THE RELATIONSHIP BETWEEN INTEGRATED REPORTING AND FINANCIAL PERFORMANCE: A RESEARCH ON PARTICIPATION BANKS IN TURKEY AND SOUTH AFRICA

Extended Abstract

Introduction

Integrated reporting is referred to as a new enterprise reporting approach. Studies on integrated reporting are conducted by governments, regulatory and supervisory agencies, standard setters, academics, and many people and institutions. One of the subjects of this study is whether there is a relationship between the integrated reporting and the financial performance of the corporates. Therefore, the aim of this study is to determine whether there is a difference between the integrated reporting scores of the participation banks in Turkey and South Africa, is to determine the relationship between integrated reporting scores with firm size, asset turnover, net profit / sales ratios, profitability on equity, return on assets, financial leverage ratios and debt / equity ratio in both countries.

Methodology

It has been decided to investigate Reports on the participation banks operating in Turkey and South Africa as a research universe. The reason for the review annual reports of Turkey participation banks and South Africa participation banks is that corporates traded on the Johannesburg Stock Exchange (JSE) must be obliged to prepare and publish integrated reports from March 2010.

In this study, since the International Integrated Reporting Framework was released in December 2013, the annual reports for the 2014, 2015 and 2016 banks under investigation were subject to content analysis. Content analysis was carried out in 38 criterion lines which were prepared from the International Integrated Reporting Framework Content Documents and given in Table 3. Dummy variables were used to calculate the integrated reporting score as a result of the content analysis, if enough explanation is given by the company, 2 points, explanation is given but if it is not enough 1 point is given and if no explanation is given 0 point is given. As a result of the points, the integrated report score of the corporates was calculated by dividing the total number of points received by the corporate by the maximum number of points that the corporate can receive. An analysis of the correlation between the integrated reporting scores of the firms and the firm size and selected financial ratios was conducted to examine the relationship between integrated reporting and financial performance.

Results

Positive correlation was calculated between integrated reporting scores of Turkey participation banks and integrated reporting scores of South Africa participation banks in 2014, 2015 and 2016. Therefore, differences exist between the integrated reporting scores of participation banks operating in Turkey and South Africa. This difference is normal, given that companies operating in South Africa and traded in JSE have required to prepare integrated reporting since March 2010.

According to the analysis results for the determination of the relationship between integrated reporting scores and firms’, there is a positive correlation between the integrated reporting score and firm size at 0.05 level of significance level of 0.657 in 2015, there is a positive correlation between the integrated reporting score and firm size at 0.05 significance level of 0.731 in 2016.

According to the results of the analysis for determining the relationship between the integrated reporting scores and the asset turnover rates of the enterprises within the scope of the research, there is a positive correlation of 0.739 at the 0.05 level of significance between the integrated reporting scores of the corporates and asset turnover rates.

According to the results of the analysis for determining the relationship between the integrated reporting scores of the corporates and the profitability ratios, no correlation was found between the integrated reporting scores of the corporates and the profitability ratios between 2014, 2015 and 2016.

According to the results of the analysis of the relationship between integrated reporting scores and financial structure ratios of the corporates whose reports are examined in the survey, there was no significant

**Conclusion and Discussion**

One aim of the research was to determine whether there are differences between Turkey and South Africa in the preparation of integrated reporting. As a result of the analysis, it was determined that difference between the calculated integrated reporting scores of Turkey participation banks and of South Africa participation banks. If the importance given to integrated reporting thought to increase day by day, it is recommended to make the necessary arrangements in integrated reporting in Turkey.

In this study, a correlation analysis was performed between the integrated reporting scores of the companies and the firm size and selected financial ratios in order to examine the relationship between integrated reporting and financial performance. As a result of the analysis, it was seen positive relationship between integrated reporting scores and firms’ size. According to this result, it can be said that the tendency of integrated reporting is higher in corporations where total assets are higher than other corporations.

In addition, it has been determined that there was a positive relationship between the integrated reporting scores and the asset turnover rates of corporates in 2016 in the analysis for determining the relationship between the integrated reporting scores and the asset turnover rates of corporates. In 2014 and 2015, no correlation was found between integrated reporting scores and asset turnover rates. In this case, it can be said that the integrated reports prepared in 2014 and 2015 have increased the asset turnover rate in 2016.

On the other hand, no correlation was found between the integrated reporting scores and the profitability ratios, financial leverage ratios and debt / equity ratios of corporates. It can be said that this is because integrated reporting is a new corporate reporting approach.