

# Busy Audit Committee Directors and Corporate Narrative Disclosure in Oman

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## Abstract

**Purpose:** We examine whether, and which type of, busy audit committee directors affect the quality and quantity of forward-looking disclosure.

**Methodology:** We use content analysis to measure the quality and quantity of forward-looking disclosure. We use a sample of Omani financial institutions listed on the Muscat Securities Market for the period 2014-2018.

**Findings:** We find that overlapped audit committee chairs and total overlapped audit committee directors negatively (positively) affect disclosure quantity (quality). We also find that overlapped audit committee directors with financial expertise and those with multiple directorships positively affect disclosure quantity and quality.

**Originality:** This study offers new insights to policymakers (and managers) as it informs them about the benefits of overlapping audit committee directorship. It suggests that corporate governance codes should not limit overlapped audit committee directorship.

**Keywords:** Busy audit committee directors; disclosure quality; disclosure quantity, forward-looking disclosure; content analysis.

## 1. Introduction

DeZoort, Hermanson, Archambeault and Reed (2002, p. 38) argue, “the empirical audit committee literature is both diverse and expansive, with rapid growth in recent years based on increased concerns about corporate governance and the quality of financial reporting”. There is considerable research on the impact of overlapping audit committee (AC) directorship on financial reporting quality (FRQ), proxied by earnings management (Chandar et al., 2012; Habib & Bhuiyan, 2016) and audit fees (Kalelkar, 2017). However, to the best of our knowledge, no study has directly examined the effect of AC overlapping on disclosure practice. Furthermore, there are calls for research (Malik, 2014) on the impact of regulatory requirements on the effectiveness of AC in an international context. Our paper fills these research gaps.

The question of what factors affect disclosure practice has been examined extensively in the accounting literature (Qu, 2020). Hassan and Marston (2019: p.42) argue that “Future research might also investigate the interactions between the different dimensions, the different time orientation and the different types of disclosure, their determinants and consequences, and how they compare. For example, how does the quality of concurrent voluntary disclosure compare to the quality of forward-looking voluntary disclosure?”. We respond to Hassan and Marston (2019) and examine the impact of overlapping AC directorship on forward-looking disclosure (FLD) quantity and quality in Oman.

AC’s role in overseeing FRQ has received greater scrutiny from regulators (Mangena & Taurinana, 2008) and considered a focal point of corporate governance regulation following high-profile accounting scandals (Chandar et al., 2012; Al Lawati et al., 2021). For example, ‘Big 4’ audit firm scandals such as **Klynveld** Peat Marwick Goerdeler (KPMG) in Oman highlight the

lack of core responsibility of AC monitoring. Therefore, regulators set rules to improve the effectiveness of AC. For example, the 2015 revised version of the Omani Corporate Governance Code (CGC) tackles the issue of overlapping by preventing AC chairman from serving on different committees within the same company (CMA, 2015). However, it sets out a mandatory requirement for nomination and remuneration committees, which results in overlapping directorships (Al Lawati & Hussainey, 2020). This indicates that, in the Omani context, overlapped AC chairs are prohibited while overlapping AC directorship is acceptable. This motivates us to explore the impact of AC overlapping on disclosure practice. Our research question is: Does overlapped AC directorships improve the quantity and quality of forward-looking disclosure? If so, which type of overlapping matters?

Theoretically, two arguments have been raised in the literature. From the agency perspective, overlapping creates information exchange channels between committees, which help firms to reduce uncertainties, share information about current and future situations, and act as a monitoring mechanism on behalf of shareholders (Chandar et al., 2012; Al Lawati & Hussainey, 2020; Al Lawati & Hussainey, 2022a). This could enhance FLD quality. From the busyness theory perspective, overlapping leads to the dilution of efforts because of multi-accountability and overloading with non-accounting-related activities undertaken by other board committees, in other words there is no effective monitoring (Fich & Shivdasani, 2006). This could reduce FLD quantity.

This study responds to a recent call by Al Lawati et al. (2021) in examining whether overlapping AC directorship improves FLD quality and quantity and which type of overlapping matters. We find that overlapped AC directors and overlapped AC chairs positively (negatively)

affect FLD quality (quantity). We also find that overlapped AC directors with financial expertise and overlapped AC directors with multiple directorships positively affect FLD quantity and quality. This paper is the first, to the best of the researchers' knowledge, to explore the impact of overlapping AC directorship on FLD quantity and quality.

We provide methodological contribution by introducing several new variables to the governance–disclosure literature. We introduce different measures of overlapped AC directorship. These include total overlapping AC directorship, overlapped AC chair, overlapped AC director with compensation and risk committees, overlapped AC director with financial expertise, overlapped AC director with multiple directorships, and overlapped AC director with share ownership. Following Al Lawati et al. (2021), we adopt Beattie et al.'s (2004) disclosure quality framework by considering four quality attributes: financial, quantitative, tone, and time orientations - while we simply count the number of sentences as a proxy for the quantity. We also provide a contextual contribution. We focus on disclosure practice in financial sector, while prior research on overlapping directors focuses on non-financial companies in developed countries. Finally, we offer a theoretical contribution. Our study provides evidence that agency and busyness theories are not conflicting, and their arguments are valid in explaining FLD disclosure quality and quantity. Agency theory explains the impact of overlapping AC directorship on FLD quality, while busyness theory explains its impact on FLD quantity.

The remainder of the paper is organised as follows. Section 2 reviews the literature and develops the hypotheses. Section 3 discusses the research method. Section 4 discusses the results and Section 6 concludes the paper.

## 2 Literature Review and Hypotheses Development

The literature shows that high-quality information is a major factor that helps annual report users to make relevant decisions (Hussainey et al. 2003; Al Lawati et al., 2021; Shohaieb et al., 2022). As Beattie et al. (2004) and Beretta and Bozzolan (2008) contend, even if the quantity of the disclosed information influences its quality, an assessment of disclosure quality cannot be based purely on this association. Elzahar et al., (2015) and Alotaibi and Hussainey (2016) find that disclosure quantity is not a proper proxy for disclosure quality. Whilst firms might disclose more information, such information may lack accuracy and not result in any benefit. They also show that the determinants of disclosure quality and disclosure quantity are not identical. Beattie et al. (2004) confirm that the dimensions considered in the disclosure quality framework give a more realistic picture of disclosure than quantity and suggest that, in assessing the disclosure, these dimensions could be used to complement each other. Therefore, we test to see if overlapped AC directorship affects disclosure quantity and quality.

Overlapping AC directorship has become an established part of mainstream governance research, specifically in the area of overlapping directorship on audit and compensation committees (e.g. Chandar et al., 2012; Liao & Hsu, 2013; Kusnadi, Leong, Suwardy, & Wang, 2016). We identify several studies with mixed results regarding the impact of overlapping directorship on FRQ (Chang, Luo, & Sun, 2011; Chandar et al., 2012; Liao & Hsu, 2013; Habib & Bhuiyan, 2016; Kusnadi et al., 2016; Fernandez-Mendez et al., 2017; Kalelkar, 2017, Al Lawati & Hussainey, 2020). Based on agency theory, overlapping directorship is connected with increased expertise and knowledge spillovers that can lead to increased monitoring quality in AC, which could enhance FRQ (Habib & Bhuiyan, 2016; Al Lawati & Hussainey, 2020). Based on busyness

hypothesis, AC directors' presence on more than one committee may cause them to become overcommitted, thereby decreasing their effectiveness as monitors of reported earnings (Laux & Laux, 2009; Kalelkar, 2017). According to the busyness hypothesis, AC's monitoring performance decreases when their directors are busy (Tanyi & Smith, 2015). This could reduce disclosure quantity.

### **Hypotheses Development**

We develop a set of hypotheses to examine the impact of (1) the number (and existence) of overlapped AC directorship; (2) types of overlapped AC directorships and (3) the characteristics of overlapped AC directors on the quality and quantity of FLD.

#### ***The Number (and existence) of overlapping AC directors***

##### ***Total overlapping AC directors and FLD***

Two theories have been used to explain the impact of overlapped directors: agency and busyness theories (Sassen, Stoffel, Behrmann, Ceschinski, & Doan, 2018). From an agency perspective, AC directors are identified as a key mechanism to reduce information asymmetry and conflicts of interest between managers and stakeholders (Velte, 2018). They oversee FRQ and are responsible for ensuring that companies report sufficient and high-quality information to stakeholders. Voluntary FLD appears to be important for all stakeholders. It comprises future projections on both financial and non-financial performance. FLD mitigates information asymmetry and decreases agency costs (Hassanein & Hussainey, 2015). In this regard, companies may enhance their FLD quantity and quality, so stakeholders can better evaluate their future performance.

According to the agency theory, overlapped AC directors serving on other board committees within the same company will be able to obtain in-depth, rich knowledge about business strategies and comprehensive information about all current and future internal plans undertaken by each committee and use it to enhance the efficiency of other committees (Chandar et al., 2012). Faleye, Hoitash, and Hoitash (2011) suggest that overlapped directors can use additional information to gain a better understanding of firms, which in turn leads to an effective role in overseeing the accounting and reporting process and enhancing FRQ. So, overlapped AC directors will be able to ensure that the information disclosed in annual report narratives is of high quality (Al Lawati & Hussainey, 2020). Hence this information may reduce the information asymmetry and increase the transparency and accountability of overlapped AC directors (Al Lawati & Hussainey, 2022a). Moreover, due to their knowledge richness and access to all committee's future strategies, these directors can contribute to enhancing FRQ (Hoitash and Hoitash, 2009). Therefore, we expect that FLD quality will be enhanced by overlapped AC directors.

From the busyness theory perspective, the magnitude of overlapping AC directorship could negatively influence FLD. This is because when AC directors spend time on other committees, they might lose their concentration on the core requirements of AC, since each board committee has different major roles (Ferris, Jagannathan, & Pritchard, 2003; Chandar et al., 2012). This suggests that as most shared directors are independent, they divide their limited time between different board committees, resulting in over commitment, which may negatively affect their responsibilities as monitors (Laux & Laux, 2009; Tanyi and Smith, 2015). They may also influence the mentality or way of thinking of other directors sitting on the other board



committees. Karim, Robin, and Suh (2016) find a negative association between overlapped board committees and audit fees, which indicates that overlapping committees are linked to weak monitoring by AC. Likewise, Tanyi and Smith (2015) argue that AC monitoring is weakened when its directors are overloaded. In this regard, Chang et al. (2011) and Liao and Hsu (2013) find that the effectiveness of directors' monitoring quality - proxied by poorer earnings quality - could be affected negatively by overlapping due mainly to time pressure. Despite these findings, Kusnadi et al. (2016) find that FRQ is not affected by overlapping directorship. Given these views, we believe that when directors are busy with other directorships, they will focus on on disclosure quality and less on disclosure quantity. Therefore, we hypothesise that:

H1. Overlapping AC directorship positively (negatively) affects disclosure quality (quantity).

### ***Overlapped AC Chair and FLD***

AC chair plays a very important role in the success of AC outcomes (Khemakhem and Fontaine, 2019). She/he promotes the effective functioning of the committee to achieve its primary responsibility, which is to promote FRQ (Furqaan et al, 2019). The chair is the AC's functional and figurative leader, whose characteristics have a significant impact on the AC's effectiveness and ability to improve FRQ (Ghafran and Yasmin, 2018). Schmidt and Wilkins (2012) find that an AC chair with accounting and financial expertise is negatively associated with restatement "dark periods" (p.227), the length between initial announcement and actual restatment. Abernathy et al. (2014) find that an AC chair with public accounting expertise is negatively associated with financial reporting timeliness.

Based on agency theory, overlapped AC chair could have a positive impact on FRQ, as the chairman of the committee knows the most important information that AC needs from the other board committees. Furqaan et al. (2019) find that, when an overlapping AC chair receives relevant information from other committees, he/she not only shares such information with his/her fellow AC directors but also has the power to push other directors of the committee to use that relevant information to improve FRQ. However, when AC chairperson overlaps with other company committees, he/she could be extremely busy, which could negatively affect FRQ (Harris & Shimizu, 2004). However, we believe that busy AC chairs will focus more on disclosure quality and less on disclosure quantity. We, therefore, hypothesize that:

H2: AC chair's directorship on other committees positively (negatively) affects disclosure quality (quantity).

### ***Types of Overlapping AC Directorship***

#### ***Overlapped AC with Compensation Committee and FLD***

Based on the agency perspective, AC directors sitting on other board committees may positively affect the effectiveness of their work and enable them to enhance FRQ (Chandar et al., 2012) by gaining expertise due to knowledge spillovers (Brandes, Dharwadkar, & Suh, 2016; Velte, 2017). For instance, they can provide more information regarding the chief executive's activities when they overlap with the compensation committee (Spira & Bender, 2004). Moreover, evaluating the top management's performance when deciding the equivalent compensation, shows the way in which the management works to improve the company's performance. With such information, ACs can easily detect earnings management (Laux & Laux, 2009), which could lead to decreased monitoring costs and increased FRQ (Kusnadi et al., 2016).

Furthermore, Fernandez-Mendez et al. (2017) find a positive impact of overlapped AC on qualified audit opinions, indicating increased FRQ. Besides, Chandar et al. (2012), Habib and Bhuiyan (2016), Kalelkar (2017), and Velte (2017) find a positive relationship between overlapped AC and FRQ (proxied by DA) in different contexts (Australia, Germany, and the USA). In addition, Kalelkar (2017) identifies a negative relationship between overlapped AC and audit fees as a proxy for FRQ. He concludes that auditors perceive lower risk in auditing clients with overlap, which makes their AC more effective in monitoring FRQ. In line with this argument, Zheng and Cullinan (2010) and Brandes et al. (2016) suggest that board committee overlaps increase monitoring inputs, assist in the design of CEO remuneration packages, and reduce information asymmetry.

On the other hand, based on the busyness perspective, as stated earlier, overlapping may cause AC directors to be overcommitted and therefore decrease their effectiveness as monitors of FRQ (Laux & Laux, 2009). Consistent with this argument, Chang et al. (2011) and Liao and Hsu (2013) document poor earnings quality among firms with overlapping directorship. However, Kusnadi et al. (2016) and Fernandez-Mendez et al. (2017) do not find any relationship between overlapped AC and FRQ in different countries. We believe that overlap between audit and compensation committee could reduce FD quantity FLD because of the busyness of directors. We, therefore, hypothesise that:

H3: Overlapping directorship on audit and compensation committees positively (negatively) affects disclosure quality (quantity).

### ***Overlapped AC with Risk Committee and FLD***

Based on the agency perspective, AC directors may work effectively when they sit on risk committee. In such a scenario, AC directors could be more aware of the nature of the contemporary risks that companies are facing (Yatim, 2010). So, AC can develop strategies to control, eliminate, or reduce or manage these risks by enhancing control mechanisms (Spira & Bender, 2004; CMA, 2015).

Nevertheless, AC directors may neglect their primary responsibility when they sit on other board committees, which negatively affects FRQ (Liao & Hsu, 2013). Based on the busyness perspective, although all board committees undertake monitoring activities, they monitor different areas or issues (Spira & Bender, 2004), which can dilute their concentration by being overcommitted to multiple tasks that vary in objectives (Liao & Hsu, 2013). For that reason, AC overlapping directorship may lead to many challenges and opportunities for the committee directors in undertaking their activities effectively. We believe that AC generates more relevant information easily from other committees, this will enhance FLD quality. When they are busy and overcommitted, they will focus more on FLD quality rather than FLD quantity. We, therefore, hypothesise that:

H4: Overlapping directorship on audit and risk committees positively (negatively) affects disclosure quality (quantity).

### ***The Characteristics of Overlapped AC directors***

#### ***Overlapped AC Financial Expertise and FLD***

The Omani CG Code require public listed companies to have at least one director on AC with financial/accounting expertise. Moreover, the impact of overlapping AC financial expertise on FLD has two arguments. Agency theory suggests that AC directors with financial expertise help

the committee to achieve its primary responsibility, enhance the monitoring FRQ process (Kusnadi et al., 2016) by bringing a unique set of resources (e.g. accounting- and finance-related information) to AC, and strengthen the collaboration with other committees (Furqaan et al., 2019).

Busyness theory expects the company's FRQ to be lower when AC directors with financial expertise are shared among different committees, thus being overcommitted (Harris & Shimizu, 2004). Tanyi and Smith (2015) find that busyness affects AC chairperson's and AC financial experts' monitoring of a company's financial reporting process, negatively affecting AC's effectiveness (Furqaan et al., 2019). However, Velte (2017) does not find any significant relationship between overlapped financial experts' directors and FRQ. We believe that overlapped AC directors with accounting expertise will disclosure more FLD quality and they might reduce FLD quantity when they are overcommitted. We, therefore, hypothesise that:

H5: Overlapped AC directors with accounting and financial skills positively (negatively) affect disclosure quality (quantity).

#### ***Overlapped AC with Multiple Directorship and FLD***

Two theoretical hypotheses relate to the influence of multiple directorships on FRQ. On one hand, AC directors who hold multiple board seats bring greater corporate governance experience and knowledge, which give them a better position in (i) improving communication between AC and both internal and external auditors (DeZoort and Salterio, 2001 and Sultana, Singh, & Rahman, 2019), (ii) reducing earnings management (Saleh, Iskandar & Rahmat, 2005), (iii) decreasing auditor dismissals leading to greater AC effectiveness and FRQ (Carcello & Neal,

2003; Yang & Krishnan, 2005), and (iv) reducing the cost of equity capital (Sharma, Sharma, Tanyi, and Cheng, 2020).

In accordance with the expertise and knowledge spillovers hypothesis, some researchers find that the accumulation of several outside directorships may strengthen the knowledge of directors and reinforce their experience and expertise (Li & Ang, 2000; Field, Lowry, & Mkrtychyan, 2013). Li and Ang (2000) show that these directors are in greater demand on the market due to their experience and expertise gathered from the outside boards' seats. Eulaiwi, Al-Hadi, Taylor, Al-Yahyaee and Evans (2016) find that multiple outside directorships are significantly associated with three of their control variables: board size, firm size, and AC quality. These results are consistent with those of prior studies (Fich & Shivdasani, 2006). Moreover, due to their unique set of resources, knowledge, and competence, directors who accumulate many outside boards' seats are more likely to sit on a large number of internal monitoring committees to enhance the management monitoring function and thus reduce agency costs (Jiraporn et al., 2009b; Muravyev, Talavera, and Weir, 2016). Besides, Ahn, Jiraporn, and Kim (2010) and Field et al. (2013) provide empirical evidence of a positive relationship between multiple directorships and the number of specialized board committees on which they sit on. Dharwadkar et al. (2020, p. 34) conclude, "information-transfer hypothesis that accounting policy choices are transmitted via audit committee interlocks".

However, in light of a number of high-profile corporate scandals, it is likely that directors holding multiple board seats are unable to monitor management diligently (Sultana et al., 2019) and put less time and effort into running their activities and making effective decisions (Li & Ang, 2000; Jackling & Johl, 2009). Dhaliwal et al. (2010), and Sun et al. (2014) show that ACs with a

high number of additional directorships are less effective in constraining real earnings management, providing less effective monitoring of the management due to information overload (Carpenter & Westphal, 2001). As a result, the monitoring responsibilities in such roles can be damaged by holding too many directorships (Beasley, 1996; Fich & Shivdasani, 2006). In that sense, Core et al. (1999) argue that directors will be less effective in their oversight role when they become older and when they hold many outside directorships simultaneously. Moreover, Morck et al. (1988) and Fich and Shivdasani (2006) argue that directors with too many boards seats have limited time to meet their commitments in terms of governance and need to share their time and effort between different directorships (Jiraporn, Davidson, DaDalt, & Ning, 2009a), thus incurring additional agency costs (Song & Windram, 2004). In addition, Fich and Shivdasani (2007) and Hoitash (2011) find that busy directors are associated with less monitoring, excessive CEO compensation, and poorer FRQ.

Al-Absy, Ismail, and Chandren (2019), however, find that multiple directorships do not affect earnings management in Malaysian firms. In Oman, Badhabi and Ismail (2017) conclude that AC directors who have additional responsibilities may not be able to control the management effectively; therefore, FRQ will react negatively. Hence, companies may be discouraged from appointing busy directors to specialized committees with a monitoring role given that they have insufficient time to serve on these committees (Jiraporn et al., 2009b; Liao & Hsu, 2013). Furthermore, this issue could constrain busy directors' ability to attend the required meetings diligently (Jiraporn et al., 2009a). To the best of our knowledge, this study is the first to examine the impact of overlapped AC directors with multiple directorships on FRQ.

We believe that this type of directors could enhance FLD quality. When these directors are busy, they might keep focus on FLD quality rather than FLD quantity. Therefore, we hypothesise that:

H6: overlapped AC directors who possess multiple external directorships positively (negatively) affect disclosure quality (quantity).

### ***Overlapped AC with Share Ownership and FLD***

Based on the agency theory, Jensen and Meckling (1976) state that it is acceptable for directors to possess a percentage of a firm's shares to motivate them to align their interests with the interests of other stakeholders and to serve as monitoring management on behalf of shareholders. Overlapping AC directorship with share ownership attempt to reduce the agency cost by monitoring FRQ (Habib & Bhuiyan, 2016).

Some studies have offered evidence favouring increased equity holdings of AC directors. For instance, MacGregor (2012) finds that equity holdings increase ACs' responsiveness to risk. Beasley, Carcello, Hermanson, and Lapides (2000) reveal that an increased level of ownership held by AC directors reduces financial statement fraud and at the same time enhances earnings quality (Vafeas, 2005). Moreover, Bolton (2014) finds that AC shareholding is considered a vital mechanism in aligning the interests of directors and external shareholders.

However, compensating AC directors with equity and shares may diminish the objectivity of such AC directors, support managerial opportunistic behaviour, and weaken the monitoring mechanism (Yang & Krishnan, 2005). Yang & Krishnan (2005) find that AC directors' stock ownership increases quarterly earnings management. Furthermore, Cullinan, Du, and Jiang (2010) argue that firms with a stock option plan for their AC directors are significantly more likely to report internal control weaknesses than firms without such a plan. Moreover, Archambeault,



DeZoort, and Hermanson (2008) find that AC incentive-based compensation is positively associated with financial restatements. In addition, Bédard, Chtourou, and Courteau (2004) and Sharma and Kuang (2014) find that greater stock ownership by AC directors increases aggressive earnings management behaviour. We believe that overlapped AC directors could lead to an enhancement of FLD quality and a reduction of the level of FLD quantity. We, therefore, hypothesise that:

H7: Overlapped AC directors with share ownership positively (negatively) affect disclosure quality (quantity).

### **3. Research Design and Methods**

#### **Data Collection and Sample Selection**

We used the sample of Al Lawati et al. (2021). The sample is composed of 180 financial firm-year observations over the period 2014-2018. Data is collected from annual reports.

#### **Variables: Measurement and Description**

##### ***Dependent Variable: Forward-Looking Disclosure (FLD)***

Table 1 shows variable definitions and measurement. We used the measures of FLD introduced by Al Lawati et al. (2021). We focused on annual report narratives as these sections incorporate effective mechanisms adopted by companies' boardrooms to promote strategic change and strategic choices (Alkaraan et al., 2023a). Our focus is on the Chairman statement as it includes information about the future compared with other narrative sections. FLD quantity is measured by counting the number of sentences related to the future. FLD quality is measured using the Beattie et al.'s (2004) framework that emphasizes four type attributes: financial/non-financial, good/bad news, quantitative/qualitative, and long/short term.

***Independent Variables***

Our study has a number of independent variables. These include (1) overlapping AC directorship (OvAC); (2) overlapped AC chairman (OvACChr); (3) overlapped AC directors with financial and accounting expertise (OvFinAC); (4) the proportions of AC directors who overlap with compensation committee (OvACCC) ; (5) and the proportions of AC directors who overlap with risk committee (OvACRC); (6) overlapped AC directors with multiple external board seats (OvMulAC); (7) overlapped AC directors who hold or represent 5% or more of the firm's shares (OvShrAC).

***Control variables***

Following Al Lawati et al. (2021), we controlled for AC variables such as AC size (ACSize), AC meetings (ACMeet), AC financial expertise, AC supervisory experts, AC independence (ACInd), the proportion of AC directors who hold or represent 5% or more of the firm's shares (ACShr), and the proportion of AC directors who hold multiple directorships outside the firm (ACMul), the proportions of AC females directors (ACFem) and AC foreign directorship (ACFor). We also control for AC chair independence, audit quality, firm characteristics (firm size, leverage, profitability, industry, and the type of financial institution), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards, the existence of an executive committee (BrdEC); board committees within the firm (BrdCom); the presence of family directors (Relatives) and ruling family membership (Royal) on the board and ownership concentration (block holding (BH)).

Insert Table 1 about here

## Research Model

We use a multivariate ordinary least squares (OLS) regression following prior studies (e.g. Kusnadi et al., 2016) after assuring that all OLS assumptions have been met. We used two models as follows:

$$\begin{aligned} \text{Model 1: Quantity FLD}_{i,t} = & \beta_0 + \beta_1 \text{OvAC}_{i,t} + \beta_2 \text{OvACChr}_{i,t} + \beta_3 \text{OvACCC}_{i,t} + \beta_4 \text{OvACRC}_{i,t} \\ & + \beta_5 \text{OvMulAC}_{i,t} + \beta_6 \text{OvFinAC}_{i,t} + \beta_7 \text{OvShrAC}_{i,t} + \beta_8 \text{ACMeet}_{i,t} + \beta_9 \text{ACSize}_{i,t} + \beta_{10} \text{ACFem}_{i,t} + \beta_{11} \\ & \text{ACMul}_{i,t} + \beta_{12} \text{ACFin}_{i,t} + \beta_{13} \text{ACSup}_{i,t} + \beta_{14} \text{ACShr}_{i,t} + \beta_{15} \text{ACFor}_{i,t} + \beta_{16} \text{ACInd}_{i,t} + \beta_{17} \text{ACChrInd}_{i,t} \\ & + \beta_{18} \text{Big4}_{i,t} + \beta_{19} \text{Total Asset}_{i,t} + \beta_{20} \text{LEV}_{i,t} + \beta_{21} \text{ROE}_{i,t} + \beta_{22} \text{BH}_{i,t} + \beta_{23} \text{AAOIFI}_{i,t} + \beta_{24} \text{BrdEC}_{i,t} + \\ & \beta_{25} \text{BrdCom}_{i,t} + \beta_{26} \text{Relatives}_{i,t} + \beta_{27} \text{Royal}_{i,t} + \text{Year Dummies} + \text{Industry Dummies} + \varepsilon_{i,t} \quad (1) \end{aligned}$$

$$\begin{aligned} \text{Model 2: Quality FLD}_{i,t} = & \beta_0 + \beta_1 \text{OvAC}_{i,t} + \beta_2 \text{OvACChr}_{i,t} + \beta_3 \text{OvACCC}_{i,t} + \beta_4 \text{OvACRC}_{i,t} + \beta_5 \\ & \text{OvMulAC}_{i,t} + \beta_6 \text{OvFinAC}_{i,t} + \beta_7 \text{OvShrAC}_{i,t} + \beta_8 \text{ACMeet}_{i,t} + \beta_9 \text{ACSize}_{i,t} + \beta_{10} \text{ACFem}_{i,t} + \beta_{11} \\ & \text{ACMul}_{i,t} + \beta_{12} \text{ACFin}_{i,t} + \beta_{13} \text{ACSup}_{i,t} + \beta_{14} \text{ACShr}_{i,t} + \beta_{15} \text{ACFor}_{i,t} + \beta_{16} \text{ACInd}_{i,t} + \beta_{17} \text{ACChrInd}_{i,t} \\ & + \beta_{18} \text{Big4}_{i,t} + \beta_{19} \text{Total Asset}_{i,t} + \beta_{20} \text{LEV}_{i,t} + \beta_{21} \text{ROE}_{i,t} + \beta_{22} \text{BH}_{i,t} + \beta_{23} \text{AAOIFI}_{i,t} + \beta_{24} \text{BrdEC}_{i,t} + \\ & \beta_{25} \text{BrdCom}_{i,t} + \beta_{26} \text{Relatives}_{i,t} + \beta_{27} \text{Royal}_{i,t} + \text{Year Dummies} + \text{Industry Dummies} + \varepsilon_{i,t} \quad (2) \end{aligned}$$

## 4. Empirical Results

### Descriptive Statistics

Table 2 shows a significant variation in FLD. On average, Omani financial companies disclose about 13 forward-looking sentences in their chairman' report. The maximum number of sentences is 40, and the minimum is 0. Regarding the quality attributes of FLD, we find that good news is dominated by a maximum of 38 sentences and a minimum of 0. Interestingly, the financial attribute of FLD consists of 7 sentences on average, with a maximum of 21 and a minimum of 0. The chairman's reports in Oman are dominated by non-financial, good, long-term, and non-quantitative FLD with a maximum of 22, 38, 32, and 33 sentences, respectively.

Insert Table 2 here

Table 3 shows that the average proportion of overlapping directors on ACs (OvAC) is about 37%, with a maximum of 100% and a minimum of 0%. Moreover, AC chairman is overlapped, on average, in 20% of financial firms. The mean values for the OvACCC, OvACRC, OvMulAC, OvFinAC, and OvShrAC variables are 13%, 14%, 23%, 27%, and 20%, respectively.

In terms of AC composition, we observe that, on average, the proportion of AC directors with financial and accounting expertise is 73%. In addition, the average values for ACShr, ACFor, ACMul, ACFem, and ACInd are 50%, 32%, 56%, 2%, and 78%, respectively. There are some crucial points here. Firstly, the proportion of female directors on ACs is very small. Gulf Cooperation Council countries are collectivist in nature, which perceives the male as a masculine figure and specifically puts the father of the family on the top of the pyramid (Al-Yahyaee, Al-Hadi and Hussain, 2017). Moreover, the average number of multiple directors on ACs is considered to be relatively high. Interestingly, ACs are highly independent, scoring an average of 78%, with some committees being totally independent while others are not. On average, ACs meet about five times a year. This is in line with the Omani CGC (2015), which requires ACs to hold at least four meetings a year. Furthermore, on average, 96% of the study sample has an independent AC chair. The Omani CGC recommends that AC chair should be independent, which leads us to conclude that 4% of the sample is still not complying with the code; this needs further examination. In terms of audit quality, almost 90% of the study sample has been audited by one of the Big 4 audit firms. According to the sample classification between family and royal firms, almost half of the sample has relatives on the board and, on average, 16% of the firms have royal directors.

Insert Table 3 here

Table 4 presents the proportion of overlapped AC directors as well as overlapped AC chairs. It shows that, in 2014, our sample firms have 50 overlapped AC directors and 15 overlapped AC chairs. Interestingly, we observe that the numbers declined by 25% and 93%, respectively, by 2018. There is still the case of one bank with an overlapped AC chair in 2017 and 2018.

Insert Table 4 here

### **Correlation Analysis**

Table 5 shows that there is no correlation between FLD quantity and the quality measures. Moreover, there is a positive correlation between overlapped AC directors with financial expertise and FLD quantity. Interestingly, a negative and insignificant correlation is found between overlapped AC chairmen and FLD quantity; however, a positive but insignificant correlation with FLD quality is apparent. It can be suggested that AC chairmen have no sufficient time to disclose many forward-looking information as being busy with different committees they are serving on, so they focus on FLD quality and less on FLD quantity.

In addition, the correlation among all the variables is below 0.8, which indicates that we do not have a multicollinearity problem. In addition, the variance inflation factors (VIFs) have been checked and are all below the critical value of 10. This confirms that multicollinearity is not an issue in our analysis.

Insert Table 5 here

### **Regression Analysis**

Table 6 shows our empirical findings. Model (1) examines the determinants of FLD quantity, while Model (2) examines the determinants of FLD quality.

### ***Number (Existence) of Overlapping AC directorship and FLD***

Table 6 shows that total overlapped AC directors and the existence of overlapped AC chair negatively affect FLD quantity (with  $a = -12.986, -3.828, p = 0.060, 0.038$  at  $p < 0.1$ ), consistent with busyness theory. However, they positively affect FLD quality (with  $a = 0.106, 0.044, p = 0.007, 0.072$  at  $p < 0.1$ ), which is consistent with agency theory. These results indicate that having the chair and AC directors serving on multiple committees and gaining thorough knowledge across firms significantly improves FLD's quality and relevance in the chairman's reports. In addition, being busy in serving on various committees results in giving less focus on FLD quantity, which supports the fact that they emphasise more the relevant information for the decision-making process (e.g. FLD quality). We therefore accept H1 and H2.

The findings of H1 are in line with agency theory and the results of previous studies (e.g. Chandar et al., 2012; Habib & Bhuiyan, 2016; Kalelkar, 2017; Velte, 2017; Al Lawati & Hussainey, 2020), which find that overlapping directorship improves FRQ. According to Laux and Laux's (2009) theoretical model, overlapping AC directorship is linked to knowledge spillovers, which are useful for AC's financial reporting monitoring. Regarding H2, the results are in line with agency theory and consistent with Kalelkar (2017) and Furqaan et al. (2019). This is also in line with AC literature. For example, KPMG (2017) reports that AC effectiveness is determined by AC chair. Turley and Zaman (2007) argue that financial reporting issues are often discussed with AC chair first, then with other directors, thus making AC chair responsible for AC effectiveness. Moreover, Schmidt and Wilkins (2012) document that AC chair's characteristics significantly influence FRQ. As a result, stakeholders may perceive greater benefits if AC chair sits on other

committees and obtains first-hand information on different committees' business plans and strategies.

### ***Types of Overlapping AC Directorship***

The results reveal that there is an insignificant impact of overlapped AC directors serving on mandatory committees, like the compensation committee, and FLD quantity and quality, so we reject H3. This is in line with busyness theory and many previous studies, such as Kusnadi et al. (2016) and Fernandez-Mendez et al. (2017). This could be due to their overloaded commitments to attend many meetings related to both of these committees – especially after the new provision set by the Omani CGC forcing firms to establish nomination and remuneration committees, each with their own independent presence and their own meetings and qualified members (CMA, 2015). These are likely to lead to the dilution of efforts through multi-accountability, which might not result in better monitoring of financial reporting process and higher FRQ.

In line with agency theory, a positive and significant relationship is found between overlapped directors on voluntary committees, like the risk committee, and FLD quality, so we accept H4. According to the Omani CGC, one of the vital responsibilities of AC is to set and review the company policies pertaining to risk management, considering the company business, changes in market conditions, and company investment and expansion tendencies and approach (CMA, 2015). By overlapping with the risk committee, directors can help in setting up an executive program for risk management in the company, submit analytical reports periodically on risk status and management, identify and monitor key risks to which the company is exposed, and

finally detect and mitigate any new risks that the company might face (CMA, 2015); accordingly, they could assist the board in communicating relevant FLD to stakeholders.

### ***The Characteristics of Overlapped AC Directors***

The results reveal that AC directors with financial and accounting expertise who overlap on different committees positively affect both FLD quantity and quality, so we accept H5. This is in line with Abad and Bravo (2018), who find that the existence of at least one financial or accounting expert on AC is associated with FLD. They argue that these crucial directors help in reducing agency costs by influencing disclosure practices and at the same time provide AC with specialized resources through their thorough knowledge of accounting standards, practices, and procedures. In addition, a positive relationship between FRQ and the presence of AC directors with accounting expertise has been documented in previous research (Dhaliwal et al., 2010; Liu, Tiras, & Zhuang, 2014; Tanyi & Smith, 2015). As Salehi and Shirazi (2016, p. 1640) suggest, the expectation is that “audit committees should encourage or contribute to management to provide financial information of higher quality”.

We also find that there is a positive and significant relationship between overlapped AC directors who hold multiple board seats and FLD quantity and quality. We therefore accept H6. The results are in line with the agency and reputation argument that multiple directorships are advantageous because they help executives develop managerial expertise by learning about different management styles or strategies used in other firms (Jiraporn et al., 2009b). Thus, they can assist the board in taking the right decision on disclosing a high level of FL information, which would be useful to investors in making informed decisions (Eulaiwi et al., 2016). Hence, due to their competence, extensive experience, and advisory and boundary-expanding role, they are



more likely to serve on a large number of board committees than those without multiple directorships (Jiraporn et al., 2009b).

Based on the results, the study's implication is that Omani firms should aim to appoint interlocked directors to their various specialized committees to act as a monitoring mechanism as a source of knowledge, expertise, and experience. The outcome is consistent with the findings of Saleh et al. (2005), and Yang and Krishnan (2005), who argue that directors with multiple board seats tend to be effective monitors of management and therefore will enhance firms' FRQ.

Finally, a positive and significant association is found between overlapped AC directors who own or represent 5% of firm's shares and FLD quality, so we accept H7. According to agency theory, non-executive directors who hold a stake in the company are more likely to have a greater incentive to monitor managers than those without such a stake, which can lead to reduced agency costs (Jensen, 1989). The result is in line with Mangena and Taurigana's (2008) study, which suggest that AC must be composed of share ownership directors to enhance their incentive to ensure the quality and credibility of the financial reporting process. However, the result is contrary to Habib and Bhuiyan (2016), who suggest that equity holdings by overlapped AC directors adversely affect FRQ. The findings add to the literature on the rationale for AC directors' equity holdings and provide policy implications for strengthening AC independence.

Insert Table 6 here

## **6. Conclusion**

This paper provided new empirical evidence on the impact of overlapping AC directorship on FLD quantity and quality. Although the results reveal that the proportion of overlapped AC directors and the existence of overlapped AC chair are linked with a decrease in FLD quantity,

interestingly, they positively affect FLD quality. This is due to directors' busyness, with non-accounting related activities being undertaken by other board committees, so they deliberately focus more on presenting relevant FLD to satisfy different stakeholders' needs rather than concentrating on FLD quantity.

The results suggest that there should be knowledge spillovers from overlapping directorship, which are useful to AC's monitoring duties with regard to the financial reporting process. Moreover, as predicting the future with a high level of accuracy is very difficult and cannot be accomplished without some internal and confidential knowledge of the different committees' activities and strategies, AC directors need to serve on different committees to gain thorough knowledge about all their main activities, which will provide them with an excellent position to predict the future of the firm more accurately.

Our results have policy implications. It is apparent that the type of director overlapping matters for FLD quality. Therefore, Omani standard setters should be aware of the importance of increasing AC effectiveness. They should provide recommendations regarding AC overlapping directorship by setting guidelines on its type and proportion in a firm. CMA regulators should also investigate further the consequences of preventing AC chairman from serving on different committees, as our findings do not support calls for limits on directorships held by AC chair. Our findings also have managerial implications. It is apparent that quality FLD practices require particular competencies, expertise. Therefore, the appointment of directors to corporate boards and subcommittees should be based more on their expertise and the amount of knowledge they have than on other criteria of corporate governance recommendations or quotas. So, to improve FLD quality, corporate managers should prioritize improving corporate governance in general and

AC effectiveness in particular. Our findings offer implications to stakeholders. The analysis provides insights into AC characteristics that the quantity and quality of FLD practice in Oman. This indicates that “appropriate reporting and governance mechanisms will enable stakeholders to see behind closed doors of boardroom's practices” (Alkaraan and Floyd, 2020, p. 629) and hence improve their decision-making process.

We have a number of limitations. First, our sample is relatively small because of the small size of the Omani population, this could limit the generalizability of our findings as the disclosure practices may be influenced by the type of firms, industry, and institutional context. Second, we limit our analysis to AC effectiveness. We are aware that other board composition variables may also have an impact on FLD quality and quantity. Third, inherent subjectivity is a concern in the manual content analysis method compared with computer-based content analysis. Finally, our measure of FLD quality is based on the proportion of different information attributes. This measure is derived by the quantity of FLD in each information attribute, so one can argue that it is still a measure for disclosure quantity rather than disclosure quality.

We offer opportunities for further research. This research may be extended by analysing different institutional contexts. Also, it might be useful to expand the sample beyond the financial sector by including the non-financial sector and having a comparison analysis on the impact of different characteristics of overlapped AC directors on FLD between both sectors. Moreover, future studies could examine the impact of overlapping AC directorship on different types of voluntary disclosure, such as sustainability disclosure, as governance and sustainability remain open dialogues among stakeholders (Alkaraan, 2021; 2022). Recent research explores different types of voluntary disclosure such as Covid-related disclosure (Elmarzouky et al., 2021), key audit

matter disclosure (Elmarzouky et al., 2022a, b, c), sustainable development goals disclosure (Al Lawati & Hussainey, 2022b) and industry 4 technologies-related disclosure (Alkaraan et al., 2022; Alkaraan et al., 2023b; Hussainey et al., 2022). Further research could examine the impact of different types of AC overlap on these types of disclosure. Using a non-parametric technique, generalised regression neural networks (GRNNs) following Abdou et al.'s (2020) study might be useful, as it has been argued to be an area of methodological improvement in future governance-related literature. One of the GRNNs' advantages is the ability to represent complex relationships between a set of variables and deal with small number of observations. Finally, it is argued that a sensible economic definition of disclosure quality and direct derivation of measures from that definition is missing from the literature (Beyer et al., 2010). Therefore, there is a need for a framework to measure disclosure quality. This framework "should begin with well-supported and convincing discussions of the characteristics of information that define disclosure quality and why the characteristics selected are essential ingredients of disclosure quality" (Botosan, 2004: p. 290)".

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**Table 1: Variable definitions and measurements**

Variable	Definition	Measurement	Source
Quantity FLD	Forward-looking disclosure quantity	The number of forward-looking sentences in the chairman's report.	Annual Reports
Quality FLD	Forward-looking disclosure quality	The sum of quality scores divided by 4. Quality scores are calculated as follows: 1. Non-Financial Orientation is the proportion of forward-looking non-financial sentences. 2. Tone Orientation is the proportion of good news forward-looking sentences. 3. Time Orientation is the proportion of long-term forward-looking sentences. 4. Qualitative Orientation is the proportion of qualitative forward-looking sentences.	Annual Reports
(OvAC)	Overlap AC directors	The proportion of AC directors overlap.	Annual Reports
OvACChr	Overlap AC Chair	A dummy variable equals 1 if AC chair overlaps and 0 otherwise.	Annual Reports
OvACCC	Overlap AC with Compensation committee	The proportion of AC directors who overlap with compensation/remuneration committee.	Annual Reports
OvACRC	Overlap AC with risk committee	The proportion of AC directors who overlap with risk committee.	Annual Reports
OvMulAC	Overlap AC with multiple directorships	The proportion of overlapped AC directors who simultaneously holding external multiple board seats (overlap AC & interlock).	Annual Reports
OvFinAC	Overlap AC with accounting expertise	The proportion of overlapped AC directors who possess financing or accounting expertise.	Annual Reports

OvShrAC	Overlap AC with 5% or more of firm's shares	The proportion of overlapped AC directors who hold or represent company's shares.	Annual Reports
ACSize	AC size	The number of directors on the AC	Annual Reports
ACMeet	AC meetings	The number of AC meetings held	Annual Reports
ACSup	AC supervisory experts	The number of AC directors with supervisory experts	Annual Reports
ACFin	AC financial expertise	The number of AC directors with accounting expertise	Annual Reports
ACFor	AC foreign directorship	The number of foreign AC directors	Annual Reports
ACMul	AC directors who hold multiple directorships outside the firm	The percentage of AC directors serving on multiple boards	Annual Reports
ACFem	AC female director	The proportions of females on the AC	Annual Reports
ACInd	AC independence	The proportion of independent AC directors	Annual Reports
ACChrInd	AC Chair independence	A dummy variable equals 1 if the AC chair is independent and 0 otherwise.	Annual Reports
ACShr	AC directors who hold or represent 5% or more of the firm's shares	AC directors who hold or represent 5% or more of the firm's shares	Annual Reports
Big4	Audit quality	A dummy variable equals 1 for big four audit firms and 0 otherwise.	Annual Reports
LogAsset	Firm size		Annual Reports
ROE	Profitability	Return on Equity.	Annual Reports
LEVTDTA	Leverage	Total debt to total assets	Annual Reports
BH	ownership concentration	% of ownership concentration	Annual Reports

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions	A dummy variable equals 1 if AAOIFI is adopted, and 0 otherwise.	Annual Reports
BrdEC	The existence of an executive committee within the firm	A dummy variable equals 1 if there is an executive committee within the firm and 0 otherwise.	Annual Reports
BrdCom	The existence of board committees within the firm	A dummy variable equals 1 if there is a board committee within the firm and 0 otherwise.	Annual Reports
Relatives	The presence of family directors on the board	A dummy variable equals one if a company has directors from the same family on the board and zero otherwise	Annual Reports
Royal	The presence of ruling family directorship on the board	A dummy variable equals one if a company has at least one ruling director on the board and zero otherwise.	Annual Reports



**Table 2: Descriptive Statistics of FLD**

<b>Variable</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Min</b>	<b>Max</b>
<b>Quantity FLD</b>	13.26	8.45	0	40
<b>Quality FLD</b>	0.71	0.15	0	1
<b>FinQaulity</b>	0.51	0.26	0	1
<b>Tone</b>	0.86	0.18	0	1
<b>TimeQuality</b>	0.65	0.25	0	1
<b>QLYOrientation</b>	0.80	0.19	0	1
<b>FIN</b>	6.62	5.20	0	21
<b>NonFIN</b>	6.64	4.77	0	22
<b>GOOD</b>	11.43	7.30	0	38
<b>BAD</b>	1.82	2.11	0	10
<b>SHORT</b>	4.37	3.28	0	15
<b>LONG</b>	8.88	6.79	0	32
<b>QTY</b>	2.64	2.77	0	14
<b>QLY</b>	10.62	7.30	0	33

Variable definitions - see table 1

**Table 3: Descriptive Statistics of Independent and Control Variables**

<b>Variable</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Min</b>	<b>Max</b>
<b>OvAC</b>	0.37	0.32	0.00	1.00
<b>OvACChr</b>	0.20	0.40	0.00	1.00
<b>OvACCC</b>	0.13	0.19	0.00	0.75
<b>OvACRC</b>	0.14	0.29	0.00	1.00
<b>OvMulAC</b>	0.23	0.26	0.00	1.00
<b>OvFinAC</b>	0.27	0.29	0.00	1.00
<b>OvShrAC</b>	0.20	0.27	0.00	1.00
<b>ACSize</b>	3.39	0.59	2.00	6.00
<b>ACMeet</b>	4.77	1.56	0.00	12.00
<b>ACSup</b>	0.71	0.23	0.00	1.00
<b>ACFin</b>	0.73	0.28	0.00	1.00
<b>ACFor</b>	0.32	0.31	0.00	1.00
<b>ACMul</b>	0.56	0.32	0.00	1.00
<b>ACFem</b>	0.02	0.08	0.00	0.33
<b>ACInd</b>	0.78	0.20	0.00	1.00
<b>ACChrInd</b>	0.96	0.19	0.00	1.00
<b>ACShr</b>	0.50	0.32	0.00	1.00
<b>Big4</b>	0.89	0.31	0.00	1.00
<b>ROE</b>	3.26	29.00	-251.20	37.41
<b>LEVTDTA</b>	16.34	21.72	0.00	69.58
<b>BH</b>	4.25	1.75	1.00	8.00
<b>AAOIFI</b>	0.11	0.32	0.00	1.00
<b>BrdEC</b>	0.56	0.50	0.00	1.00
<b>BrdCom</b>	2.68	1.04	1.00	7.00
<b>Relatives</b>	0.46	0.50	0.00	1.00
<b>Royal</b>	0.16	0.36	0.00	1.00
<b>TotalAsset (m)</b>	852.86	2,053.89	0.40	12,544.50

Variable definitions - see Table 1

**Table 4: Proportion of Overlapped AC Directors in Sample Years**

<b>YR</b>	<b>Sum of OvAC (No.)</b>	<b>Sum of OvACChr (No.)</b>
<b>2014</b>	50	15
<b>2015</b>	45	14
<b>2016</b>	46	5
<b>2017</b>	44	1
<b>2018</b>	38	1
<b>Grand Total</b>	<b>223</b>	<b>36</b>

Table 5: Pearson Correlation Matrix

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
1 Quantity FLD	1																												
2 Quality FLD	0.014	1																											
3 OvAC (%)	0.086	0.018	1																										
4 OvACChr	-0.066	0.128	.505**	1																									
5 OvACCC(%)	0.084	-0.049	.406**	-0.071	1																								
6 OvACRC(%)	0.089	0.029	.649**	.491**	0.021	1																							
7 OvMulAC(%)	0.143	-0.033	.730**	.376**	.296**	.329**	1																						
8 OvFinAC(%)	.159*	-0.047	.793**	.415**	.320**	.628**	.475**	1																					
9 OvShrAC(%)	-0.057	-.147*	.763**	.400**	.222**	.653**	.458**	.668**	1																				
10 ACSize	0.091	0.127	-0.043	-0.024	0.077	-0.052	-.159*	0.106	-0.101	1																			
11 ACMeet	.156*	-0.080	.315**	0.118	.166*	.279**	.275**	.172*	.244**	-0.031	1																		
12 ACSup(%)	0.091	-0.113	0.064	-0.031	0.052	-0.011	0.011	0.078	-0.006	-0.085	.150*	1																	
13 ACFin(%)	-0.003	-0.075	-0.068	-0.019	-0.072	0.146	-.212**	.342**	0.046	0.080	-0.001	0.029	1																
14 ACFor(%)	-0.058	0.047	0.120	-0.075	.174*	-0.036	0.022	0.090	0.024	0.022	0.030	0.129	0.029	1															
15 ACMul(%)	0.107	0.051	0.086	0.094	0.029	-0.034	.468**	0.012	-0.036	-0.098	.190*	0.052	0.028	-.162*	1														
16 ACfem(%)	0.104	0.070	-0.054	0.110	-0.116	-0.034	0.008	-0.005	-0.123	-0.046	0.038	-0.093	.153*	-.148*	.147*	1													
17 ACInd(%)	0.053	-0.054	-0.117	0.108	-.252**	0.105	-0.126	-0.010	-0.007	0.012	-0.022	0.079	0.050	-0.070	-.163*	.172*	1												
18 ACChrInd	0.010	-0.040	-0.008	0.029	-0.066	-0.004	-0.065	0.007	0.016	-0.111	0.063	-0.011	0.003	-0.015	-0.136	0.058	.445**	1											
19 ACShr(%)	-.211**	-0.096	0.016	0.137	-0.085	.279**	-0.116	0.033	.464**	-0.104	0.012	0.058	.281**	-0.039	-0.081	-0.121	0.116	0.084	1										
20 Big 4	.332**	-0.047	.154*	0.081	0.082	0.122	.157*	.149*	.149*	0.043	.229**	0.011	0.030	0.026	.248**	0.099	-0.089	-0.069	-0.077	1									
21 LogAsset	.308**	.156*	.232**	.168*	0.007	.497**	0.045	.245**	.277**	0.057	.387**	0.002	.163*	-0.016	-0.005	0.044	-0.009	0.014	.272**	.449**	1								
22 ROE*	.184*	.282**	0.008	0.062	-0.110	0.062	-0.023	0.022	-0.028	0.100	0.099	-0.106	-0.010	0.020	-0.008	0.032	0.043	-0.016	-0.130	.369**	.334**	1							
23 LEV (TD/TA)	.313**	0.035	-.177*	-0.043	-0.137	0.042	-0.096	-.153*	-0.098	0.018	0.001	0.135	.149*	0.118	.163*	0.006	0.058	-0.085	.249**	.196**	.173*	0.102	1						
24 BH	-0.122	-0.089	-0.037	0.040	-.233**	0.098	0.030	-0.044	0.007	0.041	-0.065	0.070	0.126	-.329**	.289**	-0.116	-.223**	-0.004	.199**	-.190*	-0.030	-.222**	0.142	1					
25 AAOIFI	-0.061	.269**	0.062	0.088	-0.125	0.108	-0.038	.185*	0.039	-0.023	-.153*	-.176*	.302**	-.273**	0.114	.257**	0.006	0.071	-0.022	0.121	-0.003	-0.002	-.245**	0.081	1				
26 BrdEC	.166*	0.059	-0.070	-0.090	-.163*	0.136	0.029	0.027	-0.018	-0.081	.187*	-0.024	.309**	-0.109	.207**	0.084	0.064	-0.004	0.031	.279**	.276**	0.142	.306**	-0.014	.313**	1			
27 BrdCom	.151*	-0.102	.613**	.220**	.149*	.650**	.436**	.584**	.582**	-0.144	.448**	-0.095	0.134	-0.004	0.143	-0.026	-0.067	0.077	.160*	.244**	.582**	0.122	-0.082	0.081	.159*	.205**	1		
28 Relatives	-.168*	-.178*	-0.055	-0.039	-0.047	-0.142	0.076	-0.135	0.095	-0.036	-0.146	-.197**	-.154*	-.279**	0.103	-0.003	-0.024	-0.047	0.048	0.060	-0.095	0.109	0.016	.157*	-0.146	-.225**	-0.065	1	
29 Royal	.162*	.174*	.149*	0.054	-.190*	.182*	0.034	.235**	0.014	0.081	-0.026	0.052	0.026	-0.133	-0.091	0.017	.190*	0.086	-.179*	.147*	0.145	0.029	-0.132	-0.079	.482**	.287**	.205**	-.239**	1

\*. Correlation is significant at the 0.05 level (2-tailed).  
 \*\*. Correlation is significant at the 0.01 level (2-tailed).

Variable definitions – see Table 1

Table 6: Multiple Regression Analysis

	<i>Quantity FLD</i>	<i>Quality FLD</i>
<b>Variable</b>	<b>Model 1</b>	<b>Model 2</b>
OvAC	-12.986*	0.106***
OvACChr	-3.828**	0.0438*
OvACCC	3.886	0.049
OvACRC	-0.493	0.0794*
OvMulAC	10.928***	0.082*
OvFinAC	15.748***	0.090**
OvShrAC	-0.646	0.078*
ACSize	-0.911	0.007
ACMeet	0.105	0.000
ACSup	-2.292	-0.079*
ACFin	-2.502	-0.106***
ACFor	-6.756***	0.062*
ACMul	-1.515	0.113***
ACFem	-0.214	-0.080
ACInd	2.779	-0.062
ACChrInd	2.475	0.015
ACShr	-5.774*	-0.032
Big4	2.755	-0.225***
LogAsset	6.348***	0.095***
ROE	-0.005	0.002***
LEVDTA	0.105*	0.001**
BH	-0.020	-0.007
AAOIFI	1.070	0.237***
BrdEC	-4.965***	-0.030
BrdCom	0.776	-0.083***
Relatives	-5.012***	-0.036*
Royal	3.356*	0.027
_cons	-3.998	0.984
Industry Dummies	Yes	Yes
Years Dummies	Yes	Yes
No. of Obs	180	180
Prob > F	0.000	0.000

	<i>Quantity FLD</i>	<i>Quality FLD</i>
<b>Variable</b>	<i>Model 1</i>	<i>Model 2</i>
<b>R-squared</b>	0.530	0.480

\* coefficient is significant at 10%

\*\* coefficient is significant at 5%

\*\*\* coefficient is significant at 1%

Variable definitions - see Table 1