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CORPORATE GOVERNANCE: AN OVERVIEW OF HOW IMPORTANT THE CORPORATE LEGALITY AND CULTURAL ELEMENTS ARE

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Abstract

The new corporate governance model that research and studies have generated is complementary to the corporate legality (external governance—capital market-based performance) and corporate culture (internal governance—firm-based performance) provisions referring to eight essential elements. The development of the G15 and G17 indices, which are important to solving social, environmental, financial, and economic challenges at the national and business levels, is based on 32 mandated provisions of the eight elements. Apart from return on equity, return on assets, and Tobin's q, the initial empirical results confirmed the notion that corporate success favorably involves both internal and external governance performance. The second study's findings demonstrated that improving and enforcing capital market-based regulations and requirements increased the overall mean corporate governance score, which improved the efficacy of the banking industry's leadership and fostered financial innovations. Emphasizing the value of both the corporate legality elements and corporate culture elements research showed that corporate legality elements provisions (external governance provisions) – the G15 have a bigger effect on exchange rate risk and hedging. In addition, the 89 provisions and the G15 and G17 indices are required for long-term performance at the national and business levels. The laws and regulations passed by legislators, in particular, comprise the external environment. Additionally, it illustrates how advancements in *regulations and necessary mandated provisions with modifications have helped to decrease environmental, social, and financial issues at the firm and national levels.*

Keywords: Internal governance – corporate culture, external governance –corporate legality, return on assets, return on equity, Tobin's q, leadership effectiveness, exchange rate risk, hedging

INTRODUCTION

In the past twenty years, many corporate failures and the demise of well-known businesses have compelled lawmakers and regulators to reevaluate and devise fresh approaches to enhancing corporate governance. The Sarbanes-Oxley Act of 2002, which was put into action in the USA, demonstrated how politics and the law—that is, laws and regulations—have a significant impact on how businesses are run and governed. Similar to this, the EU placed a strong focus on the need for contemporary, effective legislation as well as a corporate governance framework tailored to meet societal expectations and the quick changes in the business environment. Additionally, the Financial Reporting Council (FRC) released a corporate governance code of practice in the UK in 2012 and then in 2014 to support the efficient and successful management of businesses over the long term. The European Commission's (EC) 740 final action plan (2012) and EC-IP/14/396 (2014) have also suggested strengthening shareholder involvement through governance reporting, "say on pay," and ''comply and explain'' as the foundation for the implementation. On the other hand, on corporate governance standards, the Capital Markets Board of Turkey (CMBT) defined four primary components. The following are these sections: (1) Shareholders involvement and voting rights; (2) Disclosure and transparency of information; (3) Protection of stakeholders and shareholders; (4) The responsibilities, and duties of the Board of Directors. To establish high-quality corporate culture behavior (firm-based performance) and corporate capital market culture behavior (capital market-based performance), the argument's foundation was to compare the roles played by corporate legality and corporate culture elements with the corporate governance standards put in place by the CMBT Avcın (2017:199). The arguments and the outcome are illustrated in section 1.

The empirical results of the second study showed that strengthening and implementing capital market-based rules and specifications raised the overall mean corporate governance score, which enhanced the effectiveness of the banking sector's leadership and promoted financial innovations. According to Avcın (2019), firms' overall mean corporate governance score increased when corporate market culture, corporate legality elements' provisions, and enforcement in the capital market's overall legal framework improved and resulted in better leadership effectiveness and financial innovations in the banking industry.

Corporate governance principles, such as managerial discipline, transparency, independence, accountability, responsibility, fairness, and social awareness, involved a large number of studies on firm-level success (Klapper and Love, 2004). Additionally, Bebchuk et al., (2004) found a negative correlation between the performance of firms and the provisions of six legality elements, namely ''staggered boards, limits to shareholder bylaw amendments, golden parachutes, poison pills, and supermajority requirements for mergers and charter amendments'', concerning corporate governance. Nearly every aspect of corporate governance, including debt and agency costs, board structure, directors and officers, labor markets, fraud, lawsuits, ownership structure and regulation, culture, leadership, and creating models of corporate governance frameworks, influenced by the work of other researchers (Gillan, 2006). Furthermore, corporate governance strategy has been associated with an efficient board of directors that manages relations with shareholders and provides leadership, accountability, and compensation (Financial Reporting Council, FRC, 2014). However, Avcın (2019) emphasizes the significance of the corporate culture and corporate legality elements that would assist businesses in developing effective leadership before any financial innovations in the financial markets. The arguments and the outcome are illustrated in section 2.

According to the Cadbury Report (1992), corporate governance (CG) is the process by which a company is managed and controlled by directors chosen by the shareholders and the board of directors is tasked with establishing a system of direction and control, including setting appropriate strategic goals and providing oversight and stewardship while adhering to legal and regulatory requirements. On the other hand, Shleifer and Vishny (1979), adopting a limited viewpoint, characterize corporate governance as the system in which firms and investors obtain a rate of return and is defined by Gillan and Starks (2000) and Gillan (2006) as a system of laws, rules, and regulations that control how a business operates. After the 2002 stock market crash, which caused an economic catastrophe and the demise of numerous companies, particularly in the West. Following 2002, the EU and the US announced efforts to update company law and create a suitable foundation for cross-border mergers and acquisitions. To reform the current framework for company law, the EU Commission's final action plan has outlined three primary actions: increasing transparency, including shareholders, and assisting companies in growing and being competitive. It is widely acknowledged by scholars, politicians, and theorists alike that corporate governance reflects national culture (Licht, et al., 2005). Therefore, when it comes to the relationship between culture and the law, culture serves as a powerful motivator and affects the policies and procedures of the business as well as the level of significance accorded to individuals tasked with making judgments. As LLSV (Porta, Lopez-de-Silanes, Shleifer, and Vishny; 1997) shows, many nations have diverse legal systems, and these nations have constructed formal legal orders as the framework for societal governance.

On the other hand, Avcın and Balcıoglu (2017) proposed that the focus should be on the necessity of an up-to-date, effective legal framework and "corporate governance system" that can adjust to the demands of the entire community and the quick changes in the financial landscape. Sustainable businesses and more stakeholders that are involved are required. Consequently, corporate conduct and culture are crucial, and the company has to establish sound corporate governance policies and procedures to uphold the necessary clauses for generating both financial and social value. They added that the company's corporate culture and corporate legality elements are complementary to one another, indicating appropriate direction and control that contributes to the creation of both social and financial value. The arguments and the outcome are illustrated in section 3.

In addition to correlating corporate governance with a system that aids organizations in establishing financial value and social value for the entire society, the overview emphasizes the significance of the complementarity of corporate legality and corporate culture elements' provisions (Avcın & Balcıoglu, 2017). The components of the constructed comprehensive models of contemporary corporate governance frameworks include the essential components that improve both internal and external governance behavior and help manage the negative effects of externalities (Avcın, 2018, 2019). A related study, for instance, by Youssef and Diab (2021), claimed that, as opposed to corporations being held accountable, good governance increases happiness and permits controlling corruption, which results in social and economic stability. Additionally, Najaf and Najaf (2021) contend that good political interaction and the application of sound economic policies can enhance corporate value and performance and that the link between the state and the company is crucial. The business-state relationship is important because of the state's economic policy practices and the business-state relationship itself, companies should demonstrate better management by developing potential resources that will increase their financial and social value (Najaf and Najaf, 2021), and this overview also emphasizes the need for better company management.

Avcın's studies 2017, 2018, 2019, and 2023 all unequivocally show that there is a positive correlation between the essential components of corporate legality and the external governance behavior (capital market culture) of businesses, as well as a positive relationship between the essential components of corporate culture and their internal governance behavior (market culture). Avcın (2023) contends that family ownership is prevalent and has a substantial positive impact on the economy of Turkish Cypriots and further argues that there is no difference in this environment from the social, cultural, political, and regulatory contexts of North Cyprus globally, as North Cyprus enjoys a free and open market economy. Because of this, an analysis was conducted on the G15 and G17 *(Refer to Appendix)* effects of the enhanced management indices, emphasizing the need to determine how a corporation should properly regulate itself to combat financial complexities such as exchange rate exposure, international trade, and hedging in the open economy of North Cyprus. Furthermore, the purpose of this overview article is to support the inclusion of corporate governance indices in the management framework of non-financial companies in North Cyprus, which are primarily family-owned enterprises and aim to mitigate external financial complexities and to illustrate the outcomes of the responsiveness of these financial complexities to changes in corporate governance. In addition, the paper shows whether appropriate changes in corporate governance determine exchange rate risks, trading, and hedging by examining the extent to which non-financial companies respond to changes in corporate governance provisions to different exchange rates (Avcın, 2023). The arguments and the outcome are illustrated in section 4.

LITERATURE REVIEW

Many studies have been carried out globally to determine the relationship between corporate success and sound corporate governance. Most recently, Klapper and Love (2004) discovered a correlation between operating performance and sound corporate governance at the business level. In contrast, Gurbuz et al., (2010) looked at institutional ownership to investigate how corporate governance affects financial performance so that companies that adhere to corporate governance rules see an increase in their corporate financial value compared to non-stock market index companies. Furthermore, Sengur (2012) asserts that the proper application of corporate governance concepts will influence both an index and non-index firm's success and discovered that there is no discernible difference when comparing these companies' return on assets (ROA) and market-to-book value (MBV - Tobin's q).

According to Avcın (2017), corporate culture is a decent orientation in the main elements of the Corporate Legality Framework (Gillan, 2006) and the Competing Values Framework (Cameron et al., 2006), which leads to improved corporate performance. When a business flourishes, the founder's personality becomes ingrained in the culture, which begins with the norms and values of the organization (Robbins & Judge 2012). Furthermore, according to Avcın (2017), a company can create a market culture if it can compete. As a result, the competitive aspect is compatible with market culture, which is shaped by upholding appropriate control, innovation, and collaboration. Therefore, if a company can compete with the outside world, it will develop a capital market culture. As a result, the capital market element aligns with the capital market culture, shaped by rules and regulations, the maintenance of an appropriate board of directors and managerial incentives, capital structure provisions, and control systems.

Value is created when "every stakeholder is made better off'' and improvements in the provision of corporate culture aspects together generate production and value (Cameron et al., 2006). Therefore, adding corporate legality components to corporate governance frameworks will assist firms in managing the outside world on governance-related matters (Gillan, 2006). Conversely, leadership has been defined as the ability or capability to influence people or organizations to achieve a goal or series of goals, connected to the capacity to persuade a group of people to pursue a particular vision or set of objectives, encouraging others, forging ahead with a vision of the future, and adjusting to change (Robbins & Judge 2009). Establishing a goal and a course of action that motivates others to work voluntarily, advance the goal, and sustain both group cohesion and individual effectiveness throughout connected to leadership. Furthermore, leadership motivates others to bring about change by defining the future and bringing people together around that vision, (John Kotter, from Leading Change. "http://www.kotterinternational.com/our-principles/changesteps" retrieved February 07, 2024).

Nonetheless, a set of organizational effectiveness indicators (criteria) that contribute to the creation of value in organizations are connected to leadership effectiveness and this relationship helps determine the significant internal and external adjustments that are required. It helps to recognize the evolving roles of managing human resources and organizing quality management (Cameron & Quinn, 2006).

Organizational culture, according to Robins and Judge (2012), is the set of shared skills and beliefs that workers and shareholders have regarding their internal workplace. This aspect of culture is about working together as a team, having a coherent mindset, and generally feeling like a part of something more than the sum of the individual parts' attitudes. For this reason, the Competing Values Framework is a helpful manual for promoting both organizational success and culture change (Cameron & Quinn, 2006).

Corporate culture makes a difference, helps set organizations apart from one another, encourages greater dedication than self-interest, aids in achieving social system stability, transmits the identity of the organization, and maintains unity within it by outlining the roles and responsibilities of every employee Robins and Judge (2012). However, effective leadership communicates frequently about shared goals, and corporate legality elements should be linked and integrated with corporate culture elements, which improves corporate culture and, thus, improves business performance Balcıoğlu and Avcın (2017).

To effectively run and control the business, managers must act in collaboration rather than in self-interest (Jensen and Meckling, 1976). As such, they should act in the organization's best interests rather than their own (Donaldson & Davis, 1991; 1993; Davis, Schoorman, & Donaldson, 1997). Managers are representatives of all stakeholders, including all shareholders. According to Davis et al. (1997), a collaborative attitude improves morale, encourages employees to interact in a way that aligns with the organization's culture, and yields a higher return than a self-interested attitude.

Dandapani and Shahrokhi (2022) have disclosed that corporate governance practices comprise both internal and external governance. Internal governance articulates the incentives and structure of the board of directors, while external governance highlights the management's interaction with the external environment to generate value and be accountable.

The G15 and the G17 indices inclusion, in addition to the 89 provisions, Avcın (2023) aid in the development of the ideal corporate governance structure. However, several additional studies on the subject of foreign exchange risk and governance carried out by other scholars have made it clear that further governance reforms are required. In their series of working papers on finance, Hege et al. (2018) found that ongoing governance reform acceptance and developments greatly mitigate exchange rate sensitivity. Utilizing the Sarbanes-Oxley (SOX) Act of 2002 (Yang et al., 2008), they have implemented several governance mechanisms and contended that there is a conflicting interpretation of the relationship between corporate governance and hedging, whereby reducing exchange rate exposure benefits the principal and whereas the agent hedges less as a result of growing agency costs. Widyasti and Putri (2021) claim that strong corporate governance, which is connected to a corporate governance mechanism's provision of providing shareholders with confidence that they will receive a good return on their investments, can assist firms in lowering agency costs by having an efficient audit committee monitoring agency problems. They discovered that the presence of additional audit committees is associated with the application of excellent corporate governance, which in turn leads to the company's increased activity and profitability. The tighter the audits are assigned to these committees and their organizational structure, the more profit the corporation will divide. On the other hand, by utilizing return on equity (ROE) and return on assets (ROA) as metrics of profitability, private banks in the nation outperformed public banks, according to Almaqtari et al. (2020), for instance, who also discovered a substantial correlation between corporate governance and company performance. The corporate performance was significantly impacted negatively by taking money out of the market circulation. This suggests that to eradicate compromised moral integrity, policymakers should enhance corporate governance mechanisms, better regulate the capital markets, and enact regulations that promote greater accountability and transparency. As shown in Figures 1 and 2 in Section 3 of this study, appropriate internal and external governance requirements are favorably associated with company performance and profitability based on the two models of contemporary corporate governance frameworks. In addition, Avcın (2019) found evidence consistent with the prediction that having to establish good internal and external governance mechanisms and capital market regulations helps firms be ready against uncertainty plus any financial crisis.

CORPORATE LEGALITY AND CORPORATE CULTURE VERSUS CORPORATE GOVERNANCE PRINCIPLES

According to Coskun and Sayılır, (2012), the Turkish capital markets have developed over the past twenty years and corporate governance has drawn significant attention from regulators, firms, and policymakers in Turkey, prompting them to create and adopt contemporary corporate codes of practices. The trend allegedly connected to efforts to establish worldwide accounting and auditing standards as well as reforms in the EU membership negotiations. Ararat and Ugur (2003), however, claim that Turkey's capital market is typified by low company value, poor liquidity, and a constrained ability to create fresh capital. They have discovered that investments are now riskier due to flaws in the regulatory environment and business legality. Due to short-termism and family-dominated decision-making, ownership and control are not separated in the vast majority of Turkish enterprises, which have a paternalistic heritage as quoted by Coskun and Sayilir (2012). Based on four corporate governance standards companies that practice corporate governance on the Istanbul Stock Exchange (ISEX100) are evaluated by independent corporate rating agencies and assigned corporate governance scores for the year that ends when the Corporate Governance Association of Turkey (CGAT) releases these scores. The Capital Market Board of Turkey defined the following weights, which are used to create these ratings: (1) 25% of shareholders; (2) 35% of disclosure and transparency; (3) 15% of stakeholders; and (4) 25% of the board of directors. The total level of compliance with corporate governance rules is rated on a scale of 1 to 10. The lowest profile is represented by a rating of 1 (one), and the greatest quality is represented by a grade of 10 (ten). To be included in the Istanbul Stock Exchange Index (ISE-CGIndex), a company must receive a rating of six or above. The independent organization mentioned in the Borsa Istanbul (BIST) that assigns scores to corporations is Saha Rating (Retrieved February 04, 2024). Table 1 illustrates the corporate governance scores matching the appropriate rating definitions.

Table 1. Ratings and definitions

9 - 10	The company performs **very well** in terms of Capital Markets Board's corporate governance principles. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The company performs **good** in terms of Capital Markets Board's corporate Governance principles. During the rating process, minor deficiencies were found in one or two of the areas rated.
6	The company performs **fair** in terms of Capital Markets Board's corporate governance principles. Management accountability is considered in accordance with national standards but may be lagging behind international best practice.
4 - 5	The company performs **weakly** as a result of poor corporate governance policies and practices.. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs **very weakly** and its corporate governance policies and practices are overall very poor. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

Source: Saha Rating Retrieved as at 04 February 2024

The dataset, which included 60 observations, included the corporate governance scores of 30 corporations for the years 2013 and 2014 as reported by the Corporate Governance Association of Turkey (CGAT). To broaden the scope of the study, two-panel data sets were created to assess corporate governance scores (CGS), market-to-book value (MBV), return on assets (ROA), and return on equity (ROE), as shown in Tables 2 and 3. (*Refer to Appendix).* On the other hand, all the assumptions for North Cyprus were tested using the data gathered from the survey of unlisted enterprises.

Hypotheses

H1. There is a statistically significant relationship between the average corporate governance scores of ISE 100 (ISEX100) enterprises and return on equity and return on assets.

H2. There is a statistically significant relationship between the average corporate governance scores of ISE 100 (ISEX100) corporations and Markets to Book Value (Tobin's q).

H3. For ISE 100 (ISEX100) companies, higher market-to-book value (Tobin's q) is linked to superior returns on equity and assets.

H4. For companies in the ISE 100 (ISEX100), stronger corporate governance scores are linked to higher return on equity and return on assets.

H5. Return on equity, return on assets, and Tobin's q are not as good predictors of firm performance behavior and capital-based performance behavior.

Table 2. Regression results for Hypotheses 1 and 2

Dependent variable: Average Corporate Governance Scores (ACGS)							
Independent variables	Hyp.	Intercept	R^2	F stat.	t	p-value	Standardized coefficients β
Return on assets (ROA)					0.606	0.550	0.366
Return on equity (ROE)	*H1*	9.077	0.014	0.192	0.005	0.996	0.011
Market to Book Value (Tobin's *q*) (MBV) 2014	*H2*	9.098	0.002	0.069	0.263	0.970	0.004
Market to Book Value (Tobin's *q*) (MBV) 2015		9.097	0.002	0.034	0.024	0.981	0.002
Number of observations 30							

Table 3. Regression results for Hypotheses 3 and 4

Dependent variable: Market to Book Value (Tobin's q) (MBV							
Independent variables	Hyp.	Intercept	R2	F stat.	t	p-value	Standardized coefficients β
Return on assets (ROA)	*H3*	1.690			1.028	0.313	5.244
Return on equity (ROE)			0.040	0.566	0.064	0.949	1.247
Number of observations 30							
Dependent variables: Corporate Governance Scores year 2013 and year 2014 (CGS13) and (CGS14)							
Return on assets (ROA)	*H4*	9.131	0.029	0.262	-0.343	0.735	-0.224
Return on equity (ROE)					0.868	0.393	2.117
Market to Book Value (Tobin's q) (MTBV)					0.010	0.992	0.002
Number of observations 30							

The regression results shown in Table 2 imply that there is no statistically significant relationship between the average corporate governance scores of the Istanbul Stock Exchange (ISEX100), listed companies, and return on equity, return on assets, and market-to-book value (Tobin's q) confirming the rejection of hypotheses 1 and 2.

Table 3 results suggest that there is no statistically significant relationship between the average corporate governance scores (ACGS) for the years 2013 and 2014 and the return on equity (ROE) and return on assets (ROA) of listed companies on the Istanbul Stock Exchange (ISEX100), which supports the rejection of Hypotheses 3 and 4.

Investigating Hypothesis 5 further broadened the scope of the study. Using a multiple-factor regression model, the positive association between corporate legality and corporate culture and capital- and firm-based performance behavior was investigated. The elements of corporate legality and corporate culture were found to be better predictors of firm performance behavior and capital-based performance behavior than return on assets return on equity, and Tobin's q. The findings show that to generate social value and financial value for the entire society, corporate culture elements and legality elements significantly and positively correlate with corporate market culture (MC) behavior (firm-based performance) and corporate capital market culture (CMC) behavior (capital market-based performance). Results are illustrated in table 4 below.

Table 4. Regression results (Multiple factors) of non-Corporate Governance Index Companies for the year 2015 – North Cyprus firms

Dependent variable: Market Culture (MC)	**Hyp.**	**Intercept**	**R**	**R^2**	**F stat.**	**t**	**p-value**	**Unstandardized coefficients β**
Collaboration (CL)						4.289	0.000	0.300
Control (CT)	*H5*	0.251	0.709	0.502	61.501	5.279	0.000	0.340
Creativity (CR)						4.393		0.203
Number of observations 188								

Dependent variable: Capital Market Culture (CMC)	**Hyp.**	**Intercept**	**R**	**R^2**	**F stat.**	**t**	**p-value**	**Unstandardized coefficients β**
Board of Directors and Managerial Incentives (BDMI)						5.991		0.341
Capital Structure Provisions and Control Systems (CSCS)	*H5*	- 0.510	0.928	0.862	265.557	12.162	0.000	0.833
Law and Regulations (LR)						3.541		0.230
Number of observations 132								

THE CREATION OF BETTER LEADERSHIP EFFECTIVENESS AND FINANCIAL INNOVATIONS

According to the survey by Avcın (2015), the majority of respondents indicated that they did not agree with the main points of corporate culture and legality. Avcın (2019) argued that enforcing and implementing provisions will enhance business performance, which will enhance leadership effectiveness and spur financial innovations in the banking industry. Therefore, the detailed, hand-collected data from a survey conducted in 2015 on corporate governance practices would positively affect and influence the banking sector in North Cyprus to shed light on the predicament facing the industry and identify which arguments are best supported by empirical results. Many reasons are said to have contributed to the ineffective operation of the banking industry in North Cyprus, including inadequate internal control systems, risk assessment, capital availability, lending practices, poor management, and governance (Şafaklı, 2003). The most important thing for the banking industry in North Cyprus is that the banks need to be ready to deal with the intricacies of both the internal and external environment to provide suitable and efficient solutions for managing financial markets and human capital. Therefore, Avcın (2019) argues that the banking industry needs strong leadership practices to set the proper vision and be effective in creating both financial and social value to incorporate the measures that will help to overcome such management complications. Thus, it is necessary to establish strong leadership effectiveness inside before implementing any financial innovation. Moreover, Cameron & Quinn (2006) state that the conditions of the internal and external environments, as well as the organization's changing culture, determine which managers are seen to be the most effective. Nonetheless, proficient leaders generate worth by recognizing individuals who most appropriately suit their situation (Cameron et al., 2006). The true debate, then, is whether or whether we need strong managers or strong leaders to be able to develop the ideal corporate culture for the banking industry's anticipated future. Avcın (2017; 2019) has suggested a complete and modern corporate governance model that offers the necessary features for all firms to establish an appropriate corporate mechanism to address both internal and external challenges. On the other hand, Şafaklı (2003) asserts that lawmakers and organizations in the banking industry lacked the proper institutional appreciation for adopting proactive steps beforehand. As a result, they were unable to address the adverse effects and complexity of the outside world. To address this issue, Avcın (2019) presents research findings from the past and corroborates them with the new empirical hypothesis. The findings indicate that turning more "NO" responses into "YES" responses will improve the organizational value of developing strong corporate governance mechanisms to address the negative effects of the external and internal environment. Table 5 below illustrates the results of firm-level corporate governance – frequencies of ''NO'' answers.

Table 5. Firm level corporate governance – frequencies of *''NO''* answers

Summary Statistics

Panel D: Firm level corporate governance – frequencies of *''NO''* answers for corporate market culture (internal governance) and corporate legality (external governance)

	Collaboration	**Control**	**Creativity**	**Compete**	**Board of Directors and Managerial Incentives**	**Capital Structure and Control Systems**	**Law and Regulation**	**Capital Markets**
1	Q5 70,70	Q8 36,20	Q5 52,60	Q7 59,90	Q1 67,70	Q1 83,30	Q8 50,00	Q7 58,30
2	Q6 54,30	Q9 45,20	Q6 58,50	Q8 69,60	Q2 59,30	Q2 91,70	Q11 41,70	Q8 67,70
3	Q8 77,70	.	Q8 62,70	Q9 52,60	Q4 59,30	Q9 58,30	.	Q9 75,00

4	Q10 50,50	.	Q9 52,60	Q10 79,20	Q8 91,70	.	.	Q10 59,30
5	Q11 93,10	.	Q10 58,00	Q11. 89,80	Q12 67,70	.	.	Q11 91,70
Mean	**69,26**	**40,70**	**56,88**	**70,22**	**69,14**	**77,76**	**45,85**	**70,40**
Sum	**346,30**	**81,40**	**284,40**	**351,10**	**345,70**	**233,30**	**91,70**	**352,00**
N 320								

a. Limited to first 100 cases.

Notes: *The average value added that would contribute to the internal governance is the weighted average of the mean values of (69, 26% + 40, 70 % + 56, 88% + 70, 22%/ 4) = 59, 27% representing Collaboration, Control, Creativity and Compete elements. Thus, the average value added that would contribute to the external governance is the weighted average of the mean values of (69, 14% + 77, 76% + 45, 85% + 70, 40% / 4) = 65, 79% representing Board of Directors and managerial Incentives, Capital Structure and Control Systems, Law and regulations and Capital markets. The weighted average values have been value added to the CGOV score index illustrating the impact of ''YES'' answers respectively. Results are presented in Panel C and G.*

Hypotheses Testing

H1. Corporate Market Culture (internal governance) and Corporate Capital Market Culture (external governance) elements are complementary and positively associated with corporate performance and any improvements in the provisions will lead to a better corporate performance.

H2. Improvements in corporate market culture and corporate capital market culture behaviour have a positive impact on the overall corporate governance performance and lead to better-running companies.

H3. The yes answers to the no answers of related provisions will have a positive impact on financial institutions leading to better leadership effectiveness and financial innovations.

Table 6. Regression Results for Hypothesis 1

Dependent variable:	**Corporate Market Culture (CMC) – internal governance**						
	Hyp	**Intercept**	**R^2**	**F stat**	**t**	**p-value**	**Unstandardized Coefficients β**
Corporate Capital Market Culture (CCMC) (External governance)	*H1*	0.539	0.74	379.558	19.482	0.000	0.621
Number of observations 320							

Notes: *The dependent variable in all regressions is Corporate Market Culture- Internal governance, which is determined by the cultural elements Collaboration, Control and Creativity. Corporate Capital Market Culture-External governance is determined by the legality elements Board of Directors and Managerial Incentives; Capital Structure Provisions and Control Systems; and Law and regulations. Firm data is obtained from the survey results in 2015 for 13 firms total sample of 320. The change or variation in Corporate Capital Market Culture variable will be predicted in relation to the dependent variable Corporate Market Culture and there is a positive relationship. The weights are as follows Corporate Market Culture = 0.539 (constant term) +0.621 (Unstandardized Betas Corporate Capital Market Culture) × Corporate Capital Market Culture + 0.032(error term). The p value below 0.05 indicates significance at 10%, 5%, and 1% respectively.*

Table 7. Regression Results for Hypotheses 2 and 3

Dependent variable: Corporate Governance Score (CGOV)							
	Hyp	Intercept	R^2	F stat	t	p-value	Unstandardized Coefficients β
Corporate Market Culture Elements (CMC)	*H2*	3.21	0.93	146.32	12.09	0.000	0.110
Corporate Capital Market Culture Elements (CCMC)	*H3*	1.06	0.25	3.76	1.93	0.079	0.179
Number of observations 320							

Notes: *All sample mean corporate governance score has been determined by the corporate market culture elements and corporate capital market elements. The weights are as follows: Average Corporate Governance Score = 3.217 (constant term) + 0.110 ((Unstandardized Betas for corporate market culture elements) + 0.236 (error term). Average Corporate Governance Score = 1.068 (constant term) + 0.179 ((Unstandardized Betas for corporate capital market culture elements) + 2.557 (error term). The p values below 0.05 indicate significance at 10%, 5%, and 1% respectively.*

Table 8. Firm level CGOV indices

Overall Summary statistics

For legality elements 132 and for cultural elements 188 observations have been obtained. The overall mean CGOV rankings are 53.43% and vary from a firm average of 40.44% to 60.43%. The corporate governance ranking varies from 22.00% to 82% respectively.

Panel C: Firm level corporate governance indices (CGOV)

FIRMS	No. of Observations	Mean	Median	Minimum	Maximum	Standard deviation
All sample	**320**	**53.43**	**51.15**	**27.68**	**77.45**	**16.60**
1	25	58,83	58,00	43.00	80.00	13.65
2*	26	54,83	55,00	33.00	76.00	15.02
3*	26	54,29	51,00	31.00	75.00	13.99
4	25	49,10	46,50	24.00	74.00	16.08
5	25	52,80	51,00	22.00	81.00	21.43
6	25	54,66	53,50	33.00	81.00	16.40
7	25	60,43	60,00	25.00	78.00	15.60
8	25	57,60	57,00	22.00	80.00	18.48
9	25	49,40	47,00	25.00	70.00	15.06
10	25	49,26	47,50	24.00	74.00	16.28
11	25	56,66	52,50	26.00	82.00	17.81
12	25	56,36	51,00	30.00	81.00	16.63
13*	18	40,44	35,00	22.00	75.00	20,21

Notes*: The distribution of CGOV index across firms in North Cyprus has been 53.43% and as shown the sample almost is equally distributed across firms. These summary statistics points out that firm corporate governance practices varies implying that firms in North Cyprus on average have lower governance rankings because the overall legal framework is inefficient.*

Table 9. Firm level CGOV indices

Overall Summary statistics

For legality elements 132 and for cultural elements 188 observations have been obtained. The overall mean CGOV value added rankings are 86.58% and vary from a firm average of 61.75% to 98.14%. The corporate governance ranking varies from 36.08% to 133.13% respectively.

Panel G: Firm level corporate governance indices (CGOV) value added

FIRMS	No. of Observations	Mean	Median	Minimum	Maximum	Standard deviation
All sample	320	86,58	83,05	45,15	125,53	26,80
1	25	95,40	94,00	69,52	129,89	7,31
2*	26	89,05	89,22	53,59	123,58	10,20
3*	26	88,39	82,98	50,41	122,05	9,79
4	25	79,95	75,72	39,26	120,39	12,01
5	25	85,93	82,98	36,08	131,48	19,55
6	25	88,74	86,87	53,59	131,54	13,78
7	25	98,14	97,32	40,92	126,76	11,71
8	25	93,71	92,54	36,08	130,01	16,94
9	25	80,51	76,61	40,85	113,96	9,41
10	25	80,22	77,31	39,26	120,39	11,91
11	25	92,06	85,27	42,51	133,13	16,13
12	25	91,73	82,98	48,82	131,61	13,92
13*	18	61,76	55,78	36,08	117,15	15,41

Notes: *The distribution of CGOV value added index across firms in North Cyprus has been 86,58% and the sample almost is equally distributed across firms. These summary statistics points out that firms corporate governance practices in North Cyprus on average have better governance rankings because the overall legal framework has improved.*

Thus, in light of the findings presented in Tables 6, 7, 8, and 9, as well as the evidence, it can be concluded that improved corporate governance at the corporate level is a necessary consequence of the capital market's development and financial regulations' requirement to establish strong leadership effectiveness and long-term investment and financial market innovations.

MODERN CORPORATE GOVERNANCE FRAMEWORK, CORPORATE CULTURE AND CORPORATE LEGALITY

Avcın and Balcıoglu (2017) contend that merely enshrining investors' rights in legislation will not suffice; rather, they contend that the issue must be addressed. As a result, they propose that to analyze how businesses behave in terms of corporate governance concerning environmental factors, the corporate governance framework should consider both the legal and cultural perspectives. They have established a new model of a contemporary framework for corporate governance that illustrates the fundamentals of creating a profitable business culture and a sound corporate governance framework. Figure 1 and 2 below illustrates the modern corporate governance model regarding corporate culture and corporate legality elements.

Figure 1: Corporate Governance: A More Comprehensive Model of the Modern Corporate Culture Framework

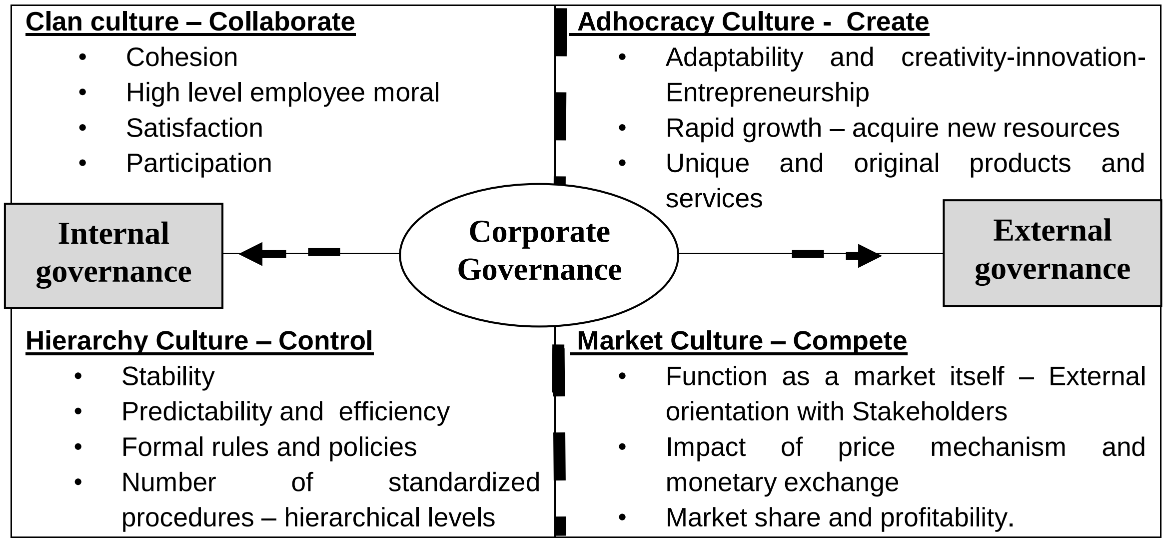
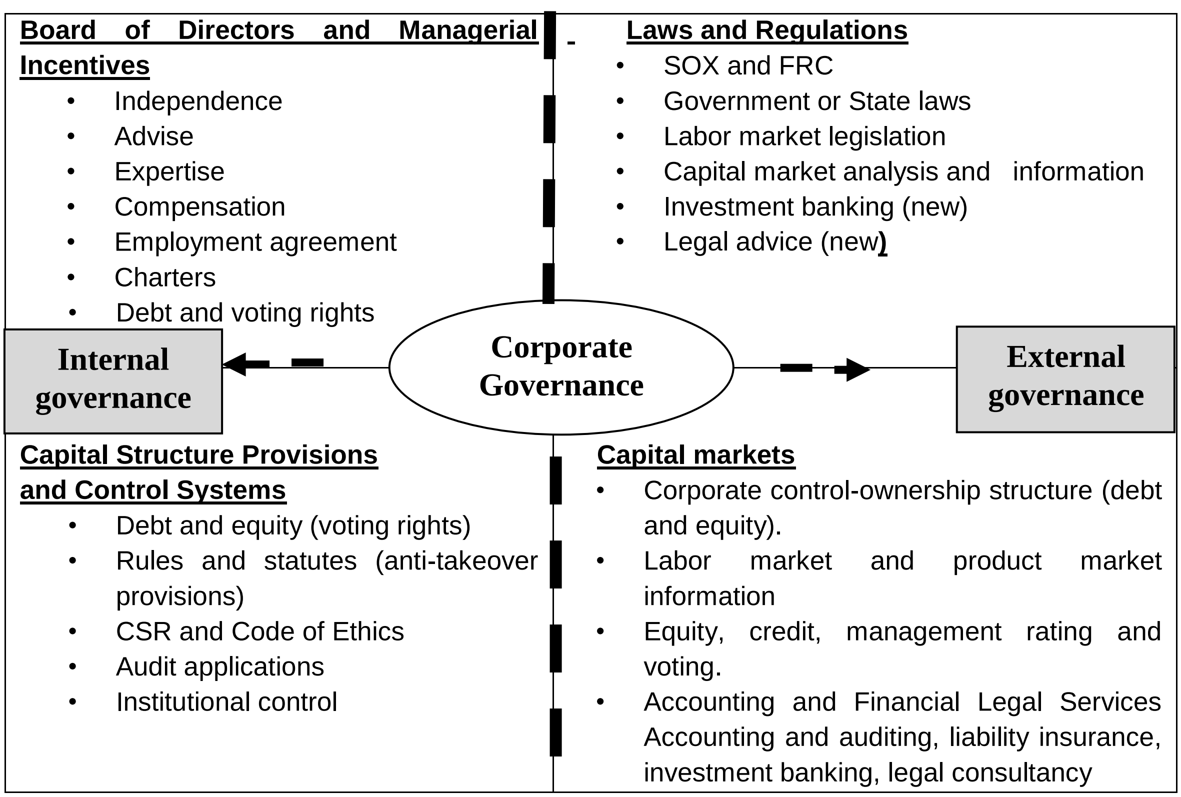


Figure 2: Corporate Governance: A More Comprehensive Model of the Modern Corporate Legality Framework



Results demonstrated the effectiveness and consistency of corporate culture and legality in analyzing the actions of North Cyprus's businesses and investigating the level of capital market culture and market culture behavior has been successful. Furthermore, demonstrated that corporate governance is a system rather than merely a process, showing a strong positive correlation between corporate legality and capital market behavior for improved firm performance as well as a positive relationship between corporate culture and market behavior.

The scales designed for each dependent and independent variable were found to offer the opportunity to employ two-factor and multiple-factor regression models to predict differences in the $\boldsymbol{\beta}$ coefficients between the independent and dependent variables. Selecting test questions for every independent variable has produced useful outcomes for the dependent variables. Based on the regression analysis, it can be inferred that companies with higher levels of control, creativity, collaboration, managerial incentives, control systems, rules, and regulations also have higher levels of market and capital market culture orientation. However, the capital markets must be able to convince a corporation to react to any financial commitment. Thus, Avcın and Balcıoglu (2017) argue that the current state of a country's capital markets is crucial for enterprises to develop their financial portfolios and innovations. The variables and the literature were examined to construct and establish the hypotheses that were tested.

H1a. Collaboration exhibits a positive relationship with firm Market Culture behavior and firm performance.

H1b. Board of Directors and Managerial Incentives are positively associated with firm Capital Markets Culture behavior and firm performance.

H2a. Control has a positive impact on firm Market Culture behavior that leads to better firm performance.

H2b. Capital Structure Provisions and Control Systems have a positive impact on firm Capital Markets Culture behavior that leads to better corporate performance.

H3a. Creativity exhibits a positive relationship with firm Market Culture behavior that leads to better corporate governance.

H3b. Law and Regulations have a positive impact on firm Capital Markets Culture behavior and corporate performance.

H4. Collaboration, Control, and Creativity are positively associated with firm Market Culture behavior and performance.

H5. Board of Directors and Managerial Incentives, Capital Structure Provision and Control Systems, Law and Regulations have a positive relationship with firm Capital Market Culture behavior and performance.

H6. There is a positive relationship between firm Market Culture (internal governance) and firm Capital Market Culture (external governance).

Table 10 below presents the empirical data, which show that (1) internal governance conduct and company culture provisions have a positive linear connection. The components of corporate legality provisions exhibit a strong positive correlation with external governance practices. (3) In the contemporary legal landscape, strong corporate power results from appropriately interpreting the laws of the elements. (4) To create the proper corporate culture and corporate legal conduct that have a favorable impact on the financial markets and firm success, businesses should integrate high-quality Corporate Social Responsibility (CSR) and sound Corporate Governance (CG). Nonetheless, the outcome of Hypothesis 6 suggests that the capital market's operation is inefficient and that the existing legal system is inadequate, which hinders businesses from developing novel capital market products and financial portfolios. The low capital market culture value of 01.20% suggests that the capital market culture-independent variable will be used to forecast the strength of the variation in the market culture variable. As a result, firm market culture behavior and performance will decline with any decline in the regression model's capital market culture value.

Lastly, the essential components of legality and culture that are discovered to be reliable predictors of business success are reflected in Figures 1 and 2. Therefore, the empirical findings demonstrated that the capital market's legal framework affects how well businesses perform. Improving the capital market legal framework will assist businesses in putting in place the internal and external safeguards they need to deal with potential problems that may come up when interacting with external stakeholders.

Table 10. Two factor and multiple factor regression results

Regression results (Two factors)							
The dependent variable in the regression model is Market Culture (MC) – internal governance. Firm level data was constructed from a survey for 13 firms in year 2015							
Dependent variable: Market Culture (MC) – internal governance							
	Hyp.	Intercept	R^2	F stat.	t	p-value	Unstandardized Coefficients β
Collaboration (CL)	*H1a*	0.489	0.324	90.343	9.505	0.000	0.625
Control (CT)	*H2a*	0.667	0.354	101.578	10.078	0.000	0.606
Creativity (CR)	*H3a*	0.822	0.295	77.324	8.793	0.000	0.410
Capital Market (CM)	*H6*	1.572	0.012	1.459	- 1.208	0.230	- 0.109
Number of observations 188							

Notes: *Internal governance was determined by the cultural elements (independent variables); Collaboration, Control and Creativity. Firm data was obtained from the survey results in 2015 for 13 firms total sample of 188. Results imply that Collaboration, Control and Creativity had a positive impact on firm's Market Culture – internal governance behaviour and performance. For Hypothesis 6 the change or variation in Capital Market Culture variable was predicted in relation to the dependent variable Market Culture. Although the value of the independent variable Capital Market Culture is negative, still there is a positive relationship between Market Culture variable and Capital Market Culture variable. The weights are as follows: Market Culture = 0,489 (constant term) + 0,625 (Unstandardized Betas Collaboration) × Collaboration + 0,166 (error term). Market Culture = 0,667 (constant term) + 0,606 (Unstandardized Betas Control) × Control + 0,137 (error term). Market Culture = 0,822 (constant term) + 0,410 (Unstandardized Betas Creativity) × Creativity + 0,118 (error term). Market Culture = 1,572 (constant term) - 0,109 (Unstandardized Betas Capital Market Culture) × Capital Market Culture + 0,220 (error term). The p values were significance at 10%, 5%, and 1% respectively.*

Regression results (Two factors)

The dependent variable in the regression is Capital Market Culture (CMC) – external governance. Firm level data was constructed from a survey for 13 firms in year 2015.

Dependent variable: Capital Market Culture (CMC) – external governance

	Hyp.	Intercept	R^2	F stat.	t	p-value	Unstandardized Coefficient β
Board of Directors and Managerial Incentives (BDMI)	*H1b*	0.104	0.631	222.597	14.920	0.000	0.945
Capital Structure Provisions Control System (CSCS)	*H2b*	- 0.312	0.801	523.046	22.870	0.000	1.220
Law and Regulations (LR)	*H3b*	0.282	0.379	79.468	8.914	0.000	1.005

Number of observations 132

Notes: *External governance was determined by the legality elements (independent variables); Board of Directors and Managerial Incentives, Capital Structure Provision and Control Systems, Law and Regulations. Firm data was obtained from the survey results in 2015 for 13 firms total sample of 132. Results imply that independent variables had a positive impact on firm's Capital Market Culture – internal governance behaviour and performance. The weights are as follows: Capital Market Culture = 0,104 (constant term) + 0,945 ((Unstandardized Betas for Board of Directors and Managerial Incentives) + 0,155 (error term). Capital Market Culture = -0,312 (constant term) + 1,220 ((Unstandardized Betas for Capital Structure Provision and Control Systems) + 0,131 (error term). Capital Market Culture = 0,282 (constant term) + 1,005 (Unstandardized Betas Law and Regulations) × Law and Regulations + 0,247 (error term). The p values were significance at 10%, 5%, and 1% respectively.*

Regression results (Multiple factors)

The dependent variables in the multiple factors regressions is Market Culture (MC) – internal governance and Capital Market Culture (CMC) – external governance.

Dependent variable: Market Culture (MC) – internal governance

	Hyp.	Intercept	R^2	F stat.	t	p-value	Unstandardized Coefficients β
Collaboration (CL)					4.289		0.300
Control (CT)	*H4*	0.251	0.502	61.501	5.279	0.000	0.340
Creativity (CR)					4.393		0.203

Number of observations 188

Dependent variable: Capital Market Culture (CMC) – external governance

	Hyp.	Intercept	R^2	F stat.	t	p-value	Unstandardized Coefficient β
Board of Directors and Managerial Incentives (BDMI)					5.991		0.341
Capital Structure	*H5*	- 0.510	0.862	265.557		0.000	
Control Systems (CSCS)					12.162		0.833
Law and Regulations (LR)					3.541		0.230
Number of observations 132							

***Notes**: The strength of the regression model in explaining the impact between the dependent variable and independent variables was by 50,20% which is positively significant. The strength of the regression model in explaining the impact between the dependent variable and independent variables was by 86.20%, which is positively significant. The weights are as follows: Market Culture = 0,251 (constant term) + 0,300 + 0,340 + 0,203 ((Unstandardized Betas for Collaboration, Control and Creativity) + 0,180 (error term). Capital Market Culture = -0,510 (constant term) + 0,230 + 0,833 + 0,341 ((Unstandardized Betas for Law and Regulations, Capital Structure Provisions and Control Systems and Board of Directors and Managerial Incentives) + 0,190 (error term). The p values were significance at 10%, 5%, and 1% respectively.*

THE CONSTRUCTION AND INCLUSION OF THE G15 AND G17 INDICES

The Competing Values Framework (CVF) (Cameron et al., 2006, p. 40) and Corporate Legality Framework (CLF) (Gillan, 2006, p. 384) theories, which offer a comprehensive method for forecasting and assessing corporate value and performance, serve as the foundation for the development of the hypotheses. The 'YES' responses to a survey about governance enhancement that improves overall business performance served as the basis for the creation of the GOV15 and GOV17 indices. If a company can compete with the outside world, it will develop good corporate legality practices. This competitiveness will be impacted by several factors, including capital structure, control systems, management incentives, and compliance with laws and regulations (external governance). Therefore, G15 and G17 indices have been used as a set of mediator variables to capture the positive and/or negative impacts of the fluctuations in financial markets and exchange rates. This will contribute to the overall improvement in the corporate performance that formed the following hypotheses.

H4. Non-listed firms' corporate governance performance gains substantial value from enhancements to their corporate governance provisions.

H5. More overseas commerce, the use of derivatives (stock returns), and less exchange rate exposure are all correlated with good governance.

Table 11. Regression results of Hypothesis 4

a. Dependent Variable: Average Corporate Governance Score Value Added (ACGOVSVA)							
	H	Intercept	R^2	F stat	t	p-value	Unstandardized Coefficients β
Corporate Legality Elements Value Added (External Governance) G17	*H4*	3,895	0.991	579,902	8,472	0,000	0,055
Corporate Market Culture Elements Value Added (Internal Governance) G15					29,356	0.000	0,064
Number of observations 320							

Notes: *All sample mean corporate governance score has been determined by the corporate legality elements and corporate market culture elements. The weights are as follows: Average Corporate Governance Score Value Added = 3,895(constant term) + 0,055((Unstandardized Betas for corporate legality elements) + 0,064 (Unstandardized Betas for corporate market culture elements) + 0,008 (error term). The p values below 0.05 indicate significance at 10%, 5%, and 1% respectively.*

The empirical results of tables 11, 12 and 13 give support to the above hypotheses that the inclusion of corporate culture and legality elements have improved company performance led to the increase in company value and hence improved trade and reduced exchange rate exposure.

Table 12. The results of the inclusion of G15 and the G17 provisions

Case Summaries[a]							
		CGOV	CORPORATE MARKET CULTURE ELEMENTS	CORPRATE LEGALITY ELEMENTS	CORPORATE MARKET CULTURE ELEMENTS VALUE ADDED	CORPORATE LEGALITY ELEMENTS VALUE ADDED	CORPORATE GOVERNANCE SCORE VALUE ADDED
1		**58,83**	32,70	26,10	52,13	43,27	**95,40**
2		**54,82**	28,46	26,36	45,34	43,71	**89,05**
3		**54,20**	24,93	29,30	39,71	48,68	**88,39**
4		**49,10**	22,20	26,90	35,36	44,59	**79,95**
5		**52,80**	24,60	28,20	39,18	46,75	**85,93**
6		**54,66**	28,80	25,80	45,97	42,77	**88,74**
7		**60,43**	31,33	29,10	49,90	48,24	**98,14**
8		**57,60**	27,40	30,20	43,64	50,07	**93,71**
9		**49,40**	21,20	28,20	33,76	46,75	**80,51**
10		**49,26**	22,26	27,00	35,46	44,76	**80,22**
11		**56,60**	28,86	27,80	45,97	46,09	**92,06**
12		**56,36**	26,20	30,10	41,83	49,90	**91,73**
13		**40,44**	15,40	25,00	20,31	41,45	**61,76**
Total	N	**13**	13	13	13	13	13
	Mean	53,4231	25,7185	27,6969	40,6585	45,9254	86,5838
a. Limited to first 100 cases.							

Table 13. Regression results for Hypotheses 4 and 5

Net Trade, Financial exposure, stock returns.
Sample adjusted 2008 – 2017
Financial exposure included observations: 3969
Stock returns included observations: 1531
Firms included observations: 320
Net trade sample: All industry.

Panel A: Test of firm-level performance financial exposure stock returns and net trade

a. Dependent Variable: Average Corporate Governance Score (CGOV)

	H	Intercept	R^2	F stat	t	p-value	Unstandardized Coefficients β
Financial exposure	*H4*	1,706	0,492	2,906	-1,705	0,817	-0,039
Stock returns		- 1,766	0,128	*1,620*	*1,273*	0,229	*3,297*
Net Trade		1,537	0,131	1,057	-1,028	0,338	-0,001

Number of observations 320

Notes: *All sample mean corporate governance scores have been determined by the external governance elements and internal governance elements. The weights are as follows: Corporate Governance Score = 1,706 (constant term) + -0,039((Unstandardized Betas for financial exposure) + 0,023 (error term). Corporate Governance Score = -1,766 (constant term) + 3,297 (Unstandardized Betas for stock returns) + 3,394(error term). Corporate governance Score = 1,537(constant term) + -0,001 (Unstandardized Betas for net trade) + 0,013 (error term).The p values below 0.05 indicate significance at 10%, 5%, and 1% respectively.*

Panel B: test of firm-level performance financial exposure stock returns and net trade after inclusion of the G15 and G17 indices

a. Dependent Variable: Average Corporate Governance Score Value Added (CGOVSVA)

	H	Intercept	R^2	F stat	t	p-value	Unstandardized Coefficients β
Financial exposure	*H5*	2,933	0,993	302,302	-17,387	0,003	-0,499
Stock returns		**-**12,597	0,294	4,570	2,138	0,056	14,472
Net Trade		1,891	0,405	4,769	-2,184	0,065	-0,003

Number of observations 320

Notes: *All sample mean corporate governance score has been determined by the external governance and internal governance elements.. The weights are as follows: Corporate Governance Value Added = 2,933 (constant term) + -0,499((Unstandardized Betas for financial exposure) + 0,029 (error term). Corporate Governance Value Added = -12,597 (constant term) + 14,472 (Unstandardized Betas for stock returns) + 6,770 (error term). Corporate governance Value Added = -1,891(constant term) + -0,003 (Unstandardized Betas for net trade) + 0,001 (error term).The variables are in absolute values. The p values below 0.05 indicate significance at 10%, 5%, and 1% respectively.*

DISCUSSION AND CONCLUSION

It has been successful in investigating the firms that practice corporate governance principles listed on the Istanbul Stock Exchange (ISTX100) in Turkey, as well as the quality of their market culture (MC) (internal governance) and capital market culture (CMC) (external governance) behavior in North Cyprus. The primary conclusions of the study as stated in section 1 of the chapter demonstrate that, in contrast to the application of corporate governance principles in Turkey, appropriately regulating corporate behavior is linked to the complementarity of the essential components of corporate culture and corporate legality. The findings show that Tobin's q, return on equity, and return on assets are not as good predictor variables for measuring capital-based performance behavior and firm performance behavior as the core components of the Corporate Legality Framework and Competing Values Framework.

The chapter's second section claims that corporate legality and corporate culture provisions aid businesses in developing effective CG systems. It was discovered that these elements affect how businesses behave and that if the legality and cultural elements provisions are not followed, business performance will suffer. As a result, the study's CG models (Figures 1 and 2) have the appropriate value drivers for orientation in the relevant provisions, which businesses may be able to use and modify as needed when problems and difficulties emerge during interaction with financial markets. Additionally, the study emphasizes the necessity of a contemporary and effective corporate social responsibility (CSR) and CG system tailored to the demands of the whole society and to the rapid change of the economic environment with an efficient law.

The empirical findings showed that (1) the elements of corporate culture provisions and internal governance behavior have a positive linear relationship. (2) The elements of corporate legality provisions and external governance behavior have a significant positive association. (3) Proper orientation in the provisions of the elements leads to good corporate power in the contemporary legal environment. (4) Corporations can establish the proper corporate culture and corporate legal behavior that positively affects financial markets and firm performance by integrating high-quality CSR and CG.

The study's third section demonstrates how the essential components of both external and internal governance affect a company's overall conduct. As a result, companies that can demonstrate their commitment to corporate governance will reap the rewards of their stakeholders' increased trust. It would be to see managers and probably leaders, particularly in the banking industry in North Cyprus, armed with moral principles and in favor of a greater good for both the company and society by rejecting the most immoral options. The study also examines the topic of appropriate corporate behavior-based governance and presents chances for development. It also recognizes that appropriate corporate conduct serves to restrain and prohibit corporate activity, necessitating certain governance regulations in North Cyprus institutions. Hence, the findings could be used to improve and modify corporate governance practices, with the capital market being one potential target.

In summary, the G15 and G17 required corporate governance measures to play a critical role in promoting appropriate improvements in corporate governance that benefit all parties involved, preserving stability, and controlling risks in the financial system as explained in section four of the study. Measures related to business legality (G17 index) were more effective than corporate culture (G15 index) in lowering exchange rate exposure, boosting net trade, and hedging. Both actions are essential for managing the complexity of market risks and for the growth of the financial markets. Consequently, emphasis is placed on the connection between exchange rate exposure, net trade, derivative usage, and corporate governance performance. Furthermore, empirical findings demonstrate exchange rate exposure is affected by proper corporate governance improvements.

CONFLICT OF INTEREST

This research has solely been funded and conducted by the author. No conflict of interest exists with other researchers or institutional entities.

DATA AVAILABILITY STATEMENT

The data supporting the study's findings for the article are openly available in the [FTSE 100 Index (FTSE)] at [https://uk.investing.com/indices/uk-100], reference number [FTSE 100 Index (FTSE); Investing.com].

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APPENDICES

Table 2: This table illustrates the constructed panel data for companies listed in the Istanbul Stock Exchange (ISEX100) as of December 2014.

BISTX100	CGS13	CGS14	MTBTQ 14	BETAS 14	ROA 14	ROE 14
AKSA	9,10	9,22	1,84	0,85	0,067	0,024
A EFES	9,33	9,42	1,74	0,42	0,10	-0,005
AKBANK.	9,24	9,48	1,29	1,42	0,043	0,023
ARÇELİK	9,28	9,41	2,24	0,63	0,205	0,015
ASELSAN	9,07	9,09	2,98	0,62	0,073	-0,006
AYGAZ	9,27	9,29	1,32	0,61	0,063	0,017
C COLA	9,20	9,25	3,32	0,57	0,127	-0,008
DOGAN HOLD	9,18	9,35	0,61	0,42	0,07	-0,026
ENKA	9,20	9,02	1,47	0,45	0,04	0,016
EGELI A.S.	9,08	9,24	0,56	0,53	0,005	-0,004
GLOBAL YAT.	8,86	8,88	0,84	0,36	-0,05	-0,077
HURRIYET	9,09	9,30	0,91	0,63	0,149	0,016
IS Y. O.	9,11	9,07	0,64	0,37	0,007	0,008
IHLAS HOL	8,15	7,84	0,38	0,54	0,046	0,013
IS GAYRI M.	8,89	9,09	1,04	0,82	0,014	0,005
OTOKAR	9,10	9,20	12,76	1,03	0,017	-0,001
PEGASUS	8,13	8,80	2,32	1,01	-0,032	-0,029
PETKIM	8,91	9,10	1,71	0,69	0,038	0,012
SEKERBANK	9,09	9,10	0,82	0,44	0,162	0,015
TURKIYE GB	9,09	9,20	1,32	1,52	0,073	0,022
TURKIYE HB	9,21	9,19	0,88	1,52	0,129	0,037
TURKIYE Ş.C.	9,10	9,28	0,98	1,05	0,083	0,024
TOFAS	9,14	9,01	4,42	0,68	0,143	0,022
TUPRAS	9,34	9,31	2,57	0,85	0,08	0,037
T.TELECOM.	8,80	8,72	5,49	0,65	0,387	0,024
TSKBK	9,40	9,44	1,34	0,58	0,086	0
T. TRAKTOR	9,40	9,05	6,61	0,48	0,214	0,011
YAPI K.B.	9,32	9,25	0,87	1,31	0,072	0,031
YAZICILAR	9,07	9,13	0,91	0,35	0,032	-0,004
VESTEL	9,95	8,95	1,15	1,66	0,308	-0,046

Source: Adapted from SAHA Rating agency and from Borsa/share prices- /detail/financial – tables. Retrieved as at 04 February 2024.

Table 3: This table illustrates the constructed panel data for companies listed in the Istanbul Stock Exchange (ISEX100) as of December 2015.

ISEX100	CGS13	CGS14	MBVTQ 15	BETAS 15	ROA 15	ROE 15
AKSA	9,10	9,22	1,81	0,99	0,24	0,07
ANADOLU EF.	9,33	9,42	2,21	1,02	0,42	-0,02
AKBANK A.S.	9,24	9,48	1,06	1,26	0,13	0,08
ARÇELİK	9,28	9,41	2,96	0,82	0,68	0,07
ASELSAN	9,07	9,09	4,65	0,80	0,21	-0,01
AYGAZ	9,27	9,29	1,40	0,76	0,20	0,09
COCA COLA	9,20	9,25	3,47	0,86	0,52	0,01
DOGAN HOL.	9,18	9,35	1,14	0,12	0,27	-0,18
ENKA	9,20	9,02	1,31	0,57	0,11	0,07
EGELI T.G.Y.O	9,08	9,24	0,80	0,47	-0,01	-0,11
GLOBAL YAT.	8,86	8,88	0,40	0,61	0,48	-0,19
HURRIYET A.S.	9,09	9,30	1,15	0,54	-0,44	0,00
IS YO LEASING	9,11	9,07	0,47	0,30	0,04	0,03
IHLAS HOL.	8,15	7,84	2,22	0,88	0,22	-0,70
IS GAYRI M	8,89	9,09	0,75	0,84	0,05	0,18
OTOKAR	9,10	9,20	14,11	0,74	1,17	0,01
PEGASUS A. S	8,13	8,80	2,07	1,14	0,28	0,12
PETKIM A.S	8,91	9,10	1,90	0,75	0,03	0,11
SEKERBANK	9,09	9,10	0,81	0,91	0,31	0,04
GARANTI	9,09	9,20	1,05	1,35	0,23	0,09
HALK BANK	9,21	9,19	0,85	1,56	0,23	0,13
SISE CAM A.S.	9,10	9,28	1,55	0,98	0,26	0,11
TOFAS A. S.	9,14	9,01	5,59	0,88	0,42	0,06
TUPRAS	9,34	9,31	3,68	0,70	0,40	0,10
TURK TEL. A.S.	8,80	8,72	7,82	0,74	1,31	-0,01
TSKBK SINAI	9,40	9,44	1,06	1,08	0,19	0,12
T. TRAKTOR AS	9,40	9,05	6,13	0,80	0,65	0,05
YAPI KREDI	9,32	9,25	0,85	1,28	0,22	0,09
YAZICILAR.A.S.	9,07	9,13	1,38	0,87	0,12	-0,16
VESTEL	9,95	8,95	1,96	1,88	1,14	-0,05

Source: Adapted from SAHA Rating agency and from http://www.bigpara.com/borsa/share prices- /detail/financial – tables;

G15 index provisions mandated

1. Your organization has independent board members who are actively involved with the provisions of directing and controlling.
2. Your organization maintains a system of advice to investors and all stakeholders consistent with the current situation regarding the financial position and investment targets.
3. Your company has compensation regulations actively used.
4. Your organization allows more shareholder and employee involvement in terms of debt and voting rights.
5. Shareholders have cumulative voting rights to increase and decrease board size and amend charter/bylaws.
6. Your company has outstanding debt instruments at present in the debt market.
7. Your company has outstanding corporate equities in the equity market.
8. Your company has a strategy investment finance committee.
9. Your organization has a reward system.
10. Your company has teams and executives that gather information from external sources and analyze current market situations to do things first and fast.
11. Your company has a dividend and public information policy.
12. Your organization has an information policy that informs the public about its way of implementing and use of new developments regarding capital market instruments (financial innovations) following the current law
13. Your company discloses with evidence of any used capital market instruments abroad, such as in a foreign securities exchange results and financial status of its operations.
14. Your company provides information about its total share capital and voting rights under current laws.
15. All transactions performed by the Board are disclosed to the public

G17 index provisions mandated:

1. In the organization, departments provide employees with right information about ownership interests and profit-sharing rights.
2. All employees are given the right to negotiate power and openly reach collaborative decisions.
3. Employees in departments are assigned to work on a project.
4. Employees are happy with the way the reward system and the modes of conduct provisions are implemented in the organization.

5. Employees are allowed to own shares within their company.
6. Your organization has a management strategy (Mission Statement) to help maintain competitive edge within the environment.
7. Your organization have a Customer Charter (CC) policy (number of standardized rules) to establish excellent customer service.
8. Your organization currently is working on an innovation.
9. Your organization recently launched a new product.
10. Your organization acquires new resources in order to establish new product uniqueness.
11. Your organization maintains a management strategy of doing things first to maintain external discretion.
12. Your organization has a team of Market Research (MR) to help find information about product innovation.
13. Your organization provides feedback forms to customers.
14. Your organization received a market award in last decade.
15. Your organization follows international trading and quality standards (e.g. ISO 9000).
16. Your organization is a member of a trading bloc such as the European Union (EU).
17. You have received a share of profit from your organization in the last decade.