



TÜRKİYE CUMHURİYETİ
ADANA ALPARSLAN TÜRKİŞ SCIENCE AND TECHNOLOGY
UNIVERSITY

GRADUATE SCHOOL
INTERNATIONAL TRADE AND FINANCE DEPARTMENT

THE EFFECT OF EXPORTS ON FIRM FINANCIAL PERFORMANCE

AYŞENAZ KEYİFLİ

M.Sc.



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ADANA, 2025

DECLARATION OF CONFORMITY

In this thesis study, which was prepared following the thesis writing rules of Adana Alparslan Türkeş Science and Technology University Institute of Graduate School, I declare that I provide all the information, documents, evaluations and results in accordance with scientific ethics and moral codes without resorting to any means or assistance that would be contrary to scientific ethics and traditions. I also declare that I refer to all of the articles I used in this study with appropriate references and accept all moral and legal consequences if a situation is found contrary to my statement regarding my work.

Ayşenaz Keyifli

ÖZET

İHRACATIN FİRMA FİNANSAL PERFORMANSINA ETKİSİ

Ayşenaz KEYİFLİ

Yüksek Lisans, Uluslararası Ticaret ve Finans Anabilim Dalı

Danışman: Doç. Dr. Bahadır ERGÜN

Ocak 2025, 52 sayfa

Bu çalışma, ihracat yoğunluğunun firmaların finansal performansı üzerindeki etkisini araştırmaktadır. Analizde 2005-2019 döneminde Borsa İstanbul'da listelenen imalat sektöründeki 208 ihracatçı firmanın verileri kullanılmıştır. Bağımlı değişken olan finansal performans, faaliyet karı kullanılarak ölçülmüştür ve anabağımsız değişken ihracat yoğunluğudur. Çalışma, klasik panel veri regresyon analizi yoluyla, ihracat faaliyetlerinin finansal performans üzerinde istatistiksel olarak anlamlı ve pozitif bir etkiye sahip olduğunu bulmuştur. Ancak, daha yüksek borç seviyelerinin performans üzerinde istatistiksel olarak anlamlı ve negatif bir etkisi vardır. Firma büyüklüğü ve yaşı pozitif ancak istatistiksel olarak önemsiz etkiler göstermektedir.

Anahtar Kelimeler: finansal performans, ihracat yoğunluğu, panel veri analizi

ABSTRACT

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M.Sc., Department of International Trade and Finance

Supervisor: Assoc. Prof. Dr. Bahadır ERGUN

January 2025, 52 pages

This study investigates the effect of export intensity on the financial performance of firms. The analysis employed data from 208 exporting firms in the manufacturing sector listed on Borsa Istanbul during the period 2005-2019. The dependent variable, financial performance, was measured using operating profit. The main independent variable is export intensity. Through panel data regression analysis, the study found that export activities have a statistically significant and positive impact on financial performance. However, higher debt levels have a statistically significant negative effect on performance. Firm size and age exhibit positive but statistically insignificant effects.

Keywords: financial performance, export intensity, panel data analysis

ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to my mother, Leyla H    , my husband, Onur Keyifli, my baby, İpek Ada Keyifli, Ms.   zge K  reksiz, and Ms. Zarife Nur Ő en for their invaluable support and assistance with my thesis..

I would like to thank my advisor, Assoc. Prof. Dr. Bahadır Erg  n, for his continuous support and guidance throughout my master life and thesis writing process. His advice made writing my thesis easier, and his support extended beyond academics, making me feel a part of academic life.

I would also like to thank Assoc. Prof. Dr.   mer Tuęsal Doruk for his contributions, particularly in the econometric analysis section.

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LIST OF ABBREVIATIONS

CC	: Cost of Capital
CFROI	: Cash Flow Return on Investment
EPS	: Earnings Per Share
EVA	: Economic Value Added
FDI	: Foreign Direct Investment
IRR	: Internal Rate of Return
LEV	: Leverage
MV	: Market Value
MVA	: Market Value Added
NICs	: New Industrialized Countries
NOPAT	: Net Operating Profit
P/E	: Price/ Earning Ratio
ROA	: Return On Assets
ROE	: Return On Equity
ROIC	: Return On Invested Capital
SME	: Small and Medium Enterprises
SVA	: Shareholder Value Added
WACC	: Weighted Average Cost of Capital

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LIST OF SYMBOLS

β_1	: Coefficients of export variables
β_2	: Coefficients of leverage variables
β_3	: Coefficients of size variables
β_4	: Coefficients of age variables
α	: Intercept (Constant Term)
i	: Represents the cross-sectional unit
ε	: Error Term
t	: Represents the time period

1. INTRODUCTION

Assessing financial performance is one of the essentials for understanding a company's success and making strategic decisions. Analyzing financial performance helps businesses such as, enhancing their competitiveness, achieving sustainable growth, and mitigating economic fluctuations. It reflects a company's financial success over a given period and is typically evaluated through indicators such as revenue, profitability, liquidity, and efficiency. These measures allow businesses to assess their current situation, recognize strengths and weaknesses, and shape strategies for future development.

The rapid expansion of globalization and the increasing openness of trade borders encourage companies to explore international markets. In today's competitive landscape, exporting stands out as an effective way for businesses to grow and ensure long-term sustainability.

Exporting is considered one of the most fundamental and low-risk methods for entering international markets (Bernard & Jensen, 2004). By selling their products abroad, companies not only reach new markets but also gain greater operational flexibility and reduce risks through diversification. In this context, exporting plays a significant role in shaping financial performance.

This study explores the impact of exports on firm financial performance at the micro level. Existing literature widely suggests that exporting firms gain a competitive advantage in terms of profitability, productivity, growth, and financial sustainability (Leonidou, Constantine, & Saeed, 2002). Exporting enables firms to benefit from economies of scale, lower costs, and increase revenues by accessing new markets. Moreover, firms operating in international markets can enhance their competitiveness by achieving higher productivity levels (Wildan, Imron, & Siswati, 2021).

This study aims to reveal the effect of exporting on the firms' financial performance. In the rest of the thesis study, financial performance and exports concepts are explained and the literature related to this topic is given. Finally, an econometric analysis is performed to test the effect of export intensity on the financial performance of the Turkish listed firms.

2. FINANCIAL PERFORMANCE

In the general business literature firm performance may be one of the most studied topics. In this line financial performance has been attracting the researchers in the field of finance. With this point of view, the concept of firm performance and then financial performance are explained in this section.

2.1. Importance and Concept Of Performance

Performance can be expressed as the degree of success the business has achieved over a given period of time (Kaya & Gülhan, 2010) as well as a measurement of the level of reaching a target.

Performance in a modern management approach is a multidimensional concept that defines the success of a business, in other words, the level of achieving the objectives of the business (Mistepe, 1998).

Nowadays, rapid and constant change significantly affects businesses. Therefore, businesses need to measure and improve their performance to adapt to the changes (Zerenler, 2003).

The most important way to achieve control, a key function in business management, is through the measurement and management of performance. The results obtained from performance measurement directly influence decisions made by both managers and other stakeholders regarding the business, ultimately shaping its future. Performance management helps managers identify better opportunities and use resources more effectively. Therefore, performance measurement and management play a crucial role in business management. (Coşkun, 2005).

It is essential for businesses to evaluate and analyze their performance in order to set future goals, control operations, and allocate resources effectively. Critical performance indicators must also be measured to optimize business management. Through performance evaluation, businesses assess their assets and resources, enabling them to be developed and utilized more effectively. (Bayyurt, 2007).

Coşkun (2006), studied the top 500 industrial companies in Türkiye to understand what makes performance better. It has been determined that the most important reason for performing performance measurement is “to reveal problem areas and to identify areas that can be improved”. Moreover, according to the same study, the second and third most important reasons

are "to understand whether the planned developments in the processes and processes have taken place" and "to determine whether the company is successful in general". Performance measurement helps to implement the strategies developed by management and supports the strategic control system. This system is a long-term control system covering all institutional design and installation. The strategic control system aims to measure the functioning of the internal elements under the control of both businesses, as well as the impact of external elements that are outside the business's control (Parker, 2000).

Consequently, performance is a concept that measures what is achieved both quantitatively and qualitatively as a result of purposeful and planned activities. It can be expressed in absolute or relative terms. The concept of performance, which is crucial in many areas, has become increasingly important for companies.

2.2. Importance of Financial Performance

Performance refers to the assessment of the achieved goal in terms of both quantitative and qualitative measures. (Aktaş, 2017). This paper primarily focuses on focus is concerned with financial performance.

Performance criteria can be divided into two categories: financial and non-financial. Financial metrics are commonly used to assess performance (Kaplan & Atkinson, 1998).

Financial performance is a measure of a company's financial position and operational success over a specific period. It includes key financial statements such as the income statement, balance sheet, and cash flow statement to assess profitability, liquidity, efficiency, and solvency. Key metrics used to evaluate financial performance include return on assets (ROA), return on equity (ROE), net profit margin, current ratio, quick ratio, asset turnover, and the debt-to-equity ratio. These indicators provide insights into how effectively a company is utilizing its resources to generate earnings and manage its liabilities, offering valuable information for decision-making by managers, stakeholders, and investors. (Richard, Devinney, Yip, & Johnson, 2009).

Running and developing a business depends on its ability to compete effectively with rivals; therefore, understanding the concept of business competitiveness is essential. The accurate assessment of a business's competitiveness requires measuring and analyzing its financial performance (Acar, 2003). Along with the development of capital markets, the growing need

for monetary and credit institutions in financing, and the current expansion trend of businesses, financial analysis has become increasingly important.

Financial performance is the measure of how effectively an entity uses its assets and income to generate value (Fu, 2015). Financial performance demonstrates how efficiently a firm utilizes its assets to generate income and cash flow. Additionally, a company's financial performance is crucial not only for the organization but also for external stakeholders, such as individuals and institutions outside the enterprise. Especially credit institutions want to constantly know the financial performance of the customer business. It can be conducted from above explanations that, the financial performance results of a business are of great importance for business owners' managers, and creditors. Even in public enterprises, investors are closely concerned with the financial performance results of a business (Çam, 2008).

2.3.Measuring Financial Performance

Measuring a company's performance is crucial for improving the quality of products and services and for remaining competitive against other businesses (Karaman, 2009). Therefore, measuring financial performance is also essential for firms.

2.3.1. Traditional Measurement Of Financial Performance

Traditional performance measurement typically relies on past financial data to assess a company's current status and historical performance. Metrics such as profitability, balance sheet size, sales, costs, and production reflect the level of performance the company has achieved so far. However, this approach does not provide a comprehensive forecast of the company's future position. Therefore, an ideal performance metric should integrate both an analysis of past financial data and projections of future performance. Factors that may influence future performance, such as innovations, market trends, strategic investments, technological adaptation, and organizational agility, must also be considered. This approach would provide a more balanced and comprehensive perspective on both past performance and future growth potential (Carton, 2006). This section explains some selected traditional financial performance measures.

Sanalan Bilici (2019) analyzes the changes in equity profitability in the tourism sector over the years, with the aim of contributing to future projections. Based on data from the Central Bank of the Republic of Türkiye, the financial performance of 9,341 companies in the

accommodation and food and beverage sub-sectors between 2010 and 2016 was evaluated. The analysis focused on net profit margin (ROS), return on assets (ROA), and return on equity (ROE). It was found that there were no significant deviations in ROS, ROA, and ROE values between 2010 and 2014, and the loss in 2011 was recovered in 2012. The study also determined that the net profit margin (ROS) had a greater impact on equity profitability than return on assets (ROA). In particular, in 2016, due to a high net profit margin, both equity and asset profitability increased significantly, reaching their highest levels. This suggests that resources were used effectively and that businesses efficiently evaluated their profits. As a result, it was concluded that the profit from assets in 2016 was sufficient for equity and contributed to the overall performance improvement of the businesses.

Coşkun Erdoğan (2023) aims to analyze the impact of the COVID-19 pandemic on the financial performance of automotive industry companies listed on Borsa Istanbul. The study examines the profitability of these companies using the Dupont Control System, as well as ROA and ROE ratios. The financial data of 17 companies from 2016 to 2021 were analyzed, and changes in the ratios and account items between the pre- and post-pandemic periods were evaluated using independent sample t-tests and regression analysis. The results revealed that while the factors affecting equity profitability did not change during the pandemic, the impact levels of these factors varied.

De Wet (2013) examined the popularity and potential limitations of the earnings per share (EPS) measurement. The study highlights three major shortcomings of EPS: its inability to reflect shareholder value, EPS management, and its inherent bias toward positive EPS growth. Using a case study approach, the study analyzed the EPS growth of three public companies and identified four key components of EPS growth: inflation, reinvestment of profits and increased asset investment through debt, operating leverage, and financial leverage. The study also explains how to detect "excessive" EPS growth and concludes that none of the analyzed companies achieved positive "excessive" EPS growth.

Fijabi, Owolabi, Ajibade, and Ogedengbe (2023) examined the impact of financial management practices (debt, asset turnover, dividend payment, cash flow investment and working capital) on earnings per share (EPS) of publicly listed industrial goods companies in Nigeria between 2011 and 2021. Using regression analysis with data from annual reports as of December 31,

2021, and an ex-post facto research design, the study found that financial management practices significantly influenced the EPS of these companies.

Karadeniz and Koşan (2021) aim to examine the financial performance differences between tourism companies listed on Borsa Istanbul with high and low price/earnings (P/E) ratios. Using data from 2012 to 2018, the study calculated and compared the P/E, liquidity, financial structure, activity, profitability, growth, size, and stock return ratios of these companies. The Mann-Whitney U test results revealed statistically significant differences between companies with high and low P/E ratios in terms of stock turnover, return on assets, return on equity, net profit margin, profit growth rate, and stock returns.

Jayathilaka (2020) examines the concepts of operating profit and net profit, which are used to evaluate the profitability of businesses. The author states that operating profit is frequently used by managers in decision-making processes and reflects the income and expenses that the business can control. It is also emphasized that operating profit is a key indicator in assessing the performance of the business.

2.3.1.1. Return On Equity (ROE)

Return on equity (ROE) measures the earning power of equity. Since increasing shareholder value is the primary objective in finance, ROE is an important indicator of how much return the company's 1-unit equity has generated during the relevant period. (Ercan & Ban, 2005).

$$ROE = \frac{\text{Net Income}}{\text{Shareholder Equity}}$$

In some cases, the equity figures reported on the balance sheet may not accurately reflect a company's true capital. Equity values can be significantly low or even negative due to large losses incurred in previous periods or the presence of substantial reserves for various reasons. In such cases, market values may offer more meaningful insights into the company's capital. A company's equity can also be determined by calculating the difference between total net assets and liabilities. However, if there is an error in asset valuation or if total net assets are incorrectly calculated, the company's equity may be either overstated or understated (Akgüç, 2002).

2.3.1.2. Earnings Per Share (EPS)

Profit per share is a performance measure that reflects the earnings generated by a business for shareholders over a specific period. This ratio indicates the net profit per share for the company (Atrill, 2006). The ratio is particularly important for investors, as it helps determine whether the company's activities generate sufficient income for its owners or shareholders. The earnings per share ratio is calculated by dividing net profit by the average number of shares outstanding (Horne & Wachowicz, 1995).

$$\text{Earning Per Share} = \frac{\text{Net Profit}}{\text{Per Share}}$$

There are two primary methods in the literature for determining earnings per share. The first method calculates earnings per share using the company's current earnings, while the second method estimates earnings per share based on projected future earnings. In practice, the second method is often considered more realistic, as it involves evaluating the company's long-term performance (Çelik, 1999).

The negative impact of inflation on EPS should be considered when calculating this metric. Inflation directly affects the net profit for the period, and as a result, this ratio may not accurately reflect reality. Additionally, during capital increase years, EPS may shrink because the paid-in capital amount often lags behind inflation. Moreover, under this benchmark, two companies of similar size and with the same net profit may show differing EPS values, with the company having fewer shares outstanding reporting a higher EPS. This demonstrates that EPS can be misleading in certain contexts. (Bayrakdaroglu, 2009).

EPS is a simple and widely used metric for investors to calculate and interpret. However, it is often criticized for failing to establish a connection between the total resources generated by the company during a specific period and the profitability achieved in that same period (Bayrakdaroglu, 2009).

2.3.1.3. Price/ Earning Ratio (P/E)

The P/E ratio, first proposed by Burton G. Malkiel, indicates the relationship between the earnings per share (EPS) and the stock price. This ratio is commonly used by investors who are evaluating or holding stocks. It provides insight into whether a stock is undervalued or overvalued and is relatively simple to calculate (Ross & Westerfield & Jaffe, 1990).

$$\text{Price /Earning Ratio} = \frac{\text{Market Price of The Stock}}{\text{Earnings Per Share}}$$

While this ratio provides accurate insights in developed and efficient capital markets, it may produce less reliable results in emerging markets where market efficiency and activity levels are not yet fully established (Aksoy & Tanrıöven, 2007).

2.3.1.4. Return On Assets (ROA)

Return on Assets (ROA) is one of the most commonly used and valuable financial ratios. It has been employed in industry since at least 1919, when the DuPont Company introduced it as the apex of its triangle ratio system (Horrigan, 1968). ROA measures a company's profitability relative to its total assets and is expressed as a percentage. A higher ROA indicates greater efficiency in utilizing assets to generate profits. The formula for calculating ROA is straightforward: dividing a company's net income by its total assets.. As a formula, it would be expressed as (Güngör, 2018):

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets Return on Assets}}$$

Investors generally favor a higher Return on Assets (ROA) ratio, as it reflects the company's efficiency in utilizing its assets to generate net income. Furthermore, a positive ROA often indicates a growing profit trend. This metric is especially useful for comparing companies within the same industry, given that asset utilization differs significantly across sectors. For instance, construction firms rely on expensive heavy machinery, while software companies primarily depend on computers and servers (Ramaswamy, 2012).

On the other hand, according to Makelainen's 1998 study, ROA fails to effectively evaluate the activities of businesses and managers. Given the increasing importance of shareholder value, this ratio does not provide sufficient information about the value created. Furthermore, the calculated rate of return on assets may not deliver the desired benefits in decision-making. Relying solely on this rate introduces the risk of allocating capital to the wrong areas. The asset profitability rate neglects the fact that the rate of return must at least match the cost of capital. Additionally, maximizing this rate does not necessarily equate to maximizing shareholder value. Since it is expressed only as a ratio rather than a monetary amount, it also carries the inherent risk of overlooking the impact of scale (Makelainen, 1998).

2.3.1.5. Operating Profit

One of the methods used to measure financial performance is operating profit. Some studies prepared using this method are as follows.

The study used operating profit, along with other financial measures, to evaluate the effectiveness of performance measurement systems. It emphasizes the importance of combining both financial and non-financial measures in performance evaluation Ittner & Larcker (1998).

This article compares various approaches to measuring business performance, including financial measures like operating profits. By examining the utility of different financial indicators in strategic management research, the authors argue that operating profits should be included in performance evaluations (Venkatraman& Ramanujam,1986).

These references support the use of operating profit as a measure of financial performance, highlighting its relevance in both academic research and practical applications.

Operating Profit = Gross Profit - Operating Expenses

2.3.2. Value Based Measurement of Financial Performance

The value-based management approach prioritizes maximizing the company's value and, consequently, shareholder welfare. With this understanding, value-based criteria have been applied in firm valuation and financial performance measurement. Some of these criteria and methods, developed by financial consultancy firms and later by academics, have been created from scratch, while others have been derived from existing theories in the finance literature (Koyuncu, 2010).

Value-based management means that all decisions within the organizational structure of the company and all activities carried out are aimed at creating value. The value-based management approach also refers to the strategic use of resources owned by the company (Çelik 2002; Chambers 2005).

2.3.2.1. Economic Value Added

Economic Value Added (EVA) is used to address the deficiencies in traditional financial performance measurement criteria. It was developed by Stewart III and the Joel Stern Company Consulting Group in the 1980s (Gürbüz, Aybars, & Kutlu, 2010).

EVA measures whether the profit from activities can cover the cost of the capital used to carry out those activities. It is a comprehensive method that addresses many of the shortcomings of traditional accounting criteria. One of its most important contributions is placing the cost of capital at the center of performance measurement. In the EVA calculation, value is created when the return on invested capital exceeds the weighted average cost of capital, and the method also incorporates the cost of equity (Koyuncu, 2010).

The residual profit method was primarily developed to calculate the "net profit" generated from operating activities. Using this method, the net profit for the period, after subtracting the enterprise's capital costs, is calculated to determine how much remains within the company. Specifically, the net profit, after subtracting the returns expected by investors, is referred to as "residual profit" (Biddle, Bowen, & Wallance, 1999).

EVA consists of three components: Net operating profit after tax (NOPAT), total invested capital, and the weighted average cost of capital (WACC). It is calculated using the following equation:

$$\text{EVA} = \text{NOPAT} - (\text{Investment capital} \times \text{WACC}) \text{ or } \text{EVA} = (\text{ROIC} - \text{WACC}) \times \text{Invested Capital}.$$

Where:

NOPAT: Net Operating Profit After Taxes

ROIC: Return On Invested Capital

WACC: Weighted Average Cost of Capital

2.3.2.2. Market Value Added

Market Value Added (MVA) is a practical metric that measures the level of shareholder value created. It is a composite value that reflects both the increase in shareholders' wealth and the effective use of the company's resources. This measure also indicates the extent to which the value the firm is expected to create, both now and in the future, is reflected in the firm's market value (Bontis, Dragonetti, Jacobse, & Roos, 1999).

Market Value Added (MVA) is positive if the market value of the business exceeds its adjusted capital. This indicates that investors, who believe the company will earn more than the weighted average cost of capital, assign a higher value to the business than its adjusted capital. Conversely, if MVA is negative, it reflects the negative expectations of investors who doubt

the business will generate the expected rate of return, causing the market value of the company to fall below its adjusted invested capital (Alp, Demirgüneş, Ban, & Öztürk, 2009).

In other words, the market value-added rate is calculated by dividing the difference between the company's assets and liabilities by the number of shares outstanding (Şıklar, 2004). If the market value-to-book value ratio is less than 1, it suggests that the stock is undervalued, and a return above normal can be expected from purchasing the stock. Conversely, if the market value-to-book value ratio is greater than 1, the stock is considered overvalued, and selling is recommended. It is calculated using the following equation:

$$MVA = \frac{\text{MV of Stocks}}{\text{Book value of stockholder's equity}}$$

2.3.2.3. Cash Flow Return On Investment

Cash Flow Return on Investment (CFROI) was developed by Holt Value Associates as a valuation measure that serves as a proxy for a company's economic return. The company's economic life is based on the assumption that it can be modeled as a project generating cash from its assets and investments (Subramanian & Bernstein, 2003). According to Damodaran (2002), CFROI (or Cash Flow Return on Investment) is the Internal Rate of Return (IRR) of the company, compared with the hurdle rate to assess whether the investment is performing well.

The internal rate of return (IRR) is a metric used to assess the viability of a potential investment. In theory, a project is considered acceptable if its IRR exceeds the cost of capital, while it may be rejected if the IRR falls below the cost of capital.

2.3.2.4. Shareholder Value Added

Shareholder value added (SVA) developed by Alfred Rappaport in 1980 and is a financial performance indicator that demonstrates the value of the rights of the shareholders in the company (Rappaport, 1986). It is calculated using the following equation.

$$SVA = \frac{\text{NOPAT}}{\text{CC}}$$

Where:

NOPAT=Net operating profit after tax

CC=Cost of capital

The purpose of SVA is to discount future cash flow estimates and continuously calculate the firm's value. When measuring current performance, cash flow estimates are compared with the actual cash flow for that period (Rappaport, 1986).

When calculating Shareholder Value Added (SVA), it is important to consider that cash inflows are free. Free cash inflows refer to net cash inflows remaining after investments in fixed assets and net working capital during the period (Kaplan, 2020).

2.3.2.5. Cash Value Added

Cash Value Added is a financial performance indicator that measures a company's capacity to create value.

Cash Added Value (CVA), developed by the Boston Consulting Group, differs from Economic Value Added (EVA) and Market Value Added (MVA) by focusing on cash flows and gross investments rather than invested capital. Calculated using the same logic as the cash flow profitability ratio, CVA represents the added value created, distinct from the related rate. (Kaviani, Biabani, Shaer, Azam, & Shaer, 2012).

It is calculated using the following equation:

$$CVA = \text{Gross Cash Flow} - \text{Economic Depreciation} - \text{Capital Charge}$$

If Cash Value Added (CVA) is positive, it indicates that the company's investments are generating value that exceeds the cost of capital. In other words, the company's cash flows from operations are yielding a higher return on its investments. If CVA is negative, it suggests that the company's investments are not covering their costs and are failing to create value, typically indicating inefficient use of resources (Erasmus, 2008).

3. METHOD OF ENTERING INTERNATIONAL MARKETS

The strategies employed by firms to enter foreign markets aim to increase capacity utilization, reduce costs, and enhance profit margins (Kırdar, 2005).

3.1. Export

Exporting is often the initial mode of international market entry for many manufacturing firms. It allows businesses to test foreign markets with minimal commitment, compared to establishing manufacturing or operational bases abroad (Hill & Hult, 2019).

3.2. Licensing

Licensing occurs when a company grants another company the right to use its intellectual property or technology.

In a typical international licensing agreement, the licensee provides the majority of the capital required to initiate the overseas operation. One of the primary benefits of licensing is that it allows a firm to avoid the development costs and risks associated with entering a foreign market. This makes licensing particularly appealing for firms lacking the capital to develop operations abroad. It is also an attractive option when a firm is hesitant to commit substantial financial resources to a politically unstable or unfamiliar foreign market. Additionally, licensing is often used when a firm wishes to enter a foreign market but is hindered by investment barriers (Hill & Hult, 2019).

3.3. Franchising

Franchising is a business strategy used to expand the customer base. It is a marketing system through which a company creates a framework to meet the needs of both current and potential customers by determining how its products or services are delivered. Franchising serves as a method of product and service distribution designed to fulfill consumer demands (Gappa, 2004).

Franchising agreements, commonly used in the service sector, often include detailed quality control procedures and requirements. These arrangements are particularly prevalent in industries such as fast food chains, car rental companies, and fashion retailers. In some cases, franchising may be limited to services like marketing, distribution, or the sale of a product, as

seen in hotel reservation systems. Franchising agreements grant the franchisor a degree of managerial authority over the franchisee's operations, including facility inspections, involvement in critical decision-making processes, and outsourcing inputs. Typically, the franchisee makes an upfront payment for franchising rights and pays a fee based on unit sales to the franchisor. (Dunning, & Lundan, 1992).

3.4. Joint Ventures

A joint venture is a model in which multiple companies collaborate to work on a specific product or market area. By joining forces, they can more effectively accomplish tasks that would be difficult to achieve individually. One company may bring expert human resources, another may provide financial strength, and a third may contribute advanced technology or high-quality raw materials. Joint ventures are attractive to businesses due to advantages such as reducing high risks, enabling small businesses to compete with larger companies, and facilitating access to new technologies (Dinçer, 1998).

3.5. Foreign Direct Investment

Foreign Direct Investment (FDI) involves the establishment of production facilities or offices in a foreign country by a firm, allowing it to enter that market. FDI enables the firm to carry out its strategic activities under its own control. However, this method also has significant disadvantages, including high costs, large capital requirements, and political and economic risks in foreign markets. In particular, risks such as political instability and exchange rate fluctuations can impact the return on investment. (Hill & Hult, 2019).

The Eclectic Paradigm, proposed by Dunning (2001), combines the advantages of ownership, location, and internalization to explain the attractiveness of foreign direct investment (FDI) and demonstrates why this method is preferred in certain situations. In this context, FDI is considered a strategy that offers high risk and high profit potential when entering international markets..

3.6. Strategic Alliance

Strategic Alliance is a cooperative arrangement between at least two partner companies that retain their legal independence after the alliance is formed. In such partnerships, the companies share the benefits derived from their collaboration, as well as managerial control over the execution of assigned tasks. Additionally, the partners commit to making ongoing contributions

in key strategic areas, such as technological advancements or product development, to achieve mutual goals and enhance competitiveness (Yoshino & Rangan 1995).

According to Contractor and Reuner (2014), four primary motivations strategically influence interfirm collaboration. The first is market expansion or increased revenue, where firms collaborate to enter new markets or enhance their sales potential. The second motivation is efficiency or cost reduction, achieved by pooling resources or streamlining operations. Third, risk sharing or reduction plays a critical role, as collaboration allows firms to distribute financial, operational, or market risks more effectively. Lastly, access to know-how or learning serves as a key driver, enabling firms to acquire new skills, technologies, or expertise through partnerships. These motivations collectively highlight the strategic benefits of interfirm collaborations.

4. EXPORTS

Exporting is the simplest and least risky method for entering international markets. It involves the sale of goods by a business in compliance with applicable customs and export regulations. Exporting offers enterprises an opportunity to introduce their products to different markets and sell them with relatively lower administrative and financial investments compared to other international market entry methods. In other words, exporting can be defined as the sale of goods to foreign countries in exchange for foreign currency. Companies intending to export goods covered by exporters' unions must be members of these unions, as goods cannot be exported without a union membership certificate (Bernard & Jensen, 2004).

4.1. Macroeconomic Importance Of Exports

Globalization has encouraged companies to participate in foreign trade to secure a greater share of international markets. By engaging in foreign trade, companies can increase sales by reaching new customers for their products and maximize profits. Additionally, they can develop strategies to address competition in foreign markets, thereby enhancing their marketing power. Exporting companies often increase production capacity and lower average costs, contributing to greater efficiency. Moreover, these companies create more job opportunities, contributing to employment growth. Exporting is widely regarded as the simplest method of entering foreign trade. By exporting, firms can reduce risks, as production remains in their home countries, while simultaneously gaining insights into the host country's market Dynamics (Gümüş, 2007).

The growth of international trade enhances countries' productivity, fosters technological development, increases foreign exchange earnings, and ultimately drives economic growth. Exports, therefore, are among the most critical factors influencing a country's development level. The positive effects of exports on economic growth include fostering division of labor and cooperation, increasing national income through foreign trade, enhancing competition and quality, leveraging competition as an advantage, utilizing idle resources by exporting unsold domestic products, boosting foreign exchange inflows, generating surpluses in the balance of payments, investing in human capital, and accelerating efficient technology transfers (Ayvaz-Güven,2021).

Most empirical studies reveal a positive relationship between exports and economic growth. According to a study conducted by Feder (1983), exports are more efficient than other sectors,

and countries that prioritize exports tend to experience faster growth compared to those that do not.

Edwards (1993) provides evidence of a positive link between exports and economic growth. The study highlights that export-oriented companies adopt more efficient and advanced production methods to remain competitive in global markets. Consequently, innovation and production practices expand and evolve across all sectors.

On the other hand, The Prebisch-Singer hypothesis (Prebisch, 1950; Singer, 1950) argues that nations exporting primary commodities are disadvantaged in capturing the profits linked to industrialization, unlike countries with a comparative advantage in manufacturing, which benefit as exporters of industrial goods.

Global trade trends and policies significantly influence foreign trade, economic activity, and growth. Generally, trade policies aim to encourage domestic production, safeguard domestic industries, protect consumers, and promote exports (Mohammad, 2010).

Foreign trade plays a critical role in fostering economic growth. An increase in exports can stimulate production expansion and potentially reduce unemployment. Additionally, foreign trade enables the acquisition of capital goods from abroad and facilitates access to technological advancements. Conversely, economic growth can influence the composition and volume of trade. For instance, technological advancements in import-competing sectors may lead to a decline in trade volume. Thus, foreign trade and economic growth are intricately interconnected (Husted ve Melvin, 2020).

Leichenko (2000) argues that enhanced labor productivity within export-oriented industries significantly contributes to the observed outcomes. Although the subsequent analysis may not fully meet rigorous academic standards, it suggests that productivity improvements are a critical factor in explaining these dynamics.

4.1.1. The Export-Led Growth

Exports generate foreign currency inflows, thereby accelerating economic growth and development. The relationship between export growth and economic development is a key topic of interest for economists. The notion that trade drives economic growth dates back to classical and neo-classical economic theories. Proponents of export-led growth have supported their arguments by highlighting the successful development of East Asian countries and the

significant growth of newly industrialized countries (NICs) through export-based industrialization strategies (Alkhateeb, Mahmood, & Sultan, 2016).

The relationship between exports and growth can take the form of both export-led growth and export-based growth. Specifically, an increase in economic growth boosts productivity and efficiency, resulting in more competitive exports in international markets. The types of goods a country exports are also crucial for export success. Decisions regarding which products to export depend on factors such as production costs, transportation costs to reach the destination, market structure, consumer preferences, and potential revenues (Santos, Ribeiro, & Carvalho, 2013).

According to Ricardo, a country should specialize in producing a product if it has a higher relative advantage over its competitors. This approach enhances earnings from foreign trade and prevents resource wastage. As a result, countries will tend to specialize not only in products where they have an absolute advantage, but also in those where they have a comparative advantage and can operate more efficiently. This trade theory has paved the way for a new direction in economic policy, namely, the export-led growth hypothesis (Bayraktutan, 2003).

Export, one of the two pillars of foreign trade, is a key focus for many countries. In the export-based growth hypothesis, which posits that exports are the primary driver of economic growth, the goal is to stimulate investment and production in the export sector through various economic and fiscal policies. According to this hypothesis, an increase in exports leads to higher productivity and positively impacts economic growth. Specifically, the rise in exports boosts demand for domestically produced goods, thereby increasing real production. Furthermore, the growth in exports enhances productivity within the export sector by enabling specialization in the production of export products. This process leads to the transfer of resources from the relatively less efficient non-export sector to the more productive export sector, which in turn fosters production growth and accelerates economic expansion. This effect is also referred to as Verdoorn's Law (Çeştepe, Yildiz, & Avci, 2020).

On the other hand, an increase in exports also boosts production by meeting the foreign exchange requirements necessary for importing inputs to satisfy domestic demand. Export-oriented policies can facilitate outsourcing and allow debt service to be utilized for growth. Encouraging exports is a practice that can help eliminate controls that lead to the overvaluation of the domestic currency (Giles & Williams, 2000).

4.1.2 Institutional Framework

The disappointment resulting from the persistence of long-term import substitution policies in industrialization since the early 1960s, along with the inability to generate sufficient foreign currency, led many countries to adopt an outward-oriented industrial strategy (Çarıkçı, 1983).

The oil crises of the 1970s and the stagflationary trends in the global economy also negatively impacted the Turkish economy. The adoption of import substitution policies, combined with the effects of the oil crisis and its indirect consequences, weakened the economic system in Türkiye. This led to a gradual increase in the need for foreign exchange. The crisis was difficult to overcome due to the domestic market-oriented production, the diminished ability to earn foreign currency as a result of import substitution policies, and the growing need for foreign borrowing driven by the escalating current account deficit (Eroğlu & Albeni, 2002).

Since 1980, many countries have faced the challenges of stagflation and foreign debt. The liberalization process rapidly developed and spread worldwide after this period, with nearly all countries opening their economies to adapt. Neoliberalism argued that barriers to the labor market and high taxes deter investors from making investment decisions, leading to stagflation, external deficits in state-owned enterprises, and balance of payments crises caused by these external deficits. To address these issues, the Washington Consensus was developed (Yıldırım,2011).

The 1980 resolutions, containing neoliberal economic policies in Türkiye, were adopted at a meeting of the Council of Ministers on January 24, 1980, and came into effect after being published in the Official Gazette on January 25, 1980, with the number 16880.

The decisions of January 24, 1980, aimed at creating a competitive environment for production inputs and activating resource utilization. To achieve this, structural and institutional measures were implemented, including promoting the private sector by reducing the public sector's share in the economy, liberalizing foreign trade, diversifying financial instruments through the establishment of a capital market, liberalizing the exchange regime, opening the banking sector to competition, and introducing positive real interest rates (Köse,2008).

The decisions marked a significant shift in Türkiye's economic policies. With these measures, a radical step was taken towards transitioning to a market economy, resulting in substantial hikes and a devaluation of approximately 70%. After the January 24 decisions, shortages and

queues began to disappear, Türkiye's external debts were postponed, and new sources of credit from foreign markets became available. As a result, economic relief was achieved (Zencirkiran, 2018).

In Türkiye, which adopted the export-based industrialization model with the January 24 decisions, exports have become crucial for companies. Today, both developed and developing countries are seeking ways to boost exports, prioritizing export-promoting measures such as tax relief, tax exemptions, input incentives, and market research. In Türkiye, exporters benefit from state support, including assistance for research and development, participation in foreign and domestic fairs and exhibitions, market research, job creation, brand promotion activities, and patent registration expenses.

Export is crucial for micro enterprises, as it helps mitigate fluctuations in the local market and local competition. Additionally, exports play a key role in maintaining the country's foreign trade balance from a macroeconomic perspective. Export performance serves as an indicator of a company's success in international markets. High export performance is also vital for ensuring the sustainability of businesses (Torlak, Özdemir, & Kula, 2007). While exports positively impact employment levels, foreign exchange earnings, industrial development, and national welfare, they also enhance firm performance, including profitability, sales volume, and market share (Köksal & Özgül).

4.2. Firm Level Importance of Exports

Export plays a critical role for companies by increasing capacity utilization, reducing production costs and dependence on the domestic market, enhancing financial performance, and enabling survival in a globalized market (Kumcu, Harcar, & Kumcu, 1995). This has been examined in detail in the literature review section, based on the main findings.

Achieving successful export performance in international trade provides five key advantages: exchange gains, benefits from specialization in the production of goods, commercial gains from selecting diverse product types tailored to individual preferences, acquisition of equipment diversity, and advantages gained through the transfer of modern technology (Wildan, Imron, & Siswati, 2021).

4.1.1. Financial and Operational Contributions of Export

Exporting is the most straightforward method of accessing international markets and serves as a significant driver of growth for both national economies and individual companies. It provides alternative market opportunities for firms facing shrinking domestic markets or seasonal fluctuations. By engaging in export activities, companies can capitalize on economies of scale in production and marketing without the need for major adjustments to their organizational structures or product offerings. Therefore, exporting plays a strategic role in advancing national economies at the macro level and fostering business growth at the micro level.

4.1.2. Contributions of Export to R&D and Innovation

Companies that adapt their products to meet the conditions of foreign markets reap numerous benefits. Exporters adopt a customer-focused approach by systematically evaluating buyer behavior and market characteristics. By aligning their products with the specific needs of foreign markets, companies increase customer satisfaction, gain a competitive advantage, and secure greater pricing flexibility. These factors contribute to enhanced profitability. Furthermore, the demand for creative and innovative solutions in foreign markets pushes companies to adapt their products, which not only benefits their export activities but also opens opportunities to introduce new products to domestic markets. Consequently, there is a significant relationship between product adaptation and export performance, particularly in terms of export sales volume, growth, and density (Leonidou, Constantine & Saeed 2002).

The increase in the foreign competitiveness of firms that begin exporting is influenced by their past production performance and the volume of foreign demand. Exporting enhances a firm's competitiveness, helping it maintain or expand its market share. Additionally, it fosters innovation and productivity growth as firms seek new opportunities in foreign markets driven by globalization and international trade. By providing access to international markets, exporting boosts local production and serves as a key mechanism for a firm's global expansion. However, this expansion is contingent on gaining acceptance from international customers, making it essential for firms to carefully select the right customer group (Leonidou, 2000).

Terpstra and Sarathy (2000) emphasized the importance of considering product usage conditions, differences in purchasing power, consumer preferences, and various socio-cultural

factors. They highlighted the necessity for companies to adapt their product design and style to the specific characteristics of each foreign market.

4.1.3. Contributions of Export to Employment and Human Resources

The performance and outcomes of businesses are closely tied to the structure of their human resources and the practices associated with them. In companies involved in foreign trade, changes in employee qualifications may occur due to the demands of international operations, and product features may need to be adjusted to meet international standards and regulations. Furthermore, businesses engaging in foreign trade start to compete at a global level, moving beyond national competition (Can& Özmen 2023).

4.1.4. Potential Risks in Export Operations

Risk refers to the possibility of an event that may hinder the achievement of objectives, and it is generally assessed in terms of impact and probability (Bozkurt, 2016). Businesses engaged in international trade face not only local risks but also challenges related to ethics, transportation, intellectual property, credit, foreign exchange, and broader business development concerns. Among these, foreign exchange and political risks are particularly significant. Foreign exchange risk arises from fluctuations in currency values, such as the appreciation or depreciation of the local currency relative to foreign currencies. Political risk, on the other hand, stems from governmental actions or policy changes, such as the imposition of trade barriers, that can negatively affect business operations. To mitigate these risks, companies can employ hedging strategies and invest in political risk insurance (Demireli & Taner, 2009).

5. LITERATURE VIEW

Although many studies investigate the effect of exports on economic growth, research at the micro level remains limited. Most micro-level studies focus on the relationship between internationalization and firm performance. When examining the impact of international activities on performance, the export levels of a company are often highlighted. Numerous studies have found a positive relationship between exports and firm performance. In this section, some selected previous studies on the link between exports and financial performance are presented.

Errunza and Senbet (1983) empirically analyzed the effects of international operations on a firm's market value. The study employed generalized least squares and maximum likelihood methods, with internationalization measured by the percentage of sales from foreign operations. The researchers found a positive relationship between the overvaluation of firms and their degree of internationalization, which was influenced by the "small firm" effect and the Price/Earnings ratio variables.

Grant (1987) found that firms operating overseas achieved higher sales and profitability levels compared to other firms in his study of 304 manufacturing companies established in England between 1972 and 1984.

Clerides, Lach, & Tybout (1998) analyzed the relationship between export activity and productivity by estimating a production function using firm-level data from Chinese companies spanning from 1997 to 2000. The results demonstrate that exporters exhibit higher productivity levels compared to non-exporters. More importantly, the findings highlight that the adoption of export strategies plays a significant role in enhancing the productivity of these firms. This supports the notion that engaging in international trade fosters improvements in operational efficiency and overall business performance.

Lu and Beamish (2001) investigated the effects of internationalization strategies on the performance of small and medium-sized enterprises (SMEs). The study analyzed the internationalization activities of 164 Japanese SMEs from 1986 to 1997. Regression analysis was employed to assess the data. The findings indicated that internationalization through Foreign Direct Investment (FDI) led to greater performance gains compared to exports or joint ventures. Additionally, a nonlinear relationship was observed: performance initially decreased

at lower levels of FDI but improved at higher levels of FDI. Bleaney and Wakelin (2002) provides evidence that firms with good company performance are more likely to export and points out that the relationship between export and company performance is mutual and positive.

Girma, Greenaway, and Kneller (2004) applied matching techniques to investigate the relationship between exports and firm performance for a large panel of UK manufacturing firms. The study found that exporters are more productive, and that engaging in export activities further enhances firm productivity.

Baush and Krist (2007) analyzed the results of 36 studies examining the relationship between internationalization and firm performance. Their research concluded that internationalization positively impacts firm performance.

Another study that found a positive relationship between internationalization and company performance was conducted by Pangakar (2008). In his research on small and medium-sized enterprises in Singapore, he concluded that internationalization had a positive impact on the companies' performance.

International diversification refers to a firm's strategic expansion beyond its home country to various countries and geographical regions. This approach enables firms to enter new markets, access diverse customer bases, leverage global resources, and reduce the risks associated with dependence on a single market (Bobillo, López-Iturriaga, & Tejerina-Gaite, 2012).

Bobillo, López-Iturriaga, & Tejerina-Gaite (2012) investigate why studies examining firm performance through international diversification sometimes show positive, sometimes negative, and sometimes insignificant results. Their analysis of a sample of 1,721 companies from 12 European countries, covering the period 2000-2009, reveals that companies in the service sector exhibit a stronger positive relationship between international diversification and performance compared to industrial companies. The study also finds that firms with civil law cultures demonstrate greater flexibility in offsetting the negative relationship between international diversification and performance, while firms in common law cultures face greater difficulties in achieving this balance.

Ganotakis and Love (2012), in their study of UK technology-based firms, show that exporting in a given period significantly improves firm performance in a later period, while also enabling productive firms to become export-oriented and export-intensive.

Wagner (2007) reviewed 54 empirical studies published between 1995 and 2006, which used firm-level data from 34 countries to investigate the link between international trade and firm survival, finding a positive relationship.

Berthou et al. (2015) examined the relationship between productivity and export performance across European economies, providing a new assessment of competitiveness among countries. The study gathered data from 23 different manufacturing industries in 15 countries during the 2000s and found that exporters were more efficient than non-exporters.

Özcan (2016) examined the relationship between company-level productivity and exports by analyzing data from 98 companies listed on the Istanbul Stock Exchange between 2008 and 2016. The study investigated whether exporting influenced improvements in productivity. The findings concluded that exports positively impacted the efficiency changes in exporting companies.

Kocabaş (2016) analyzed enterprises in the woven clothing and leather sector in Istanbul and found that exports made under the inward processing regime had a positive effect on asset profitability, economic profitability, and financial profitability.

Köksal and Özgür (2017) explained that the internationalization of exports has positive effects on employment levels, foreign exchange revenues, industrial development, and national well-being. They also showed that it improves the performance of export firms.

Uyar (2017) demonstrated that the findings from a sample of manufacturing industry firms, which account for the largest portion of total export volume in Türkiye, reveal that internationalization affects the financial performance of firms, regardless of the level of internationalization.

Bykova and Lopez-Iturriaga (2017) examined whether exports directly contribute to firm performance by analyzing a sample of over 500 Russian public manufacturing firms, covering the period from 2004 to 2014. Regression models were estimated, with the industry type classified into three categories—low, medium, and high technology—according to the OECD classification. The study used the GMM estimator. The results show that exporting firms are

larger, have more intangible assets, incur higher employee costs, and have a greater share of foreign capital. Furthermore, exports are positively associated with better corporate performance. Statistically significant differences in ROA and ROE indicate that exports directly contribute to firm performance. The study provides evidence of the positive effects of exports on firm performance, highlighting the importance of policies that encourage exports.

Uzun & Berberoğlu (2017) examined the impact of foreign trade activities (import and export) on the financial performance of firms in Türkiye, and also explored the relationship between the level of internationalization of firms and their financial performance. The study sample was selected from firms traded on Borsa Istanbul's Yıldız Market and SME Market. The findings indicate that firms engaged in foreign trade have higher investment profitability than those that are not involved in foreign trade, with firms that engage in both imports and exports showing the best performance. Additionally, the study found an inverted U-shaped non-linear relationship between the level of internationalization and the active profitability of firms. While internationalization initially increases profitability, it may have negative effects beyond a certain point. This can be explained by economies of scale and rising costs. The study emphasizes the importance of firms' ability to effectively manage their international activities and control costs. The analysis employed independent sample t-tests and regression analysis, incorporating control variables such as the firms' asset value, industry sector, age, and type. The study concludes that foreign trade positively affects the financial performance of firms, but cautions that the internationalization process should be carefully managed.

Yıldız (2018) identified a positive relationship between export intensity and company performance for 192 companies traded on the Istanbul Stock Exchange between 2005 and 2015, with a total of 2020 observations. However, this positive relationship was found to be valid only for companies that made R&D investments. No such relationship between export intensity and company performance was observed in companies that did not invest in R&D (The Export Competitive Advantages of Turkish Manufacturing Companies, 2010).

Alan (2018) collected 252 surveys from companies listed among the top 1000 exporters of Türkiye, based on data from the Turkish Exporters Assembly. Statistical analyses were performed using IBM SPSS Statistics 21 and AMOS 22. The study found strong support for the hypothesis that "Exports have a meaningful and positive effect on company performance."

Pacheco (2019a) aims to empirically examine the relationship between the degree of internationalization of firms and their financial performance. Although the literature on performance determinants is extensive, the link between internationalization and profitability, particularly for Small and Medium Enterprises (SMEs), remains underexplored. The study employs a random effects model using data from 4,133 Portuguese industrial SMEs covering the period from 2010 to 2016. The findings indicate that internationalization significantly affects firm profitability, especially when exports are directed toward distant markets and conducted by smaller firms. Additionally, the study identifies a nonlinear relationship between internationalization and profitability, highlighting the need for managers to consider the potential negative impacts of moderate levels of internationalization on firm performance. The study concludes that the results and implications are generalizable to other countries, as SMEs play a crucial role in the economies of many nations.

Pacheco (2019b) empirically examines the relationship between the degree of internationalization and the financial performance of SMEs in the Portuguese textile and clothing sector. Using an unbalanced panel dataset of 638 firms from 2010 to 2016, the study demonstrates that internationalization positively affects firm performance. This effect is particularly pronounced when exports are directed toward closer markets and are conducted by smaller firms. However, the study also reveals a non-linear relationship between internationalization and performance, warning managers that moderate levels of internationalization may lead to dysfunctional outcomes in firm performance.

Huynh (2022) investigates the factors that influence the performance of small and medium-sized enterprises (SMEs) in emerging markets, focusing on Vietnam. The study tested its hypotheses using the generalized method of moments, utilizing data collected from the General Statistics Office of Vietnam between 2013 and 2016. The results indicate that factors such as capital investment intensity, firm age and size, labor productivity, foreign ownership, location, cost management efficiency, and export activities positively impact the performance of SMEs in Vietnam. However, revenue growth rate, fixed assets, and financial leverage were found to hinder performance. These findings suggest that the business environment and input markets in emerging markets like Vietnam have not yet fully stimulated efficient economic activities. The study emphasizes the need for SMEs in emerging markets to restructure their existing resources and enhance their international capabilities to improve performance.

Webster, Okafor, and Barrow (2022) examine the effects of foreign capital ownership on profitability, productivity, export intensity, and talent acquisition in Sub-Saharan African (SSA) countries. This issue is particularly important given that the stock of foreign direct investment (FDI) in the region has increased by more than 20,000% over the last 30 years. The study utilizes firm-level data from the World Bank Enterprise Surveys and country-level data from the World Bank Development Indicators. The analyses are conducted using the Least Squares Dummy Variable (LSDV) estimation and the Propensity Score Matching (PSM) method. The results show that foreign-owned firms have higher profitability, productivity, export intensity, and skilled workforce acquisition compared to domestic firms.

Chao and Kumar (2010), Contractor et al. (2003), Gomes and Ramaswamy (1999), Hitt et al. (1997), Lu and Beamish (2004), Ruigrok and Warner (2003), and Tallman and Li (1996) argue that although firms that have recently entered international markets may initially experience a decline in performance due to high entry costs and international barriers, their performance improves as these barriers are overcome. This improvement is attributed to the reduction of scale economies and marginal costs (Ruigrok and Warner, 2003).

Between 2001 and 2007, Chinese national government statistics included manufacturing enterprises with an annual income exceeding 5 million Renminbi as the sample size. Researchers identified an S-shaped nonlinear relationship between internationalization and performance. Initially, the relationship between internationalization and company performance was negative, but it became positive for a short period after surpassing a certain threshold of internationalization, only to turn negative again after reaching another limit.

Melitz (2003), a firm producing intermediate goods incurs a sunk fixed entry cost before discovering its productivity, which is drawn from a general distribution. After entering the market, firms compare their productivity levels with the fixed overhead costs associated with each source-destination market. If a firm's gross profit exceeds the market-specific overhead cost, it survives and engages in production and potential export activities; otherwise, it exits without incurring the overhead cost.

Contractor et al. (2003) examined the relationship between international activities and firm performance in three stages. In the first stage, firms experience low performance due to international barriers and high costs. In the second stage, costs are reduced, and performance improves as a result of economies of scale and increased international experience. In the third

stage, firms face higher costs again, and their performance declines as international activities exceed the optimal level.

The results of Endo and Ozaki (2011) for firms operating in Japan are consistent with those of Contractor et al. (2003). Geringer et al. (2000) found a linear negative relationship between international diversification and firm performance. From the studies discussed above, it can be inferred that there is no consensus in the literature regarding the relationship between internationalization, international diversification, export intensity, and firm performance.

Errunza and Senbet (1984), Shaked (1986), Grant (1987), Buhner (1987), Morck and Yeung (1991), Hitt et al. (1997), Reeb et al. (1998), Omer et al. (1998), Click and Harrison (2000), Reuer and Leiblein (2000), Lee et al. (2006), Loncan and Nique (2010), Xueli (2011), Xiao et al. (2013), Sun and Lee (2013), Subrahmanya (2014), and Schmid and Dauth (2014) attempted to establish a relationship between the degree of internationalization and the risks, profitability, and market values of businesses. However, their results were inconsistent (Belkaoui, 1998).

When the literature is analyzed, there are studies that find a positive or negative relationship between financial performance and the level of internationalization of businesses, as well as studies revealing that there is no relationship (Yıldız, 2018).

6. INVESTIGATION OF THE EFFECT OF EXPORTING ON THE FINANCIAL PERFORMANCE

In this section, the impact of exporting on financial performance is analyzed using panel data for 208 firms operating on Istanbul Stock Exchange.

6.1. Purpose and Importance of Study

Exporting enables companies to expand internationally, accessing new customers and exploring new markets. By reducing dependence on the local market, companies can increase sales and generate higher revenue. Operating in international markets also allows companies to gain a competitive advantage and distinguish themselves from their competitors.

Companies that generate foreign exchange through exports enhance their financial stability, making them more resilient to economic fluctuations. By increasing production capacity and becoming more efficient, companies can discover new opportunities and benefit from economies of scale (Ohlin, 1933). Operating in international markets also allows companies to innovate and develop products by adopting new business models and technologies. Additionally, exporting facilitates international collaborations and the creation of strategic opportunities. In this way, exporting significantly contributes to the growth, sustainability, and competitiveness of companies.

The positive effects of exports on financial performance offer valuable insights into various factors, such as increasing income diversity, providing market diversification, and expanding global market share. Exporting companies can reduce their reliance on the local economy by generating foreign exchange revenues, while simultaneously enhancing their financial stability with earnings from foreign markets.

This study investigates the effect of export intensity on the financial performance of firms. The dependent variable used is operating profit divided by total assets, serving as an indicator of financial performance. The primary independent variable is export intensity. The sample consists of manufacturing firms listed on Istanbul Stock Exchange that engage in export activities.

In addition to being a critical health issue, the COVID-19 outbreak has led to economic downturns, a decline in exports and imports, and disruptions in transportation modes within logistics. Furthermore, the pandemic has significantly altered consumer behavior. Therefore, in this thesis, to minimize the impact of the COVID-19 pandemic, data has been selected up to 2019.

The data were analyzed using panel data analysis. While many studies have explored the relationship between exports and firm performance, this study specifically aims to measure the impact of exports on the financial performance of firms.

6.2. Data and the Variables

The study analyzes annual data from 208 companies traded on the Istanbul Stock Exchange (ISE) over the period 2005-2019. The year 2005 was selected as the starting point due to a revision in the tax procedure law, which required companies to adjust their financial statements for inflation. This revision aimed to improve the accuracy and reliability of financial data, as previous statements often failed to reflect the true economic conditions due to high inflation rates in Türkiye. The adjustment introduced in 2005 enhanced the comparability of corporate performance and aligned financial reporting practices with international standards.

The year 2019 was selected as the endpoint of the study to exclude the impact of the COVID-19 pandemic, which significantly disrupted export flows and affected corporate performance.

The pandemic, which emerged in late 2019, is excluded from the study to ensure that the analysis reflects a period of relative economic stability, unaffected by the extraordinary conditions brought about by the pandemic.

Table 6.1: Türkiye's Export Year (2015-2021)

Year	Export (Dollar)
2015	150,982,113,766
2016	149,246,999,263
2017	164,494,619,316
2018	177,168,756,288
2019	180,832,721,702
2020	169,637,755,310
2021	225,214,458,038

(Source: Turkish Statistical Institute)

An examination of Türkiye's export performance over the years reveals a general upward trend from 2015 to 2019. Exports, which stood at \$150 billion in 2015, increased to \$180 billion by 2019. This growth can be attributed to global economic expansion and the effectiveness of Türkiye's trade policies. However, in 2020, exports declined to \$169 billion, a 6.2% decrease compared to the previous year, primarily due to the impact of the COVID-19 pandemic. The decline was largely driven by pandemic-related factors, including international travel restrictions, border measures, and production shutdowns in Europe. The slowdown in Europe, Türkiye's primary export market, significantly affected export performance during this period (Delice& Bayrakdar, 2023).

According to Karataş (2021), the pandemic has had a negative impact on sectors such as manufacturing, foreign trade, aviation, logistics, tourism, jewelry, accommodation, and entertainment. On the other hand, industries like e-commerce, distance education, food production, medical supplies, cleaning products, mask production, film and TV series streaming platforms, and the communications sector have experienced positive growth during this period.

Since this study investigates the effect of exports on financial performance, the sample was limited to manufacturing companies, excluding those in the finance sector. The data used in this study were obtained from the Finnet Database. The variables included in the analysis are presented in the table below:

Table 6.2: Variables

Notation	Variable	Description
opa	Financial Performance	Dependent variable. It is calculated by dividing the operating profits By total assets
exa	Export Intensity	Main independent variable. It is calculated by exports by total assets.
lev	Leverage	Total Debt/Total assets
size	Size	The logarithm of total assets
age	Age	Age of the firm

In this study, the dependent variable is financial performance, which is measured by dividing operating profits by total assets. The main independent variable is export intensity, calculated as the ratio of exports to total assets. In addition to the main independent variable, several control variables, including leverage, firm size, and firm age, were incorporated into the analysis. These control variables are calculated as follows:

- **Leverage:** Total debt divided by total assets,
- **Firm size:** The logarithm of total assets,
- **Firm age:** The number of years the firm has been in operation.

Prior to the analysis, extreme values of profitability, export intensity, leverage, firm size, and firm age were excluded from the dataset. Specifically, values below the 1st percentile and above the 99th percentile were removed using the trimming method.

With regard to variable selection, similar studies have also highlighted the significance of certain factors in analyzing firm performance. Bernard and Jensen (1999) found that exports have a significant impact on firm productivity, size, and profitability. Similarly, Melitz (2003), in his study modeling the relationship between economic efficiency at the firm level and exports, emphasized the importance of factors such as firm size. Wagner (2007), while

examining the effect of exports on firm profitability, employed firm size and age as control variables. Furthermore, Dhanaraj and Beamish (2003) investigated the impact of exports on firm performance using export intensity and concluded that exports serve as a factor enhancing firm performance. Kalash (2023), by incorporating the leverage ratio as a variable in performance measurement, demonstrated that debt levels can significantly influence firm performance. In line with these findings, Atabay and Şahin (2023) utilized firm size and firm age as control variables in the measurement of financial performance. Accordingly, these control variables have also been incorporated into the present study.



Table 6.3: Correlation Test Result

	<i>opa</i>	<i>exa</i>	<i>lev</i>	<i>size</i>	<i>age</i>
<i>opa</i>	1				
<i>exa</i>	0.1896	1			
<i>lev</i>	-0.0656	-0.0281	1		
<i>size</i>	0.1962	0.0294	0.2507	1	
<i>age</i>	0.1031	0.1422	-0.0021	0.33	1

In econometric analyses, high correlations among variables can lead to potential issues, such as multicollinearity, which may distort the reliability of regression estimates. However, as indicated by the correlation matrix, the levels of association between the variables in this study are relatively low. This suggests that multicollinearity is unlikely to pose a significant problem in the analysis.

Table 6.4: Descriptive Statistics

Variable	Observations	Mean	Standard Deviation	Minimum	Maximum
<i>opa</i>	2,912	0.0561368	0.0785118	- 0.1530875	0.2991173
<i>exa</i>	2,912	0.2304366	0.2762646	0	1.327744
<i>lev</i>	2,909	0.1493261	0.1402562	0.0020679	0.635232
<i>size</i>	2,912	8.527098	0.8356755	6.856707	10.77603
<i>age</i>	2,852	34.40288	14.34556	4	65

In this analysis, which measures the financial performance of companies (OPA), it is seen that an average profit of 0.56 of the assets is provided. This is a reasonable profitability rate in general and can be a good performance indicator according to the sector or economic development level. Although the standard deviation value (0.078) shows that there are certain differences in financial performance among companies, it is understood that there are not many extreme values.

The average export intensity (EXA) of the firms is 0.23. However, the highest value is 1.32, indicating a high dependence on exports. This shows that foreign trade-oriented enterprises play an important role in the sample.

The debt ratio (LEV) is relatively low at 0.15 on average and the standard deviation is also low, indicating that the majority of firms in the sample have similar debt ratios. This suggests that firms keep their financial risks at a limited level.

Firm size (SIZE), expressed logarithmically, has an average value of 8.52 and exhibits a wide distribution. This shows that firms of different sizes are included in the analysis and the sample has a heterogeneous structure. While the firm age (AGE) is 34 years on average, it shows that well-established firms are in the majority, the maximum value being 65, which reveals that firms that have been operating for a very long time are also included in the sample. This general picture shows that the analyzed firms have a rich structure in terms of both experience and diversity.

6.3.Methodology

Panel data analysis is a method used to estimate relationships between economic data by utilizing both cross-sectional and time-series data. The distinctive feature of this method is that it combines these two types of data to create a dataset that includes both time and cross-sectional dimensions. In panel data analysis, the presence of both data types increases the number of observations, which in turn enhances the degrees of freedom. At the same time, it reduces the likelihood of a linear relationship between independent variables (Baltagi, 1995).

In econometric analyses, when it is necessary to examine both time and individual units, the analyses are typically conducted separately for each dimension. Analyses based on time are referred to as time series analyses, while those based on individual units are known as cross-sectional analyses. Panel data analysis is used to combine time series and cross-sectional analyses, allowing for the integration of both dimensions and the testing of appropriate models (Greene, 2003).

In panel data analysis, it is crucial to choose between fixed effects and random effects estimation methods. The fixed effects model assumes that certain time-invariant characteristics of the panel groups influence the explanatory variables and that these characteristics are correlated with the variables. This model accounts for the effects of the explanatory variables

by eliminating the time-invariant effects, ensuring that only the variation within each panel group is considered in the analysis (Ata,2012).

The fixed effects method can be directly preferred without the need for verification tests under certain conditions. Firstly, if it is known that the analyzed units (e.g., countries, individuals, or firms) have characteristics that remain constant over time but may influence the dependent variable, the fixed effects method is an appropriate choice. These fixed characteristics represent the heterogeneity of the units, and the fixed effects model allows for controlling these differences. Additionally, if the theoretical framework of the research requires considering unit-specific fixed effects, the fixed effects method can be applied directly. For example, the presence of unchanging factors, such as geographical or cultural differences, in an analysis between countries justifies the use of this method. The fixed effects method is also preferred when it is believed that there is a relationship between the independent variables and the fixed factors specific to the units. In cases where the random effects model assumes that these fixed factors are unrelated to the independent variables, the fixed effects model will be a more accurate approach if it is clear that this assumption does not hold.. In addition, if the goal of the study is to examine the behavior of each analyzed unit over time, the fixed effects method is the most appropriate choice due to its ability to control for individual differences. In such cases, the fixed effects method can be applied directly, both on theoretical and empirical grounds, without the need for verification procedures like the Hausman test (Falls & Natke, 2007).

The model is as follows:

$$opa_{i,t} = \alpha + \beta_1 exa_{i,t} + \beta_2 lev_{i,t} + \beta_3 size_{i,t} + \beta_4 age_{i,t} + \varepsilon_{i,t}$$

In this study, a classical panel data regression analysis was applied. Although the characteristics of our dataset allowed us to directly employ the fixed-effects model (Falls and Natke, 2007), we also performed a random-effects model for robustness. Fixed effects were used to control for firm-level differences.

6.4.Results

Table 6.5: Fixed Effects Model

	opa
<i>exa</i>	0.0681*** (5.66)
<i>lev</i>	-0.0522** (-2.90)
<i>size</i>	0.000881 (0.07)
<i>age</i>	0.00128 (1.49)
<i>α</i>	-0.00291 (-0.04)
N	2849
R^2	0.0412
F	11.9
F stat. p val	0.00
<i>t</i> statistics in parentheses	
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$	

The results from the main model of the research indicate that a firm's export activities have a statistically significant and positive effect on its financial performance. In other words, selling products or services abroad positively impacts a firm's financial success. This finding suggests that exports can enhance a firm's revenue, thereby contributing to improved financial performance. Furthermore, the analysis reveals that an increase in the firm's debt levels has a statistically significant negative effect on financial performance. This implies that higher debt levels create adverse conditions for the firm, with the debt burden potentially undermining financial performance. Generally, elevated debt levels can diminish a firm's profitability and financial flexibility due to the pressures of interest payments and repayment obligations.

Although it has been observed that firm size and age have a positive effect on financial performance, these relationships were found to be statistically insignificant. In other words, while factors such as size and age may influence financial performance positively, the lack of strong statistical evidence suggests that these two factors are not sufficiently reliable as independent variables for predicting financial success. Therefore, although larger or older firms might be expected to demonstrate better financial performance, no statistically significant evidence supports this relationship.

Overall, these results suggest that exporting positively impacts financial performance, while debt levels have a negative effect. However, firm size and age appear to be less significant in determining financial performance.

6.4.1. Random Effects Model as Robustness

Robustness check is used to assess the relationship between variables with different values and to verify the consistency of the results (Lu & White, 2014).

Table 6.6: Random Effects Model as Robustness

	opa
<i>exa</i>	0.0642*** (6.14)
<i>lev</i>	-0.0546** (-3.19)
<i>size</i>	0.0151** (3.11)
<i>age</i>	0.000282 (0.96)
<i>α</i>	-0.0878* (-2.24)
N	2849
F stat., p val.	0,00
<i>t statistics in parentheses</i>	
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$	

The effect of export activities (*exa*) on financial performance was found to be positive and statistically significant ($p < 0.001$). This means that increasing export activities will increase financial performance. In addition, high t-statistic (6.14) indicates that this relationship is strong and reliable. It has been confirmed that export has a significant effect on financial performance.

Debt level (*lev*) has a negative and statistically significant effect on financial performance. High debt level can negatively affect the financial performance of firms. The strength of this relationship is shown by t-statistic (-3.19). It can be concluded that debt worsens financial performance.

Firm size has a positive and statistically significant effect on financial performance. In other words, the financial performance of firms increases as their size increases. This finding

confirms that size has a positive effect on financial success. In addition, t-statistic (3.11) shows that this relationship is statistically strong.

It is observed that firm age (age) has no significant effect on financial performance ($p > 0.05$). This means that there is no significant relationship between firm age and financial performance. T-statistic (0.96) also indicates that this relationship is weak and not statistically valid.

This variable (α) has a negative and statistically significant effect on financial performance ($p < 0.05$). α may be a factor that negatively affects the financial performance of the model. T statistics (-2.24) shows that this relationship is significant.

Factors such as export activities (exa), firm size (size) and debt level (lev) have significant effects on financial performance. Exports and firm size have a positive effect on financial performance, while the debt level has a negative effect.

Firm age has a significant impact on financial performance.

We also employed a random-effects model for robustness, and the results remained consistent with respect to the main independent variable. The findings from the robustness test indicate that the model is both robust and reliable. The relationships between the variables, particularly the effects of exports and debt levels on financial performance, further reinforce the robustness of the model and the reliability of the results.

7. CONCLUSION

This study analyzes annual data from 208 firms listed on the Istanbul Stock Exchange between 2005 and 2019 to examine the effects of export activities on firm financial performance.

Financial performance is measured as the ratio of operating profits to total assets, while the main independent variable, export intensity, is calculated as the ratio of exports to total assets. Additionally, control variables such as leverage, firm size, and firm age are included in the analysis. The research employs panel data regression analysis, utilizing the fixed effects model to account for firm-level heterogeneity, and the random effects model is also applied for robustness checks.

The results from the main model reveal that a firm's export activities have a statistically significant and positive impact on financial performance. This finding suggests that engaging in exports can enhance a firm's financial success by increasing revenues, thereby improving financial performance. Conversely, an increase in a firm's leverage has a statistically significant and negative effect on financial performance. This indicates that higher levels of debt may adversely affect financial performance, as debt burdens, including interest payments and repayment obligations, can reduce profitability and financial flexibility. Variables such as firm size and age are observed to have positive effects on financial performance.

The existing literature consistently demonstrates that firms initially experience negative effects on their financial performance due to the high costs associated with entering international markets. These costs include market entry expenses, compliance with foreign regulations, and the establishment of distribution networks. However, once firms overcome these initial barriers and establish a presence in international markets, increased sales positively influence their financial performance.

In conclusion, this study highlights the positive effects of exports on financial performance while drawing attention to the negative effects of leverage. Additionally, it reveals that factors such as firm size and age are less significant in determining financial performance. The majority of the firms analyzed in this study have been engaged in export activities for an extended period. Therefore, it can be argued that their financial performance is directly and positively influenced by export activities. This finding suggests that firms benefit from a sustainable international market presence, increased efficiency, and an expanding customer base.

The robustness tests conducted using the random effects model yield consistent results, confirming the reliability and validity of the model. In this regard, the effects of export activities on financial performance reinforce the robustness of the model and strengthen the credibility of the findings.

Future research could expand on these findings by comparing firms at different stages of export activities. Additionally, sectoral and national-level analyses could provide deeper insights into how different economic and regulatory contexts shape the relationship between exports and financial performance.

This study is limited to exporting firms operating in the manufacturing sector and listed on Borsa Istanbul. Additionally, the dataset covers the period from 2005 to 2019. Within this framework, the findings obtained pertain to the relevant period and firms.

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