



SCIENTIFIC OASIS

## Decision Making: Applications in Management and Engineering

Journal homepage: [www.dmame-journal.org](http://www.dmame-journal.org)  
ISSN: 2560-6018, eISSN: 2620-0104

## Financial Decision-Making as a Moderator between Corporate Governance, Audit Quality, and Financial Reporting Quality

Mohammed Abdullah Ammer<sup>1\*</sup> Tuygunoy Mamadjanova<sup>2</sup>

<sup>1</sup> Department of Finance, School of Business, King Faisal University, Al-Ahsa 31982, Saudi Arabia. Email: [mammer@kfu.edu.sa](mailto:mammer@kfu.edu.sa)  
<sup>2</sup> Department of Economics, Termez University of Economics and Service, Uzbekistan. Email: [tuygunoy\\_mamadjanova@tues.uz](mailto:tuygunoy_mamadjanova@tues.uz)

## ARTICLE INFO

## ABSTRACT

**Article history:**

Received 09 June 2025

Received in revised form 05 July 2025

Accepted 24 July 2025

Available online 04 September 2025

**Keywords:**

Corporate governance, Saudi Arabia, Financial reporting quality, Audit quality

The study aimed to investigate the influence of corporate governance mechanisms and audit quality on financial reporting quality with the moderating effect of financial decisions in the Saudi Arabian non-financial sector. For this purpose, longitudinal data were collected from annual reports of Saudi Arabian non-financial companies from 2018 to 2024. The regression results revealed that board size, gender diversity, board independence, directors' expertise, audit committee effectiveness, and audit quality significantly and positively influence FRQ. Furthermore, the results indicate that financial leverage, as a measurement of financing decisions, negatively moderates the relationship between governance mechanisms and FRQ, suggesting that excessive reliance on debt financing can weaken governance effectiveness. However, financial leverage positively moderates the association between audit quality and FRQ, implying that prudent financial policies strengthen the monitoring role of auditors and improve reporting integrity. The study's theoretical contributions to agency, resource dependence, and stakeholder theories by showing how governance mechanisms interact with financing structures to shape reporting outcomes in an emerging market context. Practically, the findings provide actionable insights for firms and policymakers, emphasizing the need to optimize board structures, promote gender diversity, enhance independence, and engage high-quality auditors while aligning financing strategies with governance frameworks. By integrating sound governance with prudent financial decision-making, Saudi non-financial firms can raise transparency, enhance investor trust, and accelerate their integration into global capital markets.

## 1. Introduction

Financial Reporting Quality (FRQ) is central to capital market functioning because it reduces information asymmetry and develops resource allocation by enabling internal and external stakeholders in making better decisions [16]. A superior FRQ is being linked to higher analyst forecast accuracy and stronger investor confidence [24]. FRQ also restrains managerial speculation through reducing the scope for earnings management and by improving the reliability of performance measurement used in contracting and executive compensation [79]. It also helps those

\* Corresponding author.

E-mail address: [mammer@kfu.edu.sa](mailto:mammer@kfu.edu.sa)<https://doi.org/10.31181/dmame8220251518>

economies, where institutional frameworks and enforcement are weaker, because a high FRQ plays a disproportionately large role in increasing investment into global supply chains, as it signals a commitment to international reporting norms, such as IFRS [54]. It is further enforced that FRQ is a multidimensional concept that covers accrual quality, timeliness, comparability, and disclosure completeness, which gives benefits for market liquidity and firm valuation [35]. These previous studies emphasized that FRQ is an integral factor for the growth of companies.

Several factors improve the FRQ in the organizations. From those, corporate governance (CG) mechanisms are empirically and theoretically linked to FRQ because they shape monitoring, incentives, and information flows within the firm [32]. Various studies emphasized that independent boards reduce the incidence of fraud and abnormal accruals, which improves the reporting quality [21; 82]. On the other hand, boards with accounting/financial expertise produce more accurate reporting and better internal control [43; 63]. Equally, gender diversity has been shown to influence ethical climate and monitoring intensity, which reduces earnings management in multiple settings [41]. Audit committees strengthen the link between management and auditors, which improves oversight of financial reporting [18]. Further, cross-country and emerging market studies also endorsed these findings that corporate governance is an integral factor to improve the FRQ of the companies [34; 48]. Thus, governance is both a direct and contingent determinant of FRQ, which reduces the agency costs, supports credible monitoring, and complements formal regulatory mechanisms [13]. These previous studies emphasized that CG is an integral factor in improving the FRQ.

Equally, the functioning of audit quality (AUDQ) is also an important governance mechanism that provides independent assurance for financial statements, to increase FRQ [50]. Empirical studies consistently report that higher AUDQ is associated with minimum discretionary accruals and higher information credibility [38; 65; 84]. Other studies also highlighted that AUDQ matters more to improve the FRQ where CG or enforcement is weak [31]. Moreover, recent work also examined that a well-functioning audit committee amplify the positive effects of AUDQ on FRQ [13]. These previous studies emphasized that AUDQ, along with CG, is also an integral factor in improving the company's FRQ. Accordingly, this research focused on the effect of CG and AUDQ on improving FRQ.

Financing decisions in the companies is an integral component to improve CG and AUDQ because higher leverage compels firms to adopt stronger governance mechanisms and rely on high-quality audits to ensure transparency and protect creditor interests [27]. This pressure enhances financial reporting quality by reducing agency conflicts and ensuring more reliable disclosures in non-financial firms [52]. In financing decisions, leverage can discipline managers by subjecting them to creditor scrutiny and repayment constraints, which in some cases increases transparency [49]. Conversely, high leverage may create acute short-term pressures that induce earnings management to meet covenants or avoid covenant breaches, weakening governance effectiveness [46]. Empirical studies have mixed results. For instance, studies reported that board independence is more effective in high debt firms because creditors demand higher quality disclosures [53; 57], while others show that extreme leverage crowds out governance by increasing managerial risk-taking or concealment [62]. Importantly, high AUDQ reinforces FRQ when leverage is aggressive, even high-quality audits face greater detection difficulty and increased client pressure [95]. Therefore, other studies also emphasized that capital-structure policy and governance reforms must be coordinated with optimal leverage to sustain FRQ [88]. Therefore, current research focused on financial leverage as a moderating variable among CG mechanisms, AUDQ, and FRQ.

Despite the extensiveness of evidence linking CG, AUDQ, and leverage to FRQ, several gaps persist. Firstly, extant studies conducted on other countries with limited attention on Saudi Arabia [6]. Secondly, prior studies conducted on CG and FRQ [28], AUDQ and FRQ [65; 69]. While these

studies have limited attention on both of CG and AUDQ in one model. In addition, studies conducted on financial decisions and FRQ as a direct effect Mesioye and Bakare [70], or CG used a moderating variable with financial decisions and financial performance, with limited attention on financial decisions as a moderating variable [15]. Furthermore, studies on CG and FRQ are inconsistent, which suggests the need to conduct a study with a moderating effect. As discussed earlier, financial decision as a moderating variable has been discussed with limitations in the prior literature. It has been highlighted in the literature that financing decisions in companies played an integral role in CG and AUDQ because higher leverage compels firms to adopt stronger governance mechanisms and rely on high-quality audits to ensure transparency and protect creditor interests [27]. Closing previously identified gaps, research tested the influence of CG mechanisms and AUDQ on FRQ, with the moderating effect of financing decisions in the Saudi Arabian non-financial sector context.

The study, after addressing prior gaps related to FRQ, has various contributions. Theoretically, it extends prior research through integrating CG mechanisms, AUDQ, and financing decisions into a single model, which contributes to a more holistic framework for understanding their combined effect on FRQ. Unlike prior studies, which primarily examined these variables in isolation or within developed economies, this research provides context-specific insights for Saudi Arabia's non-financial sector, an emerging market where governance structures and financial practices are still evolving. It also contributes to theory by exploring financing decisions as a moderating variable, an aspect often overlooked in previous studies, thereby enriching the discourse on the interaction between leverage, governance, and audit quality in shaping FRQ. Practically, the study also provides implications for corporate boards in Saudi Arabia through demonstrating how sound CG practices and high-quality audits, reinforced by effective financial decision-making, could enhance transparency and protect stakeholder interests. These insights could also guide firms in strengthening accountability mechanisms and aligning with global standards, while also informing policy reforms that raise investor confidence and sustainable growth in emerging markets.

## **2. Literature Review**

### *2.1 Hypothesis Development*

Form the corporate governance (CG) mechanism, Board size consisted of the total number of board members serving on the board [32]. Board size influences both the board's monitoring capacity and decision-making effectiveness [32]. A larger board can provide better resources and enhance monitoring of the financial reporting process, which can reduce agency problems and strengthen FRQ. A big board size could help to provide better insights to meet debt obligations, which may lead managers to manipulate earnings or obscure unfavorable information [3; 13; 68]. Porter and Sherwood [82] empirically reported that larger boards reduce discretionary accruals, which significantly improve FRQ. Kiswanto and Setiawan [56] further found that companies with better boards can disclose better financial reports in a timelier manner. Aleqab and Ighnaim [8] further supported the evidence that larger improves the FRQ. Conversely, Baldacchino et al. [19] suggested that huge boards dilute accountability, weakening monitoring effectiveness, which compromises the FRQ. Overall, these findings highlighted that boards can enhance FRQ through improved monitoring, and accordingly, the hypothesis is,

**H1:** Board size significantly improves the financial reporting quality.

Furthermore, gender diversity is important because women are often associated with stronger ethical judgment, higher levels of risk aversion, and a commitment to greater transparency [32]. These characteristics can improve monitoring and decrease the chances of financial statement

manipulation. Empirical studies strongly support this relationship. For instance, Srinidhi et al. [90] observed that gender diversity in boards is associated with accounting conservatism, which enhances credibility in financial reporting. Alves [11] study further provided evidence that gender diversity helps to increase the companies' FRQ. Reddy et al. [83] further noted that firms with gender-diverse boards demonstrate greater analyst forecast accuracy due to improved reporting transparency. Additionally, Ali and Khan [9] revealed that gender-diverse boards are linked to lower discretionary accruals, reflecting higher FRQ. Accordingly, study's hypothesis is.

**H2:** Board gender diversity significantly improves the financial reporting quality

In addition, board independence help to safeguard shareholders, which increases financial reporting [80]. Their role in monitoring management is crucial for constraining opportunistic financial reporting behavior. Esmailikia and Oshani [33] found that BI can reduce the risk of financial reporting fraud. Sackey [85] further reported the view that BI significantly reduces abnormal accruals, which reduces the FRQ of the companies. Saeed [86] also concluded that board BI enhances transparency, thereby improving FRQ. Further supporting evidence comes from Nicolò et al. [78], who showed that BI positively influences financial disclosure practices. Collectively, these studies emphasize that BI improves the FRQ in the institutional context, and accordingly, the studies propose the study hypothesis.

**H3:** Board independence significantly improves the financial reporting quality.

Board skills and expertise diversity refers to the heterogeneity in the board of directors' professional backgrounds. Another study reported that boards with better expertise are able to understand the difficulties in complex transactions, evaluate accounting judgments, and detect earnings manipulation [23]. Adeyemi and Yahaya [1] research also concluded that boards with financial experts are associated with higher FRQ. The study also demonstrated by Ud Din et al. [93] that skilled boards improve report transparency. Ngo and Le [76] study also provided evidence that diverse expertise reduces earnings manipulation. Zalata et al. [102] study also found that firms with accounting and finance experts on the board improve the FRQ of the companies. Likewise, Chung and Hwang [25] reported that boards with financial experts tend to produce more accurate financial reports. Overall, expertise diversity enhances board effectiveness and contributes significantly to FRQ, and accordingly, the study has a hypothesis below,

**H4:** Board skills and expertise diversity significantly improve the financial reporting quality.

Subdivision of the committee in the board is the audit committee, whose purpose is to oversee financial reporting as per accounting standards [47]. Audit committee efficiency is dependent on board members' expertise, which increases the reporting system of the organization [47]. Audit committees played an integral role in constraining earnings management and ensuring compliance with accounting standards. Empirical studies consistently affirm this link. Temitope [92] found that independent committees minimize misstatements. Babalola et al. [18] also found that the committee of audit increases the earnings management system by reducing the manipulation of earnings. Bepari et al. [20] observed that effective audit committees improve reporting transparency. Mardessi [65] study also found that audit committees significantly improve the FRQ with a better financial system. In addition, Islam et al. [50] documented that companies with weak audit committees tend to have more irregularities in their financial reports. Accordingly of studies, the hypothesis is,

**H5:** Audit committee significantly improves the financial reporting quality.

Audit quality (AUDQ) consisted of the probability that an auditor identifies and discloses significant errors or inaccuracies in financial reports [57]. High audit quality is essential for constraining opportunistic behavior by management, thereby improving transparency and credibility. Empirical evidence consistently links audit quality with improved FRQ. Erena et al. [32]

documented that Big Four auditors, along with minimum discretionary accruals, reflect higher reporting quality. Al-Sanasleh et al. [4] study also found that auditor industry specialization enhances reporting reliability. Chang and He [22] reported that AUDQ auditors are associated with financial misstatements and restatements. Al Najjar et al. [5] further showed that higher AUDQ reduces the likelihood of accounting errors and irregularities. Similarly, Erena et al. [32] found that AUDQ positively increases the FRQ in the companies. Collectively, these studies highlight that AUDQ is important for financial reporting integrity, ensuring stakeholder confidence in financial disclosures. Thus, the study has a hypothesis below,

**H6:** Audit quality significantly improves the financial reporting quality.

## *2.2 Moderating Role of Financing Decisions*

Previously discussed that CG played an essential role in enhancing FRQ. However, CG efficiency is not absolute and often depends on the financing decisions of managers, particularly leverage (LEV) [27]. LEV shown that companies that depends on debt financing, creates monitoring pressures and agency costs that influence managerial behavior in financial reporting [27]. A big board size could help to provide better insights to meet debt obligations may lead managers to manipulate earnings or obscure unfavorable information [3; 13; 68]. They also argued that BS and better leverage interaction could either strengthen or weaken FRQ, which depends on the monitoring effectiveness of directors. Equally, a board with female directors is also important for earnings management through reducing earnings manipulation [97]. However, when firms are highly leveraged, managers face intense pressure to satisfy creditors, potentially overriding the positive role of gender diversity and independence. Empirical studies support this complexity: Askarany et al. [17] found that diverse board enhances transparency, but this effect was contingent on financial risk exposure. They also enforced that firms with stronger gender diversity could help to improve FRQ when the companies have well-managed decisions related to finances. This indicates that LEV serves as a financing decision-making lens through which the governance mechanisms exert their influence on FRQ [12].

Furthermore, diversity of skills and expertise on boards, along with audit committee effectiveness, is critical in ensuring accurate financial reporting. Directors with accounting, legal, or industry expertise can better understand complex transactions and challenge questionable managerial decisions, while audit committees enhance compliance and integrity in reporting [42]. However, with more leverage in the companies, the role of these mechanisms is important because skilled directors and strong audit committees may control managerial tendencies toward earnings manipulation under debt pressure, which could improve the FRQ [13]. Tanko [91] study also showed that board expertise significantly enhances reporting when companies have better financing decisions, supporting the notion that leverage operates as a moderating variable shaping governance reporting dynamics. Another empirical study on CG was conducted and found the significant impact of corporate governance on FRQ [44]. They argued that further study could be conducted on the moderating effect. Therefore, this research used LEV as a moderating variable and the hypotheses are,

**H7:** The effect of board size on financial reporting is significantly moderated by leverage.

**H8:** The effect of board gender diversity on financial reporting is significantly moderated by leverage.

**H9:** The effect of board independence on financial reporting is significantly moderated by leverage.

**H10:** The effect of board skills and expertise on financial reporting is significantly moderated by leverage.

**H11:** The effect of the board committee on financial reporting is significantly moderated by

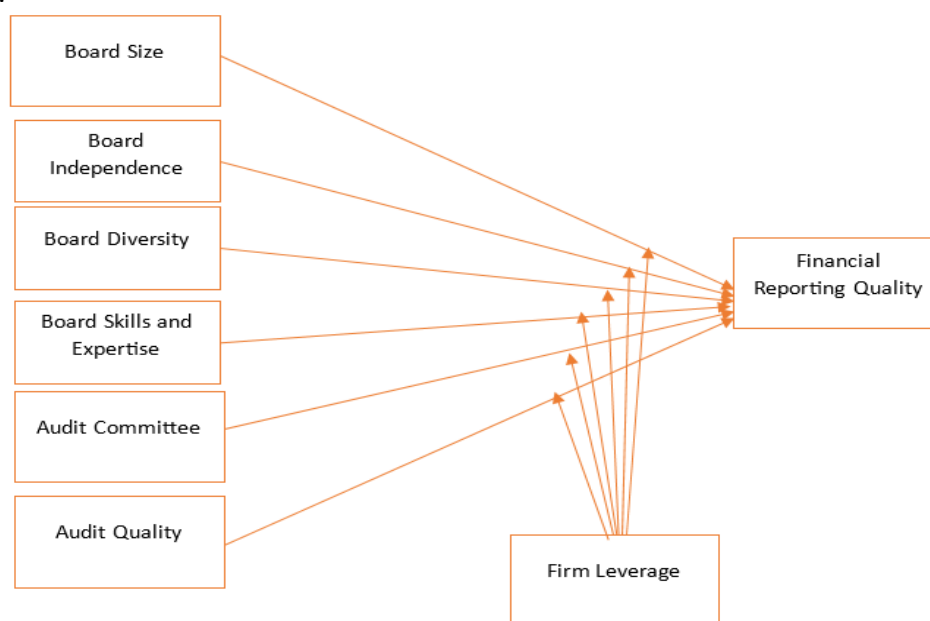
leverage.

Furthermore, AUDQ is another vital determinant of FRQ because external auditors are important for managerial reporting practices. High-quality auditors are linked with reduced earnings management, stronger compliance, and greater credibility of financial statements [94]. In highly leveraged firms, managers are incentivized to present more favorable financial performance to satisfy creditors and avoid covenant violations, potentially undermining the effectiveness of even high-quality audits [10]. This is further enforced by Duong et al. [30], who state that AUDQT generally constrains earnings manipulation, but its effectiveness becomes weaker in highly leveraged firms. The same argument is supported by Mohamud [71] who noted that leverage pressures often push managers to exploit accounting discretion, limiting the auditor's ability to fully enforce transparency, which comprises the FRQ. Based on these studies, LEV serves an integral role because it could improve audit effectiveness by increasing incentives for manipulation and enhancing the value of audit quality through increasing demand for credible reporting, which justifies the moderating role of LEV in the AUDQ and FRQ. Based on prior literature, the hypothesis is,

**H12:** The effect of the audit quality on financial reporting is significantly moderated by leverage.

### 3. Framework Development

The financial decision-making role is supported by Signaling Theory (Spence, 1978) and trade-off theory [59]. From a signaling perspective, highly leveraged firms face greater scrutiny from creditors and investors, motivating managers to provide transparent and high-quality reports to maintain trust [99]. In contrast, the trade-off perspective suggests that while moderate leverage disciplines managers, excessive debt can intensify agency conflicts and encourage earnings manipulation to avoid covenant violations [89]. Hence, LEV can reduce or increase the effect of CG and AUDQ in improving FRQ. Thus, the current research framework in Figure.1 comes under the above-discussed four theories.



**Fig.1:** Conceptual Model

In prior studies, the CG and FRQ relationship is widely explained under the agency theory, which posits that principals and agents create a conflict of interest. Better governance acts as a monitoring tool to reduce opportunistic managerial behavior and ensure transparency in reporting [64]. In the same vein, a resource dependency theory, which is proposed by Pfeffer and Salancik [81], further

emphasizes that boards provide not only monitoring but also valuable resources, such as knowledge, external connections, and professional expertise, to increase financial statements transparency. Under the domain of resource dependency theory, audit quality becomes a vital extension of governance, which could improve the reliability of financial information [66]. Together, governance and audit quality form a comprehensive oversight structure that enhances FRQ by ensuring accountability and independence [32].

#### 4. Research Methods

A longitudinal research design was used to test the objective, which enables the examination of relationships between CG, AUDQ, LEV, and FRQ over an extended period. A longitudinal design strengthens the validity of findings through capturing changes and causal inferences across time, rather than relying solely on cross-sectional snapshots [75]. This approach minimizes biases linked to temporal variations and provides a stronger understanding of dynamic interactions within firms. Furthermore, the quantitative method enhances objectivity through statistical analysis, ensuring replicability and generalizability of results [100]. In this regard, researchers employed a quantitative research approach. Research covered the 150 non-financial sector firms in Saudi Arabia over the period 2018 to 2024, as this timeframe captures a critical phase of economic transformation under Saudi Vision 2030, which emphasizes transparency, governance, and accountability in corporate practices. Non-financial sectors were selected because they represent a diverse set of industries that are less regulated compared to financial institutions, thereby providing a more accurate picture of how CG, AUDQ, and LEV influence FRQ.

##### 4.1 Research Models and Measurements

In the table below.1, independent variables include board characteristics such as BS, BI, BD, BSE, and AC, which reflect the effectiveness of CG mechanisms [58]. AUDQ is measured through audit SIZE [77]. The endogenous variable is FRQ, which is proxied through discretionary accruals [40]. The moderating variable is LEV, measured from total debts to total assets [14]. Finally, the control variables are SIZE, ROA, and INF [60]. This structure ensures a comprehensive model that captures firm-level governance, financial structure, and external influences on FRQ.

**Table 1**  
Variables Measurements

Variable	Proxy/Measurement	References
<b>Independent Variable</b>		
Board Size	Total board members	Garg [39]
Board Independence	Board independent directors	Garg [39]
Board Diversity	female directors' percentage in board	Nahar et al. [74]
Board Skills and Experience Diversity	Index capturing directors' education, industry experience, and professional background	Alam et al. [7]
Board Audit Committee	Presence of audit committee (dummy: 1 = present, 0 = absent); By assigning a score to an audit committee based on its attributes	Zhou et al. [104]
Audit Quality	Audit firm size (Big 4 = 1, otherwise = 0)	Zhou et al. [104]
<b>Dependent Variable</b>		
Financial Reporting Quality	Discretionary accruals	Islam et al. [51]
<b>Moderating variable</b>		
Financial Leverage	Total debt to Total assets	Zaman [103]
<b>Control Variables</b>		
Size of firm	"total assets natural log"	Doğan [29]
Return on Assets	Net income to Total assets	Heikal et al. [45]
Inflation	Annual inflation rate (%) from World Bank/IMF data	WorldBank [96]

Below are the econometrics models of the study. Model 1 represents the direct effect, while Model 2 represents the moderating effect in the two equations.

$$FRQ_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BD_{it} + \beta_4 BSE_{it} + \beta_5 AC_{it} + \beta_6 AUDQ_{it} + \beta_7 FS_{it} + \beta_8 ROA_{it} + \beta_{10} INF_{it} + \epsilon_{it} \quad (M-1)$$

$$FRQ_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BD_{it} + \beta_4 BSE_{it} + \beta_5 AC_{it} + \beta_6 AUDQ_{it} + \beta_7 LEV_{it} + \beta_8 (BS_{it} \times LEV_{it}) + \beta_9 (BI_{it} \times LEV_{it}) + \beta_{10} (BD_{it} \times LEV_{it}) + \beta_{11} (BSE_{it} \times LEV_{it}) + \beta_{12} (AC_{it} \times LEV_{it}) + \beta_{13} (AQ_{it} \times LEV_{it}) + \beta_{14} FS_{it} + \beta_{15} ROA_{it} + \beta_{17} INF_{it} + \epsilon_{it} \quad (M-2)$$

Where,

i = firm, t = year

FRQ<sub>it</sub>= "Financial reporting quality"

BS<sub>it</sub>= Board Size

BI<sub>it</sub>= Board independence

BD<sub>it</sub>= "Board Diversity"

BSE<sub>it</sub>= "Board Skills & Experience index"

AC<sub>it</sub>= "Audit Committee quality index"

AUDQ<sub>it</sub>= "Audit Quality"

LEV<sub>it</sub>= Financial Leverage

SIZE<sub>it</sub>= Firm size

ROA<sub>it</sub>=Return on assets

INF<sub>it</sub>=Inflation

ε<sub>it</sub>= idiosyncratic error

## 5. Data Analysis and Results

### 5.1 Descriptive results

Table 2 represents the comprehensive descriptive results. The average BS is 7.82 members (SD = 2.11), with boards ranging from 4 to 15 members, indicating moderate variation in board composition across firms. Board gender diversity averages 18.34% (SD = 9.42), with a minimum of 5% and a maximum of 40%, showing that while female representation exists, it remains relatively low and uneven. The audit committee quality index averages 4.72 (SD = 1.05), with values spanning from 2 to 7, indicating that while some committees are highly effective, others remain underdeveloped. Regarding audit quality, 61% of firms engage Big 4 auditors (mean = 0.61, SD = 0.48), highlighting reliance on high-quality external auditing for credibility. Finally, FRQ averages 72.18 (SD = 10.46) on a scale of 48 to 91, suggesting generally strong but varied reporting practices across firms.

**Table 2**  
Descriptive Results

Variable	Mean	Std. Dev	Min	Max
BS	7.82	2.11	4	15
BD	18.34	9.42	5	40
BI	63.29	14.52	35	85
BSE	3.41	0.92	1.5	5
AC	4.72	1.05	2	7
AUDQ	0.61	0.48	0	1
LEV	0.47	0.22	0.12	0.92
FRQ	72.18	10.46	48	91



## 5.2 Diagnostics Tests

The multicollinearity diagnostic test (Table 3) shows that all independent variables, including BS (VIF = 2.21), board gender diversity (VIF = 1.87), BI (VIF = 2.43), board skills & expertise (VIF = 2.65), AC (VIF = 1.92), AUDQ (VIF = 1.44), and LEV (VIF = 2.72), all have values less than 5, which highlights no issue of VIF. Even when considering the more conservative threshold of 5, all values remain within an acceptable range.

**Table 3**

VIF

Variable	VIF
BS	2.21
BD	1.87
BI	2.43
BSE	2.65
AC	1.92
AUDQ	1.44
LEV	2.72

The Modified Wald test for heteroscedasticity (Table 4) ( $p = 0.074$ ) which rejected the null hypothesis, suggesting that the data do not suffer from heteroskedasticity and thus exhibit homoskedastic error variance. Similarly, the Wooldridge test for autocorrelation ( $p = 0.067$ ) indicates no presence of serial correlation, ensuring the consistency of estimates. However, the Hausman test ( $p = 0.024$ ) suggests that the fixed Effects good for analysis, as it better accounts for unobserved heterogeneity across entities. Finally, the Breusch-Pagan LM test ( $p = 0.017$ ) rejects the null hypothesis in favor of a panel data model, confirming that pooled OLS would be inappropriate. Collectively, these results suggest that a Fixed Effects panel model is the more suitable.

**Table 4**

Autocorrelation, Heteroskedasticity, and Panel Data Model Selection

Test	Null Hypothesis ( $H_0$ )	p-value	Decision
Modified Wald Test for Heteroskedasticity	No heteroskedasticity	0.074	Homoskedasticity, static panel appropriate
Wooldridge Test for Autocorrelation	No serial correlation	0.067	No autocorrelation detected
Hausman Test	Random effects preferred	0.024	Fixed Effects appropriate
Breusch-Pagan LM Test	OLS preferred	0.017	Panel data model required

## 5.3 Empirical Results

The regression results showed that CG mechanisms exert a significant influence on FRQ. BS significantly and positively influences to FRQ, which shows that larger boards improve the FRQ in non-financial companies. BI also showed a strong positive impact on FRQ, reflecting that independent directors are effective in mitigating managerial opportunism and ensuring transparent reporting. Board gender diversity exhibited a significant positive effect on FRQ, suggesting that diverse boards enhance monitoring and introduce varied perspectives that strengthen reporting practices. Furthermore, board expertise emerged as a strong predictor of reporting quality, confirming that directors with specialized knowledge enhance governance effectiveness. Similarly, AC effectiveness demonstrated a significant positive influence on FRQ, highlighting its role in reinforcing compliance with reporting standards. Finally, AUDQ was also found to be positively related to FRQ, confirming that high-quality auditors ensure accurate and credible reporting. Collectively, these findings underscore that governance structures have a direct impact on FRQ.

LEV's moderating between governance and FRQ. The interaction term of BI with leverage was negative and significant, which suggests that higher leverage weakens the monitoring role of independent directors due to pressure from creditors. On the other hand, the AUDQ and FRQ relationship is positively moderated. However, the leverage moderating effect on BS was negative, which implies that in highly leveraged firms, larger boards may face coordination inefficiencies that reduce their effectiveness. For board gender diversity, the moderating effect of leverage was weaker, which suggests that financial constraints may overshadow the potential benefits of BD. The study reveals that LEV can enhance some governance mechanisms when the companies are properly managing their financing decisions. Above result is in Table.5.

**Table 5**

Hypothesis Results (Fixed Effects, DV = FRQ)

Variable	Coefficient (SE)	Interpretation
H1: BSIZE	0.812 (0.331)**	Larger boards improve FRQ
H2: GD	1.203 (0.482)**	Diverse boards enhance FRQ
H3: BI	0.954 (0.401)**	Independence strengthens FRQ
H4: SCE	1.451 (0.523)***	Expertise strongly linked to FRQ
H5: AC	0.782 (0.368)**	Strong committees improve FRQ
H6: AUDQ	1.642 (0.587)***	Big4 audits significantly enhance FRQ
H7: BSIZE× LEV	-0.523 (0.241)**	Leverage weakens positive board size effect
H8: GD × LEV	-0.672 (0.296)**	Leverage weakens diversity effect
H9: BI× LEV	-0.451 (0.218)**	Leverage dampens independence benefits
H10: BSE × LEV	-0.594 (0.263)**	Leverage weakens expertise effect
H11: AC × LEV	-0.487 (0.211)**	Leverage reduces audit committee impact
H12: AUDQ× LEV	0.743 (0.322)**	Leverage moderates audit quality effect

**Note:** (\*p<0.1; \*\*p<0.05; \*\*\*p<0.01)

#### 5.4 Endogeneity Test Interpretation

The Durbin–Wu–Hausman test for endogeneity was accompanied to ensure the robustness of the findings. The results indicated an insignificant test statistic ( $\chi^2 = 1.62$ ,  $p > 0.10$ ), confirming that endogeneity was not a major concern in this study. This implies that the relationships between governance variables and FRQ are not driven by reverse causality or omitted variable bias. Thus, the reported coefficients can be considered reliable and robust for drawing valid inferences.

## 6. Discussion

Research findings highlighted that BS significantly increases the non-financial companies' FRQ. This result suggests that larger boards increase a greater diversity of opinions, broader monitoring capacity, and enhanced oversight functions in strengthening reporting transparency. Morante [72] results are same, where they confirmed that larger boards is positioned in a better way to ensure effective internal control mechanisms, which ultimately improve the credibility of financial statements. These findings suggested that the non-financial sector in Saudi Arabia should focus on a larger BS because firms can benefit from expanding their boards to an optimal size, ensuring a wide representation of skills and backgrounds that can reduce agency conflict and increase stakeholders' trust. It is also important for the Saudi Arabia vision 2030, which emphasizes that corporate transparency and accountability to attract international investment could play a crucial role in aligning with these goals, which could increase the country's competitive advantage.

Further key findings highlighted that diversity on the board also positively and significantly improves the FRQ of the non-financial sector in Saudi Arabia. This supports the knowledge that females on the board bring diverse viewpoints, stronger ethics, and better decision-making. Prior studies on gender diversity also found the same results Askarany et al. [17]; Li and Kang [61], that

diversity in the board increases the FRQ. These findings are more relevant for Saudi Arabia because here female participation is being actively encouraged under Vision 2030. Further findings showed that BI significantly and positively strengthens FRQ. This result aligns with the findings of Kilincarslan [55]; Yahaya [98], who argue that independent boards are effective in mitigating agency problems and enhancing reporting credibility. These findings highlighted that the Saudi non-financial sector could improve the board that is independent because it is particularly important as the economy diversifies away from oil dependency. Independent oversight can also help firms to establish a reputation for high accountability and credibility, fostering investor confidence, which could improve the exports of the non-financial sector.

Moreover, the result indicated that board skills and expertise also positively and significantly increase the FRQ. These findings show that directors who possess professional qualifications are better able to understand complex transactions, evaluate management performance, and ensure the accuracy of financial disclosures. These outcomes are relevant to the study of Zaid et al. [101], where they indicated that boards with higher financial literacy and specialized knowledge enhance the reliability of financial reporting. As Saudi Arabia aims to increase market share, firms with skilled boards will be better positioned to meet international reporting standards such as IFRS. This can directly contribute to improving the competitiveness of Saudi firms, while also assuring stakeholders about the integrity of their reporting practices. In the same vein, the AC also positively and significantly improves the FRQ of the Saudi Arabian non-financial sector. These findings show that audit committees in Saudi Arabia have strong oversight roles to ensure that financial disclosures are accurate. Mardessi [65] also found the positive impact of the AC on the FRQ. Further, AUDQ also has a significant influence on the FRQ of the non-financial sector in Saudi Arabia. The result is more relevant to prior studies Czajkowska et al. [26]; Francis [36], which have shown that engaging Big auditors is associated with more rigorous auditing standards, lower discretionary accruals, and improved investor confidence. Other studies also enforced the view that high-quality audit committees and Big4 auditors not only reduce the risk of misreporting but also enhance credibility in global markets. This is particularly crucial as the Kingdom works toward diversifying its economy and attracting foreign direct investment, where transparent reporting plays a pivotal role in investment decisions.

Moderating effect results also show that LEV significantly moderates among CG factors and FRQ. The results demonstrated that leverage weakens the positive contributions of BS, gender diversity, BI, board expertise, and audit committee quality on FRQ. Meckling and Jensen [67] argued the same in agency theory, which suggested that high leverage increases conflicts between debt holders and equity holders, thereby constraining managerial discretion and reducing the effectiveness of governance mechanisms. For instance, Hussain et al. [46] found that high LEV undermines the impact of BI on reducing earnings manipulation practices, as firms under pressure from creditors often prioritize short-term financial performance over transparent reporting. Similarly, Sultana et al. (2019) argued that board committees are less effective in highly leveraged environments, as financial distress increases management's tendency to obscure information. These findings emphasize the risk that excessive leverage may reduce the positive governance mechanisms designed to improve transparency and accountability, which could minimize the company's competitive advantage.

Further results on the relationship of AUDQ and FRQ are positively and significantly moderated by leverage, which suggests that high-quality audits in improving FRQ are contingent upon how firms structure and manage their financial decisions, such as leverage, investment, and dividend policies. Specifically, when financial decisions are prudent and aligned with sustainable governance practices, the positive impact of AUDQ on FRQ becomes stronger, as external auditors can more

effectively monitor and validate transparent decision-making processes. This result is aligned with the findings of Mesioye and Bakare [70], who emphasized that the interaction between financial decisions and external monitoring mechanisms determines the credibility of financial information. Conversely, aggressive or risky financial policies may diminish the benefits of AUDQ, as auditors face greater challenges in constraining opportunistic reporting. This result implies that the synergy between sound financial decision-making and robust external audits is vital to ensuring reliable and transparent reporting, ultimately enhancing investor trust and long-term firm sustainability. The moderating effect of financing decision-making has been identified in various studies [2; 73]. This strengthens the relevance of LEV as a moderator for the present research.

## **7. Implications**

Findings contributed in both contexts. Theoretically, findings of this study contributed significantly to the CG and FRQ literature by providing evidence from the Saudi Arabian non-financial sector with an emerging market context that is undergoing major institutional and economic reforms. The results strengthen the prior agency theory of Meckling and Jensen [67], which demonstrates that CG mechanisms serve as effective tools to mitigate agency conflicts and enhance reporting credibility. Further, moderating effect findings contributed to knowing that debt financing limits the effectiveness of the governance mechanism effectiveness which supports the notion that financing structures shape managerial incentives and governance outcomes. Furthermore, the interaction between financing decision-making and AUDQ contributed to emphasizing the importance of resource dependence theory importance [87] and stakeholder theory [37] which suggests that transparent financing decisions combined with credible external audits strengthen stakeholder trust. These findings enrich governance theory by showing that governance attributes do not operate in isolation but are conditioned by firms' financial structures and decision-making processes.

Practically, study results offer valuable insights into strengthening FRQ in non-financial firms under Vision 2030. Practically, firms should aim to optimize BS and promote greater gender diversity, independence, and expertise among directors to ensure robust oversight and credible financial disclosures. The evidence also highlighted the significance of high-quality audit committees and Big4 Four auditors in enhancing investor confidence, which is particularly relevant for attracting investors at an international level. However, the moderating role of LEV signals caution for firms relying excessively on debt financing, as it may dilute the benefits of governance mechanisms and weaken reporting transparency. Managers and policymakers should therefore focus on aligning financing strategies with governance frameworks to ensure long-term sustainability. Moreover, by demonstrating that prudent financing decision-making enhances the effectiveness of AUDQ, the study provides practical guidance for firms to adopt conservative, transparent, and sustainable financial policies. Together, these implications highlighted actionable strategies for improving governance practices, raising investor confidence, and accelerating the integration of Saudi non-financial firms into global capital markets.

## **8. Conclusion and Future Directions**

This study examines the impact of CG mechanisms and AUDQ on FRQ with the moderating effect of financing decisions, as measured by financial leverage, in the non-financial sector. Results revealed that BS, gender diversity, BI, directors' expertise, audit committee effectiveness, and AUDQ significantly and positively influence FRQ. Furthermore, the results indicate that LEV negatively moderates among governance mechanisms and FRQ, suggesting that excessive reliance on debt financing can weaken governance effectiveness. However, LEV positively moderates the

association between AUDQ and FRQ, implying that prudent financial policies strengthen the monitoring role of auditors and improve reporting integrity. The study's theoretical contributions to stakeholders, resource dependency, and agency theory are demonstrated by demonstrating how governance mechanisms interact with financing structures to shape in developing country reporting outcomes. Practically, the research provides actionable insights for firms, emphasizing the need to optimize board structures, promote gender diversity, enhance independence and expertise, and engage high-quality auditors while aligning financing strategies with governance frameworks. By integrating sound governance with prudent financial decision-making, Saudi non-financial firms can raise transparency, enhance investor trust, and accelerate their integration into global capital markets. Various limitations are still ahead in the current study. For example, current research has entirely focused on the moderating variable of financing decisions. Hence, future research could be conducted on dividend policy for moderating variables. In other words, the study is limited on one country, while there are also some of the gulf countries where same framework could be tested to check the variations in the results. Lastly, the current study conducted static panel data where just only the endogeneity test was tested; further research could be explored on dynamic panel data to know the variations in the results.

### Funding

This work was supported by the Deanship of Scientific Research, Vice Presidency for Graduate Studies and Scientific Research, King Faisal University, Saudi Arabia [Grant Number KFU253250]'.

### References

- [1] Adeyemi, E., & Yahaya, O. A. (2024). The impact of board financial expertise on earnings quality in Nigerian listed companies. *NDA Original Research Paper*, 9(4), 1-30. <https://dx.doi.org/10.2139/ssrn.4950387>
- [2] Ahmad, M., & Shah, S. Z. A. (2022). Overconfidence heuristic-driven bias in investment decision-making and performance: mediating effects of risk perception and moderating effects of financial literacy. *Journal of Economic and Administrative Sciences*, 38(1), 60-90. <https://doi.org/10.1108/JEAS-07-2020-0116>
- [3] Ahmed, M. M. A., Hassan, D. K. A. E. S. A., & Magar, N. H. A. (2024). The moderating role of board gender diversity on the relationship between audit committee characteristics and financial performance: evidence from Egypt. *Journal of Financial Reporting and Accounting*. <https://doi.org/10.1108/JFRA-12-2023-0746>
- [4] Al-Sanasleh, A., Jaffar, N., & Saidin, S. F. (2025). The Impact of Audit Firm Industry Specialization on the Relationship between Integrated Reporting and Sustainability Performance: Conceptual Paper. *International Journal of Academic Reserach in Economics and Management Sciences*, 14(1). <https://knowledgewords.com/index.php/ijarems/article/view/1529>
- [5] Al Najjar, M., Ghanem, M. G., & Higazi, W. (2024). Accounting errors that influence value added tax reporting quality: A study of accounting and regulation. *Journal of Governance and Regulation/Volume*, 13(3). <https://doi.org/10.22495/jgrv13i3art16>
- [6] Alabdullah, T. T. Y. (2023). The role of audit committees in Omani business context: do they affect the performance of non-financial companies. *Journal Of Humanities, Social Sciences And Business*, 2(4), 643-659. <https://ojs.transpublika.com/index.php/JHSSB/>
- [7] Alam, S., Das, S. K., Dey, P. K., Javed, A. S., & Hossain, S. Z. (2025). Does board expertise impact firm performance? Evidence from an emerging economy. *International Journal of Disclosure and Governance*, 1-18. <https://doi.org/10.1057/s41310-025-00289-0>

- [8] Aleqab, M. M., & Ighnaim, M. M. (2021). The impact of board characteristics on earnings management. *Journal of Governance and Regulation*, 10(3). <https://virtusinterpress.org/IMG/pdf/jgrv10i3art1.pdf>
- [9] Ali, A., & Khan, M. (2024). Impact of female CFO board membership on firm investment efficiency: does institutional gender parity matter? Evidence from emerging economies. *Journal of Economic and Administrative Sciences*. <https://doi.org/10.1108/JEAS-08-2023-0221>
- [10] Ali, F., & Shah, S. S. (2024). Firm risk associated with environmental and corporate social disclosure: The moderating role of board gender diversity. *Journal of Corporate Accounting & Finance*, 35(4), 202-220. <https://doi.org/10.1002/jcaf.22725>
- [11] Alves, S. (2023). Gender diversity on corporate boards and earnings management: Evidence for European Union listed firms. *Cogent Business & Management*, 10(1), 2193138. <https://doi.org/10.1080/23311975.2023.2193138>
- [12] Amanamah, R. B. (2024). Corporate governance, financial leverage, external audit quality, and financial reporting quality in Ghanaian companies. *Financial Markets, Institutions and Risks*, 8(1), 43-62. [https://doi.org/10.61093/fmir.8\(1\).43-62.2024](https://doi.org/10.61093/fmir.8(1).43-62.2024)
- [13] Amanamakh, R. B. (2024). *Corporate governance and the level of financial reporting quality: the mediating role of internal control, financial leverage and external audit quality* Sumy State University]. <https://essuir.sumdu.edu.ua/handle/123456789/98140>
- [14] Andayani, E., & Yanti, H. B. (2021). The effect of tax avoidance, sustainability report, corporate governance on firm value: Leverage as moderating (Empirical Study On Registered Manufacturing Companies On the Indonesia Stock Exchange 2014-2019). *Technium Soc. Sci. J.*, 19, 506. <https://heionline.org/HOL/LandingPage?handle=hein.journals/techssj19&div=39&id=&page=>
- [15] Anik, S., Chariri, A., & Isgiyarta, J. (2021). The effect of intellectual capital and good corporate governance on financial performance and corporate value: A case study in Indonesia. *The Journal of Asian Finance, Economics and Business*, 8(4), 391-402. <http://doi.org/10.13106/jafeb.2021.vol8.no4.0391>
- [16] Anuforo, U., Joel, M., & Ndirmbitah, B. K. (2024). Moderating Effect of Risk Management Committee on the Relationship Between Corporate Governance Mechanisms and Financial Reporting Quality of Listed Non-Financial Firms in Nigeria. *International Journal of Accounting, Finance and Administrative Research*, 1(2), 101-126. <https://www.arcnjournals.org/images/6472-208-9-125-38-994-1.pdf>
- [17] Askarany, D., Jafari, S., Pouryousof, A., Habibi, S., & Yazdifar, H. (2025). Board gender diversity and risk management in corporate financing: A study on debt structure and financial decision-making. *Risks*, 13(1), 11. <https://doi.org/10.3390/risks13010011>
- [18] Babalola, F. I., Kokogho, E., Odio, P. E., Adeyanju, M. O., & Sikhakhane-Nwokediegwu, Z. (2025). Audit Committees and Financial Reporting Quality: A Conceptual Analysis of Governance Structures and Their Impact on Transparency. *International Journal of Management and Research*, 4(1), 89-100. <https://doi.org/10.54660/IJMOR.2025.4.1.89-100>
- [19] Baldacchino, P. J., Callus, A., Tabone, N., Ellul, L., & Grima, S. (2022). The barriers and effectiveness of management monitoring by Maltese listed boards. <https://www.um.edu.mt/library/oar/handle/123456789/101936>
- [20] Bepari, M. K., Nahar, S., & Mollik, A. T. (2024). Perceived effects of key audit matters reporting on audit efforts, audit fees, audit quality, and audit report transparency: stakeholders' perspectives. *Qualitative Research in Accounting & Management*, 21(2), 192-

218. <https://doi.org/10.1108/QRAM-06-2022-0098>
- [21] Bryan, D. B., & Mason, T. W. (2023). Lead independent directors and accruals quality. *Journal of Business Finance & Accounting*, 50(3-4), 660-679. <https://doi.org/10.1111/jbfa.12650>
- [22] Chang, Y., & He, W. (2025). Regulatory Cooperation, Enforcement, and Accounting Restatements of US-Listed Foreign Firms. *Journal of Business Finance & Accounting*. <https://doi.org/10.1111/jbfa.12866>
- [23] Cheung, K. Y., & Chung, C. V. (2022). The impacts of audit committee expertise on real earnings management: Evidence from Hong Kong. *Cogent Business & Management*, 9(1), 2126124. <https://doi.org/10.1080/23311975.2022.2126124>
- [24] Chin, C.-L., Chiu, P.-C., Haight, T., & Yu, P.-H. (2024). The Information-Leveling Role of Management Forecast Consistency in Facilitating Investment Efficiency. *European Accounting Review*, 33(2), 519-543. <https://doi.org/10.1080/09638180.2022.2105368>
- [25] Chung, S., & Hwang, D. S. (2025). Seeing is believing: Director accounting enforcement experience and financial reporting quality. *Journal of Contemporary Accounting & Economics*, 21(1), 100453. <https://doi.org/10.1016/j.jcae.2024.100453>
- [26] Czajkowska, K., Lizińska, J., & Czapiewski, L. (2024). Does auditing expertise enhance financial reporting quality? In *Earnings Management and Corporate Finance* (pp. 157-176). Routledge. <https://doi.org/10.4324/9781032615448>
- [27] Darmawan, A. (2023). Audit quality and its impact on financial reporting transparency. *Golden Ratio of Auditing Research*, 3(1), 32-45. <https://doi.org/10.52970/grar.v3i1.375>
- [28] Dimes, R., & Molinari, M. (2024). Non-financial reporting and corporate governance: a conceptual framework. *Sustainability Accounting, Management and Policy Journal*, 15(5), 1067-1093. <https://doi.org/10.1108/SAMPJ-04-2022-0212>
- [29] Doğan, M. (2013). Does firm size affect the firm profitability? Evidence from Turkey. *Research Journal of Finance and Accounting*, 4(4), 53-59. <https://core.ac.uk/download/pdf/234629457.pdf>
- [30] Duong, K. D., Tran, T. N. D., Dang, H. G., & Le, H. T. P. (2025). Financial distress and earning manipulations in Vietnam: the moderating role of financial constraints. *International Journal of Emerging Markets*. <https://doi.org/10.1108/IJOEM-05-2024-0766>
- [31] Duong Thi, C. (2023). Audit quality, institutional environments, and earnings management: An empirical analysis of new listings. *Sage Open*, 13(2), 21582440231180672. <https://doi.org/10.1177/21582440231180672>
- [32] Erena, O. T., Kalko, M. M., & Debele, S. A. (2022). Corporate governance mechanisms and firm performance: empirical evidence from medium and large-scale manufacturing firms in Ethiopia. *Corporate Governance: The International Journal of Business in Society*, 22(2), 213-242. <https://doi.org/10.1108/CG-11-2020-0527>
- [33] Esmailikia, G., & Oshani, M. (2022). Corporate financial stability and fraudulent financial reporting: the role of quality of corporate governance mechanisms. *Journal of Accounting Knowledge*, 13(2), 83-104. <https://doi.org/10.22103/jak.2021.17763.3515>
- [34] Essien, E. O., Ukpong, E. G., & Ibok, N. Audit Committee Effectiveness and Financial Reporting Quality of Listed Non-Financial Firms in Sub-Saharan Africa: The Moderating Role of Board Independence. <https://doi.org/10.56201/ijssmr.v8.no1.2022.pg32.40>
- [35] Falana, G. A., Igbekoyi, O. E., & Oluwagbade, O. I. (2025). Firm attributes and financial reporting quality of listed multinational firms in Nigeria. *Universal Journal of Accounting and Finance*, 13(1), 24-38. <http://doi.org/10.13189/ujaf.2025.130103>
- [36] Francis, J. R. (2023). Going big, going small: A perspective on strategies for researching audit quality. *The British Accounting Review*, 55(2), 101167.



- <https://doi.org/10.1016/j.bar.2022.101167>
- [37] Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. Cambridge university press. <https://doi.org/10.1017/CBO9781139192675>
- [38] Freihat, F. A. Y., Kadir, M. R. A., Kamarudin, K. A., & Sapongi, R. (2024). The Effect of Corporate Governance Mechanisms on Audit Quality towards Earnings Quality of Jordanian Non-Financial Firms. *Pakistan Journal of Life & Social Sciences*, 22(2). <http://doi.org/10.57239/PJLSS-2024-22.2.00918>
- [39] Garg, A. K. (2007). Influence of board size and independence on firm performance: A study of Indian companies. *Vikalpa*, 32(3), 39-60. <https://doi.org/10.1177/0256090920070304>
- [40] Geerawo, T. S. (2023). Discretionary Accruals-Earnings Management Across Industries: Implications for Financial Reporting Quality. *International Journal of Management, Accounting & Economics*, 10(12). <http://doi.org/10.5281/zenodo.10659349>
- [41] Githaiga, P. N. (2024). Sustainability reporting, board gender diversity and earnings management: evidence from East Africa community. *Journal of Business and Socio-Economic Development*, 4(2), 142-160. <https://doi.org/10.1108/JBSED-09-2022-0099>
- [42] Golmohammadi Shuraki, M., Pourheidari, O., & Azizkhani, M. (2021). Accounting comparability, financial reporting quality and audit opinions: evidence from Iran. *Asian Review of Accounting*, 29(1), 42-60. <https://doi.org/10.1108/ARA-06-2020-0087>
- [43] Haron, N. H., Abdul Halim, N. A., & Alias, N. (2021). The relationship between board diversity, board independence and corporate fraud. *Advances in Business Research International Journal*, 7(1), 33-55. <http://myims.mohe.gov.my/index.php/ABRIJ/issue/view/1190>
- [44] Hasan, A., Aly, D., & Hussainey, K. (2022). Corporate governance and financial reporting quality: a comparative study. *Corporate Governance: The International Journal of Business in Society*, 22(6), 1308-1326. <https://doi.org/10.1108/CG-08-2021-0298>
- [45] Heikal, M., Khaddafi, M., & Ummah, A. (2014). Influence analysis of return on assets (ROA), return on equity (ROE), net profit margin (NPM), debt to equity ratio (DER), and current ratio (CR), against corporate profit growth in automotive in Indonesia Stock Exchange. *International Journal of Academic Research in Business and Social Sciences*, 4(12), 101. <http://dx.doi.org/10.6007/IJARBS/v4-i12/1331>
- [46] Hussain, A., Akbar, M., Khan, M. K., Sokolová, M., & Akbar, A. (2022). The interplay of leverage, financing constraints and real earnings management: A panel data approach. *Risks*, 10(6), 110. <https://doi.org/10.3390/risks10060110>
- [47] Ibe, A., Okpanachi, J., & Friday, A. Board Size and Earnings Management of listed Deposit Money Banks in Nigeria Moderated by Audit Committee Expertise. <http://dx.doi.org/10.5281/zenodo.15192967>
- [48] Ibrahim, M., Arabi, A. J., & Gurama, Z. u. (2024). Corporate attributes, audit committee and financial reporting quality of listed non-financial firms in Nigeria. *SN Business & Economics*, 4(11), 125. <https://doi.org/10.1007/s43546-024-00719-1>
- [49] Irawan, K., & Rachmawati, D. (2025). Factors Driving the Quality of Financial Reporting in Non-Financial Public Companies in Indonesia. *Journal of Accounting Science*, 9(2), 292-314. <https://search.crossref.org/?q=2548-2254>
- [50] Islam, M., Slof, J., & Albitar, K. (2023). The mediation effect of audit committee quality and internal audit function quality on the firm size–financial reporting quality nexus. *Journal of Applied Accounting Research*, 24(5), 839-858. <https://doi.org/10.1108/JAAR-06-2022-0153>
- [51] Islam, M. A., Ali, R., & Ahmad, Z. (2011). Is modified Jones model effective in detecting earnings management? Evidence from a developing economy. *International Journal of Economics and Finance*, 3(2), 116-125. <http://doi.org/10.5539/ijef.v3n2p116>



- [52] Jarah, B. A. F., Alzubi, E. A., Khwaileh, K. M., Ebbini, M. M., Alqudah, M. M., & Jaradat, M. S. (2025). The Impact of Legal Auditors on Financial Reports Quality in Jordanian Companies. *International Review of Management and Marketing*, 15(2), 60. <http://doi.org/10.32479/irmm.18274>
- [53] Jibril, R. S., Isa, M. A., Maigoshi, Z. S., & Hamid, K. T. (2024). Audit committee attributes, board of director's independence and energy disclosure for environmental sustainability in Nigeria. *International Journal of Innovation Science*, 16(2), 391-419. <https://doi.org/10.1108/IJIS-08-2022-0149>
- [54] Johri, A. (2024). Examining the Impact of International Financial Reporting Standards Adoption on Financial Reporting Quality of Multinational Companies. *International Journal of Financial Studies*, 12(4), 96. <https://doi.org/10.3390/ijfs12040096>
- [55] Kilincarslan, E. (2021). The influence of board independence on dividend policy in controlling agency problems in family firms. *International Journal of Accounting & Information Management*, 29(4), 552-582. <https://doi.org/10.1108/IJAIM-03-2021-0056>
- [56] Kiswanto, & Setiawan, D. (2022). The Impact of Characteristics of the Board of Directors on the Timelines of Corporate Internet Reporting Index of Companies in Indonesia. *Indian Journal of Corporate Governance*, 15(1), 70-88. <https://doi.org/10.1177/09746862221089059>
- [57] Kohlbeck, M., & Wang, L. (2025). Audit committee tenure, financial reporting quality, and auditor independence. *Managerial Auditing Journal*, 40(3), 303-327. <https://doi.org/10.1108/MAJ-06-2024-4374>
- [58] Komal, B., Bilal, Ye, C., & Salem, R. (2022). The impact of audit committee effectiveness on firms' outcomes in China: a systematic review. *International Journal of Accounting & Information Management*, 30(5), 583-599. <https://doi.org/10.1108/IJAIM-05-2022-0101>
- [59] Kraus, A., & Litzenger, R. H. (1973). A state-preference model of optimal financial leverage. *The journal of finance*, 28(4), 911-922. <https://doi.org/10.2307/2978343>
- [60] Lennox, C. S., & Wu, X. (2022). Mandatory internal control audits, audit adjustments, and financial reporting quality: Evidence from China. *The Accounting Review*, 97(1), 341-364. <https://doi.org/10.2308/TAR-2020-0152>
- [61] Li, L., & Kang, J. (2025). Does the participation of female directors enhance corporate social responsibility and risk taking? *Finance Research Letters*, 107767. <https://doi.org/10.1016/j.frl.2025.107767>
- [62] Ma, Y., Ahmad, M. I., & Torelli, R. (2024). Board gender diversity and ESG disclosure: The moderating role of audit committee. *Corporate Social Responsibility and Environmental Management*, 31(6), 5971-5983. <https://doi.org/10.1002/csr.2895>
- [63] Ma, Z., Shi, L., Yu, K., & Zhou, N. (2025). Audit Committee Financial Experts: Leveraging Their Information Advantage in Accounting, Auditing, and Corporate Governance. *Encyclopedia*, 5(2), 55. <https://doi.org/10.3390/encyclopedia5020055>
- [64] Manginte, S. Y. (2024). Fortifying transparency: Enhancing corporate governance through robust internal control mechanisms. *Advances in Management & Financial Reporting*, 2(2), 72-84. <https://doi.org/10.60079/amfr.v2i2.173>
- [65] Mardessi, S. (2022). Audit committee and financial reporting quality: the moderating effect of audit quality. *Journal of Financial Crime*, 29(1), 368-388. <https://doi.org/10.1108/JFC-01-2021-0010>
- [66] Mardessi, S. M. (2021). The effect of audit committee characteristics on financial reporting quality: The moderating role of audit quality in the Netherlands. *Corporate ownership and control*, 18(3), 19-30. <http://doi.org/10.22495/cocv18i3art2>

- [67] Meckling, W. H., & Jensen, M. C. (1976). Theory of the Firm. *Managerial behavior, agency costs and ownership structure*, 3(4), 305-360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- [68] Med Bechir, C., & Jouirou, M. (2024). Investment efficiency and corporate governance: evidence from Asian listed firms. *Journal of Sustainable Finance & Investment*, 14(3), 596-618. <https://doi.org/10.1080/20430795.2021.1974241>
- [69] Mesbah, S. H., & Ramadan, M. M. (2022). The effect of audit quality on financial reporting quality. *Alexandria Journal of Accounting Research*, 6(2), 41-84. [https://aljaxu.journals.ekb.eg/article\\_253523\\_166ec14d549aea3e5cacd566c59640c8.pdf?lang=en](https://aljaxu.journals.ekb.eg/article_253523_166ec14d549aea3e5cacd566c59640c8.pdf?lang=en)
- [70] Mesioye, O., & Bakare, I. A. (2024). Evaluating financial reporting quality: Metrics, challenges, and impact on decision-making. *Int J Res Public Rev*, 5(10), 1144-1156. <http://dx.doi.org/10.55248/gengpi.5.1024.2735>
- [71] Mohamud, K. M. (2025). Transforming Somalia's Public Financial Management: Reforms, Federalism, and Economic Resilience in a Post-Conflict State. <https://doi.org/10.21203/rs.3.rs-6803842/v1>
- [72] Morante, B. J. L. (2024). Reliability of Financial Statements Through An Effective Internal Control: A Literature Review. *International scientific journal Management, Marketing and Finance*, 1(2), 84-89. <https://jmmf.uz/view?id=30>
- [73] Mustafa, W. M. W., Islam, M. A., Asyraf, M., Hassan, M. S., Royhan, P., & Rahman, S. (2023). The effects of financial attitudes, financial literacy and health literacy on sustainable financial retirement planning: The moderating role of the financial advisor. *Sustainability*, 15(3), 2677. <https://doi.org/10.3390/su15032677>
- [74] Nahar, S., Aziz, A., & Azani, A. (2022). The effect of board independence, gender diversity and board size on firm performance in Malaysia. *Journal of Social Economics Research*, 9(4), 179-192. <http://doi.org/10.18488/35.v9i4.3226>
- [75] Neiva, E. R., & Martins, L. F. (2023). Longitudinal research methods for studying processes of organizational change. In *Handbook of Research Methods in Organizational Change* (pp. 88-122). Edward Elgar Publishing. <https://doi.org/10.4337/9781800378520.00015>
- [76] Ngo, D. N. P., & Le, A. T. H. (2021). Relationship between the audit committee and earning management in listed companies in Vietnam. *The Journal of Asian Finance, Economics and Business*, 8(2), 135-142. <http://doi.org/10.13106/jafeb.2021.vol8.no2.0135>
- [77] Nguyen, L. T., Le, D., Tran, T., & Dang, T. (2021). Financial reporting quality, corporate governance, and idiosyncratic risk: Evidence from a frontier market. *Australasian Accounting, Business and Finance Journal*, 15(4). <https://doi.org/10.14453/aabfj.v15i4.3>
- [78] Nicolò, G., Zampone, G., Sannino, G., & De Iorio, S. (2022). Sustainable corporate governance and non-financial disclosure in Europe: does the gender diversity matter? *Journal of Applied Accounting Research*, 23(1), 227-249. <https://doi.org/10.1108/JAAR-04-2021-0100>
- [79] Nyongesa, R. W. (2025). *Chief Executive Officer Compensation, Earnings Management, Audit Quality and Value of Listed Firms at the Nairobi Securities Exchange* University of Nairobi]. <http://erepository.uonbi.ac.ke/handle/11295/167681>
- [80] Oladapo, O. G., Olasunkanmi, Y. T., Omoruyi, U. S., Adedokun, E. A., Ohaeri, U. E., Ugwu, B. C., Ogieriakhi, A. P., & Akande, A. O. (2024). Board of Directors Characteristics and Financial Reporting Quality of Selected Listed Manufacturing Firms in Nigeria. *Path of Science*, 10(12), 1012-1019. <https://doi.org/10.22178/pos.112-11>
- [81] Pfeffer, J., & Salancik, G. (2015). External control of organizations—Resource dependence perspective. In *Organizational behavior* 2 (pp. 355-370). Routledge.

- <https://doi.org/10.4324/9781315702001>
- [82] Porter, C., & Sherwood, M. (2023). The effect of increases in board independence on financial reporting quality. *Accounting Research Journal*, 36(2/3), 109-128. <https://doi.org/10.1108/ARJ-12-2021-0344>
- [83] Reddy, S., Jadhav, A. M., & Prasad, K. (2025). Gender diversity on boards and earnings forecast accuracy: insights from India. *Journal of Accounting in Emerging Economies*, 15(2), 444-465. <https://doi.org/10.1108/JAEE-08-2023-0240>
- [84] Rowe, S. P., & Sivadasan, P. (2021). Higher audit quality and higher restatement rates: An examination of big four auditee restatements. Available at SSRN 3235756. <https://dx.doi.org/10.2139/ssrn.3235756>
- [85] Sackey, J. (2025). Effect of Board Independence On Earnings Quality of Quoted Firms In The Nigerian Non-Financial Sector. [https://www.unicrossjournals.com/images/document/17374712/14\\_EFFECT\\_OF\\_BOARD\\_INDEPENDENCE\\_ON\\_EARNINGS\\_QUALITY\\_OF\\_QUOTED\\_FIRMS-OibE21ITxbLphmB3D1-vQg.pdf](https://www.unicrossjournals.com/images/document/17374712/14_EFFECT_OF_BOARD_INDEPENDENCE_ON_EARNINGS_QUALITY_OF_QUOTED_FIRMS-OibE21ITxbLphmB3D1-vQg.pdf)
- [86] Saeed, M. M. (2025). Corporate governance and international financial reporting standards compliance among Ghanaian-listed companies. *International Journal of Managerial and Financial Accounting*, 17(3), 331-348. <https://doi.org/10.1504/IJMFA.2025.147042>
- [87] Salancik, G. R., Pfeffer, J., & Kelly, J. P. (1978). A contingency model of influence in organizational decision-making. *Pacific Sociological Review*, 21(2), 239-256. <https://doi.org/10.2307/1388862>
- [88] Setiany, E. (2023). The Effect Local Ownership, Audit Quality, Audit Committee, And Financial Performance on Company Value. *Journal of Accounting and Finance Management*, 4(1), 125-137. <https://doi.org/10.38035/jafm.v4i1.184>
- [89] Šodan, S., Perica, I., & Ćurković, S. (2023). Agency conflicts and financial reporting quality. *Ekonomika misao i praksa*, 32(2), 495-509. <https://doi.org/10.17818/EMIP/2023/2.10>
- [90] Srinidhi, B., Tsui, J., & Zhou, G. (2024). Board Gender Diversity and Accounting Conservatism. In *Why Diversity, Equity, and Inclusion Matter: Challenges and Solutions* (pp. 311-342). World Scientific. <https://doi.org/10.1142/13473>
- [91] Tanko, U. M. (2025). Financial attributes and corporate tax planning of listed manufacturing firms in Nigeria: moderating role of real earnings management. *Journal of Financial Reporting and Accounting*, 23(3), 1024-1056. <https://doi.org/10.1108/JFRA-05-2022-0198>
- [92] Temitope, A. (2025). Audit Committee Diligence and Its Impact on Internal Control Effectiveness and Compliance. <https://www.researchgate.net/publication/394397710>
- [93] Ud Din, N., Cheng, X., Ahmad, B., Sheikh, M. F., Adedigba, O. G., Zhao, Y., & Nazneen, S. (2021). Gender diversity in the audit committee and the efficiency of internal control and financial reporting quality. *Economic research-Ekonomika istraživanja*, 34(1), 1170-1189. <https://hrcak.srce.hr/file/434622>
- [94] Viana Jr, D. B. C., Lourenço, I., & Black, E. L. (2022). Financial distress, earnings management and Big 4 auditors in emerging markets. *Accounting Research Journal*, 35(5), 660-675. <https://doi.org/10.1108/ARJ-06-2021-0165>
- [95] Wanjohi, M. W. (2024). Effect of Corporate Governance on Financial Reporting Quality of Insurance Firms in Kenya University of Nairobi]. <http://erepository.uonbi.ac.ke/handle/11295/167542>
- [96] WorldBank. (2023). Inflation, consumer prices (annual %). World Bank. <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG>
- [97] Yahaya, O. A. (2025). Board gender diversity and firm risk practices. Available at SSRN 5283119. <https://dx.doi.org/10.2139/ssrn.5283119>

- [98] Yahaya, P. D. O. A. (2025). Board independence and earnings management. <https://dx.doi.org/10.2139/ssrn.5099242>
- [99] Yamin, T., & Aryati, T. (2024). Effectiveness of Audit Committee Features to Asymmetric Information with Audit Quality as Moderating. *European Journal of Management Issues*, 32(2), 86-99. <https://www.ceeol.com/search/article-detail?id=1271267>
- [100] Yom, S. S., Deville, C., Boerma, M., Carlson, D., Jabbour, S. K., & Braverman, L. (2022). Evaluating the generalizability and reproducibility of scientific research. *International journal of radiation oncology, biology, physics*, 113(1), 1-4. <https://doi.org/10.1016/j.ijrobp.2022.02.002>
- [101] Zaid, M. A., Issa, A., & Wael Al-Khatib, A. (2024). The power of financial literacy: paving a clear path for the influence of board diversity on intellectual capital disclosure. *Journal of Intellectual Capital*, 25(5/6), 1184-1209. <https://doi.org/10.1108/JIC-05-2024-0147>
- [102] Zalata, A. M., Ntim, C. G., Alsohagy, M. H., & Malagila, J. (2022). Gender diversity and earnings management: the case of female directors with financial background. *Review of Quantitative Finance and Accounting*, 58(1), 101-136. <https://doi.org/10.1007/s11156-021-00991-4>
- [103] Zaman, M. B. (2021). Influence of debt to total asset ratio (dar) current ratio (cr) and total asset turnover (tato) on return on asset (roa) and its impact on stock prices on mining companies on the indonesia stock exchange in 2008-2017. *Journal of Industrial Engineering & Management Research*, 2(1), 114-132. <https://doi.org/10.7777/jiemar.v2i1.119>
- [104] Zhou, H., Owusu-Ansah, S., & Maggina, A. (2018). Board of directors, audit committee, and firm performance: Evidence from Greece. *Journal of international accounting, auditing and taxation*, 31, 20-36. <https://doi.org/10.1016/j.intaccaudtax.2018.03.002>