

# The Relationship between Corporate Governance Performance and Stock Return

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**Abstract:** *The effect of the application of corporate governance principles by companies on shareholders have been an attractive topic in finance literature. There are several studies about this topic that have couple of different conclusions. The aim of this study is to determine if the prices of stock exchange securities increase or decrease after attending to corporate governance index. Twelve companies, members of CGI whose stocks are traded in ISE are considered. By this aim it has been done co-integration test between Istanbul Stock Exchange CGI and Istanbul Stock Exchange 100 Index. It is found a relationship between two variables in the long term. Then we considered 12 companies which have CGI rating between the year 2007-2013 and we explored if they have abnormal return 5 days before and after CGI rating is declared. Results of the analysis show that most of the companies have abnormal returns before and after 5 days from declaration date. So, it is concluded that shareholder prices CGI ratings in addition to other information about corporations.*

**Keywords:** *Corporate governance, corporate governance index, Stock return, abnormal return.*

