Financial crisis term means the decreasing of economic activities due to the breakdown in financial markets. 1994 and 2001 crises, having national character, of Turkish economy are defined as financial crises because of the fact that the crises are elucidated via tools such as current account deficit, budget deficit, banking system and balance of payments.

Many scientific studies examining the effects of 2001 crisis on Turkish economy exist in literature but any study has not been found about the preferences of individual stock investors in pre-crisis and post-crisis periods. Besides; any research on determining the common features of the firms preferred in the crisis period, by analyzing their financial ratios, has not existed while the review is performed.

The study is targeting to examine the effects of 2001 financial crisis on the shares included in the lowest-risk portfolios of Istanbul Stock Exchange. While portfolio selection is carried out via Markowitz Model, the effects of 2001 financial crisis are examined whereby ratio analysis.

Testing the validity of Markowitz Model for the crisis period in Istanbul Stock Exchange has not been necessary owing to the studies by Küçükkoçaoğlu (2002); Altay Salih, Muradoglu and Mercan (2002); Boztosun, Yalçın and Atan (2005); Birgili and Tuna (2010) proved the validity of the mentioned model in Istanbul Stock Exchange.

The ratios benefited to examine the effects of 2001 financial crisis on the firms while the ratio analysis is performed are regarded as liquidity, financial structure, activity and profitability ratios. The liquidity ratios are occurred of current, acid test and
cash assets ratios furthermore financial structure ratios are calculated via short-term debts/total liabilities and long-term debts/total liabilities. Additionally; profitability is calculated by both net profit and EBIT (Earnings Before Interest and Taxes) margins also activity ratios are evaluated via receivable turnover and stock turnover rates.

Monthly returns data of all shares traded in Istanbul Stock Exchange between 2000:11-2002:09 term are utilized to examine the effects of 2001 financial crisis on the firms. Besides; the data used to determine the risk level of the firms in the crisis period, is gathered via the firms’ balance sheets and income statement tables displaying the 12 quarters of 2000:03-2002:12 period.

Hence; 17 shares from 35-month 2000:11-2002:09 period are preferred and added in the minimum variance portfolios with different frequencies. The mentioned shares connote the %94.41 of portfolio and the shares included in 5.59% portion are ignored in the study since the amount of investment in each of them is less than 1% of the portfolio.

Afterwards; shares forming at least 5% of the minimum variance portfolio for 35-month period are selected to perform the second level of the study. The 5 shares; representing more than 67% of the portfolio and being demonstrated as BRMEN, BRSAN, BUCIM, CMENT and EGPRO from textile, basic metal, stone and chemistry industries, are examined to find out the effects of 2001 financial crisis whereby ratio analysis.

According to the ratio analysis applied; despite the rapid decline of receivable and stock turnover rates in the crisis period, the mentioned rates got better even than pre-crisis term thanks to the increasing international sales. So; the firms acquired the opportunity to possess more foreign currency and to benefit from the exchange rates. Besides; both amount and share of short-term debts are increased for the 5 firms evaluated in the crisis period. Afterwards; the financial structure became better and it is normalized by the increasing of long-term liabilities’ portion. Because of the sudden shock at the beginning of the crisis period; both current and acid test ratios declined but surprisingly cash assets ratio is not affected insomuch that it ascended in a short time owing to the increasing amount of foreign currencies but the liquidity conditions got well, later.

At the beginning of the crisis; net profit margins of the firms, excepting BUCIM, decreased and their EBIT profit margins increased contrary to EGPRO and BRSAN. So; only BUCIM could improve both of the margins, in the crisis period but BRSAN and EGPRO’s profitability rates declined. While EBIT margins increased, net profit margins reduced for BRMEN and CMENT in the 2001 financial crisis period. Each of the 5 firms are suffered because of the negative impact of the 2001 financial crisis but thanks to the increasing of foreign sales and foreign currency amount; they achieved to improve their profitability.