


Chapter 6

Financial Performance Analysis of Companies Registered on BIST Corporate Governance Index: An Empirical Analysis in the Istanbul Stock Exchange

Haşim Bağcı

 <https://orcid.org/0000-0002-5828-2050>

Aksaray University, Turkey

Ceyda Yerdelen Kaygın

Kafkas University, Turkey

ABSTRACT

The aim of this study is to measure the 2018 financial performance of 49 businesses that are registered in the Istanbul Stock Exchange Corporate Governance Index. Therefore, the financial performances of 49 businesses were compared to the ROA, ROE, ROS, and MV performance indicators that were determined for the measurement of financial performance. For comparison, first, the significance levels of the indicators were determined by the AHP method, and MV was determined to be the most important indicator. The PROMETHEE method was used to be able to financially compare the businesses, and Tüpraş Türkiye Petrol Rafinerileri A.Ş. (Tüpraş Turkey Petroleum Refineries Inc.) was the most successful corporate governance business within the specified time period. The least successful business is Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. (Pınar Water and Drink Industry and Trade Inc).

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INTRODUCTION

Globalization and technological advancements created several concepts including computer, mobile phone, tablet, internet, internet banking, telephone banking and virtual money as an indispensable part of human life. Humankind makes an effort to meet its need since its inception. Globalization and technology turned trade into an activity that can be easily carried out from one end of the world to the other. The purchase and sale of local goods in international markets is the biggest evidence that all businesses operating in the world can be considered to be a global business. Rapid manufacture and easy transportation lead to changes in goods and services while companies found themselves in a challenging competition environment to adapt to this rapid change. Although the concept of globalization entered the literature in the second half of the twentieth century, the signs of the process we define as globalization go back much earlier. The importance and even distinctive feature of globalization for financial markets is that it increases financial integration (Bilir, 2018: 213).

As known, the economy of a country is affected by several negative factors including crises, war, political instability and natural disaster. Together with globalization, all countries in the world are integrated into each other. Economic problems taking place in a country have also negative effects on other countries what have trade connection in particular. It can be argued that the financial reporting scandals of some companies including Enron, World.com and Adelphia had an effect, even small, on the world economy in general. Therefore, the auditing of the financial reports of the companies is an issue that needs careful attention not only for that company but also for the world economy.

Measuring the financial performances of companies provides information about companies in various aspects including profitability, sustainability, audit and inspection. Contrary to the traditional understanding of investment, ethical, social, corporate governance and ecological investments have stood out in recent years. Corporate governance is very important to balance the interests of the internal and external stakeholders of companies, to ensure that companies obtain sustainable development and to provide the control of companies. Therefore, the issues of corporate governance and financial performance draw attention of various groups including company owners, investors, economists and academicians.

The objective of this company is to measure the financial performances of 49 companies operating in the corporate governance index of the Istanbul Stock Exchange. Therefore, the present study starts with the information about corporate governance and then explains financial performance and the variables used in the measurement of performance including a coverage of the relevant literature. The last part of the study includes the performance measured using 2 techniques with regards to the specified financial indicators to carry out the measurement of financial performance. The first technique was used to determine the significance level of the indicators while the second technique was used to compare the financial performances of 49 businesses.

Upon reviewing the literature, there are several studies on the measurement of financial performance, however, there are limited studies on the corporate governance index of the Istanbul Stock Exchange. In addition, the techniques that were used were suitable for the study and selected specifically for the subject. Therefore, it is expected that this study will contribute to the literature with regards to a different perspective on the measurement of financial performance as well as providing a methodological compliance.

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