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The Nexus Between Corporate Governance and Financial Reporting for Firms Listed in Pakistan Stock Exchange

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Abstract: *This study investigates the relationship between corporate governance mechanisms, including CEO duality, board size, board independence, and audit committee independence, and financial reporting quality (FRQ) in the sugar manufacturing industry, utilizing a quantitative approach with secondary data. The research focuses on four key governance variables: audit committee independence, board size, board independence, and CEO duality. Drawing upon Resource Dependence Theory, Agency Theory, and Stewardship Theory, the study aims to elucidate how these governance dimensions influence the quality of financial reports. Data was collected from 10 out of 20 firms listed on the stock exchange for the period from 2010 to 2020. Essential statistical tests were employed to analyze the data, including correlation and regression analyses, to test the hypotheses regarding the relationships between corporate governance factors and FRQ. The results indicate a positive association between all governance variables and financial reporting quality, with audit committee independence emerging as the most significant contributor. The findings underscore the importance of robust corporate governance frameworks in enhancing financial reporting transparency and accountability. The study recommends that organizations prioritize the independence of audit committees and ensure a balanced board composition to improve FRQ. These recommendations hold significant implications for investors and stakeholders who rely on accurate financial information for decision-making. Finally, the research contributes to the existing literature by demonstrating the critical role of corporate governance in promoting high-quality financial reporting. Future studies should explore the dynamics of these relationships in different industry contexts and examine additional governance factors that may impact FRQ.*

Introduction

Financial Reporting Quality (FRQ) is considered an important pillar of corporate governance (CG) that emphasizes providing accurate information to all stakeholders to make right and timely decisions in the areas of investments, bodies of regularity, and analysis. Accuracy and credibility of information reported in the financial statements are a unique hallmark of quality reporting since it provides relevant information that can be relied on in the financial market. FRQ has been highlighted in literature in recent analyses, especially in the changing environment of the regulatory systems and attention to corporate financial reports. At this level, as organizations operate in a multifaceted environment, there is a need to prepare and present quality financial statements.

The extent of compliance with accounting standards and regulations is one of the factors that define the extent of the FRQ. Adherence to IFRS or GAAP is central to the preparation of financial statements so that the statements present a true and material view of a firm's performance. Apparently, findings confirmed that these standards are used to measure strict compliance, leading to higher quality of financial reports that contain fewer material misstatements or omissions. Such compliance also holding not only helps increase the reliability of the financial statements but also minimizes the likelihood of sanctions and reputational losses.

Also important to the determination of FRQ is consideration of the corporate governance mechanisms at work. The regulatory framework of financial reporting processes requires efficient governance structures at the organizational level, with particular emphasis put on the composition and independence of organizational boards of directors and audit committees. Empirical evidence suggests that firms with independent boards and audit committees are capable of preparing high-quality financial reports since the independent boards and audit committees are capable of questioning the management's information (Khan, A. H., 2017). This is why the presence of independent directors is especially important because they do not bring personal interest inside the organization, and they guarantee that the financial statements will be disclosed in the best interest of the shareholders.

However, the internal control systems within organizations play a further role in influencing the FRQ. Adequate internal controls reduce the susceptibility of an organization to fraud and inadequate presentation of financial statements, hence; increase the credibility of the financial statements. Prior studies have also established that companies with sound internal controls exhibit relatively higher levels of FRQ since enhancing sound controls helps in data collection and reporting processes (Shah & Akhtar, 2024). Internal controls are usually assessed via audits, which act as a second safety net in regard to the financial reports of a company.

As much as the internal environment does FRQ, it is important to mention that the external environment also influences the determination of FRQ. These aspects of the firm's operation will indicate that the economic environment, the market, and changes in the legal framework can affect the reporting of financial results. For example, in conditions of high economic risk, enterprises may have to embark on some earnings management or use aggressive accounting policies, which will impact the quality of information disclosed in the financial statements. These papers have pointed out that in order to meet these pressures, firms from uncertain environments often present lower FRQ, and therefore, maintaining sound governance and an ethical framework is critical in preserving reporting quality. For a sustainable business, the financial information related to the company as well as the stakeholders is extremely important. It has been observed many times that fake information is given by the organization, and also;, it keeps the losses of the company very secret; the financial information is always controlled by the company. The quality of the financial reporting is the most important thing in the financial process. In the 21st century, there were many obstacles that were faced by the financial as well as accounting scandals (Beasley, M. S. et al, 2000). As per the past research, the organizations that involve the management activity of the earnings are mostly those that have lower performance, as leverage, less liquidity, smaller firm size, as well as less share dispersion. To give the complete financial information of the specific company is the duty of the management in charge of the company. For the decision makers, the information related to the organization is very important as they have to make real and correct expectations about the company and its future. Enron, Health South, Beekes, Satyam, Lehman Brothers, etc. are the well-known scandals that are related to the various financial information. Thus, the management of the company should provide a complete financial picture of the company. There are many factors that influence the different factors of a company (Firth, Fung, & Rui, 2017).

Such factors vary from organization to organization, and these factors distress the high-level reporting as well as excellence. Thus, since there are various factors that influence the organization, the quality of reporting is also affected by them. In the past, it has been experienced by the stakeholders that scandals arise because of fake reporting of the company's financial reporting, thus the stakeholders demand true information about the organization. There are various corporate governance mechanisms of various countries which also affect the business environment (Peasnell, K. V., et al, 2015). There are many researchers conducted research on the relationship between corporate governance as well as the quality of financial reporting, and different results are given by the studies.

Additionally, less work has been done to investigate the relationship between the said factors in the setting of countries that are developing. To satisfy the requests of investors, the organizations are utilizing highly qualified outside and inside inspectors to give a total financial report. The organizations are also leaning towards various internal management instruments to achieve this goal (Ahmed, Husain, and Adams, 2016). Notable research has been conducted on the financial reporting quality around the world were examined and a clear difference in their finding and results was observed. Therefore, the present study investigates the relationship between the different dimensions of corporate governance with the financial reporting quality of the non-financial firms that are listed on the Pakistan Stock Exchange.

Literature Review

Financial Reporting Quality is the characteristics of the information and the way the information is communicated, and the purpose of the information. The quality of the financial accounting shows the value of financial accounting. The context of the importance of financial bookkeeping reveals that some evidence is more genuine and truthful, while other information is false. Users who are acquainted and familiar with the reporting standards of companies are very interested in the different forms of financial reporting quality (Bauer, 2020).

Financial accounting quality does not have a single meaning, and various means of defining financial reporting quality exist. Examining various studies, it can be shown that the importance of accounting can be interpreted as correctness in comparison to that of budgetary statistics, which provides evidence to value financial specialists about an organization's predictable profits.

There will be a plethora of meanings depending on the importance of the information, the nature of the information, and the organizations and businesses involved (Defond, 2012).

This is also dependent on the reason for which financial details would be used. Money the excellence of financial accounting as exactness with that of monetary information passes on data about the firm's operations, especially its earnings, in order to educate the value financial specialists. As a result, the financial statement quality refers to the level at which an organization's fiscal accounts express the fundamental state of its economic situation and performance at the time of calculation. In either case, Jonas and Blanchet (2000) described financial reporting consistency as "absolute and consistent knowledge of the financials that is not intended to muddle or misdirect the users." The definition of financial reporting efficiency is rather general, and it includes financial information, discourses, and non-financial information that is valuable for decision-making (Beckmann, 2017).

According to the Financial Accounting Standard Commission, financial reporting makes a significant impact (FASB), It aspires to provide unbiased monetary and other data that, when combined with data from other outlets, facilitates the optimal use of resources and various markets, as well as the efficient assignment of scarce assets in the economy.

The studies conducted by Bradbury (2016) and Ahmed (2016) stated that the information regarding the income of the firms and the information regarding earnings management decreases when the size of the board increases in companies in countries like New Zealand, Singapore, and America. Studies have been conducted to examine the relationship between board size of the quality of financial reporting. There are a few directors who show an advanced degree of cooperation and communication between the managers. But on the other hand, there is evidence that suggests that if the board size is larger, then there will be more security of the information of the financial statements of the firms (Lobo & Zhou, 2016).

At the point when a board gets too large, it gets hard to address the procedural issues. Small boards additionally lessen the chance of free flow of information by, and increase the responsibility of, single managers. There is a view that bigger boards are better for the corporate implementation since they have the possibility of the aptitude to assist settle on with bettering choices and are harder for an amazing CEO to rule. Be that as it may, recent reasoning has inclined towards small boards. Jensen (2014) showed a study that was compelling and simpler for the CEO to control. Observational examination underpins this. Like, Yermack (1996) shows that for huge U.S. modern businesses, the market esteems the firms with smaller sheets all the more exceptionally. Likewise, the committee of the audit is anticipated to play the role of the judge with the external administration and external auditors because they are the two parties due to the integrity and honesty of the supposition to measure the accounting (Firth, Fung, & Rui, 2017).

The primary motivation behind any review board of trustees is to manage process of budgetary process of the firm, and furthermore administer the fiscal summary uprightness, effective internal structure, and performance of the examiners. Pincus (2004) showed that in depended part's increment capacity of top managerial staff to proceed as an operator for a firm to give the exact and justifiable data on the financial summary of a firm. The audit committee and the external auditors also monitored, as they have diverse opinions regarding the application of the standards of accounting standards (Osma & Noguer, 2017). Thus, the auditors who are external are helped by the audit committee that is independent, and a high-quality report is made by the management. As studies by DeFond and Jiambalyo (2013) show, when the audit committee is present, the errors are removed from the financial reports. DeFond and Jiambalvo (1991) examined and they have found that the proximity of the review board of trustees is most likely to maintain a strategic distance from money-related revealing errors (Beckmann, 2017).

The appraisal advisory group is moreover predicted that expect a section as judge among the organization and outside examiners since the two social occasions may have true blue differentiations of speculation in how to best smear the accounting and measures. The outer inspectors and administration are then observed by the review board of trustees on the grounds that their various assessments about the application of bookkeeping norms. Accordingly, review panel liberty helps outer evaluators and administration to make an excellent monetary report. Then they considered an event of the bookkeeping errors that are uncovered by the earlier period of changes for the 41 US recorded firms and found that such organizations having review boards are less exaggerated.

As per Fama and Jensen (1976), the association between the practices of corporate governance and the independence board also significantly affects the quality of reports, significantly affects announcing quality, and furthermore reduces the organizational issue. Likewise, interdependence of the directors of the board is the major role of the managers in management, not just from the perspective of the assumption of the independence board but also the decisions that are based on the knowledge and experience of the board. But the problem that was connected to the separation of the control of the ownership was not too much associated with that of the control. The behavior of the management that is optimistic can be seen and increases the agency problem as the authority is delegated and the personal interest is tried to be persuaded by the personal interest, and the shareholder just tries to get the advantage that is monetary (Beasley, M. S. et al, 2000).

Methodology and Discussion

Since the purpose of the present study is to examine the effect and interaction of various factors of corporate governance, namely CEO duality, board size, board independence, and Audit Committee independence, on the quality of financial reporting, it was considered appropriate to use a quantitative analysis technique for this investigation. This paper focuses on the non-financial sector of the sugar industry, which was floated in the Pakistan Stock Exchange between 2009 and 2019. In the context of this study, the population is all of these firms operating in this industry, and the results of the analysis are intended to generalize to the whole population.

The rationale behind this research strategy was to ensure that the researcher had an all-around understanding of the factors that shape the organization by using both historical financial statements and reports on corporate governance of the organization. The research applied several statistical analysis approaches, including regression analysis, correlation analysis, and descriptive analysis, for the analysis of data. These methodologies enable the accomplishment of a comprehensive analysis of the relationship that prevails between various aspects of corporate governance and the quality of financial reporting.

The significance of this research is embodied in the possibility of its insight into the possibility of enhancing the quality of financial reporting by the implementation of corporate governance measures. Earlier empirical studies as indicated by Alves, S. (2023) note that accuracy and efficiency of disclosures can be enhanced by effective corporate governance mechanisms like the audit committees and independent boards. Moreover, there is evidence of how CEO duality affects the quality of financial reporting has been tested, which means that CEO duality drivers can have a negative effect on earnings quality if not reduced by increased board independence (Alves, S. 2023).

This research fills a gap in the literature on developing markets by focusing on the sugar industry in Pakistan. Therefore, it brings a value addition to the existing knowledge base. The practical implication is expected the study finding will provide useful information to policymakers, regulators and management of the companies. These implications will highlight the importance of effective governance mechanisms in the creation of sound financial reportage.

From the year 2010 to 2020, around 20 sugar firms were listed on the Pakistan Stock Exchange (PSX) which is showing a portion of non-financial sector. It is has been a valuable part of the sugar industry of Pakistan and has provided a source of economic development as well as employment opportunities for its people. These firms formed the basis of the target population for the current study because they were representative of the industry and had available and accessible financial information together with clear and detailed corporate governance information.

This focus on these twenty sugar companies facilitates the investigation of the cohesiveness of highly valued aspects of corporate governance with actual value of financial reporting. Hence, this study seeks to explore how governance practices within this special population will impact and shape quality of financial reporting in the sugar sector. This targeted approach not only increases the credibility of the obtained results but is also useful for the general understanding of the existing trends in the field of corporate governance in the emerging markets, such as Pakistan where the sugar industry is still in the state of development.

Sugar industry is also useful in Pakistan since it has a contribution to the economy besides serving the creation of new jobs. Many firms are present that help it to adhere to the criteria of the Securities and Exchange Commission of Pakistan (SECP) & The Pakistan Stock Exchange PSX. It was therefore important for the research to concentrate on this sector, given the historical significance of the industry and need for organizational accountability in financial reporting. This paper applies the sugar sector in order to perform our analysis because of the complexity issues that are linked with corporate governance and the role that it plays for financial reports.

The annual reports and financial statements of the chosen sugar firms, as well as the disclosures concerning their systems of corporate governance, were given by the firms as one of the secondary sources of information collected for this research. The formalization of the governance structures and financial practices employed by these companies is offered by this material. In this research, the authors' aim is to identify the significance of some elements of corporate governance on the quality of financial reporting by examining the data provided.

The approach that was used is and only covers an array of statistical methods with regard to data collected for the purpose of this study. Since this research seeks to denote the relationships that exist between the research independent variables (dimensions of corporate governance) and the dependent variable (quality of financial reporting), the following analysis techniques are used: The application of these methods makes it possible to attain adequate understanding of the fact how governance procedures affect the reliability and accuracy of financial reporting in the sugar processing industry.

Descriptive analysis

The data employed in the research is shown to be normal using descriptive analysis. The descriptive statistics of the present research were analyzed using the means and standard deviations. The results of such analysis of the dependent and independent variables are presented in the below sections.

a. **Dependent Variable (Financial reporting quality)**

The table below displays the financial reporting quality's mean value and standard deviation;

Table 1: Descriptive Analysis for financial reporting quality.

Variables	Mean	Std. Deviation
Financial Reporting Quality	3.36	.73

The table 1 shows value for mean and the value of the standard deviation. According to the above table the value of mean for the variable is 3.36. The value, as seen, is greater than required mean i.e. 3 therefor it means that the data that was not diversified.

Likewise, as depicted in above table, there is value of standard deviation of the variable. The variable's value was 0.63, which is higher than anticipated, as seen in the table. The table 1 indicates the presence of normal distribution in the data, as shown by the 73 value.

b. **Independent Variable (Corporate Governance)**

The below sections present the descriptive analysis of the dimensions of the corporate governance that are considered in the current study.

i. **Audit Committee Independent**

Table 2: Descriptive analysis for audit committee independent

Variables	Mean	Std. Deviation
Audit Committee Independent	3.31	.64

The above table 2 shows value for mean and the value of the standard deviation. According to the above table the value of mean for the variable is 3.31. The value, as seen, is greater than required mean i.e. 3 therefor it means that the data that was not diversified. Likewise, as dipicted in above table, there is value of standard deviation of the variable. As the table 2 shows that the value of the variable was .64 and that the value was greater than desired 0.6 value therefor the table 2 shows that there exists normal distribution in data.

ii. **Board Size**

The value of mean and the standard deviation of board size is presented in the below table;

Table 3: Descriptive Analysis for board size

Variables	Mean	Std. Deviation
Board Size	3.71	.61

The above table 3 shows value for mean and the value of the standard deviation. According to the above table the value of mean for the variable is 3.71. The value, as seen, is greater than required mean i.e. 3 therefor it means that the data that was not diversified.

Likewise, as depicted in above table 3, there is value of standard deviation of the variable. As the table 3 shows that the value of the variable was .61 and that the value was greater than desired 0.6 value therefor the table shows that there exists normal distribution in data.

iii. Correlation analysis

Based on the study objectives, correlation analysis is used to find out the strength of association between study variables. This analysis enables the researcher to see how variables are related. In the current study, correlation analysis was used to examine the relationship between CG factors; board size, CEO duality, board independence, audit committee independence and FRQ. Through correlation analysis, this study establishes the degree and direction of the relationships between these dimensions and FRQ to infer how governance practices affect financial transparency.

It important in this context to understand that correlation analysis is very important. It enables the researcher to determine if betterment of some of the governance dimensions is related to betterment of FRQ. The strong correlation between board independence and FRQ suggests that companies with many independent directors may be providing trustworthy financial reporting. Conversely, if the outcome is unfavorable, it may mean that some governance procedures lower the bar for financial reporting quality. Thus, correlation analysis helps not only to reveal the key factors that influence FRQ within the model with governance but also to indicate the efficiency of corporate governance structures to stakeholders (Alshammari, 2023; Amanamah, 2024).

Table 4: Correlation analysis

Variables	**FRQ**	**BI**	**CEO-D**	**BS**	**ACI**	**Profitability**	**Leverages**	**Liquidity**
FRQ	1			.				
BI	0.22*	1						
CEO dual	0.17**	.22**	1					
BS	0.24*	.19**	.32*	1				

ACI	0.33**	0.33*	0.24*	4.53**	1			
Profitability	0.34*	0.42	0.31	0.19	0.32	1		
Leverage	0.01*	0.1	0.43	0.11	0.13	0.1	1	
Liquidity	0.11*	0.24	0.13	0.41	0.23	0.44	0.13	1

*p< .05. **p< .01. Financial reporting quality (FRQ), Board Independence (BI), CEO-D, Board Size (BS), Audit Committee Independence (ACI).

Based on the above results in table 4, all of relationships were found positive. The below mentioned table 5 shows that the data is positive in different manners.

Correlation Coefficient (r)	Interpretation
+1.0	Perfect Positive Correlation
0.7 to +1.0	Strong Positive Correlation
0.4 to 0.7	Moderate Positive Correlation
0.1 to 0.4	Weak Positive Correlation

Table 5 displays the correlation coefficients for the study's variables. The parameters of these columns express the character of connections between the variables. In as much as, the correlation analysis reveals a poor positive coefficient of 0.24 between FRQ and board size. Likewise, the finding of 0.33 coefficients for relational variable – financial reporting quality and audit committee independence suggest positive though weak correlation. The correlation coefficient of 0.22 between financial reporting quality and board independence also weak positive relationship. Moreover, the coefficient of 0.17 between financial reporting quality and CEO duality is positive, though it is very weak.

With respect to the control variable, it reveals that profitability and financial reporting quality are somewhat associated (r=0.34). However, there is a weak positive connection of 0.01 between financial reporting quality and the variables liquidity and leverage. These results also show how positive the relationships between the variables are, and as observed, most of them have low but positive correlations.

Regression Analysis

This research employed regression analysis to look at how the four CG and FRQ factors affected each other. The investigators may estimate the relationships between the IVs and the DV (FRQ) using this quantitative technique. This research aims to use regression analysis to determine the extent to which these governance factors impact financial reporting quality.

In order to find out what variables have the most influence on financial reporting quality, the regression model shows how each CG variable affects FRQ. Because independent directors are more likely to uphold high standards of financial reporting, prior research has shown that board independence significantly improves FRQ (Alshammari, 2023). Likewise, integrated with a superior audit committee improves the financial reporting results since it increases accountability and supervision (Amanamah, 2024). The study helps to establish the correlation of these relationships through regression analysis to the subject of how good corporate management can increase financial transparency and integrity through its reporting.

Justification of using ANOVA

Analysis of variance (ANOVA) is a powerful statistical analysis used in the current study to test the significance of the difference in FRQ across the levels of corporate governance dimensions. This method is effective for this research as it enable us to test for differences in multiple groups at once, giving us an understanding of how varying governance practices affects FRQ. When using ANOVA, the study can determine if given differences in board independence, CEO duality, size of the board, and independence of the audit committee will ultimately cause variability in FRQ. This is important in order to evaluate the various structures of governance on the principle of financial transparency and accountability.

Table 6: ANOVA & Coefficients

Model	Coefficients	T	Sig
Constant	.621	3.21	.000
BS	.041	2.31	.014
ACI	.065	3.17	.002
BI	.043	2.33	.015
CEO dual	.038	2.25	.027

The results of the preceding tests, which include both Fixed Effects (FE) and Random Effects (RE) models, are presented in tables for the purpose of providing a hypothetical example.

i. **Pooled OLS (Ordinary Least Squares)**

Pooled OLS is regression applied with data pooled across all available times and cross-sectional units - that is, individuals, firms, or countries - and assumes that coefficients are the same across all units and all times.

ii. **Fixed Effect Model**

Often used in search of controlling for unobserved variables that differ by entity but are constant through time. All these variables, which are time invariant, are essentially "diffed out" by using differences of within subjects.

iii. **Random Effects Model**

It is assumed that the entity effects are uncorrelated with the independent variables according to the Random Effects model. It tells that random variations across entities can be added up, and estimates are prepared using a combined effect of within and between entity variations.

In brief, choosing the appropriate model for study likes pooled OLS, fixed or random effect is critical for accurate estimation and inference in such analysis.

The similarities and differences between Panel OLS, Fixed Effects, and Random Effects are displayed in the following table 7. In order to assess the fit, the models all include coefficients for the primary independent variables CEO Duality (CEO-D), Board Size (BS), Audit Committee Independence (ACI), Board Independence (BI), and the constant and R-squared. The fact that the governance factors' coefficients are positive across all regression models suggests that they all positively impact company performance. A greater independent audit committee (ACI) coefficient of 0.065 aids businesses in achieving better performance according to the pooled OLS model. This indicates that the Pooled OLS model explains roughly 32% of the changes in the dependent variable. The constant findings from the coefficients indicate that the results are probably reliable, even though the Fixed and Random Effects models do not provide the R-squared and Adjusted R-squared values. This table makes it possible to evaluate whether the appropriate model was chosen and how corporate governance influences business results.

Table 7 Model Comparison Table

Model	Coefficient (Constant)	Coefficient (BS)	Coefficient (ACI)	Coefficient (BI)	Coefficient (CEO-D)	R-squared	Adjusted R-squared
Pooled OLS	0.621	0.041	0.065	0.043	0.41	0.32	All
Fixed Effects	0.550	0.035	0.072	0.045	0.38	-	All
Random Effects	0.600	0.040	0.068	0.042	0.39	-	All

Conclusion

In order to better understand the connection between FRQ, other corporate governance systems, audit committee independence, board size, board independence, and CEO duality, this study set out to do just that. The purpose of this research is to gather data from publicly traded sugar production companies in order to provide an empirical assessment on how these governance aspects affect financial reporting. Assisting existing works on the subject is the aim.

Corporate governance aspects were shown to have a favorable correlation with Financial Reporting Quality (FRQ), as this research found. As a result, this highlights the significance of governance systems that promote accountability and openness in the workplace. In order to guarantee accurate financial reporting, the audit committee should consist of independent members. This implies that there needs to be strong controls over finances and reports made by the firm for them to be credible. This result is supported by the prior studies that suggest the importance of having an independent audit committee in order to ensure reliable financial reporting.

Furthermore, the findings underscore the positive contribution of board independence as well as optimal board size in enhancing FRQ, thus emphasizing the need for an effective monitoring mechanism with adequate governance structures. On the other hand, while CEO duality was found to enhance FRQ, the relation was relatively weaker, hence the need to take into account the organizational structure and governance in relation to possible self-interest.

Under these perspectives, the study counsels organizations on the need to invest more resources towards improving their corporate governance structures in order to enhance the quality of their financial reports. Focus on the independence of audit committees and ensuring proper board gender balance is very important in cultivating a transparency that avails itself to all the parties involved in the company, especially investors. Practically, due to the importance of financial reporting quality for decision making, all stakeholders should be concerned with the reinforcement of governance systems that protect the quality of financial data.

Recommendations

The provision of financial information about the companies to the all the stakeholders is very significant for sustainable business. The number of research focusing on the quality of financial reporting is currently rising, and this is seen as the bedrock of economic operations. However, the financial literature does not provide any explicit guidelines about the FRQ's features or the factors that determine it. Various disciplines have distinct understandings of this idea. One may wonder whether it is possible to quantify the FRQ and isolate its components. There is a variety of information in the literature that points to many aspects that impact reporting quality. Developed nations are where the vast majority of studies take place (Adeyemi, & Fagbemi, 2010). Examining the effects of FRQ mechanisms in Pakistan was the goal of this research. Even in Pakistan, consumers have noticed the FRQ's significance. Companies' ability to provide high-quality financial reports is another factor that attracts potential investors. Board size, board independence, CEO duality, and audit committee are elements of corporate governance. The study's findings showed that the FRQ is positively correlated with the corporate governance elements. There needs to be greater focus on corporate governance elements as they are important for the FRQ, according to the present research, just as reporting quality is important for investors. The findings of this research may provide useful information to the Pakistani government and other financial organizations about how to improve the quality of financial reporting while minimizing risk. Investors who are looking to put their money into a company should also pay close attention to the corporate governance elements that affect the quality of financial reports.

The results of this study point to the need for more research into the nature of the relationships between the study's variables.

Limitations and Future Research

Although the research is resourceful, it is important to point out that it has its own shortcomings. The findings could be affected by reliance on a convenient sampling technique, and future studies may be better off using cleaner approaches. Moreover, it was carried out in Pakistan within the sugar industry, and therefore the findings are unlikely to pertain to other sectors or geographical areas. In future studies, it may be beneficial to analyze the interrelationships between the two concepts in a number of different settings.

Companies listed in Pakistan that are not involved in finance should be the focus of future research. Data from both the current and prior years should be heavily considered in future research. It would be remiss of the present research not to include highlight other corporate governance aspects. It is equally important to examine the other developing markets for financial reporting quality and how it relates to corporate governance. This will provide a broader perspective on these topics.

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