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The Impact of CEO Attributes on Financial Reporting Quality in Egypt: The Moderating Role of Board Ownership

Dr. Hossam Hassan Mahmoud Sharawi

Assistant professor
***Jeddah International College (JIC)**
****Higher Institute of Computer- King Marriott**

***h. Sharawi@ Jicollege.edu.sa.**
****hosamahassan9999@yahoo.com**

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Abstract

This study investigates how CEO attributes, such as gender, duality, expertise, and age, affect the quality of financial reporting (FRQ) in the Egyptian context. The study uses a sample of 84 nonfinancial Egyptian firms from 2014 to 2022 and employs multiple regression analysis to test the hypotheses. The study finds that female CEOs, CEOs with accounting or finance expertise, and older CEOs enhance FRQ, while CEOs who hold both the CEO and board chair positions impair FRQ. The study also examines the moderating role of board ownership on the relationship between CEO attributes and FRQ. The results show that high board ownership mitigates the negative effect of CEO duality on FRQ but does not influence the positive effects of other CEO attributes. In addition, the study controls for firm size and auditor type and finds that they significantly impact FRQ. Larger firms tend to have higher FRQs than smaller firms, and firms audited by Big Four audit firms tend to have higher FRQs than firms audited by non-Big Four audit firms. The study contributes to the literature on FRQ by shedding light on the role of CEO attributes in an emerging market with distinctive institutional characteristics. The study also provides insights for regulators, investors, and other users of financial information who are interested in the quality of financial reporting.

Keywords: CEO attributes, financial reporting quality, gender, duality, expertise, age, board ownership, Egypt

أثر خصائص الرئيس التنفيذي على جودة التقارير المالية في مصر: الدور المُعدل لملكية مجلس الإدارة

المستخلص

تناولت هذه الدراسة أثر خصائص الرئيس التنفيذي CEO (الجنس، وإزدواجية الدور، والخبرة المالية والمحاسبية، والعمر) على جودة التقارير المالية في البيئة المصرية. وقد اعتمد الباحث على عينة من ٨٤ شركة غير مالية مقيدة بورصة الاوراق المالية المصرية عن الفترة من ٢٠١٤ إلى ٢٠٢٢ باستخدام تحليل الإنحدار المتعدد لإختبار فروض الدراسة. وقد توصلت الدراسة إلى أن وجود رؤساء تنفيذيين من الإناث، ومن ذوي الخبرة المالية والمحاسبية، وكبار السن يحسن من جودة التقارير المالية. من ناحية أخرى، تؤدي الإزدواجية في دور الرئيس التنفيذي ورئيس مجلس الإدارة إلى تخفيض جودة التقارير المالية. وقد اختبرت الدراسة أيضا التأثير المُعدل لملكية مجلس الإدارة على العلاقة بين خصائص الرئيس التنفيذي وجودة التقارير المالية. وقد بينت نتائج الدراسة أن ارتفاع نسبة ملكية مجلس الإدارة يقلل من الأثر السلبي لازدواجية دور الرئيس التنفيذي على جودة التقارير المالية. وعلى العكس لا تؤثر ملكية مجلس الإدارة على باقي خصائص الرئيس التنفيذي. وقد أوضحت نتائج الدراسة أن المتغيرات الرقابية لها تأثير على جودة التقارير المالية، حيث تتحسن جودة التقارير المالية في الشركات الكبيرة والشركات التي تخضع لمراجعة قوائمها المالية من قبل شركات المراجعة الأربعة الكبرى. وتساهم الدراسة الحالية في إلقاء الضوء على دور خصائص المدير التنفيذي في الأسواق الناشئة ذات الخصائص المؤسسية المميزة. ومن ناحية آخرى تقدم الدراسة الحالية رؤى للمنظمين والمستثمرين والمستخدمين الآخرين للمعلومات المالية المهتمين بجودة التقارير المالية.

الكلمات المفتاحية: خصائص الرئيس التنفيذي، جودة التقارير المالية، الجنس، الإزدواجية، الخبرة ، العمر، ملكية مجلس الإدارة، مصر

1- Introduction

One of the vital aspects of corporate governance that influences the choices of various stakeholders, such as investors, creditors, regulators, and auditors, is financial reporting quality (FRQ). FRQ indicates how well financial statements reflect a firm's actual economic performance and position and how reliable they are regarding accuracy, completeness, and transparency. The role of CEO attributes in FRQ is a matter of interest for academics and practitioners. However, the empirical findings on this relationship are inconsistent and unclear. Some studies have shown that CEO attributes, such as tenure, compensation, education, or gender, can impact financial reporting quality positively or negatively. For instance, Francis et al. (2008) report that CEO tenure is negatively related to FRQ. Yahaya (2022) demonstrated that when the CEO has an extended tenure, FRQ is lower, which increases the likelihood of earnings management. However, this negative relationship is weakened when more independent directors and ownership are on the board. His study suggests that board independence and ownership can mitigate the detrimental effects of CEO tenure on FRQ. These results suggest that board ownership can moderate the impact of CEO characteristics on FRQ. A greater level of board ownership can mitigate the adverse effects of specific CEO characteristics, including CEO duality and CEO tenure, on FRQ.

On the other hand, some studies investigated the impact of CEO education on FRQ. Ge et al. (2011) found no evidence that CEO education impacts FRQ. Alves (2023) indicates that CEO duality negatively impacts FRQ. However, this effect is diminished when there are more independent board members. According to Zalata et al. (2022), female CEOs are not necessarily more ethically conscious than male CEOs. As a result, they may engage in less earnings management to avoid potential penalties. Davis et al. (2023) find that restatements as an indicator for decreasing financial reporting quality are less likely when the chief financial officer (CFO) is female and when more women serve on the board of directors.

Furthermore, women may be more concerned with the ethical implications of earnings management as a signal for decreasing financial reporting quality. Davis et al. (2023) also reveal that Board gender diversity moderates the effects of CFO gender. When there is greater gender diversity on the board of directors, the positive impact of having a female CFO on the likelihood of restatement is amplified. Arif et al. (2023) examine the impact of prominent CEOs on FRQ and find that CEOs' political, structural, and expert power significantly impact FRQ.

Some research has focused on how a single characteristic of the CEO affects the quality of financial reports. In contrast, other research has examined how multiple characteristics of the CEO influence the quality of reports. For example, Oussii & Klibi (2023) explore how CEO attributes affect earnings management in Tunisian family firms. According to 137 firms, earnings management as an adverse measure for FRQ is more likely when the CEO is also the board chair but less likely when the CEO has more knowledge. The study also finds that family ownership moderates the association between CEO duality and earnings management, suggesting that family owners are less concerned about earnings manipulation when the CEO has more board power. Musa et al. (2023), who conducted a study on 292 Nigerian firms from 2018-2021, found that CEO financial expertise, compensation, and nationality negatively impact real earnings management. Board independence, however, was positively associated with real earnings management but weaker for firms with female CEOs, suggesting that female CEOs may be less likely to engage.

From the above, Previous research shows that CEO attributes affect financial reporting quality, although the results were mixed. However, a few studies dealt with the moderating role of board ownership as a corporate governance mechanism on the relationship between CEO attributes and ERQ. This study explores how CEO attributes affect FRQ in Egypt, an emerging market with distinctive institutional characteristics. Egypt has experienced significant economic and political transitions in the last ten years, such as two revolutions and a

currency crisis. These events have posed challenges and opportunities for firms and their CEOs, who must deal with uncertainty, instability, and competition. In addition, Egypt has a board ownership structure, where some firms have weak corporate governance mechanisms and low transparency, which may impair the quality of their financial reporting. Therefore, examining the impact of CEO attributes on FRQ in Egypt can reveal how CEOs use their power and discretion in a challenging and complex environment. Therefore, the researcher can address the following questions:

1- How do CEO characteristics, such as age, financial experience, gender, and duality, influence FRQ in Egyptian firms?

2- How do the institutional features of Egypt, such as board ownership, shape the relationship between CEO characteristics and FRQ?

The main objective of this study is to investigate the impact of CEO characteristics on FRQ in the context of Egypt, an emerging market with distinctive institutional features.

The specific objectives of this study are:

1- To analyze CEO characteristics' effects on Egyptian firms' financial reporting quality.

2- To examine the moderating role of board ownership on the relationship between CEO characteristics and the financial reporting quality of Egyptian firms.

The current study contributes to the literature on FRQ by providing empirical evidence on how CEO characteristics affect the quality of financial information in a challenging and complex environment. This study also extends the literature on emerging markets by examining how board ownership influences the relationship between CEO characteristics and FRQ. Moreover, this study has practical implications for regulators, investors, and other stakeholders who depend on financial reporting. By understanding how CEO characteristics affect FRQ, they may better evaluate the credibility and reliability of financial reports and make more informed decisions.

The rest of the current study is organized as follows. Section 2 presents the literature review and hypotheses development. Section 3 discusses the research methodology. Section 4 presents the results and discussion. Finally, Section 5 shows the conclusions and recommendations.

2- Literature review and hypotheses development

One primary obstacle in corporate governance is harmonizing management and shareholders' divergent interests and preferences. Financial reporting is crucial in mitigating information asymmetry between parties and facilitating monitoring and contracting systems. Three main theoretical frameworks, namely agency theory, stakeholder theory, and signal theory, provide explanations for the impact of financial reporting on the behavior and outcomes of managers, shareholders, and various stakeholders, including creditors, employees, consumers, suppliers, regulators, and society (Chen et al., 2023; Rouf & Siddique, (2023); Tao-Schuchardt et al., 2023; Almashhadani& Almashhadani, 2023)

The primary focus of agency theory lies in examining the contractual association between principals, the shareholders, and agents, the managers. The objective is to devise optimal contracts, ensuring the alignment of incentives and mitigating agency costs due to conflicts of interest, moral hazard, and adverse selection. Financial reporting plays a vital role in assessing and appraising managers' performance, incentivizing activities that maximize value, penalizing actions that diminish value, and communicating the quality and trustworthiness of managers to the market (Ngo & Nguyen, 2022; Chen et al., 2023).

Signal theory places significant emphasis on financial reporting as a means of communication, whereby it transmits pertinent information regarding a firm's present state and prospects to the market. Managers can utilize financial reporting to communicate their personal information, level of confidence, and dedication to the organization. This communication can influence the market's perspective and evaluation of the firm. Financial reporting can additionally serve as an indicator of a firm's caliber and standing, thereby impacting its ability to obtain external funding, the expenses associated with capital, its competitive edge, and the decisions it makes in terms of strategy (Rouf & Siddique, (2023); Tao-Schuchardt et al., 2023).

The stakeholder theory posits that corporations must consider the requirements and expectations of their stakeholders, effectively address

their divergent interests, cultivate trust and collaboration, and promote the organization's commitment to social responsibility and sustainability. Financial reporting can facilitate the process, which delivers pertinent and dependable information to stakeholders. Additionally, financial reporting discloses the reciprocal influence between the firm's actions and their impact on stakeholders. Financial reporting is crucial in establishing a connection between a firm and its stakeholders (Freeman & Reed, 1983; Ngo & Nguyen, 2022; Almashhadani& Almashhadani, 2023).

However, it is essential to note that financial reporting quality is vital in accounting studies and practice. Financial statement quality pertains to the extent to which financial statements accurately represent the fundamental economic situation of a company and its usefulness in facilitating decision-making for stakeholders, including investors, creditors, regulators, and management. The quality of financial reporting has substantial implications for the effectiveness and stability of capital markets, the allocation of resources, and the governance and firm performance. Several methodologies and viewpoints can be employed in the examination of financial reporting quality, which is contingent upon the specific research inquiries, goals, and methodologies (Leuz et al., 2003; Ball et al., 2003; Francis et al., 2005; Barth et al., 2008).

Scholars have used various metrics to evaluate the quality of financial reporting. These metrics include discretionary accruals, accrual quality, earnings persistence, predictability, and smoothness. These metrics help assess the reliability of financial statements, the degree of earnings management, the relevance of reported results, the information provided to investors, and the stability of earnings over time. These metrics have been developed through research and can be quantified using different statistical measures. Overall, these metrics provide valuable insights into the quality of financial reporting (e.g., Jones, 1991; Dechow et al., 1995; Healy & Wahlen, 1999; Dechow & Dichev, 2002; Kothari et al., 2005).

On the other hand, board ownership can enhance financial reporting by aligning board and shareholder interests, increasing board

members' knowledge and skills, and raising reputation concerns. Directors with a significant stake in a firm are more likely to maintain accurate financial reporting, reducing the risk of earnings management, fraud, and other financial statement distortions. Board members with a significant stake in the company are more likely to understand its operations, strategies, and performance, enabling them to identify and fix financial statement problems and advise management. Additionally, board ownership can raise reputation concerns, reducing the tolerance for financial reporting techniques and undermining the company's credibility and trustworthiness. However, other factors like the regulatory environment, internal controls, and external auditor independence also affect financial statement quality. (Alves, 2023; Rezaee & Safarzadeh, 2023; Arif et al. 2023). Based on the studies presented, the roles of CEO and board characteristics on financial reporting quality are essential topics in accounting research. In this study, the researcher will review the existing literature on the effects of CEO characteristics and board characteristics on financial reporting quality and discuss the implications for theory and practice.

2-1 The Effect of CEO's Gender on Financial Reporting Quality

The impact of the CEO's gender on the quality of financial reporting is a critical topic in accounting studies. Several studies have examined how female CEOs influence financial reporting quality, directly or indirectly, through their interactions with other company governance processes. One of the most compelling justifications for female CEOs' favorable impact on financial reporting quality is their different preferences, abilities, and incentives from male CEOs. Female CEOs, for example, are more risk-averse, ethical, socially responsible, and long-term oriented than male CEOs, according to certain studies (Adams & Funk, 2012; Faccio et al., 2016; Flabbi et al., 2019). Female CEOs with these attributes may embrace more conservative accounting methods, reveal more information, and avoid earnings manipulation.

Furthermore, female CEOs may face increased scrutiny and pressure from stakeholders such as investors, regulators, or the media, motivating them to improve the credibility and openness of their financial reporting (Gul et al., 2011; Srinidhi et al., 2011). Female

CEOs may also improve the quality of financial reporting by influencing other aspects of corporate governance, such as the board of directors or the chief financial officer (CFO). These structures may change in their composition and operation under female leadership.

According to several studies, female CEOs are more likely to select female CFOs or boost board gender diversity, which may improve financial reporting monitoring and oversight (Zalata et al., 2021; Davis & Garcia-Cestona, 2023). Furthermore, female CEOs may have superior communication and collaboration skills than male CEOs, facilitating information flow and coordination among various governance players (Kirsch, 2018). However, not all studies indicate female CEOs' favorable impact on financial reporting quality. According to certain studies, there is no substantial difference in financial reporting quality between female and male CEOs (Francis et al., 2015). According to their research, female CEOs may face different hurdles and limits than male CEOs, such as discrimination, stereotyping, the glass ceiling, or tokenism, all of which may limit their ability or willingness to improve financial reporting accuracy. In addition, women leaders may balance the quality of financial reporting with other strategic goals such as innovation, growth, or social performance (Cumming et al., 2015; Nguyen et al., 2020). Altarawneh et al. (2022) discovered that CEO tenure, network, and gender all had a favorable effect on financial reporting quality, implying that longer-serving, more connected, and female CEOs were less likely to tamper with results.

Finally, the impact of the CEO's gender on financial reporting quality is a complicated and varied phenomenon that is affected by a variety of elements and contexts. More research is required to fully comprehend the underlying mechanisms and variables that affect this relationship. As a result, the researcher develops the first hypothesis as follows:

H1: The CEO's Gender positively and significantly impacts financial reporting quality.

2-2 The Effect of CEO's Age on financial reporting quality

For example, the CEO's age influences the quality of financial reporting. Accounting and corporate finance studies have examined how CEO age influences earnings-managed restatements, markers of financial reporting quality. Previous research has found that older CEOs provide more trustworthy financial reports than younger CEOs because they are less motivated to manage earnings (Huang et al., 2014). On the other hand, Yim (2013) discovered a negative relationship between CEO age and achieving or exceeding analyst expectations and financial restatements. On the other hand, Serfling (2014) found a negative relationship between CEO age and the use of income-increasing accruals in financial reporting. However, Yahaya (2022) contradicted this finding and argued that CEO age or skill has an insignificant impact on the quality of financial reporting quality. He suggested that factors such as risk aversion, ethical values, career aspirations, and cognitive abilities may account for the variation between older and younger CEOs in their reporting behavior. Based on this analysis of the literature, the researcher presents the following hypothesis:

H2: CEO's age positively and significantly impacts financial reporting quality.

2-3 The Effect of CEO's Financial and Accounting Expertise on Financial Reporting Quality

Researchers and practitioners are both interested in the role of the CEO's financial and accounting skills on financial reporting quality. The degree to which financial statements reflect a firm's underlying economic reality is referred to as financial reporting quality, and it has ramifications for investors, creditors, regulators, and other stakeholders. The CEO's financial and accounting expertise, which can be described as the CEO's knowledge and skills, impacts financial reporting quality. Several studies have revealed varied outcomes regarding the association between CEOs' financial and accounting skills and financial reporting quality. CEOs with experience in finance and accounting are more likely to give good financial reports because they know more about accounting standards, the firm setting, and what users

need to know. According to Geiger and North (2006), CEOs with accounting expertise are less likely to participate in earnings management, manipulating reported earnings to achieve specific goals. Another study by Francis et al. (2008) discovered that CEOs with financial backgrounds are more inclined to share volunteer information, improving the transparency and trustworthiness of financial reports.

Other research has suggested that CEOs with financial and accounting competence may have incentives or abilities to alter financial reports in their favor since they have greater access to and control over the accounting information system. According to Faccio et al. (2016), CEOs with accounting backgrounds are more likely to employ discretionary accruals, estimates, or judgments that alter reported results to smooth or meet earnings targets. Similarly, Armstrong et al. (2015) discovered that CEOs with financial backgrounds are more likely to adopt natural earnings management, which involves changing actual business operations to influence reported earnings, such as decreasing R&D expenditures or offering price discounts. Altarawneh et al. (2022) found that CEO knowledge does not affect financial reporting quality. As a result, the role of the CEO's financial and accounting knowledge in financial reporting quality might be more evident, and it may be influenced by a variety of elements such as the CEO's motivation, personality, ethics, governance structure, remuneration plan, and external monitoring. As a result, the researcher develops the third hypothesis as follows:

H3: The CEO's Financial and Accounting expertise positively and significantly impacts financial reporting quality.

2-4 The Effect of CEO's Duality on Financial Reporting Quality

The impact of the dual function of the chief executive officer on the quality of financial reporting is a topic that has garnered considerable interest among researchers and practitioners. The CEO's duality occurs when the same individual occupies the positions of chief executive officer (CEO) and board chair. This may create a conflict of interest because the CEO may wield inordinate power and influence over the board, which monitors and oversees the CEO's actions. Some

studies suggest that the dual role of the chief executive officer may diminish the quality of financial reporting, as the CEO may abuse his or her authority to manipulate accounting data, conceal poor performance, or indulge in earnings management. For instance, Alves (2023) discovered that firms with a dual-CEO structure are likelier to disclose inferior financial reporting quality than those without a dual-CEO structure. Similarly, E-Vahdati et al. (2022) found that CEO duality is negatively related to financial reporting transparency and positively related to financial reporting fraud.

However, other studies have suggested that the CEO's dual role may improve the quality of financial reporting, as the CEO may have a better grasp of the company's operations, strategy, and environment and communicate more effectively with the board and external stakeholders. Ali et al. (2022) demonstrated that firms with dual CEOs have higher stock returns and lower capital costs than firms without dual CEOs. Similarly, Faleye (2007) demonstrated that the dual nature of the CEO is positively associated with firm performance and value. Alves (2023) discovered that CEO duality is negatively associated with financial reporting quality. This indicates that firms with dual CEOs have an inferior quality of financial reporting than firms without dual CEOs. Therefore, it is necessary to clarify the role of the CEO's dual function in financial reporting quality, which may depend on several factors, including the firm's governance structure, ownership concentration, board composition, audit quality, industry characteristics, and institutional environment. More research is required to determine whether dual-role CEOs positively or negatively affect financial reporting quality. Consequently, the researcher formulates the following fourth hypothesis:

H4: CEO's Duality negatively and significantly impacts financial reporting quality.

2-5 The Moderating Effect of Board Ownership on the relationship between CEO attributes and financial reporting quality

Research on the relationship between board ownership and financial reporting quality is limited. Some studies show a positive

relationship, suggesting increased board ownership improves financial reporting quality. For instance, Chen et al. (2016) found that board ownership was positively related to accruals quality, a proxy for financial reporting quality. However, Ghafran and O'Sullivan (2017) found a negative relationship, suggesting that increased board ownership leads to lower financial reporting quality. However, some studies have yet to find a significant relationship between board ownership and financial reporting quality. Alves et al. (2016) found an insignificant association between board ownership and earnings management, while Alzoubi (2018) found a U-shaped association between board ownership and earnings management. Davis et al. (2023) found that restatements, a sign of declining financial reporting quality, are less likely when the CFO is female and more women serve on the board of directors. Women may be more concerned with the ethical implications of earnings management. Board gender diversity moderates the effects of CFO gender, with greater diversity amplifying the positive impact of having a female CFO. Arif et al. (2023) found that CEOs' political, structural, and expert power significantly impact financial reporting quality. Oussii & Klibi (2023) found that earnings management is more likely when the CEO is also the board chair but less likely when the CEO has more knowledge. Musa et al. (2023) found that CEO financial expertise, compensation, and nationality negatively impact real earnings management.

The relationship between board ownership and financial reporting quality is a complex and context-dependent problem that deserves additional research and analysis. The present literature should pay more attention to the moderating function of board ownership in this association between CEO qualities and financial reporting quality. As a result, the researcher contends that board ownership, as a proxy for board supervision, might alleviate agency concerns caused by CEO characteristics that may impair financial reporting quality. As a result, the researcher formulates the fifth hypothesis as follows:

H5: Board ownership moderates the relationship between CEO attributes and financial reporting quality.

To test this hypothesis, the current study divides it into four sub-hypotheses based on the four CEO attributes the study considers: gender, age, financial and accounting expertise and duality. Each sub-hypothesis examines how the effect of a CEO attribute on financial reporting quality varies depending on the level of board ownership. The sub-hypotheses are:

H5a: Board ownership moderates the relationship between CEO gender and financial reporting quality.
H5b: Board ownership moderates the relationship between CEO age and financial reporting quality.
H5c: Board ownership moderates the relationship between the CEO's financial and accounting expertise and financial reporting quality.
H5d: Board ownership moderates the relationship between CEO duality and financial reporting quality.

3- Research Methodology

3-1 Data collection and sampling

The current study sample comprises firms listed in the database of the Egyptian Stock Exchange in order to investigate the factors that influence the financial reporting quality of these firms in a developing country. The investigation spans the years 2014 to 2022 and includes pre-and post-revolution Egypt. Egypt and this period are the focus of this investigation for several reasons. First, Egypt is one of the most significant nations in Africa and the Middle East, with a dynamic economy that has encountered significant political and economic transformations over the past decade. Second, 2014–2022 encompasses the aftermath of recent revolutions, the 2014 presidential election, the 2016 currency devaluation, the 2019 constitutional amendments, and the ongoing COVID-19 pandemic. These events have profoundly affected the country's business climate, regulatory framework, investor confidence, and social welfare. Thirdly, as of December 2020, nonfinancial firms account for approximately 80% of the total market capitalization of the Egyptian Exchange (EGX). These businesses operate in various industries, including telecommunications, construction, tourism, manufacturing, agriculture, and services. Access to capital, corporate governance, innovation, competitiveness, social

responsibility, and environmental sustainability present diverse obstacles and opportunities. Consequently, analyzing these companies can provide valuable insights into Egypt's economic and social development.

Table 1 displays the sample distribution across various industries. The sample includes 84 companies with 756 observations. Food, Beverages, and Tobacco is the most represented industry, with 12 firms and 108 observations, accounting for 17.07% of the sample. Paper and packaging, Utilities, Energy and Support Services, Trade and distributors, Shipping and Transportation Services, Education Services, and Paper and packaging are the fewest firms and observations sectors. The sample includes various industries, from Basic Resources to Health Care and pharmaceuticals to Real Estate to Travel and leisure, as shown in the table. The table provides a helpful overview of the sample's characteristics and permits further examination of sectoral differences and similarities.

3.2 Measurement of the study variables

Table 1: Distribution of sample

Sector	Firm	Obs	percent
Basic Resources	8	72	9.76%
Food, Beverages, and Tobacco	12	108	17.07%
Health Care & Pharmaceuticals	11	99	14.63%
Industrial Goods, Services, and Automobiles	6	54	4.88%
IT, Media & Communication Services	5	45	4.88%
Real Estate	8	72	14.63%
Travel & Leisure	7	63	7.32%
Utilities	2	18	1.22%
Energy & Support Services	3	27	1.22%
Trade & Distributors	4	36	2.44%
Shipping & Transportation Services	3	27	2.44%
Education Services	2	18	2.44%
Contracting & Construction Engineering	4	36	4.88%
Textile & Durables	3	27	3.66%
Building Materials	3	27	6.10%
Paper & Packaging	3	27	2.44%
Total	84	756	100%

Table 2 outlines the measurement of the variables utilized in this investigation and the supporting literature. The dependent variable is financial reporting quality (FRQ), quantified using the Francis et al. (2005) model. CEO gender, age, expertise, duality, and board ownership are all separate variables. The control variables are industry, BIG4, and size. The definitions of these variables are presented in the table.

Table 2: Measurement variables

Variable	Measurement	Supporting literature
Dependent variable		
FRQ	$\frac{TCA_{i,t}}{TotalAssets_{i,t-1}} = \alpha + \beta_1 \frac{OCF_{i,t-1}}{TotalAssets_{i,t-1}} + \beta_2 \frac{OCF_{i,t}}{TotalAssets_{i,t-}} + \beta_3 \frac{OCF_{i,t+1}}{TotalAssets_{i,t-1}} + \beta_4 \frac{\Delta REV_{i,t}}{TotalAssets_{i,t-1}} + \beta_5 \frac{PPE_{i,t}}{TotalAssets_{i,t-1}} + \varepsilon_{i,t}$ Where TCA represents the firm's total current accruals for the year; OCF stands for operating cash flow; REV represents the change in operating revenue. PPE is the property, plant, and equipment of firm i.	Yohan (2017)
Independent variables		
CEO Gender	The CEO gender is a binary indicator that equals one if the CEO is female and zero if she is not.	Altarawneh et al. (2021) ; Ngo & Nguyen (2022)
CEO Age	It is calculated as the years of CEO age.	Altarawneh et al. (2021) ; Ngo & Nguyen (2022)
CEO Expertise	It is equal to 1 if the CEO has such a qualification and 0 if otherwise	Altarawneh et al. (2021) ; Ngo & Nguyen (2022)
CEO Duality	The CEO duality is a binary indicator that equals 1 when the chief executive officer and board chair duties are held by the same person (duality) and 0 when different people hold these functions.	Altarawneh et al. (2021) ; Ngo & Nguyen (2022)
Board Ownership	The percentage of independent board members	Sharawi (2022)
CEO attributes*Board Ownership	The interaction term between CEO characteristics and board ownership captures the moderating influence.	
Control variables		
Industry	Industry dummies.	Altarawneh et al. (2021) ; Ngo & Nguyen (2022)
BIG4	If the firm is audited by the Big 4, it gets one. Otherwise, it gets zero.	Altarawneh et al. (2021) ; Ngo & Nguyen (2022)
Size	The natural log of the company's entire assets.	Altarawneh et al. (2021) ; Ngo & Nguyen (2022)

3-3 Regression Models

The study utilizes panel data analysis for 84 firms from 2014 to 2022 for nine years. The research employs two primary regression models. The following are the research models utilized in the current investigation.

Table 3: Research Models
The first model is used to test the impact of CEO attributes on financial reporting quality
FRQ=β0+β1 CEO Gender +β2 CEO Age + β3 CEO Expertise +β4 CEO Duality +β5 Size+β6 BIG4+β7 Industry+ ε_t
The second model is used to test the moderating role of board ownership on the relation between CEO attributes and financial reporting quality
FRQ=β0+β1 CEO Gender +β2 CEO Age + β3 CEO Expertise +β4 CEO Duality +β5 Size+β6 BIG4+β7 Industry+β8 Board Ownership+ β9 CEO attributes*Board Ownership+ ε_t
β0- β9=Regression coefficients
ε = Error term

The study models in Table 3 seek to investigate the impact of CEO characteristics on financial reporting quality (FRQ) and the moderating role of board ownership in this connection. FRQ is the dependent variable. The independent variables are CEO characteristics such as gender (a dummy variable equaling one if the CEO is female and 0 otherwise), age (the number of years since the CEO was born), expertise (the number of years of experience in the same industry as the firm), and duality (a dummy variable equaling one if the CEO is also the chairperson of the board and 0 otherwise). The control variables are firm size (the natural logarithm of total assets), auditor type (a dummy variable that equals one if a Big 4 auditor audits the firm and 0 otherwise), and industry. Board ownership, defined as the percentage of shares owned by board members, is the moderating variable. The models incorporate an interaction term between CEO qualities and board ownership to account for the moderating effect. The models imply that CEO traits reflect their characteristics, talents, and incentives, which may influence their financial reporting decisions and actions. On the other hand, board ownership shows the degree of alignment or divergence between the CEO's and the board's interests, which may strengthen or weaken the board's oversight of the CEO's activities (Lin & Hwang, 2010). The models should include empirical data on how these factors affect FRQ, a key metric of corporate governance and transparency (Baatwah et al., 2015).

4- Empirical results and discussion

4-1 Descriptive statistics

Table 4 shows the descriptive statistics of nine variables related to financial reporting quality (FRQ) of 756 firms' observations. The variables include the gender, age, expertise, and duality of the CEO, the size, auditor, firm industry, and board ownership. The table reports the number of observations (N), minimum and maximum values, and each variable's mean and standard deviation (SD). The table shows that some variables have an SD that is greater than their mean. This indicates that there is a high variability or dispersion in the data. For example, the FRQ variable has a mean of -0.180 and an SD of 0.615, which means that the data points are spread out over a wide range around the mean. This could imply that different factors affect the FRQ of different firms, such as their accounting policies, earnings management practices, or industry characteristics.

Similarly, the board ownership variable has a mean of 6.370 and an SD of 6.206, suggesting a significant variation in the percentage of shares owned by board members. This could reflect different levels of agency problems, incentives, or governance mechanisms in the firms. Another observation from the table is that some variables have a skewed distribution. For example, the CEO Gender variable has a mean of 0.190 and an SD of 0.392, meaning that most CEOs are male (0) and only a few are female (1). This could indicate that there is a gender gap or bias in the leadership positions of the firms. Similarly, the Big4 variable has a mean of 0.380 and an SD of 0.487, meaning that most firms are audited by non-Big4 auditors (0), and only some are audited

by Big4 auditors (1). This could indicate a difference in the quality or reputation of the auditors among the firms.

Variables	N	Min	Max	Mean	SD
FRQ	756	-0.9909	0.97656	-0.180	0.615
CEO Gender	756	0	1	0.190	0.392
CEO Age	756	27	77	53.820	12.201
CEO Expertise	756	0	1	0.450	0.497
CEO Duality	756	0	1	0.260	0.441
Size	756	3	12	7.590	2.385
Big4	756	0	1	0.380	0.487
Industry	756	0	1	0.660	0.475
Board own	756	0	56	6.370	6.206

4-2 Correlation analysis

Table 5 displays the correlation matrix of the study's variables. FRQ is the dependent variable, while the independent variables consist of CEO Gender, CEO Age, CEO Expertise, CEO Duality, and Board ownership, and the control variables are Size, Big4, and Industry. The correlation matrix reveals several intriguing relationships between the variables. First, the results show that FRQ positively associates with CEO Gender, CEO Duality, CEO Size, and Big 4, and a negative association with CEO Age, CEO Expertise, and Industry. This suggests that firms with female CEOs, CEOs with both the chairperson and the CEO roles, and larger firms and Big Four auditors have higher reporting quality.

In contrast, firms with senior CEOs, CEOs with more excellent expertise, and specific industry sectors tend to report less frequently. Second, CEO Gender has negative correlations with CEO Age, CEO Expertise, and Industry and positive correlations with CEO Duality and Board ownership. This suggests that female CEOs are younger, less experienced, and more likely to work in distinct industries than their male counterparts. It also suggests that female CEOs have more authority and influence over the board than their male counterparts. Thirdly, CEO Age correlates positively with CEO Expertise and CEO

Duality but negatively with Board ownership. This indicates that older CEOs are more qualified and likely to combine the CEO and board chair positions but have a smaller ownership stake than younger CEOs.

Fourth, CEO Expertise has negative correlations with CEO Duality and Industry and positive correlations with Board ownership and Big 4. This demonstrates that more knowledgeable CEOs are less likely to hold both positions and more likely to operate in different industries than less knowledgeable CEOs. It also reveals that more knowledgeable CEOs have a more significant ownership stake than less knowledgeable CEOs.

Fifth, Board ownership and industry have opposite effects on CEO Duality, which is the practice of CEOs holding both the chairperson and chief executive roles. CEOs with dual roles tend to have more board support and lead larger firms. However, they are less likely to be scrutinized externally by the Big Four or industry colleagues. Sixth, size positively correlates with Board ownership and industry and negatively with Big4. This suggests that larger firms have more board involvement and operate in a wider variety of industries than smaller firms but are less likely to employ Big Four auditors.

Seventh, Big Four auditors are related to industry and Board ownership. Firms with Big Four auditors work in some sectors more than others. Firms without Big Four auditors have more people on the board. Eighth, there is a negative correlation between the industry and Board ownership. This indicates that firms in specific industries have less board participation than others. However, the variance inflation factor (VIF) values for all independent variables are less than 10, the commonly employed threshold for detecting multicollinearity problems (Hair et al., 2010).

Table 5: Correlation matrix

Variables	FRQ	Ceo_Gender	Ceo_Age	Ceo_Expertise	Ceo_Duality	Size	Big4	Industry	Board ownership
FRQ	1								
Ceo_Gender	.454**	1							
	0.000								
Ceo_Age	-.123**	.097**	1						
	0.001	0.007							
Ceo_Expertise	-.256**	-.249**	0.053	1					
	0.000	0.000	0.142						
Ceo_Duality	.312**	.082*	.233**	0.025	1				
	0.000	0.022	0.000	0.480					
Size	.341**	.114**	-0.008	0.065	.128**	1			
	0.000	0.001	0.828	0.069	0.000				
Big4	-.272**	-.074*	-0.060	-.180**	-.199**	-0.028	1		
	0.000	0.040	0.095	0.000	0.000	0.436			
Industry	-.132**	-.669**	0.018	.495**	.126**	.166**	-.342**	1	
	0.000	0.000	0.625	0.000	0.000	0.000	0.000		
Board ownership	0.063	-.212**	-.152**	-.133**	-.178**	-0.003	-.194**	.078*	1
	0.078	0.000	0.000	0.000	0.000	0.928	0.000	0.029	

Notes: Statistical significance ***, **, and * are statistically significant at 1%, 5%, and 10%, respectively.

4-3 Panel Data Analysis

The results of the regression analysis of the impact of CEO attributes on financial reporting quality (FRQ) are presented in Table 6. It shows the results of five regression models that examine the impact of different CEO attributes on financial reporting quality. The dependent variable is financial reporting quality. The independent variables are CEO gender, CEO duality, CEO expertise, and CEO age. The control

variables are firm size, auditor type, and industry. Model (1) tests the effect of CEO gender on financial reporting quality. The coefficient of CEO Gender is positive and significant at the 0.05 level, indicating that female CEOs are associated with higher financial reporting quality than male CEOs. This result supports the argument that female CEOs have higher ethical standards and a lower propensity to manipulate earnings than male CEOs. This result is consistent with previous studies (e.g., Haung & Kisgen, 2013).

Model (2) tests the effect of CEO duality on financial reporting quality. The coefficient of CEO Duality is negative and significant at the 0.05 level, indicating that CEOs who also serve as board chairs are associated with lower financial reporting quality than CEOs who do not. This result supports the argument that CEO duality reduces the monitoring role of the board and increases the agency problems between managers and shareholders (e.g., Jensen, 1993; Fama & Jensen, 1983).

Model (3) tests the effect of CEO financial expertise on financial reporting quality. The coefficient of CEO Expertise is positive and significant at the 0.05 level, indicating that CEOs with accounting or finance backgrounds are associated with higher financial reporting quality than CEOs with other backgrounds. This result supports the argument that CEO expertise enhances the credibility and reliability of financial reports (e.g., Balsam et al., 2017; Francis et al., 2008). Model (4) tests the effect of CEO age on financial reporting quality. The coefficient of CEO Age is positive and significant at the 0.05 level, indicating that older CEOs are associated with higher financial reporting quality than younger CEOs. This result supports the argument that older CEOs have more experience and reputations to protect than younger CEOs (e.g., Dechow et al., 2010; Yim, 2013).

Model (5) is the most comprehensive model, including all the independent and control variables. It has the highest adjusted R^2 value of 37.90%, which explains about 38% of the variation in financial reporting quality (FRQ). The F-statistic and the Durbin-Watson statistic are both significant, indicating that the model is valid overall and has no autocorrelation problem. The coefficients of all the independent

variables are significant. CEO Gender has a positive and significant effect on FRQ, suggesting that female CEOs are more likely to enhance the quality of financial reporting than male CEOs. CEO Duality has a negative and significant effect on FRQ, implying that CEOs who also serve as board chairs are more likely to engage in earnings management or other opportunistic behaviors that reduce the quality of financial reporting. CEO Expertise has a negative and significant effect on FRQ, indicating that CEOs with more accounting or finance expertise are more likely to manipulate the financial statements or use their knowledge to hide information from external stakeholders. CEO Age has a positive and significant effect on FRQ, implying that older CEOs are more conservative and cautious in their financial reporting decisions and less likely to take risks that compromise the quality of financial reporting. Among the control variables, Size, Big4, and Industry are all significant and positively affect FRQ, suggesting that larger firms, firms audited by Big4 auditors, and firms in specific industries have a higher quality of financial reporting than their counterparts.

The table also shows each model's adjusted R^2, F-statistic, p-value, and Durbin-Watson statistic. All models have adjusted R^2 values, ranging from 20.80% to 37.90%, indicating that they fit the data well. All models also have significant F-statistics and low p-values, indicating that they are statistically significant at the 0.05 level. All models have Durbin-Watson statistics close to 2, indicating no evidence of autocorrelation in the residuals.

Table 6:The impact of the CEO attributes on Financial Reporting Quality

Variables	Model (1)		Model (2)		Model (3)		Model (4)		Model (5)	
	t	sig	t	sig	t	sig	t	sig	t	sig
(Constant)	-8.902	0.00	-0.952	0.342	-3.360	0.00	-4.177	0.00	-2.725	0.007
Independent variables										
Ceo_Gender	11.340	0.00							12.225	0.000
Ceo_Duality			-2.385	0.017					-5.246	0.000
Ceo_Expertise					3.363	0.00			-6.173	0.000
Ceo_Age							4.839	0.00	5.456	0.000
Control variables										
Size	9.064	0.00	10.548	0.000	10.168	0.00	9.910	0.00	7.698	0.000
Big4	4.369	0.00	9.239	0.000	8.851	0.00	8.366	0.00	4.496	0.000
Industry	6.502	0.00	-3.938	0.000	-2.297	0.02	-4.252	0.00	7.468	0.000
Adj R^2	**31.80%**		**20.80%**		**21.40%**		**22.60%**		**37.90%**	
F.statistic	89.165		50.470		52.239		56.050		66.875	
Prob (F-statistic)	0.00		0.00		0.00		0.00		0.000	
Durbin-Watson	2.113		1.983		1.965		1.950		2.108	

Dependent Variable: FRQ
Notes: Statistical significance ***, **, and * are statistically significant at 1%, 5%, and 10%, respectively.

Table 7 shows the results of five regression models that examine the moderating effect of board ownership on the relationship between CEO attributes and financial reporting quality. The dependent variable is financial reporting quality. The independent variables are CEO gender, CEO duality, CEO expertise, and CEO age. The moderating variable is board ownership, measured by the percentage of shares board members hold. The control variables are firm size, auditor type, and industry.

Model 1 tests the main effect of CEO gender on financial reporting quality. The coefficient is positive and significant, indicating that female CEOs are associated with higher financial reporting quality than male CEOs. The interaction variable in model 1 is Board ownership* CEO Gender, which measures the effect of the interaction

between the percentage of shares owned by the board of directors and the gender of the CEO on the financial reporting quality. The coefficient of this variable is 0.929, which indicates a positive relationship, but it is not statistically significant at the 5% level (p-value = 0.353). This means there is no evidence supporting the hypothesis that board ownership moderates the relationship between CEO gender and financial reporting quality. In other words, the effect of CEO gender on financial reporting quality does not depend on the level of board ownership. The adjusted R^2 is 31.8%, indicating that the model explains 32% of the variation in financial reporting quality.

Model 2 tests the main effect of CEO duality on financial reporting quality. The negative and significant coefficient indicates that CEOs who also serve as board chairs are associated with lower financial reporting quality than CEOs who do not. The interaction variable in model 2 is Board ownership* CEO Duality, which measures the effect of board ownership on the relationship between CEO duality and financial reporting quality. The coefficient of this variable is positive and significant at the 0.05 level, indicating that board ownership moderates the negative impact of CEO duality on financial reporting quality. This means that when the board has a higher stake in the firm, it can exert more influence and oversight on the CEO, who also serves as the board chair, thus reducing agency problems and information asymmetry that may impair the quality of financial reporting. Therefore, board ownership is a governance mechanism that mitigates the adverse consequences of CEO duality on financial reporting quality. The adjusted R^2 is 22.3%, indicating that the model explains 22.3% of the variation in financial reporting quality.

Model 3 tests the main effect of CEO expertise on financial reporting quality. The coefficient is positive and significant, indicating that CEOs with more expertise in accounting or finance are associated with higher financial reporting quality than CEOs with less expertise. The interaction variable in model 3, Board ownership* Expertise, is not statistically significant (t=0.492, p=0.623). This means that the effect of CEO expertise on financial reporting quality is independent of the level of board ownership. In other words, board ownership must

moderate the relationship between CEO expertise and financial reporting quality. This result suggests that CEO expertise consistently predicts financial reporting quality regardless of the degree of board control or influence. The adjusted R^2 is 21.9%, indicating that the model explains 21.9% of the variation in financial reporting quality.

Model 4 tests the main effect of CEO age on financial reporting quality. The coefficient is positive and significant, indicating that older CEOs are associated with higher financial reporting quality than younger CEOs. The interaction variable in model 4 is Board ownership* Age, which measures the effect of the board's ownership percentage on the relationship between the CEO's age and the financial reporting quality. The coefficient of this variable is positive but insignificant, indicating no moderating role of board ownership in this relationship. This means that the CEO's age is similar to the financial reporting quality depending on the level of board ownership. A possible explanation is that board ownership needs to capture the board's monitoring or incentive alignment functions, which may also influence the financial reporting quality. The adjusted R^2 is 22.7%, indicating that the model explains 22.7% of the variation in financial reporting quality.

Model 5 tests the interaction effects of board ownership and CEO attributes on financial reporting quality. The coefficients for the interaction terms are insignificant, except for the interaction between board ownership and CEO duality, which is positive and significant. This indicates that board ownership moderates the negative effect of CEO duality on financial reporting quality, such that the effect is weaker when board ownership is higher. The results also show that board ownership significantly affects financial reporting quality, as indicated by the coefficient of 2.684 ($p<0.05$). However, this effect is not uniform across different CEO attributes. The interaction terms of board ownership with CEO gender, expertise, and age are insignificant, suggesting that board ownership does not moderate the impact of these attributes on financial reporting quality.

On the other hand, the interaction term of board ownership with CEO duality is significant and negative, indicating that board ownership weakens the negative effect of CEO duality on financial

reporting quality. This implies that when the board has a high level of ownership, it can exert more control and oversight over the CEO, who also serves as the board chair, thus reducing agency problems and information asymmetry that may impair the quality of financial reporting. The adjusted R^2 is 39.5%, indicating that the model explains 39.5% of the variation in financial reporting quality. The table also shows that all models have significant F-statistics and p-values, indicating that they are statistically significant at the 0.05 level. The Durbin-Watson statistics are close to 2, indicating no evidence of autocorrelation in the residuals.

The control variables are firm size, auditor type, and industry type. The results show that firm size positively and significantly affects financial reporting quality in all models, indicating that larger firms tend to have higher-quality financial reports. Auditor type also positively and significantly affects financial reporting quality in all models, suggesting that Big4 auditors provide more reliable assurance and monitoring for financial reporting. Industry type has a mixed effect on financial reporting quality, depending on the model. In models 1, 4, and 5, industry type has a positive and significant effect, implying that manufacturing firms have higher financial reporting quality than non-manufacturing firms. However, in models 2 and 3, industry type has a negative and significant effect, indicating that manufacturing firms have lower financial reporting quality than non-manufacturing firms. This may be due to these models' different CEO attributes and board ownership levels. The findings support some, but not all, of the study's hypotheses. The results are consistent with those of other studies, such as Chen et al. (2016), who discovered that board ownership moderates the influence of CEO duality on FRQ, and Liu et al. (2014), who discovered that CEO gender positively affects FRQ. However, the results contradict other studies, such as Alzoubi (2017), which discovered that board ownership moderates the impact of CEO gender on FRQ.

Table 7:The moderating role of Board Ownership on the relationship between CEO Attributes and Financial Reporting Quality

Variables	Model (1)		Model (2)		Model (3)		Model (4)		Model (5)	
	t	sig	t	sig	t	sig	t	sig	t	sig
(Constant)	-9.097	0.000	1.299	0.194	-3.206	0.001	-4.165	0.000	-0.509	0.611
Ceo_Gender	8.496	0.000							9.067	0.000
Ceo_Duality			-4.268	0.00					-6.356	0.000
Ceo_Expertise					3.184	0.002			-4.771	0.000
Ceo_Age							2.065	0.039	3.475	0.001
Board ownership	1.502	0.134	3.925	0.00	-2.455	0.014	-1.106	0.269	2.684	0.007
Board ownership* Ceo Gender	0.929	0.353							1.442	0.150
Board ownership* Ceo Duality			3.470	0.00					-3.354	0.001
Board ownership* Expertise					0.492	0.623			-0.065	0.948
Board ownership* Age							1.599	0.110	1.164	0.245
Control variables										
Size	8.256	0.000	10.887	0.00	10.533	0.000	9.825	0.000	6.688	0.000
Big4	3.591	0.000	9.822	0.00	9.083	0.000	8.423	0.000	3.823	0.000
Industry	6.744	0.000	-3.729	0.00	-1.576	0.115	-4.022	0.000	7.651	0.000
Adj R^2	**32%**		**22.3%**		**21.9%**		**22.7%**		**39.5%**	
F.statistic	60.177		37.183		36.266		37.876		42.012	
Prob (F-statistic)	0.00		0.00		0.00		0.00		0.00	
Durbin-Watson	2.102		2.230		1.998		1.956		2.087	

Dependent Variable:FRQ

Notes: Statistical significance ***, **, and * are statistically significant at 1%, 5%, and 10%, respectively.

5- Conclusion

This study examined how CEO characteristics affect the quality of financial reporting (FRQ) in Egypt, an emerging market. The findings revealed that female CEOs produce higher-quality financial reports than male ones. CEO duality has a negative impact on FRQ, but this effect is weakened when the board has a significant stake in the firm. The CEO's education and age did not influence FRQ directly or indirectly through board ownership. The study also discovered that board ownership can influence the relationship between CEO duality

and FRQ. This means that the negative effect of CEO duality on FRQ is lessened when the board has high ownership.

The study has limitations, such as the small sample size and the limited number of CEO traits considered. However, the study has implications for regulators, investors, and others who use financial data. The study indicates that female CEOs and CEOs with accounting or finance backgrounds are related to higher FRQ. This suggests that gender diversity and professional expertise are beneficial for improving the quality of financial reporting. The study also found that the moderating effect of board ownership is only significant for CEO duality and not for CEO gender or education. This suggests that board ownership may affect the CEO's actions and choices. This study provides valuable insight into the factors affecting FRQ in emerging markets. The results show that the institutional environment significantly affects the relationship between CEO features and FRQ. Notably, board ownership can reduce the adverse effects of CEO duality on FRQ. These findings have implications for regulators and others who want to enhance the reliability of financial reporting in emerging markets.

Future research might examine how board ownership affects CEO salary, risk-taking, and turnover. Researchers could investigate if CEOs with more board ownership earn more and whether this is due to their better performance or more significant board influence. Researchers could also examine whether CEOs with more board ownership take more risks and whether their confidence or lack of accountability drives this. Another factor is board ownership and CEO change. Researchers could investigate if CEOs with higher board ownership are more likely to be ousted and, if so, why. Researchers could also examine board ownership, CEO actions, and choices across nations to see how cultural or institutional factors affect the relationship. Finally, researchers may employ a longitudinal approach to examine how board ownership affects CEO actions and choices as the firm and environment change. This may help us comprehend the intricate interplay between board ownership and CEO actions and choices and their effects on corporate governance.

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