

A REVIEW OF THE SHARES OF THE CENTRAL BANK FROM ITS CREATION UP TO THE SECOND WORLD WAR¹

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ABSTRACT

Purpose - The aim of this study is to observe the movements of the shares of the Central Bank of the Republic of Turkey during the foundation period and to estimate the events under the influence of these movements. An independent central bank is very important for countries to operate an independent monetary policy. In Turkey, the emphasis on "national banking" first came to the fore at the Izmir Economic Congress, and attempts were made to establish a central bank in 1927. In 1931, the Central Bank of the Republic of Turkey began its official activities. This was the most important step towards achieving economic independence in the Republic of Turkey and preserving the value of the Turkish Lira. This study examines the performance of central bank stocks over this period.

Methodology-The data set consists of 1674 observations including daily closing prices for the period 04.01.1934-31.12.1939. The data were obtained from the La Bourse newspaper and the Cumhuriyet newspaper archive was used as a news source. First, the breaks in stock prices over this period are analysed using the Bai-perron test. The Eviews 12 program was used for this purpose. The second step is to examine whether there is a day-of-week effect in stock prices over the period in question. For this purpose, returns were calculated. The non-parametric Man-Whitney U test in SPSS 15 was used to test whether there was a significant difference between these returns on a daily basis.

Findings- The results of the Bai-Perron structural break test showed that two breaks occurred on 01/08/1936 and 06/07/1938. Short and long-term increases in the value of the Central Bank shares were observed on these dates, which coincided with the achievement of the Montreux Convention and the victory of the National Army in Hatay. Moreover, these dates indicate risks associated with global conflict.

During the second step, the compound return for share prices in the period of 1934-1939 was calculated, revealing the absence of any day-of-week effect. In other words, the results of the Man-Whitney U test show that there is no statistically significant difference between the groups.

Conclusion- The Montreux Convention and the independence of Hatay, achieved during this period, had a positive impact on the stock, as the findings suggest. Furthermore, global war risks had a positive impact on the bank's shares. These results can be explained by the fact that the higher the risk, the more confidence is placed in the "national" bank. Finally, the shares of the Central Bank, symbolising the economic independence of the newly established Republic of Turkey, are relatively less sensitive and have low anomalies. This result is in line with expectations, given that financial markets are still under developed.

Keywords: Turkiye, banking, national banking, central bank.

JEL Codes: B41, E58, G21.

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