

# INFLUENCE OF INFORMATIONAL TRANSPARENCY ON THE COST OF CAPITAL AND OPERATIONAL EFFICIENCY OF RUSSIAN PUBLIC COMPANIES

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## Abstract

This article explores how informational transparency of Russian companies influences their cost of capital and operating efficiency. On the one hand, investors consider that companies with higher level of information disclosure are likely to solve agency problems and problems of adverse selection more efficiently. Nevertheless, due to high level of corruption and weak property rights protection in Russia, from the investors' point of view, transparent companies can be expropriated by the government and their R&Ds can be borrowed by competitors. That is why, an optimal level of transparency is chosen through the trade-off between benefits from investor confidence and costs of possible expropriation. The study employs a transparency index to measure informational transparency numerically. This transparency index is based on the internal specific information that can be derived from the stock prices. The index is estimated through panel data analysis. The sample for panel data analysis consists of 129 top Russian companies over 2009-2011. Companies from the sample represented four sectors: oil & gas industry, energy industry, metal industry and mechanical engineering industry. Information was retrieved from Bloomberg database. Regression analysis shows that high level of informational transparency has significant positive influence on the profitability (ROA) and significant negative influence on the cost of capital (WACC) as it was predicted in previous studies. Also, the analysis shows that companies in some industries cannot benefit from high level of informational transparency due to weak property rights protection and to the risk of external interference in their economic activity.

**JEL: G30**

**Key words:** informational transparency cost of capital, efficiency, estimation of transparency, synchronization rate, corporate governance quality.

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