PERFORMANCE OF FIRMS DURING A FINANCIAL CRISIS

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Abstract

The objective of this study is to examine performance of Turkish firms during the financial crisis by controlling the size, degree of international involvement, ownership concentration, and the business group affiliation. Our analysis focuses on a 12-month window encapsulating February 2001 financial crisis. Unlike the conventional exposure studies, we measure currency exposure based on Turkish Lira (TL) value foreign currency denominated assets and liabilities. We believe that controlling balance sheet exchange rate exposure for a firm level risk is a major contribution of our paper to the related literature that rely on operational exposure coefficients. Moreover, controlling firm specific operational, governance and corporate structure characteristics allow us better understand the impact of the currency crises on the firm performance in the emerging market context. Our findings indicate that balance sheet exposure is the key determinant of the firm performance during the crisis periods. While we find evidence that size, magnitude of exports, and degree of ownership concentration affect the post crisis stock returns, business group affiliation does not have any impact on the performance. We also find that the evidence supporting the association between firm performance and the corporate diversification is rather weak.

Keywords: Financial Crisis; Firm Performance; Exchange Rate Exposure; Concentrated Ownership; Business Groups; Corporate Diversification; Emerging Market.