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THE IMPACT OF CORPORATE GOVERNANCE ON THE MARKET VALUE OF FINANCIAL INSTITUTIONS: EMPIRICAL EVIDENCES FROM ITALY

This paper analyses how the quality of the Corporate Governance system impacts on the market value of Italian financial institution listed on Italian Stock Exchange. As implementing a good Corporate Governance is costly, this study is useful to verify if the investment is worth its cost. This work wants to fill a gap in literature: in fact there are few studies that have focused on financial institutions despite the central role that they hold in the real economy, especially in Italy where the enterprises are highly dependent on the banking system for their financing needs.

First step of the work is the measurement of corporate governance quality. The Corporate Governance Index is used in order to achieve this objective. It is a scoring model that analyses 4 different macro-areas of governance that are Board, Compensation, Shareholders' and Stakeholders' Rights and Disclosure. After governance evaluation a Cross-sectional Data Regression is used to study the relationship between corporate governance and market value of financial institutions in the year 2010. The analysis proves that there is a positive and statistically significant correlation between corporate governance and performance for this kind of companies: this justify the importance of corporate governance and the convenience to invest in this in order to maximise market value of company.

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