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HOW IMPORTANT IS CORPORATE GOVERNANCE FEATURES AND THE LAGS ON AUDIT REPORTS IN FIRM PERFORMANCE: THE CASE OF TURKEY

ŞİT Ahmet
Kilis 7 Aralık University, Turkey

EKŞİ İbrahim Halil
Gaziantep University, Turkey

BUYURAN Burcu
Gaziantep University, Turkey

Abstract:

The purpose of our article is to examine whether corporate governance dimensions and audit reporting lags affect firm performance in Turkey. In this article 30 firms operating in BIST 30 were used. Data cover the 2013-2019 periods. To analyze relationships between variables, we used the Westerlund Cointegration test and CCE Group Estimator. According to results, there is a long-term cointegrated relationship between dependent and independent variables in both models. In both models, there is significantly negative relationship between reporting lags and ROA/ROE. There is significantly positive relationship between firm performance and board independence. This study is one of the few studies measuring audit reporting lag and different corporate governance dimensions and their impact on firm financial performance in Turkey.

Key words: *Audit Reporting Lag, Financial Performance, Corporate Governance, BIST-30, Westerlund Cointegration Test, CCE Estimator*

1. Introduction

Due to worldwide corporate governance failures and firm scandals in about last 20 years, there is a growing interest in studying the impact of corporate governance and financial reporting on firm performance (Apadore and Noor, 2013; Ilaboya and Christian, 2014; Azubike and Aggreh, 2014; Mensah, 2018).

The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, for example, the board, managers, shareholders, and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs (Azubike and Aggreh, 2014). Good corporate

governance promotes efficiency in monitoring and supervision (Gafoor et al., 2018). It can be said that the existence of good corporate governance is an essential precondition for any corporation to conduct an efficient activity in a globalized market (Bocean and Barbu, 2007). The investor's confidence increases with the presence of effective corporate governance, the firm's market value and financial performance. In contrast, weak corporate governance reduces investor confidence and discourages outside investment in the firm (Vo and Nguyen, 2014).

One of the functions of corporate governance is financial reporting. Financial reports give financial information. Financial reporting aims to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial reporting timeliness is as important as the content of financial reporting for all concerned. The fact that financial reporting can be beneficial to users when are related to timely reporting.

Users need timely information to enable them to make promptly review. This review helps them decide whether to commit or continue to invest their capital in that company. Delays in disclosing timely information on the preparers' part would result in greater market inefficiency (Vuran and Adiloğlu, 2013). Consequently, this may adversely affect investors' confidence in the capital market (Nor et al., 2010).

Because of all reason, it was investigated the effect of both corporate governance and audit reporting lags (ARL) on firm performance. For this aim, it was used data for Turkish firms (Operating in Index of BIST-30) for the 2013-2019 period. To investigate financial reporting lag, it was used the time lag of audit reporting. Audit reporting lag was measured by computing the number of days that elapse between the firm's year-end and the date of the auditor's report. Moreover, Audit Reporting Lag in examining the role of the corporate governance, focused six specific aspects of board governance namely on board size, independent board members, institutional ownership, board gender, board education and share of largest shareholder. In addition to these variables, it was used total assets liquidity and firm size.

We hope that the current study contributes to the existing literature on firm performance in 2 different ways. First of all, most of the earlier organizational governance studies focussed on Europe, the U.S. and other developed economies (Denis and McConnell, 2003; Levine, 2004; Adams and Mehran, 2012; Battaglia and Gallo, 2017; Fernandes et al., 2016; O'sullivan et al., 2016). This paper provides evidence on the impact of corporate governance and financial reporting lag on firm performance for Turkish firms as emerging countries. Secondly, we consider together the effect of both corporate governance and reporting lag on firm financial performance. Moreover, there are not many studies in the national literature for this subject excepted for Vuran and Adiloğlu, 2013.

The rest of this paper is organized as follows. The next section reviews the literature on both corporate governance and ARL. And reviews related studies on the association between board characteristics and the timeliness of financial reporting. The part in question is followed by a section outlining the design of the research. The results are presented in the subsequent section starting with the descriptive statistics for the full sample, and the correlation and regression analysis. The final chapter concludes and discusses the limitations and suggestions for future studies.

2. Literature

2.1. Corporate governance and firm performance

Corporate governance includes not only the activities of the board of directors and its relationship with shareholders, managers but also with external parties such as auditors, regulatory authorities and other corporate participants. The structure of corporate governance determines the distribution of rights and responsibilities between different parties in the firm and sets the decision-making rules and procedures (Boeva et al., 2017). Corporate governance is about the manner in which a firm's top officers are being monitored and to discipline them accordingly with the primary objective of enhancing shareholders' long-term value (Shamsul and Norita, 2004:2). Corporate governance influences the degree of development of capital markets and their functioning, the allocation of resources.

The effective governance practices stem from the agency theory perspective, where the primary responsibility of a board is to monitor the management and protect the shareholders from any conflict of interest that arises due to the separation of ownership and control (Bhatt and Bhatt, 2017).

In corporate governance, a board of director is considered as the most crucial factor which affects an entire business and interest of owners. As such, the question of "what should be the board of director characteristics and how does it influence the firm performance of a firm" has attracted significant attention from academia and practitioners for a long time.

Papers related with corporate governance and firm performance have been focused in developed countries (Core et al., 1999; Rajagopalan and Zhang, 2008; Fan et al., 2011; Guest, 2008; Boussenna, 2020). With globalization effect and the growth of the economic importance of developing countries, there has been an escalation in the interests of researchers studying corporate governance in these countries such as Russia (Orazalin, 2016) and China (Dong et al., 2016). However, the empirical works with corporate governance and firm performance are still not enough in the context of developing countries. The reason of these situations maybe due to the relatively shady disclosure practices followed by companies or the data unavailability problem (Arora and Sharma, 2016).

Many of the standard related literature examines the relationship between firm performance and some subset of several measurements of corporate governance, such as insider-outsider ownership, board composition, the board size, executive compensation and board tasks (such as Agyei(2018), Azeez (2015), Puasa et al. (2014), Ferrero (2014), Azubike and Aggreh (2014), Apadore and Noor (2013), Beiner et al. (2012).

Some of the papers instead of focusing on individual measures of corporate governance utilize a composite measure such as Gompers et al. (2003); Core et al. (2006), Bhagat and Bolton (2008) construct a governance index (G-index).

Overall, the empirical results of these papers have been decidedly mixed for corporate governance and firm performance. Several papers estimated that better corporate governance significantly enhances firm performance such as Apadore and Noor

(2013), Bhagat and Bolton (2008), Kajola (2008), Bauer et. (2004), Lemmon and Lins (2003), Kula (2005).

On the other hand, some others such as Sabate and Puente (2003), Agyei (2018), Hutchinson and Gul (2004), Judge et. (2003), Jung-wha and Zhang (2010), presented an inverse relationship between corporate governance and firm performance.

Some studies reported no significant relationship between corporate governance and firm performance such as Kazunori et. (2015), Mashayekhi and Bazaz (2008), Velnampy (2013).

In some studies, few features of the board affected the firm performance positively while some of them had an adverse effect by altering them; Azeez (2015), Kang and Shivdasani (1995), Lawrance and Caylor (2004), Ehikioya (2013), Coleman (2008).

In literature, it is seen a few studies that empirically tested the relationship for Turkish firms. Consistent with global studies, the findings of the reviews on Turkey are decidedly mixed. For instance, findings of Kula (2005) found that the effectiveness, information access and performance evaluation attributes of boards are positively and significantly associated with firm performance. Orbay ve Yurtoğlu (2006) found that business group membership improves investment performance and companies' relative market valuation. Karamustafa et. al. (2009) found that significant differences were observed at asset turnover, return on asset and profit capital ratio performance indicator for previous and after index extend. Acaravcı at all. (2015) reveal that there is a relationship between performance and corporate governance practices of companies. In these studies, they were found a positive correlation between corporate governance and firm performance.

Conversely, in some studies, there is a negative relationship between corporate governance and firm performance. For instance, findings of Ersoy et al. (2011) from the panel logistic regression models indicate that while foreign ownership increases firm performance in terms of Tobin-q, it reduces abnormal stock returns of the firm. In some studies, the opinion that the existence of the audit committee would increase performance in firms is not confirmed. Aygün et al. (2010), found a statistically significant negative correlation between corporate board size and firm debt ratio. Ege et al. (2013) found that rankings which have been acquired from performance score and corporate governance score doesn't move accordingly. Besides, this result shows that the quality of corporate governance of the companies does not influence financial performance.

In literature, there couldn't be seen any effect for some studies. For instance, Ünlü et al. (2014), revealed that there are no differences among BIST 30 firms that both are and are not in XKURY concerning financial performance and shareholder value creation.

2.2. Audit reporting lag and firm performance

Due to the markets and business globalization, geographical expansion and the higher demand for information and transparency among investors, stakeholders, and society in general, market agents find their toehold in the quality of their financial reporting and their primary source of knowledge on company strategy.

Financial reports issued by a firm have become an essential resource for any market participant since it provides a reduced amount of information asymmetries between managers, investors, regulatory agencies, society and other stakeholders (Jennifer, 2014). According to the International Accounting Standards Board (IASB) timeliness as "having information available to decision-makers before it loses its capacity to influence decisions" (IASB, 2008).

Timely reporting on financial statements is necessary for healthy financial markets. Timely financial reporting helps in the efficient and appropriate allocation of resources by reducing the dissemination of asymmetric information, by improving the pricing of securities, and by mitigating insider trading, leaks and rumors in the market (Yadirichukwu and Ebimobowei, 2013). Therefore, financial reports should be published as soon as possible after the end of the accounting period. The higher the number of days that the firm takes to announce its annual report, the information in the financial reporting would be less useful. On the other hand, the data will be helpful if the firms take a lesser number of days to announce their annual report (Mensah, 2018).

The agency theory deals with the contractual relationship between the agent (manager) and the principal (shareholders) under which shareholders delegate responsibilities to the manager to run their business.

Agency theory is considered as a relevant theory that is suitable to this study. Because agency theory explains the board of directors, director's ownership and audit committee, whereby each of them is functioning as a monitor of mechanism to reduce agency problems. Monitoring mechanism refers to the corporate governance practices, the proper management performance, and financial reporting processes (Apadore and Noore, 2013). As a result, timely reporting will enhance the decision-making process and reduce information asymmetry in the capital market (Mouna and Anis, 2013).

Many researchers investigated the publishing delay in many developed and developing countries around the world. In these studies, it has examined the timeliness (reporting lag or delay) of corporate reporting and its determinants such as Apadore and Noor, 2013; Puasa et al., 2014; Yadirichukwu and Ebimobowei, 2013; Ilaboya and Christian, 2014; Nor-Mohamad et al., 2010; Shukeri and Islam, 2012). Prior literature suggests that the presence of corporate governance mechanisms will increase the monitoring of management and reduce the incidence of control or misreporting, and delays in the financial reporting processes (Shukeri and İslam, 2012).

Mensah (2018) investigated that selected corporate governance attributes and financial reporting lag and their impact on the economic performance of listed firms in Ghana for the period 2012–2014. He reported that the mean value of timeliness of financial reporting (ARL) is 86 days (SD 21 days), the minimum is 55 days, and the maximum is 173 days. The regression analysis results indicate that financial reporting lag has a negative statistically significant relationship with firm performance.

Puasa et al. (2014) analyzed the relationship between Audit Committee characteristics and timeliness of financial reporting in Malaysia. Their results show that AC independence level and activity are significantly associated with the timeliness of financial reporting. Similary, Yadirichukwu and Ebimobowei (2013) result suggests that audit committee independence is substantially related to the timeliness of financial reports; audit

committee meeting is not significantly related to timeliness of financial statements; audit committee expertise is significantly associated with the timeliness of financial reports and audit committee size is not significantly related to the timeliness of financial reports for Nigerian firms.

Azubike and Aggreh (2014) examined the determinants of audit report timeliness in Nigeria for 2010-2012. It has seen a significant relationship exists between board size and independence on audit report lag.

Hassan (2016) examined the determinants of audit report lagin Palestine and found that the audit reporting delay is influenced by the board size, corporate size, status of audit firm, company complexity, existence of audit committee, and ownership dispersion.

Mohamad-Nor et al. (2010) investigated the relationship between corporate governance and reporting lag for 2002 in Malaysian. According to results, it has been found that audit committee independence and expertise are associated with the timeliness of the audit report. Similary Ilaboya and Christian (2014) investigates corporate governance concerning audit report lag in Nigeria for the 2007-2011 period. They observed that some of the corporate governance dimensions such as board size, type of audit firm, firm size had a significant effect on firm performance while some of these such as board independence and audit committee size had no significant impact on audit report lag.

3. Model and analysis

3.1. Data

The purpose of this paper is to investigate whether corporate attributes and audit reporting lags affect the firm's financial performance in Turkey. In this paper, 30 firms were used (firms operating in BIST 30). Data cover the 2013-2019 periods. Our database are consists of 210 observations of BIST 30 firms over the period 2013-2019.

After the legal regulations in Turkey in 2012 towards institutional Management gained weight since starting the year is taken as 2013.

We taken the data and independent audited reports from the Istanbul Stock Exchange (ISE) and the Public Disclosure Platform (KAP). The reason for choosing this sample is that these chosen firms are the most prominent firms in ISE.

The dependent variable of this study is the financial performance of firms. Three main approaches to firm-level performance are found in social science research: research based on market prices (like this Tobin Q), accounting ratios (like this ROA, ROE) and total factor profitability (like this economic value added) (Bocean and Barbu, 2007). The financial performance of firms is measured with two accounting ratios; ROE and ROA in this study following similar studies such as Mensah (2018), Azeez (2015).

Generally, there are two types of financial reporting as audit reports and management reports. We choose the timing of audit reporting. ARL was chosen as the reports were prepared by independent persons / institutions in accordance with the principle of impartiality and principalization, which are among the basic concepts of accounting.

We used control variables tested the relationship between six CG attributes that are board size, the proportion of independent directors, board gender diversity, institutional ownership degree, block ownership concentration and board education degree.

In many studies examining the relationship between corporate governance and firms value or performance, various control variables that may affect the financial performance of the company are included in the models as independent variables. With the included control variables, the neglect of the variables that have an effect on the dependent variable and the resulting deviations are prevented. In addition, possible errors in models and the establishment of fake relationships are tried to be prevented. Moreover, the use of control variables can help reducing the impact of the inherent problem, which is a potential problem in corporate governance researches.

In addition to these variables, we use two control variables such as firm size and firm liquidity.

When we are choosing to these variables, we depend on literature such as Apadore and Noore (2013), Azubike and Aggreh (2014), Mensah (2018).

Using independent variables and dependent variables are shown on a table as below;

Table 1. Independent Variables and Dependent Variables

DEPENDENT VARIABLES		
Symbol	**Variable**	**Definition**
ROA	Return on Assets (ROA)	The Ratio of Net Income To Total Assets
ROE	Return on Equity (ROE)	The Ratio of Net Income To Equity
INDEPENDENT VARIABLES		
ARL	Audit Reporting Lag	Number of days that elapse between the firm's year-end report and the date of the auditor's report
PNED	Board Independence	The Ratio of Non-Executive Directors To Total Number Of Board Members
INSTO	Institutional Ownership	Free Float Rate of Firms
FMS	Firm Size	The Firm's Total Assets
BDS	Board Size	Total Number of Directors on The Board
BGD	Board Gender Diversity	The Proportion of Female Executives on The Board
LIQ	Liquidity	Current Assets/Current Liabilities
PPG	Postgraduate Board	Proportions of Postgraduate in The Board
SLS	Share of The Largest Shareholder	Share of The Largest Shareholder

3.2. Methodology

Analyzing the cointegration relationship between series in our study; CD (Cross Section Dependent) test developed by Pesaran (2004) was used to determine whether there is any dependency between the horizontal sections that make up the panel. Horizontal cross-sectional dependency indicates that the shock-affected levels are equal in any of the variables used and that no other firms are affected by any shock. In cases

where the time dimension is smaller than the size of the cross section (T <N), Pesaran (2004) CD test is preferred (Yalçınkaya and Kaya, 2017: 6).

After determining the cross-section dependency, Pesaran (2007) CADF test, one of the second-generation unit root tests, determined whether the variables in the model included unit root (whether they were stationary at the level). Pesaran (2007) The CADF test is an extension of the ADF regression with the first differences of individual series and cross-sectional mean of lag levels. In the test, both the CADF statistics and the individual results of each horizontal section are obtained, and the results related to the overall panel are obtained with the CIPS (Cross sectionally IPS) statistics, which are expanded by taking the cross-sectional averages. The CADF test gives fairly consistent results even when the cross-section (N) and time (T) size are relatively small. In addition, this test can be used in cases where both $T > N$ and $N > T$ (Pesaran, 2007: 266-267). By comparing the calculated test statistics with Pesaran (2007) CADF critical table values, stationarity test results are obtained for each unit. If the CADF critical table value is greater than the CADF statistic value, the null hypothesis is rejected and it is concluded that only the series of that unit is stationary. For the entire panel, the stationarity test result is obtained with CIPS (Cross-Sectionally Augmented IPS). CIPS test statistic is calculated by taking the arithmetic mean of the CADF test statistic values.

The Pesaran and Yamagata (2008) delta (Δ) test is used to measure whether the coefficients of independent variables change from horizontal to horizontal, that is, whether the slope coefficients of the variables are homogeneous or heterogeneous.

Whether the variables are heterogeneous or not changes the type of unit root and cointegration tests to be applied in the next step. If the probability value of the test statistics is less than 10%, the null hypothesis is rejected and the slope coefficients are considered heterogeneous. (Pesaran, Yamagata, 2008: 52-57).

If the series contain unit root, the existence of a long-term relationship between series can be investigated by cointegration tests. In the study, panel cointegration test developed by Westerlund (2007) was conducted to test the existence of a long-term cointegration relationship between dependent and independent variables. While making the assumptions of the panel cointegration tests, the stationarity degrees of the variables change the type of test to be applied. In the study, Westerlund ECM panel cointegration test was used for the series both including cross sectional dependency and heterogeneous groove. In the cointegration tests developed by Westerlund (2007), four panel cointegration tests designed to test the zero hypothesis of cointegration by testing whether the error correction term in a conditional error correction model is equal to zero. Two tests test the existence of cointegration relationship in the alternative hypothesis for the entire panel, while the other two test the alternative that at least one cointegrated unit exists. Two of the statistics are based on error correction information of the panel across the cross section. These are called panel statistics. The other test pair is called group mean statistics (Westerlund, 2007: 710-712).

In the Westerlund cointegration test, firstly the following model is estimated for the calculation of panel test statistics.

$$\Delta Y_{it} = \delta_i d_{it} + \gamma_i x_{it-1} + \sum_{j=1}^{pi} \alpha_{ij} \Delta Y_{it-1} + \sum_{j=0}^{pi} \Delta X_{it-j} + \varepsilon_{it}$$

$$Y_{it-1} = \delta_i d_{it} + \gamma_i x_{it-1} + \sum_{j=1}^{pi} \alpha_{ij} \Delta Y_{it-1} + \sum_{j=0}^{pi} \Delta X_{it-j} + \varepsilon_{it}$$

In order to test whether there is a cointegration relationship in the panel data set, the following group average statistics are estimated as follows.

$$G_{\bar{i}T} = \frac{1}{N} \sum_{i=1}^{N} \frac{\alpha_i}{se(\alpha_i)} \sim N(0,1)$$

$$G_{\alpha} = \frac{1}{N} \sum_{i=1}^{N} \frac{T\ \alpha_i}{\alpha\ (1)} \sim N(0,1)$$

The hypotheses for group statistics are as follows.

$H_0 = \alpha_i = 0$ (no cointegration for all cross-sections)

$H_a = \alpha_i < 0$ (cointegration for all cross-sections)

For the entire panel, the error correction coefficient and its standard error are calculated as follows:

$$P_T = \frac{\alpha_i}{se(\alpha_i)} \sim N(0,1)$$

$$P_{\alpha} = T\ \alpha \sim N(0,1)$$

Hypotheses for panel statistics are as follows.

$H_0 = \alpha_i = 0$ (no cointegration for all cross-sections)

$H_a = \alpha_i < 0$ (no cointegration for all cross-sections)

At the last stage of the study, it was accepted by the cointegration analysis that there was a long-term relationship between the variables. Under the assumption of cross-sectional dependency, the CCE (common related effects) model developed by Peseran (2006) was used to estimate the long-term cointegration coefficients. The CCE Coefficient Estimator method was applied to determine the degree of relationship between dependent and independent variables. CCE which the time dimension is consistent when it is smaller than the cross-section dimension, and it is an estimator that can produce results that provide an asymptotic normal distribution and calculate long-term equilibrium values for individual cross-section units (Göçer, 2013: 5097).

3.3. Results

Summary descriptive statistics of variables are shown in Table 2.

Table 2. Descriptive Statistics

	ROA	ROE	ARL	PNED	INSTO	FMS	BDS	BGD	LIQ	PPG	SLS
Mean	0.053	0.143	53.795	0.359	0.396	4.438	9.609	0.146	2.080	0.506	0.462
Std. Dev.	0.079	0.149	15.413	0.122	0.192	0.889	7.606	0.137	2.901	0.156	0.177
Minimum	-0.42	-0.91	30	0	0	1.38	1	0	0.033	0.11	0.128
Maximum	0.33	0.51	120	0.71	1	8.627	11	0.55	17.4	0.91	0.89
Obs.	210	210	210	210	210	210	210	210	210	210	210

As it is seen from the table, ARL values are between 30 days and 120 days. The highest standard deviation value is seen at ARL variable.

After determining the model, the correlation between independent and dependent variables was tested. The matrix of correlation values for the series is shown in Table 3-4

Table 3. Correlation Matrix of Model A (With ROA)

	ROA	ARL	PNED	INSTO	FMS	BDS	BGD	LIQ	PPG	SLS
ROA	1									
ARL	-0,03	1								
PNED	0,0075	-0,0053	1							
INSTO	0,0769	0,086	0,207	1						
FMS	-0,1604	-0,4333	0,1441	-0,168	1					
BDS	-0,1268	-0,2104	-0,1516	-0,0968	0,1918	1				
BGD	-0,0498	0,2745	0,1499	-0,0861	-0,0089	0,0074	1			
LIQ	0,4709	0,3507	-0,0405	0,1214	-0,4735	-0,1848	0,2197	1		
PPG	0,0508	-0,0786	0,1199	-0,1705	-0,0025	-0,0227	0,0607	-0,1183	1	
SLS	0,0035	-0,1275	-0,1116	-0,4279	0,1574	0,02	-0,1105	-0,1135	0,1174	1

The highest correlation is between total assets and Liquidity. But this correlation is opposite. So, for Model A, the increase in firms' total assets decreases their liquidity. The correlation between Liquidity and ROA (Return of Assets) is also high. When the liquidity of the firms increase, it causes the asset profitability of the firms to increase. In addition, the increase in the total assets of the firms cause the lag in their financial statements to decrease.

Table 4. Correlation Matrix of Model B (With ROE)

	ROE	ARL	PNED	INSTO	FMS	BDS	BGD	LIQ	PPG	SLS
ROE	1									
ARL	-0,1982	1								
PNED	-0,0324	-0,0053	1							

INSTO	0,0601	0,086	0,207	1						
FMS	0,0031	-0,4333	0,1441	-0,168	1					
BDS	-0,0396	-0,2104	-0,1516	-0,0968	0,1918	1				
BGD	-0,1001	0,2745	0,1499	-0,0861	-0,0089	0,0074	1			
LIQ	0,1404	0,3507	-0,0405	0,1214	-0,4735	-0,1848	0,2197	1		
PPG	0,1251	-0,0786	0,1199	-0,1705	-0,0025	-0,0227	0,0607	-0,1183	1	
SLS	0,0114	-0,1275	-0,1116	-0,4279	0,1574	0,02	-0,1105	-0,1135	0,1174	1

The highest correlation with dependent variable ROE is observed in total assets and liquidity. The relationship is adverse. In other words Model B, the increase in firms' total assets decreases their liquidity. The correlation between total assets and ARL is also high. Also, there is an inverse correlation between SLS and INSTO. So, increasing the share of the largest shareholder within the company decreases the free float ratio of companies. The fact that the majority of the company share is in one name / institution negatively affects the homogeneity of the firms.

After determining the correlation of the series, the model will be determined. However, the model should first be examined whether there is an autocorrelation problem in series, whether the series show normal distribution, and whether there is a cross-sectional dependency between the series.

The results of the Delta test performed to determine whether the variables are homogeneous or not are as follows:

Table 5. Delta Test

	Model A		Model B	
	Statistics	Prob	Statistics	Prob
Delta_tilde (Δ)	6.700	0.000	48.473	0.000
Delta_tilde_adj (Δ_{adj})	7.107	0.000	51.414	0.000

As seen in Table 5, the variables are heterogeneous since they are below 5%. According to this result, the calculated regression coefficients of the variables may vary according to each horizontal section and shows that the cointegration results and interpretations are reliable and valid for all companies in the panel (Koçbulut and Altıntaş, 2016:159).

Heterocestasticity, Autocorrelation, Cross Sectional Dependence Tests for variables are shown at table 6:

Table 6. Heterocestasticity, Autocorrelation, Cross Sectional Dependence Tests

	Heteroscedasticity Breusch-Pagan / Cook-Weisberg test		**Autocorrelation Wooldridge test for autocorrelation**		**Cross-Sectional Dependence Pesaran's test of cross-sectional independence**	
	chi2(1)	**Prob**	**F Value**	**Prob**	**Value**	**Prob**
Model 1	7.16	0.0075	4.511	0.0423	3.869	0.0001
Model 2	33.10	0.0000	0.312	0.5810	3.671	0.0002

According to table 6, to decide whether or not there is a cross-sectional dependence in the model Pesaran's test of the cross-sectional test is performed. According to the result of these tests, there are cross-sectional dependence in both models (Prob< 0.05).

To determine whether there is an autocorrelation problem between the variables, Wooldridge test for autocorrelation is performed. According to the results of this test, no autocorrelation problem was found between the variables (Prob> 0.05).

To determine whether there is a heteroscedasticity problem between the variables, the Breusch-Pagan / Cook-Weisberg test is performed. According to the results of this test, the heteroscedasticity problem is seen in our model. (Prob < 0.05) Based on these test results, we continued the analysis with robust.

Second generation unit root tests were performed to determine the stability of the series. Stability of series is important in econometric analysis. In order to make a realty analysis, the series must be stable.

Unit root tests for variables results shown in Table 7.

Table 7. Unit Root Tests

Variables		CADF				CIPS					
		CADF İst.	Critical Values			Model A Critical Values			Model B Critical Values		
			%1	%5	%10	%1	%5	%10	%1	%5	%10
ROA	2	-2.153	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
ROE	2	-2.081	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
ARL	1	-1.188	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
BDS	3	-2.440	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
BGD	2	-2.220	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
FMS	1	-0.365	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
INSTO	3	-1.019	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
LIQ	2	-1.509	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
PNED	2	-0.224	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
PPG	1	-1.471	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
SLS	3	-2.816	-5,73	-3,97	-3,26	-3,30	-2,94	-2,76	-2,44	-2,22	-2,1
Panel CIPS						-2.153			-2.081		

**Critical values for cadf in the table are from Table I (b) and Table I (c) in Pesaran (2007) study p.275-276, and critical values for chips in Table II (p.280-281) in the same study. b) and Table II (c).*

According to Table 7, according to both cadf and cips unit root tests, values greater than the critical values reject the hypothesis that there is no unit root in the series. In other words, series contain unit root, they are not stationary. As the least dependent variable is stationary in I (1), Westerlund cointegration test was used (Erataş and Başçı Nur ,2013:222; Aydın, 2019:45).

Westerlund test results for the analysis of the long-term cointegrated relationship between independent variables and dependent variables are as in table 8:

Table 8. Westerlund Cointegration Test

		Model A		Model B	
		Statistics	P-value	Statistics	P-value
G_t	Group Average	-4.847	0.000***	-6.541	0.000***
G_a	Group Average	-12.288	0.374	-13.876	0.307
P_t	Panel Average	-20.467	0.000***	-16.989	0.000***
P_a	Panel Average	-9.868	0.201	-10.322	0.597

Looking at Table 8, the H_0 hypothesis that there is no cointegration relationship as a result of probability values below 0.05 is rejected, and it is concluded that there is a cointegrated relationship between the variables in the long run for both models (Bozkurt and Balmuncu, 2018:400).

Cce estimator results are as follows:

Table 9. Cce Estimator Results

	Model A (Dep.Value: ROA)			Model B (Dep.Value: ROE)		
	Coefficient	**Std. Dev.**	**p-value**	**Coefficient**	**Std. Dev.**	**p-value**
ARL	-0.0030391	0.001501	0.043**	-0.0114882	0.0034464	0.001***
BDS	-0.0022199	0.694	0.694	0.0003824	0.0091505	0.347
BGD	0.0088673	0.0374287	0.813	-0.36758	0.5982218	0.539
FMS	0.1070736	0.2331878	0.646	-0.4918621	0.3575334	0.169
INSTO	10.12524	13.56475	0.455	-0.1290665	0.2579542	0.617
LIQ	0.0493633	0.0216066	0.022**	0.0145858	0.005783	0.012**
PNED	0.1963761	0.1118022	0.079*	0.0524199	1847534	0.021**
PPG	0.0640968	0.1212274	0.597	-0.0311133	0.0878538	0.723
SLS	0.0639434	0.0650176	0.325	0.162032	0.212436	0.210

** Indicates the relationship at 10% significance level, ** 5% significance level, *** 1% significance level.*

When CCE coefficient estimator results are examined in Table 9;

There is an inverse relationship between ROA and ARL at the 5% significance level. In other words, a decrease by 1 unit in the delays that may arise in the announcement of the financial statements causes an increase of 0.003 in the return on assets of the enterprises. There is an isomorphic relationship between ROA and liquidity at the 5% significance level. In other words, 1 unit increase in the liquidity of the enterprises causes an increase in the return on assets of the enterprises by 0.049. There is an isomorphic relationship between ROA and PNED at the 10% significance level. In other words, an increase of 1 unit in the ratio of the number of independent directors in the board of directors of the enterprises to the total number of Board Members causes an increase of 0.063 in the return on assets of the enterprises.

There is an inverse relationship between ROE and ARL at 1% significance level. In other words, a decrease by 1 unit in the delays that may arise in the announcement of the financial statements causes an increase in the return on assets of the enterprises by 0.011. There is an isomorphic relationship between ROE and liquidity at the 5% significance level. In other words, 1 unit increase in the liquidity of the enterprises causes an increase of 0.014 in the return on assets of the enterprises. There is an isomorphic relationship between ROE and PNED at the 5% significance level. In other words, an

increase of 1 unit in the ratio of the number of independent directors in the Board of Directors of enterprises to the total number of Board Members causes an increase of 0.052 in the return on assets of the enterprises.

4. Conclusion

Relationships and interests between owners and managers in a company have been discussed for many years. These conflicts manifested themselves in the form of corporate crises and scandals in various countries, especially after 1990. When the global economic crisis of 2008 was added to this, it was inevitable not to question the great risks taken by managers, mismanagement and internal corruption. This situation highlighted the importance of corporate governance. Hence, many countries have implemented various regulations to ensure fair, responsible, accountable and transparent management of companies.

Corporate governance practices such as Sarbanes-Oxley in the USA, Cadburry and Greenbury Reports in the UK, the Financial Security Act in France, and the OECD Corporate Governance Principles were implemented in order not to repeat the scandals experienced. Also in Turkey, the sample of this study, various pieces of legislation have been raised since 2012. New regulations have entered into force in both the Turkish Commercial Code (TCC) and the Capital Markets Law (CMB). These and similar regulations have brought new responsibilities especially to public companies in terms of corporate governance and transparency.

As a matter of fact, the responsibilities of companies, whether public or not, are not limited to their shareholders. It is a fact that companies are also responsible for people or groups that affect their activities or are affected by their own activities. In this study, based on this fact, the impact of some corporate governance dimensions and reporting lags on firm performance have been tested in BIST 30 companies (Istanbul Stock Exchange BIST 30 Index). ROA and ROE were used as dependent variables.

As independent variables, 6 corporate governance variables and reporting lags were used. One of the dimensions of corporate governance is timely audit reporting. Both timely audit reporting and corporate governance are necessary for healthy financial markets especially in emerging markets such as Turkey. Because of the importance of timely audit reporting, it is seen that the subject is frequently examined in the literature. In addition to these independent variables, two control variables are included in the model. The effect of corporate governance factors on firm performance was tested with the Westerlund cointegration test. Since the long-term relationship was observed as a result of the cointegration test, the CCE estimator was performed.

According to the analysis results, lag in audit reports negatively affects both ROA and ROE. In other words, lag in reports adversely affects the performance of companies. In addition to the lag in audit reports, it was observed that board independence, one of the corporate governance variables, positively affected the performance of the company. On top of these two variables, the variable of liquid used as the control variable also positively affected the performance of the firm. The effects of other corporate governance variables on firm performance variables were not found to be statistically significant. These results

are similar with Yadirichukwu and Ebimobowei (2013), Mensah (2018), Azubike and Aggreh (2014). Hence, to increase its financial performance, the firm should publish its audit reports without lag and increase its independence in the board of directors. lag in audit reports is an important corporate governance dimension in terms of the company's transparency and timely informing the public. Sharing the audit reports on time is also important in terms of expressing the importance that the firm gives to the public and potential investors. Other corporate governance dimensions are not determinative on the profitability of companies.

The fact that the sample size in the study is small, the corporate governance dimensions used in the analysis are close to each other (due to the low standard deviation) are considered to be the main reasons for the lack of relationship between corporate governance practices and financial performance. Based on the fact that the companies in the sample are publicly traded companies, it is thought that they comply with corporate governance regulations in a short time, regard corporate governance practices as a legal obligation, and the marginal benefit of this situation on financial performance is reduced. It is certain that the corporate governance culture internalized by companies rather than legal and formal corporate governance practices will contribute positively to financial performance in the long run and will make a difference when compared to other companies. However, it should be emphasized that the widespread use of the corporate governance approach and increasing transparency cannot be achieved by force of laws only. It may also be the case that an effectively managed and transparent firm is evaluated positively by institutional investors and providers of finance, thus increases its reputation and has better quality human resources. There is a high chance that the establishment of accurate and transparent corporate governance structure in companies in Turkey benefit not only investors and creditors, but also the firm itself. Establishing a healthy internal audit system, complying with the standards, and evaluating the company's activities from an external perspective (independent audit, corporate governance rating, etc.), as suggested by corporate governance, are expected to help the sustainability of the company in the long run. In this regard, regulatory agencies should guide companies on corporate governance practices and emphasis should be placed on practices that increase transparency. Also, it should not be forgotten that non-public companies should also be included in the regulations.

The findings of the study should be approached with caution. Small sample size and a short period are the two most important constraints. In future studies, the accuracy of analysis results can be improved by increasing the number of firms examined and comparing similar countries with each other. Moreover, Tobin-q and similar value-based measures (such as economic added value, market added value) can be used as performance variables. Besides, organizational governance variables can be transformed into a single variable like Mathew et al. (2017).

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