EFFECT OF COPORATE GOVERNANCE ON FINANCIAL REPORTING QUALITY: EVIDENCE FROM LISTED TEXTILE SECTOR FIRMS ON PAKISTAN STOCK EXCHANGE

By

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NATIONAL UNIVERSITY OF MODERN LANGUAGES

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The undersigned certify that they have read the following thesis, examined the defense, are satisfied with the overall exam performance, and recommend the thesis to the Faculty of Management Sciences

Thesis Title: EFFECT OF COPORATE GOVERNANCE ON FINANCIAL REPORTING QUALITY: EVIDENCE FROM LISTED TEXTILE SECTOR FIRMS ON PAKISTAN STOCK EXCHANGE

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Candidate of Master of Science in Business Administration at the National University of Modern languages do hereby declare that the thesis **EFFECT OF COPORATE GOVERNANCE ON FINANCIAL REPORTING QUALITY: EVIDENCE FROM LISTED TEXTILE SECTOR FIRMS ON PAKISTAN STOCK EXCHANGE** submitted by me in partial fulfillment of MS degree, is my original work, and has not been submitted or published earlier. I also solemnly declare that it shall not, in future, be submitted by me for obtaining any other degree from this or any other university or institution.

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This thesis has been read by me and has been found to be satisfactory regarding content, English usage, format, citations, bibliographic style, and consistency, and thus fulfils the qualitative requirements of this study. It is ready for submission to the Faculty of Advanced Integrated Studies and Research for internal and external evaluation.

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ABSTRACT

Title: Effect of Corporate Governance on Financial Reporting Quality: Evidence from Listed Textile Sector Firms on Pakistan Stock Exchange

This study examines the effect of Corporate Governance on Financial Reporting Quality on the textile sector firms in Pakistan. The textile sector companies listed at Pakistan Stock Exchange were taken as population of the study. The size of the sample comprises 100 firms listed on Pakistan stock exchange were selected on the basis of Simple Random Sampling techniques. Financial Reporting Quality was taken as dependent variable whereas Audit Committee Independence, Board Independence, Institutional Shareholders Ownership and CEO Duality used as independent variables. Panel data were used to examine the relationship of financial reporting quality with corporate governance. The findings of this study indicated that Audit Committee Independence and Board Independence have positive and significant effect on financial reporting quality. Whereas Institutional Shareholders Ownership and CEO duality have positive and insignificant effect on financial reporting quality.

The study has some implications for the management as well as investors.

Keywords: Financial reporting quality, Audit Committee Independence, Board Independence, Institutional Shareholders Ownership, CEO Duality.

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DEDICATION

This research thesis is dedicated to my parents, my teachers, and especially to my beloved mother, who is the real source of inspiration to me and her prayers and love enable me to do something valuable in my life. I also dedicate this research to my other family members who provide a sound environment for the compilation of this work. No doubt due to the special blessing of **ALLAH** and support and prayers of my parents today I am able to compile my research study.

ACKNOWLEDGEMENT

I would like to share my gratitude toward my research thesis supervisor Dr. Alam Rehman, for all their constructive supervision and guidance he provided me throughout this process. I have been benefited from their rigorous direction, progressive vision and valuable insight continuously. I can never exaggerate my appreciation for them, and sincerely expect that in his supervision I can continue to proceed on my Ph.D. in the future as well.

I also dedicate to my parents and highly obligated and dedicate to the memory of my deceased father who left me during my research work, whose endless warm encouragement and support is the potency behind my accomplishments. My words can certainly not do justice to their contribution and support in my life.

Thank you all very much!

SAMEEN KHAN

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Most of researchers in the field of corporate governance have been conducted in the developed countries and very rarely the same area has been explored in developing country like Pakistan. The developed countries has been recognized the important position of Corporate Governance so importance of monetary presentation indicator, helping in their competitive advantage. Some of the researches in developing countries have also explored the measurement, valuation and disclosure of the Quality of Financial Reporting and Corporate Governance. Several research studies conducted in the field of Corporate Governance in rest of the world, and it show dissimilarity and discrepancy in results (Hassan and Bello, 2013).

Corporate Governance has got importance since last decades when firms started dependencies on the individual capabilities system improvement and advance technology and infrastructure. The world has experienced a lot of competitive based on the above mentioned capabilities. The researchers across the world exploring the importance of corporate governance with a view to draw the result of corporate governance performs in firm's inspiring and development in the term of monetary presentation and financial reporting quality. Researchers have explored the significance of corporate governance in firm presentation and economic reporting quality in both industrialized & emerging regions (Lobo &Zho, 2006).

Many corporate scandals since last fifteen years have been observed due to the low financial reporting, while shareholders are often demanded high quality financial reports. Recently the researchers observed that the firms or companies follow high quality internal and external governance techniques and also follow auditors of high quality external and internal to enhance financial report with high quality for shareholders. But, the mechanism of corporate governance different as of region to region shows the variations in the environment of lawful business (Chhaochharia & Grinstein, 2007).

Wang (2003) viewed that the Corporate Governance like differentiation, managerial tenure, other organizational characteristics and specialization can affect the organization performance. Similarly, Durnev et al (2004) documented that the quality of financial reporting and corporate governance is very important for the tremendous achievements and development of firm. They asserted that organizational innovation can effects firm financial performance. They suggested that as many as a firm can increase the corporate governance mechanism are vital. He further documented that the efficiency of corporate governance can enhance firm financial performance. The study evidenced that investing in hiring the skillful individuals for maintaining the better financial reporting directly affecting the financial performance.

Healy and Palepu, (2001) documented that according to the theory of agency the management ownership and ownership is the reason of the problems of agency and the information flow asymmetry in the shareholders. The mechanisms of corporate governance lessen these costs of agency; with the standard corporate governance quality arise from in better behavior of check and balance, enhanced quality of financial reporting quality and lessen the information asymmetry among a firm’s principles and agents.

This study inquires whether the techniques of corporate governance positively influence Financial Reporting Quality in developing countries, like Pakistan, in which governance is willful and the context is rare. Financial reporting quality influenced by external and internal governance factors; however the ability of company’s governance is connected to the great degree of these external & internal factors of supremacy. Some of the factors contain, Audit Committee Independence, Board Individuality, Panel Scope, Institutional Shareholders

Ownership, Institutional Shareholders, Leverage and Firm size. Various features of business show potency of government mechanism (La Porta et al, 1999).

Most of researchers in this area of Financial Reporting Quality have been conducted in the developed countries and very rarely the same area has been explored in developing country like Pakistan. The developed regions have recognized the importance of Financial Reporting Quality as the important monetary presentation indicator, helping in their competitive advantage. Some of the researches in developing countries have also explored the measurement, valuation and disclosure of the Quality of Financial Reporting and Corporate Governance. Several research studies has been explored on Financial Reporting superiority in rest of the domain, and it show dissimilarity &discrepancy in consequences, (La Porta et al, 1999).

The Financial Report is the main and vital instruments of Financial &accounting system that examined to supply requisite evidence for user to frame financial decisions regarding the determination of profitability of an enterprise's performance. Estimating and supply information frame it practicable to examine the past activities and operations efficiently evaluated and forecast the feasible forthcoming earning capacity and prearrange operations could be reflected as a prerequisite for attaining this objective, (Bolo, 2007).

The financial reporting quality consist the correctness of communicated information to better illustrate a business organization activities. Actually, users are practically interested in cash flow information of a firm. The cited definition of the Financial Reporting quality is consistent with current definition of Standards Board of Accounting; this board explored that one set of goals of quality of financial reporting is to impart potential creditors and investors to frame suitable decisions and determine the forecasted firm's cash. The important evidence of Fiscal Reportage Superiority from the view of the developer of the Standards of Accounting is concern and assurances which arrange useful information for decision maker, (Hassas Yegane, 2006).

The innovation in technology has significant impact in changing the socio-economic disposition of customers and entrepreneurs. It encompasses in altering behavior in managing the organization rivalries. Hence, organizations management to be dynamic, as the world now focuses into a knowledge base economy that relies on dependency knowledge, information and wisdom which is the innovative economy that is practices to filter innovation and breeds economic advancement and reliable composure. As a result, the filtered data is very peculiar to get abrupt and error-free. Results in information systems have a key effect and who concerned will be understood and used efficiently for the long run operations of the organization, Laudon and Laudon, (1998).

Now-a-days, Accounting Information Systems in business firms has core role in continuous, perpetual circle of operations, because of it responsible for the delegation of authority and conduction of responsibility of country. For too means decision taken relies on information regarding the system and are operated by foundations for decision on the implementation of wealth& main effect of fiscal information is efficient convey of material to public outdoor from business organizations in trust worthy &appropriate fashion, Noravesh, H (2009), documented that venture is single complete in the fine evaluated fashion when sustainable background prevents. The state is giving that perpetual entry the material& evaluate it comprehensively are accessible for all stockholders. Fiscal reports as the root cause of fiscal reporting encompasses evidence regarding the fiscal status &monetary evaluation of a business organizations that's granted in correlation to implement a wide range of catalogue, for instance government, stakeholders i.e.(investor and creditors). So this evidence comprised the economic reports is the foundation, authentic and crucial conclusions, hence, operators would analyze assets uniqueness for choice procedure par affecting in Financial Reporting, Bozorgasl, (2000).

Ebb excellence of monetary declarations breeds tide in economic activity prices & souk disorder assigning of core assets. The excellence of fiscal reporting quality and evidence that given by experts and specialists is a continuous process to improve, because it's the requirement of a business and authorities of currentera, Rahmani and Amini, (2011).

While designing information systems ought to an evaluation of the scheme and relationships of the salient subsystems, which will add to the planning and intended information system. The business firms wish to implement information to cope-up dilemma and facilitate manager for efficient and healthy decisions. Hence, gathering of structured data, full and final and need based information makes it be error-free, concrete and it can be implemented to solve the problems of the business firms efficiently and managers can use that information to make decisions more correctly and concisely to reap organization objectives, Nicolaou (2000); Choe, (2004). So, it is evaluated and examined that accounting is a model of information system affecting organization widely. It can be assumed that if any syllables are crucial for accounting information these parts can lead to a comprehensive strategy over competitors in the same scenario, Kearns and Lederer, (2004).

Noravesh and Choe. (1998) have also conducted the study on financial reporting which shows that there are significant and positive correlation between the firm's corporate governance and quality of financial reporting. They documented that the purpose of the quality of financial reporting is to assist the huge amount or fund in the economy. The main theme of his study is that to modify the company investment decisions. So the most important aspect of his study is that; financial reporting role improve the firm's investment decisions. Therefore the study of this theory also suggest some basic improved transparency which shows the over investment and under investment results and problems.

Hassan and Bello (2013) confined that a firm's management is accountable to provide financial reporting information which is utilized by decisions maker to forecast the outputs of current activities or correct their confluences. There are several circumstances perceived in the world to enter bogus financial reporting material or handle evidence to conceal monetary sufferers by window dressing. In the start of twenty first (21$^{st)}$ centuries have bundle of obstacles regarding accounting and financial scandals. The mainly eminent slanders of financial reporting of misappropriation includes such as Enron, Health South, Beekes to AIG, Bernie Mandoff, Lehman Bros and Satyam, (great accounting and finance scandal, 2015).

They further documented that it's compulsory, that overall firms to arrange a excellence statement of financial information. Financial reporting quality is regarded the main suitable factor in financial progress. Usually, it is perceived that several factors of the business organization had effect the high level quality of disclosed monetary reporting. Furthermore, they explained that there are many peculiarities which regarded the impact of great level quality of economic reporting are differ from firm to firm. The past researchers had proven that business organizations involving in activity of earnings management are frequently with less share dispersion, small firm size, and small audit firm size, low leverage, less liquidity, less board composition and lower performance.

Lobo and Zhou, (2006) confined that in last decades several prevailing trend of corporate slanders are noted by low Financial Reporting, shareholder demands high quality of financial reports. Currently the researchers demonstrated that the firms or companies follow eminent quality external and internal tools of corporate governance and also appropriate elevated auditor quality to improve high financial reporting quality for shareholders. But the governance mechanisms of the corporations differ from region to region, considering variations of business &in legal environment.

Khalifa & Othman (2015, 2016) asserted that all firms' managers utilized for the provision of various information for which they adopting different accounting policies which plays a role of remarkable instrument regarding the expected and current firm's prospectus. For decision making of investment the investors rely on for support on this printed information and utilize this for decision making of investment. If uncertainty or risk is greater, as investors claim greater rate of return, that result enhances in the cost of capital. Similarly, that financial information must encounter definite amount of credibility and reliability to lessen uncertainty for the objective of reducing cost of capital and since escape the outcomes to assault the value of firm position downward.

McNichols and Stubben (2008) documented that decision regarding firm investment is enhanced by convenient reporting of financial information. Since this enhancement in financial information determines the problems of below level of investment and high level of investment in the projects of firms.

Financial accounting information performs vital role in making of decision regarding firm corporate governance and investment efficiency. The Financial cost and monitoring expenses have impact on the investment and corporate governance efficiency of the firm. Similarly, the credibility of that financial information lessen, tendency of execution measurement on behalf of which managers are punished or rewarded based on unfavorable or favorable results of pick out projects for respectively investment decision. High quality information disclosure reduces asymmetry of information that weak, both cost of financial and facilitate financing and market inefficiency of long period in projects of high yield. (Levine, 1997).

Some studies conducted in other countries, provide gap in the context of Pakistan, in term of replication, variables and data set. Duchin, Matsusaka, and Ozbas (2010), conducted study to examine the nexus among Corporate Governance and Financial Reporting Quality. They originate that Corporate Governance has positive significant impact on Financial Reporting Quality. Such kind of studies can be found rare in the context of Pakistan. So the gap exists for using such combination of variables and techniques. In this context of Pakistan as financial reporting quality has not been tested, while correlating to investment efficiency.

Some studies conducted in other countries, provide gap in the context of Pakistan, in term of replication, variables and data set. Classens and Yurtoglu, (2013) conducted study to analyze the relationship between Financial Reporting Quality and Corporate Governance of the firm. They also found that corporate governance has significant and positive impact on the Financial Reporting Quality of the firm. Such kind of studies can be found rare in the context of Pakistan. So the gap exists for using such combination of variables and techniques. In this context of Pakistan as corporate governance has not been tested, while correlating to financial reporting quality.

1.2 Research problem

Brown et al. (2010) asserted that the current accounting scandals observed across the world has raised criticism on financial reporting quality. Various mainstream companies were engaged in this corruption such as Marconi, Parmalat and WorldCom etc. The failure of financial disclosure have produced that urgency to enhance the Quality of Financial Reporting and also required strong supervision of managers for a strong governing structure. Really, financial information provides assistance to investors of capital in that decisions procedure of investment. That is fruitful for firm partners, creditors and owners and regulators, due to the fact that it not only indicates the past performance of firm but also confined firm’s future forecast about firm’s productivity (Bushman and Smith, 2001; 2003).

Ballesta and Meca, (2007) viewed that the association between Financial Reporting Quality and corporate governance that’s widely explained in advanced regions. They stress on proper supremacy issues like concerted shareholding, panel freedom, and audit performance and director shareholding. Now the researchers convergence to discover and find the association between Financial Reporting Quality and corporate governance and in the under developed countries which are growing fast.

1.3 Research Questions

Q1: Does board independence effect Financial Reporting Quality?

Q2: Does institutional shareholders ownership effect Financial Reporting Quality?

Q3: Does Chief Executive Officer Duality effects Financial Reporting Quality?

Q4: Does audit committee independence effects Financial Reporting Quality?

1.4 Objectives of the Study

1- To study the outcome of panel (Board) independence on financial reporting quality.

2- To study the outcome of institutional shareholders ownership on financial reporting quality.

3- To study the outcome of Chief Executive Officer Duality on financial reporting quality.

4- To study the outcome of audit committee independence on financial reporting quality.

1.5 Scope of the Study

The span of the study is up to Textile segment firms of Pakistan. It is in the list of Pakistan Stock Exchange (PSX) 100 index

1.6 Significance of the study

This work is shown in the context of Pakistan, so it will add quality works as of limited outlook in the part of corporate governance and quality of financial reporting.

This work used very wide and current data for the analysis of listed textile segment companies, that’s previously worked for testing in Pakistan in the situation of Financial Reporting Quality, and Firm presentation.

This work helps for both managers as well as policy makers to attention on their company supremacy & fiscal reporting quality.

This current working will give benefit to the researcher as well as other academicians apart from this; this study also helped researcher to complete my MS degree.

This working makes a role to increase the finance works about Financial Reporting Excellence and Corporate Governance, in Pakistan. So, this research will definitely contribute to the body of literature review, in this area from local perspective.

This study will assess extra wide and current data set of overall of the textile segment, that’s not previously tested in Pakistan. Therefore this study will be a comprehensive study in the framework of Pakistan.

This working will be beneficial for policy makers and top management, while making decision regarding Financial Reporting Quality; they can be benefited from this study.

This study will help other researchers conducting their studies in the same area and field. They can be benefited from this research draft and will give them more insight, regarding variables, their relationship and its findings.

This study will help me academically as well as, will help the researcher to get MS degree.

1.7 Limitation

This work has certain limitations. I collect the data of 100 textile sector firms because of the

Un-availability of some data like intangible assets in the annual reports of these firms.

1.8 Justification of the Study

Various research studies which have been conducted in Pakistan exploring the association in Financial Reporting Quality and Corporate Governance none of study exist to explore the effect and relationship of corporate governance on financial reporting quality evidence from textile sector firms listed on Pakistan stock exchange.

1.9 Scheme of the Thesis

This thesis report is arranged in the following design and pattern.

Chapter No-1 consists an introduction and study background, research problem, research questions, and study objectives, scope and aim, justification of the study, significance of the study.

Chapter-2 includes definition of Audit Committee Independence, Board Independence, Institutional Shareholders Ownership, CEO Duality and Financial Reporting Quality.

Chapter-3 Study plan, Type of Research, Population of the Study, Methodology, Source of Data, Sampling, Statistical Analysis, Variable Definitions and measurements.

Chapter-4 consists of Empirical Analysis including multi colinarity test, descriptive statistic, correlation and regression.

Chapter-5 is all about discussion and recommendations, the research findings and scope of future research.

CHAPTER 2

LITERATURE REVIEW

2.1 The System of Corporate Governance and Financial Reporting Quality Universally

Established

Founder (2013) asserted the underlying influence of CG on the monetary presentation. This work showed that all issues of corporate governance i.e, fiscal reporting excellence has a direct nexus with performance of firm. The using annual numerical data to find and investigate the association and relationship. This study found that corporate governance along with other dimensions of FR has positive effect on the monetary presentation of companies. This work also directed strong attention on the FR performs of the company to send healthier consequences.

Hilary and Verdi (2009) documented the determining key result of CG on the monetary proxies of the firm. By using the correlation and simple ordinary least square to force as to outcomes. The literature found the volume of organizations financial reporting rises it tends to raise the monetary presentation. This working more expounded to ensure that every part of financial reporting is vital.

Elbannan (2010) examined and analyzed the banking segment firms for investigating the nexus b/w corporate governance and fiscal presentation. The study used fixed effect random effect model. The study used annual data to forecast results. They examine and found that the company financial reporting efficiency increases than its monetary presentation enhances. He suggested that firms should maximize its financial reporting efficiency level and focus on all facets of financial reporting efficiency.

Biddle et al. (2009) confined that corporate governance is essential for the firm's promotions. He argued that as the company near of corporate governed increases then its monetary presentation tends to increase. He originate that overall facts of corporate governance have positive and significant effect on the firm financial performance. He advised on that base of results that firms should unceasingly effort on the performs of financial reporting quality to faster good outcome.

Tang, Chen and Zhijun (2008) noted that corporate governance is an essential element for the enhanced presentation of the businesses. He analyzed industrial sector companies and verifies the positive and significant effect of financial reporting quality in that firm monetary presentation. They suggested that firm should work out strategies to enhance the financial reporting procedures of the firms. He further elaborated that the efficiency and transparency of corporate governance is very much important as compared to the other dimensions of financial reporting.

Jonas and Blanchet (2000) viewed and analyzed pharmaceutical firms for knowing the relationship and association between the efficiency of financial reporting quality and firm financial operations. He got that fiscal reporting quality is very essential to improving the monetary presentation of a firm. Financial reporting efficiency may pay to the firm's growth and financial performance. He examined and found a strong significant and positive relationship among the efficiency of financial reporting and monetary presentation of the firm. He suggested that a firm should have well equipped financial reporting abilities to do well in the market, as the market is very dynamics.

Van Beest et al (2009) documented that basic goal of financial reporting to give information related to economic activities originally in nature of financial beneficial decision making. The information relating to expenses and income, equity, liabilities, the entity's assets the management stewardship including gains and losses, distribution to owners and contribution by as well as cash flows. The evidence is generally in the shape of yearly reports like income report and financial position statement, statement of income comprehensive, statement of cash flow and changes in statement of equity as well as accounting notes. To increase confidence and trust in the users minds, the external auditor scrutinizes these financial reports. Therefore, the besprinkle of financial scandals in current age has lineage thoughtful ambiguity in that audited Quality of Financial Reporting (QFR) propagating in that corporate environment.

Pomeroy and Thomton (2008) examined that the basic idea of Financial Reporting Quality (FRQ) has instructed extensive research concern encircling the world. Therefore, regulators, researchers and practitioners are in the quarrel as to a clarify definition of what makes Financial Reporting Quality (FRQ), for example, auditors and audit committee needs to examine the methods of QFR of the business firms, and not exact their gratifying. The act still clearly not defines what will make Financial Reporting Quality. Similarly study meaning the excellence of FR provided by International Accounting Standards Board (IASB) (2008). In theoretical frame work of board define the Financial Reporting Quality is that which fulfills the goals and qualitative peculiarities of FR.

Kasznik (1999) explained that the problem of quality of Financial Reporting has still remained of large business organizations among regulators, professional accountants and other users of Financial Reporting. This is because of the reality that financial information has been a prominent way of transmitting the findings of activities and transactions which escaped in the business firm to the outsiders; who may utilize such financial information in evaluating the economic operations and position of a firm as well as a train in making future economic decisions. Since the confluence of each user of financial reporting is that such financial information will support them in assessing the health decree of the reporting business organization and in framing financial decisions about that information. Therefore, occurrence in current age, specially, the course of corporate scandals like WorldCom, Enron and many Nigerian Banks, has established thoughtful ambiguity on the quality reports of financial propagating in that condition of corporate entities and their capability to fulfill the confluence and requirements of the users.

Bramm and Boelens (2009) documented that the answer to the requirements in the current system of Financial Reporting, the (IASB) issued an ideological framework to the Financial Reporting related the exposure transcript issued on 2010 and 2008. The main problems exalt in framework are the objectives of Financial Reporting and that peculiarities of Financial Reporting Quality (FRQ). This is to notice that a main prerogative for obtaining financial reporting quality is the attachment to the best of goals and qualitative peculiarities of information of Financial Reporting. Related to the framework, peculiarities of framework are the characteristics that fulfill the decision profitable of financial reporting information. This framework attached these properties as; verifiability and timeliness, understandability, comparability, relevance and faithful representation.

Tasios and Bekiaris (2012) also examined and determined the association between the different dimensions of corporate governance (CG) and found that all of these have significant and positive correlation with presentation of monetray proxies of these firms. He further certificated that as firm shows strength in its financial reporting efficiency it start out performing other firms in the market and said that financial reporting efficiency is very vital for the firm existence and to be in the competition. He argued that financial reporting have significant positive impact on the monetary presentation of the company.

Beasley (1996) documented that corporate governance is very essential to the development of the company. He contended that competencies and abilities could be used for the development and inspiring the monetary presentation of the company. This research study determined that business organization must expend money on the human resources to support enormous growth. They noted the importance of financial reporting and documented that financial reporting of the business could support a strong operations and inspiring of the company presentation on financial. They propose the company should expend money in human resources and hire capable people as much it can.

Jensen (1993) asserts that management and business experience of the employees is very essential to the incessant achievement of the firm. They contended that presenting exercise and volume build up database will inspire development and better presentation of the company. He investigated that the corporate governance like managerial tenure, differentiation, specialization and other organizational characteristics can affect the organization performance. Similarly, Ortiz He further explained that the efficiency and transparency of financial reporting is very important for the tremendous achievements and development of the company. They argued that organizational innovation can affect the monetary presentation of the firm. They suggested that as many as a firm can increase the financial reporting efficiency are vital. He further noted that efficiency of financial reporting can improve the financial performance. The study evidenced that investing in hiring the skillful individuals for maintaining the better financial reporting directly affecting the financial performance.

Ahmed et al. (2006) documented that the Accounting Information System (AIS) excellent quality results cover utilizing data, execution of the business in non-financial and financial. Verdi (2009) clarify the financial reporting quality as preciseness of financial position and reporting that presents that performance of business organization, especially anticipated cash flow.

Bradbury et al (2006) confined that prior research demonstrated that the business supremacy (CG) has significant and positive association with the financial reporting quality (FRQ). Moreover, numerous research investigations found the association among Accounting Information System (AIS) and financial reports and performance of firm. In addition, Byard et al (2006) conducted research study on the topic and found that the quality of information confluences on the monetary presentation of the company. Therefore, for this purpose the hypothesis are suggested as follows.

2.2 Mechanism of Corporate Governance Affect Financial Reporting Quality

Wang (2003) examined that the corporate governance (GC) like managerial tenure, differentiation, specialization and other organizational characteristics can affect the organization performance. Similarly, Durnev et al (2004) explored that the financial reporting quality and corporate governance (GC) is very important for tremendous achievements and development of the firm. He documented that organizational innovation can affect the financial operations of the firm. He suggested that as many as a firm can increase the corporate governance (GC) mechanism are vital. He further argued that the efficiency of corporate governance could enhance the operations regarding finance. This study evidenced that investing in hiring the skillful individuals for maintaining the better financial reporting directly affecting the financial performance.

Bergstreser (2006) asserted that the corporate governance and Accounting Information System (AIS) excellent quality results cover utilizing data, execution of the business in non-financial and financial. Dechow et al (2010) defined the corporate governance, firm management is accountable for arranging the financial reports and information which is utilized by those individuals who takes steps for decision to forecast that results of recent activities or correct that anticipations. Financial Reporting and Corporate governance as the preciseness of financial reporting that presents performance of firm, especially in anticipated cash flow.

Basu (1997) explained that the prior research documented that the corporate governance have significant and positive association with quality of financial reporting (QRF). Moreover, numerous research studies found the association among financial reporting quality and corporate governance performance of firm. So, in addition, Qiang (2003) evaluated and conducted research study on the topic and found that the quality of information confluences on the firm financial operations.

Fama and French (1997) examined that underlying impact of corporate governance on firm the quality of financial reporting and firm financial performance. This study observed that all relevant facets of corporate governance i.e, financial reporting (FR) efficiency have direct association with the business organization financial reporting quality and firm performance. He used annual data to find out the association. This research study found that corporate governance along with other dimensions of corporate governance has positive and significant effect on the financial performance of business organization. This research study also observed extreme center on that corporate governance activities of the company to perform best results.

Richardson (2006) explained the determining key impact of corporate governance (CG) on financial proxies of the firm’s financial reporting quality (FRQ). This study used simple OLS and correlation to forecast that results. This study found that firm’s level of corporate governance enhances that tends to support the financial operations. This study further explained that every element of corporate governance (CG) vital.

LaFond and Schipper (2004) evaluated and conducted the research study on the banking sector firms for investigating the association among quality of financial reporting (QFR) and corporate governance in firm’s financial performance. This research study used fixed effect random effect model. The study used annual data to forecast that findings. He found the firm corporate governance level increases than its financial performance enhances. He suggested that firms should maximize its corporate governance mechanism level and focus on all facets of corporate governance mechanisms.

Core and Verdi (2008) argued that corporate governance is largely vital for development of the company. He argued that the business organization's good level of corporate governance enhances then the company's quality of financial reporting and operational financial activities tends to increase. He found that all facets of governance at corporate level (GC) have positive effect on that financial performance and quality of financial reporting (QFR). He advised on the behalf of the results the firms must regularly work on that exercises of corporate governance (GC) must faster better research findings.

Jones (1991) confined that the corporate governance is a device for that enhanced operations of companies. They analyzed non-manufacturing sector companies and found positive and significant impact of corporate governance (GC) on that financial operational performance of firm. They suggested the firm should work out strategies to enhance that corporate governance (AC) mechanisms of the firms. He further elaborated that the efficiency and transparency of financial reporting (FR) is very much important as compared to the other dimensions of financial reporting.

Blanchard et al (1994) conducted and examine the research study and analyzed pharmaceutical firms for knowing the association among the governance at corporate level (GC) and firm quality of financial reporting (QFR) financial performance. He found that corporate governance (GC) is largely beneficial for elevating the financial performance of a business firm.

Opler and Williamson (1999) asserted that corporate governance (GC) can contribute to the firm's growth and financial performance. He found a significant and very strong positive association among that governance at corporate level and firm's quality of financial reporting (QFR) and financial performance of the firm. He suggested that a firm should have well equipped mechanisms of corporate governance and financial strong positions abilities do well in that market, as the market is very dynamics.

Kottari and Watts (1998) also explore and determined the association among those different dimensions of governance at corporate level (GC) mechanism and found that all these have positive correlation with financial reporting quality proxies of these firms.

Zeng and Lu (2003) argued that as firm shows strength in its governance at corporate level (GC) and quality of financial reporting that start out performing another firms in the market and said that corporate governance (GC) efficiency is very vital for the firm existence and to be in the competition. He explores the governance at corporate level (GC) have significant and positive effect on that firm's financial reporting accuracy and financial operations of a company.

Levine (1997) explained that the corporate governance (GC) is very important for the development of the company. He viewed that human capabilities and skills could be utilized for that development and elevating of the financial operations of a business organization and investment efficiency. This research study found that company must expend money in human resources to support better future development.

Shliefer and Wishny (1997) analyzed that the significance of governance at corporate level and asserted that the corporate governance mechanism of a business organization could support best operations and elevating of the company financial activities. He argued that company must expend money in human resources and hire capable people as much it can.

Stein (2003) documented that the entrepreneurial and managerial experience of that employees is very important for the regular development of that company. They determined that introducing capacity building and training program will support development and enhanced operations and activities of business organization.

Bens and Monahan (2005) confined that the corporate governance and Accounting Information System (AIS) better and good quality results cover using data, completion of the business in non-financial and financial. Dechow et al (2010) defined the corporate governance, a firm management is accountable for arranging the financial reports and information which is utilized by decision policy maker to forecast that findings of recent activities are correct their anticipations. Corporate governance and financial reporting as the preciseness of financial reporting that presents performance of firm, especially in anticipated cash flow.

2.3 Corporate Governance and Financial Reporting Quality Commencement and its

Historical background

Van Beest et al (2009) documented as basic goal of financial activities to give information related to economic activities originally in nature of financial beneficial decision making. The information relating to expenses and income, equity, liabilities, the entity's assets the management stewardship including gains and losses, distribution to owners and contribution by as well as cash flows. This evidence is generally in the shape of yearly reports like income report and financial position, statement of income comprehensive, statement of cash flow and statement changes in equity as well as accounting notes. To increase confidence and trust in the users minds, the external auditor scrutinizes these financial reports. Therefore, the besprinkle of financial scandals in current age has lineage thoughtful ambiguity on that audited Quality of Financial Reporting (QFR) propagating in corporate environment.

Pomeroy and Thomton (2008) examined that the basic idea of Financial Reporting Quality (FRQ) has instructed extensive research concern encircling the world. Therefore, regulators, researchers and practitioners are in that quarrel which is to a clarify elaboration of what makes Financial Reporting Quality (FRQ), for example, auditors and audit committee requirements to examine the methods of financial reporting quality of business firms, and neither exact own gratifying. This function still clearly neither defines which will make quality in Financial Reporting. Similarly a best definition of financial reporting quality (FRQ) provided by International Accounting Standards Board (IASB) (2008). In this conceptual frame work, board define the Financial Reporting Quality, how to fulfills that goals, which require qualitative peculiarities of Financial operations.

Kasznik (1999) explained that the problem of quality of Financial Reporting has still remained of large business organizations among regulators, professional accountants and other users of Financial Reporting. This is because of the reality that financial information has been a prominent way of transmitting the findings of activities and transactions which escaped in the business firm to the outsiders; who may utilize such financial information in evaluating the economic operations and position of a firm as well as a train in making future economic decisions. Since the confluence of each user of financial reporting is that such financial information will support them in assessing the health decree of the reporting business organization and in framing financial decisions about that information. Therefore, occurrence in current age, specially, the course of corporate scandals like WorldCom, Enron and many Nigerian Banks, has established thoughtful ambiguity in that quality financial reports propagating that recent system of corporate entities and their capability to fulfill the confluence and requirements of the users.

Bramm and Boelens (2009) documented that the answer to the requirements in the current system of Financial Reporting, the (IASB) issued an ideological framework to the Financial Reporting related the exposure transcript issued on 2010 and 2008. The main problems exalt in framework are the goals of Financial statements and the peculiarities of Quality of Financial activities (QF). This has been noticed that a main prerogative for obtaining financial reporting quality that attachment to goals and objectives peculiarities information of Financial Reporting. Related to the framework, peculiarities of framework are the characteristics that fulfill the decision profitable of financial reporting information. This framework attached these properties as; verifiability and timeliness, understandability, comparability, relevance and faithful representation.

2.4 Relationship between Board Size, Audit Committee Independence and Quality of Financial Reporting

This represents that to the BOD (board of directors) is a cluster of individuals that are chosen by the shareholders of the concerned corporation or company. The responsibilities of directors are to take the business decisions on corporate level in the basis of firm's investors. Each and every corporate level public company has board of directors. The current study in which the size of board refers to that total members of board or directors. (Porter k et al. 2007).

It refers that the audit committee is comprises of company members such as board of directors that facilitate the independent of management toward helping the auditors. They enable the committee to lay down all the essentials of independent audit to provide the real and lucid image of the company financial reporting i.e. internal control and internal check of the auditors. The measurement of this variable is independent audit committee divided independent auditor. The same practices were used by (Bulan et al. 2009).

Biddle et al, (2009) also examined this current study using a large publically traded firm of United States which shows the evidence that has been mostly limited to larger business firms. They asserted that it is not transparent to determine the registered superior learning in various surroundings. So they have also described the financial reporting have significant and positive impact on company's corporate governance. Further in the current study they expanded the literature by determining that correlation of corporate governance with company's financial reporting as a size of sample of the listed companies in dynamic markets. So the current research study has also given proof to both.

While designing information systems ought to an evaluation of the scheme and relationships of the salient subsystems, which will add to the planning and intended information system. The business firms wish to implement information to cope-up dilemma and facilitate manager for efficient and healthy decisions. Hence, gathering of structured data, full and final and need based information makes it be error-free, concrete and it can be implemented to solve the problems of the business firms efficiently and managers can use that information to make decisions more correctly and concisely to reap organization objectives, Nicolaou (2000) Choe, (2004). So, it is evaluated that the accounting information system is a model affecting the organization widely. It can be assumed that if any syllables are crucial for accounting information these parts can lead to a comprehensive strategy over competitors in the same scenario, Kearns and Lederer, (2004).

Zeng and Lu (2003) have also concentrated on the importance of these studies to determine the association between capital cost and corporate financial reporting quality. They also describe that a small theoretical proof toward Accounting Information Quality (AIQ) can affect the corporate real investment decision. As they suggest that accounting information system are mainly focused on the study of association among firm's investment efficiency and corporate cost. Hence, reliable financial information well provide very less biased performance measurement which helps the firm's management for making best investment decisions and avoid the organization from bad decisions.

Bushman and smith (2001) investigated that the small portion of financial information reduced the imbalance by large quality information disclosure shall reduce financing cost and also reduce market efficiency and well facilitate the financing decisions especially for longer period of time to gain high return of the project. They also stress on the main hypothesis forecasts that the high financial reporting quality is negatively correlated to both under investment and over investment of all listed firms. So the researcher of the study have used the data of 2319 companies for analysis of the study to investigate the relationship between investment efficiency and firm's financial reporting quality during the sample period of year 2004 to 2006 in china. The results of his study show that there is negative correlation between firm's financial reporting quality with over and under investment of the firms. They suggest that those firms who have good financial reporting quality will have efficient investment decisions.

Hassan Yegane (2006) viewed that the firm's Financial Reporting Quality (FRQ) shows the values and strength of the organization performance. They also describe that the firm's financial reporting quality has positive and significant impact on the firm's investment efficiency. The firm financial reporting quality consists of some real and well reported information to show the true value and performance of business organizations. Therefore the investors are keenly interesting on the company information regarding the inflow and out flow which gives a lot of benefits to investors for investing that particular business firms. So according to the accounting standard board that stress on to concentrate upon the firm's financial reporting which helps the investor's to know about the company visible and invisible creditors to take decision and examine the cash flow of business organization.

Noravesh (1998) have also conducted the study on financial reporting which shows that there are positive and significant correlation between the firm's investment efficiency and financial reporting quality. They documented that the purpose of financial reporting is to assist the huge amount or fund in the economy. The main theme of his study is that to modify the company investment decisions. So the most important aspect of his study is that; financial reporting role improve the firm's investment decisions. Therefore the study of this theory also suggest some basic improved transparency which shows the over investment and under investment results and problems. LA Fond and Schipper (2004) evaluated and conducted the research study on the banking sector firms for investigating the connection between CG (corporate governance) &FRQ(financial reporting quality) and financial performance. The study used fixed effect random effect model. The study used annual data to predict the results. He found that as the firm's corporate governance level increases than its monetary presentation enhances. He suggested that firms should maximize its corporate governance mechanism level and focus on all facets of corporate governance mechanisms.

Core and Verdi (2008) argued that corporate governance is very important for the firm's success. He argued that as the company volume of corporate governance rises then its firm's financial reporting quality and monetary presentation tends to increase. He found that all facets of corporate governance (GC) have positive impact on the monetary presentation and financial reporting quality (FRQ). He advised on the foundation of the answers that firms should unceasingly work on the practices of corporate governance (GC) to faster good outcome.

Khodayi & yahyayi (2009) argued that there is positive and significant association between Financial Reporting Quality and firm's Investment Efficiency by using the data of 210 listed firms of Tehran Stock Exchange for the period of five years. They suggest that financial reporting qualities are statistically correlated with firm's investment efficiency. These studies find has statistically negative effect on firm's financial reporting over outlay efficiency.

Bolo (2007) documented that financial reporting is the vital and important product of all the accounting system which gives the important information to the investors to undertake the business decision on the behalf of business firm financial strength and sustainability. He further noted that the information which is provided through financial reporting can be measuring and evaluating the past performance and effectiveness of the business and forecast the best possible planning for future profitability and expected activities which can be regarding as a pre-demand to achieve this objectives.

Healy and Palepu (2001) assert that Financial reporting quality (FRQ) consist the accurate information which is reported to present the better picture of the business firm activities. In fact, the investors are basically having a main focus on the information about the cash flow of the firm. The main objectives of Financial reporting is that to provide necessary financial information to that real investors and creditors to make possible decision and examined the expected cash of the business.

Chen et al (2011) documented that the quality of financial reporting highly affect the efficiency of the business firm, which consists auditing quality, investment, financial leverage and financial structure quality. They asserted that the effects of fiscal reporting quality to costs of speculation and uncertainty of information and agency, find that financial reporting with high quality decreased the investment and cost of agency.

Flannery (1998) argued that the information to efficiently facilitate apportion of capital in the country's economy is one of the objective of financial reporting information. This act main aspect to enhance the business investment plans for future. Especially this theory proposes that better financial transparent information have the virtual to lessen both the problems underinvestment and overinvestment and current studies sustain this forecast.

Berger and Udell (1998) viewed that many current empirical studies sustain the existence of the relationship between financial reporting quality and investment efficiency and they found that the financial reporting quality has a positive significant impact on investment efficiency. It shows that a high quality of financial reporting definitely increase the investment efficiency.

Ortiz-Molina and Penas (2008) noted the mainly stand-point on this study to find the relationship between capital cost and public corporate financial reporting quality. They found some little empirical evidences regarding that how financial reporting quality effects business actual investment plans.

Diamond (1991) as a consolidate part of financial agreements financial reporting information effects investment efficiency through properly monitoring and the cost of financing. The accurate financial information can procure a lesser biased execution measurement, which help to remunerate managers for a good investment planning decisions and scourge them for bad decision making. The high quality information definitely reduced information asymmetry and will reduce the cost of financing, inefficiency of market and motivate financing especially for long object term and high return projects. The main hypotheses forecast high quality of financial information has a negative insignificant association with both over and underinvestment of listed companies.

Myers (2008) conducted the study and to find out the relationship in between financial reporting quality and investment efficiency and use sample of 2220 business firm years observation in during the period of 2003 to 2007 in China. This study analysis found that the variables have a negative insignificant association with both over and under investment. Although the findings of this study proposes that the business firms with higher financial reporting quality are associated with more effective governance, no other can evidenced from that study that enhancing quality of financial reporting would indispensably construe in larger shareholders success.

Childs et al (2005) documented that financial reports is the most important information origin which is available to capital market and it is anticipated that it play efficient role in the development of investment and its efficient betterment. For this purpose the practitioners, professors and authors of accounting line seek for enhancing financial desiderate quality and as an instrument allocating accountability regarding the society requirements. For instance, consequently to the theoretical ideas of financial statements that basic purposes of financial statement which providing gather and refined information regarding balance sheet, financial operations, financial flexile of the firm institution which is beneficial for a large number of users of financial statement in drafting business future decision. Attaining this objectives needed that information to be primitively reliable and relevant and secondly to be extensive and approximate.

Leuz et al (2003) examined that another important objective of financial reporting to expediting large capital committing in the economy of the country, and second main phase of this character is the advancement of investment decision. So it can be determined that enhancing financial translucent is a virtual capacity for low investment inefficiency. The best financial reporting quality improves that strong standards and rules are sufficient and more useful in the preparation and auditing the final reports, reliability of information users will be enhanced and information hazard will be reduced.

Bhattacharya et al (2003) conducted a study on this topic and found that the usefulness of financial information quality at the time of adventure of some non-financial and financial occurrence is better evidenced when the users in the adventure required approach to translucent and information with high quality regarding financial operations and position of the business firm, and describing association in quality of financial reporting and corporate governance. Attaining the current objective helps in explaining information requirements of the users and investors to appropriate more useful and beneficial decisions.

The fiscal reporting excellence (FRQ) can be defined as the capability of monetary statement is transmitting the information of the business firm's activities and especially as forecast of anticipated cash flow to the investors. Further state that accounting standards with high quality increases financial reporting through evaluating capability of investors in credit and investment decision process. The quality of financial reporting (QFR) and accounting system of information gives general result of four factors; high quality accounting standards, experience of committee of auditing, creativity and attitudes of management. Worthlessness in one of these factors may disorder all the process, Garcia-Marco and Ocana (1999).

Barclay and Smith (1995) noted on another side that investment is one of the important economic variables which attract extensive discussions. They reflect investment as a process in which the investors determined different methods following asset acquiring as machineries, money and land which is largely improved through savings or lesser income expenditures, and that's why he will select the choice that its output is correlation to the anticipated threat. This choice can be actual asset like machinery and building or financial assets like future contracts, shares and securities. Another definition, investment can be viewed as an origin which can be adopted in order to obtain financial outputs. On the hand, investment can be defined as appropriate recent resources to attain future resources which are not self-evident and reasonable.

Saghafi and Arab Mazar Yazdi (2010) conducted a study to examine and determined the association between quality of financial reporting and Chief Executive Officer (CEO) duality in firms which are registered in the stock exchange of Tehran. They use the Verdi (2006) model; they empirically tested association in quality of financial reporting and audit committee independence. This result argued that there is negative insignificant nexus b/w these variables in TSX (Tehran stock exchange), because they are not relevant with that results by Biddle et al and Verdi (2006). Crotty (1992) demonstrated that investment efficiency has too much association with the quality of financial reporting of the firm. They asserted that a debit maturity moderate the effect of Quality of Financial Reporting on audit committee and board independence to shows where the impact of one variable audit committee independence on quality of financial reporting is going on to increase or decrease as a results of the debit maturity. The researchers will determined both effects: as on the one side the decrease of information imbalance and more suitable use of accounting numbers as to very large financial reporting quality. So, according to another approach that firms with high quality of financial reporting creditors must be very small need for short term maturity to operate manager behavior.

Hubbard (1998) certificated that as related to the agency theory perspective, there are different kinds of mechanism to obtain information imbalance and information threat and to support the management activity that reduce the rational behavior of supervisors like financial reporting quality and disclosure.

Datta et al (2005) conducted various researches to find the impact of quality of financial reporting (QFR) the undue insufficient investment taking the emerging markets company's data, and found the financial statements as the higher standard assist that firms with insufficient investment issues to have investment and assist business firms with undue investment issues to decrease their investment level.

Bharath et al (2008) argued the hence high financial reporting quality bring the top management more responsible through contribute reform inspect and decreases information asymmetries and consequently false selection and ethical risk, it will lessen extensive or undue investment issues. On the other side, quality of financial reporting could improve corporate governance through meliorate recognition of that project and contribute to bring reliable accounting figures to inside decision makes.

Hassan Yegane (2006) viewed that the Quality of Financial Reporting (QFR) shows values and strength of that organization performance. They also describe that the firm's quality of financial reporting have positive and significant effect on that firm's board size. This firm financial reporting quality consists of some real and well reported information to show the true value and performance of business organizations. Therefore the investors are keenly interesting on the company information regarding the inflow and out flow which gives a lot of benefits to investors for investing that particular business firms. So according to the accounting standard board that stress on to concentrate upon the firm's financial reporting which helps the investor's to know about the company visible and invisible creditors to take decision and examine the cash flow of business organization.

Noravesh (1998) have also conducted the study on financial reporting which shows that there are significant and positive correlation between the firm's corporate governance and quality of financial reporting. They documented that purpose of financial statement is to assist that huge amount or fund in the economy. The main theme of his study is that to modify the company investment decisions. So the most important aspect of his study is that; financial reporting role improve the firm's investment decisions. Therefore the study of this theory also suggest some basic improved transparency which shows the over investment and under investment results and problems.

Biddle et al, (2009) also examined the study using a large publically traded firm of United States which shows the evidence that has been mostly limited to larger business firms. They asserted that it is not transparent to determine the registered superior learning in various surroundings. So they have also described that quality of reporting has significant and positive impact on firm's CEO duality. Further in the study they expanded the literature by determining that correlation of corporate governance with that company's financial reporting as random sample size, the local companies in the current dynamic markets. So that research has also allowed proof to those firms.

While designing information systems ought to an evaluation of the scheme and relationships of the salient subsystems, which will add to the planning and intended information system. The business firms wish to implement information to cope-up dilemma and facilitate manager for efficient and healthy decisions. Hence, gathering of structured data, full and final and need based information makes it be error-free, concrete and it can be implemented to solve the problems of the business firms efficiently and managers can use that information to make decisions more correctly and concisely to reap organization objectives, Nicolaou (2000) Choe,   (2004). So, it is evaluated that the accounting information system is a model affecting the organization widely. It can be assumed that if any syllables are crucial for accounting information these parts can lead to a comprehensive strategy over competitors in the same scenario, Kearns and Lederer, (2004).

Zeng and Lu (2003) have also concentrated on the importance of these studies to determine the association between capital cost and corporate financial reporting quality. They also describe that a small theoretical proof toward Accounting Information Quality (AIQ) can affect the corporate real investment decision. As they suggest that accounting information system are definitely give attention on this research of association among firm's investment efficiency and corporate cost. Hence, accurate information regarding finance well support very low level of inaccuracy operations measurement it support the firm's management for making best investment decisions and avoid the organization from bad decisions.

Bushman and smith (2001) investigated the small portion for financial figures reduced the imbalance by large quality information disclosure shall reduce financing cost and also decreases the places of market efficiency that well support the decisions regarding financing generally of longer period of time to gain high return of the project. They also stress on the basic assumptions forecasts the good quality of financial information is insignificantly correlated to the low level of corporate governance and over investment of all registered firms. So this researcher of the study have used the data of 2319 companies for analysis of the study to find out that relationship among corporate governance and firm's quality of financial reporting during that sample period for year 2004 to 2006 in china. The finding for his research shows that insignificant correlation in the firm's quality of financial reporting with over under investment of the firms. They suggest that those firms who have good quality of financial statements will have efficient decisions regarding investment.

Khodayi and yahyayi (2009) argued and found that significant and positive association among Quality of Financial Reporting and firm's corporate governance by using the data of 210 registered companies of Stock Exchange of Tehran for the period of five years. They suggest that financial reporting qualities are statistically correlated with firm's investment efficiency. These studies find has statistically negative impact on firm's financial reporting over corporate governance.

Biddle et al (2009) are viewed that investment efficiency has very strong relationship with the firm's financial reporting quality. They asserted that how a debit maturity moderate the impact of Financial Reporting Quality on investment efficiency to shows where the impact of one variable investment efficiency on financial reporting quality is going on to increase or decrease as a results of the debit maturity. The researchers will determined both effects: as on the one side the decrease of information imbalance and more suitable use of accounting numbers as to very large financial reporting quality. So on the other hand side the firms with high financial reporting quality creditors must be very small need for short term maturity to operate manager behavior.

Thomas (2008) asserts that as according to agency theory perspective, there are different kinds of mechanism to obtain information imbalance and information threat and to support the management activity that reduce the rational behavior of supervisors like financial reporting quality and disclosure.

Rezazadeh and Azad (2008) in a research evaluated the association between information imbalance and perpetuation in Financial Reporting. Confined that it is too much clear that also have identical relationship and at that period hence as under developed country got technology vertically. During that period that was the vital phenomena regarding the system of financial reporting, therefore no reconciliations were formed at that duration since they don't have such requirements of reporting structure as such with those firms. Economically, governmentally and communally was assorted country but that needs and necessities of the system of reporting were framed with compensation of requirements of British. Every under developed country is assorted in terms of culture, GNP, political and economic system, population degree of literary, the factors which perpetually had an effect on the extent and nature of the system of financial reporting quality.

Khoshtinat and Hajian (2008) examined the relationship between financial reporting quality and investment efficiency. They argued that FRQ has significant impact on the investment efficiency of a firm. They obtained the data of Iranian firms from 2000 to 2006.

Crotty (1992) demonstrated that investment efficiency has too much relationship with the firm's financial reporting quality. They asserted that how a debit maturity moderate the impact of Financial Reporting Quality on investment efficiency to shows where the impact of one variable investment efficiency on financial reporting quality is going on to increase or decrease as a results of the debit maturity. The researchers will determined both effects: as on the one side the decrease of information imbalance and more suitable use of accounting numbers as to very large financial reporting quality. So on the other hand side the firms with high financial reporting quality creditors must be very small need for short term maturity to operate manager behavior.

Hubbard (1998) certificated that as related to the agency theory perspective, there are different kinds of mechanism to obtain information imbalance and information threat and to support the management activity that reduce the rational behavior of supervisors like financial reporting quality and disclosure.

Bertrand Mullainathan (2003) conducted a research and found in that research study evaluated explained that on another side that investment is one of the important economic variables which attract extensive discussions. They reflect investment as a process in which the investors determined different methods following asset acquiring as machineries, money and land which is largely improved through savings or lesser income expenditures, and that's why he will select the choice that its output is correlation to the anticipated threat. This choice can be actual asset like machinery and building or financial assets like future contracts, shares and securities. Another definition, investment can be viewed as an origin which can be adopted in order to obtain financial outputs. On the hand, investment can be defined as appropriate recent resources to attain future resources which are not self-evident and reasonable.

Jensen and Meckling (1976) confined and determined of financial reporting quality are very vital for company development. He suspected that as the company size of fiscal reporting quality determinants and efficiency enhances then its monetary presentation tends to enhance. He argued that all facets of FRQ determinants efficiency have positive effect on the fiscal presentation and efficiency. He noted on the grounds of the findings that firms should incessantly effort on the performs of fiscal reporting determinants efficiency to faster better result.

Guedes and Olper (1996) certificated the underlying effect of financial reporting quality (FRQ) on the corporate governance (CG). They examined the banking subdivision companies for finding out the association between determinants of fiscal reporting quality and financial performance. The study used fixed effect random effect model. The study utilized annual data to present the result. He found that as the firm's determinants of financial reporting efficiency level increases than its monetary presentation increased. He argued that firms should enhance its financial reporting determinants efficiency level and provide focus on all facets of financial reporting quality determinants efficiency.

Kasznik (1999) explained that the problem of quality of Financial Reporting has still remained of large business organizations among regulators, professional accountants and other users of Financial Reporting. This is because of the reality that financial information has been a prominent way of transmitting the findings of activities and transactions which escaped in the business firm to the outsiders; who may utilize such financial information in evaluating the economic operations and position of a firm as well as a train in making future economic decisions. Since the confluence of each user of financial reporting is that such financial information will support them in assessing the health decree of the reporting business organization and in framing financial decisions about that information. Therefore, occurrence in current age, specially, the course of corporate scandals like WorldCom, Enron and many Nigerian Banks, has established thoughtful ambiguity on the financial reports quality propagating in the environment of corporate entities and their capability to fulfill the confluence and requirements of the users.

Parrino and Weisbach (1998) noted the determining key effect of financial reporting quality (FRQ) on the financial proxies of the firm. This working applying the correlation and simple ordinary Least square (OLS) to predict the results. This work found that as the level of firm's financial reporting rises it tends to rise the fiscal presentation. This working further explained that each element of financial reporting quality is vital.

Lai (2011) conducted the research study on banking sector firms for investigating the relationship between financial reporting quality and investment efficiency. The study used fixed effect random effect model. The study used annual data to predict the results. He found that as the firm's quality of financial reporting y level increases than its investment efficiency enhances. He suggested that firms should maximize its financial reporting quality level and focus on all facets of financial reporting quality.

Magri (2010) documented that financial reporting quality (FRQ) is vital for the company betterment. He argued that as the firm's level of financial reporting quality increases then its monetary presentation tends to increase. He got that all sides of FR quality have positive impact on the investment efficiency and firm's financial performance. He advised on the basis of the results the company should routinely effort on the practices of financial reporting quality to faster good outcome.

Bolo (2007) asserted that quality of financial reporting is main for the enhanced presentation of a company. He analyzed trade sector company &established the significant positive result of financial reporting quality (FRQ) on the investment efficiency (IE) of the firm. He recommended to the company that company should follow the strategies to improve the fiscal reporting quality performs of the firms. He further elaborated that the quality and transparency of financial reporting (FR) is very much important as compared to the other dimensions of financial reporting.

HassasYegane (2006) confined and analyzed the pharmaceutical firms for knowing the relationship between the quality of financial reporting and investment efficiency and firm financial performance. He originate that fiscal reporting quality is very important for inspiring the monetary presentation of a firm.

Sajjadi et al (2009) documented that financial reporting quality can contribute to the firm's growth and financial performance. He found a strong positive relationship between the quality of financial reporting and investment efficiency and monetary presentation of the firm. He suggested that a firm should have well equipped financial reporting abilities to do well in the market, as the market is very dynamics.

Zarif Fard (2008) conducted the research study and investigated the relationship between the different dimensions of the quality of financial reporting and found that all these have positive correlation with investment efficiency and monetary presentation proxies of these firms.

Buzby (1974) asserted that as firm shows strength in its financial reporting quality it start out performing other firms in the market and said that financial reporting quality is very vital for the firm existence and to be in the competition. He argued that financial reporting quality has positive significant impact on the monetary presentation and investment efficiency of a firm.

Cooke (1989) investigate about the superiority of the fiscal reporting that's much important for the development of a company. He claimed that humanoid services and competences used for the development &inspiring of the fiscal presentation of a company. This working showed that firm should invest in the human wealth to inspire wonderful development.

Hussain, Tan & Adams (1994) documented that importance of financial reporting quality &asserted that financial reporting of a company can confirm flat operative and inspiring of the company fiscal presentation. He suggests that firm should invest in human capital and hire capable people as much it can.

Naser and Mora (1994) explore that decision-making & business knowledge of the employees is much important for the continuous development of a company . They claimed that presenting preparation & volume build up program will inspire growth & better presentation of the secure.

Lang and Lundholm (1993) analyzed that the quality of financial reporting like managerial tenure, differentiation, specialization and other organizational characteristics can affect the investment efficiency and organization performance. Similarly, McNally, Eng and Hasseldine (1982) documented that the quality and transparency of financial reporting is very vital for the tremendous achievements and growth of the firm to enhance investment efficiency. They argued that organizational innovation can affect the monetary presentation of the firm. They suggested that as many as a firm can increase the financial reporting quality are vital. He further explained that quality of financial reporting can improve the investment efficiency and financial performance. The study evidenced that investing in hiring the skillful individuals for maintaining the better financial reporting directly affecting the financial performance.

Chow and Wong-Boren (1987) documented that the Financial Reporting (FR) excellent quality results cover utilizing data, execution of the business in non-financial and financial. Verdi (2009) defined the quality of financial reporting as the preciseness of financial reporting that presents the performance of firm, especially in anticipated cash flow.

Naser and Nuseibeh (2003) explained that the prior research demonstrated that the quality of financial reporting have positive significant relationship with investment efficiency. Moreover, numerous research studies found the association among Financial Reporting Quality (FRQ) and investment efficiency and performance of firm. In addition, Frost and Pownall (1994) analyzed and conducted research study on the topic and found that the quality of information confluences on the monetary presentation of the company.

2.5 Financial Reporting Quality System Established in Pakistan

Kouser et al (2012) explored that Financial Reporting (FR) is the important component while take into the corporation level concern of company and business law. The financial reporting requirements and laws are important to consider for insuring the protection of investors. FI (Financial information) quality is crucial for better monetary result creation. The quality of data problems is also solvable through mandatory and proper formats of reporting. Every country have it’s their own proper requirements of reporting to be accomplished by corporate body listed or registered in the concerned stock market. Therefore, overexcited globalization is effecting these disagreements in reporting and accounting along with rules & hallmarks. Inexorable struggle has been performed to reconcile these requirements universally because of fast tendency of irritated border business opportunities & investment. The reconcile financial reporting and accounting provision would guide to fiscal evidence with comparability, understand-ability and maximum important reliability.

Afterward an epitome outline, remaining to investigate papers are separated in 3 portions. 2nd portion converses the development in then FR organizes chronologically. The entire time is categorized in 4 phases. One 1947-1971 is the first part. The second phase is from 1971 to 1999 gives detailed discussion on institutional progress in the corporate financial reporting quality system in Pakistan. The 3rd era is of 2000's. After these improvements and developments they sum up the subject and summarizing observations are providing in 3rd portion of the study papers, (Kouser et al, 2012).

2.5.1 Part One: Establishment and Pakistan and Financial Reporting (1947-1971)

Afterward the founding of Pakistan, financial reporting requirement of businesses Act 1913 and AIR (Auditor Certificate rules) 1932 were administered as it for corporations in forming FR's up to 1971. In 1952, exercising certified public accountant are also known as listed auditors; precede the 1st step with respect to official growth in Pakistan and set up private body which is known as Pakistan Institute of Accountants (PIA). The main objective of establishing of this institute was to supervise over the benefits of exercising accountants and to take up the substances of professional accountants with government. (Makki et al, 2012). They further documented that Pakistan should precede needs and necessities of monetary reporting as it besides adapting regarding to economy of it. The large number of literature has carried out work on this exchange of accounting technologies.

Perera (1989) explained that a large number of under developed countries, political institutions, industrialization and culture are greatly confluence through sociopolitical custom & attitude of the colonial power through which they were governed. Hence, Pakistan is a model of it. It has confluence of British controls and condition of economic, social and industrialization was not balanced and Pakistan follows the laws and regulations as it with regard to changes.

2.5.2 Accounting Skills Moved As of British

The impact of previous British powers could be observed on Bangladesh, India and Pakistan in the background of their own FR quality system. The British teaching of accountancy, & the structure of FR, &overall profession of accounting has largely effected the system of accounting of these regions. Through the sources of cultural, financial and party-political effects of British accounting professional bodies attained in shifting their accounting system examinations and techniques to these three countries mentioned above. The change back Pakistan financial reporting system and Bangladesh and India system still numerous years after freedom is originate in of acceptation of British legislation as it without reconciling in their own country needs and requirements of financial reporting and accounting, (Qureshi et al, 2012).

They further documented that technology of accounting transfer have different kinds of dependency on the nexus b/w transfer region and transferred country. These various kinds can be analyzed as in common three form intermediate transfer, horizontal transfer and vertical transfer. This kind of transfer founded on a ‘fiduciary nexus’ b/w transfer regiontoregion which shows alternative relationship b/w these countries. This situation is found commonly between the advanced industrial economies which in a uniform manner transfer the accounting technologies in this condition both countries are same position in the context of their development and economies. These economies are noticed as where produced goods class and availability of skilled and experienced hominid resources are same nearly. Hence, it presents that both economies have dependency on one another's technologies of accounting. Now in the scenario of Pakistan, where such relationship did not found as such with British in place of Pakistan was controlled British colonial power and utilized even accounting instructions of British and FR, hence it describes which Pakistan didn't attain technology of accounting flat. (Qureshi et al, 2012).

Another greatest exchange of accounting technology model of vertical exchange in which transmission regions partially get overall skills of accounting as such it's from moving economy. It is contradictory to flat transmission. Since, this kind of take in country is in subservient condition to allowing country so describing of recipient alternative which gives careful attention is insignificant. In this case transferee region has dependency on transferor country politically &economically. Relevant to this transfer kind of transferor region provides all know how regarding technology of accounting to transferee region including development process, design & planning, adjustment to the society of accounting system and distribution to the market. (Makki et al, 2012).

Wallace (1993) confined that it is too much clear that British and Pakistan also have identical relationship and at that period hence Pakistan as under developed country got technology vertically. During that period that was the vital phenomena regarding the system of financial reporting, therefore no reconciliations were formed at that duration since Pakistan don't have such requirements of reporting structure as such with British. Economically, governmentally and communally Pakistan was assorted country but that needs and necessities of the system of reporting were framed with compensation of requirements of British. Every under developed country is assorted in terms of culture, GNP, political and economic system, population degree of literary, the factors which perpetually had an effect on the extent and nature of the system of financial reporting quality.

Considerable details of these disagreements in under developing and advanced regions are as follow:

a) Social disagreements among them

b) Social system, Official and party-political differences

c) Development and economic differences

d) Technological disagreements between under developing and advanced economies.

The scope of competence, significance, reliability & information disclosure are also vital prominent quality of accounting exercises predominant in a country. If the association between giving country and recipient nation is not subordinate nor a horizontal them it is known as 'negotiation association'. Relevant to this transmission the absorbing region be aware with related evidence hence it do not follow full as such in utilization of vertical transfer. Hence whenever the transfer of accounting skill will be in a selective manner through getting region this will call middle transfer. As such vertical in intermediate transferee country do not follow full system but chosen elements which satisfactory to receiving country.

2.6 Rules and Regulations of Governing Financial Reporting Quality

Verrecchia (2001**)** documented that **g**enerally, there are two ways through which the financial reporting quality can be connected with investment efficiency. The first one it is generally evidenced that financial reporting aggravate opposed selection cost by decreasing the asymmetry of information between the investor and firms, and among investors. For example Leuz and

Verrecchia (2000) found that the external auditor did not found that the firm was not followed the international auditing standards but they failed to publish the qualified opinion report in the financial statements to the shareholders of the companies. So this concept reflects that definitely financial statements loose trust of investors during effective decision of investor. International firms trying to bring quality in the financial reporting will follow International Auditing Standards (IAS). They further documented that the method of accounting cannot able you to fully compare two firms of same nature. So an individual tells that which one is best way for counting material or supplies.

Lambert (2001) explained that secondly, a wide literature in accounting proposes that financial reporting plays an important role in aggravating agency issues. For example, financial accounting information is generally used as direct input in remuneration contract, and is a vital way of information utilized by shareholders to monitor managers. Furthermore, financial information is an important source of firm specific information, which contributes to the monitoring role of stock markets. So, if financial reporting quality (FRQ) decreases agency issues, it could then increases investment efficiency by enhancing the ability of shareholders to monitor managers and so enhance project selection and decrease costs of financing.

Garcia-Teruel et al (2010) investigated that the basic idea of Financial Reporting Quality (FRQ) has instructed extensive research concern encircling the world. Therefore, regulators, researchers and practitioners are in the quarrel as to a clarify definition of what makes Financial Reporting Quality (FRQ), for example, auditors and audit committee needs to examine the methods of QFR of the business firms, and not exact their gratifying. The act still clearly not defines what will make quality in Financial Reporting. Similarly study meaning the excellence of FRprovided by International Accounting Standards Board (IASB) (2008). In theoretical frame work of board define the Financial Reporting Quality is that which fulfills the goals and qualitative peculiarities of FR.

Nair and Frank (1980) analyzed that the firstly, famous independent institutions arbitrators, auditors and law courts. The financial managers are required to follow the accounting standards and procedures during preparing financial statements to the stakeholders of a company in order to bring transparency in the day to day transactions. There some advantages of uniform standards. The foremost advantage of uniform standards is to bring similarity in the financial contracts of any corporations. The second advantage of these standards is to protect the rights and interest of auditors against the financial managers of firms. External auditors should require following rules and regulations during the process of auditing in the financial statements of a company.

Cable (1985) asserted analyzed that so high quality regulations and rules about the financial reporting quality (FRQ) can enhance high quality of financial reporting can bring the upper level of management extensively responsible by give reform inspect and decline information asymmetry and with the passage of time, wrong selection and ethical threat, it will lower undue or extensive or investment problems. On the other hand, financial reporting quality (FRQ) can increased investment efficiency by upgrade identification of the project and give to bring trustworthy and accurate accounting figures to internal decision makes.

2.7 Different Circumstances of Financial Reporting Quality

Atanasko (2014) conducted the empirical study to analyze the determinants of Financial Reporting Quality (FRQ) of disclosure usage concerned to fair value of accounting for listed companies of Macedonia in compatible to mandatory International Financial Reporting Standards (IFRS) needs. The basic objective of this research was to study thoroughly the requirements of IFRS which are concerned to disclosures of fair value; they frame an index of disclosure and connect score of index with actual peculiarities of listed firms such as ownership concentration, leverage, internationalization, industry, size and type of auditor and prospects for future growth. The mentioned characteristics are the determinants of financial reporting quality (FRQ) disclosure usage have been organized in disclosure research studies through interpretation gives by certain theories like the signaling theory (Ross, 1977) and the theory of institutional and legitimacy and theory of positive accounting (Watts and Zimmerman, 1978). For the objective of study plan , they took compute corporate disclosure determinants, which are determined in different another research such as Dumontier and Raffournier (1998), Street and Gray (2002), Glaum and Street (2003), Chalmers and Godfrey (2004), Lopes and Rodrigez (2007), but also reflect the rare peculiarities of Macedonian business and financial reporting environment. Hence listed firms was taking as a sample for the research study, there are two proper independent variables were bring in regard of the type of audit firm employed and concentration of ownership. As determines and further examined in the description of sample section of this research paper, the large number of Macedonian companies which are listed have concentrated ownership among several majority shareholders and cannot be introduced as own publicly. In the provisions of the market of audit for listed firms, the large number of firms is not audited by "big 4" auditor, which are really the situation in almost all enlarge abroad capital markets. Therefore, large number of Macedonia listed firms (66 percent) are audited through International Network Audit Firm (INAF), and this reality repeatedly should be noted and took as one of the factor effecting the financial reporting quality (FRQ).

They further evaluated that on the behalf of contented analysis of financial statements which are audited of listed firms for 2010 they found general misrepresentation and oversight concerned to disclosure of information of fair value and organized the index of disclosure for every firm. Similarly, they educed a model of Multivariate regression connecting index scores of disclosure (dependent variable) and listed firm peculiarities (independent variable). The residue of the paper is constructed as follows; section-II describes the prior literature concerned to the determinants of disclosure and presents the hypotheses development. The section-III the study plan is illustrated, consisting a narration of the independent and dependent variables. The section-IV describes the selection process of sample and its peculiarities, the findings of the contented analysis of firm's financial statements consisting areas deficiencies of disclosure and findings of the analysis of Multi variate regression. The section-V concluded main findings and summary from the stated research paper.

Rom and Rohde (2007) explained that on another side that investment is one of the important economic variables which attract extensive discussions. They reflect investment as a process in which the investors determined different methods following asset acquiring as machineries, money and land which is largely improved through savings or lesser income expenditures, and that's why he will select the choice that its output is correlation to the anticipated threat. This choice can be actual asset like machinery and building or financial assets like future contracts, shares and securities. Another definition, investment can be viewed as an origin which can be adopted in order to obtain financial outputs. On the hand, investment can be defined as appropriate recent resources to attain future resources which are not self-evident and reasonable.

Zeff, (2005) conducted the research study to find out the fundamental effect of determinants of financial reporting quality on the financial performance. The study evidenced that all factors of determinants financial reporting that is financial reporting quality (FRQ) have direct nexus to company presentation. By using yearly figure to investigate the relationship. The study found that financial reporting along with other measures of determinants has positive effect on financial reporting quality and the financial presentation of company. This working also directed strong attention on the determinants of financial reporting performs of the company to provide fruitful results. Jensen (1993) asserts that decision-making & business experience of the employees much important for the incessant achievement of the company. They claimed that presenting exercise & volume size up package will inspire development & better presentation of the company. He investigated that the corporate governance like managerial tenure, differentiation, specialization and other organizational characteristics can affect the organization performance. Similarly, Ortiz-Molina and Penas (2008) he further explained that the efficiency and transparency of financial reporting is much important for the tremendous achievements and growth of the firm. They argued that organizational innovation can affect the monetary presentation of the firm. They suggested that as many as a firm can increase the financial reporting efficiency are vital. He further noted that efficiency of financial reporting can improve the financial performance. The study evidenced that investing in hiring the skillful individuals for maintaining the better financial reporting directly affecting the financial performance.

Weil (2004) certificated the determining key impact of determinants of financial reporting on the financial proxies of the firm. By using the correlation & simple ordinary least square (OLS) to forecast the result. The study found that as the level of firm's determinants of financial reporting increases it tends to increase the financial performance. This work additional expounded every element of determinants of financial reporting is important.

Nobes (2006) examined the banking subdivision companies for finding out the association between determinants of fiscal reporting quality and financial performance. The study used fixed effect random effect model. The study utilized annual data to present the result. He found that as the firm's determinants of financial reporting efficiency level increases than its monetary presentation increased. He argued that firms should enhance its financial reporting determinants efficiency level and provide focus on all facets of financial reporting quality determinants efficiency.

Cairns (2001) explained that determinants of financial reporting quality are very vital for company development. He suspected that as the company size of fiscal reporting quality determinants and efficiency enhances then its monetary presentation tends to enhance. He argued that all facets of FRQ determinants efficiency have positive effect on the fiscal presentation and efficiency. He noted on the grounds of the findings that firms should incessantly effort on the performs of fiscal reporting determinants efficiency to faster better result.

Carsberg (1966) explored that financial reporting determinants of and its efficiency is a basis for the improved presentation of the firm. He examined the manufacturing sector firms and asserted the positive significant effect of financial reporting determinants quality and its efficiency on the monetary presentation of firm. He argued that firm should work out strategies to increase the financial reporting practices of the firms. He further described that the efficiency and transparency of financial reporting (FR) and determinants quality is very much vital with comparison to the other measurements of financial reporting.

Ball (1995) examined the pharmaceutical sector companies for finding out the association among the determinants of FRQ and efficiency of financial reporting and company or financial performance. He determined that financial reporting determinants quality and its efficiency is very too much important for inspiring the monetary presentation of a firm.

Watts (1977) viewed that determinants of financial reporting quality and efficiency can provide to the firm monetary presentation growth. He found a strong positive association among the efficiency of financial reporting quality determinants and monetary presentation of the firm. He argued that a firm should have well equipped financial reporting capabilities to do well in the market, as the market is very dynamics.

Wallace and Gernon (1991) also examined and determined the association among the different measurement of determinants of financial reporting quality and found that all these have positive significant correlation with monetary presentation proxy of this firm.

Choi and Mueller (1992) confined that as firm represents strength in its financial reporting efficiency and determinants of financial reporting quality it start out performing other firm in the market and argued that financial reporting efficiency is very important for the firm survival and to be in the competition. He argued that financial reporting has positive and significant effect on the monetary presentation of a firm.

Radebaugh and Gray (1993) documented that determinants of financial reporting quality and financial reporting is very important to development of the company. He suggested that HR(human skills) &aptitudes can be utilized to the development &inspiring of the monetary presentation of a firm. This work found that company should invest in the human capital to inspire wonderful development.

Belkaoui (1995) noted that importance of financial reporting and documented that determinants of financial reporting quality of a firm can assure good functioning and exalting of the firm financial performance. He argued that firm must invest in human resources and capital and hire efficient people as much it can.

Parker (1995) confined that entrepreneurial managerial and experience of the employees is very and too much important for the regular improvement of the company. They suggested that introducing training and capacity building program will encourage improved performance and growth of the firm.

Schweikart (1985) examined and determined that the efficiency of determinants of financial reporting quality such as differentiation, managerial tenure, specialization and other organizational characteristics can affect the organization performance. Therefore, Harrison and McKinnon (1986) asserted that the transparency determinants of financial reporting quality of are very much important for the growth and tremendous achievement of the firm. They suggested that organizational improvement can affect the monetary presentation of the firm. They argued that as many as a firm can enhance the determinants of financial reporting quality and financial reporting efficiency is important. Furthermore, he documented that efficiency of financial reporting can enhance the monetary presentation of the business organization. The study suggested that investing in hiring the skillful individuals for maintaining the better and improved financial reporting directly affecting the financial performance.

Gray (1988) viewed that the Accounting Information System (AIS) related to determinants of financial reporting quality can give excellent quality results cover utilizing data, execution of the business in financial and non-financial. He defined the determinants of financial reporting quality as the preciseness of financial reporting that presents the performance of firm, especially in predicted cash flow.

Doupnik and Salter (1995) certificated that earlier research presented that the efficiency of financial reporting and the determinants of financial reporting quality have positive significant relationship with investment efficiency. Similar, different research papers found the relationship among Accounting Information System (AIS) and financial reports and performance of the company or firm. Furthermore, they conducted another research study on the topic mentioned above and found that the quality of information influences on the monetary presentation of the company.

Rahman et al (1996) conducted the empirical study to examine and determined the determinants of Financial Reporting Quality (FRQ) of disclosure utilization related to fair value of accounting for registered companies of the country in congruous to mandatory International Financial Reporting Standards (IFRS) requirements and needs. The fundamental goal of this research work was to study deeply the needs and requirements of IFRS which are relevant to fair value disclosures; they form an index of disclosure and link score of index with factual characteristic of registered firm like leverage, ownership concentration, internationalization, industry, size and type of auditor and prospects for future progress. The above mentioned peculiarities are the disclosure utilization of determinants of financial reporting quality (FRQ) have been formed in disclosure research papers through elaboration provides by many theories.. Therefore, for the purpose of study plan, they took contribute corporate determinants disclosure, which are examined and determined in various another research studies.

2.8 Determinants of Investment Efficiency and firm size

Hubbard (1998) explained that there are two determinants available for investment efficiency. The first of all every firm requires increasing capital for the purpose of financing of their opportunities of investment. In an absolute market, all projects with positive Net Present Value (NPV) want to be funded; therefore, a sufficient literature in finance has reveal that companies facing finance coerce that bound the ability of managers to virtual projects of finance. The result of this literature is that a company face finance coerce would pass up positive Net Present Value (NPV) projects because of huge costs of increasing capital, produced in underinvestment. The secondly, there is no guarantee that the accurate investments are implemented, even if the company determines to increase capital. For example, by making wrong selection of projects, expropriating current resources or consuming perquisites, managers can select to invest inefficiently. In this area most of the literature forecasts that bad selection of projects induce the company to over-investment (Stein, 2003), but there are several research papers which forecast the company could be under-investment (Bertrand and Mullainathan, 2003).

Berle and Mean (1932) asserted that asymmetry of information could protect investment efficiency due to the segregate level of information among shareholders and managers, which are usually named as a skirmish of main representative. Hence manager's raises their personal benefits, due to this they could select the opportunities of investment which are not in the better business advantage of shareholders. The correct ground that why managers invest inefficiently the capital of shareholders multiformity against various models. These grounds consists career concerns, perquisite consumption, and preference for quite life, among others.

Furthermore, the forecasted relationship is that issues of agency can affect efficiency of investment with regard to bad selection of projects and could maximize the cost of increasing funds if investors intercept that managers can appropriate the funded resources. At the end the argument above proposes that the asymmetries of information among investors and firms as well as among the agent and principal could protect investment efficiency. In the coming chapter they describe that how financial reporting quality (FRQ) could increase efficiency of investment through aggravating these asymmetries of information.

Yoshikawa (1980) and Hayashi (1982) conducted research studies and found that under theory of neo classical, companies invest until the marginal costs equals to marginal advantages of their investment with regard to increase this values. Therefore, in the Keynesian framework which was the forecasted investment would be allocated for financial security or growth preferences, and in the frame work of agency, which were observes asymmetry issues of information, the companies might diverge from their maximum investment level and so undergo from under-investment or over-investment.

Bradford and Florin, (2003) are concluded that investment efficiency has very strong relationship with the firm's financial reporting quality. They asserted that how a debit maturity moderate the impact of Financial Reporting Quality on investment efficiency to shows where the impact of one variable investment efficiency on financial reporting quality is going on to increase or decrease as a results of the debit maturity. The researchers will determined both effects: as on the one side the decrease of information imbalance and more suitable use of accounting numbers as to very large financial reporting quality. So on the other hand side the firms with high financial reporting quality creditors must be very small need for short term maturity to operate manager behavior.

Roberts (1995) viewed that information asymmetry can collect investment efficiency because of the vast level of information between the managers and shareholders, which were usually called as a prediction of principal agent. Similarly the manager's enhances their personal advantages, with regard to this they could choose the occasions of investment which are not in the better business benefits of shareholders. The accurate basis that why managers invest efficiently the capital of shareholders multi-formity against numerous model. This basis includes career related, perquisite consumption, and preference for quite life, among others.

2.9 Financial Reporting Quality and its various Trends

Chen et al (2011) certificated that one of the main trend of financial reporting is to contribute financial information that could expedite effective allocation of capital. In making capital expenditures, it requires not only capital allocation but also resources allocation. On the other hand, in making the decision about the capital allocation and investment, the QFR (quality of financial reporting) is of the much vital inputs. The FRQ (financial reporting quality)is explained as the preciseness in which narrated information describes the firm's activities to concerned users. Financial Accounting Standards Board (FASB) statement of Financial

Accounting Concepts No: 1 (1978) particularize the one goal of financial reporting is to facilitate the current and virtual investors in framing rational decision for investment. That firm will be found as investing effectively, if it making investment in projects with positive net present value. If the firm proceeds on investment occasions that will have positive net present value, then the firm was under-investing. In another words, that firm will have over-investment if the firm invest in investments with negative present value. Over or under investment denote that the firm is not investing effectively. Thus, the raze of firm's investment efficiency can be measured from the distraction of over or under investment.

Similarly, Jensen and Meckling (1976) argued that there are two primary deficiencies in agency theory, which are namely moral hazard and adverse selection, occurred by the existence of asymmetry of information and poor quality of financial reporting gives large chance for dysfunctional behavior of managers.

2.10 Procedures of Financial Reporting Quality and its other facets

Ferreira and Mato (2008) argued and suggest a connection among Financial Reporting Quality (FRQ) and Investment Efficiency (IE) on the bases of hypotheses. Similarly, different mechanisms of governance for FRQ can also be connected with efficiency of investment. They further noted that companies which have larger ownership of institutional have the capital expenditures very low, and high valuation, proposing that ownership of institutional aggravates overinvestment. The larger analyst coverage enhances the elasticity in the financial policy, which might assist to aggravate under investment. The market for corporate control could accommodate as a mechanism of monitoring that aggravates over investment. Proportion with this forecast, the companies with powerful rights of shareholder have higher value of firm, capital expenditures will be low and form several corporate acquisitions. The above give practicability's the empirical analysis definitely test the stated mechanisms of governance are also connected with over or lower under-investment.

Auh and Mengue (2005) conducted a study and found and evaluated the association between information imbalance and perpetuation in Financial Reporting. In this scenario, they evaluated 86 companies listed in Tehran exchange stock lasting for05years era. The results of empirical test highlighted and argued that there is positive and significant association between information asymmetry and perpetuation in Financial Reporting. The result emphasize that there is a boom in information asymmetry in owners demand to emphasize perpetuation in Financial Reporting tends to boom. Therefore, the vitality of conservatism as one of the qualitative features in financial statements proved significant. The research on the impact of boom in dividend on the investment behavior, they agreed that the dividend effects stock trading and the feedback of owners regarding dividends boom is short run feedback.

2.11 Financial Reporting Transparency in Corporate Governance

Barth and Schipper (2008) certificated that the accounting information performs a vital role for its clients especially in the process of decision making. The accounting information in financial reports exhibits the financial impacts of past activities and operations, which can be utilized to help decision making process in future. Furthermore, the information of non-financial also helps decision making process for clients of financial reports. They documented that transparency of Financial Reporting (FR) is incorporated as, on the one side, the disclosure subordinate economically; on the other side, the disclosure of financial information in the financial reports are interpretably comprehendible by external and internal information clients. Tang, Chen and Zhijun (2008) noted that corporate governance is the most important factor for the enhanced presentation of a company. He analyzed industrial subdivision company and established the significant positive impact of financial reporting quality on the fiscal presentation of firm. He suggested that firm must work out strategies to enhance the financial reporting practices of the firms. He further elaborated that the efficiency and transparency of corporate governance is very much important as compared to the other dimensions of financial reporting.

Jonas and Blanchet (2000) viewed and analyzed pharmaceutical firms for knowing the relationship between the efficiency of financial reporting quality and firm financial performance. He originate that fiscal reporting quality is very important for inspiring the monetary presentation of a company. Financial reporting efficiency can pay to the company growth and financial performance. He found a strong positive relationship between the efficiency of financial reporting and monetary presentation of the firm. He suggested that a firm should have well equipped financial reporting abilities to do well in the market, as the market is very dynamics.

Van Beest et al (2009) documented that the basic goal of financial reporting to give information related to economic activities originally in nature of financial beneficial decision making. The information relating to expenses and income, equity, liabilities, the entity's assets the management stewardship including gains and losses, distribution to owners and contribution by as well as cash flows. This information is generally in the shape of annual reports such as income statement and balance sheet, income comprehensive statement, cash flow statement and changes in equity statement as well as accounting notes. To increase confidence and trust in the users minds, the external auditor scrutinizes these financial reports. Therefore, the besprinkle of financial scandals in current age has lineage thoughtful ambiguity on the audited Financial Reporting Quality (FRQ) propagating in the corporate environment.

Founder (2013) asserted the underlying influence of CG on the monetary presentation. This work showed that all issues of corporate governance i.e, fiscal reporting excellence has a direct nexus with firm performance. By using annual data to investigate the relationship. The study found that corporate governance along with other dimensions of FR has positive effect on the monetary presentation of companies. This work also directed strong attention on the FR performs of the company to send healthier consequences.

Hilary and Verdi (2009) documented the determining key result of CG on the monetary proxies of the firm. By using the correlation and simple ordinary least square to forecast of outcomes. The literature found the volume of organizations financial reporting rises it tends to rise the monetary presentation. This working more expounded to ensure that every part of financial reporting is vital.

Elbannan (2010) examined and analyzed the banking segment firms for investigating the nexus b/w corporate governance and fiscal presentation. The study used fixed effect random effect model. The study used annual data to forecast outcomes. He found that the companies financial reporting efficiency level increases than its monetary presentation enhances. He suggested that firms should maximize its financial reporting efficiency level and focus on all facets of financial reporting efficiency.

Florini (2007) confined and defined transparency as the level of financial information is present to external users, giving them to form decision and to evaluate the decision of internal users. Therefore, transparency is concerned to financial information quality such this financial information required should be comfortably apprehended definitely correct by the purposive hearers and issued in a component that improves appropriation of the pretension attitude.

Yoshikawa (1980) analyzed pharmaceutical company for knowing the nexus b/w FRand its transparency. He originate that FR is Important for elevating the monetary presentation of a firm.

Hayashi (1982) asserted that financial reporting quality (FRQ), especially transparency can contribute to the firm growth and financial performance. He found a strong positive relationship between firm transparencies and financial performance. He suggested that a firm should have well equipped financial reporting abilities to do well in the market, as the market is very dynamics.

Abel (1983) also investigated the relationship between the different dimensions of the financial reporting transparency i.e, income statement, and balance sheet, statement of cash flow and comprehensive statement etc and found all these have positive correlation with the monetary presentation proxies of these firms.

2.12 Relationship between Corporate Governance, Firm Size and Board Independence

Li Feng (2010) conducted the research study on the banking segment companies for investigating the nexus between Accounting Conservatism (AC) & investment efficiency and financial performance. The study used fixed effect random effect model. The study used annual data to forecast the consequences. He found that as the firm's Accounting Conservatism (AC) level increases than its monetary presentation enhances. He suggested that firms should maximize its Accounting Conservatism (AC) efficiency level and focus on all facets of Accounting Conservatism (AC) efficiency.

Fengchen et al (2010) documented that Accounting Conservatism (AC) is very vital for the company development. He argued that as the firm's level of Accounting Conservatism (AC) increases then its firm's investment efficiency and monetary presentation tends to increase. He found that all facets of Accounting Conservatism (AC) have positive influence on the fiscal presentation and investment efficiency. He advised on the base of the results that firms should continuously work on the practices of Accounting Conservatism (AC) to faster better results. Francis et al (2004) documented that financial reporting efficiency is the main for the enhanced presentation of the companies. He analyzed industrial subdivision businesses & complete the significant positive effect of financial reporting efficiency on the fiscal performance of firm. He suggested that firm must work out strategies to enhance the fiscal reporting practices of the firms. He further elaborated that the efficiency and transparency of financial reporting (FR) is very much important as compared to the other dimensions of financial reporting.

Garcia-Lara et al (2010) analyzed pharmaceutical firms for knowing the relationship between the efficiency of financial reporting and firm financial performance. He found that financial reporting efficiency is very vital for inspiring the monetary presentation of a firm.

Ball and Shivakumar (2005) asserted that financial reporting efficiency can contribute to the firm's growth and financial performance. He found a strong positive relationship between the efficiency of financial reporting and monetary presentation of the firm. He suggested that a firm should have well equipped financial reporting abilities to do well in the market, as the market is very dynamics.

Stiglitz (1981) certificated that Accounting Conservatism is the main that enhanced performance of the firms. He analyzed manufacturing sector firms and inveterate the significant positive effect of Accounting Conservatism (AC) on the fiscal presentation of firm. He suggested that firm must work out strategies to enhance the Accounting Conservatism (AC) of the firms. He further elaborated that the efficiency and transparency of financial reporting (FR) is very much important as compared to the other dimensions of financial reporting.

Aboody Hughes and Liu (2005) noted the underlying effect of Accounting Conservatism (AC) on the firm investment efficiency and financial performance. The study evidenced that all facets of accounting conservatism i.e, financial reporting (FR) efficiency have direct relationship with firm investment efficiency and firm performance. He used annual data to investigate the relationship. The study found that accounting conservatism along with other dimensions of accounting conservatism has positive effect on the fiscal presentation of businesses. The literature also guided strong attention on the accounting conservatism practices of the firm to deliver better results.

Baker, Stein and Wurgler (2003) asserted that the determining key effect of Accounting Conservatism (AC) on the financial proxies of the firm investment efficiency. The study used correlation and simple OLS to predict the results. The study found that as the level of firm's Accounting Conservatism (AC) rises it tends to growth the fiscal performance. The learning more enlarged that every element of Accounting Conservatism (AC) is dynamic.

Verrechia (2007) conducted the research study and analyzed pharmaceutical firms for knowing the relationship between the Accounting Conservatism (AC) and firm investment efficiency (IE) financial performance. He found that Accounting Conservatism (AC) is important for inspiring the fiscal performance of a firm.

Kaplan and Zingales (1977) documented that Accounting Conservatism (AC) can contribute to the firm's growth and financial performance. He found a strong positive relationship between the Accounting Conservatism (AC) and firm's investment efficiency and monetary presentation of the firm. He suggested that a firm should have well equipped accounting conservatism and financial reporting abilities to do well in the market, as the market is very dynamics.

Fazzari and Petersen (2000) also confined and investigated the relationship between the different dimensions of Accounting Conservatism (AC) efficiency and found that all these have positive correlation with monetary presentation proxies of these firms.

Wysocki (2008) documented that as firm shows strength in its Accounting Conservatism (AC) and financial reporting it start out performing other firms in the market and said that Accounting Conservatism (AC) efficiency is very vital for the firm existence and to be in the competition. He argued that Accounting Conservatism (AC) has positive significant impact on the firm's investment efficiency and monetary presentation of a firm.

Bens and Monahan (2004) noted that the Accounting Conservatism (AC) is important for the development of the company. He claimed that humanoid services & abilities can be used for the growth and inspiring of the monetary presentation of company and investment efficiency. The literature showed the company should invest in the human wealth to inspire marvelous development.

Beatty and Weber (2008) explored that importance of Accounting Conservatism (AC) and asserted that the Accounting Conservatism (AC) of a company can ensure flat working &inspiring of the firm financial performance. He suggests that firm should invest in human capital and hire capable people as much it can.

Berle and Means (1932) asserted that the decision-making& business knowledge of the employees is important for routine development of the company. They claimed that presenting exercise & size shape up program will inspire development and better presentation of the company.

Lopez-de-Silanez and Shleifer (1994) argued that the Accounting Conservatism (AC) like managerial tenure, differentiation, specialization and other organizational characteristics can affect the organization performance. Similarly, Bushman and Indjejikian (1993) documented that the Accounting Conservatism (AC) and financial reporting is very vital for the tremendous achievements and growth of the firm. They argued that organizational innovation can affect the monetary presentation of the firm. They suggested that as many as a firm can increase the Accounting Conservatism (AC) are vital. He further explained that efficiency of accounting conservatism can improve the financial performance. The study evidenced that investing in hiring the skillful individuals for maintaining the better financial reporting directly affecting the financial performance.

Holmstrom and Tirole (1993) documented that the Accounting conservatism and Accounting Information System (AIS) excellent quality results cover utilizing data, execution of the business in non-financial and financial. Kanodia and Lee (1998) defined the accounting conservatism understates assets in long term. Accounting conservatism and financial reporting as the preciseness of financial reporting that presents the performance of firm, especially in anticipated cash flow.

Chang, Dasgupta and Hilary (2009) argued that the prior research demonstrated that the accounting conservatism have positive significant relationship with investment efficiency. Moreover, numerous research studies found the association among accounting conservatism and financial reports and performance of firm. In addition, Gompees and Metrick (2003) analyzed and conducted research study on the topic and found that the quality of information confluences on the monetary presentation of the company.

2.13 Relationship between Corporate Governance and Financial Reporting Efficiency

Myers and Majluf (1984) investigated the underlying effect of financial reporting on the financial performance. The study evidenced that all factors financial reporting i.e, financial reporting (FR) efficiency have direct association with stable presentation. By using yearly data to investigate the relationship. The study found that financial reporting along with other dimensions of financial reporting has positive effect on the monetary presentation of companies.

The literature also directed intense focus on the financial reporting practices of the firm to give good outcome.

Hope and Thomas (2008) confined the determining key effect of financial reporting on the financial proxies of the firm. The study used correlation and simple OLS to predict the results. The study found that as the level of firm's financial reporting increases it tends to increase the financial performance. This work additional enlarged that each element of financial reporting is vital.

Stiglitz and Weiss (1981) analyzed banking sector firms for investigating the relationship between financial reporting efficiency and financial performance. The study used fixed effect random effect model. The study used annual data to predict the results. He found that as the firm's financial reporting efficiency level increases than its monetary presentation enhances. He suggested that firms should maximize its financial reporting efficiency level and focus on all facets of financial reporting efficiency.

Lambert et al (2007) proclaimed that monetary reporting efficiency is important for the company growth. He argued that as the company's level of economic reporting efficiency increases then its monetary presentation tends to increase. He originate that all facets of FR efficiency have positive influence on the monetary presentation. He advised on the basis of the findings that firms should incessantly work on the performs of financial reporting efficiency to faster good outcome.

Francis et al (2004) documented that financial reporting efficiency is a key for the enhanced presentation of the companies. He analyzed industrial sector companies established the significant positive effect of financial reporting efficiency on the monetary presentation of firm. He suggested that firm must work out strategies to enhance the financial reporting practices of the firms. He further elaborated that the efficiency and transparency of financial reporting (FR) is very much important as compared to the other dimensions of financial reporting.

Garcia-Lara et al (2010) analyzed pharmaceutical firms for knowing the relationship between the efficiency of financial reporting and firm financial performance. He found that financial reporting efficiency is very vital for inspiring the monetary presentation of a firm.

Ball and Shivakumar (2005) asserted that financial reporting efficiency can contribute to the firm's growth and financial performance. He found a strong positive relationship between the efficiency of financial reporting and monetary presentation of the firm. He suggested that a firm should have well equipped financial reporting abilities to do well in the market, as the market is very dynamics.

Burgstahler et al (2006) also investigated the relationship between the different dimensions of financial reporting efficiency and found that all these have positive correlation with monetary presentation proxies of these firms.

Holthausen (2009) certificated that as firm shows strength in its financial reporting efficiency it start out performing other firms in the market and said that financial reporting efficiency is very vital for the firm existence and to be in the competition. He argued that financial reporting has positive significant impact on the monetary presentation of a firm.

La Porta et al (1998) asserted that there are some differences in the culture of financial and business due to various kinds of income tax laws and others transactions of business. One main issue is private and public ownership of enterprise. For instance, in USA Boing Producing Airbuses without Govt. involvement but in Germany and France Govt. have involved in the process of production this culture may create tricky problems for the auditor during auditing of the company. In addition fair value of an asset on the balance sheet may raise a prominent problem for the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) to measuring impairment loss on plant, machinery, property and equipment. In such case various countries used National Accounting Standards (NAS) to eliminate the conflict of business and finance culture and sort out the basic problems related to accounting standards. Jensen (1986) explained that importance of financial reporting and documented that financial reporting of a firm. The main theme of this study is to compare the obstacles and challenges to financial reporting quality (FRQ) across the globe. They further explain obstacles in different terms in the context of European Union and other countries of the world. Comparability means putting things in similar group and on the other hand, putting things in different groups as per the International Financial Reporting Standards (IFRS). According to this study, they elaborate 'comparability' under the umbrella of accounting cultures in different countries. Every country has its own accounting culture but keeping the views of International Financial Reporting Standards (IFRS). These are the different accounting cultures in different countries, the financial and business culture.

D' Mello and Miranda (2009) noted that some experts suggested a cultural factor that brings differences in financial reporting. A DS provide not a general theory but mix theories. The study of this literature raised other terminological issues, too. Accounting system is one of the main problems for reason of difference. In some area the rule of accounting practice is similar but in some time companies may use different rules in local context that may bring difference in financial reporting. Other problem is 'system' for accounting.

Rajan (1993) examined that the Investment Efficiency (IE) like managerial tenure, differentiation, specialization and other organizational characteristics can affect the organization performance. Similarly, Mahmoudabadi and Mahtari (2011) argued that the Investment

Efficiency (IE) is very vital for the tremendous achievements and growth of the earnings quality of the firm. They suggested that organizational innovation can affect the monetary presentation of the firm. They argued that as many as a firm can increase the Investment Efficiency (IE) are vital.

Rajan (1992) investigated that the efficiency of financial reporting like managerial tenure, differentiation, specialization and other organizational characteristics can affect the organization performance. Similarly, Ortiz Molina and Penas (2008) explained that the efficiency and transparency of financial reporting is very vital for the tremendous achievements and growth of the firm. They argued that organizational innovation can affect the monetary presentation of the firm. They suggested that as many as a firm can increase the financial reporting efficiency are vital. He further noted that efficiency of financial reporting can improve the financial performance. The study evidenced that investing in hiring the skillful individuals for maintaining the better financial reporting directly affecting the financial performance.

Neely and Cook (2011) asserted that the Accounting Information System (AIS) excellent quality results cover utilizing data, execution of the business in non-financial and financial. Verdi (2009) defined the efficiency of financial reporting as the preciseness of financial reporting that presents the performance of firm, especially in anticipated cash flow.

Lambert (2007) documented that prior research demonstrated that the efficiency of financial reporting have positive significant relationship with investment efficiency. Moreover, numerous research studies found the association among Accounting Information System (AIS) and financial reports and performance of firm. In addition, Delone and Mclean (2003) conducted research study on the topic and found that the quality of information confluences on the monetary presentation of the company. Therefore, for this purpose the hypothesis are suggested as follows.

Hypothesis; the higher efficiency of financial reporting is the greater degree likely that company will gain greater achievements of their goals.

2.14 Relationship between Corporate Governance and Earnings Quality

Modares and Hesarzadeh (2008) documented that Investment Efficiency (IE) is important for the company growth. He noted that as the firm's level of Investment Efficiency (IE) rises then its monetary presentation tends to increase. He found that all facets of Investment Efficiency (IE) have positive impact on the earnings quality (EQ) and financial performance. He argued on the basis of the results that companies should nonstop work on the practices of Investment Efficiency (IE) to faster handsome outcome.

Linsmeir et al (1998) certificated that Investment Efficiency (IE) is a key for the enhanced performance of the firm's earnings quality. He scrutinizedindustrial sector companies and inveterate the significant positive effect of Investment Efficiency (IE) on the monetary presentation of firm. He suggested that firm must work out strategies to enhance the Investment Efficiency (IE) applies of the businesses. He further elaborated that the efficiency and transparency of Investment Efficiency (IE) is very much important as compared to the other dimensions of Investment Efficiency (IE) and firm earnings quality and earnings management.

Founder (2013) asserted the underlying influence of CG on the monetary presentation. Thiswork showed that all issues of corporate governance i.e, fiscal reporting excellence has a direct nexus with firm performance. By using annual data to investigate the relationship. The study found that corporate governance along with other dimensions of FR has positive effect on the monetary presentation of companies. Thiswork also directed strong attention on the FR performs of the company to send healthier consequences.

Hilary and Verdi (2009) documented the determining key result of CG on the monetary proxies of the firm. By using the correlation and simple ordinary least square to forecast of outcomes. The literature found the volume of organizations financial reporting rises it tends to rise the monetary presentation. Thisworking more expounded to ensure that every part of financial reporting is vital.

Elbannan (2010) examined and analyzed the banking segment firms for investigating the nexus b/w corporate governance and fiscal presentation. The study used fixed effect random effect model. The study used annual data to forecast outcomes. He found that the companies financial reporting efficiency level increases than its monetary presentation enhances. He suggested that firms should maximize its financial reporting efficiency level and focus on all facets of financial reporting efficiency.

Givoly and Hayn (2001) find the underlying effect of Investment Efficiency (IE) on the on Earnings Quality and monetary performance of the firm. The study evidenced that all factors investment efficiency (IE) have direct nexus with earnings quality and firm presentation. By using yearly data to investigate & find the relationship. The study found that Investment Efficiency (IE) along with other dimensions of Investment Efficiency (IE) has positive effect on the earnings quality and financial presentation of organizations. This work also directed strong attention on the Investment Efficiency (IE) performs of company to give good output.

Xia (2003) asserted and determining key effect of Investment Efficiency (IE) on the financial proxies of the firm. The study used correlation and simple OLS to predict the results. The study found that as the level of firm's Investment Efficiency (IE) increases it tends to increase the earnings quality and monetary presentation of the company. This literature additional expounded that every element of Investment Efficiency (IE) is vital.

Heidari Kord and Alipour (2007) viewed and analyzed banking sector firms for to find out the relationship between Investment Efficiency (IE) and monetary presentation and earnings quality (EQ). The study used fixed effect random effect model. The study used annual data to forecast the consequences. He found that as the firm's Investment Efficiency (IE) level increases than its earnings quality and monetary presentation enhances. He suggested that firms should maximize its Investment Efficiency (IE) level and focus on all facets of Investment Efficiency (IE).

Thornton (2002) examined and determined manufacturing sectors firms for knowing the relationship between the Investment Efficiency (IE) and firm earnings quality and financial performance. He found that Investment Efficiency (IE) is important for inspiring the monetary presentation and earnings quality of a firm.

Pakdelan (2012) confined that Investment Efficiency (IE) can pay to the organization's development & earnings quality and financial performance. He found a strong positive relationship between the Investment Efficiency (IE) and earnings quality and monetary presentation of the firm. He argued that a firm should have well equipped Investment Efficiency (IE) capabilities to do well in the market, so as to compete in the market, as the market is very dynamics.

Saghafi and Mazar Yazdi (2010) also analyzed the relationship between the different dimensions of Investment Efficiency (IE) and found that all these have positive correlation with earnings quality (EQ) monetary presentation proxies of these firms.

Holthausen (2009) documented that as firm shows strength in its Investment Efficiency (IE) it start out performing other firms in the market and said that Investment Efficiency (IE) is very vital for the firm existence and to be in the competition. He suggested that Investment Efficiency (IE) has positive significant influence on the earnings quality (EQ) monetary presentation of c company.

Kashanipour et al (2010) viewed that Investment Efficiency (IE) is important for the development of the firm. He suggested that humanoid services & abilities can be used for the development opportunities and inspiring of the monetary presentation of a firm and earnings quality. Literature showed that firm should capitalize in the human capital to inspire wonderful development.

Jensen (1986) explored that importance of Investment Efficiency (IE) and documented that Investment Efficiency (IE) of a firm can ensure flat operative and moving of the firm fiscal performance. He argued that firm should invest in human capital and hire capable people as much it can.

D' Mello and Miranda (2009) noted that decision-making & business knowledge of the employees is very vital for the continuous success of the firm. They suggested that introducing exercise and ability build up program will inspire growth and better presentation of the firm.

Rajan (1993) examined that the Investment Efficiency (IE) like managerial tenure, differentiation, specialization and other organizational characteristics can affect the organization performance. Similarly, Mahmoudabadi and Mahtari (2011) argued that the Investment Efficiency (IE) is very vital for the tremendous achievements and growth of the earnings quality of the firm. They suggested that organizational innovation can affect the monetary presentation of the firm. They argued that as many as a firm can increase the Investment Efficiency (IE) are vital.

2.15 Obstacles to Global Corporate Governance and Financial Reporting System

Zeff (2007) carried out the research study over the listed companies in the Europe. The main theme of this study is to compare the obstacles and challenges to financial reporting quality (FRQ) across the globe. They further explain obstacles in different terms in the context of European Union and other countries of the world. Comparability means putting things in similar group and on the other hand, putting things in different groups as per the International Financial Reporting Standards (IFRS). According to this study, they elaborate 'comparability' under the umbrella of accounting cultures in different countries. Every country has its own accounting culture but keeping the views of International Financial Reporting Standards (IFRS). These are the different accounting cultures in different countries, the financial and business culture.

They further documented that there are some differences in the culture of financial and business due to various kinds of income tax laws and others transactions of business. One main issue is private and public ownership of enterprise. For instance, in USA Boing Producing Airbuses without Govt. involvement but in Germany and France Govt. have involved in the process of production this culture may create tricky problems for the auditor during auditing of the company. In addition fair value of an asset on the balance sheet may raise a prominent problem for the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) to measuring impairment loss on plant, machinery, property and equipment. In such case various countries used National Accounting Standards (NAS) to eliminate the conflict of business and finance culture and sort out the basic problems related to accounting standards. (Trueblood, 1996. P. 189).

Pomeroy and Thomton (2008) examined that the basic idea of Financial Reporting Quality (FRQ) has instructed extensive research concern encircling the world. Therefore, regulators, researchers and practitioners are in the quarrel as to a clarify definition of what makes Financial Reporting Quality (FRQ), for example, auditors and audit committee needs to examine the methods of QFR of the business firms, and not exact their gratifying. The act still clearly not defines what will make quality in Financial Reporting. Similarly study meaning the excellence of FRprovided by International Accounting Standards Board (IASB) (2008). In theoretical frame work of board define the Financial Reporting Quality is that which fulfills the goals and qualitative peculiarities of FR.

2.15.1 Accounting Culture:

Nobes, (2006) documented that income tax system plays an important role in the accounting culture of several countries especially in European countries. For example, in Germany the assets impairment loss is tax deductible but in the UK it is not. In such cases many companies wants to reduce taxable income for the income tax purpose but it may create conventional and controversial result in the accounting practice of those countries. So management and executive of companies think that this is not the best way to do so. They want to follow international standards (IS) in order to bring best quality in the financial statement of company. With the passage of time, there is increased complication in the matters of financial reporting. Earlier 2005, in Europe the financial statement of various companies were contained less detail in the form of disclosure. Now they bring international standards to easily compare financial statements across the globe.

2.15.2 Auditing Culture:

Weil (2004) explained that one other obstacle for financial reporting is auditing culture because auditing and assurance standards are being developed in USA by a single authority. But in numerous European countries violate such standard with the National Standards of Auditing (NSA) that may create serious problems for audit authority. For example, back in 1990 the external auditor did not found that the firm was not followed the international auditing standards but they failed to publish the qualified opinion report in the financial statements to the shareholders of the companies. So this concept reflects that definitely financial statements loose trust of investors during effective decision of investor. International firms trying to bring quality in the financial reporting will follow International Auditing Standards (IAS). They further documented that the method of accounting cannot able you to fully compare two firms of same nature. So an individual tells that which one is best way for counting material or supplies.

2.15.3 Regulatory Culture:

Cairn (2001) confined that the last obstacles is regulator culture for both private and public sector to regulate financial report for financial market and shareholders. The different countries have different regulation for financial institution as well as corporation. The countries where the strong force of regulation may have less willing to follow International Financial Reporting Standards (IFRS). In the USA, the security and exchange commission impose new regulation with the passage of time to bring standardized financial reports across the globe. In the UK, private as well as public sector is being controlled by statutory authority. Some firm’s financial reports may not give ‘true and fair’ view then they modify their opinion in financial statement. They further noted that numerous countries in the world companies financial statement are not implementing the regulation and can create hurdles and may become obstacle for financial reporting qualities (FRQ).

2.16 Reasons for International Differences in Financial Reporting Quality System:

Saudagaran (1990) certificated that there are main seventeen reasons previously elaborated. Some experts suggested a cultural factor that brings differences in financial reporting. A DS provide not a general theory but mix theories. The study of this literature raised other terminological issues, too. Accounting system is one of the main problems for reason of difference. In some area the rule of accounting practice is similar but in some time companies may use different rules in local context that may bring difference in financial reporting. Other problem is 'system' for accounting.

Nair and Merk (1980) suggested that regulatory agency should be followed while other suggested accounting practice should be concentrated. It can be possible that a country have two types of accounting system one for securities while other one is dealing at small level like private company, so both company might followed different accounting practice. The can be one reason of differences is financing system. The financial reporting purpose is to determining the financing system of a country. For example financing system is divided into three separate categories.

Zysman (1983) asserted that in a credit based system, Govt. controls the resources. (b) In a credit based system (financial institution), in this system financial institutions play dominant role. (c) Capital market based system, in this system prices are sets on competitive market based.

2.17 International Financial Reporting Standards

Ray and Ball (2006) asserted that International Financial Reporting Standards (IFRS) are the standards issued by the International Accounting Standard Board (IASB), it is the international independent organization which is based in London. They developed and design accounting standards and practices for the financial reporting of a company throughout the world. International Accounting Standards Committee (IASC) a professional body were recognized in 1973 in various countries like Japan, Netherland, UK, Ireland, Australia, United States, Canada, Mexico and Germany. In addition, since April 2001, International Accounting Standard Board (IASB) designed accounting rules under the new name International Financial Reporting Standards (IFRS). IASB is the predecessor name of the IFRS. The IASB elaborates the rules and regulations according to the newly sign of International Financial Reporting Standards, despite it continues to identify the earlier regulations and rules (IAS) presented through the ancient setting of standards (IASC).

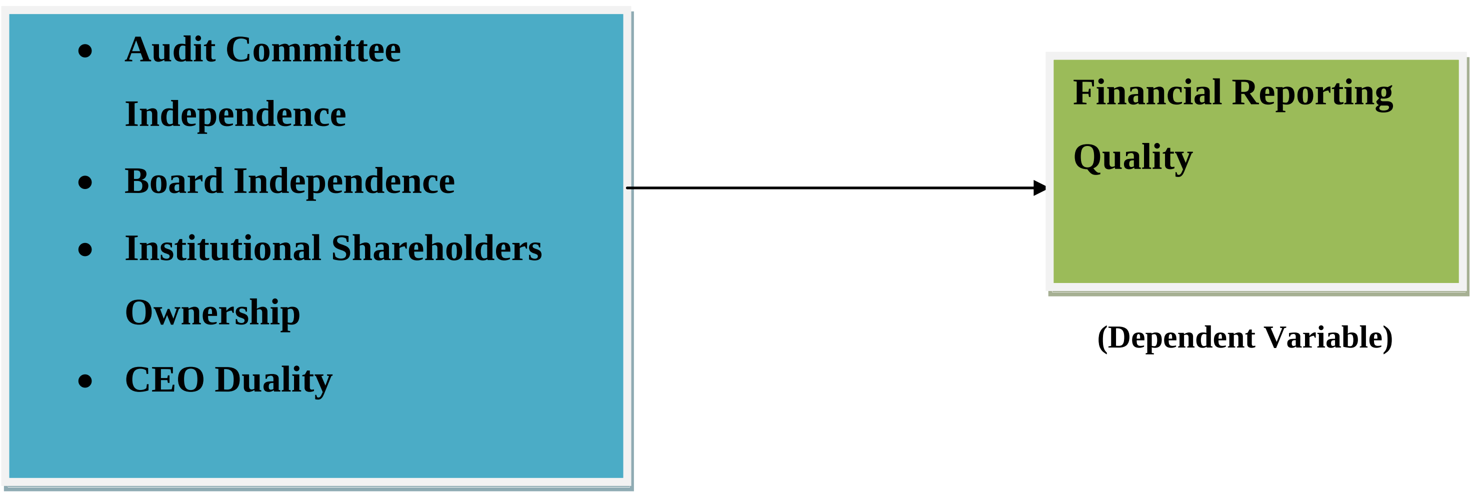
Zimmerman (1986) confined that it is the need of time to admit considerable ignorance on the advantageousness of uniform mandating accounting, and to notice that as an outcome said to be speculative. IFRS standards are mandatory for all public companies in the world. Consequently, in the accounting literature teachers must follow accounting standards. There are some pros and cons of European Union mandating of IFRS. The fundamental function of accounting standards is to lend agreements in the fields of business and transactions. For instance, there are some conditions that in the capital of a company debts should not be exceed 60 percent of tangible assets. This condition provides trust to shareholders of those companies. Similarly, accounting procedures is the integral parts of agreement amongst debtors, managers, customers, suppliers and shareholders of a company, (Ball, 1988). Unspecific accounting methods can create problems and uncertainty for both parties (debtors and shareholders) of all companies. In this regard companies are developed and designed accounting agreements in advance to completely minimize uncertainty and risk.

Nobes and Parker (1995) asserted that the alternative way of accounting practices is required to meet the future demands of an agreement. The function of independent institutions is to provide relevant and precious financial information to the end users of the companies. Famous independent institutions arbitrators, auditors and law courts. The financial managers are required to follow the accounting standards and procedures during preparing financial statements to the stakeholders of a company in order to bring transparency in the day to day transactions. There some advantages of uniform standards. The foremost advantage of uniform standards is to bring similarity in the financial contracts of any corporations. The second advantage of these standards is to protect the rights and interest of auditors against the financial managers of firms. External auditors should require following rules and regulations during the process of auditing in the financial statements of a company. They further documented that the last but not least advantage of uniform standards, is to eliminate the dissimilarities and to bring standardization amongst the financial reporting throughout the worlds.

McKinnon (1986) viewed that the term convergence refers to bring differences in the international financial reporting standards (IFRS) and the national standards of a specific country. It may create problems for external auditors during auditing process while comparing national and international standards in the financial reporting. Some countries in the world do not follow international standards of accounting may follow national standards on some condition which is acceptable to international standards. Convergence has some advantages to the domestic firms whichever cause for attaining the local standards. It is a transform adoption version.

2.18 Theoretical framework of the study

After the review of relevant literature, the following theoretical framework has been developed. The financial reporting quality is dependent variable and audit committee independence, board independence, institutional shareholders ownership and Chief Executive Officer Duality are independent variables.



(Dependent Variable)

(Independent Variables)

2.19 Hypotheses of the study

H_0: There is negative insignificant relationship between Audit Committee Independence and Financial Reporting Quality in the textile sector firms of Pakistan.

H_1: There is positive significant relationship between Audit Committee Independence and Financial Reporting Quality in the textile sector firms of Pakistan H2: Board Independence.

H_0: There is negative insignificant relationship between Board Independence and Financial Reporting Quality in the textile sector firms of Pakistan.

H_2: There is positive significant relationship between Board Independence and Financial Reporting Quality in the textile sector firms of Pakistan H2: Board Independence.

H_0: There is negative insignificant relationship between Institutional Shareholders Ownership and Financial Reporting Quality in the textile sector firms of Pakistan.

H_3: There is positive significant relationship between Institutional Shareholders Ownership and Financial Reporting Quality in the textile sector firms of Pakistan.

H_0: There is negative insignificant relationship between Chief Executive Officer Duality and Financial Reporting Quality in the textile sector firms of Pakistan.

H_4: There is positive significant relationship between Chief Executive Officer Duality and Financial Reporting Quality in the textile sector firms of Pakistan.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Introduction

Investigation can be define as an arranged endeavor &healthy plan draft of the investigator for the objectives of integrating of a problematic aspect, establishing of theory for the segregated problems, secondary or primary data collection, interpreting and examining of the composed data and reaching or getting of the problem situation conclusion. (Sekaran, 2003). Research is contribution and addition in the operative literature or knowledge through various ways of education or various modes of education such as watching, reading, writing and testing etc.

Research in simple words is such a pattern of procedure which is frame for findings the answer to a facing problem which an organization or institution is facing and through this procedure a complete and detail study of the issue and analysis of the different factors concerning to that problem is produce in order to solve the problem.

Methodology of research is very vital in all king of research. In methodology of research the researcher provides in detail the research gape, data collection methods utilized in that research, the research sample, and the population of the research or sample frame, the instrument of the research, and at the end the detail of the design of the research is provided.

3.2 Activities of the Study

This section contains on research methodology, study plan , and population and sampling techniques, statistical tools, that mention in this working. The chapter of research practice is also includes on all methodology and technique which is selected for this study. This section also briefly discussed in detail independent and dependent variable. In this also explained about collection of data techniques, statistical tools and sample size.

In this part of methodology of research chapter different important activities of research like the design of the research for this thesis, and how collection of data is made for this research, which strategy and sampling procedure been followed and at the end which technique of sampling are used or involved for this study. The topics which are mentioned above are explained in detail in the following lines which are as follows.

3.3 Research Design

Firstly, it is vital to explain the study plan for the current study before to discuss study plan . Research plan has been defined by many authors in various ways but the Business Dictionary define the study plan for any kind of research is a particularized design in it is evident mentioned that how a business study will conduct in order to furnish resolution for any problem the organization which is facing. Admasu (2012) explained that study plan is the appropriate and well design draft of everything which is important to understand for the researcher while bringing any type of research. John A.H (2007) defined study plan as achieving the research objectives and give answering the research questions on a blue print is called study plan . Bryman and Bell explained that study plan is composed on regarding data analysis, data collection, techniques and tools which are taken for the study. The author also supplemented that study plan is composed on complete story of the research study, and study plan is the long range plan of the concerned study. Saunders et al (2009) confined that the better procedure to comprehend the relationship of different variables in each other, for this purpose the explanatory research study is suitable.

The current study plan is explanatory study plan.

Table 3.1 Study plan Steps

1	Research Purpose	Hypothesis testing
2	Research nature	Quantitative Research
3	Type of the working or examination	Descriptive, Correlation and Causal working
4	Working/ study situation	Forced
5	Sampling	Simple Randomly Specimen (SRS)
6	Measurement& Tool	Preused variables
7	Collection of the Data	Secondary
8	Data Examination	Descriptive, Correlation &Regression
9	Results & Conclusion	Consequences after testing hypothesis

3.4 Type of Research

This investigate is together correctional &fundamental in nature & falls in the area of practical study. Furthermore, it is quantitative research. Quantitative research includes the gathering of data so that evidence can be counted and exposed to arithmetical action in order to provision or confute "alternate knowledge claims" (Creswell, 2003, p.153). Creswell (2002) explains that quantitative research initiated in the physical sciences, especially in Physics and Chemistry. Research will use exact representations as the procedure of facts examination. 3 old diverge concerning to secondary data used research consists statistical analysis, study plan , and test and measurement procedures. Quantitative research includes collection of data that is naturally facts and the investigator serve to use arithmetical models as the practice of data examination.

Furthermore, the investigator practices investigation ways to assure arrangement with arithmetical gathering of information practice. This study is explanatory and correlation study. The impact and correlation of the self-governing variables & the result of the interactional period on needy variables is inspected in this investigate work.

This is a quantitative research study. The data for analysis will be quantitatively analyzed. Keeping in view the association in independent and dependent variable it is correlational study, as to investigating the relationship between corporate governance and financial reporting quality in the textile sector firms in Pakistan.

3.5 Population of the Study

This research will be carried out to find out the effect of corporate governance on financial information quality on firm performance of textile sector companies of Pakistan. There are 155 manufacturing firms in textile sector available on PSX (Pakistan Stock Exchange). The non-financial sector will be treated as the volume of the study.

3.6 Research Sample Size and Techniques

Precedent to discuss the model volume & methods for this research work, it is vital to argue the meaning of the techniques and example scope. The sample scope is small portion of small part from the entire population, Uma Sekaran (2003). In another words sample scope is the chosen items from the entire population rendering to the choice of the researcher. The technique of sampling can be defined in the words, when the researcher follows proper planning for assembling the data of sampling from particular population for any research work. According to Sekaran (2003) there are two main sampling techniques one is non-probability sampling technique and the other is probability sampling technique. In the non-probability sampling technique is a king of technique in which all members do not have any probability or chance to be chosen in the sample size. The various kinds of non-probability sampling techniques are as; purposive sampling, judgment sampling and convenience sampling techniques are the most important techniques. On the other hand, in the probability every element or part or portion in the population has equal probability or chance of being chosen in the sample size. The probability sampling techniques are as; quota sampling, simple random sampling, systematic sampling technique, cluster sampling, stratified sampling, area sampling, sequential sampling and multi-stage sampling. These are the highest degree used techniques of probability sampling, which are utilized in highest in number of researches by the researchers. In the current research study probability sampling technique simple random sampling (SRS) is used. In this research a sample size containing 100 firms out (155 firms available on PSX from textile sector of Pakistan which are listed on Pakistan Stock Exchange for the period w.e.f from the year 2009 to 2016 has selected for analyzing the effect of Financial Reporting Quality (FRQ) on corporate governance. The sample size calculated on the basis of (Yamane's 1967) formula. The number of observations of the study of financial reporting quality, investment efficiency, corporate cash holdings, return on assets and assets tangibility from the textile sector companies of Pakistan that has selected on the basis of Simple Random Sampling (SRS) Technique. In simple random sampling (SRS) technique every unit of the population included in the sample size has equal chance of inclusion in the sample size. The simple random sampling (SRS) technique gives the unbiased and rectifies estimates of the parameter if the population is homogeneous. In selecting sampling data, eight years consecutive financial data of the companies available on data sources used.

3.7 Data Collection

In a commercial investigate information is very important part. The over all depends upon information& it group, and due to this the data is reflected main bone in the procedure of study. Usually there are 2approaches of gathering of data 1st known as secondary basis gathering and the secondly known as primary mean of collecting data. One data source is the type of data which assembled initially or is that type of information which is firstly collected & new for research & before no one has used it. Secondary data is the information which is utilized in various investigates and many investigators has used it before for their studies, the samples such kind of information; the information in internet sources, previous researches, newspapers and magazines. In the current research study secondary data has used. Secondary data have been collected from various concerned journals, studies, internet sources, library, newspapers and website of State Bank of Pakistan etc.

We use the data for this literature evaluation the data which collected from the Pakistan Stock Exchange website and textile sector firms annual reports for the period 2009 to 2016.

3.8 Statistical Techniques, Models and Tools for Data Analysis

As verifiable and measurable information has been got for current research study. For data analysis the Stata has been used for this current research study. Descriptive Statistics, Regression and Correlation has used in current investigate work to obtain the consequences which are desired checking of theories.

3.8.1 Descriptive Statistics

It is used to explain the variables used in the study and to check the nature of the data, in terms variation and average among the cross-section. It includes median, mean, maximum, minimum and S.D as for the rest of whole variable.

3.8.2 Correlation Analysis

In this study the correlation is used for data analysis, correlation between independent variable i.e, Financial Reporting Quality (FRQ), dependent variable Investment Efficiency (IE). Pearson product moment correlation coefficient (referred sometimes as Pearson's r or PCC) is a measure of this linear correlation 2 variable Y & X, assigning worth b/w plus one & minus one comprehensive, one use for Net.total+ive correlation, zero used for no correlation, & minus one is net. total _ive correlation. It's largely applied as a measure in the field of disciplines of the grade of lined requirement b/w variable (Manzoor et al, 2012). When Pearson correlation coefficient applied to a population is frequently illustrated by the Greek word p (rho) and may be denoted to as the volume (population) Pearson correlation coefficient or population correlation coefficient.

3.8.3 Panel Regression Analysis

PRA is utilized to control the important relationship b/w independent & dependent variables. It is attempted by using random effect model and fixed effect model. The aim of the study analysis was to product remonstration regarding the D. Variable on the basis of relationships with all the related independent variables.

3.9 Research Model

Main research model is explained as follows to answer the research questions.

$$FRQ_{i,t}= \beta 0 + \beta 1ACI_{i,t}+ \beta 2BI_{i,t}+ \beta 3\ CEOD_{i,t} + \beta 4INSTSHOwnership_{i,t} + €_{i,t}$$

3.10 Operational Definitions and Measurement

3.10.1 Dependent Variable

3.10.1.1Measurement of the Financial Reporting Quality

McNicholos (2002) examined the study to measure FRQ, it uses standard deviation and residual or the error terms as to measure financial reporting quality. It represents different approaches such as large values of the formula i.e. residuals means an understandable level of discretionary of accrual and so on. Following model is used in this study:

$ACCRit /TAit-1 = \beta o + \beta 1\ CFOt-1/TAit-1 + \beta 2\ CFOt/TAit-1 + \beta 3\ CFOt+1/TAit-1 + \beta 4\ \Delta Rev/TAit-1 + \beta 5\ PPEt/TAit-1 + €t$

ACCR: total current accruals

CFit: operating CF of the current period,

CFit-1: operating CF of the previous period,

CFit+1: operating CF of the next period,

ΔRev: change in revenue and

PPEit: level of plant, property and equipment.

All the variables are scaled by lagged TAt-1

3.11 Independent Variable

3.11.1 Audit Committee independence

It refers that the audit committee is comprises of company members such as board of directors that facilitate the independent of management toward helping the auditors. They enable the committee to lay down all the essentials of independent audit to provide the real and lucid image of the company financial reporting i.e. internal control and internal check of the auditors. The measurement of this variable is independent audit committee divided independent auditor. The same practices were used by (Bulan et al. 2009).

3.11.2 Board independence

Board independence refers to a corporate board having more outsider directors who does not concerned directly with the executive bodies of the corporation and they have very little or no business experience concerning to company matters to minimize or reduce the potential interest and conflicts inside the business firms. The measurement for this proxy is board independence members divided by the total board members. The same procedure was used by (Bulan et al. 2009).

3.11.3 Institutional shareholders ownership

It refers to the firm’s available stock and resources means amount owned by pension or mutual fund or insurance corporations, investment companies, financial institution and so on that operate and manage funds on the behalf of another's concerned entities. The proxy used for this measurement is institutional shareholders equity divided by total outstanding shares; the same was measured by (Tan et al.2013). The ratio showing positive and significant impact on firms FRQ.

3.11.4 Chief Executive Officer Duality

The term (CEO) Chief Executive Officer refers to the situation when the CEO holds the Chairman position of the board. The Directors of the board are set up to supervise the managers such as the CEO on the behalf of the shareholders. If the CEO is chairman and president than we considered the "1" otherwise we consider "0" (Bulen et al. 2009). It has significance impact on Financial Reporting Quality (FRQ).

CHAPTER 4

RESULTS AND DISCUSSION

In this chapter we will discuss the results and discussion of the research findings along with the outcomes of this research diagnostic test, i.e. the Model Specification test, Hausman test, descriptive statistics, correlation and analysis and regression analysis comprehensively.

4.1 Diagnostic Test

4.1.1 Model Specification Test

Lang range Multiplier test has been conducted to predict an appropriate model for the analysis of the data. The results obtained are significant at 5% prob level predicting value of 0.046, which signifies that fixed random effect model is an appropriate model for the analysis.

Table 4.1 Descriptive statistics

Variables	Mean	Median	Max	Min	Std. Dev.
FRQ	0.1279	-0.053	7.4069	-0.9246	0.4409
AC	0.9212	0.035	15.0545	-5.6323	0.0912
BI	0.0200	0.624	2.5606	0.0001	0.1011
Inst. Owners	0.0139	0.339	0.6192	-1.1788	0.1272
CEO Duality	0.5717	0.229	4.1359	0.0077	0.3386

Table 4.1 shows the descriptive and summary statistics of the study. According to the results shown in the above table dependent variable Financial Reporting Quality, have a mean value of 0.127901 and median value is -0.053 and standard deviation of 0.4409, which indicates that during the period of this study the textile sector firms of Pakistan, have normal financial reporting quality. And the maximum and minimum value of 7.4069 and -0.9246 indicates that the textile sector firms have maximum financial reporting quality (FRQ) is 7.4069 and minimum FRQ is -0.9246.

Audti Committee (AC) has a minimum and maximum value is -5.6323 and 15.0545 respectively. And the standard deviation is 0.0912 and median is 0.035 with mean value of 0.9212.

Board Independence mean value is 0.0200 and median value is 0.624, maximum and minimum values of textile sector companies are 2.5606 and 0.0001 respectively. Standard deviation is 0.1011 presents the average spread from the mean value of textile sector companies.

The mean value of Institutional Shareholders Ownership 0.0139 and 0.339 is median and 0.1272 is Standard deviation and the minimum and maximum values of Inst Owners are -1.1788 and 0.6192 respectively.

CEO Duality mean value is 0.5717 with the median value is 0.229 and standard deviation value is 0.3386 And on the other hand minimum and maximum values are 0.0077 and 4.1359.

Table 4.2. Pearson correlation Analysis

	FRQ	AC	BI	INST OWNERS	CEO DUALITY
FRQ	1.000				
AC	0.25	1.00			
BI	0.21	0.21	1.00		
INST OWNERS	0.05	0.31	0.08	1.000	
CEO DUALITY	0.06	0.28	0.11	0.13	1.000

Table 4.2 shows the correlation between dependent variable and independent variable of the study.

Correlation is statistical measure which shows the direction and strength of the association between two variables. The measure of strength between two variables is determines by coefficient of determination which is represented by r. The correlation values usually lies between 1 and -1. The r-value near 1 or -1 is considered strong correlation.

The results show that there is significant and positive correlation between Financial Reporting Quality (FRQ) and Audit Committee (AC). As Cohen (1988) stated that significance correlation level starts from 0.1 and there are three slabs of significance level of correlation, i.e, 0.1 to 0.29, 0.3 to 0.49 and 0.5 to 1.00.

So, as per the criteria provided by the correlation between Financial Reporting Quality (FRQ) and Audit Committee is significant and positive. Similarly the result r = 0.25 indicates positive significant correlation between Financial Reporting Quality (FRQ) and Audit Committee (AC), as per Cohen (1988) the correlation between FRQ and AC is termed as weak positive significant correlation.

It determines that as the value of this ratio increases there will be an increase in the financial reporting quality.

The result also shows positive insignificant correlation between Financial Reporting Quality and Board Independence is r = 0.21 which is considered to be weak insignificant correlation between Financial Reporting Quality (FRQ) and Board Independence as per Cohen (1988) criteria.

The results also shows positive significant correlation between Financial Reporting Quality and Institutional Shareholders Ownership is r = 0.05, which is considered to be weak significant positive correlation between Financial Reporting Quality and Inst. Ownership, as per Cohen (1988) criteria.

The result indicates positive significant correlation between Financial Reporting Quality and CEO Duality is r = 0.06, which is considered to be weak significant and correlation between Financial Reporting Quality and CEO Duality as per Cohen (1988) criteria.

Table 4.3 **Regression Analysis**

Random effect model using financial reporting quality as dependent Variable

Value	Beta	Std Er	T-Value	P-Value
AC	.185	.083	2.25	0.034
BI	.166	.079	2.10	0.041
INST OWNERS	0.105	0.110	0.95	0.151
CEO DUALITY	0.116	0.112	1.03	0.130

R2 = 0.36 Wald CHI= 13.56

Table 4.3 shows the regression analysis of the study. The results shows that Audit Committee (AC) has positive significant effect on Financial Reporting Quality (FRQ) as the t-value = 2.25, which is significant at 5% probability level, which show that Audit Committee Independence (AC) enhances the Financial Reporting Quality (FRQ) of Textile Sector Firms in Pakistan. Similar results were reported by previous studies (McNichols, 2002, Bulen et al. 2009).

The results also demonstrate that Board Independence has positive but significant effect on Financial Reporting Quality (FRQ) in manufacturing and textile sector firms in Pakistan as the t-value = 2.10. Similar findings were obtained by some past researchers, who predicted positive significant effect of Board Independence on Financial Reporting Quality (FRQ) (Bulen et al, 2009).

The results showing positive effect of Institutional Shareholders Ownership on the firm Financial Reporting Quality (FRQ). The obtained t-value = 0.95 is insignificant at 5% probability level, This means that increase Institutional Ownership will positively enhance the firm's Financial Reporting Quality (FRQ). The results are confirming the findings of previous researchers, who found positive relationship between Institutional Ownership and Financial Reporting Quality (FRQ), (Tan et al, 2013).

The results also showing positive insignificant effect of CEO Duality on firm's Financial Reporting Quality (FRQ). The reported t-value = 1.03 is insignificant but positive at 5% probability level. Similar results were reported by previous researchers (Tan et al, 2013).

The F-value 13.56 is significant at 5% probability level, which determines that the overall model is highly significant.

R-square = 0.36 suggest that almost 36% changes are caused by the set of independent variables in the dependent variable.

CHAPTER 05

CONCLUSION RECOMMENDATION AND FUTURE DIRECTIONS

5.1 Conclusion

The effect of Corporate Governance on Financial Reporting Quality has got vital importance in the researcher area of Finance. This study analysis the effect of Corporate Governance on the Financial Reporting Quality of the textile sector firms in Pakistan. The study analyzed 100 textile firms for knowing the effect of Corporate Governance on the Financial Reporting Quality. This study collected data from annual reports. The data was analyzed through statistical techniques like Correlation and Regression fixed effect model. The results found that Audit Committee has positive outcome on the Financial Reporting Quality of textile segment companies. The results in this regards are in line with many previous studies. Consequences also showed that Board Independence has positive significant result on the Financial Reporting Quality of textile sector companies in Pakistan, which are in line with many previous studies.

The consequences also documented the optimistic effect of Institutional Shareholding ownership has positive effect on the Financial Reporting Quality of firm in Pakistani textile sector which means that with the increase in Institutional ownership will enhance the Financial Reporting Quality of textile firms. The results are in line of many previous studies.

The results are also showing the positive result of chief executive officer dichotomy on the Firms financial reporting quality which signifies the importance of Chief Executive Officer Duality in enhancing the firm's Financial Reporting Quality in Pakistani context.

Pomeroy and Thomton (2008) examined that the basic idea of Financial Reporting Quality (FRQ) has instructed extensive research concern encircling the world. Therefore, regulators, researchers and practitioners are in the quarrel as to a clarify definition of what makes Financial Reporting Quality (FRQ), for example, auditors and audit committee needs to examine the methods of Quality of Financial Reporting of the business firms, and not exact their gratifying. The act still clearly not defines what will make quality in Financial Reporting. Similarly study meaning the excellence of Financial Reports provided by International Accounting Standards Board (IASB) (2008). In theoretical frame work of board define the Financial Reporting Quality is that which fulfills the goals and qualitative peculiarities of Financial Reporting.

The objective of this study is to investigate the association between financial reporting quality and corporate governance. The current study used the financial data from textile sector firms registered on Pakistan Stock Exchange which comprise monetary reports started from 2009-2016. Multi-variate regression model and fixed effect random effect model were used to explain these relationships. Several control variables including audit committee independence, board independence and institutional shareholders ownership and CEO Duality were used in this regression model. Investigations reveal that there is positive significant relationship between financial reporting quality and corporate governance. In instruction to amount and calculate monetary writing excellence & corporate governance, models proposed by McNichols (2002) and Biddle et al (2009) were respectively used. Similarly to elaborate direct nexuses between Financial Reporting Quality and corporate governance, Verdi's argument (2009) can be used. Verdi (2009) documented that corporate governance can enhance financial reporting quality with regard to two ways: reducing asymmetry of information between the investors and company, and therefore, reducing the financing costs, and reducing asymmetries of information between managers and investors, and therefore, reducing the monitoring costs and enhancing project selection.

Findings from recent research study are consistent with the findings by Biddle et al (2009) and Gomariz and Ballesta (2013).

The earlier research studies argued that higher level of Corporate Governance can enhance financial reporting quality by declining asymmetries of information that deliver to frictions like moral hazard and opposed selection. I lengthen this research by providing with documentary evidences the channels through which quality of financial reporting relates to Corporate Governance. Particularly, I test the hypotheses which higher financial reporting quality can be connected or associated with either below under or over-level of Corporate Governance.

The results are coherent with the hypotheses when tested in few ways. Firstly, the higher financial reporting quality is connected or associated with the low level of Corporate Governance among firms and which are with high level of Corporate Governance among firms which are highly levered and cash constrained.

5.2 Recommendations for Future Research

Similar studies can be conducted in future can use Structural Equation Modeling (SEM) in the relationship of these variables. Moreover similar studies can use financial performance (FP) as a mediator and moderator in the relationship of Corporate Governance (CG) and Financial Reporting Quality (FRQ). Same studies can comprehensively analyze financial and non-financial firms for the relationship of the same variables.

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