

The Role of County-Level Governance on Sustainability Performance in Türkiye

Çağrı Aksoy Hazır

Marmara University, Turkey

Abstract

The aim of this study is to highlight the influence of country-level governance on the sustainability performance of Turkish companies. Using a sample of 997 company-year observations during the period spanning from 2009 to 2023, a fixed effect panel data regression analysis was performed, and according to the results of the regression analysis, the findings suggest that the sustainability performance of Turkish companies is higher when the overall country-level governance is lower. Likewise, the results across the different ESG (environment, social and governance) pillars show that country-level governance have significantly negative effects on the environmental, social, and governance performance of companies. The findings reveal that companies actively strive for sustainability in a country where the governance environment is insufficient and incompetent to support it. Moreover, it can be interpreted that when country-level governance is weak, solid sustainability performance improves the legitimization process of companies and reduces the risk to a company's reputation. This study offers a fresh perspective by investigating how the institutional environment affects companies' sustainability performance, an area that has received limited attention.

Keywords: country governance, ESG performance, sustainability development goals, sustainability reporting, panel data