Editorial

Dear Readers,

The coronavirus pandemic continues to have a major disruptive impact on the economic and financial environment. Governments are taking new measures to contain the virus, and the pandemic is still weighing on the outlook for financial stability. Vulnerabilities in the financial sector include public and private debt accumulation, increasing prospective credit losses and weaker profitability in the banking sector and greater risk-taking in the non-bank financial sector. The role of trading and risk management of capital markets is often put to the test during the worst of circumstances. Following the financial crisis of 2008, regulations were put in place to reign in counterparty credit risks and market disturbances were a normal occurrence; however no event has challenged the market to the extent of the novel coronavirus.

In this context, capital markets, the robust pillar of financial architecture, remain a reliable apparatus to facilitate long-term financing and investing. Efforts to develop and strengthen the international capital markets appear more urgent and essential the present day than ever before. To this end, it is now our great pleasure to present to our readership the latest issue of JCMS. Despite the ongoing pandemic, we are proud of the amount of submissions we received for this volume. We are also happy of the performance of our peer-review structure that was maintained in a timely manner regardless of the pressure caused by the current crisis. We have a diverse range of papers that touch different issues ranging from the optimal capital structure in a pioneer sector to efficiency of securities the firms to price discovery in different stock exchanges to socially responsible investments.

The opening the paper co-authored Charalampos Basdekis, Apostolos Christopoulos, Ioannis Katsampoxakis and Alexandros Lyras focuses on issues of profitability, capital structure and optimal debt ratio of a significant sector of the economy, automotive sector. The paper entitled “Profitability and optimal debt ratio of the Automobiles and Parts Sector in the euro area” investigates the impact of debt ratio as well as specific macroeconomic variables on firms’ profitability while determines the optimal debt ratio taking into account the existence of nonlinearity. By applying a panel data analysis on an annual basis for the period 2005–2017 on the sample, the authors remark there is a strong statistical significance of debt ratio, economic growth, economic sentiment index (ESI), interest rate and the Euro area crisis on sector’s profitability. The optimal debt ratio was calculated at 47.3% means that financial leverage at a “low” level is beneficial for the firm, but beyond this point, it becomes counterproductive and firms’ sustainability is doubtful.

The following paper investigates the performance of portfolios that are constructed based on Environmental, Social and Governance (ESG) scores in Europe and Turkey. Emre Zehir and Aslı Aybars discuss the concept of socially responsible investment (SRI) in terms of historical development, literature and performance measurement with the aim of providing insight on the question of whether SRI has any effect on the portfolio performance. Employing CAPM and Fama-French three-factor model on eight different portfolios, the authors reveal no significant impact of SRI on portfolio performance in the period of 2004–2018. As far as the literature review is concerned it is seen that this study provide additional insight by utilizing a longer time span together with data from numerous markets.

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Our third paper sheds light price formation. Silvio John Camilleri, Semiramis Vassallo and Ye Bai address whether there are differences in the nature of the price discovery processes across the developed and emerging markets in their paper titled "Predictability in securities price formation: differences between developed and emerging markets". The authors analyse security returns for traces of predictability or non-randomness using variance ratio tests, Granger causality models and runs tests. The findings pinpoint at predictabilities which seem inconsistent with market efficiency, and they suggest that the inherent cause of predictability differs across groups. Whilst the pricing process in emerging markets may be hindered by delayed adjustments, in case of established markets it seems that there is a higher tendency for price reversals which could be due to prior over-reactions. An understanding of the intricacies in the nature of predictability across different markets is of fundamental importance to design coherent studies relating to this issue.

Fourth, Koray Simsek, Evrim Hilal Kahya, Hüseyin Yiğit Ersen, Cumhur Ekinci and Oktay Taş's "Determinants of capital structure for firms in an Islamic equity index: Comparing developed and developing countries". This paper identifies the difference between developed and developing country firms with respect to firm-specific and country-level determinants of their capital structure to the Dow Jones Islamic Market World Index (DJIM). The authors indicate a time trend in the debt structure of the analysed firms. The results also reveal that firm-specific determinants of the book leverage of the DJIM firms such as profitability, size, moral hazard and liquidity are not very different than those of other conventional firms and is common for developed and developing country firms even. The study is one of the first studies that carry out such a comprehensive analysis of the capital structure of Islamic index.

We conclude the issue with the paper co-authored by Guler Aras, Yasemin Karaman and Evrim Hacioglu Kazak. That paper investigates efficiency and productivity of Turkey's both brokerage sector. Based on DEA and MPI findings, brokerage firms Turkey have not been found fully efficient and productive during 2008–2018. Interestingly, findings reveal that narrowly authorized firms (which need to meet the minimum capital requirements) have been found more efficient and more productive than the other groups. Another remarkable result is non-bank origin brokerage firms been more efficient than bank-origin brokerage firms.

We hope you enjoy this issue of JCMS. Should you have any specific suggestions for future releases, please feel free to contact us. We value your input. Our email addresses are provided below and JCMS's website is available at: http://www.emeraldgrouppublishing.com/services/publishing/jcms/index.htm

We are looking forward to putting the current situation behind us and we hope that you and your families remain safe and well.

Best Regards,
Professor Guler Aras
Editor in Chief, Journal of Capital Markets Studies

Guler Aras

About the Editor-in-Chief

Guler Aras, PhD, CPA, is Professor of Finance and Accounting at Yildiz Technical University, and the Founding Director of Center for Finance, Governance and Sustainability (CFGS) at YTU. Professor Aras is the Founding Chair of the "Integrated Reporting Network Turkey". She was a Visiting Professor at Georgetown University McDonough School of Business and she is the former Dean of the Faculty of Administrative and Economic Sciences and the former Dean of the Graduate School. Her research focus is on financial economy and financial markets with particular emphasis on the relationship between sustainability, corporate governance, corporate social responsibility and corporate financial performance. She has published more than 25 books and has contributed over 250 articles in academic, business and professional journals. She also edited several book collections and conference proceedings. Her latest books, Sustainable Markets for Sustainable Business: A Global Perspective for Business and Financial Markets (2015) and co-authored books Transforming Governance (2016) and Corporate Behaviour and Sustainability: Doing Well by Being Good (2017) published by Routledge. She is the Editor in Chief of Journal of Capital Market Studies, Editor of Routledge Book Series, Finance, Governance and Sustainability: Challenges to Theory and Practice and the Editor of Routledge book series Corporate Social Responsibility; she has also served as an Editor of Social Responsibility Journal and Emerald Development of Governance and Responsibility book series. Professor Aras has spoken extensively at professional and academic conferences and has served as a Consultant to number of governmental and commercial organizations such as Minister of Development, Undersecretary of Treasury and Minister of Labour and Social Security Employment in Turkey. Professor Aras is working with business closely and she is acting as an independent board member of several institutions and independent board member of “Turkish Capital Market Association (TCMA)”. Guler Aras can be contacted at: dr.guler.aras@gmail.com