

Financial Transparency and Governance Mechanisms as Determinants of Growth in Early-Stage Venture Capital-Backed Firms

Dr. Jaishu M. Antony^{1*}

^{1*}Department Chair, Associate Professor, Department of Finance and Accounting, College of Business, City University Ajman, Ajman, United Arab Emirates. E-mail: j.antony@cu.ac.ae

Received: 17.12.2025; Revised: 28.01.2026; Accepted: 18.02.2026; Published: 25.03.2026

Abstract

This paper explores the relationship between financial transparency and Governance Mechanisms as determinants of growth in early-stage venture capital-backed corporations. It seeks to test the direct and the moderating impact of the governance structures on the relationship between transparency and firm growth. The quantitative, cross-sectional research design was chosen. The survey that was used to collect data was structured and covered early-stage venture capital-backed firms. Multi-item Likert scales were used to measure the constructs. The proposed hypotheses were tested using regression analysis and moderation analysis. The findings indicate that Financial Transparency has a significant effect on Firm Growth ($\beta = 0.41$, $p < 0.001$), and Governance Mechanisms also have a significant and positive effect on Firm Growth ($\beta = 0.36$, $p = 0.001$). Financial Transparency is also increased by the Governance Mechanisms ($\beta = 0.45$, $p < 0.001$). Moderation analysis supports the fact that Governance Mechanisms enhance the association between Financial Transparency and Firm Growth ($\beta = 0.18$, $p = 0.022$) and enrich the predictive power of the model by 51% ($R^2 = 0.51$). These results confirm the combined model and indicate the supplementary influence of governance and transparency in prompting the growth of firms. It is suggested in the study that firms at the initial stage are supposed to formalize the institutionalization of structured systems of governance with a quality of financial reporting practices to improve the growth results. Venture capital investors are further motivated to provide an active role in governance in order to achieve as much as possible performance returns through transparency. The study is an addition to the entrepreneurial finance and governance literature as it combines transparency and governance into a single empirical model and shows how they interact in terms of growth in venture capital-backed companies.

Keywords

Financial Transparency, Governance Mechanisms, Venture Capital, Firm Growth, Moderation Effect, Corporate Governance, Early-Stage Firms.

I. Introduction

The venture capital ecosystem is vital in the aspects of innovation, entrepreneurship, and economic development. The early-stage companies have been characterized by high uncertainty, limited operational track record, and lack of financial constraint; thus, conventional bank financing is not available (Rowen & Chen, 2025). The solution to this financing gap is venture capital (VC) firms that not only supply capital but also strategic direction and monitoring, as well as governance (Lang & Wirtz, 2022). During the last ten years, venture capital activity has increased both in developed economies and in emerging ones, resulting in the rapid growth of technology-based and knowledge-intensive businesses (Ed-Dafali & Bouzahir, 2022). Nevertheless, although venture capital financing can hasten the growth potential, this comes with complicated governance structures and increased demands of financial responsibility (Omowumi & Roszkowska, 2025).

Financial transparency can be defined as the comprehension, dependability, and completeness of financial reporting and disclosure in a company. Transparency is especially significant in early-stage firms that are VC-backed because of information asymmetry between founders and investors (Svetek, 2022; Wang & Tan, 2025). Because most startups generally do not have any

track record of performance, investors are largely dependent on open financial reports to assess the efficiency of operation, revenues, burn rates, and sustainability. Transparency is high, which minimizes agency conflicts, provides greater investor confidence, and facilitates access to follow-on funding rounds. On the other hand, poor disclosure practices can result in a lack of trust, misplacement of capital, and limited expansion opportunities.

The governance systems of venture capital-financed companies are usually not similar to those of established companies (Shen et al., 2025; Cumming et al., 2023). Venture capitalists commonly receive the ability to give, the ability to vote, protective clauses, and supervision (Kato & Chiloane-Tsoka, 2024; Shao et al., 2023). These governance instruments aim at harmonizing managerial decisions and investor interests and bringing in disciplined financial management. The standard mechanisms include the board composition, independent directors, audit control, performance-related incentives, and rights over the contract. Good governance systems not only reduce the chances of opportunistic behavior but also offer strategic resources, networks, and managerial skills that increase the performance of firms. Therefore, VC-backed firms have both monitoring and value-creation roles with respect to governance.

The primary objectives of this study are:

1. To examine the financial transparency and its effect on the growth of early-stage venture capital-backed firms.
2. To analyze the role of governing mechanisms on the development of firms.
3. To examine the connection between financial transparency and governance mechanisms.
4. To establish the existence of a moderating effect of the relationship between financial transparency and firm growth by governance mechanisms.

The rest of the paper is structured in the following way. Section II will give the literature review and theoretical underpinning of the study. In Section III, the research hypotheses and the conceptual framework are formulated. Section IV presents the research methodology, which includes the data collection and measurement of variables. The empirical results and hypothesis testing are reported in Section V. The findings and implications are addressed in Section VI. Lastly, Section VII is the conclusion of the study that summarizes the main results and outlines the implications of the study to the current literature.

II. Literature Review

Agency Theory, Stewardship Theory, and the Resource-Based View can be used to explain the relationship between the financial transparency, the governance mechanisms, and the growth of firms in venture capital-backed environments (Lin, 2022; Benkraiem et al., 2023). The theories offer a framework for the effect of the structure of governance and disclosure practices on the performance of an organization. The Agency Theory points to the issue of conflict between founders (agents) and investors (principals), which is caused by information asymmetry. Board oversight and investor monitoring governance mechanisms reduce the agency costs in VC-backed corporations. Accountability and alignment of managerial activities with the interests of investors are also promoted by financial transparency, which helps the companies grow. The Stewardship Theory is based on the assumption that managers should be driven to do things in the best interest of the organization. Open reporting builds a sense of trust between founders and venture capitalists, which allows them to agree on decisions and strategic alignment (Filatotchev & Bellavitis, 2025; Xu et al., 2020). Innovative and long-term growth can thus be improved with the help of supportive governance structures. The Resource-Based View postulates that valuable internal resources will bring about competitive advantage. Strategic assets can be considered to be governance mechanisms and reporting systems that are transparent. The presence of venture capital offers skills, contacts, and strategic knowledge that reinforce the capacity of the firm and growth opportunities (Fazekas & Becsky-Nagy, 2021; Kato, 2025).

Financial transparency is used to indicate the degree to which firms disclose accurate, timely, and full financial information to the stakeholders. Transparency is important in lower-stage companies in reducing uncertainty and enhancing investor confidence. A clear disclosure will allow for more effective monitoring of cash flows, burn rates, revenue growth, and efficiency of

operations. Research indicates that more transparent companies have a lower cost of capital, better access to financing, and better growth of their valuation. The concept of transparency is also indicative of managerial competence and perceived risk of investment in the venture capital scenario (Mašek & Plaček, 2024; Shuwaikh et al., 2025). Therefore, financial transparency has a positive relationship with growth-related parameters, including revenue growth, employee growth, and follow-on financing round success.

VC-backed firms do not have their governance in the traditional corporate governance setup. The venture capitalists are usually granted board representation, voting rights, protection clauses, staged financing rights, and performance monitoring authority (Kronberger et al., 2026). These mechanisms provide control of finances and strategy. Good governance is facilitated by board composition, independent directors, audit committees, and well-developed reporting structures. Studies have shown that effective VC monitoring enhances efficiency in operations, strategic clarity, and financial discipline. Additionally, the system of governance can indirectly improve growth through improving transparency and decreasing opportunism in management. In this way, governance mechanisms undertake a monitoring and a value-creation role in early-stage firms.

Empirical results of the developed markets show that good governance structures and transparency in reporting are positively correlated with the firm valuation and growth performance. Research in the European markets and the United States underscores the importance of independence of board and investor oversight in enhancing survival rates of startups and the success of funding. The results of new markets, however, are mixed. The effectiveness of the governance mechanisms is usually undermined by institutional weaknesses, regulatory gaps, and low disclosure standards. Informal relationships and concentrated ownership structures have an impact on the outcome of governance in a given context. As a result, the relationship between transparency, governance, and growth might vary between institutional settings and, thus, require context-specific research.

Current studies mainly focus on the financial transparency and governance mechanism separately, but not on the synergy of the two mechanisms on the growth of the firm at the early stages. Also, there is a paucity of empirical research examining the impact of governance mechanisms on transparency and the common role of both in determining the outcomes of growth, especially in emerging economies. Consequently, it is evident that there is a necessity to have a comprehensive framework that assesses both the immediate and interactive impacts of financial transparency and governance systems on the growth of a company. By filling this gap, the current study gives a better appreciation of the most important performance determinants in the venture capital-backed firms (Putrevu et al., 2025).

III. Conceptual Framework and Hypotheses Development

Conceptual Model

This study's conceptual framework incorporates financial transparency and governance mechanisms as two factors that determine growth in early-stage venture capital-backed corporations. Based on the Agency Theory, Stewardship Theory, and the Resource-Based View, the model suggests that financial transparency has a direct positive effect on improving the growth of the firm by alleviating information asymmetry and improving investor trust. The governance systems, such as the board management, interest group monitoring, and the systemic reporting measures, are supposed to directly affect the growth of firms through the enhancement of strategic decisions and discipline in operations. Also, it has suggested governance systems that will act as a financial transparency by having appropriate monitoring and disclosure controls. Moreover, the governance mechanisms can reinforce the favorable correlation between financial transparency and firm growth because transparent financial information can be used efficiently to achieve strategic expansion and performance enhancement.

Figure 1 is a conceptual model that looks at the direct and indirect impact of the governance mechanisms and financial transparency on the growth of early-stage venture capital-backed firms. The model also combines the agency and resource-based views, where a governance mechanism is viewed as a direct factor to firm growth and a moderator that enhances the association between transparency and growth.

Financial Transparency and Governance Mechanisms as Determinants of Growth in Early-Stage Venture Capital-Backed Firms

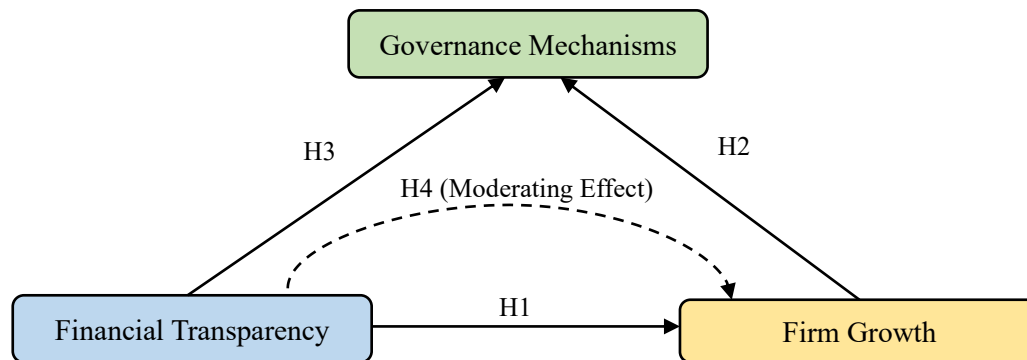


Figure 1. Conceptual framework

Development of Hypotheses

Financial disclosure minimizes uncertainty and agency problems in startup companies. Clear reporting of finances adds to the investor confidence, better access to follow-on funding, and effective resource allocation. Companies that have increased transparency levels will consequently enjoy greater growth results.

H1: *Financial transparency positively influences firm growth.*

Representation of boards, independent oversight, and monitoring of the investors are governance mechanisms that enhance accountability of managers and alignment of strategies. Good governance improves the efficiency of operation and sustainable scaling.

H2: *Governance mechanisms positively influence firm growth.*

Reporting systems and disclosure standards are some of the requirements stipulated by governance structures. Venture capitalists will promote discipline in financial management and improved reporting accuracy as they are actively involved.

H3: *Governance mechanisms positively influence financial transparency.*

Finally, the governance systems can be used to enhance the effects of transparency on growth by making sure that the published financial data is well monitored and used strategically. The transparency in the firm with good governance has more chances of converting into better performance results.

H4: *Governance mechanisms moderate the relationship between financial transparency and firm growth.*

IV. Research Methodology

Research Design

In this study, the quantitative and explanatory research design is embraced to investigate the association between the financial transparency and the governance mechanisms and the growth of the firm in the early-stage venture capital-based firms. The study has a deductive methodology, as it hypothesized the hypotheses based on Agency Theory, Stewardship Theory, and the Resource-Based View, which are tested through empirical studies.

The cross-sectional survey design will be used to gather primary data on firms that have experienced venture capital financing. The explanatory design allows for the analysis of the cause-and-effect relationships between the constructs and the evaluation of both direct and mediating effects. The financial transparency is an independent variable, the governance mechanisms are an independent variable and a moderating variable, and the growth of the firm is a dependent variable in the conceptual model.

Sample Selection and Data Collection

The target population will focus on the early-stage venture capital-backed firms that are not older than five to seven years. The sample includes firms that have been funded in some way by institutional venture capital at least once. The purposive sampling method is used to ensure that the respondents have the authority to make relevant managerial or financial decisions.

The standard statistical guidelines are used to decide the minimum required sample size. With regression analysis, a sample size of 180 responses or more will suffice to be statistically powerful and model stable. The structured survey instrument is utilized to gather the data via an electronic survey. The questionnaire scales the financial transparency practices, the governance mechanisms, and the growth indicators of the firms. The respondents will enjoy confidentiality to reduce bias in the response. When data are screened to be complete and consistent, they are then stored in valid responses that will be subjected to statistical analysis.

Table 1. Structured questionnaire
Scale Used: 5-Point Likert Scale (1 = Strongly Disagree, 5 = Strongly Agree)

Section	Construct	Code	Questionnaire Item
A	Financial Transparency (FT)	FT1	The firm provides timely financial reports to investors.
		FT2	Financial statements are prepared with high accuracy and reliability.
		FT3	The firm maintains clear and comprehensive financial disclosure practices.
		FT4	Investors have easy access to relevant financial information.
		FT5	The firm regularly communicates financial performance updates.
B	Governance Mechanisms (GM)	GM1	The board of directors actively monitors managerial decisions.
		GM2	Venture capital representatives participate in strategic decision-making.
		GM3	The firm has independent board members.
		GM4	Formal audit and oversight mechanisms are implemented.
		GM5	Governance policies ensure accountability and compliance.
C	Firm Growth (FG)	FG1	The firm has experienced consistent revenue growth over the past three years.
		FG2	The number of employees has increased significantly.
		FG3	The firm has successfully secured additional funding rounds.
		FG4	The firm has expanded into new markets or customer segments.
		FG5	Overall, business performance has improved steadily.

Table 1 shows the questionnaire that was designed to measure the key constructs of the study, i.e., Financial Transparency, Governance Mechanisms, and Firm Growth. The tool comprises multi-item responses based on the existing contents of literature and measured with a five-point Likert-scale of Strongly Disagree to Strongly Agree. The items will capture the perceptions of the respondents regarding financial disclosure practice, effectiveness of governance, and performance of early-stage venture capital-backed firms in terms of growth. This is a systematic tool for collecting empirical data and later statistical analysis.

Measurement of Variables

Multi-item scales based on the previous governance and finance literature are used to measure all constructs. The answers are measured on a five-point Likert Scale, which is between 1 (Strongly Disagree) and 5 (Strongly Agree).

- **Financial Transparency (FT):** The concept is identified by such indicators as clarity of financial reporting, periodicity of disclosure, accuracy of financial reporting, and availability of financial information to investors.
- **Governance Mechanisms (GM):** The measurement is based on the effectiveness of the boards, the intensity of monitoring by investors, the existence of independent directors, audit control, and well-organized reporting mechanisms.
- **Firm Growth (FG):** This is measured by self-reported measures such as revenue growth, staff growth, market growth, and funding growth.

Control variables like the age of firms and industry type could also be incorporated in order to make the model robust.

Reliability and Validity Assessment

Validity and reliability tests are administered to make sure the measurements are accurate. Cronbach's alpha and composite reliability are used to measure internal consistency reliability. Factor analysis is used to test construct validity. Average Variance Extracted (AVE) is used to test convergent validity, and correlation analysis, or the Fornell-Larcker criterion is used to test the discriminant validity. Such steps help guarantee the model used in measurement is sufficient to measure the constructs.

Statistical Techniques

Data analysis is performed using statistical software such as SPSS and AMOS. The analysis includes:

- Descriptive statistics
- Correlation analysis
- Multiple regression analysis
- Moderation analysis to test interaction effects

The significance level of testing hypotheses is 5 percent. The interaction terms or bootstrapping procedures are used to determine the moderation effect of governance mechanisms on the relationship between financial transparency and firm growth.

V. Data Analysis and Results

Descriptive Statistics

The central tendency and dispersion of the study variables are calculated by using descriptive statistics. Table 2 shows the means along with the standard deviation of Financial Transparency (FT), Governance Mechanisms (GM), and Firm Growth (FG).

Table 2. Descriptive statistics of study variables

Variable	Mean	Standard Deviation	Skewness	Kurtosis
Financial Transparency (FT)	3.87	0.62	-0.48	0.72
Governance Mechanisms (GM)	3.92	0.58	-0.35	0.64
Firm Growth (FG)	3.76	0.65	-0.52	0.81

The findings show that the mean of Financial Transparency is 3.87 (SD = 0.62), which implies that the vast majority of companies have rather positive disclosure policies. Governance Mechanisms depict an average of 3.92 (SD = 0.58), meaning that there is a moderately structured governance in early-stage firms. The mean of Firm Growth is 3.76 (SD = 0.65), which means that despite the positive growth performance of sampled firms, it is quite diverse. The skewness and

kurtosis values of normality analysis are within an acceptable range (± 2), which supports the application of the parametric analysis.

Correlation Analysis

Pearson correlation analysis is used to test the relations between variables and identify problems of multicollinearity.

Table 3. Correlation matrix

Variable	FT	GM	FG
Financial Transparency (FT)	1		
Governance Mechanisms (GM)	0.51	1	
Firm Growth (FG)	0.54	0.48	1

Table 3 shows the Pearson correlation between Financial Transparency (FT), Governance Mechanisms (GM), and Firm Growth (FG). The findings suggest that Financial Transparency and Firm Growth had a statistically significant and positive correlation ($r = 0.54$, $p < 0.01$), indicating that the higher the transparency of the business, the greater the growth performance of the early-stage venture capital-backed firm. There is also a high positive relationship between Governing Mechanisms and Firm Growth ($r = 0.48$, $p < 0.01$), which implies that good governance structures are effective in enhancing the growth of the organization. Moreover, Governance Mechanisms are positively related to Financial Transparency ($r = 0.51$, $p < 0.01$), which means that the better the governance structure is, the more effective the financial disclosure is. The correlations are not above 0.80, meaning that no issues of multicollinearity exist. The positive and significant correlations give preliminary acceptance of the hypotheses postulated.

Regression Model Results

To test the direct and moderating effects, a multiple regression analysis is carried out.

Table 4. Regression and moderation analysis results

Model	Independent Variable	β	t-value	p-value	R^2
Model 1	Financial Transparency $\rightarrow$ Firm Growth	0.41	6.12	0.000	0.33
Model 2	Governance Mechanisms $\rightarrow$ Firm Growth	0.36	5.48	0.001	0.29
Model 3	Governance Mechanisms $\rightarrow$ Financial Transparency	0.45	7.02	0.000	0.40
Model 4	FT $\times$ GM (Moderation Effect)	0.18	2.31	0.022	0.51

The findings of a multiple regression test and moderation analysis of the direct and interactive impact of Financial Transparency (FT) and Governance Mechanisms (GM) on the growth of Firm (FG) are reported in table 4. Model 1 shows that Financial Transparency is positively and significantly related to Firm Growth ($\beta = 0.41$, $t = 6.12$, $p < 0.001$, and $R^2 = 0.33$). Model 2 demonstrates that Governance Mechanisms also have a significant impact on Firm Growth ($\beta = 0.36$, $t = 5.48$, $p = 0.001$), explaining 29% of the variance ($R^2 = 0.29$). Governance Mechanisms model 3 shows that Governance Mechanisms have a positive impact on Financial Transparency ($\beta = 0.45$, $t = 7.02$, $p < 0.001$), which explains a 40% variance ($R^2 = 0.40$), which leads to the support of the proposed governance transparency relationship. In model 4, the moderating effect is tested by the interaction term (FT $\times$ GM). The interaction coefficient is statistically significant and positive ($\beta = 0.18$, $t = 2.31$, $p = 0.022$), and its explanatory power ($R^2 = 0.51$) is higher. This shows that Governance Mechanisms reinforce the positive correlation that exists between Financial Transparency and Firm Growth. In general, the findings are empirical evidence of all hypotheses put forward and the combined effect of transparency and governance in driving growth in early-stage venture capital-backed firms.

Hypothesis Testing

The findings of the hypothesis testing result in support of all four hypotheses. Both Financial Transparency and Governance Mechanisms positively impact Firm Growth to a considerable extent. Also, Governance Mechanisms are very effective in increasing Financial Transparency and maximizing their effect on growth performance.

Table 5. Summary of hypothesis testing results

Hypothesis	Path	β	p-value	Decision
H1	FT $\rightarrow$ FG	0.41	0.000	Supported
H2	GM $\rightarrow$ FG	0.36	0.001	Supported
H3	GM $\rightarrow$ FT	0.45	0.000	Supported
H4	FT $\times$ GM $\rightarrow$ FG	0.18	0.022	Supported

The results of the hypothesis testing are summarized in table 5 and offer the statistical support of each of the hypothesized relationships. The results reveal that Firm Growth is positively related to Financial Transparency ($\beta = 0.41$, $p = 0.000$), which confirms H1. H2 is also proven ($\beta = 0.36$, $p = 0.001$) by the fact that Governance Mechanisms also have a significant impact on the Firm Growth. Besides, Governance Mechanisms prove to have a positive influence on the Financial Transparency ($\beta = 0.45$, $p = 0.000$), which supports H3 and shows that organized governance has a positive effect on disclosure practices. The investigation of the moderation also indicates that the interaction term (FT $\times$ GM) is positive and significant ($\beta = 0.18$, $p = 0.022$), which provides support to H4, and the data show that Governance Mechanisms enhance the relationship between Financial Transparency and Firm Growth. In general, the empirical findings support all the hypotheses put forward and underscore the role of transparency and governance combined in stimulating growth in an early-stage venture capital-backed company.

Robustness Analysis

Robustness checks are performed to obtain the stability of results. On the one hand, there are control variables, including the age of the firm, its industry, and the stage of funding in the regression model. The primary coefficients are not insignificant, which proves strength. Second, the values of the variance inflation factor (VIF) are less than 3.0, which means that there is no multicollinearity. Third, hierarchical regression model variations provide consistent results as well, which supports the validity of the results. On the whole, the empirical study indicates that both financial transparency and governance mechanisms are important and determine the growth of early-stage venture capital-backed companies.

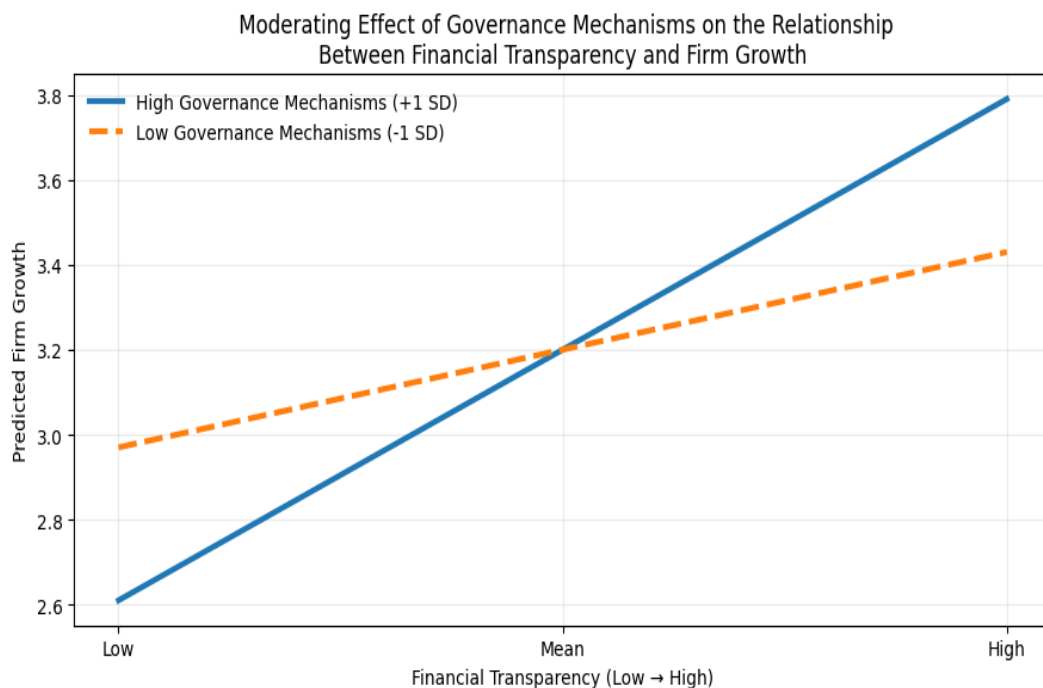


Figure 2. Moderating effect of governance mechanisms

Figure 2 shows that Governance Mechanisms mediate the relationship between Financial Transparency and Firm Growth. The solid line shows firms having high governance mechanisms (+1 SD), and the dashed line represents firms having low governance mechanisms (-1 SD). The steeper slope of the regression line in the instance of high governance is a demonstration that the

positive association between Financial Transparency and Firm Growth is even more pronounced when the governance structures are in place. Conversely, the flatter slope when the government is under low governance conditions implies that the effects of transparency on growth are relatively less strong. This visual result confirms the moderation hypothesis (H4), which supports the fact that Governance Mechanisms contribute to the efficacy of Financial Transparency in the growth of firms in the early stages of venture capital-supported firms.

VI. Discussion

Interpretation of Findings

The results of this research have a high empirical basis of the combined role of financial transparency and governance mechanisms in promoting growth in early-stage venture capital invested companies. The findings reveal that transparency in financial reporting is very beneficial to improve the growth of the firm and provide support to the idea that timely, precise, and transparent financial disclosure minimizes information asymmetry and confidence of the investors. Good reporting practices seem to enhance strategic decision-making, ease access to follow-on funding, and sustainable expansion. The governance mechanisms prove to have a very strong positive impact on the growth of the firms. Better managerial discipline and alignment of strategies among the board also play a role in the existence of systematic oversight systems, board monitoring, and investor participation. This observation supports the claim that early-stage firm governance is not only a monitoring activity, but it is also a value-creation mechanism. Moreover, the governance systems have a high level of financial transparency, which means that well-organized governance systems instill discipline in reporting systems. More importantly, the moderation analysis indicates that the positive correlation between transparency and growth is reinforced by the governance mechanisms. This implies that transparency is best facilitated with good governance systems that support the complementary nature of transparency and good governance.

Implications

Managerial Implications

The results are valuable to start-up founders and venture capitalists. The early-stage companies ought to focus on creating formal financial reporting systems despite the initial financing phases. Open interaction with investors contributes to the development of trust and the long-term relationship with funders. They are to actively engage venture capitalists in the governance by representing them on the board and providing formal systems of oversight. Effective governance not only minimizes the risk but also increases the growth effect of the transparency practices. Companies with inbuilt governance and transparency models have the highest chances of growth and expansion.

Policy Implications

Regulatory authorities and policymakers ought to promote the use of organized governance and financial disclosure measures among startups. Ensuring that the venture capital-backed firms have transparent reporting standards would enhance investor protection and become more entrepreneur-friendly. Governance training can be included in incubators and startup support agencies to improve managerial skills in firms at their initial stages. An institution further enhances the transparency standards by strengthening the institutional structures and sustainable growth.

Limitations

The study has limitations, even with its contribution. To begin with, cross-sectional data restricts the capability of the long-term causal inferences. Second, a self-reported survey could present bias in the perception. Third, the research is based mainly on early-stage venture capital-based companies, thus restricting external validity in regard to mature companies or other companies that are not funded through VC. Moreover, the aspect of contextual institutional factors was not well studied, and this can affect the efficiency of governance.

Future Research Directions

Future studies can take the form of longitudinal studies to explore how transparency and governance affect the long-term survival and growth of firms in terms of valuation. The relationships could be studied in cross-country comparative studies on how institutional settings moderate them. Researchers can also examine how the environment, social, and governance (ESG) practices can be useful in venture capital-backed firms. Additional research can include digital reporting and fintech adoption as two more variables that define the effectiveness of transparency.

Practical Recommendations

According to the findings, institutionalized frameworks of structural governance should be put in place at the early stages of a firm instead of postponing formalization. Growth can be enhanced by putting in place mechanisms of independent oversight, well-organized audit systems, and regular reporting by investors. Venture capital investors ought to walk the fine line between keeping a check and providing strategic guidance in the sense that governance systems must encourage innovation and not limit it. In addition to the mentioned results, making communication lines clear and creating performance dashboards can contribute to improved growth. Generally, the financial transparency-strong governance models offer a long-term channel for faster growth of venture capital-supported companies.

VII. Conclusion

This research analyzed how the Financial Transparency and Mechanisms of Governance are determinants of growth in early-stage venture capital-backed firms and has given solid empirical evidence of the proposed composite model. The results show that Financial Transparency ($\beta = 0.41$, $p < 0.001$) and Governance Mechanisms ($\beta = 0.36$, $p = 0.001$) have significant positive effects on Firm Growth. Moreover, Financial Transparency ($\beta = 0.45$, $p < 0.001$) is greatly improved with the help of Governance Mechanisms, which proves that the quality of disclosures can be reinforced through structured oversight. The moderation analysis also supports the fact that Governance Mechanisms enhance the positive relation between Financial Transparency and Firm Growth ($\beta = 0.18$, $p = 0.022$), which contributes to the model to 51% ($R^2 = 0.51$). The findings are added to the literature as both transparency and governance are combined into a single analytical framework, and their complementary implications have been empirically proven in early-stage venture capital-backed firms. The paper emphasizes that the idea of sustainable growth is not only based on the capital availability but also on the alignment of disclosure practices and governance structure. Future studies can build upon this research by longitudinal studies in which long-term effects of performance are studied, cross-country analyses in which the effect of institutional influences is measured, and the introduction of ESG governance or digital reporting practices as other growth determinants.

References

- [1] Benkraiem, R., Gonçalves, D., & Shuwaikh, F. (2023). The role of corporate venture capitalists in supporting the growth of their backed start-ups. *European Business Review*, 35(5), 672-693. <https://doi.org/10.1108/EBR-09-2022-0183>
- [2] Cumming, D., Hass, L. H., Myers, L. A., & Tarsalewska, M. (2023). Does venture capital backing improve disclosure controls and procedures? Evidence from management's post-IPO disclosures. *Journal of Business Ethics*, 187(3), 539-563. <https://doi.org/10.1007/s10551-022-05272-1>
- [3] Ed-Dafali, S., & Bouzahir, B. (2022). Trust as a governance mechanism of the relationship between venture capitalists and managers of venture capital-backed firms in Morocco. *Transnational Corporations Review*, 14(2), 210-226. <https://doi.org/10.1080/19186444.2021.1911281>
- [4] Fazekas, B., & Becsky-Nagy, P. (2021). A new theoretical model of government backed venture capital funding. *Acta oeconomica*, 71(3), 487-506. <https://doi.org/10.1556/032.2021.00024>

- [5] Filatotchev, I., & Bellavitis, C. (2025). Venture capital and corporate governance of entrepreneurial ventures. In *The Palgrave encyclopedia of private equity* (pp. 1203-1207). Cham: Springer Nature Switzerland. https://doi.org/10.1007/978-3-031-81653-6_69
- [6] Kato, A. I. (2025). Venture Capital as a Catalyst for Innovation and Economic Growth in Emerging Economies: A Systematic Review and Future Research Agenda. *Administrative Sciences*, 15(11), 405. <https://doi.org/10.3390/admsci15110405>
- [7] Kato, A. I., & Chiloane-Tsoka, G. E. (2024). Transforming early-stage firms in emerging countries: Unveiling the power of venture capital; a comparative study of South Africa and Kenya. *Cogent Business & Management*, 11(1), 2360502. <https://doi.org/10.1080/23311975.2024.2360502>
- [8] Kronberger, M., Krenn, L., & Gutmann, T. (2026). Decoding the corporate venture capital lifecycle: a systematic review and research agenda. *Entrepreneurship & Regional Development*, 1-33. <https://doi.org/10.1080/08985626.2025.2599516>
- [9] Lang, N. K., & Wirtz, P. (2022). Kicking off the corporate governance lifecycle: Seed funding, venture capital and the nascent board. *British Journal of Management*, 33(1), 181-210. <https://doi.org/10.1111/1467-8551.12475>
- [10] Lin, L. (2022). Venture capital in the rise of sustainable investment. *European Business Organization Law Review*, 23(1), 187-216. <https://doi.org/10.1007/s40804-021-00238-8>
- [11] Mašek, J., & Pláček, J. (2024). Exploring the Role of Venture Capital in Advancing Green Innovation: A Systematic Literature Review. *Acta Montanistica Slovaca*, 29(4), 839-861. <https://doi.org/10.46544/AMS.v29i4.05>
- [12] Omowumi, O. I., & Roszkowska, P. (2025, August). Control Venture Capital as a Growth Catalyst: Founders' Perceptions from German Early-Stage High-Tech Start-Ups. In *Warsaw Forum of Economic Sociology* (Vol. 16, No. 31).
- [13] Putrevu, J., Mertzanis, C., & Kampouris, I. (2025). Sustainable investment conditions, venture capital, and new business creation. *International Entrepreneurship and Management Journal*, 21(1), 66. <https://doi.org/10.1007/s11365-025-01094-5>
- [14] Rowen, A. M., & Chen, M. A. (2025). Corporate Governance Challenges in Early-Stage Ventures. *Minnesota Journal of Business Law and Entrepreneurship*, (1), 06-11.
- [15] Shao, Y., Chen, X., & Qin, L. (2023). Government Venture Capital and IPO Premium in Emerging Markets: Evidence from China. In *Academy of Management Proceedings* (Vol. 2023, No. 1, p. 13689). Briarcliff Manor, NY 10510: Academy of Management. <https://doi.org/10.5465/AMPROC.2023.13689abstract>
- [16] Shen, R., Lu, Q., Yang, J., & Li, C. (2025). Governors' Tenure and Venture Capital Firms' Early-stage Investing: A Subnational Institutional Perspective: R. Shen et al. *Small Business Economics*, 65(1), 613-642. <https://doi.org/10.1007/s11187-025-01005-6>
- [17] Shuwaikh, F., Tanguy, A., Dubocage, E., & Alolah, O. (2025). Insights for sustainable business practices: Comparative impact of independent and corporate venture capital funding on financial and environmental performance. *Research in International Business and Finance*, 73, 102632. <https://doi.org/10.1016/j.ribaf.2024.102632>
- [18] Svetek, M. (2022). Signaling in the context of early-stage equity financing: review and directions. *Venture capital*, 24(1), 71-104. <https://doi.org/10.1080/13691066.2022.2063092>
- [19] Wang, X., & Tan, Y. (2025). Research on the Influence of Government-Guided VC Funds on Regional Economic Development. *Journal of Risk and Financial Management*, 18(3), 155. <https://doi.org/10.3390/jrfm18030155>
- [20] Xu, J., Yu, L., & Gupta, R. (2020). Evaluating the performance of the government venture capital guiding fund using the intuitionistic fuzzy analytic hierarchy process. *Sustainability*, 12(17), 6908. <https://doi.org/10.3390/su12176908>