

Corporate Governance and Share Prices: Firm Level Review in Turkey

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Abstract : This paper examines the relationship between corporate governance rating and stock prices of 26 Turkish firms listed in Turkish stock exchange (Borsa Istanbul) by using panel data analysis over five-year period. The paper also investigates the stock performance of firms with governance rating with regards to the market portfolio (i.e. BIST 100 Index) both prior and after governance scoring began. The empirical results show that there is no relation between corporate governance rating and stock prices when using panel data for annual variation in both rating score and stock prices. Further analysis indicates surprising results that while the selected firms outperform the market significantly prior to rating, the same performance does not continue afterwards.

Keywords : corporate governance, stock price, performance, panel data analysis

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