



RESEARCH ARTICLE

The Moderating Impact of Audit Committee Diversity on the Relationship between Financial Performance and Accounting Conservatism in Jordan

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ARTICLE INFO	ABSTRACT
<p>Received: Sep 18, 2024 Accepted: Nov 25, 2024</p> <hr/> <p>Keywords</p> <p>Accounting Conservatism Financial Performance Audit Committee Diversity Jordanian Companies</p> <hr/> <p>*Corresponding Author: PM21240@student. uniten.edu.my</p>	<p>This research examined the impact of financial performance on accounting conservatism practices, along with how the gender and nationality diversity of audit committee directors impact this relationship. Jordanian firms listed on the Amman Stock Exchange from 2018 to 2022 were studied in this research. This research provided experimental evidence of a positive impact of financial performance on accounting conservatism practices in the financial reports of Jordanian companies. The study demonstrated a moderate impact of audit committee nationality on the association between financial performance and accounting conservatism in Jordanian firms. At the same time, the study could not discover evidence indicating that gender diversity had a moderating impact. The study's conclusions are highly pertinent for decision-making and regulatory bodies in Jordan and adjacent countries about advancing corporate governance. This study is original in that it is the first study that explores the moderating impact of audit committee gender diversity and nationality diversity on the correlation between financial performance and accounting conservatism.</p>

INTRODUCTION

Accounting conservatism is necessary to manage financial volatility in economic and commercial operations (Hajawiyah et al., 2020). Accounting conservatism favours underestimating revenues and assets and tends to overestimate liabilities and expenses, making sure that financial statements accurately portray the firm's true financial position lacking exaggeration. Accounting conservatism is a fundamental principle of financial statement rules because it avoids inflating findings to provide a more accurate portrayal (Zhong & Li, 2017).

Many countries have studied the correlation between accounting conservatism and other variables. The most prominent of this subject is its effects on financial performance, for example, in Malaysia (Mohd et al., 2020), Egypt (ElHawary, 2021), and the Jordanian environment (Nguyen et al., 2021). Financial performance is crucial for businesses as it reflects their financial standing and competitive abilities (Fayad Altawalbeh, 2021). Thus, conservatism ensures fair representation of financial performance.

According to agency theory, executive management tends toward opportunistic behaviour to achieve its interests because it possesses information unavailable to shareholders (Bosse &

Phillips, 2016; Nguyen et al., 2021). As a company's financial condition is critical in evaluating management actions, it seeks to present financial statements that meet shareholders' aspirations (Al-Waeli et al., 2021). Consequently, poor financial performance may create an environment that encourages management to reduce conservative practices to improve the image of financial performance in the eyes of shareholders and vice versa.

To mitigate agency issues, the corporate governance code serves as a guide to deterring opportunistic management. The audit committee is considered a crucial element of corporate governance, and its role is recognized globally by regulatory bodies and accounting standards boards (Abdeljawad et al., 2020). Its primary function is to guarantee the accurate preparation of financial statements, supervise the internal control system, and uphold auditor independence (Ashari & Krismiaji, 2019; Toumeh et al., 2023). An audit committee is expected to impact a company's accounting conservatism through its interaction with financial performance.

Diversity is a vital element that can impact the effectiveness of an audit committee; committee directors, who come from various backgrounds, cultures, and nationalities, tend to have a higher level of independence from executive management, which is essential for the committee to fulfil its obligations effectively. Moreover, having diverse managers, including women and foreign directors, can foster a creative atmosphere and facilitate knowledge and experience sharing across different fields. However, it's crucial to note that diversity in gender and nationality can also pose difficulties in terms of coordination and communication due to various backgrounds and attributes (Alshabibi et al., 2022; Oradi & Izadi, 2020).

Jordan is recognized as a prominent emerging economy that has made significant strides in addressing the obstacles to reaching a high level of transparency in financial reporting. Jordan has adopted corporate governance in recent years (Commission, 2017), which constitutes a great incentive to provide experimental studies that would confirm the effectiveness of corporate governance and contribute to developing its instructions. The key problem concerning the literature on accounting conservatism is that previous research has failed to include the moderating impact of the audit committee's task attributes, including its gender and nationality, on the association between financial performance and accounting conservatism.

This study seeks to enhance comprehension of variables affecting the quality of financial reporting by utilizing financial performance measurements beyond the return on assets ratio, which is still limited in the Jordanian context. This study aims to make a novel contribution by exploring the moderating effects of audit committee diversity (gender and nationality) on the correlation between financial performance and accounting conservatism. The current study also shows a new contribution by using agency theory and resource dependence theory to elucidate how the attributes of audit committee diversity (gender diversity and nationality diversity) influence the association between financial performance and accounting conservatism and examine its effectiveness in the Jordanian environment.

This paper provides a unique period for studying the moderating effect of diverse attributes of audit committees (gender and nationality diversity) on the association between financial performance and accounting conservatism. This study utilised data from Jordanian companies from 2018 to 2022. During this timeframe, the authorities in Jordan obligated public joint-stock companies to form an audit committee (Commission, 2017), and this period witnessed the COVID-19 crisis. This study is necessary for various parties, as it enriches the scientific library and helps decision-makers, including investors, financiers, and the authorities concerned with issuing corporate governance instructions in Jordan.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 Financial Performance and Accounting Conservatism

Agency theory, formulated by Jensen and Meckling (1976), suggests that directors (agents) often act in their self-interests, which can lead to opportunistic behaviour (Nguyen et al., 2021). Executive management has access to information unavailable to shareholders, which helps them

leverage it for their interests (Bosse & Phillips, 2016). One of the most significant pieces of information that shareholders require is an understanding of the firm's financial performance because it is considered a way to assess the effectiveness of management (Al-Waeli et al., 2021).

Management is expected to perform and present the financial statements in its reports to the satisfaction of shareholders to achieve personal benefits. The preparation of financial statements should use acceptable practices, including fairly applying suitable, generally accepted accounting principles. This practice includes the utilization of accounting conservatism. The principle aims to report a company's financial position in a manner that is not exaggerated. However, management may avoid using accounting conservatism when performance is unfavourable to exhibit better financial performance and retain shareholder confidence.

Prior research has investigated the correlation between financial performance and accounting conservatism using various metrics. Their findings have led to mixed conclusions. Ashari and Krismiaji (2019) presumed that there is no impact of one of the financial performance measurement ratios, the return on assets, on accounting conservatism in Indonesia, while Widaryanti (2022) found that ROA Exerted a positive impact on the practice of accounting conservatism. Mohd et al. (2020) and Leon and Hendrawan (2020) found conservatism's positive impact on financial performance ratios, namely ROA, earnings per share, ROE, and Tobin Q. On the other hand, some studies, such as Ugwunta and Ugwuanyi (2019), did not discover an impact of conservatism on financial performance.

Previous studies rarely utilized return on equity as a measure for financial performance. Return on equity is a primary measure of how the resources invested in a company are utilized. It is utilized to assess whether the owner's investment has achieved a reasonable profit level that is worth the risk of his investments (Berman & Knight, 2013). Accordingly, this measure is an essential indicator of a firm's financial health. Based on this premise, this paper seeks to address this research gap.

The subsequent hypothesis was formulated based on the conclusions drawn from agency theory and the findings of previous studies consistent with these conclusions.

H1: Financial performance has a positive impact on accounting conservatism in Jordanian companies.

2.2 Moderating Impact of Audit Committee Diversity

According to agency theory, the audit committee oversees executive actions and improves financial statement accuracy, which helps solve agency problems (Habbash et al., 2013). Given the increased monitoring and supervision of governance mechanisms in cases of poor financial performance, it is expected that the financial crisis will shed light on the responsibilities of the audit committee (Aldamen et al., 2012).

In agency theory, female directors have more autonomy and precision. This reduces shareholder-management information asymmetry and increases transparency, enhancing financial statement precision and reliability (Rahman et al., 2024). Foreign directors also have fewer concerns about having personal interests with executives, which increases their autonomy and improves operations monitoring of the firm (Zaid et al., 2020). This cuts resource waste and makes financial statements more realistic.

the resource dependence theory indicates that having foreign directors with diverse experience and backgrounds can provide valuable resources to the organization (Makhlouf et al., 2018). Resource dependence theory also suggests female directors can help a company gain external resources, improving its financial success, as promoting gender diversity can boost the company's brand, attracting more customers and social acceptance (Arvanitis et al., 2022).

Drawing from agency and resource dependency theories, this research predicted diverse audit committees would moderate the relationship between financial performance and accounting conservatism by changed their relationship. The existence of directors of audit committees of

different genders and nationalities enhances control and the effectiveness of financial statement supervision, particularly during periods of financial underperformance, as this period may serve as a source of motivation for management to manipulate financial statements.

Previous empirical studies provide mixed findings in this area. Alves (2023) found a positive impact of gender diversity of board on accounting conservatism, but Agyei-Mensah (2022) revealed that the gender composition of the audit committee had no impact on the quality of financial reporting. Okeke (2023) found a positive impact of gender diversity in the audit committee on financial performance. ElHawary (2021) found no effect of gender diversity in the audit committee on ROE.

Makhlouf et al. (2018) have discovered a favourable influence of both nationality and gender diversity on the board of directors in general on accounting conservatism. Abbas (2020) relied on the gender diversity of the audit committee as a moderate variable in the association between some audit committee characteristics and earnings management. Audit committee gender diversity affects the relationships between these variables (Sierra-Morán et al., 2022). They find that the diversity of nationality and gender in audit committee members moderates the correlation between independent directors and company innovation.

However, despite being conducted in different countries, previous studies have neglected to moderate the effect of diversification on the gender and nationality of the audit committee. Although the importance of these attributes, as highlighted in the agency and resource dependence theories, the association between financial performance and accounting conservatism has not yet been explored. Relying on the importance of this diversity, as explained by theories, the study developed the subsequent hypotheses.

H2: Audit committee gender diversity moderates the association between financial performance and accounting conservatism in Jordanian companies.

H3: Audit committee nationality diversity moderates the association between financial performance and accounting conservatism in Jordanian companies.

3. METHODOLOGY:

3.1 Sample Data and Data Collection

This research used a quantitative approach and focused on 340 observations. Sample of 68 Jordanian firms listed on the Amman Stock Exchange from 2018 to 2022, out of a study population of 169 recorded at the end of 2022. The sample included service and industrial companies, with seven companies excluded due to their exit from the regular market within some years of the study or due to a lack of necessary data to complete the search. In addition, this study excluded financial companies because of their unique accounting policies and different disclosure requirements. Financial companies are subject to special instructions from the Central Bank and Insurance Authority, which differ from those for non-financial companies (Al Fadli et al., 2022).

The period of 2018-2022 was selected because the Securities Commission in mid-2017 directed public joint-stock companies in Jordan to implement corporate governance (Commission, 2017). The companies were given until the end of the first third of 2018 to comply with these instructions. Therefore, this study applies to the period from 2018 to 2022, as 2022 is the last year for company data to be available on official websites. Moreover, Jordan faced an economic crisis due to COVID-19, which increased uncertainty and encouraged the investigation of the association between financial performance and the practice of accounting conservatism.

3.2 Items of Measurement

3.2.1 Dependent Variable (Accounting Conservatism)

In this paper, accounting conservatism was measured using the most famous model in the conservatism literature (Hu et al., 2020; Ismail et al., 2021; Paolone et al., 2022), which is the model presented by Basu in 1997. This model focuses on the difference in earnings responses to

positive versus negative stock returns, providing valuable insights into the timing of loss recognition. Accounting conservatism relies heavily on this fundamental principle, and given Jordan's unique economic challenges, this model sheds light on this crucial aspect. The equation for this model, as stated by Basu, is provided below.

$$E = \alpha + \beta_1R + \beta_2D + \beta_3 (R \times D) + \epsilon$$

Where:

E: Earnings per share/ Beginning stock price for the fiscal year.

R: (Closing price - opening price + dividends)/ Opening price.

D: If the stock return is positive (good news), the dummy is assigned the magnitude of 0. If the variable return is negative (bad news), the dummy variable is assigned a magnitude of 1.

3.2.2 Independent Variable (Financial Performance)

This study measured Jordanian enterprises' financial performance using the return on equity ratio. ROE ratio is an essential metric measure utilised in recent studies on accounting to evaluate a firm's financial performance (Desoky, 2020; Herman et al., 2022; Sandberg et al., 2023; Sathyamoorthi et al., 2023).

3.2.3 Moderating Variable (Audit Committee Diversity)

This study adopted two variables that reflect the diversity of audit committees: gender diversity and nationality diversity. Diversity is a critical aspect of an audit committee Because it is expected to affect the level of excellence in its work. Previous studies have widely used these two variables (Al Lawati et al., 2021; Oradi & Izadi, 2020; Sultana et al., 2015).

Table 1 Measurement items

Variables	Measurements	Explanation of Measurements	Sources
Dependent Variable: Accounting Conservatism	Basu 1997	$E = \alpha + \beta_1R + \beta_2D + \beta_3 (R \times D) + \epsilon$	Basu, 1997; Paolone et al. (2022)
Moderating variable: Audit Committee Diversity	1- Gender diversity (ACGD)	1. A variable that assumes the magnitude of 1 if at least one female director and 0 in the other case.	Oradi & Izadi (2020)
	2- Nationality diversity (ACND)	2. Count of non-domestic directors in the audit committee / The overall count of individuals serving as directors on the audit committee.	Al Lawati et al. (2021)
Control Variables	1-Firm size (FSIZ)	1. Calculation of the logarithm of the total assets.	Singh et al. (2022)
	2-Leverage(LEV)	2. Current assets / current liabilities.	Mahssouni et al. (2023)
	3- Market value to book value (MB)	3. Market value / Book value.	Tawfik et al. (2022)
	4- COVID-19 (COVID)	4. A dummy variable that is 1 in 2020 and 2021 and zero otherwise.	Al Amosh and Khatib (2023)
	5- Board Size (BSIZ)	5. Total count of members of the board of directors.	Al Lawati and Hussainey (2021)
	6-Ownership concentration (OWC)	6. Total number of shares held by stockholders with ownership exceeding 5% / total number of outstanding shares.	Le & Nguyen (2023)

3.3 Experimental model

This study utilized two regression models to achieve its objectives. The first model tested the direct impact of financial performance on accounting conservatism, considering control variables such as firm size, COVID-19, market value to book value, and others. The second model tested the moderating impact of audit committee diversity on the association between financial performance and the practice of accounting conservatism. The independent and control variables in the Basu model were entered into the first model, and the diversity attributes of the audit committee were entered into the second model to examine the study hypotheses. Below is an explanation of these two models.

Model (1):

Not: See Table 1 for abbreviations

$$E = \alpha + \beta_1 R + \beta_2 D + \beta_3 (R \times D) + \beta_4 FP + \beta_5 (FP \times R) + \beta_6 (FP \times D) + \beta_7 (FP \times R \times D) + \beta_8 FSIZ + \beta_9 LEV + \beta_{10} MB + \beta_{11} COVID + \beta_{12} BSIZ + \beta_{13} OWC + \epsilon$$

Where:

E: The ratio of earnings per share to the stock price at the start of the fiscal year.

R: The difference between the closing price and the opening price, plus any dividends, is divided by the opening price.

D: The dummy variable is assigned a magnitude of 0 when the stock return is positive; if the return is negative, the dummy variable is assigned a magnitude of 1.

FP: Net income divided by total equity.

FSIZ: Total assets' logarithm.

LEV: The ratio is the finding of dividing current assets by current liabilities.

MB: Market value divided by book value.

COVID: A variable that takes the assigned of 1 in the years 2020 and 2021 and 0 otherwise.

BSIZ: Total count of directors serving on the board of directors.

OWC: The proportion of shares held by stockholders with ownership exceeding 5% of the total shares.

The impact of financial performance on accounting conservatism is examined using the Coefficient of $FP \times R \times D$.

Model (2):

Not: See Table 1 for abbreviations

$$E = \alpha + \beta_1 R + \beta_2 D + \beta_3 (R \times D) + \beta_4 FP + \beta_5 (FP \times R) + \beta_6 (FP \times D) + \beta_7 (FP \times R \times D) + \beta_8 ACGD + \beta_9 (ACGD \times R) + \beta_{10} (ACGD \times D) + \beta_{11} (ACGD \times R \times D) + \beta_{12} (ACGD \times FP \times R \times D) + \beta_{13} ACND + \beta_{14} (ACND \times R) + \beta_{15} (ACND \times D) + \beta_{16} (ACND \times R \times D) + \beta_{17} (ACND \times FP \times R \times D) + \beta_{18} FSIZ + \beta_{19} LEV + \beta_{20} MB + \beta_{21} COVID + \beta_{22} BSIZ + \beta_{23} OWC + \epsilon$$

Where:

ACGD: A variable denoting the inclusion of women in the audit committee

ACND: The ratio of non-domestic audit committee directors to total audit committee directors.

This study investigates the impact of gender and nationality diversity within the audit committee on the association between financial performance and accounting conservatism is examined through the coefficients of $ACGD \times FP \times R \times D$ and $ACND \times FP \times R \times D$, respectively.

4. FINDINGS AND DISCUSSION

4.1 Descriptive Statistics

The study variables are described in Table 2. The mean magnitude of the earnings variable in Basu’s model (E) is 0.019. Regarding the independent and moderating variables in this study models, the mean magnitude of the returns (R) and the dummy variable D in the Basu model are 0.29 and 0.468, respectively, while the ROE is 0.03. The mean values of audit committee gender and nationality diversity are 0.079 and 0.076, respectively.

Concerning the control variables, the average magnitudes for FSIZ, LEV, MB, COVID, BSIZ, and OWC are 17.522, 0.378, 1.183, 0.4, 7.859, and 0.63, respectively.

Table 2 Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
E	340	.019	.118	-.273	.195
R	340	.029	.28	-.494	.717
D	340	.468	.5	0	1
ROE	340	.03	.125	-.321	.397
ACGD	340	.079	.271	0	1
ACND	340	.076	.188	0	.667
FSIZ	340	17.522	1.319	15.518	20.73
LEV	340	.378	.235	.043	.969
MB	340	1.183	.868	.274	3.775
COVID	340	.4	.491	0	1
BSIZ	340	7.859	2.468	3	15
OWC	340	.63	.241	.09	1

4.2 Correlation Analysis

A correlation analysis was performed, as illustrated in Table 4. The findings demonstrate a positive correlation between the variables R and ROE with the dependent variable E. At the same time, there was a negative relationship between variable D and the independent variable. The ACGD variable has a positive relationship with the E variable, while the ACND variable has a positive correlation with the E variable, but it is not significant.

All variables have values lower than 0.8, signifying that multicollinearity does not exist in this study. In addition, a test of variance inflation factors (VIFs) was conducted for the study variables, and the finding, as illustrated in Table 3, showed that the magnitude was 10, which confirms that the findings are not subject to the problem of multicollinearity.

Table 3 Variance inflation factor

	VIF	1/VIF
R	2.365	.423
D	2.326	.43
FSIZ	2.152	.465
BSIZ	1.693	.591
LEV	1.656	.604
ROE	1.454	.688
OWC	1.34	.746
MB	1.282	.78
COVID	1.168	.856
ACND	1.16	.862
ACGD	1.088	.919
Mean VIF	1.608	.

Table 4 Correlation analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) E	1.000											
(2) R	0.234***	1.000										
(3) D	-0.228***	-0.744***	1.000									
(4) ROE	0.767***	0.261***	-0.238***	1.000								
(5) ACGD	0.148***	0.101*	-0.123**	0.098*	1.000							
(6) ACND	0.035	0.023	-0.056	0.051	0.026	1.000						
(7) FSIZ	0.226***	0.123**	-0.121**	0.290***	0.083	0.244***	1.000					
(8) LEV	-0.108**	-0.059	0.105*	-0.113**	0.013	-0.102*	0.372***	1.000				
(9) MB	0.097*	0.169***	-0.123**	0.249***	-0.018	0.013	0.150***	0.256***	1.000			
(10) COVID	-0.158***	0.278***	-0.260***	0.143***	0.004	0.014	-0.013	0.015	0.080	1.000		
(11) BSIZ	0.127**	0.079	-0.061	0.206***	-0.138**	0.127**	0.441***	-0.141***	-0.031	-0.017	1.000	
(12) OWC	0.255***	0.043	-0.032	0.242***	-0.004	0.187***	0.200***	0.114**	0.310***	-0.010	-0.173***	1.000

*** p<0.01, ** p<0.05, * p<0.1 **Note:** ROE: return on equity, ACGD: audit committee gender, ACND: audit committee nationality FSIZ: firm size, LEV: leverage, MB: market value to book value, COVID: COVID-19 epidemic crisis, BSIZ: board size, OWC: ownership concentration.

4.3 Regression Analysis

The study used two tests to determine the appropriate regression analysis for the study models. The first test was the Breusch and Pagan Lagrangian Multiplier test (LM), and the Prob>chi2 of this test = 0 for the two models where, as they were less than 0.05, which indicated that the random regression is a more suitable choice in comparison to the pooled OLS regression. The second test is the Hausman specification test, and the findings of this test indicate that random regression is more appropriate than fixed regression for the first and second study models because the findings of Prob>chi2 of this test = 0.1971, 0.4277, respectively, whereas they were more than 0.05.

Based on the above, this study relied on random regression to examine the two models of the study. In addition, this study utilised the Breusch-Pagan / Cook-Weisberg test to examine heteroscedasticity. Furthermore, the Wooldridge test was used to detect autocorrelation to ensure the analysis findings were free of problems. The results of these tests indicated no issue of heteroscedasticity or autocorrelation in the research models. Table 5 below offers the findings of the random suicide analysis test.

Table 5 Random regression analysis

Variables	MODEL1		MODEL2	
	Coefficient	p-value	Coefficient	p-value
R	.034	.18	.04	.141
D	.005	.708	.013	.339
R*D	.005	.917	.005	.933
ROE	.855***	0	.85***	0
ROE*R	-.176	.331	-.201	.283
ROE*D	-.068	.504	-.103	.318
ROE*R*D	1.382***	0	1.581***	0
ACGD			.022	.439
ACGD*R			.03	.691
ACGD*D			.014	.784
ACGD*R*D			.067	.802
ACGD*ROE*R*D			-1.545	.558
ACND			.007	.874
ACND*R			-.029	.825
ACND*D			-.069	.223
ACND*R*D			-.018	.946
ACND *ROE*R*D			-3.601***	.003
FSIZ	0	.987	-.001	.926
LEV	-.017	.515	-.024	.384
MB	-.02***	.002	-.021***	.001
COVID	-.014*	.075	-.012	.104
BSIZ	-.001	.736	.001	.803
OWC	.069***	.004	.087***	.001
Constant	-.014	.869	-.028	.752
Number of obs				
	340		340	
Prob > chi2				
	0.000		0.000	
R-squared				
	0.546		0.573	

*** p<.01, ** p<.05, * p<.1

Note: ROE: return on equity, ACGD: audit committee gender, ACND: audit committee nationality FSIZ: firm size, LEV: leverage, MB: market value to book value, COVID: COVID-19 epidemic crisis, BSIZ: board size, OWC: ownership concentration.

4.3.1 Finding and discussion of the impact of financial performance on accounting conservatism

Table 5 findings show a significant positive impact of the interaction of ROE with R and D variables on the earnings measure E utilized in the Basu 1997 model; p-value = 0 and coefficient = 1.382. This outcome signifies that the sensitivity of earnings to bad news increases as financial performance improves and decreases as financial performance decreases. Whereas financial performance positively affects accounting conservatism practices in Jordanian firms' financial reports. According to the information provided, this study's first hypothesis was accepted.

The finding aligns with the study (Widaryanti, 2022) and the agency theory; as the greater the profitability, the more this constitutes an encouraging environment for applying accounting conservatism to a greater degree in Jordanian firms' financial reports. The lower the profitability, the more it encourages the presentation of financial statements to be less conservative.

4.3.2 Finding and discussion of moderating impact of audit committee diversity

The regression analysis findings in Table 5 indicated that the interaction between the gender of the audit committee, ROE, R, and D variables did not significantly impact the earnings measure E utilized in the Basu 1997 model: p-value = 0.558 and coefficient = -1.545.

This result indicates that having women on the audit committee does not moderate the association between financial performance and accounting conservatism. Thus, the presence of a committee composed of men and women is not a decisive factor in adding significant magnitude to the efficacy of the audit committee's performance regarding financial performance and accounting conservatism. This is in the Jordanian environment.

Based on the previous result, the second hypothesis was rejected in this study. This result differs from the agency theory and the resource dependence theory. Still, it goes in the same context as the findings of Agyei-Mensah (2022), which indicates no impact of audit committee gender diversity on the quality of financial reports. The reason for the lack of a moderating impact of audit committee gender diversity in this study may be the study environment. The existence of women on audit committees is still limited in Jordanian companies. Also, gender diversity depends on other factors, such as the financial experience of women in audit committees and not only on the inclusion of women in the committee (Gallego-Álvarez et al., 2010).

Regarding audit committee nationality diversity, the findings indicate that there is a negative impact of the interaction of audit committee nationality diversity with the ROE, R and D variables on the earnings measure E utilized in the Basu 1997 model: p-value = 0.003 and coefficient = -3.601. The previous result indicates that there is a moderate impact of the audit committee on the relationship between financial performance and the practice of accounting conservatism. Based on the above, the third hypothesis was accepted in this study.

This outcome aligns with another (Sierra-Morán et al., 2022) regarding a moderate effect of diversity in nationality. It also aligns with agency and resource dependence theories. Audit committees in Jordanian companies that include members of another nationality tend to tighten control and supervise the realistic presentation of financial reports in cases of poor financial conditions, which

helps in applying the principles of conservatism. This is aimed at countering the strong incentive for management to over-present financial statements during periods of poor financial performance.

4.3.3 Finding of Impact of Control Variables

It is noted from the previous findings that ownership concentration has a significant positive impact on the dependent variable E. Simultaneously, the market-to-book value ratio negatively influences variable E. Table 5 also notes that the COVID-19 crisis variable has a negative impact on variable E in the first study model.

4.4 Robustness analysis

To ensure the strength of the findings and that they are not affected by other factors, and using various regression tests, a regression analysis of the study models was conducted with the inclusion of year and industry to ensure the soundness of the study results. It is not affected by specific years in the study sample or differences in the company, whether a service or industrial company. FGLS regression analysis was also performed, as The regression model is highly efficient and also has the advantage of handling heteroscedasticity and autocorrelation problems if they exist.

Table 6 illustrated the regression analysis results with year and industry included in the study models, and Table 7 presents the results for FGLS news. The findings confirm the validity of the findings of the random regression analysis, as financial performance still has a significant and positive impact on accounting conservatism. However, there is no moderating role of audit committee gender diversity in this study. At the same time, there is a moderating impact of the diversity of nationalities of audit committee members on the connection between financial performance and accounting conservatism.

Table 6 Regression analysis (with year and industry)

Variables	MODEL1		MODEL2	
	Coefficient	p-value	Coefficient	p-value
R	.036	.157	.042	.122
D	.005	.685	.014	.316
R*D	.002	.962	.003	.956
ROE	.851***	0	.847***	0
ROE*R	-.224	.217	-.24	.199
ROE*D	-.073	.475	-.107	.296
ROE*R*D	1.454***	0	1.635***	0
ACGD			.02	.471
ACGD*R			.031	.688
ACGD*D			.01	.839
ACGD*R*D			.043	.871
ACGD*ROE*R*D			-1.216	.646
ACND			.018	.674
ACND*R			-.039	.765
ACND*D			-.075	.185
ACND*R*D			-.048	.858
ACND *ROE*R*D			-3.601***	.003
FSIZ	0	.974	-.001	.888
LEV	-.023	.375	-.028	.314

MB	-.02***	.001	-.021***	.001
COVID	.003	.813	.002	.851
BSIZ	-.001	.633	0	.917
OWC	.068***	.005	.085***	.001
Constant	-.025	.764	-.03	.731
Year	Yes		Year	Yes
Industry	Yes		Industry	Yes
R-squared	0.557		R-squared	0.582
Number of obs	340		Number of obs	340
Prob > chi2	0.000		Prob > chi2	0.000

*** p<.01, ** p<.05, * p<.1

Note: ROE: return on equity, ACGD: audit committee gender, ACND: audit committee nationality FSIZ: firm size, LEV: leverage, MB: market value to book value, COVID: COVID-19 epidemic crisis, BSIZ: board size, OWC: ownership concentration

Table 7 FGLS regression

Variables	MODEL1		MODEL2	
	Coefficient	p-value	Coefficient	p-value
R	.017	.52	.017	.535
D	-.003	.844	.002	.911
R*D	.046	.367	.048	.375
ROE	.849**	0	.838***	0
ROE*R	-.077	.674	-.069	.714
ROE*D	-.004	.972	-.019	.859
ROE*R*D	1.322**	.001	1.471***	0
ACGD			.019	.46
ACGD*R			.021	.793
ACGD*D			.034	.515
ACGD*R*D			.103	.697
ACGD*ROE*R*D			-1.697	.53
ACND			.006	.867
ACND*R			-.026	.844
ACND*D			-.053	.39
ACND*R*D			-.025	.925
ACND *ROE*R*D			-3.037**	.018
FSIZ	-.001	.8	-.002	.595
LEV	-.004	.863	-.005	.804
MB	-.022***	0	-.022***	0
COVID	-.014*	.095	-.013	.134
BSIZ	-.001	.48	0	.962
OWC	.061***	.001	.073***	0
Constant	.02	.752	.02	.758

Number of obs	340	Number of obs	340
Prob > chi2	0.000	Prob > chi2	0.000
*** p<.01, ** p<.05, * p<.1			
Note: ROE: return on equity, ACGD: audit committee gender, ACND: audit committee nationality FSIZ: firm size, LEV: leverage, MB: market value to book value, COVID: COVID-19 epidemic crisis, BSIZ: board size, OWC: ownership concentration			

5. CONCLUSION

This study examined the impact of financial performance on accounting conservatism and the moderating impact of audit committee diversity on the association between financial performance and accounting conservatism. The results revealed that financial performance positively affects accounting conservatism. a diverse audit committee nationality moderates the connection between financial performance and accounting conservatism. The outcome is aligned with agency theory and resource dependence theory. However, it was determined that the existence of women on audit committees of women on the audit committee has no moderating impact on the relationship.

This article contributed to previous literature through studying the moderating impact of the diversity of gender and nationality of the audit committee on the association between financial performance and accounting conservatism. Based on the findings of this study, it is possible to recommend to the relevant authorities in Jordan that they pay attention to diversity in the audit committee in relation to corporate governance. We also recommend that Jordanian companies ensure the availability of non-Jordanian expertise in audit committees in cases of financial crises to tighten control over financial reporting during those periods.

Despite the importance of this study, it was not without limitations as it focuses on gender and nationality diversity in the audit committee as a moderating variable and did not consider diversity in other characteristics, such as the financial experience of women in the audit committee. Furthermore, this paper was limited to the Jordanian environment. Future research could address women's financial expertise in the audit committee as a moderating variable in the association between financial performance and accounting conservatism practices in financial statements and apply the study in another environment different from the Jordanian environment.

Authors' Contributions

LA conceived the idea, gathered data, conducted statistical analysis, and authored the main parts of the paper sections. MRA provided supervision, reviewed and edited the work, and assisted in the methodology and introduction. KK supervised, reviewed, and edited the paper and assisted in composing the statistical sections and discussion. RS reviewed the work, edited it, and assisted in composing the literature review. All authors read and approved the final manuscript.

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