Integrative Impact of Corporate Governance and International Standards for Accounting (IAS, IFRS) in Reducing Information Asymmetry

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Abstract- Information asymmetry has become the foremost element that affects organizational performance, and this aspect demands the researchers' emphasis. Thus, the present study examines the impact of corporate governance and the application of IAS standards on the information asymmetry in the oil industry in the Kurdish region. The study also investigates the mediating role of the application of IAS among corporate governance and information asymmetry in the oil industry in the Kurdish region. The researchers examine the comprehensive literature to investigate the association between understudy variables. The researcher concludes, on the basis of comprehensive literature, that the corporate governance and application of IAS standards have a positive association with information asymmetry in the oil industry in the Kurdish region. The researchers also conclude that the application of IAS significantly mediates among corporate governance and information asymmetry in the oil industry in the Kurdish region. The study guides the regulators in developing regulations related to reduce the information asymmetry using corporate governance and application of IAS standards.

Keywords: *Corporate governance, application of international standards for accounting, information asymmetry, Kurdish region.*

Introduction

Information asymmetry occurs in the situation when one party has different information about some objects, events, or states from the other party involved in a contract or transaction. It is also possible that one of the interested or engaged parties has more information while the other has relatively less information about some objects, events, or states under consideration. The parties involved may be seller and buyer, principal and agent, lender and borrower, company and investor (Bergh, Ketchen Jr, Orlandi, Heugens, & Boyd, 2019). The information about the company brand quality, its marketing situation, assets, liabilities, earnings ratio, contracts, future plans etc., help the stakeholders like investors, shareholders, or lenders to make decisions about their transactions with the

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company. For instance, the investors, which are mostly banks or institutions specially formed for the investment purposes, make estimations from the financial statements or reports of the particular company issued what the financial strength of the company is whether it has the opportunities to make progress, whether the company can generate many earnings and pay enough on their investors, or the most important whether the money invested would be secured (Shen, Choi, & Minner, 2019). Similarly, the lenders make the decision to lend money or how much is suitable to lend, on the hope gained from the information provided by the company that it will surely pay back the money at the right time (Courtney, Dutta, & Li, 2017). Moreover, shareholders who have ownership in the company own the right to have accurate and complete information about the operations, risks, and opportunities to judge the market value of their shares and the return on the shares (Vosooghidizaji, Taghipour, & Canel-Depitre, 2020).

The causes of the information asymmetry are mostly associated with the firm's management performance, policies, accounting, and reporting features. The present study explores the role of corporate governance and international standards for accounting (IAS, IFRS) in reducing information asymmetry. Corporate governance is the regulation, control, or operations of business corporations through particular regulating processes, mechanisms, and establishment and use of relations. There are five fundamental principles like transparency, accountability, responsibility, independence, and equal and fair relations. The governance structures and principles are designed to give rights and assign responsibilities to different business entities like a board of directors, regulators, administrators, creditors, auditors, and other stakeholders (Kovermann & Velte, 2019). The corporate government objective is not only to enhance the financial performance but also to take great care of the social and environmental performance of the firm. Thus, corporate governance keeps the corporations on the right path and arouses the sense of responsibility in the firm personnel for the wellbeing of all stakeholders, improving the quality of financial statements, financial reporting, and theoretical and empirical negotiations. In this way, corporate governance reduces the information asymmetry (Bhagat & Bolton, 2019).

Kurdistan region in Iraq has its own economic setup and individual government apart from the overall economy and Federal government of Iraq. This large region has a burgeoning economy. The oil industry, tourism, and agriculture are the main sectors of the Kurdish economy. The oil industry is dominated by international oil companies which are listed in respective foreign countries but operating their operations in Kurdistan for the region is rich in oil reserves. These companies are engaged either in the production of crude oil or in the exploration of oil (Yilmaz, 2017). The government of the Kurdistan region is accountable to the Federal Government of Iraq for its economic projects, including energy-related projects like providing authority to international companies, their operations, earnings, and their impact on the country' social, environmental and economic welfare. For this accountability, the Kurdistan Regional Government (KRG) must have quality information from the management of international oil companies so that it can make judgements. On the other hand, there are contracts between the international companies and KRG. Under these agreements, they are bound to share the production of crude oil in Kurdistan and crude oil sales (Qadir, Mohammed, & Majeed, 2021).

The information asymmetry may be in the form of providing information less than required, giving unclear or vague information, providing misleading information, or false information. The information asymmetry has been creating many problems in the Kurdish economy. For instance, an outbreak of dispute between KRG and Baghdad for the reason that there were over 40 illegal exploration and production agreements between the KRG and international oil corporations. This dispute was mainly because of the information asymmetry, and it resulted in enterprises not being paid (Ali & Hamad, 2021). Similarly, there are some payment problems between the international oil companies operating in Kurdistan and KRG. In some companies, the growth is slower than expected because of the hesitation of investors or lenders to spend their money in these companies being afraid of losing their whole for they are given complete, accurate and in time information which is required to estimate the future progress of the concerned companies and their ability to pay back the money invested or lend (Huseein, 2021).

In many of the past studies, corporate governance and international standards for accounting on reducing the information asymmetry have been conducted, but these studies separately discuss these variables relations. In the study of Mnif Sellami and Gafsi (2019), compliance with international standards for accounting have been examined for improving reliable information disclosure, which means reducing information asymmetry. This study leaves the corporate governance effects on information asymmetry unexplored. The current study, which gives equal attention to both the variables for the analysis of Asymmetrical information, fulfils this need. Similarly, Agbodjo, Toumi, and Hussainey (2020), examines international standards for accounting and reducing irrelevance and inaccuracy of accounting information. In this study, corporate governance has not been paid attention to overcome the asymmetry in financial information that is provided to the stakeholders. The study removes this gap. Hidayah, Nugroho, and Prihanto (2019), wrote about corporate governance and information asymmetry but recommended the future authors focus on accuracy and completeness of information through effective and defined accountancy. The current study pays attention to the adoption of international accounting standards for accuracy and completeness of information bridges this gap as the international accounting standards are a common and defined set of standards that help reduce information asymmetry. Agyei-Mensah (2019), examines corporate governance along with only IAS 38 disclosure compliance in reducing asymmetry information and leaves the space for future authors to examine the international standards for accounting as a whole in the matter of information asymmetry. The current study fills this gap.

The present study examines both IFRS and IAS as the measures for international standards for accounting for the reduction of information asymmetry. A number of studies have addressed the IFRS and IAS as factors reducing asymmetry information, but these factors rarely have been examined simultaneously for determining the reduction in asymmetry information. Abad, Cutillas-Gomariz, Sánchez-Ballesta, and Yagüe (2018), examines mandatory adoption of IFRS as the international standard of accounting and reducing asymmetry information while it utterly ignores the IAS for this. Harakeh, Lee, and Walker (2019), examines the differential effects of IFRS in the absence of IAS of accurate and reliable information disclosure

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while analyzing the international accounting standards role in reducing asymmetry information. Houqe (2018), has conduct a debate on the effects of mandatory IFRS adoption on asymmetry information without considering IAS the part of international standards for accounting. Similarly, Rafay, Yasser, and Khalid (2019), throws light on IAS only in International standards for accounting for the evaluation of information asymmetry and shows a need for examination of IFRS for determining information asymmetry. In research Agyei-Mensah (2019), only IAS for the international standards for accounting without reference to IFRS are considered for the analysis of asymmetry information. The current study removes this commonly found gap from literature with the simultaneous analysis of IAS and IFRS for international standards for accounting impacts on reducing information asymmetry.

As the corporate governance and international accounting standards impacts on the asymmetrical information are more inclined to financial sectors because of the related financial matters. A few studies have discussed these factors in relation to asymmetrical information in non-financial enterprises. The survey of Tessema (2019) emphasizes banks that are financial enterprises for the analysis of corporate governance role in reducing information asymmetry. This study suggests that the research on corporate governance must also be administered to non-financial enterprises. This study removes this literary gap as this study focuses on the non-financial sector for analyzing the corporate governance in reducing information asymmetry in oil-producing and exploration companies. Agbodjo et al. (2020), investigates international standards for accounting and reducing irrelevance and inaccuracy of accounting information for conventional, Islamic, and hybrid banks but leaves it still a need for the future authors to explore the relation between international standards for accounting and reducing irrelevance and accounting information asymmetry for the non-financial institutions. The research by Altawalbeh (2020) examines international standards for accounting and reducing information asymmetry in 13 commercial banks listed in Amman Stock Exchange in the Jordan economy. This study has been conducted in the financial sector of the economy for building relations between international standards for accounting and reducing information asymmetry and shows a need for analysis in the non-financial industry. This current study meets this need with the analysis of corporate governance, international standards for accounting and reducing information asymmetry in international oil enterprises, the energy sector, which lies in the non-financial sector.

The current study is composed of three parts, which all have equal significance to the study formation. The literature review is a 2nd part after the authors have introduced the study. In this part, the variables involved in the study like corporate governance, international standards for accounting, and information asymmetry in the light of the scholarly reviews. The authors look towards the studies written by the authors in the past the similar relation with conflict results, time periods, and context diversification. Like an ideal study, it is not only the summary of the scholarly resources on the relevant topics; it analyzes the literary articles, synthesizes and critically evaluates the findings of these resources and constructs hypotheses. The final part of the study will be related to the discussions of the results, the meaning of the results will be establish, and their significance will be evaluate. The study results will compare with the findings of similar studies, and thereby, they will be supported. This part will also show the significance of the study.

It will be divided into two portions one will deal with the study's contribution in theory related to financial accounting, financial information, and information asymmetry, while the other will deal with the importance of the in the practical field for different policy makers. This part will also include the conclusion that will show the short description of the overall study from the study objectives towards the study findings. Finally, this part will end with the study limitations, the areas where the study is not applicable with the recommendations to the authors not to repeat these limitations but try to overcome them for a more comprehensive and more reliable study.

Literature Review

In this part, the issues related to the information asymmetry which are presented and debated on in information management and communication literature. The issues related to the information asymmetry all are reviewed for a theoretical foundation to the present research. This part also reviews how the corporate governance and international standards for accounting (IFRS/IAS) relate to information asymmetry. It concludes with the construction of hypothesis.

Through in-depth research Hapsoro and Fadhilla (2017) examines the relationship of corporate governance, disclosure of CSR information, information asymmetry, and Economic Consequences: The study measures the corporate governance with ownership structure and control structure, and CSR information has the social, economic, environmental, human rights, and responsibility dimensions. The study sample is based on 210 firms listed on the Indonesian Stock Exchange for the year 2014. The research findings show that the number of board of directors out of board commissioners along with the audit committee has a positive influence on the CSR disclosure and reducing information asymmetry. The number of independent commissioners, the board of directors, and the audit committee has a positive relation to CSR disclosure and reducing information asymmetry. Similarly, the study shows a positive relationship between the corporate governance controls and the reduction of information asymmetry in the sense of true disclosure of sustainability activities.

A study was conducted by Diebecker and Sommer (2017) to examine the role of the effectiveness of corporate governance in reducing information asymmetry. The evidence was collected from European listed firms in the STOXX Europe 600 for 2002-2013. The study finds a positive relationship between corporate governance in reducing information asymmetry. The study finds a García-Sánchez and García-Meca (2018) did research about corporate governance mechanism, managerial efficiency, and reducing information asymmetry. Authors selected 2185 enterprises from 24 countries for the time between 2006–2015 to hypothesize about the exact nature of the relationship of corporate governance with managerial efficiency and reducing information asymmetry. The study checks the role of corporate governance mechanisms from both internal and external perspectives in regard. The study posits that in an effectively implemented corporate governance, there is a check on the managerial functions. When the managers perform efficiently in the organization, they reduce the information asymmetry for the sustainable performance and fame of the firms. Thus, corporate governance positively affects the reduction in information asymmetry.

Al-Jaifi, Al-rassas, and Al-Qadasi (2017), wrote on the influence of corporate governance on the reduction in information asymmetry and stock market liquidity. Both internal and external controls of corporate governance, such as internal audit efficiency along with the features of the board of directors and audit committee and external audit quality, were analyzed. The research sample consists of 2020 firm-years observations in Bursa Malaysia for 2009-2012. The ordinary least square regression and different assessment procedures like dynamic GMM and two-stage least squares (IV-2SLS) were employed. The results indicated that the relationship of corporate governance with the reduction in information asymmetry and stock market liquidity is positive. This result is based on the concept that when the corporate governance mechanism is based on the principle of accountability and transparency, the organizational personnel do not hide the facts about the financial strength of the organization from the stakeholders. The information asymmetry is reduced through the true disclosure of facts.

Research managed by Barroso, Ben Ali, and Lesage (2018) throws light on the association between corporate governance and information asymmetry. For the analysis of variables involved in the research and the nexus among these variables, 7983 yearly firm observations were acquired from 19 countries. The study implies that the firms which incorporate corporate governance mechanisms, rules, and regulations perform different, keeping social and environmental well-being under consideration. Fair dealings on the part of the firms reduce the spread of information asymmetry and related problems like adverse selection and moral hazard. In addition to this Tessema (2019) also explored the nexus between corporate governance and information asymmetry by adding the moderating effect of firm politics. The data of local banks of Gulf Cooperation Council (GCC) covering the tenure from 2012 to 2016 was collected and tested. The results revealed that there is an association between corporate governance and information asymmetry. Furthermore, Joudi, Mansourfar, and Didar (2019) also shared views on the nexus of internal and external corporate governance and information asymmetry in Tehran. The data set of 106 listed companies of the Tehran stock exchange from 2007 to 2016 was arranged and tested. The results revealed that the quality of internal and external corporate governance results in a reduction of information asymmetry in Tehran. Based on the above discussion, we put hypothesis:

H1: Corporate governance has a positive impact on reducing information asymmetry.

A study was presented by Benkraiem, Bensaad, and Lakhal (2021) to investigate the adoption of IFRS, the international standards for accounting and information asymmetry through earnings quality. The sample of the study is based on French listed firms. Path analysis and maximum likelihood estimations were used to determine the relationship between corporate governance and information asymmetry along with earnings quality. The study suggests that IFRS adoption are the international standard for accounting and reporting. These standards are the set of principles and concepts which are considered reliable for producing an accurate, clear, and comprehensive picture of the possessions and financial resources covering all the expected and contingent assets and liabilities. When a company adopts IFRS for accounting and reporting, the representation of the facts, transactions, or events would be faithful, decreasing the information asymmetry. Thus, IFRS are in a positive and significant relationship with reducing information asymmetry.

Lee, Oh, and Park (2022), throws light on IFRS adoption impacts on information asymmetry and IPO underpricing with evidence from Korea. The evidential data for the relationship analysis about IFRS, the decrease in information asymmetry and reducing IPO underpricing were taken from enterprises in concentrated industries, non-chaebol firms, and firms that have no security of venture capital on the back. The study tells that before the adoption of IFRS, the situation in the financial market was complicated because there was frequent information asymmetry. But after the adoption of IFRS, the situation has been different. There is a significant decrease in information asymmetry. For further improvement in the situation, it is required from financial market participants to adapt to these international standards for accounting. De Moura, Altuwaijri, and Gupta (2020), tests the mandatory adoption of international standards for accounting like IFRS and its impacts on information asymmetry and cost of capital in a research survey to Latin American countries. The study sample includes firms from Latin American countries like Argentina, Brazil, Mexico, Chile, and Peru. The data from the required analysis were taken from (I/B/E/S) and DataStream. The analysis of the firms in selected Latin American countries indicates that the adoption of IFRS, the global standards for accounting, have led to a reduction in the information asymmetry spread and cost of equity through an overcome on the organization-level reporting benefits.

Through empirical research Alnaas and Rashid (2019) examines the firms' features, compliance with international standards for accounting IAS/IFRS and impacts on information asymmetry with reference to North African firms. The study employs a checklist consisting of international standards for accounting IAS and IFRS, and data were collected from North African firms listed at Morocco, Egypt, and Tunisia Stock Exchange. The study focuses on the firms' compliance with IFRS or IAS and its impacts on information asymmetry in 2010 as compared to 2005 accounting and financial conditions. The study implies that firms' size, ownership, possessions, and industry determine their compliance with IAS and IFRS, the international standards for the handling of accounting systems and the potential of the firms to apply these international standards for the disclosure of accounting information determines the reduction in information asymmetry. Maglio, Petraglia, and Agliata (2018), in their research on IFRS adoption and reduction in IPO underpricing with evidence from Italy, accepts the fact that the application of internationally accepted principles for accounting and reporting is the useful tool to reduce information asymmetry in the financial market. The discussion of the previously conducted research studies highlights that the effective adoption of international standards for accounting IAS/IFRS by firms can reduce information asymmetry. Furthermore, Nejad, Ahmad, Rahim, and Salleh (2020) also explored the impact of IFRS on information asymmetry in ASEAN. The data set of 2001 to 2018 was tested after collection and the results revealed that the implementation of IFRS in the ASEA selected firms' results in a reduction of information asymmetry. There is a negative association between IFRS and information asymmetry. One of the basic purpose of the IFRS implementation is to bring the transparency. The transparency and comparability of accounting information is the key towards the prosperity of the firm. Similarly, Abad et al. (2018) shared views on the effect of IFRS in the reeducation of information asymmetry in Spain. In addition to this, the switch from local Spanish Accounting Standard (SAS) to international financial reporting standard (IFRS) was also tested. The data of listed firms having local Spanish Accounting Standard (SAS) from

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the Spanish stock exchange was collected and tested. The results revealed that the switch of firms from SAS to IFRS results in reduction of information asymmetry in Spain. That's why:

H2: International standards for accounting (IFRS/IAS) has a positive impact on reducing information asymmetry.

Almaqtari, Hashed, and Shamim (2021), analyzes the interrelationship among corporate governance mechanisms, IFRS, the international standards for accounting, and information asymmetry. The authors adopted a comparative research technique and analyzed the corporate governance mechanism, IFRS, the international standards for accounting, and information asymmetry and their relationship in selected Gulf countries. For this study, 98 firms listed in Oman, Saudi Arabia, and the United Arab Emirates for the period of 2015-2018 were the sample of analysis. For the estimation of results, the authors employed descriptive statistics, correlation, and regression analysis. The study posits that IFRS the corporate governance mechanisms assure the compliance of IFRS by firms, reduces the information asymmetry and improves the financial reporting quality, but it tells that among the corporate governance mechanisms, audit committee features are influencing IFRS compliance, information asymmetry, and quality of financial reporting.

An article written by Yamani, Hussainey, and Albitar (2021) integrates the relationship among corporate governance mechanisms, IFRS, the international standards for accounting, and information asymmetry. This study examines the impacts of corporate governance along with IFRS 7 on asymmetry information in the banking industry of the Gulf Cooperation Council (GCC). For the measurement of compliance with IFRS 7, a self-constructed disclosure index was employed, and board characteristics, ownership structure, and audit committee characteristics were used for corporate governance. The data about these measures of corporate governance, IFRS 7, and information asymmetry were collected from 335 banks annual observations for listed companies in GCC for 2011–2017. The study results have revealed that effective corporate governance and IFRS 7 adoption are in a positive relationship which collectively reduces the information asymmetry. Zaitul (2021), estimates the role of international standards for accounting and corporate governance mechanisms in improving accounting quality and reducing information asymmetry. The study sample comprises 47 manufacturing firms for the period of 2008-2017. For the analysis of data, a moderated regression analysis (MRA) was used. The study indicated that both international standards for accounting and the right corporate governance mechanism play a positive role in improving accounting quality and reducing information asymmetry.

The study by Waweru and Prot (2018) investigates corporate governance, IFRS adoption, accrual earnings management, and reducing information asymmetry in astern Africa with evidence from Tanzania and Kenya. The sample is based on 48 firms listed at the Dar el Salaam Stock Exchange and the Nairobi Stock Exchange. Panel data methodology was employed to 480 observations from annual reports from 2005 to 2014. The results stated that under corporate governance mechanism, among the audit committee, board gender diversity, board independence, and director share ownership, the audit committee is more useful to reduce discretionary accruals, which is likely to cause the information asymmetry. In the presence of good quality audit committee, the accountants adopt IFRS, which are internationally accepted and give transparent & accurate accounting information through reducing discretionary accruals. As a result, Information asymmetry decreases.

Even after adopting IFRS, the firms in Ghana were unable to achieve a high level of quality in financial reporting. There is a lack of appropriate enforcement of such high-quality principles causes a lack of compliance with and limits the effectiveness of such international standards in the sense of getting high quality in financial reports. Therefore, the literary workout of Mbir, Agyemang, Tackie, and Abeka (2020) examines the adoption of IFRS international standards for accounting, corporate governance, quality of financial reporting, and information asymmetry for listed non-financial firms at the Ghana Stock Exchange. For analysis, a random effect estimation method was employed for analysis. IFRS can better be enforced and their compliance on the quality of financial reporting through the effective corporate governance mechanism, and in this situation, there is less information asymmetry. The literary arguments of the past authors who wrote on the asymmetry of information found that corporate governance and the effective adoption of international standards for accounting IAS/IFRS by the firms can reduce information asymmetry. Thus, the present study has developed the following hypotheses:

H3: Corporate governance and International standards for accounting (IFRS/IAS) have a positive impact on reducing information asymmetry.

Based on the past studies and also using the underpinning theories such as signaling theory and agency theory, the current study has developed the theoretical framework given as under in Figure 1.

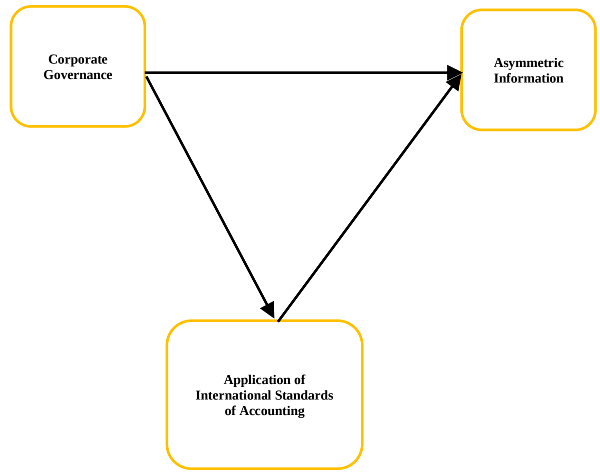

Figure 1: Theoretical Model

Discussions

The results of the literature review showed that corporate governance has a positive association with reducing information asymmetry. It aligns with the study of Joudi et al. (2019), which examines the role of corporate governance in reducing information asymmetry. The study implies that when an organization applies corporate governance for business regulations, it aims to show transparency in its documents and also feel accountable to the stakeholders. That is why they show responsibility while sharing information and avoid taking false or concealment. Hence, corporate governance helps reduce information asymmetry. The outcomes are supported by Tessema (2019), which posits that under effective corporate governance through independent regulators and auditors, the accuracy of business transactions and business documents is monitored. In this situation, the chances of providing asymmetric information are reduced. These results agree with Sugiyanto and Candra (2019), which implies that corporate governance arouses a sense of responsibility in business management. It keeps the business functions fair so as not to hurt the

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interests of the stakeholders. It leads to a reduction in information asymmetry.

The literature review also revealed that corporate governance has a positive association with the implementation of international standards for accounting (IFRS/IAS). These outcomes are in line with Mechelli and Cimini (2021), which checks the role of corporate governance in implementing international standards for accounting. The study claims that accountants, being humans, may err, but if they follow the correct rules of accounting, the chances of errors are minimal. Corporate governance, that is, the set of decisions, processes, and actions, regulates the accounting departments and, in order to overcome chances of error, makes the accountants follow international standards for accounting (IFRS/IAS). The study of Mnif and Znazen (2020), also supports this relationship. Under corporate governance, the performance of organizational personnel is monitored. When the decisions and actions of all the organizational personnel are checked, they try to accurate their decisions and actions with the change in strategies to accomplish their duties. In this situation, the accountants are likely to move towards applying international standards for accounting (IFRS/IAS). The research outcome was also supported by Abdelqader, Nimer, and Darwish (2021), which indicates that when corporate governance is implemented, the use of international standards for accounting (IFRS/IAS) in the accounting department increases as it creates a situation when the principles of business regulation can be followed.

The literature reviewed above depicted that international standards for accounting (IFRS/IAS) have a positive association with reducing information asymmetry. These results are also supported by Hlel, Kahloul, and Bouzgarrou (2020), which proclaims that international standards for accounting (IFRS/IAS) have been designed to provide a set of common rules and principles to those who deal with the books of accounts of companies and present a report declaring companies' worth. The use of these standards gives standard outcomes for preparing books of accounts and relevant documents. This all reduces the events when information asymmetry may occur. It also aligns with the study of Houcine, Zitouni, and Srairi (2022), which investigates the role of international standards for accounting (IFRS/IAS) in reducing information asymmetry. The study implies that the use of international standards for accounting (IFRS/IAS) reduces different types of accounting errors and makes it easy to detect fraud. The reduction in accounting errors and frauds improves the accuracy of books of accounts and assures the accuracy of the information delivered to readers. Hence, the adoption of international standards for accounting (IFRS/IAS) reduces information asymmetry. The findings from the literature also match with Kabwe, Mwanaumo, and Chalu (2021), written about the influence of international standards for accounting (IFRS/IAS) on the reduction in information asymmetry. The study explains that the firms which apply international standards for accounting (IFRS/IAS) are bound to keep the accounting records disclosing the true facts about the company. Thus, international standards for accounting overcome information asymmetry.

The literature reviewed above depicted that international standards for accounting (IFRS/IAS) are a significant mediator between corporate governance and reducing information asymmetry. These results are in line with Hamad, Draz, and Lai (2020). This previous study highlights that in the execution of corporate governance, all the business departments are properly regulated, and the performance of all human resources is checked thoroughly. Being cautious of the performance of accountants and the effectiveness of accounts management, directors introduce international accounting standards (IFRS/IAS) and implement them within the organizations. The adoption of international accounting standards (IFRS/IAS) assures the accuracy and clarity of financial statements. Hence, international standards for accounting (IFRS/IAS) are linked to corporate governance and reducing information asymmetry. The outcomes of the literature review also match with Correa-Mejía (2022), which implies that corporate governance arouses the consciousness of responsibility towards the stakeholders and motivates the organizational personnel to perform their duties honestly. It results in the adoption of international accounting standards (IFRS/IAS), and there is a reduction in information asymmetry. The literary outcomes agree with Velte (2023), corporate governance promotes international accounting standards, which help reduce information asymmetry.

Implications

This study has great theoretical significance. It clears directions for academics and researchers for future work on account of its literary contributions. The focus of the study is on reducing information asymmetry. It examines the influences of two factors, corporate governance and international standards for accounting (IFRS/IAS), on reducing information asymmetry. In the previous studies, most of the authors have simply talked about the role of international standards for accounting (IFRS/IAS) in reducing information asymmetry. Only a few authors have addressed the mediating role of international standards for accounting (IFRS/IAS) between corporate governance and reducing information asymmetry. The present study extends the literature as it explores the mediating role of international standards for accounting (IFRS/IAS) between corporate governance and reducing information asymmetry. This article is also an initiative in itself to check the role of corporate governance in international standards for accounting (IFRS/IAS) and reducing information asymmetry for Iraqi Kurdistan.

The present study also has practical significance in developing economies as it addresses a major business aspect of information quality. This article provides guidelines to business management on how they can reduce information asymmetry. The study implies that management must adopt corporate governance in an effective manner to regulate the business organization in order to reduce the possibility of information asymmetry. The study also guides that the business management must force the accountants to implement the international standards for accounting (IFRS/IAS) in order to manage accounts so that asymmetric information can be reduced. This article also posits that the business administration must have a policy to adopt corporate governance for the implementation of international standards for accounting (IFRS/IAS) watchfully. Moreover, the study conveys that the business strategy of corporate governance should be adopted with all its principles. It would be helpful to implement the international standards for accounting (IFRS/IAS) effectively and thereby reduce the information asymmetry.

Conclusion

The authors started the research with the aim to examine the influences of two like factors, corporate governance and international standards for accounting (IFRS/IAS), on reducing information asymmetry and also to determine the role of international standards for accounting (IFRS/IAS) between corporate governance

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and reducing information asymmetry. A comprehensive literature review was conducted in order to check the relationship among corporate governance, international standards for accounting (IFRS/IAS), and reducing information asymmetry. The findings from the literature review reveal that corporate governance and international standards for accounting (IFRS/IAS) have a positive association with reducing information asymmetry. It was revealed that the business organizations which implement corporate governance with all its principles like responsibility, accountability, transparency, independence, equality, and fairness keep their dealings with the stakeholders so as not to cause information asymmetry. The literature review also highlighted that when business organizations apply international standards of accounting like IFRS and IAS, they prepare the books of accounts properly and produce the financial reports providing clear, relevant, exact and reliable information. Thus, the adoption of international standards for accounting (IFRS/IAS) reduces information asymmetry. In the literature, authors also revealed that when corporate governance is implemented, accounting departments are regulated, and it is assured that they are using universally accepted accounting principles. The regulated and motivated accountants tend to use international standards for accounting (IFRS/IAS). It is also concluded from the literature that international standards for accounting (IFRS/IAS) significantly mediate between corporate governance and reducing information asymmetry. The effectively implemented corporate governance encourages the adoption of international accounting standards, and as a result of the execution of these standards, information asymmetry is reduced.

Limitations

The current study has significance in business literature and to companies in the real world. However, it has some limitations as well. First, in the current study, the authors have addressed only the role of corporate governance and international standards for accounting (IFRS/IAS) in reducing information asymmetry. There are many other factors like CSR, auditing processes, and effectiveness of HRM, etc., which may be effective in reducing information asymmetry. But these factors have no discussion here. The future researcher must consider the importance of these factors and make them part of their research. Second, the authors selected a qualitative approach to conduct the present research and performed a comprehensive literature review for this purpose. The research outcomes are just based on the authors' views from previous literature. There may be a lack of validity and reliability of results because of the absence of quantitative analysis. In future research, authors must collect quantitative data and pass it through quantitative analysis for valid and reliable results.

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