THE IMPACT OF THE QUALITY OF FINANCIAL REPORTING ON NON-FINANCIAL BUSINESS PERFORMANCE AND THE ROLE OF ORGANIZATIONS DEMOGRAPHIC' ATTRIBUTES (TYPE, SIZE AND EXPERIENCE)

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ABSTRACT

Understanding the relationship between the quality financial reporting and business performance has received great attention by academic researchers and professional recently. However, in fact, there is lack of prior studies that have examined empirically the relationship between the quality of financial reporting and non-financial business performance measures in a systematic approach, which limited our understanding of the concept of quality of financial reporting and its importance. Therefore, the purposes of this research is to examine empirically the proposed relationship between the quality of financial reporting and non-financial business performance in public listed companies in Jordan and to find out whether their demographic attributes (type, size and experience) have any impact on the quality of financial reporting.

For these purposes, a conceptual framework based on the content analysis of the previous studies was developed. The data for this research were collected through self-administrated questionnaire of 239 respondents from public listed companies in Stock Amman Market database (2017). The results showed that that the components of the quality of financial reporting are significantly influence the non-financial business performance and the variations of the quality of financial reporting among these companies were significantly found to be related to their size and experience and not to their type of business, which they belong to.

Keywords: Quality of Financial Reporting, Non-Financial Business Performance, Shareholdings Companies.

INTRODUCTION

Today, the necessity for producing quality financial report has received great attention over the world. Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit and similar resource allocation decisions enhancing overall market efficiency (IASB, 2013). For corporate information to beneficial, IASB argues that a key prerequisite quality in financial reporting is the adherence to the objective and the qualitative characteristics of financial reporting information. Qualitative characteristics are the attributes that make financial information useful and consist of relevance, faithful representation, comparability, verifiability, timeliness and understandability. The main indicators of financial information quality from the perspective of the developers of accounting standards are relevance and reliability, which make information useful for decision makers (Nwaobia et al., 2016).

Many financial and accounting researchers have confirmed on the benefits and role of the quality of financial reporting (Jaballah et al., 2014, Chan-Jane and Chae-Jung, 2015), they also indicated that inadequate quality of financial reporting might negatively influence the business performance and economic decisions. This means that the financial reporting quality might determine managers' willingness for engaging in activities that are not valuable. For example, the financial reporting quality may facilitate better contracts to avoid investment efficiency. Furthermore, it can increase investors' ability to control the investment decisions. Therefore, it is expected that high-quality financial reporting reduce excessive and wasting investments (Biddle et al., 2009).

In fact, the link between financial reporting quality and financial business performance has been critically analysed and researched. Prior studies in these issues provide evidence that the quality of financial reporting is positively associated with the financial performance measures such as ROI, growth rate volume of investment, earning per share (Bolo and Hassani 2007, Klai and Omri, 2011). However, the contemporary literatures show conflicting findings (Daw and Teru, 2015). Furthermore, the choosing performance measures are still a major argumentative issue. Performance measurement system plays an important role in developing strategy, evaluating the achievement of organizational objectives and competitive advantages. Yet many stakeholders feel traditional financially oriented measures no longer work adequately. A recent survey of US financial services companies found most were not happy with their measurement systems (Hope et al., 2013, Ghosh and Wu *2012*). They believed there was too much emphasis on financial measures such as earnings and accounting returns and little emphasis on drivers of value such as customer and employee satisfaction, innovation and quality. Inadequacies in financial performance measures have led to innovations ranging from non-financial indicators of "intangible assets" and "intellectual capital" to "balanced scorecards" of integrated financial and non-financial measures (Abdallah and Alnamri, 2015). Furthermore, several authors (Ghosh and Wu, 2012) indicated that although financial measures are important, they are not sufficient for a good performance evaluation system. The system should further include non-financial measures of performance. Kelly (2007) justifies this by indicating that firm value is developed through various activities that promote critical success factors. These factors include innovation, quality, productivity and customer satisfaction.

Unlike the traditional financial performance measure, the question is still an open whether the quality of financial reporting leads to systematic improvements in non-financial business performance measures or not. This study, therefore, has come to test empirically the proposed relationship between the quality of financial reporting and the non-financial business performance in a systematic approach and to find out whether business organizational demographic characteristics (type, size and experience) would have any impact on the quality of financial reporting. In addition, this study aims to overcome the above limitations of the previous studies and to improve the understandings of the importance of the quality of financial reporting in new environmental context since the majority of previous studies were conducted in western countries. This study will be conducted among Jordanian shareholding companies, since many researchers indicate that within organizations, attention must be given to the accounting standards and laws of each country because they affect accounting management (Davila et al., 2004; Romney and Steinbart, 2017).

LITERATURE REVIEW

Quality of Financial Reporting

Previous literature emphasizes that the accurate and qualified financial report is considered an effective tool for conducting financial analysis, feasibility analysis and interpretation. For example, Kaliski (2001) clarifies that the good financial report stresses on financial elements and exchanged relations among them, so that the user can easily conduct comparisons among them and then make appropriate decisions. It also highlights at the company past and current financial performance, so that the user can make predictions about the needed future financial performance of the company. Many studies have been conducted to study and examine the extent of financial reporting quality, its dimensions and the effecting variables (Botosan, 2004; Daske and Gebhardt, 2006). Other studies such as Biddle et al. (2009), Jennifer Martinez-Ferrero, 2014 focus on studying the effect and exchanged relationships between the quality of financial reporting and other affecting variables such as fraud, profit manipulation, earnings, internal audit and control and corporate governance.

Financial reporting is a process of reporting financial activities of business on a formal way. It has been considered as an essential resource for any market participant. It also reduces the mystery and the conflict in opinion between all interested users such as managers, investors, regulatory agencies, society and other stakeholders. Every one participates in this process, even each operation related to this process should be submitted carefully, especially the disclosure process, all transactions, the accounting policies and all judgments and opinions made by the staff involved in this process (Gaynor et al., 2016). Explaining variation in firm performance is the central focus of much of the strategy literature. A large part of literature and previous studies try to examine quality of financial reporting and its effects on the subsequent performance of a company. For example, Garcia-Lara et al. (2010), Ahmed and Duellmand (2011), Gunny (2005) find that there is a positive effect for the quality of financial reporting on the overall higher performance of the company.

Due to the fact that quality of financial report guarantees and enforces the company to present good and accurate information, which in turn reduces the mystery and the conflict in information provided for both shareholders and stakeholders and other market participants interested in this report. The integrity and reliability of data produced by organizational information systems are critical, not just for the production of reliable financial reports, but also for overall business success (Krishnan et al. 2005). The important attributes for effective financial management include- access to relevant information; use of that information to enhance management standards; and assurance that the information is accurate, relevant and secure (Barrett, 2004). Accounting information systems maintain and produce the data (e.g. financial statements containing information about accounts and their balances) used by organizations to plan, evaluate and diagnose operations and financial position (Peters and Hlla, 2015), therefore, the aim of the regulators should be to make a system (accounting) that offers maximal benefits at lowest possible costs.

Other benefits of having high-quality information from financial reporting are mentioned in Lambert et al. (2007). He clarifies that the high-quality information guarantees the reduction of information risk and liquidity. Other opinions are mentioned in Chen et al. (2011): It reduces the mangers authority and power in making decisions for their own interests and guides them to make appropriate and efficient investment decisions. Rajgopal and Venkatachalam (2011) add that the high-quality financial reporting reduces the lack of equivalence and the asymmetric information that arises from conflicting agency. It also helps market agents to get full understanding about all company operations and activities by reducing the ambiguity that surround some events (Jo and Kim, 2007). Lambert et al. (2007)

mention that quality of accounting information has critical effects on market participants' perceptions about the distribution and decisions related to the company future cash flow. On the other hand, Chen et al. (2011) find both banks and government can get benefits of having the high-quality financial reporting, because it has a positive effect on private firms investment efficiency and financial performance, which in turn increases tax payment and lending from banks. Garrett et al. (2012) state that (FRQ) gets its importance from the fact that it helps in reducing information risk and enhancing liquidity. On the other hand, Lambert et al. (2007) stress that FQR-provides the users with information and financial statements, which are fundamental in debt contracting (Costello and Wittenberg-Moerman, 2011). FRQ has many indicators that users could depend on to judge the quality of financial information and the financial statements as a whole and not just as earnings. Some of the most important indicators are- SEC Accounting and Auditing Enforcement Releases indicator (AAERs); Restatements indicator; and internal controls indicator (Francis et al., 2005). Previous studies also examined the importance of assessing (FRQ).

Dechow et al. (2010), for example, mentioned that there are three variables used for assessing the (FQR): Properties of earnings, earnings response coefficients and external indicators of FRQ. He states that "higher earnings quality shows the features of the firm's earnings process that are relevant to a specific decision made by a specific decision-maker". However, the most employed proxies of (FQR) in literature are: (i) Earnings quality; (ii) Accounting conservatism; and (iii) Accruals quality. Ball et al. (2000) add another assessment tool for measuring (FQR) through identifying degrees of accounting conservatism, which implies a more timely incorporation of economic losses into accounting earnings than economic gains. Earning quality has many determinants, which differ from one company to another, the most important and common determinants are financial reporting practices, governance and controls, auditors, capital market incentives, external factors and the level of institutional factors for the country that the company operates on it. Nedal et al. (2010) investigate the relationship between earnings management and ownership structure for a sample of Jordanian industrial firms during the period 2001-2005. Earnings management is measured by discretionary accruals. The three types of ownership studied are insiders, institutions and block-holders. Using the Generalized Method of Moment (GMM), the results indicate that insiders' ownership is significant and positively affect earnings management

A study by Seyed (2014) on 93 firms in Tehran Stock Exchange showed that the financial reporting quality had a significant positive correlation with the investment efficiency. Furthermore, it was found that there was a direct link between firm size and growth opportunities with investment efficiency. Also, it was found that there was no correlation between cash holdings and tangibility of assets with investment efficiency. Umobong (2015) also examined the impact of IFRS on market performance of food and beverages manufacturing firms in Nigeria. Earnings per share, price earnings ratio and dividend yield were selected as performance criterion. Data were collected and divided into pre and post IFRS-Comparative analysis and T test was done to ascertain influence of pre and post IFRS adoption on market performance of the firms. Findings indicate that differences on market performance between pre and post IFRS periods are not significant suggesting a weak correlation between adoption of IFRS and market performance of quoted food and beverage manufacturing firms in Nigeria Stock Exchange.

Quality of financial Reporting and Firm Demographic Characteristics

A key element of business organization attributes is demographic characteristics; others are monitoring characteristics and performance characteristics (Chen and Jaggi, 2007). Characteristics such as the size, which was referred to as the capital structure by (Shehu and

Ahmad, 2013). The capital structure is of particular interest to this study. It is unlikely that the rate of advantage of all the banks will be the same and even for the same deposit money bank, the level might differ from year to year. The capital structure is a determinant of the quality of financial reports of organizations (Shehu, 2013). Another important demographic characteristic is the size of the firm. This will also have implications for the financial reporting quality (Huang, Rose-Green, & Lee, 2012). Larger firms are able to afford a well-structured internal control system or to engage the services of one of the top auditing organizations for the audit of its financial statement, which is expected to improve the quality of their financial report. On the other hand, a large organization can also be motivated to engage in earnings management in order to maintain a certain level of profile (Waweru & Riro, 2013) this will in turn affect the quality of its financial report. Finally, the age of the organization (experience in business) is also likely to have repercussions for its financial reporting quality (Huang, Rose-Green & Lee, 2012).

In their study of one hundred and thirty six (136) listed firms in the Tehran Stock Exchange (TSE), Chalaki et al. (2012) used age of firms as a control variable and found that age is not statistically significant with financial reporting quality. Huang et al. (2012), Hossain (2008) also reported insignificant relationship. The result of the study of non-financials firms in Nigeria by Kibiya et al. (2016) used firm age as a control variable and found a significant association between age and financial reporting quality. Researchers use different measures of age to compute the age of firm. While some use the date of incorporation to the year of reporting (Olowokure, Tanko and Nyor (2016) others use of listing years, which is the number of years the firm has been on the stock exchange (Haniffa & Cook, 2002; Ojeka, Mukoro & Kanu, 2015). Scholars have the liberty to choose which measure is more appropriate, depending on the objectives of their study. The age firm from date of listing on the NSE, to the various reporting years is used for this study. This is because investors have more confidence in firms listed on the stock exchange in addition to the increased monitoring and scrutiny demanded by the stock exchange rules.

THE STUDY'S CONCEPTUAL FRAMEWORK

Based on the previous studies, financial reporting information should be relevant and reliable to be useful in decision-makings. Relevant information should be timely gathered and provided. Furthermore, they must be predictable and feedback-contained. Reliability includes honesty, verifiability and impartiality (ZarifFard, 2008). The proposed framework here has tied together the quality of financial reporting as well as non-financial business performance. Using theoretical foundations from established quality of financial reporting literature, this research seeks to explain the relationships between the characteristics of quality of financial reporting and the non-financial business performance and to find out whether firm's demographic characteristics (type, size and experience) can play as moderating variables between the quality of financial reporting and non-financial business performance.

The expected relationships of the quality of financial reporting and non-financial business performance measures are shown in (Figure 1). This study examines four major characteristics that are considered to be relevant to assessing the quality of financial reporting. Several theories have been used to explain the association between firm attributes and financial reporting quality. This includes the agency theory, the political cost theory and opportunistic theory among others. The agency theory defines the principal-agent relationship. The principal here are shareholders while agents refer to the managers. These parties have divergent interests, thus giving rise to agency costs, Shehata (2014). Disclosures by way of financial reporting and regulation help to mitigate the agency problem, as it requires that management of corporations report both mandatory and voluntary information

for the benefit of shareholders and other interest parties. By and large, since managers have first-hand information about operations of a business, they are duty bound by the agency theory to report as appropriate to the owners of the businesses. This paper therefore adopts the agency theory as the theoretical support for this research work.

The major constructs of the study's model are presented below with brief discussion of studies, which were concerned with them.

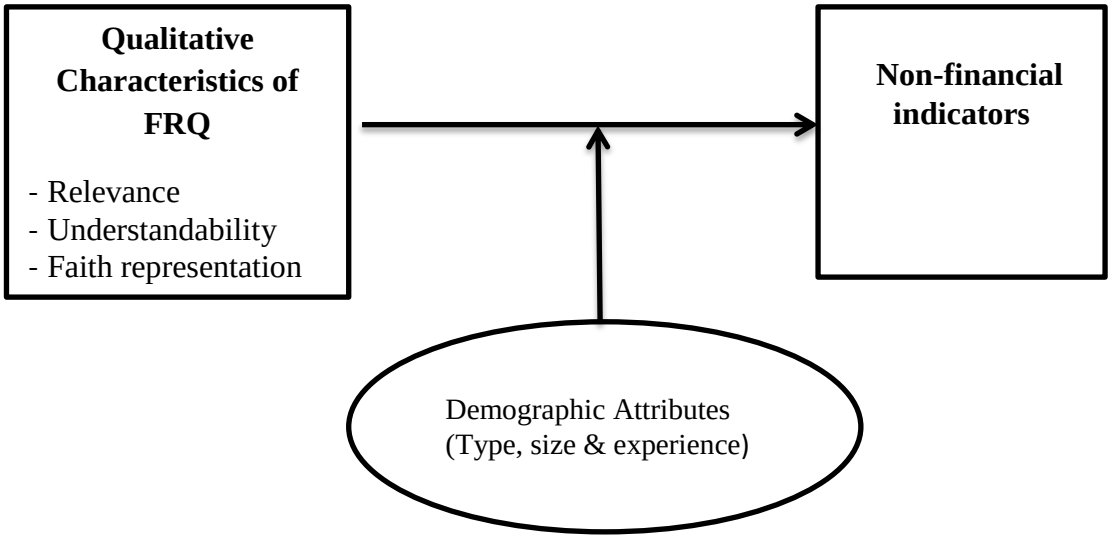

FIGURE 1
THE STUDY'S PROPOSED CONCEPTUAL FRAMEWORK

THE INDEPENDENT VARIABLES

The Quality of Financial Reporting Measurement

Many previous researches and literatures depended on using many measurement tools for examining financial reporting quality, ED (IASB, 2008), for example, stated that fundamental and qualitative characteristics such as relevance and faithful representation of information are one of the most important used tools, they depend on underling decision usefulness as a measuring tool for examining financial reporting quality. Other examples of these characteristics are comparability, verifiability, understandability and timeliness, which also considered as critical tools for examining the content of financial reporting information, which in turn improves decision usefulness (IASB, 2008). Based on these facts the current study will depend on the seven point rating scales of qualitative characteristics mentioned on ED (IASB, 2008) to assess financial reporting quality except timeliness characteristic. To assure the internal validity of these items, the quality measures are based on prior empirical literature. These measures are employed in order to facilitate the comparison between the findings of using it and the findings of previous works in this field. Here are brief explanations for these measures:

Relevance

Information becomes relevant when it is provided to the users before it loses it stability to influence the decision-making process (Alfredson et al., 2007). Many previous literatures stressed on the importance of relevancy of information related to financial reporting, regard its role in making differences in users decisions, it enhances their capabilities and innovations in making decisions (IASB, 2008).

Faithful Representation

Faithful representation is the second fundamental qualitative characteristic as elaborated in the ED, it means that all information listed in financial report must be represented faithfully, (IASB, 2006) stated that in order to accomplish this all information and Economic phenomena Listed in annual reports must be complete, accurate, neutral and free from bias and errors. The reason why should take care of this is related to the fact that all of these phenomena and transactions are changeable between time, so the annual report must document every events and transaction carefully and accurately (IASB, 2006).

Understandability

Understandability is the third fundamental qualitative characteristic as elaborated in the ED, it referred to the process of classifying, characterizing, categorizing, then presenting the financial information clearly and concisely, for (IASB, 2008).

Comparability

Comparability is the fourth fundamental qualitative characteristic as elaborated in the ED, however, during the process of preparing financial report the user may find similar situations which are presented the same and in some cases different situations which are presented differently. Thus comparability means the ability that the information have in explaining and identifying similarities in and differences between two common sets or transactions of economic phenomena (IASB, 2008). According to the ED, comparability could be arrived by attaining consistent information by companies, this could happen by enforcing the company to use the same accounting policies and procedures, either from period to period within an entity or in a single period across entities(IASB, 2008).

THE DEPENDENT VARIABLE

The Non-Financial Business Performance Measures

According to Ramezan, (2013) the traditional financial business measures of performance were no longer enough to give full picture about company competitive position in competing markets (Ramezan et al., 2013). This implies that financial measures that emphasize short-term indicators such as profit, turnover and cash flow are not suitable anymore for measuring business performance and as a result, non-financial measures have increased in importance (Tseng, 2010; Maqableh et al., 2014). In addition, there is a growing literature on the use of non-financial measures in the West. According to Selvarajan et al., (2007) non-financial measures constitute measures not found in a company's charts of accounts. Using nonfinancial measures of performance assists calculating measures and provides data on development particularly with respect to customer needs, competitors besides other non-financial targets that may be important in achieving profitability. Furthermore, Bledsoe (1997 and Choe (2002) argue that non-financial performance provides various strategic advantages, such as quality improvement and cutting down the delivery time. Non-financial performance was used by Tuanmat and Smith (2011) to measure organizational outcome, as with respect to product availability, product quality and sales service and support. Sousa et al. (2006) also used productivity, customer satisfaction and customer needs to assess the company’s performance. Furthermore, Isobe et al. (2008) developed a list of long-term performance indicators, including new product and technological innovations. Moreover, measuring organizations’ financial performance is

intrinsically straightforward, because there are rules and guidelines that define the financial measures. On the other hand, non-financial performance measures cannot be subject to the same rules or guidelines. Still, the establishment of non-financial performance measures should be related to the target settings and rewards and incentives need to be reflecting (Otley, 2001).

An examination of the performance measurement systems in the literature demonstrates that many management accounting scholars (Elg and Kollberg, 2009, Ghosh and Wu 2012) incorporated non-financial performance measures, as an essential part of management information system. Accordingly, one of the most significant arguments in this study is that management accounting researchers back using performance measurement diversity, in order to provide managers with adequate non-financial information on the overall status of the organization.

In this study, respondents were asked to point out the degree of their nonfinancial business performance relative to the industry average, using a seven-point Likert scale with anchors "very low when comparing to industrial average" to "very high when comparing to industrial average. Comparing the firm to the industry's average will allow controlling for different economic activities in the study's population (Kim et al., 2004). Thus, in arriving at a measure for non-financial business performance, the degree of importance of each dimension will be used as weights, with performance on each item being weighted by the relative importance of each individual item. The items making up this scale were only focused on non-financial performance measures. (customer satisfaction, employees satisfaction, shareholder satisfaction, environmental performance, reputation and social performance). These most common measures were selected in order to facilitate the comparison with the findings of prior studies in this filed (Beest, 2009).

Research Hypotheses

Based upon the study's conceptual framework, the study hypotheses are formulated and proposed as summarized as below:

H01: There is no a significant relationship between the quality of financial reporting and the non-financial business performance.

H02: There is no significant difference among business organizations in terms of the quality of financial reporting based on their type of business sector.

H03: There is no significant difference among business organizations in terms of the quality of financial reporting based on their size of business.

H04: There is no significant difference among business organizations in terms of the quality of financial reporting based on their business experience.

Research Methodology

So as to obtain the empirical data needed to validate the study's conceptual model and examine the research hypotheses, self-administrated questionnaire was used to collect the required data. The target respondents were the shareholding companies in Jordan and the single key respondents approach was used. The key respondent was financial/account manager/director. The identification of the individual business organizations in the country (Jordan) could be done by obtaining names of all companies, as well as their addresses, from a variety of private and public sources in order to identify the type of business sector and the range of the number of companies in each sector. Restrictions of time and financial resources

could make the inclusion of all business companies impossible. Therefore, the target population is only limited to the shareholding companies in Amman Stock Exchange Market database (2017). Table (1) demonstrates the domain of the study's population and number of respondents by sector.

Table 1
THE DOMAIN OF THE STUDY'S RESPONDENTS

Type of Sector	No. of Companies	No. of Respondents*	Percentages
Service	202	162	0.80
Industries	126	77	0.61
Total	328	239	0.73

Sources: ase.com.jo 2016

A total of 328 self-administrated questionnaires were distributed to the respondents by e-mail and hand and the response rate was 73%. 80% of the respondents were from service sector. Initially, research assistants called the companies to have appointments to distribute copies of the questionnaire to their companies. After respondents answered the questions, the assistants collected the copies from them. In this survey, some variables are factual (for example, companies' demographic information such as the type of sector, number of years in business and number of employees), whereas others are perceptual (the quality of financial reporting and non-financial performance business performance. The dependent variables (i.e., the non-financial business performance) and the independent variables (quality of financial reporting) were measured using a seven–point Likert scale. The questionnaire's content (constructs and measures) were mainly selected from the IASB's framework (2010) and prior relevant studies (Tuanmat and Smith, 2011; Ghosh and Wu, 2012; Teru and Hla, 2015). They were modified to the practice of Jordanian public listed companies' culture context based on the results of a pilot study and feedback from five professional academic staff in this field.

RESEARCH RESULTS

Descriptive Statistics

All the 34 items (25 items for quality of financial reporting and 9 items of non-financial performance) were tested for their means, standard deviations, skewness and kurtosis. The descriptive statistics presented below in Table (2) indicate a positive disposition towards the items. While the standard deviation (SD) values ranged from 0.926 to 1.004, these values indicate a narrow spread around the mean. Also, the mean values of all items were greater than the midpoint (4) and ranged from 5.13to 5.45. However, after careful assessment by using skewness and kurtosis, the data were found to be normally distributed. Indeed, skewness and kurtosis were normally distributed since most of the values were inside the adequate ranges for normality (i.e., -1.0 to +1.0) for skewness and less than 10 for kurtosis (Byrne, 2010). Furthermore, the ordering of the items in terms of their means values and their ranks based on three ranges (i.e., 1.00-3.33 low; 3.34-4.67 medium; and 4.68-7.00 high) are provided**.**

Table 2
MEAN, STANDARD DEVIATION AND NORMALITY OF SCALE ITEMS

Construct/items	Mean	S.D	Rank	Skewness	Kurtosis
Relevance	5.4500	1.00440	High	-0.872-	0.406
Faith Representation	5.1318	93634	High	-0.870-	0.608

Understandability	5.3415	0.92628	High	-0.572-	0.049
Comparability	5.2380	0.96445	High	-0.707-	0.134
Timeliness	5.244	0.94443	High	-0.727-	0.144
Non-Financial Performance	5.0665	0.94336	High	-0.787-	0.369

Data Analysis Techniques

For the analysis, the collected data was coded into SPSS Version x. The analysis part consists of several different statistical analyses and tests including factor analysis and multiple regression analysis. The main purpose behind the use of factor analysis techniques is to reduce the large number of variables that underlie the quality of financial reporting into orthogonal indices for further analysis by the regression analysis. Furthermore, by employing the principle component analysis techniques, it may be possible to explore the patterns of factors that underlie each major construct. It was considered an appropriate method to overcome the potential problems of multicollinearity among the variables that pertain to each construct. A pre-analysis was conducted to examine the appropriateness of the data for factor analysis. The results of the factor analysis were examined using multiple criteria, including eigenvalues, interpretability and internal consistency, as recommended by Hair et al. (2010) .Therefore, items determined to have eigenvalues greater than one and factor loadings less than .40 had little or no relationship with one another, hence they were discarded (Hair et al., 2010). The results of the principle components analysis indicate that five factors can be extracted from the quality of financial reporting. In summary, based on the preliminary analysis, the evaluation of the data by factor analysis and reliability estimates indicated that all scale items were appropriate and valid for further statistical analysis. Finally, Cronbach's alpha reliabilities were examined for each variable. Each coefficient greater than 0.60 for adapted and 0.70 for existing scales was considered a reliable indicator of the constructs under study (Hair et al., 2010). Reliability analysis was score ranged from 0.88 to 0.93.

Table 3
FACTORS UNDERLYING THE QUALITY OF FINANCIAL REPORTING

(1) Quality of Financial Reporting

Factors	No. of items	Eigenvalue	% of Variance	Cumulative %
Understandability	7	5.245	20.981	20.981
Relevance	7	5.117	20.468	41.449
Comparability	6	4.793	19.174	60.623
Faith representation	5	3.944	15.775	76.398

The results of the principal component analysis Table 4 indicate that four significant factors can be extracted from this construct. This construct composed of (25) items (variables) as presented in Table (4). The first factor, which accounts for (20.981%) of the variance with loadings ranging from 0.73 to 0.76, can be identified as an "Understandability factor". The second factor, which explains 20.468% of variance with loadings range from 0.61 to 0.81, could be labelled as "Relevance" factor. The third factor which accounts for (19.174) can be identified as "Comparability" factor and the forth factor which account for (15.775) can be labelled as "Faith Representation". The combinations of these factors accounts for 76.398 of the total variance in the questionnaire data as can be shown in table 3.

Table 4
THE MAIN FACTORS UNDERLYING THE QUALITY OF FINANCIAL REPORTING MEASURES

Code	Items (variables)	Loadings	Communality
Factor (1): **Understandability**			
U1	The annual report presented in a well-organized manner	0.765	0.784
U6	The use of language and technical jargon is easy to follow in the annual report	0.754	0.844
U7	The annual report included a comprehensive glossary	0.749	0.772
U3	Sources and level of expenditure can easily be understood	0.745	0.788
U4	Business assets are easy to know in terms of value and nature	0.743	0.847
U5	The presence of graphs and tables clarifies the presented information	0.742	0.779
U2	The notes to the balance sheet and the income statement are s sufficiently clear	0.736	0.849
Factor (2): **Relevance**			
R3	The company uses fair value instead of historical cost	0.808	0.837
R6	No undue delays in the presentation of financial reports	0.806	0.833
R5	Financial reports are presented annually as required by regulatory bodies of accounting	0.718	0.777
R2	The annual reports discloses information in terms of business opportunities and risks complement the financial information	0.714	0.769
R1	The annual reports discloses forward-looking information help forming expectations and predictions concerning the future of the company	0.712	0.675
R4	Information helps you confirm profitability levels of the business	0.628	0.750
R7	The annual report provides feedback information on how various market events and significant transactions affected the company	0.619	0.736
Factor (3): Comparability			
C4	The results of current accounting period are compared with results in previous accounting periods	0.776	0.799
C2	The notes to revisions in accounting estimates and judgments explain the implications of the revision	0.747	0.770
C3	The company's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates	0.713	0.732
C6	The annual report presents financial index numbers and ratios	0.709	0.734
C5	Information in the annual report is comparable to information provided by other organizations	0.654	0.689
C1	The notes to changes in accounting policies explain the implications of the change	0.642	0.681
T1	Natural logarithm of amount of days it took for the auditor signed the auditors' report after book-year end*	0.632	0.64
Factor (3): Faith Representation			
F2	The annual report explains the choice of accounting principles clearly	0.747	0.791
F4	The annual report includes an unqualified auditor's report	0.686	0.734
F3	The annual report highlights the positive and negative events in a balanced way when discussing the annual results	0.678	0.736
F1	The annual report explains the assumptions and estimates made clearly; valid arguments provided to support the decision for certain assumptions and estimates in the annual report	0.676	0.694
F5	The annual report extensively discloses information on corporate governance issues	0.634	0.699

TESTING HYPOTHESES

Testing the relationship between the quality of financial reporting and non-financial business performance

The multiple regression analysis technique is used to examine the first hypothesis. Table (5) summarizes the results of multiple regression analysis, with the F-ratio test, for the study hypotheses (H01). The results indicate that there is a significant relationship between the quality of financial reporting and non-financial business performance at .000 level of significant. This result empirically proved that the quality of financial reporting has a positive and a moderate impact on the non-financial business performance. Accordingly, it may be concluded that the higher is the level of quality of financial reporting, the higher is non-financial performance indicators. This result is supported by Ahmed and Duellmand (2011) and Gunny (2005).

Table 5
A SUMMARY RESULT OF THE MULTIPLE REGRESSIONS

Dependent	Multiple R	R. Square	Adjusted R Square	DF	F	Sign
Non-Financial	0.788[a]	0.621	0.616	4	139.501	0.000

According to the stepwise multiple regression method, the factors of the quality of financial reporting which highly correlated with the dependent variable (i.e., non-financial business performance) are expected to enter into the regression equation. The F value at 0.00 level of significance is used to determine the "goodness of fit" for the regression equation. The F value is the ratio of explained to unexplained variance accounted for by the regression equation, when the total variance accounted is low, interpretation of the individual beta coefficient has little meaning (SPSS, 2016). Therefore, when the adjusted R square is around 0.10 or above and the F value of the regression equation reaches to 0.05 level of significance, the individual beta weight is Prior to interpreting the results of the multiple regression analysis, several assumptions were evaluated. First, stem-and-leaf plots and box plots indicated that each variable in the regression was normally distributed and free univariate outliers. Second, inspection of the normal probability plot of standardized residuals, as well as the scatter plot of standardized residuals against standardized predicted value, indicated that the assumptions of normality, linearity and homoscedasticity of residuals were met.

Table 6
THE STEPWISE REGRESSION ANALYSIS: THE QUALITY OF FINANCIAL REPORTING AND NON-FINANCIAL PERFORMANCE

Factors	Model	R	R Square	Adjusted R Square	Beta	Sig.
Relevance*	1	0.737	0.543	0.542	0.384	0.000
Faith representation	2	0.784	0.615	0.613	0.350	0.000
Understandability	3	0.788	0.621	0.617	0.124	0.000

*Constant factor

Also, in this study the severity or degree of multicollinearity is tested by examining the relative size of the pairwise correlation coefficient between the explanatory independent factors. An examination of the correlation matrix indicates that the correlation for each coefficient is less than about (0.50). Therefore, it is possible to interpret the findings since the multicollinearity is not severe (Hair et al., 2010). Hair et al. (2010) recommended assessing the tolerance and variance inflation factor (VIF). Tolerance refers to the assumption of the variability in one independent variable that does not explain the other independent variable. The results of the stepwise regression analysis indicate that three factors of quality of

financial reporting are found significantly related to the non-financial performance. The direction of this relationship is positive. The findings also indicate that all of those two explanatory independent factors are included in the regression equation. These three factors in terms of their order of importance are: (1) Relevance (2) Faith Representation and (3) Understandability (Table 6).

The adjusted square for these factors is 0.625 as shown in table 6. This indicates that about 62% of the variations of the non-financial performance could be explained by only these factors.

Testing the Variation on the Quality of Financial Reporting based on the Demographic Attributes

The ANOVA analysis technique is also used to examine the other hypotheses (H02, H03, H04). To assess the differences among business organizations in terms of quality of financial reporting based on their organization's demographic characteristics such as size, type of business and business experience (age). As it is shown in Table 7, there are no any significant differences among business originations in terms of quality of financial reporting either taken separately or together due to their types of business sector (e.g. service vs. industrial business) to which they belong. It may be concluded that type of business whether service or industrial did not have any influence upon the quality of financial reporting, This result is comply with the Jordanian Companies law. In accordance with Companies Law No. 22 (1997), all public shareholding companies, irrespective of their types (service or industrial) required to prepare and issue their annual audited financial statements-their balance sheets, income statements and cash flows statements within three months from the end of the company's fiscal year. Accordingly, Jordanian commercial laws have obliged public listed companies to present audited quarterly, semi-annual, annual financial statements and other financial reports.

Table 7
THE SIGNIFICANCE THE QUALITY OF FINANCIAL REPORTING AMONG GROUPS OF ORGANIZATIONS BASED ON THEIR TYPE OF BUSINESS

QFR		Sum of Squares	Mean Square	F	Sig.
Relevance	Between Groups	0.288	0.288	0.285	0.594
	Within Groups	347.757	1.011		
	Total	348.045			
Understandability	Between Groups	0.057	0.057	0.066	0.797
	Within Groups	295.950	0.0860		
	Total	296.007			
Faith representation	Between Groups	0.020	0.020	0.022	0.881
	Within Groups	302.451	0.879		
	Total	302.470			
	Between Groups	0.050	0.050	0.053	0.817
	Within Groups	320.858	0.0933		
	Total	320.908			
Comparability	Between Groups	0.026	0.026	0.024	0.877
	Within Groups	371.315	1.079		
	Total	371.341			
Total (All together)	Between Groups	0.000	0.000	0.000	0.985
	Within Groups	252.482	0.734		
	Total	252.482			

ANOVA test is also used to measure the differences among the business originations in terms of the quality of financial reporting based on their size (number of employees). The results shown in Table 7 indicate there are significant differences among business

organizations in terms of the quality of financial reporting due to their size. This result suggests that the business organization were varied in the quality of financial reporting either taken together or separately due to their size of business.it might be concluded that size of public listed companies could influence significantly on the quality of financial reporting. This result is constant with other studies such as Shehu and Ahmad, 2013; Ojeka et al., 2015.

Table 8
THE SIGNIFICANCE QUALITY OF FINANCIAL REPORTING AMONG GROUPS OF ORGANIZATIONS BASED ON THE SIZE OF BUSINESS

QFR		Sum of Squares	Mean Square	F	Sig.
Relevance	Between Groups	11.055	11.055	11.285	0.001
	Within Groups	336.989	0.980		
	Total	348.045			
Understandability	Between Groups	7.316	7.316	8.717	0.003
	Within Groups	288.691	0.839		
	Total	296.007			
Faith representation	Between Groups	15.911	15.911	19.100	0.000
	Within Groups	286.560	0.833		
	Total	302.470			
	Between Groups	10.729	10.729	11.899	0.001
	Within Groups	310.179	0.902		
	Total	320.908			
Comparability	Between Groups	2.244	12.244	12.092	0.000
	Within Groups	369.097	1.073		
	Total	371.341			
Total (All together)	Between Groups	11.046	11.046	15.738	0.000
	Within Groups	241.436	0.702		
	Total	252.482	11.055	11.285	0.001

Table 9
THE SIGNIFICANCE QUALITY OF FINANCIAL REPORTING AMONG GROUPS OF ORGANIZATIONS BASED ON THEIR EXPERIENCE IN BUSINESS

QFR		Sum of Squares	Mean Square	F	Sig.
Relevance	Between Groups	3.030	3.030	4.021	0.043
	Within Groups	345.015	1.003		
	Total	348.045			
Understandability	Between Groups	4.511	4.511	5.323	0.022
	Within Groups	291.496	0.847		
	Total	296.007			
Faith representation	Between Groups	10.083	10.083	11.863	0.001
	Within Groups	292.387	0.850		
	Total	302.470			
	Between Groups	2.114	2.114	6.281	0.039
	Within Groups	318.794	0.927		
	Total	320.908			
Comparability	Between Groups	1.825	1.825	5.699	0.035
	Within Groups	369.516	1.074		
	Total	371.341			
Total (All together)	Between Groups	4.509	4.509	6.255	0.013
	Within Groups	247.973	0.721		
	Total	252.482			

Furthermore, ANOVA test is employed to examine the difference among the business organizations in terms of the quality of financial reporting based on their business experience (age). The result revealed in Table 9 that there are significant differences among business

organizations in terms of in the quality of financial reporting either taken together or separately due to their business experiences (age). This result is in line with Chalaki et al., (2012) and Huang, Rose-Green and Lee (2012) their studies established that there is a significant relationship between firm age and financial reporting quality. Therefore, stake holders and regulator should expect the financial reports of a firm to improve over time because the internal control of such firms are expected to become better structured with time and a strong internal control is associated with financial reporting quality (Huang et al., 2012).

CONCLUSION

Factor analysis findings results indicated that relevance, understandability, faith representation and comparability are true measures of the quality of financial reporting in that order. This result is supported by the previous studies (Beuselinck and Manigart, 2007; FASB, 2013; and Beest et al., 2009). The findings indicate that the qualitative characteristics of quality of financial reporting are relevant in predicating non-financial performance. The findings also indicated, the power of the quality of financial reporting could explain 62% of the variance in non-financial performance. The results also showed that relevance, faith representation and understandability were the most important qualitative characteristics of the quality of financial reporting that highly associated with the non-financial performance. To best knowledge of the researchers, this result has never been examined before. Theoretically, the vast majority of studies that have used the quality of financial reporting as a theoretical foundation in their conceptual models have confirmed the quality of financial reporting as a significant factor influencing *financial business* performance (e.g. Beuselinck and Manigart, 2007; FASB, 2013; Beest et al., 2009); Mamic, Sacar & Oluic, 2013). Furthermore, the analysis also provides empirical evidence that the variation of the quality of financial reporting among public listed companies in Jordan could be due to their size and business experience but not to their types of business. This result is supported by many studies (Chalaki et al., 2012; Huang, Rose-Green and Lee 2012).

IMPLICATIONS & LIMITATIONS

The present study has important implications for accounting managers, auditors and financial practitioners and top managers in the surveyed companies and in similar organizations. The authors believe that the decision-makers of business organizations could benefit from this study's findings with a better understanding of components of the quality of financial reporting as well as their relationship with non-financial business performance. This might give them a clear picture about the firm's market position in terms of these non-financial performance measures. Furthermore, the result shows that firm age (business experience) is significantly and positively related to financial reporting quality. This implies that the higher the listing years of public listed companies in Jordan, the higher the financial reporting quality. The significant impact of age on financial reporting quality in the study may be a pointer that the monitoring rules and internal control system in Jordan are to some extent sufficient.

However, this study is not without limitations that should be considered when evaluating and generalizing its conclusions. These limitations discussed below can provide a starting point for future research. The study was conducted in one country, Jordan. Although Jordan is a valid indicator of prevalent factors in the wider MENA region and developing countries, the lack of external validity of this research means that any generalizations of the research findings should be taken with caution. Future research can be orientated in other national and cultural settings and compared with the results of this study. The data analysis

was cross-sectional. As with all cross sectional studies, the parameters tended to be static rather than dynamic. This drawback limits the generalization of the study's findings to further situations and beyond the specific population from which the data was gathered.

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