

Stenden University Qatar

Research Seminar 10

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Governance and agency costs: evidence from UAE listed firms

Abstract

The paper investigates the effect of corporate governance mechanisms on agency costs of the United Arab Emirates (UAE) listed firms. Relying on a sample of 74 UAE listed firms affiliated to financial and non-financial sectors for a two years period (2010 and 2011), the paper performs multiple regression analyses to test between whether there is a significant association between internal (board size, audit committee, portion of independent executive directors, and firm leverage) and external governance mechanisms (external auditor, and product market competition) and UAE firms' agency costs while controlling for firm size and industry type. The paper utilizes four different proxies to measure agency costs. The empirical results show that internal/external governance mechanisms are significantly influencing proxies of agency costs for UAE listed firms in different patterns. The paper findings indicate that the underlying principles of corporate governance are applicable in emerging markets. The findings are important to regulators to develop policies related to the board of director size; ensure the audit committee effectiveness. Results are also important to investors to understand the dynamic of governance and agency problems in emerging economies. The paper is one of very few studies that examine the relationship between internal/external governance and firms' agency costs in an emerging market economy, the UAE.

Biography

Mostafa K. Hassan received his PhD in Accounting from the University of Essex, UK in 2003. Since then, he worked at the University of Hertfordshire, UK; University of Portsmouth, UK, University of Sharjah, UAE and Alexandria University, Egypt. Currently, he is a Professor of Accounting - Chair of Accounting & MIS department at College of Business and Economics, Qatar University and on leave from Alexandria University, Egypt. He published in a number of reputable international journals. Dr. Hassan research interests include the sociological analysis of accounting practices, institutional theory and accounting change, corporate governance, globalization, performance evaluation and narrative disclosures.

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