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-RESEARCH ARTICLE-

DOES INTERNATIONAL FINANCIAL REPORTING MATTER FOR FINANCIAL REPORTING QUALITY OF LISTED TEXTILE COMPANIES IN SAUDI ARABIA: MODERATING ROLE OF CORPORATE GOVERNANCE

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—Abstract—

The objective of this study was to examine the moderating influence of corporate governance structures on the relationship between the adoption of International Financial Reporting Standards (IFRS) and the quality of financial reporting among manufacturing textile firms in Saudi Arabia. Quantitative data were gathered from the annual reports of textile companies spanning from 2014 to 2023, and subsequently analysed through panel data utilizing pooled, random, and fixed effect models. Regression analysis revealed a significant negative impact of IFRS adoption on financial reporting quality. Furthermore, the moderation analysis indicated that various corporate governance indicators such as board size, board committees, board composition, board independence, and board diversity significantly influenced the relationship between IFRS adoption and financial reporting quality. These findings provide valuable insights into the interplay between regulatory changes and internal control mechanisms, thereby shaping financial reporting practices. Additionally, the results offer implications for policymakers and regulators in Saudi Arabia regarding theefficacy of existing governance frameworks in ensuring the integrity and transparency of financial reporting within the textile industry. Moreover, this study

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presents avenues for further research, encouraging scholars to extend the current model and explore new research areas.

Keywords: IFRS Adoption, Financial Reporting Standard, Corporate Governance, Saudi Arabia, Textile.

INTRODUCTION

In the aftermath of the 2007 financial crisis, nations globally have intensified their scrutiny on accountability and transparency within financial transactions (Arthur, Tang, & Lin, 2015). This heightened focus has prompted the formulation of various conceptual and legal frameworks that stress either compulsory or voluntary disclosure mandates. Given the widespread operations of many corporations, there has been a concerted effort towards establishing consistent accounting regulations to ensure transparency across borders (Pham et al., 2023). As a result, the adoption of "International Financial Reporting Standards (IFRS)" has emerged as a global standard for financial statement reporting (Tawiah & Gyapong, 2023). Presently, over 160 nations have embraced IFRS, underscoring a growing recognition of stakeholder interests within corporate governance (CG) (Orbán & Tamimi, 2023).

From a stakeholder perspective, corporate management is obligated to consider the interests of all involved parties. Shareholders, for instance, depend on information regarding a firm's profitability to fulfil dividend expectations, while tax authorities rely on data to estimate tax revenues (Seifzadeh et al., 2021). Similarly, suppliers seek insights into firms' creditworthiness, and investors utilize disclosed financial information to make well-informed investment decisions (Seifzadeh et al., 2021). Consequently, the accuracy of decisions made by these stakeholders is contingent upon the quality of financial reporting (FRQ).

Moreover, organizations are entrusted with the responsibility of preparing financial statements that furnish pertinent information for the economic decision-making processes of various stakeholders. The primary aim of Financial Reporting Quality (FRQ), as stipulated by the IFRS, is to provide high-calibre financial information concerning economic entities that facilitates economic decision-making (Seifzadeh et al., 2021). Additionally, financial statements serve as reflections of management's efficient and effective utilization of the entity's resources (Ardillah & Carolin, 2022). Recognizing the pivotal role of financial statements in offering fundamental information about a company, their quality holds utmost significance in meeting the diverse needs of users (Ardillah & Carolin, 2022).

Given the potential benefits of high-quality FRQ, it has become imperative for international accounting organizations and governments, particularly in developing nations, to prioritize its attainment (Mbir et al., 2020). One such approach is the

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widespread adoption of IFRS, which has garnered global acceptance and predominance in accounting literature (Mensah, 2021). These studies indicate that IFRS serves as a crucial determinant of FRQ, providing essential information to both external and internal stakeholders. Similarly, Corporate Governance (CG) is indispensable for ensuring transparency and reliability in FRQ through the proper implementation of IFRS standards (Gardi et al., 2023). Effective governance structures bolster adherence to IFRS principles, thereby mitigating the risks associated with mismanagement, fraud, and ethical lapses in FRQ (Gardi et al., 2023). Notably, this underscores the notion that CG could serve as a moderating variable in the relationship between IFRS standards and FRQ.

Given the importance of CG in the adoption of IFRS to enhance FRQ, empirical studies present varying viewpoints on the association between IFRS adoption and FRQ. While some studies indicate a positive and significant impact of IFRS on FRQ (Agyei-Mensah, 2013; Amankwa et al., 2020; Mensah, 2021), others suggest a negative impact (Kateb, 2024; Lin et al., 2012; Salah & Abdelsalam, 2019). These inconsistencies may stem from differences in enforcement mechanisms and compliance levels across jurisdictions. To address the inconsistency in the association between IFRS and reporting quality, this study proposes examining the moderating and mediating effects of other variables. Notably, disparities in reporting quality are often linked to variations in CG, which significantly influence reporting quality (Kao & Wei, 2014; Kateb, 2024). Addressing the limitations of previous studies, Baron and Kenny (1986) argue that when relationships are unclear, moderating effects between exogenous and endogenous variables should be considered. Given the crucial role of effective CG in enhancing reporting quality through IFRS, this research investigates the moderating role of CG in the association between IFRS and reporting quality, particularly in the context of Saudi Arabia's manufacturing textile listed companies. Previous studies have primarily focused on other developed or developing countries (Alruwaili et al., 2023; Gardi et al., 2023; Mensah, 2021; Palea, 2013; Sassi & Damak-Ayadi, 2023). Therefore, this study aims to address previous gaps by conducting research within the context of Saudi textile manufacturing companies, exploring the moderating effect of CG between IFRS and FRQ.

In 1986, Saudi Arabia underwent a significant reform by instituting its own accounting standards, heavily influenced by U.S. standards (Hashed & Almaqtari, 2021). This transition saw the Saudi Organization for Certified Public Accountants (SOCPA) supplanting the Saudi Accounting Association (SAA) in the development of accounting standards within the country. Unlike its counterparts in other Gulf nations, Saudi Arabia did not universally adopt IFRS, resulting in investors lacking essential information about companies' financial standing and consequently diminishing investment due to the lack of transparent Financial Reporting Quality (FRQ) (Kateb, 2024). Acknowledging the necessity for change, Saudi Arabia initiated a project in 2013 to transition towards IFRS (Kateb, 2024), devising a plan for listed companies (excluding financial institutions) to adhere to SOCPA's modified version of IFRS adopted in Saudi Arabia (Nurunnabi et al., 2022). Moreover, financial institutions were obligated to comply with IFRS in accordance with the requirements set forth by the Saudi Arabian Monetary Authority (SAMA). Listed companies were mandated to comply with IFRS starting from 2017, while other remaining firms were granted until 2018 to comply. Despite these modifications, Saudi Arabia still lags behind in the adoption of IFRS, posing transparency issues in financial statements (Kateb, 2024; Tlemsani et al., 2024). Consequently, this study primarily focuses on examining the impact of IFRS adoption on FRQ with the moderating effect of CG structure within the context of Saudi Arabia.

This research examines the moderating role of CG between IFRS adoption and financial quality in Saudi Arabia's textile sector. It aims to illuminate the relationship between accounting standards, governance structures, and FRQ outcomes in emerging markets. By exploring how CG mechanisms moderate the association between IFRS adoption and financial quality, the study contributes to understanding how regulatory changes interact with internal control mechanisms to shape FRQ. The findings hold significant regulatory implications, potentially informing policymakers and regulators in Saudi Arabia about the efficacy of current governance frameworks in ensuring FRQ integrity and transparency within the textile industry. Furthermore, insights from this study may guide policymakers in refining CG regulations to better align with IFRS adoption objectives and enhance FRQ in the textile sector, thereby fostering investor confidence and stimulating economic growth. The study is structured into four sections: literature review, research methods, data analysis and results, and discussion, each addressing theoretical, empirical perspectives, research design, analysis techniques, limitations, and future directions.

LITERATURE REVIEW

International Financial Reporting Standard (IFRS) and Financial Reporting Quality (FRQ)

The widespread adoption of IFRS has emerged as a prominent global standard, aimed at harmonizing the preparation of financial statements worldwide. This study is grounded in the perspectives of external stakeholders, as delineated by Donaldson and Preston (1995), which underscore the managerial responsibility to address the varied needs of stakeholders, including their information requirements. Accounting literature emphasizes the role of accounting standards in mitigating issues of adverse selection and moral hazards arising from information asymmetry, thereby promoting high FRQ.

Extensive examination of the association between IFRS adoption and FRQ has been conducted in accounting literature since the inception of IFRS. Studies by Leuz and Wysocki (2016) and Dayanandan et al. (2016) have identified a positive relationship

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between IFRS adoption and FRQ. These studies argue that firms with proper adaptation of IFRS can enhance FRQ, leading to improved earnings conservatism and reduced instances of income smoothing and earnings management. However, contrary findings exist regarding the impact of IFRS adoption on FRQ. For instance, Becker et al. (2021) observed a decline in FRQ following mandatory IFRS adoption in 20 countries, challenging the notion of a positive relationship between IFRS adoption and FRQ. Similarly, Wahyuni et al. (2020) found no significant decrease in earnings management after the implementation of IFRS, suggesting that mere adoption of standards may not suffice to enhance FRQ. Additionally, Ahmed et al. (2024) noted that IFRS adoption does not notably influence financial reporting quality. These studies imply that the effectiveness of IFRS adoption in improving FRQ depends on robust enforcement mechanisms to ensure companies' compliance. This underscores the importance of IFRS adoption as a significant predictor of FRQ. Therefore, through various empirical analyses, the current study has formulated the following research hypotheses,

H1: *There is a significant positive impact of IFRS adoption on FRQ.*

Moderating Role of Corporate Governance

In the preceding section, it has been observed that the relationship between IFRS and FRQ exhibits inconsistencies, highlighting the necessity to explore this relationship in alternative contexts. A significant gap in the literature lies in understanding how CG moderates the association between IFRS adoption and FRQ, potentially shedding light on why certain jurisdictions fail to fully realize the benefits of IFRS adoption (Krismiaji & Surifah, 2020). It has been argued that when results of independent and dependent variables are incongruent, a moderating variable is warranted. Consequently, CG could serve as such a moderating variable. Hence, our study endeavours to address these gaps and provide insights into the relationship between IFRS, CG, and financial FRQ.
Previous research, such as the study conducted by Mbir et al. (2020), has also contended that CG plays a pivotal role in the adoption of IFRS, which in turn could influence FRQ. Thus, our aim is to investigate questions such as how IFRS compliance enhances FRQ in firms with robust CG structures. Empirically, several studies have explored the relationship between CG and IFRS compliance. For instance, Hsu and Yang (2022) found a positive and significant impact of CG indicators such as board size on FRQ, while Ogbaisi and Ezuem (2021) observed a negative impact of board diversity on FRQ. Furthermore, Hasan and Rahman (2020) discovered a significant influence of board committees on IFRS adoption. These studies further suggest that the relationship between CG and IFRS could be examined in alternative contexts (Gardi et al., 2023; Oradi & Izadi, 2020), indicating the importance of considering the moderating effect of CG. Similarly, various studies emphasize the crucial role of CG in ensuring high FRQ.

CG factors such as board size, composition, remuneration, independence, committee structure, and diversity are considered important indicators for FRQ (Hashed &

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Almaqtari, 2021; Younas et al., 2021; Fakhfakh Sakka & Jarboui, 2016). Among these indicators, board size emerges as a significant predictor for FRQ. For instance, Ben Abdallah and Bahloul (2021) suggest that larger boards may encounter challenges in effective monitoring due to diffusion among directors, while (Zabri et al., 2016) caution that larger boards might negatively impact financial performance. Conversely, (Cucari et al., 2018) argue for the effectiveness of smaller boards on FRQ. Additionally, board independence is paramount for enhancing FRQ (Vitolla et al., 2020), as advocated for by (Tulung & Ramdani, 2018), who highlight the efficacy of independent directors in monitoring duties and reducing earnings management. Khalil and Ozkan (2016) suggest that independent directors play a crucial role in IFRS adoption, thereby potentially improving the FRQ of companies.

Moreover, the composition of audit committees plays a crucial role in effectively overseeing FRQ. Mardjono and Chen (2020) discovered that audit committee independence acts as a deterrent against misstatements and earnings management. Khan et al. (2020)) further contend that firms with proficient audit committee members exhibit reduced discretionary accruals. Supporting these findings, Hasan et al. (2020) also affirm the positive impact of audit committees on FRQ. Additionally, (García-Sánchez et al. (2019) and Ud Din et al. (2021) argue that the inclusion of female board directors enhances board independence and FRQ through diverse perspectives, fostering responsible decision-making (Anazonwu et al., 2018; Ud Din et al., 2021). However, there are also findings indicating a negative association between board gender diversity and the relationship with FRQ. Furthermore, Pucheta-Martínez and Gallego-Álvarez (2020) identified the significant influence of board independence on FRQ. Ud Din et al. (2021) explored the relationship between board diversity and FRQ, while (Pucheta-Martínez & Gallego-Álvarez, 2020) provided insights into the governance mechanisms influencing financial transparency and integrity. Collectively, these studies contribute to a deeper understanding of how board composition influences FRQ. Thus, based on the preceding discussion, the following hypotheses have been formulated.

H2: *IFRS and FRQ relationship significantly moderating with board size.*

H3: *IFRS and FRQ relationship significantly moderating with board composition.*

H4: *IFRS and FRQ relationship significantly moderating with board independence.*

H5: *IFRS and FRQ relationship significantly moderating with board committee.*

H6: *IFRS and FRQ relationship significantly moderating with board remuneration.*

RESEARCH METHODS AND ECONOMETRIC MODELS

Quantitative research was employed to fulfil the research objectives, deemed more pertinent compared to qualitative approaches, with data sourced from annual reports (Almalki, 2016). Information was gathered from 50 textile firms listed on the Saudi Arabia Stock Exchange between 2023 and 2024. Selection criteria included company size, data availability, and market share, resulting in a final sample size of 50. Given data collection across different time frames, a longitudinal research design was adopted to track variable changes over time, enabling the examination of causal relationships and temporal dynamics, superior to cross-sectional designs (Rindfleisch et al., 2008). Additionally, panel data were collected to establish both cross-sectional and time-series characteristics, facilitating the exploration of within-unit variations and enhancing analysis robustness. The study employed econometric techniques, employing fixed or random models using panel data, allowing researchers to test their objectives and gain insights into the dynamic nature of regulatory compliance and governance practices over time (Rindfleisch et al., 2008). Regression models were utilized to analyse the variables, and STATA-14 software was chosen for its strength in handling panel data compared to E-views.

FRS = $\beta 0 + \beta 1IFRS + \beta 2FS + \beta 3LEVER + \beta 4BIG + \varepsilon$. (M.1)

FRS = $\beta 0 + \beta 1IFRS + \beta 2BOS + \beta 3BOS * IFRS + \beta 4FS + \beta 5LEVER + \beta 5BIG + \varepsilon$. (M.2)

FRS = $\beta 0 + \beta 1IFRS + \beta 2BOI + \beta 3BOI * IFRS + \beta 4FS + \beta 5LEVER + \beta 5BIG + \varepsilon$. (M.3)

FRS = $\beta 0 + \beta 1IFRS + \beta 2BOC + \beta 3BOC * IFRS + \beta 4FS + \beta 5LEVER + \beta 5BIG + \varepsilon$. (M.4)

FRS = $\beta 0 + \beta 1IFRS + \beta 2IBOC + \beta 3IBOC * IFRS + \beta 4FS + \beta 5LEVER + \beta 5BIG + \varepsilon$. (M.5)

FRS = $\beta 0 + \beta 1IFRS + \beta 2GEND + \beta 3GEND * IFRS + \beta 4FS + \beta 5LEVER + \beta 5BIG + \varepsilon$. (M.6)

Measurements of Variables

This section encompasses the measurement of variables, delineating three distinct types under scrutiny in the present study. Financial Reporting Quality serves as the dependent variable, International Financial Reporting Standard as the independent variable, and Corporate Governance as the moderating variable. Additionally, Firm Size, Leverage, and inclusion of Big4 companies function as control variables, chosen in accordance with prior literature. The predicted variables are outlined in Table 1.

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Table.1: Measurement of Variables

Constructs	Measurements	References
Dependent Variable		
Reporting Quality	Total accruals- nondiscretionary accruals	(Hashed & Almaqtari, 2021)
Independent Variable		
IFRS Adoption	Total disclosed items/total presentation requirement.	(Hashed & Almaqtari, 2021)
Moderating Variable		
Corporate Governance Structure		
Board Size	Total board members in board	(Gerged et al., 2023)
Board Independence	In board non-executive director proportion	(Gerged et al., 2023)
Audit Committee Independence	Outside directors proportions in audit committee	(Gerged et al., 2023)
Board Diversity	Women directors board members in the board	(Galia et al., 2015)
Board Composition	Referred to inside to outside directors in the board	(Galia et al., 2015)
Control Variable		
Firm Size	Natural log of total assets	(Wang et al., 2020)
Leverage	Total Debts/total assets	(Wang et al., 2020)
Big Four	Measured on dummy variables 0 represents that firm does not audited in big four and 1 represents that firms comes in big four audited.	(Wang et al., 2020)

Source: Author's Collection

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Descriptive Statistics

Table 2 presents the descriptive statistics pertaining to financial reporting, corporate governance, IFRS adoption, and control variables within the context of Saudi Arabia's textile companies. The mean adoption rate of IFRS stands at 0.58, indicating a moderate level of adoption across these companies. The BOS is 8.26, suggesting an approximate membership of 8 individuals per board. BOI has a mean value of 3.86, indicating a moderate level of independence among boards. The mean values of board committees (IBOC and BOC) suggest the presence of around 5 to 6 committees, on average, within boards. GEND exhibits a mean value of 1.91, indicating a relatively low level of gender diversity in board compositions. Furthermore, the leverage ratio (Lever) has a mean value of 37.537, signifying the average level of debt utilized by these textile companies. The mean FS is 6.25, suggesting these companies are of moderate size, on average. Lastly, the mean proportion of textile companies audited by Big Four accounting firms (BIG4) is 0.656, indicating that a significant portion of these companies enlist Big Four auditors for their financial reporting requirements. These results are summarized in Table 2.

Table.2: Results Descriptive

	VIF	Mean	SD	Min	Max
IFRS	2.22	.58	0.792	0	1
FRQ	---	0.084	0.160	0.00	0.821
BOS	2.32	8.26	1.460	5.00	11
B0I	1.89	3.86	1.350	1.00	7.00
IB0C	1.94	3.42	1.054	2.00	5
B0C	1.83	3.64	0.757	3.00	7.00
GEND	1.33	1.91	0.755	1.00	4.00
Lever	3.72	37.537	0.284	0.234	85.34
FS	3.78	6.25	0.693	5.589	9.35
BIG4	2.19	.656	0.489	0	1

Note: IFRS-International Financial Reporting Standard Adoption, FRQ-Financial Reporting Quality, BOS-Board Size, BOI-Board Independence, IBOC-Board Committee, BOC-Board Committee, GEND-Gender Diversity, Lever-Leverage, FS-Firm Size, BIG4-Big Four

Correlation Matrix

Table 3 presents the correlation matrix illustrating the relationships among the variables. Notably, there exists a weak negative and significant correlation (-0.11) between IFRS adoption and FRQ, indicating some degree of inconsistency between these two standards. Board size (BOS) exhibits a moderately positive correlation (0.521) with IFRS adoption but a negative correlation (-0.373) with BOI, suggesting that larger boards tend to align more with IFRS adoption but less with board independence. Furthermore, a strong negative correlation (-0.796) is observed between

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IBOC & BOC, indicating that larger committees are less likely to maintain independence.

GEND displays a weak negative correlation (-0.153) with leveraged firms (Lever), suggesting potential gender diversity initiatives within less leveraged firms. Additionally, FS shows a slight negative correlation (-0.123) with IFRS adoption and a positive correlation (0.165) with board size, implying that larger firms may exhibit greater inclination towards IFRS adoption but are less likely to have larger boards. Finally, there exists a negative correlation between the presence of BIG4 and various governance metrics, indicating that firms audited by Big Four firms tend to have smaller board committees, less gender diversity, and lower leverage. These results underscore the interconnectedness of the study variables, with each exhibiting correlation with others, as depicted in Table 3.

Empirical Results

This section presents the findings regarding the study hypotheses. The study comprised six hypotheses, with the first representing the direct hypothesis and the remaining five representing moderating effects. These hypotheses were tested across six models, with the first model representing the direct effect and the subsequent five models representing the moderating effect models. Static panel data techniques were applied for analysis, employing both pooled effect and random effect techniques. The fixed effect model was selected for all models based on the Hausman test, where the obtained p-value was less than 0.05, indicating the suitability of the fixed model for all five models (Rüttenauer & Ludwig, 2023).

Results from the fixed effect model revealed a negative and significant impact of IFRS adoption on FRQ, supporting the proposed hypothesis. Regarding the moderating effects, board size exhibited a negative and significant moderating effect between IFRS adoption and FRQ, consistent with the proposed hypothesis. Similarly, independent board demonstrated a positive and significant moderating effect between IFRS adoption and FRQ, also supporting the proposed hypothesis. Board diversity also positively and significantly moderated the relationship between IFRS adoption and FRQ, aligning with the proposed hypothesis. Likewise, board committee displayed a positive and significant moderating effect between IFRS adoption and FRQ, supporting the proposed hypothesis. Additionally, board composition exhibited a positive and significant moderating effect between IFRS adoption and FRQ, also aligning with the proposed hypothesis.

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Table.3: Correlation Results

	IFRS	**FRQ**	**BOS**	**BOI**	**IBOC**	**BOC**	**GEND**	**LEVER**	**FS**	**BIG4**
IFRS	1.00									
FRQ	-0.11**	1.00								
BOS	0.521**	-0.231**	1.00							
B0I	-0.373**	-0.164**	0.681**	1.00						
IB0C	-0.431**	-0.195***	-0.796***	-0.58**	1.00					
B0C	-0.232**	0.216**	-0.422***	-0.391**	-0.361**	1.00				
GEND	-0.153*	-0.072***	0.272**	-0.253**	0.233*	-0.311**	1.00			
Lever	0.154**	-0.082***	-0.213**	-0.245**	-0.202**	0.211**	-0.132*	1.00		
FS	-0.123**	0.055**	0.165**	0.195**	0.151**	-0.162**	0.091*	-0.051	1.000	
BIG4	-0.185***	-0.116***	-0.242**	-0.282**	-0.221*	-0.191**	-0.112**	-0.04*	-0.141	1.00

Note: IFRS-International Financial Reporting Standard Adoption, FRQ-Financial Reporting Quality, BOS-Board Size, BOI-Board Independence, IBOC-Board Committee, BOC-Board Committee, GEND-Gender Diversity, Lever-Leverage, FS-Firm Size, BIG4-Big Four

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Across all models, the control variables yielded significant findings. Specifically, firm size exhibited a significant positive effect on FRQ, while firm leverage displayed a significant positive effect on FRQ, indicating a decrease in FRQ with higher leverage. Furthermore, the presence of Big Four audit firms demonstrated a significant negative effect on FRQ. These results are summarized in Table 4.

Table.4: Empirical Findings

	Direct Effect (FRQ)		Moderating Effect (FRQ)	
Hypothesis	Beta	P Value		
IFRS	-0.25	0.000		
Lever	0.18	0.013		
FS	0.12	0.022		
BIG4	-0.30	0.035		
BOS*IFRS			-0.33	0.024
BOI*IFRS			0.24	0.022
IBOC*IFRS			0.19	0.027
BOC*IFRS			0.38	0.022
GEND*IFR			0.34	0.031
Lever			0.20	0.031
FS			0.30	0.011
BIG4			-0.77	0.041
R Square	0.47		0.58	
Hausman Test	0.002		0.003	
Heteroscedasticity	0.232		0.342	
Autocorrelation	0.432		0.893	

Note: IFRS-International Financial Reporting Standard Adoption, FRQ-Financial Reporting Quality, BOS-Board Size, BOI-Board Independence, IBOC-Board Committee, BOC-Board Committee, GEND-Gender Diversity, Lever-Leverage, FS-Firm Size, BIG4-Big Four

DISCUSSION

The study aimed to investigate the moderating influence of corporate governance structures on the relationship between IFRS adoption and FRQ within the manufacturing textile sector of Saudi Arabia. Data were sourced from annual reports of textile companies in Saudi Arabia, and six econometric models were formulated, with the fixed effect model being consistently chosen for each model. The panel data analysis revealed a negative and significant impact of IFRS adoption on FRQ in Saudi Arabian textile companies, indicating that adherence to IFRS significantly improves FRQ.

This observed negative impact of IFRS adoption on FRQ may stem from various factors inherent to the local business landscape. For instance, the transition to IFRS standards could present implementation challenges for companies, especially in industries like textiles, which may have distinct accounting practices or cultural considerations. Consequently, the initial adjustments required to comply with IFRS standards might disrupt reporting processes temporarily, potentially leading to a short-term decline in

FRQ. These findings resonate with the stakeholder perspective of corporate governance, as indicated by previous literature. Therefore, based on these findings, it could be argued that Saudi Arabian textile companies should prioritize IFRS adoption to enhance their FRQ, thus bolstering investment opportunities from both domestic and international stakeholders. Additionally, regulatory bodies in Saudi Arabia should enforce compliance with accounting standards to ensure uniformity in data across the industry.

Moreover, the results pertaining to interaction terms reveal a noteworthy finding: the interaction between IFRS adoption and board size exhibits a significant negative impact on FRQ. Interestingly, larger board sizes appear to enhance the positive effect of IFRS on FRQ up to a certain threshold, beyond which further increases in board size attenuate this effect (Agolosu, 2023). Consequently, beyond a specific threshold, the efficacy of larger boards may diminish due to challenges in decision-making processes and coordination (Omondi, 2021). This underscores the necessity of optimizing board size to maximize the advantages of IFRS adoption within Saudi Arabian textile companies. This finding resonates with the conclusions drawn by Kabwe (2023), who also suggested that an unsuitable board size may hinder the enhancement of IFRS standards, thereby diminishing FRQ. Hence, it is advisable for textile companies in Saudi Arabia to address board structure effectively to elevate their accounting standards, thereby attracting increased investment opportunities domestically and internationally.

Furthermore, the interaction between IFRS adoption and board independence yields positive and significant results. These findings indicate that the presence of independent board members appears to ensure that IFRS adoption translates into the desired level of FRQ (Oppong & Bruce-Amartey, 2022). Thus, it can be inferred that within the Saudi Arabian context, where corporate governance practices are increasingly emphasized, independent directors play a pivotal role in overseeing FRQ and upholding standards of integrity and transparency. These findings align with those of Mbir et al. (2020) and Vitolla et al. (2020), suggesting that board independence in Saudi Arabian textile companies plays a crucial role in managing IFRS adoption and subsequently enhancing FRQ.

Furthermore, there is a significant positive effect observed in the interaction between IFRS adoption and board diversity on FRQ. Intriguingly, a higher level of gender diversity on the board appears to strengthen the positive impact of IFRS adoption on FRQ (Tawfik et al., 2023). As Saudi Arabia endeavours towards greater gender equality and diversity in the workforce, the presence of women on corporate boards significantly contributes to improving decision-making processes, ultimately enhancing the effectiveness of IFRS adoption in enhancing FRQ. This finding is consistent with prior research by (Kimeli et al., 2022) and (Tawfik et al., 2023). Thus, it can be inferred that gender diversity emerges as a crucial factor in enhancing IFRS adoption, consequently

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leading to improved FRQ. Therefore, other countries may consider focusing on board diversity to enhance their IFRS adoption and FRQ.

Additionally, the interaction between IFRS adoption and audit committee independence reveals a significant positive effect on FRQ. In Saudi Arabian textile companies, where regulatory scrutiny and investor expectations are on the rise, independent audit committees play a critical role in ensuring compliance with IFRS and FRQ while mitigating risks of financial misstatements. Furthermore, by enhancing the autonomy and objectivity of audit committees, textile companies can effectively navigate the complexities of IFRS adoption while upholding the highest standards of reporting integrity and transparency. These findings are further corroborated by previous studies conducted by (Jatiningrum et al., 2020) and (Kateb, 2024).

In the latest research findings, it has been established that board composition plays a positive and significant moderating role between IFRS adoption and FRQ. These findings underscore the notion that Saudi Arabian textile companies with well-structured boards exhibit improved IFRS adoption, subsequently leading to enhanced FRQ. Hence, these findings imply that diversified board experiences enable effective management of regulations, as board independence enhances knowledge, better equipping them to oversee the implementation of IFRS standards. Houcine et al. (2022) and Qawqzeh et al. (2021) have previously conducted studies on corporate governance practices, emphasizing the pivotal role of board compositions in bolstering corporate performance and governance effectiveness. By extension, diverse board compositions could augment the quality and reliability of FRQ, particularly in intricate industries such as textiles. These prior findings on the moderating effects are in line with previous studies where corporate governance, as a moderating variable, has yielded significant and positive outcomes in other relationships (Boachie & Mensah, 2022; Hasan & Rahman, 2020; Sassi & Damak-Ayadi, 2023). From our study findings, it is evident that dedication to IFRS adoption substantially enhances the level of FRQ within the examined context. Furthermore, our analysis unveils a notable moderating effect of CG on the association between IFRS and FRQ. These results provide support for the notion that while IFRS contributes positively to FRQ, the moderating effect of CG structures is significant. This conclusion underscores the importance of both regulatory adherence and governance frameworks in fostering high-quality FRQ. While IFRS standards offer a fundamental framework for transparency and consistency, effective corporate governance practices, encompassing board composition, independence, and diversity, play a crucial role in elevating reporting standards to even greater levels of excellence.

CONTRIBUTIONS

The study makes significant theoretical and practical contributions to the existing literature, particularly within Saudi Arabia's textile sector. Theoretical implications underscore the importance of integrating diverse theoretical perspectives, such as

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stakeholder theory and agency theory, to gain a comprehensive understanding of the intricate dynamics influencing reporting quality. Furthermore, our research empirically demonstrates the moderating effect of corporate governance structures within the context of IFRS adoption and reporting quality, thereby enhancing theoretical frameworks in both accounting and corporate governance research. Additionally, our study fills a gap in the literature by extending our understanding of how contextual factors, including industry dynamics and regulatory environments, interact with regulatory adoption efforts to influence reporting quality outcomes. Hence, researchers can utilize this theoretical groundwork to explore sector-specific nuances further and investigate how similar moderating effects of governance structures manifest in other industries.

Practically, our research underscores the importance of aligning regulatory compliance endeavours with effective corporate governance practices to improve reporting quality. Textile firms in Saudi Arabia can leverage these insights to optimize their governance structures, ensuring that board composition, independence, and diversity complement IFRS adoption initiatives. Moreover, the identification of a significant moderating effect in the textile sector underscores the sector-specific considerations that organizations must address to maximize the benefits of IFRS adoption and governance enhancements. On a managerial level, our findings emphasize the necessity for textile companies to prioritize regulatory compliance and governance effectiveness as integral components of their strategic agenda. Managers can employ our findings to design and implement tailored governance mechanisms that amplify the impact of IFRS adoption on reporting quality. By fostering a culture of transparency, accountability, and ethical conduct, managers can bolster stakeholder confidence and mitigate risks associated with financial reporting discrepancies. Furthermore, our study findings can assist regulatory bodies in understanding the complementary role of corporate governance in fortifying the effectiveness of regulatory frameworks like IFRS. Regulators in Saudi Arabia and beyond can utilize our insights to refine existing regulatory policies and guidelines, ensuring that they incentivize and facilitate the adoption of robust governance practices alongside regulatory compliance. Lastly, the negative moderation effect of board size indicates that the board size of Saudi Arabian textile companies effectively contributes to the adoption of IFRS to enhance their FRQ. Consequently, this study aids in improving their corporate governance infrastructure to enhance their FRQ, thereby attracting investments from both national and international investors.

LIMITATIONS AND FUTURE DIRECTIONS

The research has limitations. Firstly, its focus on the Saudi Arabian textile sector may hinder generalizability to other industries or regions. Future comparative studies across industries or countries could address this limitation. Secondly, reliance on quantitative panel data analysis might overlook qualitative nuances. Incorporating qualitative methods in future research could provide deeper insights. Thirdly, the study's selection

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criteria for companies may limit generalizability. Increasing the sample size in future studies could mitigate this limitation. Lastly, while various corporate governance factors were explored, cultural, societal, or regulatory influences on CG practices and FRQ were not extensively examined. Future research could delve into these implications to enhance our understanding of contemporary reporting dynamics.

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