The effect of the mandatory adoption of corporate governance mechanisms on earnings manipulation, management effectiveness and firm financing: Evidence from Greece

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Purpose

The purpose of this paper is to examine the effect of the mandatory adoption of corporate governance mechanisms on serious firm issues (earnings manipulation, management effectiveness and firm's financing).

Design/methodology/approach

Cross-sectional analysis is employed to investigate the association between the corporate governance mechanisms that have been introduced by the L.3016/2002 and earnings manipulation, management effectiveness and firm's financing.

Findings

This study finds that the mandatory corporate governance mechanisms decrease firms' weighted average cost of capital, increase firm's financing and have no impact on firms' effectiveness and earnings manipulation.

Practical implications

This study provides insights regarding the extent to which the mechanisms of corporate governance provided by the L.3016/2002, improve the quality of financial statements prepared by Greek companies. The conclusions of the study are useful for the providers of equity and debt capital, the legislators and the shareholders.

Originality/value

The paper tests, empirically, the effect of the mandatory corporate governance mechanisms on earnings manipulation, management effectiveness and firm's financing.

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