

TRENDS OF NON-FINANCIAL CORPORATIONS LISTED ON BORSA ISTANBUL: RETHINKING CORPORATE OWNERSHIP AND GOVERNANCE UNDER COVID-19

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Abstract

How to cite this paper: Atici, G., & Gursoy, G. (2020). Trends of non-financial corporations listed on Borsa Istanbul: Rethinking corporate ownership and governance under COVID-19. *Journal of Governance & Regulation*, 9(3), 132-143. <http://doi.org/10.22495/jgrv9i3art10>

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ISSN Print: 2220-9352
ISSN Online: 2306-6784

Received: 25.07.2020
Accepted: 09.10.2020

JEL Classification: G32, G34, G38, E5, K4
DOI: 10.22495/jgrv9i3art10

The purpose of this study is to analyze trends of non-financial corporations listed on Borsa Istanbul (BIST) in terms of ownership structure for the period of 2002-2019. According to our findings, Turkish non-financial corporations reveal a concentrated nature as an example of family capitalism. Findings also reveal that initial public offerings are mainly from family-controlled corporations. This is noteworthy as corporations integrate more to the capital markets of Turkey. Besides, they get more disciplined as they subject to the regulations of the governing bodies and internalise corporate governance criteria. In terms of ownership mix, findings denote that non-financial corporations listed on BIST benefit from the advantages of conglomerates, cross-ownership, and foreign ownership in line with the literature. Contrary to several emerging economies, state-ownership has a minor share which renders strength and quality of governance level. The concentrated nature of corporations is believed to have a positive effect on governance mechanisms for controlling agency problems especially in the environment of uncertainty during COVID-19. Although Turkish capital markets have promising and progressing corporate governance mechanisms, steps to build up advanced digital governance mechanisms for the “digital new normal” should be taken as soon as possible.

Keywords: Ownership Structure, Ownership Mix, Ownership Concentration, Family Capitalism, Corporate Governance, COVID-19, Uncertainty, BIST, Agency Problem

Authors' individual contribution: Conceptualization - G.A. and G.G.; Methodology - G.G.; Writing - G.A.; Investigation - G.A.; Resources - G.A. and G.G.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

Stock markets are important distinguishing factors of financial systems. In most cases, they function as tools to take the pulse of economies. They go up and down according to a wide range of parameters but whether they go up and down or come and go,

the one thing that goes on forever is ownership of corporations. Ownership can be transferred from one generation to the next but corporations, in contrast to their owners' limited life, can retain their identity and live forever as a result of their separate legal form. This is the fact which makes the study of corporate ownership and control that important and interesting.

As an integrated mechanism to govern corporations, corporate governance has emanated to solve the conflict of interest between principal and agent. Inefficiency that arised from this interaction was addressed first by Adam Smith in his seminal work, *Wealth of Nations* (1776). Berle and Means (1932) examined conflicting interests by separating corporate ownership from corporate management which is also referred to as the separation of ownership and control. Authors argued that this separation enables executives to act in their self-interest rather than the interest of shareholders (Gillan & Starks, 2003). Jensen and Meckling (1976) defined agency cost as a combination of monitoring costs beared by the principal, bonding cost beared by agents, and residual loss that arise from the gap between the two. However, they also note that agency cost may emerge in any situation that requires cooperative action between parties. So, they pointed out the conflict of interest between stockholders and managers as an example of agency cost by underlining the close interaction of separated ownership and control and agency problem.

To eliminate conventional agency problems, several governance mechanisms are introduced such as ownership concentration, executive compensation, the board of directors, free cash flow management, takeovers, dual-class unifications, and legal investor protection (Villalonga, Amit, Trujillo, & Guzmán, 2015). Yet, as stated by Munisi, Hermes, and Randøy (2014), ownership structure has received relatively less attention within other mechanisms although it can be an important governance mechanism for controlling agency problem. Besides, in the context of emerging countries, ownership structure becomes more important since these countries have idiosyncratic characteristics. In parallel to this argument, some studies in corporate governance literature specify this fact by highlighting ownership concentration as a significant factor for effective corporate governance and shareholder value maximization (Stiglitz, 1985; Shleifer & Vishny, 1986).

By following the literature in this field, we try to shed light on the ownership structure trends of listed Turkish non-financial corporations on Borsa Istanbul (BIST). We gathered data from the Public Disclosure Platform of Turkey. The study covers the period of 2002-2019. In order to comprise all aspects of ownership structures, data is organized with a combined measurement approach. First, it constitutes ownership concentration and second, it encapsulates ownership mix variables. Our study contributes to the literature in several ways. We should note that as an emerging country, Turkey can be positioned under the bank-based financial systems. Nonetheless, authorities try to reach an internal balance by increasing the share of capital markets in the economy to benefit more from foreign direct investments (FDI) and global capital flows. Increasing capital markets' share is also important to channel local investors' savings to the real sector which is rather difficult for the above middle-aged group of investors. Our study provides a detailed look at the progress of capital markets in Turkey by covering the latest data to capture the changing ownership composition of corporations beginning from 2002. We believe this period is long enough as it comprises the effects of several internal

and external crises to see the changing trends. Turkish non-financial corporations reveal a concentrated nature as an example of family capitalism. Findings also reveal that initial public offerings are mainly from family-controlled corporations. This is noteworthy as corporations get more familiar with new financing tools and integrate more into the capital markets. Besides, they get more disciplined as they subject to the regulations of the governing bodies and internalise their corporate governance criteria. Findings of ownership mix suggest that non-financial corporations listed on BIST benefit from the advantages of conglomerates, cross-ownership and foreign ownership. Contrary to several emerging economies, state-ownership has a minor share which denotes the strength of corporations and the quality of corporate governance level. The concentrated nature of corporations is believed to have a positive effect on governance mechanisms for controlling agency problem especially in the environment of uncertainty during COVID-19. Although Turkish capital markets have promising and progressing corporate governance mechanisms, steps to build up advanced digital governance mechanisms for the "digital new normal" should be taken as soon as possible. Our study contributes to the literature also by stipulating the course of action under COVID-19 with regard to corporate governance and control issues.

The study proceeds as follows: first, we present the theoretical background in Section 2. Section 3 gives a brief overview of BIST. Section 4 presents a legal overview of corporations in Turkey. Section 5 introduces the methodology. Section 6 analyzes the findings of the study. Section 7 discusses corporate ownership, corporate governance, and regulation issues under COVID-19. Concluding remarks and perspectives for future research are presented in Section 8.

2. THEORETICAL BACKGROUND

There are considerable differences between emerging and developed economies in terms of their level of economic and financial development. As presented by Boubaker and Nguyen (2014), the said difference reflects itself on the macro indicators related to corporate governance, such as foreign direct investment as a percentage of GDP, market capitalization as a percentage of GDP, and stock traded percentage of market capitalization. Differences also unveil themselves in the development of financial markets, its institutions, corporations, and the implementation of laws and regulations.

According to Claessens and Yurtoglu (2013), corporate governance issues in emerging markets vary from those in advanced countries due to still-developing financial markets, poor access to financing, concentrated ownership structure, and low institutional ownership. The corporate governance framework of Anglo-Saxon countries can be depicted by rules, markets, and outsiders. On the contrary, corporate governance schemes of emerging economies are overwhelmingly dominated by families, business groups, banking institutions, and governments.

Based upon the ideas of North (1991), Helmke and Levitsky (2003) define informal institutions as unwritten rules that shape incentives. They are created and enforced outside the official channels. Nevertheless, formal institutions present laws, regulations, and bureaucracies that are openly codified and known through official channels. Emerging economies comprise both informal and formal governance mechanisms. Authors argue that informal governance mechanisms may support or hamper formal governance mechanisms. Peng and Jiang (2010) remark ownership concentration as an informal way to support formal governance mechanisms. But it may work in the opposite way, as well. In countries with developed institutions, family general manager may build up stronger internal governance, better access to financial resources where the benefits of informal governance outweigh its cost. However, in less developed countries' institutions, the family general manager may act on the benefit of controlling families while exploiting the rights of minorities.

Estrin and Prevezer (2011) focusing on BRIC countries note that in China and in some states of India, informal institutions replace the ineffective formal ones to improve corporate governance that will increase local and foreign investment. However, in the case of Russia, where informal economies compete with each other, informal mechanisms undermine formal institutions which deteriorate shareholder rights and investor relations. Finally, they define Brazil as having accommodating informal institutions that get around the effectively enforced but restrictive formal institutions.

According to their analysis on ASEAN countries and China, Arouri, Boubaker, and Nguyen (2013) found that several markets within the group exhibit high market concentration. This finding is in parallel with the findings of La Porta, Lopez-De-Silanes, and Shleifer (1999) which state that corporate ownership is highly concentrated in Asia due to the predominance of family control and government control in listed companies (Claessens, Djankov, & Lang, 2000).

With regard to ownership mix, Bebchuk, Kraakman, and Triantis (2000) interpret cross-ownership as a vehicle that allows minority shareholders to maintain control, while they hold a relatively small portion of equity. Peng and Jiang (2010) argue that from an institutional perspective, when institutional arrangements are strong, cross-ownership may enable effective market coordination, sharing of knowledge, enhancing investment opportunities, and sharing of skills and capabilities for mutual good. But if institutional arrangements are weak it may yield less gain for the parties.

Rajan and Zingales (1998), state that family capitalist systems may have inadequacies when it comes taking benefit of capital inflows from abroad. Foreign investors may have enough experience and expertise to manage several problems of family capitalist systems with their weaker national institutional ties and they may adopt policies that will fit the local economy's production regimes and they may also pioneer the change with regard to

emerging practices that will add to the local corporate governance mechanisms (Morgan, 2012).

Isik and Soykan (2013), based on a study for the period of 2003-2010 for industrial corporations in Borsa Istanbul found that large shareholders have a significantly positive effect on the performance of corporations. They add that concentrated ownership overcomes conflict of interest between small shareholders and managers.

Ciftci, Tatoglu, Wood, Demirbag, and Zaim (2019), in their study with non-financial listed corporations in Borsa Istanbul, covering a data set for the period of 2010-2013 suggest that analyzed data presents family capitalism. They argue that the dominance of families leads to better performance which requires shouldering of poor performers. They report a positive effect of foreign ownership but no effect of cross-ownership on market performance.

3. AN OVERVIEW OF BORSA ISTANBUL AND INITIAL PUBLIC OFFERINGS

Asian financial crisis of 1997 and corporate frauds like Enron (in 2001) and WorldCom (in 2002) have led to a new era for corporate governance. Countries have started focusing on the development of codes of corporate governance. In parallel to the global developments, the Capital Markets Board of Turkey has structured its corporate governance principles in 2003. During the process, it has examined OECD Corporate Governance Principles in the first place by considering the country-specific factors. Within this scope, corporate governance principles have amended in 2005. As a milestone, the new Capital Market Law has completed in 2012. It is worth noting that, the new Turkish Commercial Code (2011) and the Turkish Code of Obligations (2011) are complementaries of the Capital Market Law which together built upon the same corporate governance principles.

Turkey is a dynamic emerging country with an average growth rate of around 4-5%. Due to the saving gap, the country generally has a current account deficit which makes foreign direct investment inflows an important source of financing. As of December 2018, more than 65,000 companies with foreign capital have been operated in Turkey (Investment Office of the Presidency of the Republic of Turkey, 2018). By strengthening its corporate governance framework along with legal infrastructure and incentives implemented, Turkey tries to increase her share from global inward FDI flows.

Though banking sector has an overwhelming share in the financial system of Turkey, capital markets try to expand their reach by improving and smoothing several processes by considering their effects. The number of listed corporations on BIST has increased over years as an indicator of the high growth potential of capital markets. As presented in Table 1, market capitalization/gross domestic product (GDP) hit the bottom at the onset of the global financial crisis, but it has managed to preserve an average level of 32% despite several internal and external shocks experienced in the years ahead.

Table 1. Foreign investors' share in BIST

Years	Number of listed companies	Market capitalization/GDP (%)	Foreign participation as of % of free-float market capitalization (%)
2002	288	15	45
2003	285	21	52
2004	297	24	57
2005	304	34	66
2006	316	30	65
2007	319	40	72
2008	317	19	68
2009	315	37	67
2010	338	43	66
2011	363	29	62
2012	406	39	66
2013	421	32	63
2014	422	36	64
2015	416	31	64
2016	405	26	63
2017	399	28	66
2018	402	22	65
2019	402	26	61

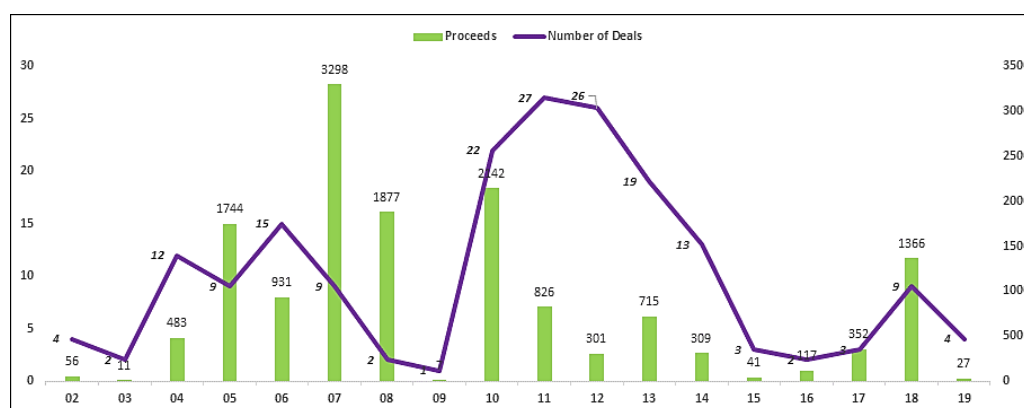
Source: Borsa Istanbul (BIST).

Initial public offerings (IPOs) have special importance for corporations to gain both internal and international competitive edge and global recognition. By this method, corporations could improve their governance mechanisms, enhance their credibilities, and ease the way to access liquidity. Corporations opt for this financing tool mainly against high inflation, increasing costs of debt, and exchange rate risk. Being on the other end of the transaction, investors could both diversify their portfolios and take advantage of the stock market as a promising investment venue to realize considerable gains. From a macro perspective, IPOs lead to effective resource allocation, increasing production and employment opportunities, and improving the democratization of capital. Referring to the figure below, IPOs sky-rocketed in 2007 as a result of proactive policies implemented by authorities. When the global financial crisis hit the market in 2008, BIST has launched an IPO campaign through a protocol to attract more Turkish corporations to offer their shares. This effort increased the number of listed companies on

BIST. Regulations, governing public offerings have been amended in 2010 to harmonize with European Union *acquis* and to ease IPO processes. While companies had to surpass a certain threshold of profit and shareholders' equity as part of listing requirements, exceptions were introduced in 2018, along with the option of revising the public offering price range in order to facilitate IPOs.

As a latest important step, BIST has removed two zeros from the BIST Equity Indexes in 2020 in order to provide rapid communication with foreign investors and to prevent the unconscious bias with regard to share prices (Borsa Istanbul, 2020).

To tackle the destructive effects of COVID-19, numerous countries including Turkey have taken measures in terms of monetary and fiscal policies. Central banks put interest rate cuts into practice in order to catalyze economic activities. While foreign investors prefer to be cautious because of uncertainty, BIST attracts especially the appetite of local small investors that are in search of yield in a negative real interest environment.

Figure 1. Number of deals and proceeds from IPOs for the period of 2002-2019 (million USD)

Source: Borsa Istanbul (BIST).

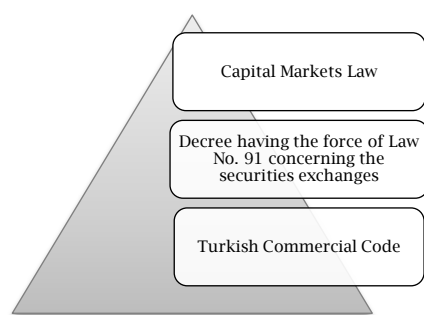
4. A LEGAL OVERVIEW OF CORPORATIONS IN TURKEY

Turkey's corporate governance mechanism has significantly evolved in the last two quarters of

the 20th century. The Capital Market Law was enacted in 1980 and the Capital Market Board was established a year later. Capital Market Law and complementary regulations have laid behind the establishment of the Istanbul Stock Exchange (1985).

The new Turkish Commercial Code, which has come into effect in July 2012, is one of the milestones along with the European Union compliance process. During that period, improved corporate governance mechanisms have amplified both investor confidence and the sustainable development of corporations. Strengthened with laws and regulations, Istanbul Stock Exchange has restructured under the roof of Borsa Istanbul in 2013, to provide more liquidity, to add more depth to capital markets, and to form strategic alliances (Atici & Gursoy, 2015).

Figure 2. The legal framework of Turkish capital markets



Source: cmb.gov.tr

The legal framework of the Turkish capital markets stands on three major building blocks as presented in Figure 2. Capital Market Board of Turkey as the regulatory and supervisory authority is empowered by the Capital Markets Law.

- The objective of the Capital Market Law is to regulate and control the secure, transparent, efficient, stable, and fair functioning of capital markets and to protect the competitive environment and rights and interests of investors. Joint-stock companies with a shareholder number exceeding five hundred are deemed publicly-held. These companies are also subject to the provisions applied to publicly-held corporations. Joint-stock companies are obliged to apply to the stock exchange within two years as of gaining the status of a publicly-held corporation in order to have their shares traded on the exchange (Capital Market Law, 2012).

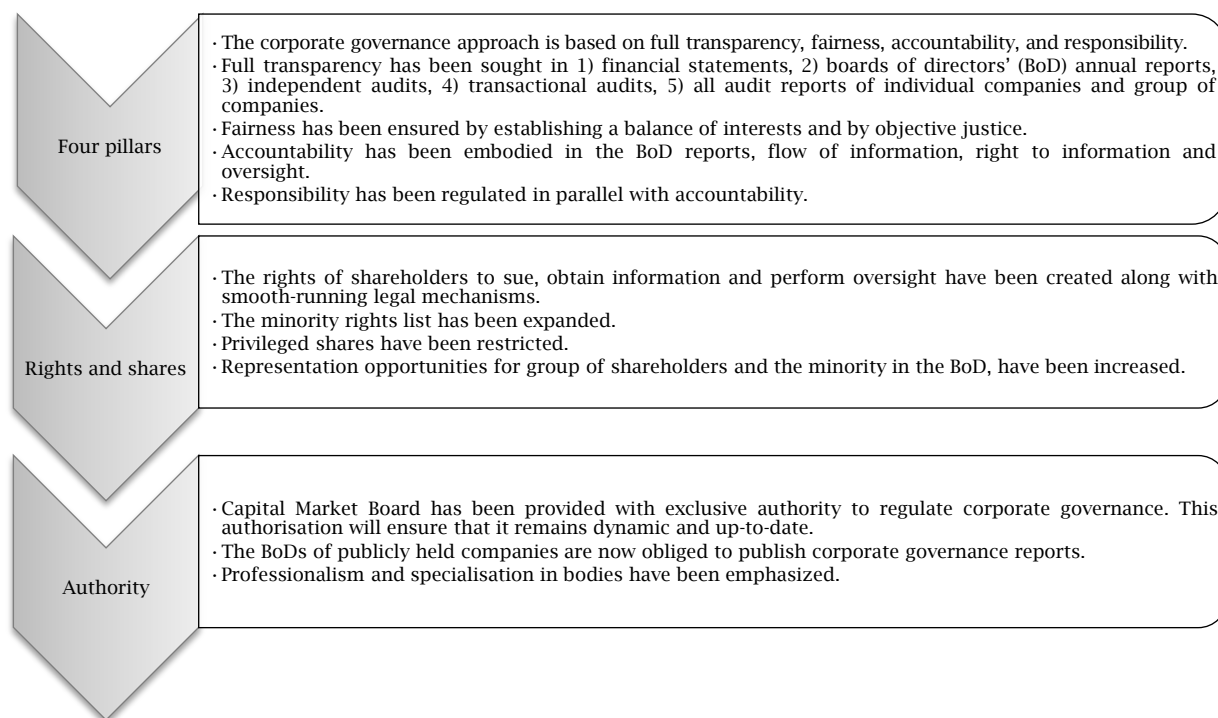
- Principles for the establishment, operation, and the audit of stock exchanges were determined by the Decree having the force of Law No. 91 enacted in 1983 (Borsa Istanbul, 1983). The legal structure pertaining to the operation of the secondary markets was formulated under the said Decree.

- The former Turkish Commercial Code, enacted in 1956 (Turkish Commercial Code, 1956), regulates the establishment and operation of companies, defines and regulates financial instruments in general. Thus, joint-stock companies that are subject to the Capital Market Law, were also required to comply with the provisions of the Commercial Code whenever there was no provision in the Capital Markets Law.

The new Turkish Commercial Code has come into force in 2012 in order to reach international standards and to be in line with the European Union legislation. It introduces many changes within the concept of corporate governance such as democracy among shareholders, responsibilities of the board of directors, group companies, risk management, international standards in accounting, and financial reporting. In the new code, corporate governance is defined as a principle that should be applied in all companies. It aims to vitalize investor confidence and ensure sustainable development. It introduces material provisions regarding good management and internal and independent audit that are to be applied to all joint-stock companies. The regulation of corporate governance under the new Turkish Commercial Code is summarized in Figure 3. Although, investors are free to choose the business structure that they wish to pursue, some of the companies are subject to compulsory establishment types according to relevant laws and regulations. Banks, insurance companies, holding companies are some of the businesses that need to be established as joint-stock companies. Joint-stock companies and limited liability companies are the most commonly seen types of company structures in Turkey. The new Turkish Commercial Code and its harmonization with European Union laws play an essential role in the increasing number of company establishments during recent years.

An important reform which has been brought with the new Turkish Commercial Code is the opportunity to establish a limited liability company or a joint-stock company as a single person. This is called the corporatization of the current and newly established companies. Single-shareholder which has been existing in many other jurisdictions for a long time plays an essential role especially for foreign investors that are required to find a second shareholder in Turkey.

The simplified and accelerated incorporation process, online company establishment system, minimized bureaucracy, and the opportunity of conducting online general meetings are other amendments to realize an essential law reform in Turkey.

Figure 3. The regulation of corporate governance under the new Turkish Commercial Code

Source: New Turkish Commercial Code (2012).

5. METHODOLOGY

We aim to explore trends of the ownership structure of Turkish non-financial corporations listed on BIST. Data is gathered from the Public Disclosure Platform of Turkey for the period of 2002-2019. Initially, we should note that number of corporations covered in the study increases from 147 to 265 within the analyzed period. In order to comprise all aspects of ownership structures of Turkish non-financial corporations, data is organized by using a combined measurement system, which incorporates ownership concentration and ownership mix variables (Xu & Wang, 1997). Ownership concentration refers to the distribution of shares owned by a certain number of individuals, institutions, or families. On the other hand, the ownership mix is related to the presence of certain groups amongst shareholders such as foreign partners and state.

We measure ownership concentration with three variables namely the percentage of the shares held by the largest shareholder (*LSH1*), the cumulative percentage shares of the largest three shareholders (*LSH3*) and the cumulative percentage of shares held by diffused shareholders (*OTHER*). Cumulative percentage of shares held by the largest "n" number of shareholders is commonly used as an ownership concentration measure in the literature. However, based on the market characteristics, different authors include different "n" number of largest shareholders (Demsetz & Lehn, 1985; Prowse, 1992; Hovey, Li, & Naughton, 2003; Claessens et al., 2000; Earle, Kucsera, & Telegdy, 2005). In this study, the largest three shareholders are taken into consideration. It is believed that this best captures all dimensions of ownership concentration when Turkish market characteristics are taken into consideration.

6. ANALYSIS AND FINDINGS

The average percentage shares of ownership concentration variables and annual means are presented in Table 2. Findings reveal that mean of *LSH1*, which is 49%, increases to 63% when *LSH3* is considered. These values demonstrate the concentrated nature of listed non-financial Turkish corporations. The ownership measure of *OTHER* supports our finding, showing an average percentage of shares owned by dispersed small shareholders with a value of 35%. This result is in line with that of Ciftci et al. (2019). According to the findings, the number of corporations is increased by 80% between the years 2002-2019. Change in ownership composition almost overlaps with the changing financial conditions. Corporations mostly preferred to hedge themselves by reorganizing their shares amongst major shareholders during the years of the global financial crisis and afterwards. This finding is in parallel with the findings of Isik and Soykan (2013).

Non-financial corporations are examined for a group of ownership concentration variables as shown in Figure 4. In the analyzed period, 46% of the total number of corporations listed on BIST is owned by a single owner who controls more than 50% of shares of the company. On the other hand, 29% of the total number of corporations is owned by a single owner holding more than 30% but less than 50% of the shares. The situation is changed when we consider the largest three shareholders' ownership concentration. In this case, 77% of the total number of corporations listed on BIST is owned by the largest three shareholders that hold more than 50% of shares. The ratio is shrunk to 14% for the number of corporations holding more than 30% but less than 50% of shares. Findings are supported

by the *OTHER* variable. Herein, 18% of corporations are owned by diffused shareholders who hold more than 50% of the shares. On the other side, 37% of the corporations are owned by the small diffused shareholders that own more than 30% but less than 50% of shares. These findings are in line with that of Claessens and Yurtoglu (2013) with one exception. Authors underline the dominance of families,

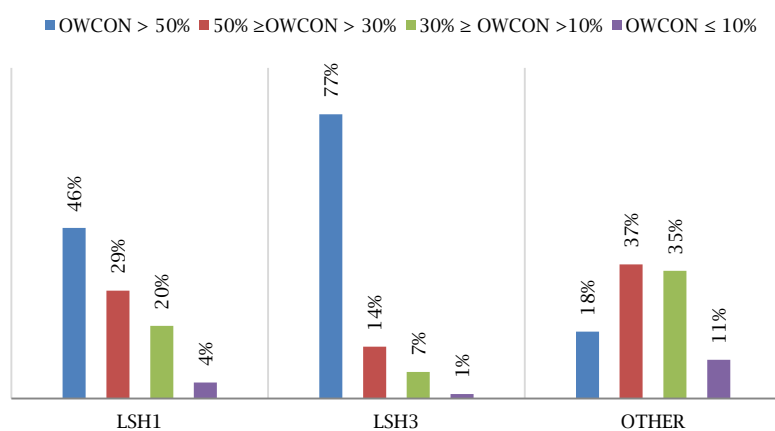
business groups, banking institutions, and governments on the corporate governance schemes of emerging economies. In our case, we should note that families and business groups have strong effects on the corporate governance mechanisms of corporations. But we should also state that government has almost no control over corporations which is contrary to the findings of the authors.

Table 2. Average percentage shares of ownership concentration variables (2002-2019)

Year	Total N (#)	LSH1	LSH3	OTHER
2002	147	0,475	0,622	0,338
2003	148	0,488	0,622	0,336
2004	157	0,459	0,598	0,350
2005	158	0,467	0,609	0,337
2006	160	0,472	0,607	0,350
2007	191	0,481	0,617	0,312
2008	223	0,495	0,645	0,314
2009	247	0,515	0,664	0,303
2010	266	0,514	0,657	0,308
2011	273	0,500	0,645	0,328
2012	274	0,488	0,621	0,358
2013	276	0,485	0,646	0,351
2014	269	0,487	0,642	0,357
2015	249	0,487	0,637	0,360
2016	257	0,490	0,642	0,357
2017	257	0,488	0,629	0,370
2018	263	0,472	0,611	0,388
2019	265	0,465	0,600	0,400
Mean	226	0,485	0,629	0,345

Notes: Ownership concentration (OCON) variables, LSH1 - Share of the largest shareholder; LSH3 - Total shares of the largest three shareholders; OTHER - Shares held by diffuse shareholders.

Figure 4. Classification of corporations under different ownership concentration types (2002-2019)



Notes: LSH1 - Share of the largest shareholder; LSH3 - Total shares of the largest three shareholders; OTHER - Shares held by diffused shareholders; OWCON - Ownership concentration.

Table 3. Ownership mix (other aspects of ownership notion)

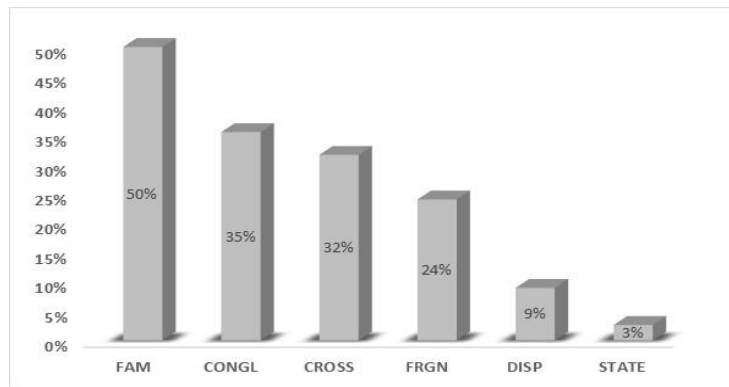
CONG	Conglomerate defines whether a corporation is a member of a conglomerate or not.
FAM	Family introduces whether a corporation is controlled by a family or a group of families.
FRGN	Foreign presents the share of foreign ownership within a company.
STATE	The state defines whether a firm is controlled by state agencies or not.
CROSS	Cross relates to corporations with a complex ownership structure. In this type of ownership, a corporation may own some percentage of shares of his parent company.
DISP	Dispersed denotes corporations, which are controlled by diffused shareholders. In this case, neither a single person nor a group has the privilege to control the company.

Source: Authors' elaboration.

According to Figure 5, 50% of the listed non-financial Turkish corporations are controlled by families. Conglomerate affiliates follow them with a share of 35%. Since most of the conglomerates are also governed by families, we can argue that family

ownership is one of the dominating and distinguishing characteristics of Turkish non-financial listed companies which is an example of family capitalism.

Figure 5. Mean of ownership mix (2002-2019)



Notes: Conglomerate affiliation (CONG), Family ownership (FAM), Foreign ownership (FRGN), Cross ownership (CROSS), State ownership (STATE), and Dispersed ownership (DISP).

Conglomerates provide important advantages to their affiliates. Large conglomerates have the flexibility of diversifying business risk and interest by participating in a number of different markets. Conglomerates may also allocate additional funds when an affiliate has difficulties in terms of financial resources and also when it is more efficient to shift funds to other business fields. Turkish listed non-financial corporations benefit from the advantages of conglomerates.

As another important variable, cross ownership is a corporate governance mechanism that is generally used by conglomerates in order to provide financing and it provides interdependence among affiliates. Thus, a corporation can be listed as family-owned but may also have cross ownership. Cross ownership addresses a significant level of Turkish non-financial corporations with a share of 32% for the analyzed period. In parallel to the findings of Peng and Jiang (2010), Turkish listed non-financial corporations benefit from effective

market coordination, knowledge, investment opportunities, skills, and capabilities that are provided by cross-ownership though it is reported as having no effect on the market performance of corporations in Turkey by Ciftci et al. (2019).

Figure 6 and Figure 7 are presented in order to make an in-depth analysis. According to Figure 6, family-owned corporations, conglomerate affiliates, and cross ownership have a considerable increasing trend during the period while dispersed and state ownership have a stable stance. Increasing trends suggest that family corporations keep exploring BIST to become listed corporations. This contributes both to corporations and to the economy as a whole. First and foremost, family corporations get familiar with new financing tools and benefit from these tools as they integrate more into the capital market. Second, they get more disciplined as they subject to the regulations of the governing bodies. For sure, this process contributes companies to internalise corporate governance criteria more.

Figure 6. Trends of numbers based on ownership mix variables (2002-2019)

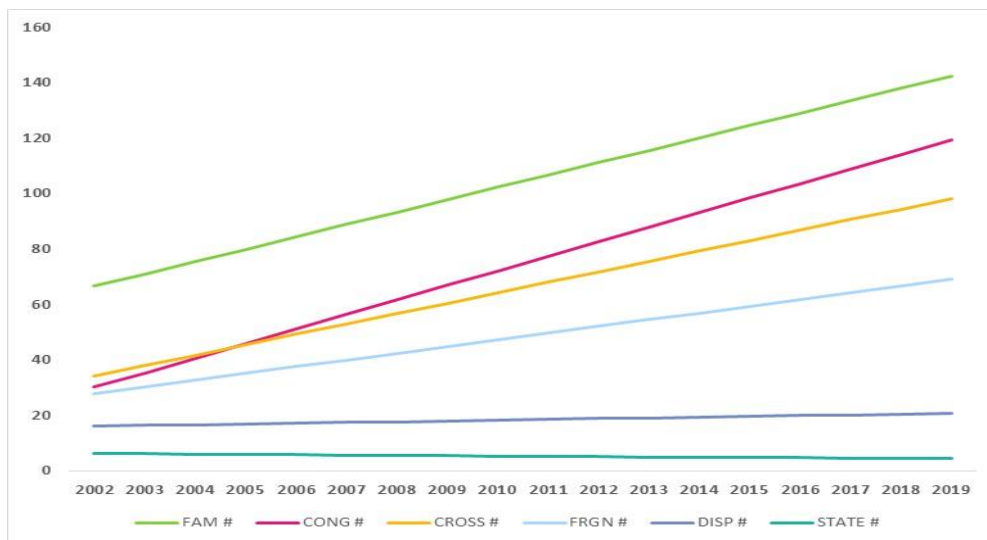
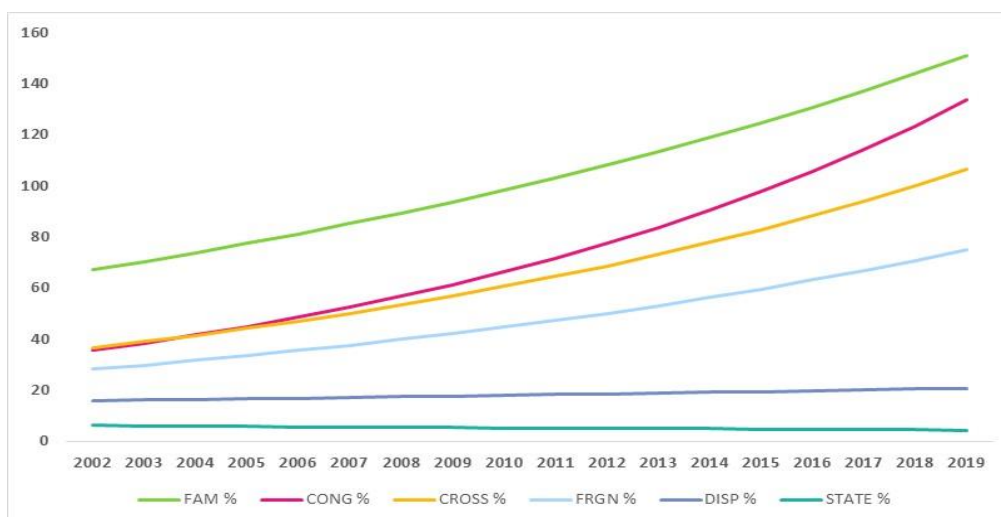


Figure 7. Growth of numbers based on ownership mix variables (2002-2019)

As a complement to Figure 6, Figure 7 presents the convergence of conglomerate corporations to family corporations. We can assert that family-owned corporations tend to prefer going public and corporations increasingly benefit from the advantages of conglomerates.

Foreign ownership categorizes corporations based on the existence of foreign direct investment in their equity structure. The number of corporations with foreign ownership increased from 25 in 2002 to 61 in 2019. Both trend and growth propose an increasing pattern during the analyzed period. According to Figure 5, cross ownership has a mean of 32% within the Turkish listed non-financial corporations. Both increasing trends in terms of numbers and growth highlight that in accordance with the findings of Morgan (2012), Turkish listed non-financial corporations prefer to benefit from foreign capital with regard to the resource, expertise, experience, and pioneering effect of these professional investors.

State-owned corporations constitute 3% of the data. As Yu (2013) suggests, a high concentration of state ownership help corporations to get benefit from the government's support and political connections. Alfaraih, Alanezi, and Almujaed (2012) find that state ownership negatively affects firm performance as it tends to have political motivation rather than market drive. Both trend and growth figures present a very low and stable look for State variable which reflects the strength of corporations and quality of governance level.

The disbursed ownership variable categorizes widely held corporations that are owned by diffused shareholders. In Turkey, small shareholders are not playing a major role in capital markets within non-financial listed corporations. They have a mean of only 9%. Both trend and growth figures confirm this fact which is in line with the findings of several emerging economies.

7. RETHINKING OWNERSHIP STRUCTURE, CORPORATE GOVERNANCE, AND REGULATION ISSUES UNDER COVID-19

While some authors compare the pandemic with the Great Depression and Great Recession, we should note that there are considerable differences between

these three in terms of their causes and consequences. Economies try to tackle with the abnormal side-effects of the pandemic via monetary and fiscal policies. As a consequence of these policies, one of the most important central banks, FED has expanded its balance sheet to 7 trillion dollars as of June 15, 2020, from the level of 4 trillion dollars of 2013 (FED, 2020). European Central bank as another important monetary authority keeps taking measures to fight the negative effects of the pandemic with a balance sheet that has expanded to 5 trillion euros from the level of almost 2,5 trillion euros of 2013 (ECB, 2020). A majority of central banks either decrease or preserve the current level of the policy rates in order to stimulate their economies. Besides monetary policies, countries also take steps on the fiscal side by freezing or reducing tax payments, rental payments, increasing incentives and subsidies, forbidding layoffs, or by delaying debt payments for a specific period of time.

Besides its macro effects, COVID-19 has created very profound challenges for companies on the micro side. As of the pandemic, the board of directors that are charged with overseeing the short and long-term health of corporations and their business prospects have another responsibility in terms of monitoring the progress of the crisis in order to respond to challenges and risks posed by the pandemic (Kucera, Simala, & Noreuil, 2020).

Turkish authorities have taken some critical steps to protect corporations in this setting such as facilitating online board meetings, limiting dividend payments with a specific ratio of profit, suspension of debt payments, debt rescheduling, and debt restructuring in various circumstances. Although these developments are quite important, boards of corporations should prepare for the "new normal" with comprehensive road maps. One of the most important preparation of a board under "new normal" should be having a disaster plan to ensure the safe operation of the corporation. The disaster plan should cover all the factors that would be needed for the operations of the board and the company. It should be studied under several scenarios. Plans should be dynamic and should be reviewed in regular intervals as a routine of the board in order to be ready for any change.

Reportings to the board should cover subjects of COVID-19 and COVID-19-related economic and financial issues. Boards should place emphasis on innovation, cyber-security, digitalization, blockchain, distributed ledger technologies, smart contracts especially in the supply chain, production, payment system, and relations with third-parties. Boards should organize ways to keep investors update even under extraordinary circumstances. Although Turkish capital markets have promising and progressing corporate governance mechanisms, steps to build up advanced digital governance mechanisms for the “digital new normal” should be taken as soon as possible.

As it is experienced during the pandemic, regulators lag behind the developments which made the situation much worse on several occasions in several countries. So, we want to emphasise the critical importance of countrywide proactive approaches instead of reactive efforts.

8. CONCLUSION

In this study, we aim to analyze trends of non-financial corporations listed on BIST in terms of ownership structure for the period of 2002-2019. According to our findings, Turkish non-financial corporations reveal a concentrated nature as an example of family capitalism. This finding is in line with the peer countries of Turkey. The concentrated nature of corporations is believed to have a positive effect on governance mechanisms for controlling agency problem especially in the environment of uncertainty during COVID-19.

Based on trend and growth analysis, half of the listed non-financial Turkish corporations are controlled by families. Family-owned corporations increasingly benefit from the advantages of conglomerates. Conglomerates provide important advantages to their affiliates. They have the flexibility of diversifying business risk and interest by participating in a number of different markets. They may also allocate additional funds when an affiliate has difficulties in terms of financing resources and also when it is more efficient to shift funds to other business fields. Findings also reveal that initial public offerings are mainly from family-controlled corporations. This finding suggests that family corporations keep exploring BIST to become listed corporations. This contributes both to corporations and to the economy as a whole. First and foremost, family corporations get familiar with new financing tools and benefit from these tools as they integrate more into the capital markets. Second, they get more disciplined as they subject to the regulations of the governing bodies and internalise corporate governance criteria.

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As another important finding, cross ownership has a significant level in Turkish non-financial corporations with a share of 32% for the analyzed period. Turkish listed non-financial corporations seem to take the advantage of effective market coordination, knowledge, investment opportunities, skills, and capabilities that are provided by cross-ownership which is in line with the related literature.

Both increasing trends in terms of numbers and growth highlight that in accordance with the literature, Turkish listed non-financial corporations prefer to benefit from foreign capital with regard to the resource, expertise, experience, and pioneering effect that professional stakeholders bring. Contrary to several emerging countries, the low and stable share of State variable reflects the strength of corporations and the quality of governance level.

The disbursed ownership variable categorizes widely held corporations that are owned by diffused shareholders. In Turkey, small shareholders are not playing a major role in capital markets within non-financial listed corporations which is another finding in line with emerging economies.

Since March 2020, COVID-19 has created profound challenges for companies on the micro side besides its negative effects on the macro level. In such a situation we expect very crucial changes in corporate ownership, governance, and regulation in the short and medium run. Turkish authorities have taken some critical steps to protect corporations in this setting such as facilitating online board meetings, limiting dividend payments with a specific ratio of profit, suspension of debt payment, debt rescheduling, and debt restructuring in various circumstances. Although these developments are quite important, boards of corporations should prepare for the “new normal” with comprehensive road maps. One of the most important preparation of a board under “new normal” should be having a disaster plan to ensure the safe operation of the corporation. Although Turkish capital markets have promising and progressing corporate governance mechanisms, steps to build up advanced digital governance mechanisms for the “digital new normal” should be taken as soon as possible.

While our study sheds light on the trends of ownership structure in non-financial corporations listed on BIST, it is subject to some limitations. The effects of COVID-19 on analyzed variables could not be included in the study. A new dataset covering both the effects of pandemic and the effects of digitalisation on governance mechanisms may also be a valuable contribution to the research. Finally, a comparative study covering Turkey and its peers would yield a deeper insight and perspective as a future research.

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