



POLAC INTERNATIONAL JOURNAL OF ECONS & MGT SCIENCE (PIJEMS)
DEPARTMENT OF ECONOMICS & MANAGEMENT SCIENCE
NIGERIA POLICE ACADEMY, WUDIL-KANO



BOARD CHARACTERISTICS AND RELATED PARTY DISCLOSURES OF LISTED NON-FINANCIAL FIRMS IN NIGERIA

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Abstract

This study examines the effect of board characteristics and firm size on related party disclosures (RPDs) among non-financial firms listed on the Nigerian Exchange Group (NGX) for the period of 2013 to 2023. Using a longitudinal research design and panel dynamic regression analysis, the study investigates how factors such as board expertise, board independence, board gender diversity, and firm size influence the transparency of related party transactions. The findings reveal that board expertise, gender diversity, and firm size have a significant positive effect on the quality and extent of related party disclosures, while board independence did not show a significant impact. Based on these findings, the study recommends enhancing board expertise, promoting gender diversity, and strengthening the effectiveness of independent directors to improve corporate governance and transparency in related party disclosures.

Keywords: Corporate Governance, Board Expertise, Board Independence, Board Gender Diversity, Firm Size, Related Party Disclosures, Nigeria.

1. Introduction

In the wake of significant corporate scandals, such as those involving Enron, WorldCom, and Tyco in the U.S. and Vivendi and Parmalat in Europe, there is increased attention on related party transactions (RPTs) to ensure transparency and prevent similar issues from arising. Stakeholders are now more vigilant, demanding stricter regulatory compliance and greater accountability. This shift underscores the necessity of implementing strong governance frameworks and enhanced disclosure practices to restore trust in corporate reporting. These mechanisms are critical to maintaining stakeholder confidence and preserving the credibility of financial disclosures within the corporate sector.

Related parties include individuals or entities with connections to the organization preparing financial statements. International Accounting Standard 24 addresses the importance of related party disclosures, emphasizing the need for transparency and accountability in transactions with these parties. The standard mandates that companies disclose all related

party transactions in their financial statements to enable stakeholders to assess potential conflicts of interest or financial risks arising from these relationships. Compliance with this standard ensures that stakeholders receive comprehensive information on transactions that might impact the financial stability of the organization.

Corporate governance is crucial for transparent RPT disclosures, promoting integrity in financial reporting. According to the Nigerian Code of Corporate Governance (NCCG 2018), boards of directors are responsible for protecting investor interests and overseeing RPTs to prevent conflicts of interest. Ahmed (2021) highlights the importance of a well-structured board composed of independent, diverse, and financially knowledgeable members in achieving effective governance. Similarly, Shan (2019) notes that board attributes like independence, diversity, and financial expertise, as well as audit committee characteristics such as independence and meeting frequency, contribute significantly to effective governance and positive RPT disclosures. Independent directors, in particular, provide objectivity in reviewing

and approving RPTs, as they are not involved in daily operations and have no personal stakes in the transactions (Abd Majid et al., 2023). This unbiased oversight helps protect companies from risky RPTs (Fooladi et al., 2021). Additionally, directors with financial expertise play a vital role in scrutinizing RPTs, while female directors bring diverse perspectives that enhance RPT oversight, with research from Marchini et al. (2018) and Bona Sánchez et al. (2023) indicating that female directors often promote ethical governance.

This paper examines how corporate governance mechanisms, particularly board attributes, enhance transparency and integrity in related party disclosures (RPDs) by mitigating conflicts of interest and fostering stakeholder trust. It reviews theoretical and regulatory foundations, including IAS 24, explores the impact of board independence, diversity, financial expertise, and audit committees on RPT oversight, and analyzes empirical evidence from various contexts. The paper concludes with key findings, implications, and recommendations for improving governance practices to strengthen RPDs.

2. Literature Review

2.1 Conceptual Definitions

2.1.1. Related Party Disclosures

Related Party Disclosures (RPD) require companies to report significant transactions, relationships, and outstanding balances with entities or individuals who may influence their financial and operational decisions, such as key management personnel, affiliates, subsidiaries, joint ventures, and entities under common control. According to the International Financial Reporting Standards (IFRS, 2012), related parties include individuals or entities that can impact a company's financial policies, emphasizing the need for transparency by mandating disclosure of these connections. Similarly, the Financial Accounting Standards Board (FASB, 2014) specifies that related parties encompass affiliates, principal owners, management, their immediate family, and entities

significantly influenced by these parties to prevent conflicts of interest. The International Accounting Standards (IAS) 24 framework further mandates disclosure of transactions and outstanding balances with related parties to maintain reliable and comparable financial statements. The American Accounting Association (AAA, 2020) highlights that related party disclosures offer insights into transactions between reporting entities and related parties, helping users understand how these relationships might affect financial reporting.

2.1.2. Board Expertise

Board expertise refers to the specialized knowledge that board members contribute, particularly in areas such as finance, accounting, and law, which are vital for a company's operations and financial reporting. This expertise is essential in corporate governance, particularly in overseeing complex transactions like related party transactions (RPTs). Board members with financial or accounting skills can evaluate RPTs to ensure they are transparent, fair, and compliant with regulations. Jeon (2019) highlights that financially knowledgeable board members are crucial for ensuring accurate and transparent RPT disclosures, as they can identify potential issues and maintain ethical financial reporting. Directors with the right expertise positively impact the quality and transparency of related party disclosures (RPDs), with financial and legal expertise helping to spot transactions that could conflict with the company's interests or risk stakeholder value. Jeon (2019) further notes that financial experts are better at overseeing RPTs, while Fooladi et al. (2021) stress that accounting-savvy directors are key in accurately documenting RPTs per IAS 24 standards, reducing errors and ensuring regulatory compliance.

2.1.3. Board Independence

Board independence involves the inclusion of non-executive directors with no personal or financial ties to the organization, enabling them to make impartial decisions. Independent directors are crucial for protecting shareholder interests, particularly those of minority shareholders, by providing unbiased oversight.

This independence is especially important for overseeing related party transactions (RPTs), as it allows directors to monitor these transactions objectively, preventing conflicts of interest and ensuring stakeholder protection. The role of independent directors in maintaining transparency in corporate disclosures, such as related party disclosures (RPDs), is widely recognized as key to good governance. Studies, including Abd Majid et al. (2023), show that boards with a higher ratio of independent directors are more effective at monitoring RPTs, reducing financial misstatements, and boosting investor confidence. In family-owned firms where RPTs may be misused, independent directors provide essential scrutiny, challenging transactions that might favor insiders. Abd Majid et al. (2023) found that firms with more independent directors had better RPD practices, while Fooladi et al. (2021) observed that independent boards in Malaysia were more likely to accurately disclose RPTs, underscoring the importance of independence for transparency and investor trust.

2.1.4. Board Gender Diversity

Board gender diversity, which involves the inclusion of female directors, is increasingly seen as a critical aspect of good corporate governance. Female directors offer diverse perspectives that enhance board discussions and decision-making, particularly in areas like ethical oversight and board effectiveness. Research by Bona Sánchez et al. (2023) indicates that women on boards tend to prioritize transparency and social responsibility, improving the quality of related party disclosures (RPDs). As a result, many corporate governance frameworks now encourage or mandate gender diversity to promote inclusivity and prevent groupthink, which can hinder diverse viewpoints. The presence of women on boards has also been associated with stronger governance and more effective oversight of related party transactions (RPTs), as female directors are often more risk-averse and committed to ethical standards, making them vigilant about potential conflicts of interest. This focus on ethics is crucial for the thorough evaluation and disclosure of RPTs, ensuring compliance with regulatory standards like IAS

24. Studies, such as those by Marchini et al. (2018) in Italy and Jeon (2019) in South Korea, have shown that gender-diverse boards improve financial transparency, particularly regarding RPTs, underlining that female directors' commitment to ethical governance enhances oversight and fosters transparency, reducing the chances of insider favoritism.

2.2. Empirical Review

Board Independence and RPT disclosures

Boateng, *et al* (2022) studied the effect of corporate governance and corporate disclosures in annual reports: a post-International RPT Standards adoption evidence from an emerging capital market. Data were collected from the annual reports of all 22 listed non-financial firms over a five-year period. Using content analysis, the audited annual reports of the firms were scored on the extent of overall and four specific types of disclosures made. The panel data obtained were analyzed using a generalized ordinary least squares regression model. The findings shows that board independence exhibit a significant positive effect on voluntary financial information disclosures. The study appears to focus solely on-board independence as a corporate governance factor influencing corporate disclosures. Other important corporate governance variables, such as board composition, audit committee, or ownership structure, are not considered.

Adebayo et al (2023) investigated the influence of board composition on voluntary disclosure of quoted manufacturing firms in Nigeria from the period of 2015 to 2019. Thirty- three (33) were purposively selected for the purpose of this study. Information was produced from content analysis of yearly reports. Panel fixed effect model, correlation matrix and descriptive statistics were employed in the estimation. The estimation of the fixed effect model shows board independence have positive and significant connection on the level of voluntary disclosure. The study covers the period from 2015 to 2019. Discussing any temporal considerations, such as changes in regulations or economic conditions during this period, would add

context to the findings. The review does not discuss the implications of the findings or the generalizability of the results beyond the sampled manufacturing firms. Discussing the broader implications and the potential applicability of the results to other industries or contexts would enhance the study's relevance.

Board Financial Expertise and RPT disclosures

Nawafly and Alarussi (2019) examined the various factors that impact the quality of disclosure in financial reporting. Specifically, their research focused on board characteristics, audit committee characteristics, and external audit as determinants of RPT quality. The study investigates the significant relationships between seven independent variables and the disclosure quality of RPT among companies in Malaysia. The variables under consideration include Board composition, Board size, Board expertise, Audit committee independence, Audit committee size, Audit committee expertise, and External Auditor Characteristics. The study has selected a sample of 150 non-financial listed companies from Bursa Malaysia for the duration of 2014. This study employs a cross-sectional design and utilizes regression for the year 2014. The results indicate that various factors, such as board expertise, audit committee characteristics, and the presence of Big Four accounting firms, have a statistically significant and positive influence on the quality of disclosure in financial reporting.

Formigoni *et al* (2021) examined the effect of characteristics of the board of directors on the disclosure practices. Two different population samples were used from the period 2008-2011. Multiple regression was employed to analysis the data of Brazilian listed companies and Spanish companies. It is observed that the size of the board positively affects disclosure practices of the two groups of companies. The percentage of independent directors of the board members positively affects the disclosure practices.

Al-Dubai (2023) investigated the effect of board expertise on corporate financial risk disclosure in the Saudi energy sector. The research focuses on four energy companies listed between 2009 and 2021,

resulting in 52 firm-year observations. Panel regressions were implemented to control for heteroscedasticity and autocorrelation. The study's results revealed that board expertise positively influences financial risk disclosure.

Tsai and Kung (2023) examined the effect of board expertise on corporate disclosures using data from 15,812 publicly traded companies in Taiwan from 2010 to 2020. Panel regression was employed. The study found that companies that have directors with financial expertise has a positive significant effect on disclosures. The study covers a considerable time span from 2010 to 2020. Discussing any temporal considerations, such as changes in regulations or economic conditions during this period, would add context to the findings.

Board Gender Diversity and RPT disclosures

Alfraih (2016) explored the relationship between the characteristics of the board of directors and mandatory disclosure in firms listed on the Kuwait Stock Exchange (KSE) in 2010. Several characteristics are used to assess the effectiveness of the board of directors: number of members, gender diversity, CEO duality, multiple directorships, the proportion of family members on the board and the presence of a member of the ruling family of Kuwait. Mandatory disclosure compliance is measured using a self-constructed, item-based index. A regression model tested the paper's hypotheses. After controlling for firm-specific characteristics, it was found that board size, gender diversity and multiple directorships were positively correlated with compliance, while CEO duality and the proportion of family members on the board were negatively correlated with corporate disclosure.

Gyamerah and Agyei (2016) examined the correlation between corporate governance and financial disclosure within companies that are listed on the Ghana Stock Exchange. The present study examined a sample of 31 firms by employing dynamic panel regression analysis spanning the time period from 2005 to 2015. The study findings indicate a statistically significant positive correlation between board compensation, board gender

diversity, and the extent of financial disclosure. No significant correlation was observed between the presence of non-executive directors and the level of financial disclosure. The study focuses on Ghanaian listed companies, making it challenging to generalize the findings to other emerging markets in Nigeria.

El-Deeb and Elsharkawy (2019) conducted an investigation into the impact of corporate governance mechanisms on the corporate disclosures of companies that are listed in the Egyptian stock market. This study employed Board size, Board independence, Board CEO duality, and gender diversity as indicators of corporate governance mechanisms in relation to board characteristics. The study examined disclosures by employing a checklist comprising 24 items across four categories of disclosure: 1) the company's environmental context, 2) its goals, strategies, and business policies, 3) its organizational structure and management, and 4) financial matters. A content analysis approach was utilized to calculate a score, which involved summing the disclosed items in the company's annual report and dividing them by the total number of items in the checklist. The sample consisted of the top 30 companies (EGX30) with the highest level of activity in the Egyptian stock exchange market. The data collected spanned from 2010 to 2017. The data underwent analysis through the application of regression analysis techniques. Findings The research findings indicated a statistically significant positive correlation between CEO duality and disclosure, as well as a statistically significant negative correlation between board gender diversity and disclosure.

2.3. Theoretical Framework

Agency Theory

Jensen and Meckling's (1976) Agency Theory suggests that corporations inherently feature a principal-agent relationship, where one or more principals (such as shareholders) delegate authority to an agent (such as managers) to make decisions on their behalf. This theory highlights the potential for conflicts of interest when agents prioritize personal gain over shareholders' interests, particularly in transactions involving related

parties, which may unfairly advantage insiders. Effective board characteristics, including independence and financial expertise, help to mitigate these conflicts by providing objective oversight. Independent directors, who lack direct ties to the company's operations, are expected to scrutinize related party transactions (RPTs) thoroughly to enhance transparency in disclosures (Abd Majid et al., 2023). Additionally, directors with financial expertise bring valuable insights into the implications of RPTs, helping to ensure accurate and diligent reporting aligned with shareholder interests (Jeon, 2019).

3. Methodology

3.1 Research Design

This study utilized a longitudinal research design, which is valuable for tracking variables over an extended period, allowing for the examination of the evolution of related party disclosures and the development of board characteristics within firms. The study's population consists of all 104 non-financial firms listed on the Nigeria Exchange Group (NGX) as of 2023, representing a wide range of sectors. This diverse sample provides a comprehensive basis for analyzing the impact of board characteristics and blockholder ownership on related party disclosures across different industries. Purposive sampling was used to select a sample of 78 firms for the study, a method ideal for targeting specific types of firms that align with the research objectives. This approach ensures the inclusion of firms with relevant data on related party transactions (RPTs).

3.2. Data and Sources

Secondary data was collected from the annual reports of listed non-financial firms, chosen to meet the requirements of the research model and analysis techniques. Given the longitudinal nature of the study, which requires datasets spanning multiple time points, secondary data provides a reliable and consistent source of information. The data covers the period from 2013 to 2023, offering comparable insights into the firms' related party disclosures over time.

3.3. Model Specification

$$RPD_{it} = \alpha + \beta_1 RPD_{it-1} + \beta_2 BEXP_{it} + \beta_3 BIND_{it} + \beta_4 BGD_{it} + \beta_5 FSIZ_{it} + \mu_t + \epsilon_{it} \dots \dots \dots (1)$$

Where:

RPT= Related Party Disclosures

α_0 = The intercept term of the model.

BEXP= Board Expertise

BI=: Board Independence

BGEN= Presence of Female Directors

FSIZ= Firm size

ϵ : Error term

it= for firm i at time t

3.4. Method of Data Analysis

This study employs Panel Dynamic Regression as the primary data analysis technique. Panel data regression is appropriate for analyzing data across time and across different firms, allowing for the examination of both **cross-sectional** (across firms) and **temporal** (over time) variations. Given the longitudinal nature of the study, panel data allows for controlling unobserved heterogeneity across firms and examining the dynamics of related party disclosures (RPDs) in relation to board characteristics

3.5 Variable and Measurement

Table 1: Variables and Measurement

Variables	Measurement
Related Party Disclosure (RPD)	Related Party Disclosure Index, which quantifies the extent and detail of related party transactions reported in the financial statements. This index is typically based on a checklist of disclosure items required by accounting standards, with scores assigned to each item disclosed. The index score reflects the completeness and transparency of related party disclosures. (Rafay, 2022; Agyei-Mensah, 2019)
Board Expertise (BEXP)	The proportion of board members with relevant financial or accounting knowledge. (Homroy & Slechten,2019; Meng & Tian 2020)
Board Independence (BI)	The proportion of independent directors on the board. (Bertoni, et al 2014; Muniandy, B., & Hillier, 2015)
Board Gender Diversity (BGD)	Measured by the proportion of female directors relative to the total number of board members.

Source: Researcher's Compilation, 2024

4. Results and Discussion

This section presents the results of the data analysis, including descriptive statistics and regression results, followed by a discussion of the findings in light of the

research objectives. The analysis is conducted to examine the effect of board characteristics on related party disclosures (RPD) of listed non-financial firms in Nigeria.

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. dev.	Min	Max
Rpd	780	.4033878	.2218123	.309298	.89896
Bexp	780	.4678411	.1541168	.089271	.878764
Bind	780	.1641185	.1277971	.010926	.559869
Bgd	780	.0795141	.1129696	0	.555556
Fsiz	780	7.075	.3027527	6.2	7.9

Source: STATA Output, 2024

The descriptive statistics provide an overview of the variables used in this study. On average, related party disclosures (RPD) account for 40.34% of total disclosures across the firms, with a significant range from 30.93% to nearly 90%, indicating considerable variability in transparency regarding related party transactions. Board expertise is moderate, with 46.78% of board members having financial expertise, but this figure varies widely, from as low as 8.93% to as high as 87.88%.

Board independence is relatively low, with independent directors making up only 16.41% of the boards, though

some firms have up to 56% independent directors. Gender diversity on boards is minimal, with women comprising only 7.95% of board members on average, and the proportion varies significantly across firms, from none at all to as high as 55.56%. In terms of firm size, the firms in the sample are generally large, with an average firm size of 7.075 on a logarithmic scale, ranging from 6.2 to 7.9, indicating some variation in the size of the firms included in the study. These findings highlight substantial differences in governance characteristics across firms in Nigeria's non-financial sector.

Table 3: Correlation Matrix Table

	rpd	bexp	bind	bgd	fsiz
rpd	1.0000				
bexp	0.0910	1.0000			
bind	0.0354	0.0658	1.0000		
bgd	0.0893	-0.0857	0.0359	1.0000	
fsiz	0.1050	0.0736	-0.0229	0.0988	1.0000

Source: STATA Output, 2024

The correlation matrix presented above shows the relationships between the variables in the study. The correlation between related party disclosures (RPD) and board expertise (BEXP) is weak, with a value of 0.0910, suggesting a minimal positive relationship between board expertise and the level of related party disclosures. This indicates that while board expertise may slightly influence RPDs, the relationship is not strong.

Similarly, the correlation between related party disclosures (RPD) and board independence (BIND) is also weak at 0.0354, indicating that board independence has a very slight positive relationship with RPDs. The

relationship between related party disclosures (RPD) and board gender diversity (BGD) is slightly stronger, with a correlation of 0.0893, although it is still relatively weak.

Finally, related party disclosures (RPD) show a weak positive correlation of 0.1050 with firm size (FSIZ), suggesting that larger firms tend to have slightly more related party disclosures, but the relationship is not strong.

Table 4: diagnostic tests

Arellano-Bond test for AR(1) in first differences:	$z = -3.88$	Pr >	$z = 0.000$
Arellano-Bond test for AR(2) in first differences:	$z = -1.25$	Pr >	$z = 0.212$
Sargan test of overid. restrictions:	$\chi^2(8) = 12.96$	Prob >	$\chi^2 = 0.113$
(Not robust, but not weakened by many instruments.)			
Hansen test of overid. restrictions:	$\chi^2(8) = 8.76$	Prob >	$\chi^2 = 0.363$
(Robust, but weakened by many instruments.)			

Source: STATA Output, 2024

The results of the diagnostic tests offer valuable insights into the validity of the model. The Arellano-Bond test for first-order autocorrelation (AR(1)) in first differences shows a significant z-value of -3.88 and a p-value of 0.000, indicating the presence of first-order autocorrelation, which is common in dynamic panel data models. However, the Arellano-Bond test for second-order autocorrelation (AR(2)) shows a z-value of -1.25 with a p-value of 0.212, suggesting that there is no significant second-order autocorrelation, which is a positive indication for the model's reliability.

The Sargan test for overidentifying restrictions, with a chi-square value of 12.96 and a p-value of 0.113, fails to reject the null hypothesis, indicating that the instruments used are valid and the model is correctly specified. Similarly, the Hansen test, which is robust to heteroskedasticity and the use of many instruments, shows a chi-square value of 8.76 and a p-value of 0.363, further supporting the appropriateness of the instruments.

Table 5: Dynamic Regression

Arellano-Bond dynamic panel-data estimation				Number of obs	=	780
Group variable: id				Number of groups	=	78
Time variable: year				Obs per group:		
				min	=	1
				avg	=	7.103896
				max	=	8
Number of instruments = 41				Wald $\chi^2(5)$	=	16.14
One-step results				Prob > χ^2	=	0.0064
rpdl	Coefficient	Std. err.	z	P> z	[95% conf. interval]	
rpdl						
L1.	.2481591	.0752233	3.30	0.001	.1007241	.3955942
bexp	.1214698	.0569345	2.13	0.033	.0098803	.2330594
bind	.1559845	.1767	0.88	0.377	-.190341	.5023101
bgsd	.1214698	.050193	2.42	0.016	.0230933	.2198464
fsiz	.495185	.1818835	2.72	0.009	.1302091	.8601609
_cons	-.5603759	.360117	-1.56	0.120	-1.266192	.1454404

Source: STATA Output, 2024

The results of the regression analysis show several key findings. First, the lagged value of related party disclosures (L1.rpd) significantly influences current disclosures, with a positive coefficient of 0.248, suggesting that past disclosure practices have a lasting impact on present disclosures. Board expertise also

plays a significant role, with a coefficient of 0.121, indicating that boards with greater expertise, particularly in finance and accounting, contribute to more transparent related party disclosures. This finding is consistent with the work of Jeon (2019), who found that boards with financial expertise tend to improve

transparency and reduce the risk of financial misreporting. Expertise in evaluating the financial implications of related party transactions ensures that such disclosures are accurate and complete, aligning with the expectations of stakeholders for transparency and accountability. Research by Marchini et al. (2018) and Bona Sánchez et al. (2023) has shown that female directors tend to prioritize ethical standards, integrity, and inclusiveness in decision-making processes, leading to better oversight of related party transactions. The diverse perspectives brought by female directors can improve the scrutiny and evaluation of related party transactions, leading to more comprehensive disclosures. This aligns with the idea that gender-diverse boards contribute to better governance and higher quality financial reporting.

On the other hand, board independence did not show a statistically significant effect, with a p-value of 0.377, meaning it does not have a direct influence on related party disclosures in this study. However, the presence of female directors (board gender diversity) had a positive and significant effect, with a coefficient of 0.121, suggesting that more gender-diverse boards are associated with higher levels of disclosure. Agency theory argues that independent directors, due to their detachment from day-to-day operations, are more likely to act in the best interests of shareholders and ensure proper monitoring of management. However, the lack of significance in this case may be attributed to a variety of factors, such as the possibility that independent directors in Nigeria may not be sufficiently empowered to act as effective monitors, or that the influence of independence may be overshadowed by other factors such as board expertise or gender diversity. This finding contrasts with studies by Abd Majid et al. (2023), who found that board independence significantly influenced the transparency of related party transactions, suggesting that the context of the study such as the Nigerian corporate governance environment might play a critical role in shaping these outcomes.

Lastly, firm size was found to have a significant positive effect on related party disclosures, with larger

firms disclosing more information, likely due to stronger regulatory requirements and increased scrutiny. These results emphasize the importance of certain board characteristics and firm size in enhancing the transparency of related party transactions.

5. Conclusion and Recommendations

This study investigated the effect of board characteristics and firm size on related party disclosures (RPDs) among Nigerian non-financial firms. The findings indicate that board expertise, gender diversity, and firm size have a significant positive influence on the transparency of related party disclosures. Specifically, the study found that boards with greater expertise in financial matters, more gender diversity, and larger firms were more likely to disclose related party transactions comprehensively. On the other hand, board independence did not show a significant effect, which suggests that independent directors in the Nigerian context may not be as impactful as expected in promoting disclosure transparency.

The findings of this study align with agency theory, which posits that effective governance mechanisms, such as board expertise and gender diversity, can reduce agency costs and improve transparency. However, the results also highlight some nuances, especially regarding the role of board independence, which may be influenced by contextual factors such as the regulatory environment and the power dynamics within firms.

In line with the conclusions of the study, the following recommendations were proffered:

Firms should focus on enhancing the financial and industry expertise of their boards, as members with relevant knowledge are better positioned to assess and evaluate related party transactions, ensuring these disclosures are accurate and aligned with best practices. This can be achieved by recruiting individuals with strong backgrounds in finance, accounting, and corporate governance. Additionally, the study highlights the significance of gender diversity in improving related party disclosures. Diverse boards, particularly

those with balanced gender representation, are more likely to promote ethical decision-making and accountability, which contributes to better governance and higher-quality financial reporting. While board independence did not show a significant effect in this study, it remains important to strengthen the role of independent directors. Firms should ensure that

independent directors have the resources and autonomy necessary to fulfill their monitoring functions effectively, which can be accomplished by improving the independence of the nomination process and bolstering the audit committee's role in corporate governance.

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