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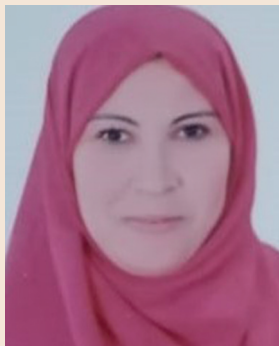
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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Beyond the depth of narratives, does the multi-layer monitoring-driven view matter in disclosure? Evidence from MENA countries

Maysa Ali M. Abdallah^{1*}

Abstract: This study goes beyond firm-specific characteristics to assess the role of multi-layer monitoring mechanisms on narrative disclosure in the Middle East and North Africa (MENA) regions. By using a neo-institutional perspective and analyzing data from 154 non-financial firms between 2015 and 2018, this study reveals that the depth of narratives in MENA countries falls short of expectations after the global reporting initiative guidance. In addition, both firm and national monitoring mechanisms put enormous pressure on management to increase the content of narrative reports. The firm monitoring mechanisms presented in board independence, gender diversity, and institutional ownership enhance the richness of narrative sections. Considering the rule of law and regulations quality, the results reveal that the uniqueness of the MENA national mechanisms affects the firm-level characteristics, which causes regional differences among MENA firms. Furthermore, the quality of national monitoring mechanisms moderates the effect of institutional ownership on the depth of the narrative information, since firms owned by



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Maysa A. Abdallah is a researcher and lecturer in the field of Accounting, Governance, Development, and Sustainability. She is currently a Lecturer of Accounting at Tanta University and has previously held academic roles at Delta University of Science and Technology. Maysa's research interests include corporate governance, financial reporting, market-based accounting research, corporate social responsibility, and sustainability accounting and reporting. She has published papers in internationally leading journals, including the *Managerial Auditing Journal*. Maysa's teaching interests encompass Accounting, Finance, and Governance, and she has taught modules such as Business Ethics, Advanced Financial Accounting, and Accounting Information Systems to undergraduate and postgraduate students. The research reported in this paper is a part of Dr Maysa's wider research agenda on accounting and governance in the Middle East and North Africa (MENA) region.

PUBLIC INTEREST STATEMENT

The transparency and disclosure of information by companies are crucial for stakeholders to make informed decisions about investing or engaging with the company. In the Middle East and North Africa (MENA) region, where there are diverse political and economic landscapes, monitoring mechanisms play a significant role in influencing the depth of narrative disclosure by firms. This study explores the importance of multi-layer monitoring mechanisms, including both firm and national mechanisms, on narrative disclosure in MENA countries. The findings shed light on the regional differences among MENA firms and the role of monitoring mechanisms in shaping narrative disclosure. This research has important implications for policymakers, investors, and other stakeholders who are interested in promoting transparent and informative corporate reporting in the MENA region.

institutional investors and operating in highly regulated countries are more likely to display deeper narratives. This study provides significant evidence regarding the effects of both firm and national monitoring mechanisms on the depth of narratives, drawing on evidence from international companies with diverse boards in terms of independence and gender and operating in highly regulated countries. This work offers unique insights from the neo-institutional theory, which asserts that firms adopt social norms and rules into their operations and structures to gain social acceptance and legitimacy.

Subjects: Financial Accounting; Financial Statement Analysis

Keywords: Neo-institutional theory; multi-layer monitoring mechanisms; institutional ownership; rule of law quality; regulatory quality; depth of narratives

1. Introduction

The importance of narrative disclosure and appropriate monitoring procedures has increased globally since the 2007/2008 financial crisis, particularly for firms seeking foreign investment and aiming to build trust with their stakeholders (Abdallah, 2021; Barakat & Hussainey, 2013; Elmagrhi et al., 2018; Haque, 2018; Mousa et al., 2022). The crisis reignited debates about the need for relevant information, which acts as a catalyst for more empirical studies that focus on different patterns of information disclosure, such as narrative, qualitative, and forward-looking disclosure. Moreover, it enhances the public interest in monitoring the reporting process reforms (Elamer et al., 2019; Garefalakis et al., 2016).

Prior studies (Beattie et al., 2004; Iatridis et al., 2021) and professional associations such as the Canadian Institute of Chartered Accountants (CICA, 2002) and the International Accounting Standard Board (IASB, 2010) have recognised the importance of narrative disclosure and continued to improve the quality and quantity of information provided to all stakeholders. Since, the narrative disclosures, complement the traditional statements to convey a full picture of the firm from a managerial point of view. In addition, they enable the consideration of intangible corporate values that cannot be captured in financial statements, such as management quality, innovation, and knowledge resources, as all of them were considered the driving forces for accounting-related results (Aerts, 2015; Mousa et al., 2022). Therefore, it is crucial not only to investigate the volume of information available but also the way the message is being communicated (Abdallah & Eltambohy, 2022; Blankespoor, 2018; Mousa et al., 2022; Pennebaker et al., 2003) in terms of breadth and depth (e.g. how diverse and rich the information being presented is) (Beattie et al., 2004; Greene et al., 2006; Naser et al., 2002). This in turn motivates a greater focus on narrative disclosure.

The accountability of firms toward their stakeholders places an ever-increasing emphasis on communicating more diverse and rich narrative information to maintain the sustainability of all publicly traded, privately held, and state-owned firms.¹ Corporate governance codes stress the effective role of both internal and external monitoring mechanisms (e.g. board of directors, audit committee, internal audit, and external audit) on disclosure, transparency, and accountability principles. Despite the growing importance of internal monitoring mechanisms on information disclosure, there is little evidence available in the literature that addresses the impact of national monitoring mechanisms on the reporting process (Filatotchev & Boyd, 2009; Elamer et al., 2019, 2020). Hence, this study takes a step on that path and discusses the role of multi-layer monitoring mechanisms in reshaping narrative disclosure in the MENA region.²

The motivation for this paper is to examine the impact of multi-layer monitoring mechanisms on the depth of narratives (Depth_N) in MENA non-financial firms. The study seeks to go beyond firm-specific characteristics and explore the impacts of multi-layer monitoring mechanisms on

Depth_N. The authors use a neo-institutional lens to investigate this issue, focusing on 154 non-financial firms in the MENA region from 2015 to 2018.

The current study draws evidence from MENA countries as they provide a unique context for measuring the influence of the multi-layer monitoring mechanisms on narrative disclosure for multiple reasons, including first, the unique cultural, social, economic, and political characteristics of this region. These factors create a distinct context for corporate reporting practices, and thus studying companies in this region can provide valuable insights into the relevance of the multi-layer monitoring-driven view in disclosure practices. MENA countries, like other emerging markets, have faced a variety of challenges regarding corporate governance (CG) practices. Hassan (2009), Samaha et al. (2012), and Abdallah et al. (2023) identified a variety of challenges, including the prevalence of dual chief executive officer (CEO) roles, a limited degree of board independence, a lack of transparency and disclosure practices, and a lack of experience board members.

Second, several regulators and policymakers in MENA have undertaken extensive reforms of business monitoring regulations, including the implementation of international accounting standards (IFRS) and CG guidance, which require firms to communicate more in-depth information about their strategies, risk management policies, social responsibility, and CG practices. Over the last several decades, CG structures have undergone substantial changes in MENA countries. For example, Oman issued the first CG code in MENA in 2002, for listed companies on the Muscat securities market (Baydoun et al., 2012).

In 2006, Saudi Arabia adopted a code of CG (Baydoun et al., 2012). In 2006, Egypt published its first code for state-owned enterprises (SOEs) and private-sector organizations. Also, UAE CG guidelines were issued in 2007 for joint-stock companies (Hassan, 2009; Muzahem, 2011). Third, most MENA countries share common cultural traits such as strong Islamic values, which have the potential to affect transparency, and commitment to fair monitoring practices and regulations (Al-Bassam & Ntim, 2017; Haniffa & Cooke, 2005; Sarhan et al., 2019). Fourth, there are also many rapidly growing countries in the Gulf Cooperation Council (GCC), which have recently received media attention (for instance, the United Arab Emirates) (Neaime, 2016). Also, MENA regions are characterised by a high concentration of ownership structures (e.g., family ownership and government ownership), and narrative disclosure on different issues affects finance decisions.

One of the important studies in MENA countries (e.g., Mousa et al., 2022) indicates that the higher the volume of narrative disclosure, the lower the cost of capital. So this region offers an interesting context for studying the effectiveness of narrative disclosures and ownership structures. Consequently, this study aims to extend the literature by examining the impact of multilayer factors on the depth of narratives (Depth_N) in MENA. In addition, how national monitoring mechanisms (NMM) can improve the power of shareholders to require more Depth_N from a “neo-institutional lens”. The researcher developed a self-constructed narrative disclosure index based on the predefined wordlist for the Corporate Financial Information Environment (CFIE) project. This list covers firms’ strategy, risk and uncertainty, governance, and corporate social responsibility (CSR) narratives. Besides the annual reports as the main source of narrative information (Bassyouny et al., 2020; Yekini et al., 2016).

The study found that multi-layer monitoring-driven view mechanisms (MLMDV) affect how MENA executives treat shareholders and disclose information. Firms with more independent and female directors provide deeper narrative information, while those with significant institutional ownership provide more elaborate narratives to comply with regulatory requirements and gain government support. The study also suggests that institutionally owned firms in highly regulated countries may seek to increase their social acceptance by disclosing social responsibility, strategies, risks, and uncertainties. These findings support the neo-institutional hypothesis that MENA’s institutional environment is influencing firms’ values and attitudes towards transparency, disclosure quality, and accountability.

To the best of my knowledge, this study contributes to the existing disclosure literature in several ways. First, the empirical results provide new evidence regarding the impact of internal monitoring mechanisms (IMM) on Depth_N, particularly in the MENA context. Second, it also contributes to the debate on the determinants of the richness of narrative disclosure by highlighting NMM as a novel dimension of information disclosure; these findings inform various stakeholders' decisions in MENA non-financial firms, such as investors, governments, and regulators. Third, this study underlines the monitoring power of ownership structures within MENA firms, where firms with rigorous institutional shareholders actively seek to win government and institutional support by complying with codes and social rules that may help in legitimising their operations. Fourth and last, the current study expands the extant literature by offering practical novel evidence that NMM improves the power of shareholders to monitor managerial decisions, including those relating to disclosures, through testing the moderation effect of NMM on the relationship between ownership structure and Depth_N. This result has the potential to help investors and regulators to understand the effect of macro-level factors such as the rule of law and regulatory quality on the depth of narrative disclosure.

The rest of the current paper is structured as follows: Section 2 states the neo-institutional theory perspective, and Section 3 reviews the relevant literature and develops the research hypotheses. Section 4 investigates the research methodology. Whereas the empirical results are viewed in Section 5, Section 6 includes the discussion of the empirical results, and finally, section 7 includes the research conclusions and limitations.

2. Neo-institutional theory perspective

A wide variety of theoretical frameworks have been applied to explain the variations in disclosure at the firm level, for example, Agency theory, Stakeholder theory, Resource dependency theory, Upper-echelon theory and Resource dependency theory. The neo-institutional theory has received more attention in multidisciplinary studies (Christopher, 2010; Elamer et al., 2019; Ntim et al., 2013). Since, the neo-institutional perspective provides different intuitions to interpret narrative disclosure and allows a deeper understanding of the impact of multi-layered monitoring mechanisms on the depth of narratives in distinct regulatory and institutional contexts (Elamer et al., 2020; Haque & Ntim, 2018).

The neo-institutional perspective proposes that each firm's environment exerts pressure on it to adapt to remain competitive and survive (DiMaggio and Powell, 1991; Chan & Ananthram, 2020). Both internal and external factors, such as internal control mechanisms, policies, leadership, and a country's political, economic, and legal systems, impact firms' attitudes and strategies. The prevalence of a company's individual personalities, personal interests, unique habits, and external commitments makes it difficult to align purposefully with an organization's goals (Balakrishnan et al., 2017). Additionally, socio-political factors, such as the transition from a highly centralized and managed economic policy to a relatively decentralized and market-based system, also affect organizations (Sun et al., 2017).

According to the neo-institutional theory, firms that strategically integrate social norms and rules into their operations and structures enhance their legitimacy by gaining acceptance and trust from the public (Beddewela and Fairbrass, 2016). Therefore, the theory incorporates both efficiency and legitimacy perspectives. Effective monitoring mechanisms would result in deeper narrative disclosures, which can mitigate conflicts of interest and reduce information asymmetry between management and shareholders (Abraham & Cox, 2007; Elamer et al., 2020). Firms compete not only for efficiency by acquiring critical resources but also for effectiveness by gaining legitimacy and social approval. (Elamer et al., 2020; Zattoni & Cuomo, 2008).

The neo-institutional theory conceptualizes environmental pressures as institutional isomorphism, which refers to the possibility that various internal and external pressures can influence firms' goals and strategies. DiMaggio and Powell (1983) classified isomorphism into three types: regulatory/coercive, normative, and mimetic/cognitive isomorphism. Coercive isomorphism encompasses

regulatory pressures from legal and political systems, while mimetic/cognitive isomorphism refers to the environmental uncertainty that may drive firms to adopt certain professional best practices to achieve competitiveness, such as corporate governance codes, GRI and CSR initiatives, quality programs, and Six Sigma, to achieve competitiveness. Normative isomorphism applies to professional norms established by various professional organizations that can affect several aspects of management motivations and attitudes, such as the IASB and the Financial Accounting Standard Board (FASB), which have the potential to affect several aspects of management motivations and attitudes (e.g., compensation, promotion, recruitment, and selection). The combination of these isomorphisms is capable of homogenising organisations' policies, ethics, and procedures (DiMaggio & Powell, 1983).

In this sense, legitimation is determined by the ethical differences between economic agents, which may instruct MENA firms to adopt certain practices for which there are no immediate or clear economic benefits.

Scott (2001) proposes three levels of analysis in this regard: social institutions (country-level institutions), governance arrangements, and firms as economic actors. The country's social institutions offer formal and informal platforms that promote acceptable conduct in society (Judge et al., 2010). As a result, social institutions may create, promote, or restrict the spread and/or enforcement of lower-level structures and actions. Moreover, adherence to governance regulations, IFRS and other voluntary disclosure guidance could balance the conflicts of interest among different stakeholders (Freeman & Reed, 1983; Freeman, 1984), as well as it provides investors with a clear indicator of the quality of monitoring strategies (Haque & Ntim, 2018; Ntim et al., 2013). Therefore, firms compete not only for efficiency by acquiring critical resources, but also for effectiveness by gaining legitimacy and social approval.

In general, there is a need to expand the understanding of the antecedents and motivations of narrative disclosures beyond MENA firms. Firms that adopt narrative strategies may be more successful in gaining organisational legitimacy by constructively balancing the varying and sometimes conflicting needs of all of their stakeholders, including investors, shareholders, and governments (Freeman & Reed, 1983; Freeman, 1984). Narrative commitment can also provide signals to present and potential investors regarding the quality of monitoring structures that firms are developing (Connelly et al., 2011; Ntim et al., 2013). It can increase the efficiency of the economy by facilitating access to crucial resources, such as low-cost capital.

As a result, this study seeks to combine insights from both efficiency and legitimacy perspectives to develop neo-institutional motives by examining and understanding the relationships among firm-level, national monitoring mechanisms and Depth_N.

3. Literature review and hypothesis development

While there is a considerable body of literature on the determinants of narrative disclosures at the firm level (Connelly et al., 2011; Edkins, 2009; Ntim et al., 2013), little is known about the relationship between multilayer monitoring mechanisms and the depth of narrative disclosures in the MENA region. Previous narrative studies have mostly adopted a single governance-level analytical approach, overlooking the potential impact of national monitoring factors (Abraham & Cox, 2007; Albitar et al., 2022; Elamer et al., 2020; Naser et al., 2002; Ntim et al., 2013). Although a few studies have examined the issue, their findings have been inconclusive or limited to specific contexts (Barakat & Hussainey, 2013; Elamer et al., 2020).

To address this gap, this study investigates the impact of both internal and national monitoring mechanisms on the depth of narrative disclosures in non-financial firms in the MENA region. Specifically, the cultural and socio-economic context of MENA countries is unique, and it can have a significant impact on the disclosure practices of firms operating in the region. MENA countries are characterized by a high level of political instability, economic volatility, and cultural

diversity. These factors can influence the disclosure practices of firms and affect the way that they report their financial information. Moreover, we explore whether NMM moderates the relationship between institutional ownership and Depth_N in MENA non-financial firms. By doing so, we provide novel insights into the role of monitoring mechanisms in shaping corporate disclosures in this unique institutional context.

3.1. Internal monitoring mechanisms (IMM): Board composition and Depth_N

Board composition refers to the ratio of non-executive and independent board members to the total number of directors (Haniffa & Cooke, 2005). Despite the diversity in board structure, almost all MENA countries have certain requirements regarding the minimum number of independent directors. Linsley and Shriver (2006); Oliveira et al. (2011) acknowledge that the existence of independent directors is considered an important monitoring mechanism that has the ability not only to resolve agency problems between managers and shareholders but also to advance the interests of other stakeholders. According to neo-institutional theory, independence can be regarded as an attempt to achieve the appropriate balance in the boardroom to improve the boardroom's effectiveness in advising and monitoring executives (Lopes & Rodrigues, 2007; Pirson & Turnbull, 2011).

Independent directors and their accountability may improve firms' legitimacy and respond to stakeholders' needs for more disclosure by incorporating their social values in narratives (Ashforth & Gibbs, 1990; Edkins, 2009). Empirically, the association between board composition and disclosure is controversial; the study of Haniffa and Cooke (2005), found an insignificant correlation between independent directors and disclosure. However, Samaha et al. (2015) end with a positive relationship between the two variables. On the contrary, Barako et al. (2006) initiated a negative relationship between board composition and the depth of further disclosure in Kenya. The studies of Ntim et al. (2013), and Oliveira et al. (2011) provide sheds of evidence regarding the role of independent directors in disclosing risk information. Thus, the first hypothesis is proposed as follows:

Hypothesis 1: *Firms with a higher percentage of independent directors tend to disclose more in-depth narrative information.*

Gender diversity in boardrooms has received more attention from regulators and has started to be considered an important indicator of boardroom efficiency. Regarding gender balance in boards' structures, the G20/OECD Principles recommend that boards should regularly assess whether they possess the right mix of background and competencies (OECD, 2019). Different practical shreds of evidence (e.g., Branco & Rodrigues, 2006; Edkins, 2009; Oliveira et al., 2011; Pfeffer & Salancik, 1978) argue that gender and experience diversity in the boardroom may improve the directors' managerial ability to monitor firms, which enhances the stakeholder representation in the boardroom, improves firms' connection with their environment to obtain sufficient resources. Neo-institutional theoretical perspective recommends that gender diversity in the boardroom offers different knowledge and expertise base, which may facilitate the process of making better decisions, good connections with stakeholders, and boost firms' reputation and legitimacy (Abdallah & Eltambo, 2022; Ntim et al., 2013; Raj & Handley-Schachler, 2009; Suchman, 1995).

In terms of empirical evidence, it is clear that board gender diversity plays a significant role in reducing impressive management strategies (Gul et al., 2011; Abdallah & Eltambo, 2022; Babalola & Nwanzu, 2022). As female directors share neutral information, a higher female percentage on the board reduces management impression (García -Sánchez et al., 2019). Female directors make more ethical decisions and report their finances more transparently (Bassyouny et al., 2020). According to the current study, companies with a high ratio of female board members tend to provide more narrative transparency. Therefore, the second hypothesis is proposed as follows:

Hypothesis 2: *Firms with a higher percentage of female directors tend to disclose more in-depth narrative information.*

3.2. Internal monitoring mechanisms (IMM): Ownership structure and Depth_N

The ownership structure is one of the significant factors that might overlook the managerial incentives toward narrative disclosure through the public accountability of different owners (Abdallah & Eltamboly, 2022; Abraham & Cox, 2007; Fama & Jensen, 1983; Ntim et al., 2013). From this lens, the majority shareholders tend to force management toward more information quality to secure their funds (Abdallah & Eltamboly, 2022; Branco & Rodrigues, 2008; Pfeffer & Salancik, 1978). Public ownership requires increased monitoring costs, which can be reduced through greater disclosure (Beretta & Bozzolan, 2004; Abdallah & Eltamboly, 2022; Abraham & Cox, 2007; Fama & Jensen, 1983; Oliveira et al., 2011). On the contrary, family and concentrated ownership firms are less likely to be engaged in voluntary and narrative disclosure due to the increase in disclosure costs such as its potential benefits (Khan et al., 2013; Ntim et al., 2013). Cascino et al. (2010), and Elamer et al. (2019) reported a positive association between family ownership and disclosure.

Furthermore, neo-institutional and legitimacy theories argue that firms that are characterised by high institutional ownership would seek to win government and institutions' support as powerful stakeholders (Freeman & Reed, 1983; Freeman, 1984; Gray et al., 1995) by complying with codes and social rules (DiMaggio & Powell, 1983). Hence, informative disclosure may help in legitimising their operations (Branco & Rodrigues, 2006; Pfeffer & Salancik, 1978). In a similar vein, prior studies reported that government ownership is significantly and positively associated with disclosure (Elamer et al., 2019; Ghazali, 2007; Ntim & Oseit, 2011; Ntim et al., 2013). However, Dam and Scholtens (2012) found that government ownership affects disclosure negatively. Consequently, the researcher hypothesised that ownership structure, specifically institutional ownership, may drive variations in the depth of information disclosed among non-financial MENA firms. Therefore, the third main hypothesis is formulated as:

Hypothesis 3: *Firms with a higher percentage of Institutional Ownership tend to disclose more in-depth narrative information*

3.3. National monitoring mechanisms (NMM) and Depth_N

National monitoring can provide unique insights into how narratives can be shaped within distinctive regulatory frameworks. Firms may choose to improve their disclosure levels to communicate their superior performance to all stakeholders as a strategic step towards gaining the reputation of external dependencies (Bonetti et al., 2016; Cumming et al., 2014). Based on the efficiency perspective of the neo-institutionalism insights, firms that work in an effective NMM may provide additional monitoring levels that can alleviate information asymmetry and drive management motivations to engage in more deep narratives (Barakat & Hussainey, 2013; Ntim et al., 2013). Moreover, national monitoring quality may place additional emphasis on narrative disclosure due to increased legitimacy and reputation (Chandler & Hwang, 2015; Essen et al., 2013; Kaufmann et al., 2011; Ntim et al., 2013).

Meanwhile, the legitimacy perspective of the neo-institutional theory states that managers tend to gain more legitimacy and support from the broader community by communicating more narratives to all stakeholders (Barakat & Hussainey, 2013; Haniffa & Hudaib, 2007; Ntim et al., 2013). The NMM quality may also offer incentives to engage in more Depth_N due to social forces and coercive forces arising from the firm's external environments, including governments, professionals, and regulatory bodies (Aguilera et al., 2007; Barakat & Hussainey, 2013; Chandler & Hwang, 2015; DiMaggio & Powell, 1983; Ntim et al., 2013). La Porta et al. (2000) acknowledged that various monitoring frameworks at the national level have been proposed to address agency problems.

The NMM comprises formal constraints, such as the country's laws, economic and political regulations, and other specific rules that firms must follow, as well as informal constraints, such as unwritten rules, conventions, codes of ethics, and values (Kaufmann et al., 2011). These regulations impose an increased degree of responsibility on executive and non-executive managers to fulfil their duties as regulators (Yoshikawa et al., 2014). Hence, the studies of Aslan and Kumar (2014); La Porta et al. (2000); Yoshikawa et al. (2014), suggest that effective national governance structures safeguard minority and majority shareholders' rights and influence accountability and disclosure practices. So, strict national governance structures often require mandatory disclosure of information and restrict market intermediaries, hence reducing information asymmetries. As a result, firms operating in countries with strict national monitoring structures are more likely to offer more deep narratives.

Subsequently, firms within an effective NMM are more interested in disclosing high-quality information and securing the flow of critical resources (Elamer et al., 2019). Also, monitoring quality at the country level explains the differences in disclosure practices across countries. The World Bank designed a composite index to measure the quality of national monitoring and governance practices in six dimensions. These dimensions cover the processes of selecting, monitoring, and replacing governments; government capacity to consider and successfully implement sound policies; and residents' valuation of formal institutions in charge of governing economic and social interactions within a country (Kaufmann et al., 2011). Since each of these dimensions should be reported individually and comprehensively, the dataset for this composite measure uses several surveys on the quality of governance to summarise the perceptions and outlooks of various national institutions, inhabitants, and stakeholders within the countries.

Previous studies reported a positive relationship between country-level monitoring quality and disclosure (e.g., Abdallah & Eltambohy, 2022; Cumming et al., 2014; Essen et al., 2013; Kaufmann et al., 2011). However, Beltratti and Stulz (2012) and Barakat and Hussainey (2013) found an insignificant relationship between country monitoring mechanisms and reporting. Accordingly, the researcher believes that the quality of regulatory systems (RQ) and the rule of law (ROL) indicators are expected to reshape the narrative reports in the MENA region. So, the fourth hypothesis is formulated into two sub-hypotheses as follows:

Hypothesis 4a: *Firms that operate in countries with effective RQ tend to disclose more in-depth narrative information.*

Hypothesis 4b: *Firms that operate in countries with effective ROL tend to disclose more in-depth narrative information.*

3.4. The moderation effect of NMM

Considering the neo-institutional theory, the effectiveness of NMM, particularly the extent of regulation enforcement, can keep the majority and minority shareholders safe from being expropriated (Aslan & Kumar, 2014; Yoshikawa et al., 2014), which may formulate disclosure incentives and explain the observable differences in the disclosure practices across countries (Bonetti et al., 2016; Cumming et al., 2014). Due to the rule of law and the quality of regulations in directing top management responsibilities (DiMaggio & Powell, 1983; Yoshikawa et al., 2014), a neo-institutional theory argues that firms with intensive institutional ownership will actively seek to win society and institutions' support. They communicate their compliance with social norms and government initiatives that can enable them to legitimise their day-to-day decisions and operations (Branco & Rodrigues, 2006; Freeman, 1984; Gray et al., 1995) and enable firms to access critical resources (Elamer et al., 2019).

Despite the inconsistent findings on the governance quality-disclosure nexus, several studies have explored it further (Abraham & Shrivs, 2014; Aguilera et al., 2007; Barakat & Hussainey,

2013; Elamer et al., 2019; Essen et al., 2013; Ntim et al., 2013). La Porta et al. (2000) argues that national governance (i.e., law and enforcement quality, accountability, and operational efficiency) enhances investor protection, along with corporate governance structures (i.e., external financing forms). As a result, La Porta et al. (2000) suggested that country-level governance would help moderate existing agency problems. Firms operating in strong-governed countries may also face normative pressure, partly to signal their good performance to employees, investors, and depositors. Cascino et al. (2010) and Shi et al. (2012) reported that national governance and ownership structures are significantly and positively associated with the extent of disclosures, particularly in foreign cross-listed firms.

Ernstberger and Grüning (2013) revealed that country-level governance has a complementary or substitutive impact on the governance-disclosure relationship among 1,044 companies in Europe. They found that country-level governance is an alternative to firm-level governance when it comes to affecting the quality of corporate disclosure. Furthermore, Elamer et al. (2019) found that the MENA national governance mechanisms did not only affect banks' risk disclosure levels but also moderated the effect of Islamic governance on risk disclosure. Consequently, the researcher believes that internal monitoring mechanisms, notably INS_OWN and Depth_N, are sensitive to the quality of NMM in the MENA context. This leads to raising the argument regarding the impact of the quality of NMM to enhance the power of shareholders to monitor management incentives toward narratives. Thus, the final hypothesis is suggested as follows:

Hypothesis 5: *Effective national monitoring mechanisms (RQ and ROL) reinforce the positive orientation of institutional owners toward in-depth narrative disclosure.*

4. Methodology and data

4.1. Measurement of the depth of narratives

There are different types of narrative information in the annual reports, such as strategic information that contributes positively to enhancing investment opportunities and risks (e.g., Elshandidy & Neri, 2015; Ibrahim & Hussainey, 2019); forward-looking information that helps predict the firm's future performance (e.g., Abdallah & Eltambohy, 2022; Bravo, 2016); and CSR which provides information about firms' performance in areas of governance, environmental, and social responsibility (e.g., Albitar et al., 2022; Gray et al., 1995; Al-Najjar and Abed, 2014). While investigating the context of the narrative information is widely explained in the prior disclosure studies (Abrahamson & Amir, 1996; Smith & Taffler, 2000).

Narrative disclosure studies can be classified into two types based on the measurement of narrative disclosure. First, efficiency studies investigated how the narratives were communicated to the public in terms of readability and/or disclosure tone (Aerts, 2015; Bassyouny et al., 2020). Second, the breadth and depth of narrative disclosure studies indicate what is being communicated to the public (Blankespoor, 2018; Pennebaker et al., 2003) in terms of the width and spread of disclosure (e.g., the richness and variety of disclosed topics measured by disclosure indices and content analysis) (Beattie et al., 2004; Greene et al., 2006). Several prior studies defined the depth of disclosure as the degree of intimacy (Greene et al., 2006), profundity (Beattie et al., 2004), or sensitivity of disclosed narrative topics (Greene et al., 2006).

Indeed, it is not easy to verify the factuality of any of the information disclosed in the annual report (Naser et al., 2002). Therefore, this study is premised on the assumption that the information included in the annual reports is factual, since verifying it remains outside the scope of this study. To measure the richness and variety of disclosed narrative topics, different scoring schemes were adopted.

A variety of scoring models were used to determine the extent of narrative disclosure (Naser et al., 2002). Generally, these models can be classified into two categories: binary-based models, which evaluate narrative items on a binary scale (0, 1) (Robbins and Austin, 1986; Abdallah, 2021). In this method, narrative items are given equal weights to avoid subjectivity when assigning weights to these items (Abdallah, 2021; Naser et al., 2002). The second type of scoring model is the weighted scoring model. In these models, different disclosure items are weighted differently according to their importance. As these models reflect progress and attitudes toward narrative items, subjectivity in assigning weights to disclosure items has also been criticized because it is difficult to identify a user's preference for disclosure items (Naser et al., 2002). As a result, this study adopts a similar approach to Naser et al. (2002) in developing an unweighted disclosure index (Wallace et al., 1994), which removes subjectivity in personal judgments and enhances transparency (Abdallah, 2021). It is also pertinent to note that an unweighted or weighted method would not yield a significantly different outcome (Chow and Wong-Boren, 1987). So, the study builds an unweighted disclosure index called a "depth of narrative disclosure index" (D_NDI) to measure the richness and variety of disclosed narrative topics in the MENA annual reports based on the predefined wordlist obtained from the CFIE project. The CFIE Gold standard keyword list is created based on a common theme that presents firms' strategy, risk and uncertainties, forward-looking information, governance, performance, causal, & CSR narratives. Iatridis et al. (2021) and Abdallah and Eltambohy (2022) use this list to measure the quality of narrative disclosure. The D_NDI computing scheme uses a binary approach or (0, 1) approach, which assigns a value of 1 if the firm discloses a specific item of the narrative checklist at least once (as indicated in Appendix A), and 0 otherwise. The unweighted disclosure index is used to quantify the volume of disclosure reported annually by assigning equal weights to each disclosure element. These various types of indices were adapted in the prior studies to avoid subjectivity in assigning different weights for different components (Abdallah, 2021; Black et al., 2017).

Therefore, the D_NDI is calculated by summing up the actual score that each firm has in four dimensions of the narrative disclosure (e.g., risk disclosure, CSR including corporate governance, and strategy) divided by the maximum score of 67 narrative sub-items disclosed. As presented in the following formula:

$$D_NDI_{it} = \sum_{i=1}^4 \frac{ND_{ij}}{X} \quad \text{Model (1)}$$

Where $i = 1, 2 \dots 4$

$t = 1, 2 \dots T$

Where:

D_NDI_{it} represents the rate of the depth of narrative disclosure index for firm i in period t , ranging from 0 to 100% (0 is the lowest rate and 100% is the highest rate). ND_{ij} refers to the actual score of different narrative sub-items disclosed under the 4 main topics j (score = 1 if the narrative sub-item i of topic j is mentioned in the annual reports and 0 otherwise). X is the maximum score of narrative disclosure sub-items that are expected to be disclosed by the firm (where $X = 67$).

4.2. Research model

Since the main objective of this research is to examine the impact of the multi-layer monitoring mechanisms on the depth of narratives across MENA countries, an OLS regression analysis has been conducted using a dataset covering four countries across the MENA region. Assuming that all hypothesised relationships are linear, we will explain the following regression models:

Model (2) investigates the impact of MLMDV mechanisms on the depth of narrative information. The multi-layer monitoring variables were chosen based on their relevance to the neo-institutional theory and previous studies on disclosure practices. The neo-institutional theory emphasizes the

importance of institutional pressures and the influence of stakeholders on the behavior of firms, including their disclosure practices. Therefore, we selected variables that capture the monitoring activities of different stakeholder groups, such as regulators, auditors, and shareholders. As explained in hypotheses 1, 2, and 3, firms with a high proportion of independent and female directors and institutional ownership and operating in countries with effective national monitoring mechanisms are more likely to disclose more in-depth narrative information.

$$\begin{aligned} \text{Depth_N}_{it} = & \beta_1 + \beta_2 \text{Brd_indep} + \beta_3 \text{F_Direc} + \beta_4 \text{INS_OWN} + \beta_5 \sum_{i=1}^n \text{NMM} + \beta_6 \sum_{i=1}^n \text{Control} + \text{Industry FE} \\ & + \text{Year FE} + \text{country FE} + \varepsilon_{jt} \end{aligned} \quad \text{Model (2)}$$

Where Depth_N_{it} represents the depth of narratives measured by a percentile self-constructed index (D_NDI) ranging from 0 to 100%, which consists of four dimensions, e.g., risk disclosure, CSR, corporate governance, and strategy, and firms' rate calculated based on the dichotomous approach. Board independence (Brd_indep) is the percentage of independent directors, and F_Direc is the percentage of female directors measured using the Shannon index (Oliveira et al., 2011; Gul et al., 2011; Ntim et al., 2013; García -Sánchez et al., 2019; Babalola & Nwanzu, 2022; Abdallah & Eltambo, 2022). INS_OWN is the institutional ownership (Abdallah & Eltambo, 2022; Branco & Rodrigues, 2006; Gray et al., 1995). Whereas NMM can be defined as a set of national monitoring mechanisms that are assessed based on the worldwide governance indicators (WGI) introduced by Kaufmann et al. (2011), which measure the quality of regulation as well as the rule of law. Regulatory quality (RQ) is a measure of the government's ability to formulate and implement sound policies and regulations that promote private sector growth. The rule of law (ROL) measures the degree to which agents believe that the rules of society are not only trustworthy, but also adhered to, including contract enforcement, property rights, the police, and courts, and the likelihood of crime and violence (Bonetti et al., 2016; Cumming et al., 2014; Elamer et al., 2019, 2020).

Moreover, several prior studies suggested that controlling for several firm-level characteristics, which are empirically recommended as another important determinant of narrative disclosure, such as size, leverage, and profitability (Abdallah & Eltambo, 2022; Li, 2010; Yekini et al., 2016); Information readability (Bassyouny et al., 2020; Tan et al., 2014); and page number of the annual reports (Hassanein & Khaled, 2015). The study also controls GDP per capita and inflation as macro-dominant factors to report narrative information (Elamer et al., 2020; Sarhan et al., 2019). Table 1 presents a summary of the models' variables' definitions and measurements.

Model (3) examines the moderation effect of NMM on the association between ownership structure and the depth of narratives. As explained in hypothesis H₅, country-specific factors can improve the power of institutional shareholders to enhance the management incentives toward more depth of narratives (Elamer et al., 2019).

$$\begin{aligned} \text{Depth_N}_{it} = & \beta_1 + \beta_2 \text{INS_OWN} + \beta_3 \sum_{i=1}^n \text{NMM} + \beta_4 \text{RQ} * \text{INS_OWN} + \beta_5 \text{ROL} * \text{INS_OWN} + \beta_6 \sum_{i=1}^n \text{Control} \\ & + \text{IndustryFE} + \text{YearFE} + \text{countryFE} + \varepsilon_{jt} \end{aligned} \quad \text{Model (3)}$$

Where NMM is the national monitoring mechanism which measures the country's regulatory quality (RQ) and the rule of law (ROL), $\text{RQ} * \text{INS_OWN}$ is the interaction effect variable between the regulatory quality dimension and institutional ownership, and $\text{ROL} * \text{INS_OWN}$ is the interaction variable between the rule of law dimension and institutional ownership. Other variables were explained in Table 1.

To account for possible endogeneities caused by omitted variables, the current study uses a two-stage least squares analysis (2SLS) (Eltambo & Abdallah, 2022; Ntim et al., 2013; EL-Ansary & Al-

Table 1. Summary of Variables Definition and measurement

Variables	Acronym	Variables Definition
Dependent Variable		
<i>Depth of narrative disclosure</i>	<i>Depth_N</i>	The depth of narrative disclosure measured by a percentile self-constructed index (<i>D_NDI</i>) ranging from 0 to 100%, consists of 67 sub-items covering four dimensions of narrative topics; e.g. risk disclosure, corporate social responsibility including corporate governance, forward-looking information, and strategy, and firms' rate calculated based on the dichotomous approach.
		The extent of information disclosure is measured by the World Bank disclosure index (<i>Inf_Dis</i>) and ranges from 0 (less disclosure) to 10 (more disclosure), which measures the degree of investors' protection through disclosure of ownership and financial information.
Independent variables (Multilayer monitoring mechanisms)		
<i>Internal Monitoring Mechanisms</i>	<i>IMM_{it}</i>	(i) Independent boardroom (<i>Brd_indep</i>) measured by % of independent directors. (ii) Female participation in the boardroom (<i>F_Direc</i>), calculated by % female directors in the boardroom. (iii) (<i>INS_OWN</i>) institutional shareholders.
<i>National-level Monitoring Mechanisms</i>	<i>NMM</i>	A Composite Index of NMM consists of two dimensions of the World Bank index of worldwide governance indicators (WGI); e.g. (i) regulatory quality (RQ) and (ii) rule of law quality (ROL).
Control variables (firm-level and country-level characteristics)		
<i>Firm-level characteristics</i>	<i>Size</i>	Firm size is measured by the natural log of total assets.
	<i>ROA</i>	Return on assets: % net income to total asset
	<i>LEV</i>	Leverage; % total debt to total assets
	<i>Brd_Size</i>	Number of board members
	<i>AC_Indep</i>	% independent Audit committee members to the total members of AC.
	<i>Fog</i>	Readability of narrative information measured by the Fog index
	<i>Page_n</i>	Number of annual report pages
<i>Country-level- characteristics</i>	<i>GDP</i>	Ln GDP per capita (current US\$)
	<i>Inflat</i>	Inflation, consumer prices (annual %)

Gazzar, 2020). To validate the 2SLS analysis, the author first conducts an exogeneity test using the Durbin-Wu-Hausman test (Beiner et al., 2006). Based on these results, the author can decide if the OLS results may be incorrect and 2SLS methodology may be ideal or not. We hypothesize that all 9 control variables will influence our NMM variables in the first stage, using their predicted parts as instruments, we re-estimate model 2 as follows:

$$\text{Depth_N}_{it} = \beta_1 + \hat{\beta}_2 \sum_{i=1}^n \text{IMM} + \hat{\beta}_3 \sum_{i=1}^n \text{NMM} + \beta_4 \sum_{i=1}^n \text{Control} + \text{Industry FE} + \text{Year FE} + \text{country FE} + \varepsilon_{it}$$

Model (4)

As an instrument for the variables of NMM, the author utilises the parts predicted from the first stage estimation, while the other variables remain unchanged.

4.3. Data collection

The research sample is based on non-financial firms that belong to four MENA stock markets (e.g. Egypt, Bahrain, UAE, and Kuwait) from 2015 to 2018, to explore whether multi-layer monitoring can affect the depth of narrative disclosure across MENA countries. Of all listed firms, 62 financial firms are excluded since they have specific regulations for disclosure (Bassyouny et al., 2020). Moreover, we excluded 35 firms with missing data. Therefore, a final sample consists of 145 non-financial firms (a total of 546 firm-year observations) over 4 years from “2015 to 2018”. The research sample begins in 2015 after the Arab-spring revolutions to avoid the effect of these revolutions on the extent of disclosure and ends in 2018 because disclosure was severely affected by the COVID-19 outbreak after 2018 (Eltamboly & Abdallah, 2022).

It is worth mentioning that the current study focuses on the narratives of the MENA non-financial firms’ annual reports as a unit of textual analysis to measure the depth of narratives. Furthermore, data about multi-layer monitoring mechanisms were gathered from two main sources: NMM data from the World Bank database (1) and IMM data from three main sources (e.g., annual reports, firm websites, and corporate governance reports of OECD countries involved from the MENA-OECD Working Group (2)).

5. Findings and discussion

5.1. Descriptive statistics and multicollinearity analysis

Table 2 reports the main descriptive statistics for all tested variables. The mean value of Depth_N is 38.93%, suggesting that narrative sections of MENA annual reports are not as rich as expected after issuing the principles regarding narrative disclosure (Financial service agency, 2019). This result is in line with prior literature which measures the depth of narratives in the MENA context (Naser et al., 2002; Solas, 1994). Boardroom size ranges from 9 to 15 directors, with a mean value of 8 members. However, just 0.33 of directors are females and 0.49 of members are independent. Moreover, the results report that the average percentage of institutional shareholders is 0.53. Furthermore, the average value of national monitoring mechanisms in the MENA context is 0.40, which indicates that national monitoring procedures across MENA countries are relatively weak. For other control variables, it is notable that 0.51 of AC members are independent. Firm size shows an average of 5.399, whereas firms’ profitability based on ROA and leverage shows an average of 0.10 and 0.15, respectively. The average value of the annual report’s size is 45 pages, while the readability of narrative information in my sample is 0.2258. Furthermore, the average log GDP is 3.94, while the inflation ratio is 7.46%. These results are close to previous studies that investigated MENA firms’ specific characteristics (Elamer et al., 2019; Ntim et al., 2013).

Table 3 presents the initial correlation among the tested variables and examines if there is any potential multicollinearity existed among the tested variables. The results indicate that boardroom characteristics (e.g., independent and female directors), institutional ownership, and national monitoring mechanisms significantly increase the richness of narrative disclosure. This supports the neo-institutional theory which implies that diversity in the boardroom and effective ROL and

Table 2. Descriptive statistics

Variables	Mean	Median	Max.	Min.	Std. Dev.
<i>Depth_N</i>	38.93191	27.17938	82.0358	10.6383	23.12992
<i>Brd_Indep</i>	0.490194	0.4288	8	0	0.718736
<i>F_Direc</i>	0.333377	0	10	0	0.794648
<i>INS_OWN</i>	0.531688	0.509	0.993	0.0904	0.231504
<i>ROL</i>	0.405926	0.434853	0.699977	0.216	0.184651
<i>RQ</i>	0.570449	0.5225	38.86	0.007	1.647108
<i>Brd_Size</i>	8.102179	9	25	0	3.125742
<i>AC_Indep</i>	0.516934	0.666667	1	0	0.323687
<i>Firm_Size</i>	5.399692	4.601844	10.98351	1.325638	2.795181
<i>ROA</i>	0.101931	0.084629	2.676503	-3.70173	0.435079
<i>LEV</i>	0.146218	0.105191	1.710143	-0.98627	0.204349
<i>Fog</i>	0.225864	0.150267	0.7	0	0.161025
<i>Page_n</i>	45.46196	45	89	20	12.69403
<i>Inflate</i>	7.460156	2.786793	29.50661	0.4123	8.499389
<i>GDP per capita</i>	3.940342	4.318115	4.609005	-0.69897	0.87831

RQ may provide additional monitoring, a knowledge base, and unique insights on how narrative disclosure can be explained within distinctive regulatory frameworks (Bonetti et al., 2016; Elamer et al., 2020; Ntim et al., 2013; Raj & Handley-Schachler, 2009). In addition, other firms', and country-specific characteristics (e.g., Firm_Size, AC_Indep, Fog, and Inflate) are more likely to conduct more deep narratives, which is in line with prior literature (e.g., Bassyouny et al., 2020; Li, 2010; Davis et al., 2015; Yekini et al., 2016). However, larger boards are negatively associated with Depth_N. Lastly, the results show that the Firm_Size and Inflat variables had multicollinearity problems, with correlation coefficients greater than 0.70 (e.g., 0.846 and 0.787 respectively) and VIF of 6.493 and 4.694 (e.g., $VIF = 1/[1-R^2]$), which clearly indicates that there is some multicollinearity problem in our model. This problem was then addressed by excluding these variables from the analysis.

5.2. Multivariable analysis

5.2.1. The effect of IMM and NMM on Depth_N

Does the multi-layer monitoring view enhance the richness of the narrative sections of MENA annual reports? To answer this question, we investigate whether the firm and the country's monitoring mechanisms affect the level of Depth_N. At the firm level, column (1) of Table 4 reports that boardroom characteristics (e.g., Brd_Indep and F_Direc) are significantly and positively associated with the Depth_N, which empirically supports the argument of hypotheses 1 and 2 that firms with diverse boardrooms may motivate managers to vary their narrative contents of the annual report as a signal of their observing control. These findings coincide with the expectations of the neo-institutional theory that diverse boardroom composition may improve the directors' managerial ability to make better decisions and guarantee a high level of compliance with the accountability paradigm, which may boost the firm's legitimacy and reputation. (Branco & Rodrigues, 2006; Elamer et al., 2020; Ntim et al., 2013; Oliveira et al., 2011; Raj & Handley-Schachler, 2009; Suchman, 1995). This result coincides with the previous evidence, which suggests that boardroom characteristics can significantly motivate managers toward more in-depth narrative disclosure (García -Sánchez et al., 2019; Samaha et al., 2015).

Table 3. Correlation matrix

Variables	Depth_N	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Depth_N	1														
Brd_Indep	0.206**	0.045	1												
F_Direc	0.384***	0.13**	0.326***	1											
INS_OWN	-0.023	0.02	-0.017	-0.016	1										
ROL	-0.098**	-0.154**	-0.119**	-0.214**	-0.084*	1									
RQ	-0.441***	0.347***	-0.194**	-0.61***	0.009	0.129**	1								
Brd_Size	0.013	0.634***	0.116**	0.352***	0.024	-0.144**	0.115**	1							
AC_Indep	0.104**	-0.09	0.239**	0.187**	-0.07	0.014	-0.071	-0.048	1						
Firm_Size	0.51***	-0.011	0.313***	0.78***	0.018	-0.26**	-0.846***	0.181**	0.083*	1					
LEV	-0.065	0.093*	0.133**	-0.042	-0.018	0.034	0.114**	0.085*	-0.015	-0.079*	-0.227**				
Page_n	-0.047	0.083*	0.07*	-0.051	0.068	-0.112*	0.031	0.108**	-0.073	-0.025	0.015	1			
Fog	0.501***	-0.183**	0.108**	0.428***	-0.034	-0.03	-0.507***	-0.06	0.149**	0.5	0.037	-0.092	1		
Inflate	0.387***	0.073*	0.289**	0.692***	-0.005	-0.249**	-0.626***	0.221**	0.105**	0.787***	0.023	0.001	0.385***	1	
GDP	-0.087**	-0.13**	-0.24***	-0.331***	0.025	0.047	0.098**	-0.179**	-0.198**	-0.294***	-0.003	-0.013	-0.091	0.336**	1

Notes: *, **, *** indicate that P-value is significant at %10, %5 and 1%, respectively

Model (1) of Table 4 also indicates that powerful shareholders are significantly and positively associated with Depth_N, which supports our second hypothesis (3) that firms with a high proportion of institutional shareholders are likely to disclose a variety of narrative topics. These findings also support the arguments of the neo-institutional perspective and the previous studies that institutional shareholders have the power to monitor managers' incentives to safeguard minority rights and reputation (Cascino et al., 2010). As well, management will actively seek to win government and institutional support altogether as powerful stakeholders (Elamer et al., 2019; Freeman, 1984; Gray et al., 1995) by complying with codes and social rules (DiMaggio & Powell, 1983; Ntim et al., 2013).

At the country-level, Table 4 also shows that ROL and RQ are significantly and positively associated with Depth_N, with coefficients of 0.3293 and 0.006636, and t-values of 3.0495 and 1.96347, which supports hypotheses 4a and 4b that firms operating in highly regulated countries are more likely to disclose more depth narratives. This result theoretically coincides with the expectations of neo-institutional theory, which implies that better national monitoring may enhance investor protection through managing their attitudes toward more Depth_N. These findings also support the arguments of a few earlier studies that NMM can enrich the narrative disclosure sections (e.g., Cumming et al., 2014; Essen et al., 2013). Concerning the other control variables, we found that *Brd_size*, *AC_Indep*, *Fog*, *Page_n*, and *GDP* significantly explain the differences in Depth_N among MENA non-financial firms. This result empirically matches the findings of the prior studies (e.g., Abdallah & Eltambohy, 2022; Bassyouny et al., 2020; Elamer et al., 2020; Ntim et al., 2013; Oliveira et al., 2011; Sarhan et al., 2019; Tan et al., 2014; Yekini et al., 2016). In contrast, we find a significant and negative relation between *Firm_Size* and Depth_N. Finally, model (1) concludes that IMM explains 35.17% of the changes in Depth_N. There is no potential multicollinearity problem in this model where the VIF score is 1.54.

5.2.2. Results of Endogeneity effect

This section investigates the potential endogeneities effect that may be caused by omitted variable bias, by employing the 2SLS regression using instrumental variables and controlling unobservable heterogeneity. The results confirm that, based on model 4, the endogeneity problem really exists in this data, where the result of Durbin-Wu-Hausman is smaller than 0.05, which indicates that the null hypothesis of no endogeneity is rejected and the results of the 2SLS methodology may be ideal than the OLS results. Column 2 of Table 4 reports the results of the 2SLS regressor, which are essentially like those presented in Model 1. Based on our results, the coefficients of *Brd_Indep* and *RQ* variables in Model 2 of Table 4 are slightly higher than those in Model 1 of the same table. According to previous research, variables that are instrumented are generally more in line with narrative disclosure than variables that are not (Elamer et al., 2020, 2020; Ntim et al., 2013).

Table 4 additionally provides the results of the moderation effect of the national monitoring indicators (e.g., RQ and ROL) on the association between ownership structure and Depth_N. Column 3 of Table 4 reports that *INS_OWN* remains significantly and positively correlated with Depth_N, with a coefficient of 0.054 and a t-value of 5.526. Similarly, the interaction between RQ, ROL, and *INS_OWN* is significantly and positively associated with Depth_N, with coefficients of 0.054 and 0.0886, and t-values of 2.571 and 5.263. These results indicate that effective national monitoring mechanisms enhance the power of institutional shareholders to monitor management incentives to safeguard their rights through more deep narratives (Cascino et al., 2010), which in turn supports hypothesis 5 that the country-specific factors can improve the power of institutional shareholders to enhance the management incentives toward a greater depth of narrative. In other words, the positive impact of *INS_OWN* on Depth_N is higher when firms operate in highly and effectively regulated countries. The value of VIF (1.560) concludes that this model does not have any multicollinearity problems.

Table 4. Multilayer monitoring and depth of narratives

D_NDI	MODEL(1)	2SLS	Moderation effect
<i>Brd_Indep</i>	0.029936** (2.187882)		
<i>F_Direc</i>	0.041931** (1.932226)		
<i>INS_OWN</i>	0.034205** (2.551796)		
<i>ROL</i>	0.329285*** (3.049598)		
<i>RQ</i>	0.006636* (1.963475)		
<i>Brd_Indepf</i>		0.187068*** (7.198717)	
<i>F_Direcf</i>		0.012136 (0.143760)	
<i>INS_OWnf</i>		0.017046** (2.276443)	0.053938*** (5.526441)
<i>ROLf</i>		0.074213*** (6.844299)	0.275132** (2.295292)
<i>RQf</i>		0.051070*** (7.762557)	0.051156*** (6.055609)
<i>ROL*INS_OWnf</i>			0.086856 *** (5.263822)
<i>RQ*INS_OWnf</i>			0.054480** (2.571367)
<i>Brd_Size</i>	0.00563* (1.661038)	0.000499 (0.580584)	-0.006708 (-0.685226)
<i>AC_Indep</i>	0.036172*** (5.79515)	0.013862 (0.854768)	0.012396 (0.448211)
<i>ROA</i>	-0.00312 (-0.153318)	-0.004512 (-0.13254)	-0.007376 (-0.362688)
<i>LEV</i>	-0.05314 (-1.198994)	-0.060720** (-2.09036)	-0.046004 (-1.051004)
<i>Fog</i>	0.528278*** (8.189114)	0.571738*** (13.24924)	0.531959*** (8.284977)
<i>Page_n</i>	0.179933*** (3.901605)	-0.000399 (-0.756008)	-0.000850 (-1.228370)
<i>GDP per capita</i>	0.024314** (2.251345)	-3.777706*** (-9.069140)	2.84E-06** (2.297383)
<i>Constant</i>	1.105757*** (15.29651)	0.3777006*** (12.68022)	0.994309*** (8.740619)
Clustering	industry	industry	industry
Year FE	Yes	Yes	Yes
Country	Yes	Yes	Yes
R-squared	0.305843	0.351688	.359092
VIF	1.54246	1.44059	1.56028
Obs.	545	545	546

Note: P-values are in parentheses. *, **, *** indicate that P-value is significant at %10, %5 and 1%, respectively. The table presents the results of analysing the role of multi-layer monitoring on the depth of narratives. We measure

5.3. Robustness test

To robustly check our results, the author conducted an additional analysis using the World Bank disclosure index as a different proxy to Depth_N. The depth of narrative disclosure is measured by ranging from 0 (less disclosure) to 10 (more disclosure), which measures the degree of investors' protection through disclosure of ownership and other disclosures. Table 5 confirms the previous results that firms with larger boardrooms, independent directors, and a high proportion of institutional ownership are more likely to disclose more deep narratives. This relationship is greater when firms operate under an effective national monitoring policy, which confirms hypotheses 1, 2, 3, 4a, 4b, and 5 that larger independent and female directors and institutional shareholders are crucial factors in boosting the communication of more deep narrative information. Furthermore, strong national monitoring mechanisms, particularly the rule of law and the regulatory system, both play a pivotal role in enhancing management attributes towards Depth_N with the support of the monitoring mechanisms of shareholders.

6. Discussion

Corporate disclosure is a critical aspect of corporate governance, as it provides information to stakeholders regarding a company's financial performance, risks, and opportunities. However, the decision to disclose information is not solely determined by the objective characteristics of the firm or its environment. Instead, it is influenced by a range of institutional factors, including norms, values, and expectations that are shaped by the broader social and cultural context (Abdallah & Eltambohy, 2022; Elamer et al., 2020).

According to neo-institutional theory, organizations are embedded in institutional environments that exert strong normative, regulative, and cognitive pressures on their behavior. These pressures can influence the way firms disclose information to stakeholders, shaping both the content and the extent of their disclosures (DiMaggio and Powell, 1991; Chan & Ananthram, 2020). For example, regulatory requirements and industry norms may encourage firms to provide more detailed and standardized disclosures, while cultural values may shape the way firms communicate with their stakeholders and the types of information that are considered relevant.

In this context, understanding the institutional factors that influence corporate disclosure practices is crucial for policymakers, investors, and other stakeholders. By applying the neo-institutional theory to examine the role of institutional pressures in shaping corporate disclosure practices, author can provide insights into the complex and dynamic processes that shape the behavior of organizations in different institutional environments. Therefore, this paper aims to explore the relationship between MLMDV mechanisms in view of the neo-institutional theory and corporate disclosure practices. Specifically, we seek to examine the ways in which institutional pressures influence the content and extent of corporate disclosures, with a focus on the role of regulatory requirements, institutional factors, and monitoring mechanisms.

Our key findings in this study reveal that the standard practices of disclosure differ across MENA countries, in some countries, firms may be required to disclose more information about their financial performance, while in others, there may be fewer disclosure requirements. Furthermore, firms with higher levels of MLMDV tend to provide more extensive disclosures than firms with lower levels of MLMDV, even after controlling for other factors that may influence disclosure levels. Both firm and national monitoring mechanisms influence the way executives at MENA companies treat their shareholders and identify whether they engage in voluntary

Depth_N using a self-constructed index ranging from 0 to 100, which measures the extent of CSR, governance, and risk disclosure for MENA non-financial firms. Brd_Indep, F_Direc, and INS_OWN are the internal monitoring mechanisms present in a number of boardroom characteristics (i.e. Board of director size and Women's participation in the boardroom) and institutional ownership. Moreover, ROL is the role of law, RQ is the regulatory quality, and RQ*INS_OWN and ROL*INS_OWN are the interaction effect variables. Table (1) fully describe whole variables' definitions and measurement.

Table 5. Robustness check

Inf_Dis	MODEL (1)	Moderation effect
<i>Brd_Indep</i>	0.050193** (2.170023)	
<i>F_Direc</i>	0.156164* (1.672484)	
<i>INS_OWN</i>	0.155746* (1.6996)	0.285674*** (6.706734)
<i>ROL</i>	4.785108*** (6.768279)	5.83122*** (7.408212)
<i>RQ</i>	0.050718** (2.19809)	0.042197** (3.842367)
<i>RQ*INS_OWN</i>		0.07933** (2.31748)
<i>ROL*INS_OWN</i>		0.043367** (3.746134)
<i>Brd_Size</i>	0.031179 (0.439678)	-0.09822 (-1.55001)
<i>AC_Indep</i>	1.307496*** (6.659000)	1.344176*** (7.404795)
<i>ROA</i>	0.067098 (0.483460)	0.021657 (0.162106)
<i>LEV</i>	0.051861 (0.171463)	0.011158 (0.038794)
<i>Fog</i>	0.466947 (1.060687)	0.656455 (1.55702)
<i>Page_n</i>	-0.002419 (-0.508851)	-6.92E-05 (-0.01525)
<i>GDP per capita</i>	-0.247194** (-3.354112)	-0.13549* (-1.86294)
<i>Constant</i>	9.141498*** (18.53082)	5.937637*** (8.611355)
Clustering	industry	industry
Year FE	Yes	Yes
Country FE	Yes	Yes
R-squared	0.1832	0.2906
VIF.	1.2242	1.4091
Obs.	545	545

Note: P-values are in parentheses. *, **, *** indicate that P-value is significant at %10, %5 and 1%, respectively. The table presents the results of analysing the role of multi-layer monitoring on the depth of narratives. We measure Depth_N using a self-constructed index ranging from 0 to 100, which measures the extent of CSR, governance, and risk disclosure for MENA non-financial firms. *Brd_Indep*, *F_Direc*, and *INS_OWN* are the internal monitoring mechanisms present in a number of boardroom characteristics (i.e., Board of director size and Women's participation in the boardroom) and institutional ownership. Moreover, *ROL* is the role of law, *RQ* is the regulatory quality, and *RQ*INS_OWN* and *ROL*INS_OWN* are the interaction effect variables. Table 1 fully describe the whole variables' definitions and measurement.

disclosures. Further, firms with a higher percentage of independent directors and female directors are more likely to display deeper narrative information. Also, firms with significant institutional ownership are expected to provide more elaborate narratives to demonstrate compliance with regulatory requirements, codes, and other initiatives that will ensure their compliance with the

government and enable them to gain the support of the government and strategic institutions (e.g., security markets, banks).

One possible explanation for this finding is that firms with higher levels of MLMDV may have stronger monitoring mechanisms in place, which may make them more responsive to the information needs of their stakeholders. This may lead these firms to provide more detailed and informative disclosures in order to reduce information asymmetry and build trust with their stakeholders. Another possible explanation is that firms with higher levels of MLMDV may be more proactive in managing their disclosures, which may enable them to provide more comprehensive and timely information to their stakeholders. This may be particularly important in the context of the MENA region, where there are often significant information asymmetries and uncertainties that can affect investor confidence.

Given the uniqueness of the MENA region's institutional context regarding regulation and legal quality, management will be compelled to provide more detailed information, thus bringing about regional differences in reporting narrative issues. Regarding the moderation effect of NMM, this study provides new evidence that institutionally owned firms operating in highly regulated countries may seek to increase their social acceptance and legitimacy by communicating how they have adhered to social norms and government initiatives (Branco & Rodrigues, 2006; Freeman, 1984; Gray et al., 1995), with greater disclosure of social responsibility, strategies, risks, and uncertainties. Furthermore, these findings are consistent with the neo-institutional hypothesis, which asserts that the unique characteristics of the MENA institutional environment regarding monitoring and governance quality are influencing firms' values and attitudes, including transparency, disclosure quality, and accountability.

7. Conclusion

This study aims to examine the impact of multi-level monitoring mechanisms on the depth of narratives in MENA non-financial firms. While prior studies examined firm-specific characteristics as determinants of Depth_N, the current study goes beyond firm-specific characteristics to explore the impacts of multi-layer monitoring mechanisms on Depth_N from the neo-institutional theory lens. This study sought to extend neo-institutional motives by investigating the relationship between multi-layer monitoring mechanisms and narrative depth. Using a self-constructed narrative index, our findings indicate that Depth_N is not as rich as expected after issuing narrative disclosure principles. However, firms that prioritize monitoring and proactive disclosure management may be better positioned to meet the information needs of their stakeholders and build trust with their investors.

Also, the level of Depth_N is driven by the effectiveness of both firm and national monitoring mechanisms. Specifically, firms with independent and female directors and high institutional ownership are likely to display more deep narratives to signal their compliance with government initiatives that enable them to gain the support of the country's strategic institutions (e.g., security markets and banks). Additionally, firms operating in highly regulated countries are more likely to disclose more narrative information. Considering the moderation effect of NMM, we provide fresh evidence that narrative sections cover more deep information about firms with intensive institutional ownership when they operate in ineffectively regulated countries.

This study advances the existing theoretical explanations of narrative disclosures by investigating the impact of the multi-layered monitoring mechanism. This study empirically demonstrates that the disclosure of deep narrative information is positively related to firms with a diverse boardroom in terms of independence and gender, heavy institutional ownership, and a country-level regulatory regime. Also, institutional ownership positively contributes to reshaping richer narratives in MENA firms. However, this positive impact is moderated by the regulatory quality and the role of the law.

This result may potentially help investors and regulators to better understand the effect of macro-level factors such as the rule of law and regulatory quality, which may drive the depth of narrative disclosure. The current study similarly has several theoretical implications. Theoretically, it provides supporting evidence that coincides with the neo-institutional perspective, which argues that firms with intensive institutional ownership will actively seek to win society and institutions' support through communicating their compliance with social norms and government initiatives that enable them to legitimise their daily decisions and operations. Moreover, managers may choose to improve their disclosure levels to communicate their superior performance to all stakeholders as a strategic requirement towards gaining the reputation of external dependencies.

However, it is important to note that there may be other factors that can also influence disclosure levels in this region. For example, cultural and institutional factors may play a significant role in shaping firms' disclosure practices, and these factors may interact with the MLMDV in complex ways that require further investigation.

In addition, it is important to consider the limitations of this study. The sample size was relatively small and focused on the MENA region, which may limit the generalizability of the results. Further research could explore the relationship between the MLMDV and disclosure practices in other regions and contexts and could also investigate the mechanisms (e.g. audit committees, sustainability committees, and risk committees; female executive versus non-executive monitor leadership) through which the MLMDV influences disclosure levels.

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Notes

- (1) World Bank database: <http://www.govindicators.org>.
- (2) MENA-OECD Working Group: <http://www.oecd-ilibrary.org/>.

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Appendix A

Narratives topics	Sub-items
Strategy	A Strategy that Delivers Globally/Delivering firm's priorities/strategy Business at a glance/Business Model/Strategy & Progress/business goal and strategy Market opportunities/market best routes Strategy in Action/marketplace/business model Strategic/operational review/Strategic framework Suppliers/Product innovation/customers An experienced and dedicated workforce Partnerships & relationships/Statutory Information
CSR	Corporate Responsibility Report/Review Sustainability report/review Health/safety/environmental/social responsibility Social contribution/programs/community support Human resources/employee/labour turnover/unrest environmental protection/Policy programs Employees training/employment opportunities Social/Environmental responsibility report Products safety Handling customers complaints
CG	Chairman governance introduction/letter Chief Executives Strategic Review Board of directors report/Audit Committee Report/ Directors Remuneration Report Ownership structure and shareholders' rights Directors and Senior Management/Biographies/Profiles Directors emoluments/total Board members/leadership team Board of Directors and Chief Executives Committee board report on corporate governance and Directors Remuneration Chairman and Chief Executives introduction Directors remuneration and share interests Directors Report-Business Review, Corporate Governance, and Remuneration Committee Report Directors responsibilities/Statement for the financial statements Governance and policy Directors/officers/advisers inside cover
Key-risks and uncertainties	Principal risks and uncertainties Principal Risks to Achieving the Product development pipeline Exchange rates risks Risk Management Review of Principal Risks and Uncertainties Taxation information for shareholders