

CORPORATE GOVERNANCE AND FINANCIAL STRUCTURES OF COMPANIES IN DEVELOPING COUNTRIES

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Abstract:

The main purpose of this paper is to test the impact of corporate governance quality on the financial structure of companies using a dataset covering 35 developing countries from Central and Eastern Europe as well as from Asia. Five variables related to corporate financial structure and eleven governance quality variables provided by World Bank Database are grouped in two synthetic descriptors by involving a Principal Components Analysis approach. In order to test the existence of a possible linkage between these descriptors we used Generalized Linear Models framework. To check robustness of results, accordingly to the standard capital structure theories, we considered some control variables. The main output consists in the thesis that the financial structure of the companies is significantly influenced by the quality of corporate governance. Also, we find that the exclusion from the explanatory variables of the proportion of investments financed by other financing variable improves the robustness of the results.

Keywords: *Corporate Governance, Financial Structure, Indexation Model, Developing Countries*

JEL codes: *G32, G34*