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## **DOES CORPORATE GOVERNANCE REALLY PREDICT FIRMS' MARKET VALUES IN EMERGING MARKETS? THE CASE OF RUSSIAN BANKS**

There is a need to add to the literature on the nexus between corporate governance and company valuation in emerging market countries. Conventional wisdom suggests a positive connection between the two and several authors claim to have proven it empirically. It matters how exactly the connection is identified. We rely on the case of Russian banks to argue that this connection can hardly be established in a convincing way due to data deficiency and methodological constraints. We therefore suspect positive bias in some of the papers. Russian stock market cannot provide enough statistical material for the construction of a response variable; hence a selection bias in favor of the tiny minority of publicly listed banks. Another shift in the sample is towards very few Russian banks with an independently assigned corporate governance score. With regard to explanatory variables there is ambiguity as to how to proxy “good corporate governance” and how to deal with endogeneity. High concentration of ownership in Russia renders artificial and redundant some of the mechanisms of corporate governance. The common approach to modeling governance-performance nexus is further challenged by the market structure, namely prevalence of state-controlled entities. These banks perform a variety of unconventional functions and pursue goals beyond maximization of profit or share price. It is unclear how statistical and methodological constraints can be overcome at the current stage of research. This discussion might be relevant for emerging markets apart from Russia.

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