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The Impact of Female Representation on Board on Quality of Accounting Information :An Empirical study on the companies listed in the Egyptian Stock Market

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Article History

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Abstract:

Objective: This study explores the association between female presence on board of directors and the quality of accounting information based on a sample of joint-stock businesses registered on the Egyptian Stock Exchange.

Design and Methodology: The study relied on the content analysis method in examining the financial reports of a sample of 40 companies registered in the Egyptian Stock Exchange during the period from (2019 to 2023). Also, the modified accrual quality model (Jones, 1995) was used to assess accounting quality, as it is the most accurate model.

Results and recommendations: The findings indicate that: the proportion of accounting information and the percentage of female directors are positively and tightly interrelated; the higher the percentage of female directors, the higher the quality of the information. Based on this, the researcher makes several recommendations for strengthening the elected board's organizational structure and raising the standard of information available regarding publicly traded corporations.

Originality: This study contributes to the accounting literature by introducing evidence from the Egyptian environment about the effect of the female participation inside boards on accounting quality.

Keywords: Female Representation on Board; Accruals Quality; Quality of accounting information.

ملخص البحث:

الهدف: تهدف الدراسة الى فحص العلاقة بين التمثيل النسائي في مجلس الإدارة وجودة المعلومات المحاسبية لعينة من الشركات المساهمة المقيدة في البورصة المصرية.

التصميم والمنهجية: اعتمدت الدراسة على منهج تحليل المحتوى في فحص التقارير المالية لعينة مكونة من 40 شركة مسجلة بالبورصة المصرية خلال الفترة من (2019 إلى 2023). كما تم استخدام نموذج جودة الاستحقاق المعدل (جونز، 1995) لقياس جودة المعلومات المحاسبية، باعتباره النموذج الأكثر دقة.

النتائج والتوصيات: أظهرت النتائج أن: نسبة التمثيل النسائي في مجلس الإدارة ترتبط ارتباطاً وثيقاً وتتناسب طردياً مع جودة المعلومات المحاسبية؛ وكلما ارتفعت نسبة التمثيل النسائي، ارتفعت جودة المعلومات المحاسبية؛ وبناء على ذلك، توصى الباحثة ببعض المقترحات حول كيفية تعزيز بناء مجلس الإدارة وتحسين مستوى جودة المعلومات في الشركات المدرجة بالبورصة المصرية.

الأصالة والإضافة: تساهم هذه الدراسة في الأدبيات المحاسبية من خلال تقديم أدلة من البيئة المصرية حول تأثير مشاركة المرأة في مجلس الإدارة على جودة المعلومات المحاسبية.

الكلمات المفتاحية: تمثيل المرأة في مجلس الإدارة؛ جودة الاستحقاقات؛ جودة المعلومات المحاسبية.

1- Introduction:

Many countries in the world have gone through many financial collapses, the crisis of Enron, which works in the field of electricity, and the crisis of WorldCom Telecommunications Company. The reasons for these collapses are due to administrative and accounting corruption, in addition to the company's management's lack of proper control and supervision practice, lack of experience and skill, as well as imbalanced financing structures and the inability to generate sufficient internal cash flows to pay the obligations owed to it, in addition to an inadequate degree of transparency and failure of accounting data to show the true financial conditions of the company.

There are also many important reasons for the collapse, including the failure to display real information that expresses the financial conditions of these economic units. This resulted in a number of negative impacts, the most significant of which was a loss of trust in accounting information. Therefore, this information lost its most major distinguishing feature: which is the quality.

As a result, it was necessary to find standards for control and effective supervision of companies and adherence to the internal and external systems regulating companies, which is called corporate governance.

The organization's board is considered as an internal determinant of corporate governance, since it must include the strategic direction of the company, and both the BOD and Executive Managers must bear direct and indirect responsibility for improving the company, ensuring its continuity, achieving goals of different stakeholders, reducing conflicts

of interest as well. There are many studies testing the relationship between the various features of the elected board and the successful implementation of corporate governance (Machuga and Teitel, 2008; Gupta and Fields, 2009; Sarkar, 2009; Joseph et al., 2014; Madhani, 2015; Dwekat et al., 2020).

Within businesses, the board of directors performs a vital function in the process of making decision. They depict the major business policies, such as environmental policies. Determining the ideal board composition is vital. After the most recent business scandals and financial crises, many have wondered whether the case would have turned out differently if there were more female directors in US companies as well as globally (Funk & Adams, 2012).

Due to the advantages of gender diversity inside boards, the absence of females inside boards is becoming a topic of great discussion recently. In fact, diversity of genders on boards of corporations has been acknowledged as a tool that may improve the value and performance of businesses because it brings new talents, new capabilities, and new perspectives (Carter, Simkins & Simpson, 2003). Additionally, having more women on boards encourages more people to attend meetings (Ammer & Ahmad-Zaluki, 2017).

Diversifying boards of directors is advocated for by legislators, major institutional investors, politicians, and some stock exchanges globally in order to promote the independence of the board. Women within boards provide a good impression to stakeholders, both outside and inside, about the educational backgrounds of men and women in the company and the overall balance of the job market in a certain economy (Dunn, 2012; Terjesen et al., 2016).

Furthermore, in order to achieve gender balance, some nations have also chosen to impose quotas on the women numbers participating on boards of directors, since a fixed quota of 40% for women on boards and non-executive members of the Board of Directors was established by the European Commission's 2012 corporate governance master plan and directive suggestion. In emerging markets like Egypt, there are many actions have been taken into consideration to achieve women's empowerment by increasing females' participation in boardrooms to become 30% by 2030 (WoB, 2020). For example, the Financial Regulatory Authority (FRA) issued decree No. (109) in 2021 related to listing and delisting rules for securities indicated that females' participation must account for a minimum of 25% of the entire directors of board or the boardroom must include two women at least (FRA, 2021).

Gender diversity inside corporations has attracted a lot of interest in both scholars and the media over the last two years. Some European countries require their enterprises to follow special regulations that establish gender quotas.

Some European countries require their enterprises to follow special regulations that establish gender quotas. The goal of this is to reduce the "glass ceiling effect," which is the barrier that women face when trying to advance in the business world. The number of women on business boards has significantly increased as a result of this legislation. Increased female representation, according to proponents of female involvement, is beneficial because it fosters fresh perspectives and enhances the board's oversight function. By reducing agency costs, which are the primary goal of corporate governance, improved monitoring benefits the company's owners (Frijling, 2016: 5-6).

There are two types of arguments for raising women's presence inside boards: moral and economic. The ethical one suggests that excluding women on business boards based on gender is unethical; instead, corporations should foster a diverse gender to create a more equal

consequence for society (Isidro & Sobral, 2015). While the Economic one suggests that gender diversity has an impact on corporate results, implying that companies with diverse boards can operate better (Rancati & Gordini 2017).

There are some of the theoretical and empirical findings made by some researches about the benefits of female representation: Some researchers believe that having female board member is desirable. For instance, Bernasek and Jianakoplos (1998) revealed women's risk aversion increased while they were making financial decisions, which was thought to make a favorable impact on economic success. Nielsen and Huse (2010) discovered that managers from females are more willing to behave in accordance with their differing values while taking part in decisions made by the board, and that such acts have a beneficial impact on the board's strategic involvement.

According to Chen et al. (2019), female directors enhance financial performance, make better acquisition judgments, and are less inclined to make major investment plans. Additionally, it has been found that having female directors reduces financial statement restatement and mitigates earning management (García-Sánchez et al., 2017; Lara et al., 2017; Lenard et al., 2017; Zalata et al., 2019; Capezio and Mavisakalyan, 2016).

While, other researches point to a number of negative consequences of gender representation: some studies discovered no connection between women's presence on boards and other outcomes. Opponents of female representation have argued that non-traditional members of the board are more likely to take on the beliefs and behaviors of traditional board members and to follow their lead. Silent learning is another term used to describe this phenomenon. Therefore, the anticipated advantages gained from having women on the boards were not realized. (Anderson, 2018).

Business performance was found to be negatively correlated with gender diversity in the boardroom by Mínguez-Vera and Martín (2011). This result could be clarified through the fact that women employ less risky tactics and are generally more risk averse.

Based on prior discussion, it can be argued that the expected outcome of female representation on Boards may be positive, negative, or there is no effect. This is in addition to the fact that none of the prior studies, to the researcher's knowledge, have dealt with the direct effect of female representation in the board of directors on the accounting quality.

Therefore, this study offers a practical proof of this impact in the Egyptian environment as a whole

This research is organized into six sections. After the introduction in section 1, section 2 analyzes the literature and provide support for our hypothesis. Section 3 discusses the research protocol. Section 4 focuses on research methodology which includes the sample selection strategy, while section 5 presents Empirical Analysis and. Finally, section 6 shows the paper's result, along with the study's recommendations and possible future developments.

2- Literature Review and Hypothesis Development:

The representation of women inside boards may influence board performance.

According to Bennouri et al. (2018) and Nielsen & Huse (2010b), having more women inside the board affects strategic choices and operational performance and adds to the process of making decisions. It also lowers the conflict on boards because of their interpersonal skills and sensitivity (Nielsen and Huse, 2010a); they also contribute significantly to the quality of communications and

efficiency of reporting (Gul et al., 2011); and they increase the attendance of the board, which in turn enhances the governance related to the board (Adams and Ferreira, 2009).

Concept Recommendation No. 2 of the Financial Accounting Standards Board used several concepts to express the quality related to accounting, including accounting quality, accounting standards quality, financial statement quality, and earnings quality.

Lara et al. (2017) and Srinidhi et al. (2011) both provide an explanation for the relationship between higher earnings quality and female board representation. Srinidhi et al. (2011) found that increased female board membership raises the quality of earnings due to an enhancement in the board's supervision role. Therefore, having more women on the board enhances its oversight role, which raises the caliber of earnings. However, Lara et al. (2017) contends that women in high-level roles, such as those on the board of directors, do not differ significantly, and that discrimination is a critical issue in explaining the relationship between quality of earnings and female board representation.

Also, the firm's ability to release high-quality accounting information is correlated with the number of women members included inside the board. However, it is important to clarify why and exactly how the board could affect the quality of accounting before going into detail about the previously mentioned association. To safeguard the shareholders' interests, the board is essential in keeping an eye on management choices (Fama & Jensen, 1983). Because the board's monitoring duty depends on the company's financial figures, corporate governance legislation like the Act of Sarbanes-Oxley (SOX Act) emphasize the board's accountability for it.

Numerous empirical researches, have investigated whether variations in accounting quality are related with the number of directors from females on corporate boards. According to research by Fan et al. (2019) on the US banking industry between 2000 and 2014, The proportion of females and management of earnings have an inverse U-shaped relationship, when there were at least three or more female included on boards, there was a raise in the quality of the accounting. Zalata et al. (2019) examined US companies from 2007 to 2014 and came to the conclusion that female directors' effect on accounting quality is depending on their responsibilities, as controlling role revealed a favorable connection.

Gull et al. (2018), Lakhali et al. (2015), and Damak (2018), however, discovered conflicting findings in France on the impact of female executives on quality of accounting. Other investigations in various situations produced unexpected results. While Arioglu (2020) found no discernible affect in Turkey, Dobija et al. (2022) and García-Sánchez et al. (2017) reported positive effects in Poland.

A well-functioning board have to assure the integrity of financial statements. Firms which encourage diversity on their boards have reduced governance difficulties (such as, fraud, corruption, and bribery) than the norm (MSCI, 2015).

Furthermore, directors from women have greater influence beyond managers (Adams & Ferreira, 2009). Gender diversity on boards can improve financial statement quality by allowing for better oversight of managers' reporting and reducing financial fraud.

In line with the previous discussion about Female Participation on Boards, empirical studies and the theories supporting Female Participation on Boards, quality of accounting information, we can generate the subsequent hypothesis (H1)

H₁: There is a statistical relationship between Female presence on Boards and quality of accounting information.

3- The Theoretical Framework Background:

3.1 Female Representation on Board

3.1.1 Definition and types of Female Representation on Board

Female representation means that the company's board of directors adopts diversity among both genders, which allows females to participate in board membership whatever the nature of membership is (Executive member - non-executive member representing the owners - non-executive member) with the aim of creating a state of diversity in viewpoints about what is best alternatives for making decisions to preserve stakeholder rights (Board of Directors Institute, 2017).

concerning the kinds of women who participate on boards can be categorized based on whether their presence is mandated by law (mandatory) or encouraged voluntarily by organizations (voluntary). Here's a breakdown:

➤ **Mandatory Women on Boards:**

1. Legislated Quotas:

Some countries have enacted legislation mandating a minimum percentage of women included inside boards. Norway, for instance, was one of the first countries to introduce a gender quota requiring a minimum of 40% of all people on the boards (International Labour Organization, 2015).

2. Compliance Requirements:

Companies operating in jurisdictions with gender diversity regulations must comply with these requirements by appointing women to their boards. Such regulations often stipulate specific timelines and penalties for non-compliance (Thams et al., 2018).

➤ **Voluntary Women on Boards:**

1. Diversity Initiatives:

Many companies voluntarily adopt diversity initiatives to raise the representation of women included in boards. This can include setting internal targets or goals for gender diversity and implementing policies to support recruitment and advancement (Manyaga and Taha, 2020).

In 2011, the Lord Davies report advocated for voluntary targets and board appointments based on company requirements, skills, and competence, rather than imposing mandated quotas (Lord Davies of Abersoch, 2011). In the UK, this voluntary method has shown significant outcomes, with the ratio of female board members doubled to 23.5% during 2010 (Hope, K., 2015). Another success example is Deutsche Telekom, a major German telecoms corporation that implemented voluntary quotas in 2010 to enhance the proportion of women on their board. In 2015, the corporation successfully attained 40% female representation on its global controlling board (Smale, A. and Cain Miller, C., 2015).

2. Corporate Governance Best Practices:

Companies may voluntarily adopt corporate governance best practices that emphasize the significance of diversification on regulatory boards. These practices encourage the inclusion of women based on merit and the benefits of diverse perspectives in decision-making.

3. Shareholder and Stakeholder Pressures:

Increasingly, shareholders and other stakeholders are pressuring companies to diversify their boards, including by advocating for more women in board positions. This external

pressure can lead companies to voluntarily prioritize gender diversity (Carter, D. A., & Simkins, B, 2001).

➤ **Hybrid Approaches:**

Some countries and organizations combine mandatory and voluntary approaches to promote gender diversity on boards. For instance, while some countries have legislated quotas, companies within those countries may also implement additional voluntary measures to exceed mandated requirements or enhance diversity further (International Labour Organization, 2023).

➤ **Importance and Impact:**

Both mandatory and voluntary approaches contribute to achieving gender diversity on boards, with mandatory quotas typically driving initial change and voluntary initiatives sustaining long-term progress. The combination of legal requirements and voluntary efforts can result in improving corporate governance, enhancing decision-making process, and increasing the overall organizational performance.

These approaches reflect global efforts to address gender disparities in corporate leadership and governance, aiming for more inclusive and effective boardrooms.

3.1.2 Theories justifying female representation on boards:

There are many theories that explain the reasons, benefits, and critics of having female representation in BOD, the following are part of them:

1- Agency Theory:

The agency theory was developed by Jensen and Meckling (1976) and defines a relationship of agency as a contract wherein one or more principals employ an agent to carry out specific tasks on the principle's behalf.

The procedure involves granting the agent decision-making authority. According to Donaldson and Davis (1991) and Heenetigala (2011), effective governance systems are necessary to address owners' and management's inherent conflict of interest.

Separating ownership and control results in a dispute of interest between the principal shareholders and the agent management (Gospel Aguilera, Filatotchev, and Jackson, 2008). This suggests that even while managers are supposed to be logical, it is not possible to depend on their ability to consistently act in the principal's best interest because they are perceived as motivated by their own interests as well (Williamson, 1975). This emphasizes the necessity of regulating directors to prevent moral hazard by putting them in a risk-bearing position and putting in place monitoring systems to stop deviant behavior.

Agency theory in multilateral boards suggests that senior directors and board size impact firm performance and can lead to financial reporting manipulation (Bonazzi & Islam, 2007; Bryant & Davis, 2012; Vitolla, Raimo, & Rubino, 2020).

This perspective considers the BOD is liable for supervising and control managers, overseeing operations, and settling problems between principals and agents, such as remuneration and CEO turnover. Masulis and Mobbs (2014) states that diversifying the board improves monitoring performance. A diverse board may be more effective in addressing company concerns.

Many researchers suggested that women in upper management may play a role in controlling and supervising the power and activities of executive boards and committees

(Abdeljawad & Masri, 2020; Adams & Ferreira, 2009; Al-Jaifi, 2020; Isah & Iliya, 2018; Poletti-Hughes & Briano-Turrent, 2019; Vitolla, Raimo, & Rubino, 2020; Wagana & Nzulwa, 2017).

In addition, women in management are the cause of agency cost reductions or mitigation (Abad, Lucas-Perez, Yague & Minguéz-Vera, 2017; Jurkus et al., 2011; Kristanti, 2015; Nguyen et al., 2015).

Directors from women are more likely than males to argue sensitive matters and disagree with the CEO's perspectives, making board diversity an effective tool for management control. Also, having a female in upper management team can lead to better decisions due to their higher level of professionalism and education (Poletti-Hughes & Briano-Turrent, 2019; Solimene et al., 2017).

2- Resource Dependency Theory:

Corporations aim to get a competitive advantage over their competitors in the market. They view their employees as valuable resources. Corporations also seek to gain a competitive advantage by hiring individuals with unique skills, experience, and education.

Le Breton-Miller, Miller, and Bares (2015) found that board members' competency and reputation can lead to greater advantages for firms. Resource dependence theory advocates for BODs to connect a company's resources with its environmental responsibilities. Murphy and McIntyre (2007) identified four key resources that boards of directors provide to businesses. According to Bhatt & Bhattacharya (2015) and Hillman, Withers, & Collins (2009), directors have a significant role in firm's strategic business decisions, communication with external users, network building, and legitimization.

Male and female integration is considered as an essential human capital resource for businesses because their distinct skills are appreciated in the workplace. The resource dependence theory states that, females offer distinct collection of components to the board, including position, legitimacy, abilities, expertise, and interactions to outside sources, all of which help to reduce the risk of reliance on outside environmental factors. Bhatt and Bhattacharya (2015) emphasize the significance of BODs in offering recommendations, legitimacy, and communication channels to the public. Women may contribute resources to BODs, but firms may also nominate women for advice, legitimacy, or access to their own resources. Women are often chosen for BODs based on their resources (Bryant & Davis, 2012; Echobu et al., 2017; Le Breton-Miller et al., 2015).

Atinc, Srivastava, and Taneja (2021) discovered that increasing the number of female directors leads to high level of innovation in firms. Better presence of women on boards is linked to greater financial success (Rey Dang, Naschberger & L^e, 2017). Female members of boards of directors have different monitoring styles than men.

According to Nguyen et al. (2015), female executives play a crucial part in boosting the company's long-term financial performance. Female representation on BOD and AC improves governance, increases investor trust, and promotes conservative financial reporting, aligning with resource dependency theory.

3.1.3 Female Directors in boardroom Worldwide:

Several countries have implemented legal frameworks and regulations mandating listed firms to fulfill specific targets for the proportion of women on boards to promote diversity in

work place and equality between genders. The following are instances of laws and policies in some nations pertaining to the percentage of women on the governing boards.

Norway passed a rule in 2003 requiring that by 2008, women make up at least 40% of the board members of each publicly traded business. In France a rule was implemented in 2011 mandating that by 2017; at least 40% of board members of all publicly traded companies must be female. In Germany a rule was established in 2015 that mandates that by 2016, all listed firms have at least 30% of the board members are females.

In Canada a law was implemented in 2018 that requires all publicly traded firms to have a minimum of 30% of the board members are women by 2019. In the European Union an important agreement mandating EU-listed businesses to reach a target of 33% female board members by June 2026 was passed early in June 2022. In Taiwan, the "Corporate Governance 4.0 — Sustainable Development Action Plan" was announced by the Financial Supervisory Commission (FSC) in March 2023. According to this plan, listed and OTC businesses must have minimally one-third of the board members females by 2025. The yearly report must include an explanation if the standard is not reached.

Regarding Egypt, with regard to the listing and de-listing regulations of companies in the EGX, the financial regulatory authority (FRA) published acts no. 103 and 104 in 2019. These regulations mandate that listed corporations to have more than one female member on their boards. Furthermore, the FRA released Acts Nos. 123 and 124 in July 2021, requiring listed companies to raise the percentage of females on boardroom to at least 25%, or two seats at a minimum.

3.2 Quality of Accounting Information

3.2.1 Quality of Accounting Information Definition:

There are many definitions of the quality regarding accounting information, as there are a large number of definitions for this term, this difference depends on the purpose for which this information is used. It can be also referred to as ‘accounting quality’.

According to (Biddle et al, 2009), it is how accurately that allows financial statements transfer data regarding the operations of an economic unit, especially the flow of cash, in order to provide investors with required data.

While (Badloe, 2011) mentioned that it refers to how helpful financial statement information is to outside parties with an interest in the firm. Providing meaningful information for stakeholder decision-making improves the quality of financial statements.

Also (Bruce, 2013) defined it as the extent of the accuracy of the information in reflecting the entity’s current operational performance, and the level at which it can anticipate future performance and measure the value of the entity.

Finally, the researcher can summarize that the accounting quality refers to the characteristics that enable stakeholders such as investors, creditors, and management to make decisions based on financial data.

3.2.2 Characteristics of The Accounting Quality:

The (IASB) or the International Accounting Standards Board released some amendments to the qualitative features of financial information so that they are more useful to decision makers. These characteristics have been divided into two basic groups:

a. The main features are :Relevance and Credibility or Reliable representation

- **Relevance:** To be valuable, the information should be relevant to users' decision-making processes. The information is significant when it affects the financial choices of users by assisting them in evaluating past, current, and potential situations, in addition to validating or checking earlier assessments. The relevance of the information is determined by its nature and materiality. In some cases, the nature of the information is adequate to determine its relevance. In other circumstances, both nature and materiality are relevant, and for the purposes of these requirements, information is considered significant if its removal or misstatement could affect users' economic judgments based on annual financial statements. The amount and/or character of the missing or erroneous declaration being examined in this context are considered when examining the meaning of an element (Caraiman, A. C. 2015).
- **Reliable representation:** implies that the figures and explanations correspond to what actually took place or actually occurred (Kieso et al., 2022). This means that the information contained in the lists must represent what it claims to represent, and in order for this basic characteristic to be achieved, it must be characterized as being free of errors, which makes it more accurate and fair in the true representation, but this does not mean complete freedom from errors due to the presence of different estimates subject to management provisions (Kieso, et al 2019).

b. Characteristics that enhance the basic characteristics: include four features: timeliness, understandability, comparability and verifiability.

- **Comparability:** indicates that accounting financial information is of greater value if it can be verified using identical information regarding additional units or compared with information for that unit but during other periods, allowing users to assess and discover the differences and similarities among the elements presented in the statements(IASB:2018).
- **Verifiability:** happens when unbiased evaluators using similar techniques and strategies achieve identical results (Kieso et al., 2022). It helps to ensure that information accurately reflects the economic phenomena that it is intended to describe. Verifiability indicates that several independent and educated observers can reach an agreement that a certain description is an exact depiction. In turn, the check can be direct or indirect. Direct verification is the process of confirming a value or other representations by direct observation, such as counting money. Indirect verification is the process of reviewing entries for a model, a formula, or another technique and then recalculating the results using the same methodology.
- **Timeliness:** It refers to the speed with which accounting information becomes available to users. The older the information, the less valuable it is for decision-making. Accounting information is competitive, thus timeliness is important. For example, if a company provides its financial statements a year following its accounting period, users of financial statements will have difficulty determining how well the company is doing now.
- **Understandability:** Economic enterprises in-general and especially those in trade, benefit from the classification, characterization, and clear and succinct presentation of information. Although some events are fundamentally complicated and cannot be converted into phenomena that are simple to understand, removing information about these phenomena in financial reports would result in the circumstance that these reports are incomplete. Financial reports (annual accounts and other public documents) are generated for users who have adequate awareness of business and economic activities and are capable of studying and

analyzing information with care; however, the presentation of the financial statements must be such that it allows for an understanding of the various categories of users of the information contained therein (Caraiman, A. C., 2015).

From the above, the researcher believes that these characteristics must be integrated together to realize accounting information quality and help users in making their decisions

3.2.3 Models for measuring the accounting information quality:

There are lots of models utilized for measurement the degree of accounting information quality, and these models can be classified into three approaches, which are:

1. Earning quality approach:

This approach is a cornerstone in assessing the reliability and sustainability of a company's financial performance. Proponents of this approach believe that high-quality earnings are those that accurately reflect a company's underlying economic performance and are likely to persist in the future. One of the most famous models of this approach is the model developed by (Kormendi and Lipe1987) for measuring earnings persistence.

It means the ability of profits to forecast future profits, and this is of great importance from the trader's perspective in the financial market and financial analysts. Increasing persistence causes a rise in the relationship between profits and share market price (Leal et.al; 2017).

Earnings persistence measured by net income before extraordinary items (*NIBE*) Persistence is equivalent to the following regression's slope coefficient, β :

$$NIBE_{i,t} = \alpha + \beta NIBE_{i,t} + \varepsilon_{i,t}$$

Where the total assets at the start of period t are used to calculate *NIBE*.

If the values of estimated β is close to one (or greater than one) that, indicates high Earning persistence, whereas extremely transient earnings are represented by values near zero.

Another model is the predictability of earnings; it is the ability to forecast future profitability based on a company's current earnings. The same model is used to measure earnings persistence. The forecast error in firm earnings can be computed using the regression's residuals standard deviation (σ (residuals)). Higher σ (residuals) indicates lower profits predictability or the quality of accounting information (Zhai, J. Wang, Y., 2016). These models are criticized for its reliance on time series data for long periods.

2. Accruals quality approach:

This approach indicates the extent to which accounting accruals explain the realization of both profits and operating cash flow. One of the most significant models of this approach is the modified accrual quality model that was developed by (McNicholsm, 2002).

3. Timing recognition of profits and losses approach:

Supporters of this approach rely on the fact that failure to recognize revenues or expenses (profits and losses) in a timely way weakens the earning quality and thus the quality of accounting information. One of the models of this approach is the model of time earning (Ball et al, 2003). He pointed out in his study that there is no unified, agreed-upon model for determining the extent of quality of accounting information. The model provides an indicator through which the quality of accounting information may be inferred.

From the above, it becomes clear to the researcher that there are multiple standards for the quality regarding accounting information, and the main determinant for choosing the appropriate method is the availability of data.

4- Research Methodology:

4.1 The Sample:

The study population is expressed by the joint-stock companies listed in the Egyptian stock market, and the researcher picked a sample of those companies spread throughout a number of several economic sectors based on the degree which the companies meet a number of the characteristics and controls selected, as follows:

- 1- The shares of those companies are listed in the Egyptian Stock Exchange and are available for trade throughout the study period.
- 2- Companies in the banking sector and non-banking financial services sectors are excluded due to their different nature.
- 3- The company's financial reports are frequently published, and presented in the Egyptian currency via the company's website on the internet, and that sufficient data is available to calculate the variables of the study.

Applying the prior criterion resulted in picking (40) company for five years starting from 2019 to 2023 to reflect the study's sample, which is dispersed across numerous economic sectors, the following table shows the sample sectors accompanied with proportion of each sector after excluding the financial sectors and merging some sectors with each other, as follows:

Table 1: Sample Sectors

No.	Sector	No	Percentage
1	Real estate sector	10	25%
2	Food, beverage and tobacco sector	6	15%
3	Basic resources, energy and support services sector	6	15%
4	Contracting, engineering construction and building materials sector	6	15%
5	Textiles and durable goods sector	4	10%
6	Transport and shipping services, industrial products and cars sector	3	7.5%
7	Health care and pharmaceutical sector	2	5%
8	Communications and media sector	2	5%
9	Tourism and entertainment sector	1	2.5%
Total		40	100%

4.2 Data Gathering:

The study is based on the method of content analysis, depending on the following:

- The annual financial reports of the companies, with emphasis on the supplementary notes and forward- looking information disclosure paragraphs.
- Non-financial reports issued by companies, such as social responsibility reports, sustainability reports, and governance reports.
- Information available on the company's website, information available at the Egyptian Stock Exchange and sites interested in financial analysis of registered companies.

The data about the variables of the study were gathered from the sources listed below:

- The websites of the sample companies.
- The website of the Egyptian Stock Exchange.
- Mubasher website
- Investing website.

4.3 Measurements of the Variables:

4.3.1 Female Representation on firm Boards:

The independent variable is female representation on the firm's boardroom. Following multiple previous empirical studies (Zhong et al., 2014; Ararat et al., 2021; Issa & Zaid, 2021; Guizani & Abdalkrim, 2022; Ramadan & Hassan, 2022; Shehata, 2022; Simionescu et al., 2021; Zolotoy et al., 2021), it is calculated by dividing the number of women on firm's board divided by the whole number of members.

4.3.2 Accounting Information Quality:

It is considered as a dependent variable. The earlier literature used two ways to assess this variable (Bebchuk et al., 2009; Francis et al. 2004; Healy, P., & Wahlen, J. 1999; Richardson et al., 2005; Kothari, S., 2001). The first is assessed using earnings characteristics like accrual quality, predictability, persistence, aggressiveness, smoothing, and loss avoidance, which are mostly rely on financial documents. The second method is to utilize the price of company's stock to assess the accounting information quality; including conservatism, earnings value relevance and timeliness. This methodology represents investors' perceptions of the accounting information quality, that is influenced by factors like the growth of capital market and individual professionals' expertise. The researcher relied on the modified accrual quality model (Jones, 1995), as it is the most accurate model. The model can be formulated through the following equation:

$$(TAC_{it}/A_{i,t-1}) = \beta_0 (1/A_{i,t-1}) + \beta_1 ((\Delta REV_{it} - \Delta REC_{it}) / A_{i,t-1}) + \beta_2 (PPE_{it} / A_{i,t-1}) + \epsilon_{it}$$

In this formula, TAC_{it} represents total accruals for firm i in year t , $A_{i,t-1}$ represents Total assets for firm i at the beginning of year t , ΔREV_{it} represents Change in revenue for firm i from year $t-1$ to year t , ΔREC_{it} equal change in receivables for firm i from year $t-1$ to year t and PPE_{it} equals Gross property, plant, and equipment for firm i in year t .

-Total accruals were calculated as follows:

$$TAC_t = NI_t - CFO_t$$

Where: TAC_t : total accruals in year t , NI_t : net income in year t and CFO_t : cash flows from operating activities in year t .

All the variables are scaled by prior year total assets to lessen the heteroscedasticity of the regression.

After calculating the total accruals by the cash flow statement approach and calculating the non-discretionary accruals using the equation of the modified Jones model 1995, the discretionary accruals can then be calculated by the difference between **Total Accruals (TAC)** and **Non-Discretionary Accruals (NDA)**.

Discretionary accruals are an inverse indicator of accounting information quality. Therefore, as is common in many studies, the researcher multiplied the absolute number of discretionary accruals by (-1), so that positive values, the closer they are to the correct one, indicate a high level of accounting information quality, and the opposite being true. Also, to be

able to obtain the absolute value of quality and use it directly to interpret the relationship between the independent parameter (FOB) and the dependent (QAI).

4.3.3 Controlling Variables:

We can introduce in our realistic model Four distinct variables as the controlling variables according to Fakhari and Pitenoei (2017) and Giannarakis, Andronikidis and Sariannidis (2019).

- Firm profitability (*ROA*) is determined by return on assets.
- Leverage: approached by the ratio (total debt / total assets)
- Auditors: A binary variable is used to approximate the existence of one of the major four firms (we provide the value of 1 if the firm is audited by one of the major four; otherwise, we assign 0)
- Firm Size: Natural logarithm of the total assets of the company.

4.4 Study Model:

The following figure can summarize and clarify the nature of relations between variables as follows:

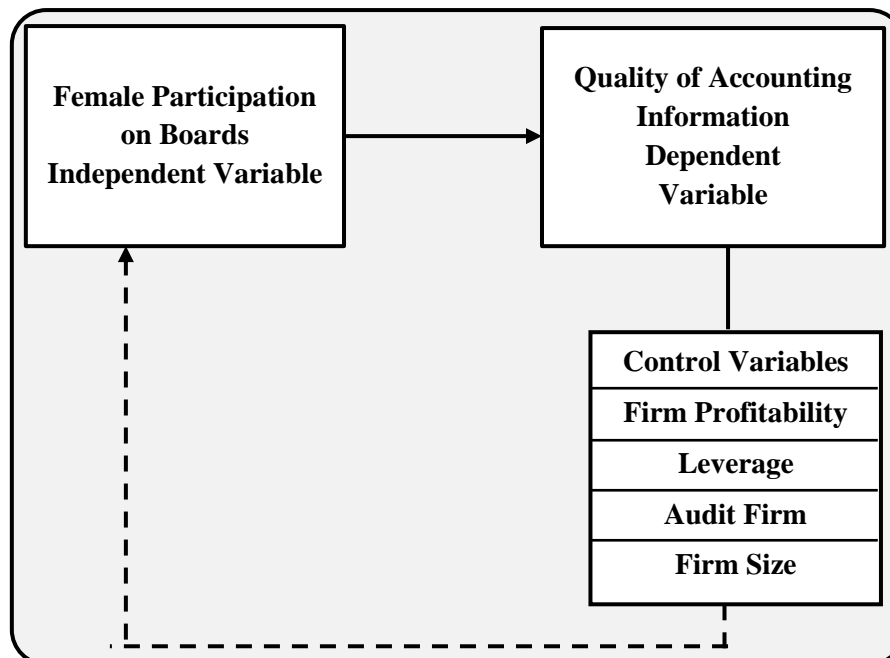


Figure 1: Study Model

The present study constructs the following model based on the correlation between dependent variables, independent variables and control variables:

$$QAI_{it} = \beta_0 + \beta_1 FOB_{it} + \beta_2 ROA_{it} + \beta_3 LEV_{it} + \beta_4 Size_{it} + \beta_5 FSIZE_{it} + \varepsilon_{it}$$

Where:

QAI_{it} : *Quality* of accounting information determined by modified model for Jones

β_0 : The value of the constant in the regression equation

β_1 FOB_{it} : Regression coefficient for female representation on boards

β_2 - β_5 : Regression coefficients for control variables

ε_{it} : The amount of random error

5- Empirical Analysis:

5.1 Test the data's suitability for statistical analysis:

This is done through the following:

5.1.1 Normal Distribution Test:

To verify the extent to which data follow a normal distribution, The (Kolmogorov - Smirnov) and (Shapiro - Wilk) tests were employed to verify that the distribution pattern that the research data behave is a normal distribution with respect to the continuous study variables, which are(Female on board-Quality of Accounting Information-Return on Asset –Firm Size-Leverage) In order to decide the kinds of tests that the researcher will use in statistical investigation of data between the parameter statistics tests and nonparametric statistics tests.

The table (2) displays the results of the (Kolmogorov-Smirnov) & (Shapiro-Wilk) test and each variable's level of significance in front of each test:

Table 2:Normal distribution of the continuous variables

Continuous Variables		Kolmogorov-Smirnov Statistic		Shapiro-Wilk Statistic	
		value	Sig.	value	Sig.
Female On Board	FOB	0.115	0.200*	0.976	0.542
Quality of Accounting Information	QAI	0.115	0.196	0.971	0.384
Profitability	ROA	0.195	0.001	0.788	0.000
Firm Size	F Size	0.091	0.200*	0.969	0.342
Leverage	LEV	0.150	0.024	0.872	0.000

From the previous table, the researcher can conclude the following results:

- The value of (Sig.) for (Kolmogorov-Smirnov) and (Shapiro-Wilk) test is more than (0.05) for all variables except for (Profitability- Leverage), whose level of significance is below than (0.05).
- Based on the prior result, the data related to the study variables (Profitability- Leverage) don't adhere the normal or regular distribution, while the variables (Female on Board-Quality of Accounting Information -Firm Size) follow a normal distribution. While variable (Audit Firm Size) is considered as a dummy variable with binary values that do not obey the normal distribution.

5.1.2 Multicollinearity Test and Autocorrelation Test:

The researcher tested Collinearity by computing the Tolerance coefficient for each of the control and independent variables, and then finding the VIF coefficient, which determines the influence of the correlation between the independent variables.

Table (3) shows the results of the both tests for the model as follows:

Table 3: Results of (M. I. Test) & (D. W. Test) for the study model

Independent Variables	Symbol	(QAD)		D.W. Test
		Multicollinearity Test		
		Tolerance	VIF	
Female on Board	FOB	0.853	1.173	2.013
Profitability	ROA	0.869	1.151	
Firm Size	F Size	0.946	1.057	
Audit Firm	AUD F	0.914	1.095	
Leverage	LEV	0.871	1.148	

From the previous, the researcher concluded the following results:

- **The (VIF) values of independent variable and control variables of the study model are less than (10)**, and this indicates that the independent variable does not subject to the problem of overlapping or linear duplication, as the correlation between them is statistically insignificant and very low, which implies the strength of the model employed to explain and determine the effect of the independent variable on the dependent one.
- **The calculated (D.W) value is (2.013) for the model**, so it is within the optimal range (1.5-2.5) which is close to 2, this indicates that there is no self-correlation problem.

5.2 Descriptive Analysis:

After the researcher verifies the validity of the data for analysis using statistical methods, an analytical description of different study variables is made as follows, table no (4) shows a description of the related continuous study variables:

Table 4: The Descriptive Statistics for Continuous Variables

Year	Variable	Minimum	Maximum	Mean	Std. Deviation
2019	FOB	0.00	0.45	0.2050	0.11386
	QAI	-0.45	-0.10	-0.2825	0.09578
	ROA	0.00	0.51	0.1085	0.12404
	F Size	1.47	4.98	3.457	0.81158
	Lev	0.00	0.86	0.2498	0.23467
2020	FOB	0.02	0.42	0.2188	0.10464
	QAI	-0.35	-0.05	-0.1813	0.08373
	ROA	0.00	0.85	0.1083	0.15713
	F Size	1.51	5.02	3.4833	0.80855
	LEV	0.00	0.87	0.2460	0.25242
2021	FOB	0.04	0.45	0.2350	0.10442
	QAI	-0.25	0.05	-0.0900	0.07612
	ROA	0.00	0.47	0.0879	0.1199
	F Size	1.58	5.07	3.4850	0.8081
	LEV	0.00	0.90	0.2385	0.23376
2022	FOB	0.05	0.48	0.2505	0.10607
	QAI	-0.15	0.25	0.0125	0.10727
	ROA	0.00	0.6675	0.0930	0.14056
	F Size	1.54	5.14	3.5131	0.83955
	LEV	0.00	0.86	0.2081	0.21922
2023	FOB	0.06	0.49	0.2683	0.10621
	QAI	0.12	0.93	0.6173	0.18850
	ROA	0.00	0.52	0.0811	0.09819
	F Size	1.53	5.21	3.5898	0.86978
	LEV	0.00	0.95	0.1779	0.22059

From table (4), the following results became clear to the researcher:

- Female on Board (FOB):

- **FOB has seen a gradual increase** in average from 2019 to 2023, where the average increased from 0.2050 to 0.2683. This indicates an increase in the FOB rate over time.
- **The standard deviation remains relatively constant** with minor fluctuations over the years, indicating relative stability in the variance within the data.
- **We note that FOB ratios start from relatively low levels (e.g. 0.00 in 2019)** and reach higher levels over time.

- **Quality of Accounting information (QAI):**

- **The mean values seem to be increasing over the years.** This suggests a positive trend in the accounting information's quality, moving from negative values (which might indicate poor quality or negative deviations) to positive values (indicating improvement).
- **The standard deviations vary slightly but do not show a clear increasing or decreasing trend.** This implies that while the mean of the accounting information quality is improving, the variability in quality remains relatively stable. Year 2022 has a slightly higher standard deviation, indicating that the quality of information might be more varied in that year.

- **Control Variables:**

Profitability (ROA):

- **The mean ROA shows a declining trend from 2019 to 2023,** suggesting decreasing profitability relative to assets over the period.
- **The standard deviation of ROA fluctuates but remains relatively stable,** indicating that while average profitability is declining, the variability in ROA has not changed dramatically.

Firm Size (F Size):

- **Firm Size shows a steady increase over the years,** reflecting either growth in the companies or increased firm size reporting.
- **The increasing standard deviation indicates growing diversity in firm sizes over the period.**

Leverage (LEV):

- **Leverage shows a consistent decline over the years,** suggesting that companies are reducing their debt relative to their equity.
- **The standard deviation of LEV is relatively stable but slightly increased in 2023,** indicating that while overall leverage is decreasing, there is growing variability in how companies are managing their debt.
- **After analyzing descriptive statistics of continuous variables, the following is the table showing the descriptive statistics related to the dummy variable:**

Table 5: Descriptive Statistics for Dummy Variable

Variable	Year	Observations of 1's	Percent	Observations of 0's	Percent
Audit Firm (AUDF)	2019	17	42.5%	23	57.5%
	2020	17	42.5%	23	57.5%
	2021	18	45%	22	55%
	2022	19	47.5%	21	52.5%
	2023	22	55%	18	45%

From the previous table, the researcher concluded the following:

- **In 2019 and 2020, there are 17 companies, representing 42.5% of the study sample, that deal with audit offices linked to international offices (Big Four) during these years.**
- **Starting in 2021, there is a notable increase in the observations of 1's,** which rose to 18 (45%) and further to 19 (47.5%) in 2022. By 2023, this figure increased to 22, reaching 55%. This upward trend reflects a growing percentage of firms deals with Big Four audit firms over the years.
- **The data indicates a clear upward trend in the association with Big Four audit firms over the five-year period.** This shift could imply increasing reliance on these firms for audit

services, potentially driven by factors such as perceived quality, regulatory pressures, or market trends favoring famous audit firms.

5.3 Analysis the study hypothesis test:

The study intended to determine the influence of women representation on the board of directors on the quality of accounting information.

5.3.1 Correlation Test:

Analysis of correlation was conducted to inspect the correlation relationship regarding the dependent variable (QAI) and independent variable (FOB), the table (5) displays the correlations among variables:

Table 6: Person Correlation Matrix

		Correlations					
		FOB	QAI	ROA	FSIZE	AUD F	LEV
FOB	Pearson Correlation	1					
	Sig. (2-tailed)						
QAI	Pearson Correlation	.538**	1				
	Sig. (2-tailed)	.000					
ROA	Pearson Correlation	-.194-	-.180-	1			
	Sig. (2-tailed)	.229	.268				
FSIZE	Pearson Correlation	-.045-	.214	-.139-	1		
	Sig. (2-tailed)	.782	.185	.393			
AUD F	Pearson Correlation	-.069-	-.061-	.267	.084	1	
	Sig. (2-tailed)	.673	.710	.096	.606		
LEV	Pearson Correlation	.339*	.110	-.052-	-.131-	-.037-	1
	Sig. (2-tailed)	.032	.500	.748	.420	.821	

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

According to previous table, as the sign of the correlation coefficient (positive) shows the existence of direct correlation relationship, while the sign of the correlation coefficient (negative) shows that there is an inverse correlation so, the researcher can conclude the following:

- **Strong Positive Correlation between FOB and QAI:** This suggests that companies who have greater FOB typically have better quality of accounting information (as determined by QAI).
- **Weak or No Correlation between FOB and other variables:** There are no significant correlations between FOB and ROA, FSIZE, AUD F, or LEV. This indicates that FOB is not strongly related to financial performance, firm size, auditing firm, or leverage.
- **Negative Correlation between ROA and FSIZE:** This suggests that larger firms (higher FSIZE) tend to have lower returns on assets (ROA). This could be attributed to various factors, such as increased bureaucracy, higher operating costs, or slower decision-making processes in larger firms.
- **Weak or No Correlation between other variables:** There are no significant correlations between AUD F, LEV, and the other variables. This suggests that the auditing firm, leverage, and firm size do not have strong relationships with FOB, QAI, or ROA.

5.3.2 Regression Analysis:

To examine the influence of female representation on the board of directors on the quality of accounting information, the researcher used a regression model, and the following table displays the regression analysis's findings as follows:

Table 7: Variable Regression Analysis (except Control Variables)

Dependent Variable		Quality of Accounting Information				
Independent Variable		B Coefficient	Beta	T Value	Sig level	sig
Constant	Fixed	0.120		3.807	0.000	Significant
FOB	Female on Board	0.493	0.538	3.929	0.000	Significant
The Model's overall Significance		The level of Significance to ANOVA analysis=0.00				

From the previous table, the researcher concludes the following:

- **B value for the percentage of women on the board of directors of 0.493** means that every raise in the percentage of women on boards corresponds to a 0.493 raise in the quality of accounting information. The Beta value reflects the standardized effect, which is 0.538, indicating a strong and statistically significant impact. Since the level of significance is less than 0.05, the association between the percentage of women on the boards and the quality of accounting information is statistically significant.
- **F value indicates how well the model explains variation in the accounting information quality.** The significance level of 0.000 means that the overall model is statistically significant, and indicates that the proportion of women on the board governance contributes significantly to explaining the quality of accounting information.
- **The results indicate that the percentage of women on boards has a positive and significant impact** on the quality of accounting information, and the entire model is considered strong statistically significant. The relationship between the proportion of females on boards and the quality of accounting information supports that increasing the number of them on boards may increase the quality of accounting data.

The researcher introduced control variables into the relationship, and the regression analysis was repeated to show the degree to which the link between variables is affected and the following table shows and clarifies the regression results:

Table 8 :Regression Analysis of variables with Control Variables:

Dependent Variable		Quality of Accounting Information(QAI)					
Independent Variable		B Coefficient	Beta	T Value	Sig Level	Sig	
(Constant)	Fixed	0.031		0.420	0.677	-	
Independent Variable	FOB	Female on Board	0.510	0.557	3.721	0.001	Significant
Control Variables	ROA	Profitability	-0.030	-0.033	-0.22	0.827	Not Significant
	F Size	Firm Size	0.027	0.231	1.623	0.114	Not Significant
	AUD F	Audit Firm	-0.007	-0.035	-0.241	0.811	Not Significant
	LEV	Leverage	-0.024	-0.052	-0.350	0.729	Not Significant
Model explanatory value		$R^2 = 0.351$					

Dependent Variable	Quality of Accounting Information(QAI)				
Independent Variable	B Coefficient	Beta	T Value	Sig Level	Sig
Model over all significance	ANOVA = 0.009				
Durbin-Watson Value	D-W Value = 2.013				

From the previous table, the researcher can conclude the following:

- **The positive and statistically significant coefficient for the presence of women board members** suggests that an increase in the number of women on board members is related to a higher quality of accounting information, as discretionary accruals are typically used as an inverse measure of accounting information quality. By multiplying discretionary accruals (residuals) by -1, researcher effectively transform them into a positive indicator of quality. A higher value of this transformed variable signifies lower levels of earnings management and, consequently, higher-quality accounting information. The significance level (0.001) indicates a strong confidence in this relationship.
- **About 35.1% of the variability in the quality of accounting information is clarified by the model.** This indicates a moderate level of explanatory power.

From the previous, the researcher can conclude that presence of women on Board is statistically significant predictors of the **Quality of Accounting Information (QAI)**, While **ROA, F Size, AUD F, and LEV** are not statistically significant.

It becomes clear to the researcher that after introducing the regulatory variables, which are (company size, Audit Firm, financial leverage, Profitability) there was no change in the correlation between women presence on boards and the quality of accounting information. Where the FOB level is positive and the level has a statistically significant impact.

After examining the findings of the hypothesis testing process (correlation analysis and regression analysis), the researcher concluded that the hypothesis being tested was proven true, **There is a statistical relationship between Female Participation on Boards and quality of accounting information.**

6- Results, Recommendations and Future Research:

This study examined the effect of Female presence on boards on the quality of accounting information using a sample of (40) company registered in the Egyptian Stock Exchange for five years starting from 2019 to 2023.

The study's findings demonstrated that, there is a gradual increase in FOB from 2019 to 2023. This indicates that FOB has been growing over time, which illustrates that companies became care about having more women on their boards. Also, the results showed a favorable correlation between women presence on board of director and quality of accounting information. this result aligns with these studies (Capezio and Mavisakalyan, 2016; Garcia-Sanchez et al., 2017; Lara et al., 2017; Lenard et al., 2017; Zalata et al., 2019). The findings validate both agency theory and the resource dependence theory, showing that having more females on the board will lead to a wider range of expertise, knowledge, and experience in addition to an improvement in the directors' board, corporate performance monitoring functions, as well as the accuracy of accounting information.

Furthermore, the quality of accounting information has improved due to the appointment of women as members on the board. It demonstrates a favorable association between the quality of accounting information and the percentage of directors of women. This

indicates how variety of genders on a board can improve decisions made by management and raise the standard of corporate information disclosure.

The researcher recommended that in order to increase knowledge of the advantages of having women on corporate boards of publicly traded companies in Egypt, the Financial Supervision Authority should host introductory workshops highlighting the findings of essential local and international research that encourage successful outcomes. Also, it is of great importance to provide training programs to empower women with the leadership and management skills necessary to participate in boards of directors.

In addition, databases with women who meet the required qualifications to work as directors' board members should be generated. then, providing practical training opportunities for those women and this is done under the supervision of company leaders.

Finally, implementing a reward and punishment system, so that incentives are given to companies that achieve the required percentage of women on their governing boards, Imposing penalties on companies that do not comply with these laws.

Based on the study results, Future Researchers can study the influence of women involvement on the company's board of directors on risk management. Also, another research direction related to the correlation between women's participation on corporate boards and sustainability. Finally Investigating how having women on the board of directors affects the efficiency of investment decisions.

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