

# Chapter 9

## The Determinants of Stock Market Development in Emerging Economies: Examining the Impact of Corporate Governance and Regulatory Reforms (II)

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### **ABSTRACT**

*Results appear to confirm the theory that stock market liquidity impacts and influences the ability of the market to fully reflect information. The impact of the sizes and development of capital markets on users of financial information will also be considered in this chapter – as well as other factors which could have a possible impact on the value relevance of accounting information. So will the issue of Shadow Banking and recent financial regulatory reforms which embrace the Dodd Frank legislation – as well as Liikannen, Vickers, Volcker rules and reports.*

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## **INTRODUCTION**

Results appear to confirm the theory that stock market liquidity impacts and influences the ability of the market to fully reflect information. The impact of the sizes and development of capital markets on users of financial information will also be considered in this chapter – as well as other factors which could have a possible impact on the value relevance of accounting information. So will the issue of shadow banking and recent financial regulatory reforms.

As well as investigating these observations, this chapter is aimed at investigating the validity of Efficient Markets Hypothesis and Efficient Capital Markets Hypothesis in emerging economies – as contrasted with advanced market economies. In so doing, it aims to contribute to the extant literature on stock market liquidity and liquidity in capital markets. Results appear to confirm the theory that stock market liquidity impacts and influences the ability of the market to fully reflect information.

In line with the theme of the volume, the chapter will amongst other objectives, aim to contribute to the extant literature on whether capital markets in emerging markets economies, in particular, fully reflect information - hence demonstrating and highlighting the validity of the Efficient Markets Hypothesis (as well as the Efficient Capital Markets Hypothesis).

Other objectives of the chapter are as follows:

1. To investigate the extent to which accounting information can be relied upon based on given market values and whether a relationship or pattern can be established in certain jurisdictions based on given operating variables which function in such economies.
2. To demonstrate and highlight the validity of the Efficient Markets Hypothesis (as well as the Efficient Capital Markets Hypothesis)
3. To demonstrate how accounting information can serve as a useful and vital indicator which will enable investors to interpret financial information in such a way which mitigates information asymmetries between management and investors
4. To highlight those areas and factors which influence the quality of accounting information - and which must be addressed by markets if the audit is to achieve its intended aims and functions
5. To highlight whether accounting reforms undertaken in investigated jurisdictions achieved their desired goals of improving the quality of accounting information and if such reforms were not successful, to propose measures which could address the current issues being faced by such jurisdictions.

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