

CORPORATE GOVERNANCE AND FIRM FINANCIAL PERFORMANCE: THE MEDIATING EFFECT OF EARNING QUALITY

OMAR TURKI HAZZAA*

Faculty of Management, Universiti Teknologi Malaysia, Johor Bahru, Malaysia.

*Corresponding Author Email: omar2018utm@gmail.com

DEWI FARIHA ABDULLAH

Faculty of Management, Universiti Teknologi Malaysia, Johor Bahru, Malaysia.

Abstract

The intricate dynamics between Corporate Governance (CG), Firm Performance (FP), and Earning Quality (EQ) have garnered significant attention in the field of corporate finance, particularly within the banking sector. This study examines these relationships within the context of Iraqi banks, especially in light of the Iraqi Code Corporate Governance (ICCG) established in 2017. Utilizing a sample of Iraqi banks listed on the Iraqi Stock Exchange from 2013 to 2021, the study employs a robust analytical approach to investigate the influence of CG on FP and the mediating role of EQ. The findings reveal a positive relationship between CG and FP, supporting the hypothesis that effective governance mechanisms contribute to enhanced firm performance. Furthermore, the study identifies EQ as a significant mediator in this relationship, underscoring its role in translating governance efforts into financial outcomes. These insights are particularly relevant for emerging markets, where effective governance structures are crucial for financial stability and growth. The study contributes to the existing literature by providing empirical evidence from a unique regulatory and economic environment and offers valuable implications for policymakers and practitioners in emerging markets.

Keywords: Corporate Governance, Firm Performance, Earning Quality, Iraqi Banks, Emerging Markets.

JEL codes: G34 - Corporate Governance; G21 - Banks; Corporate Finance; Financial Systems; M41 - Accounting.

1. INTRODUCTION

In the evolving landscape of corporate finance, the intricate dynamics between Corporate Governance (CG), Firm Performance (FP), and the mediating role of Earning Quality (EQ) have garnered considerable attention (Almuntfjy & Kowang, 2021). This study delves into these interrelations, particularly within the context of the Iraqi banking sector, a landscape recently shaped by the introduction of the Iraqi Code Corporate Governance (ICCG) in 2017. The focus on this sector is timely and relevant, considering the unique operational frameworks of both Islamic and conventional banks and their adherence to the ICCG, as noted by authors such as Ajili and Bouri (2018). The essence of this study lies in its examination of the relationship between CG and FP. The literature suggests a positive influence of CG on FP (Hazzaa, Abdullah, & Dhahebi, 2022; Kapil & Mishra, 2019; Merendino & Melville, 2019), emphasizing the role of board composition, audit committee effectiveness, and internal audit functions in enhancing firm performance. However, this relationship is nuanced, as highlighted by Tanyi, Smith, and Theory (2015) and Alzeban (2020), suggesting that the functional effectiveness of governance structures is as critical as their presence.

Furthermore, the study ventures into uncharted territory by exploring EQ as a mediating factor in the CG-FP relationship. The pertinence of EQ, as discussed by Pizzini, Lin, Ziegenfuss, and Theory (2015) and Lin, Li, and Yang (2006), is pivotal in understanding how CG translates into tangible FP outcomes. This is particularly significant in the context of evolving market conditions and internal corporate strategies, as indicated by Zhang and Wiersema (2009).

This research aims to contribute to the existing body of knowledge by providing empirical insights from the Iraqi banking sector, thereby enhancing the understanding of CG's role in shaping firm performance and the nuanced impact of EQ. The findings are expected to offer valuable implications for policy-makers, corporate leaders, and stakeholders in the banking sector, especially in emerging markets grappling with the challenges of implementing effective governance practices.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 Corporate Governance and Firm Performance

The interplay between Corporate Governance (CG) and Firm Performance (FP) is a pivotal theme in contemporary business research. Kapil and Mishra (2019) underscore the positive influence of effective CG mechanisms, such as board size and independence, on FP in emerging markets. This observation is corroborated by Karayel, Doğan, and Informatics (2016), who highlight the impact of board composition on firm performance. Their findings suggest that board members play a crucial role in strategic decision-making and oversight, thereby enhancing FP.

However, the effectiveness of CG is nuanced. Tanyi et al. (2015) pointed out that the efficacy of audit committees, a key aspect of CG, depends on the expertise of the members. This finding implies that the presence of governance structures alone is insufficient; their functional effectiveness is vital. Alzeban (2020) extends this argument by demonstrating the significance of the internal audit function in augmenting FP, suggesting a direct correlation between strong CG and improved firm performance. The first hypothesis is:

H1: There is a positive relationship between CG and FP.

2.2 Earning Quality as mediator for CG and FP

The role of Earning Quality (EQ) as a mediator in the relationship between CG and FP has gained traction in recent financial research. Pizzini et al. (2015) argue that high-quality earnings, reflective of robust financial reporting and governance, positively affect FP. Their research underscores EQ as a potential link between CG effectiveness and financial health.

Al Matari and Mgamal (2019) contribute to this perspective by illustrating that the quality of internal audits, a CG component, directly influences the accuracy and reliability of financial reporting, thereby impacting FP. This underscores the potential of EQ as a mediator in transforming CG efforts into FP outcomes. However, the mediating role of EQ can be complex. Zhang and Wiersema (2009) showed that the impact of CG on FP could vary based on external and internal corporate factors, suggesting a conditional role for EQ in this relationship.

Consequently, the second hypothesis is:

H2: Earning Quality is mediating the relationship between CG and FP.

The construction of the conceptual framework for this study, as illustrated in Figure 1, is underpinned by a rigorous review of relevant literature and the hypotheses that guide this research. This framework encapsulates the intricate dynamics between Corporate Governance (CG) and Firm Performance (FP), with a particular emphasis on the mediating role of Earning Quality (EQ).

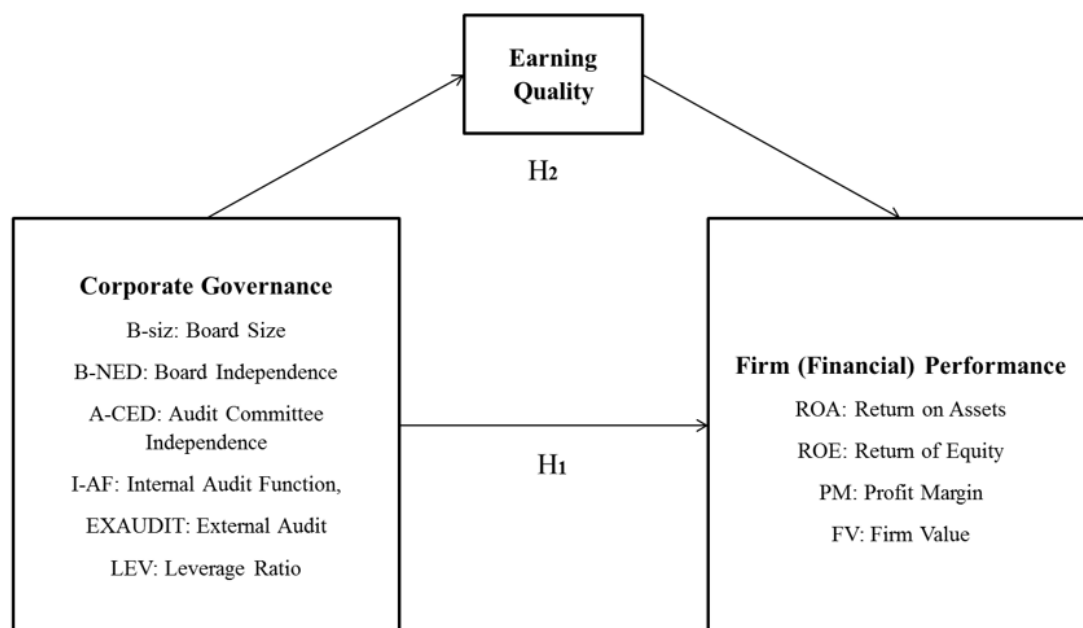


Figure 1: Conceptual Framework and hypothesis

3. METHODOLOGY AND DATA

3.1 Population and Sample Selection

The study focused on Iraqi banks listed on the Iraqi Stock Exchange, selecting this population based on the implementation of the Iraqi Code Corporate Governance (ICCG) in 2017, which specifically targets the banking sector. The population comprised 38 banks listed in 2021, with the sample including all private banks on the Iraqi Stock Exchange from 2013 to 2021, which had complete financial statements published on the Exchange's website. The selection criteria were stringent: banks had to have complete annual reports available for the fiscal year ending December 31, 2013, and banks that were liquidated or underwent mergers were excluded. This approach led to the exclusion of banks transformed from money transfer corporations after 2013, resulting in a final sample size of 25 banks for the years 2013-2021.

3.2 Measurements of Variables

The selection of these variables for the study is grounded in recent and relevant literature, ensuring a comprehensive analysis of firm performance, corporate governance, and earning quality.

3.2.1 Firm Financial Performance

The study evaluates firm performance using established financial metrics. Return on Assets (ROA) and Return on Equity (ROE) are primary indicators, reflecting profitability relative to a firm's assets and equity. These metrics are essential in assessing financial performance, as detailed by Himawari and Mohammad (2023), who underscore their relevance in evaluating corporate efficiency. Profit Margin (PM) is included as an indicator of operational efficiency, highlighting the firm's ability to convert revenue into profit. For Firm Value (FV), the study follows the approach of Mukhtaruddin et al. (2019), considering it a vital measure of a firm's overall market valuation and an indicator of long-term financial health.

3.2.2 Corporate Governance

Corporate Governance is assessed through several dimensions. Board Size (B-SIZ) and Board Independence (B-NED) are measured in line with the findings of Saeed, Rasid, and Basiruddin (2016), who emphasize their impact on firm governance and performance. Audit Committee Independence (A-CED) is evaluated, reflecting its role in financial reporting quality, a relationship explored by Al-Najjar (2011). Internal Audit Function (I-AF) and External Audit (EXAUDIT) are included, resonating with the work of Tumwebaze et al. (2018), who discusses their importance in enhancing financial transparency. The Leverage Ratio (LEV) is also incorporated, based on the study by Apriyani and Harnovinsah (2019), to reflect the firm's financial risk and capital structure.

3.2.3 Earning Quality

Earning Quality as - a measurement of financial reporting quality - is considered as a mediator variable (Tran, 2022). The measurement of Earning Quality is aligned with the methodology of Saleh, Abu Afifa, and Alsufy (2020), who argue that high-quality earnings accurately reflect a firm's financial performance, essential for reliable financial statements.

4. RESULTS

4.1 Descriptive Statistics

The descriptive statistics presented in Table 1 provide a foundational understanding of the variables under study in the context of the relationship between corporate governance and firm performance, with a specific focus on the mediating role of earning quality. ROA and ROE show considerable variation (standard deviations of .503 and 1.024, respectively), aligning with Khan, Nouman, TENG, Khan, and Jadoon (2017) who noted diverse firm performance due to different management practices. Similarly, the variability in profit margin (PM) and firm value (FV) echoes Egbunike and Okerekeoti (2018)'s findings on the influence of internal and external factors on these metrics.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	225	.894	.503	-1.249	2.85
ROE	225	1.239	1.024	-1.151	3.704
PM	225	.02	.093	-1.231	.429
FV	225	1.129	.633	-.91	4.829
B-SIZ	225	7.524	2.459	4	14
B-NED	225	.562	.228	0	.889
A-CED	225	.594	.222	0	1
I-AF	225	.587	.494	0	1
EXAUDIT	225	7.789	.271	6.079	8.208
LEV	225	.367	.166	.187	.797
Size	225	11.766	1.273	8.907	14.747
Age	225	16.889	5.469	7	29

Note: ROA; return on assets, ROE; Return of equity, PM; profit margin, FV; firm value, B-Siz; Board size, B-NED; board independence, A-CED; Audit committee independence, I-AF; Internal audit function, EXAUDIT; External audit, LEV; leverage ratio, Size; size of the bank, Age; Age of the bank.

In corporate governance, the average board size (B-SIZ) and board independence (B-NED) reflect effective governance structures, as supported by Jensen (1994) and Fama, Jensen, and Economics (1983). The presence of audit committee independence (A-CED) and internal audit function (I-AF) near a mean of .6 indicates robust governance, in line with Vafeas (2005). Lastly, the diversity in bank size and age suggests a varied sample, which Handa (2018) found to be influential in firm performance and risk assessment.

4.2 Correlation Matrix

Table 2 presents a correlation matrix between various firm performance and corporate governance variables, offering insights into their interrelationships.

Table 2: Matrix of Correlations Between Variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1) ROA	1.000											
2) ROE	0.831	1.000										
3) PM	0.287	0.259	1.000									
4) FV	0.959	0.875	0.306	1.000								
5) B-SIZ	0.303	0.176	0.253	0.044	1.000							
6) B-NED	0.132	0.116	0.324	0.924	0.180	1.000						
7) A-CED	0.476	0.349	0.311	0.857	0.826	0.158	1.000					
8) I-AF	0.560	0.549	0.160	0.572	0.536	0.569	0.185	1.000				
9) EXAUDIT	0.504	0.606	0.495	0.730	0.604	0.122	0.146	0.027	1.000			
10) LEV	0.370	0.166	0.229	0.415	0.159	0.160	0.196	0.507	0.545	1.000		
11) Size	0.631	0.928	0.321	0.308	0.902	0.132	0.055	0.582	0.687	0.084	1.000	
12) Age	0.172	0.235	0.076	0.170	0.235	0.189	0.245	0.224	0.078	0.230	0.225	1.000

A high correlation between ROA and ROE (0.83) reflects a strong relationship between these key firm performance metrics, similar to findings by Khan et al. (2017). The strong correlation between ROA and FV (0.95), and ROE and FV (0.87) aligns with the assertion by Egbunike and Okerekeoti (2018) that firm value is closely tied to traditional performance measures. The correlations between corporate governance variables (B-SIZ, B-NED, A-CED, I-AF,

EXAUDIT) and performance metrics are varied. The moderate correlation between A-CED and ROA (0.47), as well as between I-AF and ROA (0.56), supports Al-Matari, Al-Swidi, Fadzil, and Marketing (2014)'s argument about the importance of audit committees and internal audit functions in enhancing firm performance. Interestingly, the size of the bank shows strong correlations with ROE (0.92) and FV (0.30), suggesting that larger banks tend to perform better in terms of equity returns and firm value, a notion supported by Handa (2018). The age of the bank, however, shows relatively weaker correlations with performance metrics, indicating that the age might not be as significant a factor in determining firm performance in this context. These correlations provide a nuanced understanding of how corporate governance elements interact with different measures of firm performance, essential for examining the mediating effect of earning quality in this relationship.

4.2.1 Variance Inflation Factor (VIF)

Table 3 presents the Variance Inflation Factor (VIF) analysis, a crucial step in understanding the multicollinearity among independent variables in regression models. This analysis is particularly relevant in studies exploring complex relationships, such as the mediating effect of earning quality on the relationship between corporate governance and firm performance.

Table 3: Variance inflation factor

	VIF	Tolerance (1/VIF)
AQ	1.871	.535
Size	1.653	.605
Age	1.484	.674
A-CED	1.41	.709
I-AF	1.236	.809
B-SIZ	1.205	.83
Lev	1.134	.882
EXAUDIT	1.054	.736
B-NED	1.044	.958
Mean VIF	1.38	.

The VIF values in Table 4 are all below the commonly used threshold of 10, suggesting that multicollinearity is not a significant concern in this dataset. The highest VIF is for AQ (1.871), followed by Size (1.653) and Age (1.484), indicating these variables have the most potential for multicollinearity, but still within acceptable limits. This aligns with the guidelines provided by Salmeron Gomez, Rodriguez Sanchez, García, and Garcia Perez (2020), who noted that VIF values above 10 are indicative of serious multicollinearity concerns. The lower VIF values for A-CED (1.41), I-AF (1.236), and B-SIZ (1.205) demonstrate that these variables are relatively independent in their influence on firm performance, a finding that reinforces the importance of diversified aspects of corporate governance as explored in studies like those by Liang, Kuo, Chan, Chen, and Economics (2020). Overall, the Mean VIF of 1.38 further confirms that multicollinearity is unlikely to bias the results of the regression analysis in this study, ensuring the validity of the conclusions drawn about the relationships between corporate governance, earning quality, and firm performance.

4.2.2 Serial Correlation

Table 4 reports the results of the Wooldridge test for autocorrelation in panel data. The test statistic $F(1, 24) = 0.011$ with a p-value of 0.9168 indicates no first-order autocorrelation, as the p-value is significantly above the conventional threshold of 0.05. This result is essential as it confirms the reliability of the regression analysis by showing that the data is free from autocorrelation issues, which are known to cause biased estimations in panel data (Wooldridge, 2010).

Table 4: Serial correlation test

Wooldridge test for autocorrelation in panel data	
H0: no first-order autocorrelation	
F(1, 24)	0.011
Prob > F	0.9168

4.3 Fixed Effect Estimation

The findings from Table 5, illustrating the Fixed Effect Estimation of Corporate Governance (CG) on Firm Performance (FP) with the mediating effect of Earning Quality (EQ), present several noteworthy insights. These results contribute to the on-going discourse in corporate finance literature, particularly concerning the intricate dynamics between CG, FP, and EQ.

Table 5: Fixed Effect Estimation of CG on FP with Mediator Effect of Earning Quality

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	ROA	ROA_M	ROE	ROE_M	PM	PM_M	FV	FV_M
B-SIZ	.065*** (3.796)	.056*** (3.376)	.185*** (10.73)	.18*** (10.461)	.002*** (0.26)	.056*** (3.376)	.046* (1.86)	.04 (1.586)
B-NED	.664*** (4.378)	.429*** (2.765)	.728*** (4.766)	.6*** (3.712)	.03* (0.36)	.429*** (2.765)	1.345*** (6.063)	1.168*** (4.973)
A-CED	.351*** (3.253)	.201* (1.842)	.292*** (2.693)	.21* (1.856)	.094* (1.59)	.201* (1.842)	.419*** (2.66)	.306* (1.858)
I-AF	-.008 (-.265)	.01 (.344)	.02 (.711)	.03 (1.036)	.019 (1.18)	.01 (.344)	-.006 (-.148)	.007 (.16)
AQ	.016 (.251)	-.023 (-.365)	-.239*** (-3.684)	-.261*** (-4.01)	.208 (5.88)	-.023 (-.365)	.163* (1.731)	.134 (1.417)
Lev	-.349 (-1.358)	-.241 (-.975)	1.528*** (5.895)	1.587*** (6.155)	.032*** (0.23)	.262*** (4.284)	-.65* (-1.727)	-.569 (-1.517)
Size	.137*** (4.265)	.142*** (4.602)	.114*** (3.521)	.117*** (3.635)	.012** (0.71)	-.241 (-.975)	.149*** (3.166)	.153*** (3.268)
Age	-.005 (-1.225)	-.002 (-.63)	-.005 (-1.213)	-.003 (-.879)	.001 (0.69)	.142*** (4.602)	.004 (.659)	.006 (.974)
EQ		.262*** (4.284)		.143** (2.246)		.002 (.63)		.197** (2.13)
cons	-1.704*** (-3.25)	-1.299** (-2.543)	-.704 (-1.333)	-.483 (-.908)	1.642*** (5.72)	-1.299** (-2.543)	-3.074*** (-4.009)	-2.769*** (-3.582)
Obs.	225	225	225	225	225	225	225	225
R-squared	.894	.903	.972	.973	0.220	.903	.864	.868
<i>t-values are in parentheses</i>								
*** $p < .01$, ** $p < .05$, * $p < .1$								

The positive influence of board size (B-SIZ) on ROA and ROE, both with and without the mediating effect of EQ, is consistent yet nuanced compared to Saeed et al. (2016) assertion that smaller boards are more efficient. This could suggest a context-specific deviation where larger boards in the banking sector might not adversely affect performance, potentially due to diversified expertise. However, the reduced impact when EQ is factored in indicates the complexity of this relationship, as larger boards might also dilute the quality of earnings, thereby moderating their impact on FP.

The board independence (B-NED) shows a significant positive correlation with firm performance metrics, aligning with the seminal work of Saeed et al. (2016). This supports the notion that independent boards contribute positively to firm performance, likely due to better oversight and reduced conflicts of interest. However, the moderate decrease in this effect with EQ as a mediator suggests that while board independence is beneficial, its impact might be somewhat contingent on the quality of earnings, possibly due to independent directors' focus on transparency and accountability.

Audit committee independence (A-CED) also displays a positive relationship with FP, reinforcing Alzeban (2020)'s findings on the importance of independent audit committees. The fact that this relationship remains significant even when considering EQ highlights the critical role audit committees play in ensuring the integrity of financial reporting, which in turn positively influences firm performance.

Conversely, the leverage ratio (LEV) exhibits a mixed relationship with FP. The negative correlation with ROA and a positive one with ROE may be reflective of the dual nature of leverage as both a risk factor and a means to enhance shareholder returns, as discussed in the broader finance literature. This duality is further complicated by the mediating role of EQ, suggesting that the quality of earnings can significantly influence how leverage impacts FP.

The size of the bank demonstrates a consistently positive effect on FP, supporting the findings of Handa (2018), who suggested that larger banks often perform better due to economies of scale and more diversified risk portfolios. However, the diminishing effect of bank size on firm performance when EQ is introduced as a mediator indicates a potential trade-off between size and earnings quality, an area warranting further exploration.

In summary, these findings offer valuable insights into the complex interplay between various dimensions of CG, FP, and EQ. While they align with several established theories in corporate governance, they also highlight context-specific nuances and underscore the multifaceted nature of these relationships. This study, therefore, not only contributes to the academic understanding of these dynamics but also provides practical implications for corporate governance strategies in the banking sector.

5. FINDINGS AND HYPOTHESIS

The study's empirical analysis demonstrates a positive relationship between Corporate Governance (CG) and Firm Performance (FP), affirming Hypothesis 1 (H1). This result aligns with recent findings in the banking sector, where effective CG implementation, particularly in

larger firms, has been associated with improved accounting returns and market indices (Farooq, Noor, & Ali, 2022). The positive impact of CG on FP underscores the importance of governance mechanisms in enhancing profitability and market performance.

Regarding Hypothesis 2 (H2), the study finds that Earning Quality (EQ) acts as a mediator in the relationship between CG and FP. This finding is in line with contemporary research, which indicates that earnings quality can influence the effectiveness of CG in improving FP. The mediation effect of EQ suggests that while CG plays a critical role in shaping FP, its impact is significantly influenced by the quality of earnings, reflecting the financial reporting and operational integrity of the firm.

6. CONCLUSION AND FUTURE RESEARCH

This study contributes to the burgeoning literature on CG, FP, and EQ, particularly in the context of the Iraqi banking sector. The findings affirm the positive impact of CG on FP and the crucial mediating role of EQ, thereby enriching the understanding of these complex relationships. The study's insights are particularly valuable for policy-makers and banking sector practitioners in emerging markets, emphasizing the need for robust CG mechanisms to enhance FP.

For future research, there is a fertile ground for exploring the differential impacts of various CG dimensions on FP in different market contexts. Given the conditional nature of EQ's mediating role observed in this study, further research could investigate how external market conditions and internal corporate strategies influence this mediation. Additionally, longitudinal studies examining the evolution of these relationships over time, especially in the wake of significant regulatory changes like the implementation of the ICCG, would provide deeper insights.

References

- 1) Ajili, H., & Bouri, A. J. M. F. (2018). Assessing the moderating effect of Shariah Board on the relationship between financial performance and accounting disclosure. *44(5)*, 570-589.
- 2) Al-Matari, E. M., Al-Swidi, A. K., Fadzil, F. H. B. J. I. R. o. M., & Marketing. (2014). The effect of the internal audit and firm performance: A proposed research framework. *4(1)*, 34-41.
- 3) Al-Najjar, B. J. I. J. o. A. (2011). The determinants of audit committee independence and activity: evidence from the UK. *15(2)*, 191-203.
- 4) Al Matari, E. M., & Mgamal, M. H. J. C. y. a. (2019). The moderating effect of internal audit on the relationship between corporate governance mechanisms and corporate performance among Saudi Arabia listed companies. *64(4)*, 9.
- 5) Almontfjy, L. A., & Kowang, T. O. (2021). The Impact of Total Quality Management and Corporate Social Responsibility on the Financial Performance of Higher Education Institutions: A Review with a Focus on Institutions in the United Arab Emirates.
- 6) Alzeban, A. J. J. o. A. A. R. (2020). The relationship between the audit committee, internal audit and firm performance. *21(3)*, 437-454.

- 7) Apriyani, A., & Harnovinsah, H. (2019). The Effect of Good Corporate Governance Principles Application, Corporate Social Responsibility Disclosure, and Leverage Ratio on Tax Aggressiveness. *Journal of Business Management Invention*, 8(07), 10-16.
- 8) Egbunike, C. F., & Okerekeoti, C. U. J. A. J. o. A. R. (2018). Macroeconomic factors, firm characteristics and financial performance: A study of selected quoted manufacturing firms in Nigeria. 3(2), 142-168.
- 9) Fama, E. F., Jensen, M. C. J. T. j. o. l., & Economics. (1983). Separation of ownership and control. 26(2), 301-325.
- 10) Farooq, M., Noor, A., & Ali, S. J. C. G. T. I. J. o. B. i. S. (2022). Corporate governance and firm performance: empirical evidence from Pakistan. 22(1), 42-66.
- 11) Handa, R. (2018). Does corporate governance affect financial performance: A study of select Indian banks. *%J Asian Economic and Financial Review*, 8(4), 478.
- 12) Hazzaa, O. T., Abdullah, D. F., & Dhahebi, A. M. J. A. J. o. A. P. (2022). Review on the role of corporate governance and internal control system on firms' financial performance. 15(1), 1-28.
- 13) Himawari, W., & Mohammad, W. J. H. J. o. I. S. S. (2023). The Effect of Net Profit Margin (NPM), Return on Equity (ROE), and Return on Asset (ROA) on Stock Prices Based on Closing Price in the Food and Beverage Industry. 1(1), 13-21.
- 14) Jensen, M. C. J. J. o. A. C. F. (1994). The modern industrial revolution, exit, and the failure of internal control systems. 6(4), 4-23.
- 15) Kapil, S., & Mishra, R. J. T. E. L. (2019). Corporate governance and firm performance in emerging markets: Evidence from India. 9(6), 2033-2069.
- 16) Karayel, M., Doğan, M. J. A. o. t. U. D. d. J. o. G. F. I., Economics, & Informatics, A. (2016). Board Composition and Firm Performance: Evidence from BIST 100 Companies in Turkey. 22(2).
- 17) Khan, M. K., Nouman, M., TENG, J.-Z., Khan, M. I., & Jadoon, A. U. (2017). Determinants of financial performance of financial sectors (An assessment through economic value added).
- 18) Liang, H.-Y., Kuo, L.-w., Chan, K. C., Chen, S.-H. J. A.-P. J. o. A., & Economics. (2020). Bank diversification, performance, and corporate governance: evidence from China. 27(4), 389-405.
- 19) Lin, J. W., Li, J. F., & Yang, J. S. J. M. A. J. (2006). The effect of audit committee performance on earnings quality. 21(9), 921-933.
- 20) Merendino, A., & Melville, R. J. C. G. T. i. j. o. b. i. s. (2019). The board of directors and firm performance: empirical evidence from listed companies. 19(3), 508-551.
- 21) Mukhtaruddin, M., Ubaidillah, U., Dewi, K., Hakiki, A., Nopriyanto, N. J. I. J. o. S. A., & Management. (2019). Good corporate governance, corporate social responsibility, firm value, and financial performance as moderating variable. 3(1), 55-64.
- 22) Pizzini, M., Lin, S., Ziegenfuss, D. E. J. A. A. J. o. P., & Theory. (2015). The impact of internal audit function quality and contribution on audit delay. 34(1), 25-58.
- 23) Saeed, S., Rasid, S. Z. A., & Basiruddin, R. (2016). Do Board Size and Independence Really Matter? An Empirical Study. *Research Journal of Finance and Accounting*, 7(13), 20-27.
- 24) Saleh, I., Abu Afifa, M., & Alsufy, F. (2020). Does earnings quality affect companies' performance? New evidence from the Jordanian market. *The Journal of Asian Finance, Economics*, 7(11), 33-43.
- 25) Salmeron Gomez, R., Rodriguez Sanchez, A., García, C. G., & Garcia Perez, J. J. M. (2020). The VIF and MSE in raise regression. 8(4), 605.

- 26) Tanyi, P. N., Smith, D. B. J. A. A. J. o. P., & Theory. (2015). Busyness, expertise, and financial reporting quality of audit committee chairs and financial experts. *34*(2), 59-89.
- 27) Tran, L. T. H. (2022). Reporting quality and financial leverage: Are qualitative characteristics or earnings quality more important? Evidence from an emerging bank-based economy. *%J Research in International Business Finance*, *60*, 101578.
- 28) Tumwebaze, Z., Mukyala, V., Ssekiziyivu, B., Tirisa, C. B., Tumwebonire, A. J. C. B., & Management. (2018). Corporate governance, internal audit function and accountability in statutory corporations. *5*(1), 1527054.
- 29) Vafeas, N. J. C. a. r. (2005). Audit committees, boards, and the quality of reported earnings. *22*(4), 1093-1122.
- 30) Wooldridge, J. M. (2010). *Econometric analysis of cross section and panel data*: MIT press.
- 31) Zhang, Y., & Wiersema, M. F. J. S. M. J. (2009). Stock market reaction to CEO certification: The signaling role of CEO background. *30*(7), 693-710.