



Determinants of Financial Conservatism under Capital Structure Theories: Evidence from an Emerging Market

¹Gulsen Ozkan, ²Ozge Sezgin Alp and ³Guray Kucukkocaoglu

¹Tax Inspection Board, Ministry of Treasury and Finance, Ankara, Türkiye

²Department of Accounting and Financial Administration., Baskent University, Ankara,
Türkiye

³Department of Business Administration, Baskent University, Ankara, Türkiye

Abstract

Turkish stock market is an emerging market with a limited number of listed firms mostly controlled by a family or a company group where families are major shareholders. The analysis on the data of non-financial firms registered on Borsa Istanbul over the fifteen-year period indicates that the majority of those firms are less lenient to debt financing and many of them tend to exhibit a conservative financing propensity. However, prior studies on Turkish firms missed this behaviour since debates revolved around capital structure and its associated determinants. On the other hand, previous research on conservative financing policy broadly deals with the issue by investigating the behaviour of firms from developed countries, especially the UK and the US. Against this backdrop, this study provides a new perspective to the debates on conservative behaviour by representing evidence from a developing country, which experiences frequent economic crises. The findings reveal some particular outcomes, albeit they are broadly in line with the results of prior studies, especially those conducted in emerging markets.

Keywords: Capital structure, financial conservatism, leverage, ownership concentration