

**THE INFLUENCE OF CORPORATE GOVERNANCE STRUCTURE ON BANK  
PERFORMANCE IN TURKEY**

**By**

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**MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)**

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**THE INFLUENCE OF CORPORATE GOVERNANCE STRUCTURE ON BANK  
PERFORMANCE IN TURKEY**

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## ABSTRAK

Kajian ini mengkaji pengaruh struktur tadbir urus korporat dalam prestasi bank di Turki. Rangka kerja kajian ini telah dibangunkan oleh teori agensi. Keseluruhannya, dapatan kajian ini menyokong teori ini. Sektor perbankan mengalami cabaran dari segi persaingan sengit dan perubahan dalam jangkaan pelanggan di kebelakangan tahun-tahun ini terutamanya setelah kemurungan ekonomi di peringkat dunia. Perhatian dalam struktur tadbir urus korporat di institusi kewangan semakin meningkat disebabkan oleh perubahan yang timbul di sosial-politik. Oleh itu, penilaian dan pemantauan prestasi bank menjadi penting kepada pihak-pihak seperti pemegang saham, pelabur berpotensi, pemiutang, pelanggan, pekerja dan pihak penguatkuasa. Kajian ini fokus kepada hubungan antara pemegang saham dan pengurusan. Selain itu, kajian ini juga memilih 33 bank sebagai sampel yang disenaraikan di bursa saham Istanbul di negara Turki sepanjang tempoh tahun 2004 sehingga 2010 untuk mengkaji pengaruh struktur tadbir urus korporat terhadap prestasi bank di Turki. Empat pembolehubah untuk struktur tadbir urus korporat adalah saiz lembaga pengarah, berbelah bahagi tugas ketua pegawai eksekutif, tempoh perkhidmatan ketua pegawai eksekutif dan saiz jawatankuasa audit telah digunakan dalam kajian ini. Dua ukuran prestasi bank adalah pulangan atas aset (ROA) dan aliran tunai operasi (OCF). Hasil kajian menunjukkan bahawa struktur tadbir urus korporat (saiz lembaga pengarah) mempunyai pengaruh yang positif dan signifikan terhadap pulangan atas aset. Sementara itu, tadbir urus korporat (berbelah bahagi tugas ketua pegawai eksekutif, tempoh perkhidmatan ketua pegawai eksekutif, saiz jawatankuasa audit) mempunyai pengaruh yang negatif terhadap pulangan ke atas aset. Di samping itu, tadbir urus korporat (saiz lembaga pengarah dan tempoh perkhidmatan ketua pegawai eksekutif) mempunyai pengaruh yang negatif ke atas aliran tunai operasi. Sementara itu, tadbir urus korporat (berbelah bahagi tugas ketua pegawai eksekutif dan saiz jawatankuasa audit) mempunyai pengaruh yang positif ke atas aliran tunai operasi. Hasil kajian ini dijangka menyumbang kepada kesusasteraan mengenai prestasi bank dimana pengetahuan yang lebih mendalam dan amalan pengurusan bank-bank boleh ditambahbaik dengan membuat keputusan yang tepat untuk meningkatkan prestasi bank.

**Kata Kunci: Saiz lembaga pengarah, Berbelah bahagi tugas ketua eksekutif pengawai, Tempoh perkhidmatan ketua eksekutif pengarah, saiz jawatankuasa audit dan prestasi bank**

## ABSTRACT

This study investigates the influence of the corporate governance structure on bank performance in Turkey. The framework of this study has been developed by agency theory. Finding of this study support this theory and decision making. Banking sector has seen strong competition and changes in customer's expectations over the last few years especially after the world economic slowdown .The importance and increasing attention of the corporate governance in financial institutions tends to be accredited to the socio-political changes that have been arisen. Therefore, evaluating banks' performance and monitoring their financial positions are important to many parties, such as stockholders, potential investors, creditors, customers, employees, and regulators. The current study focuses on the relationship between stockholders and management, As well as, the research will investigate the banks which are listed in Istanbul stock exchange. Based on a sample of 33 banks listed on Istanbul stock exchange in Turkey over the period 2004 to 2010, this research investigates the influences of corporate governance structure on bank performance in Turkey. Four variables of corporate governance structures which are board size, CEO duality, CEO tenure, and audit committee size, were used in this study. Two measures of bank performance are considered which are returns on assets (ROA) and operating cash flow (OCF). In Turkish banks, the result showed that the corporate governance board size has a positive and significant influence on return on asset. Meanwhile, corporate governance CEO duality, CEO tuner, and size of audit committee had a negative influence with return on asset. In addition, corporate governance board size and CEO tuner had a negative influence on the operating cash flow. Meanwhile, corporate governance (CEO duality and audit committee size) had a positive influence on the operating cash flow. The results of the study are expected to contribute to literatures on bank performance to which knowledge was added, and to the practices of the banks management to make better decision to enhance the bank performance by incorporating the effects of corporate performance structure.

**Keywords: Board size, CEO duality, CEO tenure, Audit Committee size and bank performance**

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AMIN

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

Corporate governance is one of the topics of great interest to many researchers in many branches of knowledge (Demirag, 2005). It is a whole series of regulatory and financial mechanisms aimed at reducing conflicts of interest between management and owners of the capital investing in the banks. (Vafeas, 2000). Therefore, corporate governance tends to protect the owners of the capital from the opportunistic behavior, and make the managers work to achieve the interests of the owners particularly the shareholders (Kyereboah-Coleman & Biekpe, 2008).

Corporate governance has also become an important topic to all institutions and regional and international organizations, after a long series of various financial crises that have occurred in many banks, especially in the developed countries, such as the financial crashes that have occurred in several countries in East Asia and Latin America in 1997, the company Enron crisis, which had been working in the marketing of electricity and natural gas in the United States of America in 2001, as well as the crises of the American company WorldCom communications in 2002 (Uzun, Samuel & Raj, 2004) which force policy maker to revise the codes and rules about companies like what US congress done in 2002 as known Sarbanes Oxley act , and later on many other acts in order to strengthen the code of companies which lead to minimize the collapse and crisis in the companies.

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