The Effect of Corporate Governance Principles on Financial Statements: A Study on Borsa Istanbul

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Abstract: Corporate governance principles encompass the regulations that govern the interactions between the board of directors, managers, and stakeholders of corporations. Corporate governance principles aim to inhibit the dominance of the interests of one group over those of other groups within companies. In contemporary times, corporate governance principles are increasingly significant, particularly in fostering a sense of trust among external environmental entities toward corporations. In pursuit of this objective, an analytical review was undertaken on the dataset of companies listed within the Borsa Istanbul Corporate Governance Index, with a primary focus on those within the production and trade sectors, over the period from 2009 to 2024. The aim was to assess the impact of corporate governance rating scores on the integrity of financial statements. The research encompassed 34 companies, and the panel data analysis methodology was employed to examine the data pertaining to these companies. Based on the results acquired from the analysis, it was determined that corporate governance rating scores do not influence the integrity of the financial statements of the companies included in this study.

JEL Classification: M40, M41
Keywords: Corporate Governance, Rating Scores, Financial Statements.

1. INTRODUCTION

In the current epoch of globalization, where components such as society, economy, and culture have started to converge and homogenize, interactions between nations have intensified to their utmost degree. In particular, crises arising in any sector within a country necessitate comprehensive restructuring endeavors and the implementation of diverse legislative measures. In the contemporary landscape, such restructuring and legislative measures exert both direct and indirect influence on other nations, compelling them to undergo transformations.

On a microeconomic scale, the most significant effect of globalization on enterprises within the economic framework is that companies, to preserve and sustain their viability amidst the competitive conditions it engenders, are required to function not solely in alignment with their own individual interests but also in harmony with the interests of the broader society. Furthermore, enterprises that recognize their obligations toward their surrounding environment, adhere to the principles of openness and transparency, uphold business ethics, and respect social values, secure a strategic advantage and enhance the trust that all segments of society place in these organizations. The economic crisis in Asia in 1997 was precipitated by the inefficient utilization of corporate resources coupled with the external environment's incapacity to monitor this mismanagement. This crisis resulted in the ascent of the concept of corporate governance, which gained prominence concerning accountability and transparency.

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The notion of corporate governance has acquired significance following financial scandals occurring in the United States, Europe, and Asia. In 1998, the OECD convened a meeting with the involvement of government officials, international organizations, and private sector representatives to establish the principles of corporate governance and to formulate a strategic roadmap. This initiative created an agenda within both national and international markets, thereby drawing the attention of market participants by underscoring the critical importance of corporate governance (Akyüz, 2009).

In Turkey, the authority to establish corporate governance principles, authorize rating agencies, and oversee their activities is vested in the Capital Markets Board (CMB). Aligned with global advancements, the BIST Corporate Governance Index (XKURY) was inaugurated in 2007 within Borsa Istanbul, and entities possessing a corporate governance compliance rating score subsequently commenced inclusion in this index.

2.CORPORATE GOVERNANCE

Corporate governance constitutes a framework of regulations governing the interactions among the board of directors, managers, and shareholders of corporations. Through these regulations, companies seek to prioritize the interests of one group of shareholders over those of other groups. The conceptualization of corporate governance may differ across nations contingent upon their economic frameworks, social and cultural attributes, industry sectors, and the corporate architecture (Zengin ve Altıok Yılmaz, 2017).

Corporate governance encompasses the policies, procedures, and diverse methodologies implemented to establish equilibrium between the economic and social objectives of the enterprises and the aims of the organization alongside those of the employees. Corporate governance comprises the entirety of systems that facilitate managers in disseminating the outcomes achieved through the efficient utilization of the enterprise's resources to the pertinent stakeholders. In accordance with these explanations, corporate governance encompasses the systems that govern the relationships among the enterprise's partners in a specific context, as well as the interactions with society at large (Aysan, 2007).

The document entitled "Financial Aspects of Corporate Governance," issued by the Cadbury Committee in England in 1992, is regarded as the inaugural study in the realm of corporate governance. The principles encompassed within the report possess a revisional characteristic and establish a fundamental framework for the subsequent studies to be undertaken in the domain of corporate governance. The Organization for Economic Co-operation and Development (OECD) and the World Bank executed the most extensive analysis within the field of corporate governance in 1999, wherein they established the foundational principles of corporate governance (Saldanlı, 2012).

According to the OECD, corporate governance entails a network of interrelationships among the management team, the board of directors, shareholders, and stakeholders of a company. Moreover, corporate governance constitutes a framework of structures and systems incorporating performance monitoring mechanisms that facilitate the organization in defining its objectives and accomplishing them. The principles of corporate governance, as defined by the OECD, are characterized by transparency, accountability, fairness, and integrity. These principles are intended to assess and enhance the corporate framework to deliver economic efficiency, promote sustainable growth, and ensure financial stability for decision-makers (OECD, 2023).

The prerogative to establish corporate governance principles in Turkey is vested in the Capital Markets Board. In the year 2003, the CMB promulgated a set of corporate governance principles that bear resemblance to those established by the OECD. Furthermore, the board sustained its efforts on corporate governance principles, periodically instituting various revisions of these principles. In the year 2007, the Capital Markets Board (CMB) initiated the computation of the Corporate Governance Index (XKURY) within the framework of Borsa Istanbul. Enterprises with securities traded on the Main Market, Star Market, and Sub-market, as evaluated by CMB-authorized rating agencies, are required to possess a compliance rating of no less than 8 out of 10 in general, and a minimum of 7 out of 10 in each major category, in order to be incorporated into the Corporate Governance Index. Conversely, the Capital Markets Board issued an additional Corporate Governance Communiqué in 2014, with subsequent amendments to this communiqué occurring in 2020.

3. LITERATURE

A comprehensive examination of both domestic and international literature demonstrates that research has been conducted to assess the impact of corporate governance principles on the financial performance of companies. It is noted that there exists a collection of studies investigating whether corporate governance principles facilitate improvements, or otherwise, in companies' financial performance, as evidenced by empirical findings.

Ağca and Önder (2015) undertook an empirical investigation of Borsa Istanbul to analyze the interplay between corporate governance and earnings management in the context of Turkey. Their findings suggest that aspects such as block and managerial ownership, the audit committee, and board size—constituents of corporate governance—tend to enhance earnings management. Conversely, the independence of the board and the audit committee appears to mitigate earnings management.

Al-Haddad, Alzurqan, and Al-Sufy (2011) discerned a positive correlation between corporate governance with a range of performance indicators, including return on assets, earnings per share, liquidity, dividends, and company size. This correlation was demonstrated through their study, which examined the association between corporate governance with performance indicators among Jordanian industrial firms listed on the Amman Stock Exchange. Moreover, the study established the existence of a positive relationship between corporate governance with corporate performance.

Al-Kassar and Al-Nidawiy (2014) conducted an investigation into firms within the industrial sector of the Amman Stock Exchange, focusing on the principles of corporate governance. Their study concluded that adherence to corporate governance practices exerts a positive influence on the valuation of share prices.

Bayraktaroğlu and Çelik (2015) performed an empirical analysis on Borsa Istanbul to investigate the correlation between corporate governance with return volatility, determining that a negative association exists between these variables.

Bokpin (2011) examined the relationship between the ownership structure of companies listed on the Ghana Stock Exchange, dividend distributions, and, corporate governance concluding that foreign investors have a significant and positive impact on corporate dividend distributions. The research further concluded that the size of the board of directors, as an element of corporate governance, exerts a statistically significant and positive influence on dividend distributions.

Çekici and Babacan (2022) undertook an investigation into enterprises included in the Borsa Istanbul corporate governance index with the objective of exploring the correlation between corporate governance and financial performance. Their findings indicated that the performance of corporate governance does not exert an influence on the financial performance of these enterprises.

Dzingai and Fakoya (2017) conducted an analysis of data pertaining to firms within the Johannesburg mining sector, concluding that a limited number of board members and the independence of the board of directors—both essential elements of corporate governance—enhance the financial performance of these firms. Moreover, it was recommended that corporations continue to adhere to and implement corporate governance principles in order to secure the continuation of sustainable growth.

Esendemirli and Erdener Acar (2016) conducted an investigation into the correlation between the corporate governance rating scores of firms listed under the Borsa Istanbul corporate governance index for the period 2013-2014 and their financial performance. Their findings indicated that there was no parallel between the financial performance and corporate governance rating scores of these companies.

Gergin and Kıymetli Şen (2019) examined the effects of being included in the corporate index on the financial performance of banks listed on Borsa Istanbul. They concluded that the position of banks within the corporate governance index did not influence their financial performance.

Gör, Terzi, and Kıymetli Şen (2016) undertook a research study to investigate the effects of transparency practices, an essential tenet of corporate governance, on the financial reporting of entities registered in the Borsa Istanbul corporate governance index. The study concluded that having the general manager and the chairman of the board of directors as separate individuals, along with the number of board members, shareholder ownership, asset size, and footnote disclosures pertaining to corporate governance components, exerted a significant influence on financial reporting.

Javed and Iqbal (2007) conducted an examination into the influence of corporate governance elements, including the board of directors and share ownership, as well as governance principles such as openness and transparency, on the performance of companies listed on the Pakistani Stock Exchange. The findings indicated that the board of directors and share ownership contributed to enhanced company performance, whereas openness and transparency exhibited no discernible impact on company performance.

Kargın, Aktaş, and Arıcı (2015) conducted an analysis of the financial reporting quality among firms listed on the Borsa Istanbul corporate governance index compared to their unlisted counterparts, with a focus on the continuity of profits. Their findings indicated that firms included in the corporate governance index demonstrated sustained profitability and superior financial reporting quality relative to unlisted firms.

Kılıçlı and Kıpçak (2023) conducted an investigation into the impacts of six distinct corporate governance components, specifically ownership, the size and independence of the board of directors, CEO duality, the proportion of females, and the audit committee, on the financial performance of firms listed on the Borsa Istanbul. Their findings indicated that the corporate governance elements considered in the research did not exert a uniform influence on financial ratios.

Kömeçoğlu and Vuran (2018) conducted an investigation into the correlation between corporate governance and firm profitability among companies listed on the Borsa Istanbul Corporate Governance Index. The findings indicate that the independence of the board of directors, share ownership, and the market value corporate governance components exert a statistically significant and positive influence on the company's market value. Furthermore, the results of the analysis demonstrated that corporate governance practices do not exert any influence on company profitability.

Mangena and Tauringana (2007) examined the relationship between share ownership and corporate governance among companies listed on the Zimbabwean stock exchange, with particular emphasis on evaluating the influence of corporate governance on the investment decisions of foreign investors. The findings indicate that foreign investors demonstrate a preference for companies that comply with corporate governance principles and exhibit strong liquidity in comparison to others.

Mazzotta and Veltri (2014) investigated the association between corporate governance with the cost of equity among companies listed on the Italian Stock Exchange, identifying a significant correlation between specified corporate governance variables and the cost of equity.

Mugaloğlu and Erdag (2013) concentrated on the elements comprising the corporate governance index of the Istanbul Stock Exchange and investigated the correlation between effective corporate governance practices and stock market volatility. Contrary to initial anticipations, the study disclosed that stock market volatility increased despite the application of effective corporate governance practices.

Mulyono and Suprapto (2018) deduced that variables associated with corporate governance with company performance exerted a significant influence on stock prices, based on their examination of the corporate governance perception index within the Indonesian Stock Exchange.

Oral, Polat, and Şit (2017) conducted an analysis on the stock returns and capital structures of firms under in the Borsa İstanbul corporate governance index, determining that the financial leverage ratio enhanced the compound stock returns in forty percent of the firms within the sample.

Özçelik (2018) conducted a study on enterprises listed within the Borsa İstanbul corporate governance index to assess the impact of corporate governance practices on the quality of the accounting information system. The study concluded that corporate governance practices exerted an effect on the quality of the accounting information system.

Prugsamatz (2010) undertook a comprehensive examination of the impact of corporate governance on firm value and stock market performance, focusing on companies listed on the Thai stock exchange and considering the scarcity of research on corporate governance within developing countries. The findings of the research indicated that corporate governance had a positive impact on both firm value and stock market performance.

Purbawangsa et al. (2020) undertook a study focusing on the stock exchanges of Indonesia, China, and India, wherein they investigated the interrelation among corporate social responsibility, profitability, and corporate governance. The findings indicate that disclosures related to corporate social responsibility exert a positive influence on corporate governance and profitability across all three countries, consequently enhancing firm value.

Rostami, Rostami, and Kohansal (2016) conducted a study to determine the influence of corporate governance principles on stock returns and return on assets. They concluded that there is a significant positive correlation between the number of CEOs, their tenure, and both stock returns and return on assets.

Salah and Elewa (2016) performed a study on the influence of corporate governance on stock prices and trading volume for firms listed on the Egyptian stock exchange. The findings of the study indicate that robust corporate governance influences stock prices, yet it does not impact trading volume.

Slimane and Angulo (2019) conducted an analysis on the impact of corporate governance strategies on the financial performance of capital companies. They concluded that companies adopting governance strategies marked by a limited number of members and boards of directors composed of experts demonstrated enhanced performance.

Swastika (2013) conducted an examination of corporate governance regulations pertaining to companies listed in the food, beverage sector of the Indonesian Stock Exchange, as well as the influence of firm size on earnings management. The results demonstrate a statistically significant relationship between the efficacy of the board of directors and the audit committee, as components of corporate governance variables, coupled with firm size variables, concerning earnings management.

Talawa and Badwan (2024) conducted an analysis on the data pertaining to major corporations listed on the Palestinian stock exchange to investigate the correlation between corporate governance, accounting conservatism, and stock prices. The authors concluded that corporate governance diminishes the likelihood of future increases in stock prices, whereas accounting conservatism mitigates the risk of future collapses or sudden declines in stock prices. Thus, it may be posited that corporate governance and accounting conservatism possess complementary attributes in averting abrupt fluctuations, both upward and downward, in stock prices.

Yasser, Entebang, and Mansor (2011) investigated the association between the elements of corporate governance, board composition, namely board size, CEO duality, and audit committee, with return on equity and profit margin in Pakistani corporations. The findings indicate a positive and statistically significant relationship between board composition, board size, and the audit committee with return on equity with profit margin. Drawing from this relationship, it may be inferred that the board of directors ought to be confined to a specific size and comprise both executive and non-executive members. Furthermore, the analysis revealed that there is no significant correlation between the duality of the CEO and Chairman roles and the metrics of return on equity with profit margin.

Yenice and Dölen (2013) investigated the firm valuation of entities listed on the ISE in relation to their adherence to corporate governance principles, concluding that an enhancement in corporate governance ratings correlates with a rise in their stock market valuations.

4. METHOD AND DATA SET

As of the conclusion of the year 2024, the Borsa Istanbul Corporate Governance Index comprises 75 companies from various sectors. Manufacturing and trading enterprises, whose data enable the achievement of statistically significant outcomes, were included within the parameters of the research. While the data pertaining to the companies involved in the research is collected on a quarterly basis, the timeframe for the majority of these datasets spans from the first quarter of 2009 to the third quarter of 2024. A total of 34 companies satisfying these criteria were identified. The companies encompassed within the scope of this research are presented in Table **1**, along with their Borsa Istanbul transaction codes.

Table 1. Transaction Codes of Companies.

AEFES	ASELS	ENKAI	LOGO	PINSU	TTKOM
AGHOL	AYGAZ	EREGL	MGROS	PNSUT	TTRAK
AKMGY	CCOLA	GLYHO	OTKAR	PRKAB	TUPRS
AKSA	DGGYO	HURGZ	PARKME	SISE	VESTL
AKSGY	DOAS	IHEVA	PETUN	TAVHL	-
ARCLK	DOHOL	IHLAS	PGSUS	TOASO	-

The study data pertaining to the companies was acquired through the Public Disclosure Platform and Matriksdata. Table **2** presents the variables developed from the data derived from the companies' financial statements and statement of comprehensive income.

Table 2. Variables.

Descriptions	**Code**
Total Debt Rate	TDR
Asset Turnover Rate	ATR
Equity Turnover Rate	ETR
Rating Scores	R
Return on Assets	ROA
Return on Equity	ROE
Profitability Rate	PR
The Integrity of Financial Statements (Stock Market Price / Book Value of Shares)	IFS

The data encompassed by the research was analyzed using panel data analysis techniques facilitated by the Stata 17 software package. The research model, dependent on the variables utilized, is illustrated in Table **3**.

Table 3. The Model.

Independent Variables	**Dependent Variable**
Total Debt Rate	The Integrity of Financial Statements
Asset Turnover Rate	
Equity Turnover Rate	
Rating Scores	
Return on Assets	
Return on Equity	
Profitability Rate	

The integrity of financial statements pertains to the degree to which the information delineated in the tables is precise and reliable, while also ensuring conformity with the qualitative attributes of financial statements.

Nurdiniah and Pradika (2017) evaluated the integrity of financial statements utilizing the formula which involves the ratio of the stock market price to the book value of shares. The models intended for estimation, taking into account the variables presented in Table 3, are as follows:

$$IFS = \beta_0 + \beta_1 TDR + \beta_2 ATR + \beta_3 ETR + \beta_4 R + \beta_5 ROA + \beta_6 ROE + \beta_7 PR + \varepsilon \qquad (1)$$

where ε is the error term.

5. RESULTS

Table **4** presents the descriptive statistics of the variables. It becomes evident that the equity turnover rate, the integrity of financial statements, and net sales profitability variables demonstrate the highest mean values, respectively. The variables exhibiting the greatest variability are net sales profitability, equity turnover rate, and the integrity of financial statements.

Table 4. Descriptive Statistics.

Variables	Obs	Mean	Std. Dev.
IFS	2054	3.1660	21.5465
TDR	2054	0.5698	0.3546
ATR	2054	0.6374	0.9811
ETR	2054	3.2146	32.8594
ROA	2054	0.0436	0.0913
ROE	2054	0.0716	0.5190
PR	2052	3.0567	120.5827
R	1914	0.9123	0.0514

Correlation analyses are conducted to ascertain the interrelations among variables. The correlation results, presented in Table **5**, illustrate the concurrent variations among the variables employed in the study. Upon examination of Table 5, it becomes evident that there exists a significant correlation between the variables of equity turnover and the integrity of financial statements.

The cross-sectional dependencies of the data were examined by Pesaran's CD test. As indicated by the cross-section dependency test results in Table **6**, all variables exhibit cross-section dependency at a significance level of 5%.

Table 6. Cross-Section Dependency Test.

Tests	Pesaran CD	
	CD-test	p-value
IFS	21.60	0.000
TDR	22.01	0.000
ATR	123.13	0.000
ETR	92.46	0.000
ROA	28.63	0.000
ROE	27.49	0.000
PR	8.11	0.000
R	143.20	0.000

Another important test in panel data analysis is to investigate the stationarity of the variables used. For this purpose, Im-Pesaran-Shin unit root test was applied and the results are given in Table **7**.

The unit root test results indicate that all variables are stationary at the level. Subsequent to evaluating the levels of stationarity within the data, the Hausman Test is conducted to ascertain the appropriate model for the research, with the results presented in Table **8**. The hypotheses to be tested are as follows:

H_0: Random Effects

H_1: Fixed Effects

Table 5. Correlations Between Variables.

-	IFS	TDR	ATR	ETR	ROA	ROE	PR	R
IFS	1.000	-	-	-	-	-	-	-
TDR	0.0606	1.000	-	-	-	-	-	-
ATR	0.0320	0.0861	1.000	-	-	-	-	-
ETR	0.5561	0.0768	0.0625	1.000	-	-	-	-
ROA	-0.0055	-0.1064	0.3293	-0.0219	1.000	-	-	-
ROE	0.1121	-0.0135	0.1205	0.0586	0.3010	1.000	-	-
PR	-0.0025	-0.0364	-0.0167	-0.0026	0.2554	0.0447	1.000	-
R	-0.0064	0.1673	0.0037	0.0605	0.0692	0.0241	-0.0051	1.000

Table 7. Unit Root Test Results.

Variables	Level					
	Test Statistic				Critical Values	
	t-bar	t-tilde-bar	Z-t-tilde-bar	p-value		
IFS	-68.6260	-3.4102	-13.8210	0.0000	%1	-1.860
TDR	-2.4566	-2.2860	-5.7605	0.0000		
ATR	-6.8603	-5.0296	-25.4309	0.0000		
ETR	-6.0512	-4.6240	-22.5228	0.0000	%5	-1.730
ROA	-4.4809	-3.8364	-16.8766	0.0000		
ROE	-4.3626	-3.7551	-16.2937	0.0000		
PR	-7.8731	-3.3286	-13.2361	0.0000	%10	-1.680
R	-2.3675	-2.2555	-5.5920	0.0000		

Table 8. Hausman Test Results.

-	Test Statistic	p-value	Decision	Result
Hausman Test	6.98	0.3224	H_0 not rejected	Random Effects

Tablo 9. Breusch-Pagan LM Test for Random Effects.

-	Test Statistic	p-value	Decision	Result
LM Test	0.00	1.000	H_0 not rejected	Pooled OLS

H_0: No Random Effects, Pooled OLS

H_1: Random Effects

According to the Hausman test results, the appropriate model is determined as the random effects model. Then, the random effects model and pooled OLS models are compared with the LM test and the appropriate model is determined as pooled OLS. Since the preferred model uses the OLS estimator, the assumptions of this method (such as normality, autocorrelation, different variance) must be met. Therefore, the validity of these assumptions is tested below.

First, the Wooldridge test is used to test whether there is autocorrelation among the error terms. The hypotheses to be tested are as follows:

H0: There is no autocorrelation between the error terms.

H1: There is autocorrelation between the error terms.

Table 10. Wooldridge Autocorrelation Results.

-	Test Statistic	p-value	Decision	Result
Autocorrelation Test	1.068	0.3088	H_0 not rejected	There is no autocorrelation

Another diagnostic test is the test of variance. The hypotheses to be tested are as follows:

H_0: The error terms are homoskedastic.

H_1: The error terms are heteroskedastic.

Table 11. Homoskedasticity Test Results.

-	Test Statistic	p-value	Decision	Result
Breusch-Pagan Test	118.89	0.000	H_0 rejected	The error terms are heteroskedastic

The Shapiro-Wilk test is used to test whether the error terms follow a normal distribution and the results are presented in Table **12**. The hypotheses to be tested are as follows:

H0: The error terms are normally distributed.

H1: The error terms are not normally distributed.

Tablo 12. Normality Test.

-	Test Statistic	p-value	Decision	Result
Shapiro-Wilk Test	17.579	0.000	H_0 rejected	The error terms are not normally distributed

When the diagnostic tests above are evaluated together, the problem of cross-sectional dependence, the errors being both heteroscedastic and non-normal, therefore, an estimation method that eliminates these problems should be used. Since the Driscoll-Kraay estimator can overcome these problems, model (1) was estimated with this estimator.Based on the results acquired, the Driscoll-Kraay estimator was deemed more suitable for the random effects model, and the findings are presented in Table **13**.

Table 13. Driscoll-Kraay Estimation Results.

-	Coefficient	Standard Error	Probability
ATR	-0.2517	0.1384	0.078
TDR	1.6044	0.8763	0.076
ETR	0.3388	0.0123	0.000
ROA	-2.0636	2.6340	0.439
ROE	3.3292	1.2698	0.013
PR	-0.0003	0.0003	0.265
R	-20.6583	20.5216	0.321
Cons	20.0226	18.7809	0.294

6. DISCUSSION

To ascertain the characteristics of the variables encompassed within the research scope, an analysis of descriptive statistics was conducted. It was identified that the variables exhibiting the highest mean values were the equity turnover rate, the integrity of financial statements, and net sales profitability, in that order. Conversely, the variables demonstrating the greatest variability were net sales profitability, equity turnover rate, and the integrity of financial statements, respectively. Subsequently, an examination of the correlation between the variables was conducted, and it was ascertained that a strong correlation exists between the variables of equity turnover rate and the integrity of financial statements.

Within the scope of the study, the cross-sectional dependencies inherent in the dataset were examined utilizing the CD test, and it was ascertained that cross-sectional dependency existed across all variables at a 5% significance level. Then, the stationarity levels of the variables were tested, revealing that all data were stationary at the level, as indicated by the unit root test outcomes. Subsequently, pursuant to the outcomes of the Hausman Test administered to ascertain the appropriate model for the study, the random effects model was chosen. Then, the random effects model and pooled OLS model were compared with the LM test and pooled OLS was selected as the appropriate model. To evaluate the validity of the underlying assumptions, tests for autocorrelation, heteroscedasticity and normality were conducted, revealing no autocorrelation between the error terms. However, it is observed that the error terms have different variances and are not normally distributed. Since the OLS variances are not satisfied, an alternative estimator, the Driscoll-Kraay estimation method, is chosen.

Upon analyzing the results demonstrating the impact of various variables on the integrity of financial statements, it can be concluded that the influence of equity turnover and the return on equity ratio on the integrity of financial statements is substantial at a 5% significance level. An increment of one unit in equity turnover results in a 0.33-unit enhancement in the integrity of financial statements. Similarly, a one-unit augmentation in the return on equity ratio leads to a 3.32-unit improvement in the integrity of financial statements. Moreover, a significant correlation is observed between asset turnover and the debt ratio concerning the integrity of financial statements at a 10% significance level.. An increase of one unit in asset turnover results in a 0.25-unit decrease in the integrity of financial statements. An augmentation of one unit in the debt ratio results in a 1.60-unit enhancement in the integrity of financial statements. The remaining outcomes do not demonstrate a statistically significant relationship at the 10% significance threshold.

CONCLUSION

As corporations expand over time, they encounter several challenges, paramount among which is the inadequacy of their proprietors in effectively managing the enterprises. To address this inadequacy, proprietors of companies have mitigated the issue by delegating the management role to professional managers. Historically analyzed, it can be asserted that the bifurcation of company ownership from management roles and the advent of corporate governance appear to originate around analogous timelines. Corporate governance initially emerged as a prominent topic following the issuance of the 1992 Cadbury Report, and its significance was further amplified by the dissemination of the corporate governance principles by the Organization for Economic Co-operation and Development (OECD) in 1999. Concurrently with advancements in corporate governance, the Capital Markets Board (CMB) in Turkey promulgated the principles of corporate governance in the year 2003. Subsequently, in the year 2007, the Capital Markets Board (CMB) commenced the calculation of the Corporate Governance Index (XKURY) within the framework of Borsa Istanbul. Entities listed on Borsa Istanbul are evaluated within the XKURY index based on assessments provided by rating agencies, reflecting their degree of adherence to established corporate governance principles. The Capital Markets Board (CMB) undertook a revision of the corporate governance principles in 2011, promulgated the corporate governance circular in 2014, and effectuated amendments to this circular in 2020.

Corporate governance principles confer numerous advantages upon companies. Firstly, it enhances the companies' ability to secure funding and strengthens their competitive position. Furthermore, the reinforcement of stability in business operations through the cultivation of healthier relationships between stakeholders and the company, alongside the augmentation of profitability by minimizing capital costs, comprises additional advantages attributable to corporate governance. An additional significant advantage of corporate governance is its capacity to enhance trust in the company, thereby facilitating the acquisition of foreign investors, especiallyparticularly. It can be asserted that the enumerated benefits of corporate governance enhance the overall value of the company (Şenol ve Gökçe, 2023: 683-684).

Following an examination of 34 companies included in the Borsa Istanbul XKURY index in Turkey, it was determined that corporate rating scores do not influence the integrity of financial statements. The study concluded that the equity turnover ratio and the equity profitability ratios, among the variables examined within the scope of the research, exert a greater influence on the integrity of financial statements. Furthermore, the findings indicate that an increase in the asset turnover ratio adversely impacts the integrity of financial statements, whereas an elevation in the debt ratio enhances the integrity of financial statements. Based on the findings obtained, rather than perceiving corporate governance principles merely as a procedural requirement for garnering investor trust, it is proposed that these principles be integrated into the comprehensive plans and policies governing all corporate activities. Only in this way can the expected outputs from corporate governance principles be obtained.

The adoption of corporate governance principles is advised, with an emphasis on examining their integration within company plans and policies in subsequent research.

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