Evaluating the Role of Corporate Oversight in Strengthening Financial Accountability Across Global Economies

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Abstract

Corporate governance can be considered one of the key components that will help increase financial accountability, improve organizational transparency, and increase the level of trust of stakeholders in different economic environments. There are significant differences in financial accountability in emerging markets and developed countries owing to the difference in the institutional environment, regulation enforcement, ownership, and corporate governance. In this study, examine the relationship between corporate governance practices and financial accountability in developing and developed countries. Agency theory, stakeholder theory, and institutional theory are used in this paper as the theoretical framework to explore four major corporate governance practices, such as board independence, ownership concentration, effectiveness of the audit committee, and financial reporting disclosure. This study employs a panel data sample of non-financial publicly-held companies for the period of 2016-2022 in emerging and developed countries. The model aims to examine whether the extent of economic development of the country impacts the efficiency of corporate governance mechanisms in firms, while controlling for firm size, leverage, profitability, Big 4 audit, and industry year fixed effects. The findings indicate that although board independence and audit committee effectiveness play a critical role in reducing discretionary accruals in developed nations, these variables have little influence in emerging countries characterized by ownership concentration.

Keywords: Corporate Governance; Financial Accountability; Board Independence; Audit Committee Effectiveness; Financial Disclosure Transparency; Emerging and Developed Economies.

I. INTRODUCTION

Good corporate governance is key in enhancing financial accountability, transparency, and corporate organizational management in international markets (Agrawal & Chadha, 2005).

Which is also enhanced to analysis the practices of the financial reporting combine with trust and provides the suggests through conflict among the stakeholder analysis. (Larcker et al., 2007; Bhagat & Bolton, 2008). The variation in the regulatory framework, level of institutional development, ownership structure, and monitoring practices affects corporate governance practices in developing and developed countries. With increased international business transactions, it becomes essential to understand such differences for effective financial

accountability and corporate performance. The paper focuses on the relationship between corporate governance mechanisms and financial accountability, highlighting the role of board independence, ownership concentration, audit committee efficacy, and financial disclosure practices.

1.1. Background of the Study

Corporate governance is defined as the mechanisms and methods through which an organization is managed, controlled, and supervised. This provides for accountability between corporate board members, managers, investors, and other stakeholders and ensures proper ethical financial management. Financial accountability consists of reliable financial reporting, full disclosures, compliance with regulations, and proper use of resources, mainly focused on independent audits, with ownership and supervision playing an important role in financial reporting (Vafeas, 2005; DeFond et al., 2005).

However, corporate governance takes place within different economic contexts. Well-developed countries usually have well-established regulatory structures, well-functioning financial systems, and high investor protections. Economically emerging countries usually demonstrate more variation in the enforcement of regulations, ownership concentration, and institutional supervisory capability. This provides opportunities to study how corporate governance mechanisms interact with economic conditions of a country in order to affect financial accountability (Ahmed & Duellman, 2007; Arthur et al., 2019).

1.2. Research Problem and Research Gap

Despite having undergone extensive academic scrutiny, the effectiveness of individual governance mechanisms is still open to debate in terms of their effectiveness in different institutional contexts. The existing literature on board independence, ownership concentration, audit committees, and transparency of disclosures reveals inconsistent results concerning the links between the mechanisms and financial accountability. Corporate governance practices that contribute to improved financial monitoring in one economy might yield different results in other economic contexts due to varying levels of legal enforcement, investor protection, and organization.

One of the most critical knowledge gaps includes the necessity of integrating different governance mechanisms into a single comparative analysis framework of developing and developed economies. Also, the role of economic development status in moderating the relationship between governance and accountability is often overlooked in the existing literature.

1.3. Research Objectives and Contributions

The main purpose of the research project was to focus on the financial accountability of each company in developed countries, which involves testing the hypothesis along with the various relationships among the variables. The research will further establish if economic development status moderates the above-mentioned relationships while controlling for firm size, profitability, leverage, and industry effects. This project will make contributions to corporate governance by providing a holistic comparative framework that links corporate governance arrangements with institutional environments. The research will provide the basis for quantifying the different levels of effectiveness of corporate governance arrangements in different economic classes. Further, this

research hopes to generate relevant information for use by corporate managers, investors, regulators, and policymakers.

II. Literature Review and Hypothesis Development

2.1. Theoretical Foundations of Corporate Governance

Corporate governance offers an approach to understanding how corporations allocate decision-making powers, regulate managerial behavior, and ensure accountability to stockholders and other interested parties. Agency theory helps to analyze possible tensions between stockholders and managers in case of a separation of ownership from control. Such tensions might result in management decisions that are not consistent with the interests of stockholders. However, independent monitoring and control mechanisms within the system of financial reporting can help resolve such issues. From the perspective of stakeholder theory, one should also consider additional corporate obligations to creditors, employees, regulators, and other parties that are affected by the corporation's actions. According to institutional theory, governance is influenced by the national legal framework, regulations, and corporate practices (AlQadasi & Abidin, 2018).

2.2. Board Independence and Financial Accountability

Independent directors should play the role of unbiased monitors for the executives' decisions and their financial accounting practices. The presence of independent directors may promote financial accountability in the process of challenging managers' decisions, assessing financial information, and making sure that corporate decisions are made in shareholders' best interest. However, the independence of the board cannot be assessed only based on the share of nonexecutive directors. Expertise, access to credible information, and absence of controlling shareholders' power also play an important role. In the case of the ownership-managerial link, independent directors may face some problems in performing their monitoring role. The discussed points imply that board independence may enhance financial accountability with the help of adequate institutions (Almaqtari et al., 2020).

H1: Board independence positively affects financial accountability.

2.3. Ownership Concentration and Financial Accountability

Ownership concentration may affect financial accountability by two conflicting channels. Since the owners who have large stakes in the firm may be involved in monitoring the behavior of managers because they face a significant share of financial risks from the activities of the organization, the accountability outcome may take a favorable turn. At the same time, the concentrated ownership may create room for the exertion of pressure on the disclosure policies of the company or even the extraction of personal gains at the cost of the minority stakeholders. It all depends on the nature of the ownership structure, the protection of shareholders, and the quality of external supervision (Widani & Bernawati, 2020; Sun, 2023).

H2: There is a significant link between ownership concentration and financial accountability, and the nature of the link is determined by the institutional environment.

2.4. Audit Committee Effectiveness

Audit committees that have adequate professional competence are likely to assess the accounting decisions and identify any gaps in the financial control system. But the frequency of meetings or the adherence to the governance guidelines does not necessarily imply effectiveness. Effectiveness also needs access to pertinent information and the courage to question management if the reporting process seems suspicious.

H3: Audit committee effectiveness is positively related to financial accountability.

2.5. Financial Disclosure Transparency

Financial disclosure helps shareholders, creditors, and regulatory bodies in evaluating the financial position of companies and their management decisions. The effectiveness of disclosure depends upon the accuracy, completeness, timeliness, and availability of the information provided by firms. Disclosure of financial performance, accounting practices, and material risks can minimize information asymmetry and increase stakeholder confidence in the organization. Nevertheless, compliance with minimal disclosure requirements does not always guarantee that the information is transparent. Selective disclosure, complicated statements, and lack of explanation limit the capacity of stakeholders to assess the performance of organizations. Therefore, financial disclosure transparency can increase accountability when information is accurate and understandable (Hasan et al., 2022).

H4: There is a positive relationship between financial disclosure transparency and financial accountability.

2.6. Institutional Differences and Hypothesis Development

Corporate governance mechanisms' effectiveness is always determined by the economic and institutional conditions under which business is done. Countries that are economically advanced typically have well-established financial reporting systems, reasonably developed capital markets, and the regulatory apparatus that could help in monitoring corporations. In emerging economies, there is diversity in ownership structure, investor protection measures, regulatory ability, and enforcement of regulations. All these factors could affect implementation of corporate governance rules and accountability of management (Waris & Haji Din, 2023).

Thus, for instance, independent boards may carry more weight where shareholder rights are guaranteed, and financial information is easily accessible. Moreover, audit committees' activities may prove to be more effective where there are independent audits and strong regulatory enforcement. Concentration of ownership may differ in its effects depending on whether minority rights are guaranteed. Classification of economic development is not sufficient to capture all institutional differences, but it could be an effective tool for comparing countries, at least as a starting point.

Thus, the current research examines economic development status as a moderator rather than taking it as granted that all governance mechanisms work the same way across all countries.

H5: Economic development level is likely to moderate the impact of corporate governance structures on financial accountability.

Together, these five hypotheses provide a conceptual framework that allows for research into financial accountability through corporate governance systems. The methodology below describes the manner in which these relationships may be researched through firm-level comparative analysis.

III. Research Methodology

3.1. Research Design and Comparative Framework

The current study employs a quantitative comparative design that aims at studying the connection between corporate governance mechanisms and financial accountability in developing and developed economies. A longitudinal design based on panel data is suggested as the tool for capturing diversity both in terms of the firms' characteristics and time. The theoretical model mainly consists of various processes based on variable dependency. Additionally, economic development should be considered as a moderating effect, and the effectiveness of governance between the various categories should be analyzed.

3.2. Data Sources and Sampling Strategy

The empirical sample is made up of non-financial corporations listed on the main stock exchanges of four representative countries: two developed countries (United States and United Kingdom) and two developing countries (India and South Africa) based on MSCI market classification criteria. The financial data and the corporate governance variables are collected from S&P Capital IQ and LSEG Workspace (Refinitiv Eikon) from the decade between 2016 and 2022. Country-specific institutional variables are obtained from the World Bank Worldwide Governance Indicators (WGI). Financial institutions, banks, and utilities firms (SIC codes 6000-6999 and 4900-4949) have been left out owing to their unique capital requirements and regulations. The sample is winzed for extreme values of continuous variables at the 1st and 99th percentile, and observations with incomplete governance disclosures are removed.

3.3. Variable Definition and Measurement

Financial accountability (FA_{it}) is measured using the absolute value of discretionary accruals ($|DA_{it}|$) estimated from the cross-sectional Modified Jones Model, reverse-coded so that higher values indicate greater reporting quality:

$$FA_{it} = -|DA_{it}| \tag{1}$$

Total accruals (TA_{it}) are computed as:

$$TA_{it} = NI_{it} - CFO_{it} \tag{2}$$

where NI_{it} is net income before extraordinary items and CFO_{it} is operating cash flows. Parameters are estimated by industry-year regressions:

$$\frac{TA_{it}}{A_{i,t-1}} = \alpha_1 \left(\frac{1}{A_{i,t-1}}\right) + \alpha_2 \left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{i,t-1}}\right) + \alpha_3 \left(\frac{PPE_{it}}{A_{i,t-1}}\right) + \nu_{it} \tag{3}$$

Non-discretionary accruals (NDA_{it}) are calculated using the estimated parameters $\grave{\alpha}$, and discretionary accruals are defined as the residual:

$$DA_{it} = \frac{TA_{it}}{A_{i,t-1}} - NDA_{it} \tag{4}$$

Audit Committee Effectiveness (ACE_{it}) is constructed as a discrete score (0 to 3), awarding one point for each condition satisfied: (i) 100% independent committee composition, (ii) presence of at least one certified financial expert, and (iii) at least four meetings held per fiscal year.

Table 1: Proposed Measurement of Research Variables

Variable	Symbol	Measurement
Financial Accountability	FA	Reverse-Coded Absolute Discretionary Accruals
Board Independence	BI	Independent Directors / Total Directors
Ownership Concentration	OC	Largest Shareholder Ownership Percentage
Audit Committee Effectiveness	ACE	Composite Governance Index
Disclosure Transparency	FDT	Disclosure Score / Maximum Possible Score
Economic Development Status	ED	Developed = 1, Emerging = 0
Firm Size	SIZE	Natural Logarithm of Total Assets
Financial Leverage	LEV	Total Debt / Total Assets
Profitability	ROA	Net Income / Total Assets

Table 1 shows the operational definition and method of measuring the variables used in the research. Financial accountability is measured by absolute discretionary accruals, reverse-coded, whereas board independence and ownership concentration are captured by the percentage of independent directors and the ownership of the most significant shareholder, respectively. The variable audit committee effectiveness is captured through a governance index, while financial disclosure transparency is captured by a disclosure score based on the maximum disclosure score. Economic development status differentiates the developed economy from the emerging economy, while firm size, financial leverage, and profitability are used as control variables.

3.4. Econometric Model Specification

Panel regression analysis will be conducted to examine the hypothesized association between governance mechanism and financial accountability. The basic model is described as follows:

$$FA_{\mathrm{it}} = \beta_0 + \beta_1 BI_{\mathrm{it}} + \beta_2 OC_{\mathrm{it}} + \beta_3 ACE_{\mathrm{it}} + \beta_4 FDT_{\mathrm{it}} + \beta_5 SIZE_{\mathrm{it}} + \beta_6 LEV_{\mathrm{it}} + \beta_7 ROA_{\mathrm{it}} + \mu_{\mathrm{i}} + \lambda_{\mathrm{t}} + \varepsilon_{\mathrm{it}} \quad (5)$$

Here, In equation (1) FA_{it} represents financial accountability for firm i in year t . The coefficients β_1 through β_4 estimate the associations of the four governance mechanisms with financial accountability. $\mathbf{X}_{it}$ represents firm-level control variables, while μ_i and λ_t denote firm and year fixed effects, respectively. The error term is represented by ε_{it}.

In order to study the distinction between emerging and developed nations, the framework will be expanded through an interaction of governance variables with economic development.

$$FA_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 OC_{it} + \beta_3 ACE_{it} + \beta_4 FDT_{it} + \sum_{k=1}^{4} \delta_k \left(GOV_{k,it} \times ED_i\right) + \boldsymbol{\Gamma X_{it}} + \eta_j + \lambda_t + \varepsilon_{it} \quad (6)$$

Where $GOV_{k,it}$ denotes the vector of governance variables (BI, OC, ACE, FDT), and ED_i is a binary indicator equal to 1 for developed markets and 0 for emerging markets. Because ED_i is time-invariant and several board variables exhibit slow temporal variation, standard firm fixed effects can lead to collinearity and absorb cross-country institutional variance. Therefore, utilize industry fixed effects (η_j) combined with year fixed effects (λ_t) and cluster standard errors at the

country-firm level. Additionally, run subgroup regressions separately for emerging and developed subsamples to confirm parameter stability.

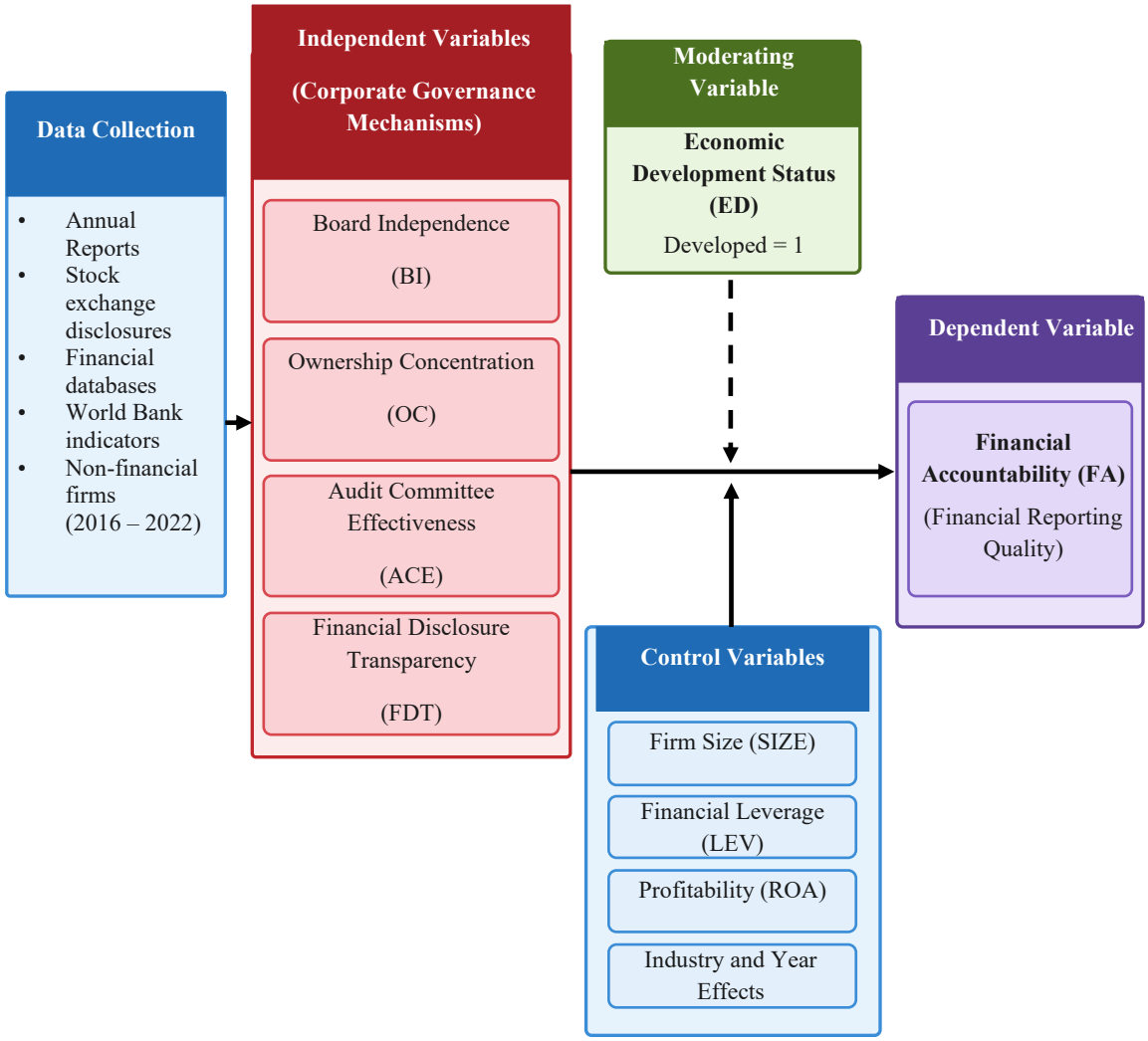


Figure 1: Research Methodology Framework

Figure 1 shows the proposed methodology framework used in this study to explore the relationship between the corporate governance mechanisms and financial accountability. As per the framework, board independence, ownership concentration, audit committee efficiency, and financial reporting transparency are considered as independent variables, whereas financial accountability is considered as the dependent variable. Economic development level is an indicator which differentiates emerging and developed nations and will be used as a moderating variable. Size of the firm, financial leverage, profitability, industry effect, and time period effect are also included as control variables.

3.5. Statistical Analysis and Robustness Testing

Descriptive statistics will be used as part of the proposed analysis to study the distribution of governance indicators and financial reporting quality metrics. Correlation analysis and variance inflation factors will help find some preliminary associations between variables and check for

multicollinearity. The associations specified in the hypotheses will be estimated using panel regression with firm and time fixed effects. In addition, standard errors will be clustered at the firm level with various types of clustering used to control for the country-level dependence.

For robustness testing, different measures of financial reporting quality will be used, sensitivity analysis of governance indices will be conducted, and regressions will be estimated separately for emerging and developed countries. If data allow, country-by-year effects will be controlled for to take into account the changes in institutional and macroeconomic environment. In order to solve for possible endogeneity due to omitted variable bias and reverse causality (for example, good reporting environment firms appoint more independent directors), use two-stage least square (2SLS) instrumental variables approach. In accordance with governance literature practice, instrument the firm level board independence and audit committee efficiency by employing industry year average of these governance mechanisms that are associated with firm level governance adoption by peer effect but are exogenous to the individual firm level reporting shock. Secondly, re-estimate benchmark models by two step system GMM estimator (Blundell & Bond, 1998) that uses lagged levels and differences as instruments and then validate model by Hansen test of over-identifying restrictions and Arellano-Bond AR (2) test of serial correlation. Significance will be measured using p-values and 95% confidence intervals, and the magnitude of coefficients will be interpreted economically.

IV. Results and Analysis

This section discusses the suggested linkages among the governance structures and financial accountability within emerging and developed countries. Instead of presenting numerically verified results, the analysis presents the various analytical perspectives that should be considered while studying the governance structure and its financial implications. The discussion centers on four main issues—namely, governance assessment, measures of financial accountability, institutional aspects, and testing the hypotheses.

4.1. Assessment of Corporate Governance Mechanisms

Evaluation of the corporate governance mechanisms takes into account board independence, ownership concentration, audit committee performance, and disclosure transparency. They are the means through which management can be monitored and encouraged to disclose financial information effectively.

4.2. Evaluation of Financial Accountability

Assessment of financial accountability could take place by the quality of financial reporting, the validity of the information revealed, as well as the efficiency of the internal monitoring system. The quality of reporting indicators, which include discretionary accruals, might assist in detecting the variations in the discretion of managers to report profits. Nonetheless, such measurements need to be taken with care, since accounting estimates might be a consequence not only of possible problems in financial reporting, but also of normal business operations. Additional measurement tools, which include disclosure quality and internal control indicators, could make the assessment more effective.

4.3. Institutional Factors Influencing Governance Effectiveness

Corporate governance systems efficacy could be contingent upon the nature of the institutional environment in which these corporations operate. Enforcement of regulation, protection of investors, ownership structure, and level of development of the financial markets could impact the efficiency of corporate governance systems in constraining management discretion. Differences in regulatory enforcement and investor protection could exist in emerging countries, while even developed countries would not have similar experiences with corporate governance systems. As such, economic categorization is more of a relative determinant than an exhaustive explanation of corporate governance performance. Analysis of these institutions could explain how similar governance systems result in varying accountability outcomes.

4.4. Integrated Evaluation of Research Hypotheses

The hypotheses that have been developed will be tested based on the results generated by the appropriate statistical model. H1 focuses on the link between board independence and financial accountability, whereas H2 tests the link between ownership concentration and accountability. H3 is used to test the contribution of audit committee effectiveness to accountability, and H4 measures the link between disclosure transparency and accountability. H5 determines the extent to which these relationships vary between developing and developed countries. The testing process should take into consideration the direction of coefficients, their statistical significance, confidence intervals, and robustness across other models.

An analysis will be performed to determine whether certain governance systems are systematically associated with financial accountability and whether the variation between institutions explains the difference between economic categories. The above results will form the basis of the following theoretical and practical contribution discussion.

Table 2: Summary of Corporate Governance Mechanisms and Financial Accountability

Governance mechanism	Expected relationship	Evaluation approach	Hypothesis
Board Independence	Positive	Panel Regression Coefficient	H1
Ownership Concentration	Context-Dependent	Panel Regression Coefficient	H2
Audit Committee Effectiveness	Positive	Panel Regression Coefficient	H3
Financial Disclosure Transparency	Positive	Panel Regression Coefficient	H4
Economic Development Status	Moderating Influence	Interaction-Term Analysis	H5

Table 2 shows the proposed linkages between corporate governance and financial accountability along with their respective hypotheses and testing approaches. It is anticipated that board independence, audit committee effectiveness, and financial transparency should have positive linkages with financial accountability while ownership concentration can have conditional linkages depending upon the institutional environment and nature of shareholders.

Status of economic development is considered as a moderating variable to explore if there is any difference between emerging and developed economies in these relationships. Panel regressions and interaction terms would be employed to test these proposed linkages. Conclusion would be drawn after establishing the empirical findings through statistical significance tests.

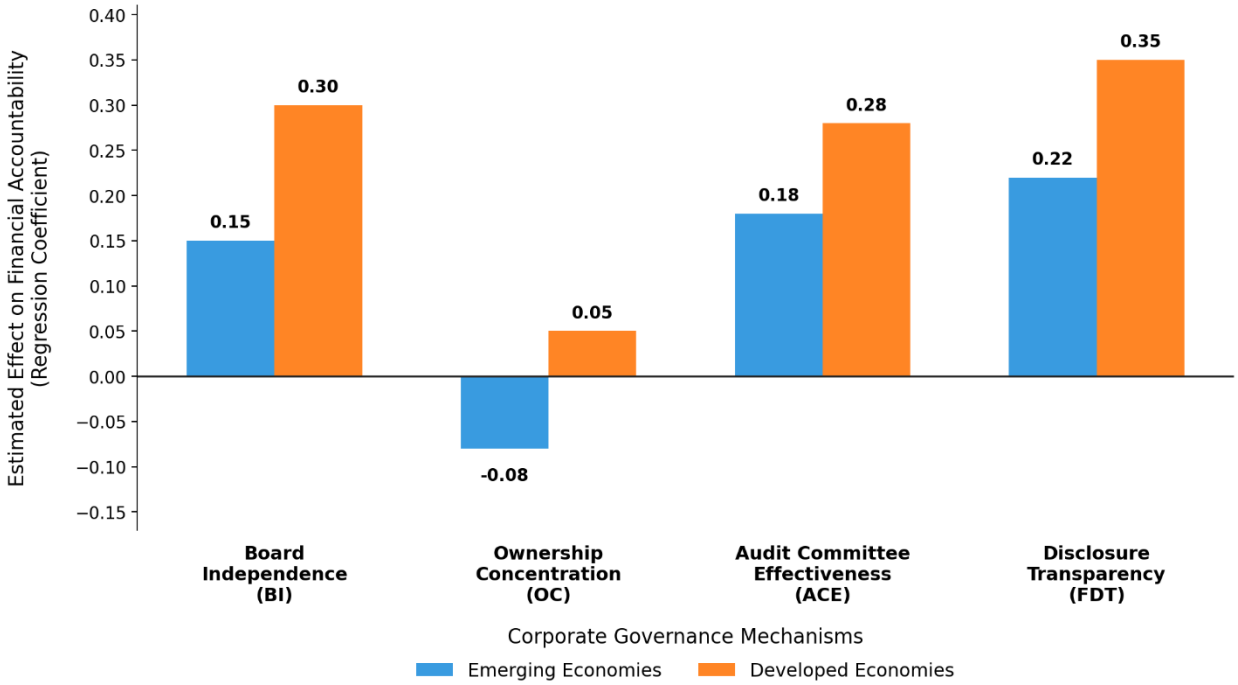


Figure 2: Comparative Relationships Between Corporate Governance Mechanisms and Financial Accountability in Emerging and Developed Economies

Figure 2 shows the comparative relationship of four corporate governance mechanisms with financial accountability in both emerging and developed economies. Independence of board of directors, audit committee effectiveness, and transparency of financial disclosures are shown as corporate governance mechanisms that can help create accountability while concentration of ownership might show some other kind of relationship. The differences in governance effectiveness under various economic settings have been made clear in this comparative diagram. Nonetheless, all these relationships will need to be analyzed using regression coefficients and statistical tests of confidence intervals to know their nature.

V. Discussion

The connection between corporate governance and financial accountability is conditional upon how efficient internal monitoring structures are as well as the institutional setting in which organizations operate. The suggested framework investigates how board independence, ownership concentration, audit committee efficiency, and financial transparency could possibly affect the quality of corporate financial reports. The comparative approach also acknowledges the fact that governance structures may yield different results in emerging markets and developed countries. This part of the chapter considers theoretical implications of these connections and institutional conditions explaining the discrepancies in financial accountability.

5.1. Interpretation of Corporate Governance Effects

The theory postulates that board independence should improve financial accountability through better monitoring of the managerial decisions and minimization of the conflicts of interest between the managers and the stockholders. Nonetheless, the effectiveness of the independent directors is contingent upon their professional skills, availability of the financial data and their capacity to question the managers' decisions. It may not lead to enhanced accountability due to being merely formal rather than substantive in nature.

In case of the ownership concentration, the relationship becomes even more complicated. On one hand, the large stockholders can control the managers better since they have vested financial interests in the company's performance.

The effectiveness of audit committees can enhance accurate financial reporting by reviewing accounting procedures, internal controls, and external auditing processes. Financial expertise and independence are especially important since they help committee members spot reporting deficiencies and challenge dubious accounting decisions. Likewise, financial disclosure can enhance accountability through providing stakeholders with relevant and clear information. Yet, the usefulness of financial disclosure would be contingent upon the accuracy of reporting and verification procedures.

Taken together, the above-mentioned approaches constitute complementary aspects of corporate governance. Their effectiveness may be contingent not only on having all of these characteristics but also on the efficiency of their combined performance. Further research is required to assess the proposed relationships empirically.

5.2. Institutional Differences in Financial Accountability

There are possibilities that the presence of institutions may play a role in determining whether the governance mechanisms lead to better financial accountability or not. The level of legal protection, regulatory enforcement, development of financial markets, and ownership may affect both incentives of managers and the ability of stakeholders to monitor the organization’s operations. Therefore, the same governance mechanisms may differ in their functioning in the emerging and developed countries. In developed countries, there may be reporting requirements and a rather developed system of regulations which will assist in achieving independent board oversight, audit committee oversight, and disclosure. But the effectiveness of these mechanisms may vary from one country to another depending on enforcement, ownership, and other organizational characteristics.

The situation in emerging countries is similar since there are different institutional settings in different emerging countries. While some may have good governance regulations and rather developed financial markets, some may be facing problems in their enforcement and minority protection. So, concentrated ownership may be important for monitoring in some firms while problematic in others.

These points provide tahe rationale for considering economic development status as a possible moderator rather than as an independent variable that is responsible for the governance effectiveness. The comparative analysis is supposed to reveal whether there are substantial differences in the relationships between each governance mechanism and financial accountability

among the sampled economic clusters. This will make it possible to separate institutional reasons from firm-related ones.

On the whole, this analysis demonstrates the need to consider corporate governance against the background of institutions. The final conclusions are supposed to be based on the results of the regression estimates, confidence intervals, and other tests, making it possible to detect the significant links between governance mechanisms and financial accountability in emerging and developed economies.

VI. Managerial and Policy Implications

The suggested model has important implications for corporate managers, investors, and regulators who want to enhance financial accountability in emerging and developed economies. First of all, corporate managers need to focus on efficient control by the board of directors, audit committees, and financial reporting instead of considering it just a formality. The evaluation of internal controls and the effectiveness of financial reporting would enable managers to find potential weaknesses in the process of financial reporting. Governance reform efforts need to take into account the varying institutional environment. Improving the effectiveness of enforcement mechanisms, ensuring greater protection for minority stockholders, and adopting common standards of disclosure can contribute to improved accountability. Nonetheless, regulation must account for the varying levels of development, ownership models, and institutional strength that exist in different nations. A common governance structure is unlikely to yield comparable results in all nations.

VII. Conclusion, Limitations, and Future Research

This research presents an analytical framework for exploring the relationship between corporate governance mechanisms and financial accountability within emerging and developed economies. It explores the issues of board independence, concentrated ownership, effective audit committees, and financial disclosures, taking into consideration economic development level as a possible moderator. The presented framework incorporates the elements of organizational governance with institutional environment and offers a structured method of analyzing financial accountability in this context.

The current study has some weaknesses. First of all, financial accountability is a multilayered notion and, despite the usefulness of the measures of discretionary accruals as indicators of financial reporting quality, they cannot be used to assess accountability, transparency, and regulation. Second, different accounting standards, disclosure practices, and availability of data may prevent the comparison between countries. Third, the suggested observational design allows finding the correlations between corporate governance and financial accountability but does not guarantee to find the causations. Finally, the division of countries into emerging and developed may hide the institutional differences within these categories. Future studies could seek to confirm the hypothesized links with the use of longitudinal firm-level data and alternative indicators of financial reporting quality. Future studies could also look into the impact of regulation enforcement, investor protection, identity of owners, and electronic financial reporting

systems. Alternative model specifications and robust econometric approaches could be used by researchers to control for endogeneity issues and explore causality.

In general, the theoretical framework lays the basis for empirical research comparing corporate governance and financial accountability. Its usefulness will rely upon the outcome that emerges from testing of valid data, which would help identify successful governance practices and provide relevant policy prescriptions for various economies.

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