ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

Board Structure and Corporate Risk-Taking Behavior: An Empirical Analysis

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Abstract

This paper explores how the board structure is associated with corporate risk-taking behavior of Chinese listed firms with an accounting view. The analysis is based on panel data of listed companies in Shanghai and Shenzhen Stock Exchange between 2012 and 2023 to test how these important board characteristics influence company risk-taking, such as board size, board independence, CEO duality, and board interlocks. The results show that there is a negative relationship between corporate risk-taking and board size as well as board independence, which implies that more effective monitoring mechanisms encourage risk-averse decision-making. Conversely, risk-taking has a positive relationship with CEO duality and board interlocks, which is an indication of the effect of managerial power concentration and external network resources. Moreover, the quality of accounting information is identified to moderate these relationships to a considerable degree by curbing excessive risk-taking due to a decrease in information asymmetry and the increase in transparency. The findings confirm the agency theory and the resource dependence theory and the significance of combining the governance and accounting systems. The current research has the potential to add to the body of knowledge by presenting evidence in a setting of an emerging market and offering feasible implications in the area of enhancing corporate governance and financial reporting practices. Keywords: Board Structure; Corporate Risk-Taking; Accounting; Information Quality; Corporate Governance.

Keywords

Board Structure, Corporate Risk-Taking, Accounting, Information Quality, Corporate Governance.

1. Introduction

In the accounting and finance research, corporate governance remains a major issue of interest, especially in the emerging markets like China. Board structure is one of the internal governance mechanisms that is predominant in influencing the corporate strategic decisions, such as risk-taking behavior. Risk-taking by business corporations is required to grow, innovate, and create value over the long term; nevertheless, too much or too little risk-taking can have a negative impact on financial stability and shareholder wealth. Accounting wise, risk-taking is highly correlated with the volatility of earnings, quality of financial reporting and efficient allocation of capital, thus it is a burning problem to researchers and practitioners.

Board structure - Board size, independence, leadership duality, and interlocking directorships are some of the characteristics that influence the risk-return balance in firms. The agency theory postulates that the risk-aversion of managers is because of career and compensation arrangements, and shareholders may desire more risk to maximize their returns. The board of directors is a monitoring and advisory institution to address agency conflicts and ensure that there is agreement between managerial decisions and shareholder interests. Nonetheless, the success of the board is highly reliant on the composition and structure.

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

The Chinese environment is a unique institutional setting, in. which the corporate governance mechanisms are run in a concentrated ownership, high state influence and a changing regulatory environment. State-owned enterprises (SOE) tend to have both economic and political goals, which undermine the conventional governance practices. In addition, the legal and market systems in China are not as well developed as they could be, which may hamper the effectiveness of external monitoring and, consequently, make internal governance structures, like the board of directors, that more significant.

Recent empirical research gives contradictory evidence of how board structure relates to corporate risk-taking in China. As an illustration, the bigger the boards the less the risk-taking is normally linked to it because of the inefficiency in the coordination and slow decision making [1, 2]. Evidence more recently has reinforced this relationship between these two variables to be negative and has also emphasized the moderating nature of institutional variables like social trust [1]. In contrast, board interlocks and advisory roles have been shown to promote corporate risk-taking by enhancing access to information and resources [3, 4]. Financially speaking, financial reporting quality and transparency mediate the connection between board structure and risk-taking. A quality accounting information decreases information asymmetry and allows investors to evaluate firm risk better.

Empirical evidence demonstrates that accounting disclosure quality in Chinese companies is higher with better corporate governance [5]. Recent studies also show that, when increased in the form of transparency e.g. ESG disclosure, corporate risk-taking can be significantly decreased by increasing monitoring of the corporation by outside parties [6]. Also, the emergent research underscores the influence of the wider governance and stakeholder mechanisms in risk behavior. An example is that ESG performance has been observed to adversely affect corporate risk-taking, especially in non-state companies, by enhancing transparency and accountability [6]. In the same way, the informal governance structures, including board hierarchy and internal control systems, may affect the firm performance and risk performance [7].

Although extensive literature is available, there is still insufficient research on integrating the board structure, accounting mechanisms, and corporate risk-taking in the Chinese setting. The research in most cases analyses the variables of governance or accounting separately and does not delve into the interaction between the two variables. Moreover, newly emerged trends of ESG practices and regulatory changes in China require new empirical research.

Thus, the aim of the current study is to present in-depth empirical research on the connection between board structure and corporate risk-taking behavior in China through the prism of accounting. In particular, it looks at the effect of board attributes on risk-taking and mediates the relationship between board attributes and accounting variables (financial reporting quality and transparency). This study adds to the literature on corporate governance and accounting as well as to the practical use of the research amongst policymakers and practitioners by bringing recent developments and institutional characteristics.

2. Literature Review

The association between board structure and corporate risk-taking has been a subject of extensive research in the corporate governance literature with the majority of the studies being based on the agency theory and to a lesser degree, the resource dependence theory. According to agency theory, there is a conflict of interest in the separation of ownership and control where managers are more likely to avoid risky projects to safeguard their own interests whereas shareholders would rather take risks that enhance value. In this regard the board of directors is a very important monitoring mechanism so as to align managerial activity to shareholder objectives. Meanwhile, resource dependence theory highlights the importance of the board in

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

its access to external resources, information as well as expertise that can support the strategic decision-making process and determine the propensity of firms to assume risks [2, 3].

In this context, the size of boards has been found to be a significant predictor of corporate risk-taking behavior. Larger boards tend to be more conservative in their decision making because of coordination challenges, inefficient communication, and slowness of the consensus building process. The empirical results of Chinese listed companies have continued to support this, with studies being uniform in terms of a negative correlation between board size and corporate risk-taking, with larger boards less likely to undertake high-risk activities [1, 2]. This finding is further supported by more recent data in the Chinese banking market that indicates that bigger boards have greater monitoring influences, and that they diminish risk-taking incentives [8]. Even though bigger boards can offer different expertise, the prevailing opinion in the literature is that inefficiencies of bigger boards overshadow these advantages in terms of risk-taking decisions.

Board independence is another significant factor of the board structure. Independent directors are supposed to improve the level of governance by offering an unbiased control and minimizing the agency issues. The impacts of board is that there is uncertainty with regard to independence on corporate risk-taking. Independent directors, on the one hand, can encourage prudent decision-making and prevent excessive risk due to reputational reasons. On the other hand, they may help the optimal risk-taking, in that they minimize managerial.

Conversely, they can facilitate the best risk-taking, in that they minimize managerial opportunism and enhance the quality of decision-making. Institutional constraints in the Chinese environment, including ineffective enforcement mechanisms and social relations, tend to inhibit the effectiveness of the independent directors in the Chinese context in order to affect corporate risk-taking [8]. Another important governance feature, which influences risk-taking behavior, is CEO duality, which is a mixture of the roles of CAO and the board chairperson. Under an agency view, CEO duality undermines monitoring by the boards and enables managers to have more influence over corporate decisions, which could result in risk-taking that are suboptimal. The empirical evidence indicates that the separation of these functions may improve the effectiveness of governance and result in more balanced decisions on risk-taking. The effect of CEO duality in China, however, depends on the ownership structure and government intervention and thus its effect is context-dependent [8].

In addition to internal board attributes, board interlocks have attracted growing literature in the recent past. Board interlocks are whereby directors sit in two or more boards, which form networks that enable information and resources to pass. A resource dependence viewpoint would also suggest that such networks would increase accessibility of external knowledge to firms and minimize uncertainty, which will promote risk-taking. Empirical research in China suggests that interlocks of the board are a strong predictor of corporate risk-taking, especially in sectors where competition is high and there is external uncertainty [3].

This means that there is interlocking directors play an important role in facilitating strategic decision making and innovation. Besides the monitoring role that they play, boards also execute an advisory role which can impact risk-taking in companies. Highly specialized directors who are highly specialized as well as experienced can provide extremely helpful suggestions to the management particularly in probably irritable and complex surroundings. The advisory position of boards was observed to have a positive correlation with corporate risk-taking and future firm. evidence of performance of Chinese firms [4]. This observation underscores the need to consider both the monitoring and advisory functions of the board in the analysis of the outcomes of corporate governance. Nevertheless, the advisory position can have different effectiveness depending on the firms, particularly in state-owned companies where the role of the board can be restricted by the governmental intervention. Financially, corporate risk-taking can be strongly associated with quality of financial reporting, disclosure and transparency.

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

Quality accounting information lessens information asymmetry among managers and investors and thus, facilitates more effective monitoring and decision making. Board structure is one of the mechanisms of corporate governance, which is essential in ensuring quality of accounting information.

Empirical studies indicate that, better governance structures relate to better quality of financial disclosure in Chinese companies [5]. Recent research also highlights the importance of transparency and ESG performance as a determinant of corporate risk-taking behavior. Companies that have a better ESG performance are also likely to take less risk because better disclosure increases the monitoring of stakeholders and decreases information asymmetry [6]. Moreover, informal rules of governance, e.g., board hierarchy and internal control systems, have been demonstrated to enhance the performance of firms and to lower agency costs, thus indirectly affecting corporate risk-taking [7].

Generally, the available literature shows that the board structure is important in influencing corporate risk-taking behavior, but the direction and the extent of relationship is influenced by certain governance features and institutional settings. This relationship is further complicated in China by such peculiarities as the state ownership, regulatory environment, and the changing practices of governance. Even with the existing level of empirical studies, additional more integrated research that integrates both the governance and accounting views are still needed to understand the processes by which a board structure affects corporate risk-taking.

3. Research Methodology

3.1. Hypotheses Development

This paper analyzes the correlation between the board structure and corporate risk-taking behavior in the setting of Chinese listed companies. Based on the agency theory and resource dependence theory, the board qualities are likely to affect the managerial decision-making process in both monitoring and advisory functions. Board size is significant in the effectiveness of governance. The bigger boards have the problem of coordination and communication that limit their capability to make prompt and daring decisions. Because of this, companies that have bigger boards are more apt to make conservative decisions and reduced risk-taking [1, 2].

H1: There is a negative relationship between board size and corporate risk-taking.

Board independence is an indicator of the board monitoring ability. As a result of independent directors, the agency conflicts are expected to be minimized and the excessive risk-taking is also limited. Independent directors in the Chinese context can also be more conservative and this minimizes risk exposure of the firm [8].

H2: Board independence is negatively related to corporate risk-taking.

CEO duality of CEO-board chair results in the concentration of power and enhanced monitoring. This gives more freedom to managers in making decisions, which may result in a higher risk-taking behavior.

H3: There is a positive correlation between CEO duality and corporate risk-taking

Board interlocks avail firms to external resources, information, and networks. These networks minimize the level of uncertainty as well as embolden firms to take on riskier projects that may be profitable [3].

H4: Board interlocks have a positive relationship with corporate risk-taking.

Accounting wise, the quality of financial reporting increases the transparency and decreases information asymmetry. Good accounting information enhances the extent of external checks and limits of taking excessive risks [5, 6].

H5: Accounting information quality negatively moderates the relationship between board size and corporate risk-taking.

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

This study proposes a conceptual framework (figure 1) in which board structure influences corporate risk-taking, while accounting information quality acts as a moderating variable.

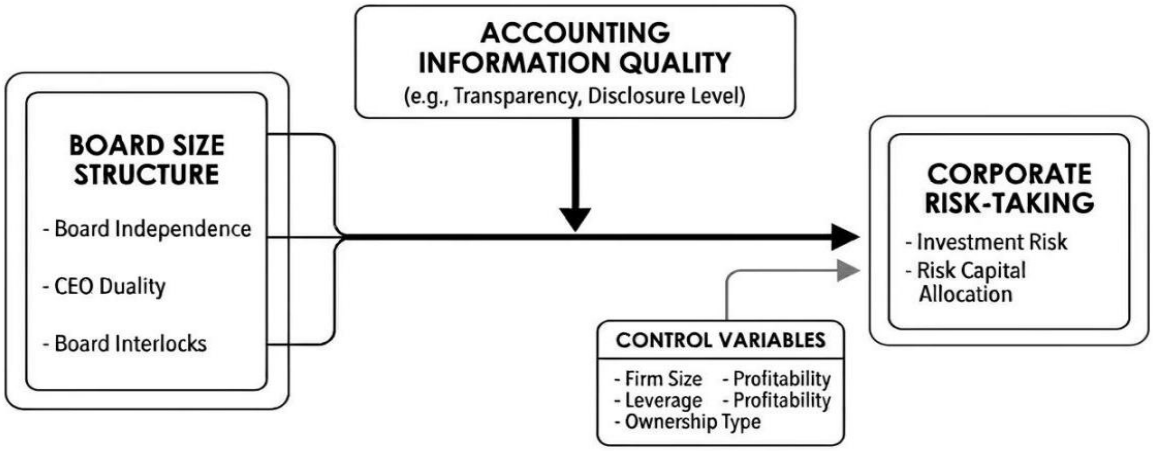


Figure 1. Conceptual Model

3.2. Data and Variables

3.2.1. Data Source and Sample

In this research, secondary data will be used to analyse Chinese A-share listed companies in the Shanghai Stock Exchange [9] and Shenzhen Stock Exchange [10] between 2012 and 2023. These are the two major stock markets in China and are the main financial disclosure and governance reporting platforms of corporations.

The financial and governance data of firms are also acquired at the company level, using the well-known databases, such as the China Stock Market & Accounting Research (CSMAR) [11] and the WIND database [12]. These databases are built upon official company reports, disclosures and annual reports, such that they are reliable and consistent in the context of empirical research. These sources contain publicly available firm-level data, such as financial reports, governance reports, and regulatory reports, that are consistently applied in accounting and finance studies of Chinese firms.

The sample consists of non-financial companies listed on these exchanges, but such financial institutions are not included since they have a different regulatory environment and risk profile. Companies whose data is missing and those considered financially distressed (ST/*ST) are eliminated. Also, all the continuous variables are winsorized at 1 st percentile and the 99th percentile to reduce the effect of outliers

3.2.2. Variable Measurement

The accounting-based measures that measure corporate risk-taking (RISK) are used to measure variability in firm performance. In line with previous literature, risk taking is proxied by earnings volatility, which is standard deviation of return on assets (ROA) within a given period of time. This measure reflects fluctuations in profitability and is widely used to assess firm risk behavior [1]. In order to be robust, other measures can be employed like leverage (total liabilities / total assets) and investment volatility as well.

Board size (BS) is an indicator that quantifies the number of directors on the board. This variable demonstrates the magnitude of governance framework and its power of decision-making effectiveness. The bigger boards are likely to be watched more and make less flexible decisions regarding risks [2].

Board independence (BI) is a measure of the percentage of independent directors within the board. These variable measures the capacity of the board to offer objective oversight and minimize agency conflicts. According to previous research, increased risk-taking caution has been related to an increase in board independence [8].

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

CEO duality (CD) is a dummy variable which is 1 when the CEO is also the chairperson of the board and 0 when not. This variable is the concentration of managerial power and its possible impact on the effectiveness of governance.

Board interlocks (BIC) are calculated by the amount or percentage of directors serving on two or more boards. This variable represents the degree of board networks and access to outside information and resources, which may affect corporate risk-taking [3].

Accounting information quality (AIQ) is used as a moderating variable and measured through two dimensions: (1) earnings quality and (2) financial transparency. In this study, AIQ is constructed as a positively coded quality measure rather than an indicator of accounting information complexity or redundancy. The absolute value of discretionary accruals is first used to capture earnings management and then reverse-coded, so that a higher AIQ value indicates lower earnings management and higher accounting information quality.

Financial transparency is captured through disclosure quality in firms' financial reports, consistent with evidence from Chinese listed firms [5]. Higher reporting quality and transparency reduce information asymmetry, strengthen external monitoring, and may constrain excessive corporate risk-taking, consistent with prior evidence on transparency and risk-taking [6].

Table 1. Variable Definitions

Variable	Measurement	Description
RISK	Std. deviation of ROA	Measures corporate risk-taking using earnings volatility
BS (Board Size)	Total number of directors	Captures size of the board and governance capacity
BI (Board Independence)	Independent directors / total directors	Measures proportion of independent directors
CD (CEO Duality)	Dummy (1 = CEO is also Chairman; 0 otherwise)	Captures concentration of managerial power
BIC (Board Interlocks)	Number/proportion of directors with multiple board seats	Reflects board network connections
AIQ (Accounting Information Quality)	Reverse-coded discretionary accruals / disclosure quality	Measures positively coded financial reporting quality and transparency
SIZE	ln(Total Assets)	Controls for firm size
LEV	Total liabilities / total assets	Measures financial leverage
ROA	Net income / total assets	Measures firm profitability
SOE	Dummy (1 = State-owned enterprise; 0 otherwise)	Captures ownership structure

There are control variables that are used to capture firm-specific characteristics. The size of Firm (SIZE) is computed as the natural logarithm of total assets, which reflects the size of the firm. The financial risk exposure is measured by the leverage (LEV) of the company as a ratio of total liabilities to total assets. Profitability (ROA) is calculated as the net income/total assets which shows the performance of a firm. As a dummy variable, ownership type (SOE) is 1 in the case of state-owned enterprises and 0 in the case of non-state-owned enterprises, which reflects the impact of government ownership on corporate behavior.

3.3. Model Specification

This study uses panel regression models to examine the relationship between board structure and corporate risk-taking. Corporate risk-taking is measured by earnings volatility, calculated as the standard deviation of return on assets (ROA):

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

$$RISK_{it} = SD(ROA_{it})$$

Where $RISK_{it}$ denotes the risk-taking level of firm i in year t.
The baseline model is specified as follows:

$$RISK_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 CD_{it} + \beta_4 BIC_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \beta_7 ROA_{it} + \beta_8 SOE_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

To test the moderating effect of accounting information quality on the relationship between board size and corporate risk-taking, the interaction model is estimated as follows:

$$RISK_{it} = \beta_0 + \beta_1 \mathrm{BS}_{it} + \beta_2 \mathrm{BI}_{it} + \beta_3 \mathrm{CD}_{it} + \beta_4 \mathrm{BIC}_{it} + \beta_5 \mathrm{AIQ}_{it} + \beta_6 (\mathrm{BS}_{it} \times \mathrm{AIQ}_{it}) + \beta_7 \mathrm{SIZE}_{it} + \beta_8 \mathrm{LEV}_{it} + \beta_9 \mathrm{ROA}_{it} + \beta_{10} \mathrm{SOE}_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Where BS, BI, CD, and BIC represent board size, board independence, CEO duality, and board interlocks, respectively. AIQ denotes accounting information quality, while SIZE, LEV, ROA, and SOE are control variables. The interaction term $\mathrm{BS}_{it} \times \mathrm{AIQ}_{it}$ tests the moderating effect of accounting information quality. Firm fixed effects μ_i year fixed effects λ_t, and the error term ε_{it} are included in the model, while the fixed-effects or random-effects specification is selected based on the Hausman test.

4. Analysis and Discussion

This section presents the empirical findings of the study and discusses their implications in relation to the proposed hypotheses. The analysis is conducted using panel data techniques to examine the impact of board structure on corporate risk-taking among Chinese listed firms. The section begins with descriptive statistics and correlation analysis to provide an overview of the data, followed by regression analysis to test the hypotheses. Finally, the results are discussed in light of theoretical expectations and prior empirical findings.

4.1. Descriptive Statistics

Before conducting the main empirical analysis, descriptive statistics are examined to understand the basic characteristics and distribution of the variables used in this study (Table 2).

Table 2. Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
RISK	0.085	0.042	0.010	0.210
BS	8.756	2.134	5	15
BI	0.372	0.098	0.200	0.600
CD	0.421	0.494	0	1
BIC	1.865	1.122	0	5
AIQ	0.067	0.031	0.010	0.150
SIZE	22.541	1.384	19.200	26.800
LEV	0.451	0.210	0.050	0.890
ROA	0.063	0.045	-0.120	0.180

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

The table 2 displays the descriptive statistics that give valuable information about the distribution and nature of the variables utilized in this research. The average corporate risk-taking (RISK) is 0.085 with a standard deviation of 0.042, which means that the risk behavior of firms varies moderately among the sample. The lowest and the highest values (0.010 and 0.210, respectively) also indicate that some companies follow very conservative policies, and others are involved in rather risky processes. The average value of board size (BS) is 8.756, and the standard deviation is 2.134, which means that the majority of the firms have boards of 7-11. The 5-15 directors range implies that there are differences in the governance structure of firms. The mean of board independence (BI) is 0.372, meaning that the proportion of independent directors on the board is around 37.2 on average, which is in line with the regulatory provisions in China. The standard deviation (0.098) is relatively low, which means that there is not much variation among firms. The mean of CEO duality (CD) is 0.421, which indicates that about 42.1 percent of companies integrate CEO and board chairperson roles. This means that concentration in leadership is still prevalent among Chinese companies. The mean and standard deviation of the board interlocks (BIC) are 1.865 and 1.122, respectively, indicating that on average, companies have around two directors working in several board positions, meaning that they have different degrees of external network ties. The accounting information quality (AIQ) is 0.067 with a range of 0.010 to 0.150, which means that there is a variation in the quality and transparency of financial reporting among firms. The control variables include firm size (SIZE), which has a mean of 22.541, indicating that it is made up of a population that is mainly made of medium to large firms. The mean leverage (LEV) is 0.451, which implies that companies use debt financing moderately, whereas the average profitability (ROA) is 0.063, which is a generally positive performance of firms. In general, these statistics indicate that the dataset is varied enough in terms of major variables, which allows considering it suitable to continue to be empirically analyzed.

4.2. Correlation Analysis

Table 3 presents the correlation matrix, which offers some initial evidence on the. correlations among variables of board structure and corporate risk-taking.

Table 3. Correlation Analysis

Variable	RISK	BS	BI	CD	BIC	AIQ	SIZE	LEV	ROA
BS	1								
BI	-0.215*	1							
CD	-0.184*	0.102	1						
BIC	0.162*	-0.085	-0.091	1					
AIQ	0.198*	0.145	0.067	0.121	1				
BS × AIQ	-0.226*	0.054	0.133	-0.072	0.081	1			
SIZE	-0.140*	0.301*	0.120	-0.055	0.210*	0.098	1		
LEV	0.287*	0.115	0.089	0.102	0.140	-.165*	0.250*	1	
ROA	-0.198*	-0.072	0.055	-0.031	-0.066	0.210*	0.180*	-0.310*	1

Note: *Significant at 5%

Table 3 shows that board size (BS) is negatively correlated with corporate risk taking ($r = -0.215$, $p < 0.05$), meaning that bigger companies in terms of board size are less likely to be engaged in corporate risk taking so have lower levels of risk-taking. This result is in line with the hypothesis that larger boards tend to be more conservative due to problems of coordination. This is also true of the board independence (BI) factor which is negatively related to the risk-taking ($r = -0.184$, $p < 0.05$), which means that the larger the percentage of independent

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

directors, the smaller is the risk of a company. This reinforces the notion that independent directors have a beneficial impact on monitoring and more cautious decision-making.

Conversely, CEO duality (CD) has a positive relationship with corporate risk-taking ($r = 0.162$, $p < 0.05$), which means that companies with hybrid forms of leadership are positively correlated with corporate risk-taking, were inclined to take more risks. This implies that the concentration of power can enhance discretion and risk taking by managers. There is also a positive relationship between risk-taking and board interlocks (BIC) ($r = 0.198$, $p < 0.05$), meaning that the firms that have a higher number of interlocking directors are more likely to make risky activities. This can be indicative of the advantages of external networks to access information and resources that promote strategic risk-taking. Corporate risk taking is associated with accounting information quality (AIQ) in a negative way ($r = -0.226$, $p < 0.05$) which shows that the greater the transparency and the better the financial. There are lower risk levels with reporting. This brings out the importance of accounting, quality in minimizing uncertainty and limiting the over-taking of risk.

Leverage (LEV) is one of the control variables that has a positive and rather high value, is correlated with risk-taking ($r = 0.287$, $p < 0.05$), indicating that more highly leveraged firms tend to engage in higher risk. On the other hand, is negatively correlated with risk-taking ($r = -0.198$, $p < 0.05$), indicating that more profitable firms may adopt more stable and less risky strategies.

Importantly, the correlation coefficients among independent variables are generally below 0.70, indicating that multicollinearity is not a serious concern and that the variables can be included simultaneously in the regression analysis.

4.3. Regression Analysis

A regression analysis (Table 4) to test the effect of board structure on corporate risk-taking and adjusting firm-specific traits is done. The moderating effect of the accounting information quality is also tested with the help of interaction terms.

Table 4. Regression Analysis

Variable	Model 1 (Baseline)	Model 2 (With AIQ)
BS	-0.012***	-0.010**
BI	-0.085**	-0.072**
CD	0.018**	0.016**
BIC	0.021***	0.019***
AIQ	—	-0.093***
BS × AIQ	—	-0.015**
SIZE	-0.006	-0.005
LEV	0.142***	0.138***
ROA	-0.118***	-0.110***
Constant	0.215***	0.198***
R^2	0.312	0.368
Observations	3,200	3,200

Note: *** p<0.01, ** p<0.05

4.4. Discussion of the Result

The results of the empirical research are very supportive to the theoretical arguments presented in this study. In general, the findings support the fact that the board structure is important in influencing corporate risk-taking behavior in Chinese companies.

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

First, the negative and significant correlation between the size of the board and risk-taking of the corporation implies that bigger boards are more conservative in their strategies. This can be attributed to the difficulty in coordination and slower decision processes in larger boards which limit them to approving high risk projects. In agency terms, the bigger boards, the more they improve the monitoring, thus restricting the discretion of managers to reduce risk-taking behaviors. This result aligns with the previous empirical data and indicates that board efficiency is a crucial aspect of governance.

Second, the independence of boards has been observed to adversely affect corporate risk-taking implying that independent directors are associated with more conservative decision-making. This finding helps the argument that independent directors enhance monitoring, and minimize agency conflicts. The Chinese situation can also be more conservative because independent directors can be more risk-averse because of reputational risk and regulatory risk, which reinforces conservative strategies. This conclusion highlights the importance of external control to enhance governance quality.

Third, the relationship between CEO duality and corporate risk-taking is positive and significant; that is, the more leadership power is concentrated, the more discretion in the management. Combining the positions of CEO and chairperson undermines the ability of the board to effectively supervise the management, enabling managers to take more risky strategies. This observation is compatible with the agency theory and illustrates the dangers of governance in terms of power concentration.

Fourth, there is a positive relationship between board interlocks and corporate risk-taking, which means that the higher the network of a company, the more it is likely to take risky actions. This is in line with the resource dependence viewpoint, which implies that interlocking directors avail access to external information, resources and opportunities. These ties lessen the uncertainty and allow firms to take more innovative and risky projects. This observation promotes the dualism of boards as monitors and resource providers.

Lastly, the accounting quality of information as a moderating factor offers valuable insights to the accounting aspect. The findings demonstrate that, the greater the accounting quality the less the corporate risk-taking and the lesser the relationship between the board structure and risk. This implies that better financial reporting will lead to greater transparency and lesser information asymmetry thus enhancing external monitoring mechanisms. Consequently, high-quality accounting information serves as a restraint even in the case of a situation where a governance structure can be used to promote risk-taking, leading to more balanced decision-making.

All in all, these results indicate that the mechanisms of governance, along with the accounting practices, have a joint impact on corporate risk-taking behavior. The internal governance mechanisms, including the board structure and accounting transparency, are particularly important in the Chinese institutional environment, which is marked by a high level of concentrated ownership and the development of regulatory frameworks. The table 5 below is a summary of the hypothesis testing outcomes using the regression analysis.

Table 5. Hypothesis Results

Hypothesis	Statement	Result
H1	Board size negatively affects risk-taking	Supported
H2	Board independence negatively affects risk-taking	Supported
H3	CEO duality positively affects risk-taking	Supported
H4	Board interlocks positively affect risk-taking	Supported
H5	Accounting quality negatively moderates relationship	Supported

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

5. Conclusion

This paper gives detailed empirical evidence on the correlation between corporate risk-taking behavior and board structure of Chinese listed companies based on an accounting point of view. The study explores the effect of major board attributes on corporate risk-taking and the quality of accounting information on this relationship in the distinctive institutional setting of China using panel data of publicly traded companies on the Shanghai and Shenzhen Stock Exchanges between the year 2012 and 2023.

Results show that board structure is an important factor that contributes to the risk-taking behavior of firms. In particular, board size and board independence are observed to have negative relationship with corporate risk-taking, and this implies that the more effective monitoring is, the more conservative and controlled is the choice made. Conversely, the relationship between CEO duality and board interlocks on the one hand and risk-taking on the other is positive, which points to the fact that the concentration of power and access to external networks promote firms to undertake risky projects.

These findings confirm the agency theory and the resource dependence theory, where boards have a dual responsibility of monitoring and providing strategic resources. Notably, accounting viewpoint has been integrated in this study as the study will explore the contribution of accounting information quality. The findings indicate that the quality of financial reporting and financial transparency are important in moderating the board structure and corporate risk-taking connection.

The quality of higher accounting information has the potential to decrease information asymmetry, enhance the quality of external monitoring and decrease the effects of governance mechanisms that would otherwise give the incentive to take extreme risks. This observation brings out the highlight of essential nature of accounting systems in influencing corporate actions and providing a balanced decision-making.

This study combines the corporate governance and accounting points of view, adds to the literature body in a number of different ways. First, it builds on previous studies by offering extensive empirical data of China, which is an emerging market with specific institutional features like concentrated ownership and well-established. government influence. Second, it emphasizes the significance of taking accounting into consideration. Key processes by which corporate is influenced by governance structures outcomes. Third, it offers a more holistic view of how internal governance and financial reporting have a combined effect on firm-level risk behavior

Practically speaking, there are some significant implications to the findings. Board structures of firms should be well planned to ensure an optimum balance between strategic flexibility and monitoring. Although larger and more independent boards can minimise too much risk-taking, over-constraining governance can hamper innovation and growth opportunities. Thus, the effective composition of the board is achieved. Also, the chairperson and CEO positions should be separated to promote the same; enhance governance and lessen the risks of power concentration. Firms should also be able to take advantage of board interlocks, which can be found in external networks of great value and knowledge, yet should be handled with caution not to be over used risk exposure.

Above all, the study emphasizes the necessity to enhance accounting information. quality and transparency. The regulation and policymakers must keep on strengthening financial reporting standards and disclosure requirements to increase market discipline and decrease information asymmetry. Not only does high-quality accounting information have quality, enhances investor confidence and is also an important way of controlling corporate risk-taking.

ISSN: 3080-9843 (Print), ISSN: 3080-9851 (Online)

Lastly, policymakers ought to be given the institutional circumstances that are specific to China taking into account firm-specific attributes, e.g., ownership structure, in design governance frameworks. Enhancing both corporate governance mechanisms as well as transparency in accounting will be necessary to encourage sustainable economic growth and lessening systemic risk.

Although it has contributions, this study is limited in some aspects. Future research may identify more aspects of governance, add other indicators of risk-taking, or make comparative studies in the settings of various institutions in order to improve further understanding in this area.

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