

Financial Governance, Financing and Investment Program

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ABSTRACT

This paper highlights the conflicting relationship between financial governance and financing. Considering the case of investment project financing, this paper demonstrated that the external financing forced managers to a rigorous selection of their projects, regular repayments and advance planning. On the other hand, financing from financial market empowers managers to abstain high costs of external financing by contracting derivatives guaranteeing cash regardless of the project's quality. This financial independence may weaken the control mechanisms and encourage managers to favour their private interests by investing in projects without added value for shareholders.

KEYWORDS: Governance, Financing, Investment plan, Derivatives, Hedging.

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