

# Financial Reporting Quality and Investment Efficiency of Private Firms in Emerging Markets

Feng Chen; Ole-Kristian Hope; Qingyuan Li; Xin Wang

[+ Author & Article Information](#)

*The Accounting Review* (2011) 86 (4): 1255-1288.

<https://doi.org/10.2308/accr-10040>

Share 

Tools 

Cite 

## ABSTRACT

Prior research shows that financial reporting quality (FRQ) is positively related to investment efficiency for large U.S. publicly traded companies. We examine the role of FRQ in private firms from emerging markets, a setting in which extant research suggests that FRQ would be less conducive to the mitigation of investment inefficiencies. Earlier studies show that private firms have lower FRQ, presumably because of lower market demand for public information. Prior research also shows that FRQ is lower in countries with low investor protection, bank-oriented financial systems, and stronger conformity between tax and financial reporting rules. Using firm-level data from the World Bank, our empirical evidence suggests that FRQ positively affects investment efficiency. We further find that the relation between FRQ and investment efficiency is increasing in bank financing and decreasing in incentives to minimize earnings for tax purposes. Such a connection between tax-minimization incentives and the informational role of earnings has often been asserted in the literature. We provide explicit evidence in this regard.

**Keywords:** [investment efficiency](#), [under- and overinvestment](#), [financial reporting quality](#), [private firms](#), [emerging markets](#), [financing sources](#), [tax incentives](#)

You do not currently have access to this content.

**Sign in**

Don't already have an account? [Register](#)

[Skip to Main Content](#)  
**Member Login**

Log in

Pay-Per-View Access  
\$25.00

**AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.**

 [Buy This Article](#)



[View Metrics](#)

### Citing Articles Via

Web Of Science (692)

Google Scholar

CrossRef (881)

### **Email Alerts**

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert



[Skip to Main Content](#)

[Information for Authors](#)

[Authorship Policy](#)

[Plagiarism Policy](#)

[Data Integrity Policy](#)

[Citing Corrected Articles Policy](#)

[Minimizing Overlapping Decision Rights Policy](#)

[Prior Publication Policy](#)



---

[Cookie Policy](#)   [Accessibility](#)   [Terms & Conditions](#)   [Get Adobe Acrobat Reader](#)

© Copyright 1998 - 2025 American Accounting Association. All rights reserved.