Editor’s Introduction to Volume 2 of Expert Journal of Finance

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In this first issue of the second volume of Expert Journal of Finance, we have published various interesting articles exploring the capital market integration in European Union, alternative mechanisms used by Islamic banks in income smoothing, the impact of corporate governance on the banking sector performance, and the modelling of investment function at the level of the Euro zone. We are appreciative of the opportunity to publish such meaningful contributions to finance knowledge. Further, I present a short description of each article that is published in Expert Journal of Finance, volume 2.

Horobeț, Belașcu, and Olaru (2014), in their paper Integration of Capital Markets from Central and Eastern Europe: Implications for EU Investors, analyze how capital markets in three emerging markets co-move with markets in three developed countries form the European Union. The authors test if there is an increased correlation between the examined markets as an indication of the capital market integration in the region. This paper offers interesting perspectives for the capital market in the European Union and cross-market correlations.

The article entitled Banking Sector Performance and Corporate Governance in Nigeria: A Discriminant Analytical Approach is written by Godwin Chigozie Okpara and Eugene Iheanacho (2014) and it analyses the impact of corporate governance on the banking sector performance. The authors examine how each variant in the corporate governance structure discriminates against the performance of the banking sector and then they investigate whether the executive directors and non-executive directors are associated negatively and significantly with non-performing loans. Further, the authors propose recommendations for the Central Bank of Nigeria in liaison with the Nigerian Deposit and Insurance Corporation in relation to the extension of surveillance on the role of the directors in the banking sector.

In Islamic Deposits and Investment Accounts in Income Smoothing in Post-Reclassification of the Islamic Financial Service Act 2013, Mohd Yaziz Mohd Isa and Md. Zabid Hj. Abdul Rashid (2014) examine how Islamic banks use alternative mechanisms, such as Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR) instead of loss provisions, are used to smooth income and absorb any future losses. Their research determines if the exercise by Islamic banks in Malaysia to reclassify Islamic deposits to investment accounts after the enacted Islamic Financial Service Act (2013), may have led to certain unintended consequences that were detrimental for investment account holders.

Alin Opreana examined the investment function at the level of the Euro zone, in his article Investment Modelling at the Euro Area Level. For reaching this research aim, the author approached the structural equation modeling procedure for empirical analysis and showed that at the Euro area level,

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Article History:
Available Online 29 December 2014

Cite Reference:
investments are determined by taxes and interest rate. Other theoretical contributions of this article enhance finance knowledge and policy recommendations for applying the proposed model to consistently measure the aspects that influence investments at a macro level.