



EXPLORING THE ADOPTION OF RISK GOVERNANCE STRUCTURES WITHIN THE TURKISH BANKING FIELD: AN INSTITUTIONAL THEORY LENS, 2006-2019

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ABSTRACT

Purpose- The purpose of this study is to investigate the adoption patterns of transnationally imposed risk governance structures within the Turkish banking field employing an institutional theory perspective. Building on institutional complexity, which stems from the conflict between transnational and national institutional influences, our study examines two different periods where transnational and national institutional arrangements were in relative fit or misfit.

Methodology- The methodology of this study includes the analysis of the publicly available panel data of banks. The annual reports of all 15 banks are used to gather the banks' risk governance, risk management and performance indicators. All the reports are reached from Public Disclosure Platform (www.kap.gov.tr) or the corporate web sites of the banks.

Findings- A risk governance index is constructed to measure the varying levels of adoption among the banks, covering the period from 2006 to 2019. According to the findings, the risk governance index may include the dimension of risk committee, the dimension of chief risk officer, the risk appetite framework of the institution, and corporate governance. However, the risk performance of the banks may vary on different indicators.

Conclusion- It is uncovered that banks displayed a relatively homogenous adoption pattern during the 2006-2012 period when transnational and national institutional arrangements were in harmony. However, the adoption patterns diverged among banks when national institutional arrangements began to differ from transnational standards starting from 2013. It is also found that the adoption of transnational templates about risk governance did not result in significant performance increases in risk or corporate performance metrics, indicating a ritual adoption behavior by the majority of the banks, which fail or intendedly decline to entrench corresponding practices associated with these templates.

Keywords: Risk governance, adoption, institutional field, transnational institutions, banking

JEL Codes: D21, G21, G32, L20, M10

1. INTRODUCTION

This study aims to investigate the structures of risk governance in the Turkish banking field with an institutional theory lens. Institutional theory argues that organizations which operate within an organizational field tend to employ similar practices and become isomorphic over time due to the pressures stemming from regulatory compliance, overarching normative guidelines and mimetic behaviors (DiMaggio and Powell, 1983). Fields in institutional theory are defined broader than industries. They include organizations, related actors, and regulatory agencies that interact based on their 'shared cognitive or normative frameworks or a common regulative system' (Scott 1995, p. 56). In this sense, commercial banking is repeatedly acknowledged as an ideal organizational field both within advanced national settings (Kenis and Knoke, 2002) and in others (Tihanyi and Hegarty, 2007). However, recent arguments point to the fact that organizational fields do not simply develop within nation-states but can be transnationally formulated (Buchholz, 2016). The emergence of transnational networks of influence such as the Basel Committee on Banking Supervision (BCBS) and increasing convergence of markets, payment systems and technological platforms has

prompted the formation and subsequent diffusion of transnational institutional arrangements across different national banking fields (Goldbach, 2015). Thus, banks operating within a national setting are exposed both to the transnational level institutional pressures and national field level pressures simultaneously, creating additional layers of complexity for their attempts to become legitimate and compliant (Djelic and Quack, 2003).

Motivated by the presence of concurrent demands for transnational and field level compliance, which may contradict with each other at times, the study initially explores the convergence or divergence patterns of risk governance structures within the Turkish banking field between 2006 and 2019. Turkish context offers a suitable observation opportunity for this investigation. Turkey, situated at the crossroads linking East and West, stands out as a significant country with a large sized market economy amounting to 720 billion \$ and housing a significant Muslim population exceeding 83 millions. Turkey also has an established and diversified banking field, composed of public owned and private owned commercial banks as well as participation banks (Islamic rule banks). Moreover, the structural adjustment program applied following the 2001 macroeconomic crisis had significant influence on the Turkish banking field in terms of creating a regulatory harmony between transnational and national level institutional arrangements (Bakir and Onis, 2010). Yet, scholars of political economy repeatedly assert that the majority of these institutional arrangements have been reversed after Gezi events, a social movement against the government that occurred in 2013 (Esen, 2021). The policy reversal resulted in a divergence from transnational norms and increased national level pressure over the field via local bodies controlled by the government (Ciddi, 2021). Thus, this study additionally explores whether the shifts of relative fit or misfit between transnational and national level institutional pressures in two different periods (ie. 2006-2012 and 2013-2019) have had influence over the variation of Turkish banks' risk governance structures.

Moreover, as a supplement of its initial research aim, the paper also investigates whether proper presence of risk governance structures positively affect risk management metrics and/or performance indicators of banks during the same time period. As transnationally defined risk governance practices impose formation of risk management committees and active participation of risk managers in top level decision making of bank organizations, the study also investigates whether structural compliance with transnational norms translate into performance differences among Turkish banks. There are existing studies in this domain which link risk management and bank performance (Aebi et al., 2012; Kafidipe et al., 2021), risk governance and bank performance (Chen et al., 2019; Erin et al., 2020; Karyani et al., 2020; Zhang, 2021; Abid et al., 2021), and performance comparison of commercial and islamic banks (Erol et al., 2014; Kamarudin et al., 2016). The study extends the existing strand of research by exploring the combined effects of risk management, corporate governance and risk governance on risk and performance indicators. In this sense, findings contribute to the literature by uncovering patterns of performance variations among different clusters of the Turkish banking field.

The remainder of this article is prepared as follows. The theoretical background of risk governance, evolution of Turkey's institutional setting and the adoption or risk governance practices is discussed in the literature review part. Subsequently, the research method section covers sample and data information as well as the details about the variables. Findings section includes descriptive information about the data set, risk governance analysis and panel data analysis of the research. The paper concludes by highlighting its findings, contributions to the literature and limitations of the study.

2. LITERATURE REVIEW

2.1. Risk Governance Practices and Transnational Institutional Arrangements

"Risk governance" concept has emerged to better frame the structural aspects of risk management in financial institutions (FIs). Many scholars underscored that corporate governance practices had failed in FIs (Beltratti and Stulz, 2012; Erkens et al., 2012). Diamond and Rajan (2009) revealed that poor performance of banks during the 2008 crisis was linked with the defects of bank governance mechanisms. Due to the fact that FIs represent unique organizational forms, which intermediate market transactions among both real and legal entities of the entire population, they require more prudent governance mechanisms as well as a reliable risk management function to operate under dynamic and varied pressures stemming from external and internal factors (Sheedy and Griffin, 2017). Therefore, corporate governance mechanisms and risk management practices have mutually evolved especially at the transnational level to frame appropriate practices and standards about the new concept of risk governance.

So what is the risk governance? Financial Stability Board (FSB) (2013) indicates that risk governance refers collectively to the role and responsibilities of the board, the firm-wide Chief Risk Officer (CRO) and risk management function, and the independent assessment of the risk governance framework. Gontarek (2016) defines risk governance as a framework of setting a strategy, defining and monitoring the risk appetite and its limits, as well as measuring and managing the risks. He further identifies four key elements of risk governance as i) the foundation of board-level risk committees, ii) empowerment of CROs, iii) the existence of

risk appetite statements, and iv) establishment of a strong risk culture (Gontarek, 2016). Thus, rather than a conventional risk assessment and mitigation approach, which has been prevalent before the second accord of the BCBS (Chaney et al., 2009), a holistic framework, which encompasses empowered roles in the corporate governance accompanied by solid risk management practices that span enterprise-wide operational and cultural conduct, has been increasingly promulgated across academic circles (Sheedy, 2016) and by transnational actors alike (FSB, 2013; BCBS, 2015).

BCBS was founded in 1974 as a transnational network of central bankers with the aim to improve the supervisory practices in the banking field and its initial accord, known as BASEL I, was published in 1988. Even though critics denounce these efforts as insufficient since the BCBS did not have supervisory authority and could not impose stricter measures because of its diverse make-up (Nicolas and Firzli, 2011), it is fair to conclude that the transnational standards of risk management practices in the banking field have begun to diffuse widely from then on (Goodhart, 2011; Agha, 2013). BCBS continually expanded its first accord's content, which was primarily concerned with capital adequacy of banks and introduced its second accord in 2004 to frame different risks and a holistic framework to assess and mitigate them (Goldbach, 2015). Alongside with BCBS accords, transnational standards began to proliferate after the 1994 Mexico and 1997-1998 international financial turmoils (Helleiner, 2010). In 1999 G7 established Financial Stability Forum and Organization for Economic Cooperation and Development (OECD) introduced corporate governance standards. Taken together with the development of securities regulation in 1998 by the International Organization of Securities Commissions (IOSCO), announcement of insurance supervision in 1997 by the International Association of Insurance Supervisors (IAIS), creation of the agreement of payments systems in 2001 by the Committee on Payment and Settlement Systems (CPSS) and formation of accounting and auditing standards in 2002 by two private institutions, the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC), the movement toward transnational norms and standards to frame a transnational field for FIs has become apparent.

Above mentioned standards and norms do not represent ad hoc developments but rather the results of a concerted effort among transnational actors (including World Bank and International Monetary Fund) to formulate the norms of a transnational organizational field for banking and finance, which is to a large degree autonomous from the national field level supervisory actors (Goldbach, 2015). The relative autonomy of transnational institutional arrangements from national field level arrangements has become a significant topic in the management and organization theory (Djelic and Quack, 2013). Whereas scholars almost uniformly agree that greater degrees of fit between transnational and national field level norms are more likely to bring about holistic and replicative adoption of such norms within an organizational field (Kostova, 1999; Kostova and Roth, 2002), there is less consensus about what happens when transnational and field level institutional arrangements contradict (Djelic and Quack, 2003; Buchholz, 2016). Some scholars argue that in case of a misfit between transnational and national field level arrangements, actors in a given field may be more likely to edit or adapt transnationally imposed templates about organizational roles or practices to increase chances of local acceptance (Ansari et al., 2010), others contend that actors may go for 'mock' adoption (Walter, 2008), or intentional decoupling (Gondo and Amis, 2013) to seemingly accommodate a demand from either of these fields while complying with the other one. Being rare, there is also the chance that actors may reject a transnational institutional arrangement or a template in case of its significant deviation from the immediate national field level requirements (Rovik, 2016). Given the theoretical dissensus about how misfit between transnational and national field level institutional arrangements condition organizational level responses to adopt, adapt or reject a structural template, the next section introduces the context of Turkish banking field and formulates relevant hypotheses for testing.

2.2. The Adoption of Risk Governance Practices in the Turkish Banking Field Following 2001 Macroeconomic Turmoil, 2006-2019

Following the devastating Marmara earthquake in 1999, already weakened Turkish macroeconomic indicators deteriorated even more until a political stand-off between the president and prime minister stimulated one of the severest politico-economic crisis of the Turkish history in February 2001 (Esen, 2021). A macroeconomical program titled "transition to the strong economy" was formulated by Kemal Dervis, who was a former World Bank officer, and it was backed by the IMF and WB with more than 20 billion \$ funding for the bail-out of bankrupt FIs or losses of public banks. The program contained significant structural adjustment packages, many of which were related to the supervision and governance of FIs (Onis, 2009). Among many headings, the program introduced central bank autonomy, endorsement of capital adequacy measures in accordance with BCBS guidelines and stricter bank ownership standards, which are geared to cut off dense ownership linkages of banks with Turkish family holdings in order to prohibit imprudent credit allocation of the former for the affiliates of the latter (Marois and Gungen, 2019).

Although the implementation of the program had to be carried out under the Justice and Development adoption of a more nationalist and unorthodox economic policy, the main tenets of which were based on the promotion of large-scale infrastructural

projects via public private partnerships, pressing for lower interest rates to boost credits and increased adoption of Islamic rule finance, which do not offer interests but participation shares. Many political economists argue that the reversal of initial neo-liberal policy followed by JDP and its related institutional arrangements have become visible after the Gezi events in 2013, marked by massive protests against Erdogan and JDP (Esen, 2021). Turkish political governance moved rapidly into an ultracentralized presidency rule after the failed coup attempt of 2016 and already weakened fit between transnational and national institutional arrangements began to deteriorate. The autonomy of central bank was both discursively and actively undermined, the board membership positions of the supposedly autonomous regulatory body, namely Banking Regulation and Supervision Agency, have begun to be populated by pro-government members and a significant discursive campaign was launched to undermine the conduct of transnational bodies such as IMF, WB and even bodies of European Commission (Ciddi, 2021).

Busch (2009) and Goldbach (2015) assert that national level institutional arrangements in the banking and finance field are still more influential than transnationally imposed institutional arrangements. Building on these arguments, it is articulated that actors of the Turkish banking field will be more likely to comply with both transnational and national level institutional arrangements, when they are in harmony, but will prefer to comply with national arrangements, once there is disagreement between them. Furthermore, it is plausible to offer that relative harmony between transnational and national level institutional arrangements will lead to faster and holistic adoption of templates in the Turkish banking field as actors in the field will perceive benefits about being legitimate. Similar adoption decisions will bring about structural homogeneity among members of the banking field. However, misfit between these arrangements will create complexities for at least some of the banking actors, (i.e. banks with foreign ownership) especially who need to answer to the divergent demands of their stakeholders. This time members of the banking field may develop more heterogenous structures. Therefore we develop the following hypotheses:

Party (JDP) rule, which won the majority of votes in the 2002 elections, many commentators agree that JDP stuck to the program and worked hard to comply with its requirements in its initial government period (2002-2007) to merge this neo-liberal transformation program with the European Union accession policy (Onis, 2009). JDP's wholehearted commitment to the program continued until 2008/2009 financial crisis, the effects of which in Turkey was a significant undervaluation in local currency and worsened macroeconomic indicators. From then on, JDP gradually began to move away from transnational institutional arrangements and embarked on

H1: *From 2006 to 2012 when transnational and national institutional arrangements about banking and finance are in relative harmony, the implementation of transnational standards of risk governance structure among Turkish banks will be more homogenous.*

H2: *From 2013 to 2019 when transnational and national institutional arrangements about banking and finance are in relative conflict, the implementation of transnational standards of risk governance structure among Turkish banks will be more heterogenous.*

As actors in the banking field begin to adopt and implement the trans/nationally imposed roles and practices associated with risk governance, it is expected that these changes will influence their corporate and risk management performance. Aebi et al. (2012) reveal that banks, where Chief Risk Officer (CRO) directly reports to the board and not to the CEO, tend to have higher Return on Equity (ROE) and stock returns. On the other hand, they also indicate that corporate governance indicators such as board size and board independence have insignificant or have even negative impact on banks' performance. Chen et al. (2019) have shown that banks with a low risk governance score, which is measured by the presence, size, composition and activity of the risk committee, have lower stock performance in stock exchange during the 2008 crisis.

There are also some conflicting findings. For instance, Erin et al. (2020) have reported that several risk governance variables such as presence of a CRO and risk committee independence have statistically positive influence on Return on Assets (ROA), whereas risk committee size has a negative effect. Karyani et al. (2020), who investigated Southeast Asian nations, revealed that the overall risk governance, board-level risk governance structures and risk management practices had no significant effect on banks' ROA. They found that only management-level risk governance roles had a negative impact on ROA. Moreover, Abid et al. (2021) investigated Asian commercial banks and separately analyzed publicly owned and privately owned banks. In their analyses, they found that risk governance mechanisms had positive impact on performance of private owned banks, whereas there was no significant impact observed in publicly owned banks.

Based on the previous findings in the literature, it can be argued that the banks which have adopted risk governance templates imposed by transnational or national actors will likely to experience better risk management performance. Although, the findings indicate mixed results, we also expect better overall corporate performance from banks with higher risk governance scores. Therefore, we formulate the following hypotheses.

H3: Banks with higher risk governance scores will have higher risk management performance.

H4: Banks with higher risk governance scores will have better corporate performance.

3. DATA AND METHODOLOGY

3.1. Sample Selection

The study investigates the differential adoption of risk governance practices in Turkish banking field in order to investigate whether these adoption patterns are related with the fit or misfit between transnational and national institutional arrangements in the banking and finance. To this aim, a sample composed of 12 commercial banks are selected from a total number of 47 banks, representing more than 90% of the Turkish banking industry in terms of asset size and number of employees. Additionally, three more Islamic rule banks, which were the only Islamic corporations that are operating in Turkey during the selected time frame, are added to the data. The time period for our research covers annual data of 15 banks over 14 years (from 2006 to 2019). The research data begins with 2006 because there is significant lack of data before this year for the majority of the banks representing the population. As BCBS disclosed BASEL II standards in 2004 and some of the structural arrangements amended by BASEL and the transition to the strong economy program came into effect by the 2005 banking law, 2006 represents an appropriate beginning point for our investigation. Mainly, the annual reports of all 15 banks are used to gather the banks' risk governance, risk management and performance indicators. The annual reports are reached from Public Disclosure Platform (www.kap.gov.tr) or the corporate web sites of the banks.

3.2. Variables

3.2.1. Risk Governance

To build a measure about the risk governance practices of banks, a risk governance index is constructed based on the existing literature, which includes 15 variables that are classified under four dimensions. Risk committee is the first dimension of the risk governance index, which includes five major queries (Brancato et al., 2006; Sabato, 2010; Aebi et al., 2012; Ellul and Yerramilli, 2013; Raouf and Ahmed, 2022; Nguyen, 2022). These are the existence of a board level risk committee, the number of members in the risk committee, the average number of risk related committee meetings per year, the number of directors in the risk committee and the percentage of independent directors in the risk committee. The existence of a board level risk committee is a dummy variable, while the remaining four variables are numeric, specified by absolute values or percentages.

Chief Risk Officer (CRO) role is the second dimension of the risk governance index, which includes five variables (Ellul and Yerramilli, 2013; Zhang et al. 2021; Dupire and Slagmulder, 2019). These are the existence of a CRO, the presence of a head of risk on the bank's executive board, the presence of a head of risk on the bank's top management, the presence of a head of risk on the bank's executive committee (EXCO) or asset liability committee (ALCO) and whether the CRO reports directly to the board of directors or CEO. These five variables are all dummy variables. Upon our first check with the descriptive statistics of the data, the last variable (whether the CRO reports directly to the board of directors or CEO) is dropped from the inventory, as it did not vary for all banks and all time periods.

Risk Appetite is the third dimension of the risk governance index (Zhang et al., 2021, Sheedy and Griffin, 2017) and it is measured by the existence of a formal risk appetite framework, which is a dummy variable.

Consequently, bank corporate governance is the final dimension of risk governance index (Aebi et al., 2012; Minton et al., 2014; Zhang et al., 2021; Alshirah et al., 2020). It includes the board size, board independence, whether the CEO is also the chairman of the board of directors, and the existence of a corporate governance committee. Board size and board independence are numeric variables, whereas others are dummy variables. Once again, we eliminated the third variable, as we noticed that the CEO has never assumed the duty of chairman of the board in all Turkish Banks.

3.2.2. Risk Management Indicators

Two different risk management practices are incorporated as dependent variables of the study. First, capital adequacy ratio (CAR) is used to understand the banks' level of risk taking. CAR is listed as one of the principal regulatory indicators used both transnationally and nationally alike, which ensures a bank's financial stability and demonstrates banking sector's proper progress. The indicator is taken directly from the annual reports of the banks, and it is calculated as the capital (Tier 1 and Tier 2 capital) divided by risk weighted assets.

Second, non-performing loan (NPL) ratio, which is a major asset quality metric for the banks is also employed as a risk management indicator in the study. NPL is also gathered from the annual reports of the banks. The formula of the ratio is calculated as non-performing loans divided by total loans.

3.2.2. Performance Indicator

As it has also been employed by other studies in the banking field, we used Return on Assets (ROA) as a corporate performance measure. It is calculated as the banks' cumulative net income over a year, divided by total assets as of that year.

4. FINDINGS

4.1. Empirical Analysis

4.1.1. Descriptive Analysis

Table 1 reports descriptive statistics of risk governance variables, risk management practices and the corporate performance indicator.

Table 1: Description Values of Risk Governance Index and Risk Management and Performance Indicators

Variable	N	Mean	Std. Dev.	Minimum	Maximum
Existence of RC	210	0.3381	0.4742	0	1
Number of Members in RC	210	1.0667	1.3325	0	7
Number of RC Meetings	210	2.9667	4.7577	0	14
Number of Directors in RC	210	1.3190	2.0067	0	8
Percentage of Independent Directors in RC	210	0.0320	0.0967	0	0.6
Existence of CRO	210	0.2381	0.4269	0	1
CRO in BoD	210	0.3143	0.4653	0	1
CRO in Top Management	210	0.5238	0.5006	0	1
CRO in EXCO/ALCO	210	0.4524	0.4989	0	1
Existence of RAF	210	0.5048	0.5012	0	1
Board Size	210	2.2299	0.2141	1.6094	2.6391
Board Independence	210	0.1193	0.1557	0	0.5
Existence of CGC	210	0.7333	0.4433	0	1
CAR	210	0.1934	0.1719	0.1230	1.4280
NPL	210	0.0347	0.0176	0.0026	0.0853
ROA	210	0.0168	0.0106	0.0012	0.0929

Note: N: number of observations, Std. Dev: Standard Deviation

Table 1 illustrates 210 observations, which include the annual data of 15 Turkish banks over 14 years. There are 13 risk governance variables, seven of which are dummy variables. Independent directors in the risk committee and board independence variables are measured as percentage values. Independent directors in the risk committee, which is calculated as the number of independent directors divided by all directors in the risk committee, had a maximum level of 60% in our observations. On the other hand, board independence, which is calculated as the number of independent board members divided by total board members, reached a maximum level of 50%.

There are two risk management indicators. CAR values decrease after the global crisis in 2008 for almost all banks in the sample and then bounce back in the final years of the analysis period. Therefore, in general, almost all banks designate a similar pattern regarding the CAR values. On the other hand, two different groups can be discerned when NPL ratio is analyzed. The first group of banks have better NPL ratios at the beginning of the period, however their non-performing loans, and therefore, NPL ratios deteriorated due to the global crisis and worsening domestic economic conditions. On the other hand, the second group of banks have had their worst NPL ratios between 2011 and 2015 period, and improved them afterwards.

Finally, all banks included in the analysis have shown a similar pattern in terms of their ROA, which is our sole corporate performance indicator in the study. ROA of the banks are better during the 2006 -2010 period, and then, decline sharply.

4.1.2. Risk Governance Analysis

The study firstly investigates the convergence or divergence patterns of the risk governance structures in the Turkish banking field. To understand the risk governance structures and the pattern of (non)adoption of these structures by Turkish banks, a risk governance score is calculated, composed of thirteen variables. First, all of the variables are normalized with min-max normalization shown in the following formula.

$$x_{scaled} = \frac{x - \min(x)}{\max(x) - \min(x)}$$

Following the normalization, bank vectors are constructed using a summated scale method, which represents each banks' risk governance score for each year (from 2006 to 2019), resulting in 210 scores ranging from 0 to 13. 0 pertains to the lowest risk governance score, representing nonadoption of any structural role or practice about risk governance, whereas 13 denotes complete adoption of each structural role or practice.

Table 2: Risk Governance Scores/Vectors of Turkish Banks

Bank Vectors	Akbank	Albaraka	Denizbank	Eximbank	Garanti BBVA	Halkbank	ING	İşbank	Kuveyt Türk	QNB Finansbank	TEB	Türkiye Finans	Vakıfbank	YapıKredi	Ziraat Bank
2019	6.63	6.68	6.72	2.33	10.47	4.38	5.32	6.43	5.57	9.20	6.24	3.61	4.24	7.57	2.57
2018	6.63	6.68	5.95	2.33	10.29	3.38	5.32	6.52	5.57	8.77	6.41	3.61	4.18	7.43	2.57
2017	6.63	6.54	5.95	2.33	10.85	3.38	5.14	6.52	5.57	8.78	6.53	3.61	4.21	7.43	2.57
2016	6.62	6.70	5.83	2.33	10.67	3.35	5.32	6.34	5.57	7.98	7.53	7.12	4.21	7.43	2.57
2015	6.62	4.54	5.69	1.33	9.29	3.38	5.14	6.48	5.57	8.28	5.95	2.33	4.21	7.68	2.57
2014	6.62	3.52	4.71	1.33	5.84	3.38	5.47	6.34	4.57	7.99	6.95	2.33	4.24	7.68	1.57
2013	6.66	3.52	3.71	1.33	5.84	5.38	5.47	6.34	4.57	8.99	5.95	3.33	4.21	7.68	1.57
2012	5.42	3.31	3.43	1.33	3.14	3.71	4.47	4.39	4.57	8.49	5.33	2.33	3.24	5.67	2.46
2011	4.60	2.77	3.16	1.33	3.14	3.71	3.47	4.39	5.71	8.49	2.96	2.33	3.24	5.67	1.46
2010	4.50	2.77	3.27	1.33	3.14	3.71	3.32	4.39	5.71	8.49	1.57	1.33	3.24	5.67	1.57
2009	4.60	2.77	3.27	1.33	3.14	3.71	2.46	4.39	5.77	8.28	1.57	1.33	3.24	4.67	1.46
2008	3.74	2.91	3.27	1.33	3.03	3.71	3.26	4.39	5.70	7.19	1.57	0.33	3.24	4.67	1.46
2007	3.60	1.46	2.95	3.01	3.14	3.47	2.26	4.39	5.64	7.19	1.57	0.57	5.24	4.67	1.57
2006	2.69	0.47	3.90	3.08	2.14	5.86	3.62	4.16	4.37	4.97	1.57	0.57	3.24	6.83	3.86
Average	5.40	3.90	4.41	1.86	6.01	3.90	4.29	5.39	5.32	8.08	4.41	2.48	3.87	6.48	2.13

Table 2 illustrates the risk governance scores (RGS) for each bank and each year in our sample. The table is colored so that the shades of green represent higher scores for each year, whereas the shades of red denote lower values, yellow and orange ones signifying average scores. Overall, Qnb Finansbank sits at the top of the RGS with an average score of 8.08 over 13, whereas Eximbank is ranked at the bottom of the list with an average RGS of only 1.86.

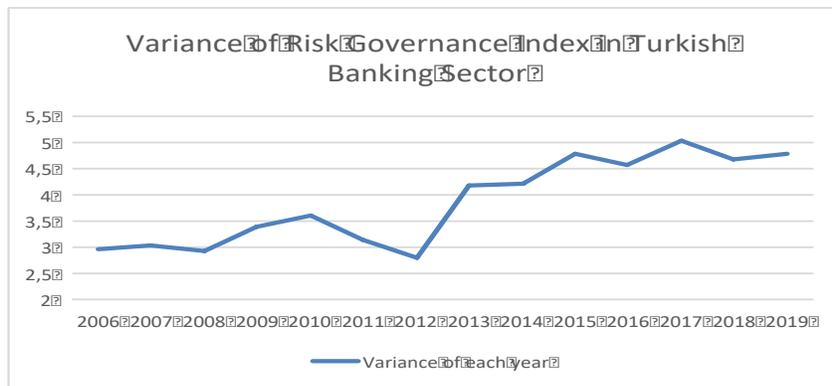
Following the RGS calculation, the euclidean distance between each vector and average score of each year has been calculated and illustrated in the Table 3. The results clearly reveal that RGS of six banks are positive and they tend to diverge from nine banks, which have negative RGS.

Table 3: Risk Governance Scores/Vectors of Turkish Banks

Euclidean Distance (Vector-Average)	Akbank	Albaraka	Denizbank	Eximbank	Garanti BBVA	Halkbank	ING	İşbank	Kuveyt Türk	QNB Finansbank	TEB	Türkiye Finans	Vakıfbank	YapıKredi	Ziraat Bank
2019	0.77	0.82	0.85	-3.54	4.61	-1.48	-0.54	0.56	-0.29	3.34	0.38	-2.25	-1.63	1.71	-3.29
2018	0.92	0.97	0.24	-3.38	4.58	-2.33	-0.39	0.81	-0.14	3.06	0.70	-2.10	-1.53	1.72	-3.14
2017	0.90	0.81	0.21	-3.41	5.11	-2.36	-0.59	0.78	-0.16	3.04	0.80	-2.12	-1.53	1.69	-3.16
2016	0.65	0.73	-0.14	-3.64	4.70	-2.62	-0.65	0.37	-0.40	2.01	1.56	1.15	-1.76	1.46	-3.40
2015	1.35	-0.73	0.42	-3.94	4.02	-1.89	-0.13	1.21	0.30	3.01	0.68	-2.94	-1.06	2.41	-2.70
2014	1.78	-1.32	-0.12	-3.51	1.01	-1.46	0.63	1.50	-0.27	3.16	2.11	-2.51	-0.60	2.85	-3.27
2013	1.69	-1.45	-1.26	-3.64	0.87	0.41	0.50	1.37	-0.40	4.02	0.98	-1.64	-0.76	2.71	-3.40
2012	1.33	-0.78	-0.66	-2.76	-0.94	-0.37	0.38	0.30	0.48	4.41	1.25	-1.76	-0.85	1.59	-1.63
2011	0.84	-1.00	-0.60	-2.44	-0.62	-0.05	-0.29	0.63	1.95	4.73	-0.80	-1.44	-0.52	1.91	-2.31
2010	0.90	-0.84	-0.33	-2.27	-0.46	0.11	-0.28	0.79	2.11	4.89	-2.03	-2.27	-0.36	2.07	-2.03
2009	1.14	-0.70	-0.19	-2.14	-0.32	0.25	-1.00	0.92	2.30	4.82	-1.90	-2.14	-0.23	1.21	-2.01
2008	0.42	-0.41	-0.05	-1.99	-0.29	0.39	-0.06	1.07	2.38	3.87	-1.75	-2.99	-0.08	1.35	-1.86
2007	0.22	-1.93	-0.43	-0.38	-0.24	0.09	-1.12	1.01	2.26	3.81	-1.81	-2.81	1.86	1.29	-1.81
2006	-0.73	-2.95	0.48	-0.35	-1.28	2.44	0.20	0.74	0.95	1.55	-1.85	-2.85	-0.19	3.41	0.44
Average	0.87	-0.63	-0.11	-2.67	1.48	-0.63	-0.24	0.86	0.79	3.55	-0.12	-2.05	-0.66	1.96	-2.40

The table also reveal detailed findings. As it has been mentioned at the introduction part, Turkish banking system includes both publicly and privately owned banks. Eximbank, Halkbank, Vakıfbank and Ziraatbank are publicly owned banks and all of these four public banks have negative euclidean distance RGS. Moreover, three of them, except Vakıfbank, have the worst scores in terms of the average RGS. On the other hand, the RGS of public banks decline over years. For instance, Eximbank, which is positioned as the lowest ranking bank in terms of its RGS, begins its journey with a 3.08 bank vector and -0.35 euclidean distance value in 2006 and concludes it with a 2.33 bank vector and -3.54 euclidean distance value in 2019. Other three public banks display a similar pattern. Therefore, it can be observed that publicly owned banks deteriorate consistently in terms of both pure vector values and their relative positions in the field. Besides, private banks diverge from each other in terms of their (non)adoption patterns of risk governance structures, but especially some of them have always higher RGS values than others. These are QNB Finansbank, Yapi Kredi Bank, Akbank and Türkiye İş Bankası. Moreover, Garanti Bank begins with a negative euclidean distance value in 2006 but its risk governance index surges to the best level in 2019, especially due to its acquisition by BBVA group.

Turkish banking field also incorporates participation banks, which operate according to the Islamic rules. These banks are Albaraka Turk, Kuveyt Turk and Türkiye Finans. While Albaraka Turk and Türkiye Finans have negative euclidean distance values in terms of RGS, Kuveyt Turk differentiates itself from the others by its positive values. Finally, a variance analysis has been performed according to the RGS of the entire field in order to uncover the convergence or divergence patterns of Turkish banks over time. Initially, the average values of each years' RGS have been calculated, and then, the variance is computed as the average of the squared differences from the mean which are shown in figure 1.

Figure 1: Variance of Risk Governance Index in Turkish Banking Sector

It is obvious that the variance values of whole banking field are relatively stable between 2.79 and 3.59 from 2006 to 2012, but then, the divergence accelerates sharply above 4 and oscillate between 4.5 and 5 after 2015. As our risk governance index includes four major dimensions, which contains measures for risk committee, role of chief risk officer (CRO), risk appetite framework (RAF) and corporate governance, it is further understood that especially the measures of risk committee and the role of the CRO have contributed to the surge of variance over time.

In line with our first and second hypotheses, we employed dependent samples t-test (paired t-test) on the variances of bank risk governance index scores to statistically validate whether the adoption patterns of risk governance structures in Turkish banks converge in the period from 2006 to 2012 and diverge from 2013 to 2019. The STATA interface has been used to calculate the t values and paired t test found that the null hypothesis has been rejected when we consider all banks in our sample. Variance of the risk governance index during the period from 2013 to 2019 ($M = 4.59$, $SE = 0.12$) was significantly higher than the variance observed in the same index during the 2006-2012 period ($M = 3.12$, $SE = 0.11$), $t(6) = -11.68$, $p < 0.01$. Therefore, Turkish banks began to diverge from each other in terms of adopting transnationally developed risk governance structures after 2013, when Turkish economic policy began to move away from transnationally endorsed financial norms and standards. When interpreted with the Table 2, it is possible to argue that privately owned banks significantly diverged from public and Islamic rule banks in the second period regarding their adoption of risk governance structures. Table 4 displays the t-test results.

Table 4: Paired t-test Results

Bank Group	Group of Years	Mean	SE
All Banks	2006-2012	3.12*	0.11
	2013-2019	4.59*	0.12

* $p < 0.01$

4.1.3. Panel Data Analysis

In addition to the analysis about the adoption patterns of risk governance structures, the study also investigates if adopted risk governance structures of Turkish banks have had any effect on their risk management indicators or corporate performance. In order to test our third and fourth hypotheses, a panel data analytic model is constructed, where four major dimensions of risk governance index are employed as independent variables to predict capital adequacy ratio (CAR), non-performing loans ratio (NPL) and return on assets (ROA) individually. The effects of risk committee dimension (RC), chief risk officer dimension (CRO), risk appetite framework dimension (RAF) and corporate governance dimension (CG) have been analyzed separately from 2006 to 2019 for all banks in our sample. We used one year lagged measures of our dependent variables to better observe if structural changes resulted in performance gains. STATA interface is used to analyze the panel data.

Firstly, Hausman test is used to decide if a fixed effects or random effects model would be more appropriate for the panel data analysis (Cameron and Trivedi, 2010). As the existence of random effects in both ROA and CAR could not be rejected, the differences between coefficients may not be systematic. Therefore, random effects regression analysis has been preferred to predict CAR and ROA as dependent variables. On the other hand, the existence of random effects is rejected for NPL dependent variable, thus a fixed effects model has been implemented to explain the relationship between RG dimensions and the NPL ratio. The Hausman test results and panel data results with robust option are shown in Table 5.

Table 5: Results of Panel Data Regression Analyses for Risk Governance Index ^a

Independent variables	Return on assets	Capital adequacy ratio	Non-performing loan
Risk Committee	0.00	0.51	0.00**
Chief Risk Officer	0.00	-0.09	0.00*
Risk Appetite Framework	-0.01*	0.80	0.01*
Corporate Governance	0.00*	-0.50	0.00
R ²	0.24	0.00	0.19
F for Chi ^{2b}	76.40*	0.28	5.23*
Hausman Test (Prob > Chi ²)	0.93	0.01	0.02*

^a All standardized regression coefficients were taken from the last step in the analyses. $n = 210$.

^b Chi2 value when regression analysis is reported in Random-effects method, otherwise F value is reported.

* $p < 0.05$.

** $p < 0.10$.

Following the decision process of using a fixed or random effects model, the panel data analysis has been carried out with the robustness tests. The tests have been done three times for each dependent variables, namely, ROA, CAR and NPL.

The results suggest that the RAF and corporate governance dimensions have statistically significant negative effects on ROA of Turkish banks. Risk Committee and CRO dimensions of risk governance has no statistically significant effect in the analysis. Second, when CAR is taken into account as a dependent variable, there are not any statistically significant effect in the research. Third, when NPL is considered as the dependent variable, CRO and RAF dimensions of risk governance have been found to have significant positive impact. On top of it, risk committee dimension have also significantly positive effect on NPL when p value considered as 0.10.

In conclusion, it can be argued that both of our third and fourth hypotheses are rejected. Contrary to our expectations, the presence and effectiveness of the CRO as well as the presence of a risk appetite framework seems to have a negative effect on Turkish banks' risk management performance, measured by NPL. CAR, on the other hand, is not affected by the adoption of risk governance structures. Moreover, corporate performance of Turkish banks seem to be negatively affected by the adoption of corporate governance practices and presence of a risk appetite framework. We further discuss these findings in the following section.

5. CONCLUSION AND IMPLICATIONS

The study aims to explore whether transnational institutional arrangements in the global banking field, which endorse implementation of full-fledged risk governance structures and practices, have been adopted by Turkish banks. Introducing an institutional theory lens, it is argued that relative fit between national and transnational arrangements will positively influence Turkish banks' decision to incorporate structures about risk governance such as the appointment of a CRO role, introduction of a risk appetite framework and solidifying corporate governance structure and practices. Our analyses about the (non)adoption of risk governance structures inform us about the relative strength of national field level pressures. Turkish banking field have followed a similar pattern and reacted more homogeneously to the pressures stemming from both transnational and national level bodies, as these were relatively in harmony during the 2006-2012 period. However, when Turkish economic policies began to depart from transnationally imposed templates during 2013-2019 period, Turkish banks' reaction to the discord brought about divergence in the adoption of risk governance structures. Especially salient about this finding is that the divergence stemmed from the behavior of publicly owned banks, which tended to drift away from transnationally imposed templates about better risk governance. A similar tendency has been noticed in two out of three participation banks, which operate based on Islamic rules. Although, variance also exists among privately owned banks in terms of their adoption of risk governance structures, it is fair to conclude that privately owned banks tended to retain or improve their risk governance structures following the Gezi events in 2013. Thus, we assert that political polarization in Turkey after Gezi events not only caused a relative drift away from transnationally imposed templates in the banking and finance field by national authorities, but this drift seems to cause a polarization within the field in terms of adopting risk governance structures, especially for those that have relatively stronger ties with the government either in the form of ownership (publicly owned banks) or political inclination (Islamic rule banks). In this way, we contribute to the recently burgeoning literature about the transnational institutional fields (Goldbach, 2015; Buchholz, 2016) by accentuating the impact of national political choices, and the mechanisms by which homogeneity pressures can be countered by the government via introducing divergent national regulatory frameworks and transforming national field level bodies (i.e. Banking Regulation and Supervision Agency or The Banks Association of Turkey) by using ownership ties in the field.

To complement our primary research objective, we also investigate whether these adopted structures and practices about risk governance have translated into risk management or overall performance of Turkish banks. As it has been addressed previously in the literature review, several scholars have clearly shown that adoption of practices by firms may be ritually performed under compliance pressures and thereby, do not result in solid outputs or action (Özen and Önder, 2021; Rovik, 2016). Besides, previous studies which try to link risk management and/or corporate governance practices with performance outcomes have reported mixed results (Erin et al., 2020; Karyani et al., 2021). Our analyses indicate that the adoption of risk governance structures do not have significant and positive effect on better risk management performance regarding the Turkish banking field. The results of the panel data analyses reveal that the risk governance structures do not have a significant effect on CAR and they have a negative effect on NPL of Turkish banks. The adoption of risk governance structures did not result in higher performance of banks measured in terms of ROA. Whereas these findings indicate that structural adoption of risk governance practices may not translate into expected increases in risk management performance, these results may also suggest that weak structures of risk governance increase the risk of classifying non-performing loans as otherwise, such that publicly owned banks with relatively low risk governance structures do not end up in worse NPL scores. Although, it is not possible to validate the latter argument with concrete evidence, it is fair to conclude that the majority of Turkish banks have either ritually adopted these structures to become legitimate

and did not implant corresponding practices, or they intended to adopt these structures sincerely but failed to incorporate corresponding practices. In this manner, the study corroborates theoretical arguments about the translation thesis in the adoption of managerial practices, which argue that adoption is not a binary decision (adoption versus rejection) but a process where adopted practices significantly diverge in terms of their implemented components (Ercek, 2014; Rovik, 2016).

The study has relied on annual filings for public disclosure platform and reports of Turkish banks, therefore more granular data about risk management practices such as the number of meetings completed by committees and the minutes of these meetings could not be gathered. Although the analyses presented in the paper tried to employ the most robust procedures the gap between formal implementation of a risk governance template and risk management performance cannot be directly observed. Further studies should focus on this gap and test whether an intentional or unintentional decoupling between templates and practices occurred.

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