

PERFORMANCE EVALUATION OF THE TEXTILE AND CLOTHING ENTERPRISES IN BORSA İSTANBUL

BORSA İSTANBUL'DAKİ TEKSTİL VE HAZIR GİYİM İŞLETMELERİNİN PERFORMANSLARININ DEĞERLENDİRİLMESİ

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ABSTRACT

Textile and clothing industry, which has a significant place in Turkish economy with its production, employment and export figures, is passing through a reconstruction process. Managers and/or owners of the enterprises must use different analysis techniques in order to be able to take accurate and clear decisions and strategize successfully in this process. At this point, ratio analysis, which gives information about the financial structure of the enterprises and the sector, is seen as a significant financial analysis technique. In this research it is aimed to evaluate the performances of textile and clothing enterprises in Borsa İstanbul where the leading enterprises of the sectors are traded. In accordance with this purpose, the performances of 22 textile and clothing enterprises between the years of 2008 and 2012 are evaluated with ratio analysis technique. Besides, residual incomes of the enterprises are calculated and interpreted. The ratio data obtained within the research scope are interpreted according to both international criteria and Turkey's dynamics. The obtained results reveal the economical situation of textile and clothing sector obviously.

Key Words: Textile and clothing sector, Borsa İstanbul, Ratio analysis.

ÖZET

Sahip olduğu üretim, istihdam ve ihracat rakamlarıyla Türkiye ekonomisinde önemli bir yere sahip olan tekstil ve hazır giyim sanayi yeniden yapılanma sürecinden geçmektedir. İşletme yöneticileri ve/veya sahipleri bu süreç içerisinde doğru ve sağlıklı kararlar alabilmek ve başarılı stratejiler oluşturabilmek için farklı analiz teknikleri kullanmak zorundadırlar. Bu noktada işletmenin ve sektörün finansal yapısı hakkında bilgiler veren rasyo analizi önemli bir finansal analiz tekniği olarak karşımıza çıkmaktadır. Bu çalışmada sektörlerin önde gelen firmalarının işlem gördüğü Borsa İstanbul'daki tekstil ve hazır giyim işletmelerinin performanslarının değerlendirilmesi amaçlanmıştır. Bu amaç doğrultusunda Borsa İstanbul'da işlem gören 22 tekstil ve hazır giyim firmasının 2008-2012 yılları arasındaki performansları rasyo analizi tekniği kullanılarak incelenmiştir. Ayrıca firmaların artık gelirleri de hesaplanarak yorumlanmıştır. Araştırma kapsamında elde edilen rasyo verileri hem uluslararası kriterler hem de Türkiye dinamikleri dikkate alınarak yorumlanmıştır. Elde edilen sonuçlar tekstil ve hazır giyim sektörünün ekonomik durumunu tüm çıplaklığıyla gözler önüne sermektedir.

Anahtar Kelimeler: Tekstil ve hazır giyim sektörü, Borsa İstanbul, Rasyo analizi.

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1. INTRODUCTION

The world economy and of course as a part of it, the Turkish economy is going through a problematic time period. Moreover, hard times reach to years. Nowadays, the economical crises repeat themselves in short periods and besides they spread over a long period of time. Although the outbreak of crises is very easy, overcoming is very hard and they leave serious forgeries. The crises deactivate most of the enterprises or they force them to new and basic strategic alterations by giving serious harms. On one hand these hard periods give serious harm to national economies and enterprises, and on the other hand they include new opportunities.

Textile and clothing sector approximately takes a 5% share from world economy whereas this figure reaches up to 11-12% in our country. Therefore, textile and clothing sector constitutes a significant basis for economical issues and solutions for our country. This sector has significant effects on both economical and social structures. Thus, both the affirmative and negative improvements in the sector have effects on economical and social structures of the country. That's why, the performance of the sector and its applicable strategies are significant for our country. Sector representatives and enterprise owners can take correct and accurate decisions only if they have correct and accurate information. One of the most correct and accurate

information source about a sector or an enterprise is the information obtained from financial data. Strategies and policies depending on the financial analyses of the enterprises will positively affect the performance of the enterprises. These financial analyses must involve a certain period of time and must be based on dependable information of enterprises which represent the sector. The enterprise owners or managers will make right decisions due to the correct and accurate financial analyses. Also the public enterprises will make accurate decisions about the sector and the enterprises based on these analyses. Not only the enterprise owners or managers will make right decisions depending on the correct and accurate financial analyses but also the public enterprises will make accurate decisions about the sector and the enterprises.

In this research the financial data of leading textile and clothing enterprises, which are traded in Borsa İstanbul (BİST), between the years of 2008 and 2012 are analyzed by ratio analysis technique. These enterprises are analyzed because they are the leading enterprises of their sector and their financial data are dependable and accessible since they are listed on stock market. Besides, ratio analysis technique, which is the commonly used technique due to its scope and information, is preferred. A dynamic analysis is made by using five year data which include the period between 2008 and 2012. Therefore, obtaining the accurate and comprehensive data about the enterprises and the sector is aimed.

2. MATERIALS AND METHODS

This research aims to analyze the long term performance of textile and clothing enterprises which are traded in Borsa İstanbul. In accordance with this purpose, textile and clothing enterprises, which are traded in Borsa İstanbul, are selected. 6 textile and clothing enterprises, which are initially traded in Borsa İstanbul by 2011, 2012 and 2013, are not included in the research because of the long term performance evaluation (between 2008 and 2012). Therefore, 22 textile and clothing enterprises which are traded in Borsa İstanbul between the years of 2008 and 2012 constitute the sample group of this research. Textile and clothing enterprises, which are traded in Borsa İstanbul, correspond to 5,18% of the enterprises that are listed on stock market.

Ratio analysis technique, which is a commonly used financial analysis technique, is chosen as research method. In this context, five-year financial statements (annual balance sheets and income statements) of 22 textile and clothing enterprises are obtained via Public Disclosure Platform (1). Ratio analyses are performed for each enterprise. Also the whole performance of the sector is evaluated in terms of all ratios. The ratio calculated within the research scope are interpreted according to both international criteria and Turkey's national dynamics. Besides, residual incomes of the enterprises are calculated and interpreted.

The ratios calculated within the research scope are collected under four topics as profitability ratios (gross profit/net sales, operating profit/net sales, net profit/net sales, net profit/equity, net profit/total assets), financial structure ratios (total debt/total assets, equity/total assets, equity/total liabilities, activity ratios (accounts receivable

turnover, stock turnover) and liquidity ratios (current ratio, acid test ratio, cash flow from operations to current liabilities ratio).

3. FINDINGS

3.1 Evaluation of the Sector in terms of Liquidity Ratios

Liquidity ratios are used for measuring the short term debt solvency and determining the sufficiency of working capital. Current ratio, which is one of the liquidity ratios, states the firm's ability to pay short-term liabilities by using current assets. This ratio is generally expected to be equal to "2". However, it is reasonable to be equal to 1,5 in developing countries such as Turkey. Acid test ratio states the firm's ability to pay short-term liabilities by using current assets except inventory whereas cash ratio states firm's ability to pay short-term liabilities by using just cash. The expected values for acid test ratio and cash ratio are 1 and 0,20 respectively.

In this research, liquidity ratios are calculated and the whole performance of the sector is evaluated. Table 1 indicates the liquidity ratios of textile and clothing enterprises between the years 2008 and 2012. When the ratios are evaluated by years, it can be seen that the current ratio has increased from 2009 to 2012 and finally it reached to 1,35. On the other hand, acid test ratio of the sector has increased from 2008 to 2011. However it has its lowest value in 2012. The average cash ratio of the sector alters parallel to current ratio and reaches to its highest value in 2012. It can be said that, the sectoral liquidity ratios are lower than the expected values. Between 2008 and 2012 the liquidity ratios of Akın Textile, Birko Textile, Desa Leather, Karsu Textile, Kordsa and Lüks Kadife are approximate to expected values. Also, the sectoral liquidity ratios fall into a decline since 2011. The most important reasons for this situation are the elimination of quotas in 2005 and the negative effects of international competition on sales and profit margins. Especially after the quota elimination in 2005 in clothing sector, precautions can be extended for 2 to 3 years due to the agreements with European Union and USA. However, since 2010, all precautions are eliminated and the sector is confronted with serious competition. This situation is reflected in the annual financial statements of enterprises so the liquidity ratios drop below the generally expected standards and the sector becomes sensitive to economic crises. The enterprises are forced to become overleveraged due to the low equity and profit margin levels. This situation causes the liquidity ratios to be low/to decrease.

3.2 Evaluation of the Sector in terms of Activity Ratios

Activity ratios indicate how effectively a firm is using its assets in generation of sales revenues. These ratios are expected to be high.

Table 2 indicates the activity ratios of textile and clothing enterprises between the years 2008 and 2012. High levels of accounts receivable turnover and inventory turnover indicates a positive situation for enterprises. Thus, it is seen that the enterprises have good marketing and collection policies. When the sectoral ratios are evaluated, it can be seen that the fluctuations between years and enterprises are high. The sector doesn't follow a stable inventory and accounts receivable policy. Besides, the accounts receivable turnover and inventory turnover rates of textile

enterprises are lower than clothing enterprises' rates because the clothing enterprises, which own brands, generally use cash in their activities due to retail sales. Also they work with low inventory levels. It can be said that, Arsan Textile, Bossa, Birko Textile, Desa Leather, Karsu

Textile, İdaş, Kordsa, Söktaş, Sönmez and Yataş follow stable policies. Between 2008 and 2012 the highest activity ratios belong to Bisaş Textile, Esem Sportswear, Gediz Textile and Menderes Textile.

Table 1. Liquidity ratios of textile and clothing enterprises which are traded in Borsa İstanbul

	2008	2009	2010	2011	2012
Akın Textile					
Current ratio	1,3236	1,3106	1,5135	1,9069	1,6431
Acid test ratio	0,7514	0,7238	0,7386	1,0687	0,8778
Cash ratio	0,0673	0,0391	0,0161	0,0458	0,3810
Altinyıldız					
Current ratio	1,0057	1,1515	1,4468	1,0390	0,8693
Acid test ratio	0,6266	0,9423	1,1490	0,5138	0,4539
Cash ratio	0,0098	0,0764	0,0292	0,0281	0,0340
Arsan Textile					
Current ratio	0,9722	0,7025	0,6826	0,5678	0,6533
Acid test ratio	0,6726	0,4258	0,3263	0,2484	0,3181
Cash ratio	0,0076	0,0152	0,0300	0,0165	0,0373
Berdan Textile					
Current ratio	1,2074	0,8409	0,5879	0,0048	0,0118
Acid test ratio	0,7554	0,8234	0,5770	0,0048	0,0118
Cash ratio	0,0018	0,0016	0,0036	0,0007	0,0083
Bisaş Textile					
Current ratio	0,2788	0,1272	0,1516	0,2253	0,5896
Acid test ratio	0,1640	0,1079	0,1275	0,1980	0,4901
Cash ratio	0,0027	0,0004	0,0007	0,0011	0,0049
Bossa					
Current ratio	3,6617	2,4544	1,8014	2,3304	2,1455
Acid test ratio	2,2180	1,6074	1,1381	1,5442	1,5575
Cash ratio	0,6460	0,2842	0,1674	0,1883	0,0805
Birko Textile					
Current ratio	1,3810	1,2621	1,2539	1,3495	1,4660
Acid test ratio	0,7395	0,7804	0,6334	0,7880	1,0246
Cash ratio	0,0329	0,0270	0,0090	n/a	n/a
Birlik Textile					
Current ratio	0,9592	0,6721	0,6377	0,5605	0,4478
Acid test ratio	0,5930	0,4380	0,3703	0,3847	0,2752
Cash ratio	0,0857	0,0395	0,0256	0,0644	0,0359
Derimod					
Current ratio	1,2793	1,3040	1,2495	1,2678	1,1972
Acid test ratio	0,9804	1,1724	1,1438	1,1914	1,1120
Cash ratio	0,0036	0,0050	0,0009	0,0010	0,0026
Desa Leather					
Current ratio	2,3555	1,8877	1,7440	1,5319	1,5458
Acid test ratio	0,3543	0,2881	0,3410	0,2570	0,2769
Cash ratio	0,0076	0,0130	0,0179	0,0035	0,0114
Esem Sportswear					
Current ratio	0,4533	0,2729	0,6917	19,5140	28,6948
Acid test ratio	0,4108	0,2482	0,6648	19,1382	28,2755
Cash ratio	0,0051	0,0029	0,0028	0,0271	0,6588

	2008	2009	2010	2011	2012
Gediz Textile					
Current ratio	0,3991	0,7447	0,3419	1,4663	5,6242
Acid test ratio	0,3275	0,6969	0,2597	1,2969	n/a
Cash ratio	0,0368	0,0358	0,0643	0,9436	0,6927
İdaş					
Current ratio	0,8257	0,8339	0,7297	0,7408	0,4218
Acid test ratio	0,6275	0,6322	0,5719	0,5901	0,3248
Cash ratio	0,0083	0,0045	0,0429	0,0344	0,0016
Karsu Textile					
Current ratio	1,6178	2,5208	1,8628	2,2742	1,7353
Acid test ratio	1,0724	1,9161	1,4243	1,4342	1,2808
Cash ratio	0,0194	0,4500	0,1936	0,3004	0,3185
Kordsa					
Current ratio	1,8269	1,9605	2,0607	1,8625	1,6710
Acid test ratio	0,8862	1,0810	1,1065	0,9350	0,8546
Cash ratio	0,2028	0,2025	0,1923	0,1454	0,2180
Lüks Kadife					
Current ratio	2,2913	1,8529	1,4914	1,2683	1,3466
Acid test ratio	1,5052	1,2204	1,1365	1,0610	1,0470
Cash ratio	0,0279	0,0191	0,0012	0,0909	0,0286
Mensa					
Current ratio	0,9093	0,2451	1,7385	1,4157	0,8883
Acid test ratio	0,4839	0,1756	1,6489	1,3266	0,8648
Cash ratio	0,0110	0,0012	0,7185	0,6444	0,5674
Menderes Textile					
Current ratio	1,1312	1,2074	1,3742	1,6832	1,5865
Acid test ratio	0,5721	0,7772	0,9360	0,9990	0,9372
Cash ratio	0,0959	0,1664	0,0925	0,1498	0,2614
Söktaş					
Current ratio	1,3589	1,3859	1,3535	1,1003	0,7050
Acid test ratio	0,8748	0,8895	0,8251	0,6034	0,3349
Cash ratio	0,3114	0,2883	0,2270	0,0723	0,0410
Sönmez Textile					
Current ratio	12,4403	15,5992	10,7585	7,6741	5,2666
Acid test ratio	7,7074	11,9662	9,0214	6,3459	4,5797
Cash ratio	0,6466	6,9735	6,0822	4,2766	3,0457
Yataş					
Current ratio	1,2201	1,0929	1,1576	1,1632	1,3556
Acid test ratio	0,8136	0,7309	0,6750	0,6653	0,7001
Cash ratio	0,0151	0,0496	0,0297	0,1357	0,0652
Yünsa					
Current ratio	1,0546	1,0551	1,0959	1,1078	1,1440
Acid test ratio	0,6192	0,6188	0,6476	0,5835	0,6812
Cash ratio	0,0117	0,0253	0,0082	0,0138	0,0122
Sector Average					
Current ratio	1,3101	1,1850	1,1889	1,2433	1,3524
Acid test ratio	0,7642	0,7760	0,7829	0,7847	0,6712
Cash ratio	0,1026	0,0832	0,0892	0,1454	0,1731

3.3 Evaluation of the Sector in terms of Financial Structure Ratios

Financial structure ratios show how much debt or equity a firm carries to finance its assets. These ratios give information about the equity sufficiency, equity debt balance and source utilization suitability. Total debt/total assets and equity/total assets ratios that are jointly evaluated indicate the rates of debt and equity in asset financing. Although these ratios alter in different sectors, the general expected rate is 50%. Another financial structure ratio indicates the rate of equity to total liabilities. The expected value for this ratio is 1.

Table 3 indicates the financial structure ratios of textile and clothing enterprises between the years 2008 and

2012. When the ratios are evaluated as a whole, it can be seen that total debt/total assets ratio has increased from 0,58 to 0,63 between 2008 and 2010 whereas it decreases to 0,46 from 0,51 between 2011 and 2012. Debt ratio has increased until 2010 and after that fell under 0,50. This situation indicates that enterprises are focused on equity financing within last two years. Due to the lack of loans under suitable conditions as a result of the economic constrictions, the enterprises concentrate on equity. The financing rate (equity/total liabilities) of the sector is increased from 2009 to 2012 and reaches to 1,10 in 2012. It can be said that, sectoral financial policies are stable during this period. Arsan Textile, Birko Textile and Desa Leather's financial structure ratios are close to sector averages. Extreme values are left out of assessment during the calculations of sector averages.

Table 2. Activity ratios of textile and clothing enterprises which are traded in Borsa Istanbul

	2008	2009	2010	2011	2012
Akın Textile					
Accounts receivable turnover	3,67	4,64	5,42	4,69	6,64
Stock turnover	3,43	3,95	3,84	4,29	3,17
Altinyıldız					
Accounts receivable turnover	2,88	118,85	57,15	1,99	1,92
Stock turnover	2,06	2,59	2,04	0,98	1,06
Arsan Textile					
Accounts receivable turnover	3,30	3,03	5,77	4,81	4,19
Stock turnover	5,37	3,62	3,34	2,93	2,84
Berdan Textile					
Accounts receivable turnover	8,32	31,77	0,04	-	-
Stock turnover	2,84	44,48	0,00	-	-
Bisaş Textile					
Accounts receivable turnover	9,58	4,05	4,85	3,54	5,77
Stock turnover	5,33	21,24	21,22	20,09	22,32
Bossa					
Accounts receivable turnover	3,99	3,09	3,76	3,38	4,22
Stock turnover	2,94	2,98	2,82	2,47	3,88
Birko Textile					
Accounts receivable turnover	3,41	2,86	3,04	3,02	2,40
Stock turnover	2,89	3,59	2,33	3,74	4,60
Birlik Textile					
Accounts receivable turnover	3,12	2,75	4,04	4,40	3,74
Stock turnover	3,82	4,19	4,30	5,85	3,51
Derimod					
Accounts receivable turnover	2,49	19446,56	25028,34	233,73	5088,52
Stock turnover	5,67	12,86	14,45	19,23	15,69
Desa Leather					
Accounts receivable turnover	10,40	8,59	9,65	12,49	11,80
Stock turnover	1,04	0,88	1,24	1,26	1,34
Esem Sportswear					
Accounts receivable turnover	5,18	6,37	4,85	9,81	8,97
Stock turnover	4,09	8,80	11,94	18,22	21,18

	2008	2009	2010	2011	2012
Gediz Textile					
Accounts receivable turnover	8,00	23,77	15,26	6,33	-
Stock turnover	12,78	15,11	4,10	7,43	-
İdaş					
Accounts receivable turnover	2,30	65,05	1,63	1,40	2,26
Stock turnover	5,16	4,95	2,60	3,22	4,36
Karsu Textile					
Accounts receivable turnover	2,38	2,85	2,72	2,89	3,01
Stock turnover	3,91	5,72	5,87	2,95	5,36
Kordsa					
Accounts receivable turnover	6,85	5,84	6,34	6,41	7,71
Stock turnover	3,24	4,19	4,15	3,34	3,93
Lüks Kadife					
Accounts receivable turnover	2,65	3,04	2,37	2,21	2,52
Stock turnover	2,88	3,23	3,74	4,68	4,03
Mensa					
Accounts receivable turnover	0,97	0,70	0,14	0,90	0,94
Stock turnover	1,01	2,30	1,75	7,17	12,89
Menderes Textile					
Accounts receivable turnover	10,67	10,16	11,55	7,53	8,12
Stock turnover	3,18	4,50	4,69	2,74	3,43
Söktaş					
Accounts receivable turnover	5,27	5,24	5,56	5,34	6,68
Stock turnover	2,56	0,00	0,25	0,44	0,07
Sönmez Textile					
Accounts receivable turnover	2,21	2,09	3,70	2,97	2,53
Stock turnover	3,33	2,73	5,18	3,28	4,48
Yataş					
Accounts receivable turnover	2,61	3,40	2,78	3,31	3,90
Stock turnover	2,28	2,66	2,03	1,63	1,42
Yünsa					
Accounts receivable turnover	3,05	3,06	3,02	3,26	3,18
Stock turnover	2,99	3,00	3,00	2,34	3,36

3.4 Evaluation of the Sector in terms of Profitability Ratios

Profitability ratios indicate the ability of an enterprise to generate earnings. Some of these ratios measures profitability in terms of sales, while others measure in terms of investment. Gross profit/net sales ratio shows the gross profit amount via net sales; operating profit/net sales indicates the operating profit amount via net sales and net profit/net sales shows the net profit amount via net sales. Net profit/equity ratio measures the efficiency of equity whereas net profit/total assets ratio measures the efficiency of assets.

Table 4 indicates the profitability ratios of textile and clothing enterprises between the years 2008 and 2012. When the sectoral ratios are evaluated generally, it can be seen that the enterprises declare gross profits in 2008. However their profitability ratios are negative because the ratios are calculated by using net profits. Due to the high expenditures the figures turn out to be negative. It can be said that, this situation is a result of 2008 crisis. In addition to this, the

number of enterprises which provide stable profitability by years is very low. Another significant result is that operating profit values fall behind the gross profit values in all enterprises. This situation is generally observed in other sectors and it is a very important issue to be discussed and an illness indicator for enterprises. When the annual financial statements of enterprises, which are traded in stock market, are analyzed it can be seen that non-operating income are higher than operating incomes. We can say that, the managers see the non-operating income as a rescuer because they don't adequately focus on enterprise activities. Besides, they don't differentiate and they don't produce high value added innovative products. This situation also indicates that, Turkish enterprises don't improve themselves in their core businesses. Bossa, Derimod, Kordsa and Söktaş are more profitable than other enterprises. The low level of profitability of the sector can't be only explained with economic crises, economical shrinkages or intense competition. This situation also depends on lack of institutionalization and high value added innovative products.

Table 3: Financial structure ratios of textile and clothing enterprises which are traded in Borsa İstanbul

	2008	2009	2010	2011	2012
Akın Textile					
Total debt/total assets	0,43	0,37	0,21	0,23	0,22
Equity/total assets	0,57	0,63	0,79	0,77	0,78
Equity/total liabilities	1,31	1,70	3,68	3,35	3,45
Altınyıldız					
Total debt/total assets	0,53	0,63	0,66	0,75	0,81
Equity/total assets	0,47	0,37	0,34	0,25	0,19
Equity/total liabilities	0,88	0,60	0,53	0,33	0,23
Arsan Textile					
Total debt/total assets	0,52	0,55	0,62	0,51	0,49
Equity/total assets	0,48	0,45	0,38	0,49	0,51
Equity/total liabilities	0,92	0,80	0,61	0,95	1,06
Berdan Textile					
Total debt/total assets	1,39	2,12	2,75	12,56	11,27
Equity/total assets	-0,39	-1,12	-1,75	-11,56	-10,27
Equity/total liabilities	-0,28	-0,53	-0,64	-0,92	-0,91
Bişaş Textile					
Total debt/total assets	0,86	1,23	1,15	1,32	0,55
Equity/total assets	0,14	-0,23	-0,15	-0,32	0,45
Equity/total liabilities	0,16	-0,19	-0,13	-0,24	0,82
Bossa					
Total debt/total assets	0,19	0,28	0,34	0,30	0,30
Equity/total assets	0,81	0,72	0,66	0,70	0,70
Equity/total liabilities	4,38	2,58	1,93	2,28	2,36
Birko Textile					
Total debt/total assets	0,53	0,57	0,59	0,41	0,41
Equity/total assets	0,47	0,43	0,41	0,59	0,59
Equity/total liabilities	0,88	0,75	0,69	1,47	1,42
Birlik Textile					
Total debt/total assets	0,75	0,64	0,62	0,54	0,59
Equity/total assets	0,25	0,36	0,38	0,46	0,41
Equity/total liabilities	0,33	0,56	0,62	0,85	0,71
Derimod					
Total debt/total assets	0,72	0,75	0,76	0,78	0,75
Equity/total assets	0,28	0,25	0,24	0,22	0,25
Equity/total liabilities	0,39	0,34	0,31	0,29	0,33
Desa Leather					
Total debt/total assets	0,40	0,49	0,50	0,55	0,51
Equity/total assets	0,60	0,51	0,50	0,45	0,49
Equity/total liabilities	1,47	1,05	0,98	0,81	0,95
Esem Sportswear					
Total debt/total assets	0,91	1,30	0,99	0,16	0,09
Equity/total assets	0,09	-0,30	0,01	0,84	0,91
Equity/total liabilities	0,10	-0,23	0,01	5,27	9,63
Gediz Textile					
Total debt/total assets	0,29	0,35	0,26	0,18	0,17
Equity/total assets	0,71	0,65	0,74	0,82	0,83
Equity/total liabilities	2,39	1,89	2,87	4,46	4,88
İdaş					

Total debt/total assets	0,84	0,68	0,68	0,69	0,66
Equity/total assets	0,16	0,32	0,32	0,31	0,34
Equity/total liabilities	0,20	0,48	0,47	0,45	0,51
Karsu Textile					
Total debt/total assets	0,41	0,40	0,41	0,51	0,55
Equity/total assets	0,59	0,60	0,59	0,49	0,45
Equity/total liabilities	1,47	1,47	1,45	0,94	0,83
Kordsa					
Total debt/total assets	0,40	0,31	0,32	0,37	0,37
Equity/total assets	0,60	0,69	0,68	0,63	0,63
Equity/total liabilities	1,50	2,19	2,14	1,68	1,70
Lüks Kadife					
Total debt/total assets	0,39	0,38	0,30	0,46	0,40
Equity/total assets	0,61	0,62	0,70	0,54	0,60
Equity/total liabilities	1,57	1,63	2,31	1,17	1,51
Mensa					
Total debt/total assets	0,76	0,80	0,37	0,40	0,43
Equity/total assets	0,24	0,20	0,63	0,60	0,57
Equity/total liabilities	0,32	0,26	1,72	1,48	1,35
Menderes Textile					
Total debt/total assets	0,40	0,36	0,35	0,37	0,41
Equity/total assets	0,60	0,64	0,65	0,63	0,59
Equity/total liabilities	1,47	1,78	1,88	1,68	1,45
Söktaş					
Total debt/total assets	0,61	0,58	0,56	0,62	0,60
Equity/total assets	0,39	0,42	0,44	0,38	0,40
Equity/total liabilities	0,65	0,73	0,78	0,61	0,67
Sönmez Textile					
Total debt/total assets	0,04	0,03	0,04	0,06	0,08
Equity/total assets	0,96	0,97	0,96	0,94	0,92
Equity/total liabilities	23,04	35,54	26,50	16,21	11,74
Yataş					
Total debt/total assets	0,67	0,70	0,73	0,71	0,70
Equity/total assets	0,33	0,30	0,27	0,29	0,30
Equity/total liabilities	0,48	0,44	0,38	0,41	0,43
Yünsa					
Total debt/total assets	0,67	0,65	0,65	0,67	0,66
Equity/total assets	0,33	0,35	0,35	0,33	0,34
Equity/total liabilities	0,49	0,54	0,54	0,48	0,52
Sector Average					
Total debt/total assets	0,58	0,64	0,63	0,51	0,46
Equity/total assets	0,42	0,36	0,37	0,49	0,54
Equity/total liabilities	0,84	0,81	0,83	0,92	1,10

3.5 Evaluation of the Sector in terms of Residual Incomes

Residual income is the net profit value which is earned during a period and which stays in an enterprise after capital cost is eliminated. In other words, residual income is the net profit which is earned after the elimination of investors' expected return value from enterprise profit at the end of the period (2). If the residual income is positive, it indicates that return on assets is higher than cost of assets and value is created for the enterprise (3).

Residual income, which is evaluated as performance criteria in this research, is calculated with the formula below:

$$\text{Residual Income} = \text{Operating Profit} - (\text{Expected Return Ratio} \times \text{Total Assets})$$

Average profit of the enterprises between 2008 and 2012 is approximately calculated as 2%. However, a higher expected return value is used in residual income calculation instead of this value. The expected return value is determined as 8% due to recent conditions and inflation rates.

Table 5 indicates the residual incomes of textile and clothing enterprises between the years 2008 and 2012. In 2008, Altınyıldız, Berdan Textile, Bisaş Textile and Derimod have positive residual incomes whereas all the other enterprises have negative values. When the financial statements of enterprises, which have positive residual incomes are analyzed it can be seen that they have high operating profits and provide higher return on assets than user cost of assets. In 2008 Altınyıldız has the highest residual income value whereas Menderes Textile has the lowest.

Table 4. Profitability ratios of textile and clothing enterprises which are traded in Borsa İstanbul

	2008	2009	2010	2011	2012
Akın Textile					
Gross profit/net sales	0,14	0,19	0,17	0,19	0,11
Operating profit/net sales	-0,06	0,00	-0,10	0,03	0,07
Net profit/net sales	-0,13	-0,01	-0,08	0,00	0,05
Net profit/equity	-0,17	-0,01	-0,06	0,00	0,03
Net profit/total assets	-0,0956	-0,0087	-0,0509	0,0017	0,0236
Altinyıldız					
Gross profit/net sales	0,34	0,38	0,38	0,37	0,32
Operating profit/net sales	0,17	0,19	0,24	0,22	0,00
Net profit/net sales	-0,03	0,12	0,21	0,05	-0,11
Net profit/equity	-0,03	0,15	0,25	0,09	-0,26
Net profit/total assets	-0,0160	0,0543	0,0872	0,0224	-0,0486
Arsan Textile					
Gross profit/net sales	-0,03	-0,01	-0,03	0,00	0,06
Operating profit/net sales	-0,10	-0,18	-0,19	0,00	0,00
Net profit/net sales	-0,19	-0,18	-0,24	0,07	0,05
Net profit/equity	-0,27	-0,21	-0,43	0,06	0,05
Net profit/total assets	-0,1303	-0,0940	-0,1630	0,0301	0,0262
Berdan Textile					
Gross profit/net sales	0,08	-0,68	1,00	-	-
Operating profit/net sales	0,11	-1,33	-248,46	-	-
Net profit/net sales	-0,04	-1,65	-259,42	-	-
Net profit/equity	0,07	0,44	0,18	0,39	0,06
Net profit/total assets	-0,0289	-0,4914	-0,3589	-4,4522	-0,5711
Bişaş Textile					
Gross profit/net sales	-0,04	-0,20	0,06	0,09	0,08
Operating profit/net sales	0,39	-0,65	-0,14	-0,13	-0,07
Net profit/net sales	0,08	-1,00	-0,28	-0,47	-0,13
Net profit/equity	0,27	1,77	1,10	1,12	-0,32
Net profit/total assets	-0,1464	-0,3589	-0,1677	-0,4078	0,0376
Bossa					
Gross profit/net sales	0,23	0,19	0,19	0,28	0,20
Operating profit/net sales	0,06	-0,06	0,01	0,16	0,04
Net profit/net sales	0,10	-0,02	0,01	0,15	0,06
Net profit/equity	0,09	-0,02	0,02	0,15	0,05
Net profit/total assets	0,0731	-0,0114	0,0099	0,1057	0,0359
Birko Textile					
Gross profit/net sales	0,07	0,05	0,13	0,03	0,12
Operating profit/net sales	-0,10	-0,13	0,01	0,04	0,06
Net profit/net sales	-0,19	-0,18	0,00	-0,13	0,03
Net profit/equity	-0,32	-0,31	-0,01	-0,13	0,03
Net profit/total assets	-0,1524	-0,1347	-0,0034	-0,0763	0,0161
Birlik Textile					
Gross profit/net sales	0,08	0,05	0,04	0,14	0,17
Operating profit/net sales	-0,03	0,15	0,04	0,04	-0,13
Net profit/net sales	-0,37	-0,07	-0,08	-0,25	-0,14
Net profit/equity	-1,01	-0,08	-0,09	-0,30	-0,13
Net profit/total assets	-0,2533	-0,0281	-0,0326	-0,1358	-0,0525
Derimod					
Gross profit/net sales	0,18	0,09	0,27	0,28	0,26
Operating profit/net sales	0,11	0,05	0,06	0,06	0,05
Net profit/net sales	0,00	0,00	0,01	0,02	0,01
Net profit/equity	0,02	-0,01	0,09	0,12	0,06
Net profit/total assets	0,0060	-0,0021	0,0224	0,0275	0,0160
Desa Leather					
Gross profit/net sales	0,31	0,32	0,30	0,40	0,35
Operating profit/net sales	0,02	-0,02	0,00	0,05	0,03
Net profit/net sales	-0,03	-0,06	0,00	0,01	0,02
Net profit/equity	-0,06	-0,10	0,01	0,02	0,04
Net profit/total assets	-0,0338	-0,0523	0,0048	0,0098	0,0196
Esem Sportswear					
Gross profit/net sales	-1,05	-1,59	0,15	0,08	0,11
Operating profit/net sales	-1,51	-1,81	0,92	1,68	0,05
Net profit/net sales	-1,50	-1,80	0,93	2,60	0,30
Net profit/equity	-1,64	1,30	42,93	0,99	0,11
Net profit/total assets	-0,1474	-0,3887	0,2236	0,8354	0,1011

	2008	2009	2010	2011	2012
Gediz Textile					
Gross profit/net sales	-0,37	-0,16	-0,05	-0,09	-
Operating profit/net sales	-0,80	-0,83	0,61	-0,15	-
Net profit/net sales	-0,93	-0,96	1,04	0,01	-
Net profit/equity	-0,11	-0,18	0,05	0,00	-0,10
Net profit/total assets	-0,0770	-0,1156	0,0344	0,0004	-0,0833
İdaş					
Gross profit/net sales	0,17	0,28	0,39	0,25	0,29
Operating profit/net sales	-0,31	0,39	-0,20	-0,21	-0,77
Net profit/net sales	-0,51	0,18	-0,38	-0,34	-0,96
Net profit/equity	-1,79	0,23	-0,41	-0,40	-1,01
Net profit/total assets	-0,2952	0,0735	-0,1307	-0,1241	-0,3397
Karsu Textile					
Gross profit/net sales	0,11	0,11	0,13	0,15	0,04
Operating profit/net sales	0,04	0,03	0,05	0,08	-0,05
Net profit/net sales	-0,04	0,03	0,01	0,04	-0,07
Net profit/equity	-0,05	0,04	0,02	0,06	-0,13
Net profit/total assets	-0,0288	0,0219	0,0098	0,0289	-0,0594
Kordsa					
Gross profit/net sales	0,17	0,15	0,15	0,16	0,13
Operating profit/net sales	0,09	0,07	0,07	0,08	0,07
Net profit/net sales	0,04	0,03	0,03	0,05	0,03
Net profit/equity	0,05	0,04	0,04	0,08	0,04
Net profit/total assets	0,0314	0,0289	0,0296	0,0521	0,0252
Lüks Kadife					
Gross profit/net sales	0,22	0,21	0,19	0,29	0,27
Operating profit/net sales	0,02	0,03	0,03	0,20	0,16
Net profit/net sales	-0,13	0,00	0,01	0,10	0,11
Net profit/equity	-0,11	0,00	0,01	0,05	0,04
Net profit/total assets	-0,0655	-0,0016	0,0035	0,0282	0,0241
Mensa					
Gross profit/net sales	-0,06	-0,55	-0,21	-0,08	-0,18
Operating profit/net sales	-0,54	-4,02	1,01	-0,14	-0,43
Net profit/net sales	-1,66	-4,41	0,92	-0,35	-0,38
Net profit/equity	-0,90	-0,77	0,05	-0,10	-0,06
Net profit/total assets	-0,2212	-0,1570	0,0291	-0,0618	-0,0347
Menderes Textile					
Gross profit/net sales	0,07	0,15	0,13	0,23	0,08
Operating profit/net sales	0,00	0,07	0,06	0,16	0,04
Net profit/net sales	-0,04	0,07	0,07	0,13	-0,01
Net profit/equity	-0,05	0,08	0,08	0,18	-0,02
Net profit/total assets	-0,0316	0,0499	0,0515	0,1111	-0,0132
Söktaş					
Gross profit/net sales	0,34	0,27	0,31	0,38	0,20
Operating profit/net sales	0,12	0,08	0,12	0,17	-0,15
Net profit/net sales	0,05	0,02	0,06	0,10	-0,22
Net profit/equity	0,06	0,02	0,07	0,13	-0,22
Net profit/total assets	0,0239	0,0089	0,0318	0,0492	-0,0895
Sönmez Textile					
Gross profit/net sales	-0,06	-0,08	0,09	0,19	0,15
Operating profit/net sales	-0,17	-0,28	-0,06	0,11	0,04
Net profit/net sales	-0,58	0,33	-0,06	0,20	0,13
Net profit/equity	-0,33	0,08	-0,02	0,06	0,04
Net profit/total assets	-0,3142	0,0735	-0,0175	0,0554	0,0344
Yataş					
Gross profit/net sales	0,24	0,28	0,31	0,33	0,38
Operating profit/net sales	0,02	0,03	0,03	0,09	0,05
Net profit/net sales	-0,03	0,00	0,01	0,02	-0,01
Net profit/equity	-0,07	0,01	0,01	0,06	-0,03
Net profit/total assets	-0,0225	0,0033	0,0040	0,0181	-0,0078
Yünsa					
Gross profit/net sales	0,26	0,24	0,24	0,27	0,20
Operating profit/net sales	-0,09	0,01	0,07	0,10	0,05
Net profit/net sales	-0,13	-0,04	0,03	0,07	0,03
Net profit/equity	-0,45	-0,11	0,10	0,22	0,10
Net profit/total assets	-0,1476	-0,0394	0,0363	0,0722	0,0355

Table 5. Residual incomes of textile and clothing enterprises which are traded in Borsa İstanbul

	2008	2009	2010	2011	2012
Akın Textile	-22.611.973	-12.768.420	-34.597.396	-15.483.784	-12.510.308
Altınyıldız	8.607.612	4.526.383	17.208.455	31.618.440	-101.268.820
Arsan Textile	-25.562.906	-26.885.326	-29.279.983	-16.319.947	-16.720.227
Berdan Textile	483.701	-18.676.957	-12.009.113	-23.125.206	-657.254
Bişaş Textile	1.997.319	-4.769.216	-2.058.971	-1.964.576	-1.462.202
Bossa	-11.711.272	-44.834.364	-29.776.796	16.464.602	-33.425.106
Birko Textile	-20.341.133	-18.273.728	-7.788.359	-11.490.172	-9.050.116
Birlik Textile	-13.661.554	-2.491.164	-5.087.598	-2.327.408	-4.377.618
Derimod	3.788.653	-643.645	345.097	744.446	-1.368.253
Desa Leather	-6.561.222	-10.578.376	-8.913.969	-1.507.789	-6.800.122
Esem Sportswear	-7.932.321	-16.192.883	6.609.103	22.190.123	-3.126.520
Gediz Textile	-4.906.821	-5.564.398	-1.537.816	-1.807.118	-2.229.754
İdaş	-18.725.866	6.592.789	-10.618.880	-13.008.232	-23.410.309
Karsu Textile	-6.383.306	-6.573.350	-4.135.231	-2.416.882	-16.570.139
Kordsa	-477.110	-30.806.783	-22.015.120	-1.207.348	-20.238.758
Lüks Kadife	-1.246.106	-1.044.719	-4.018.270	-1.849.218	-3.951.839
Mensa	-28.588.112	-50.297.013	-15.214.388	-30.288.173	-32.554.495
Menderes Textile	-29.144.745	-9.957.978	-13.524.529	26.803.588	-20.259.446
Söktaş	-7.131.707	-12.145.405	-5.380.125	1.587.447	-63.062.735
Sönmez Textile	-13.016.248	-11.551.453	-7.841.248	-4.283.898	-6.479.336
Yataş	-10.165.822	-9.541.284	-10.748.340	-3.322.494	-10.507.181
Yünsa	-27.041.103	-8.721.968	-1.155.904	6.099.411	-4.944.311
Sector Average	-10.924.184	-13.236.330	-9.160.881	-1.131.554	-17.953.402

In 2009 only two enterprises have positive residual income value and one of them is Altınyıldız which also owns a positive value in 2008. Besides, sector average decreases to -13.236.330 in 2009 from -10.924.184. Mensa owns the lowest residual income value in 2009.

In 2010 Altınyıldız owns the highest residual income value once again. The lowest residual income value belongs to Akın Textile. The sector average indicates a rise of 4.000.000 but nine of the enterprises are below the average.

The highest residual income is obtained in 2011. The average value of the sector decreases to the level of -1.131.554. Altınyıldız owns the highest residual income value. Also Bossa, Derimod, Esem Sportswear, Menderes Textile, Söktaş and Yünsa have positive residual income values.

2012 is the most altered year according to the previous year. The average value of the sector decreases to the level of -17.953.402. Altınyıldız, which has positive values in previous years, indicates a negative residual income value (-101.268.820) because it has the lowest operating profit value in 2012. None of the enterprises create a positive residual income value in 2012. During this period, the operating profits of the enterprises are decreased while their assets are increased. As a result, their residual income values become negative. This situation doesn't ominously affect the textile and clothing sector. It also negatively affects Turkish economy due to the share of textile and clothing sector. The sector constitutes approximately 9% of the gross domestic product, 14% of the export and 12% of the industry employment.

4. RESULTS, GENERAL EVALUATION AND SUGGESTIONS

Textile and clothing sector constitutes the first step of industrialization in our country as it is all over the world.

Agriculture based system, high employment generation power, relatively low capital requirement and increased production of basic consumption goods are the most significant reasons of this. As a consequence, the sector starts the industrialization movement and it fulfills capital transfer to other sectors due to its capital accumulation. In addition to these, the sector makes a significant contribution to entrepreneur education. In spite of these strategic properties, sector is in serious difficulties. Issues like losing cost advantage rapidly, lack of institutionalization, inadequacy in innovation and differentiation, inadequacy in marketing, intense competition and undercapitalization restrict objective achievement and improvement of the sector.

In spite of all adverse events and conditions, the sector protects its significance and activity due to its employment capacity, providing added value, its share in gross domestic product, its impact on export, its shares in investments and incentives, its effects on internationalization of Turkish enterprises. Also the sector reveals that it will retain its situation for a long time.

General findings of research, which indicates the financial performances of textile and clothing enterprises that are traded in Borsa İstanbul (BİST), as follows:

1. 424 enterprises are traded in BİST. 186 of these enterprises are operating in manufacturing industry. 22 of these manufacturing industry enterprises operate in textile and clothing sector. The research involves the financial analysis of these 22 enterprises.
2. Only 22 enterprises are traded in the stock market although the sector owns a big share in Turkish economy. Lack of institutionalization, unwillingness for listing on the stock exchange, losing control apprehension, being small and medium sized enterprises (approximately 99% of the sector) and

- failure apprehension of trading in stock market are the reasons of this situation.
3. It can be seen that liquidity ratios of the sector are very low in comparison with other sectors' averages. Especially, acid test ratios and cash ratios are very low. The most significant reasons of this situation are the undercapitalization and insufficient profit margins due to intensive competition conditions within low value added products. Liquidity ratios don't indicate a stable situation between 2008 and 2012. Liquidity ratios indicate serious decreases and increases by years. Although this situation depends on macro economic conditions, it also seriously depends on production, marketing and management strategies. Enterprises must review their debt policies in order to eliminate the unsteadiness and lowness of liquidity ratios. They must use equity instead of debt during economic constrictions. Thus the debt ratios, which threaten the enterprise future, will decrease and on the other hand it will partially contribute to the improvement of low profitability ratios.
 4. When the activity ratios of enterprises are analyzed, it can be seen that accounts receivable turnover and inventory turnover values are high. Thus, it can be said that the enterprises have good marketing and collection policies. However, the sector doesn't follow a stable inventory and accounts receivable policy in terms of years and enterprises. Besides, the accounts receivable turnover and inventory turnover rates of textile enterprises are lower than clothing enterprises' rates because the clothing enterprises, which own brands, generally use cash in their activities due to retail sales. Also they work with low inventory levels.
 5. When the sectoral financial structure ratios between 2008 and 2012 are evaluated generally, it can be seen that total debt/total assets ratio has increased from 0,58 to 0,63 between 2008 and 2010 whereas it decreases to 0,46 from 0,51 between 2011 and 2012. Debt ratio has increased until 2010 and after that fell under 0,50. This situation indicates that enterprises are focused on equity financing within last two years. Sector can't be able to find credits under suitable conditions due to the economic constrictions, so it heads towards equity. The financing rate (equity/total liabilities) of the sector has increased from 2009 to 2012 and reaches to 1,10 in 2012. It can be said that, sectoral financial policies are stable during this period.
 6. When the sectoral ratios are evaluated as a whole, it can be seen that the profitability ratios are very low. The enterprises declare gross profits in 2008. However their profitability ratios are negative because the ratios are calculated by using net profits. Due to the high expenditures the figures turn out to be negative. It can be said that, this situation is a result of 2008 crisis. In addition to this, the number of enterprises which provide stable profitability by years is very low. When the data are analyzed, another significant result is obtained. Operating profit values fall behind the gross profit values in all enterprises. This situation is generally observed in other sectors and it is an illness indicator for enterprises. The low levels of operating profit values must be discussed seriously. When the annual financial statements of enterprises, which are traded in stock market, are analyzed it can be seen that non-operating incomes are higher than operating incomes. We can say that, the managers see the non-operating incomes as a rescuer because they don't adequately focus on enterprise activities. Besides, they don't differentiate and they don't produce high value added innovative products. This situation also indicates that, Turkish enterprises don't improve themselves in their core businesses. On the other hand, the enterprises must gravitate to new markets in order to increase their profit margins and capacity utilization rates which are low due to intensive competition. Thus, they can minimize the risks.
 7. When the residual incomes of textile and clothing enterprises are evaluated it can be said. Accordingly to the results most of enterprises have negative residual income. The sectoral average of residual incomes shows a partial improvement from 2008 to 20011. However, it decreases to -17.954.402 in 2012.
 8. All of the enterprises in the sector are family businesses and most of them have not completed institutionalization process yet. This is a serious deficiency.
 9. The enterprises are in trouble because they aren't able to allocate resources to research and development activities and innovative business due to the low profitability values and lack of capital.
 10. Intensive competitive conditions deteriorates the financial structure of enterprises and on the other hand it affects the growth rates negatively.
 11. The incentive policies especially the research and development incentive dynamize the sector partially. However the expected results aren't obtained yet. Owning regional incentive policies instead of sectoral ones have significant effects on this situation. Also, common subsistence wage enforcement for all regions doesn't make any contributions to the situation because of unequal income distribution and life standards throughout the country. Therefore if a regional subsistence wage is implemented, some contributions can be made to development of the sector and elimination of inter-regional differences.
 12. International competition conditions affect the sector seriously. Especially high production costs (energy, labor cost, finance, tax, construction etc.) in comparison to rival countries (China, India, Pakistan, Bangladesh, Vietnam, Indonesia etc.) leave the sector in a difficult situation. This situation is reflected in financial statements.
 13. The independent activities of professional associations do more harm than good. Sometimes they even work against each other.
 14. The sector representatives are negatively affected from lack of rational strategy which is determined in phase with government.
 15. Lack of sectoral data leads to information pollution and besides it negatively affects the accurate decision making and strategy development.
 16. Financial statements provide satisfactory information about the performance of the sector and the enterprises. The accurate analyses of these statements and the correct strategy development have significant

effects on differentiation of the enterprises against their rivals. However, the managers don't make these financial analyses accurately and regularly. Besides they can't be able to develop correct strategies.

17. Three significant strategies have effects on the positive results of financial analyses and competitive advantage of enterprises. These are innovation, differentiation and innovative business models. The secret of success depends on the actions to be taken in these areas. The results of these actions are going to be experienced in all areas. However, the enterprises must be interrogated in terms of management quality in this respect.

As a consequence, textile and clothing sector is one of the most significant sectors for our country. This sector's significance doesn't only come from its share in economy

and its effect on it. At the same time, it has significant effects on social justice, women's economic engagement, and elimination of inter-regional differences in terms of development, democratization of business life, adjustment of income distribution and socialization of workers. The sector makes important contributions to these areas. The sector that is the second biggest sector after food sector, involving 45-50 thousand large and small enterprises needs to develop rational strategies in both macro and micro levels.

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