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The Determinants of the Related Party Transactions' occurrence: an Empirical Study on Firms Listed in the Egyptian Stock Exchange

Abstract

This research sheds the light on the Related Party Transactions (RPTs) topic. It aims to identify the determinants of the RPTs' occurrence using a sample of firms listed in the Egyptian Stock Market. This research tests the hypotheses using the Multiple Regression Model to identify the determinants of the RPTs' occurrence. With respect to the corporate governance factors, empirical results show that the governmental ownership, the number of the non-executive in the board, and the separation between the chairman of the board and the CEO have negative effects on the firm's RPTs, while the ownership concentration has a positive relationships with the firm's RPTs. With respect to the firm's operational characteristics, empirical results show that the firm's size has a positive relationship with the firm's RPTs in case of an emerging capital market such as Egypt. Lastly, there is an obvious need to improve the regulation of the RPTs and its disclosure requirements to limit the negative practices which are unwanted.

Keywords: Related Party Transactions, Corporate Governance, Board of Directors, Ownership Structure, Firm's Operational Characteristics, and The Egyptian Stock Exchange.

محددات حدوث المعاملات مع الأطراف ذوي العلاقة: دراسة تطبيقية على الشركات المسجلة في البورصة المصرية

ملخص البحث

يلقي هذا البحث الضوء على موضوع المعاملات مع الأطراف ذوي العلاقة (RPTs). ويهدف هذا البحث إلى تحديد محددات هذه المعاملات وذلك باستخدام عينة من الشركات المصرية المسجلة في البورصة المصرية. ويختبرهذا البحث فروض البحث باستخدام نموذج الإنحدار الخطي المتعدد لتحديد محددات المعاملات مع الأطراف ذوي العلاقة علي عينة من الشركات المسجلة في البورصة المصرية. بالنسبة لعوامل حوكمة الشركات، لقد توصل البحث إلي وجود علاقة عكسية بين كلا من الملكية الحكومية، وعدد الأعضاء الغير تنفيذين في مجلس الإدارة، والفصل بين رئيس مجلس الإدارة والرئيس التنفيذي وبين المعاملات مع الأطراف ذوي العلاقة، ولكن توجد علاقة إيجابية بين الملكية المركزة والمعاملات مع الأطراف ذوي العلاقة. أما بالنسبة للخصائص التشغيلية للشركات، لقد توصل البحث إلي وجود علاقة إيجابية بين كلا من حجم الشركة والمعاملات مع الأطراف ذوي العلاقة وذلك بالتطبيق علي الشركات المسجلة في سوق رأس المال المصري. لذلك، فإن هناك حاجة واضحة إلى تحسين التشريعات التي تتناول المعاملات مع الأطراف ذوي العلاقة ومتطلبات الإفصاح المرتبطة بها وذلك من أجل الحد من الممارسات السلبية الغير المرغوب فيها للمعاملات مع الأطراف ذوي العلاقة.

الكلمات المفتاحية: المعاملات مع الأطراف ذوي العلاقة، حوكمة الشركات، مجلس الإدارة، هيكل الملكية، الخصائص التشغيلية للشركات، سوق رأس المال المصري.

1- Introduction

In recent years, Related Party Transactions (RPTs) is a topic of an increasing importance around the world. Actually, related parties have recently become a common characteristic in many firms as they expand their activities through subsidiaries or associated enterprises. Currently, the development of the intra-group transactions have become easier by the economic globalization; and according to statistics more than a third of the world trade and over 80% of transactions involving technology transfer which are done between related parties (Li, 2006;Tudor & Corlaciu, 2013).

Presently, the RPTs have become an important aspect in the business world and can have a large impact on the firms' performance. Therefore, it is essential for the interested parties to know if the firm performs its activity in an independent matter or the firm acts in RPTs with other firms; as a related party relationship can have an effect on the financial position and operating results of firms. Actually, in RPTs firms may enter into transactions which otherwise would not be entered into at the same amounts in case of other unrelated parties. The related parties have a degree of flexibility in the price-setting process that does not exist in transactions between other unrelated parties (HKI, 1997; Gordon et al., 2004).

However, unfortunately among the accounting scandals of firms such as Enron, WorldCom, Adelphia, Tyco, Vivendi and Parmalat which shook the financial markets, the RPTs have been a main problem (Sánchez, et al., 2017). The General Accounting Office (2003) has shown that the RPTs are used by firms to restate their financial statements and therefore help the managers to manipulate the firm's financial statements. In addition, the RPTs can also lead to that a firm can exercise a significant influence on the financial and operating decisions of another firm. Ideally, these transactions are supposed to benefit the firm, however in practice, they may be used to expropriate the resources of the firm. Accordingly, the regulatory bodies, the market participants, and the stakeholders have raised a considerable interest in RPTs issue and its effect on the firm's performance.

1.1. Research problem

In fact, the RPTs have been a subject of interest for both the academics and the regulators because of the dual roles it can act in the firms' performance. It can be used for both value-generation and value-destroying purposes. The existing literature has documented mixed results on the effects of RPTs on firms' financial performance (Gordon, et al., 2004; Cheung, et al., 2009; Jian and Wong, 2003; Gallery, et al., 2008; Chen, et al. 2009; Cheung, et al., 2009; Srinivasan, 2013; Williams & Taylor, 2013; Wahab, et al., 2011, Nekhili and Cherif, 2011, and Bava & Di Trana, 2017, Pozzoli and Venuti, 2014; Magdalena and Dananjaya, 2015; Downs, et al., 2016).

Besides, there is still a lack in the studies related to the RPTs topic in the Egyptian Stock Market despite the facts that there is an increasing global interest in this topic, as well as the negative effects of RPTs are more in the developing countries than the developed countries. In fact, the developing countries suffer from weak corporate governance and limited financial reporting transparency (Li et al., 2014) and limited protection of the rights of smaller shareholders (Williams & Taylor, 2013). All of these lead to a higher likelihood of abusing RPTs by dominant shareholders in the developing countries.

Accordingly, the regulatory authorities in the developing countries should pay more attention to the RPTs in the business practices. There is a need to identify the determinants of the RPTs especially in the developing countries, to be able to monitor the firms which are more likely to practice negative RPTs, and try to issue certain regulations to limit the negative practices which are unwanted.

Therefore, the problem of this research is to shed the light on the RPTs topic. The research attempts to explore the importance of the RPTs topic and why it deserves a separate discussion, in addition to demonstrate the determinants of the RPTs especially in Egypt. Accordingly, this research attempts to answer the following questions:

1- What is the meant by the RPTs and what is its importance from the accounting point of view?

2- What are the determinants of the RPTs' occurrence in case of a developing country such as in the Egyptian environment?

1.2.Research objectives

The objective of this research is to enrich the accounting literature with an important issue which is the RPTs topic in the Egyptian Stock Market that is characterized by scarcity. This research aims at filling this gap by conducting an overview of the academic literature on this topic, in order to find out the determinants of the RPTs especially in case of a developing country such as Egypt using a sample of firms listed in the Egyptian Stock of Exchange.

1.3. Research importance

The importance of this research stems from addressing one of the most important issues at the current time which is the RPTs. Actually, the RPTs is a topic of an increasing interest around the world and has become of considerable attention on various international levels. Besides, the importance of this research also stems from the scarcity of studies applied in the developing countries, such as Egypt. In fact, this research offers many contributions:

First; it enriches the accounting literature of the RPTs topic and helps to improve the understanding of this issue.

Second; the majority of the studies on the RPTs focus on firms listed in Stock Markets of developed countries. Accordingly, the importance of this research stems also from the scarcity of studies applied in the developing countries, such as Egypt.

Third; the effects of the RPTs can be widely felt as the RPTs can have a large impact on the performance of firms.

Fourth; the existing literature has documented mixed results on the effects of RPTs on the performance of firms and this is because of the dual roles which the RPTs can act in the firms' performance. In the current accounting literature, there are no conclusive results on the effect of the RPTs on the performance of firms; however the results are mixed.

Fifth; this research helps to direct the attention of the regulatory authorities in the developing countries to the importance of RPTs, especially because the negative effects of RPTs are more in the developing countries than that have been witnessed worldwide.

Sixth; this research helps to identify the financial and the governance factors that determine the RPTs in case of a developing country, such as Egypt.

1.4. Research methodology

This Research reviews the accounting literature on the RPTs issue and its determinants in order to conclude the research hypotheses which will be tested using a sample of listed firms in Egyptian Stock Exchange. The research uses the Multiple Regression Model to test the research hypotheses in order to conclude the determinants of the RPTs in case of a developing country as Egypt.

1.5. Research plan

The rest of this research is organized as follow: Section two presents a background about the RPTs. Section three identifies the determinants of RPTs and develops the research hypotheses. Section four presents the design of the empirical study. Section five presents the results of this research. Finally, section six presents the research summary, conclusions, and recommendations.

2. The Related Party Transactions (RPTs)

Due to the importance of the RPTs, many professional bodies have issued accounting standards to regulate these transactions, these standards are as follows:

According to the GAAP, Statement of Financial Accounting Standards 57 defines RPTs as "transactions between a company and its subsidiaries, affiliates, principal owners, officers or their families, directors or their families, or entities owned or controlled by its officers or their families" (US GAAP, FAS 57, 1982).

According to the International Accounting Standards 24, the RPTs are defined as "transfers of resources, services or obligations between an entity and its related parties". These transactions represent operations conducted between a firm and its related parties. According to the IAS 24, the related party can be a person, an entity, or an unincorporated business, such as subsidiaries, affiliates, shareholders, directors, managers etc (IASB, 2011).

The AS 18 defines RPTs as any financial activities between related parties. It defines related parties as "if one party has the ability to control or significantly influence the other in making financial and/or operating decisions in a particular reporting period" (Indian Accounting Standard, 2012).

With respect to the related party, the Financial Reporting Standard 8 defines a party to be related to an entity if the party: (a) directly, or indirectly through one or more intermediaries, (i) controls, is controlled by the entity (this includes parents and subsidiaries); (ii) has an interest in the entity that gives it significant influence over the entity; or (iii) has joint control over the entity; (b) the party is an associate of the entity; (c) the party is a joint venture; (d) the party is a member of the key management personnel of the entity or its parent; (e) the party is a close member of the family of any individual referred to in the preceding subparagraph or (g) the party is a retirement benefit scheme for the benefit of employees of the entity, or of any entity that is a related party of the entity (FRS 8, 2008).

The AASB 124 defines a related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person is related to a reporting entity if that person: (i) has control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv)The entity is controlled or jointly controlled by a person identified in (a). (v)A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (AASB 124, 2015).

In short, the RPTs are very ancient and widespread practice of business. The related parties are a natural element of businesses and many corporations undertake a large volume of such transactions, which are essential for their development. The criteria for defining the related party transactions may vary significantly across the academic studies or across the different accounting legislations, but in general, these criteria are built on the assumption that engaging in RPT depends on "the ability to influence the conditions and contractual terms of transactions" (Chen, et al., 2009, Pizzo, 2011).

2.1. The importance of the RPTs

As mentioned earlier in this research, the RPT has actually become a normal attribute in today's business world. Many firms have frequently carried on some of its activities through subsidiaries and joint ventures. Accordingly, a firm can affect the financial and operating decisions as well as the financial results and the financial position of another business entity using its control or joint control.

Related parties may enter into transactions that otherwise would not, such as a firm may sell merchandise to its parent firm at a lower price which will not sell to another unrelated party using these terms. In addition, a firm may borrow or lend money at an interest rate that differs from the current interest rate because of the related parties' relationships. Accordingly, it is likely that the transactions between the related parties may not be made at the same amounts as between unrelated parties and thus the RPTs have an effect on the firms' financial and operating performance (AASB, 2015, IASB, 2011).

In addition, the financial results and the financial position of a firm may also be affected by a related party relationship even if related party transactions do not happen. The existence of the related party relationship may be sufficient to affect the transactions of the entity with another party. For example, a subsidiary may end its relations with a trader because of the acquisition of the parent firm of a subsidiary engaged in this kind of activity as the former trader. Another case, one party may be forbidden from doing an activity because of the significant influence of another party such as, a subsidiary may be ordered by its parent do not perform research and development activities. In both cases, the existence of a relationship between the related parties will affect the activities of a firm even without involving into RPTs (Anastasia and Onuora, 2019; IASB, 2011).

Accordingly, the knowledge of the RPTs and the outstanding balances and relationships can affect the assessments of firms by the users of the financial statements, including the assessments of the risks and opportunities facing these firms.

2.2. The RPTs as a double edged sword

As well, the RPTs is a double-edged sword, which means that the controlling shareholders may be used to inject capital for the benefit of all the shareholders or may be used to misappropriate the funds of the firm. In the accounting literature, there are two main theories which explain the rationale of the RPTs (Sun, et al., 2011; Gordon, et al., 2004; Kohlebeck & Mayhew 2004, Gallery, et al., 2008; and Pizzo, 2011; and Corlaciu A., 2013. These theories are as follows:

a) **The efficiency theory**, according to it the RPTs represent effective transactions which are used to fulfill the economic needs of the firm. RPTs are beneficial to the firm and to benefit all the shareholders (Utama, et al., 2010).

b) **The conflict of interest theory**, according to it the RPTs represents probable harmful transactions, which are used to benefit the directors and/ or the larger shareholders on the expense of the smaller shareholders (El-Helaly, 2018; Fang et al., 2018).

With respect to the first theory, "the efficiency theory", it reflects the positive effect of the RPTs. It suggests that RPTs are vital to the business and represent beneficial transactions. It can be used for the benefit of the firm as a whole and all its shareholders as it can be used to decrease the operational costs, optimal utilization of resources, and improve monitoring the firm's activities by the controlling shareholders. Actually, RPTs is one of the important activities to reduce the transaction costs of big companies especially in developing countries because of the market inefficiency in these countries. In addition, speedy decision-making, and efficient allocation of resources through internal market within the group are some of the benefits associated with RPTs (Loon and Ramos, 2009, Williams & Taylor, 2013; Srinivasan, 2013; Carlo, 2014; Utama & Utama, 2014, Gordon, et al., 2007).

Besides, the efficient transactions viewpoint suggests that RPTs are beneficial for the firms especially because of the delay in negotiating the contracts with unrelated parties. In addition, RPTs are also used to support financially distressed companies to overcome its financial problems by its associated companies. Accordingly, RPTs are considered efficient transactions to the firm and to all its stakeholders (Carlo, 2014, Loon, 2009).

With respect to the second point of view, "the conflict of interest theory", it reflects the negative effect of the RPTs. This point of view has been of a great interest in the academic literature and for the regulators and the other stakeholders of the firm. It suggests that RPTs are opportunistic and abusive activity and are used by the insiders to exploit the outsider shareholders (Ryngaert & Thomas, 2012). The conflict of interest theory suggests that RPTs are fraudulent activities which are the responsible for the financial scandals, such as Enron and the WorldCom (Zalewska, 2014). Accordingly, RPTs are potentially harmful to firm's outsiders such as minority shareholders and creditors (Liu and Lu, 2007; Carlo, 2014). Examples for the negative RPTs are like excessive salary given to one of the family members of the controlling shareholders (Utama & Utama, 2009), conducting transactions with related party at unfair prices (Utama & Utama, 2014), or granting credit to related party at unfair interest rates which is considerably different from the prevailing market rates (Manaligod, 2012).

3- Determinants of the Related Party Transactions (RPTs)

In fact, the current literature on the determinants of RPTs is limited and this is because most of the existing literature focuses on the possible effects of the RPTs on firm's valuation, performance and earnings management. In reality, only a small number of studies applied in developed countries which focus on the determinants of the RPTs. These studies identified some governance factors and firm's operational characteristics factors which may affect the number and the magnitude of RPTs. These governance factors and firm's operational characteristics are mentioned below:

3-1 With respect to the governance factors, the accounting literature has found that the corporate governance factors affect the occurrence of the RPTs. Accordingly; this research hypothesizes the first hypothesis to be as follows:

Ha: The Corporate Governance factors are related to the occurrence of the RPTs in firms listed in the Egyptian Stock Exchange.

In this study, the effect of the corporate governance factors, specified in both the ownership structure and the board of directors, on the RPTs of firms listed in the Egyptian Stock Market will be discussed below.

3-1-1 The Ownership structure

As the ownership structure is a key corporate governance factor, this research will focus on examining the effect of the ownership structure in terms of the ownership concentration, the government ownership, the family ownership, the Managerial ownership, and the foreign ownership on the RPTs of firms listed in the Egyptian Stock Market.

1. The Ownership concentration

Regarding the ownership concentration, empirical studies have found a positive significant effect of the controlling shareholders on the existence of the RPTs. The reason behind that is that the large shareholders have greater power and stronger incentives to ensure their value maximization, they may use the RPTs to exploit the funds of the firm for their personal benefits on the expense of the minority shareholders (Anderson and Reeb 2003, Bammens et al, 2011, Nekhili and Cherif, 2011, Huyghebaert and Wang, 2012, Juliarto et al., 2013, Munir et al., 2013, Kang et al., 2014, and Utama and Utama, 2014). Accordingly, the research hypothesis will be as follow:

Ha_1: Ownership concentration is positively related to the occurrence of the RPTs in firms listed in the Egyptian Stock of Exchange.

2. The Government ownership

Regarding the government ownership, the government as a controlling shareholder does not need to engage into a transaction to extract private benefits from the firm on the expense of the minority shareholders. The government can get political private benefits by engaging into policy channeling to achieve social or industrial policy objectives (Milhaupt and Pargendler, 2018). Accordingly, the government ownership reduces the existence of the RPTs in the firms it owns. Thus, the research hypothesis will be as follow:

Ha_2: The government ownership is negatively related to the occurrence of the RPTs in firms listed in the Egyptian Stock of Exchange.

3. The Family ownership

The current accounting literature have provide evidence that family firms are more likely to engage in RPTs than the non-family firms (e.g. Anderson and Reeb 2003; Ali et al., 2007). In fact, the controlling families have more power and control over their firms. In many cases, founding families have large equity holdings in their firms and the family members dominate the board of directors and have significant control over the firm (Ali, et al., 2007). They often feel that the firm they founded is an extension of themselves (Brockman, et al., 2016). Unfortunately, the controlling families use their power and control to act in an opportunistic manner and seek private benefits on the expense of other minority shareholders (Shleifer and Vishny, 1986). The controlling families use their power to engage in opportunistic RPTs. The RPTs represent the vehicle through which the family members get benefits on the expense of other shareholders. Empirical studies proposed that family firms are particularly likely to engage in value-destroying RPTs and they focus on the family's best interests on the expense of other shareholders (DeAngelo and DeAngelo, 2000; Anderson and Reeb; 2003, Kohlbeck, et al., 2018). Accordingly, the research hypothesis will be as follow:

Ha_3: The Family ownership is positively related to the occurrence of the RPTs in firms listed in the Egyptian Stock of Exchange.

4. The Managerial ownership

The Managerial ownership acts as a mean to expropriate the minor shareholders wealth through the RPTs (Ullah and Shah, 2015). Researchers stated that managers are more aware of internal information and company prospects than other shareholders. Moreover, managers tend to be opportunistic and accordingly they may provide different information to the shareholder, all of this creates information asymmetry (Jensen and Meckling, 1976). Also, other Researchers indicate that high shareholding by the top managements may cause moral hazard and information asymmetry problems between the insider (management and directors) and the outsider investors

(Morck, Shleifer & Vishny (1988). Thus, managerial shareholdings appear to lower the level of monitoring that may negatively affect minority shareholders, without the presence of other internal corporate governance mechanisms (Juliarto, et al.,; 2013).

In fact, Empirical studies have found a positive association between the CEO ownership and the potential for expropriation of minority shareholders' rights (Santiago-Castro and Brown, 2011). Also, Juliarto, Tower, Zahn, Rusmin, (2013) have found a positive association between managerial ownership and the RPTs in five countries which are Indonesia, Malaysia, Philippines, Singapore, and Thailand. Accordingly, this research expects that the Managerial ownership will increase the occurrence of the RPTs in firms listed in the Egyptian Stock of Exchange. Thus the research hypothesis will be as follows:

Ha_4: The Managerial ownership is positively related to the occurrence of the RPTs in firms listed in the Egyptian Stock of Exchange.

5. The Foreign ownership

In fact, foreign ownership can be seen as an effective mechanism that can enhance the firm's corporate governance structure in order to monitor the management from non-value maximizing activities (Dahlquist and Robertsson, 2001). Foreign investors have better monitoring abilities in an emerging economy as it integrates with the rest of the world (Khanna & Palepu 2000). Researchers have found that foreign investors' ownership is positively associated with the firm's market value and firm's post reform improvement in market value. The empirical results have indicated that foreign investors invest in good firms and that their monitoring may contribute directly to improved firm performance (Khanna and Palepu, 2000). Djankov and Murrell (2002) have found in their extensive survey research on transition economies that when investment funds, foreigners, and other outsiders become influential owners, they are found to produce the largest positive effects on enterprise restructuring, approximately ten times as restructuring takes place.

Accordingly, this research expects that the higher foreign ownership can reduce the opportunistic behavior, improve the firm monitoring function, and helps to reduce the occurrence of the RPTs in firms listed in the Egyptian Stock of Exchange. Thus the research hypothesis will be as follows:

Ha_5: The Foreign ownership is negatively related to the occurrence of the RPTs in firms listed in the Egyptian Stock of Exchange.

3-1-2 The Characteristics of the Board of directors

The Board of directors is considered as one of the most important dimensions of the internal corporate governance system as it acts two important functions. First, they set the firm's business strategy to guide the firm (Fama and Jensen, 1983). Second, they monitor the managers' performance and they are the responsible for protecting the shareholders' interests (Fama, 1980). As previous studies indicate that RPTs could be used for earning management, this study examines if there is a relationship between the RPTs and the corporate governance especially by focusing on the characteristics of board of directors such as the board's size, independence, and CEO duality.

1. The Board Size

With respect to the board size, it refers to the total number of directors on the board of the firm. Actually, there is no universal agreement on the optimal size of the board of directors. According to the Egyptian guidance of corporate governance issued by the Egyptian Institute of Directors in 2016, the board of directors should be formed from an appropriate number of members to be able to carry out his duties in an efficient manner (EIoD, 2016).

Actually, large board size means a large number of members and this represents a challenge in terms of effective communication and participation.

Large boards face a communication problem that may reduce their efficiency. Conversely, small boards are preferred in emerging economies where there are week communication systems and information sharing and processing is inefficient. Actually, small boards are more effectiveness as fewer members enhance sharing and information processing. Moreover, the monitoring ability of small boards is better than large boards and accordingly small boards have positive impact on the firm performance and help to reduce the RPTs due to their good monitoring ability (Ullah and Shah, 2015; Yermack, 1996).

In fact, there are conflicting results regarding the effect of the board size on the RPTs. Some empirical studies have found that the board size has a significant influence on the amount of RPTs and they are positively correlated (Gordon et al 2004; Kohlbeck and Mayhew, 2004). On contrary, other empirical studies have found an insignificant relationship between the board size and the RPTs and the relationship is seemed to be negative. For instance, Sharkar, et al. (2007) have found that there is a negative relationship between the board size and the RPTs however the significance level was weak. Jeon (2019) has also found an insignificant and a negative relationship between the board size and the RPTs. Antwi, (2019), and Antwi and Kong (2019) have also found a significantly negative effect of the board size on the firms' RPTs.

In this research, we hypothesize that small board size helps to reduce the RPTs due to their effective communication and participation and due to their good monitoring ability; conversely an increase in the board size leads to an increase in the RPTs. Accordingly, the research hypothesis will be as follow:

Ha_6: The Board's size is positively related to the occurrence of RPTs in firms listed in the Egyptian Stock of Exchange.

2. The Board independence

According to the Egyptian guidance of the corporate governance issued by the Egyptian Institute of Directors in 2016, the majority of the board of directors should be from the non-executive members[1], including at least two independent members[2] with technical and analytical skills who can benefit the board of the company.

Actually, the board composition is viewed as an important indicator of its monitoring effectiveness. Although, the inside directors are more understanding and experience about the firm's activities, however the outside directors can better monitor the executive management and protect the rights of the shareholders because they are free from any conflict of interest and thereby mitigating the agency problems (Fama and Jensen 1983; Fama 1980). Accordingly, the percent of insider directors on the board is viewed as an indicator of board non-independence, the greater the percentage of the insiders, the less independent the board (Abdullatif, et al., 2019; Garner, et al., 2017). The outside directors should ensure that the financial decisions are made in the best interests of all shareholders and should not result in earnings that are biased toward the managers or the controlling shareholders (Donaldson and Preston, 1995).

Empirical studies have found a positive effect of the independent directors on controlling the negative RPTs as independent directors can effectively monitor the management than the inside directors. The independence of the board should decrease the total amount of RPTs which emphasize the

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[1] The Non-Executive Director: is the Board member who does not hold an executive position in the company, and who is not paid a monthly or annual salary, except a compensation as a Board member. A non-executive director is not permitted to provide any paid consultations or services to the company, its subsidiaries or affiliates.

[2] The Independent Director: is a non-executive Board member that is not a shareholder in the company, who has been appointed as an expert within the Board, and who has no other relation with the company except his membership in that Board. He is not a company's owners, and he has no material transactions with the company, and he is not paid any salary, commissions, or fees, except the compensation as a Board member. The independent director should neither have personal interest in the company, nor be a relative by blood or marriage up to the second degree relationship to any of its shareholders, Board directors, or executives. He also should not be a senior officer, advisor or External Auditor of the company for the three years prior to his appointment. Finally, his board membership as an independent director should not exceed a maximum six years; otherwise he will become a non-independent director.

monitoring role of the independent directors in controlling the payments to the related parties. The significantly negative relationship between the board independence and RPTs is supported by the findings of Gordon et al., 2004; Kohlbeck and Mayhew 2004; Azim et al., 2018; Gallery, Gallery and Supranowicz; 2008, Abdullatif et al.,2019). On the contrary, other empirical studies have found a positive relationship between the independence of board of directors and RPTs such as Sharkar et al., 2007, Chen et al., 2014, Wu and Li, 2015, Zhu et al., 2016, Boateng and Huang, 2017, and Reguera-Alvarado and Bravo, 2017. Accordingly, the research hypothesis will be as follow:

Ha_7: A high number of Non-Executive Directors in the board is negatively related to the occurrence of RPTs of firms listed in the Egyptian Stock of Exchange.

Ha_8: A high number of Independent Directors in the board is negatively related to the occurrence of RPTs of firms listed in the Egyptian Stock of Exchange.

3. The CEO duality

The CEO duality refers to the situation when the CEO also holds the position of the chairman of the board, in other words it is the practice that a single individual act as both the CEO and the chairman of the board. In fact, it is not preferable to combine the position of the board's chairman with the CEO because the board of directors is the responsible to monitor the managers such as the CEO on the behalf of the shareholders. Accordingly, the board that has a CEO is also the chairman of the board is viewed as less independent and a weaker monitor. Thus, the separation between the chairman of the board and the CEO is considered better corporate governance in behalf of the shareholders and vice versa (Palanissamy, 2015, Ullah and Shah, 2015). Accordingly, the research hypothesis will be as follow:

H_{a9}: The Chairman-CEO separation is negatively related to the occurrence of the RPTs in firms listed in the Egyptian Stock of Exchange.

4. Foreign directors in the board of directors

In fact, the board of directors has the ultimate responsibility for the implementation of the corporate governance within the company; and is responsible to constrain the managers; opportunistic behavior. In previous literature, the choice regarding the board composition comprises an important governance mechanism (Ahmed & Duellman, 2007; Dechow et al., 2010). Actually, the inclusion of a foreign board member is a step forward in a firm's globalization process and reflects the fact that these companies have successfully develop their domestic corporate governance by importing a foreign corporate governance system. The existence of a foreign board members in the board of directors help directors to stress openness and frankness in performing their monitoring tasks, rather than giving priority to respect and politeness among the board members (Oxelheim & Randøy, 2003).

In reality, foreign directors will be more willing to provide the stakeholders with qualitative and correct information, therefore increasing the quality of their monitoring role. Foreign directors have a positive influence on the reduction of management fraud (Hooghiemstra et al., 2015). In addition, as these directors come from outside they will exercise independent thinking and will be less reluctant to raise controversial issues. This will benefit discussions within the boardroom and contribute to increased monitoring effectiveness (Srinidhi et al., 2011). Indeed, foreign directors may bring different viewpoints to the boardroom given their different backgrounds and experiences. Again, this may raise the effectiveness of boards when it comes to carrying out their monitoring task.

Indeed, different nationality means different cultural values and different management practices. No distinction is made between one or more foreign board members since already one foreign board member achieves the required effect. Besides, the existence of a foreign board member will promote the exchange of information by disseminating information to their international network. Actually, these differences can increase the governance standards of these firms that would lead to a decrease in the occurrence of the RPTs. Accordingly, this research suggests that there the existence of a foreign member will have a negative impact on the RPTs in Egyptian listed firms.

H_{a10}: The existence of foreign directors in the board is negatively related to the occurrence of RPTs of firms listed in the Egyptian Stock of Exchange.

3–2 With respect to the operational characteristics of the firm, the accounting literature has found that the firm's leverage, profitability, and size might affect the occurrence of the RPTs in firms listed in the Egyptian Stock Exchange. These operational characteristics are discussed below. Therefore, this research hypothesizes the second hypothesis to be as follows:

Hb: The firm's operational characteristics are related to the occurrence of the RPTs in firms listed in the Egyptian Stock Exchange.

3-2-1 Firm's leverage

Empirical studies have generally found a positive relation between the RPTs and the firm's leverage such as Nekhili & Cherif, 2011, and Utama & Utama, 2014, Abdullatif, et al., 2019) and this is reasonable because firms with high leverage is most likely to engage into RPTs to overcome this. In this research, we expect that the firm's leverage is to be positively related to the RPTs of firms in Egypt. Accordingly, the research hypothesis will be as follows:

Hb_1: Firm's leverage is positively related to the occurrence of RPTs in firms listed in the Egyptian Stock of Exchange.

3-2-2 Firm's Size

The prevalence of the company groups all over the world leads to the existence of many business relations among the parent companies and their subsidiaries. Actually, many big firms expand their activities through their subsidiaries or associated enterprises. Accordingly, in this research we expect that there is a positive relationship between the big firms and the RPTs. Thus; the research hypothesis will be as follows:

Hb_2: Firm's size is positively related to the occurrence of RPTs in firms listed in the Egyptian Stock of Exchange.

3-2-3 Firm's financial performance

In fact, empirical studies do not offer conclusive results about the effect of the firm's financial performance on the firm's RPTs. Some empirical studies have found a positive relationship between the firm's performance and the RPTs such as Gordon, et al., 2004, Cheung, et al., 2009, Umobong 2017, Utama et al., 2010, and Utama and Utama 2014.

On the contrary, other empirical studies have found a negative relationship between the firm's performance and the RPTs such as Jian and Wong 2003, Gordon, et al., 2004, Gallery, et al., 2008; Chen, et al., 2009; Cheung, et al., 2009, Srinivasan 2013; Williams & Taylor 2013; Wahab, et al., 2011, Nekhili and Cherif 2011, and Bava & Di Trana 2017. These studies have found an adverse relationship between the firm's RPTs and the firm's performance and that the majority shareholders expropriate the assets of the firms for their interests on the expense of the minority shareholders. However, Okoro and Jeroh (2016), Pozzoli and Venuti (2014), Magdalena and Dananjaya (2015), and Downs, et al. (2016) find that there is no relationship between the firm's financial performance and the RPTs. In this research, we expect that the there is a negative relationship between the firm's profitability and the RPTs of firms in Egypt. Accordingly, the research hypothesis will be as follows:

Hb_3: Firm's RPTs are negatively related to the profitability of firms listed in the Egyptian Stock of Exchange.

Accordingly from reviewing the accounting literature; there has been found that both the corporate governance factors and the firm's operational characteristics affect the occurrence of RPTs in firms listed in the Egyptian Stock Exchange. Therefore the third hypothesis will be as follows:

H_C: The firm's governance factors and operational characteristics are related to the occurrence of the RPTs in firms listed in the Egyptian Stock Exchange.

4. The Design of the Empirical Study

4.1. Research population and Sample

The population of this research consists of all firms listed in the Egyptian Stock Exchange during the period 2016-2019 which are 218 firms. The research sample consists of 150 firms' observations for the period of 2016-2019 after excluding the outliers. The sample is an arbitrary sample which has taken into consideration the following in its selection:

- The firms included in the research sample are listed in the Egyptian Stock Exchange in this year.
- The shares of these firms have been traded in the Stock Market during this period.
- The firms included in the research sample are non-financial firms because the firms operating in the financial services have special nature and are subject to strict regulations on how they run their businesses and how much capital they need to set aside to be able to continue operating; which are different from other non- financial firms.
- The firms included in the research sample prepare its financial statements in the local currency.
- The firms included in the research sample disclose about the RPTs in its financial reports according to IFRS adopted in Egypt on 2015.
- The firms included in the research sample as divided into sectors are indicated in table (1) in the Appendix.

4-2 Data collection method

The researcher has gathered the information from the web site of the Egyptian Stock of Exchange as well as from the annual financial reports of the listed firms for the period 2016-2019.

4-3 Statistical methods used in the analysis of data

The data of this research is undergone for statistical analysis in order to check the validity of the hypotheses. The researcher used the SPSS program to provide the statistical indicators. The decision of accepting or rejecting of these hypotheses depends on the observed level of significance. The Data were analyzed on the assumption that the level of significance equals to 1%, it is meaning that the maximum acceptance probability of falling into the error is 0.01. The researcher used two Regression Models as follows:

4-4 Research Model

4.4.1. The First Regression Model

The following Multiple Regression Model is used to investigate the effect of the corporate governance factors on the RPTs of firms listed in the Egyptian Stock Exchange, this model will be as follows:

$$RPTs_{it} = \beta_0 + \beta_1\ OWCN_{it} + \beta_2\ GVOWN_{it} + \beta_3\ FAMOWN_{it} + \beta_4\ MGOWN_{it} + \beta_5\ FGOWN_{it} + \beta_6\ BDSIZE\ it + \beta_7\ NON\text{-}EXECUT_{it} + \beta_8\ IND\ DIR_{it} + \beta_9\ CEO_{it} + \varepsilon_{it}$$

Measurement of the Research Variables

With respect to the dependent variable, the dependent variable is the RPTs' occurrence which is measured by the natural logarithm of firm's total amount of related party transactions (Jeon, 2019, Basalighe and khansalar, 2016).

With respect to the independent variables, the independent variables are a set of the potential determinant factors of the RPTs in firms, these determinants are described as follows:

$OWCN_{it}$: The ownership concentration, which is measured by the total ownership percentage of shares owned by individual or institutional shareholders who own 5 per cent or more shares in the firm (Abdullatif, et al., 2019).

$GVOWN_{it}$: The government ownership which is measured by the total ownership percentage of shares owned by the government (Abdullatif, et al., 2019).

$FAMOWN_{it}$: The family ownership which is measured by the total ownership percentage of shares owned by the family (Munir,et al., 2013).

$MGOWN_{it}$: The Managerial ownership which is measured by the percentage of share held by the board's managers (Ullah and Shah, 2015; Juliarto, 2013).

$FGOWN_{it}$: The Foreign ownership which is measured by the percentage of share held by the foreign investors (Juliarto, 2013).

$BDSIZE_{it}$: The board size which is measured by the total number of the directors on the firm's board (Abdullatif, et al., 2019).

$NON\text{-}EXECUT_{it}$: The non- executive directors which are measured by the number of the non- executive directors in the firm's board of directors (Alshetwi, 2017).

$IND\ DIR_{it}$: The independent directors which are measured by the number of the independent directors in the firm's board of directors (Bansal et al., 2018, García-Sánchez and Ferrero, 2018, Rutledge, 2016, Haniffa and Cooke, 2005).

CEO_{it}: A dummy variable that equals 0 if the CEO is the board chairman, and zero otherwise (Abdullatif, et al., 2019).

4-4-2 The Second Regression Model

The Second Regression Model is used to investigate the effect of the firms' operational characteristics on the RPTs of firms listed in the Egyptian Stock Exchange; this model will be as follows:

$RPTs_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 Size_{it} + \beta_3 ROE_{it} + \varepsilon_{it}$

Measurement of the Research Variables

With respect to the dependent variable, the dependent variable is the RPTs' occurrence which is measured by the natural logarithm of firm's total amount of related party transactions (Jeon, 2019; Basalighe and khansalar, 2016).

With respect to the independent variables, the independent variables are potential firm's operational characteristics; these operational characteristics are described as follows:

LEV_{it}: The financial leverage ratio, which is calculated as total debt divided by total equity (Amzaleg and Barak, 2013)

$Size_{it}$: The firm's size which is measured by the natural logarithm of the firm's total assets (Basalighe and khansala, 2016, Juliarto, 2013).

ROE_{it}: The return on equity is a profitability ratio which is calculated as the net income divided by the total equity (Umobong, 2017).

4- 4- 3 The Third Regression Model

The following Multiple Regression Model is used to investigate the effect of both the corporate governance factors and the firm's operational characteristics on the RPTs of firms listed in the Egyptian Stock Exchange, this model will be as follows:

$RPTs_{it} = \beta_0 + \beta_1 OWCN_{it} + \beta_2 GVOWN_{it} + \beta_3 FAMOWN_{it} + \beta_4 MGOWN_{it} + \beta_5 FGOWN_{it} + \beta_6 BDSIZE\ it + \beta_7 NON\text{-}EXECUT_{it} + \beta_8 IND\ DIR_{it} + \beta_9 CEO_{it} + \beta_{10} LEV_{it} + \beta_{11} Size_{it} + \beta_{12} ROE_{it} + \varepsilon_{it}$

5- Research Results

5–1 Descriptive statistics

First, the descriptive statistics were conducted for the explanatory variables. Table (2) provides the descriptive analysis which includes the mean and the standard deviation for the explanatory variables.

Table (2): Descriptive Statistics of the Explanatory variables

	N	Minimum	Maximum	Mean	Std. Deviation
RPTS	144	4.47	10.22	7.9495	1.01540
OWN CON	150	.34	.97	.6738	.16451
GOV OWN	150	.00	.95	.2397	.34983
FAMILY OWN	150	.00	2.17	.1513	.34541
BOARD OWN	150	.00	6.93	.7413	1.15199
FG OWN	150	.00	.96	.1807	.28633
BDSIZE	150	5.00	16.00	8.5133	2.63619
Non Executives	150	.33	1.00	.7344	.15763
IND DR	150	.00	.60	.1865	.16296
Size	150	6.63	11.02	9.3719	.72023
ROE	150	-1.77	2.41	.1571	.29635
LEVG	150	-37.67	11.04	.8991	3.48728
Valid N (listwise)	144				

Second, the frequency of the dummy variable is presented. Table (3) presents the frequency of the CEO which indicates that only 59 firms which represent approximately 36% of the firms have one single person who occupies the two positions the Chairman of the board and the CEO, while 91 firms which represent approximately 56% of the firms do have a separation between the two positions.

Table (3): Frequency of CEO

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	59	36.0	39.3	39.3
	1.00	91	55.5	60.7	100.0
	Total	150	91.5	100.0	
Missing	System	14	8.5		
Total		164	100.0		

Table (4) presents the frequency of the FGBD which indicates that only 119 firms which represent approximately 73 % of the firms do not have a foreign director in its board of directors, while 31 firms which represent approximately 19% of the firms do have a foreign director in its board of directors.

Table (4): Frequency of FGBD

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	119	72.6	79.3	79.3
	1.00	31	18.9	20.7	100.0
	Total	150	91.5	100.0	
Missing	System	14	8.5		
Total		164	100.0		

5-2 Empirical results

5.2.1. The Empirical Results of the First Regression Model

With respect to the empirical results of the potential effect of corporate governance factors on the RPTs of Firms listed in the Egyptian Stock Exchange, the results of running the Multiple Regression Model of the potential determinant factors of the RPTs are presented in Tables (5).

Table (5): Summary of the Multiple Regression Model of the effect of the corporate Governance factors on the RPTs

Variable	Expected Sign	Standardized Coefficients B	T	Sig.	Model Summary		
					R Square	Adjusted R Square	Sig.
OWN CN.	+	.248	2.275	.025	.136	.071	.029
GOV. OWN.	–	-.280	-1.943	.054			
FAM. OWN.	+	.083	.909	.365			
BOARDOWN.	+	-.093	-1.098	.274			
FG OWN	–	-.108	-1.046	.297			
Board SIZE	+	.339	3.172	.002			
Non-Executives	–	-.269	-2.646	.009			
IND.DIR.	–	.025	.254	.800			
CEO	–	-.144	-1.432	.154			
FGBD	–	.117	1.303	.195			

As mentioned in the Table (5) above, the Model Summary indicates that the Model is significant (Sig.=.029) and the Adjusted R Square= .071; which means that the overall Model is accepted. The concentrated ownership variable is significant at (T=2.275, sig=.025); therefore there is a statistically significant positive relationship between the concentrated ownership and the firm's RPTs.

Also, the government ownership variable is significant at (T=-1.943, sig=.054). Thus, there is a statistically significant negative relationship between the government ownership and the firm's RPTs.

However, the relationship between the family ownership and the RPTs is insignificant at (T= .909, sig=.365). Also, the relationship between the board ownership and the RPTs is insignificant at (T=-1.098, sig. =.274). In addition, the relationship between the foreign ownership and the RPTs is insignificant at (T=.-1.046, sig=.297).

With respect to the board's size, the size of the board is significantly related to the RPTs at (T=3.172, sig=.002). Accordingly, there is a positive relationship between the Board's size and the RPTs of firms listed in the Egyptian Stock Exchange. In addition, the board's Non-executives variable is significant at (T=-2.646, sig=.009). Accordingly, there is a statistically significant negative relationship between the board's Non-executives and the firm's RPTs.

However, the relationship between the independent directors and the RPTs is insignificant at (T= .254, sig=.800). Also, the relationship between the CEO and the RPTs is insignificant at (T=-1.432, sig. =.154). In addition, the relationship between the foreign board member and the RPTs is insignificant at (T=1.303, sig=.195).

Therefore as both of the concentrated ownership variable, the government ownership variable, the board's size variable, and the board's Non-executives variable have significant relationships with the RPTs and the overall Model is accepted at (Sig.=.029); accordingly the first main hypothesis (Ha) is accepted that the Corporate Governance factors are related to the occurrence of the RPTs in firms listed in the Egyptian Stock Exchange.

5-2-2 The Empirical Results of the Second Regression Model

With respect to the empirical results of the potential effect of firm's operational characteristics on the RPTs of Firms listed in the Egyptian Stock Exchange, the empirical results revealed the following results as mentioned in Table (6).

Table (6): Summary of the Multiple Regression Model of the potential effect of firm's operational characteristics on RPTs

Variable	Expected Sign	Standardized Coefficients B	T	Sig.	Model Summary		
					R Square	Adjusted R Square	Sig.
LEVG	+	.073	.704	.483	.208	.191	.000
Size	+	.436	5.653	.000			
ROE	–	.107	1.042	.299			

As mentioned in the Table (6), the Model Summary indicates that the Model is significant (Sig.=.000) and the Adjusted R Square= .191; which means that the overall Model is accepted. With respect to the leverage variable, it is non- significant at (T= .704, sig=.483). Accordingly, there is no statistically significant relationship between the firm's leverage and the firm's RPTs.

In addition, the size variable is significant at (T=5.653, sig=.000). Accordingly there is a statistically significant positive relationship between the size and the firm's RPTs. With respect to the ROE, the results were non-significant at (T =1.042, sig=.299). Thus the there is a no statistically significant relationship between the RPTs and the firm's ROE.

Therefore as the firm's size variable has significant relationship with the RPTs and the overall Model is accepted at (Sig.=.000); accordingly the second main hypothesis (H_b) is accepted that the firm's operational characteristics are related to the occurrence of the RPTs in firms listed in the Egyptian Stock Exchange.

5-2-3 The Empirical Results of the Third Regression Model

With respect to the empirical results of the Multiple Regression Model used to investigate the effect of both the corporate governance factors and the firm's operational characteristics on the RPTs of firms listed in the Egyptian Stock Exchange; the empirical results are presented in table (7) below.

Table (7): Summary of the Multiple Regression Model of both the corporate governance factors and the firm's operational characteristics on the RPTs

Variable	Expected Sign	Standardized Coefficients B	T	Sig.	Model Summary		
					R Square	Adjusted R Square	Sig.
OWN CN.	+	.225	2.220	.028	.293	.222	.000
GOV. OWN.	–	–.282	–2.131	.035			
FAM. OWN.	+	.100	1.176	.242			
BOARDOWN.	+	–.037	–.471	.638			
FGHD	–	–.051	–.516	.606			
Board SIZE	+	.128	1.212	.228			
Non-Executives	–	–.201	–2.122	.036			
IND.DIR.	–	–.113	–1.207	.230			
CEO	–	–.202	–2.179	.031			
FGBD	–	.009	.100	.920			
Size	+	.476	5.238	.000			
LEVG	+	.028	.245	.807			
ROE	–	.051	.454	.651			

As mentioned in the Table (7), the Model Summary indicates that the Model is significant at $P < 0.01$ level (Sig.=.000 and the Adjusted R Square= .222); which means that the overall Model is accepted at a significance level of 1% and the maximum acceptance probability of falling into the error is 0.01. The concentrated ownership variable is significant at (T=2.220, sig=.028). Accordingly there is a statistically significant positive relationship between the concentrated ownership and the firm's RPTs. Also, the government ownership variable is significant at (T=-2.131, sig=.035). Accordingly there is a statistically significant negative relationship between the government ownership and the firm's RPTs.

In addition, the board's Non-executives variable is significant at (T= -2.122, sig=.036). Accordingly there is a statistically significant negative relationship between the board's Non-executives and the firm's RPTs. In addition, the results show that the Chairman-CEO separation variable is significant at (T = -2.179, sig=.031). Accordingly, there is a statistically significant negative relationship between the Chairman-CEO separation and the firm's RPTs. Also, the Size variable is significant at (T= 5.238, sig=.000). Accordingly, there is a statistically significant positive relationship between the firm's Size and the firm's RPTs.

However, the relationship between the family ownership and the RPTs is insignificant at (T= -.471, sig=.638). Also, the relationship between the board ownership and the RPTs is insignificant at (T=-1.098, sig. =.274). In addition, the relationship between the foreign ownership and the RPTs is insignificant at (T=-.516, sig=.606). Also, the relationship between the board's size and the RPTs is insignificant at (T=1.212, sig=.228). Besides, the relationship between the independent directors and the RPTs is insignificant at (T= -1.207, sig=.230). Also, the relationship between the foreign board member and the RPTs is insignificant at (T=.100, sig=.920).

With respect to the leverage variable, there is no statistically significant relationship between the firm's leverage and the firm's RPTs at (T= .245, sig=.807). Also, there is a no statistically significant relationship between the RPTs and the firm's ROE at (T=.454, sig=.651).

Therefore as both of the concentrated ownership variable, the government ownership variable, the board's Non-executives variable, the CEO separation, and the size of the firm have significant relationships with the RPTs and the overall Model is accepted at (Sig.=.000); accordingly the third main hypothesis (Hc) is accepted that the firm's governance factors and operational characteristics are related to the occurrence of the RPTs in firms listed in the Egyptian Stock Exchange.

6- Summary, conclusions, and suggested future research

RPTs have become common transactions in recent times. It has become of great concern of both the academic world and practitioner because it can have a dual nature. Corporate governance is considered as a standalone solution to control the conflict of interest among the different stakeholders. RPTs have played a major role in the collapse of several large companies which awake the interest in corporate governance issues. This research sheds the light on the Related Party Transactions (RPTs) topic. It aims to identify the determinants of the RPTs as well as to investigate the effect of the RPTs on the firm's performance using a sample of the Egyptian firms listed in the Egyptian Stock Market. With respect to the determinants of the RPTS, empirical results show that the governmental ownership, the number of the non-executive in the board, and the separation between the chairman of the board and the CEO have negative relationships with the firm's RPTs, while the ownership concentration and the size of the firm have positive relationships with the firm's RPTs in case of an emerging capital market such as Egypt. Finally, we can conclude that there is an obvious need to improve the regulation of RPTs and the related disclosure requirements.

In terms of future suggested researches, it is recommended that future researches examine:

- The effect of firm's RPTs on the quality of financial reporting.

- The effect of firm's RPTs on earning management.
- The role of the Audit Firm on controlling the negative RPTs.
- The effect of the RPTs on the audit fees.
- The effect of the RPTs on the firm's market value.
- The effect of RPTs on the management forecasts.
- The effect of RPTs on the External financing and the cost of Debt.

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Appendix

Table (1): Firms included in the Research Sample by Sector

Sector	Number of firms in this sector	Number of firms in the sample	The percent of each sector in the sample
Basic Resources	15	11	20.7%
Travel & Leisure	9	3	5.7%
Real Estate	31	10	18.9%
Industrial goods, services, and Automobiles	5	3	5.7%
Food, Beverage and Tobacco	25	10	18.9%
Healthcare and Pharmaceuticals	11	4	7.5%
IT , Media & Communication Services	4	2	3.8%
Energy and Support services	2	1	1.9%
Shipping & Transportation Services	4	2	3.8%
Trade & Distributors	4	1	1.9%
Paper & packaging	3	1	1.9%
Textile & Durables	7	2	3.8%
Contracting & Construction Engineering	7	1	1.9%
Building Materials	14	2	3.8%
Total	141	53	100%

Table (2): Descriptive Statistics of the Explanatory variable

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
RPTS	144	4.47	10.22	7.9495	1.01540
OWN CON	150	.34	.97	.6738	.16451
GOV OWN	150	.00	.95	.2397	.34983
FAMILY OWN	150	.00	2.17	.1513	.34541
BOARD OWN	150	.00	6.93	.7413	1.15199
FG OWN	150	.00	.96	.1807	.28633
BD SIZE	150	5.00	16.00	8.5133	2.63619
Non- Executive	150	.33	1.00	.7344	.15763
IND DR	150	.00	.60	.1865	.16296
Size	150	6.63	11.02	9.3719	.72023
ROE	150	-1.77	2.41	.1571	.29635
LEVG	150	-37.67	11.04	.8991	3.48728
Valid N (listwise)	144				

Table (3): Frequency of CEO

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	59	36.0	39.3	39.3
	1.00	91	55.5	60.7	100.0
	Total	150	91.5	100.0	
Missing	System	14	8.5		
Total		164	100.0		

Table(4):Frequency of FGBD

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	119	72.6	79.3	79.3
	1.00	31	18.9	20.7	100.0
	Total	150	91.5	100.0	
Missing	System	14	8.5		
Total		164	100.0		

Table (5): Summary of the Multiple Regression Model of the effect of the corporate Governance factors on the RPTs

Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0	1	.369[a]	.136	.071	.97845

a. Predictors: (Constant), FGBD, BOARDOWN, BDSIZE, CEO, OWN5, independent directors, FAMILYOWN, non-executives, FGHD, GOVHD

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.110	10	2.011	2.101	.029[a]
	Residual	127.330	133	.957		
	Total	147.440	143			

a. Predictors: (Constant), FGBD, BOARDOWN, BDSIZE, CEO, OWN5, indept DR, FAMILYOWN, non-executives, FGHD, GOVHD

b. Dependent Variable: RPTS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.474	.594		12.573	.000
	OWN CON	1.522	.669	.248	2.275	.025
	GOV OWN	-.823	.423	-.280	-1.943	.054
	FAMILY OWN	.243	.267	.083	.909	.365
	BOARD OWN	-.080	.073	-.093	-1.098	.274
	FG OWN	-.384	.367	-.108	-1.046	.297
	CEO	-.297	.207	-.144	-1.432	.154
	BD SIZE	.131	.041	.339	3.172	.002
	Non- Executives	-1.759	.665	-.269	-2.646	.009
	IND DR	.153	.602	.025	.254	.800
	FGBD	.300	.230	.117	1.303	.195

a. Dependent Variable: RPTS

Table (6): Summary of the Multiple Regression Model of the potential effect of firm's operational characteristics on RPTs:

Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0	1	.456[a]	.208	.191	.91329
a. Predictors: (Constant), LEVG, Size, ROE					

ANOVA[b]

Model	Sum of Squares		df	Mean Square	F	Sig.
1	Regression	30.665	3	10.222	12.255	.000[a]
	Residual	116.774	140	.834		
	Total	147.440	143			
a. Predictors: (Constant), LEVG, Size, ROE						
b. Dependent Variable: RPTS						

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.005	1.029		1.949	.053
	Size	.625	.111	.436	5.653	.000
	ROE	.361	.346	.107	1.042	.299
	LEVG	.021	.030	.073	.704	.483
a. Dependent Variable: RPTS						

Table (7): Summary of the Multiple Regression Model of both the corporate governance factors and the firm's operational characteristics on the RPTs

Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0	1	.541[a]	.293	.222	.89539
a. Predictors: (Constant), LEVG, non exect, FGBD, BOARDOWN, CEO, FAMILYOWN, indept DR, Size, OWN CON, FGHD, BDSIZE, ROE, GOV OWN					

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	43.216	13	3.324	4.146	.000[a]
	Residual	104.224	130	.802		
	Total	147.440	143			
a. Predictors: (Constant), LEVG, non-executive, FGBD, BOARDOWN, CEO, FAMILYOWN, independent DR, Size, OWN CON, FGHD, BDSIZE, ROE, GOV OWN						
b. Dependent Variable: RPTS						

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.	Beta		

			Error			
1	(Constant)	1.702	1.208		1.409	.161
	OWN CON	1.380	.622	.225	2.220	.028
	GOV OWN	-.831	.390	-.282	-2.131	.035
	FAMILY OWN	.291	.248	.100	1.176	.242
	BOARD OWN	-.032	.067	-.037	-.471	.638
	FG OWN	-.179	.347	-.051	-.516	.606
	CEO	-.416	.191	-.202	-2.179	.031
	BD SIZE	.049	.041	.128	1.212	.228
	Non-Executive	-1.315	.620	-.201	-2.122	.036
	IND DR	-.700	.580	-.113	-1.207	.230
	FG BD	.022	.219	.009	.100	.920
	Size	.683	.130	.476	5.238	.000
	ROE	.173	.380	.051	.454	.651
	LEVG	.008	.032	.028	.245	.807
a. Dependent Variable: RPTS						