Preface

The effects of the global financial crisis continue to be felt in both advanced and emerging economies around the world. In particular, Europe is still struggling with outstanding debt, high unemployment, political divisiveness, and general lack of competitiveness. Traditional emerging market powers such as China and Brazil are experiencing an economic slowdown in recent years, which may have significant impact on global trade. Moreover, changing regulatory environment to deal with the consequences of the global crises in financial markets and its impact has been a central issue. At this stage, the importance of financial development to economic growth has become even more popular, yet there is still surprisingly no common agreement about how to define and measure their development. In order to fill this gap, this book aims to provide business leaders and policy makers with a common framework for identifying and discussing key factors in the development of global financial system and markets.

Even though a number of reforms that address some of the identified problems within the financial system have been well applied, there are still many issues that remain to be addressed including effective supervisory frameworks, cross border bank resolutions and the role of governments in reinforcing new bank regulations. The main contributions of this book is explore the ongoing debate about regulating banking systems and its impact on financial/economic development as well as the rising importance of emerging market banks as foreign investors to their banking industries.

Together with the rapidly developing globalization which has been ongoing since the 1970s, the neoliberal policies such as privatization, deregulation, liberalization and global integration which define the economic policies of countries have started to be applied intensively. Particularly with the aid of financial liberalization, countries started to achieve integrity with the globalised world economy. Thus, with the diversity of a country’s financial market tools such as technological advances and communications have provided financial procedures at an international level and much lower transactional costs (Berkman 2011: 260). Recently, financial development and the relationship of it with economic growth has started to attract great interest from economists and many studies have been conducted on this subject.

In addition, the impact of foreign direct investments (FDI) on economic development is intensely researched in the literature. The relevant literature has proven many times that FDI promotes economic growth in the host country by providing transfer of new knowledge and technologies. In this direction, FDI is particularly important for underdeveloped and developing countries as they do not have sufficient capital accumulation for industrialization. In this respect, recent literature examines whether the spillover effect to be created by FDI depends on the level of financial development of the host country and provides evidence that positive externalities provided by FDI will be limited if the level of financial development of the host country is insufficient (Alfaro 2003; Hermes & Lensink 2003; Omran & Bolbol 2003).
In particular, this book presents a comparative analysis of financial system, institutions, financial markets and developments for advanced and emerging economies from a strategic and regulatory point of view. It offers a flavor of numerous recent developments in the financial world to the readers mainly focusing on the role of financial regulation and its impact on financial system, recent developments and advances in financial markets and institutions, performance analysis, relationship between financial development and economic growth, impact of financial innovation on financial institutions and markets, policy implications for financial systems from several countries and last but not least the impact of recent FDI into advanced and emerging market economies. Furthermore, it explores recent developments in finance and financial markets in particular following application of restructuring and regulatory programs applied in various countries around the world to minimize side effects of the global financial crisis.

Taking the reader on a journey of discovery through the economic, financial, and structural changes along with the resulting regulations, this book introduces a fascinating insight into the current state of global financial markets. It offers constructive information to academics, professionals, managers, government agencies, and institutions as well as practitioners who wish to have a greater in-depth understanding of legal, regulatory, institutional and organizational aspects of financial markets within the framework of global finance. In particular, the global financial crisis has further broadened this audience, and it is expected that the demand for information on the above mentioned topics will increase accordingly. The book explores financial environment, regulation and competitiveness, and provides insights on attractiveness, strategic benefits, costs, and risks of investment at global financial system.

The foremost intent of this book is to grant readers an overview of the functioning of financial markets and institutions; the most recent developments in global economy; and the effects of the recent global financial crisis, regulatory policies, and economic growth on numerous markets. Figure 1 illustrates the main topics covered in this book.

This book introduces twenty three chapters under three subsections. First section compiles the studies on regulation and financial performance measurement of companies mainly focusing on banks. Second section introduces a flavour of selective hot topics in finance such as IPOs, stock prices, foreign exchange markets, inflation and E-Taxation systems both from Turkey and other countries. The last section covers studies mainly on financial development, economic growth, FDI and globalization. A brief description of each chapter is as follows.

Chapter 1 is on the Turkish economy and financial sector, particulary emphasizing the financial crisis experienced in 2001 and post-crisis period. This chapter introduces the post-crisis period economic program and institutional reforms applied in Turkey. The main aim is to provide a comprehensive overview of the economic reform process in Turkey since the 2001 financial crisis as well as reflections of the reform process on the Turkish economy. In fact, banks play an essential role in the economic development and they need to be efficient; otherwise, they may create a blockage in the process of development in any country.

Chapter 2 introduces an appropriate stochastic frontier model to investigate the efficiency of banks which are traded on the Kuala Lumpur Stock Exchange (KLSE) market during the period 2005-2009. Banks traded in KLSE have exhibit a commendable overall efficiency level of 99.52% during 2005-2009 hence suggesting minimal input waste of 0.48%. The results also show that the technical efficiency effect increased over time and Cobb-Douglas stochastic frontier model is found to be preferable than Translog stochastic frontier model.
Chapter 3 explores the relationship between emotional intelligence talent of bank and finance managers and job satisfaction. The authors summarize two main conceptual structures in their research as emotional intelligence and job satisfaction. With regards to the appropriate estimation technique (regression analysis), empirical findings demonstrate no significant relationship between social intelligence and commitment to workplace. The authors suggest that interpersonal relationship has significant impact on job satisfaction.

In Chapter 4 authors revisit empirical validity of the weak-form efficient market hypothesis for Turkish foreign exchange market. The random-walk hypothesis in foreign-exchange rates market is one of the most researched topics, particularly in developed economies and this study examines the validity of the random-walk hypothesis in the Turkish foreign-exchange market by utilizing weekly nominal TRY/USD exchange rate data from January 2000 to December 2013. The results provide evidence rejecting the random walk hypothesis for weekly nominal exchange rate series.

Profitability and financial performance of companies is important as it has an impact on the overall financial system and in return on a country’s economy. In terms of bank efficiency, Chapter 5 aims to measure the non-interest income based branch efficiency among the privately-owned banks in Turkey during 2008-2012 with the use of data envelopment analysis (DEA). The results demonstrate that all privately-owned banks improve the non-interest based efficiency performance by the years and the mean of the efficiency in the sector regularly rises due to the increasing overall competitive factors.
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For another perspective of performance analysis, Chapter 6 analyzes financial statements of the three main oil and gas E&P companies in Egypt comparing 2009, 2010, 2011 and 2012 figures. The analysis is conducted with the help of horizontal and vertical analysis of income statements and balance sheets as well as financial ratios presenting an overview of the financial situation of the Egyptian Oil and Gas industry.

Moving from Egypt to the European Union, Chapter 7 discusses the global financial crisis and the following debt crisis that European Monetary Union (EMU) faced in 2008. Authors of the chapter examined causes of the crises and observed that EMU’s financial architecture is clear. The objective of this study is to present suggestions to the policy makers and indicate problems with the architecture and mechanisms needed to be brought in order for EMU to survive with the ongoing crisis. Although there is common monetary policy application authority within the EMU, local economies can carry on with their own autonomous fiscal policies without any effective control mechanism. The authors also stated that problems with structures caused arguments about the EMU’s architecture and it is clear that there is a need for changes in EMU’s architecture in short term for the euro to survive.

Another interesting topic is discussed in Chapter 8 on E-taxation, which is one of the most popular e-government services. Most countries are focused on implementing e-taxation systems and the long-term success of it depends on taxpayers’ acceptance of the system. In particular, taxpayers’ behavioral intention and willingness to use an e-taxation system are determined by various factors. This chapter seeks to identify the factors that influence taxpayers’ acceptance of Tax Office Automation Project (VEDOP) in Turkey. It tests various constructs of the Unified Theory of Acceptance and Use of Technology (UTAUT) model - performance expectancy, trust perception, perceived risk, effort expectancy and facilitating conditions - on Turkish taxpayers’ behavioral intention and willingness to use VEDOP. The results indicate that performance expectancy and perceived risk have a significant impact on behavioral intention and facilitating conditions have a significant impact on intention to use.

Chapter 9 talks about another emerging market country, Zambia, which has been trying to transform its informal trade sector into an efficient SME sector. The government based its initiative on the successes of the SME model in Southeastern Asia. However, the nature of the informal trade sector and how the same would impact on the envisaged transformation pose implacable complexities for policymakers in Zambia. The authors of this chapter explore the nature of informal trade sector and implications of its nature on government’s policy process on the creation and development of a viable SME sector. The results of the case study in Makululu revealed that the majority of informal traders operated individually-based, unregistered, non-tax compliant informal trading activities to create employment and generate household income. This chapter recommends that the Zambian government should not seek to dismantle informal trading for creation of SMEs instead employ other strategies to create a viable SME sector co-existing with the informal trade sector.

The latest financial situation in capital markets in advanced economies, emerging markets and euro zone countries illustrates that volatility and risks related to global economic activity and global financial markets have impact on local capital markets and directly affect the value of company stocks even though an investor diversified his/her risk by investing in a portfolio. Initial Public Offering process, performance evaluation methods and price determination became key factors for companies and investors. In chapter 10, advantages and disadvantages of IPO, pricing methods and performance evaluation methods have been assessed. In particular, all emerging markets are vulnerable to the fears of capital outflows after the US Federal Reserve’s tapering on May 22, 2013.
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The term Fragile Five was introduced by a Research Note of Morgan Stanley indicating Brazil, India, Indonesia, South Africa and Turkey. In chapter 11 authors aim to examine whether there are stock and foreign exchange markets integration among the Fragile Five countries. Employing cointegration-based tests, vector error correction modeling technique and Granger causality tests, the long-run and short-run linkages between stock prices and exchange rates have been examined. The results suggest that there is one long-run stationary relationship between the stock indices and the foreign exchange rates. Four of Fragile Five except Brazil suggest that the stock prices are positively associated with exchange rates.

Chapter 12 investigates four managerial leadership styles in Nigerian organizations. The findings confirm that the perceived leadership style in organizations by managers is autocratic, whilst the preferred style is the paternalistic. Findings suggest that about one in five Nigerian managers, the democratic style is the most often rejected one. Moreover, this chapter challenges the validity of dominant Western universal perspectives in managerial leadership in traditional African organizations. Findings suggest that elements of traditional values pose serious challenge to African managers’ ability to adopt traditional and modern practices that can improve the effectiveness of leadership in their organizations.

The latest economic crisis in the world affected business operations and decision making process at management rank. Fluctuations in financial system regarding inflationary trends should be evaluated and risk management functions for banking operations should be facilitated. In chapter 13, operating mechanism of financial system, risks, inflation and the effects of inflation on business operations have been outlined from a theoretical perspective. Moreover, international foreign markets are in trouble about offsetting the funds that meets the finance demand with every passing day. In this case, the need of finding new sources triggered off.

In Islamic countries, in which the interest is forbidden, bringing the idle funds to the economy is to be seen to offset these needs partially. Chapter 14 introduces Sukuk, which is the development in Islamic finance markets for borrowing assets. In this regard, this chapter explains the structure, types and action of the sukuk and if it can be valued as an alternative investment item for Turkish markets.

Last but not least, the relationship between financial development and economic growth has been subject to considerable debate in the literature. In the last section of this book, from Chapter 15 to 23, the main focus has been on the impact of FDI on financial development and economic growth in Turkey and couple of other countries. The general conclusion reached in this section by various authors is that there is a positive relationship between financial development and economic growth, meaning that financial development leads economic growth. So the results may help policymakers to formulate effective financial sector policies as a tool to promote economic growth.

As the editors of this valuable book, we would like to emphasize here that the authors of relevant chapters are responsible for all copyright issues related to their work.

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