

## Relationship between Financial Reporting Transparency and Investment Efficiency: Evidence from Iran

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**Abstract :** One of the most important roles of financial reporting is improving the firms' investment decisions; however, there is not much supporting evidence for this claim in emerging markets like Iran. In this study, the effect of financial reporting transparency in investment efficiency of Iranian firms has been investigated. In order to do this, 336 listed companies on Tehran Stock Exchange (TSE) has been selected for time period 2012 to 2015 as research sample. For testing our main hypothesis, we classified sample firms into two groups based on their deviation from expected investment: under-investment and over-investment cases. The results indicate that there is positive significant relationship between financial transparency and investment efficiency. In the other words, transparency can mitigate both underinvestment and overinvestment situations.

**Keywords :** corporate governance, disclosure, investment decisions, investment efficiency, transparency

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