

# The Impact of Demographic Characteristics of Board of Directors and Audit Committee on Financial Reporting Quality: An Empirical Study from Pakistan

Sanober SHAHEEN<sup>1</sup>, Muhammad Mazhar IQBAL<sup>2</sup>

Received: September 30, 2021 Revised: December 08, 2021 Accepted: December 15, 2021

## Abstract

This study examines the impact of female representation on board of directors and audit committees on financial reporting quality, which also discusses the moderating role of family ownership in female representation on boards of directors and audit committees and financial reporting quality. The unbalanced panel is made up of 271 non-financial companies listed on the Pakistan Stock Exchange (PSX) from 2008 to 2019. The findings reveal that female representation on the board of directors has a large and negative impact on financial reporting, but female representation on the audit committee has a significant positive impact on financial reporting quality. Furthermore, the results reveal that family ownership has a negative impact on the relationship between female presence on boards of directors and financial reporting quality. Furthermore, the findings show that family ownership reduces the impact of female involvement in audit committees on the quality of financial reporting. However, family ownership has no direct impact on financial reporting quality. Our findings suggest that selecting females to serve on boards of directors and audit committees should be based on specific criteria (e.g., monitoring abilities, business competence, knowledge, and experience) rather than on family relationships.

**Keywords:** Female Representation, Board of Directors, Audit Committee, Family Ownership, Financial Reporting Quality

**JEL Classification Code:** K38, M14, G30, M41, G32

## 1. Introduction

Financial reporting quality (FRQ) is a way for an organization to communicate with its stakeholders. If the reported data are dependable, meaningful, verifiable, and relevant, FRQ is regarded as good. It is vital to examine factors that cause and maintain FRQ from being manipulated. The financial reporting quality of some well-known companies,

such as WorldCom, Enron, and BCCI, has been called into question. Another factor for company failure, as shown in IBM, Kodak, and Honeywell, is an ineffective Board of Directors (BOD) and Audit Committee (AC). Companies in Pakistan, such as Taj Group and Exact, have been victims of financial fraud, mainly as a result of weak BOD and AC.

It is necessary to diversify BOD and AC for them to be successful and efficient. Gender, age, color, education, and other factors all contribute to diversity. Nowadays, female presence (FP) is regarded as a field of study all over the world. As a result, studying FP in the context of a developing economy like Pakistan is essential. Lettie Pate Whitehead was the first woman to be named to the board of directors of a major corporation, Coca-Cola, in 1934. However, the trend did not improve considerably, prompting regulators in many parts of the world to take official action. The European Union (EU) has been working on a proposal to adopt a gender quota of 40% for all enterprises operating within EU territory for the past two decades. The EU placed a fine on corporations that did not have at least 40% female directors on their boards in 2012.

<sup>1</sup>First Author and Corresponding Author. Ph.D. Scholar, Faculty of Management and Social Sciences, Capital University of Science and Technology, Islamabad, Pakistan [Postal Address: Islamabad Expressway, Kahuta Road Zone-V Sihala, Islamabad, Islamabad Capital Territory, Pakistan] Email: sanober\_154@yahoo.com

<sup>2</sup>Professor, Faculty of Management and Social Sciences, Capital University of Science and Technology, Islamabad, Pakistan. Email: mazhar.iqbal@cust.edu.pk

© Copyright: The Author(s)

This is an Open Access article distributed under the terms of the Creative Commons Attribution Non-Commercial License (<https://creativecommons.org/licenses/by-nc/4.0/>) which permits unrestricted non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

The main objective behind gender quota is to benefit from the skills of highly qualified females, use their talent and gain economic growth potential. Following the EU, numerous other countries have enacted laws requiring gender quotas. A quota of at least one female member on the board of directors of listed firms is imposed in India. There is a 30 percent female quota in Australia. In 1999, Israel made it mandatory for public firms to have at least one female director on their board of directors. In addition, Pakistan has mandated that every listed company's board of directors include at least one female member. These findings indicate that regulators are aware of the impact of FP on corporate BOD and AC.

The following are the justifications for including FP in BOD and AC: To begin with, it improves market understanding by comparing the diversity of the corporate director with the diversity of its potential employees and consumers, so increasing the company's ability to penetrate markets. Second, because women are more creative than men, diversity fosters innovation and creativity. Third, it has the potential to improve problem-solving skills (Campbell & Minguez-Vera, 2008). Females are more ethical, confident, have fewer chances of fraudulent reporting, are more concerned about their reputation, and are risk-averse and careful when it comes to corporate matters (Kanakriyah, 2021). All these characteristics could help female directors be more efficient when it comes to monitoring and reviewing financial information.

Research on FP in a BOD or as an AC member is quite limited in Pakistani business culture. Men are regarded as breadwinners in their culture, while women are responsible for running and managing the household. However, with the passage of time, all cultures evolve. Due to a steady increase in the number of females with management degrees, the FP is now visible in reality. Companies have been able to comply with the legal requirement for FP on the boards as a result of this (Herli et al., 2021).

In Pakistan, women have fewer opportunities to advance in their careers and attain empowerment. International humanitarian organizations (IHO) and the United Nations Development Programme (UNDP) are collaborating with Pakistani women to promote gender equality and female empowerment. Males used to hold and control the majority of executive positions in organizations just a few years ago (Ashraf & Ghani, 2005). But, thanks to education, we can now witness a shift, particularly in women's business and management degrees. The corporate governance law of Pakistan is the second reason for females being involved in BOD and AC. Each BOD team must have at least one female member, according to Pakistan corporate governance rules; in other cases, governance structures such as AC also reflect FP.

The "ownership structure" of the companies is another important component that contributes to FP in BOD and ACs. The family ownership (FO) structure is very common among Pakistan's listed firms on the Pakistan Stock Exchange. Because most owners train their family members to manage and maintain their firms, family-owned businesses are particularly concerned about FRQ. As a result, the boards of these firms have a deeper understanding of business, direct employee monitoring, managerial integration, and the link between customers, suppliers, and business owners (Fakhri et al., 2021).

Moreover, those firms' governance (BOD and AC) works efficiently to have fewer chances of manipulating financial statements and reporting. In the contradictory view, in family businesses, it is expected that all upper management positions or controlling authorities in the corporation are held and controlled by family members. In such cases, it is not seen that the family member is male or female.

All decision-making and control authority rests with the family members. As a result, family members' involvement may have an impact on the likelihood of financial reporting fraud. The majority of female members of the board of directors or AC are representatives or family members who own businesses. Female directors are chosen to boards in this situation not because of their attributes, but because of their ties to certain corporate groups. Another vexing aspect of the problem is that female directors are usually denied the authority to deviate from the family's elders in corporate matters. As a result, the real advantage of being a female board member is lost.

In Pakistan, the FP in BOD or ACs is not significant in number. But mainly, the females in BOD or AC belong to the controlling family due to the need for compliance with the legal requirement imposed by the Company Act and Code of Corporate Governance. Various families award directorship to their female members only to seize the firm hold of their family on business and crack the inheritance predicament to the next generation.

We believe Pakistan is an excellent place to study the aforementioned relationships and difficulties for several reasons. To begin with, there has been an increasing trend in female appointments in the business sector over the last three decades, eroding to some extent the perception that emerging countries are completely dominated by men. Second, several female empowerment organizations or non-governmental organizations (NGOs) are working in Pakistan to ensure that women have equal rights.

International humanitarian groups and the United Nations Development Programme provide assistance to working Pakistani women in this regard. Finally, several family members influence decisions in Pakistani FO culture. These influences and actions, particularly from family members,

have exacerbated conflicts between controlling and minority shareholders in many cases. Fourth, changes in company law and the Code of Corporate Governance, which require at least one female member in the way to go before they have a major presence on all boards. Female directors on all boards have begun to be nominated for ACs, even though the law is uncertain on this matter. This study is also important to us because it will highlight and dispel common misconceptions about the influence of FP on corporate BOD in developing countries.

In this study, we intend to seek answers to the following queries:

- (a) Why and how can FP on the BOD and AC influence the quality of a company's financial reporting? What is empirical evidence available to support or negate the role of female directors in improving FRQ?
- (b) Does FO affect FRQ? Does FO weaken the impact of FP on BOD and AC on FRQ?

The study will contribute to financial literature by studying the moderating role of FO structure among the existence of FP in the BOD & AC and FRQ. This study is an attempt to fill up the gap in the financial literature of Pakistan.

Thus, the main objectives are restated as follows:

- To investigate the impact of FP in BODs and AC on FRQ.
- To analyze the moderating role of FO between FP in BODs & AC and FRQ.

The rest of the paper is organized as follows: The second section discusses related literature and hypotheses formulation. The methodology is discussed in the third section. The fourth section is about results. In the end, we conclude with significant policy implications and recommendations.

## 2. Hypothesis Development

### 2.1. FP in BODs and AC

The impact of FP in BODs and AC on FRQ has been studied, however, the results have been conflicting. According to Arun et al. (2015), female directors are more concerned about their reputation, thus they demand financial reports that offer an accurate and fair picture of their companies. According to Chukwu and Nwabochi (2019), the AC is thought to play a critical role in ensuring FRQ. According to human capital theory, females can make more ethical decisions, are more conservative, and perform a better monitoring role. Female attitudes almost always

have a positive impact on FRQ (Amorelli & Garca Sánchez, 2020), although Ismail et al. (2013) found a negative relationship between FP in BOD and FRQ in a Malaysian study. The conflicting results could be because these studies were conducted across different time periods and in different countries, origins, or cultures, all of which have different governance processes at the firm, industry, and country levels. It could also be owing to women's distance from firm locations (Alam et al., 2013). The following is the theory based on the literature:

*H1: There is a positive impact of FP in BODs on FRQ.*

*H2: There is a positive impact of FP in AC on FRQ.*

### 2.2. Moderating Role of FO

The moderating influence of FO among FP in the BODs and AC on FRQ has only been studied in a few research. According to Principe and Bar-Yosef (2011), the ratio of female directors in family-owned businesses has a minor impact on financial reporting. Due to their supervisory authority, Lam and Lee (2012) discovered that family relatives or members on BODs impair management's efficiency and effectiveness. Previous studies and agency theory state that family firms will make fewer financial disclosures. As a result, it exacerbates the problem of information asymmetry between non-family and family owners, lowers firm performance, and lowers FRQ.

According to Vieira and Madaleno (2019), the FP in the BODs could reduce the likelihood of financial reporting manipulation. The number of family owners with control power is one of the reasons for the mixed results: if family owners have more control authority, they can falsify financial reports. Second, a country's law has an impact on board members' authority. If the board includes independent members, these directors may be able to express their opinions and have a positive impact on FRQ. As a result of the discussion above, the following hypotheses emerge:

*H3: FO mitigates the influence of FP in BODs on FRQ.*

*H4: FO mitigates the influence of FP in AC on FRQ.*

## 3. Research Methodology

### 3.1. Data Population and Sampling

The sample data is uneven, with only 271 non-financial manufacturing companies registered on the PSX from 2008 to 2019. The reason for selecting this time frame is that the Securities and Exchange Commission of Pakistan (SECP) issued the "Code of corporate governance, 2002" and gave businesses five years to fully comply with its terms. The State Bank of Pakistan

website, the firm's annual reports, company profiles, and official websites, and the KSE and PSX websites are the main sources of data. For panel testing, Stata is used as an analysis tool.

### 3.2. Empirical Model

FRQ has been estimated using two proxies, i.e. Accrual Quality and Value Relevance. Therefore, we estimated four equation models. The first two equations are based on accrual quality, first without using moderating variables, i.e. FO, and then the moderator. Similarly, the last two equations are based on value relevance.

Panel A: Accrual Quality:

$$AQ_{it} = \beta_0 + \beta_1(FBD)_{it} + \beta_2(FAC)_{it} + \beta_3(FO)_{it} + \beta_4(\text{Control Variables})_{it} + \mu_{it} \quad (1)$$

$$AQ_{it} = \beta_0 + \beta_1(FBD)_{it} + \beta_2(FAC)_{it} + \beta_3(FO)_{it} + \beta_4(FBD \times FO)_{it} + \beta_5(FAC \times FO)_{it} + \beta_6(\text{Control Variables})_{it} + \mu_{it} \quad (2)$$

Panel B: Value Relevance:

$$VR_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVS_{it} + \beta_3(FBD)_{it} + \beta_4(FAC)_{it} + \beta_5(FO)_{it} + \beta_6(\text{Control Variables})_{it} + \mu_{it} \quad (3)$$

$$VR_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVS_{it} + \beta_3(FBD)_{it} + \beta_4(FAC)_{it} + \beta_5(FO)_{it} + \beta_6(FBD \times FO)_{it} + \beta_7(FAC \times FO)_{it} + \beta_8(\text{Control Variables})_{it} + \mu_{it} \quad (4)$$

Where  $AQ_{it}$  is Accrual Quality, i.e. measured by using McNichols model,  $VR_{it}$  is the market value per share,  $EPS_{it}$  is Earning per share,  $BVS_{it}$  is Book value per share,  $FBD_{it}$  is FP in BODs,  $FAC_{it}$  is FP in AC,  $FO_{it}$  is Family ownership,  $FBD_{it} \times FO_{it}$  is the moderating effect of Family ownership on FP in BODs,  $FAC_{it} \times FO_{it}$  is the moderating effect of Family ownership on FP in AC,  $B_0$  is intercept, and  $\mu_{it}$  is the error term.

## 4. Results and Discussion

This section of the study offers a discussion of the findings and results in light of the literature review and theories. The majority of businesses in Pakistan are owned by families or small groups of people (Table 1). Based on our findings, we estimate that 63 percent of our sample is made up of family-owned businesses. A group of family members or friends either manages or controls them.

**Table 1:** Percentage of Family and Non-Family Owned Companies

	No of Companies	% Age
Family ownership	170	63
Non-family ownership	101	37
Total companies	271	100

### 4.1. Year wise FP in BODs and AC in Pakistan

From the time passage, females got more education and were empowered towards jobs. This difference is clearly shown in the percentage increase in FP in the BODs and AC.

In the context of Pakistan, Table 2 shows the year-by-year mean values of FP in BODs and AC. With time, firms hire more females in their BODs and ACs, as seen in the table. The percentage of FP in BODs and AC in 2008 was 9% and 8%, respectively. And with each passing year, these percentage values have risen. There was a significant difference in FP in the BODs and AC in 2019, with 14.05 percent and 20.77 percent, respectively. As a result, companies are more willing to hire females to serve on their boards of directors and AC to achieve better financial results. In Pakistan, the percentage of women on board and in AC seats is increasing, although progress is still gradual. The findings are in line with those of Umer et al. (2020). These studies reveal a slow but steady increase of FP in BODs and ACs of PSX-listed companies. The argument behind this is that it takes time for all companies to fully follow Law, i.e., the requirement of at least one female director in the BODs, as decreed mandatory by the new Corporate Governance code of 2017.

### 4.2. Regression Results

The regression runs for the panel model, which included both fixed and random regression models. The findings of the Hausman test indicate that the fixed effect model is being applied. Because we have two proxies for FRQ, we apply four equations in our research. Panel A shows the results of regressions when the FRQ was determined using the Accrual quality model, whereas panel B shows the results of regressions where the FRQ was derived using the Value Relevance model (Table 3).

The overall  $R$ -squared for the regression in both with and without the moderating term is 0.004 in the accrual quality model, and 0.05 without moderation and 0.0804 with moderation in the value relevance model, indicating that the equation is reliable. The first two hypotheses are related to the first goal, whereas the third and fourth hypotheses are related to the second hypothesis.

**Table 2:** Mean Value of Percentage of FP in BODs and AC

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
FBD%	9.65	9.76	9.81	9.89	9.92	9.99	10.01	10.15	10.25	10.65	11.58	14.05
FAC%	8.54	8.65	9.14	9.41	10.82	10.96	12.03	12.77	12.89	13.88	16.56	20.77

**Table 3:** Regression Results

	Panel A: Accrual Quality				Panel B: Value Relevance			
	Without Moderation		With Moderation		Without Moderation		With Moderation	
	Coeff	P value	Coeff	P value	Coeff	P value	Coeff	P value
FBD	−0.0009	0.041	−0.0074	0.039	−0.3561	0.045	−0.1904	0.046
FAC	0.0041	0.038	0.0076	0.005	0.3203	0.041	0.7138	0.014
FO	0.2649	0.238	−0.0077	0.358	20.885	0.162	−19.293	0.168
FO*FBD			−0.0075	0.044			−0.6534	0.014
FO*FAC			−0.0077	0.015			−0.4924	0.037
FS	0.2413	0.000	0.0172	0.021	42.106	0.000	30.718	0.000
BS	0.0033	0.899	−0.0073	0.034	0.3485	0.875	−0.9809	0.039
ACS	0.0161	0.039	0.0058	0.046	17.896	0.000	17.327	0.000
ROA	0.0012	0.008	0.0008	0.041	0.0597	0.026	0.0613	0.018
FA	0.0194	0.003	0.0008	0.003	2.5620	0.000	2.2285	0.000
FG	−0.0038	0.898	−0.0038	0.809	0.0278	0.263	0.0278	0.261
_cons	4.4898	0.000	0.5135	0.031	−1008.6	0.000	−713.80	0.000
F-statistics	3.36		3.14		13.62		14.58	
Overall R-squared	0.0042		0.004		0.0573		0.0804	

\*Significant at  $p$ -value < 0.05. Accrual quality can be used as a proxy for measuring FRQ. McNichols model is used. Value relevance can be calculated by using the Ohlson model used is as follows.

$$V_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVS_{it} + \varepsilon_{it}$$

FBD is the Number of female directors in the board multiplied by 100 and divided by total members of BODs; FAC is the Number of female members multiplied by 100 divided by total members on the AC. FO is Family ownership measured as A Dummy variable taking 1 if the percentage of the total number of shares owned by family members divided by total shares outstanding is equal or more than 20 percent, and zero otherwise. Control variables are FS (firm size), BS (board size), ACS (audit committee size), ROA (return on assets), FA (firm age), FG (firm growth).

The results show that there is a significant negative impact of FP in BODs on FRQ. Result rejected hypothesis 1. Our results are consistent with the findings of (Hashim et al., 2019). They also found a negative impact of FP in BODs on FRQ.

We believe the following are the reasons for this negative result:

- The possibility is that female board members do not possess financial skills and are therefore unable

to contribute effectively to improve the quality of financial reporting. This is particularly the case where a female is nominated on the board not on the grounds of any particular skill but merely due to her relationship with the controlling family.

- Female board members may be unable to devote significant attention to financial reporting due to challenges in balancing their work and home lives. This observation is particularly relevant to the social and cultural context in Pakistan, where females are



expected to dedicate a significant amount of time to domestic activities - to the detriment of their duties as corporate board members.

- c. Third, unless a female director has specialized finance knowledge, she is rarely given a direct link or interaction with individuals who generate accounts and financial reports in account divisions.
- d. Finally, in Pakistan, the number of female directors is still quite near to the legal minimum of one on every board. This is insufficient to provide female board members any genuine influence over financial report quality.

These theories explain why females in BODs have a negative impact on FRQ. Perhaps future research might delve deeper into this topic to determine the right relationship between the presence of female directors and financial reporting quality.

In terms of the second hypothesis, the results show that FP in AC has a significant positive impact on FRQ when both proxies are used. This result supports our second theory. This implies that female participation in AC improves FRQ. Because the selection is predicated on offering better FRQ, members sitting in AC, whether male or female, have financial knowledge and skills. These findings are consistent with prior research by Din et al. (2020), who found that females in AC perform higher on the FRQ. Hashimet al. (2019) found that FP in AC is associated with higher FRQ.

The reasons for this are rather obvious, as various studies in human resources management have conclusively proved that female auditors are better and have a more realistic financial sense than male auditors. For this apparent reason, according to a KPMG research from 2018, more than 64 percent of personnel in senior positions in audit firms in Europe are now females. While the positive association between FP on ACs and the quality of financial reporting of listed firms are encouraging, we caution against jumping to the conclusion that most companies in Pakistan have a significant proportion of female members on their ACs. We are still quite far from that situation. This conclusion, on the other hand, pushes companies to appoint more (financially educated) female board members to ACs.

FO has no effect on FRQ as an independent variable. FRQ relies on members of the BOD or AC to ensure the accuracy and accessibility of financial reporting. It makes no difference who controls the company's stock. The third hypothesis is that FO has a moderating influence on FP in BODs and FRQ. In both the accrual quality and value relevance models, the result shows significant negative values. As a result, hypothesis 3 is supported.

This suggests that FO reduces the connection between FP and FRQ in BODs. Female directors in

family-controlled enterprises are not necessarily chosen based on their financial expertise and skill, but rather because of their ties to the family. It could be claimed that appointing female family members on a family-controlled company's board of directors does not make the board truly gender-diverse. Assume a female director is unable to exercise her directorship (due to lack of competence, or social causes that lead to the dominance of males over females in families). In that instance, the advantage of having her on the board is considerably reduced.

When a majority of the directors are from the same family, the board discussions are controlled by the family's "elders," not the experts. Female directors' effectiveness is hindered as a result of this. Meeting the legal requirement of having a female on the board will provide no results unless the woman picked for the position is capable of holding it. Second, based on their abilities and temperaments, they can exercise appropriate authority as a director.

The fourth hypothesis is that FO between FP in AC and FRQ can be moderated. Using both accrual quality and value relevance, the result shows significant negative values. As a result, hypothesis 4 is accepted. This suggests that FO reduces the strength of the relationship between FP on ACs and FRQ. First, family owners have complete control over management and financial data, which is expected to lead to a negative outcome. As a result, they are more concerned with producing the best financial reports than with producing truthful and fair reports. As a result, these family owners have control over and influence AC's decisions. Second, ladies have a busy schedule, which includes both office and home responsibilities. Females in AC are unable to work effectively due to time constraints.

In equations 1 and 3, i.e. both equations without moderating terms, four of the six control variables were significant. In both proxies of accrual quality and value relevance, the coefficients on company size, AC size, performance, and age are positive and significant with FRQ. The company growth and board size coefficients are both insignificant.

Control variables show similar significant findings when using moderating terms, such as FO in equations 2 and 4. Five of the six control variables were found to be significant. Firm size, the board size, AC size, performance, and age all have positive and significant coefficients, with FRQ using either accrual quality or value relevance as a proxy. In both models, firm growth is insignificant.

## 5. Conclusion and Recommendations

The main objective of this research is to examine the impacts of FP in BODs and AC on FRQ, as well as the moderating effect of FO on FP in BODs and AC on FRQ.

The accrual quality and value relevance proxies were used in this study as FRQ proxies. The data is based on an unbalanced panel of 271 businesses registered on the Pakistan Stock Exchange from 2008 to 2019.

The results show a significant negative impact of FP in BODs on accrual quality and value relevance. The negative relationship suggests that the increase in FP on BODs limits the ability of the board to manage a better quality of FRQ. However, it would be wrong to jump to such a conclusion without considering the financial competence of females on the BODs. The result further shows that there is a significant positive impact of FP in AC on FRQ. From these findings, it is concluded that we accepted our second hypothesis but rejected the first hypothesis.

The third hypothesis is about moderating the effect of FO between FP in BODs and FRQ. The result shows significant negative values. The fourth hypothesis is about moderating the impact of FO between FP in AC and FRQ. The result shows significant negative values. From these findings, it is concluded that we accepted our third and fourth hypotheses.

While the results of this research have been enumerated above, it would be helpful to look at them critically considering the following cultural, social and demographic aspects of our economy:

- a. The presence of just one female on the BODs is not enough. Therefore, it is unlikely to produce any meaningful impact on the quality of corporate governance in general or FRQ in particular. We recommend that regulators in Pakistan should seriously consider increasing the minimum number of female directors to 3. This will have two effects: first, more women will have a stronger voice on boards, and second, board sizes will increase, allowing for more effective discussions and deliberations at meetings.
- b. The practice of appointing female members of the controlling family to corporate boards of directors should be discouraged. An individual, whether male or female, should be appointed to the board only if he or she holds the qualities for the position. This problem can be solved if at least two of the three female directors are required to be independent and have no ties to the ruling family.
- c. The nomination of AC members, in particular, should be done with great care. While we believe that at least one member of the AC should be a woman, we also believe that participation in the AC should be limited to people who have a strong understanding of financial and business practices.
- d. In general, directors of publicly traded companies must keep up with what is going on in the economy, particularly in the financial sector. This supports the

adage that boards of directors can't be effective unless they are balanced in terms of gender, representation of all stakeholders, independence, attitudes, and abilities.

Further research is needed to:

- a. Establish the effects of the higher percentage of FP on the boards of listed companies in Pakistan.
- b. Explore the impact of a more significant number of independent female directors on board performance and FRQ.
- c. Evaluate the impact of female directors on FRQ of financial sector companies in Pakistan.
- d. Compare and contrast the condition of female directors in developing and developed economies. We feel that boards in developing nations like Pakistan may learn a lot from boards in developed economies when it comes to board composition. Comparative research involving two or more countries from our region of the world can also be helpful and lead to some useful results.

The recommendations made above can yield valuable results for the quality of corporate governance in Pakistan in general and the financial reporting systems in particular.

## References

- Alam, Z. S., Chen, M. A., Ciccotello, C. S., & Harley E. (2013). Where are the women? board decisions and female director location. *SSRN Journal*, 11, 56–79. <https://doi.org/10.2139/ssrn.2347025>
- Amorelli, M. F., & García-Sánchez, I. M. (2020). A critical mass of female directors, human capital, and stakeholder engagement by corporate social reporting. *Corporate Social Responsibility and Environmental Management*, 27(1), 204–221. <https://doi.org/10.1002/csr.1793>
- Arun, T. G., Almahrog, Y., & Aribi, Z. (2015). Female directors and earnings management: Evidence from UK companies. *International Review of Financial Analysis*, 39, 137–146. <https://doi.org/10.1016/j.irfa.2015.03.002>
- Ashraf, J., & Ghani, W. I. (2005). Accounting development in Pakistan. *The International Journal of Accounting*, 40(2), 175–201. <https://doi.org/10.1016/j.intacc.2005.01.010>
- Campbell, K., & Mínguez-Vera, A. (2008). Gender diversity in the boardroom and firm financial performance. *Journal of Business Ethics*, 83(3), 435–451. <https://doi.org/10.1007/s10551-007-9630-y>
- Chukwu, G. J., & Nwabochi, N. (2019). Audit committee characteristics and timeliness of corporate financial reporting in the Nigerian insurance industry. *International Journal of Managerial Studies and Research*, 7(4), 86–95. <https://doi.org/10.20431/2349-0349.0704012>

- Din, N. U., Cheng, X., Ahmad, B., & Sheikh, M. F. (2020). Gender diversity in the audit committee and the efficiency of internal control and financial reporting quality. *Ekonomika Istraživanja*, 34(1), 1170–1189. <https://doi.org/10.1080/1331677X.2020.1820357>
- Fakhri, M., Syarifuddin, S., Winarno, A., Nurnida, I., & Hanum, S. (2021). Democratic Leadership Practice to Construct Clan Organizational Culture in Family Companies. *The Journal of Asian Finance, Economics and Business*, 8(1), 803–811. <https://doi.org/10.13106/jafeb.2021.vol8.no1.803>
- Hashim, F., Ahmed, E. R., & Huey, Y. M. (2019). Board diversity and earning quality: Examining the role of internal audit as a moderator. *Australasian Accounting, Business, and Finance Journal*, 13(4), 73–91. <http://doi.org/10.14453/aabfj.v13i4.6>
- Herli, M., Tjahjadi, B., & Hafidhah, H. (2021). Gender diversity on board of directors and intellectual capital disclosure in Indonesia. *The Journal of Asian Finance, Economics and Business*, 8(1), 135–144. <https://doi.org/10.13106/jafeb.2021.vol8.no1.135>
- Ismail, K., Abdullah, S. N., & Nachum, L. (2013). Women on boards of directors of Malaysia firms: Impact on market and accounting performance. *Academy of Management Global Proceedings*, 20(12), 117. <https://doi.org/10.2139/ssrn.2145007>
- Kanakriyah, R. (2021). The impact of Board of Directors' Characteristics on Firm Performance: A Case Study in Jordan. *The Journal of Asian Finance, Economics and Business*, 8(3), 341–350. <https://doi.org/10.13106/jafeb.2021.vol8.no3.0341>
- Lam, T. Y., & Lee, S. K. (2012). Family ownership, board committees and firm performance: Evidence from Hong Kong. *Corporate Governance*, 12(3), 353–366. <https://doi.org/10.1108/14720701211234609>
- Prencipe, A., & Bar-Yosef, S. (2011). Corporate governance and earnings management in family-controlled companies. *Journal of Accounting, Auditing & Finance*, 26(2), 199–227. <https://doi.org/10.1177/0148558X11401212>
- Umer, R., Abbas, N., & Hussain, S. (2020). The gender diversity and earnings management practices: Evidence from Pakistan. *City University Research Journal*, 10(2), 342–357. <https://www.cusitjournals.com/index.php/CURJ/article/view/426/0>
- Vieira, E., & Madaleno, M. (2019). *Earnings management and corporate governance in family firms: Evidence from a small market*. Pennsylvania, US: IGI Global.