THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND FINANCIAL REPORTING TIMELINESS FOR COMPANIES LISTED ON EGYPTIAN STOCK EXCHANGE "AN EMPIRICAL STUDY"

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Abstract:

This study empirically investigates the relationship between the timeliness of corporate financial reporting and Corporate Governance for companies listed on Egyptian stock exchange during the period from 1998 to 2007.

It investigates the role of corporate governance level on the timeliness of corporate financial reporting; it also investigates the relationship between industry type, company size, gearing, leverage, earnings quality, earnings management, electronic disclosure, audit opinion and the timeliness of corporate financial reporting.

The results show that Egyptian publicly listed firms have taken less timeliness to publish their annual financial reporting since application corporate governance principals, the average of days lag between the end of the financial year and the publication of annual reporting has decreased from 134 days in 1998 to 72 days in 2007.

Key words: Corporate Governance, financial reporting, accounting standards
JEL Classification: G30, M41

1. Background and Research hypothesis:

This section study the importance of financial reporting corporate timeliness in the accounting standards and accounting literature, wherever discusses the relation between international corporate governance principals and the timeliness of financial reporting.

1.1. The scientific background:

Some of studies treat the effective factors in the timeliness of financial reporting, Beaver (1968) studied the financial information content and its corporate timeliness, and this study got to there isn't relation between the information content in the financial statements and its timeliness.

Courtis (1976) studied the relation between the delaying of corporate financial reporting in New Zealand companies and both of the company volume and the company activity and the company profit, and it get to that these is no relation between the company volume and the delaying of the financial reporting wherever the energy companies and the financial companies are mare responding to corporate financial reporting before the corporate of the other companies (medical, tourism, companies, and) for its financial reporting .

Courtis explain the reason in that to the company activity type. And the profit together with regard to the energy companies and the other services companies from the companies in New Zealand.

Gilling (1977) explain the reason to the audit report delaying to the auditing offices volume, since the very big offices and the small offices is that interest of complete of the auditing process without delaying and the auditing report

Chambers(1984) studies the relation between the company volume and the timeliness of financial reporting and this study got to that these is no relation between the timeliness of financial reporting and the volume activity that the company do it

Jaggi and Tsui (1999) testing of determined attributes effect for the company on the delaying of the auditing process in the contribution companies in Hong Kong, and this study got to that when the foundation volume increase, the delaying of the audit report increases and when the auditing processes increase, the delaying of audit report increases, so the auditing report type(clean or listed or negative) affect on the audit report delaying since the negative report is the most type in the delaying.

Both of lev and Arowin (1999) see that the legislations development improves the quality a timeliness of financial information in order to the financial information users can access this information in the suitable timeliness.

Both of frank and Thomas (2000) declared that the companies can prepare its financial reporting according to the timeliness, if they are able to reduce the and care fullness, because there is a contrary relation between the   and care fullness, an the suitable timeliness, this study indicated the importance of the academic frame to connect between the financial reporting preparing and the information volume that it is possible to get it by the elective disclosure to improve the timeliness attribute. And that study for the financial markets efficiency, since the efficient financial market reflex the stock prices in it according to the available information.

McDaniel (2002) study the relation between the financial reporting quality and three attributes for the accounting information quality which the financial accounting standards board statement No.(2) And the characteristics of financial report quality.

Lynn (2001) allemande disclosure of rules that depend on the principal of every investors has the accessing right of the financial information in any timeliness and at after preparing the financial reporting because he Beliefs in the timeliness importance. And perhaps what Lynn said about the hapes, since the financial information is prepared for public purposes and the accounting cannot achieve the user's desires in accessing information in any timeliness and this is due to the variable information that they need it. Also consideration of under cost and return although the agreement of Davidson others, (2007) with every what Lynn said.

While weakness (2001) referred to concentration importance on the users needs from the financial reporting in the timeliness without declaration what are these need? And what is the suitable timeliness?

Ahmed (2003) study the financial reporting delaying for the stock companies in three countries from south of Asia is Indies, Pakistan and bang lades. And using sampling of the annual financial reporting for number of 558 company for years 1997, 1998 (115 companies in Bangladesh , 277 companies in Pakistan and 226 companies in India). And the study goes to the financial reporting corporate and the company characteristics.

Ray and Lakshmaran (2004) study the importance of the financial reporting in the suitable timeliness in the UK. For a choose sampling from the public and private companies.

The study got to that although the obligation of the English companies law both of public and private sectors to preparing the financial report by using the same standards and the subjection of the reporting for auditing. And both of Ray and Lakshmanon see that without consideration of the timeliness when preparing corporate financial reporting, it stands for making a require from information users to Access information from other sources at the contrary of the financial reporting are for the private companies.

Wrested and others (2006) held a empirical study about the role of timeliness of financial reporting of the stock companies in improving these reporting in Bangladesh for corporation with the conditions and rules that the securities exchange commission (SEC 1997), also the company's law for the year 1994 and this study was made on 1200 company for 10 years and got to that the changes in laws, auditing reporting and the corporate didn't improve the timeliness of financial reporting, the study results showed that the big companies take a shorter timeliness to corporate their reporting that the small companies.

Change (2006) study the relation between profits declared and earnings management on 2482 company from Malaysia, this study got to that the earnings management and amount of this study got positive relation between the timeliness of profits and the stock prices.

Marty and other (2007) study the periodic financial reporting and if they improve the timeliness attribute, they found that the periodic financial reporting improve the timeliness a little and improve the expecting process of profits.

Both of and others (2007) explain the timeliness of annual financial reporting is a decision that the administration must take it ignoring that the companies' administration is obligated to the organizational rules laws and decisions for the work of these companies, this study concentrated on mentioned factors previously. In several other studies that affect on the timeliness of corporate financial reporting. (Earnings, volume, risks, characteristics of the company)

This study investigated the relation between the good and bad news of earnings, financial risks, the volume and the timeliness of annual financial reporting. and this study got to that the timeliness is effected the earnings, so the companies that have more profits have the motivation to spread their reporting before the companies that have less profits Also it got to that the timeliness is a function in the company volume, the financial risks and policy of timeliness in the last years and the company characteristics.

On the Arabic level, Abdullah (1996 pp 73:88)study the timeliness of the financial reporting for the Bahrain companies and got to that the company volume Is the most important factor of the timeliness attribute, as that the study of Al Sehali, (2004 pp 197:227) and (elgabr 2006 pp32:2) determined the suitable timeliness for sampling of the saudian companies, and one of its most important results is that capital market association establishment, the company activity quality and its volume are the most important determinants of the disclosure about their financial information.

The study of Farag (1994) showed that the consideration of the suitable timeliness for reaching the accounting reporting to their users considers from the achievement the maximum benefit from the accounting information.

It is clear from the forgoing that Although the interesting of the accounting literature in the effective factors study in the timeliness of financial reporting by the application on the securities market in the developed industrial counties and the developing countries, these is no empirical study for the effective factors in the timeliness of the corporate financial reporting in Egypt.

1.2 .Research hypothesis

The decision of capital market association board no. (30) on 18/6/2002 about the new rules for register, continuing and deletion of the securities in the stock exchange that its application stranded from 1/8/2002, and the administration of Cairo and Alex. Stock exchange the executive procedures for the new rule of register by the decision of the stock exchange board in 24/7/2002

The new register rules caver a big part from the required modification in the suitable timeliness characteristic for the accounting information is linked direct

connection with the timeliness of financial reporting to the parties that use ID, there is no difference between the researchers and the accounting professional organization about the consideration importance of the financial reporting timeliness in view of the immediately need of the accounting in formation and that became of the sensitivity of this information by timeliness, the required information presentation in the suitable timeliness help in the taking of the investment decisions in the securities, and presentation of this information in the unsuitable timeliness will case waste of many financing opportunities for the company.

The international Bank in collaboration with the (OECD) held a study for evaluation of the Egyptian application of international corporate governance principals by the organization in 1999, and this study got to that there is commitment with (39) standards from the total (48) international standards since the generated laws of the companies in the same standards and application by completely and there are 7 standards. Inapplicable on practically. Although they are found in the generated laws. Of the companies and the financial market, and this returns to the poor awareness of the contributors or the companies administrations with these standards, the two standards linked to the voting by the custodians or the listed owners return measurement. And the recent timeliness from September 2002 to September 2007 has seen a big development in the field of the companies governance in Egypt Resulting in general improving in the total evaluation of the level of international principals standards application for the companies governance from 45% to 82% and the improving degree is different from standard to another, since the order of the five principals of the companies governance in Egypt up down according to its consistency degree with the international standards of the governance principals as following the interests owners role in the companies governance, the equal in the Contributors dealing after that the contributors rights and the disclosure and the transparency, in the end the board responsibilities younes (2005) from the past, aspire to be relation between the international corporate governance principals Applications of the compares corporate governance and neatness' in the financial reporting , and so that the study will test the following hypothesis.

There is significant relation between the company governance level and timeliness of corporate financial reporting.

This hypothesis will be tested through the comparison of the timeliness about the financial reporting of the timeliness before the international principals' application of the company's governance (1998-2001) and the timeliness after its application (2002-2007).

2. Empirical Analysis and Results
2.1. Study variables and model
The relation between financial reporting timeliness and corporate Governance level by using the following Regression analysis model
Delaying period = a + B1 Governance level + ε
Since:-
Delaying period: - Is measured by the number of days between the end of fiscal year and publishing of the financial reporting.
Governance level: - Is measured by the applied governance principal's ratio.

2.2. Study sampling and community
The study community represent in the listed companies in the securities market in Egypt through the timeliness from 1998. To 2007, this timeliness causers the application of the Egyptian accounting standards approved by the minstrel decision no. (503)of 1997 and it's modifications and its replacement by the news accounting standards by the decision No.(243) of 2006, in addition to the international principals application for the corporate governance and there is a study sampling is selected by depending on the following standards:
- The providing of the annual financial reporting.
- The providing of the dates of the annual financial reporting.
- The application of the international corporate governance principals with ratio 50% at least.
- The absence of taking decisions from the securities market management by stopping the dealing on the companies stocks through the study period.
- And the companies which didn't complete their financial reporting during the study period have been excluded, including the listed companies recently in Cairo and Alex. Stock exchange.

The information of financial reporting of companies is determined by the following dates:
- The date of sending copy of the annual audited financial reporting to the disclosures management in the stock exchange.
- The date of sending a copy of the annual audited financial reporting to the tax authorities.
- The date of the public association meeting of the contributors to discuss the annual audited financial reporting.
- The date of publishing annual audited financial reporting on journalizes
- The date of spreading the audited financial reporting on the international information wide.

And in the case of no possibility of Accessing the date of the financial reporting, it is used the date of the audit report that printed on the financial reporting to determine the timeliness of the financial reporting as came in the study of Abdulla, (1996).

It is resulted, by the application of the previous standards; a sampling of 83 companies contributed on the different economic section, like the most important the financial section as Banks, insurance companies and the securities companies, the Non-financial section like the industrial, service, real estate and agricultural companies, Table 1 shows Sample characteristics of the companies

Table 1. *Descriptive Statistics for Sample*

Type	Number	%
Banks	120	14.5
Insurance companies	30	3.6
Financial service companies	70	8.4
	220	26.5
The industrial companies	280	33.7
Real estate companies	100	12
Services companies	170	20.5
Agricultural companies	60	7.8
Banks	610	73.5
Total	830	100

Source: The disclosure management, Cairo stock exchange 2007.

2.3. Methodology

To achieve the research goals and test of its hypothesis, the researcher made the fallowing:

1. The researcher gat the dates of the financial reporting corporate. By the disclosure management in the stock exchange, and the public association site of the financial market in Egypt, and the information centre site and support of the decision of the ministry assembly dates is made in the number of daily news papers, and it is measured the variable of the disclosure timeliness of the companies which are the study sampling by the following equation:-

   The disclosure timeliness (by days) = the date of publishing financial reporting – the date of ending financial year

2. The researcher got the governance standard of the companies by the governance management in the public association of the financial market in Egypt and the executive director's.

3. It is entered to the computer, the accounted, volume for the Delay period, corporate governance level variable (CG) equal one for the period form 2002 to 2007 and equal zero for than period from 1998 to 2001.

4. Using the computer program (SPSS). In the account of the description statistics and the account of the correlation factor between the delay period and corporate governance level.

2.4. Results of study and testing of hypotheses

1- The decrease of the average of delaying period for study sample from 134days in 1998 to 95 days in 2002 and this is the year that applying the international corporate governance principles. Then it witnesses a big decrease to 68 days in 2006 as well as the decrease of the standard deviation until it reaches the its less grade in 2007 and this the year that witnesses applying the new Egyptian accounting standards. This reflects the commitment of the companies of the principle of transparency as one of the principles of corporate governance.

2- Comparing the period of declaring financial reports between the financial sector and the non-financial sector, it is shown that there is a decrease in the financial sector rather than non-financial sector, The average of delaying period reaches 80 days in 1998 in the first group, where as this average reaches 154 days in the same year in the second group as well as there is a decrease in the average to 63 day in2007 in the first group and there is a decrease in the average to 79 day in the second group.

To test the first hypothesis that is related to the effect of applying international corporate governance principles on the timeliness of corporate the financial reporting, the difference between the averages of the timeliness of financial reporting is tested by using F test in a significant level that is less than 5% as in the table 2:

Table 2. *Results of testing the effect of corporate governance level on the timeliness*

period	No. of observations	Mean	S.D	Test F	
				F value	**Sig.**
Period from 1998 to 2001	332	122	45	4.11	000
Period from 1998 to 2001	498	8	28		

This table shows that (F) that is calculated is greater than (F) that is scheduled, this means the refusal of the hypothesis that is equivalent to averages that shows the non-existence of a significant differences between the average of delaying period before and after applying the international corporate governance principles, this is meaning relation between corporate governance level and the timeliness of corporate financial reporting for companies listed in the Egyptian stock exchange during the period from 1998 to 2007.

4. Conclusion & Future Directions

This study aims to investigate the relation between annual financial reporting timeliness and corporate governance for the companies listed on the Egyptian stock exchange in the period from 1998 to 2007, and this is the period that witnesses applying international principles of the companies governance in the companies listed on the stock exchange of Cairo and Alex, and issuing the Egyptian Accounting standards by the ministerial decision number (243) of 2006

by testing of relationship between the timeliness of corporate financial reporting and Corporate governance level

The researcher selected a sample formed from 83 companies from the listed companies on Egyptian stock exchange through the period from 1998. To 2007, he depended on the descriptive statistics and multiple linear regression analysis

The search stranded to Reducing the mean of the period that is necessary for corporate the financial reporting for the total of the study sample from the Egyptian joint stock companies from 134 days in 1998 to 95 days in 2002, and this is the year that witnesses applying the international principals of companies governance, then it witnesses a big reduction to 68 days in 2006, as well as the reduction of the standard deviation to the minimum degree in 2007 that witnesses the application of the new Egyptian accounting standards. This reflects the company's commitment to the disclosure and transparency principals as one of the company's governance principals.

There are many other areas of future research from the issues explored in this study. Firstly, the effectiveness and value of corporate governance within companies should be examined further in different ways.

Secondly, Study the relation between corporate attributes and financial reporting timeliness. There should be more research on ways to improve auditors' abilities in this area.

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