

Effects of Asymmetric Information, Transaction Cost, and CAR including Transparency to Corporate Governance and Water Crisis: The case of South African Water Boards

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Abstract— The purpose of this study is to investigate the effects of asymmetric information, transaction costs, and CAR including transparency to corporate governance and the water crisis. This study employed a quantitative approach to collect primary data from former board members from the water boards, former ward councillors, the former Mayoral Executive Committee on water and sanitation, and ward committee members. The participants were selected because they were found to be relevant to provide data that is specific and high quality to the research questions. Through the implementation of a transparent data collection procedure, data cleaning, profiling, and routine auditing, the information gathered from the participants was verified. To test the research hypothesis, this study used the structural equation model. A goodness of fit index test was performed, and since the GFI value is 1,000, the model fits the saturated structural equation model well. The results of this research indicated that transaction cost, asymmetric information, and CAR, including transparency variables, had a positive relationship with corporate governance. Asymmetric information variables have an indirect relationship with the water crisis through corporate governance. Corporate governance variables have a significant relationship to water crisis variables based on different governance situations. The recommendations provided in this study are based on the SEM results, especially from the determinants of good corporate governance practices. Asymmetric information gave rise to opportunistic behaviours, which cause principal-agency problems and imperfect information flow, which cause corruption. In a similar vein, personnel who lack discipline and are dishonest encourage others to participate in unscrupulous practices. This paper's managerial implication is that it showed how asymmetric knowledge, transaction costs, and CAR negatively affect the Water Boards' governance processes. Knowing how asymmetric knowledge, transaction costs, CAR on corporate governance, and the water problem are related would encourage conversation with broad implications for water institutions. Overall, the results can raise awareness among Water Board management about possible governance issues and the benefits of sound corporate governance in the community's bulk water distribution.

Keywords— Corporate Governance, Asymmetric Information, Transaction Cost, CAR Including Transparency, Water Crisis

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