

**THE REPUBLIC OF TURKEY**  
**ADANA SCIENCE AND TECHNOLOGY UNIVERSITY**  
**GRADUATE SCHOOL OF SOCIAL SCIENCES**

**ANALYZING THE FINANCIAL STATEMENTS OF TOURISM FIRMS:  
EVIDENCE FROM TURKEY**

**ÖZDEN ÖZDEMİR**

**GRADUATE THESIS**

**ADANA /2017**

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**SUPERVISED BY  
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**ADANA /2017**

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## **FOREWORD**

I would like to express my deepest gratitude to my research supervisor Assistant Prof. Ahmet Özcan for his valuable guidance and encouragement during the planning and development of this research work. His willingness to share his experience and time so generously has been very much appreciated.

I would like to extend my thanks to my family and my close friends for their endless support and encouragement throughout my study.

## **ABSTRACT**

The phenomenon of tourism has been taking shape in various forms since the existence of mankind, but it has taken its present situation after the second world war. Today, tourism is one of the most important sectors contributing to the country's economy. The increasing tourism sector is closely followed by capital markets with its contribution to country employment and payment equilibrium. In this sector where the usage of fixed assets is high, decisions must be taken correctly and applied. The impact of financial analysis on the decisions of the company's managers and shareholders regarding their financial management and investments is significant. The purpose of this study is to analyze the financial performance and structure of the six tourism companies listed on the BIST tourism index between 2012-2016.

In this empirical study where horizontal analysis, vertical analysis and ratio analysis are used, financial structures and performances of the tourism companies are examined from different perspectives. At the same time, it is aimed to shed light on investment and managerial decisions of tourism company managers and stockholders as a result of the analyzes made. In the first part of the study, the definition of tourism and its relation with history and economics is mentioned. In the second part, financial issues are addressed. Finally, financial performance and positions of six tourism companies listed on BIST are analyzed.

**Keywords:** Tourism firms, financial statement analysis, BIST Tourism Index

## ÖZET

Turizm olgusu insanlığın var oluşundan bu yana çeşitli şekillerde meydana gelmiş fakat bugünkü halini ikinci dünya savaşından sonra almıştır. Günümüzde turizm ülke ekonomisine katkı yapan en önemli sektörlerin başında gelmektedir. Ülke istihdamına ve ödemeler dengesine sağladığı katkılarla önemi gün geçtikçe daha artan turizm sektörü sermaye piyasaları tarafından da yakından takip edilmektedir. Durağan varlık kullanımının fazla olduğu bu sektörde kararlarında doğru şekilde alınıp, uygulanması gerekmektedir. Şirket yöneticilerinin ve hissedarların şirketlerin finansal yönetiminde ve yatırımlarıyla ilgili alacakları kararlarda finansal analizlerin etkileri büyüktür. Bu çalışmanın amacı BIST turizm endeksinde yer alan altı turizm firmasının 2012-2016 yılları arasındaki finansal performanslarını ve yapısını analiz etmektir. Yatay analiz, dikey analiz ve oran analizinin kullanıldığı bu ampirik çalışmada turizm şirketlerinin finansal yapıları ve performansları değişik açılardan incelenmiştir. Aynı zamanda yapılan analizlerin sonucunda tasarruf sahipleri ve turizm şirket yöneticilerinin alacakları yatırım ve yönetsel kararlara ışık tutulması amaçlanmıştır. Çalışmanın ilk bölümünde turizm'in tanımı, tarihçesi ve ekonomi ile ilişkisine değinilmiştir. İkinci bölümde finans ile ilgili konulara değinilmiştir. Son olarak ta BIST'e kote olan altı turizm firmasının analizleri yapılmıştır.

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## ABBREVIATIONS

<b>WTO</b>	World Tourism Organization
<b>SPO</b>	State Planing Organisation
<b>NGO</b>	Non-Governmental Organization
<b>UNWTO</b>	The United Nations World Tourism Organization
<b>WTTC</b>	World Travel and Tourism Council
<b>GNP</b>	Gross National Product
<b>FTD</b>	The Foreign Trade Deficit
<b>ISEM</b>	Istanbul Stock Exchange Market
<b>OECD</b>	The Organisation for Economic Cooperation and Development
<b>GDP</b>	Gross Domestic Product
<b>CBRT</b>	The Central Bank of the Republic of Turkey
<b>BIST</b>	Borsa Istanbul
<b>GSYIH</b>	Gross Domestic Product
<b>VAR</b>	Vector Auto Regressive
<b>MS VAR</b>	Markov Switching Autoregressive
<b>TF:</b>	International Tourist Arrivals At Frontiers
<b>TCE:</b>	International Tourist Arrivals At Collective Tourist Establishments

## INTRODUCTION

Despite the fact that tourism is as old as human history, it has gained a different dimension with the development of technology and economy in the 1900s. Tourism, which started to take its present form after the Second World War, has become a very important position for the countries due to social and economic contributions in the 21st century. In the beginning, tourism activities, which are usually made for commercial purposes, have begun to be made for the purpose of resting, having fun and seeing different places and cultures over time. The importance of tourism, which is in a very important position in Turkey, is increasing day by day. Unplanned tourism policies until 1963, have formed a total of ten '5-year development plans' until 2017 after that date. In the 1980s, when Tourism was the main event. They have begun to attach much more importance to tourism in the private sector with the state. These reasons are very important factors such as foreign exchange and employment and balance of payments. The fact that tourism is integrated with 33 different sectors has a very important place in terms of economic development as well as in terms of development of other sectors as well as the possibility of providing jobs to the people. In addition, the problems of the infrastructure and superstructure in the regions where tourism is made have been largely eliminated. However, although Turkey has many natural and cultural places, it can not use these facilities effectively and it only gives priority to sea, sand and sun trio. Although efforts have been made to diversify tourism activities into 12 months, such as winter tourism, health tourism, faith tourism, cave and highland tourism, this issue has not reached the desired levels. Due to the increase in the income level of the residents in Turkey and the spread of the tourism phenomenon among the society in recent years, people have tended to participate the domestic and foreign tours, in addition to the contribution of tourism to the balance of payments by providing foreign exchange inflows.

Financials markets, with 5 basic elements such as savings owners, investors, financial instruments, brokerage houses and institutions, and legal and administrative regulations, are divided into two; money and capital markets. The main purpose of financial markets is to bring together the individual savings and transfer the resource to the economy. Many studies show that financial growth and economic growth are in two-way interactions. The establishment of capital market activities, which is the most important part of the financial

markets and which is based on historical exorcism, coincides with the end of the 19th century and it took its present form in 1985.

The increase in technological opportunities, the increase in banking and diversity in the 1990s, and the positive developments in legal and institutional terms have increased the share of the banking sector in the economy. Nevertheless, the place of Turkish financial institutions and capital markets is still lagging behind the developed financing practices in the world.

The most distinctive feature that distinguishes the tourism sector from the production sector is that their investments are predominantly fixed assets. In this case, tourism enterprises need to have fixed assets with longer term. Tourism firms finance their tangible fixed assets with equity and long term foreign resources.

Firms need to be very careful in their decisions regarding their activities and their financial situation in order to be able to sustain their assets in a healthy way and to protect their financial structures strength. In this research, the financial analysis of the six tourism companies; Eurasia Petroleum and Touristic Facilities Investments Inc., Marmaris Altinyunus Touristic Facilities Inc., Martı Hotel Operations Inc., Net Tourism Trade and Industry Inc., Tek-Art Construction Trade Tourism Industry and Investments Inc. and Utopya Tourism Construction Business Trading Co., listed on the Borsa İstanbul between the years 2012-2016. The financial statements of tourism firms listed on Borsa İstanbul are analyzed through horizontal analysis, vertical analysis and ratio analysis, which offer a different perspective to investors and those who will benefit from the table. Financial statements of sample firms were used for the research.

Horizontal analysis gives us the percentage of increases and decreases in accounts. In these analyses, each account in the financial statement is compared to an account in another financial statement of the same period. Vertical analysis enables us to identify the relationship of each account to its base amount. Gross sales revenue is based on the profit and loss statement. In the balance sheet, total assets, total liabilities and stockholders equity are taken as basis. Ratio analysis is done by comparing two different accounts on the company's financial statements. Users of financial statements can employ ratio analysis to obtain information about an investment decision. It should be noted that no single financial ratios relating to the image of the financial condition and performance of

any firm can be given. Different ratios can open up different aspects of firms. In ratio analysis, users of financial statements should consider past performance and industry standards. In the ratio analysis, the analysis of the current ratio, quick ratio, net working capital, profit margins, return on assets, return on equity, gross profit margin, earning per share, debt ratio and debt to equity ratios were done separately for six tourism firms listed on the Borsa İstanbul. As a result of the analysis, some companies conduct their activities in the positive direction and others in the negative direction. These analyses are related to tourism companies and they are a guideline for decisions making by investors as well as creditors and other financial statement users.



## **CHAPTER 1**

### **1.TOURISM**

Despite the tourism phenomenon is as old as the human history and people travelled for various reasons, during the early 1900's it acquired a different dimension with the emergence of the motorized and steam vehicles and especially after the World War II, it gained different formats during different periods, it started to derive its current form. The tourism sector in the 21<sup>st</sup> Century has progressed immensely owing to being a crucial income source for countries on one hand and on the other hand, with the improved travelling trend in line with the development of international trading and improved living standards of today's people, significant progress has been achieved. Especially during the last half a century, the growth and development of tourism as an economic and social phenomenon have attained a remarkable magnitude (Sharpley, 2009).

There are numerous different definitions of tourism due to distinctive expectations and perspectives in time. Herman Von Schullar, an Australian economist, looked at tourism from the economic aspect and defined it as “the entire activities concerning the economic aspect of the movement that emerges as a result of the arrival of strangers from another country, city or region and staying temporarily”. Though, the travelling and accommodation terms have been considered as fundamental in tourism phenomenon these activities has not been accepted as tourism. In addition to the, some countries include the travel distance in the definition in addition to the travel time in order to define tourism. Based on these criteria, the World Tourism Organization (WTO) has described tourism as “activities of people conducted for entertainment, business, health, leisure time and sports purposes provided that they don't spend less than twenty four hours and longer than a year in a site other than their living environment” (Ucar & et al.,

2010). According to this description, travelling to other cities or countries for work, long-term stays for education, and travels for continuous accommodation are excluded from the concept of tourism. The following criteria are specified to designate whether a travel and accommodation activity can be included within the tourism field:

- A travel should be in a place other than a continuous residence, workplace and where daily needs are attained,
- Demanding commodities produced and services rendered by tourism facilities in general during accommodation,
- Accommodation should be temporary,
- A travel should not be for earning income (Kozak & et al., Genel Turizm, 2015).

The definition of tourists is as old as tourism and in 1996, the tourist was defined in 22747 “Travel Agencies Act” as follows: “A person who goes out of his/her residence temporarily for a certain period of time and stays for resting and entertainment or for cultural, scientific, sportive, administrative, diplomatic, religious, health and similar reasons other than for earning income and return to his/her residence”.

Tourism is a multifaceted activity field in continuous communication with economic, social, cultural and natural environment and encompasses services including transportation, accommodation, refreshment, entertainment, shopping and travel organization (Ceken, 2016). Another significant building block of the tourism sector following accommodation facilities is the agencies. The travel agencies operating in Turkey are categorized as groups (A), (B) and (C) travel agencies in 1618 “Travel Agencies Act”. Furthermore, the tourism sector is intertwined with 54 sectors and the tourism development affects these sectors positively as well (Ceken, 2016). Other tourism facilities operating within the tourism sector include yacht industry, souvenir production, boarding houses, fair enterprises and subsidiary industry branches manufacturing products for the tourism sector (Kozak & et al., 2015).

Turkey harbors numerous cultural and archeological components as well as many natural beauties. The Existence of such wealth makes Turkey a rich place in terms of



alternative tourism variety. The major tourism and alternative tourism varieties extant in Turkey are as follows:

**Summer (Sea) tourism:** It is the tourism type demanded most owing to its suitability for the climatic conditions of Turkey and its long seashores and clean seas. “Sea tourism in Turkey takes place only by taking advantage of shores and beaches only. Sea cure applications are not included adequately” (Kozak, 2015). Hence, sea tourism is limited to summer months only.

**Health-thermal springs tourism:** Turkey ranks first in Europe and seventh in the world in terms of geothermal resource wealth. It is seen that the current potential started to be used with the incentives and studies of the Ministry of Culture and Tourism recently. Furthermore, people from all over the world come to Turkey for treatment since it has reached the level to compete with the health cares of developed countries. Turkey has a significant advantage thanks to its geographical location and substantial qualified labor force and it has been increasing as a result of investments on this field gradually.

**White Water Tourism:** White water tourism, which does not require great investments, is suitable for rafting, canoeing and river skiing in rivers located in Turkey. Despite this tourism type has been developing recently it is not at a desired level.

**Mountain and Winter Tourism:** This type of tourism is for people to benefit from clean air of mountains by escaping from the hectic tempo of provinces. Moreover, winter tourism is very popular since snow remains on mountains for a long time and the geography is suitable for skiing sports.

**Tableland Tourism:** These are tourism activities conducted by people to take advantage of clean air and waters of nature by running away from hot and suffocating air of cities during summer months.

**Hunting Tourism:** This type of tourism activities includes hunting in certain periods as to encompass certain species with specific rules.

**Congress Tourism:** It is the entirety of travelling, accommodation, events and relationships created by people who gather to exchange information on scientific issues and in professional fields that require expertise. Although it is not at a desired level, congress tourism gained momentum gradually in especially Istanbul, Ankara, Izmir and Antalya during the recent years.

**Yacht Tourism:** It is the entirety of tourism events and relationships aiming to evaluate the opportunities at seashores and their vicinities by yachts. In addition to regular travelling activities, yacht tourism consists of touristic activities conducted for sightseeing, entertainment and sports. Yacht tourism started in the year of 1983 in Turkey and has not reached the desired levels yet.

**Botanical Tourism:** It is conducted to see plants in their natural environment. It is at the development phase in Turkey, mainly in Antalya, which has an immense potential with around 3000 plant varieties, despite the fact that there are 2750 plant species in Europe.

**Faith Tourism:** Visits made to holly places for religious purposes are called faith tourism. Anatolia has hosted many civilizations and religions and there are numerous holly places belonging to three different religions (Islam, Christianity and Judaism). The studies on this issue started in the year of 1995 in Turkey.

**Cave Tourism:** Turkey has a substantial potential in the world by having around 40,000 caves. Cave tourism consists of tourism activities conducted for health purposes and curiosity and has a great potential for especially the Western and Central Taurus Mountains.

**Golf Tourism:** Golf tourism has tended to improve in Turkey during the recent years with the opened facilities of international quality and is preferred by middle aged people with high income level. Planning of golf facilities of international standards included in both the business activities and investment scope in Antalya, Istanbul, Ankara and Muğla makes up the potential of golf tourism for the future.

## **1.2. Tourism History**

Tourism history is as old as the human history. “Various tourism types are encountered in Egyptian, Greek and Roman civilizations and especially during the most brilliant periods of these civilizations. Considering the reasons and events causing wars, in addition to their ambitions for acquiring new places, it is propounded easily that their desires were fulfilled including seeing new countries, improving clothing by new outfits, and establishing relationships with people from different races and nationalities, and all

of these led finally to touristic movements and had an impact on the progress of tourism” (Göksan, 1968:2). Initially, journeys made for battles, the warriors seeing different places and getting to know different cultures aroused curiosity for people, and journeys with the desire for seeing different places as well as for religious reasons and treatment purposes became more popular and moreover, sports competitions seen commonly in Greek civilization led to these journeys as well.

In time, intensified religious trends that emerged during the dark ages and orderly visits paid to holly places enabled occurrence group travels. The most dramatic of these was the crusades and these resulted in important interactions among the continents.

“Another remarkable development during the middle-ages was the trading between the continents. This trading that took place on the silk-road and the relationships stemmed on this passed through the Western Europe and Middle-East Iran and reached India and China. This characteristic marked the middle ages and affected communities socioeconomically with its side connections in the countries that it covered. Briefly stated, journeys that did not go over the Roman Empire borders gained an intercontinental magnitude during the medieval ages” (Usta, 2014).

Many people travelled for educational purposes from different countries in Europe to Italy in line with the progress made in science and arts in Europe during the time that is called the Renaissance Period; and people from different classes, in addition to students, travelled to see artworks.

During the nineteenth Century, people with the new income level, who emerged as a result of the change of social and economic structure of the society in line with the popularization of the concepts of more freedom and democracy, wished to see different countries and to get to know different cultures. As a result of the developments made in the transportation sector and the invention of locomotive and steam boats in line with the industrial revolution, the invention of motorized vehicles made the greatest contribution for the middle class to join tourism activities. The first orderly journey was organized by Thomas Cook.

The progress in the tourism sector was made after the World War II and the sector started to transform into an industry in the fullest sense. More clearly, “the factors that are affective on the development of international tourism movements are as follows” (Icoz & Kozak, 1998);

- The increase of the national income and disposable income levels as a result of the economic growth in countries that send tourists,
- The increase of the time allocated for travelling in parallel to leisure time increase,
- Lifting the travel restrictions among countries and improvement of travelling freedom
- The escalation of competition in this field and drop of the cost of international travelling owing to the progress of airline transport,
- Rapid increase of the number of organized package tours and many international regions encompassed by these tours,
- People starting to regard the holidays as a part or expectation of their lives,
- The easier transactions, shortened travel time, and improvement of the quality and safety of transportation vehicles as a result of the technologic developments,
- Demographical changes (increased retirement time as a result of increased length of life, the spouses in the family working together, the increased number of families without children)

Under the light of these developments, tourism has started to lead the most crucial sectors, more people gradually joined tourism and as a result of this, tourism opportunities improved and people became interacting with each other, and this progress has been continuing increasingly today.

### **1.3. Progress of Turkish Tourism Sector**

Turkey is one of the countries that have significant tourism potential. Turkey hosts many people from different countries owing to both its history and cultural and natural structure. Turkish tourism’s history goes back a long way due to such attractive influences. As some historians emphasized, there is knowledge about the people coming to visit some tabernacles in the Aegean Region during the first and middle ages. Turkey has witnessed travel activities extensively owing to its position and being located on the

trading roads. During the Seljuk Period, erecting hostelries and caravanserais illustrates that journeys took place during that period extensively. “The first examples of the hostelries and caravanserais that made up Turkish accommodation industry were ribats” (Mavis, 1992). Ribats were built for military purposes initially and arranged to fulfill the needs of the military however they lost their military features during the following periods and started to serve for merchants and passengers.

Caravanserais built for meeting food and beverage and accommodation and relaxing needs of passengers make up the foundation of today’s modern accommodation facilities. Caravanserais continued to exist during the Ottoman Empire Period as a continuance of the Seljuk Period. Towards the end of the Emperor, the country was troubled economically and socially and therefore, the caravanserais became distant from the old structures and they were even left on their own without care.

Again, during the middle of the 19<sup>th</sup> Century, the number of passengers travelling to the country increased as a result of the improved trading and political relationships with Europe and the foundations of accommodation industry in modern sense were started to be laid during this period. Many hotels were opened one after another during this period.

The Independence War coming after the World War I affected tourism activities as well as the accommodation negatively. There was no progress made during the period until the first years of the Republic. With the proclamation of the Republic, reconstruction studies were launched in all sectors as well as in tourism (Ertin, 1998).

In 1923, a different era started with the declaration of the Republic. This period encompassed the years 1923 through 1962 and was divided into two groups namely, before the plan and after 1962. Significant progress was achieved after the proclamation of the Republic in any field as well as in tourism field, and relinquishing the old style hotel management and passage to modern hotel management took place during this period. The country’s tourism made significant progress owing to new leaps and structuring. “In the same year, Turing and the automobile club were founded with the directives of Atatürk. Such developments took place among the crucial steps taken for developing tourism and introduction Turkey to foreigners,” (Barutcugil, 1982).

When 1930s were approached, new hotels were opened. The number of the accommodation facilities increased during these years gradually and they pioneered the

establishment of the Association of Hotel Keepers and Inn Holders in 1933 (Çifci, 2007). Despite tourism did not make much progress during 1940s to 1950s, the Act on promoting tourism facilities was enacted in 1950 to promote tourism investments in Turkey for the first time and for this purpose, a one-million TL tourism credit fund was established by Turkey Emlak Bank. Subsequently, legal arrangements were made to support tourism investments and in 1953 the Act on Tourism Industry Promotion was enacted and in 1954 the Act on Foreign Capital Investment Promotion was enacted. (Kozak & et al, 2000). Upon the establishment of Tourism Bank, the investments of the State in tourism field started to climb and in 1956 it founded TURBAN and established the largest chain hotels of Turkey.

The first event that emerged in tourism field after 1960 was the inclusion of tourism as a subbranch of services sector in “progress plans”. The rulers of the country of that era had decided to enter the “planned progress” period starting from 1962. Hence, the State Planning Organization started to operate in 1962 and the first annual program was launched in 1962 (Kozak & et al., 2015).

The progress plan requires a lengthy process as the management of resources by specific organs for attaining the socio-economic objectives, which are determined numerically and wished by the community, in a most appropriate way in the light of economic, social and political value judgements valid in a country (Kutlay, 2004).

Since the year of 1963, ten tourism progress plans have been implemented and 2023 Tourism Strategy has been put into force by encompassing 2007 and 2013 progress plans. During the first years of the planning, the majority of studies were conducted for increasing support and promotion of accommodation facilities and the promotion activities had of secondary importance and were not focused on adequately. In the next progress plans, the introduction was concentrated on. Whereas these studies showed their effects during certain periods by the influence of the developments in Turkey and the world, they did not create adequate impact during some periods.

In the Second Five-Year Progress Plan, the principles have been adopted including concentrating tourism investments related to the accommodation sector on specific districts within the regions with high touristic potential, creating accommodation means appropriate to the mass tourism, supporting these investments by credits and financial and legal measures and accomplishing them according to the physical plan, dealing with the

infrastructure and auxiliary opportunities in the investment policy in the tourism sector, and handling of the exemplary facilities by the public sector and the other touristic investments to be made by the private sector (SPO, the Second Five-year Progress Plan, 1967).

Despite these developments, the credit demands for the tourism sector's financing during the plan period were not achieved, and the progress made in the capacity of accommodation facilities remained under the plan objectives substantially (SPO, 2006).

During the Third Five-Year Progress Plan Period, the principle has been adopted for prioritizing investments that are able to prepare means for international mass tourism in the regions having the progress potential for the tourism sector's development (SPO, 2013).

However, as it was in the first and second progress plan periods, the objectives were not able to be attained during the third five-year plan period either.

It has been planned in the Fourth Five-Year Progress Plan Period to achieve a 40,000 bed- capacity increase in the existing registered facilities and to reach 95,000 beds in 1983. In order to manage this capacity, it has been proposed that a total of 18.3 billion Lira of investment is made and 9.5 billion Liras of this are to be invested by the private sector and 8.8 billion Liras of it are to be invested by the public sector (SPO, 1979).

By the end of the Fourth Five-year Progress Plan Period, the bed number reached 65,934 in the facilities with tourism establishment certificate in Turkey. During this plan period, the effects of the incentives had not emerged yet and as similar to the previous periods, the targeted bed capacity was not reached (The Development Bank of Turkey, 1990).

In the Fifth Five-year Progress Plan, in addition to managing a net 540 billion Dollars of foreign exchange inflow, it is anticipated that the mass tourism will climb and the capacity of certified accommodation facilities will reach 100,000 beds by the end the 5<sup>th</sup> plan term by an additional of 38,000 beds that are to be generated by the facilities still under construction (SPO, 2013).

In the fifth plan period, the accommodation capacity targeted to be achieved at the end of the period has been surpassed for the first time with the influence of the incentive measures introduced by the Tourism Promotion Act enacted in the year of 1982. The

accommodation facilities, which complemented each other starting from the beginning of the plan period and as a whole, aimed to produce beds with the certificate of the Ministry of Tourism especially. During the period of 1985-1989, the investment gained momentum and the sector benefited immensely from the grant type incentives. Hence, by the end of the Plan Period, the facilities with the certificate of tourism establishment in Turkey have achieved a capacity of 70603 rooms and 146,086 beds (Çavus & Öncüer, 2009).

In the sixth five-year Progress Plan period, the principles have been adopted including attaching significance to the improvement of the quantity and quality of the tourism infrastructure and superstructure, taking the measures to increase the fullness rates of the existing facilities, lengthening the activity season, improving quality, and promoting small- capacity facilities and family business (SPO, 2013).

In the sixth plan period, despite important progress has been made, the desired level has not been attained in the bed capacity issue as similar to many matters in the tourism field in comparison to the countries in the Mediterranean Belt (SPO, 2006).

The seventh progress Plan started to be implemented late similar to the fifth progress plan. During this period, a transition program was implemented as in the fifth progress plan.” In the seventh progress plan, benefiting more efficiently from the existing superstructures and protection of natural capital were prioritized and it was proposed that improving small scale establishments was to be prioritized depending on the new trends in the demand structure in the sector (SPO, 2006).

In the eighth progress plan, though the significance of the qualified personnel for the service sector has been emphasized, it has been aimed to achieve the participation of the public in the decision regarding tourism in the region where tourism focuses. In order to improve the seasonal and geographical distribution of tourism and to create new potential areas by taking into consideration of the consumer preferences in the ever changing foreign markets, the guidance provision concerned with the tourism and ecotourism of golfing, winter, mountain, health, yacht and congress will be maintained (SPO, 2006).

Tourism has been one of the sectors that leaped forward during the last 20 years in Turkish economy as far as the added value, employment and the inflow of foreign currency are concerned. The share of Turkish tourism within the international tourism was 1.6 percent in the year of 2000 and it climbed to 2.9 percent in 2005. During the same period, the number of international tourists increased from 10.4 million people to 21.1



million people and the tourism profit climbed from 7.6 billion dollars to 18.2 billion dollars. With this increase in the number of tourists and the inflow of foreign currency, Turkey ranked the twelfth in the list of the countries receiving the most number of tourists in the world and the eight in terms of profit. In the year of 2000, the bed capacity with certificate from the Ministry of Culture and Tourism was 352 thousands and this number reached 450 thousands, and the number of beds with certificate from the Municipalities was 350 thousands and it raised to 400 thousands. (SPO, 2006).

In the ninth progress plan, despite an increase in the number of beds and facilities and making important moves, the employment of qualified and educated personnel has been focused on and furthermore, pursuing more effective policies on advertisement and marketing issues has been concentrated (SPO, 2006).

During 2007-2012 period, the number of foreign visitors in Turkey increased approximately by 8.2 percent and reached 31.8 million people and the annual average of tourism profit increased 7.9 percent and reached 29.4 billion dollars according to the revised statistics. Turkey ranked the 6<sup>th</sup> in the list of countries receiving the most number of tourists in the world in 2012 and it ranked the 12<sup>th</sup> in terms of profit (SPO, 2013).

The tenth progress plan is the progress plan we are currently in, and its primary aim is to become a leader in the sector for regional progress in the framework of the principles including becoming an international trademark in tourism with qualified labor force, facilities and service quality; diversifying and improving tourism products and services to address higher level income group; improving quality and maintenance in each component of the tourism value chain (SPO, 2013). The issues including introduction and marketing activities, tourism diversification and employment of qualified personnel and participation of the people in the country in tourism activities by means of NGO's are the leading issues focused on in this planning.

The tourism sector has a very crucial place in the country economy and balance of payments, and although the tourism sector receives the state's support at times, it has not received the needed support to the full and the tourism sector has not reached the place it deserves. Again, in some of the plans that had been implemented since the first progress plan, the objectives were approached however they fell behind the objectives in general sense.

**Table 1.** *The overseas introduction activities in the progress plans and the targeted tourism developments*

5-year PP (Progress Plan)		Introduction activities	Targeted Developments		
No	Period		Tourist Increase (%)	Tourism Profit Increase (%)	Tourism types
I.	1963-1967	Concentration on propaganda	20	34	
II.	1968-1972	Re-steering introduction; implementing tourism introduction as separate from politic and cultural introduction; tourism introduction by only the Ministry of Tourism and Introduction; collaborating with the Mediterranean countries on tourism introduction	25	32	Mass tourism
III.	1973-1977	Ensuring that introduction activities comply with the mass tourism principles	13	20	Mass tourism, social tourism
IV.	1979-1983	Collaboration between TR Tourism Bank Ltd. and Turkish Airlines and the General Directorates of State Airports and Ports	15	23	A combined assessment of mass tourism and individual tourism
V.	1985-1989	In addition to the OECD and OPEC countries, improving tourism relationships with the Balkan and underdeveloped countries	10,8	14,2	Mass tourism, individual tourism, and social, winter, hunting and

					water sports,, festival, health and youth tourism
VI.	1990-1994	Promoting collaboration between the private and public sectors for tourism marketing and introduction; maintaining the increase in tourism profits and accelerating overseas introduction; developing introduction and marketing techniques and approaches	8,2	13,6	Winter, hunting, water sports and festival, health, youth, congress, thermal, golf and third age tourism
VII	1996-2000	Marketing secondary residences; public-private sector collaboration for financing the introduction and marketing activities	13,9	21,5	Golf, winter, mountain, highland, thermal, health, yacht, trailer, cruise, congress and entertainment tourism
VII I.	2001-2005	Concentrating primarily on marketing field in tourism incentives; educating citizens about country's values and introduction, and turning them into unpaid introduction ambassadors; ensuring that all public-private sectors, professional and non-governmental organizations participate in international tourism relationship improvement; benefiting from technological opportunities for introduction multilaterally	8,6	10,1	Golf, winter, mountain, thermal, health, yacht, congress and eco- tourism varieties
IX.	2007-2013	Making a reform for introduction and marketing issues; prioritizing marketing field in tourism incentives	7,4	9,3	Golf, winter, mountain, yacht, congress, eco- tourism, health

					and culture tourism varieties
	2023 Tourism Strategy of Turkey	An introduction strategy concentrating on the common desires and wishes of consumers; allocating 1% of profits earned from tourism; making introduction and marketing on destination basis; focusing on public relationship activities; the use of new communication technologies; designation and introduction of target products; participation in international organizations and being an efficient host	4,45	12,05	Third age, health and thermal, winter, golf, sea, eco- tourism, highland, congress and fair tourism varieties

Demir, Ş. Ş. (2014). From the Five-year Progress Plans to 2023 Tourism Strategy of Turkey: The Content Analysis on Tourism Introduction Studies, *Journal of International Eurasia Social Sciences*, Volume: 5, Issue: 15, p: (101-119)

#### **1.4. The Place and Significance of Turkish Tourism in the World**

The tourism sector has been the leading sector in the world during the recent years. The development of tourism among the global sectors has been continuing rapidly. Considering its place in the world's economy, it is seen that tourism has made a greater contribution in comparison to the other sectors in terms of both economy and employment. In the year of 2014, the global economy experienced 2.4% growth and the tourism sector grew by 3.5% (Kozak & et al., 2015). Thus, the tourism sector is the most yielding sector in the global economy in addition to the petroleum chemical and automotive industries (Sarıođlan, 2007).

Based on the United Nations' World Tourism Organization (UNWTO) reports, 1,087 billion people were involved in tourism activities throughout the world in the year of 2013, and this number mounted to 1,135 billion people in the year of 2014. According to the UNWTO reports, the international tourism incomes increased by 48 billion dolar and approached 1,245 billion dolar.

**Table 2: The Highly Preferred Countries in Terms of Destinations**

International Tourist Arrivals						
Order		Series	Millions		Change (%)	
			2013	2014	13/12	14/13
			1	FRANCE	TF	83.6
2	UNITED STATES	TF	70.0	74.8	5	6.8
3	SPAIN	TF	60.7	65.0	5.6	7.1
4	CHINA	TF	55.7	55.6	-3.5	-0.1
5	ITALY	TF	47.7	48.6	2.9	1.8
6	TURKEY	TF	37.8	39.8	5.9	5.3
7	GERMANY	TCE	31.5	33.0	3.7	4.6
8	UNITED KINGDOM	TF	31.1	32.6	6.1	5.0
9	RUSSIAN FEDERATION	TF	28.4	29.8	10.2	5.3
10	MEXICO	TF	24.2	29.1	3.2	20.5

Source: The World Tourism Organization (UNWTO) Access date: December 24<sup>th</sup>, 2016

**Table 3: The International Tourism Incomes of Countries**

International Tourist Receipts							
Order		US Dollars				Local currencies	
		Billions		Change		Change (%)	
		2013	2014	13/12	14/13	13/12	14/13
1	UNITED STATES	172.9	177.2	7.0	2.5	7.0	2.5
2	SPAIN	62.6	65.2	7.6	4.2	4.1	4.2
3	CHINA	51.7	56.9	3.3	10.2	1.4	9.2
4	FRANCE	56.7	55.4	5.6	-2.3	2.1	-2.3
5	MACAO (CHINA)	51.8	50.8	18.1	-1.9	18.1	-1.9
6	ITALY	43.9	45.5	6.6	3.7	3.1	3.7
7	UNITED KINGDOM	41.0	45.3	12.1	10.3	13.2	4.8
8	GERMANY	41.3	43.3	8.2	5.0	4.7	4.9
9	THAILAND	41.8	38.4	23.4	-8.3	22.1	-2.7
10	HONG KONG (CHINA)	38.9	38.4	17.7	-1.4	17.7	-1.5

Source: The World Tourism Organization (UNWTO) Access date: December 24<sup>th</sup>, 2016

Nevertheless, the share of Turkish tourism grabbed from this developing market has been escalating. In the year of 1950, the period prior to planning, the share of Turkish tourism in the global tourism market was 0.2% and it approached 3.7% in 2014. In other

words, the number of tourists was 28,625 million during 1950s and it surpassed 10 million people during 2000s owing to the implemented tourism policies and new tourism activities. By 2010, it overpassed 30 million people and Turkey has climbed to the sixth place in the list of the countries which received the highest number of tourists throughout the world and has succeeded considerably. The increased number of tourism activities has occurred in line with the improved prosperity and the flowering transportation means and the adaption of tourism activities by the community.

Another data providing information about Turkish tourism is the distribution of the number of tourists as regards to the seasons. This information is about both the diversity of tourism and the incoming tourist profiles. Despite the tourists coming to Turkey prefer especially summer months, a substantial boost is seen during the winter months as well thanks to the diversified tourism activities conducted recently. Based on the data, 3.468.202 people visited Turkey in July 2016. Similarly, 1.170.333 people visited Turkey in January 2016 (TURSAB, 2016). The highest number of tourists was achieved in July and the least number of tourists occurred in January as to these data.

**Table 4:** *The Distribution of the number of tourists received by Turkey by months (2016)*

<b>Months</b>	<b>The Number of Tourist</b>	<b>Rank</b>
January	1.170.333	11
February	1.240.633	10
March	1.652.511	8
April	1.753.045	7
May	2.485.411	4
June	2.438.293	6
July	3.468.202	1
August	3.183.003	2
September	2.855.397	3
October	2.449.948	5
November	1.353.280	9
December		
Total	24.050.056	

**Source:** <http://www.tursab.org.tr/tr/turizm-verileri/istatistikler/turist-sayisi-ve-turizm-geliri>, Access Date: 27.12.2016

Around 1 out of 5 tourists arrived from the neighboring countries to Turkey. The three countries which sent the most number of visitors to Turkey among the neighboring countries were Bulgaria, Georgia and Iran (Doğanay & Zaman, 2013). Because of the political problems between Armenia and Turkey, Armenia has turned out to be the country which sends the least number of visitors. Furthermore, due to the current situation of Syria, it is another country sending low number of tourists.

On the other hand, Germany, which sends the most number of tourists, is also the country that accept the most number of tourists from Turkey. Following Germany, Russia and United Kingdom are the two or three countries sending the greatest number of tourists to Turkey. In addition to these countries, Turkey has been putting an effort to grab a market share from the People's Republic of China, India, South Korea, the Gulf

Countries, Canada and Australia which started to send more tourists in comparison to the previous years.

**Table 5:** A comparison of the foreigners arriving Turkey during 2013-2015 by their nationalities (January-December)

Nationality	Years			Share of the nations (%)			percentage change %	
	2013	2014	2015	2013	2014	2015	2014/2013	2015/2014
GERMANY	5 041 323	5250 036	5580 792	14,44	14,25	15,40	4,14	6,30
RUSSIAN FED.	4 269 306	4479 049	3649 003	12,23	12,16	10,07	4,91	-18,53
UNITED KINGDOM	2 509 357	2600 360	2512 139	7,19	7,06	6,93	3,63	-3,39
GEORGIA	1 769 447	1755 289	1911 832	5,07	4,76	5,27	-0,80	8,92
BULGARIA	1 582 912	1693 591	1821 480	4,53	4,60	5,03	6,99	7,55
IRAN	1 196 801	1590 664	1700 385	3,43	4,32	4,69	32,91	6,90
The NETHERLANDS	1 312 466	1303 730	1232 487	3,76	3,54	3,40	-0,67	-5,46
IRAQ	730 639	857 246	1094 144	2,09	2,33	3,02	17,33	27,63
The U.S.A.	785 971	784 917	798 787	2,25	2,13	2,20	-0,13	1,77
The East and West Asian Countries	1 269 753	1202 208	882 280	3,64	3,26	2,43	-5,32	-26,61

**Source:** <http://www.tursab.org.tr/tr/turizm-verileri/istatistikler/milliyetlerine-gore-gelen-yabanci-ziyaretciler>, Access Date: 26.12.2016

Nevertheless, a great crisis was experienced between Turkey and Russia, which sends the most number of tourists to Turkey, as a result of causing a Russian plane crash on November 24, 2015 with the justification that it violated the Turkish border. The number of tourists coming to Antalya city of Turkey was 3.486.698 in 2014 and upon experiencing this crisis it dropped to 2.836.902 in 2015 and one year later, in 2016, this number regressed till 572.700 with 83% drop. The relationships between Turkey and Russia returned to the normal level as a result of the attempts initiated by Turkey and the



number of tourists started to increase. The tourist number increased 672% during the first three months of 2017 in comparison to the same period of 2016 and the number climbed to 52.491 (<https://140journos.com>, 2016).

### **1.5. The Place and Importance of Tourism Industry in Turkish Economy**

Countries started to regard tourism activities as an integral of activities at the national and international level as a service industry with economic, cultural and social properties contributing multilaterally to economic and social development processes of countries (Usta, 2014).

The tourism sector is vital for providing great advantages especially for countries with a developing industry. The sector ensures foreign exchange inflow to countries and has influence on the establishment of inter-regional balance of payments and on improvement of the prosperity level of the communities by providing employment to the region it is situated in. On the other hand, there is need for foreign currency in order to make investments in the other industrial branches of the country and in the agriculture field. In addition to the foreign currency brought by tourists entering the country, tourism sales made overseas also can meet foreign currency required for investments. This is called as invisible export as well. Another positive aspect of it is that it does not have an additional export effect. The additional export encompasses manufacturing of products in touristic regions and selling them overseas, for instance souvenirs. As a result, people can manufacture touristic products without going to touristic regions and this in turn ensures foreign currency inflow to the country (Usta, 2014).

One of the greatest effects of tourism on economy is ensuring an employment increase. One out of 16 people are employed in the tourism industry according to the data (Usta, 2014). Another research reported that the tourism sector has relationships with 33 different sub sectors (Kozak & et al., 2015).

**Table 6: Employment Facts of Tourism Sector in Worldwide**

Year	Direct		Endirect		Total Employment	
	(000 person)	%	(000 Person)	%	(000 Person)	% Truth values
2005	97933,9	3,76	162134	6,22	260068	10,29
2006	101328	3,82	166863	6,29	268191	10,22
2007	100199	3,71	174102	6,45	274301	10,10
2008	100104	3,66	163607	5,98	263711	9,97
2009	97820,8	3,55	159914	5,81	257735	9,79
2010	98191,8	3,52	156285	5,60	254477	9,45
2011	99557,7	3,52	160438	5,67	259996	9,53
2012	101486	3,53	163683	5,70	265169	9,60
2013	103297	3,56	167426	5,76	270723	9,72
2014	105408	3,58	171437	5,82	276845	9,83
2015	107519	3,60	176464	5,91	283983	9,94
2020	118943	3,74	199705	6,28	318648	10,13
2025	130694	3,90	226217	6,76	356911	10,55

**Source:** The World Travel & Tourism Council (WTTC) (2015)

The infrastructure and superstructure services must be defined to render services for tourists. There is no doubt that in addition to superstructures such as airports, stations and other service units, infrastructure services such as electric, water and canalization services rendered by local administrations affect positively the structuring of these services thanks to tourism.

The tourism sector has a high economic contribution potential in Turkey with its historical, cultural and geographical wealth. Though it has managed an improvement with the progress plans, it has leaped majorly following the Tourism Promotion Act in 1982.

The general trend of Turkish economy has been the development of production and demand in both the service sector and industrial sector. Therefore, tourism has been developing in line with the general trend of economy. In order to comprehend the gravity of tourism in terms of Turkish economy, it will be sufficient to review the table on Gross National Product (GNP).

**Table 7: The share of tourism incomes in the GNP (in 5-year periods)**

<b>Years</b>	<b>The share of tourism incomes in GNP</b>	<b>The ratio of the share of tourism incomes to export</b>
1963	0,1	2,1
1965	0,2	3
1970	0,5	8,8
1975	0,5	14,3
1980	0,6	11,2
1985	2,8	18,6
1990	2,1	24,9
1995	2,9	22,9
2000	2,9	27,5
2005	4,2	24,7
2010	3,4	18,3
2015	6,2	21,9

**Source:** [http://www.tursab.org.tr/tr/turizm-verileri/istatistikler/turizmin-ekonomideki-yeri/gsmh-icin-deki-payi-1963-\\_79.html](http://www.tursab.org.tr/tr/turizm-verileri/istatistikler/turizmin-ekonomideki-yeri/gsmh-icin-deki-payi-1963-_79.html) Access Date: 30.12.2016

The table shows that although there were drops in the GNP rates during the years following the transition to the planned period at times in line with the developing political and social events in the world and country, they tended to surge in general.

The foreign trade term is on the agenda relatively in Turkey and the main reason behind it is that import is greater than export. Tourism is the most notable leading sector for closing foreign trade deficit. Tourism ensures lowering the foreign trade deficit rate by contributing to foreign currency inflow to the country owing to its invisible import property.

**Table 8.** *The share of tourism to narrow the foreign trade deficit*

<b>Year</b>	<b>The foreign trade deficit (FTD) \$</b>	<b>Tourism income</b>	<b>The share of tourism income to narrow the foreign trade deficit (%)</b>
1996	20.402.178	7.970.722	39,07
1997	22.297.649	9.233.503	41,41
1998	18.947.440	8.878.840	46,86
1999	14.084.047	7.069.293	50,19
2000	26.727.914	9.990.841	37,38
2001	10.064.867	13.450.127	133,63
2002	15.494.708	15.214.514	98,19
2003	22.086.856	16.302.053	73,81
2004	34.372.613	20.262.640	58,95
2005	43.297.743	24.124.501	55,72
2006	54.041.498	23.148.669	42,83
2007	62.790.965	27.214.988	43,34
2008	69.936.378	30.979.979	44,30
2009	38.785.809	32.006.149	82,52
2010	71.661.113	33.027.943	46,09
2011	105.934.807	36.151.328	34,13
2012	84.066.659	36.776.645	43,75
2013	99.858.613	32.308.991	32,35
2014	84.508.918	34.305.903	40,59
2015	63.268.398	31.464.777	49,73

**Source:**[http://www.tursab.org.tr/turizm-verileri/istatistikler/turizmin-ekonomideki-yeri/dis-ticaret-aciklarini-kapatmada-payi\\_916.html](http://www.tursab.org.tr/turizm-verileri/istatistikler/turizmin-ekonomideki-yeri/dis-ticaret-aciklarini-kapatmada-payi_916.html), Access Date: 30.12.2016

## **CHAPTER 2**

### **2.1. THE FINANCE TERM AND ITS NATURE**

Though the nineteenth Century is considered as the emergence time of modern financing, the history of financial markets goes back to the year 2000 BC. Istanbul Bank, the first bank during the Ottoman period, was established in 1847 and the developments about the capital market took place in 1874 with the Rescript of Gülhane. With the supports and incentives of the countries which had receivables from the Ottoman Empire, the ‘Dersaadet Tahvilat’ stock market was established in Istanbul in the year of 1866 and its name was changed as the ‘Bonds and Tahvilat’ stock market in the year of 1906 with a new law.

The Republic period can be divided into three sections, namely prior to 1960, 1960 to 1980 and after 1980 periods. There was no apparent progress made in the capital market during 1923 to 1960 since the Republic of Turkey was still young and the state control policy was adopted during this period and the investments were made by the public. With the initiation of the 5-year progress-planned periods during 1960s, the banking sector reached the level specified in the plan. In 1970s, the expert banking, investment and progress banking were concentrated on and restriction was imposed on the trade banking. During this period, instead of many small banks, a few large banks with many branch offices were established. Because of the economic crisis experienced by the end of 1970s, the stability and economic change program was launched on January 24, 1980. With this program, the free market economy was adapted and participation in foreign countries’ economies was initiated. Due to high inflation rates and interest policies, banker crises were experienced during 1980 to 1981 and in 1981, the capital market was rearranged as per the Capital Market Act. On December 18, 1985, the regulation on Istanbul Stock Exchange Market (ISEM) was announced and the market started its activities on December 26, 1985. The markets started to enter a different process with the influence of globalization during 1990s.

*Table 9. Turkish stock market history*

<b>The stock market history</b>	
<b>The new period</b>	
• 30.07.1981	2499 Capital Market Act
• 06.10.1983	91 Statutory Decree On Stock Exchanges
• 06.10.1984	Regulation On The Establishment And Operation Principles Of Stock Exchanges
• 18.12.1985	Regulation On Istanbul Stock Exchange
• 26.12.1985	Istanbul Stock Exchange Commenced Its Activities
• 03.01.1986	The First Transaction In Equity Market

Source: Alkan G, (2015: 13)

### **2.1.1 Financial Markets**

In the financial markets book, the stock market term is defined as; the place where the purchaser and seller are in mutual interaction and money-asset exchange is made. Another definition of it is that “the market is a place where the purchasers and sellers carry out permutation transactions for trading specific assets and services and where the prices offered by the purchasers and sellers for these assets and services are equalized” (Alkan, 2015).

Financial markets, on the other hand, are the markets where documentations defined as financial assets with the valuable document characteristic are purchased and sold (Borsa, 2014). Financial markets have five fundamental elements (Rodoplu, 1993).

- 1. Savers:** Those who supply funds to the market. Household, private and public organizations, social security institutions, private boxes and funds.
- 2. Investors:** Those who demand funds from the market. Entrepreneurs, public organizations, consumers needing credit.
- 3. Financial Instruments:** These ensure transferring the purchasing power of fund-offering entities to entrepreneurs who demand fund or to consumers.

4. Intermediary Institutions and Organizations: Investment partners and funds, intermediary institutions, investment consultancy firms, portfolio management firms.
5. Legal and Administrative Arrangements: The rules and inspections of the organizations and institutions which arrange all transactions for the market to run effectively and stably.

Furthermore, financial markets are divided into two as money market and capital market. This division is based on the fund supply and demand durations. On the other hand, they are categorized by their organization types as organized markets such as TR Central Bank Markets, Borsa İstanbul and organized markets, unorganized markets such as interbank bond market, free exchange and gold market.

#### **2.1.1.1 Money Market**

Money markets are the places where short-term funds are traded. Money markets have a one year-term or less and they unite those who have excess liquidity and those who demand liquidity. The key instrument of these markets is deposits. Those who require liquidity satisfy their liquidity needs for a specific cost i.e. interest, from those who have liquidity excess. Their risk rates and volatility are low since the term is short. The fundamental institution of money markets is banks. The funds obtained in money market are used for financing of assets credit. The money market instruments include treasury bills, commercial bills, bank bills, bank-guaranteed bills and repo/reverse repo.

#### **2.1.1.2 Capital Market**

Contrarily to money markets, markets where financial assets with longer than one year term are traded are called as capital markets. Capital markets are the places where middle and long-term fund supplies and demands are met. Resources of capital market are the savings of savers similar to the resources of money market. The funds acquired from capital market are generally used for financing fixed assets such as the buildings,

machinery and equipment of facilities (Borsa, 2014). The most important function of capital market within the financial system is granting the partnership or compound rights to small account owners who invest on stock certificates, bills of exchange or other financial instruments which ensure the financial system to stand on firm foundations in economies based upon loans; and ensuring the return of the real economic values created and grown by the savings of these savers to the community in the most democratic and impartial way (Tanor, 1999).

The effectiveness of capital market is important for gathering personal savings and for transferring resources to economy. The effectiveness of capital market are listed as follows (Alkan, 2015).

- a) Increasing savings
- b) Increasing investments
- c) Ensuring effectiveness for resource use
- d) Improving capital mobility
- e) Ensuring more balanced income distribution in the community
- f) Popularizing property and wealth distribution
- g) Developing economic aspect of democracy by giving the public a voice in economic decisions
- h) Finding resources with lower cost from the capital market for facilities in comparison to banks

Capital market is divided into primary market and secondary market. Primary markets are the places where corporations which export share certificates and debt instruments meet directly with saving owners. In primary markets, securities are sold by sellers to investors. “In primary markets, firms which export securities can build relationships with firms which demand funds directly or by means of an intermediary institution” (Alkan, 2015).

Secondary markets are the places where the securities sold to investors in primary markets are purchased and sold among investors. In case after the purchasing-selling transactions of securities are completed, they wish to turn them into cash, the secondary market ensures such securities to be turned into cash because they did not apply to the firms exporting them prior to the due date in the case of bills of exchange, and in the case



of equity securities this cannot be done absolutely, and it ensures the securities to be turned into cash. The best example for this market is the stock market (Alkan, 2015).

## **2.2. THE RELATIONSHIP BETWEEN FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH**

The theoretical research conducted financial development affect economic growth or economic growth affect financial development up until today have not answered this question clearly yet. However, there is no doubt that they interact with one another.

The majority of research that was conducted on the relationship between developments in finance sector and economic growth focused on the relationship between the banking sector and economic growth. However, taking into consideration the studies conducted recently, the relationship between the equity market and economic growth in especially developing countries started to become important. There is no consensus reached between the relationship between financial developments and economic developments showing that economy started to recover. It was seen in the conducted research that it differed among the countries based on the market size and structure (Hondroyiannis, Lolos, & Papapetrou, 2005).

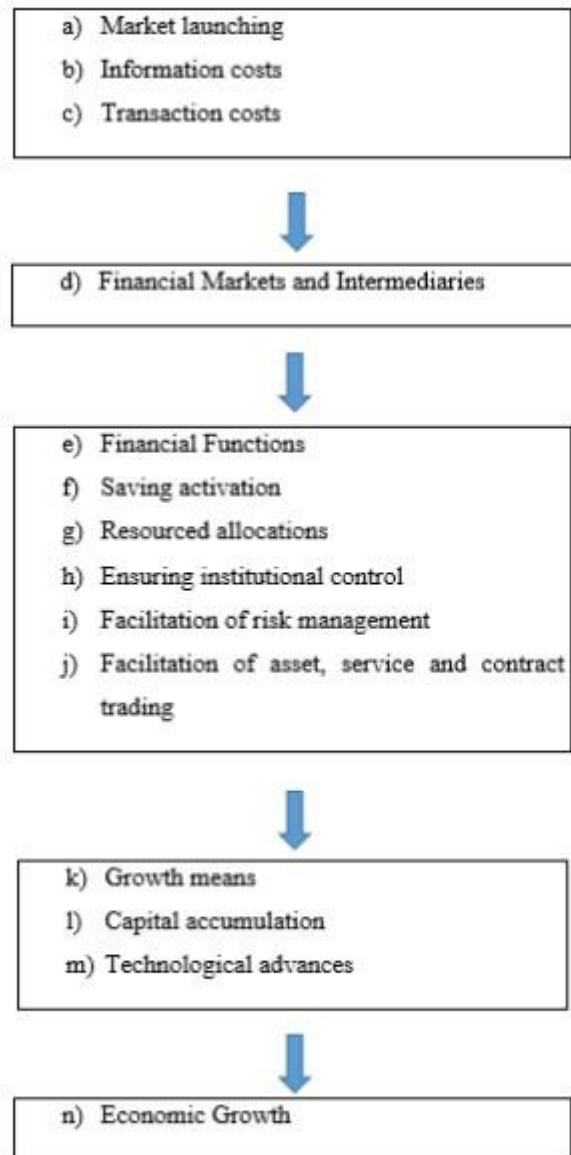
The surplus of the financial institutions in terms of their type and number in a country is one of the primary prerequisite for a developed and in-depth financial system. The depth and progress of a financial system play an important role for adding inactive funds in economy to production and for controlling finance cost. These resources canalized to production will stimulate investments and affect economic growth in investments. Hence, by adding financial development for the production of inactive funds in economy effectively, it has an indirect effect on growth (Demir, Öztürk, & Albeni, 2007).

Schumpeter reported that financial systems will impact economic growth positively. Financial intermediaries support economic development by ensuring mobilization of savers' savings between economic units, supporting their investment projects, risk management, monitoring executors' performances and executing financial transactions (King & Levine , 1993).

The three key theories of economics have studied the relationship between financial development and economic growth. One of these theories is neo-classic growth model. This model, developed by Solow in 1956, included the population increase rate and technological developments as exogenous variables. Capital accumulation and technological developments are the key elements determining economic growth in the neo-classic growth model. According to the neo-classical model economists, financial intermediaries which are the key components of the financial system establish the capital accumulation effectively and make positive contribution to economic growth. Furthermore, financial intermediaries designate the firms which could succeed in the new production processes and steer savings to these fields and clear the pathway for technological progress.



**Table 10: A Theoretical Approach to Finance and Economy**



**Source:** Levine, (1997:691)

Another model, the internal growth theory, was introduced first by Romer in (1986) and Lucas in (1988). Technological developments are predetermined variables, i.e. external, out of the model and the neo-classical model was inadequate to clarify how economic growth occurred. Therefore, the internal growth model and thought as one of the key elements of technological growth.

One of the factors affecting economic growth is that financial markets make investment decisions in compliance with information sources. Share prices make positive contribution to the decision making process about whether investments are to be made or

not about a firm, and this in turn reflects on economy favorably. The internal growth models generally focus on the relationships between financial progress and long-term economic growth and they see the efficiency increases as an instrument of transition from financial progress to economic growth. In doing so, the banking system distinguishes financial markets from one another as stock markets, insurance companies and money markets, and it investigates their relationships with economic growth one by one (Dow & Gorton, 1995).

In conclusion, (Levine, 1997) purported the effects of financial intermediaries on economic growth in the following ways.

- a) Saving mobilization
- b) Risk management
- c) Providing information on investment opportunities
- d) Constant monitoring of lenders and borrowers
- e) Facilitation of asset and service trading

**Table 11.** *Studies conducted on the relationship between financial progress and growth*

<b>Study</b>	<b>Study's Nature</b>	<b>Empirical Results</b>
Benecivenga and Smith (1991)	Theoretical study	The model affects the financial service development and reel growth rates under standard conditions.
King and Levine (1993)	Eighty countries included in 1960-1980 intercountry study	Financial deepening is directly proportional to the anticipated economic growth rates, physical capital accumulation and economic efficiency.
Obstfeld (1994)	Theoretical study	Liquid share bill markets are in direct proportion to economic growth. However, integration with neither liquidity nor international finance markets is independent of private sector saving amounts.
Benecivenga et al (1995)	Theoretical study	A direct relationship was seen between stock market liquidity, growth rates, efficiency and capital increases.
Levine and Zervos (1996)	A horizontal section analysis of seventy seven countries with three growth rates as dependent variables	There are three types of statistical, positive, significant relationship between financial depth indicators and liquidity and growth. These are the growth of output, investment and efficiency.
Jayaratne and Strahan (1996)	A panel data analysis (1972–92) involving fifty USA states	Improvement of the credits supplied by banks has been proven to have an effect on increasing economic growth.
Levine (1997)	A horizontal section analysis	There is a direct relationship between financial progress and economic growth. There are not sufficient proofs regarding the structure and functions of financial system.
Rousseau and Wachtel (1998)	A time series analysis of five industrialized countries (USA, Canada, United Kingdom, Sweden, Norway)	It envisages financial growth from the output to intermediary with very few feedback proofs.

Rajan and Zingales (1998)	A time series analysis (1980-1990) based on company and industry for a large country community	Financial progress contributes immensely to economic growth. Moreover, the success of financial market can generate a competitive effect.
Neusser and Kugler (1998)	A time series analysis of the OECD countries' manufacturing industries	Financial depth is in integration with GSYIH and manufacturing sector factor efficiency.
Levine and Zervos (1998)	Intercountry analysis (1976-93)	It is seen that stock market and a good finance intermediary institution which made technologic investments affect capital accumulation, investments and efficiency improvement in addition to economic growth.
Demirgüç-Kunt and Maksimoviç (1998)	An intercountry analysis of 30 developed and developing countries	A good stock market and a legal infrastructure established orderly and meticulously cause less problems and facilitate more positive financial outcomes.
Levine, Loayza and Beck (2000)	A horizontal section study and dynamic panel techniques	There is a strong, asynchronous positive interaction between the development in a good stock market and long-term growth.
Arestis, Demetriades and Luinted (2001)	Time series analysis	Deepening of financial intermediary institutions and capital markets accelerate economic growth however financial intermediary institutions play a very important role in this process.
Shan and Morris (2002)	VAR and Granger Causality Test	The bidirectional relationship occurring for some countries is found as unilateral for some other countries.
Dritsakis and Adamopoulos (2004)	VAR Methodology	It is concluded that there is a direct causation relationship from financial progress towards economic growth.
Onur (2005)	Granger Causality (Autoregressive model)	As a result of the progress made in Turkey's economy after 1980, it is seen that it did not affect the change in GSYIH but GSYIH had an effect

		on financial market problems that emerged during the years that followed it.
Shan and Jianhong (2006)	VAR Methodology	There is a mutual interaction between financial progress and economic growth.
Yapraklı (2007)	VAR and Granger Causality Test	There is a mutual interaction between trade and financial liberalization and economic growth.

**Source:** Oruç S., Turgut A. 2014:113

### **2.3. STOCK MARKET DEVELOPMENT IN THE WORLD AND TURKEY**

The history of stock market dates back to old ages. The Roman Empire became the greatest trading center with trophies grabbed at wars. During this period, large tenders were lodged and merchants founded companies with notes to collect the capital required for participating in these tenders, and these companies became very popular and as a result of these developments, the first stock market was established in Rome in 180 BC (Işık, 2012). Various fair sites and markets were established for carrying out purchasing and sales of products in the middle-ages and as a result of valuable mine trading in these markets, money changing emerged, and during this period, commercial papers were started to be used for large scale trading.

In the fifth Century, the intermediary institutions that are known as couriers emerged and moreover, craft guilds emerged and these guilds set up some rules. It is propounded that the term ‘stock market’ originated etymologically from the name of “Van der Beurs” family who established the first continuous fair in 1531 in Bruges City or Anvers City in Belgium (Fertekligil, 2000).

The stock market in the United States of America emerged approximately 200 years ago. During this period, banks started to purchase stock certificates and collect money by means of stock certificates. New York stock market was established with the participation of 24 leading merchants of the country in 1792. Despite the market

was an institution belonging to liberal capitalism, it also started to take its place in countries including Russia and China recently.

The foundation of stock market in Turkey coincides the ends of the 19<sup>th</sup> Century. During the Ottoman Empire period, some minorities who dealt with trade, transportation, banking and such businesses were in constant relationship with the west and became rather wealthy thanks to such activities. This wealthy minority group became indispensable for the Empire as far as the financing is concerned and this situation enabled them to have a say in country policies.

Bonds were issued for the Ottoman Empire due to debts generated in Crimean War in 1854. When these bonds were started to be purchased and sold in European stock markets by minorities and due to concerns of the European states about receivables, they encouraged the Ottoman Empire and came up with the idea to establish stock market. Hence, the first stock market was established with the title “Dersaadet Securities Stock Market” in 1866. Dersaadet Securities Market was renamed as Bonds and Securities Market in 1906 with a statute.

Upon going through the First World War and Independence War, markets entered into a difficult period. Abolishment of the capitulations with the proclamation of the Republic, nationalization of foreign corporations, introduction of foreign exchange control and moving the Bonds and Securities Market from Istanbul to Ankara in 1926 have turned out to be end of the capital market (Işık, 2012). In 1941, the market was relocated in Istanbul. The markets came to a standstill until 1960 and after this date, it started to pick up.

Stock market in modern sense is the generation of banker crisis experienced due to high inflation rates during 1979 to 1980. The first foundations of the establishment were laid with the statutory decree on the Securities Exchange Market enacted in 1984. Istanbul Securities Exchange Market was established on December 26, 1985 and it held its first session on January 2, 1986. On April 5, 2013, “Istanbul Securities Exchange Market” was renamed as “Borsa Istanbul”.



## 2.4 The Relationship between Tourism and Financial Markets

Tourism is one of the rapidly growing and most important sectors in Turkey closing the employment gap by providing accretion value to tourism and new job opportunities recently. With the recently increased demand, numerous accommodation facilities and various touristic facilities were opened offering food and beverages and services for tourists. With the increased number of such facilities, the selections jumped and even some facilities started to fill and this in turn reflected on competition and caused the prices to drop. As a result of this, facilities wish to maximize their profit margin by effective financial management.

The fundamental characteristic distinguishing tourism facilities from trading or production establishments is their fixed asset-focused aspect. Hence, the accommodation facilities, which invest on fixed assets generally, subsequently concentrated on floating assets as well however this size was not as great as the fixed assets. Therefore, accommodation facilities need long-term resources in general (Tufan, 2013).

- a) Short-term finance sources: short-term bank credits, short-term trade credits, short-term accrued expenses, finance security issuing, factoring and other short-term finance sources (development agency, KOSGEB or European Union grants)
- b) Medium-term finance sources: medium-term bank credits, revolving credits, financial leasing, real estate investments
- c) Long-term finance sources: share issue, bond issue, auto financing

**Table 12.** General information on BIST tourism facilities

<b>BISTourism Facilities Facilities</b>	<b>Its Sector</b>	<b>Actual Activity Subject</b>	<b>Its Tourism</b>
Net Tourism Trade Free Stores and Industry Ltd. Co.	Wholesale and Retail Trade Hotels and Restaurants	Touristic store busines (Carpet and similar products, clothing, jewelry and souvenir manufacturing and trading),	22 Duty-Free Stores 2 5-star hotels 2 holiday camps 1 4-star hotel 1 Casino 1 Café

		<ul style="list-style-type: none"> <li>• Tourism business (accommodation, resting, entertainment, walking, food and beverage place and operating</li> <li>• Transportation for tourism purposes</li> </ul> Activities and Travel Agents .	1 Limousine renting 7 Touristic Shopping Store
Marmaris Altinyunus Touristic Facilities Ltd. Co.	Wholesale and Retail Hotel and Restaurant	<ul style="list-style-type: none"> <li>• Touristic Hotel Business</li> </ul>	1 of them is leased 2 5 Star Hotel
Altinyunus Çeşme Touristic Facilities Ltd	Wholesale and Retail Trade Hotels and Restaurants	<ul style="list-style-type: none"> <li>• Tourism Management</li> </ul>	1 Resort
Martı Hotel Management Ltd. Co.	Wholesale and Retail Trade, Hotels and Restaurants	<ul style="list-style-type: none"> <li>• Establishment, operation, have them operated, lease of any type of hotel, motel, resort marina, restaurant etc.</li> <li>• renting facilities that are established or to be established</li> </ul> Founding partnerships, entering into any type of collaboration contract	1 5-star hotel 2 4-star hotels 1 Marina
Petrokent Tourism Ltd. Co.	Wholesale and Retail Trade, Hotels and Restaurants	<ul style="list-style-type: none"> <li>• Tourism Investments and Management</li> </ul>	2 Resorts
Tek-Art Construction Trade Tourism Industry and Investments Ltd. Co.	Wholesale and Retail Trade Hotels and Restaurants	<ul style="list-style-type: none"> <li>• Tourism and Hotel Managem Construction and Contracting</li> </ul>	1 Resort
Favori Resting Places Ltd. Co.	Wholesale and Retail Trade, Hotels and Restaurants	<ul style="list-style-type: none"> <li>• Tourism Management</li> </ul>	1 Resort
Metemtur Hotel Management and Tourism Ltd. Co.	Wholesale and Retail Trade Hotels and Restaurants	<ul style="list-style-type: none"> <li>• Tourism Hotel Management</li> </ul>	1 Resort

Source: Karadeniz, İskenderoglu, 2011: 68

## **CHAPTER 3**

### **3. LITERATURE REVIEW**

The relationship between tourism and finance has been scrutinized in various researches by using different methods and the studies conducted on other sectors have been benefited during conducting these researches.

Karadeniz, et al. (2016) made use of the sector rates issued by the Central Bank of the Republic of Turkey (CBRT) and conducted research to measure the financial performances of tourism's subsectors and used thirty two financial rates in the scope of four fundamental indicators. They assessed financial performances of the six subsectors regarding their general relation level, financial structure, liquidity, profitability and asset utilization during 2012-2014 issued by CBRT by using Gri relational analysis method. As a result of the conducted research, it was found that although the accommodation subsector was the best in terms of liquidity its asset utilization performance was at a low level. The highway passenger transportation subsector showed the best performance in terms of asset use among the other sectors and moreover, the subsector displayed the best performance in terms of financial structure indicator within itself. Furthermore, the sector ranked the last in terms of profitability. The entertainment and resting sector ranked the last. The subsector of passenger transportation in sea and coastal waters ranked the second in terms of asset use, and though this subsector ranked the third in terms of profitability it was concluded that it had the poorest performance. In the general assessment, it was shown that Turkish tourism sector's financial risk level was high (Karadeniz & et al., 2016).

Ergül (2014) compared the performances of corporations traded in tourism sector at Borsa Istanbul (BIST) by using the ELECTRE and TOPSIS methods. The ELECTRE and TOPSIS methods were selected since they are successful for designating the corporations with the highest financial performances and they ensure that right decisions are made. In the study, the 8-year performances of the listed assessed during the period 2005 and 2012 of the corporations registered at Borsa Istanbul with the codes of "FVORI, AYCES, METUR, MAALT, NETTUR, PKENT,

TEKTU’’ by using their financial statements. According to this assessment, the MAALT displayed the highest performance during the years 2005, 2006, 2011 and 2012; and the NETTUR showed the highest performance in 2007 and 2010; and the PKENT showed the highest performance in 2008 and 2009. The METUR and NETTUR showed the poorest financial performance during 2005, 2006, 2007 and 2008), the FVORI showed the poorest financial performance during 2009 and 2010, and the METUR showed the poorest performance in 2011, and the AYCES showed the poorest performance in 2012. The fundamental analysis was made for the corporations which turned out to be in compliance with each other by using the two methods and which were studied in the next step, and the acquired results were compared with the results obtained by using the ELECTRE and TOPSIS methods. In conclusion, it was deduced that the ELECTRE and TOPSIS methods were successful methods facilitating decision making (Ergul, 2015).

In the study of Ecer and Günay (2014), the financial performances of nine tourism corporations traded in Borsa Istanbul for the years 2008 to 2012 in the scope of the liquidity, leverage, profitability and activity indicators were assessed with seventeen financial rates by using Gri relational analysis methods. Despite there are around three thousands of tourism companies in Turkey, the research included only the companies whose financial data were accessed. Based on the accessed data, the most significant indicator was determined as the leverage for financial performance measurement and the efficiency rate was found to be in the range of 46% to 87%. Though this value range was not assessed as very good, it was a sufficiently well. The efficiency rate for the profitability indicator was found as 46% to 87% and it is seen that the tourism executives need to make investments to improve the profitability rate based on these data. The activity indicator showed that there was a mediocre level activity of 44% to 66% and it can be purported that the tourism companies did not use their assets efficiently. The activity values for the liquidity indicators emerged as 33% to 100%. Despite it seemed that full activity was attained, only one company achieved efficiency and the other companies had an efficiency around 35% which could be characterized as low. Hence, it is clear that they failed to cover their short-term debts with current assets and they need to put more effort (Ecer & Gunay, 2014).

Chen (2004) studied the interaction between the tourism and accommodation sites and work conditions and financial performances of tourism companies in China and Taiwan. Their jointly integrated test results supported that there was generally a long-term relationship between the conditions of tourism companies in China and Taiwan and their financial performances. The causality test results showed that there was a bidirectional relationship between the expansion and financial performances of tourism companies in both of the cases. Hence, financial success of tourism companies and company development ensure China's and Taiwan's economic progress. In conclusion, this empirical study documented the substantial contribution of tourism companies on financial success of companies. Moreover, as a result of this study, it can be deduced that the financial performance of tourism companies can also serve as the primary sign for company development in China and Taiwan. (Chen, 2007).

Özcelik and Kandemir measured the performances of tourism companies by making use of financial rates and by using the TOPSIS method. Financial performances of seven tourism firms listed on Borsa İstanbul were assessed in the scope of leverage, liquidity, profitability and activity indicators by eight financial rates as to encompass the years 2010-2014. The reasons for the variables in the establishments' performances can be find out by detailed finance analyses. As a result of the assessment, it was seen that the first three corporations that showed the best performance in 2011 were the TEKTUR, METUR and AYCES. The first three firms that showed the best performance in 2011 were the TEKTU, MAALT and METUR, and the first three firms that showed the best performance in 2012 were the MAALT, METUR and TEKTU, and in 2013 they were the MAALT, METUR and PKENT, and in 2014 they were the MAALT, PKENT and METUR (Özcelik & Kandemir, 2015).

In Kahilogolları and Karadeniz's (2015) study, the stock certificates of the accommodation companies traded in the European and Turkish stock markets were assessed to determine their financial structures by using the ratio analysis method. Ten financial structure ratios were estimated by making use of the financial tables of twelve accommodation companies which were traded in 51 European stock markets and Borsa Istanbul for the years 2011, 2012 and 2013. As a result of the analysis, it was seen that the use rate of short-term investment sources within foreign resources

of the accommodation companies traded in Borsa Istanbul was greater than the averages of the tourism companies traded in the European stock markets (Kahilogullari & Karadeniz , 2015).

Karadeniz and Beyazgöl (2016) analyzed the cash cycle times in their study during the years 2011-2014 of public tourism companies in Turkey and in some European countries and compared the two groups. In the study scope, forty tourism companies in various European countries and nine tourism companies listed in Borsa Istanbul were included in the study. According to the study results, the companies in Turkey had a higher cash cycle process in comparison to the companies in Europe. The relationships between cash cycle duration and stock, receivable and commercial debt cycle periods were scrutinized in the research. The results acquired from the correlation analyses showed that the cash cycle durations of public tourism companies in Turkey were related positively with the account receivables turnover time, and they were related positively with the commercial debt cycle duration. Attaching importance to receivable and stock management is important for public tourism companies in both Turkey and Europe. In the other analysis applied in the study, it was investigated whether there was a significant difference in terms of cash cycle durations and stock, receivable and commercial debt cycle times of some public tourism companies in Europe and Turkey and as a result, it was exhibited that there was statistically significant difference from the companies in Europe in terms of the average receivable cycle duration of the tourism companies during 2011-2013 and there was no significant difference in 2014. The reason behind it was that Turkish public tourism companies registered longer-term credit sales in comparison to the public tourism companies in Europe. In terms of cash cycle time, on the other hand, there was statistically significant difference only in 2011 between the public tourism companies in Turkey and Europe. In this context, it can be said that they displayed similar performances in terms of cash cycle policy during 2012-2014 (Karadeniz & Beyazgöl, 2016).

In another study of Karadeniz (2012), the cash cycle time of the tourism sector was analyzed. The research was conducted during the period of 2002-2010 based on the annual data of the hotel and restaurant sector balance sheets registered by Borsa İstanbul and prepared by the Central Bank of the Republic of Turkey. With the

comparative assessment of the data collected in the study, it was uncovered that the hotel and restaurant sector's receivables were collected in a shorter time in comparison to the tourism companies registered in Borsa İstanbul. The comparison of the receivable cycle time averages of the tourism companies included in the research separately revealed that the average receivable cycle times of the AYCES, MAALT, PKENT and METTUR companies were shorter than those of the hotel and restaurant sector. The comparison of the averages of stock cycle times revealed that the average stock cycle times of the AYCES, MARTI, MAALT, PKENT and TEKART companies were shorter than the stock cycle times of the hotel and restaurant sector. Based on the assessment in terms of commercial debt cycle time, although there was a small difference between the average of the hotel and restaurant sector and the averages of the tourism companies registered in the ISEM, it can be said that they were very close to one another (Erdinc, 2012).

Karadeniz, Kaplan and Günay (2016) conducted a research on 8 tourism companies for which quarter-term data were accessed during 2009-2015 for analyzing the effect of capital structure decisions on profitability in public tourism companies. The average values of the leverage rates of the companies included in the research were 25%, the long-term leverage was 21% and the total leverage was 46%. Based on the the result of empirical analysis encompassing the study period, the effect of the usage of long-term leverage on the profit indicators including net profit margin, active profit power and active profitability was not statistically significant. On the other hand, it was seen that the short-term leverage and total leverage had significant negative effect on the net profit margin, return on assets power and return on assets. As a result of the analysis assessment, it was concluded that the total leverage rate had negative effect on the profitability rate (Karadeniz & et al., 2016).

As it is seen in the research of Sharma and Upneja (2005) investigating the factors that affected the financial performances of small hotels in Tanzania, various internal and external factors affect the financial performances of small hotels. These originate from micro-scale operational inadequacies including institutional environment and product service standardization, investments made on tools and instruments and financial selection means. Small business operations are an integrated component of economic growth and development in Sahara Desert countries such as Tanzania.

Therefore, the growth and competitiveness of establishments are crucial for securing the middle class people's improvement. Another crucial reason for these firms to succeed is that local investors are the owners and executives of small hotels (Sharma & Upneja, 2005).

Kendirli and Çankaya (2016) studied the variables affecting active profitability on annual basis based on the annual data and by making use of the 5-year balance sheets during the years 2010-2014 and income statements of 5 tourism companies listed in Borsa Istanbul Tourism Index in 2016, and they analyzed the relationship between these variables by using the multi-regression method. As a result of the analyses of the establishments listed in Borsa Istanbul tourism index during 2010-2014, their active profitability was found as 2.4%, average receivable collection times was exhibited as 88 days, average stock keeping duration was found as around 91 days and their average cash cycles were determined as 98 days. The average active sizes of the corporations were 323.929.744 TL, their average sales growth rate was 10.32%, average leverage rate was 29.52% and the average due dates of their debts were found as 80 days. Since the tourism facilities registered in Borsa Istanbul are public, they have more shareholders in comparison to the corporations that are not listed in the stock market. Hence, the firms are required to manage their operations more professionally and must have more responsibilities for their partners. Shortened cash cycle times will shorten the average collection period for companies in terms of capital management and therefore the collections will be made in a shorter time and new profit means will be provided. They save from storage and stock service costs as well by shortening the cash cycle time as another factor and lowering the stock keeping periods. The companies, corporations and suppliers which will invest in capital markets and the large institutional corporations which wish to purchase or establish partnership take into consideration of the financial indicators such as active size and active profitability of the companies. By resorting to increasing their equity capital, the companies can strengthen their financial structures and increase their active sizes and therefore this will make the companies to withstand global competition conditions better (Kendirli & Çankaya, 2016).

Kosan and Karadeniz (2014) investigated the performances of the accommodation and food service subsector for the years 2010, 2011 and 2012 with



the aid of the sector balance sheets of the Central Bank of the Republic of Turkey and used the DuPont financial analysis technique in their study. The DuPont financial analysis system is used to designate the integral and departmental financial performances of the firms. As a result of the analysis, it is seen that the sale, active and equity capital profitability in 2010 and 2011 were positive, and they were negative in 2012. The analysis showed that foreign resource use was high. Considering 2010 sector balance sheets, it was determined that the usage of debt had a 59.7% share within the total resource, and it had a 65.2% share in 2011 and a 63.3% share in 2012. The firms must benefit from financial leverage more in order to improve the equity profitability in the DuPont system. It was seen that the sector benefited more from financial leverage in the years 2010, 2011 and 2012 however in 2012, the level of benefiting from financial leverage dropped slightly. Though the equity profitability was positive during 2010 and 2011 and the financial leverage was benefited in 2011 yet it lost, the equity capital profitability was negative. The risk of reimbursement of debt must be taken into consideration absolutely here. As a result of the analysis, it was uncovered that the sale costs, operation expenditures and other expenditures progressed at high rates and therefore, the net profit margin value turned out to be at a low level (Koşan & Karadeniz, 2014).

Öncü, Mesci and Şahin (2012) conducted a research on six restaurants, five-star hotels and A-class travel agencies operating in Istanbul by using the method of balanced scorecard model to investigate the effect of financial innovations on the performance of tourism facilities. As a result, it was revealed that the capital was the finance resource preferred the most for facility foundation. The lack of confidence to banks and private finance resources are the major reasons for this situation. Furthermore, it is seen that there are common dominating notions that financial innovations have positive aspects such as providing the ease of use and offering time advantage, etc. within some restrictions. According to all executives of firms, technologic advances and legal arrangements play an efficient role for the use and emergence of financial innovations. Based on the collected data, financial innovations provide cost advantages, investment returns, time advantage, advantages from taxes and interest rates, saving from labor force and transaction volume and contribute to the performance of firms. Additionally, financial innovations can affect sale and competition strength of establishments considerably when they are supported by

advertisements and technological studies. There is a dominating thought that financial innovations affect performance generally in the financial and customer aspects. On the other hand, there are different dominant perspectives in the learning and development aspects.

Al-Najjar (2014) aimed to discover the relationship between tourism company management and company performance. According to the results of the research conducted on 32 firms in 5 countries in Central Asia, the management measures and companies supported the financial performances and independence. The management measure and structure are crucial management mechanisms for small-size tourism facilities. Furthermore, the conducted study shed light to the growth-based hypothesis and the tourism growth relation hypothesis and the effect on the corruption index in tourism companies. It was specified in the report that there was a negative relation between the corruption index and financial performance (Al-Najjar, , 2014).

Önal, Karadeniz and Kandır (2005) conducted a study titled “the estimation of the ongoing value: an application on a tourism facility quoted on the BIST” and explained the ongoing value concept in the assessment of the companies and emphasized the significance of the ongoing value. Moreover, they scrutinized the estimation of the ongoing value on the tourism facilities traded in the BIST based on these two approaches. In the conducted study, the firm value of the tourism firms quoted on the BIST and ongoing values were estimated and as a result of the estimations, the ongoing value of the selected company was found as 14,706 billion TL and the company value was found as 72,862 billion TL. In conclusion, it is seen that the ongoing value of the selected company formed 20.18% of the company value, which is significant. As a result of the incorrect estimation of the ongoing value, since the contribution of this value to the company is ignored and wrong estimations will be made, this shows the importance of the effective estimation of the going concern value as far as the company assessment is concerned (Karadeniz, Kandır, & Iskenderoglu, 2015).

Özkurt (2007) came up with suggestions in his study in terms of health tourism financial resources which are the natural, human and financial resources basically. Hence, it was investigated how the health tourism sector in Turkey will develop by

means of the “guaranteed-preference bonds” to be issued by abiding by the institutions and rules of the capital market and hence what type of contributions it will provide to the general tourism sector. The guaranteed-preference bonds have great benefits for the parties. Some of these are;

- a) They can earn high income from their savings thanks to tax deductions.
- b) This bond type is a very attractive loan finding instrument since they are both guaranteed and unguaranteed.
- c) They perform their intermediary duty better for the transfer of their savings to reel economy since diversity and a selection environment will be achieved between the investment instruments of the capital market.
- d) From the State’s point of view, it will make an income transfer to these classes voluntarily as much as the tax amount that it did not collect from their citizens or institutions and companies which invested on bonds and it will contribute to their prosperity.
- e) Foreign investors will be able to tend to see the health bonds as a new and efficient opportunity. Furthermore, if the development of the health tourism is desired, it needs to be turned into a culture by various means such as education. After a development is attained, it can be anticipated that the health tourism will enter into the bond market. At the same time, since the investors have a tourist identity, they will desire to integrate in the health tourism with their bonds and the period of their bonds will determine the duration of this integration. It can be concluded that the health tourism bonds are realistic, innovative, prospective and pragmatic for the future of the sector by keeping in mind their sectoral, national and international magnitude (Özkurt, 2007).

Özcan, et al. (2016) conducted a study to scrutinize the effect of money policies implemented by policy makers on the number of tourists for a developing country economy such as Turkey. As this study was conducted, the MS VAR (Markov Switching Autoregressive) method was used considering the recently developed economic regime changes. The effectiveness of money policies is investigated by using their effect on the foreign currency and financial system. According to the MS-VAR analysis, it is seen that the increase in the relative policy interest rate did not affect the number of tourists by affecting the foreign currency rate and similarly, it did not affect the number of tourists by means of the STOXX (Eurozone Financial

System) market index. According to another result deduced, the positive shock experienced in the relative policy interest rate affected the number of tourists positively by means of the financial system. Finally, the increase in the relative policy interest rate affected the number of tourists negatively. (Özcan & et al., 2016).

Balaguer and Jordan (2000) investigated the role of tourism in the long-term economic development and they tested the tourist led growth hypothesis. During the economic growth in the past thirty years in Spain, it was concluded that popularization of international tourism was effective. Recently, increasing such movements created multiplier effects. The analyses showed that there was a long-term and stable relationship between the economic growth and tourism expansion. As anticipated, the returns of international tourism affect the economic growth of Spain positively. The strong effects of touristic activities depend on the emergence of the existing long-term multiplied effects of the anticipated variables' magnitude. The study results support the fundamental view that tourism is a sector without products and rendering of services. Contrary to the traditional export-based growth suggested by the resources, tourism does not have a special place for the developing countries which have relative advantages in certain sectors of economy and depend on foreign exchange earnings. Moreover, tourism is not long-lived in terms of the consumption sector either. In addition, variables such as income and tourism earnings are maintained by the additional factors of foreign competition. These variables are the proofs for the rapid growth of Spanish economy in time. In conclusion, it must be aimed that tourism will be supported and promoted to increase the demand for international tourism and to develop the tourism demand because of its significant effects on Spanish economy. At the same time, the infrastructural expenses of tourism must not be underestimated. Suggestions can be made to be careful about giving inadequate financial support for the investors to make investments and to minimize harming natural and socio-cultural resources (Balaguer & Jorda, 2000).

Bozkurt and Pekmezci (2015) dealt with the socio-economic aspect of tourism in their research and investigated the direct effects of fluctuations and vagueness experienced in foreign currencies on tourism demand. According to the result of empirical analysis, there was a negative relationship between the foreign currency

shock and tourism demand shock in the long term in the tourism sector. (Bozkurt & Pekmezci, 2015).

In the study of Singh and Schmidgall (2013) stressed importance of financial and operating data for entrepreneurship. So entrepreneurs take a position according to this informations. The sample used in the study contains US hotels. With this study, stakeholders can set some createria for their lending and investment decisions. In addition out comes of the study are also of value to financial managers of hotels as they can benchmark their existing ratios with the computed results in the upper-median and lower quartiles of this study (Singh & Schmidgall, 2013).

Kim and Ayoun (2005) compared financial ratio of four segment of the hospitality industry (hotel and motel, amusement, restaurant and recreation services, airline companies). In this study, from 1997 to 2001, the four segments have shown different model of total debt to total equity, total debt to total assets ratio, and times interest earned. Examination the trends of these ratios all segments lead us to bring to a conclusion that the external environment in which the companies operate has severely affected how these companies finance their operations. Capital structure mix varies over years for all segments without a recognizable pattern. Generally capital structure is known to be very constant over time. Generally ratios measuring the asset management point out that restaurants are managing their assets more effectively than most of the other segments. Net profit margin and return on assets are higher for airline, and hotel-motel segment than for amusement-recreational service segment . ( Kim & Ayoun, 2005).

Subačienė and Senkus (2013) studied on entrepreneurs in tourism industry of Lithuania between 2000-2011. Researchers used the pyramidal analysis. They concluded that the average net profitability of all the analysed enterprise groups was less than 5 percent, and in the very small enterprises group the rate was negative. Pyramidal analysis has also shown that net profitability changes were led to by such factors as sales revenue, costs of sales, and operating expenses in the medium group (Subačienė & Senkus, 2013).

Akkaya and Uzer (2012) studied on eight tourism company( Altinyunus Çeşme, Marmaris Altinyunus, Marmaris Martı, Metemtur, Nettur, Petrokent, Tekart and Favori A.Ş.) and they implemented a data envelopment analysis approach to measure the efficiency of this eight tourism companies from 2009 to 2011. Their data set was collected

from Borsa İstanbul. According to the results of 2009, companies that get the peak value are Altinyunus Çeşme, Martı Marmaris, Nettur and Tekart. On the other hand, Martı Marmaris is efficient but it does not take up references. Inefficient companies must increase their book value and market value to be efficient. Marmaris Altinyunus should increase book value 0,95% and market value 0,53% to be efficient. Metemtur may increase by 0,34% its market value. Petrokent should increase book value 0,93% and market value 0,19% to be efficient. Favori should increase 0,92% book value and market value 0,36% to be efficient (Akkaya & Uzar, 2012). According to the results of 2010, companies that get the peak value are Altinyunus Çeşme, Nettur and Tekart. Marmaris Altinyunus should increase market value 1,00% to be efficient. Metemtur should increase 0,50% market value. Petrokent should increase market value 0,24% to be efficient. Favori may increase market value 0,39% to be efficient (Akkaya & Uzar, 2012). According to the results of 2011, companies that get the peak value are Tekart and Favori. Altinyunus Çeşme should increase market value 0,69% to be efficient, Marmaris Altinyunus should increase market value 0,48% to be efficient. Martı Marmaris should increase market value 0,09% to be efficient. Metemtur should increase market value 0,27 % to be efficient. Nettur should increase market value 0,28% to be efficient. Petrokent should increase market value 0,21% to be efficient (Akkaya & Uzar, 2012).

Asullah and Rehman (2015) analysed the financial performance two hotels (Serena Hotel and Marriott Hotel) of Pakistan hotel industry. Researchers used ratio analysis for two hotels. The aim of this study is to analyse and compare financial position of two hotels. The result of analysis indicates that the financial position of two hotels seems better in 2012 than 2011. By %7 in Marriott Hotel's total assets increased and also Serena Hotel's total assets was increased %3. Marriott Hotel shows improvement in its current assets on the other hand Serena Hotel's current assets decreased in 2012. When researchers claim that liquidity based on balance sheet shown that there is a problem in current ratio and quick ratio. But the results of analysis indicate that both ratios of Marriott Hotel are worse than Serena Hotel. (Asdullah & Rehman, 2015).

Kim, et al. (2002) presented for investigate the Real Estate Investment Trust (REIT) over the 1993-1999 period. This investigation include comparison the overall market and six other REIT sectors. The Jensen Index was used to measure the performance of REIT sector and also for enable performance comparisons across the REIT sectors, A one-way

analysis of variance (ANOVA) and Tukey multiple comparison method was used. “As a portfolio, hotel REITs’ risk-adjusted performance was similar to that for the overall REIT portfolio. From the perspective of individual stocks, the average performance of hotel REITs was inferior to that for office, industrial, residential, and diversified REITs but similar to that for healthcare and retail REITs for the period examined” (Kim, Matilla and Gu, 2002).

The significance of financial analysis and the vertical analysis, one of financial analysis methods, was investigated in the study of Omag (2014). The financial statements of an exemplary business of large scale selected in the food sector were studied by using the vertical analysis method, and its entity structure, resource structure, profitability by years and the state of its sales and costs were designated. Since the empirical results showed that the profitability direction of the firm affected negatively the sales and costs of the establishment during the studied period, it expresses that it has a better look in terms of its entity structure and resource structure. (Omag , 2014).

Şit (2016) included the employment and the relationship between employment and tourism sector in his study conducted to investigate the contributions of the tourism sector on employment in Turkish economy. In another section, it is estimated that the number of the workers employed in the service sector climbed from 11 million to 16 million during the 10-year period from 2006 to 2016 when tourism provided employment for many people gradually and during the same period, the number reached 2 million and 210 thousands in the tourism sector during the same period and it is anticipated that this number will reach 2 million and 817 people in 2025 (Sit, 2016).

Şen, at al. (2016) analyzed the financial statements of an exemplary hotel by using the financial analysis techniques and scrutinized the significance of financial analysis for achieving the targets and success of hotel firm in their study. The selected example hotel was analyzed by trend analysis during 2011-2013, by comparative table analysis during 2012-2013 and the analyses of the method and rate were made for 2013. As a result of these analyses, it was revealed that there was substantial liquidity inadequacy in the firm. The poor management of the establishment financially during 2011, 2012 and 2013 led to the destruction of asset-resource structure first and subsequently to incur a loss. High

financing expenditures emerging as a result of excessive debts caused the institution to incur a loss (Sen & et al., 2016).

## **CHAPTER 4**

### **4.1. OVERVIEW OF FINANCIAL STATEMENTS**

The primary role of financial statements in business environment is to provide financial information for the firms' management, creditors, investors and stockholders. The effectiveness of financial markets depends on financial statements of firms operating in the economic environment. The dissemination of reliable and relevant financial information massively enhances operational efficiency of the financial markets (Grüber, 2014).

After the economic transactions have been recorded and classified, financial statements are created. All firms operating in the business environment are required to prepare financial statements at the end of accounting period. A deep understanding of financial statements is essential for accurate and reliable of financial statement analysis. A firm listed on Borsa İstanbul should apply International Financial Reporting Standards (IFRS) in the preparation of its financial statements. International Accounting Standards Board has responsibility to set IFRS and interpret those standards. The list of financial statements that should be prepared by the firms is follows;

- a) Balance sheet
- b) Profit and loss statement
- c) Statement of cash flows
- d) Statement of stockholders' equity
- e) Notes to financial statements

Balance sheet presents the financial position of a firm at a specified period of time. Balance sheet of a firm consists of three parts; assets, liabilities and stockholders' equity. All accounts in balance sheet are represented in order of liquidity. Financial statement users can review the financial health of the firm by analyzing balance sheet.



The financial outcome of the firms' operations is one of the primary concerns for the stakeholders. Profit and loss statement reports firms' financial performance over a period of time. Profit occurs when total revenues are greater than total expenses and loss occurs when total expenses are greater than revenues.

Statement of cash flows presents the cash inflows and cash outflows; for a specified period of time. Statement of cash flows consists of three parts: operating, investing, and financing activities. The statement of stockholders' equity reports the changes in the stockholders' equity during a period of time. Notes to financial statements provide important information on accounting methods used in the preparation of financial statements.

The information provided by firms' financial statements is one of the main factors that influence decision making process of the stakeholders. The financial statement users are divided into two groups; internal and external users. The internal users are firm management and the owner of the firm. The external users are investors, creditors, stockholders, suppliers, government authorities and customers.

## **4.2. RESEARCH DESIGN**

In this part of the study, the research methods, empirical data and findings are presented. This section aims to analyze financial position and financial performance of tourism firms listed on Borsa İstanbul. The findings of analysis can be used by stockholders and firms' management to monitor firms' financial health, by creditors to assess default risk or individual and institutional investors to determine financial performance. There are three major ways to analyze firms' financial statements.

- Horizontal analysis
- Vertical analysis
- Ratio analysis

Horizontal analysis, vertical analysis and ratio analysis provide different insights to users of financial statements.

The percentage analysis of increases and decreases in the accounts is referred to as horizontal analysis. Each account on the most recent financial statements is compared with the same account on earlier financial statements.

Vertical analysis of the financial statement enables us to identify relationship of each account to its base amount. For the profit and loss statement, gross sales revenue is the base. For the balance sheet, total assets and total liabilities and stockholders' equity is the base.

Ratio analysis is conducted by comparing two accounts in the firm's financial statements. Financial statement users can employ any ratio to obtain information which is relevant to an investment decision. It is worth mentioning that no single financial ratio give information about the whole picture of any firm's financial position and performance. Different ratios can clarify different aspects of the firms. In ratio analysis, financial statement users should consider past performance and sector standards. Financial ratios can be used for;

- Evaluation of a firm's ability to pay its short term obligations
- Evaluation of a firm's financial performance
- Evaluation of a firm's operational efficiency
- Evaluation of a firm's ability to pay its long-term debts.
- Evaluation of a firm's capital structure.

### **4.3. DATA AND SAMPLE**

The main characteristics of tourism firms listed on Borsa Istanbul are provided in this section of the study. The financial statements of tourism firms listed on Borsa İstanbul are collected from public disclosure platform. The sample used in the empirical analysis covers the period from 2012 to 2016. In this study, annual financial statements are used. To be included in the sample, firms should be listed in Borsa Istanbul Tourism Index. The list of tourism firms analyzed in the study is as follows.

**Table 13.** List of Tourism Firms Listed on Borsa İstanbul

1	Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş.
2	Marmaris Altinyunus Turistik Tesisler A.Ş.
3	Martı Otel İşletmeleri A.Ş.
4	Net Turizm Ticaret ve Sanayi A.Ş.
5	Tek-Art İnşaat Ticaret Turizm Sanayi ve Yatırımlar A.Ş.
6	Utopya Turizm İnşaat İşletmecilik Ticaret A.Ş.

Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş. (AVTUR) was registered on 2006. The company headquarters are located in Istanbul and it is operating in the field of wholesale and retail trading, hotel and restaurants / restaurants and hotels with 225.000.000 TL. It has a partnership bond with Metro Tourism Hotel and Petrol Products Trading Ltd. Co. (KAP, 2017).

Marmaris Altinyunus Turistik Tesisler A.Ş. (MAALT) was founded on 1986. On 1987 the company was offered to public and its headquarter is located in Antalya. It has been operating in the field of touristic hotel business with a capital of 50.000.000 TL (KAP, 2017).

Martı Otel İşletmeleri A.Ş. (MARTI) was established on 1967 in Kemer County, Antalya and was offered to public on 1990. The company has a capital of 120.000.000 TL and has a partnership with Martı Real Estate Investment Partnership Ltd. Co. and offers services for establishment and running of hotels, holiday villages, restaurants and similar touristic facilities (KAP, 2017).

Net Turizm Ticaret ve Sanayi A.Ş. Net Tourism Trading and Industry Ltd. Co. (NTTUR) was established on 1975. Its headquarters are located in Beşiktaş County, Istanbul. Its activity areas are store business (manufacturing and trading of carpets and similar products, clothing, jewelry and souvenirs), tourism business (opening and running accommodation, relaxation, entertainment, sightseeing, food and beverage places),

transportation activities for touristic purposes and travel agency running. The company has a capital of 600.000.000 TL and was offered to public on 1990. It has partnership bonds with Inter Tourism and Travelling Ltd. Co., Asyanet Tourism and Trading Ltd. Co., Sunset Touristic Facilities Ltd. Co., Net Holding Ltd. Co., Elite Development And Management Ltd. Co., Green Karmi Holiday Village, Voyager Cyprus Ltd. Co. and Cyprus Holiday Village Limited Company (KAP, 2017).

Tek-Art İnşaat Ticaret Turizm Sanayi ve Yatırımlar A.Ş. Tek-Art Construction Trading Tourism Industry and Investment Ltd. Co. (TEKTU) was established on 10/06/1987. The company was offered to public on 03/08/2000 and has been operating in the field of construction, undertaking, tourism and hotel business with a capital of 300,000,000 TL. It has partnerships with May Energy Ltd. Co. and Tek Art Music Ltd. Co. The company headquarters are located in Küçük Çekmece, Istanbul (KAP, 2017).

Utopya Turizm İnşaat İşletmecilik Ticaret A.Ş. (UTOPYA) was established on 1990 and its headquarters are situated in Çankaya County, Ankara. The company capital is 100,000,000 TL. And it was offered to public on 2011. In addition to the matters written in the principal contract, its activity areas are tourism, construction and business administration. It has partnership bonds with Zedur Ltd. Co., Isparta Electric Production Ltd. Co., Çağ Yapı Construction Tourism Trading Ltd. Co. (KAP, 2017).

#### **4.4. HORIZONTAL ANALYSIS**

In this section of study, the horizontal analysis of tourism firms listed on Borsa İstanbul is provided. Horizontal analysis is conducted for each tourism firms listed on Borsa İstanbul by using the published financial statements.

The current assets of the Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş. decreased by 46% compared to the previous year in 2016. Short-term liabilities increased by 45%. This suggests that the company has significant problems in its liquidity position. While there is no major change in the company's equity, there is an approximately 2-fold increase in the company's long-term liabilities. According to the results of the analysis, the increase in the long-term investments of the company appears to be due to the sale of

tangible fixed assets. One of the most striking results of the horizontal analysis is that while the intangible assets account decreased in other tourism companies, in the Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş. it increased by 41%. While the decrease in the shareholders' equity of the other tourism companies listed on the Stock Exchange Istanbul was a matter of concern, the shareholders' equity of the Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş. increased by 2% in 2016

**Table 14. Horizontal analysis of Avrasya**

	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
<b>Firm Avrasya</b>				
Current Assets	3,447,517	6,378,729	(2,931,212)	(0.46)
Long-Term Investments	59,305,707	10,169,604	49,136,103	4.83
Property, Plant and Equipment	32,397,991	71,112,193	(38,714,202)	(0.54)
Intangible Assets	21,083	15000	6,083	0.41
Total Assets	95,172,298	87,660,526	7,511,772	0.09
Current Liabilities	11,606,127	8,004,536	3,601,591	0.45
Long- Term Liabilities	5,387,231	2,705,187	2,682,044	0.99
Total Liabilities	16993358	10,709,723	6,283,635	0.59
Stockholders Equity	78,178,940	76,950,803	1,228,137	0.02
Total Liabilities and Stockholders' Equity	95,172,298	87,660,526	7,511,772	0.09

Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş. has experienced a sharp decline of 20% in net sales revenue in 2016. Although operating profit decreased by TL 4,041,974, net profit increased by 313% due to financing income.

**Table 15. Horizontal analysis of Avrasya**

Firm Avrasya	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
Sales Revenue	2021073	2541429	520356	0.205
Cost of Goods Sold	1990598	2108429	117831	0.056
Gross Profit	30475	433000	402525	0.930
General Administrative Expenses	788009	917732	129723	0.141
Other Income from Operating Activities	1084065	4306147	3222082	0.748
Other Expenses from Operating Activities	3992892	3445802	547090	0.159
Operating Profit	3666361	375613	4041974	10.761
Investment Activity Income	13550357	2721707	10828650	3.979
Investment Activity Expenses	46225	290613	244388	0.841
Profit before Financing Income (Expense)	9837771	2806707	7031064	2.505
Profit from Continuing Operations	9837771	2806707	7031064	2.505
Tax Expense	1179563	713877	465686	0.652
Profit	8658208	2092830	6565378	3.137

The high increase in the short term debts of Marmaris Altinyunus Company caused the current ratio to decrease drastically. In order to significantly increase the current ratio of the company it is necessary to have short term quality assets. In 2016, the company's balance sheet size increased by 5% compared to the previous year. The high increase in long and short term debts led to an increase in the financial risk of the company. Financing most of the assets with short and long term liabilities is not sustainable.

**Table 16. Horizontal analysis of Marmaris Altinyunus**

	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
<b>Firm Marmaris Altinyunus</b>				
Current Assets	25,089,179	22,220,685	2,868,494	0.13
Long-Term Investments	22,492,797	22,372,561	120,236	0.01
Property, Plant and Equipment	15,180,982	14,927,120	253,862	0.02
Intangible Assets	14,450	15,127	(677)	(0.04)
Total Assets	62,777,693	59,565,931	3,211,762	0.05
Current Liabilities	7,195,927	2,182,268	5,013,659	2.30
Long- Term Liabilities	308,301	238,655	69,646	0.29
Total Liabilities	7,504,228	2,420,923	5,083,305	2.10
Stockholders Equity	55,273,465	57,145,008	81,871,543)	(0.03)
Total Liabilities and Stockholders' Equity	62,777,693	59,565,931	3,211,762	0.05

The Marmaris Altinyunus company's sales revenue decline by 64% in 2016 caused the gross profit to fall sharply. The events that took place in the year 2016 brought to the market disaster in Marmaris Altinyunus company.

**Table 17. Horizontal analysis of Marmaris Altinyunus**

<b>Firm Marmaris Altinyunus</b>	<b>Year</b>		<b>Increase (Decrease)</b>	
	<b>2016</b>	<b>2015</b>	<b>Amount</b>	<b>Percent</b>
Sales Revenue	2,390,355	6,753,087	4,362,732	0.646
Cost of Goods Sold	(2,289,592)	(2,257,517)	32,075	0.014
Gross Profit	100,763	4,495,570	4,394,807	0.978
General Administrative Expenses	(2,752,109)	(2,651,992)	100,117	0.038
Other Income from Operating Activities	829,009	964,234	135,225	0.140
Other Expenses from Operating Activities	(566,969)	(631,292)	64,323	0.102
Operating Profit	(2,389,306)	2,172,720	4,562,026	2.100
Investment Activity Income	0	360	360	1.000
Investment Activity Expenses	0	0	0.000	0.000
Profit before Financing Income (Expense)	(2,389,306)	2,173,080	4,562,386	2.100
Profit from Continuing Operations	1,094,773	3,968,550	2,873,777	0.724
Tax Expense	(150,602)	(700,954)	550,352	0.785
Profit	944,171	3,267,596	2,323,425	0.711



Martı Hotel Company in 2016 has a significant increase in the total amount of current assets compared to the previous year. This has seriously increased the ability of the company's power to pay short term debts. A 42% drop in the company's equity could hurt the ability of the firm to get bank credits in future periods. Another remarkable point is that the company's intangible assets declined by 55%.

**Table 18. Horizontal analysis of Martı Otel**

	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
<b>Firm Martı Otel</b>				
Current Assets	76,355,257	55,536,149	20,819,108	0.37
Long-Term Investments	70319880	103758142	(33,438,262)	(0.32)
Property, Plant and Equipment	596,053,312	580,359,322	15,693,990	0.03
Intangible Assets	138,304	305,228	(166,924)	(0.55)
Total Assets	770,752,539	806,215,859	(35,463,320)	(0.04)
Current Liabilities	224,289,830	211,558,810	12,731,020	0.06
Long- Term Liabilities	384,044,691	315,343,698	68,700,993	0.22
Total Liabilities	608,334,521	526,902,508	81,432,013	0.15
Stockholders Equity	162,418,018	279,313,351	(116,895,333)	(0.42)
Total Liabilities and Stockholders' Equity	770,752,539	806,215,859	(35,463,320)	(0.04)

According to the results of the horizontal analysis of the profit and loss statement of Martı Hotel company for 2016, sales revenue decreased by approximately 50%. Despite the increase in foreign exchange rates, the net loss in the Martı Hotel company in 2016 has come to the fore. Martı Hotel is the company that reported the highest net loss among the tourism companies listed on the Borsa Istanbul in 2016.

**Tablo 19. Horizontal analysis of Martı Otel**

Firm Martı Otel	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
Sales Revenue	42,425,951	83,714,836	41,288,885	0.493
Cost of Goods Sold	(41,084,333)	(72,161,384)	72,120,299.667	0.999
Gross Profit	1,341,618	11,553,452	10,211,834	0.884
General Administrative Expenses	(14,781,283)	(20,469,708)	5,688,425	0.278
Other Income from Operating Activities	4,080,473	9572224	5,491,751	0.574
Other Expenses from Operating Activities	(14,767,241)	(15,174,394)	407,153	0.027
Operating Profit	(26843007)	(22,311,271)	4,531,736	0.203
Investment Activity Income	13798391	13,935,428	137,037	0.010
Investment Activity Expenses	0	0	0.000	0.000
Profit before Financing Income (Expense)	(13,044,616)	(8,375,843)	4,668,773	0.557
Profit from Continuing Operations	(78,121,418)	(63,885,342)	14,236,076	0.223
Tax Expense	(33,178,939)	5,011,136	38,190,075	7.621
Profit	(113,785,223)	(105,497,166)	8,288,057	0.079

According to the results of the horizontal analysis of Net Tourism 's 2016 financial statements, the liquidity position has been adversely affected due to the sharp increase in the short term debt of the company. Although Net Tourism's return assets in 2016 are higher than their short-term liabilities, it is necessary to reduce the company's short-term liabilities. There is a decrease in the proportion of long-term foreign liabilities by 39% while the company's stock holders equity is reduced by 7% compared to the previous year.

**Tablo 20.** *Horizontal analysis of Net Tur*

Firm Net Turizm	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
Current Assets	344,336,610	384,471,819	(40,135,209)	(0.10)
Long-Term Investments	1117567630	1001236954	116,330,676	0.12
Property, Plant and Equipment	303,548,886	311,728,625	(8,179,739)	(0.03)
Intangible Assets	225,444	287,074	(61,630)	(0.21)
Total Assets	1,773,647,181	1,710,170,795	63,476,386	0.04
Current Liabilities	282,113,510	82,800,011	199,313,499	2.41
Long- Term Liabilities	40,890,646	66,730,304	(25,839,658)	(0.39)
Total Liabilities	323,004,156	149,530,315	173,473,841	1.16
Stockholders Equity	1,450,643,025	1,560,640,480	(109,997,455)	(0.07)
Total Liabilities and Stockholders' Equity	1,773,647,181	1,710,170,795	63,476,386	0.04

According to the results of the horizontal analysis, Net Turizm is the only company that increases sales revenue among the tourism companies listed in Stock Exchange Istanbul. Factors affecting all tourism companies in 2016 have significantly reduced Net Tourism's net profit in the period. Net Tourism is the company that discloses the highest profit among the tourism companies listed in Borsa Istanbul.

**Tablo 21. Horizontal analysis of Net Turizm**

Firm Net Turizm	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
Sales Revenue	70,562,083.00	64,408,353.00	6,153,730.00	0.10
Cost of Goods Sold	59,200,736.00	53,433,577.00	5,767,159.00	0.11
Gross Profit	11,361,347.00	10,974,776.00	386,571.00	0.04
General Administrative Expenses	27,868,600.00	25,063,707.00	2,804,893.00	0.11
Other Income from Operating Activities	3,291,407.00	3,162,835.00	128,572.00	0.04
Other Expenses from Operating Activities	3,686,705.00	1,858,692.00	1,828,013.00	0.98
Operating Profit	16,902,551.00	12,784,788.00	4,117,763.00	0.32
Investment Activity Income	14,068,132.00	49,112,563.00	35,044,431.00	0.71
Investment Activity Expenses	39,648,803.00	32,348,819.00	7,299,984.00	0.23
Profit before Financing Income (Expense)	60,323.00	83,816,672.00	83,756,349.00	1.00
Profit from Continuing Operations	9,828,061.00	110,693,586.00	100,865,525.00	0.91
Tax Expense	6,984,345.00	13,883,483.00	6,899,138.00	0.50
Profit	2843716.00	96810103.00	93966387.00	0.97

According to the results of the horizontal analysis of Tek-Art, short and long term liabilities increased by about 40% in the previous year, leading to a significant increase in financial risk. Like other tourism companies listed on the Borsa Istanbul, the decline in the equity of the Tek-Art company has also become a matter of course. The fixed assets of Tek-Art Company increased by 36% in 2016. The use of short term debts to finance intangible fixed assets, plant and equipment is a significant risk to the financial position of the entity.

**Tablo 22.** *Horizontal analysis of Tek-Art*

Firm: Tek-Art	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
Current Assets	100,680,798	110,530,295	(9,849,497)	(0.09)
Long-Term Investments	51800185	52214077	(413,892)	(0.01)
Property, Plant and Equipment	146,515,088	107,991,117	38,523,971	0.36
Intangible Assets	10,698	15,291	(4,593)	(0.30)
Total Assets	305,080,696	278,876,164	26,204,532	0.09
Current Liabilities	53,493,983	25,334,244	28,159,739	1.11
Long- Term Liabilities	84,150,625	73,602,412	10,548,213	0.14
Total Liabilities	137,644,608	98,936,656	38,707,952	0.39
Stockholders Equity	167,436,088	179,939,508	(12,503,420)	(0.07)
Total Liabilities and Stockholders' Equity	305,080,696	278,876,164	26,204,532	0.09

While Tek-Art Company's all profit steps are positive in 2015, all profit steps are negative at the end of 2016. Although the revenues of the company from its investment activities increased by about 20 times, the net loss of the period came to the fore at the end of 2016.

**Table 23. Horizontal analysis of Tek-Art**

Firm Tek-Art	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
Sales Revenue	2899440	21115827	18216387	0.863
Cost of Goods Sold	(2978052)	(11320963)	8342911	0.737
Gross Profit	(78612)	9794864	9873476	1.008
General Administrative Expenses	3725108.000	3542889.000	182219	0.051
Other Income from Operating Activities	673872	4114155	3440283	0.836
Other Expenses from Operating Activities	(3859053)	(9107079)	5248026	0.576
Operating Profit	(6988901)	1258341	8247242	6.554
Investment Activity Income	11432634	3986906	7445728	1.868
Investment Activity Expenses	0	0	0	0
Profit before Financing Income (Expense)	4443733	5245247	801514	0.153
Profit from Continuing Operations	(16030063)	2987344	19017407	6.366
Tax Expense	3509193	(653179)	4162372	6.372
Profit	(12520870)	2334165	14855035	6.364

Utopia Tourism company's short-term liabilities have increased like other tourism companies listed in Borsa Istanbul in 2016. A 24% decrease in the company's own capital will hurt its ability to find foreign resources in the future. Utopia Tourism is among the tourism companies whose balance sheet size has decreased together with Martı Hotel Management. The reduction of long-term investments by 89% has adversely affected the company's total assets.

**Table24.** Horizontal analysis of Utopya Turizm

	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
<b>Firm Utopya Turizm</b>				
Current Assets	35,046,270	36,842,419	(1,796,149)	(0.05)
Long-Term Investments	5497878	51545046	(46,047,168)	(0.89)
Property, Plant and Equipment	198,643,611	203,917,610	(5,273,999)	(0.03)
Intangible Assets	588,982	640,947	(51,965)	(0.08)
Total Assets	244,248,126	251,832,117	(7,583,991)	(0.03)
Current Liabilities	72,043,636	56,154,150	15,889,486	0.28
Long- Term Liabilities	81,963,147	77,349,042	4,614,105	0.06
Total Liabilities	154,006,783	133,503,192	20,503,591	0.15
Stockholders Equity	90,241,343	118,328,925	(28,087,582)	(0.24)
Total Liabilities and Stockholders' Equity	244,248,126	251,832,117	(7,583,991)	(0.03)

According to the profit and loss statement of Utopya Tourism Company in 2016, the net loss increased continuously. Utopya Turizm, whose net loss has risen sharply in the last two years, has to watch the operational processes from scratch.

**Table 25. Horizontal analysis of Utopya Turizm**

Firm Utopya Turizm	Year		Increase (Decrease)	
	2016	2015	Amount	Percent
Sales Revenue	24,377,587	37,554,882	13,177,295	0.351
Cost of Goods Sold	(26,553,743)	(31,958,916)	5,405,173.000	0.169
Gross Profit	(2,176,156)	5,595,966	7,772,122	1.389
General Administrative Expenses	5,643,198	4,264,258	1,378,940	0.323
Other Income from Operating Activities	2,213,504	1,683,036	530,468	0.315
Other Expenses from Operating Activities	(654,289)	(3,729,474)	3,075,185	0.825
Operating Profit	(6,260,139)	(714,730)	5,545,409	7.759
Investment Activity Income	0.000	0.000	0.000	0.000
Investment Activity Expenses	0.000	0.000	0.000	0.000
Profit before Financing Income (Expense)	(6,260,139)	(714,730)	5,545,409	7.759
Profit from Continuing Operations	(29,995,936)	(23,115,228)	6,880,708	0.298
Tax Expense	(822,437)	(500,949)	321,488	0.642
Profit	(30,818,373)	(23,616,177)	7,202,196	0.305



#### 4.5. VERTICAL ANALYSIS

According to the results of the vertical analysis, we see that Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş. Company use equity financing. 82.14% of total assets were financed by equity. Short term assets constitute 3.62% of total assets. This indicates that the business needs high quality assets.

*Table 26. Vertical analysis of Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş.*

	<b>Year</b>	
<b>Firm Avrasya Petrol ve Turistik Tesisler</b>	<b>2016</b>	<b>Percent</b>
Current Assets	3,447,517	3.62%
Long-Term Investments	59305707	62.31%
Property, Plant and Equipment	32,397,991	34.04%
Intangible Assets	21,083	0.02%
Total Assets	95,172,298	100.00%
Current Liabilities	11,606,127	12.19%
Long- Term Liabilities	5,387,231	5.66%
Total Liabilities	16993358	17.86%
Stockholders' Equity	78,178,940	82.14%
Total Liabilities and Stockholders' Equity	95,172,298	100.00%

Approximately 40% of the assets of Marmaris Altinyunus Company is consisted of current assets. This suggests that the business has a very low risk of liquidity. According to the results of the vertical analysis, the entity's assets are generally distributed in a healthy manner. The amount of equity plays an important role in the financing of total assets.

**Table 27.** *Vertical analysis of Marmaris Altinyunus*

	<b>Year</b>	
<b>Firm Marmaris Altinyunus</b>	<b>2016</b>	<b>Percent</b>
Current Assets	25,089,179	39.97%
Long-Term Investments	22492797	35.83%
Property, Plant and Equipment	15,180,982	24.18%
Intangible Assets	14,450	0.02%
Total Assets	62,777,693	100.00%
Current Liabilities	7,195,927	11.46%
Long- Term Liabilities	308,301	0.49%
Total Liabilities	7,504,228	11.95%
Stockholders Equity	55,273,465	88.05%
Total Liabilities and Stockholders' Equity	62,777,693	100.00%

Martı Hotel management suffer from liquidity problems. Intangible fixed assets are very few in total assets. The financing structure is very risky compared to other tourism enterprises listed on Borsa Istanbul. High financial leverage shows that the business will have financial problems in the following periods.

**Table 28.** *Vertical analysis of Martı Otel*

	<b>Year</b>	
<b>Firm Martı Otel</b>	<b>2016</b>	<b>Percent</b>
Current Assets	76,355,257	9.91%
Long-Term Investments	70,319,880	9.12%
Property, Plant and Equipment	596,053,312	77.33%
Intangible Assets	138,304	0.02%
Total Assets	770,752,539	100.00%
Current Liabilities	224,289,830	29.10%
Long- Term Liabilities	384,044,691	49.83%
Total Liabilities	608,334,521	78.93%
Stockholders Equity	162,418,018	21.07%
Total Liabilities and Stockholders' Equity	770,752,539	100.00%

Net Tourism attracts attention as the most healthy company among the tourism companies listed in Borsa İstanbul. Stockholders' equity plays an important role in the financing of total assets. 81.79% of the assets are financed by equity. This indicates that the level of financial risk of the firm is very low. As with other tourism companies, intangible assets have a lower share in total assets. Approximately 20% of total assets are current assets.

**Table 29.** *Vertical analysisi of Net Turizm*

	<b>Year</b>	
<b>Firm Net Turizm</b>	<b>2016</b>	<b>Percent</b>
Current Assets	344,336,610	19.41%
Long-Term Investments	1117567630	63.01%
Property, Plant and Equipment	303,548,886	17.11%
Intangible Assets	225,444	0.01%
Total Assets	1,773,647,181	100.00%
Current Liabilities	282,113,510	15.91%
Long- Term Liabilities	40,890,646	2.31%
Total Liabilities	323,004,156	18.21%
Stockholders Equity	1,450,643,025	81.79%
Total Liabilities and Stockholders' Equity	1,773,647,181	100.00%

Tek-Art is following a balanced way in the financing of assets. While half of total assets are financed by external sources, half are financed by equity. Current assets are approximately 2 times greater than the short term liabilities. Tangible assets constitute 48% of total assets. According to the results of vertical analysis, the financial position of Tek-Art firm may be a rational choice for investors.

**Table 30.** Vertical analysis of Tek-Art

	<b>Year</b>	
<b>Firm Tek-Art</b>	<b>2016</b>	<b>Percent</b>
Current Assets	100,680,798	33.00%
Long-Term Investments	51800185	16.98%
Property, Plant and Equipment	146,515,088	48.03%
Intangible Assets	10,698	0.00%
Total Assets	305,080,696	100.00%
Current Liabilities	53,493,983	17.53%
Long- Term Liabilities	84,150,625	27.58%
Total Liabilities	137,644,608	45.12%
Stockholders Equity	167,436,088	54.88%
Total Liabilities and Stockholders' Equity	305,080,696	100.00%

According to the results of vertical analysis, Utopya Tourism has serious liquidity problems. Short-term liabilities are approximately 2 times of current assets. Businesses need to increase their current assets without diminishing operational efficiency. Total assets of Utopya Tourism are mainly financed by external debts. The intensive use of external debt in the financing of the entity's assets has significantly increased the financial risk of the entity.

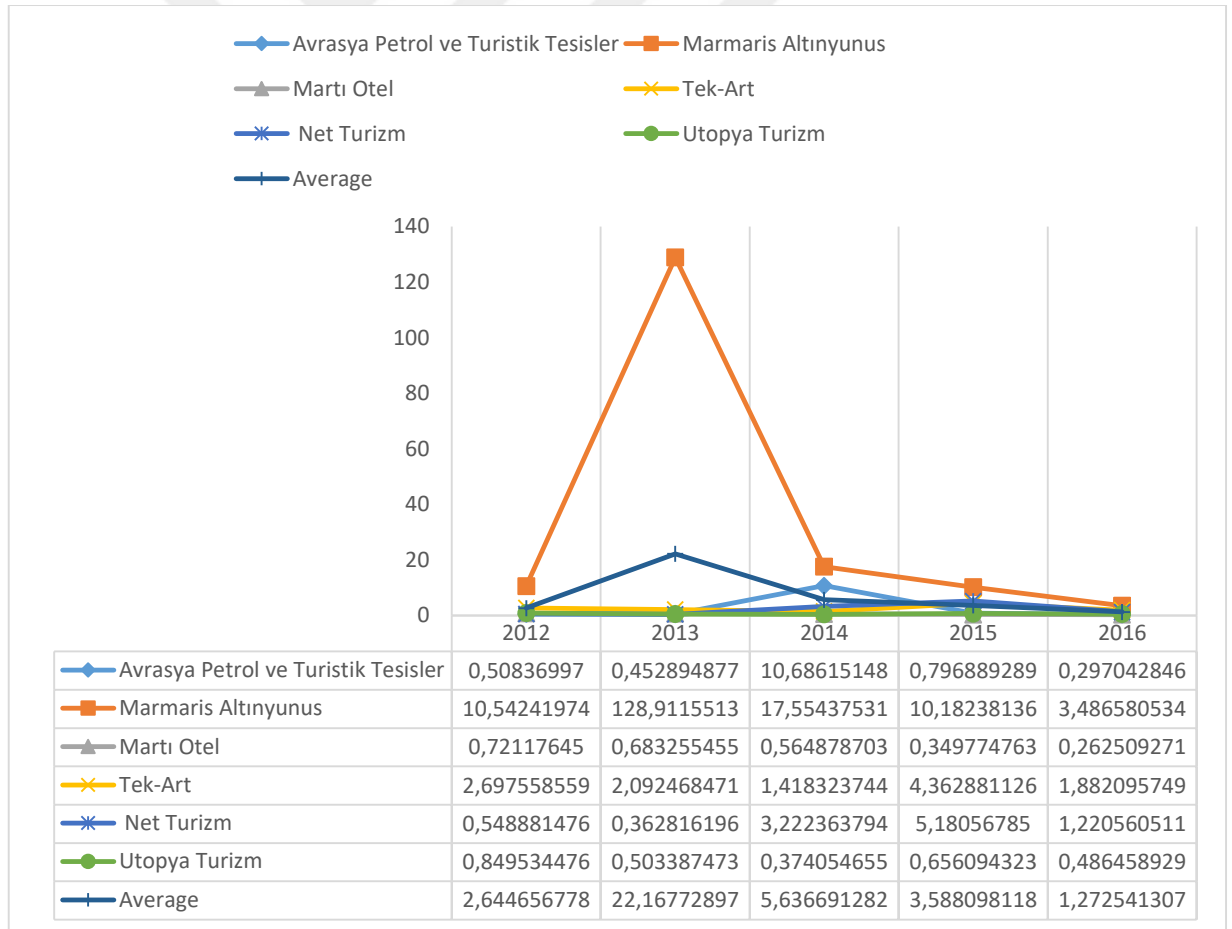
**Table 31.** Vertical analysis of Utopya Turizm

	<b>Year</b>	
<b>Firm Utopya Turizm</b>	<b>2016</b>	<b>Percent</b>
Current Assets	35,046,270	14.35%
Long-Term Investments	5497878	2.25%
Property, Plant and Equipment	198,643,611	81.33%
Intangible Assets	588,982	0.24%
Total Assets	244,248,126	100.00%
Current Liabilities	72,043,636	29.50%
Long- Term Liabilities	81,963,147	33.56%
Total Liabilities	154,006,783	63.05%
Stockholders Equity	90,241,343	36.95%
Total Liabilities and Stockholders' Equity	244,248,126	100.00%

#### 4.6. RATIO ANALYSIS

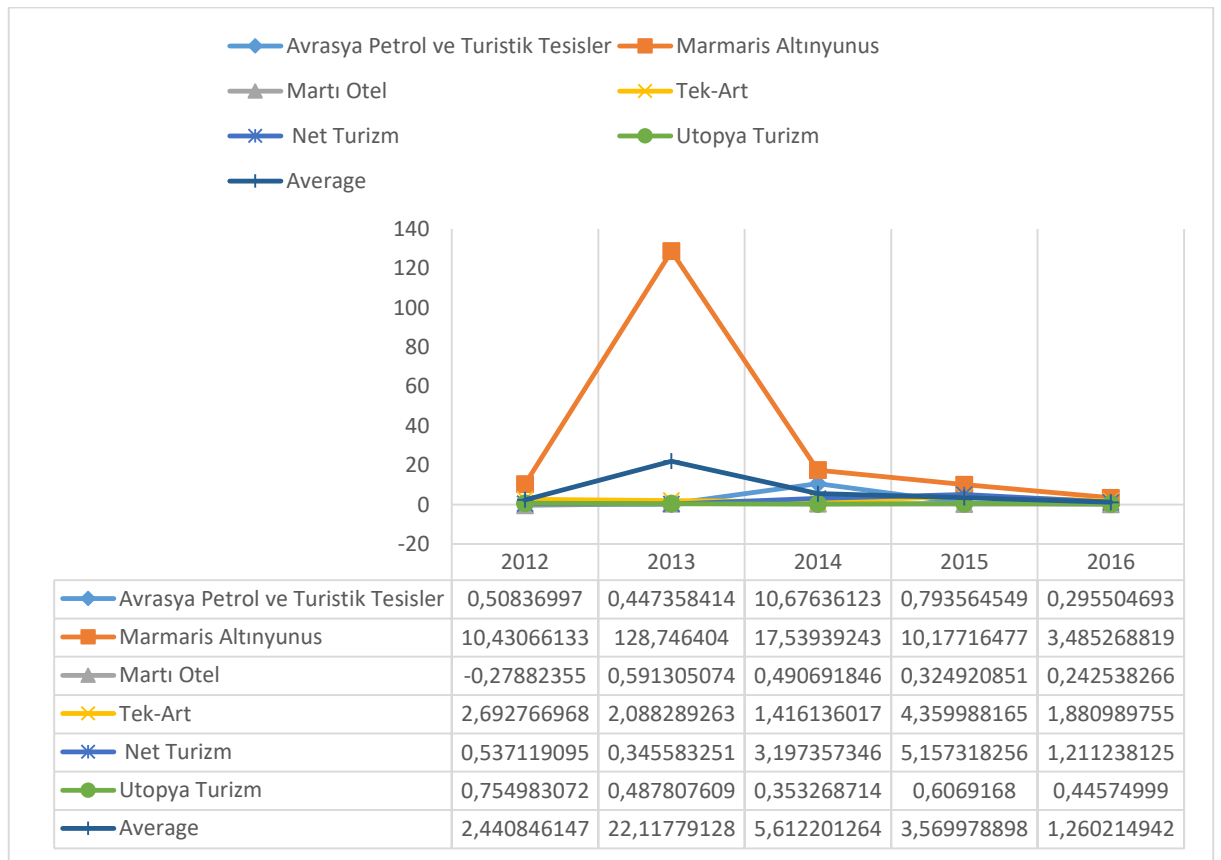
Current ratio measures businesses's ability to meet their short term liabilities. It is observed that the current ratio of BIST Tourism firms are fluctuating between 2012-2016. The average current ratio between 2012 and 2016 is over 1. Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş., Martı Hotel and Utopya Tourism are weak in their ability to meet their short term liabilities because they have low current ratio. This suggests that these Companies have a liquidity problem. The current rates of Marmaris Altinyunus, Tek-Art Tourism and Net Tourism are generally in good condition. Marmaris Altinyunus is the company that has the highest current ratio among the tourism companies listed in Borsa İstanbul.

*Figure 1: BIST Tourism Firms' Current Ratios Between 2012-2016*



Quick (Acid-Test) ratio is an important measure that measures the level of liquidity of businesses. It is a liquidity ratio where inventories are neglected. It has the best Acid-Test ratio among the tourism companies listed in Borsa İstanbul between 2012-2016, Avrasya Petrol ve Turistik Tesisler A.Ş, Martı Otel and Utopya Turizm's acid test ratio are below 1. In the year 2016, the acid test ratios of firms are considerably lower than in previous years.

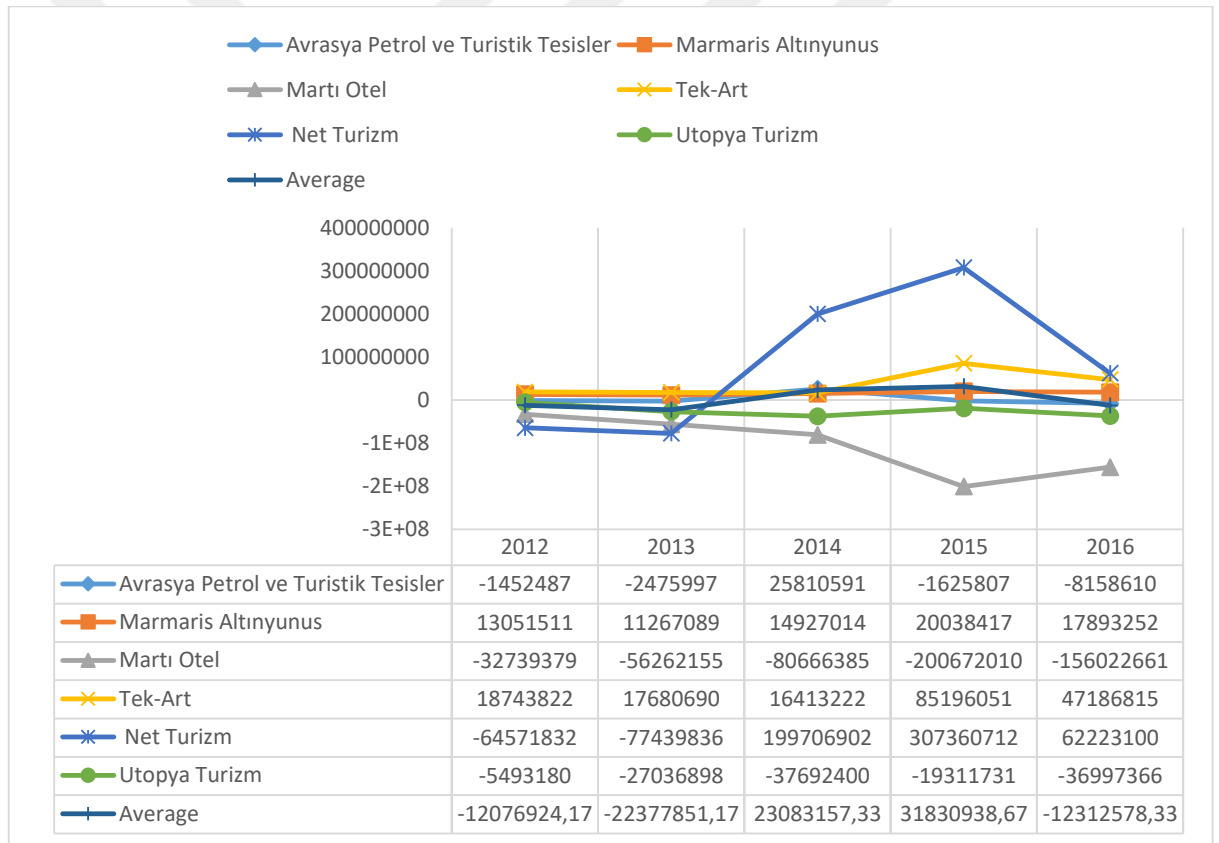
**Figure 2.** Acid-Test Ratios of BIST Tourism Firms between 2012-2016





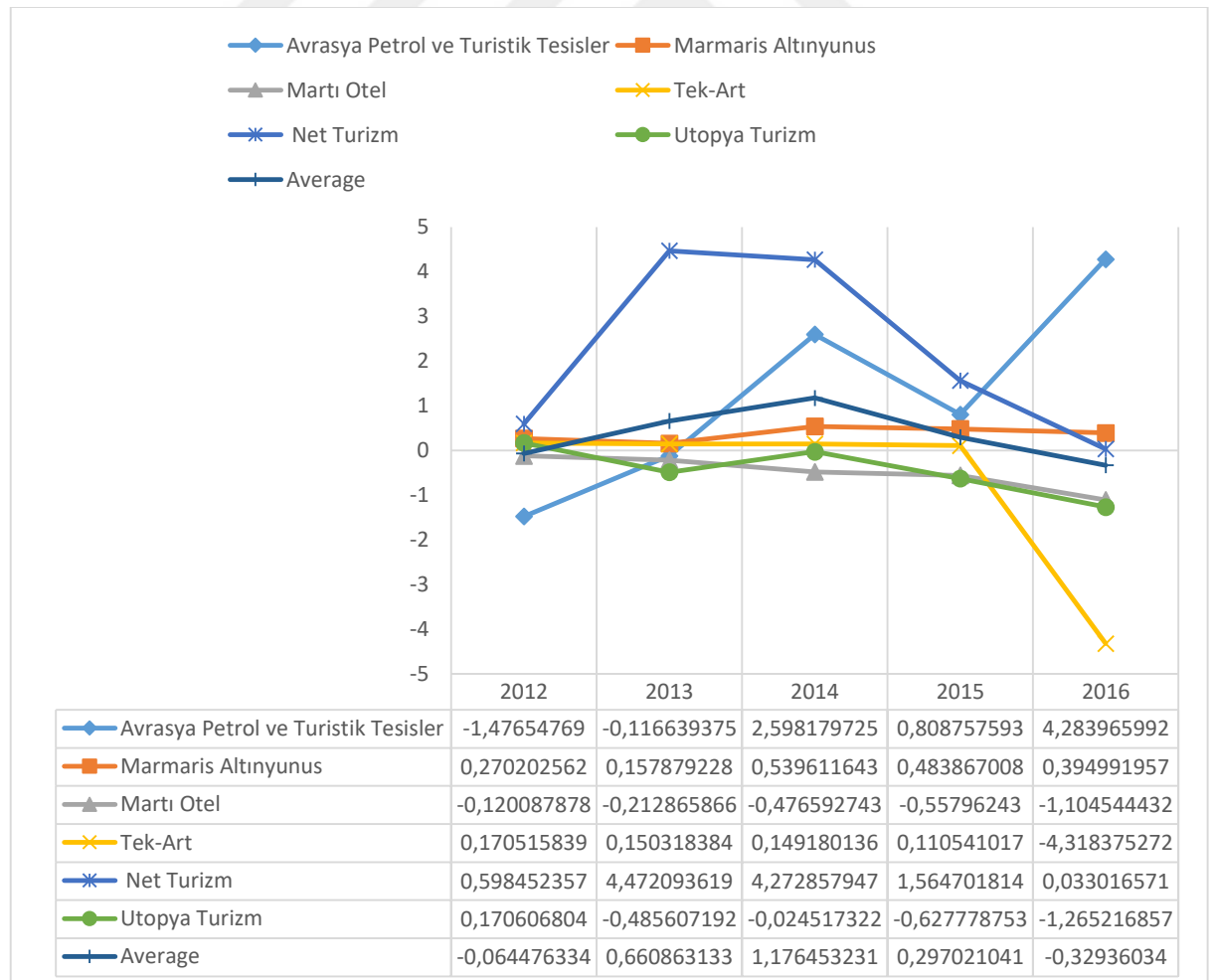
Net working capital measures the liquidity level of enterprises. The fact that the net working capital is negative indicates that the power to meet the short term obligations of the firms a problem. As you can see in the graph, between 2012-2016, the net working capital of Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş, Martı Hotel and Utopia Tourism is negative. In order to improve liquidity positions, these entities need to increase their current assets. As seen in other liquidity ratios, Marmaris Altinyunus, Tek-Art and Utopya Tourism do not have problems to meet their short term obligations.

**Figure 3. BIST Tourism Firms' Net Working Capital Between 2012-2016**



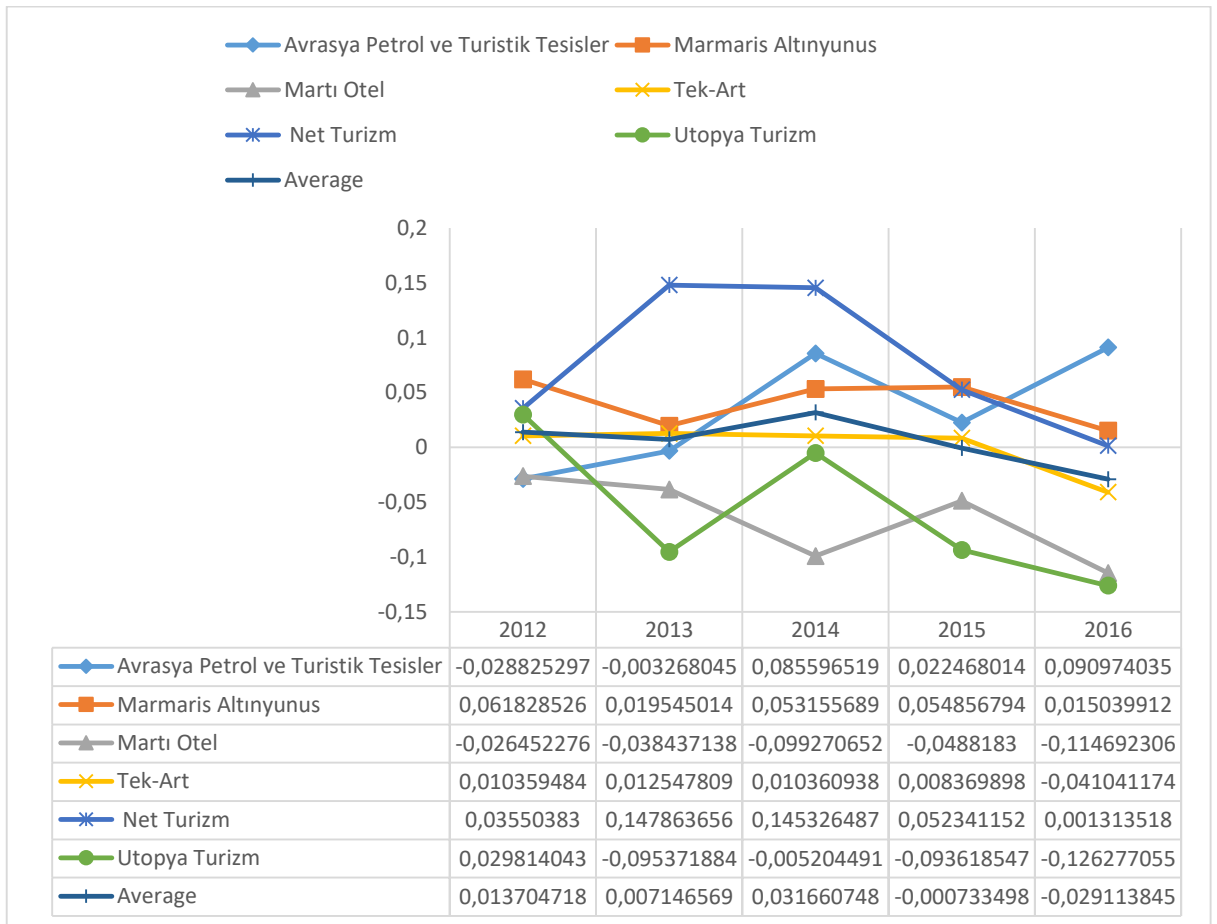
Profit margin measures the financial performance of businesses. Investors, creditors and shareholders use the profit margin to evaluate the financial performance of firms. It is calculated by dividing the net profit or loss obtained at the end of the period by the net sales amount. If the businesses incur lose at the end of the period, the profit margin will be negative. Between 2012-2016, the profit margins of tourism businesses are quite fluctuating. According to the information in the chart, profit margins of Marmaris Altinyunus and Net Tourism are continuously positive. The profit margin is negative because Martı Hotel has been suffering constantly for all the years.

**Figure 4.** Profit Margins of BIST Tourism Companies between 2012-2016.



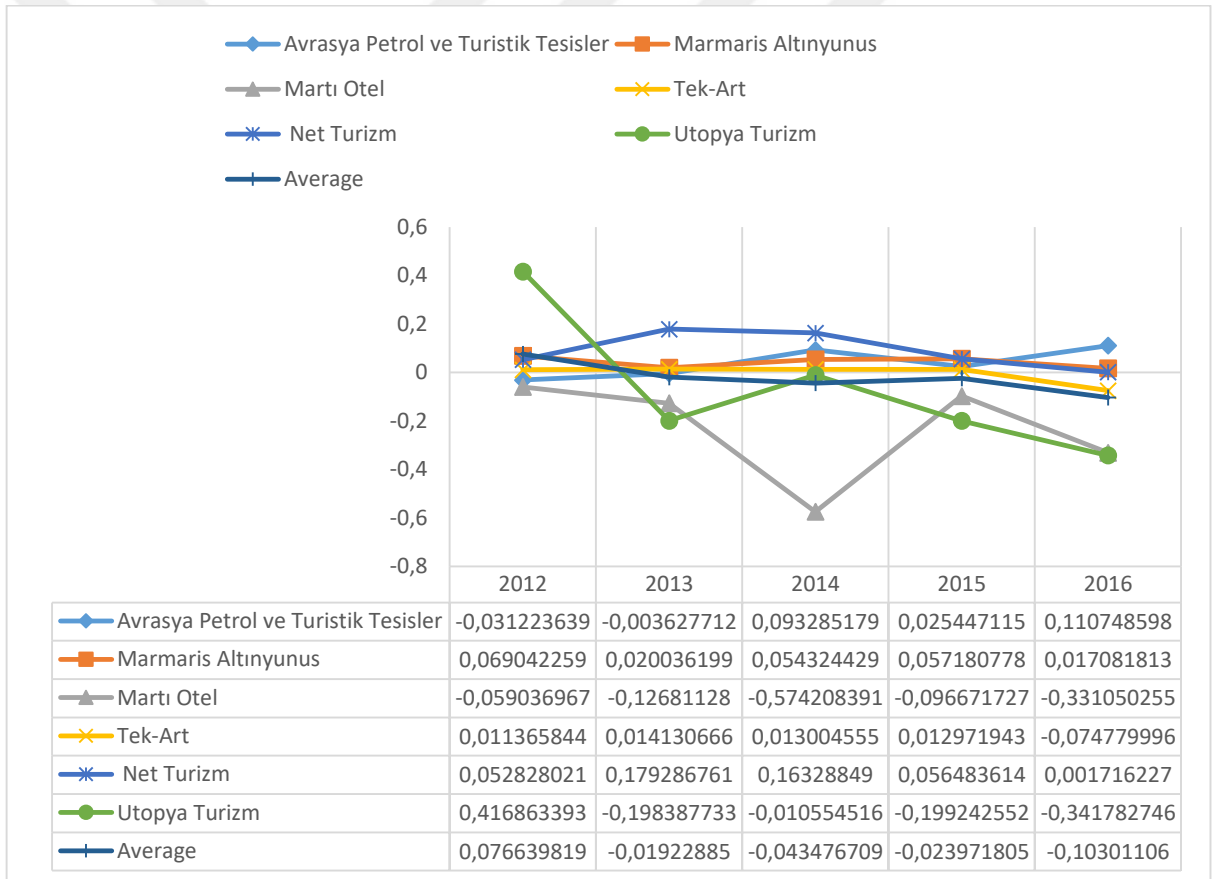
Firms are expected to use their assets efficiently. One of the ratio used in measuring the financial performance of companies is 'return on asset'. Return on assets is generally low. The profitability of the tourism companies listed on the Borsa Istanbul in the last two years is negative. As can be seen from the graph, Net Tourism is very well in terms of asset profitability among companies. Since Martı Otel has been damaged all the years, its profitability is negative.

**Figure 5. Profitability of BIST Tourism Companies' Asset Between 2012-2016**



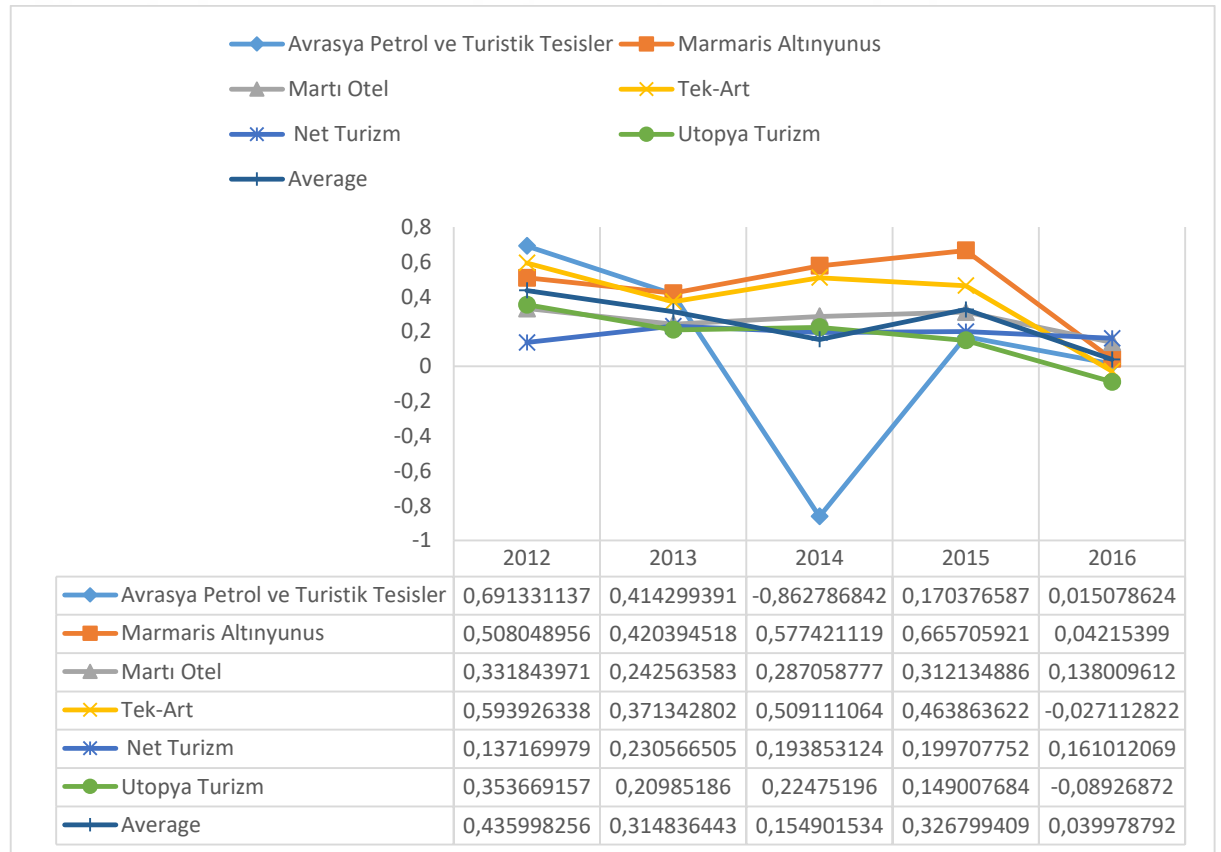
Return on equity is among the ratios that measure financial performances of companies. Return on equity is calculated by dividing the net profit or loss that firms have earned at the end of the period into total equity. Return on equity measures how effectively firms use their own capital. Marmaris Altinyunus and Net Turizm are very well in terms of profitability among the tourism companies listed on Borsa Istanbul. The average equity profitability of the tourism companies listed on the Stock Exchange Istanbul for the last 4 years is negative.

**Figure 6.** BIST Tourism Companies' Equity Profitability Between 2012-2016



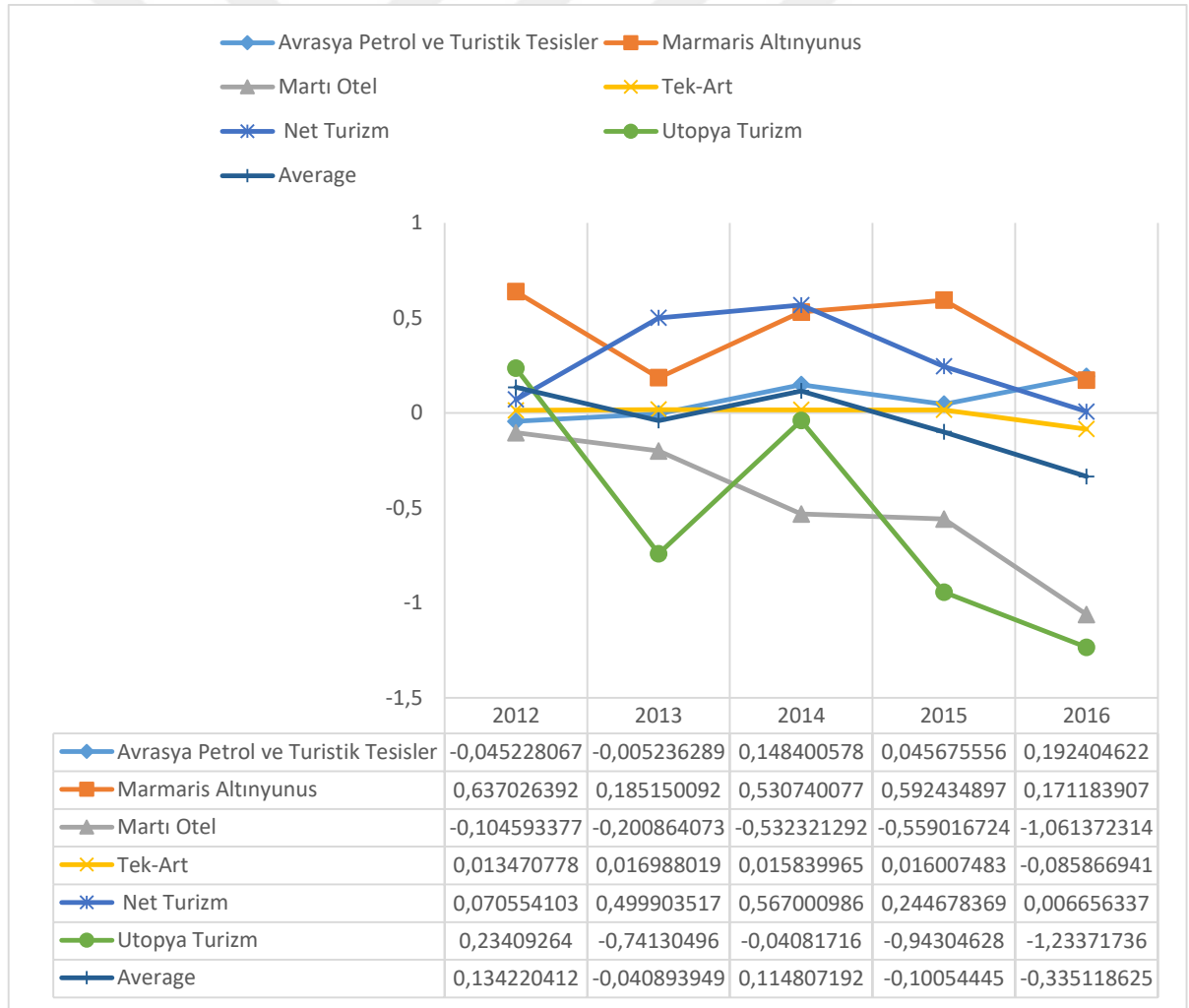
Gross profit margin is used to measure the financial performance at the end of the period. Gross profit margin is calculated by dividing gross profit by total net sales. The average gross profit margins of tourism companies listed on Borsa Istanbul have performed well until 2015. In 2016, this rate has fallen sharply. If operational costs can not be efficiently controlled, the gross profit margin can be low. Marmaris Altinyunus, Martı Hotel and Net Tourism between 2012 and 2016 have been able to have a continuously positive gross margin.

**Figure 7. BIST Tourism Companies Gross Profit Margin Between 2012-2016**



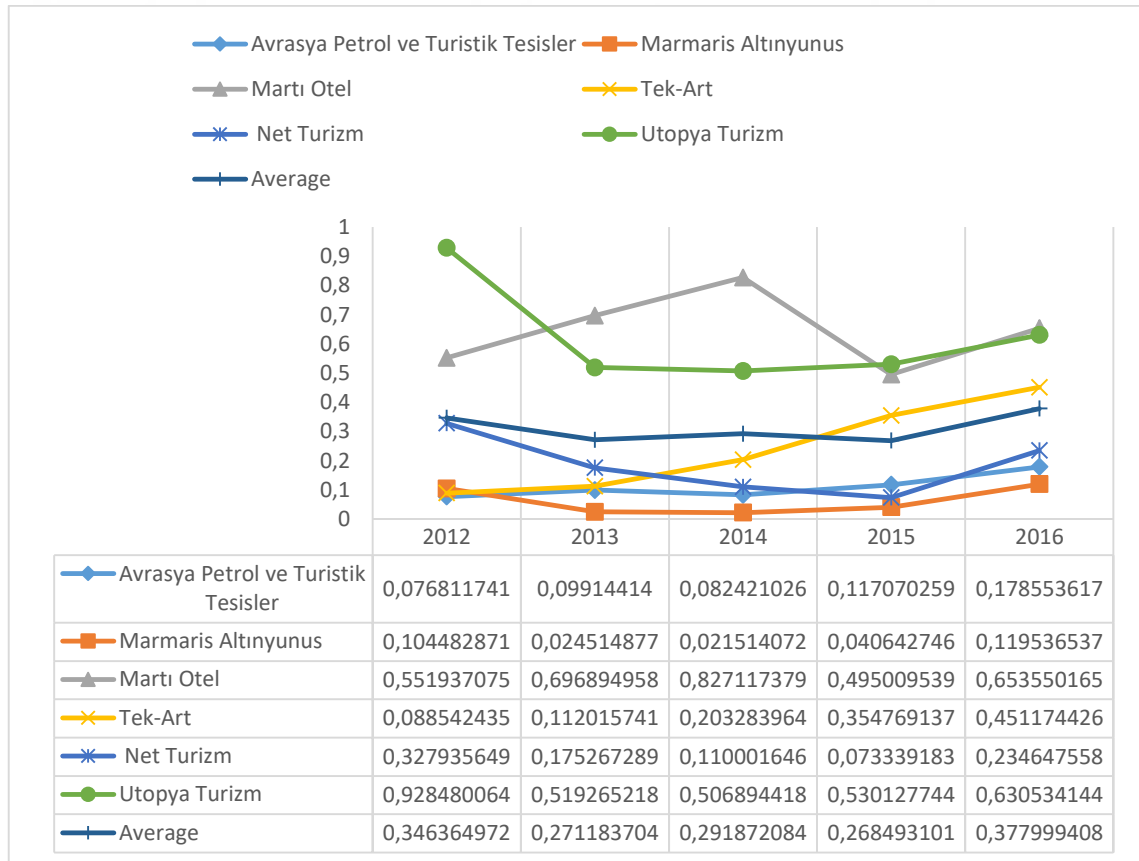
Earning per share is a rate used by investors to calculate the operational profitability of firms. It is calculated by dividing the net profit or loss at the end of the period by the total number of shares. While Marmaris Altinyunus and Net Tourism have positive 'earning per share' between 2012-2016, there are problems about earning per share between 2012-2016 in Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş, Tek-Art and Utopia Tourism. Negative earning per share can cause firms to have problems financing in future periods.

**Figure 8.** Percentage of Earnings Per Share of BIST Tourism Firms Between 2012-2016



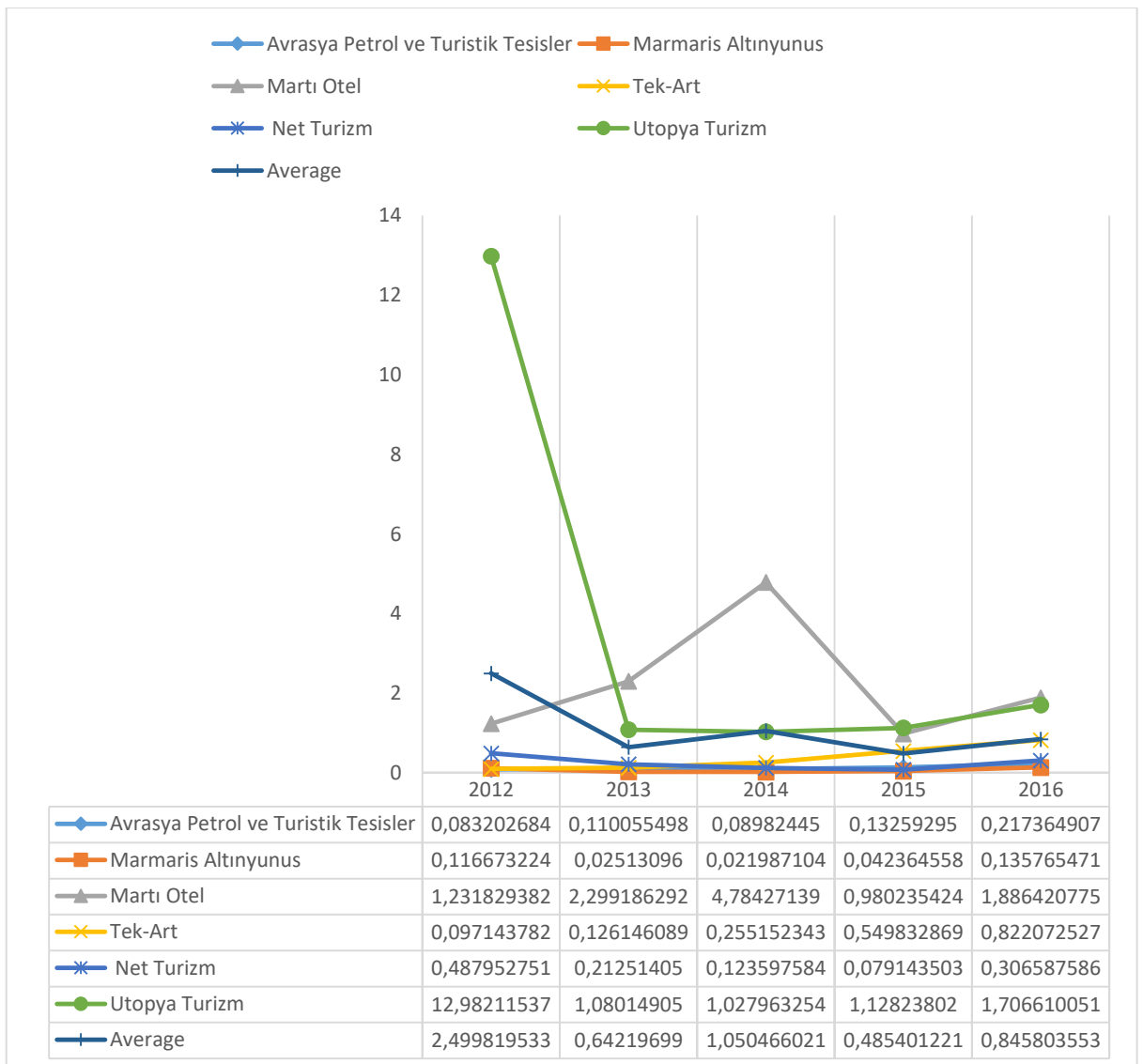
The ratio of total liabilities to total assets gives information about the financing structure of firms. As can be seen from the graph, the average debt ratio of the tourism companies quoted on the Borsa İstanbul has risen to 37% in 2016. While Martı Hotel and Utopya Tourism using external debt intensively in the financing of tourism assets, Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş, Marmaris Altinyunus and Net Tourism have pursued a financing method which is mainly focused on equity. Companies with high debt ratios have high financial risks.

**Figure 9: Debt Ratios of BIST Tourism Firms between 2012-2016**



The financial structure provides information about financial risks of businesses. To borrow at the optimum level for firms allows an tax-advantage for business. While the average debt-equity ratios of the enterprises are 1 between 2013-2016, they are about 2.5 in 2012. As the graphic suggests; Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş., Marmaris Altinyunus, Tek-Art and Net Tourism use external debt less than their total ownership over the years. Utopya Tourism's debt-equity ratio is high, which has significantly increased the financial risks of the company.

**Figure 10: BIST Tourism Companies Debt-Equity Ratios Between 2012-2016**





## CONCLUSION

The tourism sector offers huge contributions to the economy of the country with the effect of increasing foreign currency amount and employment. After the second world war, the tourism which has been discovered economically and has become the modern tourism has caused the developments in terms of tourism enterprises and activities in Turkey with the increase in the number of tourists in recent years.

These developments in the tourism industry have financially contributed to the economics of the country. The financial structure of the tourism sector is significantly different from that of the manufacturing sectors because the in the tourism sector, fixed assets are predominant, demand is much more flexible and political risk and investment risk are high. Moreover, these reasons cause the tourism sector to have a fragile structure. For example, after the terrorist attacks that started in the same period after the aircraft dropping crisis experienced with Russia in November 24, 2015, the number of tourists decreased suddenly and the tourism sector entered the crisis year and next year. This is obviously striking in the analyzes made.

This study analyzes the financial position and financial situation of the six tourism companies registered in the Borsa Istanbul for 2012 and 2016 in order to shed light on investors and firm managers. The analyzes used are horizontal analysis, vertical analysis and ratio analysis. The annual financial statements of firms listed on Borsa Istanbul were utilized.

According to the results of the horizontal analysis of Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş., current assets decreased by 46% compared to the previous period. In addition, current ratio increased by 45%. Along with these, in 2016, there was an increase of 3,13% in the profit ratio compared to the year 2015. According to the results of vertical analysis, 82.14% of the current assets were financed by equity. Short-term assets accounted for 3.62% of total assets.

The results of the horizontal analysis of the Marmaris Altinyunus enterprise in 2015 and 2016 showed an increase of 13% in its current assets compared to the previous period. Short term debts increased by 2.30%, and the period profit decreased by 71% compared

to the previous period. As a result of the vertical analysis, equity was 88.05%, financing the current assets. Short term assets constitute 3.62% of total assets.

According to horizontal analysis result of Marti Hotel operation, there was a 37% increase in current assets in 2016 and an increase of 6% in short term debts. The profit rate was 7.9%. According to the results of vertical analysis, 9,91% of short-term assets are total assets. In current assets, 21.07% was financed by equity.

According to the results of horizontal analysis of Net Tourism's financial statement of the year 2016, according to previous turnover, there was a decrease of 10% in current assets. Short term debts increased by 24.1%. By the year 2015, the profit ratio has decreased by 9.7%. According to the results of vertical analysis, 81,79% of the current assets are financed by equity. Short term assets constitute 19,41% of total assets.

According to the Horizontal analysis results of Tek-Art, there was a 9% decrease in current assets. The short-term debt increased by 11.1%. According to the previous period, the profit rate decreased by 63.64%. According to the vertical analysis data, 54.88% of the current assets decreased by equity. Short-term assets constitute 33% of total assets.

According to the horizontal analysis data of Utopia Tourism Company, there is f of 5% in the return assets. The short-term debt rose by 28%. The profit rate has increased by 30.5% compared to the previous year. Vertical analysis shows that 36.95% of current assets are financed by equity. The ratio of short term assets to total assets is 14,35%.

According to ratio analysis data; the current ratio, which measures the ability to meet short-term liabilities, appears to be variable among BIST tourism companies between 2012-2016. In the analyzes made in these years, the current ratio has risen above 1 Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş, Marti Hotel and Utopia Turizm, which are below 1%, seem to have weak powers to meet their short term obligations.

The company that has the best quick ratio among the registered tourism companies in BIST is Marmaris Altinyunus. When the year 2016 is examined, the quick ratio is lower than in previous years and because of the fact that Avrasya Petrol ve Turistik Tesisler

Yatırımlar A.Ş., Martı Otel and Utopya Tourisms' acid test rate is below 1, their weak ability to meet their short term liabilities are weak.

The fact that the net working capital, is negative indicates that businesses have difficulty in meeting their short-term obligations. Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş, Martı Otel and Utopya Tourism's net working capital are negative between 2012-2016. On the other hand, Marmaris Altinyunus, Tek-Art and Utopya Tourism have problems in meeting their short term obligations.

Profit margin is a measure of the financial performance of businesses. Between 2012 and 2016, tourism companies have fluctuated in profit margins. According to the results, the profit margins of Marmaris Altinyunus and Net Turizm are continuously positive. The profit margin is negative because Martı Hotel has suffered constantly for all the years.

Return on asset is a ratio that measures firms' financial performance. The profitability of tourism companies that have been listed on BIST in the last two years is negative. Net Tourism is well in terms of asset profitability among the firms. Since Martı Hotel has been damaged all the years, its asset profitability has also been negative.

Return on equity is another measure of the financial performance of businesses. Return on equity measures how effectively companies use their own capital. Marmaris Altinyunus and Net Tourism is in good condition in terms of profitability among the tourism companies listed in Borsa Istanbul (İstanbul Stock Exchange). The average equity profitability of the tourism companies listed in the BIST for the last 4 years is negative. Marmaris Altinyunus, Martı Otel and Net Tourism have been able to have positive values continuously between 2012 and 2016 according to the gross profit margin of the financial performance of the end of the period.

Earning per share is used by investors to calculate the operational profitability of firms. Marmaris Altinyunus ve Net Tourism Earning per share values are positive between 2012-2016, while Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş., Tek-Art and Utopia Tourism are experiencing problems about earning per share between 2012-2016.

Debt ratio gives information about firms' financial structure. Marmaris Altinyunus and Net Tourism have pursued a financing method which is mainly focused on equity. While the debt-equity ratios of the enterprises are at about 1 between 2013-2016, they are about 2.5 in 2012. Utopya Tourism's high debt-to-equity ratio has significantly increased the company's financial risks.

Tourism firms can apply a variety of applications to become financially strong. The most obvious examples of these applications are the increasing service quality, product differentiation and efficient advertising of all of them. Tourism companies should enter the capital market in order to use the resources effectively. In this way they are able to generate resources, which in turn increases the investment. It is very important for other companies, which are suitable for entering the capital market, to enter capital markets in order to create resources both in terms of the company and the country. By study companies; fixed assets should be given importance in decision of capital budgeting and Emphasis should be given to managing the working capital in order to fulfill short-term liabilities.

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