



Oktaf Gvemli Accounting and  
Financial History Foundation  
(MUFTAV)

SAYI/ISSUE:20

E-ISSN: 2651-3870

OCAK/JANUARY 2021

## Muhasebe ve Finans Tarihi Arařtırmaları Dergisi *Accounting and Financial History Research Journal*

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*Mikhail İ. Kuter, Marina M. Gurskaya, A.G. Shikhidi*

**Regulating Auditing in Saudi Arabia: From State to Self Regulation**  
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Oktaf Güvemli Muhasebe ve Finans Tarihi Vakfı (MUFTAV) Yayınıdır.  
Publication of the Oktaf Güvemli Accounting and Financial History Foundation.

## MUHASEBE VE FİNANS TARİHİ ARAŞTIRMALARI DERGİSİ

*Accounting and Financial History Research Journal*

**Yıl / Year: 11 Sayı / Issue: 20**

*Ocak / January 2021*

**Hakemli Dergi**

*Refereed Journal*

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19 Mayıs Mh. 19 Mayıs Cd. No: 37/16 UBM Plaza. Şişli / İstanbul / TURKEY

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E-mail: [guvemli.muftav@yahoo.com](mailto:guvemli.muftav@yahoo.com)

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The authors are solely responsible for the content.

Altı ayda bir yayınlanır. Published twice a year.

**E-ISSN 2651-3870**

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## J. SAVARY’S COMMENTARY — HISTORICAL ASPECTS IN DEVELOPMENT OF THE ACCOUNTING REPORTING\*

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### ABSTRACT

On development of bookkeeping a great influence has rendered theory of balance Savary Jacque's diversity which is the basis of statistical accounting aiming to prevent from bankruptcy, and it also had a great influence on further development of dynamic accounting, the aim of which is to reveal the fiscal result. The point of Savary Jacques's theory is that the interests appoint the aims of drawing up the balance. We draw up different balances for different purposes, which include uneven amount of property and the concrete estimating methods should be used.

Savary Jacques's ideology is quite actual nowadays too. This can be clearly seen when comparing three types of accounting over the last hundred and fifty years. Such ideology is especially important for Russia, which during a long period of planned economy took no effort in the field of static accounting, and right now it is on the way from dynamic to actuarial accounting.

**Keywords:** Ordonnance de Commerce. Savary Jacques's commentary. The theory of balance diversity. Interests and aims. Discrete inventory. Fictitious liquidation. Price of possible sale.

**Jel Code:** M40, M49.

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\* This is the improved version of the paper submitted to the 2<sup>nd</sup> Balkans and Middle East Countries Conference on Auditing and Accounting History, Istanbul, Republic of Turkey, September 15-18, 2010.

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**Atıf (Citation):** Kuter, M.I., Gurskaya, M.M., & Shikhidi, A.G. (2021). J. Savary’s Commentary — Historical Aspects In Development of the Accounting Reporting. *Muhasebe ve Finans Tarihi Arařtırmaları Dergisi*(20), 1-22.

## J. SAVARY'NİN YORUMUYLA MUHASEBE RAPORLAMASININ GELİŞİMİNE TARİHSEL BAKIŞ

### ÖZ

İflastan korunmayı amaçlayan ve istatikselsel muhasebenin temeli olan Savary Jacque'in denge teorisi, muhasebenin gelişimine büyük katkı sağlamıştır. Bu teori, dinamik muhasebenin gelişimine de etki etmiştir. Savary Jacques'in teorisinin amacı, çıkarların dengeyi kurmanın amaçlarını tayin etmesidir. Eşit olmayan mülk miktarı dahil olmak üzere farklı amaçlar için farklı bakiyeler oluşturduk ve somut tahmin yöntemleri kullanmaya çalıştık.

Savary Jacques'in ideolojisi günümüzde de oldukça günceldir. Bu, son yüz elli yıldaki üç muhasebe türünü karşılaştırırken açıkça görülebilir. Bu tür bir ideoloji, planlı ekonominin uzun bir döneminde statik muhasebe alanında hiçbir çaba sarf etmeyen ve şu anda dinamikten aktüeryal muhasebeye doğru giden Rusya için özellikle önemlidir.

**Anahtar Kelimeler:** Ticaret kanunu. Savary Jacques'in yorumu. Denge çeşitliliği teorisi. Ayrık envanter. Fiktif tasfiye. Tahmini satış fiyatı.

**Jel Kodu:** M40, M49.

### 1. INTRODUCTION

*Legislative fixation of practice.* Legislatively existing practice was legalized for the first time in 1673 in the Ordonnance de Commerce. *In connection with the intensive development of business undertakings, unsatisfying state of credit and frequent cases of bankruptcy, the necessity to increase the role of state in economic life, to intensify the guarantees of law and order, and to defend creditors' interests has occurred.*

The Ordonnance de Commerce consisted of 12 parts and 122 articles.

Pointing to the need to draw up the inventory, J. Savary writes, “His Majesty thought that the merchants needed the order of forming the Inventory so much, that he introduced a special Article in the Ordonnance dated March 1673, which is the eighth in the third Part, and the content of which is all merchants will be expected ...within the space of six months...to draw up a signed inventory of their movable and immovable property (effects) and of their active and passive debts, which will be verified and started up again every two years” [1, p. 320]...

“To moments of this article are worth mentioning”..., the ones, that not many researchers pay attention to, “the first is that all the Merchants had to draw up their personal inventory in a six-month period of time after the Ordonnance had been published. This inventory would cover all their property, both movable and immovable, to see the general state of their business activity, in case of failure to be able to justify his actions and to report to his creditors, at least, for the period the inventory was drawn up” [ibidem]. As Savary states, “... the article is aimed to establish an order and the conscientiousness in Commerce”. This very

act was suppose to eliminate the real bankrupts from the market and to draw the attention to the heading catastrophe over the potential bankrupts.

“The second one”, comments Savary, “is, that the Merchants had to draw up their personal inventory in a six-month period of time after the Ordonnance had been published; but they also had to renew it every two years to keep a good order during the whole period of their trade activity” [ibidem].

Title XI, Article XI, advises that “tradesmen and merchants, wholesale or retail, ...who, in the event of bankruptcy, do not present their registers and books, signed and authenticated, as specified above, may be considered guilty of fraudulent bankruptcy” [1, p. 253]. The text of Article XI, first of all, indicated that if the traders and the merchants turn out to be bankrupts in a six-month period and would not present the reports, which would prove their liquidity on the date of the inventory, we will be charged with cheating. The cheaters were also called the traders and the merchants who failed to keep their business in order and had no liquid report on the date of the latest inventory which is not over two years.

Article XII of the same part warned about the serious punishment for such kinds of crime: from the imprisonment to the death penalty [1, p. 253].

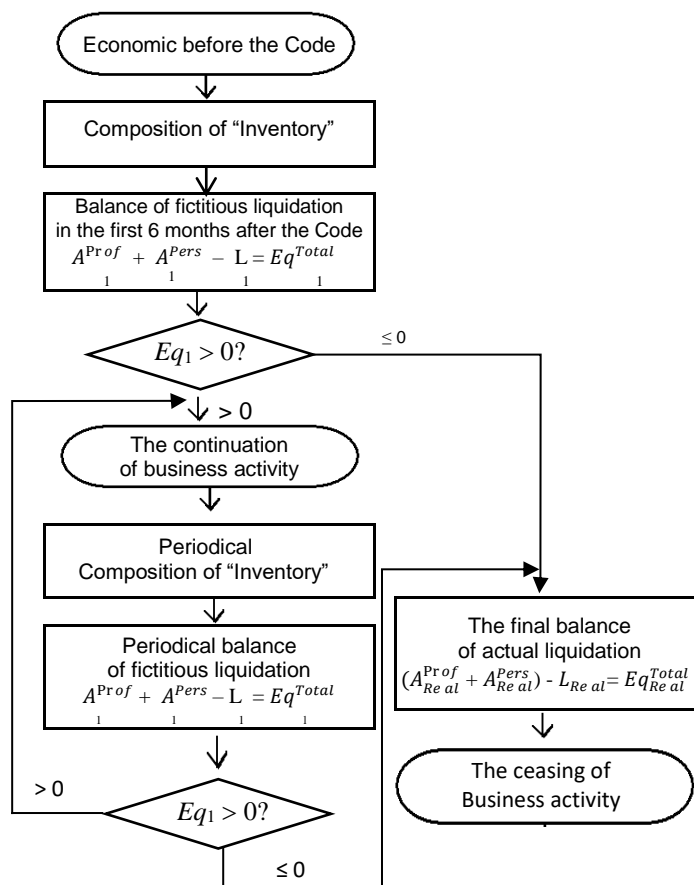
Thus, Ordinance, which contains no commentaries on the composition of the Inventory, had just one aim: to eliminate all “unlucky” traders from the market in six months, and then to check on the bankruptcy not rare than once in two years. There was nothing said about the revealing of the financial result in the Code. The algorithm of Ordinance requirements fulfillment is described in pic. 1.

As it can be drawn from the Code, Savary J., its main author, singles out three obligatory rules for keeping the accounts:

- obligatory documentation of all economic facts and provision the papers with legal strength during the legal proceedings;
- property inventorying;
- entrepreneur’s self-informing about the state of business.

*The demand to provide primary papers with legal force is arisen in the Code for the first time.* In Luca Pacioli’s time and further 200 years the rule of providing with legal force during the legal proceedings was applied only to the “trade” (accounting) books.

In 1549 Shvaiker V. clearly stated the role of the primary documents in bookkeeping. He formulated the rule: “there is no entry without documents”. Kazanova A. (1558) did not mention Memorial and it is presumed that the entries in Journal are made on the basis of primary documents [2, p. 69]. The representatives of French school, who developed Italian writers’ ideas, also doubt the necessity of keeping Memorial [2, p. 101]. M. van Damm (1606) insisted on its substitution with primary documents as the only reason for all bookkeeping entries. It was a very important step towards the coming to be bookkeeping in the modern form. J. Savary’s contribution is that it was him who in 1673 provided primary documents with conclusive force (it acceptance in court during a trial).



Pic. 1. The Algorithm of Ordinance Requirements Fulfillment

*Inventory of the property.* In 1958 Zybon A., a trustworthy researcher of the Ordonnance orders, stated that “the inventory regulations were given their juridical acknowledgement in this very document” [3, p. 28].

Savary underlined the advantage of the regular inventory. Speak of the frequent cases of the bankruptcy, Savary writes, “Does not this happen due to the fact that they never drew up the Inventory to know the state of their business; is it not true to say that if those to whom this misfortune (bankruptcy) has occurred had kept an inventory every year, they would have avoided this misfortune? There are even those who failed because they paid for an enormous wedding of their children, considering themselves wealthier than they really were”. “...It is also true to say that those who are not familiar with inventories ... that they are not really good at keeping up with their affairs”... “Is it not ridiculous for a man to say that if he has no associates whatsoever, that he need not keep an inventory, is he not under an obligation to draw up an account for himself?, ... isn't it a big carelessness to live in such negligence”. ... “...I have seen the merchants, who made four-five hundred thousand livers, and who never neglected their duty to draw up the Inventory each year, thus, they happily led their business successfully, and they also left large property to their children” [1, p. 321].

... “Therefore, young people starting out in business should draw up their inventories at least every other year, following the stipulations of the Ordinance; it would be



even better to do it annually; because it would be to their own advantage in governing their affairs and would make their businesses work better and be more profitable” [1, p. 321—322].

In Chapter 33 “About the order for the retail merchants, who trade widely, of doing their business and about the order of keeping their Ledgers” Savary concretized the regulations of Title III Article I and Article XI, Title XI Article XII. In Chapter 38 “About the order how the merchants should keep their inventory books in accordance with the latest Ordinance” the regulations of Title III Article VIII are thoroughly explained.

*In order to provide the entrepreneur with self-information* Savary J. made reporting legal again (if count that it took place in Florence at the end of XIV century), based upon periodical physical inventory.

Thus, the inventorying serves three main purposes which Savary J. advised to draw up the balances for:

- guaranteeing the safety of proprietor’s property;
- calculating economic financial result in order to capitalize and manage it;
- revealing of the estate state, *i.e. to indicate the sufficiency of the enterprise’s estate to cover the promissory notes.*

## 2. METHODOICAL PROVISION

The Code did not describe the bookkeeping procedure and the possible methods of keeping the books. When J. Richard comments on the Code, he writes, “These texts provide little help with our subject since they give *no indication* of valuation. Although the obligation to keep regular inventories examinable every two years is interesting, there is no information on the style of accounting required. Fortunately Jacques Savary’s commentary is available to us” [9]. In this connection Richard places all his hopes on Jacques Savary’s commentary, the main author of the Code [5].

Two years later (in 1675) Savary had written the book “Le parfait negociant”, which many researchers see as the Commentary to the Ordinance. Here Savary would describe the way how the composition of the inventory would have been done two years before. He would also give advice how to evaluate it. Savary would act as a true manager and would put the balance of financial result into the first place” [1, p. 321].

Thus, for Savary as for a jurist, it was just enough to draw up a fictitious liquidation balance, but as the manager Savary always places the balance of effectiveness of investment capital (financial result) into the first place. That is why in Chapter 33 he states that there is no difference when the inventory was drawn up (since the start of his business, or since the last inventory), but it is always important to know whether he gained profit or suffered losses.

Savary was the first to raise the question of expediency of applying the bookkeeping data to the management.

In case of insufficiency of property to cover the promissory notes, the business activity of economic object is aborted and a liquidation balance is drawn up. If the situation is positive, the business activity of economic object continues, and the inventory, according to the Code, is drawn up not later than in two years. In the first and second cases Savary gives preference to the balance of effectiveness of investment capital (financial result). The merchant or trader should know the state of his business. After it he has to prove to the contractors his ability to pay off his debts that is why the balance of fictitious liquidation is drawn up. Further, the situation is the same to the drawing up of the inventory of 1673.

Savary believed that to have one balance for all the purposes was not just enough and proposed a deferential approach:

- to calculate the revenues (inventory);
- to valuate the property state of the company;
- to reveal the consequences of the true termination of business activity.

Nowadays one of the last scholars, who studied the theory of balance diversity, was a French professor J. Richard, who gave to the first to balances introduced by Savary modern names: dynamic and static [4; 5, p. 68].

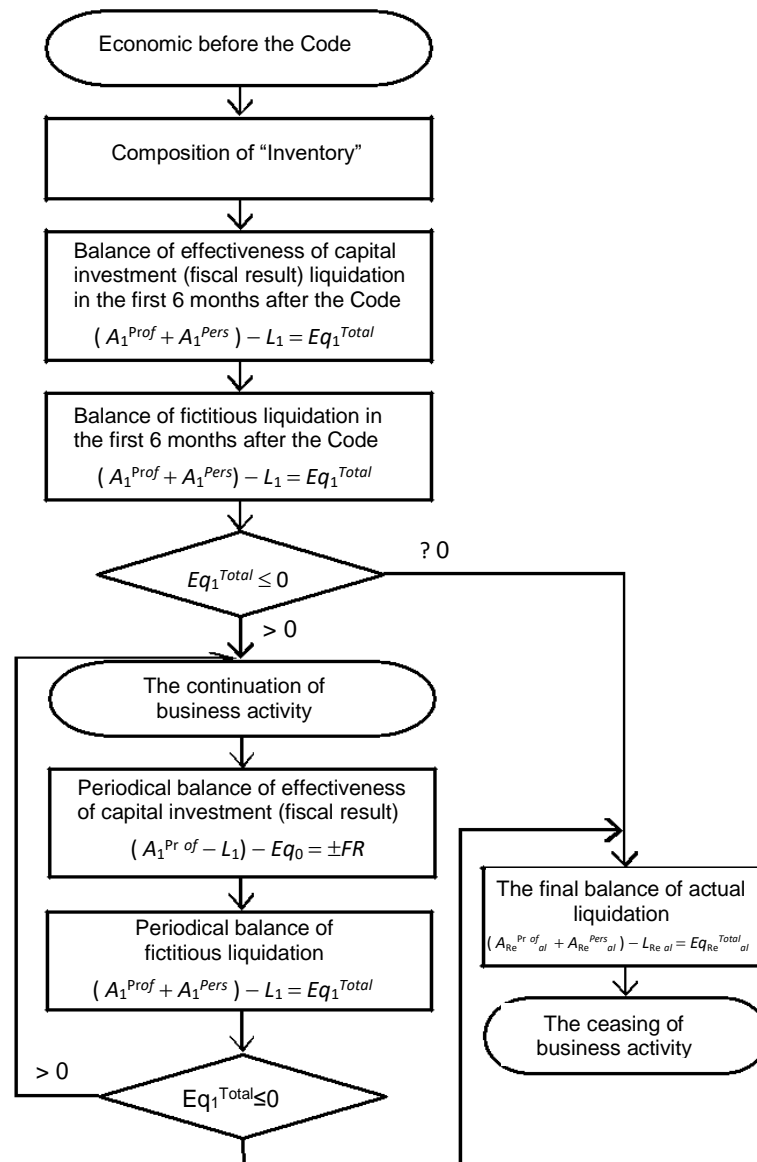
Here is our understanding of Savary's theory of balance diversity, pic. 2.

First of all, we would like to underline one very important moment, which is usually left without any attention by the scholars who study the works by J. Savary. As a rule, all describe the order to draw up the inventory not less than once in two years. Some, for example J. Richard, react on the fact that "Savary orders to draw up the inventory every two years, but in the example cited in Chapter 39 an annual inventory is described" [4; 5]. Nobody pays attention to the regulation of Article XI Part XI, where it is required to draw up the inventory in a 6-month period after the Code went into force, and, correspondingly, to draw up the balance of fictitious liquidation to establish if there is enough property to cover promissory notes.

From the Code point of view, it gives us the right to put the fictitious liquidation balance drawn up upon the inventory into the first place. The Code has got the State and not local (a merchant, trader or entrepreneur) status. The aim of the Code is to establish legal economic order — there is no place for bankruptcy in the market!

Here is our understanding of the theory of Savary Jacques's Balance Diversity. Here we should indicate some criteria [6—9]:

- interests;
- aims;
- property;
- evaluation.



Pic. 2. The scheme presentation of the theory of balance diversity according to "Le parfait négociant" by Jacques Savary

*Interests* (creditors, proprietors, management) indicate the aims for drawing up the balance (fictitious liquidation of an enterprise, actual liquidation of an enterprise, the effectiveness of capital investment); aims indicate the structure of property which is included into the balance (competitive mass — personal and professional property or just professional), and *applying valuation* (current market value of possible or actual sale or historical cost).

*Balance of effective capital deposit.* In chapter 38 Jacques Savary explained the bases of the drawing up inventory balance to make the financial results. The real example of drawing inventory list and balances based on trading equipment is shown in 39. In pp. 331—346 of the book "Le parfait négociant" "the record of the inventory list which has to be done every two years in accordance with the Code to be the example for traders of golden and silvery fibers,

silk, thick woolen cloth and also the example for other traders who sell the goods per “aune” (old length measure equals to 1.20 m).

*Composition of “Inventory”.* First of all Savary mentions that “The traders who are the members of the unions have to list goods in their records in the following way”. For God’s sake. General record of the whole property which this or that member of the union has in the form of goods or in cash, active depths which have to be paid as well as passive depth which we have to pay. Date and year...”. “...Those who are not the members of the union but trade as merchant can make their records in the following way: ”the general list of all my property in goods, cash, active depths which have to be paid as well as passive depth which we have to pay as well as moveable and real estate Date and year...”.

According to this text only individual traders have to note in the records their professional and personal property whereas members of the union — only professional one which is used in business. Savary gives the explanation referring to the Code: “Article VIII, part III of the above mentioned Code obliges you to make the list of the whole property moveable and real estate. Thus, those who make the business in commerce both sole traders and unions have to show it in the records of list”. “...It should be mentioned, that I haven’t said in the Records about two-members unions the fact that they have to state moveable and real estate because their union was created only for the sake of their goods but not for their moveable and real estate which in its turn is not common and that’s why there is no necessity to state it in the list. I think that in conformity with the Code members of the unions wherever they are have to make the Records or their moveable and real estate in order to make the report of their action for the creditors in case of bankruptcy and to show the state of their business in general and in details up to the day of drawing up Record which they have to make in 6 month”.

Thus, it is clear that the professional and personnel property will be involved in the subsequent balances. However in the record of union property their personnel possessing is not to be mentioned because it is not union property. Moreover each member has to state his personnel movable and real estate in separate list. It should be mentioned that in the example of inventory record Savary gives the list made for the union.

Savary pays attention to the critical date of drawing the inventory, “to draw up the Inventory one should choose a month of the year, when there is the least number of deals, so nothing would interrupt, and when the traders have more time to count the goods, and to do the complete revision of it. I believe, that August is the most suitable, because the trade is almost dead and that is why there is the least number of deals” [1, p. 322].

The next very important issue, which was discussed in Chapter 38, was the valuation of goods (professional property). Savary is not interested in the possible selling price of the goods, which can either raise or low the revenue, the revenue which does not exist in reality yet. His main contribution is his recommendation how to value the goods at the cost price, in this case “when they are sold the revenue will be reflected in the balance of the next period” [1, p. 325] in a form of cash flows or the purchasers’ debts, which exceeded the cost of the sold goods.

Savary considers only three exceptions when refers to the valuation at the cost [1, p. 325]:

- the price of goods can be valued lower than the cost, if it was lower by the producer or the wholesale prices went down;
- the prices for the out-of-date goods went down;
- the prices for the damaged or unsuitable for sale goods were considerably lowered.

Ter Vehn Albert offers his own translation of J. Savary's commentaries: "Here we should also understand how the prices are fixed. That is why we should avoid estimating the prices higher than they are for the present moment, because it can lead to the situation when you are rich "only on the paper" [10, p. 18].

A technical detail draws attention to itself: Savary finishes each page of inventory with growing total since the beginning of the inventory, and the new (next) page of the inventory starts with this accumulated total. In the cited example in Chapter 39 the growing total on page 332 equals 3683.15 liras [1, p. 332]. Page 333 begins with the text: Ter Vehn Albert offers his own translation of J. Savary's commentaries: "For the total sum, indicated opposite, is 3683.15 liras". Such approach provides with the safety of included information into the inventory, strengthens page-by-page control, and eliminates the falsification of the data in future. The first page of inventory is shown in photo 1.

In the given example of the Inventory "Total sum of the goods value in liras" is 25586.18.7 [1, p. 345].

332 CHAP. XXXIX. Formule d'Inventaire qui peut  
tion de l'Inventaire de deux associés des meubles, & immeubles; par-  
ce que leur société n'estant que pour le fait de la marchandise seule-  
ment, & non pas pour leurs meubles, & immeubles qui ne font point  
communs, il n'est point nécessaire d'en faire mention dans l'intitula-  
tion de l'Inventaire, puis qu'ils n'y feront point écrits; & pour satis-  
faire à l'Ordonnance, j'estime que les associés chacun endroit soy, doi-  
vent faire à part & séparément l'Inventaire de leurs meubles & immeu-  
bles, pour rendre compte de leurs actions à leurs créanciers, en cas de  
faillite, afin qu'ils puissent faire voir l'estat de leurs affaires, tant en ge-  
neral qu'en particulier au jour de l'Inventaire qu'ils sont tenus de faire  
six mois après la publication de l'Ordonnance. La raison en est qu'ils  
sont solidairement obligez envers les créanciers qu'ils auront faits,  
pour raison de leur société, ainsi leurs meubles, & immeubles y sont  
solidairement obligez suivant l'Article sixième du Titre quatrième de  
ladite Ordonnance duquel il sera parlé en son lieu.

Après l'intitulation l'on commencera l'Inventaire de la maniere  
suivante.

*Brocards & toiles d'or & d'argent de toutes sortes.*

N <sup>o</sup>				
1	Brocard, or & argent,	aun. 19.10.	} aun. 35. 4	
2	dit,	aun. 15.15.		
			à 30. l.	L 1057. 10.
3	dit d'argent,	aun. 20.	à 25. l.	L 500.
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5	dit argent & bleu.	aun. 12. 13. 4.		
			à 12. l.	L 338.
6	Moyre or & vert,	aun. 14. 10.	} aun. 27. 1/2	
7	dit or & noir,	aun. 13. 5.		
			à 10. l.	L 277. 19.
8	Velours violet à fond d'or,	aun. 28.	} aun. 36. 1	
9	dit à fond bleu,	aun. 15. 13. 4.		
			à 24. l.	L 880.
<i>Velours plains noirs, &amp; couleurs de toutes sortes.</i>				
10	Velours noir trois poils,	aun. 19.10.	} aun. 33. 7	
11	dit,	aun. 13.15.		
			à 19. l.	L 631. 15.
				L 3683. 15.

Photo 1. The first page of Inventory

Further we see the part “Active debts, such as good, doubtful, hopeless, the ones that are owned to me by the listed above”. First, I have good debts name by name for the total sum in liras of 5721.3.6, doubtful ones for the total sum of 1275 liras, and at the end, the hopeless debts for the total sum of 2410.10 liras. The total sum of all the debts is not calculated.

The very last index is “Money in Cash”. After the line with the name of the index goes the line of “L 540. 10 f., which is the money in cash, L 540.10”. After the last index is underlined, the index of total sum “Total value of goods, active debts, and the money in cash” of 35 434.2.1. liras is written under the line.

As we see, professional debts in the inventory are registered in the following way: goods, debtors’ debts, money. In contradistinction to the proclaimed by L. Pacioli placing of assets in diminishing probability of losing the assets manner, there is present the consolidation of the increasing liquidity of the assets manner which was for the first time described by A. di Pietro.

The inventory is finished by the part called “The passive debts, which I owe to the listed below”. This part includes the following points [1, p. 346]:

- Money for deposit;
- By promissory notes;
- Wholesale traders, and also the workers by the book of purchases;
- To my commissioners, and house servants.

After the underlining of the final part of the article, “Total sum of the passive debts” is written in 10022,1 liras.

In the commentaries to the Code Savary considered the inventory as the basis of drawing the balance. The balance is understood as the constituent of the inventory register, as the completion stage, when the result of the inventory is presented in the form of a bookkeeping report and is called “Balance de present inventaire”. In Chapter 38 the aims of the balance are described. The balance reflects, “first of all, what the entrepreneur has gained during the year (through the changes of pure assets), secondly, whether the entrepreneur has been robbed by his workers or servants or not”. In F. Oberbrickman’s opinion “Savary claims that the reports are drawn up to reveal the profit and losses, and also possible property losses in case of embezzlement. Besides, the bookkeeping reports are used to calculate the value of the property, and to inform about the economic state” [12, p. 19].

Then the balance of the financial result (the effectiveness of capital investment) is drawn up on the basis of the inventory. The financial result ( $\pm FR$ ) is calculated by the formula:

$$\pm FR = (A_1^{Prof} - L_1) - Eq_0 \quad (1)$$

where:

$A_1^{Prof}$  professional property (goods stock), at the cost price (in Savary's example their value in liras was 35 434.2.1);

$L_1$  promissory notes ("Total sum of passive debts", equals 10022.1);

$Eq_0$  the fixed capital in accordance with the Regulations of our company for a such and such day (20000 liras).

Given formula (1) shows that Savary initially calculates the pure assets at the end of the reporting period ( $L_1$ ), and then compares pure assets at the end and the beginning of the period.

Here is ( $A_1^{Prof}$ ) is nothing new science the times of Alberty's inventory liquidation balances.

It is well known, that *the proprietor's interest is in gaining profit*. In this case the proprietor does not protect his money from inflation by keeping it in a deposit at a low risk, but invests the capital into business at a high risk. The enterprise's aim is to preserve and multiply the capital invested by a proprietor. The concept of preserving and multiplying the capital can be expressed in the following formula:

$$Eq_1 \geq Eq_0 \quad (2)$$

where:

$Eq_0$  — Personal capital (Equity) at the beginning of the period;

$Eq_1$  — Personal capital (Equity) at the end of the period.

Then, in order to calculate the fiscal result of the period ( $\pm FR$ ) it is necessary to compare net asset cost at the end of the period ( $Eq_1$ ) with the similar index at the beginning of the period ( $Eq_0$ ):

$$\pm FR = Eq_1 - Eq_0 = \pm \Delta Eq \quad (3)$$

However, the index of net asset cost change ( $\pm \Delta Eq$ ) does not characterize the fiscal result, because there is a need for correction for the quantity of additional investment ( $In$ ) and withdrawal ( $Ex$ ) done by a proprietor. In this case, the fiscal result ( $\pm FR$ ) is calculated with the help of the formula:

$$\pm FR = \pm \Delta Eq - In + Ex. \quad (4)$$

In J. Savary's times a great number of proprietors holy followed the Ancient Rome restored law and did not allow the property withdrawal (even if that brought some profit) till the end of the fiscal period, which allowed to calculate the fiscal result without taking into account the influence of subjective factors (withdrawal and investment of the property owners):

$$\pm FR = (A_1 - L_1) - (A_0 - L_0) \quad (5)$$

$$\pm FR = (A_1 - L_1) - Eq_0$$

i.e. formula (1).

It should be noted that there has been nothing new since the time of inventory liquidation balances drawn by Alberty Company. However Savary, in his work, was the first to look upon the problems of capitalization, when the financial result is calculated as growth or “eating through” capital.

The balance of bringing out the financial result conveys the interests of proprietors or management. The aim of drawing up such balance is by means of financial result (profit or loss) to see the effectiveness of capital deposits and to analyze the quality of management. Thus, this balance should include only the property involved in making up the financial result, i.e. professional propriety. Here Savary works out one of the key principles of requirements dynamic accounting which is solitary enterprise (solitary property). A de Pietro, as it is known, was the first who paid his attention to this principal. According Y. Socolov “obviously, he was the first who separated the notions of a proprietor and an enterprise apart” [2, p.73].

Since drawing up the balance of financial result (effectiveness of capital deposits) there is no necessity to study the consequences of management process which lead to actual enterprise liquidation and selling off its property to cover obligations for creditors. As far as the analysis of the effectiveness in using this property comes forward there is no need to assess the property according to prices of potential or real sale. It is the main reason of Savary’s suggestion to make the inventory balance of the property in historical assessment of buying or creating it.

J. Savary explains the algorithm of drawing up the balance of financial result in Chapter 38: “about the order which traders have to follow for making the Record in conformity with the last ordinance” [1, p. 327].

Savary writes, “In order for a Merchant keeping an inventory to know if he has lost or made money since the day he started his business, or since his last inventory, ...he must draw up the balance,. It presupposes opening the list which would contain the ultimate articles. The phrase “The Present Inventory Balance” should be in the middle of the list.

“... On the debit side, he must show debtor (*doit*) for the total value of his merchandise, active debts owed to me ... cash on hand ...and creditor (*avoir*) for the passive debts I owe”...[1, p. 327].

“Then note, and also underline the sum. These three added sums would be equal to the sum which includes the goods, money in cash and active depths which were written as debit. Thus, the Inventory balance would be drawn up and help a trader to see at once the real cost of all goods in his shop, money in cash, active depths, his depth, his own capital and profit or loss which he made during the period between two Inventory balances.



No one of the researchers (we haven't seen any other variant of the description) points out that Savary draws up two balances (including both financial result and fictitious liquidation) in one table — the first one across and the second one is down.

It should be noted that Savary presents his inventory balance in the form of bookkeeping account. The left side of the balance he calls “Debit” of the account (*doit*), and the right side — “Credit” of the account (*avoir*). The balancing value is the cost of goods, active debts, which are owed to me and also money, which are in cash, (the professional property) —  $A_1^{Pr\ of}$  — in liras 35434.2.1, reflected in the table of balance from Inventory Record p. 345 in the commentary. The total cost of goods stock assessed at cost price. The sum of obligations is also taken from the inventory record (its last page — p. 346 of the commentary) — 10022.1. The amount of personnel capital (20000 liras) in Savary's example is should be written from the balance to the set of rules. Then the financial result is calculated according to the formula — profit equals to 5411.1.1.

Photo 2 shows “The Balance of Inventory List”, which in Savary's book is on pp. 348—349 with the final list of inventory balance p. 345 including the final cost of professional propriety and p.346 including obligations”. Table 1 shows the English translation of the balance.

Special attention should be paid to the fact that Savary's example describes the Balance drawing up according to the Code during the first six months after the Code takes effect. If to use the value of the fixed capital in the further practice, then we will always get the financial result from the beginning of the business activity.

The usage of the fixed “sorgo” (as in the example of Alberty Company) is eliminated, because the laws of the Roman law (confirmed by the Reception) did not allow the companies in business to consume the revenue before the liquidation of the company and the paying off of all debts. Probably, in the future periods to reveal the periodical financial result the entrepreneur had to add the accumulated since the beginning of the business activity revenue (expenses) to the amount of the fixed capital, that is to make an inventory of the investing and reinvesting capital. But, to tell the truth, there are no commentaries about it in Chapter 38.

***The balance of fictitious liquidation is not the consequence of liquidation but the ground for it.*** As it has been mentioned above, when there is not enough property to cover the promissory notes or when there are no property remainders after paying off the debts, the bankruptcy procedure begins, which leads to the liquidation balance sheet.

Creditors' interests appoint the aim of drawing up such balance: the control over the enterprise's ability to cover the promissory notes by actual property. The creditors' claims extended both on the professional and personal property of enterprise's owner. Thus, the competitive mass of professional and personal property was taken into account in such balance.

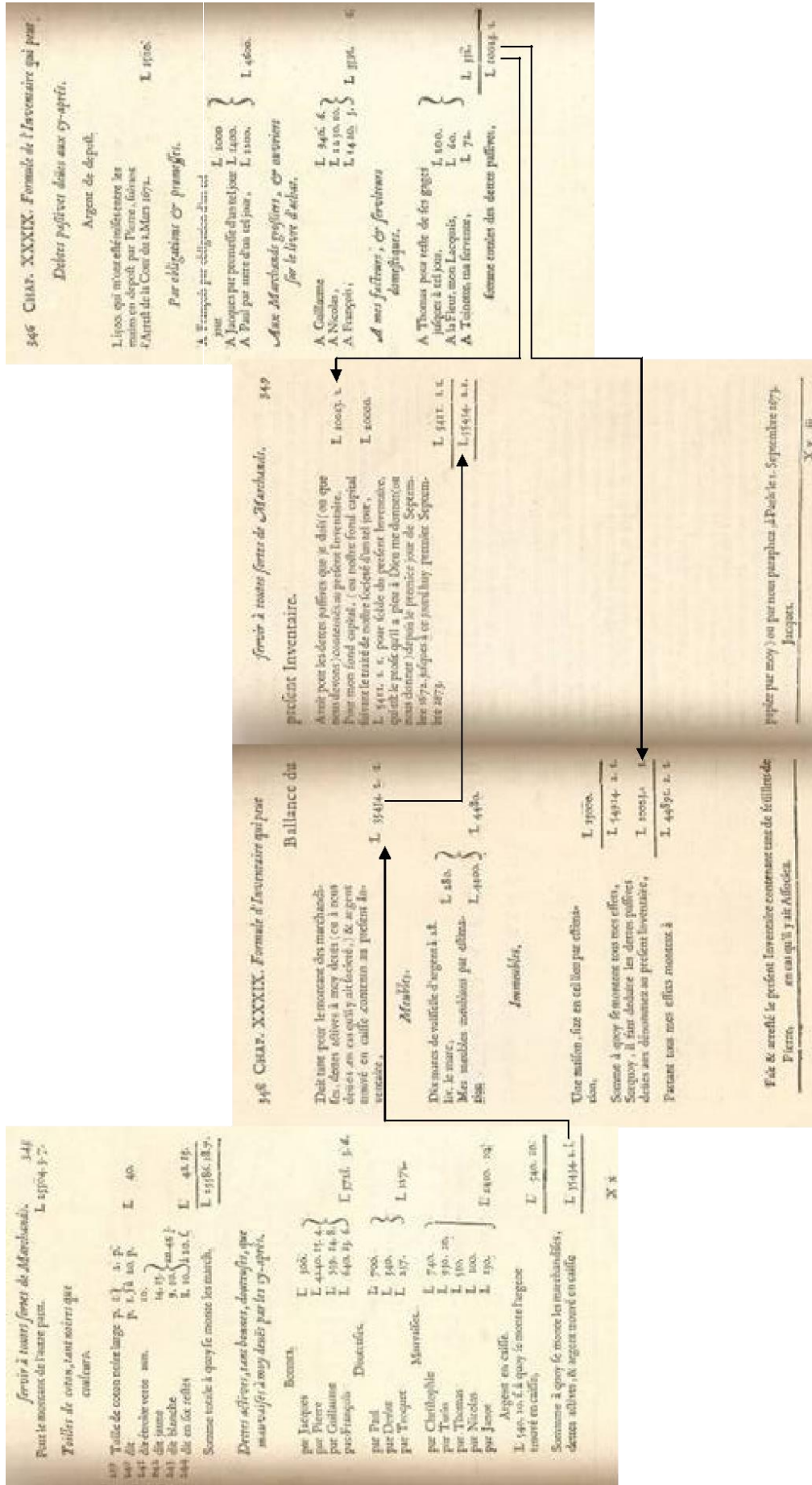


Photo 2. The drawing of the balances by Savary (of financial result and fictitious liquidation)

Table 1

## Chapter XXXIX Inventory Card for all Merchants

PAGE 348  
PAGE 349

**The Present Inventory Balance.**

In debit there is the whole volume of goods, active debts, which are owed to me (or are owed to us, in case of company), and also money, which are in cash, containing in the present inventory			
			L 10023. 1.
In credit, there are passive debts, which I owe (or we owe) which the present inventory contains			
In the capacity of my fixed capital (or our fixed capital in accordance with the Charter of our company for such-and-such date			L 20000.
L 5411.1.1 in the capacity of remainder of the present inventory, acknowledged as the profit, which God deigned to give to me (or to us), beginning from the first day of September 1672 and up to the present date – 1 September, 1673.			L 5411. 1.1.
			<hr/>
			<hr/>
			L 35434. 2.1.
			<hr/>
			L 4480.
			<hr/>
			L 15000.
			L 54914. 2.1.
			<hr/>
			L 10023. 1.
			<hr/>
			L 44891. 1.1.

Movable.	
Ten ounce of silver dishes at 28 livra per ounce,	L 280.
My movable property, which can be used for furnishing, at the price	L 4200.
	L 4480.
Immovable.	
The house situated in such-and-such place, at the price of,	L 15000.
The sum, which is all my property, from which the passive debt should be subtracted, which belong to the listed in this present Inventory	L 54914. 2.1.
	<hr/>
	L 10023. 1.
Proceeding from this all my property is	L 44891. 1.1.

To draw up the balance of fictitious liquidation, Savary offers to add from the common inventory (for the personal trader) and additional personal inventory (members of the proprietorship) to the balance of personal movable and immovable property. Savary writes in the Commentaries: “After the balance is drawn up to settle the requirements of Ordonnance, he will place all the furniture from the interior, Jewells, silver plates, if there are some, on one side, and then immovable property, and will write the value of everything in line to correlate the sums together, and to see up to what sum all his property will rise” [1, p. 327].

“Ten ounce of silver plates at 28 liras per ounce” are related to the movable property and the furniture (in the example, 4480 liras), and Savary includes “House located in such and such place” (15000 liras) into the immovable property. The sum “up to what all his property will rise” in the example equals 54914.2.1 liras.

Especially important to note, that Savary shows the personal property in “value”, because the creditors should know how much they will get from the sale of the property in case of the debtor's failure.

During fictitious liquidation there is no other property valuation but a possible sale price, which is compared with market price, but which could not be objective. When basing possible sale price in “Le parfait négociant” [1] Savary J. used “the principle of the least price” (but it always was productively used in practice). If the sale price on the reporting date is lower than the initial bargain expenses due to some changes in fashion or for other reasons, than when estimating such goods the market prices are used. And vice versa when the current price is higher on the reporting date of fictitious inventory, the goods should be estimated at the cost price.

The fictitious liquidation balance sheet was based on the calculation of the enterprise's property net cost ( $Eq_1^{Total}$ ) as the difference between the enterprise's property, which was estimated at a possible sale price

( $A_1^{Prof} + A_1^{Pers}$ ) and the enterprise's promissory notes ( $L_1$ ):

$$(A_1^{Prof} + A_1^{Pers}) - L_1 = Eq_1^{Total} \quad (6)$$

The Commentaries read, “... above we should write the total sum of the passive debt, the ones he should subtract; and everything, what is left after the subtraction is done, is what he really owns of property” [ibidem]. Thus, in the concluded part of the fictitious liquidation balance one calculates “the sum which all my property worth” (54914.2.1 liras) and out of which “we subtract the passive debts listed in this very Inventory” (10022.1 liras). “Changing from it all my property equals” 44891.1.1 liras.

The example of the fictitious liquidation balance, cited by Savary [1, p. 348], proves that the company is strong. And the company won't be a bankrupt for the date of inventory, because after all the debts are paid off the proprietorship may use the property, which is available for producing activity for the stated sum.

Further in the Report, and we can state it for sure, that Savary's balances were exactly the bookkeeping reports, the author introduces the demand for the obligatory conformation of the report with the personal signature of the compiler: "... and if there is no companion, one has to write *The end of the first inventory, which contains of such-and-such full pieces of paper which I personally initialed, which I checked well and thoroughly and signed in the certain place, on the certain date and year, and only then sign it* after the balance of movable and immovable property ... *"If there are two trade-companions, we should write, "We, signed below, such and such companions, confirm that we have drawn this inventory together, which contains of all full pages, which we personally initialed, which we checked well and thoroughly and signed in the certain place, on the certain date and year, and only then sign it"* [1, p. 327—328].

Savary finishes the order, "This is that order which the traders should draw up their inventories in, .... So all the types of traders, which trade with all the type of goods, could be able to draw the inventory themselves to correspond to the Eighth Article of the Ordonnance, without being afraid that they have never done so before" [1, p. 328].

**The liquidation balance sheet.** When there is not enough property to cover the promissory notes the proprietorship or individual traders consider to be insolvent to manage the business and the bankruptcy procedure is applied to him.

After the creditors' primary real actions are settled *remained owners' actions* are possible. The estate owners' claims can take place if the actual sale of the property is done at the higher than planned sale price (possible sale price in static balance of fictitious liquidation). In such situation the balance of actual liquidation reflects the remained owner's interests and is drawn by the formula (7), where all the data is reflected according to the bookkeeping in the real sale price and the real paying-off sums:

$$(A_{Re\ al}^{Pr\ of} + A_{Re\ al}^{Pers}) - L_{Re\ al} = Eq_{Re\ al}^{Total} \quad (6)$$

In the general view Savary's balances can be systemized as in table 2.

### 3. DISPUTABLE REGULATIONS OF THE COMMENTARY

The researchers have very controversial points of view towards J. Savary's contribution. Schalenbach E. was the first to extract from the Ordonnance alternative tasks of the balance (either precise reflection of property cost or/and calculation of profit) and came to the conclusion that before the Ordonnance was published "...the calculation of fiscal result had been more important" [12, p. 21—22].

Schneider D., a modern researcher, is very close to Schalenbach J. in his understanding of the problem. He believes that the profit had no sole value up to XIX century and excludes mentioning of the profit distribution before the closure of enterprise in J. Savary's work.

On the other hand, J. Richard criticized D. Schneider's opinion at the European Association of Accountants Congress (Copenhagen, 2002) [4]. Having mentioned "Le partait

négociant” in his speech, J. Richard points out that Savary J. was the first “to let investors to distribute the profit” if they do not run the risk of bankruptcy. J. Richard develops Fremari’s idea that Savary J. reported against Straccha in the commentaries to the Ordonnance. As far as the beginning of XVI century Straccha had been backing the idea of Applying Rome Law in accounting: *the property and profit can be distribute only after the comradeship’s (joint-stock company) term of validity is over and all the promissory notes are paid off.*

Table 2: The Interpretation of J. Savary’s Theory of Balance Diversity

Appellation	Effectiveness of Capital Investment	Fictitious liquidation	Finalizing liquidation
Interests	Proprietors and management	Creditors	Remained proprietors’ interest
Drawing up Aims	Calculation of fiscal result of activity	Estimation of property state during “fictitious” liquidation (checking the ability to cover promissory notes)	To reveal the fiscal result in case of actual determination of business activity
Property	Professional	Professional and personal	Professional and personal
Information Source	Physical Inventory	Physical Inventory	Accounting data of the result of enterprise liquidation
Valuation of Property	At cost price	At the cost of possible sale	At the cost of actual sale of property
Calculation Formula	$(A_1^{Pr of} - L_1) - Eq_0 = \pm FR$	$(A_1^{Pr of} + A_1^{Pers}) - L_1 = Eq_1^{Total}$	$(A_{Re}^{Prof_{al}} + A_{Re}^{Pers_{al}}) - L_{Real} = Eq_{Re}^{Total_{al}}$

Let's refer to “Le partait négociant”. In Chapter 40 “About the partnerships with the collective names of several people, sleeping partnership, anonymous, and also about some formalities which should be followed for them to be good and legal” on pages 368 – 369 Savary states nine regulations “... concerning the means and considerations which on has to have to be successful” [1, p. 368].

Regulation six deals with “the sum which those who run business supposes to take annually for their food and maintenance, and will they take it out of the revenue, which is his in the proprietorship, or not” [1, p. 369].

In this regulation Richard sees the way out for early consumption of the revenue. In our opinion, it really does not go from the text of this commentary. The regulation of “fixed (limited) advance of money received” and “the postponement of their paying off”. One partner invested all his property into the business, another one (sleeping partner or the investor, as a rule, a man of “distinguished parentage, and also nobleman and people in cloak” [1, p. 367] — free money. The latter will not participate in the partnership’s business, but will wait for his interest. Accordingly, there is a question: how the main participant of the business should find

money for food? Savary finds a witty compromise: to give a long-term advance of money, which should be taken into account when the profit is being distributed. With such approach the summed value of the property does not diminish. The given money to the partner are to be turned into the debtor's debt (active debt), which will not reflect the financial result.

Consequently, Savary J., who developed juridical basis on behave of King Ludwig XIV, gave no grounds for consuming part of profit upon reporting period. Juridical this norm would be put into force much later, at the end of XVIII in Prussian Land Code (1794).

Some of the writers mistakenly claim that Savary's model of bookkeeping is of dynamic character. Just the same they say that the Florence model of Datini's company after 1399 is the dynamic bookkeeping. But at the same time the attention is drawn to the financial period, the stock-taking at cost price, the ideal system of drawing up the financial result, the adding of amortization and forming of reserve (but the last points are disputable). Enumerated positions characterize dynamic philosophy, which, undoubtedly, had been formed in the depths of the static accounting, and Savary was ideologist of both of them.

The dynamic bookkeeping should support the owner's interests in the part of financial result distribution and spending some of it on rewarding purposes. This could only be done in case of the proclamation of the solitary property and when the owner accepts all responsibilities for his business, as a rule, by risking losing his entrance fee into the registered capital. Such could not be done in Savary's times, especially in the XIV-XV centuries. The exception makes joint-stock companies, but their number was limited and they had been set up and functioned according to the special regulations.

#### 4. CONCLUSION

Static accounting had been forming over XIII to XIX century. In XIX century the static accounting practice gained its own theory. Among the scholars who studied static accounting we should point out Simon H.V., Nicklisch F., Le Kutre V. and others.

In XVII century the formation of static and dynamic bookkeeping is associated with the name of Savary J., a famous French researcher acknowledged both by the representatives of static and dynamic form of bookkeeping as one of the most meaningful figures among outstanding creators of bookkeeping, whose contributions are often compared with Luca Pacioli's contributions by a Frenchman Ober R. and other famous researchers. Before Ober R. all the researchers acknowledged the appearance of double-entry bookkeeping as a breaking point in the history of bookkeeping and stressed the importance of Luca Pacioli's work. Ober R., nowadays, when pointing out the bookkeeping periods [2, p. 15], proclaimed Savary J. to be central figure who played crucial role in bookkeeping studies. Before him all bookkeeping carried just information characteristics, it made easier for a proprietor to keep business, it helped him "in his daily routine troubles when running for fame and money". It was Ober R. who pointed out those three hundred years of bookkeeping history is a history of juridical school; he related it with J. Savary's works which formed juridical doctrine of bookkeeping.

In 1675 Savary J. published “Le partait negociant” where he reflected the principles of balance diversity and formulated the criteria of property accounting at *the possible sale price during fictitious liquidation and at historical cost (cost price) to calculate the fiscal result*. Savary J. grounded “the principle of a least price”.

Here it can be noted that at Pacioli’s times ( when the bookkeeping was kept within the family — individual peasant holding) the bookkeeping informational system included the means of productive activity and personal property of the production owner (the creditor’s claims extended to the personal property) J. Savary showed the difference between the inventory balance, which included only the data about the property which was invested by the owner into the company, and competitive balance, which included the information about the personal property of the owner. By giving the preference to the inventory balance, J. Savary *foretold* the principals of independent company (isolated property).

Savary is to be thought as the first manager, who took managing decisions on the basis of bookkeeping reports — balance. For these reasons he was the first to see the expediency of economic analysis balance.

Savary J. stated the difference between *inventory balances*, which included information about property which the proprietors invested into business, and *competitive balance* where the personal property was also included. Savary J. showed the principle of independent enterprise (solitary estate) by preferring the inventory balance.

Savary J. stressed the importance of inventory (when guaranteeing the safety of owners’ property and their information supply), made the bookkeeping reports legal, made obligatory to draw it up. J. Savary’s works consist of elements of dynamic accounting, which prime aim is *to calculate fiscal result*.

It is mistakenly assumed that Savary’s model of bookkeeping is of dynamic character. The dynamic bookkeeping should support the owner’s interests in the part of financial result distribution and spending some of it on rewarding purposes. This could only be done in case of the proclamation of the solitary property and when the owner accepts all responsibilities for his business, as a rule, by risking losing his entrance fee into the registered capital

Today J. Savary’s works rouse great interest in Russia. We performed an attempt to translate J. Savary’s work “Le partait négociant” into Russian. And such interest is, of course, not accidental.

The development of world bookkeeping over 150 – 160 years could be described in three stages:

- from 1850 till the end of XIX century — static accounting aiming at the creditors’ interests;
- during XX century — dynamic accounting expressing owners’ interests;
- at the beginning of XXI century — actuarial accounting which is directed at the potential and actual investors.



Static accounting, which expresses creditors' interests, can be identified as the property sufficiency to cover promissory notes; property accounting is done at the sale price. In this connection, assets meant the property which the debts could be paid off with. As the owned property had such capacity only, there was no doubt *in estimating assets as owned property*. Correspondingly, in the character of cost price valuation of such property possible price was used at the liquidation of an enterprise. The best matching theory to it was the one about the least estimation between the current market price and cost price which Savary J. presented in 1675. Only cash method can be used when drawing up such balance.

The dynamic accounting is directed at actual owners with the aim to define the effectiveness of capital investment (calculation of fiscal result), property accounting is done at the historical cost, the method of income adding (juridical treatment — with the transition of ownership right to the object of a deal) and losses. The main principle of dynamic accounting is the continuation of business activity and the objects are not the subject of sale as when during the liquidation. That is why there is no need to evaluate them at the possible sale price.

Actuarial accounting is directed at the potential or actual investors' interests. In such manner of accounting it is necessary to form an image of market attractiveness of enterprise, and so the necessity to calculate market cost of enterprise as a single unit to be presented on the stock exchange. It should be noted that actuarial accounting is not the returning to the static accounting and not the valuation of some objects to cover promissory notes. It is the calculation of property cost in case of its sale or purchasing as a single unit, means of attracting new proprietors. The main valuation is a fair market value. Fair market value (FMV) is the price that property would be sold at on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts. If you put a restriction on the use of property you donate, the FMV must reflect that restriction. The method of income adding (the economic treatment — the income is estimated at the moment when the object of a deal leaves) is applied. It is especially important for Russia, which during a long period of planned economy took no effort in the field of static accounting, and right now it is on the way from dynamic to actuarial accounting.

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## REGULATING AUDITING IN SAUDI ARABIA: FROM STATE TO SELF REGULATION\*

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### ABSTRACT

This paper explores the interaction between the practising and regulatory divisions of the auditing profession, focusing particularly on the effects that changes in the context of the latter can have on the former. It examines this interaction within the auditing context of Saudi Arabia, where remarkable changes in the nature of regulating auditing practices have taken place following the passage and implementation of the 1991 CPA Regulation. These changes have affected the supply side of the Saudi audit industry, in terms of new CPA licensing and disciplinary rules, the establishment of an accountancy regulatory body, and, consequently, the issuance of new auditing standards and ethical codes, the setting of professional fellowship examinations and continues training requirements, and the implementation of quality review programme for professional firms. For this purpose, the paper outlines the results of series of research conducted during the last few years within the auditing context of Saudi Arabia. It involves a specific concern, namely: showing how could the issuance and implementation of numerous auditing regulations be utilised to the favour of professionals. It will proceed in five sections including a final concluding section, as follows. Section two outlines the implemented theoretical ideas drawn from the political economy theory. Third section provides a brief background to the context of the auditing profession in Saudi Arabia. Section four outlines the results of several research works conducted within the Saudi auditing contexts within the last few years, and finally, section five provides discussion and concluding comments.

**Keywords:** Auditing Context. Auditing Profession. CPA Regulations. Political Economy. Saudi Arabia.

**Jel Code:** M42, M48.

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\* This is the improved version of the paper submitted to the 2<sup>nd</sup> Balkans and Middle East Countries Conference on Auditing and Accounting History, Istanbul, Republic of Turkey, September 15-18, 2010.

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**Atıf (Citation):** Al-Angari, H.A. (2021). Regulating Auditing in Saudi Arabia: From State to Self Regulation. *Muhasebe ve Finans Tarihi Arařtırmaları Dergisi*(20), 23-44.

## SUUDİ ARABİSTAN'DA DENETİMİN DÜZENLENMESİ: DEVLETTEN ÖZ DÜZENLEMELERE

### ÖZ

Bu çalışma, denetim mesleğinin uygulama ve düzenleme bölümleri arasındaki etkileşimi araştırmakta ve özellikle ikincisi bağlamındaki değişikliklerin birincisi üzerindeki etkilerine odaklanmaktadır. Bu etkileşimi, 1991 CPA Yönetmeliği'nin kabulü ve uygulanmasının ardından denetim uygulamalarını düzenleme niteliğinde önemli değişikliklerin meydana geldiği Suudi Arabistan'ın denetim bağlamında incelemektedir. Bu değişiklikler, Suudi denetim sektörünün tedarik tarafını, yeni CPA lisansı ve disiplin kuralları, muhasebe düzenleme kurumunun kurulması, yeni denetim standartları ve etik kuralların çıkarılması, mesleki sınavlarının düzenlenmesi ve profesyonel firmalar için kalite inceleme programının uygulanması açısından etkilemiştir. Bu amaçla, makale Suudi Arabistan'da denetim bağlamında son birkaç yılda yapılan bir dizi araştırmanın sonuçlarını ana hatlarıyla açıklamaktadır. Çok sayıda denetim yönetmeliğinin çıkarılması ve uygulanmasının profesyonellerin lehine nasıl kullanılabileceğini gösteren özel bir endişe de çalışma içerisinde belirtilmektedir. Çalışma, sonuç bölümü dahil olmak üzere beş bölümde ilerlemektedir. İkinci bölüm, politik ekonomi teorisi bağlamında uygulanan teorik fikirlerin ana hatlarını çizmektedir. Üçüncü bölüm, Suudi Arabistan'daki denetim mesleğinin bağlamına kısa bir arka plan sağlamaktadır. Dördüncü bölüm, son birkaç yıl içinde Suudi denetim bağlamında yürütülen çeşitli araştırma çalışmalarının sonuçlarını özetlemektedir. Son olarak, beşinci bölüm tartışma ve sonuç yorumları sunmaktadır.

**Anahtar Kelimeler:** Denetim Bağlamı. Denetim Mesleği. Mali Müşavirlik Mevzuatı. Politik Ekonomi. Suudi Arabistan.

**Jel Kodu:** M42, M48.

### 1. INTRODUCTION

Auditors and the conduct of their professional work are mostly subject to regulation in one form or another. According to mainstream accounting research, the emergence and development of the auditing profession and its regulatory system is highly related to the development of technology, the industrial form of society and the information needs of capital markets and rational investors (e.g. Sriram and Vollmers, 1997). The regulation of the auditing profession, accordingly, has a strong connection to the development of social welfare policies and public interest criteria; as it can promote and sustain certain desirable characteristics of practitioners (traits, e.g. Roy and McNeil, 1967), improve the efficiency and credibility of the conduct of their work (functionalists, e.g. Jones, 1981), prevent abuse of positions and power by practitioners and various interest groups (capture hypothesis, e.g. Briloff, 1972; Chatov, 1975; Watts and Zimmerman, 1978; Benston, 1985), and, in general, prevent the occurrence of audit failures (Watts and Zimmerman, 1986).

In more recent accounting research critical dimensions were implemented (e.g. Cooper and Sherer, 1984; Tinker, 1984; Sikka, 2002). Inherent in this implementation was a critique of the proposition that regulators operate from an interest motive consistent with that of all social

behaviour, and an exploration of how specific historical, social, economic and institutional circumstances, rather than any overriding technical imperative, have contributed to particular modes of professional development (e.g. Loft, 1986; Willmott, 1986; Armstrong, 1987; Lehman and Tinker, 1987; Puxty et al., 1987; Whittington, 1989; Armstrong, 1993; Robson et al., 1994; Puxty et al., 1997; Hendrickson, 2001) and major changes in auditing practices (e.g. Burchell et al., 1985; Miller and O'Leary, 1987; Miller, 1991; Young, 1994). Distinctively, and more negatively, for a number of these critical studies, especially when about a self-regulated auditing profession, the concept of the profession itself is referred to in relation to both regulators and practitioners. Here, the regulation of the profession is seen to be associated with a causal indulgent relationship between regulators and practitioners, where professional bodies facilitate providers of auditing services with the judgement domain or indeterminacy of their task (e.g. Willmott, 1990; Puxty et al., 1997; Sikka, 1997; 2002). This is, as the profession is self-regulated, to establish and maintain the profession's claim of serving the public 'best interest' (e.g. Sikka et al., 1989) and, thus, hide the commercial nature of their services (e.g. Hanlon, 1996); and, most of all, gain the trust and support of the state (e.g. Sikka and Willmott, 1995; Mitchell et al., 1996). Accordingly, any change in the regulatory structure and contents would be related to what the practising division of the profession favours (e.g. Power, 1993; Robson et al., 1994). On the other hand, it was argued in some other studies, using critical perspectives, that the regulation of the auditing profession can involve conflicts between regulatory bodies and professional firms, as it can be associated with intervention, ineffective barriers to enter the profession, unnecessary constraints on auditing practices and increase in the cost of professional firms (e.g. Radcliffe et al., 1994; Velayutham, 1996).

The regulation of the auditing profession has an impact on the demand for and supply of auditing service (Turley and Sherer, 1991). The method of regulating the auditing profession varies from one country to another, depending on the social, economic and political status of each country. However, various forms of auditing regulatory systems, to some extent, share the focus on defining the licensing, disciplinary and monitoring rules and issuing standards and ethical codes for practitioners. The regulatory system, thus, is seen as a controlling activity through which the identity, role, actions and activities of practitioners are defined and monitored in line with pre-existed defined and standardised requirements. Since auditing practices are dependent upon standardised requirements, any changes to these requirements, whether as a consequence of change in the structure of the regulatory system, or as a revisionary adjustment to the existing requirements to meet specific ends, can have significant effects on the nature of such practices (Turley and Sherer, 1991).

This work explores the interaction between the practising and regulatory divisions of the auditing profession, focusing particularly on the effects that changes in the context of the latter can have on the former. It examines this interaction within the auditing context of Saudi Arabia, where remarkable changes in the nature of regulating auditing practices have taken place following the passage and implementation of the 1991 CPA Regulation (SOCPA, 1994). These changes have affected the supply side of the Saudi audit industry, in terms of new CPA licensing and disciplinary rules, the establishment of an accountancy regulatory body, and, consequently, the issuance of new auditing standards and ethical codes, the setting of professional fellowship

examinations and continues training requirements, and the implementation of quality review programme for professional firms.

This paper outlines the results of series of research conducted during the last few years within the auditing context of Saudi Arabia. It involves a specific concern, namely: showing how could the issuance and implementation of numerous auditing regulations be utilised to the favour of professionals. It will proceed in five sections including a final concluding section, as follows. Section two outlines the implemented theoretical ideas drawn from the political economy theory. Third section provides a brief background to the context of the auditing profession in Saudi Arabia. Section four outlines the results of several research works conducted within the Saudi auditing contexts within the last few years, and finally, section five provides discussion and concluding comments.

## **2. POLITICAL ECONOMY THEORY**

A clear articulation of the characteristics of Marxism perspective in accounting research can be seen in Cooper and Sherer (1984), who argued for a political economy approach in accounting research, based on the Marxist school of thought. The authors reasoned the need for this alternative to the neglecting of various users of accounting information in the positive accounting, apart from shareholders. They also argued for a recognition of the existence of power and conflict within society, stressing that it is important to scrutinise the effects which accounting and auditing reports have on the distribution of income, power and wealth in society. Consequently, the contested nature of value forms a major theme in such enquiries, where, also, attention is paid to the specific historical and institutional environments in which accounting and auditing is conducted, together with the roles played by multinational business organisations, the state and any other interested parties. A concern with the potential of people is important at all times, as is the issue of their emancipation. This is to be complemented by an exploration of the manner in which the practice of accounting and auditing can contribute to the objective of emancipation.

Within the political economy perspective, the study of the auditing phenomenon focuses on the relationship between auditing systems and their social, economic and political context. Thus, issues such as power, social conflict, the role of the state and professional bodies in shaping auditing policy, the effects of auditing reports on the distribution of income and wealth in society, the historical change of cultural values, people's response toward auditing reports, and all other socio-political aspects are considered very important factors in the process of reality construction.

Furthermore, the political economy perspective is based on a belief that auditing is not neutral and objective, nor that it serves the public interest, as is claimed by regulatory bodies. Instead, it is viewed as a highly partisan practice and a useful tool for shaping social behaviour and attitudes.

Cooper and Sherer (1984) also provided a guideline for researchers who want to adopt the political economy approach. This guideline includes three methodological requirements:

the first is to be ‘explicitly normative’, where the researcher explains his view of the social structure. The second is to be ‘descriptive’, where the researcher should describe the relationship between political forces and cultural values, and the way in which accounting is exercised in the society under examination. The third is to be critical, where the researcher should understand the contestable role of auditing.

Neimark and Tinker (1986) provide an example of the adoption of political economy perspective in accounting empirical research. Their study aimed at supporting a critique to the traditional control model, in its ignorance of the ‘socio-historical’ environment of management control system, and its failure to recognise the relationship between organisations and their social, economical, political context. Therefore, the authors suggested an alternative ‘dialectical approach to control’ through which an understanding of the relationship between an organisation’s control system and its environment can be obtained. According to this approach, the driving force for societal change in capitalist society is a result of the existing contradictions which are inherent within the structure of society.

Informed by the political economy ideas outlined in this section, an insights into the Saudi auditing profession is provided the next section followed by a review of some recent literature on the Saudi auditing profession, in the last section.

### **3. INSIGHTS INTO THE SAUDI AUDITING PROFESSION**

The period taken in developing the auditing profession in Saudi Arabia is considered to be relatively short. It was first introduced as a profession in the Kingdom in 1950, as it received the first legal acceptance through the first Income Tax Act. But despite the limited length of this period, the Saudi auditing profession has witnessed several major stages of development, starting from the period when auditing was practiced in the absence of regulations, to the appearance of limited rules and conditions concerning the competence of the auditor and his rights and obligations by the passage of the first Companies Act in 1965, to the enactment of the first CPA Law in 1974 which has been seen as lacking of the minimum basic requirements needed for organizing the profession (e.g. professional standards, ethical codes and quality control and continues training programmes), to the approval of the first package of professional standards by the Ministry of Commerce in 1983, as a result of remarkable efforts made by the Ministry with the aid of one of the pioneer national professional firms. During these stages, a number of academic conferences dealing with “methods of developing the accounting and auditing profession in the Kingdom” has taken place in King Saud University, the first conference was followed by the establishment of the first academic association for accounting in the Kingdom in 1981 under the name of the “Saudi Accounting Association”.

Through the above mentioned stages, the Saudi auditing profession has suffered from two fundamental issues. Firstly, the absence of an appropriate system for accounting education and training, and hence, the lack of qualified national professionals. Secondly, the absence of a specialized regulatory body, which led to the absence of obligatory professional standards, ethical codes and other rules and regulations required for controlling the practices of auditors,

and hence, the difficulty of comparing and judging the quality of professional performances. These difficulties had led to the emergence of a gap between the economic development and the profession. Despite the considerable increase in the numbers of national and international professional audit firms, determining the level of quality was left to the practitioners of these professional firms.

The current modern structure of the organization of auditing profession in Saudi Arabia is traceable to issuance of the present CPA Law by the Royal Decree No. 12/M in November 1991. The issuance and implementation of the new CPA Law is seen as a culmination of the efforts put into the development of a Saudi conceptual framework by the Ministry of Commerce, professionals and the SAA. Article 19 of the Law entails the establishment of a professional body (Saudi Organization for Certified Public Accountants, SOCPA) responsible for and authorized to organise, regulate and promote the accountancy profession. The objectives of SOCPA can be summarized as follows: (1) reviewing, developing and issuing accounting and auditing standards, (2) setting and organising professional fellowship examinations, which should include theoretical topics and practical skills as well as related regulations, (3) organizing continuous training programmes, (4) undertaking research on accounting and auditing related issues, (5) publishing journals, books and bulletins on accounting and auditing related issues, (6) monitoring professional compliance with the 1991 CPA Law and the issued accounting and auditing standards and codes of ethics, and (7) participating in local and international accounting and auditing conferences (SOCPA, 1994, CPA Law of 1991, Article 19, pp. 6-7).

Although this body operates under the supervision of the Ministry of Commerce, it reflects a remarkable movement in the nature of the Saudi accountancy regulatory system, from having been entirely governmental in form to becoming a quasi-self-regulatory system, since almost half of the total number of participants in SOCPA's Board of Directors is certified public accountants. The new CPA Law provides not only regulations concerning the internal regulation of the profession, conditions of registration, registration procedure, obligations and penalties of certified public accountants, but also the mechanisms that enable the implementation of such regulations.

Following the establishment of SCOPA, the auditing profession in Saudi Arabia has witnessed remarkable changes. Fundamental changes, among others, have been reflected in the nature of the new regulatory system, moving from a governmental form to becoming closer to a professional self-regulatory form. Following this remarkable reform, basic requirements needed to the enhancement of the profession (e.g. accounting and auditing standards, ethical codes, quality review programs and licensing rules) have been prepared by a number of specialised committees formed within SOCPA, and approved and enacted by SOCPA's Board of Directors during a relatively short period of time. In addition, during the same period SOCPA has organized accounting and auditing conferences and training programmes, undertaken and published research on existing accounting and auditing practices and a professional bulletin.

The practice of auditing in Saudi Arabia has also gone through many stages of development, starting the beginning when auditors used to undertake comprehensive checking



and testing of all transactions and account balances included in the records and financial statements, then moving to make use of statistical sample methods and analytical review in order to reduce the extent and depth of auditing procedures, and finally applying the systems based and risk based approaches (Al-Angari, 2004). Similarly, the roles and functions of auditing firms have also witnessed a considerable movement, especially during the past decade, when these firms began to concentrate on providing value-added audit services in order to compete within a highly competitive market. Such a movement has brought about new concepts of auditing and gave the opportunities to audit firms to market a wide range of consulting services beside the traditional auditing and accounting services. This transition contributed to give a considerable commercial feature to the professional services provided by these firms, and led in its turn to change the predominant concept of the role and function of these firms which were based mainly on practicing auditing and other accounting services in a way that assures providing the best professional service to the economic community and society in general (Al-Angari, 2003).

Finally, it must be noted that despite of the considerable efforts made for the development in the organizing and practicing of the auditing profession in Saudi Arabia, empirical evidences indicate the existing of some major problems, including the failure of professionals to comply adequately with many professional rules and regulations despite the implementation of the quality review programme by SOCPA over auditing firms (Al-Angari and Sherer, 2002). It is a matter of fact that the difficulty which the professional firms face in accepting the compliance with any new regulation is mainly associated with the freedom they enjoyed throughout the stages that were prior to the issuance of 1991 CPA Act. Moreover, the Saudi auditing profession environment suffers from the continuity and spread of the low audit fees and its negative effects, not only on the relationship between professional firms, but also on the nature and quality of services provided by them (Al-Angari, 2005). It also suffers from the limited number of professional firms, as well as the existence of monopoly over professional services exercised by limited number of big firms. Recent statistics indicate that 78% of the income of professional firms in the Kingdom (102 offices) is concentrated in only 11 firms, which employ 53% of the total number of auditing practitioners in the Kingdom (The SOCPA Magazine, Issue. 23, January, 2000, p. 2).

#### **4. RECENT STUDIES ON THE SAUDI AUDITING PROFESSION**

Al-Angari and Sherer (2001) provides an understanding of the nature and extent of the changes that took place within audit firms operating in Saudi Arabia following the implementation of quality review programs for audit firms by the Saudi Organization for Certified Public Accountants (SOCPA). Establishing this understanding was based upon the 'processual' theoretical models of 'first and second order' organizational change (Laughlin, 1991; Laughlin and Broadbent, 1996a). The Habermasian 'three stage discursive processes' (Habermas, 1988) were used, as the methodological approach for this empirical research, to explore a case-study involving a variety of seven selected audit firms operating in Saudi Arabia. This paper concludes that the implementation of quality review programs for audit firms by

SOCPA has affected the core activities of the seven audit firms in question, generating 'second order', 'evolution' and 'colonization' changes. It also concludes that although the consequences of the new imposed programs have been welcomed by some individual professionals and firms, as well as representatives of other interest groups within the Saudi accountancy context, they were unwelcome to many others.

Al-Muatiri and Al-Angari (2002) argued that the future of the organization of the Saudi Accountancy profession might encounter significant pressure from the effects of the World Trade Organization (WTO). As it was expected that the Saudi accountancy profession will seek to follow the WTO, the paper provided an analysis that revealed the necessary role for the accountancy profession to develop its local regulations. Additionally, the paper explored the importance of assessing and improving the professional competence and the requirements of professional accountants. The paper concluded by asserting that the adoption of international accounting and auditing standards is crucial to follow the WTO.

Al-Angari (2003) aims to provide an understanding of the nature and extent of changes that occurred or expected to occur within audit firms operating in the Kingdom of Saudi Arabia following their compliance to implement regulations related to the Saudisation policy. The significance of this paper comes from providing a basis upon which future evaluation of the requirements of the imposed regulations can be undertaken. The results of this paper were derived from a qualitative empirical study that has been conducted on four selected audit firms operating within the Saudi auditing environment. The results suggested that the compliance of the audit firms under research to implement the imposed Saudisation regulations will lead in any case to the occurrence of changes that affect part of the intangible concepts embedded within these firms which normally constitute their cultural and societal bases, as well as some of their tangible or technical concepts. In the light of the details of the theoretical approach that has been applied in collecting and analysing the empirical data, this paper concluded that the remarkable split in the views of members of the audit firms under research regarding the extent to which they accept these changes must reflect in describing their nature and occurrence procedure.

Similarly, Al-Angari (2004) aims to determine the nature and extent of changes that occurred or are expected to occur within audit firms operating in the Kingdom of Saudi Arabia resulting from their compliance to conform to a growing number of auditing standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA). The significance of this paper comes, on one hand, from providing a basis upon which future evaluation of the significance and legitimacy of developing local auditing standards can be undertaken, and, on the other hand, from determining the appropriateness of such standards to the Saudi auditing environment and, in particular, the extent to which developing these standards can be seen as more efficient than relying upon other existing and widely accepted standards, such as the American auditing standards, the international auditing standards and the auditing guidance in the UK. The results of this paper were derived from a qualitative empirical study that has been conducted within eight selected audit firms operating within the Saudi auditing environment. The results of this study suggested that the compliance of the audit firms under research to

follow local auditing standards has led or is expected to lead in any case to the occurrence of changes that affect part of the intangible concepts embedded within these firms which normally constitute their cultural and societal bases, as well as some of their tangible or technical concepts. In the light of the details of the theoretical approach that has been applied in collecting and analysing the empirical data, this paper concluded that these changes cannot be considered as resulting from normal and accepted developments regarding the firms' reasons for existence and bases that govern the nature and details of the firms' core activities, especially when the majority of their members have confirmed their dissatisfaction regarding the significance and appropriateness of developing local auditing standards by SOCPA, as well as their dissatisfaction regarding the difficulties of following and implementing such standards while dealing with major problems from which the Saudi auditing environment suffers.

Al-Sudairi and Al-Angari (2004) explored aspects of the expectation gap existing between auditors and parties benefiting from their services within the auditing profession's environment of the Kingdom of Saudi Arabia. Their findings suggested that a consensus does not seem to exist between different parties under research (auditors, parties benefiting from their services, and financial managers). Although these parties agreed on certain aspects regarding the nature of the auditor's work and his responsibilities as well as social expectations in relation to the required quality of the auditor's work and contemporary challenges facing the Saudi auditing profession, the results suggested that these various beneficiary parties do not share similar views regarding other aspects of these issues. By way of concluding, the researchers stressed the importance of monitoring the compliance with the issued accounting and auditing standards and regulations, improving social awareness of the role and responsibilities of auditors, and undertaking research on contemporary challenges facing the Saudi auditing profession.

Al-Gamdi and Al-Angari (2005) explored the impacts of implementing quality review program on audit firms in the Kingdom of Saudi Arabia. Their findings suggested that implementing the quality review program on audit firms in the Kingdom has led to the enhancement of the quality of professional services provided by audit firms. It has also helped to eliminate professionals' misconduct by controlling their compliance with the profession's standards, ethical codes and other related rules. Moreover, results of the research had uncovered a number of hindrances that prevented audit firms from fulfilling all the requirements of the quality review program and together with a number of problems that result from the program's implementation over targeted firms.

Al-Angari (2006) provided an evaluation of audit reports in Saudi Arabia in order to bring to light whether there are factors that limit the level of clarity and usefulness of such reports to their users. The empirical study of this research had been directed at determining the shortcomings that limit the possibility of obtaining audit reports that are clearer and thus more useful to the users of such reports, with respect to the requirements of the Saudi auditing standards, control procedures that assure their implementation, and the level at which various beneficiary groups within the Saudi auditing context are aware of the nature of work undertaken and roles played by auditing practitioners within the course of undertaking the assignments

under audit reports. The results of the empirical study indicated that most participants agreed on the significant of adding a number of important requirements to the Saudi auditing standard while considering the availability of a number of principals and methods that assure increasing the effectiveness of the quality review program imposed by SOCPA on audit firms operating in Saudi Arabia, noting that the results of the empirical study also showed the users of audit reports in Saudi Arabia have a high level of awareness regarding the nature of work undertaken and roles played by auditors. Three recommendations had been provided in this paper, including stressing the significant of developing the requirements of both the Saudi auditing standard and the quality review program on the light of the results of the empirical study, in addition to stressing the significant of supporting the methods that may assure maintaining the higher level of awareness by various beneficiary groups within the Saudi auditing context of the nature of work undertaken and roles played by auditing practitioners within the course of undertaking the assignments under audit reports.

Al-Shatri and Al-Angari (2006) explored the impact of low level audit fees on the quality of professional performance, as well as its impacts on firms continuation, increase of competition in the audit market and professional breaches. Their were contradictory to a large extent, these revealed that although no major effects were caused by the reduction of audit fees on the quality of professional performance, such a reduction has generated other matters including, reducing the willingness of being a professional within the audit industry, minimizing the chances of attracting new qualified professionals and increasing the severity of competition and professional misconduct and violations. The study also revealed that there were more effects on smaller firms compared with larger firms. These small firms were seen to be more ready to accept the damages caused by the reduction of audit fees, and thus being unable to maintain an accepted level of professional performance and avoid violation. The study concluded by providing a number of recommendations, including the necessity of actuating the expecting role of the quality review program in order to ensure improvement in the quality of the performance of audit firms, the necessity of imposing a minimum limit on audit fees along with a controlling and regulatory roles played by SOCPA, the necessity of increasing public awareness of the role and function of the auditing profession within society, the necessity of encouraging accuracy in selecting and comparing auditors as well as concentrating on quality and qualification rather than on the low fee factor, and encourage small firms to merge in suitable groups where they can consolidate their capabilities, qualifications and experiences in order to strengthen their position in the market, develop their professional methods and expand the scope of their professional services.

Al-Amr and Al-Angari (2007) evaluated major regulatory pillars upon which the auditing profession in the Kingdom of Saudi Arabia is based (including professional standards, ethical codes of professional conduct, fellowship examinations, continues professional education programs, quality review programs, and communication channels that assure the delivery of rules and regulations to auditors and society in general) through measuring the effectiveness of such regulatory pillars in dealing and coping with the difficulties and challenges facing the Saudi auditing profession's environment and restricting its negative effects. Their findings suggested that a consensus does not seem to exist between auditors on

one hand and related parties on the other hand on their knowledge of difficulties and challenges facing the Saudi auditing environment. The significant of some aspects related to the factors explored in the empirical research (including the limitation of compliance with professional standards, ethics and other rules and regulations by auditors, the persistence and spread of existing “low baling” concept (i.e. low level audit fees) within the Saudi audit environment, the monopoly over professional services by a limited number of professional firms, the existence of regional professional bodies, and the affiliation to the World Trade Organization by Saudi Arabia) Moreover, there were differences in the responses of parties under research regarding other aspects related to the same factors. Although, these parties agreed on their knowledge of major regulatory pillars upon which the auditing profession in Saudi Arabia. The paper is concluded by providing some recommendations, such as participating of academics in correcting the laws of accounting and auditing, assuring the existence of fair balance between fees and effort in all audit assignments, and the consideration that should be placed by SOCPA on various required changes on its strategic plan that would enable Saudi Arabia to achieve the requirements of the World Trade Organization.

Al-Jifri and Al-Angari (2007) explored the incentives towards the trend of expanding the extent of professional services provided by audit firms in the Kingdom of Saudi Arabia, to include a wide range of financial, administrative, economic and technical consultancy services together with the traditional accounting and audit services; based on the supply and demand indications in Saudi market as a basis to interpret such a trend. Also, this research discusses the effect of providing such services to an audit client on the auditor independence. The researchers had based the conduct of the research on dividing the research sample into two main parts, the first reflected the supply side, which was represented by certified public accountants, and the second reflected the demand part, which was represented by parties benefiting from services provided by audit firms. The results of the empirical study indicated that agreement seems to exist between the two sides of the research sample regarding a number of factors relating to the demand and supply of non-audit services provided by audit firms, and a number of reasons for the demand on such services, in spite of having some differences on the degree of significance. The results also indicated that the provision of non-audit services to audit clients could have a minor or limited impact on the independence of the auditor. In the conclusion of the research, the researchers stressed the necessity of issuing a package of regulations and standards by SOCPA related to the provision of non-audit professional services rather than concentrating only on the traditional audit service in a way more accurate and suitable to the audit profession’s environment in Saudi Arabia in order to regulate the practices of such services and assure the auditor independence in both substance and appearance. The researchers also stressed the necessity of enhancing social awareness of the role, scope, nature of work and responsibilities of audit firms, as well as giving more support to research related to non-audit services and their related professional standards and regulations, together with research related to the problems and challenges that faces audit firms by way of attempting to find-out and suggest proper solutions through implementing contemporary research methodologies so as to reach more effective results.

Bakr and Al-Angari (2008) explored the concept of value-added auditing in its forth generation, as well as uncovering its supply and demand obstacles in the Kingdom of Saudi Arabia. Their results assured the existence of a modern concept of auditing which requires undertaking unconventional auditing procedures that aim at providing additional services to clients in order to improve their performance and assure their satisfaction. Also there were a number of obstacles that limit the implementation of such a concept in Saudi Arabia, related to the economic factors of the market and business, regulations, and related to the auditing profession itself. In addition the results of the empirical study indicates that there is an adverse relationship between providing value-added audits and auditor's independence. Finally, this research is concluded by providing some recommendations, such as stressing that the provision of value-added auditing in the Kingdom of Saudi Arabia requires the existence of a more transparent business environment as well as professional firms' compliance to continuously develop the capabilities of their professional members of staff allowing them to capture new concepts and methods of their professional practices, and while, on the other hand, the growing demand on such a service requires increasing beneficiary parties' awareness of its significant, implementation requirements and additional features as well as assuring that its provision does not affect the auditor's independence.

Al-Angari (2008) aims at exploring the impacts of the monopoly over the provision of audit service by a limited number of large professional firms on the quality of professional conduct in the Kingdom of Saudi Arabia. To achieve that, a positive methodological approach has been implemented. This approach is based on exploring, explaining and predicting certain phenomenon through reviewing previous researches as well as understanding the current status in order to reach a number of definitions and to identify all sorts of factors related to this phenomenon. Based on ideas drawn from such methodological approach, the researcher had identified the research main hypothesis. This has been examined using questionnaires through which a number of factors have been used. Selecting and determining these factors were facilitated by issues taken from previous researches on the market economics and concentration and quality of professional conduct, together with the researcher's personal understanding of the development of the auditing profession in Saudi Arabia and his interpretation of the difficulties and challenges facing that profession today. The empirical study were conducted over samples of parties representing auditors working for those professional firms holding a significant portion of the Saudi audit market, financial executives of publicly owned companies who used to be audited by such firms, and inspectors working for the quality review program over professional firms. The findings of this research suggested that a general agreement exist amongst the various parties of the research sample supporting the negative impacts of the monopoly over the provision of audit service by a limited number of large professional firms on the quality of professional conduct in the Kingdom of Saudi Arabia, which support the validity of the research main hypothesis.

Al-Jadani and Al-Angari (2009) aims to explore the extent to which size, reputation and nature of competition between audit firms impact upon the quality of their professional performance in the Kingdom of Saudi Arabia. The importance of this research comes from the need to improve the level of quality and efficiency in the auditing profession in Saudi Arabia,

through focusing on the essential factors that directly impact upon the quality of professional performance, these factors include size, reputation and nature of competition between audit firms. To achieve that, a questionnaire has been designed based on certain indicators and was directed to examine each of the study's two main hypotheses, based on the positive methodological approach. The result of the study has indicated that the first hypothesis which related the size and reputation of audit firms with level of professional performance quality by a positive relation was accepted, whereas the second hypothesis which related the competitive relations between audit firms and quality of professional performance by reverse relation was refused. Finally, the researchers provided a number of recommendations, among which was the necessity for small audit firms to restructure their present structures and to merge in suitable groups, as most of the beneficiary parties consider the size and reputation of audit firms to be as a scale for the quality of professional performance, and also the need for more studies relating to the nature of competitive relations between audit firms to explore the negative effects on the quality level of professional performance, as the majority belief on the positive effect of competitive relations on the quality of professional performance.

Al-Aglah and Al-Angari (2010) aims at exploring the expected future scenarios of the Saudi auditing profession after the affiliation of the Kingdom of Saudi Arabia to the World Trade Organization (WTO). The paper also tries to clarify local and international variables affecting the profession, and investigate the ability of the various stakeholders to contain and absorb the affiliation's consequences. To achieve that, a questionnaire has been designed based on certain elements directed to each of the study's two main hypotheses. These elements were derived from previous literature combined with the consideration of the nature and the development of the auditing profession in Saudi Arabia, noting that the researcher has adopted the positivism approach to conduct this research and achieve its objectives. The results of this study showed that the Saudi Arabia's affiliation to the WTO will lead to fundamental impacts on the nature, components and mechanisms of regulating the auditing profession in Saudi Arabia. By joining the WTO's regulations, laws and legislation, major changes should start to develop plans and goals for treatment. Moreover, results showed that affiliation will imply remarkable effects in the nature and requirements of the practice of the auditing profession in Saudi Arabia, and hence, there is a necessity to cope with these changes. Finally, the study concludes with some recommendations related to the regulation of the profession, such as the restructuring of the Saudi Organization for Certified Public Accountants (SOCPA) and its professional rules and regulations, and related to the practice of the profession, such as the necessity to reconsider the adoption of all mechanisms that could lead to the development of the quality of professional conduct of the practitioners of the auditing profession in Saudi Arabia.

Al-Thenaiian and Al-Angari (2010) aims to uncover the causes of the "audit opinion shopping" concept in Saudi Arabia and measuring and analyzing its impacts on the organizing and practicing of the auditing profession. The importance of this research comes from the significance of its topics which relates to a profession that relies directly on public confidence, as well as the lack of relevant literature relates to the Saudi auditing profession's environment. For the purpose of achieving the objectives of this research, a positive methodological approach

has been implemented and used to identify and formulate one question and one hypothesis, and a questionnaire has been used as a method for collecting data to know the views and trends of the sample drawn from the research community which constitutes of Certified Public Accountants working in Saudi Arabia. The results of the empirical study indicates that there are five causes of the presence of this phenomenon, which are: the auditor refuses to accept new auditing assignment due to the low level of fee offered by the new client, auditor does not accept the accounting procedures implemented by the audited company, direct request from the new financier or investor to the company to change the current auditor and replace him by another one, the auditor does not accept to perform an additional tasks which are not included in the audit engagement letter, and finally, the auditor does not accept the company's level of commitment to the audit requirements and accounting standards adopted in Saudi Arabia. Also, the study showed that most of the participants in the questionnaire were not sure of the existence of the "audit opinion shopping" and its impact on the auditing profession in the Kingdom. Meanwhile, the results of the study ensured the reliability of the study's hypothesis that, the presence of the "audit opinion shopping" adversely affects the organization and practice of the auditing profession in Saudi Arabia, based on the views of auditors who are familiar with the impacts of the phenomenon on the environment of their own profession. At the end of this research, the researchers provided a number of recommendations, of which the most important were: stressing the importance of supporting the ongoing awareness of the audit opinion shopping phenomenon and its causes and effects, the need for an effective cooperation between the Saudi Organization for Certified Public Accountants (SOCPA) and the Saudi Capital Market Authority (CMA) by which a system that can enable an effective turnover of auditors between companies especially open and closed joint companies and to ensure auditor independence from the company's management can be developed and implemented, the need for establishing a continues communication between the CMA with the auditors to review existing shareholding companies, the need for ensuring an effective communication between the current and old auditors and the possibility of exchanging information between them, the need for developing and implementing a system that can limit the ability of the current auditor in providing non-audit services to audit clients, the need to ensure the auditor's right to discuss his dismissal decision in the general meeting with the company's shareholders and, finally, the need to have an application that must be completed by companies who decide to change their auditors while allowing a space where auditors can explain the reasons for their dismissal.

Samman and Al-Angari (2011) aims at evaluating the effectiveness of audit reports in taking investment decisions from the point of view of users of such reports in the Kingdom of Saudi Arabia. The significance of this research comes from the need to have a basis upon which proper future solutions that enable the existence of effective information sources for investment decisions makers, including audit reports that had been prepared and approved by certified public accountants in Saudi Arabia, especially when the number of academic studies and research relating to audit reports in the Kingdom of Saudi Arabia are limited. This has been accomplished through highlighting the most important factors that support the level of clarity, usefulness and comprehensibility of audit reports, and thus, the possibility of using these reports as bases for successful investment decisions, as well as identifying other sources of information



that can be used as bases for taking investment decisions rather than audit reports. To achieve that, a questionnaire that includes a number of indicators directed to test the research's two hypotheses has been designed, as a positive research methodological approach was implemented. The results of the empirical research support the reliability of the first hypothesis, which in turn, support the significance of having clearer, and more useful and comprehensive audit reports, to be able to use there reports as bases for successful investment decisions. The results also support the reliability of the second hypothesis, which in turn support the importance of having various sources of information that can be used as bases for taking investment decisions rather than audit reports. By way of conclusion, the researchers have provided a number of recommendations, among which were emphasizing the significance of the factors that enhance the level of clarity, usefulness and comprehensibility of audit reports, asserting the significant of supporting the methods that may assure a higher level of awareness to such factors by various beneficiary groups and the Saudi society at large, and asserting the importance of enhancing investors' awareness of the significance of using audit reports as well as other proper sources of information that can help in reaching successful investment decisions. The researchers have also emphasized the importance of undertaking more research relating to audit reports within the Saudi auditing context, due to the lack of the proper number of related studies, and due to the significance of these research for the investment decision of a wide beneficiary group.

Zeater and Al-Angari (2011) aims at clarifying and discussing how much an auditor depends on his judgment during the fieldwork processes embedded within the conduct of auditing assignments, and his ability to comply with the requirements of fieldwork auditing standards for his contracted auditing assignments. It also aims at uncovering the impact of the variations of performance between auditors, which results in using judgments during the interpretation of the requirements of the fieldwork standards, and how this can impact upon the quality of their professional performance. The importance of this research comes from facilitating the scientific basis required to clarify the relationship between using judgments and complying with a number of requirements of various fieldwork auditing standards, as well as to clarify how judgments can impact upon the quality of auditors' professional performance. The significance of establishing such a basis resides in maintaining public confidence for the auditing profession, especially through limiting doubts around the ability of the auditing standards to achieve their aims in unifying professional performance. In order to achieve these aims, a questionnaire was designed containing a number of statements taken from fieldwork standards which the researcher considered as providing auditors with the ability of using their judgments, in addition to a number of elements related to the quality of professional performance which, the researchers believes that the judgments may negatively affect them. These statements and elements were directed to examine the two research hypotheses, based on the positivism methodological approach. The results of the empirical study supported the reliability of two hypotheses, as they indicated that the judgment of the auditor contributes to having a wide range of variations in professional performance, and such variations do negatively impact upon the quality of auditors' performances. By way of conclusion, the researchers provided a recommendation that requires the Auditing Standards Committee of the

Saudi Organization for Certified Public Accountants (SOCPA) to prepare a revised version for their issued standards and opinions that include a clear and accurate definitions for the numerous undefined phrases, as well as requiring audit firms to implement continues training programs for professional staff including new entrants in order to standardize practices while emphasizing the importance of that in their audit manuals.

Al-Eatani and Al-Angari (2012) aims to uncover whether the concentration of the provision of audit service in a limited number of audit firms affect the regulation of the audit profession in Saudi Arabia. In order to achieve such an aim, a questionnaire containing a number of elements of and bases for regulating the auditing profession in Saudi Arabia was designed. These elements and bases were implemented and directed to examine the research hypothesis, based on the positive methodological approach. The results of the empirical study supported the reliability of the research hypothesis, where the results of the empirical study indicated that the monopoly over the provision of the audit service by a limited number of professional firms do negatively affect the regulation of the audit profession. By way of conclusion, the researchers provided a recommendation that the Saudi Organization for Certified Public Accountants (SOCPA) must implement various methods and strategies that can ensure limiting the spread of market concentration for the audit service. Such methods and strategies should be directed to ensure proper consistency between the number and size of audit assignments accepted to be undertaken by a specific audit firm in one hand and the number of equity partners in that firm; the implementation of an executive plan for gradually increasing the number of partners in large audit firms; the enforcement of a statutory requirement for audit firms to disclose the details of their professional engagements in their proposals to audit committees of public companies; the avoidance of applying audit firms' categories by banks and financial institutions and requiring their clients to approach certain audit firms; and finally encouraging the mergers of small and medium size audit firms so that they can compete with large firms.

## **5. DISCUSSION AND CONCLUDING COMMENTS**

It seems that the regulatory changes in the Saudi auditing profession reflect the Saudi government's intent to exert a controlling influence over the behaviour of audit firms, requiring them to implement national policies and meet certain defined quality levels in conducting their audit procedure. The government's intent, therefore, was to make audit firms accountable for what they are doing, through monitoring their work, ensuring compliance with accounting and auditing regulations, encouraging the development of credible audit services to meet the needs of financial statements users, and, thereafter, bringing the auditing profession in line with the economic development the country has been experiencing since the 1980s. Through a newly established regulatory body the Saudi Ministry of Commerce's intention was to enable the creation of conceptual frameworks by which the accountancy profession can be improved. SOCPA was seen to be the agent by which such frameworks were developed, resulting in the issuance of wide-ranging sets of accounting and auditing standards, codes of ethics,

professional examinations, training and quality review programmes, and licensing and disciplinary regulations.

Despite the government being an enabler for the move towards professional autonomy for professional auditors, by the creation of a quasi-self-regulatory accountancy body, many professionals perceived this new movement to be both inappropriate in terms of their previous actions and illegitimate in terms of its potential threat.

This allowed professional auditors to contain the changes through practising their rights as key players in SOCPA's Board and Committees. In that they succeeded in utilising the issued regulations to avoid harms to their firms.

Finally, it must be noted that despite of the considerable efforts made for the development in the organising and practicing of the auditing profession in Saudi Arabia, empirical evidences indicate the existing of some major problems, including:

- 1- The failure of professionals to comply adequately with many professional rules and regulations despite the implementation of the quality review program by SOCPA over auditing firms (Al-Angari and Sherer, 2002). It is a matter of fact that the difficulty which the professional firms face in accepting the compliance with any new regulation is mainly associated with the freedom they enjoyed throughout the stages that were prior to the issuance of 1991 CPA Act.
- 2- The Saudi auditing profession environment suffers from the continuity and spread of the low audit fees and its negative effects, not only on the relationship between professional firms, but also on the nature and quality of services provided by them (Al-Angari, 2005).
- 3- It also suffers from the limited number of professional firms, as well as the existence of monopoly over professional services exercised by limited number of big firms. Recent statistics indicate that 78% of the income of professional firms in the Kingdom (102 firms) is concentrated in only 11 firms, which employee %53 of the total number of auditing practitioners in the Kingdom (The SOCPA Magazine, Issue. 23, January, 2000, p. 2).

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## ORGANIZATION OF AUDIT PROFESSION IN ALBANIA FROM THE PERSPECTIVE OF AUDITING REGULATIONS\*

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### ABSTRACT

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic operations and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users. Albania as a developing country, coming from a socialist regime after the 1990s, is passing through a deep transformation process passing from a socialist and centralized economy to a public economy where the free market economy rules are applied. Objectives of this study are to analyze the historical developments from 1990's up to now of the auditing profession, legal regulations and education in Albania.

**Keywords:** External and internal auditing. Professional organization. Legal regulations. Educational developments. Albania.

**Jel Code:** M41, M48.

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\* This paper is improved and updated from the study presented at the 2<sup>nd</sup> the Balkans and Middle East Countries Auditing and Accounting History Conference, Istanbul, Republic of Turkey, September 15-18, 2010.

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**Atıf (Citation):** Üç, M., Kruja, A. (2021). Organization of Audit Profession in Albania from the Perspective of Auditing Regulations. *Muhasebe ve Finans Tarihi Arařtırmaları Dergisi*(20), 45-62.

## DENETİM DÜZENLEMELERİ AÇISINDAN ARNAVUTLUK DENETİM MESLEĞİ ORGANİZASYONU

### ÖZ

Denetim, ekonomik operasyonlar ve olaylar hakkındaki iddialara ilişkin kanıtların objektif olarak elde edilmesi ve değerlendirilmesinden oluşan sistematik bir süreçtir. 1990'lardan sonra sosyalist bir rejimden gelen, gelişmekte olan bir ülke olarak Arnavutluk, sosyalist ve merkezi bir ekonomiden serbest piyasa ekonomisi kurallarının uygulandığı bir kamu ekonomisine geçerek derin bir dönüşüm sürecinden geçiyor. Bu çalışmanın amacı, Arnavutluk'ta 1990'lı yıllardan günümüze denetim mesleği, yasal düzenlemeler ve eğitim alanında yaşanan tarihsel gelişmeleri incelemektir.

**Anahtar Kelimeler:** Dış ve iç denetim. Profesyonel organizasyonlar. Yasal düzenlemeler. Eğitimsel gelişmeler. Arnavutluk.

**Jel Kodu:** M41, M48.

### 1. INTRODUCTION

Auditing has existed since the beginning of human society. Auditing was used mostly for the detection of fraud and was done through extensive detailed examination from ancient times until the late nineteenth century (Lee, 1988). Although the objectives and concepts that guide present-day audits were almost unknown in the early years of the 20th century, audits of one type or another have been performed throughout the recorded history of commerce and government finance. The original meaning of the word auditor was “one who hears” and was appropriate to the era during which the accountants were read aloud (Whittington & Panny, 2003). Auditing changed through the historical events in order to meet the requirements of the business environment.

By the early nineteenth century auditors acting as independent outside experts were frequently called upon to investigate and report on business failures or to settle business disputes (Smieliauskas & Robertson, 2004). During the Industrial Revolution, as manufacturing concerns grew in size, their owners began to use the services of hired managers. With this separation of the ownership and management groups, the absentee owners turned increasingly to auditors to protect themselves against the dangers of unintentional errors as well as fraud committed by managers and employees. Bankers were the other primary users of financial reports, and they were also concerned with whether the financial reports were distorted by errors or fraud. Before 1900, consistent with this primary objective to detect errors and fraud, audits often included a study of almost all, recorded transactions (Whittington & Panny, 2003).

For the early 1900's, accountants' main preoccupation will be improving accounting standards and practices. As a result of extensive misleading financial reporting that contributed to the stock market crash of 1929 and the world depression of the 1930s, the U.S. passed legislation in 1933 and 1934 that greatly influenced auditing around the world. The U.S. Securities Acts of 1933 and 1934 created the Securities and Exchange Commission (SEC), which regulated the major stock exchanges in the United States. Companies wishing to trade

shares on the New York Stock Exchange, or the American Stock Exchange were required to issue audited income statements as well as balance sheets. In addition, because of the earlier problems with misleading financial reports of the 1920s, the emphasis switched to fairness of presentation of these financial statements, and the auditor's role was to verify the fairness of presentation (Smieliauskas & Robertson, 2004).

The 1950's continued to reduce the importance of fraud detection on auditors. The belief that fraud detection was the responsibility of the management of the company was generally held. If auditors found any irregularities as they performed their audit, it was their obligation to bring this to the attention of the management. Ironically, many audit techniques of the period were specifically designed to assist in the detection of fraud (Lee, 1988). Beginning in the 1960s, the detection of large-scale fraud assumed a larger role in the audit process. Professional standards, which used the term irregularities in place of fraud, described fraudulent financial reporting and misappropriation of assets (Whittington & Panny, 2003). Certifying and testing companies' financial statements, which are included in auditors' jobs, are the basis of the business world because it is the auditor that enables the public to invest confidently in a company. Within this context, a contemporary and comprehensive definition of auditing with general application is as follows:

Porter, Simon & Hatherly (2008) define auditing as a systematic process of objectively gathering and evaluating evidence related to assertions about economic actions and events in which the individual or organization making the assertions has been engaged, to ascertain the degree of correspondence between those assertions and established criteria, and communicating the results to users of the reports in which the assertions are made. Based on primary audit beneficiaries, audits are classified as:

- (i) external audits, as audits performed from parties external to the auditee.
- (ii) internal audits, as audits performed for parties internal to the entity.

After giving brief information on the historical development of auditing above, this paper aims to review the auditing in a transition-developing country; Albanian auditing system from the past to the present will be used as a case. In order to make this, the next section discusses brief history of auditing in Albania and the new law on Statutory Auditing which is the first legal act that aims at regulating with clear provisions in the field of legal audit and independent professional auditor to audit companies and on the auditing standards used takes place. The third section of the study focuses on current accounting standards and standard setters in Albania. In the fourth, it is given information related to the organization of the auditing profession. Section five lists all of the legal persons required for statutory audit of financial statements. The sixth section is focused on the public supervisory of the profession. Section seven will give information related to the Accounting and Audit education, while section eight is about the internal audit and use of audit committees in Albania. In the conclusion part it is discussed related to the main problems, solutions to be given to these problems and the perspective and the professional organization of the audit profession in Albania.

## 2. HISTORY OF AUDIT PROFESSION IN ALBANIA

The history of Albanian audit profession began in early 1990s, with the transformation of the political system from a communist to a democratic one. As the political system changed reforms on the economical structure of Albania were undertaken. Approval of the law no. 7638 dated 19.11.1992 “On Commercial Companies” by the Albanian Parliament was the first step through the setting of the audit profession. This law (articles 167-185) required and set the provisions for the statutory audit of the respective entities by professional auditors called “authorized chartered auditors” (EKA).

The work for organizing the audit profession started in 1995, when the Government Regulation No. 1, dated 2 October 1995, was approved. The regulation provided for developing the profession of Authorized Auditors, through establishing a self-regulatory body (IEKA) “Institute of Authorized Chartered Auditors”. The role of IEKA as a Professional Association was to develop the profession in general, to develop auditing and ethical standards, quality control procedures, to process for recognition and certification for its members, to develop education and training programs, as well as the overall protection of its members and the profession, etc. (Cela, 2004).

In 1996, a few months after the Government Regulation was approved, the process was institutionalized by including a draft of operation rules, member work procedures and the intensive and extensive training of the first candidates (Kruja, Üç, Elitaş, 2008). This was realized through the first project of technical assistance (1996-1998) Phare AI- 9404/015 “Auditing Reform in Albania ” directed by a consulting firm from Great Britain ATC, which had as objective the creation of IEKA. In 1998-2000 period IEKA benefited from another project of technical assistance – Phare AI 97- 08 – D1 97- 01 “Auditing Reform – Technical Assistance for the Institute of Authorized Chartered Accountants”, which was directed by a Franco-Britannic consortium composed from the French Institutes of accounting and auditing (CNCC & OEC) and the oldest professional Institute in the world (153 years) Institute of Certified Accountants of Scottish (ICAS). The object of the second project was the professional raise of the Institute and its members. The technical recommendations as a result of the first project, were followed by a package of audit procedures for small medium enterprises which are nowadays replaced with the International Audit Standards published by IFAC. Firstly, they were translated into Albanian in 2002 by IEKA and were republished in January 2007, including the whole package of standards and directives published by IFAC (Ylli, 2008).

The 53 Article of the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts states: “Before 29 June 2008 Member States shall adopt and publish the provisions necessary to comply with this Directive”. The European Commissioner for Internal Market and Services, Charlie McCreevy in the Congress of German Public Auditors Berlin on November 7, 2007, during his speech emphasized again the importance of adopting the provisions of the Eighth Company Law Directive: “It is through high quality audits that investors in Europe get the reasonable assurance that the accounts provide a true and fair view of the company's financial position. In Europe, we moved to new legislation on statutory audit in 2006, with the Eighth Company Law Directive. The Directive represents a sea change for the audit profession. We

needed the Directive to improve audit quality and to restore public confidence in the audits in Europe. Member States to implement the Directive into national law. They also have to establish an effective public oversight because the Directive requires them to do so. We want to give guidance to statutory auditors and audit firms on how to carry out high quality audits of listed companies. The new EU Auditing Directive (Directive 2006/43 of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/ 660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC)”

In April 2008, the Albanian Parliament approved the new law nr.9901 “On Commercial Companies”. In this law there are made additions and improvements compared to the former one, but it did not predict any provisions (same or improved related to the previous law) for statutory audit of companies` financial statements. Given the entry into force of this law, it created a legal vacuum that allowed abuses and fraud. In design and preparation of this law, it was considered that the part of the legal provisions governing the audit of companies` financial statements will be covered by a separate law for statutory audit, supervision and organization of the Institute of Chartered Accountants. This law would be in accordance with the Eight Directive of European Union Parliament. Albania as an aspiring member state of the European Union, by March 2009 designed and approved the law nr.10091 “On Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants”, which governs the organization and activity of Registered Chartered Auditors and Approved Accountants in accordance with the Directive 2006/43/EC of the European Union.

The Law on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants (10091/2009) is the first legal act in Albania which has as objective to govern the organization and activity of registered chartered auditors and auditing companies, and also of approved accountants and accounting companies. As stated in the first article of this law, it aims to improve and strengthen the public supervision of the profession of registered auditor and accountant's professional by the adopted regulations. It also provides the legal provisions governing the audit of annual individual and consolidated financial statements, the organization of chartered auditor, auditing company, approved accountant profession. The law was amended by law no. 10297 dated 08.07.2010 On an amendment to law no. 10 091, dated 5.3.2009 "On legal audit, organization of the profession of registered accounting expert and certified accountant "and with law 47/2016 “On some changes and additions to law no. 10 091, dated 5.3.2009 "On the legal audit, the organization of the profession of registered accounting expert and certified public accountant ", as amended

It needs to be emphasised that the Law on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants law meets the requirements of new accounting law (Nr. 9477 dated 09.02.2006), providing for compulsory publication by auditing companies of the audit reports for the companies with public interest which exercise their activity in Albania. As a summary, in drafting this law is taken into consideration the 8th Directive of the European Union Parliament (Revised), International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) and all other statements related to provide security and Code of Ethics published by the International Federation of Accountants.

### 3. CURRENT AUDITING STANDARDS & STANDARD SETTERS IN ALBANIA

IEKA is an institute firstly created upon the law numbered 7638 dated 19.11.1992 “On Commercial Companies”, where the articles 167-185 set the provisions for the statutory audit of the respective entities by professional auditors. Pursuant to the article 2.10 of the law nr.10091 on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants “The professional organization of registered auditors is a professional organization, that groups the registered auditors and audit companies which conduct their business in the Republic of Albania. The “Institute of Chartered Authorized Accountants” is the name of the professional organization of registered auditors, which is registered in the Judicial District Court, Tirana nr.3573 decision dated 16/10/1998. This label can be changed in accordance with statutory procedures of the organization.

This institute groups all national and foreign auditors, who are registered to practice this profession under the rules set out in it. The law sets simultaneously, the governing bodies of this organization, powers and procedures of investigation and disciplinary measures to all its members, in order to audit the implementation of a service as professional and independent auditors. So, beginning from March 2009, the professional organization of registered chartered accountants and auditing companies is organized according to articles 7-14 of this law. In the article 7 of the law it is specified that accounting professionals who practice the activity as registered chartered auditors are grouped in a single professional organization, which directly regulates the activity of the professional organization of certified public accountant and who is organized as a legal person in accordance with the law and his statute.

The professional organization of registered chartered auditors' groups all national and foreign auditors and audit companies that are registered to perform legal auditing of financial statements, individual and / or consolidated for the companies in the Republic of Albania. Apart from the rules set by the law, the statute of the professional organization of registered auditors establishes detailed rules for the organization, the criteria for election or appointment, duties and functioning of its organs. The statute is approved by the Minister of Finance.

Bodies of the auditors' professional organization are set according to article 8 of the law such as:

- a) Members` General Assembly
- b) Steering Committee;
- c) Internal Audit Committee;
- d) Executive Director

Article 12 of the law specifies the competences of auditors' professional organization such as:

- “1. The professional organization of statutory auditors has the object of activity to provide exercising the profession, in full accordance with the interests of the public, the protection of independence and honor of its members.*
- 2. The professional organization of statutory auditors has the following rights and duties:*

- a) designs the curricula for the program of professional preparation and training for candidates seeking to enter the profession, based on the standards of internationally accepted education of the International Accounting Education Standards Board, and organizes and monitors the process of training;
  - b) drafts and approves the rules of professional practice where details are provided for the internship commission, entry into professional practice, qualification, tracking, reporting, control, preliminary testing, periodic reporting, as well as professional practice leaders;
  - c) drafts the continuing qualification programs of its members, determines rules for organizing and monitoring their continuing qualification, including ways and forms of training, monitoring, recognition and equivalence of different forms of training, carried out by the parties third, as well as organizes and monitors the ongoing qualification.
  - ç) organizes the quality control system of the work of statutory auditors and audit firms, conducts the necessary investigation of cases of violations of technical standards and professional ethics, as well as implements the regulations of investigation and discipline for aspects within its scope;
  - d) participates in international organizations of the profession and leads the activity for the fulfillment of the obligations deriving from the membership;
  - dh)maintains and updates the public register of statutory auditors' statutory auditors and audit firms;
  - e) submits to state bodies and institutions any information on profession, based on which its members are organized, and has a duty to appear when summoned by these bodies and authorities for matters that have to do with this profession;
  - ë) ensures that its members apply best practices in the field of standards professional and ethics;
  - f) performs any other task that is within the scope of activity, of defined in this law and in the statute;
  - g) prepares self-regulatory acts and / or other bylaws, in implementation of this law, which are subject to approval, as appropriate, by the board and / or Minister of Finance.
3. The statute provides for the bodies in charge of completing and monitoring each of duties and competencies provided in point 2 of this article. ”

Article 13 of the law relies upon the use of sources and revenues by the Institute which decision on their use is subject to the provisions of the institute`s statute, whether article 14 is about the investigative procedures and disciplinary measures in cases of deficiencies during the performance of legal services and auditing services by the auditors. Measures taken and / or penalties provided by the board are made public.

The Albanian Institute of Chartered Auditors, as a self-regulatory professional organization and with the core activities supervised by the Minister of Finance and other public government agencies, from January 1st 2003, has fully endorsed and implemented, as national standards, the International Standards on Auditing issued by IFAC, together with the Code of Ethics and the Continued Education and Qualification Guidelines. (Cela, 2004)

In 2008, the Institute of Authorized Chartered Auditors of Albania (IEKA) Council updated the translation of ISAs in the Albanian language. As of 2008, most standards and other pronouncements of IFAC that were in force starting from January 2007 have been adopted, without modifications. IEKA has established an ongoing process that includes translation, review, and publication of new standards in the IEKA professional magazine on accountancy Accounting, Finance and Auditing. (<http://web.ifac.org/isa-adoption/chart>)

With the approval of the law on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants (10091/2009) the gap in the legal framework was filled (the Institute of Authorized Chartered Accountants decided to use the translated version of International Auditing Standards, as a body responsible for developing professional standards (as provided in the Council of Ministers no. 150, dated 03/31/2000)) because this law made mandatory the application of International Auditing Standards, translated into Albanian by the Institute as provided for in Article 37 of it. As this article states:

- “1. *Statutory auditors and audit firms conduct audits in accordance with international auditing standards.*
2. *International auditing standards are translated and published in the language Albanian, in accordance with the translation policy of the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).*
3. *The professional organization of statutory auditors provides translation, updating and timely publication of existing standards, new standards or those revised.”*

The 10091 nr. Law on Statutory Auditing and Organization of Registered Chartered Auditors or auditing profession law recently amended in April 2016. According to new amendments, use of International Standards of Audit (ISA) became a requirement in the statutory audit for the business meeting certain thresholds. Additionally, the 2016 amendment strengthened the position of the Public Oversight Board of Albania in terms of investigation, disciplinary and quality assurance of the audit profession (Ifac.org; TheWorld Bank, 2019).



#### **4. HOW TO BECOME A REGISTERED CHARTERED AUDITOR, APPLYING THE PROFESSION IN ALBANIA**

The entering in the profession during the first transitory period (up to end of 2000) was dependent on the following conditions:

- University education degree in economics sciences;
- Practical experience in accounting and/or auditing field, for at least three years;
- Obligatory training in auditing for two weeks, organized by IEKA, supported by foreign consulting agencies; (Cela, 2004)

After the approval of the new law on auditing by the Albanian Parliament in 2009, the certification and registration process of the chartered auditors is organized in accordance with this law.

The law (chapter four, articles 17 – 26), provides general rules on the right of exercising the profession for chartered auditor and auditing companies. Pursuant to these articles Certification Authority responsible for certification of chartered auditor candidates depends upon the Minister of Finance and consists of five members, appointed for a three-year period. The Certification Authority Chairman is appointed by the Minister of Finance while the other members are one representative from the Ministry of Economy, one from the National Accounting Council, one from the Professional Organization of Registered Auditors and one from the professional organizations in the field of accounting. Certification Authority implements the procedures to test the knowledge of the candidates who have met the requirements of professional internship or have earned the right to be tested for their theoretical knowledge and practices, without having performed a professional internship. The professional proficiency test contains at least five written tests, which cover the disciplines of : (1) accounting, financial reporting and analysis of financial statements; (2) Civil, criminal law, commercial law and the labor law of the Republic of Albania, to the extent that these interest legal audit of financial statements; (3) Ethical Code of Accounting Professionals, International Standards Quality Control, International Standards on Auditing, International Auditing Practice Statements, International Standards on Review Engagements, International Standards on Assurance Engagements and International Standards on Related Services published from International Federation of Accountants which are translated, as well as the regulations for the organization of the profession of the chartered accountant provided from the law and the actions of its application; (4) organization, management, administration and internal control of legal persons, including information systems and informatics; (5) fiscal legislation in the Republic of Albania.

The law recognizes the possibility for chartered auditors to conduct their professional activity either individually or within companies. Near the professional organization of auditors, it is established to operate the Registration Authority, a collegial body, which deals with the enforcement of procedures for the registration of national and foreign auditors as well as for national and foreign audit corporations.

## 5. LEGAL PERSONS REQUIRED FOR STATUTORY AUDIT OF FINANCIAL STATEMENTS

On the table below it is given the legal requirements needed for accounting by Law No. 25/2018 on Accounting and Financial Statements and to audit companies from the Law on Entrepreneurs and Companies 9901/2008, and the law nr.10091 on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants article 41 of chapter 5.

Type of Entity	Accounting Standards	Auditing Requirement
Limited Liability	National Accounting Standards (NAS)/International Financial Reporting Standards (IFRS)	Required for the companies fit the criteria of certain size of turnover, totals assets and number of employees.
Joint Stock	NAS	Required
PIEs <sup>3</sup>	IFRS	Required
State-Owned	IFRS	Required
Micro and SMEs	NAS	Required for the companies fit the criteria of certain size of turnover, totals assets and number of employees.

Source: The World Bank, 2019

## 6. THE PUBLIC OVERSIGHT BOARD

The system for quality control applied by the Institute of Authorized Chartered Accountants needed improvement in order to detect consistently and on time the discrepancy with auditing standards. The institute authority responsible to conduct and monitor compliance with audit standards was set by the Council of Ministers Nr. 150, dated 03/31/2000, under which the Quality Control Committee should carry out mandatory checks of its members who just practice the profession every four years and in case of suspected discrepancy more frequently. Each year the Committee selected and approved the Institute's members, who will perform quality control (controller), compiled the work program and instructions for these controls.

In order to improve the current system and to adapt international best practices to provide full compatibility of the Institute of Chartered Accountants, with SMO1 Quality Control, and the 8th Directive of the EU to strengthen monitoring of compliance with auditing standards a system of public supervisory of statutory Auditors and auditing companies was needed.

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<sup>3</sup> Public Interest Entities defined in the Council of Ministers Decision 17/2019. It consists of Banks and Financial Institutions and companies which meet certain criteria regarding total assets, turnover and number of employees.

Pursuant to articles 3 - 6 of the Law no. 10091 “On Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants”, the professional activity of auditors is supervised by the Public Supervisory Board which is appointed by the Minister of Finance. This Board has 7 members financed from the Government Budget and other legal sources, independent from the effect of legal registered chartered accountants or other audit companies, with an appointment term of 4 years. The chairmen and 3 of the members must not practice the profession but should have knowledge about the statutory audit and fields related to it. The other 3 members of the board may practice the profession and should have not less than 5 years of statutory audit of commercial companies’ financial statements. Exclusive for the first mandatory, two members that do not practice the profession and one member that practices it are appointed for a term of 3 years.

The objective of this system is to raise security that statutory audits are done in a transparent environment, controlled and serving the public interest.

Rights and obligations of the public supervisory board are explained in article 5 of this law such as:

- “a) drafts the rules of operation of the Commission on Examinations of Professional Skills and Registration Committee of statutory auditors and audit firms, which are submitted to the authorities for approval provided in this law;*
- b) supervises, monitors and evaluates the implementation of testing procedures and registration of statutory auditors and audit firms;*
- c) approves the format of the public register of statutory auditors and companies’ auditors, registered by the Registration Committee, and oversees compliance with the rules regarding the identification number of auditors legal in the register;*
- ç) approves the code of ethics of statutory auditors and audit companies, of prepared and proposed by the professional organization of statutory auditors and supervises the implementation of the standards of this code;*
- d) supervises the quality control, which is performed by the professional organization of statutory auditors;*
- dh) supervises the programs and the continuous professional qualification of statutory auditors*
- e) approves the regulations of the investigation and the procedures for taking measures disciplinary;*
- ë) when it deems necessary, conducts additional investigations for statutory auditors and audit firms;*
- f) reviews and makes decisions on complaints made by candidates, in relation to their registration;*
- g) approves and publishes its annual work programs and activity reports;*
- gj) examines and makes decisions on cases of disciplinary violations, which are its competence;*

*h) examines and makes decisions on other aspects or issues, provided in this law, which are within the scope of its activity.*

*2. The Board approves the statutes of professional organizations in the field of accounting and oversees their organization and operation.”*

The board has also the obligation to report to the Minister of Finance every year (article 6), within 3 months of the year following, through a written report, which provided in detail the problems of the profession of registered auditor, data solutions and decisions made.

## 7. AUDIT AND ACCOUNTING EDUCATION IN ALBANIA

Accounting and audit education in Albania is given in universities. Most of the universities give this education through the Accounting or Accounting- Finance department, but in some other universities this education is given through the Finance or Business Administration Departments. These departments provide students with education programs in Bachelor, Second Level Diploma and PhD level studies. According to the data given at the official websites of the Ministry of Education and Science of Albania for the private universities and Albanian Public Agency for Accreditation of Higher Education for the public ones, the following universities and departments give accounting and audit education in Albania.

### Accounting Courses Studied according to Departments in Bachelor Studies

<b>Accounting</b>	<b>Finance-Accounting</b>	<b>Business Administration</b>
Introduction to Accounting	Introduction to Accounting	Introduction to Accounting
Financial Accounting	Financial Accounting	Financial Accounting
Financial Analysis	Financial Analysis	Financial Analysis
Cost Accounting	Cost Accounting	Cost Accounting
Managerial Accounting	Managerial Accounting	Managerial Accounting
Taxes	Taxes	
Public Accounting	Public Accounting	

Source: Data collected from public and private universities web pages by Authors

### Accounting Courses Studied according to Departments in Second Level Studies

Accounting	Finance-Accounting	MBA
National Accounting	Managerial Accounting	Managerial Accounting
Auditing	Financial Accounting	Auditing
Public Accounting	Research Methods in Finance and Accounting	Financial Analysis
Applied Accounting	Applied Mathematics for Finance / Accounting	
	Financial Analysis	
	Accounting and Financial Business Ethics	
	European Accounting and Finance	

**Source:** Data collected from public and private universities web pages by Authors

Professional qualification programs for members and trainees of chartered auditors are prepared and given through the Institute of Chartered Auditors. Chartered auditors are subject to consecutive courses of professional qualification, which can be implemented by institutions of higher education or other centers of professional qualification, which have adequate facilities and personnel for granting a consistent high-quality training programs adopted for continuous professional training.

The requirements of the Institute of Continuing Professional qualification for its members are a positive step and in line with trends / international practices, which has several years to apply with consistency. Members of the Institute must conduct an annual training program of consecutive training, in order to maintain competence to perform audits. Legal requirements for implementation of these programs should be strengthened and improved somewhat to ensure that members develop and maintain adequate professional knowledge and theory relevant professional skills. Beginning from October 2003, the Institute of Chartered Authorized Accountants published each two month the Periodical Journal “Accounting, Finance and Auditing”.

## 8. INTERNAL AUDIT AND THE DEVELOPMENT OF AUDIT COMMITTEES IN ALBANIA

While an external auditor is a professional who performs the statutory audits of the financial statements of an organization, and is independent of the entity being audited, internal auditors activity is involved in helping organization achieve their stated objectives. It does this by using a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions. Professionals called internal auditors are employed by organizations to perform the internal auditing activity.

Relationship between the Internal Audit Function and the External Auditor is described in ISA 160/3-4 as:

- The role and objectives of the internal audit function are determined by management and, where applicable, those charged with governance. While the objectives of the internal audit function and the external auditor are different, some of the ways in which the internal audit function and the external auditor achieve their respective objectives may be similar. (Ref: Para.A3)
- Irrespective of the degree of autonomy and objectivity of the internal audit function, such function is not independent of the entity as is required of the external auditor when expressing an opinion on financial statements. The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal auditors.

Audit committees bring about the concept of the audit function reporting to the highest levels and this had a positive impact on perceived status. Securing the attention of the board, chief executive, managing director, non-executive directors and senior management also provides an avenue for high-level audit work able to tackle the most sensitive corporate issues. This is far removed from the early role of checking the stock and petty cash. IA was now poised to enter all key parts of an organization (Pickett, 2010).

In Albania the Audit Committee concept was firstly introduced in the banking sector when the law nr.8365 dated 2.7.1998 "On Banking Sector in the Republic of Albania" was approved. The law required the banks to create a permanent body which members were selected from the shareholders assembly and was named Controlling Committee (the structure is same as that of Audit Committee). The purpose of establishing the audit committee of the banking sector is the control and evaluation of the adequacy of the bank's internal control and supervision of accounting of its activities, the implementation of bylaws established by the Bank of Albania. Upon entry into force of the new law nr.9662, dated 18.12.2006 "On Banking Sector in the Republic of Albania" brought important changes in the quantity and quality of audit committee functions.

Related to the creation of this body for the companies, it was not specified in the laws for commercial companies which regulate their activities. The creation of audit committees for the companies listed on the stock exchange was required by the law on "On Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants". Article 46 in the fifth chapter (Audit Committee of legal persons) of this law states:

- "1. Public interest entities have an audit committee, composed of several or all non-executive members of the administrative body or board members entity supervisor. At least one of the members of the audit committee is independent and has knowledge in accounting or auditing.*
- 2. The audit committee, except as provided in other provisions, performs these functions:*
  - a) monitors financial reporting processes;*

- b) monitors the effectiveness of the entity's internal control, internal audit;*
  - c) engages and supervises the statutory audit;*
  - d) reviews and monitors the independence of the statutory auditor or the audit company.*
3. *The statutory auditor or audit firm shall report annually to the committee audit on the most important issues that arise from the statutory audit and assist the committee in the performance of its duties.”*
4. *Letters "b" and "c" of point 2 of this article are not applicable to licensed banks in the Republic of Albania.*

The banking industry plays a pioneering role in the application of effective internal auditing with the adoption of International Internal Auditing Standards issued by Institute of Internal Auditors (Üç and Trepca, 2020). Since, entry into force of accounting law in 2008 (the standards built in accordance with international accounting standards IFRS / IAS), the information published by the economic units started to become more analytical than just quantitative. This enables stakeholders to judge and assess the best decisions and investments in companies which develop their activities. In this process, the audit committee constitutes one of the most powerful tools for increasing the reliability of financial information and transparency. This body also encourages businesses to respect the code of conduct or guidelines and avoidance of informality.

## 9. CONCLUSIONS

Audit is vital for businesses because it is through qualitative audits that investors will be sure about the accounts provided in the company's financial statements. Albania has passed through a long way to achieve this goal. As it is mentioned in this paper, legal reforms in the field of accounting and auditing began firstly with the adoption of the law no. 7638 dated 19.11.1992 "On Commercial Companies" by setting the first steps through the audit profession, and then continued with the Law Nr.7661 dated 19.01.1993 "On Accounting", which determined the general obligations and principles for keeping accounts and preparing financial statements. Legislation designed in this period survived for a long time without any changes, which did not happen with other laws. As Albania's economy and social situation developed, as international financial reporting and audit procedures became more complex and rigorous and as the government committed to sign the Stabilization and Association Agreement with the EU, made the requirements of financial reporting used up to that time to be considered inadequate. Those were the reasons that the Albanian Parliament adopted, on 04/29/2004 the Law Nr.9228 "On Accounting" and on March 2009 the Law Nr. 10091 on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants which was the first legal act to bring regulations in the field activity of registered chartered auditors and auditing companies, and also of approved accountants and accounting companies. Both laws amended by the needs of time in 2018 and 2016 respectively.

Shortly the ‘audit law’ Law Nr. 10091 on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants is in accordance with:

- the 8th Directive of EU,
- the IFAC Position Statement for Profession Regulation,
- the new Law on Entrepreneurs and Commercial Companies (Nr.9901 / 2008),
- the new Law on Accounting and Financial Statements (Nr. 9477 / 2006),

This law set the “Institute of Chartered Authorized Accountants” as the only professional organization which groups the accounting professionals who practice the activity as registered chartered auditors and which directly regulates the activity of the professional organization of certified public accountant.

Implementing this law increased the confidence in the quality of audit work, the reliability of published financial information and gave value and protection to shareholders, investors, creditors and other interested parties by:

- Establishing the system of public supervisory of auditing profession, which ensures a higher quality control of statutory audits and regulations on the registration process of foreign and national auditors and auditing companies.
- Enhancing the register of statutory auditors and audit companies so that interested parties determine whether a statutory audit or audit company has been approved.
- Preparing and publishing annual transparency reports by statutory auditors and audit companies that conduct statutory audits on financial statements of public interest entities
- Establishing an effective system of investigations and sanctions to detect, correct and prevent inadequate execution of a statutory audit
- Implementing qualification standards reinforced in accordance with International Education Standard (IES) of IFAC.

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## ISTANBUL TELEPHONE COMPANY FROM CONCESSION TO NATIONALIZATION: A STUDY IN BUSINESS HISTORY (1909-1936)

Sırrı Emrah Üçer<sup>1</sup>

### ABSTRACT

I provide a business history study of introduction of commercial telephone network in Istanbul in 1913 by a consortium of foreign companies. After a short introduction of Ottoman post and telegraph policies in the nineteenth century, the timespan of the article covers a politically and economically turbulent historical era, the period between the auction process in 1909 and the nationalization of Istanbul telephone network in 1936. I focus on the relationship of Istanbul Telephone Company to the Ottoman/Turkish governments, financing mechanisms employed by the company, and development of reach of urban telephone network and technology transfer in Istanbul until nationalization. While compiling empirical backbone of the article, I employ a comprehensive search of English language newspapers that monitored and informed actors that participate into the financial markets in cities like London and New York, in addition to a wide array of sources in Turkish language. By doing so I provide a business history of Istanbul Telephone Company between 1909 and 1936 in the context of capitalist world economy and international financial markets. This history also has much to say about shaping of telecommunications policy in modern Turkish Republic.

**Keywords:** Telephone business, concession, Istanbul, Ottoman Empire, business history.

**JEL Codes:** N83, N84, N93, N94, L96.

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**Atıf (Citation):** Üçer, S. E. (2021). Istanbul Telephone Company from Concession to Nationalization: A Study in Business History (1909-1936). *Muhasebe ve Finans Tarihi Arařtırmaları Dergisi*(20), 63-90.

*Arařtırma Makalesi / Qualitative Research Paper*

*Geliř Tarihi / Received: 07.10.2019*

*Revizyon Tarihi / Revised: 29.10.2020*

*Kabul Tarihi / Accepted: 11.11.2020*

## **İMTİYAZDAN KAMULAŞTIRMAYA İSTANBUL TELEFON ŞİRKETİ: BİR İŞLETMECİLİK TARİHİ ÇALIŞMASI (1909-1936)**

### **ÖZ**

Bu çalışma İstanbul'daki ticari telefon şebekesinin 1913'te yabancı şirketlerden oluşan bir konsorsiyum tarafından kurulmasının işletmecilik tarihini incelemektedir. Makale, on dokuzuncu yüzyılda Osmanlı İmparatorluğu'nun posta ve telgraf politikalarını tanıtan kısa bir giriş yaptıktan sonra, politik ve ekonomik açıdan çalkantılı bir dönemi, 1909'daki ihale süreciyle 1936'daki telefon şebekesinin kamulaştırılması arasında geçen zaman aralığını ele almaktadır. Bu çalışmanın odaklandığı konular, İstanbul Telefon Şirketi ile Osmanlı/Türk hükümetleri arasındaki ilişkiler, şirket tarafından kullanılan finansman mekanizmaları ve kamulaştırmaya kadar İstanbul'da kentsel telefon şebekesine erişim ile teknoloji transferinin seyri şeklinde sıralanmaktadır. Makale, olgusal dayanağını oluşturmak için, Türkçe kaynakların geniş bir seçkisine ek olarak, Londra ve New York gibi şehirlerdeki finansal piyasalara katılan aktörleri takip eden ve bilgilendiren İngilizce gazetelerin kapsamlı bir taramasını kullanmaktadır. Böylece İstanbul Telefon Şirketi'nin 1909 ila 1936 arasındaki işletmecilik tarihini kapitalist dünya ekonomisi ve uluslararası sermaye piyasaları bağlamına oturtarak sunmuş olmaktadır. Bu tarihin modern Türkiye Cumhuriyeti'nde telekomünikasyon politikalarının biçimlenmesine ilişkin de söyleyebileceği çok şey bulunmaktadır.

**Anahtar Sözcükler:** telefon işletmeciliği, imtiyaz, İstanbul, Osmanlı İmparatorluğu.

**Jel Kodu:** N83, N84, N93, N94, L96.

### **1. INTRODUCTION: HISTORICAL BACKGROUND FROM TELEGRAPHIC PROTECTIONISM TO TELEPHONE SKEPTICISM OF OTTOMAN EMPIRE**

This article provides a business history of Istanbul Telephone Company in the context of capitalist world economy and early development of international financial markets. Integration of peripheral geographies like Ottoman Empire into the world economy was based on increasing and intensifying economic relationships and dependency in the nineteenth century. Investment by foreign companies in infrastructure networks through concessions and financing by financial markets in Europe and US, was one of the main integration mechanisms, in addition to government debt and international trade. Istanbul Telephone Company sets a late example of these investments in infrastructure networks, as a consortium of English, French, and US companies won the auction in 1909 and launched services in 1913. The telephone company employed financial instruments like public offerings in London stock exchange in order to fuel their physical network expansions in Istanbul. However, these investments did not yield expectations of widespread access and technology transfer, as the timing of the commercial launch was an unfortunate date, just one year before the World War. Following the World War and Turkish Independence War the newly found Turkish Republic renewed the concession of company. However, a second catastrophic event, The Great Depression of 1930 hit the company and prevented its development in terms of providing widespread access and technology transfer. In the statist period of Turkish economic policies between 1930 and 1950

Turkish government decided to nationalize foreign companies in infrastructure networks. The nationalization pact of Istanbul telephone network was agreed and signed between Turkish government and Istanbul Telephone Company in 1935 and finalized in 1936. I focus on relationship between international telephone business and Ottoman/Turkish governments in different periods following each other, namely the telephone skepticism of Abdülhamit II (1886-1909), early liberal approach of Mehmed Cavid Bey and Committee of Union and Progress (1909-1914), war statism (1914-1923), early liberal approach of Republic (1923-1930), and finally Republican statism (1930-1950). This early shaping of relationship between Ottoman and Turkish governments to international telephone business had significant effects on the fate of future Turkish telecommunications policies.

Before further exploring the development of telephone network in Istanbul, I provide a sketch of Ottoman post and telegraph history, in order to posit Istanbul Telephone Company into the context of Ottoman communication policies. The incorporation of Ottoman Empire into the world economy, a process that intensified in the nineteenth century, created a demand for services provided by infrastructure networks in general and commercial communications services in particular. The increasing volume of international, transit, and domestic movement of commodities, money and people provided a basis for the profitable operation of infrastructure networks by the capitalists. To exploit these opportunities for profit, capitalists sought to acquire concessions for building and operating transportation and municipal networks. This also triggered a commercial appetite for telephone services in the 1880s and 1890s. In this period, US and European companies built urban-scaled telephone operators in the lively cities of peripheral countries. In this regard, an attention towards acquiring concessions for Istanbul, Izmir and other port cities in the Ottoman Empire was also in place. However, the political skepticism towards telephone, a skepticism that was rooted in the history of earlier communications services, prevented early introduction of commercial telephone services in the cities of Empire.

The history of Ottoman postal services provided historical background for Ottoman approach towards modern telecommunications. Postal services in the Ottoman Empire were in a chaotic condition in the nineteenth century due to the coexistence of multiple foreign postal services side by side with the Ottoman postal organization. The demand for commercial postal services was dependent on foreign post offices, as the transportation networks were under control of foreign companies and public transportation networks like inland roads were inadequate. This dependence on foreign controlled transportation networks was the basis of Ottoman postal dependence. The inability of Ottoman state to force a postal monopoly brought negative consequences in terms of state formation and fiscal gains. This kind of postal dependence was not unique to Ottoman Empire, as a series of semi-peripheral countries like China, Japan, and Ethiopia too was dependent on postal services by multiple foreign post offices (Üçer, 2018b).

The advent of electric telegraph was an opportunity for Ottoman Empire to form an independent and publicly owned communications network. The use of electricity for communications brought divorce of communications from expensive transportation infrastructure. Simple poles and wires were sufficient to carry electrical dispatches of telegraph,

which were cheap enough for Ottoman Empire to build a nationwide communications infrastructure itself. There was an impressive growth of publicly owned modern telegraph network in the second half of the nineteenth century. This network was a tool for government to rule its far regions, in addition to be a significant source of revenue. This was also the case for some other semi-peripheral countries like Japan and Korea that launched commercial telegraph services through publicly owned networks. Ottoman Empire's telegraphic protectionism characterized early policy formation in the telecommunications sector (Üçer, 2020).

Two factors created an unfriendly environment for early development of telephone services in the Ottoman Empire, a policy I call telephone skepticism. First one was the negative stance of Abdülhamit II, who decreed to remove telephone network in 1886 and prevented re-installation of telephone networks until his deposition in 1909. Second one was the resistance from public post and telegraph organization *Posta ve Telgraf Nezareti* (PT from now on) against authorization of a foreign company for a telephone concession. Actually, the resistance of PT was against private operation of telephone by a company, a competitor for their communications services. They preferred a publicly owned telephone network under their control. In other semi-peripheral countries like Japan the time between adoption of telegraph and telephone was not as long as Ottoman Empire. As a consequence, these countries had less resistance and skepticism towards telephone and had much larger early telephone networks relative to Ottoman one. In core and periphery, following a few decades of private operation telephone networks were nationalized in the twentieth century, with different timings. The timing of telephone nationalization in Turkey was 1930s, later than most of European countries, but earlier than China and India, and very earlier than the Latin American countries. This style of late advent and early nationalization of telephone in Turkey, with collective memories of postal dependence and telegraphic protectionism had long-term effects on modern time telecommunications policy and gave outcome of relatively late privatization of Türk Telekom in 2005 (Üçer, 2018a; 2019).

The present Turkish language academic literature on Istanbul Telephone Company consists of histories of Turkish PTT (Tanrıku, 1984; Alşan 1990; Yazıcı, 1995; Demir, 2005; Tural, 2009), accounts of early republican telecommunications policy (Kubilay, 2003; Güzeliş, 2010), and monographies on company (Önay, 1995; Ersoy, 2017). The literature is predominately in Turkish language. These studies do not employ a theoretical and comparative perspective, except the study of Yavuz Selim Karakışla (2014), who focuses on worker movements and strike of women employees of company. There is a recent revival in academic interest in comparative social history of modern electric urban networks in the Ottoman Empire (İleri, 2017; Ülker, 2018), an area closely related to telephone, which was another part of modern electrified networks. Another significant line of studies focuses on development of Ottoman telegraph network as the main communication tool of the empire (Davison, 1990; Kaçar, 1995; Bektaş, 2000; Bektaş, 2001, Shahvar, 2002). I engage with the telegraph history elsewhere in detail (Üçer, 2020) and I emphasize need to connect these rich histories of Ottoman telegraph to studies on Ottoman telephone in specific and future course of Ottoman/Turkish telecommunications policy in general. This article contributes to the literature by bridging the

studies on Ottoman post and telegraph to Ottoman telephone and handling Ottoman telephone as a part of Ottoman communication policies in the nineteenth century. I also contribute by positing Ottoman telephone in broader concerns of comparative business history like business-government relationships, early forms of international/multinational companies, foreign investments in peripheral economies, and international financial markets. Such business history accounts engaging early development of telephone networks in various countries set a reference point for this article (Noam, 1992; Noam et al., 1994; Noam, 1999; Parapak, 1994; Choo & Kang, 1994; Rachty, 1999; Anchoroguy, 2001; Milne, 2007; Clifton et al. 2011; Gopika, 2014). I also employ English language newspapers as a source of business history, as a contribution to the academic field on business history of Ottoman networks. This article is also a part of my greater plan to author an historical account for Ottoman-Turkish communications policy history from nineteenth to twenty-first century in the context of comparative international finance and business history.

The organization of the text is as follows. Following this first section of introduction, the second section analyzes diffusion of telephone technology from capitalist cores to periphery. Third section analyzes the advent of telephone to the Ottoman Empire. Fourth section investigates the period after World War I until nationalization in 1936. The fifth section concludes and discusses effects of business history of Istanbul Telephone Company on contemporary telephone business and telecommunications policy in Turkey.

## **2. EXPANSION OF PRIVATE TELEPHONE BUSINESS FROM CORE TO PERIPHERY**

As a further development in adaptation of electricity to communication following electric telegraph, patenting of telephone occurred in US in 1876 (Burns, 2004, 171-178; Smil, 2005, 227-236). Soon after the patenting, Bell Company launched commercial telephone services in the United States of America (US) in 1877. Bell Company guaranteed monopolistic privilege in telephone services against telegraph giant Western Union in 1879 and expanded telephone network rapidly (Burns, 2004, 178-180). Technology jumped through Atlantic, as the first concessions for telephone companies were issued in France and Britain respectively in 1879 and 1881 (Noam, 1992, 134-136; Milne, 2007). These companies were generally partnerships between Bell Company and European companies. However, expansion of telephone networks was not as smooth as it was in the US, because of reaction from existing public monopolies of post and telegraph. European telegraph networks were nationalized in the 1870s and 1880s in a consolidation with the postal network, a nationalization and consolidation that created the nucleus of modern PTT patterns without a second T. European PT organizations' persistent preference of telegraph over this expensive "toy" of telephone, their dominance on long distance communication, and their unwillingness to share commercial communications market with a new competitor were limits for initial development of telephone networks (Casson, 1910, 252-255). As a consequence, the telephone companies were limited to concessions for urban-scale monopolies in exchange of handsome royalty payments (Love, 2005, 67-68). The viewpoint of private telephone companies was another factor that determined their limits. Private telephone operators were based in port cities and other metropolises with high demand for communications services, as capitalists prioritized profit maximization, a

behavioral pattern that is called cherry picking or cream skimming (Noam, 1992, 55-57). The private telephone business did not have a long life in many core European countries. Germany preferred to start telephone services as a public monopoly in 1889 (Noam, 1992, 69-71). In the same year France nationalized existing urban telephone companies at the end of ten-year termed concessions (Noam, 1992, 136). Nationalization occurred in Britain in 1911, after an inconsistent private telephone business of three decades (Noam, 1992, 19-22). In some European countries, telephone business followed varied routes. For instance, private telephone business survived in Spain in the twentieth century in the form of national private monopoly of Telefonica (Clifton et al., 2011). Netherlands started to nationalize telephone business in 1907 and completed in 1940 (Noam, 1992, 169-170). In a similar manner, Italy adopted partial nationalizations in 1907, 1933, 1958, and 1965 (Noam, 1992, 240-241). The date was 1923 for Sweden and 1935 for Finland, as these Scandinavian countries developed a different approach to telephone technology (Noam, 1992, 203-204, 212-213).

Colonial periphery followed the footsteps of core countries, as they had to follow their colonizers in postal and telegraphic organizations. These countries too had a few decades of private operation of telephone in the port cities and other centers of colonial administration and commerce from 1880s up to nationalizations. Nationalization of telephone networks in South Africa occurred in 1910 (Horwitz, 2001, 28), in Egypt in 1918 (Rachty, 1999, 40), and in India in 1947 (Gopika, 2014, 26). Indonesia nationalized telephone networks in 1906, in accordance with the beginning of consolidation of telephone services under Dutch PTT between 1907 and 1940 (Parapak, 1994, 106). The private telephone business in the form of regional private telephone companies survived in Latin America until the second half of the twentieth century, as nationalization in Argentina occurred in 1969 (Hill & Abdala, 1993, 8-10), in Chile in 1971 (Rhodes, 2006, 51), in Mexico in 1972 (Noll, 2009, 366), and in Brazil in 1973 (Kingstone, 2003, 24). These late and fragmented character of nationalizations in Latin America facilitated telecommunications privatizations in these countries in the 1980s and 1990s.

Some semi-peripheral governments decided to start telephone services under public monopoly. Significant examples of this public launchers were Japan and Korea. Japan started its telephone services in 1890 under public monopoly just like the public launch of telegraph in 1869 (Ito & Iwata, 1994, 445). Decades of development of early telecommunications in Japan was also a period of transformation of Japan from a peripheral government to an imperialist and expansionist power. Before its colonization by Japan in 1911, Korea too launched telephone services under public monopoly in 1902 (Choo & Kang, 1994, 287). This engagement of these Far East governments with the telephone continued to be a significant contributor to their economic development in the second half of twentieth century (Anchordoguy, 2001; Larson & Park, 2014). An interesting case for early telecommunications development is Ethiopian case, as the Ethiopian government started a public monopoly of telephone in 1904. To form a public monopoly on telephone services in addition to public control on telegraphic and postal networks was a characteristic behavior for a semi-peripheral government that was in struggle to maintain its political independence, as independence in communications was significant to form an independent and capable state. As I explain above, China did not establish a monopoly over telegraph services like Japan or Ottoman Empire, as the Chinese public telegraph operator



developed side by side with the foreign telegraph companies. In accordance with its telegraph background, China did not monopolize the telephone services too and attracted the first private telephone investment in 1881 in Shanghai, then to other big cities. Nationalization of telephone networks in mainland China occurred in 1949 following the revolution (Xiong-Jian & You-Nong, 1994, 73-74). Ethiopian case is an interesting one, as the telegraph and telephone were introduced in the same year in 1904 (Tsigie & Feyissa, 1999, 53). As a consequence, there was not a resistance against telephone by telegraph organization and telephone became the main medium of long-distance communication (Garretson, 1980). In this respect, there is a stark contrast between Ethiopia and Ottoman Empire in terms of approach towards telephone business.

### 3. ADVENT OF TELEPHONE IN OTTOMAN ISTANBUL

*“Grand Vizier: “It is night. I am fast asleep. Suddenly my slumbers are disturbed by the ringing of a bell within a few inches of my head. (...) I rouse myself. I take a part of the machine in my hand and hold it to my ear. I recognize a voice from Yildiz. (...) The voice tells me to proceed at once to the palace, as his majesty wishes to see me immediately. (...) That would happen every[ ]night. I should never ha[ve had] a moment’s sleep. I suffer enough quite enough from the palace as it is. Take the thing away. It is an invention of the evil one, and I will have nothing to do with it.” (...) ...[I]t is more than probable that the view entertained by the average Turk with regard to its merits does not materially differ from that expressed by his highness, the Grand Vizier (New - York Tribune, 1915).”*

This was an orientalist explanation for the shocking retard of transfer of telephone to the “Turks” (Ottoman Empire), made by an anonymous journalist of *New - York Tribune* in 1915. I totally disagree with this argument about sleepy statesmen of Ottoman Empire. Nevertheless, I concede the fact that title of this “news report” signifies the extraordinarily and exceptionally retarded Ottoman timing for adopting telephone. The telephone business in the capitol city of Ottoman Empire started its services in 1913, 36 years after the first telephone service by Bell Company in the US. This late timing of launch of telephone business contrasts with the early adoption of electric telegraph by the Ottoman Empire in 1855, only 18 years after the opening of first commercial telegraph line in Britain. The commercial launches of telephone and other modern electric urban infrastructures, namely electric lighting and electric tram in Istanbul were late comers too, when compared to other peripheral ports (Table 1).

Ottoman Empire took a totally different route with a strange timing, which makes it difficult to posit its early telephone development in a category. Still Ottoman Empire’s semi-peripheral character of early postal and telegraphic development has a merit to explain early evolution line of Ottoman approach to telephone, which I call telephone skepticism. This skepticism was a mixture consequence of factors like censorship policies of Abdülhamit II and early introduction of telegraph as a publicly owned and operated network.

**Table 1. Launch Dates of Commercial Urban Electric Infrastructures in Some Peripheral Ports (1878-1928)**

City	Telephone	Electric Lighting	Electric Tram
Cape Town (South Africa/UK)	1878	1882	1896
Shanghai (China)	1881	1882	1908
Hong Kong (China/UK Colony)	1882	1890	1904
Timișoara (Romania/Habsburg)	1879	1884	1899
Tokyo (Japan)	1890	1886	1895
Osaka (Japan)	1899	1886	1903
Kolkata (India/UK Colony)	1881	1900	1902
Istanbul (Ottoman Empire/Turkey)	1913	1914	1914
Izmir (Ottoman Empire/Turkey)	1927	1924	1928

**Source:** Compiled by the author.

In this section, I introduce English language newspapers as sources of Ottoman business history, despite their orientalist evaluations. Because attention of these newspapers towards infrastructure investments in general and Ottoman telephone business in specific is an indicator of significance of Ottoman/Turkish business in the eyes of financial markets of Europe and US. These news reports demonstrate how business circles see early conditions of telephone business in the Ottoman cities and provide a rich source of details for issues like company compositions, financing instruments, and concession agreements. Naturally possibilities of employing these news reports as sources of business history go beyond issue of telephone and covers all activities of international business in Ottoman/Turkish infrastructure networks.

When studying business history of telephone in Istanbul, it is necessary to separate technological experiments, exclusive networks built for official purposes, and commercial services of telephone that accepts ordinary people as subscribers. This article puts emphasis on business history of commercial telephone services in Istanbul. Actually, the technologic development of telephone was not completely stranger to the Ottoman society and had early repercussions in the Empire. First experiment of telephone technology in Istanbul was made in the telegraph factory of *Posta ve Telgraf Nezareti* in 1877. In this experiment Emile Henri Lacoine (1835-1899) who works for telegraph factory in Istanbul manufactured a simple telephone line with two ends. This line was never used for commercial ends (Demir, 2005, 155). A small non-commercial network for government was built by Ottoman engineers of PT in Istanbul in 1881. This non-commercial network was connecting government offices in the historical peninsula and some banks in Galata to each other. This network was not operated as a commercial service provider and were closed for ordinary subscribers (Demir, 2005, 155-156). The ordinary way to follow was development of the official network and expansion of it to other regions in the following years. However, the intervention by Abdülhamit II stopped

this expected development. Abdülhamit II decreed removal of government telephone network in Istanbul on August 16, 1886, except a line between Karaköy and Kilyos in Istanbul (Demir, 2005, 156). This decision was a crucial set-back for development of telephone technology in the Ottoman Empire. One may argue that 1880s was too early to develop an extensive telephone network financed by Ottoman government, as the telephone devices and telephone infrastructure was too expensive. However, like Japanese (Ito & Iwata, 1994, 445) and Ethiopian (Garretson, 1980; Tsigie & Feyissa, 1999, 53) cases, it was possible to build an extensive official network in 1890s, as the backbone infrastructure inputs became much cheaper. It was also possible for Ottoman PT to take a step forward and became PTT by offering commercial services to ordinary subscribers. Ottoman technical expertise in the realm of telegraph would have been a decent starting point for developing an empire-wide telephone network. However, this development had to wait until modern Turkish Republic's investments in 1920s.

When we shift our focus back to private telephone business in Ottoman Empire, we see that the first application for a concession for telephone business was made in 1879. In this case, an entrepreneur called Langevich applied for a fifty-year license in name of a foreign company. This concession was not granted (Demir, 2005, 155).<sup>2</sup> All other attempts for private telephone business were rejected too until 1909. One of the factors behind refusal of concessions for commercial telephone was Ottoman PT's resistance against introduction of a foreign competitor under control of foreigners. But the main factor that prevented development of telephone business in Ottoman Empire was Abdülhamit II's skepticism towards telephone technology and telephone business.

The main motive of Abdülhamit II was to stop confidential communication beyond his abilities of Ottoman surveillance bureaucracy. Telephone conversations were perceived to be secret and dangerous and the opportunities to record and listen were not yet known. A telephone network in capital was dangerous as it may have motivated opposition to use telephones as a communication device under cover. As another example of Abdülhamit II's motivation to prevent confidential communication was his negative stance against urban post in Istanbul. The urban postal networks in Ottoman Empire developed relatively late when compared to other countries. When it finally started operations, Abdülhamit II banned sending letters with closed envelopes by Ottoman urban postal network in Istanbul. Closed envelopes were liberalized in 1908 (Demir, 2005, 30-32). Instead of telephone, Abdülhamit II promoted investments in telegraph network as the backbone of Empire's telecommunications network, a network that produced archivable papers of correspondence suitable for surveillance. Perhaps an Ottoman public telephone network similar to Japanese and Ethiopian cases would have been established when inputs got cheaper in the 1890s, if Abdülhamit II was not skeptic towards telephone.

It is crucial to emphasize that the skepticism of Abdülhamit II against telephone business contrasts with his support for infrastructure investments, especially railway and telegraph investments. On one hand, he was motivated to improve transportation and communications networks in order to increase state capacity to govern far regions (Berkes, 2002, 344; Fortna,

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<sup>2</sup> The name of the company represented by Langevich is written as *Otovinkler G.* in Turkish texts. I cannot detect the full name of Langevich. I also cannot detect original name of the company.

2008, 57-58). On the other hand, he was in fear of suicides and conspiracies covered by confidentiality of telephone correspondences. It is possible to detect exaggerated news reports by English language newspapers about Abdülhamid II's skepticism towards telephone (The Atalanta Constitution, 1905). English language newspapers also compared Abdülhamid II's skeptic stance to successor Mehmed V's enthusiasm for telephone (Detroit Free Press, 1909; Los Angeles Times, 1909).

In addition to Abdülhamid II's motivation to prevent confidential communication, the stance against telephone was a part of a general skepticism towards technology of electricity (Mazak, 2007; Özdemir, 2016). As I demonstrate in Table 1, private business in sectors of electric lighting and electric tramway were blocked too. Instead of electric power, the city lights in Istanbul persisted to be dependent to gas from 1856 to 1914 (İleri, 2017, 285).<sup>3</sup> In a similar manner, the horse tramway network which was commercially launched in 1871 survived in Istanbul until electrification of the lines in 1914 (Ülker, 2018).<sup>4</sup> In a newspaper column, one can observe surprise about lack of electrical networks in Istanbul in the first decade of the twentieth century: "In this European city, the Capital of the Turkish Empire, with a population larger than Vienna, there are neither telephones, nor electric lights, nor electric trams, and the very last place to find a guide book or plan of Constantinople is Constantinople itself (The Times of India, 1904; also see South China Morning Post, 1907)." Another impression from a correspondent column contrasts Istanbul with and without electricity, the effect of eight years operation of telephone, along with tramway and electric (The Manchester Guardian, 1922). Despite the fact that telephone was forbidden, there were some instances of *de facto* use in private properties and smuggling of various telephone devices into Ottoman cities (Tanrıku, 1984, 683).

Following the Young Turk Revolution in 1908, Abdülhamid II was deposed in 1909 (Fortna, 2008, 60-61). Immediately after the deposition, Ottoman PT established a small-scale telephone network for governmental use in Istanbul in 1909 (Tanrıku, 1984, 684; Demir, 2005, 157). Different ministries and agencies too purchased telephone systems in a rush, a behavior that caused a chaotic and heterogeneous official telephone structure. There was a telephone-mania (*telefon iptilası*) within the Ottoman society too, as the families and companies imported private telephone systems in a rush (Tanrıku, 1984, 683). Also, there were applications for concessions of commercial telephone networks. The stance of PT was against private ownership and business of commercial telephone networks, as it defended public ownership, which almost became an international standard in the 1890s and 1900s (Holcombe, 1911). Their main argument for public ownership was that a private telephone network would decrease their telegraph income. PT defended that they were technically able to build the commercial telephone network themselves. According to Ali Galip Bey, who was former chief of PT and a

<sup>3</sup> It is significant to note that Nurçin İleri (2017) put emphasis on resistance by gas lighting business and potential conflicts between separate concessions for gas and electric lighting in Istanbul as factors that delayed introduction of electric lighting.

<sup>4</sup> The horse tramway was providing abundant cheap or free fertilizers to fruit and vegetable gardens of Istanbul. Electrification in 1914 ended abundance of fertilizers. (Biçen, 2020, 12-13; Akşam, 1942).

member of the first *Meclis-i Ayan*<sup>5</sup> after Young Turk Revolution in 1908, the construction of governmental telephone network in 1909 in Istanbul was a *fait accompli* by PT. This was made in order to prove that PT was capable of building network itself, instead of a foreign telephone company. Ali Galip Bey's speeches in *Meclis-i Ayan* provides rich arguments in defense of public ownership of telephone network (TBMM, 1910, 704-714; Ersoy, 2017, 91-111). There were also reports of PT to Ministry of Interior and Ministry of Public Works that aim to explain merit of public ownership of telephone network in 1908 (Tanrıkut, 1984, 684-685). The social wave of nationalist boycotts of foreign companies (Çetinkaya, 2015) and the unhappiness about persistent existence of foreign post offices (Üçer, 2018b) were other significant factors that motivate PT and some other statesmen for public ownership of telephone. Still there was an inclination of government to allow private enterprise in telephone, as the Young Turks were in seek of rapid economic development. Main arguments were state's inability to build a publicly owned commercial network, due to the limited technical capacity of PT and scarcity of public funds. Speeches of government members in *Meclis-i Mebusan* and *Meclis-i Ayan* demonstrates their arguments for private operation of telephone network (TBMM, 1909, 99-117; Malhut, 2009, 169-221; Ersoy, 2017, 88-91).

PT was placed under Ministry of Interior and Ministry of Public Works at the first place in 1870. In 1909 PT was transformed into a directorate (*Umumi Müdüriyet*) and transferred under the authority of Ministry of Finance (Demir, 2005, 158). Minister of Finance of the time, Mehmed Cavid Bey (1875-1926), who was well-known of his liberal economic approach (Eroğlu, 2002), was convinced to grant a concession by English engineer Herbert Laws Webb (1864-1931), who was a die-hard supporter of private enterprise in telephone business and a representative of companies in seek of expansion (Tural, 2009, 207-208; Ersoy, 2017, 83-87). Webb wrote a book on the evolution of telephone business in Europe. He supports private business telephone against European nationalizations of time (Webb, 1910; J. E. K., 1931). For private telephone business, as a result of rising trend of nationalization in Europe, seeking of new investment opportunities was crucial. In this respect, concession opportunity in Istanbul was valuable enough to motivate Webb to negotiate with Mehmed Cavid Bey. An article by Levant Trade Review, the magazine of American Chamber of Commerce for Turkey emphasized significance of Istanbul concession for international telephone business (Levant Trade Review, 1911).

Despite opposite recommendation by PT, the tender for Istanbul telephone concession was organized by government in 1909. The winner was a consortium of US, British and French companies, which was being represented by Webb. The full names and origins of companies

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<sup>5</sup> *Meclis-i Ayan* and *Meclis-i Mebusan* were two wings of Ottoman parliament in Istanbul. *Meclis-i Ayan* was un-elected Ottoman senate, whose members were selected by Sultan. *Meclis-i Ayan* was consisted of men older than 40 years, who are from higher ranks of bureaucracy and military, former cabinet members, mayors, and religious community leaders. The second wing of the Ottoman parliament was *Meclis-i Mebusan*, Ottoman house of deputies. *Meclis-i Ayan* and *Meclis-i Mebusan* first convened in 1876 following the advent of the First Constitutional Monarchy, *Birinci Meşrutiyet* in accord with the first modern Ottoman constitution *Kanun-i Esasi*. However, Abdülhamit II closed *Meclis-i Ayan* and *Meclis-i Mebusan* in 1877. Following the proclamation of Second Constitutional Monarchy, *İkinci Meşrutiyet* in 1908, *Meclis-i Ayan* and *Meclis-i Mebusan* was formed again. Ottoman parliament in Istanbul was closed by British invasion administration in 1920. The new Turkish parliament in Ankara, *Türkiye Büyük Millet Meclisi* convened in 1920 and accepted deputies of *Meclis-i Mebusan* as natural members (Akyıldız, 2003).

that formed consortium were as follows. National Telephone Company from UK, the Western Electric Company from US, the British Insulated and Helsby Cables from UK, and Thomson-Houston Company from France (The Christian Science Monitor, 1909a; The Christian Science Monitor, 1909b; The Manchester Guardian, 1909; The New York Times, 1909). A thirty years term concession contract was signed by Mehmed Cavid Bey and Webb in 1911. According to this contract, in addition to the historical peninsula of Istanbul, concession was including financial and commercial downtown in Galata-Pera (Beyoğlu side of Golden Horn), Scutari (Üsküdar and other Asian side districts), Princess Islands, and the surrounding small settlements. Contract stipulated that, in exchange of a monopoly in these areas, the company was committed to pay 15% royalty to the government. It was planned to install a network with a capacity of 10.000 subscribers. Government had right to purchase network after ten years (Wall Street Journal, 1910; The Christian Science Monitor, 1911; The Irish Times, 1911). The network was built by English engineers, who had to overcome obstacles like hilly areas, connecting land masses divided by Golden Horn and Bosphorus by submarine cables (The Times of India, 1911). As planned, the laying down of telephone exchanges and lines was completed in two years. Constantinople Telephone Company (*Dersaadet Telefon Kumpanyası*) started its commercial services in Istanbul in 1913 (Tanrikut, 1984, 685).

In addition to the initial capital invested in by partners, Constantinople Telephone Company raised money by public offerings to finance its investments in Istanbul. For instance, there was a public offering that aimed to raise £300.000 in 1911 (The Irish Times, 1911). A second public offering in February 1914 was organized by the company to finance new investment in network that aimed to raise £200.000 (The Irish Times, 1914). Public offerings in particular and use of financial instruments of capital markets in the core countries in general were crucial ways to finance infrastructure investments of private companies in peripheral countries. Abundancy of English language news reports on Constantinople Telephone Company in particular and infrastructure companies in various peripheral countries in general was to meet demand from popular base of financial investors in seek of profitable assets. This financial appreciation towards infrastructure investments in peripheral countries in the 1890s and 1900s was damaged by the Great War (1914-1918) and was nearly devastated by the Great Depression (1929-1930). After these turning points, public funds became the main financing source for infrastructure investments. In accordance with this transformation of financing patterns, publicly owned networks of SOEs substituted private companies.

The advent of telephone business to Ottoman Empire was 36 years after the first commercial telephone service of world in US in 1877. This retard of transfer of commercial telephone was too long, when it is compared to the installation of first commercial telegraph line in 1854, 15 years after the first commercial telegraph line in Britain in 1839 (Davison, 1990). This was also a great retard when it is compared to the quick adaptation of telephone technology by semi-peripheral countries like Japan (1890), Korea (1902), China (1881), and Ethiopia (1894). Despite the explanation of factors like Abdülhamid II's skepticism towards telephone and PT's resistance against a possible competitor, it is hard to make sense of this extraordinarily late timing. This late adaptation to the commercial telephone services had

significant consequences for economic and cultural structure of Turkish society, as a topic yet to be studied in depth.

Istanbul was not the only city that attracted applications for telephone concession after Young Turk Revolution. For example, Dikran Bey, a transportation entrepreneur in Beirut applied for a 99-year termed telephone concession in 1908 but was refused (Demir, 2005, 156-157). In addition to Beirut, a search in the Ottoman archives detects telephone concession applications for autonomous region of Mount Lebanon (BOA, 1912), Thessaloniki (BOA, 1908), Serres (BOA, 1909a), Damascus (BOA, 1909b), and Xanthi (BOA, 1911). Famous but failed Chester Project too included laying down of telephone networks in coordination with construction of an extensive railway network (The Times of India, 1923). Besides official applications for telephone concessions, there were some de-facto commercial telephone operations in the Empire. Telephone services by foreign post offices in Izmir were *de facto* operations that work without concessions (Güzeliş, 2010, 191). It is reasonable to assume that there were some other *de facto* telephone operations by foreign post offices or private entrepreneurs elsewhere in the Ottoman Empire. For example, there was a *de facto* commercial telephone operation of 350 lines in Samsun by an entrepreneur called Avni Bey and his two partners. This line was confiscated by Samsun mayor during the Independence War. In Trabzon, municipality was operating a commercial telephone network of 100 lines that was built during the Russian invasion (Alşan, 1990, 412).

The timing of commercial start of telephone company in Istanbul in 1913 was not a lucky one. Constantinople Telephone Company was nationalized by the Ottoman government in 1915, during the Great War, as a part of a war-time policy to control communications services, in parallel with the closing of foreign post offices in 1914 (Tanrıkut, 1984, 686). In this short period, company was not able to achieve a great economic success. According to data of International Telegraph Union (ITU), the company had 4.156 subscribers in 1915, with a traffic of 5,15 million conversations. In addition to subscribers, there were 60 public telephone points. Company was employing 207 workers (Bureau International de L'Union Télégraphique, 1917, 11), including a cosmopolitan group of multi-lingual women that operated manual telephone exchanges. Karakışla (2014) provides a comprehensive and competent study on women employees of telephone company in Istanbul. Male employees established a soccer team named *Telefoncular FC* that competed in Istanbul league in the season 1913-1914. The soccer team was the tail ender in Istanbul league. They lost against Galatasaray 5-0 and Fenerbahçe 9-0 -a sportive performance similar to poor business performance of the company (TFF, 1992, 25).

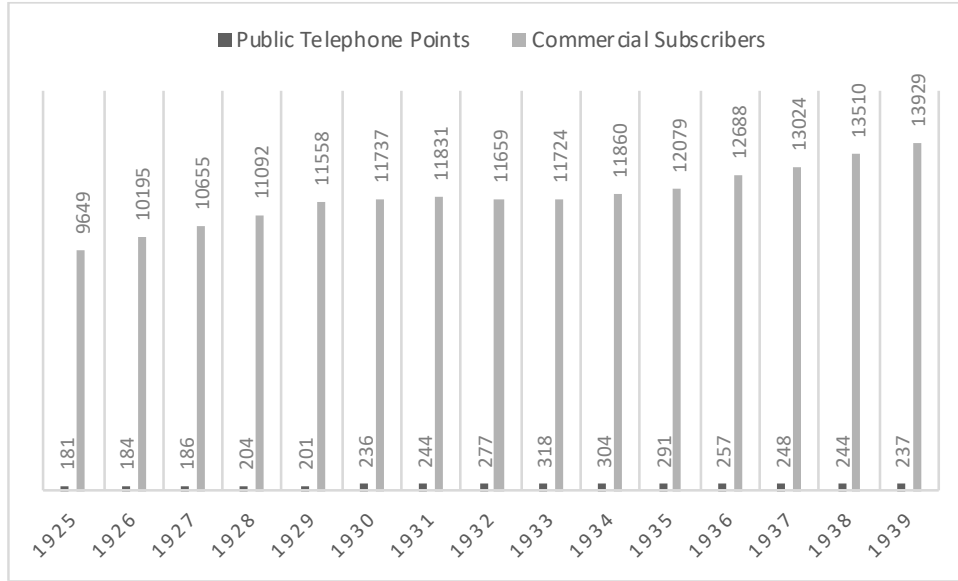
According to ITU, in 1915 telephone business had 144.419 commercial telephone subscribers in Russia, 35.700 in Spain, 4.314 in Bulgaria, 70.231 in Argentine, 30.221 in South Africa, and 235.621 in Japan (Bureau International de L'Union Télégraphique, 1917). These numbers show that with a figure of 4.156 subscribers the telephone business in the Ottoman Empire was one of the smallest networks of the peripheral world, as a consequence of extraordinarily late launch of commercial services in 1913.

#### 4. TURKISH TELEPHONE AFTER THE FIRST WORLD WAR: FROM URBAN NETWORKS TO NATIONALIZATION

In 1918 after the Mudros Armistice, the company reclaimed its telephone concession in Istanbul, as the last Ottoman governments in Istanbul recognized company's concession (Demir, 2005, 158-159). In the early 1920s, Turkey was in a period of political transition from Empire to republic, under Ankara government headed by Mustafa Kemal Atatürk. During the Independence War, in 1920, Ankara government placed PTT under Ministry of Interior (Tanrikut, 1984, 299). PTT under Ankara government started telephone business under public ownership in small scale in the early 1920s (Güzeliş, 2010, 195). When it became clear that Ankara government had a military victory and took over control of Istanbul, the private telephone operator in Istanbul was also under its authority. Before the Lausanne Peace Treaty, Ankara government agreed to renew the concession of Istanbul Telephone Company with some slight revisions in June 1923 (Kubilay, 2003, 154-156). After the proclamation of republic in October 1923, law no 406 was legislated in 1924 that put telephone business under government monopoly, with exceptions for Istanbul and Izmir (Güzeliş, 2010, 195). Early telephone policy of republic was to improve public owned networks in capital city Ankara and other small cities and to maintain private operations in Istanbul and Izmir. This preference to maintain private telephone operation in Istanbul was in coordination with the renewal of concessions in other infrastructure sectors, a policy that aimed to prove economic friendship with core governments and to prevent additional financial burden to young republic. In this period, Istanbul Telephone Company had a modest rate of growth in terms of number of subscribers, from 9.649 in 1925 to 11.737 in 1930, and 12.079 in 1935 (Figure 1).

In 1925, the telephone workers in Istanbul organized a strike. This was a significant strike for the history of working classes in Turkey, as the employees of telephone company were predominately women (Karakışla, 2014). As a consequence of multi-lingual services of company, these women operating telephone switches were ethnically diverse. According to The New York Times (1925b), in this strike “[t]he leaders are Turks, but the Greeks and Jews will join them “in perfect unanimity,” as their ultimatum reads, “without distinction of race or religion.” Actually, the telephone strike in Istanbul was a part of a general revival of worker movements in Turkey after a long period of war. The strikes and other movements by workers in the late 1910s and early 1920s were predominately in infrastructure sectors like transportation, communication, and energy. The densification of worker unrest in the infrastructure sectors was also a fact for the strikes and movements in the Ottoman Empire before 1914 (Yıldırım, 2013, 357-367). This was a direct consequence of peripheral integration into the world economy, an integration that brought a higher degree of capitalist development for infrastructure sectors relative to manufacturing sectors.

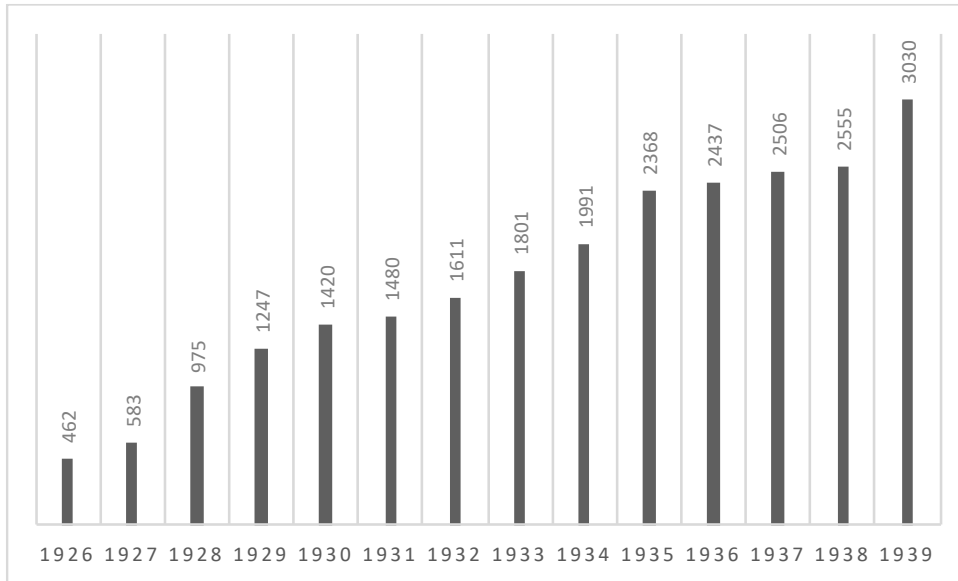




**Figure 1.** Number of public telephone points and commercial subscribers of Istanbul Telephone Company, 1925-1939.

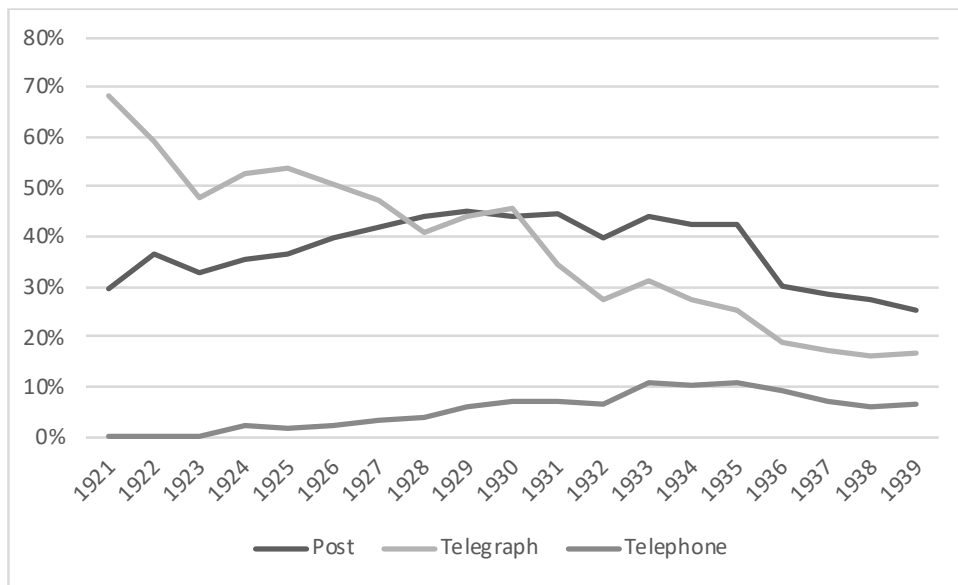
**Sources:** (Başbakanlık İstatistik Umum Müdürlüğü, 1935, 654; İstanbul Belediyesi Neşriyat ve İstatistik Müdürlüğü, 1940, 430)

A telephone network under public ownership was established in Ankara in 1926 (Güzeliş, 2010, 191-194). Ericsson Telephone Company of Sweden built the network and installed automatic switches of their own production (The New York Times, 1925a). This publicly owned network open for commercial subscribers was launched in 1926 with 189 official and 462 commercial subscribers, and 11 employees (Başbakanlık İstatistik Umum Müdürlüğü, 1941, 545). In a decade the number of subscribers exceeded 2,000 (Figure 2). Inter-urban telephone lines of PTT from Ankara to Istanbul, Eskişehir, and then to other Anatolian cities were in service in the end of 1920s. For example, in 1937 there was a traffic of 167 million calls between Ankara and other cities in Anatolia. (Başbakanlık İstatistik Umum Müdürlüğü, 1941, 545). The establishment of publicly owned Ankara telephone network and its connections to other cities marked first steps of a transition from urban scale telephone business to a nationwide telephone network. As a consequence of this development, share of telephone income in overall PTT income increased during 1920s and 1930s, from 0,07% in 1922 to 2,43% in 1926, 7,05% in 1930, %11 in 1935 (Figure 3).



**Figure 2.** Number of subscribers of publicly owned telephone network in Ankara, 1926-1939.

**Source:** Compiled by the author based on *Başbakanlık İstatistik Umum Müdürlüğü, İstatistik Yıllığı Cilt 11 1939-1940, 545.*

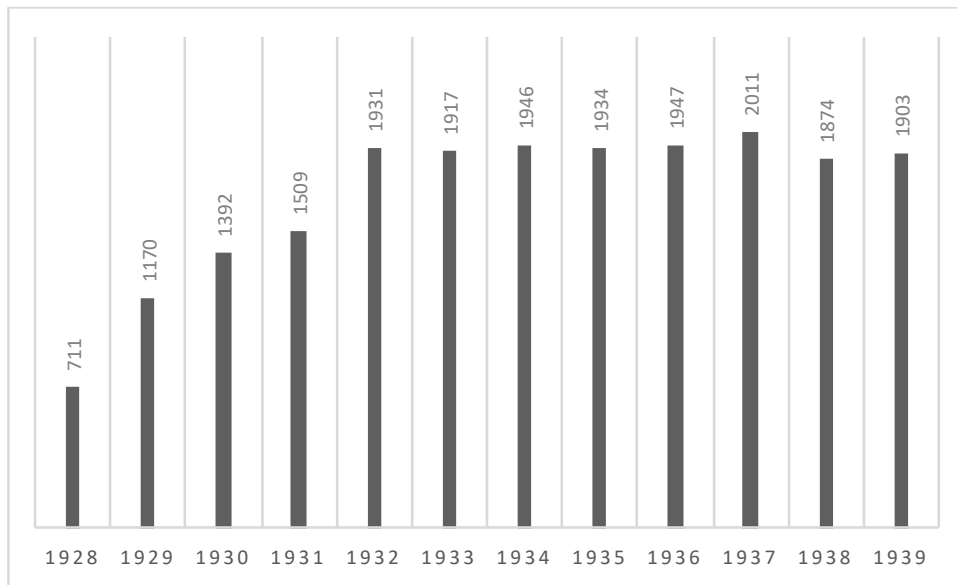


**Figure 3.** Shares of post, telegraph, and telephone services in overall PTT Income, 1921-1939 (%).

**Source:** (Başbakanlık İstatistik Umum Müdürlüğü, 1941, 539).

Izmir was a significant port city that played an integral role in integration of its Anatolian hinterland to the international markets. Transportation networks of steamships and railways connected Izmir to its Anatolian hinterland and other significant port cities of world. As a consequence, Izmir was a focus of infrastructure investments by foreign companies (Kasaba, 1993). In addition to the inter-urban and international transportation networks, urban scale infrastructure networks were developed by foreign companies, as a response to the commercial demand from enriched and cosmopolitan segments of Izmir population. There were also demand for communications services and foreign post offices were active in Izmir, as I explain

above in section 1. These foreign post offices started *de facto* telephone services after Young Turk revolution without a concession. In 1924, this fragmented structure was consolidated by Izmir municipality, which was granted a concession for telephone monopoly in Izmir (Güzeliş, 2010, 191-194). However, financing capacity and technical expertise of Izmir municipality was not adequate, and this situation necessitated a foreign partner to further expand and update telephone network. In 1926, a partnership between municipality and Ericsson was formed for telephone. Emergent company's 51% share was owned by the municipality and 49% by Ericsson (The New York Times, 1927; Kubilay, 2003, 157-159). Izmir and Environs Telephone Company started commercial services in 1928 with 122 official, 711 commercial subscribers and 49 employees (Başbakanlık İstatistik Umum Müdürlüğü, 1941, 545-546). However, the company did not grow sufficiently and was in loss in 1929, 1930, 1931, 1932, and 1936. The number of commercial subscribers barely exceeded 2,000 in 1937 (Figure 4).

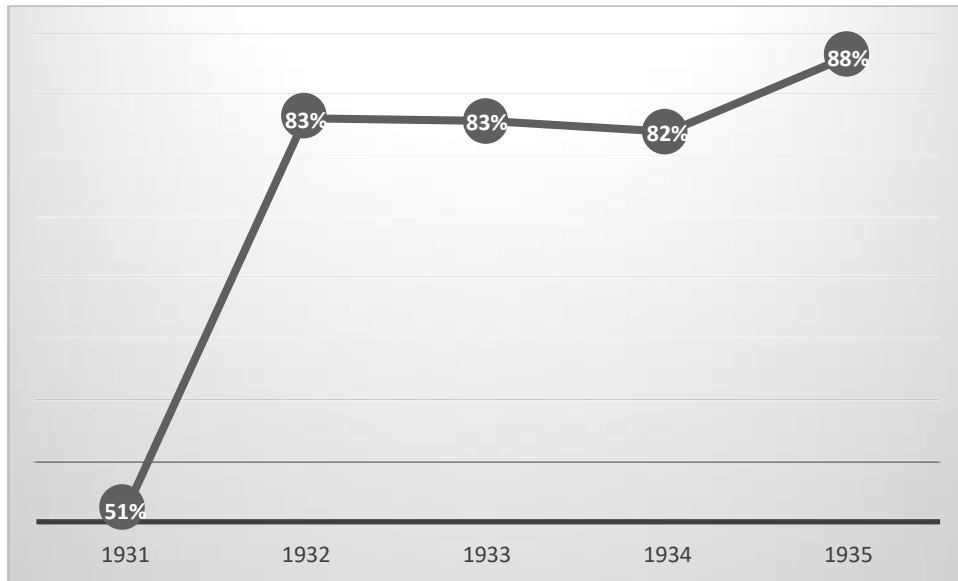


**Figure 4.** Number of commercial subscribers of telephone network in Izmir, (1928-1939).

**Source:** (Başbakanlık İstatistik Umum Müdürlüğü, 1941, 545-546).

In the 1920s, Turkey's infrastructure networks were still in radar of international companies. Following the investment of Ericsson in Izmir, International Telegraph and Telephone (IT&T) from US invested in Turkey too. IT&T was one of archetypical examples of international telecommunications giants, which acquired telephone operators in Spain and Latin American countries Cuba, Mexico, Porto Rico, Peru, Chile, Argentina, Uruguay, and Brazil in the 1920s (The New York Times, 1930a). IT&T was controlling a total of 55 companies in 1929, which consist of a series of telephone operators with 582.135 subscribers, in addition to telephone manufacturers, telegraph, and radio companies -was capable to raise as much as US\$36,6 million with a single public offering (Barron's, 1930). IT&T was in competition against Ericsson of Sweden and Siemens of Germany, alternative international telecommunications companies. The New York Times (1930b) was reporting that acquisition of Istanbul Telephone Company by IT&T was "...an important step in the brisk competition between the American company and the Siemens & Halske interests of Germany and the L. M. Ericsson group of Sweden for telephone concessions or contracts throughout the world." IT&T

also gained a share in Istanbul telephone company when it acquired Western Electric of US in 1924 (Kubilay, 2003, 163) and Thomson Houston of France in 1925 (New York Times, 1930c). In 1930, IT&T captured controlling stake in Istanbul Telephone Company when it purchased share of British company, with the approval of Turkish government. The approval by government included the commitment of IT&T to modernize the network by installing new automatic telephone switches in Istanbul (New York Herald Tribune, 1930; Wall Street Journal, 1930). Investment of IT&T fulfilled its promises of technology transfer, as the share of automatic switches rose between 1930 and 1935 (Figure 5).



**Figure 5.** Percentage of Subscribers Connected to Automatic Switches in Turkey, 1931-1935.

**Sources:** (Bureau International de L'Union Télégraphique, 1933, 35; Bureau International de L'Union Télégraphique, 1934, 33).

The modernization of network in Istanbul by IT&T was also an opportunity to transfer old manual telephone switches to Anatolian cities to start small urban networks under PTT ownership. However, this technology transferring foreign investment had a very unfortunate timing, as the negative consequences of Great Depression in 1930 was at the doorstep. The debt burden created by rapid expansion of IT&T in 1920s forced company to withdraw from some peripheral operators like the one in Istanbul (Barron's, 1931). I cannot properly document withdrawal of IT&T from Turkey and I do not know exact year of their withdrawal. Still I am sure the fact that they left Turkey between 1931 and 1935, as the nationalization agreement in 1935 took over Istanbul Telephone Company from a majority British interest, as I explain below.

When the foreign investments in Turkish telephone networks in the early republican era is evaluated, it is clear that Turkish government did not hesitate to work in cooperation with foreign companies. Ericsson's business in Ankara and Izmir and IT&T's business in Istanbul was partnered by government and PTT, with the condition of transferring latest technologies of the day, namely rotary automatic exchanges.

The proclamation of the republic was not a rupture, when the recognition of Ottoman infrastructure concessions by republic government was taken into account. However, the Great Depression acted as the actual turning point for the fate of private operation of infrastructure networks in Turkey. From the viewpoint of foreign companies, under the conditions of Great Depression, it became harder to find financing for expansionist acquisitions and network developments in peripheral countries. As a consequence of decreasing volume of international trade, demand for transportation and communications services in peripheral cities decreased too. This decrease in peripheral populations' power of purchase was another factor that motivated foreign companies to withdraw. From the viewpoint of semi-peripheral governments, the inadequate investment by foreign companies was bad for economic development. The concerns of modern state formation necessitated a consistent tempo of investment that expand transportation and communications networks, as well as energy and water services. Another factor was the rise of modern urban citizen, who demanded universal access to services provided by infrastructure services. Citizens' right to access services of transportation, communication, energy, and water was becoming a corner stone for legitimacy of European model of modern nation states in the early twentieth century. These developments shifted the focus of infrastructure policies from meeting commercial demand in metropolises to guaranteeing universal access through nation-scale publicly owned networks. These factors of pull and push brought a nationalization policy in Turkey in the 1930s, a bit later than Europe, but earlier than Latin American countries and many other peripheral countries.

As a part of a general policy of nationalization of companies operating infrastructure sectors to create nationwide publicly owned networks, agreement for nationalization of the telephone business in Istanbul was signed in 1935. Baker (1935, 108) states that Turkish government's "...latest acquisition is the Istanbul Telephone Company, which was purchased from British interests for approximately \$4,000,000, payable in forty annuities of \$100,000 each, the first to be paid in 1939." According to The New York Times, nationalized company was consisting of a British major interest and an American minority share (New York Times, 1935). The nationalization was completed in 1936. In 1935, financially frustrated board of telephone company in Izmir decided to apply for nationalization. The company in Izmir was nationalized in 1938 (Güzeliş, 2010, 194). These were integrated into the existing publicly owned telephone network of PTT. These nationalizations of urban telephone businesses did not end dependence on international telecommunications manufacturers like IT&T, Ericsson, and Siemens, which continued to have a foot on Turkish market for telecommunications equipment throughout the twentieth century, as the Turkish PTT system did not evolve into a postal-industrial complex that own telecommunications manufacturing branches like examples in Europe, Far East, and some peripheral countries like India and South Africa (Üçer, 2018a, 135-136).

## 5. CONCLUSION

The companies rooted in the core countries invested in telephone networks in the peripheral countries in the late nineteenth century and in the early twentieth century. In this period, the investment in telephone networks was a part of a larger process of expansion of private investments in infrastructure networks, namely transportation, energy, water, and telecommunications services. It was a period of increase in the volume of trade and capital movements. In the nineteenth century, the core economies with growing industrial sectors like textile penetrated into the peripheral geographies to access markets for their manufactured goods. This trade expansion based on penetration of manufactured goods to the markets of peripheral countries was the driving force of integration of world economy. Trade expansion brought the collapse of productive sectors except exporting ones in the peripheral countries and trade dependence of peripheral countries on the core countries. Along with the trade expansion, the volume of capital transfers from core to periphery increased, in the form of credits for peripheral governments, credits for traders, loans to exporting sectors of periphery, and direct investments in the periphery. These capital transfers were made possible by the accumulation of capital in the core, capital accumulated by the industrial production, in seek for opportunities of profit elsewhere.

The increase in movement of goods, money and people, between different countries as well as inside the borders of individual countries created a great demand for services produced by infrastructure sectors. Among these, especially transportation services had a great demand from various segments of society as the movement of traders and tradeable goods required various transportation services. The increase in the movement of goods and people created an increasing demand for conveying of messages that carried information about trade issues. In the peripheral countries, the demand for the infrastructure services were intensified in the cities which were the conduits between local economies and the metropolises of world economy. These cities with the increasing demand for transportation services were especially port cities (like Izmir) and other economic-political nodes and capitals (like Istanbul). In addition to transportation, a demand for energy, communication, and water services in the municipal scale emerged in these vivid cities of periphery. A general increase in the demand for various infrastructure services motivated core companies to invest in infrastructure sectors of peripheral countries. As the demand for services was intensified in the port cities and capitals, the investments positioned in these cities within municipal scales. The urban-scale telephone operators in various peripheral countries including two companies in Istanbul and Izmir were among these investments.

From the perspective of companies of core economies, the investments in these vivid cities of peripheral countries became attractive. This was in part a consequence of over-accumulation of finance capital in the core economies, large amounts of funds in search of profitable investments. Another factor that motivated the investment in periphery by the core companies was the matured markets of core countries. As the growth opportunities in the infrastructure markets of core economies depleted, the companies started to seek opportunities of business in the geographies of potential growth. The intensified trade relationships with the peripheral economies along with the military and political expeditions in these countries made

it possible to detect potentials of economic growth in the form of growing demand for infrastructure services. The infrastructure services in the peripheral countries were more advantageous relative to the productive sectors of manufacturing as the services produced by infrastructure networks were untradeable goods. The services of these infrastructure sectors were not able to be imported in contrast with the goods produced by manufacturing sectors which were substitutable with the cheaper imports produced whereas in world. All these factors motivated core companies to invest in infrastructure sectors, especially ports, railways, and municipal services, urban-scale energy, water, and telecommunications business.

From the perspective of peripheral governments, the infrastructure investment by the foreign companies was a complicated issue. On the positive side, the investment burden to build infrastructure was being divided between foreign companies and peripheral governments (stance of Mehmed Cavid Bey). On the negative side, the foreign domination of infrastructure diminished the political authority of governments and privatize revenues of these services (stance of Ottoman PT). Actually, the relationship between the foreign companies and the peripheral governments was not an equal one, as the core companies were backed by the diplomatic and military pressure capacity of core governments, if not by the direct colonization of peripheral country by one of great powers.

The Ottoman Empire was not one of peripheral countries which were directly colonized and lost their political independence. Instead, the Empire protected its political independence taking advantage of rivalry between great powers of Europe. While protecting its political independence, the Ottoman Empire was incorporated to the world economy, a status similar to countries like China, Japan, and Ethiopia. This is why Ottoman Empire was a semi-peripheral country.

The position of semi-periphery brought a special character for these countries in the terms of early postal organizations in the form of competition among multiple foreign postal networks. In contrast with the semi-peripheral countries, the direct colonies received postal monopoly model primarily from the core country that colonized it, as a copy of model adopted in the parent country (like India and Indonesia). The chaotic competition between different postal networks were a negative side-effect of persisted political independence, which created a specific historical character that created the disadvantageous basis for the economic development in the following periods.

The chaotic structure of postal services in China and Ottoman Empire were the most striking examples of historical characteristic of semi-peripheral postal organization. The competition between various foreign post offices in these countries seemed strange to the eyes of visiting Westerners. European and American visitors in China were shocked to observe competition between multiple foreign postal organizations, instead of government monopoly model in their home country. They expressed that China was the only country in the world with a multiplicity of postal organizations. In a similar manner, visitors of Ottoman Empire too expressed that Turkey was the only country with multiple foreign post offices. Actually, this was a shared characteristic of semi-peripheral countries China, Japan, Ottoman Empire, and Ethiopia. In contrast with these semi-peripheral countries, direct colonies in Americas, Africa, Asia and Oceania had postal monopolies deployed by the colonizer powers, modeled after the

postal organization in the parent country. In this respect, the postal organization in the South Africa was a version of British one – a similar relationship between Indonesia and Netherlands, India and UK. On one hand, this was a consequence and fortifier of absolute control of colonizer power. On the other hand, deployment of a postal monopoly, a standard organization nationwide provided a healthy base for development in contrast with the chaotic postal structures in the politically independent peripheral countries.

Before the advent of telecommunications, conveying of a message was dependent on the transportation networks. In other words, the postal networks were dependent on transportation networks like steamship lines, ports, and railways. The development of national post monopolies of Europe brought about the development of land routes made up of roads suitable for driving horse carriages. The development of inland road network was also necessary to form a national economy and to harness potential of natural resources and markets which did not have access to water ways. A large inland road network was useful for political and military ends of modern state formation, along with the proper conveying of post messages. In the peripheral economies, the inland road networks were inadequate. Available routes were not suitable for horse carriages (and automobiles later), as they were built for animals like horses, donkeys, and camels. As a consequence, the postal networks of peripheral countries were dependent on the sea ways and railways more than the core postal networks. The domination of ferry lines and railways by the foreign companies gave an additional advantage to the foreign postal networks active in the peripheral countries like Ottoman Empire and China. Moreover, some transportation companies were also de-facto offering postal services. These handicaps significantly decelerated the national postal organizations of peripheral governments.

The advent of electric telegraph was a great opportunity to divorce communications network from transportation network and create an independent communications network. Ottoman public telegraph network had been useful for Ottoman governments as a tool to centralize power at the hands of Istanbul. The network also provided a consistent flow of revenue from sales of communications services. Around this network, the first modern infrastructural SOE of Turkey grew. *Posta ve Telgraf Nezareti* formed a base for a strong nationwide bureaucracy. The fortification of telegraph as the essential Turkish tool of communications went further under reign of Abdülhamit II, who was skeptic towards telephone. As a consequence, a well-established telegraph monopoly emerged and resisted against introduction of a telephone network out of its control. However, Young Turks at power had different opinions and Mehmed Cavid Bey granted concession for a telephone business in Istanbul. Unfortunately, this was a very unlucky timing just prior to the Great War.

The actual rupture from private telephone business in particular, and infrastructure business in general to a nationalization policy was not the founding of Republic of Turkey in 1923. Nascent Republic recognized and renewed concessions for infrastructure companies in the 1920s. However, the modest economic revival of private infrastructure business in the peace time that followed Great War came to an end in the 1930s when the negative consequences of Great Depression became clear. International financial markets became much more hesitant to finance adventurous investments in peripheral countries like Turkey. In the meantime, Turkish policy for infrastructure networks shifted to nationalization of private companies and merging



them into the modern SOEs of nationwide infrastructure networks. Public financing substituted financing from international capital markets. The urban-scale telephone operators in Istanbul and Izmir were nationalized in the 1930s, respectively in 1936 and 1938.

The nationalization of telephone companies in 1930s was a remarkably early timing among peripheral countries. Other peripheral countries nationalized telephone companies later and in a more fragmented style. In this respect, Latin American nationalizations sharply contrast with the Turkish nationalization, as they happened in the second half of the twentieth century and they protected regional divisions. This specific timing and unified style of Turkish telecommunications nationalization had long-term consequences that affected privatizations of 1990s and 2000s. The institutional basis of telecommunications in Turkey was PTT, which was formed as the imperial postal organization in 1840. In 1855 the second ancestor of Turkish PTT, Ottoman telegraph organization was founded. In 1870, these two were merged to form *Posta ve Telgraf Nezareti*, in other words Turkish PT, the true ancestor of modern Turkish PTT. In the 1930s, the telephone operations were completely taken over by PT-T. This institutional base of bureaucrats protected collective memories of foreign dominance on postal services, telegraphic protectionism, and nationalization policies of 1930s.

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## ASSYRIAN TRADE AND STRUCTURE OF ACCOUNTING IN ANATOLIA \*

Zeynep Hatunođlu <sup>1</sup>

### ABSTRACT

Assyrian trade in Anatolia extended from the Black Sea to Northern Syria and Mesopotamia and from the plain of *Konya* in the West to beyond the Euphrates in the East. Assyrian Trade Colonies were formed in 1900 B.C. and continued to 1850 B.C. The information about Assyrian trade in Anatolia is obtained from old Assyrian cuneiform tablets. These tablets were the first written sources of Anatolia and they were particularly excavated from Kültepe, Hattusa (*Bogazköy*), and *Aliřar*. The sworn agreements were concluded by each native ruler and Assur state. This agreement specified the rights and duties of native rulers and Assur in a legal framework. By this agreement, Assyrians trade continued without any interruption within approximately 150-200 years.

Assyrian traders acquired and brought tin and quality textiles demanded by Anatolian nation with donkey caravans. And they shipped the produced valuable stones, metal, especially gold, silver and copper that Anatolian nation produced and manufactured. Assyrian traders established *Karum* colonies in big cities and *wabartum* stations in small cities.

During this trade, banking procedures, accounting applications, applications of law of contracts and commercial law were occurred. It was accepted as the first known documented “International Trade” which occurred between Anatolia and Assur.

**Key words:** Assur Trade Colonies, Assyrian Trade, Karum, Datum, Accounting, Trade Partnerships

**Jel Codes:** F13, M40

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\* This is the improved version of the paper submitted to the 12th World Congress of Accounting Historians, Istanbul, Republic of Turkey, 2008.

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**Atıf (Citation):** Hatunođlu, Z. (2021). Assyrian Trade and Structure of Accounting in Anatolia. *Muhasebe ve Finans Tarihi Arařtırmaları Dergisi*(20), 91-114.

*Derleme / Compilation*

*Geliř Tarihi / Received: 04.08.2020*

*Revizyon Tarihi / Revised: 16.09.2020*

*Kabul Tarihi / Accepted: 30.10.2020*

## ANADOLU'DA ASURLULARIN TİCARETİ VE MUHASEBENİN YAPISI

### ÖZ

Anadolu'daki Asur ticareti, Karadeniz'den Kuzey Suriye ve Mezopotamya'ya, Batı'da Konya ovasından Doğu'da Fırat'ın ötesine uzanıyordu. Asur Ticaret Kolonileri MÖ 1900'de kuruldu ve MÖ 1850'ye kadar devam etti. Anadolu'daki Asur ticareti ile ilgili bilgiler eski Asur çivi yazısı tabletlerinden edinilmektedir. Bu tabletler Anadolu'nun ilk yazılı kaynaklarıdır ve özellikle Kültepe, Hattuşa (Boğazköy) ve Alişar'daki kazılardan çıkartılmıştır. Yeminli anlaşmalar yerli hükümdarlar ve Asur devleti tarafından yapıldı. Bu anlaşma, yerel hükümdarların ve Asur'un hak ve görevlerini yasal bir çerçevede belirlerdi. Bu anlaşma ile Asurluların ticareti yaklaşık 150-200 yıl kesintisiz olarak devam etti.

Asurlu tüccarlar, Anadolu halkının talep ettiği kalaylı ve kaliteli tekstil ürünlerini almış ve eşek kervanlarıyla getirmişlerdir. Ve sonrasında üretilen değerli taşları, metali, özellikle altını, gümüşü ve Anadolu halkının yetiştirdiği ve ürettiği bakır buradan sevk ettiler. Asurlu tüccarlar büyük şehirlerde Karum kolonileri ve küçük şehirlerde wabartum istasyonları kurdular.

Bu ticaret sırasında bankacılık işlemleri, muhasebe uygulamaları, sözleşmeler hukuku ve ticaret hukuku uygulamaları gerçekleşti. Bu ticaret Anadolu ile Assur arasında meydana gelen bilinen ilk belgelenmiş "Uluslararası Ticaret" olarak kabul edilmiştir.

**Anahtar Kelimeler:** Asur Ticaret Kolonileri, Asur Ticareti, Karum, Datum, Muhasebe, Ticaret Ortaklıkları

**Jel Kodu:** F13, M40

### 1. INTRODUCTION

In the first quarter of 2000 B.C., there had been intensive commercial activities between Anatolia and Mesopotamia (Bayram, 1993: 1). Assyrian traders gave their names to this age, and period of *Kanis* Karum Level II and Level Ib was named as Age of Assur Trade Colonies in old Anatolian History (Şahin, 2004: 11). In this age, ownership understanding was changed in Assur in Northern Mesopotamia and private ownership system of Sumer became dominant sight instead of state ownership system (Sever, 1995a: 2). Therefore, commercial institutions increased in Assur and Assur became a center of commercial activities in Mesopotamia together with Anatolia (Bayram, 1993: 1). During this period, Anatolia was politically divided into a number of city-states: *Kanis*, *Mama*, *Purushattum*, *Wahsusana* etc. Anatolian city-states were depended on agriculture, herding, and family households (Dercksen, 2000: 138).

Assyrian Trade Colonies were formed in 1900 B.C. and continued to 1850 B.C. (Sever, 1990: 251). Assyrian trade in Anatolia extended from the Black Sea to Northern Syria and Mesopotamia and from the plain of Konya in the West to beyond the Euphrates in the East. The information about Assyrian trade in Anatolia is obtained from old Assyrian cuneiform tablets.



These tablets were the first written sources of Anatolia, and written in old Assyrian Language. Most of them seemed to be excavated from *Kültepe*, this was remnant of the old Central-Anatolian City of *Kanis*, located 20 kms south of the Kızılırmak. The other settlements in which these tablets were especially excavated are *Hattusa (Bogazköy)*, and *Alişar* (Veenhof, 1984: 9). It is determined that the records of partnership documents, cost lists, shipment of goods and delivery documents, bills payable, collection and payment documents, purchase-sale documents and inventory lists were recorded on the tablets (Akbaş et al., 2018: 117).

Each trader arranged commercial relations with other people in a set of relation as bosses, colleagues, partners, representatives, agents, employees, financiers, officials, etc. These relationships were depended on kinship ties, on contract, on friendship, or on custom (Larsen, 1977:120).

Assyrian traders conducted business principally with the palace, the local officials and their households (Dercksen, 2000:147). They acquired and brought tin and quality textiles demanded by Anatolian nation with donkey caravans. And they shipped the produced valuable stones, metal, especially gold, silver and copper that Anatolian nation produced and manufactured (Bayram, 1993: 1; Sever, 1990:253). Assyrian traders were eager to get as much silver and gold as possible to use them for exchange as money in commercial relations with the surrounding countries, for making necessary payments (including taxes) and equipping a new caravan in Assur (Veenhof, 1984: 6; Dercksen, 1996: 162).

Cities of native ruler were built in palace on the hill. Assyrian colonies established *wabartums* and *karums* as a free market place on the foot of these cities (Sever, 1995a:2). *Karums* were trading colonies, *wabartums* were the small settlements named as stations.

*Kanis karum* functioned as a kind of central place for Assyrian trade in Anatolia. And trade system was controlled under the inspection of *Kanis Karum* in Anatolia and Assur in Mesopotamia. This inspection span consisted of all *karum* and *wabartum* settlements (Sever, 1995a:3).

## 2. TRADE IN ANATOLIA DURING COLONIAL PERIOD

The old Assyrian settlements in terms of *karum* colonies or *wabartum* stations had a population which consisted of traders. They had continual and well organized relations with Assur state. There was a constant movement back and forth between Anatolia and Assur state. The existence of Assur trade colonies depended on the uninterrupted link with Assur state, since their economic basis was the continuous flow of goods, i.e. quantities of tin and textiles, by donkey caravan from Assur to Anatolia (Larsen, 1977:120).

The political institutions of the old Assyrian city-state were the city assembly, the house of the city and the royal palace. The city assembly and the house of the city influenced the way in which trade was conducted. The assembly made decisions on specific measures involving issues of trade and individual merchants. It allowed Assur's merchants to travel through foreign countries and to conduct trade there by concluding sworn agreement (*mamitum*) with the rulers of these countries. Moreover temples got involved in trade, they provided for storage facilities to merchants besides other functions (Dercksen, 2000:136-138).

Wealthy investors established companies in Assur and then spreaded to Anatolia and provided for facilities for the account of the companies and their private account with the assistance of trade agents (*tappau*) and assistants (*samallu*) (Sever, 1990:253).

The reasons for choosing of Anatolia as the appropriate place for the Assyrian trading activities are as follows (Bayram, 1993: 1; Sever, 1995a:2; Sever, 1990:253);

- Known wealthy of king graves since 3000 B.C.,
- Good commercial conditions and high life standards in Anatolia,
- The great need of tin in the production of bronze in Anatolia,
- Demand for taking away the affluence of Anatolia to Assur,
- Climate and the natural resources of Anatolia,
- Continual repose and peace milieu in Anatolia.

Anatolia had been favorable market for Assyrian traders in trade activities. They made an agreement with Anatolian rulers and had some privileges. “In Kültepe tablet of Kt 00/k 6 there was a text of a treaty between Assur and *Kanis*. The subjects of both parties are called *mer Assur* ‘a citizen of Assur’ and *mer Kanis* ‘a citizen of *Kanis*’. It regulates some commercial facilities between these two citizen groups by taking legal decisions concerning the security of Assur merchants and their properties. For example, “If a citizen of Assur becomes indebted to a citizen of *Kanis* and goes to another country, (then) they will not take another merchant, an outsider, or his brother in his stead (as his substitute). They will sue the debtor (for) the fixed amount”..... “If there is someone who lost his textiles in your city or country, you shall look for (the textiles) and return them (to the owner). If you can not find the (losses), he owner of the losses will swear and you shall pay in full (for) the losses.”..... “When you call up your country for state service you shall not call up a citizen of Assur for service”..... “If the blood of a citizen of Assur is shed in your city or in your land (and) a loss will occur, you shall pay the fixed amount for the blood-money to us and we will kill him (i.e. murderer). You shall not give another person instead of the (murderer) to us. You shall return the loss (good). “.....”When a citizen of *Kanis* and a citizen of Assur go to court, you shall pass judgement on them truthfully ”” (Günbattı, 2004: 250-254).

***Goods brought to Anatolia by Assyrian merchants*** were tin, fashion fabric preferred by palaces, decoration things, some products and spices.

Textiles were manufactured by Assyrian women at home, or bought from house of the city in Assur or from another country (e.g. Babylonians). The prices of the parcels of clothes were determined not only in accordance with the quality however moreover depending upon supply and demand (Dercksen, 2000:138; Lewy, 1965: 20).

The city-state of Assur possessed during this period a virtual monopoly on the flow of tin to Anatolia. This metal was used in the production of bronze in Anatolia (Dercksen, 1996: 162).

**Goods shipped from Anatolia to Assur (Mesopotamia)** were gold, silver, leather, copper, precious stone, wool, silver lead, goat hair or spring wool, pig bristle (*zappum*) and *şuprum*, a valuable metal which means nail (Bayram, 1993: 5).

Assyrian traders had an exclusive right for the trade of some goods. For example, the trade in gold was only permitted among the Assyrians, however it was forbidden for an Assyrian to sell gold to foreigners. In kt 79/k 101, from the city-ruler of Assur states to the *karum* of *Kanis* it was stated that ‘regarding gold, the rule remains unaltered: brothers (Assyrians) can sell (it) to each other. However according to the stipulation written on the stele (recording the cities’ commercial regulations) no Assyrian, whoever he is, shall sell gold to an Akadian, an Amorite, or a Hurrian who does sell (gold) shall not remain alive’ (Dercksen, 1996: 162).

When Assyrian donkey caravans arrived in Anatolia, first of all traders took permission from native rulers and these rulers levied taxes on caravans and then part of the merchandise was sold by the main agent himself or his staff, other lots were entrusted to traveling salesman (*tamkarum*). They acted as commission agents and took goods on consignment by signing bonds (Veenhof, 1984: 6).

The palace or an official did not have enough means of exchange to pay each time to a merchant (*tamkarum*) selling something, and they bought the goods on credit. However this increased the debt. The amounts indebted apparently could be recorded on a special account which the traders had. If he did not possess such an account, it could be booked on that of one of his associates (Dercksen, 1996: 167).

According to some tablets, there were inflation and exchange in the colonial period. And this affected the commercial transactions made in Anatolia. In Kt.n/k-1340, a trader complained about the increase in prices and stated that ‘...silver price increased because of exchange transactions. It caused an increase in gold price and I bought gold at high price’ (Sever, 1995b: 131). Moreover in Kt.n/k-562, it was stated that, ‘Because of the low price of tin, his tin was waiting’ (Sever, 1999:87).

Assyrian traders had some privilege in Anatolia. Entrusted Assur city assembly and officials were sent to Anatolia and they had an effect on the privileges Assyrian traders had.

## 2.1. Assyrian Officials In Anatolia

Assyrian officials were entrusted for the arrangement of relations between native rulers and Assyrian traders. These officials had different titles and duties (Şahin, 2002:70-83):

### 2.1.1. Assur City Envoy (*sipru sa alim.ki*)

*Siprum* means ‘envoy’ and ‘messenger’. In the texts, this word is used for ‘messenger’, ‘Assur City Envoys’, ‘*Kanis* Colony’s Envoys’ and ‘Ruler’s Envoys in Anatolia’. In some texts, it is understood that Assur City Envoy was a person who brought command and directives of Assur City Assembly to Anatolia and established diplomatic relations with rulers in Anatolia.

Assur City Assembly assigned envoy to *Kanis* city. These envoys represented Assur city state and established relation with the rulers in Anatolia in the name of Assur city-state. They

were high titled officials of Assur State in Anatolia. In diplomatic correspondence, it was addressed to both *Kanis karum* and City envoy. At the same time, it was written to other *karum* and wabartums by both *Kanis karum* and city envoy. In a text, it is written that “City envoy and *karum kanis* called out to all *karums*: Assur-GAL and *Ikuppia* were our envoys, we gave *muqarribum* to him for deliver from one *karum* to another”

From some texts, it is appeared that Assur city envoys and center *karum* organization together established relations with Anatolia palaces and Assyrian traders and in addition to that they were involved in some lawsuits occurred in Anatolia. For example, in a text, it was stated that “when our father was fined, city envoy came and opened that safe-deposit box and gave fabric and ore to his hand.....”

### **2.1.2. *Kanis Karum's Envoys (sipru sa Karim Kanis)***

In the correspondence of *Kanis karum* with other *karum* and wabartums, *karum's* envoy was mentioned. A letter written to *Kanis karum* by *Wahsusana karum*, began with the expression of “Told to *Kanis karum*, your envoy and *Wahsusana karum* said that.....”

The letter written to *Kanis* rulers from Mama King *Anum-Hirbi* indicated that in colonial period, in Anatolia, envoy institution was not fully developed and envoys only conveyed the news and gifts of rulers. However there were moreover some documents that showed the existence of envoys of native rulers. For example, at a fabric lawsuit between Amkuwa kingdom and Assyrian traders, envoy of Amkuwa came to solve the problem. In the presence of an Assyrian named as *Ikupia*, there were defendant, plaintiff and witness.

In Kültepe texts, on documents titled as expenditure list, there was information about payments made to siphros. In a text it was written that “15 *seqel* tin was paid to *Kanis* city envoy and 7 *seqel* was paid to Tegaramma city envoy”.

### **2.1.3. *Saqil-datim:***

In Assyrian language, datum means a person who made payment. It was agreed that these people were usually appointed at caravan and they paid taxes in cities. However in new printed text, it is learned that *saqil-datim* was appointed as *Kanis karum* envoy and he collected *sadduatum* tax. In these documents, *Kanis karum* addressed wabartums of *Kuburnat*, *Hanaknak* and *Tismurna* and wanted them to pay 1/10 *sadduatum* tax from *amutum* trade to *saqil datim* Kulia. In another document (in a court order), it was written that “*Karum Washania saqil-datim* made big and small decision about us”. It can therefore be concluded that this person moreover had a job in court, too.

In some documents it is understood that, *saqil datim* was an official who took his instructions from *Kanis karum* and conducted his job depending on *Kanis karum*. Moreover it can be thought that *saqil datim* may be a kind of public prosecutor. In some texts, it is stated that he was appointed by court and he had to be present there to adjudicate.

#### 2.1.4. Assur City Assembly's Agent (Representative) (*Aliku Sa Harran Alim.ki*)

In Kültepe documents, it is noticed that, *aliku sa harran alim.ki* was an official who had authority and (who) came to a judicial decision on wabartum stations in some cities. In cities such as Mama and Amkuwa, wabartum station and *saqil-datim* together reached a decision.

In another example, in law court order prepared for a lawsuit among Assyrian traders, it is understood that; *DUB.SAR saqil-datim*, *aliku sa harran alim.ki* and *usbutim sa Tuhpia* named officials reached a decision together.

#### 2.1.5. *Usbutim/wasbuni*

In actual documents, *Wasabum* is used as “to arrange meeting and have a conversation about”. It was probably used for judgment. In a document, it is noticed that clerk, *saqil-datim*, *aliku sa harran alim.ki* and *usbutim* of Tuhpiani (*usbutim sa Tuhpia*) together reached a decision.

#### 2.1.6. *Biritum*

*Biritum* means “selected”. In documents, it is noticed that instead of big men (*usbutim*) in *Karum* colony, there were selected men (*biritum*) in wabartum stations.

#### 2.1.7. *Nibum*

*Nibum* is a word which derived from “the verbs, to appoint, to assign, to name”. There were some letters written to *Kanis karum* by title of *nibum*. It was stated that this official was a formal spokesman appointed in capital city by *Kanis karum*.

#### 2.1.8. *Responsible person in Metal Trade (rabi sikkatim)*

In documents, this word usually was recorded in subjects related to metals. It was expressed as “officials who are responsible for the supervision of metal trade” by Garelli and Soden and as “high ranking officer or commander” by Bilgiç, Orlin, Veenhof and Larsen.

It is understood that Assyrian city-state took 1/10 of *amutum* metal (valuable metal existed in Anatolia) in the name of tax from Assyrian traders. In a document, it is stated that a trader handed over *amutum* metal to *rabi-sikkatim* and in return it was paid with silver. Here, *rabi-sikkatim* represented the position of Assur State.

There was a document, in which the *rabi-sikkatin* showed loyalty to Anatolian native rulers and he came to an agreement with them and then Assyrian traders had a right to trade in Anatolia. In that document there was moreover a letter written to another Assyrian trader; it is stated that “Before *rabi-sikkatin* swore to *Purushattum*, *Usunala* and *Wahsusana* rulers, do not come here”.

In a document (expenditure list), *rabi.sikkatim*'s name was moreover mentioned. He paid a sum of money to officials on caravan when the caravan was on the move. It can be said that *rabi.sikkatim* was responsible for subjects like the security and arrival of caravan.

### 2.1.9. Assur City's Lawyer (*rabisu sa alim.ki*)

In Kültepe texts, there were court orders in which lawyer of Assur city came to a judicial decision by witnessing of some people.

In some documents, the word *rabisum* used as private lawyer. Moreover in these documents, officials named as *MAS.KIM* were lawyer in old Assyrian period and they collected money for the state.

## 2.2. Trade Centers

The Assyrian settlements were grouped as colonies (*Karum*) and smaller stations (*wabartum*), depending on the political and economic importance of the town to which they were attached. The main colony was at Kültepe, the ancient town of *Kanis*, less than 20 km northeast of Kayseri (Dercksen, 2005:17). In political and administrative point of view, Assyrian traders were dependent on *karums* and *wabartums*, *Kanis karum* (the most important of them) depended on Assur City.

*Karums* and *wabartums* protected the rights of Assur traders against to natives, solved disagreements among traders and certified every procedure (document) like a kind of notary (Şahin, 2006:139). Moreover disagreements among Assyrian traders were solved in that *karum* and *wabartums*, however unsolved or most important issues were referred to Assur or they were solved by representatives sent from Assur (Bayram, 1993:5).

### 2.2.1. Organization of *Karum*

The protection of the Assyrian trade was the main duty of the *Karum* colonies. For this purpose, *Karum* arranged all relations between Assyrian traders and native rulers. In Anatolia all *karums* and *wabartums* were dependent on *Kanis karum*. *Kanis karum* was the administrative centre of the network of commercial settlements. *Kanis* (as the chief colony) was charged with the regulation of trade activities. It brought some measure of standardization in the level of charging interest. For example, it had fixed a rate of interest (30% per year) to be applied in commercial activities among traders. This rate was frequently used in silver and copper loans. Creditors who gave debt to Anatolian natives were free in charging different rates. It can be higher or lower than 30 per cent (Dercksen, 2000:142).

Official correspondence of *Karum* office was kept in its own archive. *Kanis karum* served as a kind of accounting office. The accounts of individual traders and enterprises (*ellatum*) (such as debts, claims and shares) expressed the relation with the colony or the local palace would be stored there (Dercksen, 2000:141). For example, in the majority of cases, Assyrians were selling goods to the palace in exchange of copper. In cities possessing a *karum* office, the copper was paid to this office by palace, and then the traders got their shares (Dercksen, 1996: 165).

Assyrian traders paid tax to *Karum* colony. In response to this, *Karum* stored traders' goods, and if it was necessary, *karum* gave traders a loan and acted as guarantor for traders, and

it adjusted and checked the accuracy of scales and measurement (Şahin, 2004:86). Moreover, *karum* could put pressure on insolvent local officials by forbidding trade with them by using authority. *Karum* as an institution moreover borrowed from merchants. The need for money could be caused by higher or unexpected expenses and/or lower tax revenues. In some cases it is stated that the *karum* engaged in trade for unspecified reasons. However in some cases, particularly in the case of a conflict with local Anatolian authorities, an attorney (*rabişum*) was sent from Assur (Dercksen, 2000: 142-143).

### 2.2.1.1. Officials in Karum and Their Duties

An Assyrian merchant living in colony automatically was a member of the local *karum*. Officials in *karum* can be divided into three groups. The first was *karum* assembly (*karum şaher rabi*), the second was the office of *tamkarum*, the third was the officials of *karum*. Officials of *karum* were *limum*, *berum* and *ersum*, week-eponym (*hamutsum*), secretary (*tupsarrum*), *siprum* and scribe.

**1. Karum Assembly:** *Karum şaher rabi* was the *karum*'s primary assembly. *Karum* assembly was consisted of "big" and "small" men, the *rabi utum* and *şahhurutum*. The plenary session representing the whole community was accordingly called the "karum, small and big" (*karum şaher rabi*). The big men who were called the *awilu sa nikkassı* were required to pay taxes (*datum*) as silver and this group was exempted from some duties (Dercksen, 2000:141-142). *Datum* payers were called as *tamkarum* (licensed or registered merchants). They were important members of *karum* (Veenhof, 1972: 278).

The *karum*-office (*bet karim*) was the Assyrian colony's administrative center. *Bet karim* contained some rooms where the assembly could meet, and some rooms were used as offices and storage (Dercksen, 2000:141-142).

**2. The Office of Tamkarum (chamber of commerce):** The Office of *tamkarum* was established by private entrepreneurs. This office was active in Anatolia and Assyrian state and this office lent money for merchants (Dercksen, 2000:139).

Goods were being sold on the installment plan and the office of *tamkarum* was actively involved in commercial activities. In Kültepe tablets kt b/k-38 the terms "first payment" (*masqaltum panitum*) and "second payment" (*masqaltum sanitum*) were used for commercial activities. According to debt agreements, if a debtor declined to pay his payments, Office of *Tamkarum* was responsible for his member merchant's repayments (Sever, 1995a:6).

**3. The Officials of Karum:** The officials of *karum* such as the *limum*, week-eponym (*hamutsum*), secretary (*tupsarrum*), and *siprum*, were appointed among the merchants resident in the colony. The offices presumably were held only for a limited period.

*Hamutsum* was held by one or two persons and their period in office were used as calendaric device (week-eponymy). *Hamutsum* members were chosen by among the merchants (Dercksen, 2000:144).

According to the tablets, the secretary of the *karum* (*tupsarrum sa karim*) convened the primary assembly (*karum şaher rabi*) and this assembly was split into some groups to solve

commercial and judicial disputes. According to Larsen the secretary held a bureaucratic office. For Weber, the secretary was neutral and salaried man who was responsible for the technical aspects of the judicial procedure. The status of the secretary was second highest after the *karum*'s assembly. He represented the colony and he was required to collect taxes of other places. He moreover executed the decisions of the assembly (Dercksen, 2000:144-145). Moreover the secretary was responsible for the organization of meetings of primary assembly and the counting of votes (Ebling and Meissner, 1993:378).

The *siprum* or envoy worked as messenger between the colonies and between the relations of colonies and Anatolian head chieftains (Dercksen, 2000:146). They had some other tasks as follows (Ebling and Meissner, 1993:378):

- Transmission of orders and decisions of *kanis karum* to the various settlements,
- Taking action against individuals in other colonies as authorized representatives of *karum* (collection and transport of payments, forced transfer of persons etc.),
- Conducted negotiations with the Anatolian authorities in conflict situations. And commercial treaties were renewed when ruler had changed.

In *Karum* some twenty officials were worked as scribe. These scribes were identified with suffix to their name the term *DUB.SAR*. The most famous scribe was named as Adada. The status of scribes is unclear for researchers. They appeared in sources as witness, debtor, or transporter of money and tablets. For their qualification, they were required to take bureaucratic education (Dercksen, 2000:145).

The *limum* represented the *karum* among merchants. *Limum* organized the deposited merchandise and he was moreover responsible to obtain money for the colony from the lenders (Dercksen, 2000:145). The *limum* was given authority to act on behalf of *karum* in carrying out *karum*'s decisions and performing certain operations in *karum*-office (Ebling and Meissner, 1993:376)...

Other *karum* officials mentioned by name are the *limum*, the *berum*, and the *ersum*. The last two appeared to be low-ranking officials (Dercksen, 2000: 144).

### 2.2.1.2. Accounting Procedure in Karum (Datum and Sitapkum System)

There were some terms used as “depositing” (*nada'um*), “pouring” (*sapa-kum*) and “booking” (*lapatum*) describing complicated transactions and calculations in many old Assyrian texts (Veenhof, 1972: 272). These terms denoted the accounting procedures in Assyrian trade.

Assyrian traders took part in trade by setting up companies or by participating in *karum*'s commercial activities. In order to participate in *Karum*'s commercial activities registered traders had to have a *datum* account in *karum*-office.

There are a variety of interpretations for *datum* in old Assyrians texts. According to Landsberger, *datum* is a kind of commercial investment in *Karum*. Merchants gave it to *karum*



periodically. Deposited money or goods are considered as shares (*qatum*) or same sort of bank account. The registered merchants were required to keep *datum* account to make trade in *Karum*. These accounts were especially used for copper trade by *Karum* authorities. According to Levy, *datum* was considered as a road tax which was taken by travelers and trade caravans, according to distance. According to Garelli, fee was only taken by humans and animals not from goods. According to some other sources, *datum* was portrayed as commercial fund or contribution for collective trade in *Karum* (Veenhof, 1972: 219-228).

According to some scholars tradesmen deposited a big amount of silver to this fund however some other scholars argued that the tradesmen not only deposited the silver on the other hand they could moreover register their silver in this fund. In this way, they were defined as a kind of “shareholders” in the commercial activities of the *karum* (Veenhof, 1972: 272-273).

According to some tablet sources, not silver however cooper was allowed to be deposited for *datum*. It was explained that in some *karum* silver, in others cooper was deposited for *datum*.

Each registered merchant who had a *datum* account in *karum*, were expected to deposit a specified commodity (copper, silver or textiles) to fulfill the obligation during a specific period in a various way. Depositing of shares by this way is called as *sitapkum*. It could be described as “communal fund-raising” and “certain investments in the fund of the *karum*” (<https://www.eisenbrauns.com>, 01.02.2008; Veenhof, 1987: 45). *Karum* sold the deposited goods directly to the local palace in exchange for cooper. Then the profit was shared by depositors. It is not known completely why merchants did not sell goods to the palaces themselves and got silver or cooper in exchange of goods. According to some scholars (Dercksen, 1996: 173; Veenhof, 1972: 273-274), it was a well organized activity and Assyrian traders had some advantages participating trade through *karum*. These advantages were trading in large scale, in safe and in favorable conditions, and having more chance of profit and less risk. Moreover traders did not have too many administrative problems. Therefore the aim of *sitapkum* was to attain copper or silver under favorable conditions for the merchant.

Merchants were expected to deposit full amount of *datum* fixed for them. In the accounting procedure of the *karum*, merchants who did not fulfill their obligation, they had to make a balance (supplementary) payment (*nipiltum*) to *karum* or to another person who had shares in *karum*. In a letter kt a/k 474, *Adad-şululi* was told that during the accounting in the *karum*-office, it was established that he had to make a balance payment to another person (Dercksen, 1996: 174).

In accounting procedure of *karum*, the term *suhuppum* was also used. There were some definitions for *suhuppum*. Levy interpreted it as “accumulation”. According to Dercksen it was the local assets of the *karum* as an organization of a firm or of a merchant registered in the *karum*-office. It was also described as “a kind of fund” and “stocks of commodities” or “stored-up supply” (Dercksen, 1996: 172; Ebling and Meissner, 1993: 371; <http://links.jstor.org>, 01.02.2008).

The deposits were recorded on special tablets in the *karum*-office. In kt a/k 488/b, a clay tablet named *işurtum* was denoted as book of accounts. It was written with cuneiform signs and

was kept in the *karum*-office. The right on the *işurtum* was moreover transferable to another person. This tablet was credited for the copper owed to traders by the palace and debited for the goods sold on credit. In another Kültepe tablet, kt c/k 459, it was moreover denoted that 216 minas of copper were booked on the first tablet, the large *işurtum*. In some cases, it was stated that accounting took place periodically. During accounting, the balances were checked, and if a trader had not deposited the full amount of *datum* fixed for him, he could make a balance payment (Dercksen, 1996: 167-174-175).

In Kültepe tablet kt n/k 1464, there is an accounting procedure carried out in *karum* office in lines 3-22. Here, Uzubiskum informed Uşur-sa –Istar about the accounting of his deposits made during *sitapkum* in the *karum*-office, presumably in Purushattum, “The amounts are all given in copper:

3-6: when he left, he was credited with 560 minas of copper and 8 textiles as his share in the *karum*-office;

7-10: after leaving the city, when one textile was deposited per shareholder, Uzubiskum deposited one textile for him and credited him with another 40 minas;

11-16: furthermore, when 1 mina of silver was deposited per shareholder, Uzubiskum deposited this amount; as an equivalent Uşur-sa –Istar could collect 200 minas from the *suhuppum*;

18-20: the accounting took place and the *datum* per shareholder was fixed at 920 minas (of copper);

21-22: the 8 textiles were valued at 40 *minas* each, totaling 320 minas (of copper).

The book value of Uşur-sa –Istar’s deposits was thus 560 + 320 (the 8 textiles) + 40 (1 textile) + 200= 1,120 *minas* of copper. However the 200 *minas* for the silver were paid out separately from the *suhuppum*. So that the credited amount was 920 *minas* of copper. The *datum* was 920 *minas*, so Uşur-sa –Istar had fulfilled his obligations” In text, it was stated that the equivalent of the deposited silver and textiles were paid in copper. The equivalents of copper used in this text are 200:1 silver and 40 *minas* per textile (Dercksen, 1996: 175).

According to Dercksen (1996: 175), the *datum* amount was disbursed to shareholders during accounting of *karum*. However, it is not clear how and in what name it was done.

Functions of *karum* in accounting procedures were accepting deposits as settlement of accounts, booking investments, proceeds, debits and imposts on the shares (*qatum*) of individual merchants, and carrying out real or book transfers in its stocks (*suhuppum*) and central accounts (*nikkasi sa it karim*), periodically settled (Ebling and Meissner, 1993:371).

Consequently, *karum* arranged debt and credit relations of Assyrian traders, participate in commercial activities on behalf of registered traders, prepared accounting documents for each registered traders and used *işurtum* tablet as a book of account.

### 2.2.2. Wabartum Stations

In Anatolia, *Karum* organization did not exist in each city where Assyrian traders settled. *Karum* colonies were established in big cities however *wabartum* stations were established in small cities. *Wabartum* station was moreover an organization which was founded to solve all problems of traders. They solved disputes between the traders, acted as guarantor for traders, collected traders' credit and store their goods. Because of the limited number of traders in *wabartums*, there was not an assembly consisted of "big" and "small" men members. In every colony city, big or small there was an appointed official to protect the rights of the traders. It can be said that these officials acted like *karum* in big colonies (Şahin, 2004:86). There were more than 40 *karum* and *wabartum* established by Assyrian traders in Anatolia (Akbaş et al., 2018: 96).

## 2.3. Commercial Partnerships

Assyrian traders combined their capitals and they set up companies to make trade between Assur and Anatolia. There were various rules set up for the formation of the trade partnership. These terms included investors' participation in profit & loss, and investors' participation in profit.

### 2.3.1. Types of Trade Partnerships

Trade partnerships were called as "*beulatum*", "*hubullum*", "*quiptum*", "*tadmiqtum*", "*tapputum*" and "*naruqqum*". These various trade partnerships are explained in the following (Şahin, 2004:86-91):

#### 2.3.1.1. Beulatum

*Beulatum* was a capital given to those employees or representatives who did not pay interest however especially conducted in commercial activities on behalf of investors. According to the documents, 2 *seqel* silver or 1 *mana* silver were given as *beulatum*. In a Kültepe text, 10 ½ *seqel*, refined silver, was given as *beulatum*. Some documents moreover mentioned that the fabrics given as *beulatum*.

#### 2.3.1.2. Hubullum

In Kültepe texts, *hubullum* was a term used in three different meanings. First, it referred to debt interest rates when it was borrowed. Second, it referred to the debt that the interest rates would have been charged if the debt was not paid in due time. Third, it referred to a debt which was free of interest (Bilgiç, 1947:429). Assyrian traders usually sold the goods, they shipped to Anatolia, on the basis of monthly payment and they arranged a promissory note. According to filed promissory notes, interest rates were charged when the debt was not paid in due time.

### 2.3.1.3. *Qiptum*

*Qiptum* means “entrusted good”. Assyrian traders had representatives in Anatolia. They sent goods by caravans to these representatives that they sell their goods in Anatolia. If the traders did not have representatives in Anatolia they usually appointed a man to trade on behalf of themselves. In Kültepe documents kt h/k 18; “Entrusted goods were shipped to Anatolia by the caravan of *Assur-malik*”.

*Qiptum* was an expression to contain commercial debt for income and interests (Bilgiç, 1947:434).

### 2.3.1.4. *Tadmiqtum*

*Tadmiqtum* was interpreted as interest-free debt. In AKT II, 29, *Su-Belum said to Usur-si-Istar* “I had given you 30 *mana* tin as interest-free (*tadmiqtum*). Send me the value of tin”.

In old Assyrian documents, *Tadmiqtum* was expressed as the goods to be sold by entrusted men on their value or money given as capital. In Kültepe documents, *tadmiqtum* expressed a kind of debt given to a person, in which investors stipulated to yield a profit, however not participate in loss (Bilgiç, 1947:432-441).

### 2.3.1.5. *Tapputum (joint enterprise)*

*Tapputum* agreements were usually arranged for a short period of time. According to some documents, whenever investor (a partner) wanted to break the *tappatum* agreements, his invested money was required to pay back. In some documents, to escape from the difficulties of broken agreement return period was definitely determined.

In Kültepe texts, on a *tapputum* agreement, there was a commercial partnership formed by four people. And this *tappatum* bought *amutum* mine (it is not clear for historians) paying by 20 *mana* silver. According to this agreement, partners were forbidden to work for themselves. However, at the end of the document, it is pointed out that none of the partners complied with this term (Bilgiç, 1947:442). Moreover in a Kültepe text Kt. h/k 282; Uzua named Assyrian trader declared that Ennam-Asur’s son Hanunu was his partner.

### 2.3.1.6. *Naruqqum*

Wealthy Assyrian investors (*ummeanum*) conducted their business with Anatolia via their trade agents in Anatolia. The traders who used their agents or they conducted their business for themselves, they arranged all trade activities such endorsement, profit, debt and credit etc. according to *naruqqum* convention (Bilgiç, 1947:588). *Naruqqum* is called as the trading capital invested by shareholders (Veenhof, 1987: 45). Its all records were done in Assyria (Akbaş et al.,2018:119)

It is stated that each Assyrian traded in Anatolia had a *naruqqum* account in Assur. In a Kültepe text, there were some different versions of the *naruqqum* act. For example, some

merchants used other's *naruqqum*, when it was allowed by *naruqqum* owner (Şahin, 2004: 89). According to Larsen (1977:124) active traders were financed by this contract. This contract regulated relations between investors in Assur and traders in Anatolia. However in some cases, it is pointed out that *naruqqum* agreements could be managed by both active traders and traders who stayed in Assur.

This agreement could be run for a whole life time with periodic renewals. In addition to that the shares in a *naruqqum* agreement could be sold and inherited after the death of the investor (Larsen, 1977: 125).

#### **2.4. Relations Of Assyrian Traders With Both Native Rulers And Natives**

Assyrian traders concluded sworn treatments with native rulers to have some privileges in trade. When the goods shipped to Anatolia by caravans, it had to be cleared in the local palaces; afterwards, the native rulers levied taxes and had the right of preemption before the goods were sold on the market (Veenhof, 1984: 6).

##### **2.4.1. Relation between Assyrian Traders and Native Rulers**

As mentioned before, Assyrian traders concluded sworn agreements with native rulers. When native ruler had been changed, Assyrian traders went and swore to remain loyal to some matters in the presence of The King.

Formal institutions were demanding Assyrian traders to swear to be loyal in some matters. Moreover probably the king was taking money from them by force only once. Rules which Assyrian traders had to conform in trading were as follows (Bayram, 1993: 3; Sever, 1995a:6; Sever, 1992: 249);

- To pay tax to each Anatolian palaces according to the type and quantity of goods. They especially paid *nashatum* tax (a kind of duty). It was taken 5% of fabrics, 3% of tin and 2 mina for each load. There was no tax on goods of Assur temples,
- To accept the palaces' right of preemption on some or all of quality fabrics brought and give 10% discount on the value of goods,
- To accept the commercial monopoly of palaces on some special goods and not trade these goods,
- To pay share on the iron and other metals especially valuable ones.

Native rulers provided assurance on some matters to Assyrian traders. These were as follows (Bayram, 1993: 3; Sever, 1995a:6; Ebling and Meissner, 1993:371);

- To grant residence rights in *karum* and *wabartum*
- To assure their protection and to protect their legal rights in their formal organization called *karum*,
- To protect all rights of colonies which depend on Assur in political and judicial matters in free zone,

- To take preventive measures to hinder robbery and to protect roads against brigandry and robbery in region protected by The King.

Native rulers ensured the trader's life and commodity security in response to taxes paid by them (Şahin, 2004:80). In some texts, it is apparent that Anatolian rulers considered traders's free mobility (movement) important especially for their own benefit and they set a kind of police station for this purpose. Moreover in some texts, there were expressions related with payment made to armed escorts (*radi.um*), guides and guards (Bayram, 1993: 4; Sever, 1995a: 3). At the same time, Anatolian authorities supplied the service of rental wagons (Dercksen, 2000:150) and making storage facilities at a price. Therefore, they got additional income (fringe benefit) (Bayram, 1993: 5). In addition to that, the Assyrian authorities had the right and power to put murderers and thieves to death, and probably they had some kind of prison of their own (Dercksen, 2000:150).

If traders did not conform to above rules, they were penalized and even were put in prison (Bayram, 1993: 4). According to a Kültepe tablet kt.n/k-1318; "Native ruler wanted to control some businesses done by traders, however traders were not given permission before to be instructed by *karum*, native rulers (*rubu'um*) confiscated, stored and sealed traders' goods" (Sever,1995a: 12). The regulations of Assyrian trade mentioned above demonstrate the application of commercial law in that period. One of the ruler's duties was to solve the disagreements between natives and traders (Şahin, 2004:86).

#### **2.4.2. Relations between Assyrian Traders and Natives**

Assyrian traders conducted business actively in Anatolia; however natives in Anatolia did not participate in these commercial activities extensively. Their participation was especially related to daily needs rather than commercial goals (Bilgiç, 1947:589). Some were customers and suppliers of the Assyrians, some apparently local merchants (dealing in grain) and money-lenders (Ebling and Meissner, 1993:370). By having the advantage of dominating trade, Assyrian traders made natives economically depend on them.

Assyrian traders and natives had different calendar, time scale and weight measures (Sever, 1995a: 4-6). For example, in old Assyrian texts, it is stated that interest was calculated based on the time. First, it was calculated for a time period (from a week to a year) belonged to Assyrians as '*hamustum*', '*sapattum*', '*uharhum*', '*limum*', '*sattum*' or for a week or a year at the beginning. At the same time, it was calculated for a period of time (according to a month or a year) belong to Anatolians as '*sa Ana*', '*sa Nipas*', '*sa Parka*', '*sa Harihari*' or for harvest (depending on agricultural time span) on a total number (Bilgiç, 1951:342).

It was noticed that Assyrian traders charged interest, when they lend money to Assyrian traders and natives. Interest rates were always high if there was a debt relation among natives or between natives and Assyrians (when natives borrowed money from Assyrian traders) (Bilgiç, 1951:343). Annual interest rate applied to silver trade among Assyrian traders was 30%, which was set by *karum* and it was valid among traders registered to *karum* (Şahin, 2004: 87).

There was different interest rates applied, when Assyrians gave natives a loan; applied annual interest rate ranged from 60% to 240%. Assyrian traders made disproportional profit by this application (Şahin, 2004: 87). At the same time, in texts, it is pointed out that Assyrian traders made a profit 100% by tin, 200% by some quality fabrics (Bayram, 1993: 1).

According to old Assyrian credit system, when debt was given, interest was calculated and added on debt. If debtor could not pay in due time, interest calculated at the beginning was added on debt and monthly interest was applied on total debt. Therefore, interest on interest was charged (Şahin, 2004:81). In a tablet, there was expression of compound interest; “.... For money, interest, interest on interest ....charged” (Sever, 1990:256).

In the colony period, firewood, barley, wheat, sheep and etc were given as interest. According to a Kültepe tablet kt v/k 1884, “four sack wheat, four sack barley, 2 carriage load of firewood were charged as interest and  $\frac{1}{2}$  *mina* amount (sum of money) was going to be paid in Anna festival”. According to Şahin (2004: 82), the application of interest was described as the arrangements of law of contracts. Moreover, according to Sever (1990:253), these interest-bearing lending procedures are assumed as the beginning of current banking procedures.

Native rulers let Assyrian traders to be free in commercial activities however they charged taxes and some payments in different names.

## 2.5. Taxes

Kültepe texts consist of Assyrian trader’s archive. Taxes mentioned in documents were comprised of taxes paid to native rulers, their private organization or their state (Şahin, 2004:86).

Assyrian rulers charged taxes on caravans based on the type of goods at different rates. Assyrian traders moreover paid taxes to the office of *tamkarum* (chamber of commerce) which was their private institution, and to Assur state when they arrived there (Şahin, 2004:86).

According to the TC III/2 165 text, all native rulers decided by themselves on the rate of tax to be charged on goods. Moreover taxes and payments in different names were charged on goods which were bought and sold in Anatolia (Bayram, 1993: 4). These taxes are called as “*nishatum*”, “*sadduatum*”, “*tatum*”, “*qaqqadatum*”, “*isratum*”, “*waşitum*”, “*eribtum*” and “*metum hamset*”.

### 2.5.1. Nishatum Tax

This tax was paid to native rulers, chamber of commerce (which was founded by an Assyrian banker), *karum* and state in Assur. In other words, this tax was taken where the caravan passed. It was levied 5% on textiles and wool, 2.5%-3% on tin and 4% (5/120) on silver (Bayram, 1993: 8).

### 2.5.2. *Sadduatum Tax*

This tax was paid to *karum-office* in Anatolia and in Assur. *Sadduatum* tax amounted to 1/60 e.g. in Kt b/k 495, Kt 88/k 73, Kt a/k 1056 Kt 88/k 419, Kt n/k 723, Kt a/k 1056, Kt n/k 723, Kt t/k 1 and Kt t/k 25

Assyrian traders paid this tax to *karum* office and they had some advantage and privilege in commerce, e.g. storage, setting up interest rate and so on (Şahin, 2004:91; Bayram, 1993:9). In most cases and in the text BIN 6, merchants who were charged a yearly contribution called *datum* were free in paying *sadduatum* tax to *karum Kanis* (Veenhof, 1972: 280). For example, on *amutum* metal *sadduatum* tax of 3 *seqel* for 1 mina was levied e.g. in Kt 92/200 (Çeçen, 1997: 225). Taxes were moreover levied on copper. When copper had obtained, a *sadduatum* tax was paid, e.g. in ATHE 37 or kt c/k 263 (Dercksen, 1996: 170). There were moreover some texts mentioned the payment of a *sadduatum* tax on a load of tin and /or textiles, shipped in Anatolia e.g. CCT 4 (Veenhof, 1972: 281).

### 2.5.3. *Tatum Tax*

It was a kind of road tax charged by Anatolian native rulers on caravans shipped from Assur. On caravan load *tatum* tax of a certain rate was levied. A part of income derived from tax was used to cover police station expenditures or to secure the road. According to a Kültepe tablet, kt 88/k 1025, *tatum* tax was paid everywhere the caravan passed (Bayram, 1993:10).

### 2.5.4. *Qaqqadatum Tax*

It was a kind of “head tax” that was levied on number of people on loaded caravans shipped from Assur to Anatolia. This tax was paid as 10 or 15 *seqel* per person (Bayram, 1993:11).

### 2.5.5. *Isratum Tax*

*Isratum* tax was levied 10% on fabrics by native rulers (Bayram, 1993:11). Moreover in the direction of Assur city assembly orders, according to the information given to other *karum* by *karum kanis*, Assyrian traders who engaged in *amutum* trade had to pay as 1/10 to Assur city state in the name of God Assur (Şahin, 2004:92). *Isratum* tax was levied 10% e.g. in Kt c/k 454, Kt 81/k 134, Kt 83/k 136 and Kt 84/k 236. However this tax was not paid at a certain rate every time, e.g. 9.5 fabrics for 125 fabrics in Kt c/k 452, 18.5 fabrics for 215 fabrics in Kt b/k 666 and 6 fabrics for 173 fabrics in Kt c/k 450 (Bayram, 1993:11).

### 2.5.6. *Waşitum Tax*

*Waşitum* tax was an export tax. It was a tax or a duty paid when caravan moved. It was paid as 1/120 to Assur. However there were moreover some documents in which caravan paid *waşitum* tax when it left *Kanis* (Bayram, 1993:12).



### 2.5.7. Eribtum Tax

*Eribtum* tax was paid to *karum* office (Bayram, 1993: 12). It was a kind of entrance tax (Şahin, 2004: 92).

### 2.5.8. Metum Hamsat Tax

This tax was paid as 5% to *karum* office by Assyrian traders (Bayram, 1993: 12).

Some goods were free of taxes. Duty free goods were blessing money (*ikribum*) sent to name of a person, sacrifice money (*niqum*), money sent to nuns as a present, few or unimportant amount of goods and goods left to trader after robbery (Bayram, 1993: 5)

Sometimes traders did not want to pay tax and decided to use illegal procedures and inappropriate roads in shipping goods to Anatolia.

## 2.6. Smuggling

Smuggling was done to bring goods to city without paying any tax (e.g. *nishatum* and *isratum* taxes) or getting duty permission from native rulers or paying various taxes or payments to each settlement (palace) on the route. For this purpose, caravan used shortcut roads and roads in bad conditions (Bayram, 1993: 4). Moreover buying and selling of illegal or restricted goods was another kind of smuggling (Bayram, 1993: 4). It was stated that trade of *amutum*, *asi'um*, *husarum* and *birtum* were forbidden to Assyrian traders (Çeçen, 1997:219).

A palace could arrest an Assyrian for smuggling, for indebtedness, however moreover for political reasons (Dercksen, 2000:149). In Kültepe texts, it was pointed out that Assyrians who committed a crime such as smuggling and similar crimes were sent to prison. For example, an Assyrian named Bazia was sent to prison because of a commercial matter between The King and him. On his letter, he explained that he had been at prison for 10 months, he was just about to die and he wanted *karum* to rescue him (Şahin, 2004:83).

Native kings took preventive measures for smuggling. In a text, the expression of '*massaratum danna*' meant that there were sentinels on the roads. Moreover in Kt n/k 32, it was stated that traders swore in a sacred place named as *hamrum* for not smuggling (Bayram, 1987:285).

## 2.7. Lawcourt

Assyrian organizations of *karum* and *wabartums* in Anatolia resolved the conflicts among Assyrian traders. If they did not solve the problem in *karum* and *wabartums*, the case (court law) was sent to *Kanis karum*, and solution was found there. If these arguments could not be solved in *Kanis karum*, it would send to Assur. In Assur, city assembly arrived to a decision. This decision was written down and put under seal. Then it was sent to Anatolia through a lawyer. In a document it was pointed out that a person applied to Assur City Assembly to get his father's blood-money. Then he sent a lawyer to *Kanis* to follow his matter in

accordance with court order (Şahin, 2002: 81). However the arguments among natives and Assyrian traders were solved by native rulers.

### 3. CONCLUSION

Information about commercial relations in colonial period is retrieved by excavations made especially in Kültepe *Kanis*, Alişar and Boğazköy and by the publications of excavated tablets. It is understood that this commerce was done directly with Assur and indirectly with other Mesopotamia city-states through Assur.

In the first quarter of B.C., private ownership system was begun to take place. Therefore, the number of commercial institutions in Assur increased and wealthy investors (*ummeanum*) founded big companies by uniting their capitals, and established commercial relations with Anatolian native rulers by means of agents.

To conduct trade in security, they concluded sworn agreements with the rulers of Anatolian city-states. For this purpose, they established trade settlements as *karum* colonies and *wabartum* stations. All *karum* and *wabartums* were dependent on *Kanis karum* (the most important and big one of them) which was moreover dependent on Assur City. *Kanis karum* regulated trade activities to protect Assyrian traders. *Karum* office served as commercial court, chamber of commerce, accounting office and municipality. Assyrian traders in Anatolia paid taxes and duties to *Karum* colony. In response to this, *Karum* stored traders' goods, and if it was necessary, *karum* gave traders a loan and acted as a guarantor for traders, and moreover it adjusted and checked the accuracy of scales and measurement. Moreover it set the interest rate to be applied in commercial activities among Assyrian traders.

Tradesmen could make deposits in order to participate in communal commercial activities of *karum* in *karum*-office. They paid substantial contributions in silver called *datum*, had some privileges (for instance, not paying *sadduatum* tax) and became a kind of shareholder of *karum*. Therefore their name was booked on the big tablet of *karum*-office named as *işurtum*. *Işurtum* was used as a book of account. Tradesmen were expected to deposit full amount of *datum* fixed for them. During the periodic settling of accounts, tradesmen who did not fulfill their obligation had to make a balance payment to *karum* or to another registered tradesmen.

Assyrian traders established different partnerships (*beulatum*, *naruqqum* etc) with agents, representatives and partners etc. to commerce in Anatolia. For example, in *naruqqum* partnership, there were *naruqqum* accounts of both the representatives and traders who conducted business for themselves in these companies which acted as a kind of bank in accordance with *naruqqum* procedures. In many documents, it is stated that procedures of endorsement and credit, and assignment of proceeds and debts were fulfilled in these companies.

The caravan trade was essential for the economic life of the Assur state and it provided an important stimulus for local craftsmen. There was a constant demand for donkeys which were bought in Assur city. Local leather workers manufactured shoes and boots for the caravan

personnel who largely traveling on foot, equipment for the donkeys, and bags for packing (Dercksen, 2000:138).

Native rulers ensured the trader's life and commodity security in response to taxes paid. They assisted Assyrian merchants by setting a kind of police station, providing them armed escorts guides and guards, making storage facilities and renting wagons.

Merchandise for export to Anatolia was purchased in Assur both by paying cash silver or on credit from wholesale dealers and probably moreover from the city-office. In Anatolia the most important feature was the sale of the imported merchandise; again, when possible, for cash, however usually on credit, either directly to customers, such as the local palaces, dignitaries and traders, or by consignment (*qiptum*) to middlemen, especially traveling agents called *tamkarum*. They both usually received credit, which resulted in debt claims (*hubullum*, "debt"). Traveling agents to whom lots of merchandise was given (*tadanum*) or entrusted (*qiapum*) as consignment, had to sign promissory notes payable in silver after a fixed number of months. The claims on them were protected primarily by default interest. This interest rate was usually thirty percent per year among Assyrians (Veenhof, 2001:95).

Using their skills, their network of communications and commercial settlements, and profiting from the considerable differences in the prices of tin, textiles and silver between Babylonia, Assyria, Anatolia and Iran, the Assyrians were able to carry on a very profitable trade for three generations between 1925 and 1850 B.C (Veenhof, 1984: 6). According to Sever (1990: 251), Assyrian trade in Anatolia was the first known documented "International Trade".

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# TÜRKİYE’DE CUMHURİYET DÖNEMİ İLE BİRLİKTE SÜT ENDÜSTRİSİNİN KURULUŞU VE GELİŞİMİ ÜZERİNE BİR İNCELEME (1923-1963)

Mehmed Gökhan Polatoğlu<sup>1</sup>

## ÖZ

Türkiye’de temel besin maddelerinden süt ve mamullerinin üretimi, Osmanlı Devleti’nden Cumhuriyet’in ilk yıllarına kadar aile işletmeciliği şeklinde ve geleneksel yöntemlerle yapılmaktaydı. Süt ve mamullerinin modern yöntem ve ileri teknik ile hijyenik koşullarda üretilmesi için ülkede endüstriyel bir teşkilatlanmaya gerek duyulmaktaydı. Bu kapsamda öncelikle Atatürk Orman Çiftliği bünyesinde 1927 yılında bir pastörize süt fabrikası faaliyete geçti. İşletme, süt endüstrisinin ülke genelinde yayılması ve gelişimi adına örnek bir işleve sahip oldu. Nitekim, ülkenin farklı yerlerinde yeni fabrikalar açıldı. Bunlar arasında 1930’lu yıllarda kurulan ve dönemi itibariyle Türkiye’de süt endüstrisinin ilk büyük işletmeleri özelliğini taşıyan Kars ve Bursa Süt Tozu Fabrikaları da yer almaktaydı. Ancak sınırlı sayıda ve dar bir bölgeyi kapsayan bu yatırımlar, süt endüstrisinin gelişimine yeteri kadar katkıda bulunamadı. Durağan bir dönem yaşayan sektör 1950’li yıllarda ağırlıklı olarak gerçekleşen özel sektör yatırımları ile kısmi bir ivme kazansa da etkisi bölgesel oldu. Tüm bu nedenler dikkate alınarak, planlı bir teşkilatlanma ile süt endüstrisinin tek merkezden koordine edilmesi ve ülke genelinde yaygınlaştırılması için 1963’te Türkiye Süt Endüstrisi Kurumu açıldı. Böylece ülkenin stratejik yerlerinde fabrikalar kuruldu. Süt ve mamullerinin üretim ve tüketim miktarı ile ekonomik girdisinde artışlar meydana geldi. Bu makale ile Türkiye’de süt endüstrisinin kurulma nedenleri, atılan adımlar, faaliyete geçen yatırımlar ve elde edilen sonuçlar ele alınarak değerlendirilmiştir.

**Anahtar Kelimeler:** Türkiye, Süt, Süt Tozu, Süt Endüstrisi, Türkiye Süt Endüstrisi Kurumu.

**Jel Kodu:** N20, O14, Q18

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**Atıf (Citation):** Polatoğlu, M.G. (2021). Türkiye’de Cumhuriyet Dönemi İle Birlikte Süt Endüstrisinin Kuruluşu ve Gelişimi Üzerine Bir İnceleme (1923-1963). *Muhasebe ve Finans Tarihi Araştırmaları Dergisi*(20), 115-131.

*Araştırma Makalesi / Research Paper*

*Geliş Tarihi / Received: 06.11.2020*  
*Revizyon Tarihi / Revised: 04.12.2020*  
*Kabul Tarihi / Accepted: 06.01.2021*

## AN ANALYSIS OF THE ESTABLISHMENT AND DEVELOPMENT OF DAIRY INDUSTRY IN TURKISH REPUBLICAN PERIOD (1923-1963)

### ABSTRACT

Dairy products which were among the basic nutrients in Turkey was carried out as family businesses and in traditional ways in Ottoman State and the first years of Turkish Republic. The Republic felt the need to establish an industry to produce milk and dairy products in a modern method, advanced techniques and hygienic conditions. For this purpose, a pasteurized dairy plant was put into service in 1927 within Atatürk Forest Farm. The enterprise had an exemplary function for the nationwide dissemination and development of dairy plants. In time, new plants were established in various parts of the country. Kars and Bursa Dried Milk Plants, established in 1930, were among them as the greatest plants in dairy production in Turkey. However, these investments which were limited in number and which covered a narrow piece of land could not contribute enough to the development of dairy industry. Although the sector, experiencing a static period, gained a partial momentum through mainly private sector enterprise in 1950s, its effect became regional. Taking all these reasons into consideration, Turkey Dairy Industry Association was established in 1963 in order to coordinate dairy industry through a planned organization and to disseminate it all over the country. In this way, factories were founded in strategic places in the country. Increases were realized in the production and consumption amounts of milk and dairy products as well as the increase in economic input. This study is intended to focus on the reasons for establishing dairy industry, the steps made for this purpose, investments that were started up and for evaluating the obtained results.

**Keywords:** Turkey, milk, dried milk, dairy industry, Turkey Dairy Industry Association

**Jel Code:** N20, O14, Q18

### 1. GİRİŞ

Süt endüstrisi, insan besini olarak kullanılacak sütün yüksek kalitede elde edilmesi, aynı kaliteyi kaybetmeyecek koşullarda muhafaza edilmesi, özel teknolojik yöntem ve işlemlerle çeşitli ve daha değerli besin maddelerine getirilerek hijyenik koşullarda pazarlanması işlemlerini kapsamaktadır (Atatürk'ün Doğumunun 100. Yıldönümünde Türkiye'de Süt Sanayii, 1981: 15).

Süt endüstrisi ile ham süt işlenerek dayanıklı mamuller üretilmektedir. İmal edilen ürünleri arasında; pastörize ve sterilize süt, peynir, tereyađı, yođurt, süt tozu ve dondurma yer almaktadır. Süt sanayisine ait tesisler ise belirli bir üretim kapasitesine sahip, teknik ve teknolojik özellikleri ile fabrika niteliđi taşıyan kuruluşlar ile kapasite bakımından küçük, belli bir mamulü işlemeye yönelik ve basit ekipmanlarla çalışan imalathanelerdir (Beş Yıllık Kalkınma Planı Süt ve Mamulleri Özel İhtisas Komisyonu Üretim Alt Komisyonu Raporu, Devlet Planlama Teşkilatı, 1982: 1-12).

Süt endüstrisinin temelleri Avrupa'da XIX. yüzyılın ilk yarısında süt mamullerine talebin artmasına bađlı olarak süt hayvanı yetiştiriciliđi ve sütçülüđe ađırlık verilmesi ile



atılmıřtır. Bu dođrultuda 1838'de İngiltere'de, 1840'da Finlandiya'da, 1886'da İsviçre'de, 1888'de Fransa'da ve Norveç'te sütünlük okulları açıldı. Uluslararası standartlarda ve iyi kalitede sütün ürünleri imal etmek için 1872'de İtalya'da ve İsviçre'de, 1887'de Almanya'da, 1890'da İngiltere'de ve 1892'de Çekoslovakya'da araştırma enstitüleri açıldı. İmal edilen; peynir, tereyađı, krema, sütün tozu ve koyulařtırılmıř sütün, uluslararası piyasada satıřa sunulmaya bařladı (Yaygın, 1974: 3).

Türkiye'de ise sütünlük, Cumhuriyet Dönemi'ne kadar aile iřletmeciliđi ve mandıracılık řeklinde yapılmıřtı. Sanayi tarzı uygulama, sütün üretiminin fazla olduđu Mayıs, Haziran ve Temmuz aylarında yayla mandıracılıđı olarak ele alınmaktaydı (Kurt, 1988: 211). Ülkede hayvancılık potansiyeli yüksek olmasına karřın %95'i düşük verimli yerli ırklardan oluřmaktaydı. Bakım, besleme, ıslah, hastalıklarla mücadele ve üretilen sütün deđer fiyatla satılabilmesi gibi konulara karřı gereken çözüm bulunamadıđı için yıllık verim düşüktü. Sütün, dađınık ve küçük birimlerde üretici veya herhangi bir kuruluř tarafından planlama ve kontrol yapılmaksızın üretilmekteydi. Bu nedenle üretim; dođal řartlara, meralara ve mevsimsel dalgalanmalara bađlı kalmaktaydı (Beř Yıllık Kalkınma Planı Sütün ve Mamulleri Özel İhtisas Komisyonu Üretim Alt Komisyonu Raporu, Devlet Planlama Teřkilatı, 1982: 3). Aynı zamanda üretilen sütün büyük bir kısmı kırsalda tüketilmekte ve řehir halkının ihtiyaçını karřılayacak miktarda sütün temin edilememekteydi (Turgay, 1938: 23).

Türkiye'de hayvancılıđın ekonomik getirisinin arttırılması bakımından sütün üretiminin arttırılması gerekmektedir. Ancak řehirlere temiz sütün devamlı temin etmek sorun teřkil etmekteydi. Bu bakımdan teknik elemana sahip ve fenni řartlara haiz anonim řirketlere veya pastörize sütün üretecek fabrikaların kurulması gerekmektedir (Önen, 1944: 16).

Cumhuriyet Dönemi'ne kadar sütün endüstrisi üzerine herhangi bir ciddi girişimde bulunulmamıřtır. İlk tesisleřme hareketi bizzat Reis-i Cumhuriyet Mustafa Kemal Atatürk'ün talebiyle Gazi Orman Çiftliđi'nde<sup>2</sup> gerçeleřtirilecektir. Kendileri henüz Gazi Orman Çiftliđi kurulmadan önce Çiftliđin inşa edileceđi arazide bulunan bir ađılın Philip Holzman firması tarafından yenilenip sütün ve yođurt üretimi için kullanılması için talimat vermiřtir (Sert, 2017: 235). Çiftlik bünyesinde 1927 yılında bir pastörize sütün fabrikası açılacaktır (Kurt, 1988: 211-212). Fabrika, dönemi itibariyle Türkiye'nin en büyük ve en modern sütün tesisi konumunda olup günde 15-20.000 litre sütün pastörize edebilecek ve ihtiyaça bađlı olarak üretimi arttırabilecek bir tesisat ile donatılmıřtı (Üzümeri, 1953: 61).

<sup>2</sup> Gazi Orman Çiftliđi 1950'de yayımlanan 5659 Sayılı Kanun ile Atatürk Orman Çiftliđi adı ile faaliyetlerine devam etmiřtir (T.C. Resmî Gazete, 1 Nisan 1950: 18234).



Gazi Orman Çiftliği Süt Şişeleme Tesisi  
(Üzümeri, 1953)



Gazi Orman Çiftliği'nde Yoğurt Üretimi  
(Türkiye'de Süt Sanayi, 1981)

Süt üzerine tesisleşme faaliyetlerinde bulunurken, aynı zamanda yasal düzenlemelerde yapılmaktaydı. Bu maksatla sütün içerik ve vasfının belirlenmesi, üretim, muhafaza ve satışının sıhhi şartlarda yapılması için 1935'te bir talimatname yayımlandı (T.C. Resmî Gazete, S. 3066, 29 Temmuz 1935: 5525). 30 Eylül 1938 tarihli tamim ile sütün pastörizasyon ve satış şartları düzenlenmiştir (T.C. Resmî Gazete, S. 4025, 30 Eylül 1938: 10675) 18 Temmuz 1941 tarihli talimatname ile ise insan sağlığını olumsuz yönde etkileyecek tadı, kokusu ve rengi değişmiş süt ve mamullerinin satışı yasaklanarak hayvanlardan insanlara bulaşan hastalıklar önlenecekti. Sütlere herhangi bir kimyasalın, buz veya kar gibi maddelerin konulması yasaklanacaktı. Sütün naklini ve muhafazasını sağlayan kutuların üzerine tanıtıcı bir etiketin yapıştırılması mecburi tutulacaktı (T.C. Resmî Gazete, S. 4863, 18 Temmuz 1941: 1369) Tüm bu yasal düzenlemeler ile modern imkân ve koşullarda süt ve mamullerinin belirli bir standardizasyon ile imali amaçlanmıştır. Böylece sosyal devlet anlayışı ile halk sağlığını tehdit eden üretim koşul ve tedarikinin önüne geçilmek istenmiştir.

İkinci Dünya Savaşı<sup>3</sup> sürecinde süt üretimi ve miktarı oldukça azalmıştır. Bununla birlikte nüfus miktarı artmış, sanayileşme hareketlerine bağlı olarak köylerdeki üretici nüfus kitlesi kentlere göç ederek tüketici durumuna gelmiş, sanayileşme sonucu kimyevî maddelerin etkilerine maruz kalan çalışanlara toplu iş sözleşmeleriyle süt verme zorunluluğu getirilmiş, okul beslenme programları ile süt içmeye kısmen alışmış genç kuşak ortaya çıkmış ve önemli bir gıda maddesi olması nedeniyle diyet programlarında yerini almıştır. Tüm bu etmenler içme sütünün önemini daha da arttırmıştır (Beş Yıllık Kalkınma Planı Süt ve Mamulleri Özel İhtisas Komisyonu Üretim Alt Komisyonu Raporu, Devlet Planlama Teşkilatı, 1982: 12).

Hükümet tarafından İkinci Dünya Savaşı yıllarında süt endüstrisine olan yatırıma devam edildi. Bu doğrultuda 28 Mayıs 1945'te Devlet Ziraat İşletme Kurumu Kars Süt Fabrikası açıldı (Kars Yaylası, 1946: 5). Türkiye'de modern anlamda ilk süt fabrikası UNICEF bütçesi ile

<sup>3</sup> İkinci Dünya Savaşı 1 Eylül 1939'da Almanya'nın Polonya'ya saldırması ile başlamış ve 1945'te sona ermiştir (Sander, 1989: 90).

Atatürk Orman Çiftliđi'nde 27 Eylül 1957'de faaliyete geçti (Atatürk'ün Doğumunun 100. Yıldönümünde Türkiye'de Süt Sanayii, 1981: 17). Fabrikada; pastörize süt, dondurma, tereyađı ve süt tozu tesisleri yer almaktaydı (Kurt, 1988: 212). Ankara'da 1960'lı yıllara doğru birkaç süt mamulü ve tozu fabrikası kuruldu. 1963'te Türkiye Süt Endüstrisi Kurumu'nun açılmasıyla süt ve süt mamulleri endüstrisinde hızlı bir sanayileşme sürecine girilecekti (Türkiye 1923-1973 Ansiklopedisi, 1974: 1278).

## 2. TÜRKİYE'DE SÜT ENDÜSTRİSİNİN KURULUŞ SÜRECİ (1923-1945)

Cumhuriyet Dönemi ile birlikte ekonomi alanında ele alınan sektörler arasında süt ve mamulleri sanayisi de bulunmaktaydı. Süt endüstrisi üzerine 1929'da hazırlanan "TBMM Teşkilât-ı Esasiye Encümeni İktisadî Vaziyet" adlı rapordaki değerlendirmelere göre Türkiye'de süt üretimi ihtiyacı karşılamaktaydı. Ancak süte farklı maddelerin karıştırılarak özelliğinin kaybolması, sütün işleneceđi yeterli imalathanenin, muhafaza edileceđi ve naklinin yapılacağı lojistik imkânların bulunmaması süttten yeteri kadar yararlanılamamasına, süt hayvancılıđına rađbetin azalmasına ve süt ürünlerinin ithaline neden olmaktaydı (Seçkin, 1981: 170-171).

Türkiye'de süt endüstrisinin geliştirilmesi için devlet ileri gelenleri tarafından da farklı görüş ve yöntemler öne sürülmüştür. Bunlar arasında Kâzım Karabekir Paşa'nın "süthane" projesi de bulunmaktaydı. Buna göre; halkın sađlıđı ve refahı için kıymetli bir gıda olan sütün üretiminin artırılması, sütün hijyenik koşullarda üretilmesi, taze olarak muhafazası ve farklı mamullerin elde edilmesi için süthanelerin kurulması gerekmektedir (Karabekir, 2001: 114).

Mustafa Kemal Atatürk'e göre ise ekonominin temelini tarım oluşturmaktaydı ve ziraatta kalkınma önemle üzerinde durdukları konular arasında yer almaktaydı (TBMM Zabıt Ceridesi, 1-XI-1937: 4). Tarımsal kalkınma ile ekonomik bağımsızlık arasında güçlü bir bađ olduğuna inanan Atatürk, Ankara'da bataklık ve sazlık bir arazide 1925'te Gazi Orman Çiftliđi'nin kurulmasına öncülük ederek örnek bir ziraî faaliyet alanı oluşturmuştur (Sözen & Arlı, 1981: 67-68). Kendileri, ülke kaynaklarının doğru ve verimli bir şekilde kullanılarak dıřa bağımlılıđın en aza indirilmesini ilke edinmiştir. Ziraî sahada da örnek işletmelerin kurularak fenni usul ve yöntemlerle üretim yapılmasını ve bunun ülke genelinde tatbik edilmesini istemiştir. Gazi Orman Çiftliđi bunun en bariz örneđi olacaktır.

Gazi Orman Çiftliđi'nde üretim fiilen 5 Mayıs 1925'te başladı (Atatürk Çiftlikleri, 1939: 27-74). Toplam sekiz fabrika ile faaliyete geçen Çiftlik'te bir süt fabrikası da bulunmaktaydı (Turan, 2004: 536). Burada; süt, peynir, tereyađı ve yođurt üretilmekteydi (Atatürk Çiftlikleri, 1939: 27-74).



Atatürk Orman Çiftliği'nde imal edilen süt ve mamullerini gösteren broşürlerden birer kesit (Üzümeri, 1953)

Sütçülüğün bilimsel çerçevede ele alınıp modern yöntemlerle işlenerek tüketime sunulması amacıyla 1933'te Yüksek Ziraat Enstitüsü Süt İşletmesi açıldı. Ayrıca ziraat okullarında süthaneler ve şeker fabrikaları çiftliklerinde süt işletmeleri kuruldu (Azgün, 1974: 8).

Süt endüstrisinin hammaddesi olan sütün üretim miktarına dair istatistik veriler 1929'dan itibaren tutulmaya başlamıştır.

Tablo 1'de de görüldüğü üzere toplam üretimde 1929-1932 döneminde artış yaşanırken 1932-1935 sürecinde düşüş gözlenmektedir. Süt endüstrisindeki atılımlar, tarım ve hayvancılıktaki gelişmelerle birlikte 1936-1938 yılları arasında üretimde yeniden bir artış yaşanmıştır.



**Tablo 1.** Türkiye’de 1929-1938 yılları arasında st retim miktarı (ton)

Yıllar	İnek St	Manda St	Koyun St	Keçi St	Toplam
1929	705.699	257.531	367.422	512.403	1.843.055
1930	709.885	263.445	378.364	504.632	1.856.326
1931	728.081	256.682	430.968	536.753	1.952.848
1932	783.410	292.442	442.010	471.710	1.990.072
1933	768.595	284.454	400.581	423.194	1.877.324
1934	774.088	227.831	397.247	414.690	1.863.856
1935	797.002	280.595	461.817	438.637	1.978.051
1936	913.784	316.495	555.281	537.964	2.353.478
1937	984.999	335.578	617.027	585.710	2.523.413
1938	1.220.029	351.469	677.853	594.117	2.843.468

**Kaynak:** Yney, 1974: 6.

Stn iřlenerek dayanıklı mamul elde edilmesinde, st tozu<sup>4</sup> nemli bir yer teřkil etmekteydi. Tarihsel gemiři XIII. yy’a kadar uzanmaktaydı. Sanayileřmeye bađlı olarak Fransa’da 1810 yılında basit bir sıcak hava yntemiyle st tozu elde edilmiřtir. 1855’te İngiltere’de ve 1883’te ABD’de ticarî maksatla imalatı yapılmıřtır (Adam, 1961: 5). Türkiye’ye ise st tozu ilk olarak dıř yardımlar neticesinde gelmiřtir. Bunlar arasında; UNICEF, AET, CARE ve WFP gibi kuruluřlar bulunmaktaydı. St tozu; Millî Eđitim, Sađlık, Sosyal Yardım, Ky İřleri, Sanayi ve Teknoloji, İmar ve İřkân Bakanlıkları tarafından lke geneline dađıtılmıřtır (Saldamlı, 1979: 42).

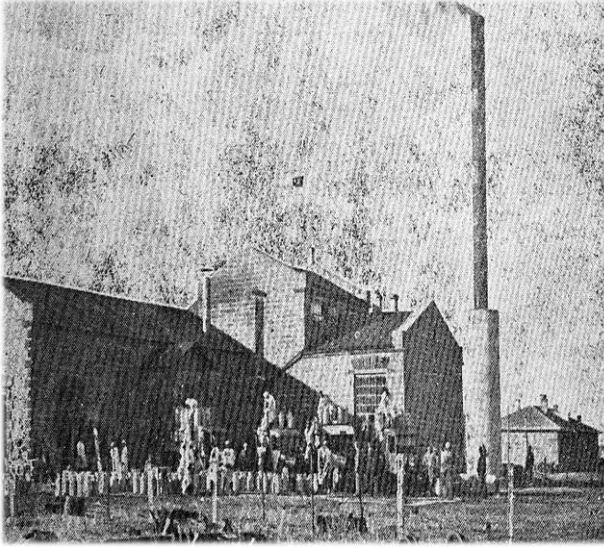
St tozunun yurt iinde imali iin 1930’lu yılların ilk yarısından itibaren fizibilite alıřmalarına bařlandı. Fabrikanın kurulacađı yer belirlenirken; temiz, bol ve ucuz stn elde edilebilmesi, bilgili ve tecrbeli ustaların bulunması, yeterli sermayeye sahip olunması, tesisi iřletecek enerji kaynaklarının kolaylıkla temin edilebilmesi ve tketim pazarına yakınlık gz nnde bulundurulmaktadır (Adam, 1961: 6-7). Bu bađlamda Türkiye’de st tozu fabrikalarının kurulacađı yer olarak Bursa’nın ve Kars’ın seilmesinde; hammaddenin kolaylıkla temin edilebilmesi, buraların tarihsel olarak st mamullerinin retim merkezleri arasında bulunması ve st imalatında bilgi birikiminin yksek seviyede olması, fabrikayı iřletecek enerjinin temin edileceđi su kaynaklarının varlıđı, Bursa’nın batı ve Kars’ın dođu pazarına yakınlıđı dikkate alınmıřtır.

St sanayisinde st tozunun retimini gerekleřtirilmesi amacıyla Kars’a bađlı Cilavuz’un Susuz Ky’nde tesis edilecek st tozu ve konserve fabrikasının kurulması ve iřletilmesi iin Alman Uzman Adolf Wusowski’nin bu blgeye girmesi İktisat Vekleti’nin 26 Ađustos 1933 tarih ve 9815 Sayılı Tezkeresine binaen İcra Vekilleri Heyeti tarafından 4 Eyll

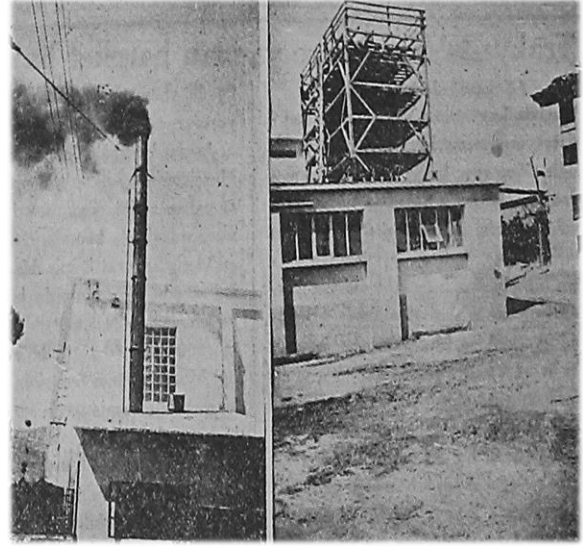
<sup>4</sup> St tozu, ste nazaran dayanıklı bir gıda maddesi olarak birok rnn ieriđinde katkı maddesi olarak kullanılabilir (Adam, 1961: 29). Genelde; reconstitute, recombine, tond ve filed olarak drde ayrılmaktadır. Bunlardan reconstitute yađsız ve yađlı st tozu ile suyun, recombine yađsız st tozu, tereyađı ve suyun, tond manda st, yađsız sttozu ve suyun, filled yađsız sttozu, bitkisel yađ ve suyun karıřımından oluřmaktadır (Saldamlı, 1979: 42).

1933'te kabul edilmiştir (T.C. Cumhurbaşkanlığı Devlet Arşivleri Başbakanlık Cumhuriyet Arşivi, Fon Kodu: 030.18.01.02. Yer Kodu: 39.61.14.)

Türkiye'de ilk süt tozu fabrikası 1932'de Kars'ta faaliyete geçmiştir (Saldamlı, 1979: 41). Fabrika, vals ve pülverize tesisatı ile iki türlü çalışarak yılda 1.000.000 kg süt işleyerek 90.000 ton süt tozu üretim kapasitesine sahipti (Kars Yaylası, 1946: 5). Ayrıca gravyer, çökelek, tulum, kaşar ve beyaz peynir ile tereyağı, krema, kazein ve laktoz da imal edilmekteydi (Kırzıoğlu, 1953: 14)



Kars Süt Tozu Fabrikası  
(Kars Yaylası, 1946)



Bursa Süt Tozu Fabrikası  
(Cumhuriyet Gazetesi, 16 Temmuz 1934)

Bursa Süt Tozu ve Buz Fabrikası ise İktisat Vekili Celâl Bayar tarafından 16 Temmuz 1934'te işletmeye açıldı (Türk Sanayi ve Ticaret Gazetesi, 19 Temmuz 1934: 2). Fabrika, "Bursa Süt Tozu ve Buz Fabrikası Kolektif Şirketi" adı ile Şakir, Abdurrahman ve Selim Süter kardeşler ile enişterleri Faik Barışıcı tarafından kuruldu. Fabrika Müdürü Selim Süter idi. Kendisi süt endüstrisini Türkiye'de kurma çalışmaları kapsamında; Almanya, Fransa, İtalya, İsviçre, Macaristan ve Çekoslovakya'daki süt fabrikalarında incelemelerde bulunmuştu (İktisadî Yürüyüş Mecmuası, 1 Nisan 1944: 20-64).

Fabrikada 8 saatte 40.000 kg süt işlenebilmekteydi. Pastörize yağ, süt tozu, soğuk tutkal, Avrupa tipi peynir ve buz imal edilmekteydi. Başlıca hammaddesi olan süt; Karacabey, Kemalpaşa, Bandırma, İnegöl ve Yenişehir'den temin edilmekteydi. Buralardan toplanan süt, fabrikanın kendi vasıtalarıyla tesise getirilmekteydi. Sütler, numune laboratuvarlarında tahlil edildikten sonra teslim alınmaktaydı. Kantarlarla tartıldıktan sonra buharla yıkanmakta ve sterilize edilerek depolanmaktaydı. Ardından özel pamuklardan geçirilerek yabancı maddelerden ve mikroplardan arındırılmakta, son aşamada ise pastörize edilmekteydi. İşlenir hale gelen hammaddeden; kalite ve tat bakımından Hollanda peynirleriyle eş değerde değerlendirilen Avrupa tarzı peynirler, "Bursa yağı" adı ile satılan paket tereyağı, 360 gramlık kutular ile piyasaya sürülen şekerli süt, ambalajlı süt tozu, süt yağının alınması sonrası ortaya çıkan kazeinin kimyasal işlemlerden geçirilmesi ile elde edilen ve vapur, vagon, uçak ve diğer taşıtların doğrama işlerinde kullanılan mukavemeti yüksek beyaz ve soğuk tutkal, Bursa'nın ihtiyacını karşılayacak miktarda buz imal edilmekteydi. Fabrikanın yaklaşık 100.000 teneke

beyaz peynir ve 1.000.000 kg kaşar peyniri alacak sođuk hava depoları, büyüklük bakımından Bursa, Balıkesir, Eskişehir ve diđer çevre illerinde imal edilen peynirleri muhafaza edebilecek kapasitedir (İktisadî Yürüyüş Mecmuası, 1 Nisan 1944: 20-64).

Türkiye, Kars ve Bursa’da tesis edilen süt tozu fabrikaları ile bu mamulü ihraç edebilecek seviyeye ulaşacaktır. Bu maksatla süt ve yumurta tozu ile şekerli ve şekersiz olarak sınıflandırılmış mamullerin ihraç edilecek ürünler arasına girmesi Maliye Vekâleti’nin 26 Ocak 1937 tarih ve 54244/1282 Sayılı Tezkeresi ile yapılan teklif üzerine İcra Vekilleri Heyeti tarafından 1 Şubat 1937’de onaylanmıştır (T.C. Cumhurbaşkanlığı Devlet Arşivleri Başkanlık Cumhuriyet Arşivi, Fon Kodu: 030.18.01.02. Yer Kodu: 71.9.1.) Süt endüstrisinde 1927-1937 döneminde gerçekleştirilen yatırımlarla ülkenin ihracatçı konuma gelmesi doğru planlama ve uygulamanın bir sonucu idi.

Tüm bu olumlu gelişmelere karşın ülkede sütçülük faaliyetleri genel itibariyle 1950’lere kadar tüketim için üretim sistemine dayanan aile içi üretim şeklinde devam etmiştir. Sektörün gelişmesini, süt ve mamul tüketiminin artırılmasını gerçekleştirecek devamlı bir organizasyon kurulamamıştır (Gelegen, 2017: 55). Süt endüstrisi, İkinci Dünya Savaşı’nın etkisiyle de durađan bir döneme girmiştir. 1945’te ise neredeyse 1929’daki seviyeye kadar gerilemiştir (Yöney, 1974: 5).

**Tablo 2.** Türkiye’de 1939-1945 yılları arasında süt üretim miktarı (ton)

Yıllar	İnek Sütü	Manda Sütü	Koyun Sütü	Keçi Sütü	Toplam
1939	1.250.026	368.204	725.628	599.401	2.943.259
1940	1.250.026	380.537	713.090	615.143	2.869.727
1941	1.160.502	377.377	713.833	627.667	2.900.470
1942	1.181.593	352.810	656.261	608.660	2.774.312
1943	1.126.581	333.251	608.253	580.528	2.584.845
1944	1.062.813	336.710	647.087	625.796	2.856.228
1945	1.246.635	234.660	400.575	375.707	1.846.200

**Kaynak:** Yöney, 1974: 6.

Tablo 2’den de anlaşılacağı üzere en fazla süt inek ve koyundan elde edilmekte olup toplam üretimde en yüksek miktar savaşın ilk yılında gerçekleşmiştir. İlerleyen süreçte inişli çıkışlı bir seyir takip eden üretim miktarında son dönemde en düşük seviye görülmüştür.

### 3. TÜRKİYE’DE SÜT ENDÜSTRİSİNİN GELİŞİM DÖNEMİ (1950-1963)

Türkiye’de süt endüstrisi 1950’li yıllardan itibaren gelişme göstermeye başladı. Bu dönemde bilhassa özel sektör yatırımların ağırlıkta olduğu görülmektedir. Bu kapsamda 1950-1953 yılları arasında Müteşebbis Recep Vardarlı tarafından İstanbul/Küçükçamlıca’da TİKVEŞLİ Çiftliği adıyla şişeli pastörize süt fabrikası, Gümölcine’li Tütün Tüccarı Mehmet Sabit Tutnar’ın girişimleriyle İstanbul’da 1953’te Beşiktaş Süt Fabrikası, Şevket Süreyya Aydemir ve Enver İren’in ortaklığı ile Ankara’da 1954 yılında Kayaş Pastörize Süt Fabrikası faaliyete geçmiştir (Atatürk’ün Doğumununun 100. Yıldönümünde Türkiye’de Süt Sanayii, 1981: 17).

İstanbul'da 1956 yılında Santral Süt ve Gıda Maddeleri Sanayii T.A.Ş. (T.C. Cumhurbaşkanlığı Devlet Arşivleri Başkanlık Cumhuriyet Arşivi, Fon Kodu: 030.18.01.02. Yer Kodu: 142.26.8.) Merkezi İstanbul'da olmak üzere 1956'da Süt Hayvanları ve Süt Sanayii A.Ş. (T.C. Cumhurbaşkanlığı Devlet Arşivleri Başkanlık Cumhuriyet Arşivi, Fon Kodu: 030.18.01.02. Yer Kodu: 143.38.12.) ve İzmir'de 1956 yılında Hayvancılık, Sütçülük, Çocuk Mamaları Endüstrisi A.Ş. kuruldu (T.C. Cumhurbaşkanlığı Devlet Arşivleri Başkanlık Cumhuriyet Arşivi, Fon Kodu: 030.18.01.02. Yer Kodu: 143.52.14.)

Ayrıca UNICEF'in destekleriyle 1957'de Atatürk Orman Çiftliği'nde bir süt fabrikası tesis edildi. Ancak bu türlü işletmeler ve şirketler bölgesel çapta bir etkide bulundu ve Türkiye Süt Endüstrisi Kurumu teşkil edilinceye kadar endüstriyel bir teşkilatlanma oluşturulamadı (Azgün, 1974: 8).

Türkiye'de sütçülüğün ve süt endüstrisinin geliştirilmesi için atılan ilk adım 16 Ekim 1959'da Tarım Bakanlığı bünyesinde Sütçülük ve Süt Sanayii Şubesi Müdürlüğü'nün kurulması ile atıldı. Böylece ülke genelinde açılacak yirmi üç şubede yıllık planlar çerçevesinde çalışmalar yürütüldü (Atatürk'ün Doğumunun 100. Yıldönümünde Türkiye'de Süt Sanayii, 1981: 18).

Ayrıca özel sektör yatırımlarının ülkede süt endüstrisinin gelişimini tam olarak sağlayamaması nedeniyle kamu destekli, merkezi bir kurumsal yapının oluşturularak ülke genelinde planlı bir yapılanmanın oluşturulması amaçlandı. Bu maksatla Türkiye Süt Endüstrisi Kurumu'nun kuruluş çalışmalarına başlanacaktır.

Türkiye'de 1963 yılı dikkate alındığında yetmiş milyon baş hayvana karşın yıllık süt üretimi ortalama 4-5.000.000 ton idi. Verim düşüklüğünün yanı sıra elde edilen süttten yeterince yararlanılamamaktaydı. Ekonomik değerinin altında pazarlanmakta ve sıhhi olmayan şartlarda tüketilmekteydi. Çiftçiden alınan sütler bilinçsiz üreticiler tarafından uluslararası normların dışında işlenmekteydi. Bu durum kalite düşüklüğüne ve ekonomik kayba neden olmaktaydı. Bunun önüne geçmek için devletin önderliğinde bir süt endüstrisinin kurulması için çalışma başlatıldı. Birinci Beş Yıllık Kalkınma Planı'nın<sup>5</sup> süt mamulleri sanayi kısmında bu konu ele alındı. Alınacak tedbirler ile ülkenin çeşitli yerlerinde üretilen sütü toplayacak ve bunu işleyecek tesislerin kurulmasını, süt üretenlerin üretim ve satış kooperatifleri şeklinde birleştirilmesi, fabrikalardan uzak bölgelerde bu kooperatiflere süt mamullerinin imali için imkân sağlanması, devlet tarafından açılan kurum, tesis ve imalathaneler ile özel teşebbüs ve özellikle de kooperatifçilik teşvik edilerek buraların zamanla özel teşebbüse devredilmesi amaçlanmıştır (Millet Meclisi Tutanak Dergisi, 16/2, 1963: 163-164).

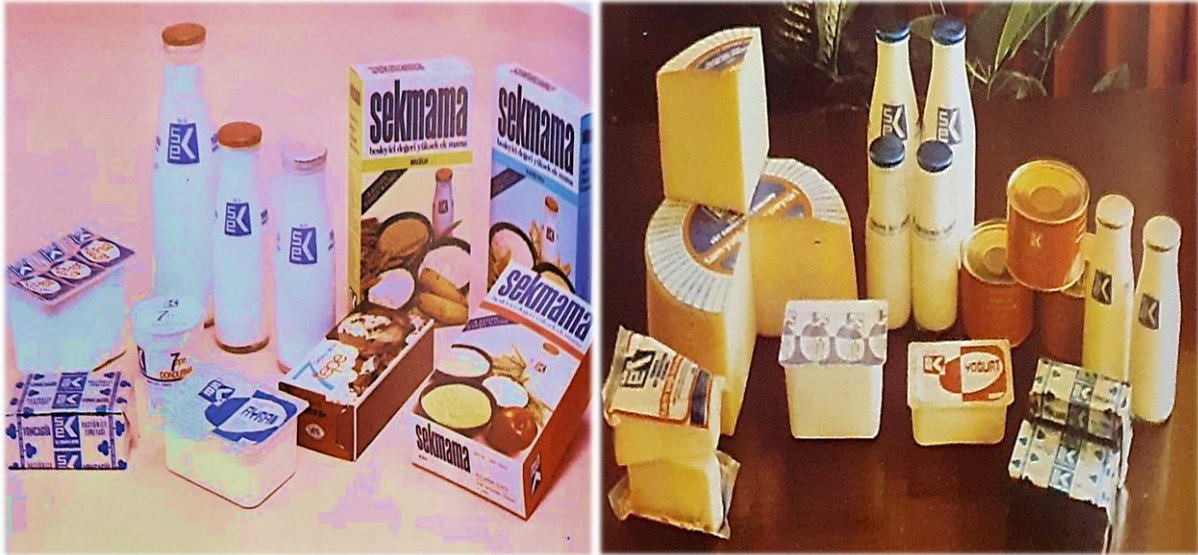
Türkiye'nin ziraî gelirin %20'sinden fazlasını teşkil eden süt ve mamulleri, devletin himaye ve önderliğinden mahrum kalmıştı. Ülke nüfusu her yıl %3 artış kaydetmesine karşın üretiminde artırılması gerekmektedir. Bu maksatla süt endüstrisinin kurulmasına ilişkin yasanın kanunlaşması durumunda tüm bu gereksinimler karşılanmış olacaktı (Millet Meclisi Tutanak Dergisi, 16/2, 1963: 164-165).

<sup>5</sup> Birinci Beş Yıllık Kalkınma Planı (1963-1967) millî tasarrufu artırmak, yatırımları toplum yararına gerektirdiği önceliklerle yöneltmek ve iktisadi, sosyal ve kültürel kalkınmayı gerçekleştirmek üzere hazırlanmıştır (Kalkınma Planı: Birinci Beş Yıl 1963-1967: 1).



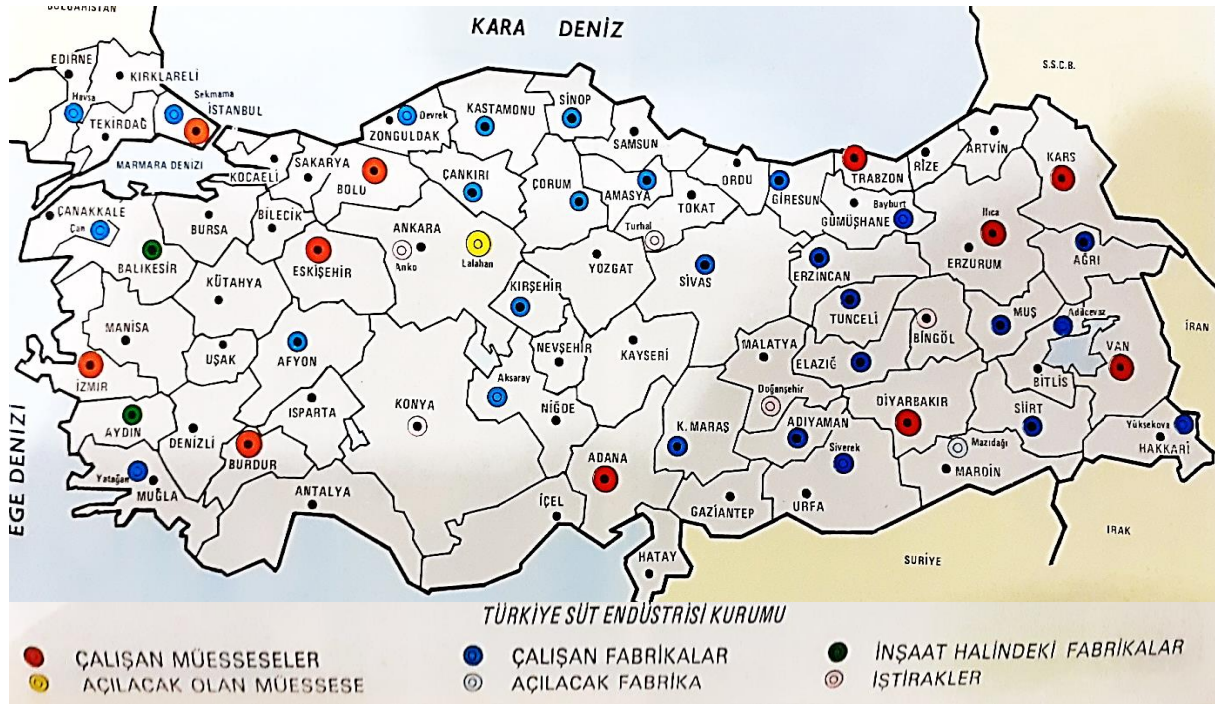
30 Nisan 1963'te kabul edilen 227 Sayılı Kanun ile sermayenin tamamı devletçe karşılanmak suretiyle 75.000.000 lira sermayeli bir Kamu İktisadi Teşekkülü olan Türkiye Süt Endüstrisi Kurumu teşkil edilmiştir. Kurumun başlıca görevleri arasında; üreticiden elde edilen sütü işlemek ve değerlendirmek, özel sektöre öncülük ederek yatırıma yönlendirmek, ülkenin stratejik yerlerinde işletmeler kurarak süt endüstrisinin gelişmesini sağlamak ve kooperatifleşmeye öncülük ederek tarım kooperatifleri ile ortak tesisler açmak yer almaktaydı (T.C. Resmî Gazete, 9 Mayıs 1963: 1-2).

Türkiye Süt Endüstrisi Kurumu'nun açılmasının ardından ülkede süt ve mamulleri sanayisi hızlı bir ivme kazanmıştır. Kurum bünyesinde; 28 Nisan 1968'de 19.500.000 TL sermaye ile Adana Süt ve Mamulleri Müessesesi, 29 Nisan 1968'de 21.000.000 TL sermaye ile İzmir Süt ve Mamulleri Müessesesi, 14 Ekim 1968'de 36.000.000 TL sermaye ile İstanbul Süt ve Mamulleri Müessesesi ve 15 Aralık 1968'de 30.500.000 TL sermaye ile Kars Süt ve Mamulleri Müessesesi işletmeye açıldı (Türk Ansiklopedisi, XXX, 1981: 167). 1971'e gelindiğinde ise fabrika sayısı otuza kadar yükseldi. Özel teşebbüs yatırımlarının da teşvik edildiđi bu süreçte iki bine yakın mandıra açıldı (Türkiye 1923-1973 Ansiklopedisi, 1974: 1278).



Türkiye Süt Endüstrisi Kurumu fabrikalarında üretilen mamullerden bir kısmı

TSEK'nin süt endüstrisini ülke geneline yayma hedefleri sonucu; 1973'te Kastamonu ve Edirne'de, 1974'te Burdur, Çankırı ve Muş'ta, 1976'da Trabzon, Ağrı, Diyarbakır, Van, Erzincan, Urfa/Siverek, Sivas, Niğde/Aksaray ve Afyon'da, 1977'de Eskişehir, Erzurum, Muğla/Yatağan, Çorum, Kırşehir, Kahramanmaraş, Bitlis/Adilcevaz, Hakkari/Yüksekova, Elazığ ve Gümüşhane/Bayburt'ta, 1978'de Adıyaman ve Giresun'da, 1979'da Tunceli'de, 1981'de Amasya, Çanakkale/Çan ve Sinop'ta, 1982'de Zonguldak/Devrek'te fabrikalar işletmeye açılmıştır. Kurum'un iştirakleri arasında ise; Konya ve Civarı Süt Sanayii A.Ş., Turhal Süt Sanayii A.Ş., Bingöl Yem-Süt ve Besicilik A.Ş., ANKO Süt Sanayii, Kıbrıs Türk Sanayii İşletmeleri Holding LTD. ŞTİ. ve Doğanşehir Süt ve Mamulleri A.Ş. yer almaktaydı (Atatürk'ün Doğumunun 100. Yıldönümünde Türkiye'de Süt Sanayii, 1981: 69-74).



Türkiye Süt Endüstrisi Kurumu'nun faaliyette bulunan, açılacak olan ve inşa halindeki işletmeleri gösteren harita (Atatürk'ün Doğumunun 100. Yıldönümünde Türkiye'de Süt Sanayii, 1981)



Türkiye Süt Endüstrisi Kurumu  
İstanbul Süt ve Mamulleri Sanayii Müessesesi



Türkiye Süt Endüstrisi Kurumu'nun  
Ankara/Kızılay'daki satış mağazası

**Tablo 3.** Türkiye Süt Endüstrisi Kurumu'nun 1969-1980 döneminde gerçekleřtirdiđi süt ve mamul üretim miktarları (ton)

Yıl	Pastörize Süt	Yođurt	Tereyađı	Peynir	Süt Tozu
1969	5.652,8	2.357,8	94.4	341.7	-
1970	7.516,4	5.212,2	209.4	209.4	215
1971	9.794,2	6.926	154.1	93	201.6
1972	12.134,5	7.620	214.8	4.6	252.2
1973	12.243,5	5.721,9	120.2	1.3	108.7
1974	12.121.6	5.201,5	170.6	42.4	132.4
1975	11.758,3	5.674,2	336.9	74.8	357.8
1976	12.038,8	6.607,4	531.8	1.417,3	706.5
1977	11.602,9	7.050	564.7	3.767,2	716.6
1978	12.625,5	7.378,2	446.4	3.991,8	387.5
1979	17.149,1	8.610,9	480.5	3.985,9	254.1
1980	16.342,5	8.479,3	524.5	4.659,4	244.9

**Kaynak:** Atatürk'ün Dođumunun 100. Yıldönümünde Türkiye'de Süt Sanayii, 1981: 73.

Türkiye'de sütçülüđün geliştirilmesi kapsamında İkinci Beř Yıllık Kalkınma Planı (1968-1972) ile entegre süt ve yem projelerinin ülke genelinde yaygınlařtırılması amaçlandı. Böylece verimli süt hayvancılıđının teřviki sađlandı. Süt zincirinde; imalat, alım, depolama, nakliye ve pazarlama ařamaları organize edildi. T.C. Ziraat Bankası ve Dünya Bankası'nın katkılarıyla Entansif Süt Hayvancılıđı Projesi hazırlandı. Bununla yüksek verimli süt sığırı damızlıklarının çiftçilerin kurdukları iřletmelere dađıtılması planlandı. 1972-1976 yılları arasında elli yedi ilde 10.609 damızlık büyükbaş hayvan dađıtımı ile yerli ırkların ıslahına bařlandı. Süt üretimi 1940'da 2.809.000 ton iken 1980'e gelindiđinde 6.685.000 tona ulařmıştır (Dura, 1987: 81-83). Türkiye'de 1979 yılı itibariyle tarım ve hayvancılık sektöründe süt üretimi 260.400.000.000 lira ile %12.9'luk ve GSMH'de %2.3'lük bir paya sahip olacaktır (Tanülkü, 1984: 163).

#### 4. SONUÇ

Avrupa'da sütün modern yöntemlerle iřlenmesi ve farklı mamullerin üretilmesi amacıyla gerçekleřtirilen çalıřmalar sonucu XIX. yy'dan itibaren endüstriyel sisteme geçilecekti. Türkiye'de ise süt ve mamullerinin geleneksel yöntemlerle elde edilmesi, süt verimi düşük ırkların mevcudiyeti, meraların yetersizliđi, üretimin belirli mevsimlere bađlı kalması, belirli bir planlamanın ve uygun imalat kořullarının bulunmaması gibi nedenlerden dolayı üretim sınırlı ve ekonomik girdisi oldukça düşüktü. Cumhuriyet Dönemi'ne kadar ülkede modern yöntemlerle süt iřletmeciliđi yapacak herhangi bir tesis de mevcut deđildi.

Yüksek miktarda süt elde edilmesi, verim kaybının ve ařırı dalgalanmaların azaltılması, sütün modern yöntemlerle iřlenerek farklı mamullerinin üretilmesi, süt ve mamullerinin ülkenin her yerine ulařtırılması, pazar payının ve ekonomik girdisinin arttırılması için fabrikalařma gerekliydi. Ziraâ faaliyetler çerçevesinde gerçekleřtirilen giriřimler sonucu 1920'lerin ortalarından itibaren süt iřletmeciliđinde endüstrileřmeye yönelik çalıřmalara bařlanacaktı. Bu



kapsamda Gazi Orman iftliđi'nde 1927'de bir pastörize süt fabrikası açıldı. Pilot bir tesis özelliđini taşıyan fabrikada öncelikle yöre halkına modern yöntemlerle hayvancılık faaliyetleri ve mamul madde elde edilmesi üzerine uygulamalı eğitim verildi. Bunun neticesinde zamanla süt veriminde ve mamul madde kalitesinde artış sağlandı. Bilinçli üretici ve bilinçli tüketici zihniyeti kısmen de olsa yerleşti.

Süt endüstrisinde tesisleşme üzerine yapılan çalışmalar neticesinde 1930'lu yıllarda Türkiye'de alanında bir ilk niteliđi taşıyan Kars ve Bursa Süt Tozu Fabrikaları işletmeye açıldı. Böylece dayanıklı olmayan ham süt işlenerek kullanım ömrü uzatılmış ve ürünler hijyenik koşullarda halka ulaştırılmış oldu. İkinci Dünya Savaşı sürecinde ise her sahada yaşanan sıkıntılar hayvancılığı ve buna bađlı olarak süt üretimini de olumsuz yönde etkiledi. Süt endüstrisinde 1950'lerden itibaren ađırlıklı olarak özel sektör yatırımları ile yeniden bir yükseliş seyri gözlemlendi. Ancak etkisi bölgesel olmaktan öteye gidemedi.

Süt endüstrisinin ileri seviyelere ulaştırılması amacıyla ülkenin belirli yerlerinde tesisleşmeye gitmek, sütçülüđü teşvik edici faaliyetlerde bulunmak, teknik ve idarî personel yetiştirmek, kooperatifleşmeyi yaygınlaştırmak ve özel sektör yatırımlarına öncülük etmek amacıyla 1963 yılında Türkiye Süt Endüstrisi Kurumu açıldı. Böylece ülkenin farklı yerlerinde birçok fabrika tesis edildi. Süt mamullerinin modern yöntem ve koşullarda üretimi sağlandı. Yıllık üretim ve tüketim paylarında artış sağlandı. Sütün meta deđerinde ve pazar payında artış kaydedildi ve yurt genelinde süt sektörünün gelişimine katkıda bulunuldu.

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## EKLER

## EK 1- Süt tozunun ihracatına ilişkin 1 Şubat 1937 tarihli Kararname

T. C. BAŞVEKÂLET KARARLAR MÜDÜRLÜĞÜ Karar sayıs. 5954

Kararname

T. C. BAŞBAKANLIK CUMHURİYET ARSIVI

Memleketimizde ticareti, organize bir halde bulunmayan süt tozu, yumurta tozu ve gıkerli gıkerşiz tekeşif edilmiş süt gıkelindeki mşmulların sürümünü cemin için bunların ecnebi şirketlerin faiz ve dividanlara bargılığa olarak ve ecnebi şirketlerin hususî mukaveleleri icaba maden ihraçlarına müssade edilmiş mallar arasına sokularak ihracına izin verilmesi; İktisad Vekillığının isteğine atfen Maliye Vekillığının 26/I/937 tarih ve 54244/1282 sayılı tezkeresiyle yapılan teklifi üzerine İcra Vekilleri Heyetince I/2/937 de onanmıştır.

I/2/937

REİSİCUMHUR  
K. Atatürk

Ba. V. Ad. V. M. M. V. Da. V.  
Ha. V. V. Ma. V. Mi. V. Na. V.  
İk. V. S. İ. M. V. C. İ. V. Z. V.

230 18 01 21 31

## EK 2- Atatürk Orman Çiftliği'nde UNICEF'in destekleriyle bir Pastörize Süt Fabrikası'nın inşasına dair 30 Mart 1953 tarihli Kararname

T. C. BAŞVEKÂLET MUAMELÂT UMUM MÜDÜRLÜĞÜ Kararlar Müdürlüğü Karar sayıs. 763

KARARNAME

T. C. BAŞBAKANLIK CUMHURİYET ARSIVI

Atatürk Orman Çiftliğinde kurulacak pastörize süt tesisati mevzuunda Birleşmiş Milletler Çocuklara Acil Yardım Fonu ( Unicef ) idaresile iliglik esaslar dahilinde yapılacak mukavale için Tarım Vekâletine imza selâhiyeti verilmesi, meşkür Vekâletin 30/Mart/1953 tarihli ve 709 sayılı yazısı üzerine İcra Vekilleri Heyetince 30/3/1953 tarihinde kararlaştırılmıştır.

REİSİCUMHUR  
C. 207

Başvekil Devlet Vekili Adalet Vekili Millî Savunma Vekili  
İçişler Vekili Dışişler Vekili Maliye Vekili Millî Eğitim Vekili  
Bayındırlık Vekili Eko. ve Ticaret Vekili Sa. ve So. Y. Vekili G. ve Tabiat Vekili  
Tarım Vekili Ulaştırma Vekili Çalışma Vekili İletişimler Vekili

230 18 01 21 31

### EK 3- Süt ve mamullerinin üretim koşulları ve satış şartları hakkında 27 Mart 1956 tarihli Kararname

T. C. HAKSVERKALET KANUNLAR VE KARARLAR Tetkik Dairesi  
Karar Sayısı 4  
7020

**KARARNAME**

ESKİ : A

"Süt ve Mamullerinin istihsal ve satışına mahsus mahal ve levazım ile süt veren hayvanların yaşadıkları ve sağladıkları yerlerin sıhhi şartlarının tesbitine dair ilişik talimatname"nin merhiyete konulması; Sıhhat ve İhtimaf Muavenet Vekâletinin 7/1/1956 tarihli ve 152 sayılı yazısı üzerine, İcra Vekilleri Heyetince 27/3/1956 tarihinde kararlaştırılmıştır.

REİSİCUMHUR  
L. E. S.

Devlet Vekili vs. Millî M. V. V. Devlet Vekili vs. Millî M. V. V. Devlet Vekili vs. Millî M. V. V. Devlet Vekili

Adliye Vekili Millî Müdafaa Vekili Dahiliye Vekili Hariciye Vekili Maliye Vekili

Maarif Vekili Nafia Vekili İkt. ve Ticaret Vekili Şih. ve İc. Mus. Vekili Güm. ve İnş. Vekili

Ziraat Vekili Münakalat Vekili Kalkınma Vekili İstisnalar Vekili

Dosya No: 74-28  
169

130 38 01 \* 2 142 29 15

### EK 4- İzmir'de süt ve mamulleri üzerine bir şirketin kurulmasına ilişkin 19 Haziran 1956 tarihli Kararname

T. C. HAKSVERKALET KANUNLAR VE KARARLAR Tetkik Dairesi  
Karar Sayısı 4  
7184

**KARARNAME**

ESKİ : A

Hayvancılık ve sütçülük işleriyle istigal ve çocuk mamulleriyle pastörize süt imâl etmek maksadıyla merkezi İzmir'de olmak üzere elli yıl müddet ve (500.000-beşyüzbin) Türk lirası sermaye ile kurulmasına başlanan "Hayvancılık, Sütçülük, Çocuk Mamaları Endüstri Anonim Şirketi"nin İktisat ve Ticaret Vekâletinin 6/6/1956 tarihli ve 4/9893 sayılı yazısıyla gönderilen ilişik esas mukavele- nemesi ve sermayesinin dörtte birinin yatırıldığını gösteren banka mektubu İcra Vekilleri Heyetince 19/6/1956 tarihinde tetkik edilerek, mezkûr şirketin kurulmasına izin verilmesi; 865 sayılı kanunun 280 inci maddesine göre kararlaştırılmıştır.

REİSİCUMHUR  
L. E. S.

Devlet Vekili vs. Millî M. V. V. Devlet Vekili vs. Millî M. V. V. Devlet Vekili vs. Millî M. V. V. Devlet Vekili

Adliye Vekili Millî Müdafaa Vekili Dahiliye Vekili Hariciye Vekili Maliye Vekili

Maarif Vekili Nafia Vekili İkt. ve Ticaret Vekili Şih. ve İc. Mus. Vekili Güm. ve İnş. Vekili

Ziraat Vekili Münakalat Vekili Kalkınma Vekili İstisnalar Vekili

Dosya No: 9-217  
1131

630 18 01 \* 2 143 52 14