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Article

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Impact of corporate governance and ownership concentrations on timelines of financial reporting in Pakistan

Muhammad Waris^{1*} and Badariah Haji Din¹

Abstract: The objective of this paper is to explore the relationship among corporate governance, timelines of financial reporting and ownership concentration taken as a moderating effect among the listed firms on Pakistan Stock Exchange. In this study, we developed hypothesis about the relationship between corporate governance and timelines of financial reporting by using the data of 100 listed firms during the period of 2013 to 2017. By applying ordinary least squares, we find out that auditor brand name decreases the audit report lag and increases the quality of the audit. Audit opinion also has an impact on the audit quality if there is an unqualified report, and then the quality of the audit increases with decrease in lags. A large number of board meeting decreases the lags and increases the audit quality. Independent board decreases the lags and increases the audit quality. Family ownership, the most important variable, decreases the management report lag and increases the audit quality. If ownership concentration is taken as a moderator, then board diligence has a negative relationship with the timelines that show the large number of board meeting decreases the lags and increases the audit quality. The board size is positively related with timelines, which means that larger board increases the lags and the audit quality decreases. The audit committee presence decreases the management report lag and without moderating, the audit

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PUBLIC INTEREST STATEMENT

Corporate governance is the rule and regulations that is useful for governing the business organizations and also helpful for the investors for the purpose of investment in the good governance organization to protect their investment. Ownership structure is also helpful for the general public for the decision of the investment in the firms with the motive of gaining the profit. Regulators have good point for making the law and order to make strong and effect governance within the economy to attract the investment. Providing the safe environment for the foreign investors can enhance the business activities within the country.

committee has no impact on the timelines. However, some hypotheses are fully supported, and some partially support the relationship. Our finding is that corporate governance has an impact on timelines of financial reporting and ownership concentration has moderating effect that enhances the relationship.

Subjects: Economics; Business, Management and Accounting; Corporate Governance

Keywords: timelines of financial reporting; pooled OLS; corporate governance and ownership concentrations; family ownership; Pakistan stock exchange

1. Introduction

In developed countries, a significant stream of research has focused on the antecedents and consequences of corporate governance and ownership concentration. Spanning diverse disciplines such as economics (Akle, 2011), finance and accounting (Errunza and Losq, 2006) and strategic management, this stream of research has provided valuable insights into the realm of managerial and ownership concentration. Some scholars have examined the relationship between corporate governance and timelines financial reporting (Abdullah, 2006). A little research has been conducted by scholars on ownership concentration and timelines of financial reporting (1985). It helps in motivating the corporate governance and ownership concentration to behave in favor of shareholders. Linkage of the management and corporate governance with timelines of financial reporting motivates the corporations because it create the alarming signal for the bad performers age of Corporate governance arises from the basic concept of agency theory which states the following three aspects of agency problem. First, existence of goals divergence between agent and principal; second, existence of hidden information which is difficult and expensive for principal to observe; and third, different risk preferences between agent and principal. Both players will act as per their own interests by throwing others' interest backward.

Academic works on corporate governance and ownership concentration effect on timelines of financial reporting are diversified, as different researchers have examined the impact of corporate governance on timelines of financial reporting in developed countries from different perspectives. Specifically, they either examine how a particular component of a corporate governance is able to solve economic issues of selection or motivation of timelines of financial reporting or examine why the level of ownership concentration is different from the optimal level suggested by economic models, respectively.

In developing countries, less work has been done on the link between corporate governance, ownership concentration and timelines of financial reporting. Thus, this study attempts to fill a gap in the literature by investigating the impact of corporate governance and ownership concentration on timelines of financial reporting. It is very important to study the corporate governance globally, it is necessary for discussion the corporate governance in the emerging economy espacialy Pakistan. Thus, a little research in Pakistan is an important reason that has evoked the need for this empirical investigation. The core objective of this study is to explore. It will be very interesting in the context of Pakistan to find the relationship between corporate governance and ownership concentration on timelines of financial reporting because of the fact that companies are mostly family-owned, and their structure is very autocratic.

Although financial firms are also the part of the Pakistan Stock Exchange, however, this study excludes the financial firms due to the reason that these firms are working in controlled and regulated environment and managers have less discretion to make the decision of their own choice.

The objective of the study can be translated into the following two research questions:

- (1) Does corporate governance and ownership concentrations affect the timelines of financial reporting (measured by) of non-financial firms listed on Pakistan Stock Exchange?
- (2) Whether concerned theories such as agency theory, managerial power theory, human capital theory, and so on, provide any support to explain the corporate governance and ownership concentrations on the timelines of financial reporting behaviour of firms in Pakistan?

This paper reports findings from the study of corporate governance and ownership concentration in the top 100 firms listed on PSX (Pakistan Stock Exchange). Similarly, this study contributes in the previous literature with the addition of fresh evidence of the involvement of the ownership structure in the way of the corporate governance that affects the financial reporting quality in the emerging economy, especially in Pakistan where the corporate governance is being considered weak as compared to the other Asian and other developed economy (Javid & Iqbal, 2010) due to the ownership structure such as the family-owned business (Abdullah, 2011). We take only the non-financial firms from the three different sectors with 375 total firms listed in Pakistan Stock Exchange that has some contribution in total market capitalization. The three different major sectors of the economy include manufacturing, financial and services. We selected the top 100 companies from the non-financial sectors including services and manufacturing on the basis of random sampling from the 100-index capitalization. We ignored the financial sector due to the dual control by two regulatory authorities such as the State bank of Pakistan (SBP) and Securities and Exchange commission of Pakistan (SECP). Moreover, it also invokes theoretical arguments relating to institutional systems, governmental involvement listed on PSX, and the spread of family-controlled conglomerates to paint a rich picture of corporate governance and ownership concentration. It must be observed that this effort is not focused on identifying country-specific differences in the comparative management tradition. Thus, it does not attempt to demonstrate that corporate governance and ownership concentration mechanisms differ across countries but goes beyond such comparisons to identify the underlying factors that might give rise to such differences. Findings of this empirical study will provide support to top management to understand the implications of corporate governance and ownership concentration on timelines of financial reporting. Moreover, findings provide support to management in formulating the impact of corporate governance and ownership concentration on timeline of financial reporting that may use to align the interests of managers with shareholders.

Rest of the paper proceeds as follow: Section 2 presents the review of literature. Section 3 describes sample, data, variables and research methodology. Section 4 presents empirical results. Section 5 presents discussion on empirical results. Finally, section 6 provides conclusions of the study and suggestions for future research. References are provided at the end.

2. Literature review

There are many theories that are concerned with the timelines of financial reporting. Several theories of the relationship between corporate governance and delay in financial reports have been discussed in literature. Afify (2009) stated that theory which supports the relationship between corporate governance and timelines of financial reports is agency theory.

2.1. Agency theory and internal reporting theory

The corporate governance mechanism is very important for controlling the agency conflicts. According to Yunos (2011), corporate governance mechanism employs the agency theory to minimize the agency conflicts. Al-Akra et al. (2010) described that corporate governance variables including ownership structure, board characteristics and audit related variables are very useful that should decrease the agency problems within organization. Shahid (2004) argued that good governance decreases the agency problems and works for the best of the shareholders. The financial manager plays a key role in controlling conflicts that increase his personal income from shareholders by giving solid financial information that are useful for the organization.

According to the internal reporting theory, the management is mostly concerned with the internal performance appraisal (Lurie & Pastena, 1975). Management tends to delay bad news about the firms until it is verified as performance appraisal that compensation and concerned with earnings performance. For this reason, managers need more time to prepare their answers and get poor performance. This argument was also used by Kost (1981, 1982) that exposed the management's tendency to delay negative journalism. However, the good news is subject to less scrutiny and management tends to publish earlier than bad news.

2.2. Empirical studies on timelines of financial reporting and ownership concentration

IFRS noted that the updating of financial reports in a timely manner is an important element. It is very important that the information is available to the users at the time they are useful to them in the decision-making process. Timely information requirements indicate that external users periodically provide them for their evaluation in decision making. Many studies are conducted in many components of timelines of financial reporting. Some researchers are already on two aspects that includes an audit report lags and financial report lags. In this section read the empirical study in developed and undeveloped economy. The current literature on the relationship between the timing of financial reporting and institutional governance is immobile limited and limited, but several empirical studies have documented the strength of financial reports in the agency relationship. Moreover, such studies have been conceded out in the context of developing countries. Understanding and evaluating the role of governance mechanisms on timely financial reports requires that the subject be audited on the basis of other financial reporting aspects of the literature. One of the first studies to refer to the timing of financial reports was made by Ashton et al. (1987) in the United States. They investigate the determinants of the timing of the annual reports measured by the audit report delay. The results of the study show that audit delay is significantly related to audit opinions, internal control, audit, technology, industry type and fiscal year end.

Many studies in developing countries have shown mixed results between the timely presentation of financial reports and the quality of financial information. Some studies show that good news is published before bad news (Chambers & Penman, 1984). Some other studies show the opposite results. Some researchers have said that companies are not actually willing to report bad news and therefore spend more time applying creative accounting techniques to discharge bad news. This section highlights the literature on the timing of financial reports in the context of developing countries. In a recent study by Hashim and Rahman (2010) in Malaysia the relationship between corporate governance features (board independence, board expertise and board rigidity) and the timing of the audit report in Malaysia has been investigated. Findings show that there is a significant negative link among the variables of the board of directors and audit report delay. According to the researchers the frequency of board meetings reduces the delay in the audit report lags. However, this study did not show any evidence of management independence between board members and financial expertise and there was a delay in the audit report.

A similar study was conducted by Mohamad-Nor et al. (2010) in Malaysia. A total of 628 companies are taken as a sample to examine the relationship between organizational governance mechanisms and scheduling of financial reporting. Audit committees and the board of directors have been examined as proxies for corporate governance. This study explains that timely submission of financial reports will be provided by the affecting audit committee and the board of directors. This will be a possible outcome of appropriate and effective omission of the financial reporting process. They found that audit reports are more possible to be generated on time in companies that have more frequent audit committee meetings and many audit committee members. However, the study found that the audit report had no relation to the expertise and independence of the audit committee. This shows that the audit committee needs to focus more and more on its expertise and independence.

Ahmed (2003) examines the timing of financial reports in three countries (Bangladesh, India and Pakistan). The study shows that the delay of the audit report is 162, 92 and 145 days in Bangladesh, India and Pakistan respectively. Large audit firms found that India and Pakistan spent significantly less time. Profitability and firm size were the only significant determinants affecting audit costs.

Akle (2011) is investigating the relationship between the timing of the financial positions quoted on the Egyptian Stock Exchange between 1988 and 2007 and the corporate governance of companies traded on the stock exchange. In addition, an electronic statement that includes the type of industry, leverage, size, gear, quality of earnings, audit opinion, earnings management and timely preparation of financial statements of companies. The results show that corporate governance plays an important role in the timely preparation of financial reports in Egyptian companies. The results also show that there is a decrease between the last days of the fiscal year and financial reports are published between 134 days in 1998 and 95 days in 2002: 68 days in 2006 and 72 days in 2007.

In the recent period, Buchetti and Santoni (2022) conducted a study on corporate governance and financial reporting quality and shows various diverse findings on the reporting quality. Moreover, Dobija and Puławska (2022) conducted a study on the board members influences on the financial reporting quality and results reveal that the board members have positive influence on the financial reporting quality due to the ownership concentration in the firm structure. Kangea et al. (2022) found a significant result of the board size on the earning management taking as ownership concentration as the moderator.

2.3. Ownership concentration as a moderating variable

Several studies have been conducted on the worldwide supervision of governance factors. These studies aimed to identify the concentration of ownership between the internal mechanisms of corporate governance and the timelines of financial reports of companies listed in Pakistan as moderator variables.

According to AlQadasi and Abidin (2018), ownership concentration has a significant and positive relationship with financial reporting quality. In that research work, ownership concentration is positive but has a minor impact on quality of financial reporting. This study is conducted in Malaysia by using data from 2009 to 2012 Malaysian listed firms.

Arthur et al. (2019) stated that when there is low ownership concentration, then results are negative and significant relationship with quality of financial reporting and when there is highly ownership concentration, then results are changed to positive with quality of financial reporting.

According to Gaio and Pinto (2018) state-owned firms are less conservative than the other non-owned firms and state-owned firms have low financial quality than the others. This study is conducted on European country firms by using the data from 2003 to 2010.

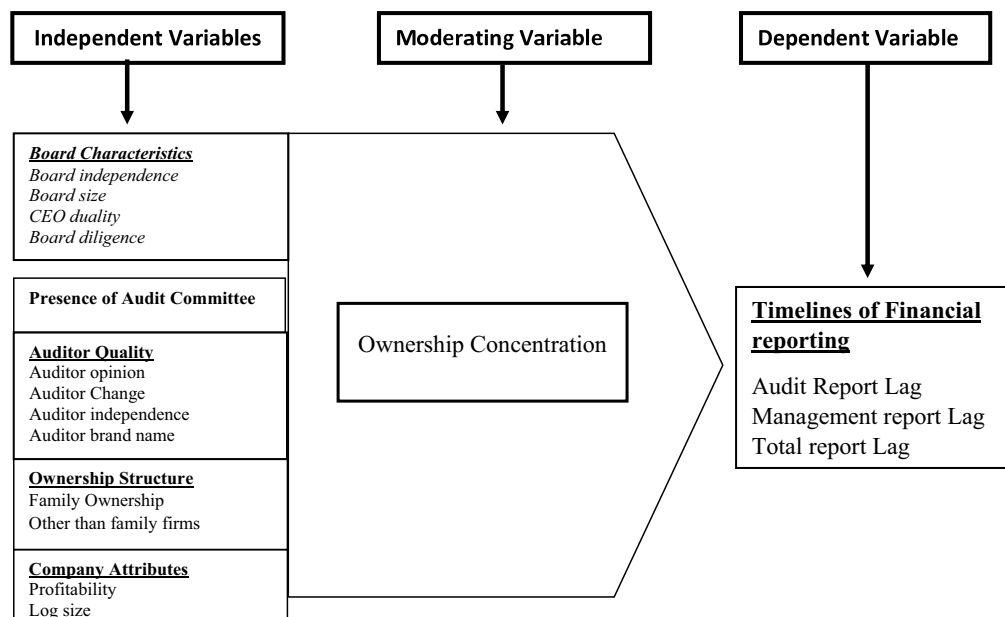
Aubert (2009) suggests that ownership concentration is dependent on financial reporting timing and that reporting delays for companies with block ownership and complex transactions are higher. Afify (2009) argues that ownership concentration is not significantly related to the audit report delay. In general, the results of the above studies show that concentrated ownership has a negative effect on governance mechanisms, while eco-dominant ownership has a positive effect on governance mechanisms.

2.4. Theoretical research framework and hypothesis development

This section explained the research framework, hypothesis development and variables measurement, data collections procedure, sampling, data source and method of data analysis.

The update of corporate governance and financial reports has placed an increasing emphasis on both practical and academic research (Ku Ismail & Chandler, 2004). As a result of the recent economic crisis, a number of governance codes were developed. Under the patronage of the OECD, Jordan developed its own framework (Akra, 2010). This study concerns the current status of the timing of financial reports in Pakistani firms (Figure 1).

Figure 1. Conceptual Framework.



3. Research hypothesis development

Below given hypotheses are developed for this research:

H1 = There is a positive relationship between board independence and timelines of financial reporting.

H2 = There is a negative relationship between board size and timelines of financial reporting.

H3 = There is a negative relationship between CEO duality and timelines of financial reporting.

H4 = Board diligence has a positive relationship with timelines of financial reporting.

H5 = There is a positive relationship between audit committee and timelines of financial reporting.

H6 = Auditor opinion has a positive relationship with timelines of financial reporting.

H7 = Auditor change has a positive relationship with timelines of financial reporting.

H8 = Auditor brand name has a positive relationship with timelines of financial reporting.

H9 = Auditor independence has a negative relationship with timelines of financial reporting.

H10 = There is a positive relationship between family ownership and timelines of financial reporting.

H11 = Company profitability has a positive relationship with timelines of financial reporting.

H12 = Company size has a positive relationship with timelines of financial reporting.

4. Data, variables, and methodology

In this study, we collect secondary data from 2013 to 2017. The main reason for choosing this period is that in these periods, some change in code of corporate governance of Pakistan has occurred. This study is concerned with service and industrial sector only. Financial sector is not included because financial sectors are also controlled by the State Bank of Pakistan and have different regulations. The data are obtained from the annual reports of listed companies in Pakistan Stock Exchange (Table 1).

5. Models of the study

Corporate governance mechanisms are highlighted as significant elements that affect the time-lines of financial reports by reducing reports lag (Shukeri & Nelson, 2011). Our dataset contained the balanced longitudinal data. This study employed panel data procedures because sample contained data across firms and overtime. The use of panel data increases the sample size considerably and is more appropriate explanatory variable. We used three estimation models, namely, pooled ordinary least squares (OLS), the random effects, and the fixed effects. Under the hypothesis that there are no groups or individual effects among the firms included in our sample, we estimated the pooled OLS model. Since panel data contained observations on the same cross-sectional units over several time periods, there might be cross-sectional effects on each firm or on a set of groups of firms. Several techniques are available to deal with such type of problem, but two panel econometric techniques, the fixed and the random effects models, are very important.

$$RLM_{it} = \alpha_0 + \beta_1 BIND_{it} + \beta_2 BSIZ_{it} + \beta_3 CEO_{it} + \beta_4 BDILIG_{it} + \beta_5 ACM_{it} + \beta_6 AOP_{it} + \beta_7 ACH_{it} + \beta_8 ABN_{it} + \beta_9 AIND_{it} + \beta_{10} FOW_{it} + \beta_{11} PROFIT_{it} + \beta_{12} SIZE_{it} + \varepsilon_{it}$$

$$RLM_{it} = \alpha_0 + \beta_1 BIND_{it} + \beta_2 BSIZ_{it} + \beta_3 CEO_{it} + \beta_4 BDILIG_{it} + \beta_5 ACM_{it} + \beta_6 AOP_{it} + \beta_7 ACH_{it} + \beta_8 ABN_{it} + \beta_9 AIND_{it} + \beta_{10} OCN_{it} + \beta_{11} PROFIT_{it} + \beta_{12} SIZE_{it} + \beta_{13} OCN * BIND + \beta_{14} OCN * BSIZ_{it} + \beta_{15} OCN * CEO_{it} + \beta_{16} OCN * BDILIG_{it} + \beta_{17} OCN * ACM_{it} + \varepsilon_{it}$$

where,

$BIND_{it}$ = Board independence of firm i at time t

$BSIZ_{it}$ = Board size of firm i at time t

CEO_{it} = CEO duality of firm i at time t

$BDILIG_{it}$ = Number of meeting of firm i at time t

ACM_{it} = Audit committee of firm i at time t

AOP_{it} = Auditors opinion of firm i at time t

ACH_{it} = Change the auditor to previous year of firm i at time t

ABN_{it} = Auditor brand name and member of big 4 audit firms in Pakistan of firm i at time t

$AIND_{it}$ = Auditor independence of firm i at time t

FOW_{it} = Family ownership of firm i at time t

$PROFIT_{it}$ = Profit of firm i at time t

$LOGSIZE_{it}$ = Log of company size of firm i at time t

Table1. Measurement of Variables

Variable name	Sign	Measurement	Effect/Direction	Reference
Board size	BIND	Measured by total number of board of directors	Significant result	Lee et al. (2009)
Board independence	BSIZ	Measured by non-executive directors in board composition	Significant results	Ismail et al. (2008), Mohamad-Nor et al. (2010) and Afify (2009)
CEO duality	CEO	CEO duality is measured by dummy variable 1 if CEO-Chairman roles combined; 0 if separated	The separate role of CEO has negative significant relationship	Greco (2011); Afify (2009)
Board diligence	BDILIG	Measured total numbers of board meeting in one financial period	Large numbers and frequent board meeting has negatively significant relationship	Hashim and Rahman (2010)
Audit committee	ACM	Existence of a audit committee, if present, then by dummy variable 1 otherwise 0	Significant relationship	Afify (2009); Ika & Ghazali, 2012
Auditor opinion	AOP	Measured by if unqualified then dummy 1 otherwise 0	Significant relationship. If auditor opinion is qualified, then there is an increase in lags	Ashton et al., 1987); Soltani (2002); Ahmad et al. (2005); Shukeri and Nelson (2011)
Auditor independence	AOI	Auditor independence, measured by 1, if auditor provides NAS, 0 otherwise	Found a significant relationship between auditor independence and timelines of financial reporting	Lee et al. (2009) and Ashbaugh et al. 2003)
Auditor brand name	ABN	Auditor brand name, measured by 1, if audited by big 4 audit firm, 0 otherwise	Found that a Big 5 audit firm has a shorter period for timelines of financial reporting	Abdullah (2006) and El-Bannany, 2008) and Türel (2010)
Auditor change	ACH	Auditor change measured by dummy variable 1, if there is audit firm change, 0 otherwise	Auditor change is caused of delay in financial reports	Schwartz and Soo (1996); Tanyi et al. (2010)
Ownership concentration	OCN	Ownership concentration is measured by number of person or family-owned 5% or more share in total share	Significant relationship	Ishak et al. (2010) Zureigat (2011)
Profitability	PROFIT	Profitability is measured by EPS	Significant relationship	Ibadin et al., 2011)
Leverage	LVG	Measured by debt-to-total-asset ratio	Significant relationship	Al-Ajmi (2008) and Ku Ismail and Chandler (2005)
Family ownership	FOW	Ownership is measured by major (more than 50%) share held by one member or family	Significant relationship	Westhead et al. (2001)

Further, the moderating variable, the concentration of ownership is used in the analysis. Therefore, to achieve this goal, multiple hierarchical regression analysis is conducted to test the controller effects. Barrow and Kenny (1986) followed multiple hierarchical regression. The structural equations of the three models are as follows.

6. Description of data and variables

The description statistics of audit report lag and management lag and total report lags of Pakistani firms are given in below [Table 2](#).

The finding shows that audit report lags that has mean of 68.24308 with the maximum period of 564 days and the minimum period of 2 days. The maximum value 564 is related to audit report lags are so high that is related to only one high company ratio. Pakistani listed firms have an average total report lags of 109.2123 with maximum value of 613 and minimum value of 51 days. The 613 days is due to the one listed firm whose audit report lag is greater than the other one. The results show that majority of the firms submitted their audited annual report within 109.2123 days that is more important related to the code of the compliance of corporate governance of 120 days. Some firms have higher value due to some facts and other factors that influence the economic structures like political instability.

The descriptive statistics show that Board independence has an average of the 1.75 that is approximately 2 independent average members in total board. These finding generally follow the SECP rules and code of governance of Pakistan which recommended in board that mostly board is independent from the management at least one in total board composition. The mean value of the board size (BSIZE) is 8.95 members that is with maximum member is 17 and minimum is 7 that is accordance within standard of the corporate governance. CEO duality descriptive statistics shows that an average of 0.13 of Pakistani listed firms. It means that 0.13 has combined role of CEO and the chairman that is related to corporate governance of Pakistan that CEO role should be separated from the Chairman. The Board diligence (BDILIG) has the average of the 5.51 with minimum of 1 and with maximum of 24 meetings that is also fulfill the corporate governance of Pakistan that at least one meeting in each quarter that total is 4 minimums and has no limit for maximum and in this research two firms with board diligence of the 1 and 3 in a financial year has not fulfill the standard the law of the corporate governance. The presence of the audit committee has the average of 0.97 with maximum value 1 for existence but 0 for nonexistence means that mean is near to 1 and shows near about all companies except some has fulfill the corporate governance of Pakistan. ABN auditor brand name has the average of 0.80 that shows that companies audited by big 4 audit firms in Pakistan. ACH auditor change has average of 0.02 that shows that minimum firms change their auditor compared to previous year. AOP result shows that auditor opinion 95.08% are unqualified that fulfill the requirement of the corporate governance of Pakistani has average of the 0.22 that shows that 22% firms has NAS non-audit services provided by the auditor like financial services as an advisory member Family ownership in Pakistan has mean value of the

Table 2. Descriptive statistics of report lags variables

	Audit report lags	Management report lags	Total report lags
Description	Days	Days	Days
Minimum	2	1	51
Maximum	564	90	613
Mean	68.243	40.938	109.2123
Median	68	40	112
Std. Deviation	36.556	13.548	34.278

.5046 that shows that 50.46% are family owned firms in Pakistan. Firm's size increased day by day in Pakistan and that is a good sign for Pakistan economy and profitability trend is also great of sign for good economy that has mean value is 20.53 rupees per share profitability.

7. Analysis and findings

We examine the relationship between corporate governance and timelines of financial reporting model (audit report model, management report model and total report model). Some hypotheses were related to board characteristics and some were related to audit committee, audit quality, ownership structure and control variables also. We used the pooled OLS method for the purpose of the analysis because it is better for the pooled data analysis for investigating the relationship between variables. In the pooled OLS, there are two choices: random effect model and fixed effect model. Similarly, if we take one complete sector firm with constant effect with respect to times, then the fixed effect model is appropriate. In this study, we used the different firms on the basis of the random sampling from two sectors listed in Pakistan Stock Exchange and therefore the random effect model should be appropriate. To explore this selection more, we used the Hausman specification test for the appropriation selection of random effect model. The Hausman specification test results in the processed data are significant at 1% level of significant shows that the random effect model in this investigation is appropriate and efficient that give accurate investigations and that is why we used the random effect model in the result interpretations. Moreover, before the analysis, some assumptions should be fulfilled by testing the data. In the pooled data, only one problem existed that is the autocorrelation or endogeneity. To test the autocorrelation, we performed the Hausman test for autocorrelation for the purpose of Durbin-Watson value. In Hausman test, Durbin-Watson value is 2.01 that is near to 2, which means that there is no autocorrelation or endogeneity problem existing in the dataset. Durbin-Watson value has a range between 0 and 4 but 2 or nearabout to 2 is considered the best that shows there is no endogeneity problem existing in the dataset. From the findings of the endogeneity, we

Table 3. Results of regression analysis of pooled OLS model

Variables	Model No. 1	Model No. 2	Model No. 3
ABN	-2.520 (0.012**)	2.889 (0.004***)	-1.383 (0.167)
ACH	0.962 (0.336)	-1.549 (0.122)	0.330 (0.741)
ACM	0.917 (0.359)	-0.471 (0.637)	0.752 (0.452)
AIND	-0.936 (0.349)	-1.916 (0.056*)	-0.125 (0.900)
AOP	-5.658 (0.000***)	0.080 (0.935)	-5.818 (0.000***)
BDILIG	5.196 (0.000***)	-1.148 (0.251)	4.875 (0.000***)
BIND	-4.844 (0.000***)	2.268 (0.024**)	-4.046 (0.000***)
BSIZE	1.870 (0.162)	-1.485 (0.138)	1.315 (0.189)
CEO	1.150 (0.250)	-1.341 (0.180)	0.614 (0.539)
FOW	-0.416 (0.677)	-0.748 (0.045*)	-0.123 (0.901)
LOGSIZE	0.306 (0.759)	0.292 (0.770)	0.439 (0.660)
PROFIT	-1.35 (0.176)	3.034 (0.002***)	-0.122 (0.902)

Model 1 = Audit report lags, Model 2 = Management report lags, Model 3 = Total report lags

investigated that there is no autocorrelation between the variables and then we go further into random fixed effect model results as shown in [Table 3](#).

For the model fitness, regression analysis shows that R2 and adjusted R2 for ARL model are 0.2733 and 0.2454, respectively. Model 1 is significant that shows F-statistics = 9.7826 and $P < 0.0015$, indicating that the model significantly explains differences among ARL of Pakistani listed firms. For model 2, the R2 is 0.115, indicating that the model will be able to interpret 11.50% of the variability of management lags. The adjusted R2 is 8.11% that shows variation in the dependent variables in model. This model is highly significant in which F-statistics is 3.3827 and $P < 0.000115$, suggesting that MRL model significantly describes the variations in the reporting lags of Pakistani firms. Total Report lag (TRL) means that it is the number of the date when financial year end to company release audited financial report to general public. Model 3 is significant in which $F = 7.6691$ and $P < 0.00000$ and adjusted R2 is 0.1980 and R2 is 0.2277, which shows the total variance in the timelines of financial reporting. The next section is used to testing of the hypothesis using these models. From the results, we concluded that the estimated models are fit on that statistics basis.

Regression results describe that independence of board is significantly and negatively related to ARL. This finding shows that more independence of board releases their financial reports in early. The Audit report lag (ARL) model shows positive and significant relationship between board independence and timelines of financial reporting. This means that when the frequency of meeting is greater, financial reporting is delayed. It shows that high numbers of meeting increased lags. The TRL model has a positive and significant relationship that shows higher number of meeting increases lags. By seeing this problem, we should take the lag value of the dependent variable for removing the endogeneity problem, and after solving this problem, results are similar, but with the addition of the moderator ownership concentration results are negatively related and significant that shows ownership concentration has impact between corporate governance and timelines. In ARL model, audit committee is positively related and there is no significant relationship between audit committee and timelines of financial report audit report lag. In Total reporting lags(TRL) model results, there is negative significant relationship between auditor's opinion and audit report lag. That result shows that auditor opinion has a pronounced effect on audit report lag. The TRL model has negative and significant relationship between auditor opinion and total report lag. In this section, all three models are (TRL, MRL and ARL) positively and not significant relationship between auditor change and timelines of financial reporting in Pakistan. It shows that auditor with longer tenure will not affect in reducing the lags. The ARL and MRL models show the significant relationship between timelines of financial reporting audit report lag and management report lags. These results show that auditor brand name has effect on reducing the financial lags. The management report lag model shows negative and significant relationship between auditor independence of external auditor and timelines of financial reporting with. This result shows that NAS is useful in reducing the management report lag. The results are supported by the previous research Knechel and Sharma (2012) that tells that NAS is useful in reducing management lags. MRL has a negative relationship that shows that family-owned firms have strict control over the management and have arranged most of the time to solve the agency problems and correct the errors in a timely manner. These results are partially supported in that highly family-owned firms are positively related to timelines of financial reporting. The MRL model has a significant and positive relationship. This shows that in companies in Pakistan, when the profitability is good, the financial report is published early by the management.

8. The moderating effect of ownership concentration

This study uses the regression analysis to test the moderating effects of the ownership concentration on internal corporate governance of Pakistani firms with timelines of financial reporting. The question asked in the current study is as follows: Does ownership concentration has moderating effect on timelines of financial reporting? The answer to this question is given in this analysis. Ownership concentration (5% shareholders members and more) is a proxy first used by Zureigat (2011). The given models explain the moderating effect a shown in [Table 4](#), [5](#) and [6](#).

Table 4. Moderating effect of ownership concentration (Model ARL)

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
ABN	-2.520 (0.012**)	-2.499 (0.012**)	-2.511 (0.012**)	-2.525 (0.012**)	-2.526 (0.012**)	-2.484 (0.013**)	-2.516 (0.012**)	-2.521 (0.012**)
ACH	0.962 (0.336)	0.982 (0.326)	0.990 (0.322)	0.942 (0.346)	0.986 (0.324)	0.954 (0.340)	0.950 (0.342)	0.848 (0.396)
ACM	0.917 (0.359)	0.911 (0.362)	0.866 (0.387)	0.925 (0.355)	0.911 (0.362)	0.932 (0.351)	0.835 (0.403)	0.531 (0.595)
AIND	-0.936 (0.349)	-1.034 (0.301)	-0.979 (0.328)	-0.862 (0.389)	-0.942 (0.346)	-0.939 (0.348)	-0.888 (0.375)	-0.932 (0.351)
AOP	-5.658 (0***)	-5.683 (0.00***)	-5.633 (0.00***)	-5.568 (0.00***)	-5.633 (0.00***)	-5.655 (0.00***)	-5.570 (0.00***)	-5.625 (0.00***)
BDILIG	5.196 (0***)	4.435 (0.00***)	5.190 (0.00***)	5.158 (0.00***)	5.192 (0.00***)	5.174 (0.00***)	5.157 (0.00***)	4.429 (0.00***)
BIND	-4.844 (0***)	-4.875 (0.00***)	-2.750 (0.0063***)	-4.709 (0.00***)	-4.841 (0.00***)	-4.816 (0.00***)	-4.747 (0.00***)	-1.575 (0.116)
BSIZE	1.870 (0.162)	1.819 (0.069*)	1.824 (0.069*)	1.661 (0.097*)	1.873 (0.062*)	1.823 (0.069*)	1.874 (0.0618*)	-0.573 (0.566)
CEO	1.150 (0.250)	1.150 (0.257)	1.150 (0.250)	1.148 (0.251)	0.781 (0.435)	1.155 (0.248)	1.147 (0.252)	0.794 (0.427)
FOW	-0.416 (0.677)	-0.572 (0.567)	-0.473 (0.636)	-0.323 (0.746)	-0.427 (0.669)	-0.462 (0.644)	-0.337 (0.735)	-0.370 (0.711)
LOGSIZE	0.306 (0.759)	0.287 (0.774)	0.305 (0.760)	0.313 (0.754)	0.336 (0.737)	0.248 (0.803)	0.307 (0.758)	0.258 (0.796)
PROFIT	-1.35 (0.176)	-1.244 (0.214)	-1.248 (0.2129)	-1.381 (0.168)	-1.345 (0.179)	-1.378 (0.169)	-1.360 (0.174)	-1.558 (0.120)
OCN*BDILIG		-0.611 (0.5411)						-2.453 (0.014**)
OCN*BIND			-0.423 (0.672)					-0.418 (0.676)
OCN*BSIZE				0.284 (0.076*)				1.693 (0.091*)
OCN*CEO					-0.226 (0.821)			-0.260 (0.794)
OCN*FOW						0.269 (0.787)		0.185 (0.853)
OCN*ACM							0.172 (0.863)	0.292 (0.769)

*Significant at 0.1, **significant at 0.05 level, ***significant at level 0.01.

Table 5. Moderating effect of ownership concentration (Model MRL)

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
ABN	2.889 (0.004***)	2.977 (0.003***)	2.901 (0.004***)	2.990 (0.003***)	2.858 (0.004***)	2.815 (0.005***)	2.902 (0.004***)	3.048 (0.002***)
ACH	-1.549 (0.122)	-1.476 (0.140)	-1.471 (0.142)	-1.422 (0.156)	-1.463 (0.144)	-1.531 (0.126)	-1.443 (0.149)	-1.598 (0.110)
ACM	-0.471 (0.637)	-0.492 (0.622)	-0.571 (0.568)	-0.554 (0.580)	-0.472 (0.637)	-0.520 (0.603)	0.116 (0.907)	-0.210 (0.833)
AIND	-1.916 (0.056*)	-1.440 (0.150)	-1.784 (0.075*)	-1.459 (0.145)	-1.909 (0.057*)	-1.927 (0.054*)	-1.508 (0.132)	-1.298 (0.195)
AOP	0.080 (0.935)	-0.243 (0.807)	-0.098 (0.921)	-0.203 (0.838)	0.083 (0.933)	0.101 (0.919)	-0.216 (0.828)	-0.210 (0.833)
BDILIG	-1.148 (0.251)	0.593 (0.553)	-0.978 (0.328)	-1.006 (0.315)	-1.144 (0.253)	-1.118 (0.264)	-0.979 (0.328)	0.468 (0.639)
BIND	2.268 (0.024**)	2.050 (0.041**)	2.193 (0.029**)	1.848 (0.065*)	2.261 (0.024**)	2.224 (0.026**)	1.913 (0.056*)	0.014 (0.988)
BSIZE	-1.485 (0.138)	-1.667 (0.096*)	-1.563 (0.118)	-0.647 (0.517)	-1.480 (0.139)	-1.387 (0.166)	-1.611 (0.108*)	-0.705 (0.481)
CEO	-1.341 (0.180)	-1.346 (0.179)	-1.337 (0.182)	-1.348 (0.178)	-0.620 (0.535)	-1.358 (0.175)	-1.333 (0.183)	-1.085 (0.278)
FOW	-0.748 (0.045*)	0.047 (0.961)	0.598 (0.550)	0.118 (0.905)	0.742 (0.458)	1.031 (0.303)	0.021 (0.983)	-0.479 (0.631)
LOGSIZE	0.292 (0.770)	0.221 (0.824)	0.291 (0.770)	0.235 (0.814)	0.299 (0.764)	0.426 (0.670)	0.266 (0.790)	-0.024 (0.980)
PROFIT	3.034 (0.002***)	3.385 (0.000***)	3.163 (0.001***)	3.420 (0.000***)	3.030 (0.002***)	3.119 (0.002***)	3.401 (0.000***)	3.113 (0.002***)
OCN*BDILIG		-2.396 (0.017*)						-1.033 (0.302)
OCN*BIND			-0.973 (0.331)					1.038 (0.299)
OCN*BSIZE				-2.239 (0.025**)				-0.209 (0.834)
OCN*CEO					-0.073 (0.941)			0.501 (0.616)
OCN*FOW						-0.731 (0.464)		0.517 (0.605)
OCN*ACM							-2.132 (0.033**)	-0.003 (0.996)

*Significant at 0.1, **significant at 0.05 level, ***significant at level 0.01.

Table 6. Moderating effect of ownership concentration (Model TRL)

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
ABN	-1.383 (0.167)	-1.340 (0.181)	-1.371 (0.171)	-1.356 (0.175)	-1.401 (0.162)	-1.378 (0.169)	-1.383 (0.167)	-1.322 (0.187)
ACH	0.330 (0.741)	0.388 (0.697)	0.393 (0.694)	0.368 (0.712)	0.390 (0.696)	0.330 (0.741)	0.368 (0.713)	0.192 (0.847)
ACM	0.752 (0.452)	0.742 (0.458)	0.658 (0.510)	0.728 (0.466)	0.746 (0.455)	0.748 (0.455)	0.919 (0.358)	0.466 (0.640)
AIND	-0.125 (0.900)	-0.436 (0.662)	-0.226 (0.820)	-0.248 (0.803)	-0.134 (0.892)	-0.124 (0.901)	-0.254 (0.799)	-0.387 (0.698)
AOP	-5.818 (0.000***)	-6.003 (0.00***)	-5.873 (0.000***)	-5.849 (0.000***)	-5.791 (0.000***)	-5.806 (0.000***)	-5.858 (0.00***)	-5.935 (0.00***)
BDILIG	4.875 (0.000***)	4.847 (0.00***)	4.946 (0.000***)	4.903 (0.000***)	4.873 (0.00***)	4.865 (0.000***)	4.914 (0.00***)	4.790 (0.00***)
BIND	-4.046 (0.000***)	-4.193 (0.000***)	-1.917 (0.056*)	-4.094 (0.000***)	-4.045 (0.00***)	-4.035 (0.00***)	-4.106 (0.00***)	-1.635 (0.102*)
BSIZE	1.315 (0.189)	1.195 (0.233)	1.235 (0.217)	1.457 (0.146)	1.319 (0.188)	1.307 (0.192)	1.271 (0.204)	-0.885 (0.376)
CEO	0.614 (0.539)	0.619 (0.535)	0.618 (0.537)	0.614 (0.539)	0.538 (0.590)	0.612 (0.540)	0.619 (0.536)	0.356 (0.721)
FOW	-0.123 (0.901)	-0.583 (0.560)	-0.246 (0.805)	-0.295 (0.767)	-0.137 (0.890)	-0.049 (0.960)	-0.351 (0.725)	-0.599 (0.549)
LOGSIZE	0.439 (0.660)	0.390 (0.696)	0.438 (0.661)	0.421 (0.673)	0.473 (0.636)	0.436 (0.663)	0.429 (0.667)	0.254 (0.799)
PROFIT	-0.122 (0.902)	0.129 (0.897)	0.040 (0.967)	0.002 (0.997)	-0.114 (0.908)	-0.112 (0.910)	0.017 (0.985)	-0.301 (0.763)
OCN*BDILIG		-1.647 (0.100*)						-2.982 (0.00***)
OCN*BIND			-0.849 (0.396)					0.013 (0.989)
OCN*BSIZE				-0.653 (0.514)				1.664 (0.097*)
OCN*CEO					-0.261 (0.793)			-0.053 (0.957)
OCN*FOW								0.418 (0.675)
OCN*ACM						-0.028 (0.977)		0.300 (0.764)

*Significant at 0.1, **significant at 0.05 level, ***significant at level 0.01.

This method was used by Kim et al. (2009) who described hierarchical regression model specification that is more effective in describing moderating effect of different variables. This method was also used by Baron and Kenny 1986. According to Aguinis and Gottfredson (2010), moderating and predictor were often standardized.

In ARL model, BSIZE is not significant when entering the ownership concentration in equation and board size has a positive significant relationship that shows that ownership concentration has a moderating effect between corporate governance and ARL model. The value of the R2 and adjusted R2 is also changed from previous in the simple OLS results and also significant in moderation findings. It shows that when a board size has a greater number, audit report lag is increased.

In MRL model, there is no significant result that shows ownership concentration has no moderating effect between corporate governance and management report lags. Ownership concentration has 5% or more share in company. Ownership concentration does not change the results of previous regression, hence no effect as a moderator.

In TRL model, BSIZE is not significant when entering the ownership concentration in equation and board size has a positive significant relationship that shows that ownership concentration has a moderating effect between corporate governance and TRL model. The value of the R2 and adjusted R2 is also changed from previous regression results and the overall result is significant. It shows that when a board size has a greater number, the total report lag is increased. The current study stated that ownership concentration has a moderating impact between board size and timelines of financial reporting.

The board diligence in previous model is positively related and significant, but by the addition of the moderating variable, board diligence is negatively related and significant which means that when the frequency of meeting is greater, financial reporting is done earlier. It shows that high numbers of meeting reduce lags. The MRL model is negatively related and significant. The TRL model is negatively related and significant that shows higher number of meetings reduces lags. By the moderating variable, ARL, MRL and TRL are negative and significantly related to timelines of financial reporting. It means that the higher number of meetings of the board reduces the lags and increases the audit quality.

Moderating variable ownership concentration also impacts that changed the results of the ACM (audit committee presence) from no impact to negatively significant, which means that the presence of the audit committee reduces the lags and increases the audit quality.

9. Discussion and conclusion

The description of results gives more information about the corporate governance of firms listed on Pakistan Stock Exchange. Different tools are used in comprehensive data evaluation to increase the benefits of companies, legislation and government control. These findings fulfill gap between the investors and corporate governance by improving the confidence and enhancing the business of the country.

Increase in the timelines of financial reporting has many serious problems for decreasing tendency of the business and goodwill as well. The main objective of this study is to measure the corporate governance relationship with timelines of financial reporting by fulfilling the laws and regulations of Islamic Republic of Pakistan. The problem of delaying in release of the financial reports is arising which affects the quality of the reporting in Pakistan. The board independence, board size and board diligence have already been discussed in previous studies. However, in Pakistan, no one ever worked on timelines of financial reporting and moderating effect of the ownership concentration on quality reporting. The timelines of financial reporting should be measured by the audit report lag, management report lag and total report lags. A hierarchical regression analysis is used to check the moderating effect of ownership concentration

listed firms on Pakistan Stock Exchange from 2013 to 2017 by taking annual frequency data. As per our knowledge, the ownership concentration moderating study is conducted for the first time in Pakistan.

According to the agency theory, the presence of audit committee is reducing the agency problem (Yonis, 2016). Our results are non-significant that have no effect on the presence of audit committee on financial reporting lags in TRL, MRL and ARL models. Our results are contrasting with those of Afify (2009) that conclude that the presence of audit committee reduces the lags. It depends upon the structure of the country. Internal reporting theory assumes that major delay occurred in releasing the report when there was a qualified news report (Dogan et al., 2007). Our result shows a negative and significant relationship in ARL and TRL models. These show that when a company has an unqualified report, the financial reports must be released earlier. In MRL model, results are not significant and have no impact of auditor opinion on management lag. Our finding is partially related to that of Ashton et al. (1987). They found that auditor opinion had negative and significant relationship that reduced lags. The current study found insignificant relationship in ARL, MRL and TRL models that shows no effect of auditor change in previous years on reducing the lags. These results are similar to those of Lee et al. (2009) that found changing of auditor was costly and inefficient. These results are opposite to those of Schwartz and Soo (1996) that found auditor change reduces the lags. Related to the agency theory, the big audit firms should reduce the lags. In the current study, ARL result is negatively significant that shows big firms of audit reduced the audit report lag and total report lags. These results are similar to those of Abu Hajja (2010) that found big audit firms perform better and reduce lags. The current research has a positive and significant relationship of ABN to MRL. It means auditor brand name increases the management report lags that management takes time to correct the error present in audit objection. These audit objections are normal in financial reporting and take time for correction of normal error corrections. The result of the current study indicates the non-significant relationship of external auditor in ARL. This means that external auditor has no effect on audit report lags and total report lags. In MRL model, results are positively significant that show auditor has effect on MRL, provided services to management and management efficiency increased. It also increases the management report lag because of the positive relationship.

The result of the current study has no significant association between family ownership and timelines of financial reporting in ARL and TRL models. The current hypothesis is that there is a positive relationship in case of regression. The results indicate that there is no significant relationship between ARL and TRL models. There is a negative relationship in MRL model that confirms family firms have restricted control over the management and reduce management report lag and increase audit quality. These results are partially supported in that highly family-owned firms are negatively related to timelines of financial reporting. The result shows that there is a negative association and a non-significant relationship between profitability and ARL model. The MRL model has a significant and positive relationship. The TRL model is non-significant. This shows that when the profitability is good in the companies in Pakistan, financial report is published early by the management. In the current study, the results are insignificant in ARL, MRL and TRL models that show there are no effects of the company size on timelines of financial reporting. The current research is consistent with the results of the study by Leventis and Weetman (2004) that showed there was no effect of size on financial reporting lag.

9.2. Moderating effect of the ownership concentration between corporate governance and timelines of financial reporting

The board size is insignificant without a moderating variable. When adding a moderating variable, results are positive and significant. It means that larger board increases the lag and ownership concentration. So, this confirms that there is a moderating effect between them.

The board diligence in the previous model is positively related and significant, but by addition, the moderating variable board diligence is negatively related and significant. This means that when the frequency of meeting increases, financial reporting is done earlier. It indicates that a high number of meetings reduce lags and MRL model is negative and significant. The TRL model has a negative relationship and is significant that shows higher number of meeting reduces lags.

The moderating variable in ARL, MRL and TRL is negative and significantly related to the timelines of financial reporting. It means that the higher number of meetings of the board reduces the lags and increases the audit quality. Moderating variable ownership concentration also impacts ACM (audit committee presence) and results are negatively significant, which means that the presence of the audit committee reduces the lags and increases the audit quality.

10. Implication of the study

This study provided some important implications for policy-makers, investors, government, academic and practitioners. The work on corporate governance is usually driven by the agency perspective that firms use corporate governance mechanisms to control agency dispute among companies. Pakistan Corporate Governance Principles emphasize effective governance principles for capital market development and accountability. In this context, the Securities Commission of Pakistan established a corporate governance code for companies listed in the Pakistan Stock Exchange in 2013 to 2017. The main purpose of such a code is to support the roles, responsibilities, and roles of the board and auditors. Although the Pakistani government has made attempts to promote the best governance practices in the country, many scholars and regulatory bodies are pessimistic about whether the same developed state administration can work effectively in a different legal system, a nation characterized by work culture and institutional structure. The current research finding is useful for the financial user around the world that gives confidence to investors and how to invest in the esteemed organizations within Pakistan. The main object of this study is to evaluate the financial report of the firms and forecasting the trend of profit.

11. Limitation of the study

This study provides a clear vision about how corporate governance affects the timelines of financial reporting in Pakistan. However, we face following limitations in this study. Due to a lack of disclosure in the annual financial statements of the company, some variables related to characteristics of board such as board knowledge and expertise, board gender diversity, meeting and hiring of the directors information are missing in annual reports and that is the limitation of the study. This is also difficult because data are not available in their financial reports and on their websites.

12. Future research suggestion are follows

Corporate governance affects the timelines of financial reporting of developed country and takes comparison with developing nation or emerging economy. In ownership structure, the effect of managerial ownership and institutional ownership should be a part of a research. The direct effect of ownership concentration on timeline should be the part of the next research.

Further study should be conducted on other corporate governance and management structure. Moreover, future study should be conducted on the factors that influence the delays in financial reporting.

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