

# The Effect of Board of Directors' Characteristics and Ownership Type on the Timeliness of Financial Reports

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## Abstract

This study examines the board of directors' (BOD) characteristics and ownership type on the timeliness of financial reports (TFRs). The characteristics of the BOD examined in this study include CEO duality, board size, the proportion of women on the board and the proportion of CEOs on the board. Moreover, management ownership, foreign ownership and non-foreign ownership among other factors such as company age and its size are controlled for in the model. Data were collected from 68 annual reports of listed companies on Amman Stock Exchange (ASE) for the period between 2011 to 2015. The first model results show that CEO duality, the proportions of women as well as the proportion CEOs on the board have significant effects on the TFRs. The companies' age and size have a negative effect on the TFRs. However, the board size showed no significant effect; a board with less than eight members has a negative effect and a one with more than eight shows a positive effect on the TFRs. Furthermore, the second model which examines the ownership type effect on the TFRs shows that management ownership has no significant effect. Non-foreign ownership has a negative effect, while foreign ownership has a positive effect on the TFRs. The results of this study add to the limited literature about the effect of governance on the TFRs in the Middle East countries. The findings are also beneficial to companies and policymakers.

**Keywords:** BOD characteristics, ownership type, timeliness of financial reports

## 1. Introduction

Accounting information is derived from several processes include preparing the financial statements. This information helps external users such as investors and creditors make decisions. The financial statements should be relevant, which leads to a higher quality of information (Bentley, 1998). When the information is relevant, helps in making decisions that imply timeliness. Thus, the TFRs is an imperative characteristic of accounting information quality. The quality of the financial statement helps managers and shareholders mitigate information asymmetry and uncertainty which is an inherent conflict problem in companies.

Shleifer and Robert (1997) argue that the separation between the owners and the controls in companies is the main reason behind the conflict. Owners aim to maximise wealth, but they are not able to manage the business correctly. Therefore, owners appoint agents (managers) to manage the business. However, managers tend to manage the companies' activities to meet their interests. On the other hand, Alkhatib & Marji (2012) argue that the conflict between owners and managers leads to lower timeliness of information which affect users' decision making. On the other hand, Jensen & Meckling (1976) argue that the adoption of effective governance such as appointing BOD helps shareholders achieve their goals and minimize information asymmetry.

The ownership type also plays an important role in financial disclosures and timeliness (Sepasi, Kazempour, & Mansourlakoraj, 2016). However, high management ownership leads to a lower quality of financial information compared with companies that engage foreign ownership (Boubakri, et al., 2005a; Boubakri, et al., 2005b). This argument results from the sharking behaviour of management when having a high control over companies. As a result, managements will manipulate the accounting information to maximise their desired profit. Therefore, they will delay publishing the financial statement and will not disclose the information on time.

Foreign investors are concerned with high disclosure quality (Boubakri et al., 2005a). Thus, foreign ownership leads to greater interest in high quality disclosure and TFRs (Omran, 2009). In this regard, controlling

shareholders will decrease the agency cost and increase the alignment between management and outside users (Hope, et al., 2009). Therefore, increasing the power of management can distort the financial health of the company.

Furthermore, several studies argue that the BOD' characteristics affect the TFRs. Such as CEO duality could have a positive effect (Donaldson & Davis, 1991). This argument supports centralisation by appointing the same person as an executive and a chairman. This gives more power to the person in charge. On the other hand, decentralisation will improve the company's performance and give it higher flexibility Jensen & Meckling (1976), which means the chairman should not be the CEO that leads to the conflict.

As for the board size, a larger board has a positive influence on a companies' performance (Zainal Abidin, et al., 2009). However, a greater number of board members causes delays in financial reports (Y. M. Hassan, 2016). Jensen (1993) argues that boards with more than eight members will suffer from coordination problem. Therefore, examining the efficiency of boards with more and less than eight members on the TFRs would be useful. In this regard, (Afify, 2009) found the proportion of executive directors in the board has a positive effect on the TFRs. Moreover, existing the women in the BOD improves the effectiveness of the board (Faccio, Marchica, & R., 2016). Thus, the ownership type and BOD play important roles in monitoring the management and may lead to better information timeliness which many regulators require such as the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB).

Therefore, information timeliness is an important characteristic required by accounting regulators in emerging markets (Hashim & Abdul Rahman, 2010; Jaggi & Tsui, 1999; Mohamad-Nor, Shafie, & Wan-Hussin, 2010) and developed markets (Abdelsalam & Street, 2007; Ashton, et al., 1989). Emerging markets need to attract global investors to improve their economies. This requires market efficiency and timeliness of financial reporting which will lead to more trade in financial securities. Middle Eastern and Arab countries such as Jordan need to improve their local market. The Jordanian government has proposed a privatisation program to achieve this goal. The program involves the private investors which require market reforms to achieve its objectives. This led to a revision of the Temporary Securities' Law and the Company Law in 1997. The government also worked on developing primary and secondary markets by setting up three new capital markets to replace the old Amman Financial Market (AFM) in 1978. The three markets are; The Jordanian Securities Commission (JSC) 2002, Amman Stock Exchange (ASE) 1997, and the Securities Depository Commission (SDC) 1997 (Al-Akra et al., 2010a, 2010b; Alsmady et al., 2014; Alsmady et al., 2013). These reforms seek to improve the market efficiency which will not be achieved if there is irrelevant and untimely financial and accounting information. Thus, the current study object is to examine the effect of board characteristics and ownership type on the TFRs.

The remainder of this paper is organised as follows; in section two related literature on TFRs is reviewed, also the hypothesis development included. Thereafter, the research design and models are articulated. In section four, the effect of the variables on the timeliness of financial reporting is examined. Finally, the study draws conclusions and discusses the implications.

## **2. Related Literature and Hypothesis Development**

Developed and developing economies tried to resolve the agency problem and conducted research to regulate better governance practices that help shareholders to achieve their interests. This study explores the effects of variables that could affect the TFRs in Jordan. This section reviews the related literature of BOD characteristics and the ownership type effect on the TFRs. In addition, this section develops the hypotheses about the effect of other variables.

### **2.1 Chief Executive Officer Duality**

There are different perspectives of the agency theory and stewardship theory concerning approaches to management. Donaldson & Davis (1991) suggest that the executive and the chairman should be the same person. This would give the person more power and greater centralisation to take responsibility and to make effective decisions. Also, this will improve the effectiveness of the decisions and become more responsive to the market actions. In this regard, the corporate governance guide in Jordan proposes that the chairman should not be a CEO because both have different responsibilities and combining them will lead to conflict. That suggestion is in line with the agency theory which suggested by (Jensen & Meckling, 1976), that the chairman and the CEO should not be the same person to maintain the management's responsibility effectively. The separation of duties will achieve the shareholders' interest and improve the effectiveness of corporate governance. Moreover, the effective governance in companies leads to higher quality accounting information and timeliness of financial reporting (Fama & Jensen, 1983).

This argument is empirically supported by Betah (2013) who found that effective governance positively effects better on disclosure and timeliness in emerging economies. Furthermore, Laksmana (2008) and Forker (1992) found that CEO duality negatively effects on financial reporting disclosure and leads to higher risk and less effective governance. Therefore, separating the chairman and CEO positively affects the improvement of timeliness of financial reports (Abdelsalam & Street, 2007; Mohamad-Nor et al., 2010). Therefore, the following hypothesis is formulated:

**H1:** CEO duality positively affects TFRs.

## *2.2 Board of Director Size*

The BOD is an important mechanism of governance and it is more effective when it is in optimal size. Researchers differ significantly as to whether a smaller or larger board is more effective. Zainal Abidin et al. (2009) argue that larger boards members are more helpful to the companies in terms of sharing knowledge, experience, and ideas which make them more efficient in terms of decision making. Furthermore, the study found that the size of the board affects a company's performance positively. In the context of TFRs, several researchers conclude that larger boards cause delays in financials' and auditors' reports (Mohamad-Nor et al., 2010; Hassan, 2016).

Agency theory argues that larger boards lead to less meaningful, effective, and coordinated monitoring due to free riding problem (Eisenberg, et al., 1998). Furthermore, Jensen (1993) proposed that more than eight members will create problems. The Jordanian governance code leaves the board size open to the companies, but should range from a minimum of three members to a maximum of thirteen members. They suggested that smaller boards will be more efficient for decision making. On the other hand, large boards are good for sharing knowledge and experience. Therefore, the following hypothesis is formulated:

**H2:** Board size has an effect on TFRs.

**H2<sub>a</sub>:** Board size with less than eight members negatively affects TFRs.

**H2<sub>b</sub>:** Board size with more than eight members positively affects TFRs.

## *2.3 The Executive Director*

According to agency theory, the BOD plays an important role in monitoring and controlling the executive members (Fama & Jensen, 1983). Higher non-executive directors are better for monitoring duties. The Jordanian code of governance stated that at least half of the BOD should include non-executive directors. Shleifer & Robert (1997) and Shleifer & Vishny (1986) assume that independent non-executive directors resolve the inefficiencies of the board and make it more efficient. This contract improves controls and achieves the shareholders' interest. Therefore, a higher percentage of non-executive directors on the board leads to enhanced governance as well as better financial disclosure.

Several studies examined the effect of the BOD on the overall health of companies (De Andres et al., (2005); Di Pietra et al., (2008), management monitoring and the improving effectiveness of the governance mechanisms Braswell et al., (2012) and Ibadin et al., (2012). Moreover, Hashim & Abdul Rahman (2010) concluded that greater board independence results in more timely auditor reports. In addition, Afify (2009) found that board independence had a positive influence on the TFRs. In Jordanian market, Al Daoud et al., (2014) found companies that have more independent members take a significantly shorter time to issue financial reports. Therefore, the following hypothesis is formulated:

**H3:** High proportion of non-executive directors on the board positively affects TFRs.

## *2.4 Board of Director Diversity*

Board diversity is an important mechanism that helps companies achieve their objectives. Mixed gender boards pool more innovation and talent on the BOD. The Jordanian governance guide states that a maximum component in the BOD should be presented to achieve more efficient responsibilities and monitoring. In this regard, the proportion of females in the BOD is a current interest among researchers (Nielsen & Huse, 2010). Increasing the number of women in the board has a positive influence on mitigating the conflict among BOD members. Clatworthy (2010) supports that gender differences will have behavioral effects, which leads to better outcomes of financial statements.

Furthermore, Gulamhussen & Santa (2010) argued that women are less risk takers and tend not to break the roles. Miller & Triana (2009) found that women in the board positively affects a company's performance. While, Hassan et al., (2015) argued that in Malaysia, women do not affect company's performance, which also conclude in Jordanian market by (Hamdan, 2015). The assumption builds in the present study based on Faccio et al.'s

(2016) argument that women on the BOD will improve the effectiveness of BOD control and more responsible risk-taking could affect the timeliness of financial reporting. Thus, based on the previous discussion, the following hypothesis is proposed:

**H4:** Board diversity positively affects TFRs.

#### *2.5 Management Ownership and Types of Ownership Concentration*

On the one hand, the agency theory argues that the separation between owners and management leads to the agency problem (Shleifer & Vishny, 1986). The managers may use information asymmetry for their advantage (Williamson, 1985). If this happens, the agency cost will increase to monitor the managers. Moreover, this affects information disclosure and the timeliness of releasing financial statements which will give a distorted image of the company. Therefore, a negative effect on managers' ownership and the TFRs is expected.

While, the controlling shareholders mitigate the agency cost and control the managers by increasing the alignment between managers and outside investors due to less information asymmetry (Hope et al., 2009). Both take advantage of their controlling position and use it for their advantage (Heflin & Shaw, 2002). Ownership by managers or controlling shareholders may increase opportunistic behaviour by increasing information asymmetry (Choi, et al., 2010). Therefore, ownership concentration by managers or outside (foreign and non-foreign) owners will lead to a higher control and less timely annual reports. However, less concentrated and widely dispersed ownership is expected to have better TFRs (Fama & Jensen, 1983; Jensen & Meckling, 1976). This leads us to propose:

**H5:** Management ownership positively affects TFRs.

**H5<sub>a</sub>:** Foreign ownership concentration positively affects TFRs.

**H5<sub>b</sub>:** Non-foreign ownership concentration positively affects TFRs.

#### *2.6 Company Age*

The company's age refers to how long it has been existed. Researcher has argued that the company's age is vital factor that may affect the disclosure level (Hasan & Hosain, 2015). Based on the curve theory argument, Owusu-Ansah (2000) stated that when the number of financial reports is produced, the learning curve by the accountant will increase. Thus, older companies have more experience in financial reporting disclosure and are highly committed to timely issuance of the annual reports. Moreover, older companies are more concerned about their image in the market and are more likely to have higher disclosure. On the other hand, younger companies are less established in the market and have lower goodwill which means that they are less concerned about their financial disclosure. Owusu-Ansah (2000) supported that a company's age positively affects the financial disclosure. Hence, this study hypothesises:

**H6:** Company age negatively affects TFRs.

#### *2.7 The Company Size*

Agency theory argues that large companies have more information asymmetry and higher agency cost (Shleifer & Vishny, 1986). The higher information and timeliness of financial disclosure, the less information asymmetry between the managers' and owners' interest. The company size is a widely used variable to investigate delays in publishing the financial reports. Ghazali (2007) argued that larger companies are more concerned about the information disclosure. Ezat & El-Masry (2008) and Wallace, et al., (1994) tested the effect of the company size on financial reporting disclosure and found a positive relationship. Furthermore, large companies have a higher capital and higher risk association. In this regard, Owusu-Ansah (2000) argued that those companies need to have timely financial reporting. Also, companies with trading securities and networks with outside investors require a higher quality and timely information. In summary, large companies have higher risks and need more control over the managers which may have a significant effect on the TFRs (Owusu-Ansah, 2005). As such, the study hypothesises:

**H7:** Company size negatively affects TFRs.

### **3. Research Design**

The data is extracted from 2011 to 2015 annual reports of 68 Jordanian companies listed on ASE (ASE, 2018). The data include several clusters such as insurance, manufacturing and services companies. The banks were excluded because they have special disclosure standards. The data is collected from 68 companies for a five-year period comprising 30% of the total population of 225. Each data cluster was extracted randomly from the population. It means that the results can be generalized to that period (Babyak, 2004). The expected total number

of observations is 340.

Table 1. Sample selection

Industry	Population	Sample size 30%	Expected number of observation
Insurance	43	13	65
Manufacturing	69	21	105
Services	113	34	170
<b>Total</b>	<b>225</b>	<b>68</b>	<b>340</b>

Note. As listed in Amman Stock Exchange (ASE) at 2016.

The dependent variable is the TFRs which is measured by the difference between the date of publishing the annual reports and the fiscal year. Several independent variables are extracted from the theory and the literature as the most effective governance practices in the Jordanian market. The code of corporate governance applied effectively in 2009 requires a minimum of three BOD members and a maximum of thirteen for companies to mitigate the free rider problem (Jensen, 1993). Also, the separation between CEO and the chairman duties will help avoid conflicting interests. The diversity on the BOD is required such as a mixed gender. Furthermore, the code requires that at least half of the BOD to be individuals that have executive responsibilities. Another governance mechanism in Jordanian companies that could affect the TFRs is the high percentage of controlling managers as well as foreign and non-foreign owners. The study examines the effects of the above variable on the TFRs by following models:

$$TFR_{it} = \alpha_1 + \beta_1 CEO-D_{it} + \beta_2 SIZE_{it} + \beta_3 AGE_{it} + \beta_4 BODOW_{it} + \beta_5 BODD_{it} + \beta_6 NED_{it} + \beta_7 D1_{it} + \varepsilon_{it}, \dots (1.1)$$

$$TFR_{it} = \alpha_1 + \beta_1 CEO-D_{it} + \beta_2 LOGSIZE_{it} + \beta_3 AGE_{it} + \beta_4 IBODOW_{it} + \beta_5 BODD_{it} + \beta_6 NED_{it} + \beta_7 D2_{it} + \varepsilon_{it}, \dots (1.2)$$

The (*TFR*) for a company is measured by the difference between the fiscal year and the issuance of the annual reports. (*CEO-D*) duality is measured by a dummy variable which is equal to one if the CEO is the chairman of the board and zero if otherwise. Company size (*SIZE*) is measured by the natural logarithm of total assets. The company's age (*AGE*) is measured by the time between the date of a company's establishment and the current date. The BOD ownership (*BODOW*) is measured by the percentage of ownership held by the board. BOD diversity (*BODD*) is measured by the number of female to the total number of board members. The executive director (*NED*) is measured by the number of non-CEOs to the total number of board members. The (*i*) and (*t*) in the models represent the company and the year respectively. The  $\alpha_1$  is the intercept and  $\beta_1$  to  $\beta_7$  the parameters of the models. The  $\varepsilon$  is random error term and where  $D_{n,it}$  is;

$$D_{1,it} = \begin{cases} 1 & \text{if ,less than 8} \\ 0 & \text{otherwise} \end{cases}$$

$$D_{2,it} = \begin{cases} 1 & \text{if ,more than 8} \\ 0 & \text{otherwise} \end{cases}$$

Then, the study adds the ownership type variable to examine its effect on the TFRs using the following models:

$$TFR_{it} = \alpha_0 + \beta_1 CEO-D_{it} + \beta_2 SIZE_{it} + \beta_3 AGE_{it} + \beta_4 BODOW_{it} + \beta_5 BODD_{it} + \beta_6 NED_{it} + \beta_7 No_{it} + \varepsilon_{it}, \dots (2.1)$$

$$TFR_{it} = \alpha_0 + \beta_1 CEO-D_{it} + \beta_2 SIZE_{it} + \beta_3 AGE_{it} + \beta_4 IBODOW_{it} + \beta_5 BODD_{it} + \beta_6 NED_{it} + \beta_7 F-OW_{it} + \varepsilon_{it}, \dots (2.2)$$

The (*TFR*) for a company is measured by the difference between the fiscal year and the issuance of annual reports. (*CEO-D*) duality which is measured by a dummy variable equal to one if the CEO is the chairman of the board and zero if otherwise. The company size (*SIZE*) is measured by the natural logarithm of total assets. Company age (*AGE*) is measured by the time between the date of its establishment and the current date. BOD ownership (*BODOW*) is measured by the percentage of ownership held by the board. (*BODD*) diversity is measured by the number of females on the board. The executive directors (*NED*) are measured by the number of non-CEOs to the total number of board members. Non-foreign ownership (*No*) is measured by the percentage of shares held by non-foreigners. Foreign ownership (*F-OW*) is measured by the percentage of shares held by foreign ownership. The (*i*) and (*t*) in the models represent the company and the year respectively. The  $\alpha$  is the intercept and  $\beta_1$  to  $\beta_7$  the parameters of the models. The  $\varepsilon$  is a random error term. These variables are

summarised in Table 2.

Table 2. Summary of Variables' Measurement

Variables name	Definitions	Measurement
<b>Dependent Variables</b>		
TFR	Time between the fiscal year and date of annual reports issuance	;Number of days
<b>Independent Variables</b>		
CEO-D	Chief Executive Officer Duality	;A dummy variable equal to one if the CEO the chairman of the board and zero if otherwise
BODZ	Board of Director Size	;Number of board
B>8	D1	;A dummy variable equal to one if less than 8 and zero if otherwise
B<8	D2	;A dummy variable equal to one if more than 8 and zero if otherwise
SIZE	Companies size	; log of total assets
AGE	Companies age ; Time between the date of companies' establishment and the current date; number of days	
BODOW	Management Ownership	; Percentage of share held by management
BODD	Bod Diversity	; Number of female to the total number of board
NED	The Executive Director	; Number of Non-CEO to the total number of board
No	No-foreign ownership	; Percentage of share held by largest three No-foreign ownership
F-OW	Foreign ownership	; Percentage of share held by largest three foreign ownership

## 4. Findings

### 4.1 Descriptive Analysis

Table 3 presents the descriptive analysis of continuous independent and dependent variables. It sheds light on the data shape and indicators. The table shows that the mean day of TFRs for the companies listed on ASE is 43 days with minimum and maximum days of 0 and 205, respectively. This result gives an indicator that all companies published the annual report during the legal period and complied with the governance guide. Furthermore, there is a high variation between the companies' compliance and commitment. This result shows an improvement of commitment to the quality standards (Al Daoud et al., 2014). The authors study the influence of internal governance mechanisms on the TFRs during 2011 and 2012. They found the mean, minimum and maximum days of 68, 13 and 271, respectively. While in this study the results show decreases in the minimum and the maximum number of days for disclosure.

Table 3. Descriptive Statistics

Variables	N (Missing)	Mean	Median	Std. D	Skewness	Kurtosis	Minimum	Maximum
BODZ	340 (0)	8.51	9	2.26	-0.06	-0.69	3	13
BODD	340 (0)	0.06	0	0.1	2.03	4.96	0	0.5
BODOW	340 (0)	0.65	0.68	0.21	-0.61	-0.24	0.01	1
SIZE	333(7)	7.45	7.32	0.68	0.89	1.14	5.97	9.78
AGE	344 (0)	29.25	26	14.97	0.73	-0.17	8	64
No	262(78)	79.78	85.64	21.68	-1.56	1.95	4.49	100
NED	340 (0)	0.89	0.9	0.1	-1.33	2.83	0.44	1
TFR	326(14)	43.61	44	32.33	0.43	1.06	0	205

In terms of the independent variables, the board size ranges from 3 to 13 with a mean of 8. This result is supported by Jensen (1993) that eight members are the optimal number of boards. Concerning the presence of women on the board, it ranges between zero and 1 which is a low representation. This may be due to the Jordanian culture which still does not accept women as directors in companies. The table also demonstrates that the percentage of shares owned by the managers ranges between .01 and 1. Concerning non-foreign ownership, it ranges between 5 to 100 percent. While, company size ranges between 5.97 to 9.78 million of the total assets of the companies under study while the company aged between 8 to 64 years. Finally, the number of non-CEO members to the total number of board members shows a mean of 1.

#### 4.2 Correlation

The Pearson correlation coefficient matrix analysis is used to identify the multicollinearity between the independent variables and the direction of the relationship in the models employed in the study. The matrix is presented in Table 4. It shows that the highest correlation was between CEO duality and the women in the BOD. However, the value of the correlation coefficient between the two variables is less than the critical value which means that there is no problem in the regression model (Hair, et al., 2010).

#### 4.3 Regression Analysis

Multiple regression was employed to test the research hypotheses. The first model examines the effects of the board characteristics on the TFRs. The regression analysis in Table (5) shows that  $R^2$  for the TFRs models were 0.11, 0.11, 0.12 and 0.13 respectively. It means that the variables in the models explained the variance of TFRs and predicted the TFRs by 11%, 11%, 12% and 13% respectively which is consistent with the result of 11% found by Apadore and Mohd Noor (2013).

Table 5 confirms H1, H3, H4, H6 and H7. According to the table, five independent variables were significant at 0.01 level in the regression model. These variables include CEO duality, the proportion of non-CEOs to the total number of board members, BOD diversity, company size and company age. All these variables effect on the TFRs in Jordanian companies. Moreover, the management ownership does not affect due to their low percentage of shares. Concerning the board size, the results do not initially show any effect. However, the regression employed in model (3) and model (4) shows that boards with less than eight members have a negative effect on the TFRs. While, the boards with more than eight members have a positive effect on the TFRs which confirms Jensen's (1993) assumption.

Table 4 indicates that CEO duality is positively associated with TFRs. Therefore, the hypothesis states that there is a positive effect between CEO duality and TFRs is supported. There is also an evidence that CEO duality affects the TFRs due to the conflict of interest. A similar result is found for other countries such as Malaysia (Mohamad-Nor, et al., 2010). Thus, the result is consistent with the agency theory advocated by Jensen (1993). The second variable has the most significant impact on the delay of financial reports. The regression result indicates a negative effect of the company size on TFRs. This evidence indicates that larger companies are more concerned with disclosing the financial reporting earlier than small companies. The result is consistent with other studies in Palestine (Hassan, 2016).

Concerning the third variable, Table 5 shows a positive effect of company age on TFRs. Thus, the hypothesis that states company age negatively effect on TFRs is supported. This result indicates that older companies have more knowledge of the disclosure procurers and are more committed to the TFRs. The result is consistent with other Jordanian studies (AL-Tahat, 2015).

The management ownership does not show any significant relationship. Thus, the study does not support the hypothesis that management ownership effect positively on TFRs. Management ownership doesn't improve the TFRs even though the result does not give a significant result. The result is consistent with the study of companies listed on the Bahrain Stock Exchange (Juhmani, 2013).

Board diversity has a positive effect on TFRs. The result does not support the hypothesis that board diversity negatively effect on TFRs. This could be due to Jordanian culture which does not favour women on boards. Finally, BOD size has three hypotheses. The board size does not have a negative or positive association. However, when the hypothesis is tested for less than eight members, it has a negative relationship with TFRs.

This indicates that companies with less than eight members improve the TFRs. The result supports the agency theory that larger boards lead to the free-rider problem. The results supporting this argument show that boards with more than eight members have a positive relationship with the TFRs.

Table 6 indicates the regression results of the effect of ownership concentration type on TFRs. The regression analysis shows that  $R^2$  for the TFRs models was 0.148 and 0.149 respectively. This result shows that the variables in the models explained the variance of timeliness of financial reports and predicted the TFRs by 14.8% and 14.9% respectively. The result shows that ownership concentration has a positive effect on TFRs whether foreign or non-foreign ownership. The result supports the agency theory that higher dispersion of ownership leads to better governance and financial reporting disclosure which supported by Jensen (1993).

Table 4. Correlation coefficient matrix between variables in the test models

Correlations Pearson (T-test)									
	CEO-D	BODZ	BODD	BODOW	SIZE	AGE	No	NED	TFR
CEO-D	1								
BODZ	-0.15 (-0.006)	1							
BODD	0.003*** (-0.86)	0.045** (-0.41)	1						
BODOW	-0.02*** (-0.72)	-0.09* (-0.11)	0.062** (-0.25)	1					
SIZE	0.026*** (-0.64)	-0.05*** (-0.35)	-0.11 (-0.06)	-0.01*** (-0.82)	1				
AGE	-0.22 (0.0)	0.04*** (-0.46)	-0.05** (-0.32)	-0.08* (-0.13)	0.317 (0.0)	1			
No	-0.12 (-0.06)	0.091* (-0.14)	-0.1 (-0.12)	0.234 (0.0)	-0.37 (0.0)	-0.23 (0.0)	1		
NED	-0.44 (0.0)	0.245 (0.0)	-0.29 (0.0)	-0.1 (-0.06)	-0.06** (-0.26)	-0.0*** (-0.82)	-0.06** (-0.37)	1	
TFR	-0.01*** (-0.85)	-0.05*** (-0.41)	0.159 (-0.0)	0.0*** (-1)	-0.05** (-0.4)	0.236 (0.0)	0.11 (-0.08)	0.053** (-0.34)	1

Note. This table reports the correlation matrix. Where *TFR* refers to the different between the fiscal year and the annual reports issuance; *CEO - D* refers to the Chief Executive Officer Duality which is measured by a dummy variable equal to one if the CEO the chairman of the board and zero if otherwise; *SIZE* refers to the company size measured by the natural logarithm of total assets; *AGE* refers to the company age measured by time between the date of companies' establishment and the current date under the study; *BODOW* refers to the board of directors ownership measure by the percentage of ownership help by the board; *BODD* refers to the Bod Diversity which measured by Number of female to the total number of board; and *NED* refers to the executive director which measured by number of Non-CEO to the total number of board. \*, \*\* and \*\*\* denote a significant level of 10%, 5% and 10%, respectively.

Table 5. The effect of board of director characteristic on financial reporting timeliness

TFR								
Variables	Model (1)		Model (2)		Model (3)		Model (4)	
	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)	0.35	0.73	2.42	0.02***	0.32	0.75	0.28	0.78
CEO-D	2.52	0.01***	-2.29	0.02***	2.29	0.02***	1.97	0.05***
LOG SIZE	-2.26	-0.02***	-2.29	-0.02***	-2.31	-0.02***	-2.49	-0.01***
AGE	-5.63	-0.00***	-5.66	-0.00***	-5.74	-0.00***	-5.83	-0.00***
BODOW	-0.67	-0.5	-0.57	-0.57	-0.58	-0.56	-0.64	-0.52
BODD	3.83	0.00***	3.97	0.00***	3.91	0.00***	4.07	0.00***
NED	2.79	0.01***	3.05	0.00***	3.12	0.00***	2.95	0.00***
BODZ			-1.55	0.12				
B>8 D1					-2.16	0.03***		
B<8 D2							2.94	0.00***
	F	Sig	F	Sig	F	Sig	F	Sig
F-test	7.63	0.00***	6.91	0.00***	7.28	0.00***	7.93	0.00***
R	0.35		0.36		0.37		0.39	
R <sup>2</sup>	0.13		0.13		0.14		0.15	
Adj. R <sup>2</sup>	0.11		0.11		0.12		0.13	

Note. This table reports the regression analysis. Where *TFR* refers to the different between the fiscal year and the annual reports issuance; *CEO - D* refers to the Chief Executive Officer Duality which is measured by a dummy variable equal to one if the CEO the chairman of the board and zero if otherwise; *SIZE* refers to the company size measured by the natural logarithm of total assets; *AGE* refers to the company age measured by time between the date of companies' establishment and the current date under the study; *BODOW* refers to the board of directors ownership measure by the percentage of ownership help by the board; *BODD* refers to the Bod Diversity which measured by Number of female to the total number of board; and *NED* refers to the executive director which measured by number of Non-CEO to the total number of board. \*, \*\* and \*\*\* denote a significant level of 10%, 5% and 1%, respectively.



Table 6. The ownership type effect on financial reporting timeliness

<b>TFR</b>				
<b>Variables</b>	<b>t</b>	<b>Sig.</b>	<b>t</b>	<b>Sig.</b>
<b>(Constant)</b>	-1.39	0.165	-0.41	0.685
<b>CEO-D**</b>	2.247	0.026***	2.246	0.026***
<b>BODZ**</b>	-2.05	0.041***	-2.05	0.041***
<b>SIZE</b>	-0.19	0.853	-0.23	0.817
<b>AGE***</b>	-5.767	-0.00***	-5.775	-0.00***
<b>BODOW</b>	-0.66	0.513	-0.68	0.501
<b>BODD***</b>	3.635	0.00***	3.61	0.00***
<b>NED***</b>	2.916	0.004***	2.925	0.004***
<b>No***</b>	3.49	0.001***		
<b>F-OW***</b>			3.48	0.001***
<b>R</b>	0.418		0.419	
<b>R<sup>2</sup></b>	0.175		0.176	
<b>Adj. R<sup>2</sup></b>	0.148		0.149	

*Note.* This table reports the regression analysis. Where *TFR* refer to the different between the fiscal year and the annual reports issuance; *CEO - D* refer to the Chief Executive Officer Duality which is measured by a dummy variable equal to one if the CEO the chairman of the board and zero if otherwise; *SIZE* refer to the company size measured by the natural logarithm of total assets; *AGE* refer to the company age measured by time between the date of companies' establishment and the current date under the study; *BODOW* refer to the board of directors ownership measure by the percentage of ownership held by the board; *BODD* refer to the Board Diversity which measured by Number of female to the total number of board; and *NED* refer to the executive director which measured by number of Non-CEO to the total number of board. \*, \*\* and \*\*\* denote a significant level of 10%, 5% and 1%, respectively.

## 5. Conclusion

Agency theory has been employed as the empirical theory to support the variables under the study and extended the field of the study by examining the variables that may affect the TFRs on the companies listed on the ASE. The annual reports of the sample companies between 2011 to 2015 were used to achieve the study objectives. The timeliness of financial reports is the dependent variable and is measured by the time difference between the fiscal year and the date of annual reports issuance. The regression models were used to examine the effect of the independent variables on the TFRs. The selected variables were chosen based on the theory and previous research. The study results include the BOD characteristics and the ownership types of Jordanian companies. The results show that CEO duality, the proportion of women in the board and the proportion of CEOs in the board have significant effects on the TFRs. On the other hand, the board size shows no significant effect on the TFRs. The study then examines the assumption of the agency theory that eight board members are a critical number. The findings support that less than eight board member have a negative effect on the timeliness of financial reports and have a positive effect when boards have eight or more members.

Furthermore, the ownership type effect on the TFRs supports the theory. Firstly, the board ownership does not affect the TFRs as they do not own a significant percentage of the companies. However, the dispersion and highly controlled ownership by foreign ownership has positive effect on the TFRs. On the other hand, non-foreign ownership has no significant effect on the timeliness of financial reports. Beuselinck, et al., (2017) argued that foreign ownership affects the quality of financial reporting through robust governance mechanisms.

The results highlight important issues in Jordanian market that improve the TFRs. This conclusion is important due to weak corporate governance practices in the Jordanian market. Foreign investors require a higher protection of their investment. Furthermore, Jordanian market has many weaknesses and a low financial support. The results show that foreign ownership positively affects the TFRs and helps Jordanian market to disclose more information of higher quality which will attract investors to invest in Jordanian markets. Also, the critical number of board members was tested on Jordanian market. The study concludes that less than eight members negatively affects the timeliness of financial reports.

This study is subject to limitations which could influence the drawing of conclusions. Not all governance mechanisms found in the annual reports were tested. Also, the ownership type that may affect the timeliness of financial reports in Jordanian market such as family and institutional ownership was not tested. A larger sample with new data can lead to slightly different results.

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