibatkan proses yang ketat untuk uji ekonometrik dengan menggunakan perangkat lunak Eviews dan SPSS.

Hasil kajian ini menunjukkan bahwa kedua-dua OS, EF statistik ramalan yang signifikan bagi prestasi pasaran saham. Disamping itu, kajian ini mengidentifikasi model penetapan harga yang menggunakan penentuan pertahapan yang dibuat oleh perusahaan atas syarikat mengenai keputusan-keputusan keputusan investasi. Hasil kajian ini juga menunjukkan bahwa RT menyederhanakan pengaruh di antara beberapa variabel, termasuk struktur pemilikan dan prestasi pasaran saham.

Kata Kunci: Pemilikan Struktur, Pemilikan Asing, Faktor Ekonomi, Mengambil Risiko, Prestasi Pasaran Saham, Turki.
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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE PAGE</td>
<td>i</td>
</tr>
<tr>
<td>CERTIFICATION OF DISSERTATION</td>
<td>ii</td>
</tr>
<tr>
<td>PERMISSION TO USE</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>vi</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>vii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xv</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xvii</td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>xx</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xxii</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION

1.1 Background of the Study 1

1.2 Problem Statement 6

1.3 Research Questions 22

1.4 Research Objectives 23

1.5 Significant of the Study 23

1.6 Contributions of the Study 26

1.7 Scope of the Study 28

1.8 Definitions of Key Terms 29

## CHAPTER TWO: TURKEY ECONOMY

2.1 Overview of Turkish Economy 33

2.2 Overview of Corporate Governance in Turkey 44

2.3 Overview of Istanbul Stock Exchange 45

## CHAPTER THREE: LITERATURE REVIEW

3.1 Introduction 56

3.2 Stock Market Performance 62

3.3 Economic Factors 66
3.3.1 GDP Growth 68
3.3.2 Inflation Rate 70
3.3.3 Net of Inflow and Outflow of Foreign Direct Investment 72
3.3.4 Balance of Trade 74
3.3.5 Debt to GDP 75
3.4 Ownership Structure 76
  3.4.1 Institutional Ownership 80
  3.4.2 Foreign Ownership 85
  3.4.3 Ownership Concentration 90
3.5 Risk taking Theory 94
3.6 Ownership and Firm Performance 100
3.7 Ownership and Risk Taking 105
3.8 Economic Factors and Stock Market Performance 115

CHAPTER FOUR: METHODOLOGY

4.1 Introduction 123
4.2 Underpinning Theory 125
  4.2.1 The Shareholder Approach 126
    4.2.1.1 Agency Theory 128
    4.2.1.2 Capital Assets Pricing Theory 128
  4.2.2 The Stakeholder Approach 129
4.3 Theoretical Framework 130
4.4 Hypotheses Development 133
  4.4.1 Ownership Structure 133
  4.4.2 Economic Factors 139
  4.4.3 Risk Taking 144
4.5 Population and Sample Size 168
4.6 Data Collection Procedures 169
4.7 Measurements and Operationalization of the Variables 171
4.8 Data Analysis 175
   4.8.1 Econometrics Testing 175
      4.8.1.1 Unit Root Analysis 175
      4.8.1.2 Augmented Dickey Fuller (ADF) Test 175
4.9 Hypothesis Testing Procedures 177
   4.9.1 Detecting Outliers 178
   4.9.2 The Multicolinearity Detection 179
4.10 Hierarchical Multiple regression 181
   4.10.1 Normality Testing 182
   4.10.2 Testing the Linearity, Homoscedasticity and Independence of Error Terms 183

CHAPTER FIVE: RESEARCH FINDINGS AND DISCUSSION

5.1 Introduction 184
5.2 Pearson Correlation Analysis Results 184
5.3 Multiple Regression Analysis Results 187
5.4 Hierarchical Regression Analysis Results 189
   5.4.1 Hierarchical Regression Analysis Results to Examine the Moderating Impact in Manufacture Sector (RTMF)
      5.4.1.1 The Moderating Effect of RTMF on the SECMF-SMP 190
      5.4.1.2 The Moderating Effect of RTMF on the SECTR-SMP 193
      5.4.1.3 The Moderating Effect of RTMF on the SECFIN-SMP 194
      5.4.1.4 The Moderating Effect of RTMF on the SECTEC-SMP 195
5.4.1.5 The Moderating Effect of RTMF on the SECOTH-SMP
5.4.1.6 The Moderating Effect of RTMF on the ISTO-SMP and FORO-SMP
5.4.1.7 The Moderating Effect of RTMF on the GDPG-SMP
5.4.1.8 The Moderating Effect of RTMF on the NETFDI-SMP
5.4.1.9 The Moderating Effect of RTMF on the INFL-SMP
5.4.1.10 The Moderating Effect of RTMF on the DEBTGDP-SMP
5.4.1.11 The Moderating Effect of RTMF on the BOT-SMP

5.4.2 Hierarchical Regression Analysis Results to Examine the Moderating Impact in Transportation Sector (RTTR)
5.4.2.1 The Moderating Effect of RTTR on the SECMF-SMP
5.4.2.2 The Moderating Effect of RTTR on the SECTR-SMP
5.4.2.3 The Moderating Effect of RTTR on the SECFIN-SMP
5.4.2.4 The Moderating Effect of RTTR on the SECTEC-SMP
5.4.2.5 The Moderating Effect of RTTR on the SECOTH-SMP
5.4.2.6 The Moderating Effect of RTTR on the ISTO-SMP
5.4.2.7 The Moderating Effect of RTTR on the FORO-SMP
5.4.2.8 The Moderating Effect of RTTR on the GDPG-SMP
5.4.2.9 The Moderating Effect of RTTR on the NETFDI-SMP
5.4.2.10 The Moderating Effect of RTTR on the INFL-SMP
5.4.2.11 The Moderating Effect of RTTR on the DEBTGDP-SMP
5.4.2.12 The Moderating Effect of RTTR on the BOT-SMP

5.4.3 Hierarchical Regression Analysis Results to Examine the Moderating Impact in Financial Institutions Sector (RTFIN)
5.4.3.1 The Moderating Effect of RTFIN on the SECMF-SMP
5.4.3.2 The Moderating Effect of RTFIN on the SECTR-SMP 213
5.4.3.3 The Moderating Effect of RTFIN on the SECFIN-SMP 213
5.4.3.4 The Moderating Effect of RTFIN on the SECTEC-SMP 214
5.4.3.5 The Moderating Effect of RTFIN on the SECOTH-SMP 214
5.4.3.6 The Moderating Effect of RTFIN on the ISTO-SMP 215
5.4.3.7 The Moderating Effect of RTFIN on the FORO-SMP 215
5.4.3.8 The Moderating Effect of RTFIN on the GDPG -SMP 216
5.4.3.9 The Moderating Effect of RTFIN on the GDPG -SMP 216
5.4.3.10 The Moderating Effect of RTFIN on the iNFL -SMP 217
5.4.3.11 The Moderating Effect of RTFIN on the DEBTGDP -SMP 217
5.4.3.12 The Moderating Effect of RTFIN on the BOT-SMP 218

5.4.4. Hierarchical Regression Analysis Results to Examine the Moderating Impact in Technology Sector (RTTEC)

5.4.4.1 The Moderating Effect of RTTEC on the SECMF-SMP and SECOTH-SMP 221
5.4.4.2 The Moderating Effect of RTTEC on the SECFIN-SMP and SECTEC SMP 222
5.4.4.3 The Moderating Effect of RTTEC on the SECTR-SMP and FORO-SMP 223
5.4.4.4 The Moderating Effect of RTTEC on the ISTO-SMP 223
5.4.4.5 The Moderating Effect of RTTEC on the GDPG-SMP and DEBTGDP-SMP 224
5.4.4.6 The Moderating Effect of RTTEC on the NETFDI-SMP 225
5.4.4.7 The Moderating Effect of RTTEC on the INFL-SMP 225
5.5.4.8 The Moderating Effect of RTTEC on the BOT-SMP 226
5.4.5 Hierarchical Regression Analysis Results to Examine the Moderating Impact in Other Sectors (RTOOTH)

5.4.5.1 The Moderating Effect of RTOOTH on the SECTR-SMP, SECTEC-SMP, and DEBTGDP-SMP

5.4.5.2 The Moderating Effect of RTOOTH on the SEC MF-SMP and SECFIN-SMP

5.4.5.3 The Moderating Effect of RTOOTH on the INFL-SMP and BOT-SMP

5.4.5.4 The Moderating Effect of RTOOTH on the ISTO-SMP and NETFDI-SMP

5.4.5.5 The Moderating Effect of RTOOTH on the SECOTH-SMP

5.4.5.6 The Moderating Effect of RTOOTH on the FORO-SMP

5.4.5.7 The Moderating Effect of RTOOTH on GDPG-SMP

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

6.2 Overview of the Study

6.3 Summary of Results by Objectives

6.3.1 Ownership Structure and Stock Market performance: Objective 1

6.3.2 Economic Factors and Stock Market performance: Objective 2

6.3.3 The Moderating Role of Risk Taking in (Manufacture Sector, Transportations Sector, Financial Institutions Sector, Technology Sector, and Others): Objective 3 and 4

6.3.3.1 The Moderating Role of Risk Taking in Manufacture Sector

6.3.3.2 The Moderating Role of Risk Taking in Transportations Sector

6.3.3.3 The Moderating Role of Risk Taking in Financial Institutions Sector
<table>
<thead>
<tr>
<th>Table</th>
<th>Table Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1.1</td>
<td>Market Capitalization Percentages and Total Value of Stock Traded (% of GDP)</td>
<td>13</td>
</tr>
<tr>
<td>Table 1.2</td>
<td>Securities Balance of Foreigners and Trading Volume</td>
<td>13</td>
</tr>
<tr>
<td>Table 1.3</td>
<td>Outflows and Inflows of Foreign Direct Investment in Turkey and OECD</td>
<td>14</td>
</tr>
<tr>
<td>Table 1.4</td>
<td>Consumer Price Index (Percentage Change from Previous Year)</td>
<td>16</td>
</tr>
<tr>
<td>Table 1.5</td>
<td>Turkey Government GDP index</td>
<td>18</td>
</tr>
<tr>
<td>Table 2.1</td>
<td>Capital Markets Board of Turkey profile</td>
<td>36</td>
</tr>
<tr>
<td>Table 2.2</td>
<td>The Ease of Starting a Business in Turkey over Period 2004-2012</td>
<td>38</td>
</tr>
<tr>
<td>Table 2.3</td>
<td>The Strength of Investor Protections in Turkey over Period 2005-2012</td>
<td>39</td>
</tr>
<tr>
<td>Table 2.4</td>
<td>Turkey Ranking in International Indices</td>
<td>43</td>
</tr>
<tr>
<td>Table 2.5</td>
<td>Istanbul Stock Exchange Growth Percentage Indicators</td>
<td>46</td>
</tr>
<tr>
<td>Table 2.6</td>
<td>Number of Companies’ Listed and De-listed in Istanbul Stock Exchange</td>
<td>47</td>
</tr>
<tr>
<td>Table 2.7</td>
<td>Sectorial Foreign and Total Traded Shares Volume in ISE during 2004-2010</td>
<td>48</td>
</tr>
<tr>
<td>Table 2.8</td>
<td>Selected Indicators of Financial Sector to GDP Ratios Comparison with World and Emerging Countries (%)</td>
<td>49</td>
</tr>
<tr>
<td>Table 2.9</td>
<td>Banking Sector Risk Appearance in Turkey</td>
<td>50</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Comparative Table between Shareholder and Stakeholder Model</td>
<td>127</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Number of Companies Traded Based on Sectors (2004-2010)</td>
<td>168</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Classifications of Industries</td>
<td>170</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Measurements and Operationalization of the Variables</td>
<td>174</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Stationary of the Data</td>
<td>176</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Multicollinearity Test</td>
<td>180</td>
</tr>
<tr>
<td>Table 5.1</td>
<td>Summary of Correlation Analysis</td>
<td>185</td>
</tr>
<tr>
<td>Table 5.2</td>
<td>Pearson Correlation Matrix</td>
<td>186</td>
</tr>
<tr>
<td>Table 5.3</td>
<td>Predictive Power of the Variables</td>
<td>188</td>
</tr>
<tr>
<td>Table 5.4</td>
<td>Moderating Effect of RT in Manufacture Sector</td>
<td>192</td>
</tr>
<tr>
<td>Table 5.5</td>
<td>Moderating Effect of RT in Transportations Sector</td>
<td>202</td>
</tr>
<tr>
<td>Table 5.6</td>
<td>Moderating Effect of RT in Financial Institutions Sector</td>
<td>211</td>
</tr>
<tr>
<td>Table 5.7</td>
<td>Moderating Effect of RT in Technology Sector</td>
<td>220</td>
</tr>
<tr>
<td>Table 5.8</td>
<td>Moderating Effect of RT in Others Sector</td>
<td>228</td>
</tr>
<tr>
<td>Table 5.9</td>
<td>The Changes in the Relationship Signs for the Variables</td>
<td>335</td>
</tr>
<tr>
<td>Table 6.1</td>
<td>The Moderating Effect of Risk Taking in the Relationship between Independent Variables and Dependent Variable</td>
<td>253</td>
</tr>
<tr>
<td>Table 6.2</td>
<td>Summary of the Conclusions</td>
<td>266</td>
</tr>
</tbody>
</table>
### LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Figure Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.1</td>
<td>Model Estimate of Crisis Probabilities (%)</td>
<td>8</td>
</tr>
<tr>
<td>Figure 1.2</td>
<td>Top 25 Best Performing Stock Markets in 2010</td>
<td>10</td>
</tr>
<tr>
<td>Figure 1.3</td>
<td>ISE Market Capitalization (US Dollars) 1999-2010</td>
<td>12</td>
</tr>
<tr>
<td>Figure 1.4</td>
<td>Annual Exports and Imports in Turkey in the Period 2002-2010</td>
<td>16</td>
</tr>
<tr>
<td>Figure 1.5</td>
<td>Capital Inflows in Turkey in 2010</td>
<td>17</td>
</tr>
<tr>
<td>Figure 1.6</td>
<td>Yearly Leverage (Debt/Equity) for Each Sector Between 2004-2010</td>
<td>19</td>
</tr>
<tr>
<td>Figure 2.1</td>
<td>Increase in New Company Registration in Turkey over the Year</td>
<td>40</td>
</tr>
<tr>
<td>Figure 2.2</td>
<td>Annual Net Profit for Each Sector between 2004-2010 million USD</td>
<td>52</td>
</tr>
<tr>
<td>Figure 2.3</td>
<td>Distribution of Annual Traded Shares in All Five Sectors (%)</td>
<td>52</td>
</tr>
<tr>
<td>Figure 2.4</td>
<td>Distribution of Monthly Traded Shares During 2004-2010</td>
<td>53</td>
</tr>
<tr>
<td>Figure 2.5</td>
<td>The Monthly Average P/E Ratios in Istanbul Stock Market during 2004-2010</td>
<td>54</td>
</tr>
<tr>
<td>Figure 2.6</td>
<td>The Monthly Average Dividend Yield (%) in Istanbul Stock Market during 2004-2010</td>
<td>55</td>
</tr>
<tr>
<td>Figure 2.7</td>
<td>Turkey Capital Markets Board</td>
<td>55</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>Risk Mapping Concept Source</td>
<td>94</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Research Framework</td>
<td>132</td>
</tr>
<tr>
<td>Figure 4.2</td>
<td>Histogram of the Regression Residuals</td>
<td>182</td>
</tr>
<tr>
<td>Figure 4.3</td>
<td>Testing Normality using Normal Probability Plot</td>
<td>182</td>
</tr>
<tr>
<td>Figure 4.4</td>
<td>Scatterplot of the Residuals</td>
<td>183</td>
</tr>
<tr>
<td>Figure 5.1</td>
<td>The Moderation Effect of RTMF on SECMF-SMP Relationship</td>
<td>193</td>
</tr>
<tr>
<td>Figure 5.2</td>
<td>The Moderation Effect of RTMF on SECTR-SMP Relationship</td>
<td>194</td>
</tr>
<tr>
<td>Figure 5.3</td>
<td>The Moderation Effect of RTMF on SECFIN-SMP Relationship</td>
<td>194</td>
</tr>
<tr>
<td>Figure 5.4</td>
<td>The Moderation Effect of RTMF on SECTEC-SMP Relationship</td>
<td>195</td>
</tr>
<tr>
<td>Figure 5.5</td>
<td>The Moderation Effect of RTMF on SECOOTH-SMP Relationship</td>
<td>196</td>
</tr>
<tr>
<td>Figure 5.6</td>
<td>The Moderation Effect of RTMF on ISTO-SMP Relationship</td>
<td>196</td>
</tr>
</tbody>
</table>
Figure 5.7  The Moderation Effect of RTMF on FORO-SMP Relationship 197
Figure 5.8  The Moderation Effect of RTMF on GDPG-SMP Relationship 197
Figure 5.9  The Moderation Effect of RTMF on NETFDI-SMP Relationship 198
Figure 5.10 The Moderation Effect of RTMF on INFL-SMP Relationship 198
Figure 5.11 The Moderation Effect of RTMF on DEBTGDP-SMP Relationship 199
Figure 5.12 The Moderation Effect of RTMF on BOT-SMP Relationship 199
Figure 5.13 The Moderation Effect of RTTR on SECMEF-SMP Relationship 203
Figure 5.14 The Moderation Effect of RTTR on SECMTTR-SMP Relationship 203
Figure 5.15 The Moderation Effect of RTTR on SECFIN-SMP Relationship 204
Figure 5.16 The Moderation Effect of RTTR on SECTEC-SMP Relationship 204
Figure 5.17 The Moderation Effect of RTTR on SECOTH-SMP Relationship 205
Figure 5.18 The Moderation Effect of RTTR on SECIO-SMP Relationship 205
Figure 5.19 The Moderation Effect of RTTR on SECFORO-SMP Relationship 206
Figure 5.20 The Moderation Effect of RTTR on GDPG-SMP Relationship 207
Figure 5.21 The Moderation Effect of RTTR on NETFDI-SMP Relationship 207
Figure 5.22 The Moderation Effect of RTTR on INFL-SMP Relationship 208
Figure 5.23 The Moderation Effect of RTTR on DEBTGDP-SMP Relationship 209
Figure 5.24 The Moderation Effect of RTTR on DEBTGDP-SMP Relationship 209
Figure 5.25 The Moderation Effect of RTFIN on SECMEF-SMP Relationship 212
Figure 5.26 The Moderation Effect of RTFIN on SECMTTR-SMP Relationship 213
Figure 5.27 The Moderation Effect of RTFIN on SECFIN-SMP Relationship 214
Figure 5.28 The Moderation Effect of RTFIN on SECTEC-SMP Relationship 214
Figure 5.29 The Moderation Effect of RTFIN on SECOTH-SMP Relationship 215
Figure 5.30 The Moderation Effect of RTFIN on ISTO-SMP Relationship 215
Figure 5.31 The Moderation Effect of RTFIN on FORO-SMP Relationship 216
Figure 5.32 The Moderation Effect of RTFIN on GDPG-SMP Relationship 216
Figure 5.33 The Moderation Effect of RTFIN on NETFDI-SMP Relationship 217
Figure 5.34  The Moderation Effect of RTFIN on INFL-SMP Relationship  
Figure 5.35  The Moderation Effect of RTFIN on DEBTGDP-SMP Relationship  
Figure 5.36  The Moderation Effect of RTFIN on BOT-SMP Relationship  
Figure 5.37  The Moderation Effect of RTTEC on SECMEF-SMP Relationship  
Figure 5.38  The Moderation Effect of RTTEC on SECOTH-SMP Relationship  
Figure 5.39  The Moderation Effect of RTTEC on SECFIN-SMP Relationship  
Figure 5.40  The Moderation Effect of RTTEC on SectEC-SMP Relationship  
Figure 5.41  The Moderation Effect of RTTEC on SECTR-SMP Relationship  
Figure 5.42  The Moderation Effect of RTTEC on FORO-SMP Relationship  
Figure 5.43  The Moderation Effect of RTTEC on INSO-SMP Relationship  
Figure 5.44  The Moderation Effect of RTTEC on GDPG-SMP Relationship  
Figure 5.45  The Moderation Effect of RTTEC on DEBTGDP-SMP Relationship  
Figure 5.46  The Moderation Effect of RTTEC on NETFDI-SMP Relationship  
Figure 5.47  The Moderation Effect of RTTEC on INFL-SMP Relationship  
Figure 5.48  The Moderation Effect of RTTEC on BOT-SMP Relationship  
Figure 5.49  The Moderation Effect of RTOTH on SECTR-SMP Relationship  
Figure 5.50  The Moderation Effect of RTOTH on SECTEC-SMP Relationship  
Figure 5.51  The Moderation Effect of RTOTH on DEBTGDP-SMP Relationship  
Figure 5.52  The Moderation Effect of RTOTH on SECMEF-SMP Relationship  
Figure 5.53  The Moderation Effect of RTOTH on SECFIN-SMP Relationship  
Figure 5.54  The Moderation Effect of RTOTH on INFL-SMP Relationship  
Figure 5.55  The Moderation Effect of RTOTH on BOT-SMP Relationship  
Figure 5.56  The Moderation Effect of RTOTH on STO-SMP Relationship  
Figure 5.57  The Moderation Effect of RTOTH on NETFDP-SMP Relationship  
Figure 5.58  The Moderation Effect of RTOTH on SECOTH-SMP Relationship  
Figure 5.59  The Moderation Effect of RTOTH on FORO-SMP Relationship  
Figure 5.60  The Moderation Effect of RTOTH on GDPG-SMP Relationship
# LIST OF APPENDICES

<table>
<thead>
<tr>
<th>Appendix Number</th>
<th>Appendix Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix 1</td>
<td>Number of Share Traded and Number of Contracts in All Five Sectors during 2004-2010</td>
<td>324</td>
</tr>
<tr>
<td>Appendix 2</td>
<td>Descriptive Statistics, Skewness and Kurtosis for the Variables Partial</td>
<td>326</td>
</tr>
<tr>
<td>Appendix 3</td>
<td>Correlation Plots</td>
<td>335</td>
</tr>
</tbody>
</table>
### LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APT</td>
<td>Arbitrage Price Theory</td>
</tr>
<tr>
<td>BOT</td>
<td>Balance of Trade</td>
</tr>
<tr>
<td>BRICs</td>
<td>Brazil, Russia, India and China</td>
</tr>
<tr>
<td>CEE</td>
<td>Central and Eastern European Countries</td>
</tr>
<tr>
<td>CAPM</td>
<td>Capital Asset Pricing Model</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CG</td>
<td>Corporate Governance</td>
</tr>
<tr>
<td>CGI</td>
<td>Corporate Governance Index</td>
</tr>
<tr>
<td>CMB</td>
<td>Capital Markets Board of Turkey</td>
</tr>
<tr>
<td>CML</td>
<td>Capital Markets Law</td>
</tr>
<tr>
<td>CP</td>
<td>Company Performance</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>DCFM</td>
<td>Discounted Cash Flow Model</td>
</tr>
<tr>
<td>DGDP</td>
<td>Debt to GDP ratio</td>
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<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EFTA</td>
<td>European Free Trade Association</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FESE</td>
<td>Federation of European Securities Exchanges</td>
</tr>
<tr>
<td>SECFIN</td>
<td>Financial Sector</td>
</tr>
<tr>
<td>FORO</td>
<td>Foreign Ownership</td>
</tr>
<tr>
<td>EVA</td>
<td>Economic Value Added</td>
</tr>
<tr>
<td>G7</td>
<td>Great Seven Economic Countries in the World</td>
</tr>
<tr>
<td>G20</td>
<td>Great Twenty Economic Countries in the World</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>GDPG</td>
<td>GDP Growth</td>
</tr>
<tr>
<td>IFC</td>
<td>International Financial Corporation</td>
</tr>
<tr>
<td>II</td>
<td>Institutional Investors</td>
</tr>
<tr>
<td>IIAs</td>
<td>International Investments Agreements</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
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</tr>
<tr>
<td>SECTEC</td>
<td>Technology Sector</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WEC</td>
<td>Western Europe Countries</td>
</tr>
<tr>
<td>WEF</td>
<td>World Economic Forum</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

This chapter includes in the first part, the description of the world stock market performance and Turkey economy, while the second part describes the problem statement, research questions, research objectives and the terminology used in this study.

The last decade has seen an emergence of studies investigating the stock market performance, its causes and effects (e.g., Black, 2001a; Black, Love & Rachinsky, 2006; Asaolu & Ogunmuyiwa, 2011; Mangena & Tauringana, 2007; Liow, 2004; Guha, Deb & Mukherjee, 2008; Chuang, Lu & Tswei, 2007; Ruthenberg, Pearl & Landskroner, 2011; Ibrahim, 2003; Chaudhuri & Smiles, 2004). These studies mainly focus on the volatility, co-movements and performance of stock market indexes. Meanwhile, the fast-growing financial markets (especially stock markets) and rapid economic growth have been among the main characteristics of many developing markets, for instance, Turkey was one of the fastest economies in 2010 with an annual growth in GDP of approximately 9%.

However, the recent researches in finance and economic fields of study identify many reasons in causing the fluctuations in the stock markets, some of them due to macroeconomics, others in microeconomics factors. Another factor is due to a country’s slower rating from the average global rating in corporate governance rules and practices, culture, as well as on enforcement at country level and many other indices.
The contents of the thesis is for internal user only
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