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Stock Price Reaction for Scoring on Corporate Governance

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Abstract

There is a widely heralded need for improved corporate governance practices in order to stave off potential turbulences in financial markets. Corporate governance index enables investors to monitor the compliance level of firms with corporate governance principles. This study attempts to examine whether the market players in Borsa İstanbul recognize the value of getting a corporate governance score in the period of 2007 and 2013. The initial evidence supports that the market players value the scoring and the market price of firms announcing the scoring shows a sharp increase in the first announcement day and this dies out over the next 10 days.

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1. Introduction

Corporate governance has been receiving attention due to financial market turbulences triggered by major corporate scandals. Mismanagement of fiduciary responsibilities, dysfunctional auditing processes and the paucities of disclosure appear as the structural elements of the turmoil caused by poor corporate governance practices, especially, in the last fifteen years. Corporate governance is mainly concerned with the way firms should be governed to ensure effective management. Existence of good corporate governance practices are conceded to increase the efficiency resource allocation, thus, enabling firms to survive and generate returns that are sufficient to retain the commitment of the salient stakeholders (Strange, et.al., 2009). During the global financial crisis of 2007-2010, when a number of large and influential banks and financial institutions collapsed or bailed out, the concerns about the appropriate governance of those corporations were widely heralded (Sun et.al., 2012). The corporate governance could be defined as the ‘institutional structures, legal rules and best practices that determine which body within the corporation is empowered to make particular decisions, how the members of that body are chosen, and the norms that should guide decision making’ (Bainbridge, 2012). A firm’s governance structure is mainly determined by the commercial codes of its home country, by capital market requirements and by own managerial decisions within the framework of the existing legal infrastructure (Witt, 2004). The main purpose of a corporate governance system is to ensure efficiency in order to be able to devise a fair distribution of the resulting surplus among the stakeholders (O’Sullivan, 2000; Witt, 2004). It includes rules and procedures for making decisions about corporate affairs as well protecting the rights of major stakeholders (Needles, et.al., 2012). The framework provided by OECD regarding corporate governance is as follows (Ergin, 2012):

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Corporate governance is a structure that displays a firm's objectives, how to reach these objectives and how to follow the firm's performance. Good corporate governance helps management take proper actions so as to reach the firm's objectives and shareholders' interests. The existence of an effective corporate governance system, both in firm dimension and macroeconomic dimension gives to related parties the confidence that the market economy will function in a healthier way.

With an effort to establish an effective corporate governance system, Turkey has embraced relevant principles in 2003, revised them in 2005 to ensure alignment with OECD principles and emphasized the concerns on social responsibilities of the companies in the new Turkish Commercial Code, further referred to as TCC, which was ratified in 2012 aiming to comply with European legislation system (Atakan, et.al, 2008; Needles, et.al., 2012; Aytekin, et.al., 2013). The corporate governance index was operationalized in 2007 by Istanbul Stock Exchange (currently Borsa İstanbul) in order to promote good corporate governance practices (Needles, et.al., 2012; Aytekin, et.al., 2013). The study presented in this paper intends to analyze the relationship between stock price performance of the companies listed in Borsa İstanbul and their corporate governance index scores. In this context, the study begins with a literature review regarding this proposed relationship and presents the hypotheses to be tested. The later section analyzes the data and the methodology employed in the study. The final section elaborates on the findings.

2. Literature Review

Credit Lyonnais Securities Asia issued corporate governance rankings for 495 firms across 25 emerging markets and 18 sectors in year 2001. The report had indicated that companies ranked high on the governance index were the ones with better operating performance and higher stock returns. High performance companies exceed the ones with average performance indicators on corporate governance scores (Banerjee, et.al., 2009), however, this does not fully support that high performance companies are engaged in superior level of corporate governance practices on a globally admitted basis. The research made by Şengür (2011) argues that there is no significant difference in performance of corporate governance index companies and non-corporate governance index companies in Turkey when performance is measured in terms of return on assets and Tobin-Q. However, there are myriads of studies that reveal the positive relationship between firms' corporate governance compliance level and their operating performance, corporate reputation and market value (Needles et.al., 2012). Klapper and Love (2002) argues that there is a positive relationship between firm's operating performance and improved corporate governance practices. Another study analyzing crisis period suggests that firm value is a function of firm-level differences in corporate governance measures (Baek et.al., 2004). Computation of corporate governance index scores is accepted to be a relatively reliable way to verify a firm's ability to comply with the principles of corporate governance. Governance rating firms rate companies on the overall quality of their governance system, taking into account important structures (Larcker and Tayan, 2011). Corporate governance ratings influence the way investors evaluate firm's stock price, however, the effects of the sub-components of the corporate governance are not the same (Ergin, 2012).

There are four elements embodied in the corporate governance approach of TCC, which are full transparency, fairness, accountability and responsibility. The Article 1529 of TCC empowers Capital Market Board of Turkey, further referred to as CMB, to regulate corporate governance practices for Turkish companies. CMB is responsible for making regulations and performing supervision to ensure the implementation of the elements stated above. Corporate governance principles were adopted in 2003, revised in 2005 in accordance with OECD principles and Borsa İstanbul corporate governance index was operationalized with 34 participants (companies) in the beginning, which has recently increased to 48 companies (Needles et.al, 2012; Atakan et.al, 2008; Aytekin et.al., 2013). The companies listed on Borsa İstanbul, with the corporate governance rating of minimum 6 out of 10, are accepted to be eligible to be involved in corporate governance index. The corporate governance reports, which the companies are expected to issue regularly, are supposed to cover four main sections, which are shareholders, public disclosure and transparency, stakeholders and board of directors.

The following section explains the dataset employed and the methodology used in the analysis.

3. Data and Analysis

This empirical study examines the stock price reaction of firms listed in Borsa İstanbul for the announcement of corporate governance scores in the period of 2007 – 2013. The list of firms received a corporate governance score and the announcement dates of the scores are collected from various internet sources. This search revealed that there are 48 firms listed in Borsa İstanbul received at least one corporate governance score in the period of 2007 and 2013. (see Table 1). Out of these 48 firms, 7 firms scored for 7 years, 5 firms scored for 6 years, 12 firms scored for 5 years, 7 firms scored for 4 years, 6 firms scored for 3 years, 7 firms scored for 2 years and 4 firms scored for 1 year. Beyond,

the yearly average corporate governance scores show a trendy increase. The average scores are 78.28 for 2007, 80.40 for 2008, 81.80 for 2009, 83.13 for 2010, 84.43 for 2011, 87.42 for 2012 and 89.85 for 2013.

Table 1. Firms Received A Corporate Governance Score in Borsa Istanbul.

N	Firm	2007		2008		2009		2010		2011		2012		2013	
		Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date
1	Dogan Y. H.	85,88	Aug,1	87,64	Aug,1	87,64	July30	87,8	July30	87,76	Aug,1	90,06	July31	90,34	July30
2	Vestel Elk.	75,91	March1	82,57	Feb,1	83,38	Feb,26	84,02	Feb,26	85,87	Feb,25	88,32	Feb,24	90,94	Feb,22
3	Y&Y GYO	78,83	Apr,20	81,56	Apr,18	81,55	Apr,17	82,66	Apr,16	85,58	Apr,18	86,59	Apr,18	90,24	Apr,17
4	Tofas Oto	73,36	Nov,28	81,59	Nov,27	82,37	Nov,23	84,17	Nov,23	85,83	Nov,23	90,25	Nov,9	91,39	Nov,11
5	Turk Traktor	75,17	Aug,23	78,34	Aug,21	81,21	Aug,19	83,02	Aug,19	85,04	Aug,18	89,02	Aug,17	91,04	Aug,16
6	Hurriyet	79,67	Sept,1	83,21	Sept,24	84,31	Sept,24	84,69	Sept,23	85,54	Sept,23	90,9	Sept,24	90,9	Sept,24
7	Tupras	79,12	Nov,8	82,02	Nov,8	83,41	Nov,6	85,58	Nov,5	86,2	Nov,5	91	Nov,5	93,43	Nov,4
8	BankAsya			75,56	July2	78,24	July2	81,69	July1	82,56	July1	86,14	July2	89,24	June28
9	Otokar			79,4	March20	81,2	March20	83,18	March19	84,68	March18	86,8	March19	91,03	March19
10	Dentas			70,75	May,11	78,18	#####	78,91	Aug,10	80,6	May,11	86,3	May,11	89,73	May,10
11	Anadolu Efes			80,96	June11	82,71	June5	84	June2	85,46	June1	89,39	June1	93,3	May,24
12	Yapi Kredi			81,21	Dec,12	84,38	Dec,28	87,75	Dec,28	88	Dec,28	88,08	Dec,28	93,22	Dec,27
13	Sekerbank					81,136	Feb,27	86,64	Feb,8	87,6	Fen,7	88,21	Feb,7	90,95	Feb,6
14	Vakıf YO					78,1	Jan,28	82,3	Jan,27	84,1	Jan,19	87,3	Jan,18	92,1	Jan,18
15	CocaCola					83,04	July1	84,34	July1	84,96	July1	88,81	July2	92,01	July1
16	Arcelik					82,09	July30	85,53	July30	85,91	Aug,1	91,07	July30	92,8	July29
17	TAV					83,34	Sept,4	90,35	Aug,31	90,96	Aug,26	92,44	Aug,24	93,97	Aug,23
18	TSKB					87,69	Oct,20	89,15	Oct,19	91,02	Oct,18	91,09	Oct,18	94,03	Oct,21
19	Dogan Hol.					82,64	Nov,3	84,2	Nov,3	85,87	Nov,3	90,31	Nov,18	91,81	Nov,5
20	Petkim					77,13	Nov,5	81,9	Sept,2	85,2	Aug,24	87,2	Aug,24	89,1	Aug,20
21	Logo Yazılım					80,83	Dec,22	81,71	Dec,20	82,61	Dec,19	85,97	Dec,14	89,12	Dec,13
22	Is Fin,Kir					80,24	Dec,28	83,76	Dec,28	85,79	Dec,28	90,31	Dec,28	91,14	Dec,27
23	T.Prysmian					77,58	Dec,29	80,79	Dec,29	81,5	Dec,22	84,39	Dec,14	86,55	Dec,13
24	TurkTelekom					80,11	Dec,28	82,66	Dec,28	83,73	Dec,28	88,01	Dec,12	88,02	Dec,12
25	Turcas Petrol							75,2	Mar,12	81,2	Mar,08	84	Mar,08	87,51	Mar,08
26	Park Elektrik							86,45	June9	86,66	June8	88,24	June8	89,8	June6
27	Aygaz							84,61	June30	84,95	June30	89,57	June29	92,71	July1
28	AlbarakaTurk							81,38	Oct,21	82,8	Oct,21	82,3	Oct,18	86,16	July19
29	Yazıcılar H.							80,44	Nov,8	83	Nov,3	87,75	Oct,18	90,73	Oct,11
30	Ihlas Holding							77,1	Dec,28	79,11	Dec,20	80,94	Sept,28	81,48	Aug,2
31	Ihlas Ev Alet.							71,2	Dec,28	73,88	Nov,20	76,75	Sept,27	80,49	Aug,1
32	Dogus Oto.									77,05	Feb,1	86,3	Dec,31	90,05	Dec,27
33	Pınar Sut									83,43	Nov,24	86,67	Nov,23	91,49	Nov,20
34	Egeli Yat.									82	Dec,2	86,04	Nov,30	90,8	Nov,29
35	Halk Bankası									87,4	Dec,19	87,73	Dec,19	92,05	Dec,19
36	İş Yatırım									86,29	Dec,23	88,04	Sept,11	90,59	Sept,9
37	Global Yat.									83,64	Dec,28	88,04	Nov,26	88,6	Nov,26
38	Garanti Fak.											83,58	Aug,23	87,94	Aug,21
39	Enka											91,59	Nov,26	91,97	Nov,21
40	Pınar Et											87,73	Dec,7	91,59	Nov,21
41	Boyner											86,36	Dec,10	86,13	Dec,10
42	Aselsan											87,73	Dec,13	90,71	Dec,13
43	İş GYO											85,27	Dec,27	88,09	Dec,26
44	Garanti Y. O.											83,9	Jan,21	90,1	Dec,31
45	Crditwest F.													80,28	June24
46	Akbank													92,37	Nov,11
47	Pınar Su													93,41	Dec,4
48	Pegasus													81,3	Dec,31
	Ave.Scores	78,28		80,40		81,80		83,13		84,43		87,42		89,85	

Moreover, the firms with corporate governance scores are classified by sectors they are involved in; namely, financials (16 firms), holdings (4 firms), petro-chemicals (4 firms), electronics & transportations (7 firms), productions (12 firms). (see Table 2 & 3).

Table 2. Sectoral Classifications of Firms and Average Corporate Governance Score

	Financial Firms	2007		2008		2009		2010		2011		2012		2013	
		Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date
1	Y&Y GYO	78,83	Apr,20	81,56	Apr,18	81,55	Apr,17	82,66	Apr,16	85,58	Apr,18	86,59	Apr,18	90,24	Apr,17
2	BankAsya			75,56	July2	78,24	July2	81,69	July1	82,56	July1	86,14	July2	89,24	June28
3	Yapı Kredi			81,21	Dec,12	84,38	Dec,28	87,75	Dec,28	88,00	Dec,28	88,08	Dec,28	93,22	Dec,27
4	Sekerbank					81,36	Feb,27	86,64	Feb,8	87,60	Feb,7	88,21	Feb,7	90,95	Feb,6
5	Vakıf YO					78,10	Jan,28	82,30	Jan,27	84,10	Jan,19	87,30	Jan,18	92,10	Jan,18
6	TSKB					87,69	Oct,20	89,15	Oct,19	91,02	Oct,18	91,09	Oct,18	94,03	Oct,21
7	Is Fin,Kir.					80,24	Dec,28	83,76	Dec,28	85,79	Dec,28	90,31	Dec,28	91,14	Dec,27
8	AlbarakaTurk							81,38	Oct,21	82,80	Oct,21	82,30	Oct,18	86,16	July19
9	Egeli & Yat.									82,00	Dec,2	86,04	Nov,30	90,8	Nov,29
9	Halk Bankası									87,40	Dec,19	87,73	Dec,19	92,05	Dec,19
10	Is Yatırım									86,29	Dec,23	88,04	Sept,11	90,59	Sept,9
11	Global Yat.									83,64	Dec,28	88,04	Nov,26	88,6	Nov,26
12	Garanti Fak.											83,58	Aug,23	87,94	Aug,21
13	Is GYO											85,27	Dec,27	88,09	Dec,26
14	Garanti Y. O.											83,9	Jan,21	90,10	Dec,31
15	Crwest Fak.													80,28	June24
16	Akbank													92,37	Nov,11
	Ave.Scores	78,83		79,44		81,7		84,42		85,57		86,84		89,88	

	Auto Firm	2007		2008		2009		2010		2011		2012		2013	
		Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date
1	Tofas Oto	73,36	Nov,28	81,59	Nov,27	82,37	Nov,23	84,17	Nov,23	85,83	Nov,23	90,25	Nov,9	91,39	Nov,11
2	Turk Traktor	75,17	Aug,23	78,34	Aug,21	81,21	Aug,19	83,02	Aug,19	85,04	Aug,18	89,02	Aug,17	91,04	Aug,16
3	Otokar			79,4	March20	81,2	March20	83,18	March19	84,68	March18	86,8	March19	91,03	March19
4	Doğus Oto									77,05	Feb,1	86,3	Dec,31	90,05	Dec,27
	Ave.Scores	74,27		79,78		81,59		83,46		83,15		88,09		90,88	

	Production Firms	2007		2008		2009		2010		2011		2012		2013	
		Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date
1	Hurriyet	79,67	Sept,1	83,21	Sept,24	84,31	Sept,24	84,69	Sept,23	85,54	Sept,23	90,9	Sept,24	90,9	Sept,24
2	Dentas			70,75	May11	78,18	May11	78,91	Aug10	80,6	May11	86,3	May11	89,73	May10
3	Ana.Efes			80,96	June11	82,71	June5	84	June2	85,46	June1	89,39	June1	93,3	May24
4	CocaCola					83,04	July1	84,34	July1	84,96	July1	88,81	July2	92,01	July1
5	Arcelik					82,09	July30	85,53	July30	85,91	Aug,1	91,07	July30	92,8	July29
6	T.Prysmian					77,58	Dec,29	80,79	Dec,29	81,5	Dec,22	84,39	Dec,14	86,55	Dec,13
7	İhlas Ev Alet							71,2	Dec,28	73,88	Nov,20	76,75	Sept,27	80,49	Aug,1
8	Pınar Sut									83,43	Nov,24	86,67	Nov,23	91,49	Nov,20
9	Enka											91,59	Nov,26	91,97	Nov,21
10	Pınar Et											87,73	Dec,7	91,59	Nov,21
11	Boyner											86,36	Dec,10	86,13	Dec,10
12	Pınar Su													93,41	Dec,4
	Ave.Scores	79,67		78,31		81,32		81,35		82,66		87,27		90,03	

	Electro & Transport.	2007		2008		2009		2010		2011		2012		2013	
		Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date
1	Vestel Elk,	75,91	March1	82,57	Feb,1	83,38	Feb,26	84,02	Feb,26	85,87	Feb,25	88,32	Feb,24	90,94	Feb,22
2	TAV					83,34	Sept,4	90,35	Aug,31	90,96	Aug,26	92,44	Aug,24	93,97	Aug,23
3	Logo Yazılım					80,83	Dec,22	81,71	Dec,20	82,61	Dec,19	85,97	Dec,14	89,12	Dec,13
4	TurkTelekom					80,11	Dec,28	82,66	Dec,28	83,73	Dec,28	88,01	Dec,12	88,02	Dec,12
5	Park Elektrik							86,45	June9	86,66	June8	88,24	June8	89,8	June6

6	Aselsan											87,73	Dec,13	90,71	Dec,13
7	Pegasus													81,3	Dec,31
Ave.Scores		75,91		82,57		81,92		85,04		85,97		88,45		89,12	

	Holding Firms	2007		2008		2009		2010		2011		2012		2013	
		Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date
1	Dogan Ya.H.	85,88	Aug,1	87,64	Aug,1	87,64	July30	87,8	July30	87,76	Aug,1	90,06	July31	90,34	July30
2	Doğan Hol					82,64	Nov,3	84,2	Nov,3	85,87	Nov,3	90,31	Nov,18	91,81	Nov,5
3	Yaz.Hol							80,44	Nov,8	83	Nov,3	87,75	Oct,18	90,73	Oct,11
4	İhlas Hol							77,1	Dec,28	79,11	Dec,20	80,94	Sept,28	81,48	Aug,2
Ave.Scores		85,88		87,64		85,14		82,39		83,94		87,27		88,59	

	Petro-Che. Firms	2007		2008		2009		2010		2011		2012		2013	
		Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date	Score	Date
1	Tupras	79,12	Aug,10	82,02	June,10	83,41	June10	85,58	May10	86,2	May10	91	May10	93,43	Apr,10
2	Petkim					77,13	Nov,5	81,9	Sept,2	85,2	Aug,24	87,2	Aug,24	89,1	Aug,20
3	TurcasPetro							75,2	March12	81,2	March8	84	March8	87,51	March8
4	Aygaz							84,61	June30	84,95	June30	89,57	June29	92,71	July1
Ave.Scores		79,12		82,02		80,27		81,82		84,39		87,94		90,69	

Table 3. Sectoral Averages and Percentage Changes Over Years

	Sectors	2007		2008		2009		2010		2011		2012		2013	
		Score	%Ch	Score	%Ch	Score	%Ch	Score	%Ch	Score	%Ch	Score	%Ch	Score	%Ch
1	Financial Firms	78,83	na	79,44	0,78	81,70	2,84	84,42	3,32	85,57	1,36	86,84	1,49	89,88	3,50
2	Auto Firms	74,27	na	79,78	7,42	81,59	2,28	83,46	2,28	83,15	-0,37	88,09	5,94	90,88	3,16
3	Produc. Firms	79,67	na	78,31	-1,71	81,32	3,85	81,35	0,04	82,66	1,61	87,27	5,58	90,03	3,16
4	Electro.&Trans.	75,91	na	82,57	8,77	81,92	-0,79	85,04	3,81	85,97	1,09	88,45	2,89	89,12	0,76
5	Holding Firms	85,88	na	87,64	2,05	85,14	-2,85	82,39	-3,24	83,94	1,88	87,27	3,97	88,59	1,52
6	Petro-Che.	79,12	na	82,02	3,67	80,27	-2,13	81,82	1,93	84,39	3,13	87,94	4,21	90,69	3,12
Average		78,95	na	79,18	0,29	81,99	3,55	83,08	1,33	84,28	1,44	87,64	3,99	89,86	2,53

Table 3 summarizes sectorial averages and shows the percentage changes of average corporate governance scores over years. The highest average sectorial score for 2007 seems to have been received by holding firms. Holdings sector generally has been observed to be among top performers over years. The electronics & transportation sector had become the leader in the corporate governance scores in year 2010 and 2011. The financial firms received the highest score amongst others in 2012. The average score happens to be the highest for the automotive sector in year 2013. Most interestingly, although the automotive sector was a laggard in terms of the lowest average score in 2007, there has been a significant progress since then and took the highest score in 2013. On the other hand, the cross sectional average scores over the period under examination shows an increasing trend. Although it looks a modest change on average scores from 2007 to 2008 (0.29% increase), it boosts the increase average scoring in later years; 3.55% in 2009, 1.33% in 2010, 1.44% in 2011, 3.99% in 2012 and 2.53% in 2013. Overall, it may be referred that more firms are attracted for obtaining a corporate governance scores over years and getting a better and higher scoring looks a soft competition among the firms and the sectors.

Next, the reaction of stock prices for the announcement of new corporate governance scores is studied. Due to time constraints, some firms from the financial sectors are selected. The selected portfolio included all banks with at least 4 separate scoring over years. Hence, YapiKredi Bank, Sekerbank, BankAsya, TSKB, AlbarakaTurk and Is Fin.Kir. are employed to measure the daily stock price reactions for the announcement of scorings. The daily stock prices of the selected financial firms and the BIST100 index are downloaded from the Thomson-Reuters Database. Table 4 below presents the daily stock returns of firms and BIST100 index for 1-day and cumulative 3-day and 10-day periods.

Table 4. Stock Price Reactions of Financial Firms

Firms	Date	Score	STOCK RETURN			BIST100			DIFF = STCK RET - BIST100		
			1-Day	3-Day	10-Day	1-Day	3-Day	10-Day	1-Day	3-Day	10-Day
YapıKredi	27.12.2013	93.22	0,00283	0,05344	0,05754	-0,01038	0,05110	0,05395	0,01321	0,00234	0,00359
	28.12.2012	88.08	-0,00758	0,00787	0,04253	0,00159	0,01521	0,03268	-0,00917	-0,00734	0,00986
	28.12.2011	88.00	-0,01465	-0,01460	-0,04765	-0,01918	-0,02459	-0,03292	0,00453	0,00999	-0,01473
	28.12.2010	87.75	-0,00202	-0,00809	0,03163	0,00129	0,00700	0,02322	-0,00331	-0,01510	0,00841
	28.12.2009	84.38	0,00633	0,00633	0,06907	-0,00081	0,00014	0,04341	0,00714	0,00618	0,02565
	29.12.2008	80.21	-0,01435	0,00518	-0,07975	-0,00284	0,01383	-0,02637	-0,01151	-0,00865	-0,05339
	Average		-0,00491	0,00835	0,01223	-0,00506	0,01045	0,01566	0,00015	-0,00210	-0,00343
Sekerbank	06.02.2013	90.95	-0,00500	-0,04043	-0,10397	-0,00318	-0,02508	-0,01703	-0,00182	-0,01535	-0,08694
	07.02.2012	88.21	-0,00971	-0,01932	0,00087	-0,00213	0,01348	0,00281	-0,00758	-0,03280	-0,00193
	07.02.2011	87.60	-0,01198	-0,00592	0,00018	-0,00618	0,01061	0,00791	-0,00580	-0,01653	-0,00773
	08.02.2010	86.64	-0,06584	-0,07898	0,00311	-0,02957	0,03708	0,04994	-0,03627	-0,11606	-0,04682
	27.02.2009	81.36	0,00000	-0,02273	-0,01028	-0,00587	-0,02531	-0,01073	0,00587	0,00259	0,00045
		Average		-0,01851	-0,03348	-0,02202	-0,00939	0,00215	0,00658	-0,00912	-0,03563
BankAsya	28.06.2013	89.24	0,05980	-0,01603	-0,07098	0,00703	0,00895	-0,05208	0,05276	-0,02498	-0,01889
	02.07.2012	86.14	-0,00552	0,00003	0,05980	-0,00947	0,00718	0,00236	0,00395	-0,00715	0,05744
	01.07.2011	82.56	0,00000	0,00795	-0,00707	-0,00008	0,00951	-0,00791	0,00008	-0,00156	0,00084
	01.07.2010	81.69	-0,00546	-0,01060	0,01818	-0,00556	0,01607	0,06177	0,00010	-0,02667	-0,04359
	02.07.2009	78.24	0,02830	0,10482	0,07601	-0,00558	-0,01313	0,01851	0,03388	0,11795	0,05751
	02.07.2008	75.56	0,00000	-0,05999	-0,03916	0,01079	0,03253	0,06093	-0,01079	-0,09252	-0,10009
	Average		0,01285	0,00436	0,00613	-0,00048	0,01019	0,01393	0,01333	-0,00582	-0,00780
TSKB	21.10.2013	94.03	0,02577	0,02105	0,02180	0,03466	0,03012	0,00095	-0,00888	-0,00908	0,02085
	18.10.2012	91.09	0,00478	0,00515	-0,04296	-0,00468	0,00756	0,02912	0,00946	-0,00241	-0,07208
	18.10.2011	91.02	0,01802	-0,04473	-0,10504	0,00527	-0,04370	-0,04024	0,01275	-0,00102	-0,06481
	19.10.2010	89.15	-0,02857	-0,03592	-0,08851	-0,00879	0,00007	-0,02712	-0,01978	-0,03600	-0,06139
	20.10.2009	87.68	0,01220	0,00660	-0,14746	0,01519	0,01455	-0,08016	-0,00300	-0,00795	-0,06730
		Average		0,00644	-0,00957	-0,07243	0,00833	0,00172	-0,02349	-0,00189	-0,01129
Albaraka	19.07.2013	86.16	-0,00535	0,00020	-0,00387	0,03703	0,06993	0,01334	-0,04238	-0,06973	-0,01722
	18.10.2012	82.20	0,01408	-0,01369	-0,00475	-0,00468	0,00756	0,02912	0,01876	-0,02125	-0,03387
	21.10.2011	82.80	0,01036	0,00529	-0,02037	0,00527	-0,04370	-0,04024	0,00509	0,04899	0,01987
	21.10.2010	81.38	0,00658	0,02610	-0,00287	-0,00879	0,00007	-0,02712	0,01537	0,02603	0,02425
		Average		0,00642	0,00447	-0,00797	0,00721	0,00846	-0,00622	-0,00079	-0,00399
İs Fin.Kir.	27.12.2013	91.14	0,03371	0,07775	0,08904	0,01164	0,00804	-0,05098	0,02206	0,06970	0,14002
	28.12.2012	90.31	-0,00952	-0,00915	0,00065	0,00603	0,01353	0,01375	-0,01555	-0,02268	-0,01310
	28.12.2011	85.79	0,01770	0,01778	-0,01629	0,00841	-0,01505	-0,04609	0,00929	0,03283	0,02980
	28.12.2010	83.76	0,00000	-0,01413	-0,02049	0,00129	0,00700	0,02322	-0,00129	-0,02114	-0,04370
	28.12.2009	80.24	0,01020	0,06032	0,08915	-0,00081	0,00014	0,04341	0,01102	0,06017	0,04574
		Average		0,01042	0,02651	0,02841	0,00531	0,00273	-0,00334	0,00511	0,02378

The analysis of Table 4 reveals that the stock prices of Is Finansal Kiralama, Albaraka, TSKB and BankAsya show a positive response for the announcement of corporate governance scores on the first day while the stocks of YapıKredi Bank and Sekerbank show a negative response. However, this comparison may not mean much unless the stock returns at that particular day is compared to the return on BIST100. If the market is down at the announcement day, then the negative returns of stocks at that particular day should be treated carefully. If a particular negative stock return is less than the market, which records a negative return, then it may be resumed that the particular stock has actually performed better than the market for that trading day. Therefore, the stock returns of firms should be compared to the BIST100 returns at the announcement day. After taking the differences on returns in between stock returns and BIST100, it is seen that YapıKredi, BankAsya and Is Finansal Kiralama performed better and Sekerbank, TSKB and Albaraka performed worse than the market. Table 5 below shows the average stock returns per firm on the announcement day and the comparison to BIST100.

Table 5. Average Stock Returns and Comparison to BIST100

Firms		STOCK RETURN			BIST100			DIFF = STCK RET - BIST100		
		1-Day	3-Day	10-Day	1-Day	3-Day	10-Day	1-Day	3-Day	10-Day
YapiKredi	Average	-0,00491	0,00835	0,01223	-0,00506	0,01045	0,01566	0,00015	-0,00210	-0,00343
Sekerbank	Average	-0,01851	-0,03348	-0,02202	-0,00939	0,00215	0,00658	-0,00912	-0,03563	-0,02860
BankAsya	Average	0,01285	0,00436	0,00613	-0,00048	0,01019	0,01393	0,01333	-0,00582	-0,00780
TSKB	Average	0,00644	-0,00957	-0,07243	0,00833	0,00172	-0,02349	-0,00189	-0,01129	-0,04895
Albaraka	Average	0,00642	0,00447	-0,00797	0,00721	0,00846	-0,00622	-0,00079	-0,00399	-0,00174
Is FinKir	Average	0,01042	0,02651	0,02841	0,00531	0,00273	-0,00334	0,00511	0,02378	0,03175
Overall Average / Daily		0,00212	0,00011	-0,00927	0,00099	0,00595	0,00052	0,00113	-0,00584	-0,00979

The average stock return on the announcement day is 0.212% while the average market return on the same day is 0.099%. The difference in returns is 0.113% on the announcement day for the advantage of firms. Briefly, the stock prices of firms provided a better return than the market by 0.113% for 1 day. If this excess return is annualized, then the excess return becomes 40.71% per year. However, this positive stock price reaction looks overtaken by the market considering the cumulative 3-day and 10-day periods. The BIST100 index over a 3-day period provides a 0.584% better return than the underlying stocks of firms. A similar finding also appears for 10-day period.

4. Concluding Remarks

This study proposes that the corporate governance matters and it positively affects the stock prices and the market players value corporate governance scoring. There were only seven firms received a corporate governance score in 2007 while 48 firms received score in 2013. The average corporate governance scores over years showed an increasing trend. The average score was only 78.28 in 2007 while the average score is 89.85 in 2013. It looks that it has become a soft competition amongst firms to receive an initial score and then receive a higher score every other year. On the other hand, market players very positively respond to the announcement of corporate governance scores. This empirical study reveals that the excess return over the BIST100 on the announcement day is 0.113% and 40.76% return for an annualized basis. However, this excess return is overtaken by BIST100 index on a cumulative 3-day and 10-day periods.

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