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**RELATED PARTY TRANSACTIONS AND
STOCK PRICE CRASH RISK: EVIDENCE
FROM INDIA**

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Related Party Transactions and Stock Price Crash Risk: Evidence from India

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Abstract

Related Party Transactions disclosures in Annual Reports have recently gained more attention of the Indian policymakers. This paper aims at finding out the effect of related party transactions disclosure on the stock price crash risk faced by the firms. Using a large sample of all the NSE listed firms for the period 2005-2012 this study provides evidence that related party disclosure decreases the stock price crash risk faced by the firms. This study is consistent with the view that information asymmetry increases crash risk. Related party transactions disclosure decreases information asymmetry in the market and thus reduces stock price crash risk. Moreover the study shows that the effect of disclosure about related party transactions is significantly more for higher risk firms.

Keywords: *Related party transactions, Stock price crash risk, Ownership structure, India*

JEL Codes: *G12; G14; G32*