

Causal Relationship between Corporate Governance and Financial Information Transparency: A Simultaneous Equations Approach

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Abstract : We focus on the causal relationship between governance and information transparency as well as interrelation among the various governance mechanisms. This paper employs a simultaneous equations approach to show this relationship in the Tunisian context. Based on an 8-year dataset, our sample covers 28 listed companies over 2006-2013. Our findings suggest that internal and external governance mechanisms are interdependent. Moreover, in order to analyze the causal effect between information transparency and governance mechanisms, we found evidence that information transparency tends to increase good corporate governance practices.

Keywords : simultaneous equations approach, transparency, causal relationship, corporate governance

Conference Title : ICSRD 2020 : International Conference on Scientific Research and Development

Conference Location : Chicago, United States

Conference Dates : December 12-13, 2020