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RESEARCH ARTICLE

The Corporate Governance and International Standards for Accounting Role in Reducing Information Asymmetry

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ABSTRACT

Asymmetric information has been the significant element in the organization that must be properly addressed for the success of the organization. This aspect needs the emphasis of the recent studies and policymakers. Hence, the present study examines the impact of corporate governance (CG) and International Standards for Accounting (IAS, IFRS) on the asymmetric information of private organization in Iraqi Kurdistan. The study used four dimensions of CG to predict the asymmetric information such as board of directors, audit committee, market mechanism and external audit. The current research has also used the survey method to obtain the primary data from the respondents by using survey questionnaires. The researchers also used the mail method to distribute the survey questionnaires to the selected respondents. The auditors and academics of the selected companies are the respondents of the study. The study also used the smart-PLS to check the data reliability, validity and association among variables. The outcomes revealed that the CG dimensions such as board of directors, audit committee, market mechanism and external audit and IAS, IFRS implementation has reduce the asymmetric information in the organization. This study guides the policymakers in making polices related to reduce the asymmetric information by proper implanting IAS, IFRS and effective CG.

INTRODUCTION

Asymmetric information can be affected the organization and reduce the financial position and employee productivity in the organization. Though it is the responsibility of the company management to disclose the true information about the company performance, its risks, and opportunities, they may likely hide some necessary information from the stakeholders, especially those who have a large interest in the company. The purpose behind the asymmetry of information may be to do future planning for the company, to maintain its reputation in order to secure its position, or to maintain large reserves out of the profits without showing real earnings to the stakeholders (Ma, Shang, & Wang, 2017). To some extent, the asymmetry of information is fruitful to the company existence, reputation, and performance at present. But, it distracts the trust of the stakeholders, spoils the relations, and whenever the asymmetry of information discloses somehow, the stakeholders have to face the loss. It destroys the company reputation in the market; the stakeholders start feeling hesitant to keep on their dealings with the company or support the company. Thus, the asymmetry of information has many disadvantages or threats to both the company itself and its stakeholders, and it must be reduced (Lin, Chen, & Tsai, 2017). The information asymmetry on the part of the company may be when the main focus of the company is on making profits and less attention to the social and environmental performance of the firm. The asymmetry of information may also occur when some parties involved in the company administration or accountancy have some personal interest, deliberately hide facts, or follow their own accountancy ways, which sometimes fail to show the exact financial position of the firm (Johnson & So, 2018).

IAS refers to a set of the norms, procedures, and principles which are worldwide agreed upon for the preparation of financial statements of businesses. Hassan, Aliyu, Huda, and Rashid (2019), states that IAS provide the concepts, principles, and procedures which suggests the accountants how they must formulate the accounting policies and accounting practices which are acceptable worldwide. IAS is an extension of IFRS and has many similar concepts, principles, and procedures for accounting and reporting of financial statements (Botzem, Quack, & Zori, 2017). IFRS and IAS both improve the quality of financial statements and financial reporting with the principles like transparency, disclosures, accountability, and effective recognition of the occurrence of financial events. These are the characteristics of IAS, which are essential for reducing the information asymmetry (Al-Nasrawi & Thabit, 2020).

The current research examines the role of CG and IAS, IFRS in reducing information asymmetry in the economy of Iraqi Kurdistan for registered companies. Iraqi Kurdistan, often known as southern Kurdistan, refers to the Kurdish-populated part of northern Iraq. The economy in the Kurdistan region is a great player in Iraq economic growth. The Kurdistan region's economy is dominated by the agriculture, tourism, real estate, construction. The economy of the Kurdistan region of Iraq showed nominal gross domestic product GDP) worth $26.5 billion and GDP per capita $ 7,000 in 2015, which counts for a 12% annual growth rate. Only the Petroleum industry among all economic sectors in Kurdistan adds 80% to the region's GDP (Jongerden, 2019). The increasing rate of GDP of Kurdistan region of Iraq reduces the unemployment rate such as 13 % decrease in May 2017, 10.2% decrease in July 2018, and 9% decrease in July 2019. As per the statistics of 2016, about the 1,300 000 person labor force get employment from the Kurdistan economic region in Iraq, and there is a 12% annual decrease in the population below the poverty line

In Iraq, the Kurdistan region's economy is burgeoning, which is established on developing economic policies and increasing government attention. Agriculture and the service industries offer plenty of investment opportunities (B. J. Ali & Anwar, 2021). Since Iraq got liberation from Saddam Hussein's sovereignty, The Kurdistan Region has experienced rapid economic development for international restrictions, notably UN-imposed international restrictions on Iraq and Iraq government's restrictions on the Kurdistan Region were lifted. The Kurdistan Region owns the strength to take the position of a regional economic power bank because of an abundance of natural resources and a large workforce. The Kurdistan Regional Government has taken steps to make possibilities more accessible, has approved and passed rules, laws, and regulations and encourages international investment by providing several incentives and legal safeguards to secure investment in the Kurdistan region (Abdulla, Wrya, & Durmaz, 2020).

In the occurrence of asymmetry in information, the company can increase its profits, save more reserves out of profits, raise funds for the operations, and maintain the repute of the business in the eyes of the interested parties, but it may cause damages to the firms' reputation in future, distort the stakeholders' trust on its dealings, and shatters the foundation of the business. The information asymmetry, which is spreading like a pandemic and being a threat to the burgeoning economy of Kurdistan, needs great attention from researchers, academics, or reformers. The present study is an initiative in this regard as the authors have the intention to overcome this problem actually found in the economy of Kurdistan in the case of registered companies (R. M. Ali, Hamawandy, Qader, & Kakil, 2021). This study struggles to seek ways how to reduce information asymmetry. The study analyzes the impacts of CG and IAS on reducing the information asymmetry in the context companies operating in Iraqi Kurdistan. Significant research has been done by scholars and academics on the CG and IAS impacts on the information asymmetry in the context of several countries. But quite surprisingly, little research has been done on this subject in the Kurdistan economy. The study of Firmansyah and Irawan (2019) was conducted in the manufacturing companies operating in the economy of Indonesia for analyzing IFRS, the international standards of accounting and CG impacts on accounting information quality. The study highlights the need for analyzing the IFRS and CG role in reducing information asymmetry in enterprises other than manufacturing and context other than Indonesia. The efforts of the authors to show the significance of CG and the adoption of IAS in reducing the information asymmetry in private sector Iraqi Kurdistan. In Mnif and Borgi (2020), CG procedures and compliance with IFRS for improving for reliable information disclosure in the African region of the world while giving no attention to the Asian region. Iraq is situated in Southwestern Asia, representing the Asian region of the world, so the present study dealing with CG procedures and IFRS in reducing asymmetry information contributes to the literature.

The current study is composed of several parts such as next part shows the literature review and third part shows the methodology of the study. The fourth parts will how the study findings in which acquired, processed, and analyzed data, will use to infer about the variables and their relations in a particular situation and context. The final part of the study will be related to the discussions of the results.

LITERATURE REVIEW

The study examines the impact of CG and IAS, IFRS on the asymmetric information of private organization in Iraqi Kurdistan. The study used four dimensions of CG to predict the asymmetric information such as board of directors, audit committee, market mechanism and external audit. The literature related to the association among variables given below:

The empirical investigation Latif, Bhatti, and Raheman (2017) throws light on the relationships among CG, information asymmetry, and firm value. This study is based on the panel data from 214 non-financial listed companies in Pakistan spanning from 2003 to 2014. The study implies that when the corporation feels its responsibility towards the investors, lenders, and shareholders who come in contact with the company and takes care of the rights of these entities, it never tries to produce the financial statements which hide the true information about the company operations, decisions, or actions or provides false information to the stakeholders who are interested in statements. Hence, the CG which develops the sense of responsibility in the company administrators to the stakeholder rights reduces the information asymmetry. The research of Gerged (2021) was about the impacts of CG structures on environmental disclosure and reducing information asymmetry. The study examines internal CG mechanisms including the size of board, board independence, foreign ownership, institutional ownership, managerial ownership, ownership concentration, and CEO duality and check their influences on environmental disclosure and information asymmetry Jordanian context. The results stated that board size, board independence, foreign ownership, and CEO duality is positively associated with environmental disclosure and reducing information asymmetry. While managerial ownership, ownership concentration, and institutional ownership have a negation association with environmental disclosure and reducing information asymmetry. The study of Jacoby, Liu, Wang, Wu, and Zhang (2019) on CG and information asymmetry with the analysis of external control, environmental information transparency, and information asymmetry. The study implies that the strong CG leads to the adoption of strategy of external control owner-manager agency conflicts. Moreover, internal mechanisms of CG enhances the firms' transparency about the environmental concerns caused by the firm activities and environmentally friendly projects carried on by the firm as a device of external control of CGs. Hence, the information asymmetry regarding environmental concerns is reduced in the presence of external CG. For a lot of information asymmetry occurrences and accounting in large firms, internal governance systems in Japan has widely been criticize. Sakawa and Watanabel (2021), investigates the CG with internal controls and improvement in earnings management through reducing information asymmetry. The data was collected from Japanese listed firms. The study implies that the CG system which was arranged and applied by lenders, is a perfect substitute for audit committee and outside directors. Such the CG system is useful to reduce information asymmetry without damaging the earning management quality. Based on the above discussion, we put hypothesis:

H1: Corporate governance positively impacted in reducing information asymmetry.

An empirical research done by Hamrouni, Bouattour, Ben Farhat Toumi, and Boussaada (2022), was to check the association between board characteristics (size, gender diversity, and independence), corporate social responsibility, and information asymmetry. The study shows that the size of the board doesn't have much influence on the fulfillment of social responsibilities and, so far, on the disclosure of firm information. Hence, the occurrence of asymmetry in information is less likely. However, the inclusion of women who are more conscious, responsible, and sympathetic into the board members as well as the board independence directs the firm attention to fulfill its social responsibilities and make a true fact-based disclosure of information. As a result, information asymmetry can be overcome. Menshawy, Basiruddin, Mohd-Zamil, and Hussainey (2023), wrote to discuss the influence of characteristics of the board of directors like board independence, board independence, CEO career concerns, and board leadership on information asymmetry and investment efficiency. Authors found that board independence, board leadership, and board compensation let the organizational personnel work more energetically, attentively, and responsibly. The resultant improvement in accounting and financial reporting processes reduces information asymmetry. A study by Loukil, Yousfi, and Yerbanga (2020), was about the role of board gender diversity in reducing information asymmetry in the French stock market. Two proxies, the bid-ask spread, and the idiosyncratic volatility, were used for information asymmetry. The research is performed on all the firms listed in the SBF 120 index for the period of 2002-2012. The study highlights that when the participation of females on the board is given equal importance as to the male members, and they are allowed to give independent opinions, they make the organizational personnel in top firm administration regulate the firm with consideration of the stakeholders' rights. Based on the above discussion, it can be hypothesized:

H1a: The Board of directors has a positive impact on reducing information asymmetry.

A piece of literature was conducted by El Mahdy, Hao, and Cong (2022), to identify the relationship between audit committee financial expertise and reducing information asymmetry in the US equity market. Data for analysis were arranged from 705 US firms for the period of 2007-2018, and authors used the theory of expertise by Ericsson and Smith, 1991. The study implies that the audit committee who have expertise can make the audit to give higher audit quality. Consequently, the financial statements can provide useful quality information, and information decreases in the equity market. A study was presented by Ridho and Djamil (2023), to investigate the association between audit committees, board of commissioners, company size, earnings management, and information asymmetry. Using online sources, data were collected from the financial statements of 15 consumer goods manufacturing companies listed on the Indonesia Stock Exchange for the period between 2010 and 2012. The study states that audit committee members make dealings with company management, learn about the firm performance, have conversations with the external auditors to develop independence in the audit process, and finally improve the quality of financial statements and other business documents. Thus, the firms with effective audit committees don't face the issue of information asymmetry. Hence, it can be said:

H1b: The audit committee has a positive impact on reducing information asymmetry.

Through empirical research, Gerged (2021), examines the internal and market CG mechanisms, corporate environmental disclosure, and information asymmetry in emerging economies. To address the possibility of endogeneity issues, this method is enhanced by running a two-step dynamic generalized method of moment (GMM) model. The study posits that the employment of the internal and market CG mechanisms assures that the firm is operating its internal organizational and marketing processes meeting the stakeholders' environmental and social responsibilities, as well as there is transparent disclosure of environmentally-friendly and socially friendly practices. It reduces information asymmetry. Gallego-Álvarez and Pucheta-Martínez (2020), examine the association of CG market mechanisms, CSR disclosure, and information asymmetry. Ten countries consisting of emerging markets like Brazil, Czech Republic, Chile, China, Egypt, India, South Africa, Mexico, Russia, and Thailand during the years between 2004 and 2015. Descriptive statistics, correlation analysis, and Generalized Method of Moments were used as analytical techniques. The study explains that when a firm is regulated by applying market-based CG mechanisms, the rights, expectations, and reactions of entities like investors, creditors, customers, and the general public are also recognized. The firm amends its operational, marketing, financial management, and accounting policies accordingly and tries to give higher quality to the information disclosed. Hence, information asymmetry is less likely to occur. The research performed by Bergh, Ketchen Jr, Orlandi, Heugens, and Boyd (2019), integrates the association between market mechanisms and information asymmetry. The study also sheds light on past accomplishments and future opportunities for the company. The study used a systematic literature review where 223 articles written on the relevant topics were reviewed from leading management journals. So, the research framework is designed, and the desired relations are assessed. The study focuses on the point that when the firms are governed by applying market mechanisms and consider it necessary to evaluate past accomplishments and assess future opportunities, they maintain the quality of information they present in or acquire from the market. As a result, information asymmetry is minimal. So, it can be proposed that.

H1c: Market mechanisms have a positive impact on reducing information asymmetry.

In a study on internal and external CG quality, Joudi, Mansourfar, and Didar (2019) examine the impact of external auditing on asymmetric information. The data for the factors involved in the research framework were collected from 106 companies listed on the Tehran Stock Exchange, spanning the period from 2007 to 2016. Multiple regression models were used to test the proposed hypotheses. The study proclaims that if the external auditors are governed by a CG committee, they perform auditing processes following unbiased rules and regulations, remain independent, perform energetically, and produce quality audit results. In the presence of efficient external auditors, the quality of information from company reports and miscellaneous documents improves, and information asymmetry is lower. A study was conducted by Palazuelos, Crespo, and del Corte (2018), to identify the relationship of the external audit with accounting information quality, a measurement of information asymmetry and trustworthiness of the firm. The evidential data for the study were obtained through a questionnaire survey from 471 bank loan officers in Spain. The authors applied the Structural Equation Modeling (SEM) approach for the analysis of the data. The study explains that independent and qualified external auditors monitor, analyze, and evaluate management policies, practices, and all other matters related to the firm's financial situation, verify the actual value of company assets and liabilities, and assure the company's abidance by the rules and regulations. It brings reforms to the company accounting system and improves the quality of information disclosed by the accounting department. It means reduced information asymmetry. Tessema (2019), checks the role of audit quality in reducing information asymmetry. The authors used trade value, stock return, and trading volume as proxies for information asymmetry, and they measured audit quality by examining audit size and auditors' opinions. The study took a sample of 49 leading registered local banks throughout the Gulf Cooperation Council (GCC) and used 236 bank-year observations for the time from 2012 to 2016. The study claims that when an auditing team is sufficient in size and capable of giving independent opinions, which is more likely in external auditing, the inspection of company books of accounts and the verification of the company's financial worth provide true results. In this situation, the quality of information improves, and there is a reduction in information asymmetry. The review of the above literature will help construct the following hypotheses.

H1d: External audit has a positive impact on reducing information asymmetry.

A study by Turki, Wali, and Boujelbene (2016), had an investigation about the adoption of IFRS as the indicator of international standards of accounting and information asymmetry for the European Union. All the French enterprises, excluding the credit agencies, banks, and insurance companies, are the sample of this investigation. The results show that international standards of accounting like IFRS is linked positively to reducing information asymmetry. The study implies that the enterprises which IFRS are applied by accountants for recording the financial dealings and preparing income statements to find out the financial strength of the firm, there is true disclosure of financial information about the firm. Hence, it is less likely to cause information asymmetry. The research of Abad, Cutillas-Gomariz, Sánchez-Ballesta, and Yagüe (2018) sheds light on international standards of accounting and reduction of asymmetry in information in the stock market of Spain. This study shows the motive of the adoption of IFRS, the set IAS as to transparency, clearance, and comparability of the information provided through business accounts and reports which definitely results in the improvement in the information environment of firms. In this study, the impacts of IFRS - the IAS and SAS - the national standards for accounting of the informational quality and financial matters. The study finds that the adoption of IRFS is more effective than the adoption of local accounting standards in reducing information asymmetry. A study Florou, Kosi, and Pope (2017) focuses on the question of whether international standards for accountability have more creditworthiness than local standards. The data were compiled by combining S&P long-term issuer rating database and World-scope database. The 202 enterprises with credit ratings and accounting & reporting under IFRS in 17 selected countries for 2000 – 2009 yield 1663 firm-annual observations. This study conferred that in these 17 countries over the world, after the adoption of IFRS in 2005, the reduction of information asymmetry and the increase in the credit relevance has been higher than that was reported for the reported sample of firms from the U.S. The tests applied by the authors for analysis provide assurance that the accounting transition from local accounting standards to IFRS, the IAS, improves credit relevance with a reduction in information asymmetry. That's why:

H2: International standards for accounting (IFRS/IAS) positively impacted in reducing information asymmetry.

Theoretical Framework

Based on the past studies, the study has developed the theoretical framework given as under in Figure 1.

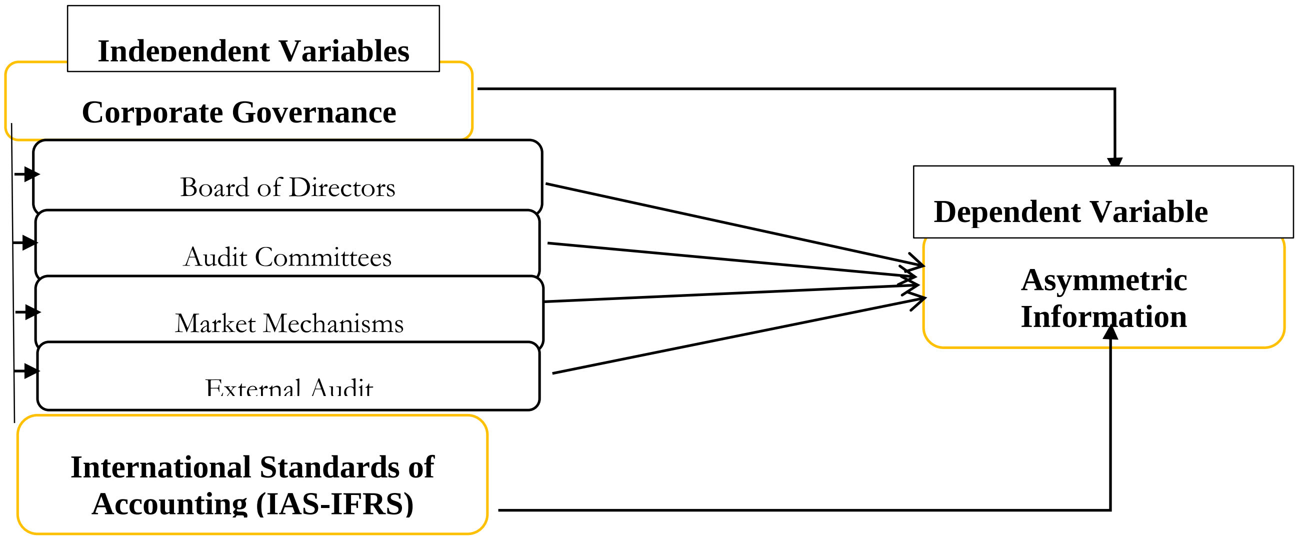

Figure 1: Theoretical Framework

RESEARCH METHOD

The study examines the impact of CG and IAS, IFRS on the asymmetric information of private organization in Iraqi Kurdistan. The study used four dimensions of CG to predict the asymmetric information such as board of directors, audit committee, market mechanism and external audit. The current research has also used the survey method to obtain the primary data from the respondents by using survey questionnaires. The current research has used the private firms' auditors as the respondents and is considered as the unit of analysis. The auditors have complete knowledge of the firm and are considered the best respondents because they have significant knowledge about the asymmetric information issue in the organization. According to the ministry of finance in Iraq, thirty-nine top private organizations are working in Iraqi Kurdistan under licenses granted by the "Kurdistan Regional Government's Ministry of Finance". According to the databases of all the selected companies and information collected from the related audit companies, around 1240 academics and auditors are working that is the total population of the study. The researchers also used the mail method to distribute the survey questionnaires to the selected respondents. As the Krejcie and Morgan sample size criteria are given below in the next section, the sample size of the current study is 294. In addition, to avoid the low response rate, the researchers distributed the 50 per cent more questionnaires than the sample size and distributed around 570 questionnaires to the respondents. Only 293 valid responses were received that represents approximately 51.40 percent response rate.

The current research has used a scale that consists of twenty-one items. All of the variables are measured with unidimensional scales. A "five-point Likert scale" was employed by the researcher. In addition, according to Weijters, Millet, and Cabooter (2021) "five-point Likert scale" is very simple to administer and also the widely used method by past studies such as Mangipudi, Prasad, and Vaidya (2019), and Hameed, Basheer, Iqbal, Anwar, and Ahmad (2018). The asymmetric information (ASI) scale was adopted from the article of Kyj and Parker (2008) to obtain the best result of the firms' issues of asymmetric information. According to Kyj and Parker (2008), asymmetric information has six items scale. Table 1 highlights the scale measurement of the asymmetric information given below:

Table 1: Measurement scale for asymmetric information

Variables	Items	Statements	Sources
Asymmetric Information	ASI1	"In comparison with CG, are the shareholders in possession of better information regarding the activities in your area of responsibility?"	(Kyj & Parker, 2008)
	ASI2	"In comparison with CG, are the shareholders more familiar with the input-output relationships inherent in the internal operations of your area of responsibility?"	
	ASI3	"In comparison with CG, are the shareholders more certain of the performance potential of your area of responsibility?"	
	ASI4	"In comparison with CG, are the shareholders have more familiar technically with the work of your area?	
	ASI5	"In comparison with CG, the shareholders are better able to assess the potential impact on your activities of factors external to your area?"	
	ASI6	"In comparison with CG, the shareholders have a better understanding of what can be achieved in your area?"	

The corporate governance (CG) scale was adopted from the article of Kamardin and Haron (2011) to obtain the best result of CG role in reducing asymmetric information. According to Kamardin and Haron (2011), CG has eleven items scale. Table 2 highlights the scale measurement of the CG given below:

Table 2: Measurement scale for corporate governance

Variables	Items	Statements	Sources
Corporate Governance	CG1	"Board of directors ensures corporate survival and protect the shareholder interest."	(Kamardin & Haron, 2011)
BODs	CG2	"Board of directors specify the lines of authority of management and board and clearly communicate to the shareholders."	
	CG3	"Board of directors monitors top management in decision making and inform the shareholders."	
Audit Committee	CG4	"Audit committee formally evaluates the performance of the top company executive and provides the report to the shareholders."	
	CG5	"Audit committee evaluate the skill mix on the board and inform the shareholders."	
	CG6	"Audit committee have an internal mechanism to evaluate board members' performance yearly and reported to the shareholders."	

Market Mechanism	CG7	"Marketing managers involves succession planning for top management and communicating to the shareholders."
	CG8	"Marketing managers require information of the company performance showing progress to inform the shareholders."
	CG9	"Marketing managers reviews company performance again strategic plan and inform the shareholders."
External Auditor	CG10	"External auditors ensure compliance with statutory and other regulation and report to the shareholders."
	CG11	"External auditors review the company's social responsibilities and report to the shareholders."

The scale of the application of the international standard for accounting (AISA) was adopted to form the article of Okpala (2012) to obtain the best result of the application of ISA to reduce asymmetric information. According to Okpala (2012), the application of ISA has four items scale. Table 3 highlights the scale measurement of the application of IAS given below:

Table 3: Measurement scale for application of international standards for accounting

Variables	Items	Statements	Sources
Application of International Standards for Accounting	AISA1	"IFRS improves the quality of Financial statements and increase knowledge of the shareholders about the financial aspects of the company."	(Okpala, 2012)
	AISA2	"IFRS adoption ensures the use of one standard for both the parent and subsidiary companies that make easy to understand for the shareholders."	
	AISA3	"IFRS has a positive effect on the information for control and decision making by investors."	
	AISA4	"IFRS adoption has a significant effect on investment inflows from the shareholders."	

Finally, the study also used the smart-PLS to check the data reliability, validity and association among variables. It is an effective tool that significantly deals with primary data (Hair, Hult, Ringle, Sarstedt, & Thiele, 2017). The tool provides the best outcomes using large data sets (Hair Jr, Howard, & Nitzl, 2020). It also provides best results using complex models (Hair, Gabriel, & Patel, 2014). Descriptive statistics.

DATA ANALYSIS

The study outcomes show the convergent validity that exposed the correlation between the items. It is checked using Alpha and composite reliability (CR) and both the tests exposed values more than 0.70. In addition, it is also examined using average variance extracted (AVE) and factor loadings and both the tests exposed values more than 0.50. These values exposed a high correlation among items. These values are mentioned in Table 4.

Table 4: Convergent validity

Constructs	Items	Loadings	Alpha	CR	AVE
Application of ISA	AISA1	0.865	0.899	0.929	0.766
	AISA2	0.875			
	AISA3	0.881			
	AISA4	0.881			
Asymmetric Information	ASI1	0.848	0.909	0.930	0.688
	ASI2	0.805			
	ASI3	0.821			
	ASI4	0.868			
	ASI5	0.763			
	ASI6	0.866			
Corporate Governance	CG1	0.851	0.816	0.889	0.728
	CG2	0.880			
	CG3	0.827			
	CG4	0.906	0.901	0.939	0.839
	CG5	0.882			
	CG6	0.802			
	CG7	0.962	0.908	0.956	0.916
	CG8	0.960			
	CG9	0.818			
	CG10	0.955	0.830	0.899	0.748
	CG11	0.959			

The study outcomes show the discriminant validity that exposed the correlation between the variables. It is checked using Heterotrait Monotrait (HTMT) ratio. These values exposed a low correlation among variables. These values are mentioned in Table 5.

Table 5: Discriminant validity

	AISA	ASI	CG1	CG2	CG3	CG4
AISA						
ASI	0.432					
CG1	0.115	0.154				
CG2	0.466	0.578	0.062			
CG3	0.431	0.537	0.046	0.546		
CG4	0.432	0.471	0.125	0.542	0.528	

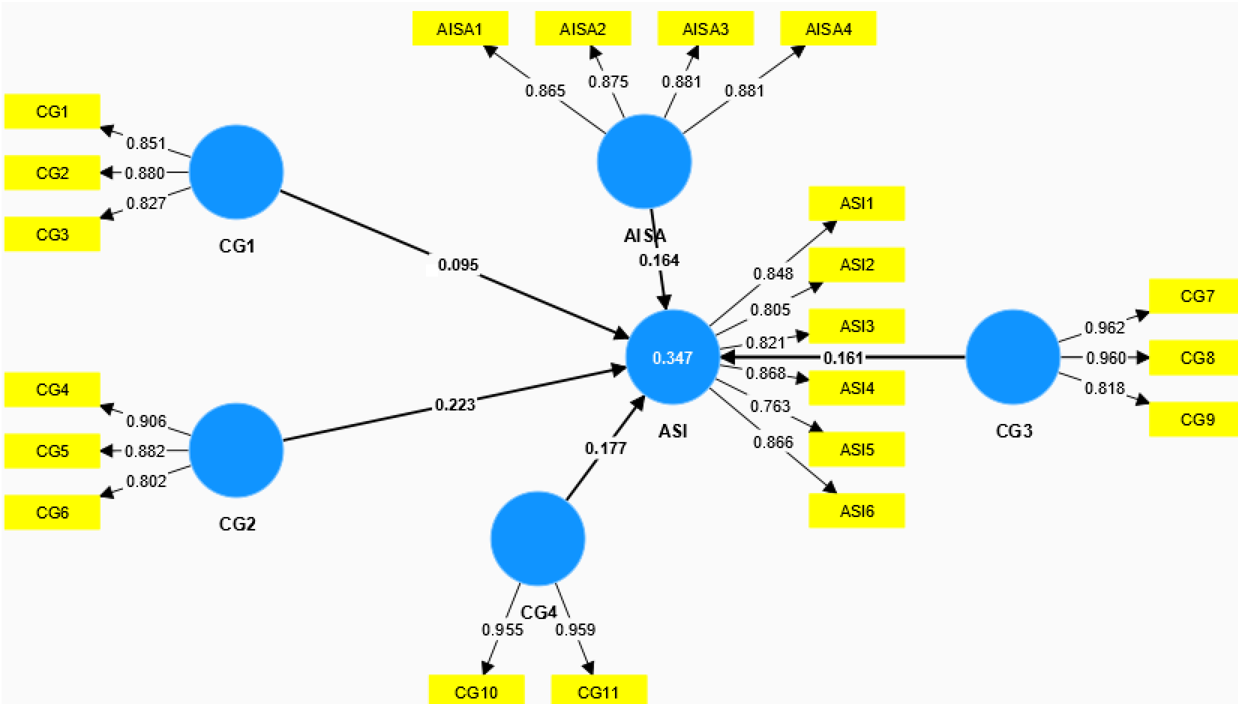

Figure 2: Measurement assessment model

The outcomes revealed that the CG dimensions such as board of directors, audit committee, market mechanism and external audit and IAS, IFRS implementation has reduce the asymmetric information in the organization and accept H1, H1(a), H1(b), H1(c), H1(d) and H2. These relationships are given in Table 6.

Table 6: Path analysis

Relationships	Beta	Standard deviation	T statistics	P values
AISA -> ASI	0.164	0.057	2.882	0.005
CG1 -> ASI	0.095	0.046	2.069	0.041
CG2 -> ASI	0.223	0.082	2.728	0.008
CG3 -> ASI	0.161	0.090	1.987	0.047
CG4 -> ASI	0.177	0.062	2.871	0.005

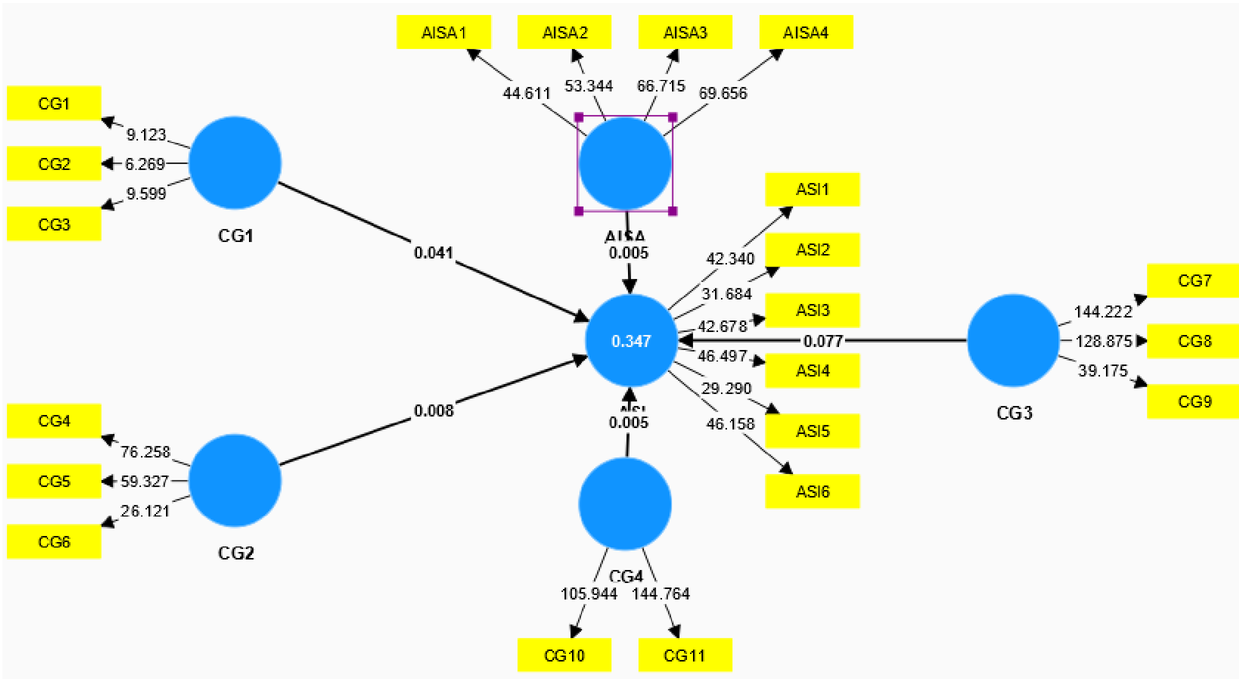

Figure 3: Structural assessment model

FINDINGS AND RECOMMENDATIONS

The results of the study showed that CG has a positive association with reducing asymmetric information. These results are supported by (Sugiyanto, Radianto, Efrata, & Dewi, 2019), which examines the role of CG in reducing asymmetric information. The authors present the view that under CG, all the shareholders are treated as equal; they are considered as the essential part of the company, and their rights as the owners of the company are secured. Companies allow the shareholders to exercise their rights freely and efficiently, participate in companies' general meetings, share their ideas, and have information about company operations or performance. So, there is less chance of the disclosure of asymmetric information to shareholders or other stakeholders. These results match with Naqvi, Shahzad, Rehman, Qureshi, and Laique (2021), which is about the impact of CG on information asymmetry. The study posits that the firms that are governed and directed under CG are forced to consider the significance of non-shareholder stakeholders, including employees, creditors, local communities, customers, suppliers, and policymakers, to the organization. They recognize their legal, social, contractual, and market-driven obligations to these stakeholders and try to protect their rights while communicating information. This results in the exchange of genuine information to the stakeholders, which keeps them aware of the business dealings and surety of the protection of their rights. Hence, CG reduces information asymmetry. These results are also in line with Hamad, Draz, and Lai (2020), which highlights that under CG, the members of the Board of Directors are assured of having skills specific to their roles and broad knowledge to supervise and challenge management performance. It drives the efficiency of the management in regulating the different business areas like accounting and reporting. When the companies prepare the books of accounts correctly and report the business condition truly, there is less asymmetric information to stakeholders. Thus, CG reduces information asymmetry when there is an exchange of information.

The study results also showed that under CG, the Board of directors has a positive association with reducing asymmetric information. These results are supported by Bzeouich, Lakhal, and Dammak (2019), which implies that the Board of directors has the authority to hire and assign tasks to CEOs and general managers. The CEOs or general managers oversee all business processes in different departments and evaluate the performance of employees or officers under their rank. These results match with Vitolla, Raimo, Marrone, and Rubino (2020), which examines the Board of Directors' role in CG and reducing information asymmetry. The study proclaims that one major duty of the Board of directors is to recognize the company's objectives and serve to achieve its goals. Following CG, they not only work for the company's goals and achievements but also take care of the interests of shareholders or other stakeholders. These results are supported by Kholis (2020), which investigates the CG by the audit committee and its role in reducing information asymmetry. The study claims that the first and foremost duty of an audit committee is to oversee the financial reporting and the associated risks, ethics, compliance with rules and regulations, internal control, and capabilities of internal auditors. When the chairperson and other members of the committee are efficient and responsible in their duty, they make sure to prepare financial documents with great care, honesty, and accountability, as well as determine the accuracy of the information that financial reports disclose. So, effective audit committees reduce the information asymmetry. The results of the study showed that under CG, market mechanisms have a positive association with reducing asymmetric information. These results are supported by Babar and Habib (2021), which indicates that the market mechanisms affect the relationships of the company with the stakeholders like customers, the public, investors, creditors, etc., as they provide information about the company, its size, financial condition, productivity, business effectiveness, and its social and environmental friendly consciousness along with the economic performance. CG regulates the business and marketing processes so the stakeholders can have true information concerning the firm. It results in mitigating information asymmetry. The results of the study showed that CG through external audit has a positive association with reducing asymmetric information. These results are in line with Alzeban (2020), which is about the impacts of CG through auditing on reducing asymmetric information. The study states that when the external auditors are monitored and governed by CG, they may have a better understanding of the firm, keep a distant relationship with the organizational personnel, and remain independent in inspection. The resultant improvement in audit quality encourages fair relationships and overcomes information asymmetry. Thus, CG through external audits leads to a reduction in asymmetric information.

The results of the study showed that the adoption of IAS, IFRS has a positive association with reducing asymmetric information. These results are supported by Mnif Sellami and Gafsi (2019), which highlights that when international standards of accounting are applied to handle the accounts and the accountant has complete knowledge and understanding of these commonly accepted international standards of accounting, they perform their accountancy practices accurately and indifferently. The books of accounts prepared in this show the right values of company assets, liabilities, and true profitability. So, information asymmetry is less likely to occur. These results match with Odoemelam, Okafor, and Ofoegbu (2019). According to this previous study, some IAS and reporting purses are passed with the objective of generalizability, transparency, and accuracy of the books of accounts of companies engaged in businesses and following different policies. The firms that follow international accounting and reporting standards process business transactions accurately and produce books of accounts with an evident picture of the company. Thus, international standards of accounting help reduce information asymmetry. The results of the study showed that both IAS, IFRS and CG have a positive association with reducing asymmetric information. These results are also in line with Pickson and Boateng (2022), which highlights that when a company is self-regulated, following the principles of responsibility and accountability as well as applies the IAS, the performance of the officers who deal with the accounts is evaluated considering the accomplishment of accounting standards and their responsibilities. The increase in the efficiency of accountants helps keep the accounts free from risks, undue changes, omissions, faults, and frauds. As a result, there is a decrease in information asymmetry. These results match with Mechelli and Cimini (2021), which indicates that the firms having a policy to follow IAS, can facilitate the execution of CG practices like the regulation of the firm by improving the efficiency of the Board of members, management, leaders, and other workers. The correction of all financial matters and preparation of documents according to the common rules helps overcome asymmetric information to stakeholders. These results are supported by Mnif and Znazen (2020). The previous study indicates that when the companies have policies to IAS instead of relying on self-made or local standards of accounting, as well as these are self-regulated under CG, the major authorities themselves ensure the protection of stakeholders' rights associated with firm financial matters and accounts. In this situation, stakeholders like investors, creditors, shareholders, and customers have confidence in the reliability of information because of the accuracy of company documents. Thus, there is less information asymmetry. These results also match with Firmansyah and Irawan (2019), in which there is strict and straight monitoring of the working in financial, accounting, and other operational departments and evaluation of management and other personnel's performance when CG along with IAS is applied. As a result, the company representatives who come in contact with the stakeholders and the company documents provide quality information to the stakeholders. Hence, there is less risk of information asymmetry.

Study Implications

As far as its theoretical implications are concerned, it is a significant guideline for academics and researchers from which perspectives they can evaluate the subject of asymmetric information. The current study is a large contribution to the economic literature. First, the present study checks the significance of information to an organization as well as the importance of the exchange of quality information between the organization and its stakeholders, like investors, creditors, regulators, employees, customers, and the general public. It picks the problem associated with the exchange of information between two parties, which is termed asymmetric information. The comprehensive and minute elaboration of the need to reduce information asymmetry is a great contribution to literature. Second, the present study examines the role of two regulatory factors, CG and IAS, IFRS, in reducing information asymmetry. CG is the set of rules, regulations, and processes to regulate an overall business, including the organization, all resources, and processes. Third, the current study checks CG with four dimensions, including the Board of directors, audit committees, market mechanisms, and external audit, and then checks its role in reducing information asymmetry. In many of the studies, authors have simply discussed what CG is and which role it plays in reducing information asymmetry. However, there are also some studies that have highlighted the relationship between the Board of Directors, audit committees, market mechanisms, and external audits with information asymmetry. However, the relation of any of these CG dimensions, such as the Board of Directors, audit committees, market mechanisms, and external audits with information asymmetry, has been discussed at times. The present study makes a distinction and directs future researchers to analyze CG with its dimensions like Board of directors, audit committees, market mechanisms, and external audits while checking its role in reducing information asymmetry. Fourth, in the previous studies, the role of the international standards of accounting in reducing information asymmetry has been analyzed. Many studies have recorded the impact of IAS and IFRS on a company's information disclosed through financial documents. However, these studies were concerned about the implications of either IAS or IFRS for reduced information asymmetry. The current study removes the literary gap and directs academics to examine the role of both IAS and IFRS in reducing information asymmetry side by side in further studies. Fifth, there are a few studies which investigate the role of CG and international standards of accounting like IAS and IFRS in reducing information asymmetry for the private registered companies in Kurdistan region. The current study makes a distinction as it examines the role of CG and international standards of accounting like IAS and IFRS in reducing information asymmetry for registered companies in Kurdistan.

The present study is of great significance to Kurdistan and other burgeoning economies where national and international companies operate and exchange information with stakeholders. The present study guides the interested parties on how to reduce information asymmetry. 1) CG is a set of rules, regulations, laws, and procedures to govern and regulate an organization and all its matters. It regulates the firms, makes the management and leaders make wise decisions, keeps them on the right path, and so far enacts their plans to improve both economic and social performance. It is a modern business concept that secures the financial rights of the firm itself, owners, investors, customers, and other interested parties. Since its first introduction, it has been adopted by some burgeoning economies and leading firms. 2) The Board of Directors is an independent regulatory authority to a firm as they are elected by shareholders working on their behalf. They are responsible for protecting the rights of shareholders and other stakeholders. They pass the strategies and manage the overall business operations by retaining honest, efficient, and active CEOs. 3) The Board of directors assigned as the members of the audit committee are responsible for regulating the financial reporting and disclosure processes. Audit committee performance influences the quality of information disclosed. The researchers have analyzed the performance of the members of the audit committee and evaluated the relevant improvement in the effectiveness of accounting and reporting departments and the resultant progress in reducing asymmetric information. Based on their survey experience, they came to have guidelines that the audit committee must be indifferent and efficient in regulating the financial accounting and reporting department so that the chances of information asymmetry can be minimized. 4) Market mechanisms are the processes of marketing the products and services. Although market mechanisms influence the share of information between sellers and buyers, in many firms, there is still no particular attention paid to the effectiveness of market mechanisms in reducing information asymmetry. The current study examines the market mechanism's impact on the mitigation of information asymmetry in Kurdish private enterprises. Then, it suggests that firms adopt effective market mechanisms not only to increase demand for the products but also to protect the stakeholders' rights. It would reduce information asymmetry.

Limitations and Future Recommendations

Though the current study has great implications, several limitations are still associated with the study. For improved validity and greater implication, future researchers are required to remove these limitations with some extra care. First, the framework designed for the research is short and compact. The research framework included only two factors, like CG with some dimensions including the Board of Directors, audit committee, market mechanisms, and external audit and international standards of accounting (IAS, IFRS), as the forces to reduce asymmetric information. There are several other factors, such as risk management, technical innovation, human resource management, corporate social responsibility, etc., that influence information quality and can be effective tools to mitigate information asymmetry. Future researchers must broaden the size of the research framework by including these additional factors. Second, in this study, the role of CG with the Board of Directors, audit committee, market mechanisms, and external audit and international standards of accounting (IAS, IFRS) in reducing asymmetric information has been checked. There is no specific use of some factor as a mediator or moderator between CG, international standards of accounting (IAS, IFRS), and reduction in asymmetric information. In further literature, the researchers must add some mediator or moderator to provide better insights to the reader. Third, the research sample used as a context of analysis includes registered companies operating in the Kurdistan region. Iraqi Kurdistan is a developing economy where most companies operate businesses at the international level.

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