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Governance practices and interim disclosure quality: Evidence from Indian pharmaceutical and financial services firms

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ABSTRACT

The current study investigates the impact of corporate governance mechanisms on Interim Financial Reporting Quality (IFRQ) of Indian pharmaceutical and financial services companies listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). This paper uses balanced panel data and fixed-effects regression analysis to study the impact of board size, board diversity, audit unit independence, and ownership structure on IFRQ. Interim Financial Reporting Quality is measured using discretionary accruals estimated by the Modified Jones Model, a widely accepted proxy for reporting quality. Our results show that board diversity ($\beta = 0.028$, $p < 0.01$) and audit unit independence ($\beta = 0.021$, $p < 0.05$) are positively related to reporting quality, whereas the size of the board of directors is negatively related ($\beta = -0.012$, $p < 0.05$). There is a weak positive relationship between ownership structure and IFRQ. Furthermore, in the context of sectoral moderation analysis, we find that the governance–IFRQ association is substantially stronger for firms in financial services than for pharmaceutical firms ($\beta = 0.018$, $p < 0.01$), highlighting the importance of industry-specific regulatory environments. The model explains a large part of the variation in IFRQ ($R^2 = 0.61$) and shows good explanatory power. The results suggest that companies can improve the quality of interim reporting by increasing board independence and the oversight function of the audit unit, and regulators may consider sector-specific governance guidelines to improve transparency and investor confidence in emerging markets.

Contribution/Originality: This study contributes to existing literature by examining interim financial reporting quality rather than annual reporting in Indian firms. It compares pharmaceutical and financial services sectors, documents how governance mechanisms affect IFRQ, and identifies sectoral differences in the governance–reporting relationship.

1. INTRODUCTION

Financial reporting is a key component of capital markets, providing regulators, investors, and other stakeholders with timely and relevant information. In developing countries like India, information asymmetry is reduced by high-quality interim reporting, which improves decision-making efficiency (Biddle, Hilary, & Verdi, 2009; Bushman & Smith, 2001; Hasan, Aly, & Hussainey, 2022; Leuz, Nanda, & Wysocki, 2003). In recent years, with the increase in

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the number of investors and the increasing emphasis on transparency from regulatory bodies, the need for reliable and timely financial disclosure has increased. It is widely accepted that governance practices have an impact on the quality of interim reporting. Control mechanisms such as the composition of the board, supervision of the audit unit, and ownership structure are established to control managerial behaviour and to ensure accountability in the process of interim reporting (Cohen, Krishnamoorthy, & Wright, 2004; García-Meca & Sánchez-Ballesta, 2009; Shleifer & Vishny, 1997). Previous empirical studies have shown that good governance mechanisms can improve reporting quality by reducing opportunistic behaviour and improving internal control systems (Amanamah, 2024; Hasan et al., 2022). Variations in the pressures confronting these industries suggest that the same governance tools are likely to produce very different results in different sectors. A further important limitation of the available literature is that the focus is mainly on annual financial reporting and that very little attention has been paid to interim financial reporting. Interim reports are used to provide more frequent information on the performance of the firm. Investors increasingly use interim reports to make decisions in a timely manner. However, shorter reporting horizons and relatively less audit scrutiny can increase the scope for managerial discretion and therefore make governance mechanisms more critical in ensuring reporting quality (Hasan et al., 2022). However, little empirical evidence has examined in detail the association between corporate governance practices, including IFRQ, and sectoral variations in the Indian context, despite extensive research having been conducted. Furthermore, the interaction between governance structures and industry characteristics in relation to the quality of interim reporting has not been adequately studied. The following research questions are addressed in the current study in light of the discussion above:

RQ1: What impact do corporate governance practices have on IFRQ in Indian listed companies?

RQ2: Do financial services and pharmaceutical companies have different relationships with IFRQ and governance practices?

RQ3: Does the effectiveness of governance procedures in enhancing IFRQ depend on the sector?

In the context of developing financial markets, investors depend on timely and credible financial information to make investment decisions. Hence, understanding the role of governance procedures in determining the IFRQ is essential. There is increasing interest in corporate governance, but there is very little research about the contribution of governance in improving interim reporting quality in the Indian context. Hence, the current study aims to examine the impact of ownership structure, audit unit independence, board of directors' size, and board diversity on IFRQ for listed pharmaceutical and financial services companies. The study also examines whether the association between IFRQ and governance mechanisms differs across sectors.

The study contributes to the existing literature in several ways. It offers evidence on an area that has been the subject of relatively little scholarly attention by concentrating on interim rather than annual financial reporting. The comparison between pharmaceutical and financial services firms also illustrates the role of industry characteristics and regulatory environments in the effectiveness of governance practices. Moreover, the findings add to a growing body of knowledge on corporate governance in emerging economies and offer evidence that can help regulators, companies, and stakeholders to enhance the credibility of interim reporting disclosures.

2. REVIEW OF PRIOR RESEARCH

2.1. Conceptual Foundation

Agency theory is related to IFRQ and governance procedures. The theory suggests that the division of ownership and authority (Fama & Jensen, 1983; Jensen & Meckling, 1976; Shleifer & Vishny, 1997) may result in managers and shareholders having different objectives. There is some degree of discretion in financial reporting that can be used in managers' own interests. As a result, governance mechanisms such as diversified boards, effective audit units, and appropriate ownership structures are expected to enhance oversight and accountability and reduce the likelihood of biased financial reporting. External institutional conditions and internal governance arrangements influence reporting practices. In practice, the operation of governance mechanisms is affected by the regulatory, legal, and

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industry environments in which companies are embedded. For example, firms in heavily regulated industries have more stringent compliance requirements and more intensive monitoring, while research-intensive industries have different reporting problems. Thus, the effectiveness of governance mechanisms may vary across industries, as they are used in different institutional contexts. Financial accounting information also plays an important role in corporate governance by supporting monitoring and reducing information asymmetry (Bushman & Smith, 2001). High-quality financial reporting can further support efficient investment decisions by providing more reliable information to investors and other stakeholders (Biddle et al., 2009). This may also help explain the lack of a common reporting outcome across sectors, even with similar governance structures. Evidence from board-composition research further indicates that independent outside directors can strengthen monitoring and reduce reporting-related misconduct (Beasley, 1996), while audit committee and board characteristics are associated with earnings quality (Vafeas, 2005). Broader evidence also indicates that corporate governance mechanisms are associated with earnings management and reporting outcomes (García-Meca & Sánchez-Ballesta, 2009).

2.2. Diversified Board and Reporting Quality

Diversified boards are generally considered to be an important part of corporate governance because independent directors improve monitoring effectiveness and reduce managerial opportunities. It is assumed that independent boards' objective oversight of the financial reporting processes enhances the reliability and accessibility of financial disclosures (Cohen et al., 2004; Hasan et al., 2022). Observed data show that the greater the number of diversified directors, the lower the earnings management and the higher the quality of reporting (Amanamah, 2024). Earnings management has also been examined through discretionary accruals, with the Modified Jones Model providing an established approach for detecting abnormal accrual behaviour (Dechow, Sloan, & Sweeney, 1995). However, the effectiveness of a diversified board may depend on the specific institutional and organisational context. Diversified directors can be passive or, at times, lack firm-specific knowledge. This may not allow them to influence the results of reporting. This indicates that the relationship between a diversified board and reporting quality may be influenced by contextual and institutional aspects. The role of diversified directors is even more important in cases where the reporting period is relatively long, and audit scrutiny is relatively low, as is the case with interim reporting. However, research on the effect of diversified boards on the IFRQ is scarce, especially for emerging markets like India. To address RQ1, we examine the relationship between diversified boards and IFRQ. This result is consistent with other research on the connection between board structure and firm value and monitoring effectiveness (Yermack, 1996; Zahra & Pearce, 1989). Related evidence shows that stronger governance is associated with lower information asymmetry around quarterly earnings announcements (Kanagaretnam, Lobo, & Whalen, 2007).

H_1: The IFRQ is positively and significantly influenced by a diversified board.

2.3. Audit Unit Independence

The audit unit is an important governance body charged with overseeing the interim reporting process. It has responsibilities in respect of internal control practices, statutory compliance, and communication with internal and external auditors, as well as reviewing financial statements. The independence of committee members is particularly important because it facilitates a more objective review of accounting decisions and limits the influence of executive management on financial reporting. The observed data generally support the view that firms with an independent audit unit are more transparent in their financial disclosures and have better reporting practices. However, the effectiveness of audit unit oversight depends on the wider organisational and institutional context. Carcello, Hollingsworth, Klein, and Neal (2006); Goh (2009) and Krishnan (2005) explain that the relationship between audit unit independence and reporting quality is not always consistent across firms because of variations in industry conditions, governance arrangements, and the stringency of regulatory enforcement. Klein (2002) provides further evidence that audit committee characteristics are associated with earnings management, supporting the importance

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of effective audit committee oversight in financial reporting. Evidence from interim reporting also indicates that audit committee independence and financial expertise are associated with greater external auditor involvement in interim reports (Mangena & Tauringana, 2008). Indian evidence similarly links audit committee quality with financial reporting practices (Shankaraiah & Sajjadian Amiri, 2017).

H_2: Presence of an independent audit unit has a positive and significant impact on the IFRQ.

2.4. Ownership Structure

Shareholders ratchet up the scrutiny. The influence of ownership structure on corporate governance is as follows: ownership structure can mitigate agency problems by allowing large shareholders to monitor management behaviour efficiently. Observed data suggest that ownership structure can enhance IFRQ by improving the monitoring mechanism (Hasan et al., 2022). However, the relationship between ownership structure and IFRQ is complex and sometimes ambiguous. Concentrated ownership may be useful because it facilitates monitoring, but it can be counterproductive: large shareholders can entrench themselves and squeeze out minority investors, leading to selective or biased disclosure. Both effects imply that a higher level of ownership concentration does not necessarily translate into a clear improvement in the quality of reporting. The importance of ownership structure seems particularly salient in interim reporting settings, where disclosure is more flexible. However, there is little empirical research on this relationship in emerging markets. RQ1 is investigated in this study by examining the effect of ownership structure on IFRQ. Ownership structure has also been related to investor protection mechanisms and reporting behaviour (Leuz et al., 2003).

H_3: The IFRQ is significantly impacted by ownership structure.

2.5. Sectoral Differences and Moderating Effect

Industry characteristics influence the relationship between governance procedures and IFRQ. Different sectors have different rules, operational complexities, risk levels, and, therefore, governance outcomes. For example, financial services firms are tightly regulated and closely monitored, which leads to more formal governance structures and more standardised financial reporting. Pharmaceutical companies operate in a high-uncertainty, innovation-driven industry with long development times and complex accounting for R&D and intangibles. Thus, the same governance mechanisms may result in different reporting quality (Mohanty & Mishra, 2022). These factors may reduce the power of governance mechanisms to limit managerial discretion. However, industry effects have been considered only as control variables in most prior studies and not as the key determinants of governance effectiveness. The gap shows the need to study how sector characteristics affect the relationship between governance procedures and IFRQ. The study answers RQ2 and RQ3 by examining whether the sector moderates the governance-IFRQ association. Research on interim financial statements also highlights concerns about the reliability and faithful representation of quarterly information (Lightstone, Young, & Mcfadden, 2012). Evidence from Indian companies further shows that board and audit committee characteristics can significantly affect financial reporting quality under Indian GAAP and Ind. AS (Almaqtari, Hashed, Shamim, & Al-Ahdal, 2020).

H_4: Sector moderates the relationship between governance procedures and IFRQ.

3. METHODOLOGY

The empirical study employed a quantitative research design to examine the relationship between governance procedures and IFRQ with reference to Indian listed companies. The data for the variables used in the analysis were collected from public disclosures of the corporate sector, such as annual reports, quarterly financial statements, governance reports, and filings with the stock exchanges through the NSE and the BSE. Pharmaceutical and financial services firms are the focus of the study because these industries differ considerably in terms of regulation, reporting, and business practices, but provide comparable governance data for the study period. Sample selection was based on

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predetermined eligibility criteria so that all firms in the sample were continuously listed and provided full disclosure of financial and governance information during 2021–2025. To ensure consistency across the dataset, companies with incomplete records, irregular reporting patterns, or missing observations were excluded. The final balanced panel consists of twenty firms in total: ten pharmaceutical companies and ten financial services companies. This represents a total of one hundred firm-year observations, sufficient to study cross-sectional and longitudinal variation. The use of a balanced panel enhances the robustness of the analysis and enables consistent comparison across firms and time. We performed several robustness checks to verify the validity of the results. These checks included alternative measures of IFRQ, multicollinearity testing with the Variance Inflation Factor (VIF), and sensitivity analysis. All statistical analyses were performed using SPSS and other relevant econometric tools.

3.1. Variable Measurement

The IFRQ is proxied by discretionary accruals, which are estimated using the Modified Jones model suggested by Dechow et al. (1995). Discretionary accruals have been widely used in accounting research as a stand-in for how much reported earnings represent managerial judgement rather than underlying business performance. Lower absolute discretionary accruals indicate less scope for earnings manipulation and are thus considered a proxy for greater IFRQ. Total accruals are first obtained from accounting data and then separated using the Modified Jones method into discretionary and non-discretionary components. The residual component is employed in the model to obtain discretionary accruals, which are used as a measure of IFRQ in the present analysis. This approach is a good indicator of the transparency and reliability of reporting over the study period, given that interim reports provide managers with more room for manoeuvre in financial reporting than annual statements.

The estimation procedure is carried out in the following steps.

Equation 1 presents the calculation of total accruals as the difference between net income and cash flow from operations.

Total Accruals (ToAc) are calculated as:

$$ToAc_{it} = NeIn_{it} - CFOp_{it} \quad (1)$$

Where $NeIn$ represents net income, and $CFOp$ represents cash flow from operations.

Equation 2 presents the Modified Jones Model used to estimate discretionary accruals and thereby operationalise IFRQ.

The Modified Jones Model is estimated as:

$$ToAc_{it} / TA_{it-1} = \alpha_1(1/TA_{it-1}) + \alpha_2[(\Delta REVE_{it} - \Delta RECE_{it})/TA_{it-1}] + \alpha_3(PrPlEq_{it}/TA_{it-1}) + \varepsilon_{it} \quad (2)$$

Where:

$ToAc_{it}$ = Total accruals of firm i in year t.

TA_{it-1} = Total assets at the beginning of the period.

$\Delta REVE_{it}$ = Change in revenue.

$\Delta RECE_{it}$ = Change in accounts receivable.

$PrPlEq_{it}$ = Gross property, plant, and equipment.

ε_{it} = Residual term.

The independent variables include:

a. Size of the Board of Directors (SBOD): Number of directors serving on the company's board during the financial year.
b. Diversified Board (DIVB): Ratio of directors with different skills to the total board membership.
c. Audit Unit Independence (AUIND): Share of independent directors serving on the audit unit.
d. Ownership Structure (OWS): The percentage of equity ownership held by major or controlling shareholders.

Control variables include:

a. Assets vs liabilities (AVSL): Ratio of total liabilities to total assets.

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b. Debt vs Equity (DVSE): Ratio of Debt to Equity.
c. Return vs Assets (RVSA): Net profit generated relative to total assets.
d. Time of Life (TOL): Number of years elapsed since the company's incorporation.

3.2. Model Specification

Panel regression techniques were employed to evaluate the influence of governance procedures on IFRQ while accounting for both firm-specific differences and changes across the study period. Two complementary regression models were estimated. The first assesses the individual contribution of board size, board diversity, audit unit independence, and ownership structure after controlling for firm characteristics such as size, debt vs. equity, return vs. assets, and firm age. This specification provides evidence on whether each governance attribute independently explains variation in reporting quality across the sampled firms.

The baseline model is specified as follows:

$$IFRQ_{it} = \beta_0 + \beta_1 SBOD_{it} + \beta_2 DIVB_{it} + \beta_3 AUIND_{it} + \beta_4 OWS_{it} + \beta_5 Controls_{it} + \varepsilon_{it} \quad (3)$$

Where: IFRQ_{it} represents IFRQ of firm i at time t, SBOD_{it} denotes board size, DIVB_{it} represents diversified board, AUIND_{it} denotes audit unit independence, OWS_{it} represents ownership structure, Controls_{it} include firm-specific variables such as assets vs. liabilities, debt vs. equity, return vs. assets, and time of life; ε_{it} is the error term.

3.3. Moderation Model

A second regression model is specified to extend the baseline specification by including sector as a moderating variable. This approach allows us to examine whether the impact of corporate governance procedures differs between pharmaceutical companies and financial services companies. The sector is represented by a binary indicator, and interaction terms between the governance index and sector are introduced to capture possibly different effects of governance quality across industries. The composite governance index is a combination of the standardized values of board of directors' size, board and audit unit independence, and ownership structure. This enables us to examine the overall quality of governance rather than evaluating each mechanism in isolation.

$$IFRQ_{it} = \beta_0 + \beta_1 CoGo_{it} + \beta_2 SEC + \beta_3 (CoGo_{it} \times SEC) + \beta_4 Controls_{it} + \varepsilon_{it} \quad (4)$$

Where: CoGo_{it} represents corporate governance, SEC is a dummy variable (1 = Financial Services, 0 = Pharmaceutical), $\text{CoGo}_{it} \times \text{SEC}$ captures the interaction effect, ε_{it} is the error term.

We can determine whether the impact of governance practices on IFRQ differs by sector thanks to the interaction term.

3.4. Model Interpretation

Two levels of interpretation are possible with the estimated models. The baseline specification estimates the direct relationship between individual governance procedures and IFRQ. The extended specification tests whether these relationships differ across industries. Statistically significant interaction effects indicate that sectoral conditions influence the strength of governance procedures and support the argument that organisational governance functions within a broader institutional environment rather than independently of it.

3.5. Conceptual Model

Figure 1 illustrates the proposed conceptual model linking corporate governance mechanisms, interim financial reporting quality (IFRQ), control variables, and sectoral moderation.

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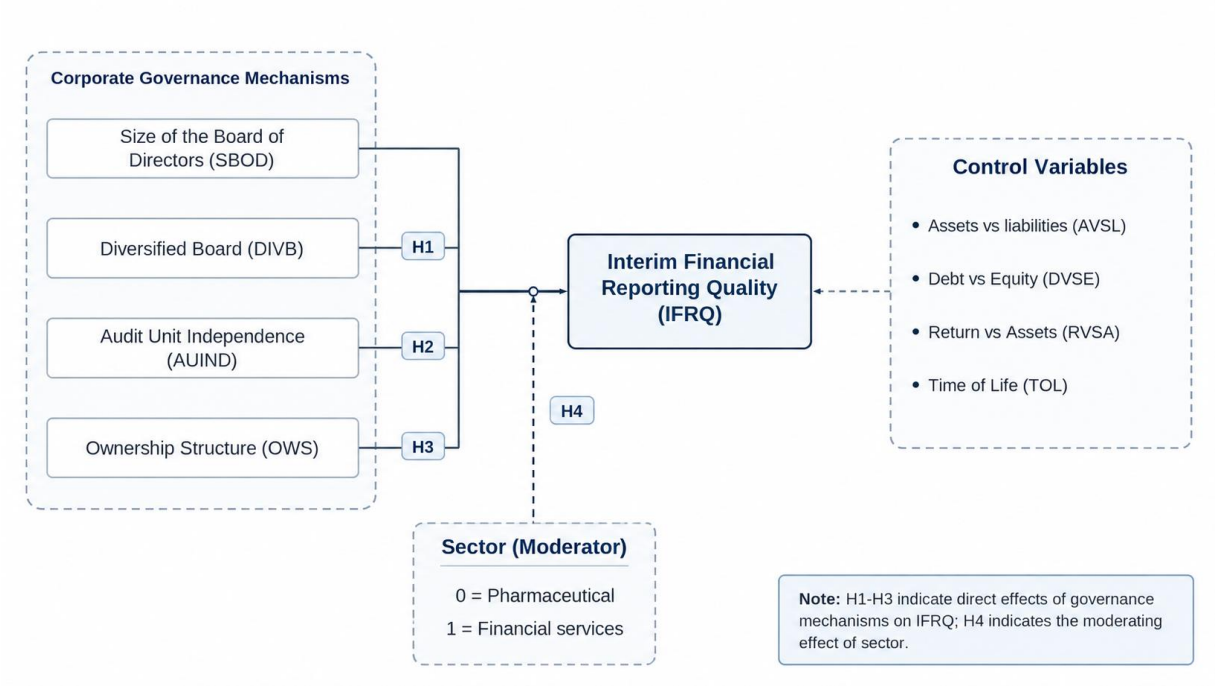


Figure 1. Conceptual Model of Governance Practices and Interim Financial Reporting Quality.

4. ANALYSIS OF DATA

This section presents the descriptive, comparative, correlational, regression, moderation, and robustness analyses used to evaluate the proposed relationships and hypotheses.

4.1. Analysis of Descriptive Data

The descriptive analysis summarises the distribution and central tendencies of IFRQ and the governance and control variables used in the study.

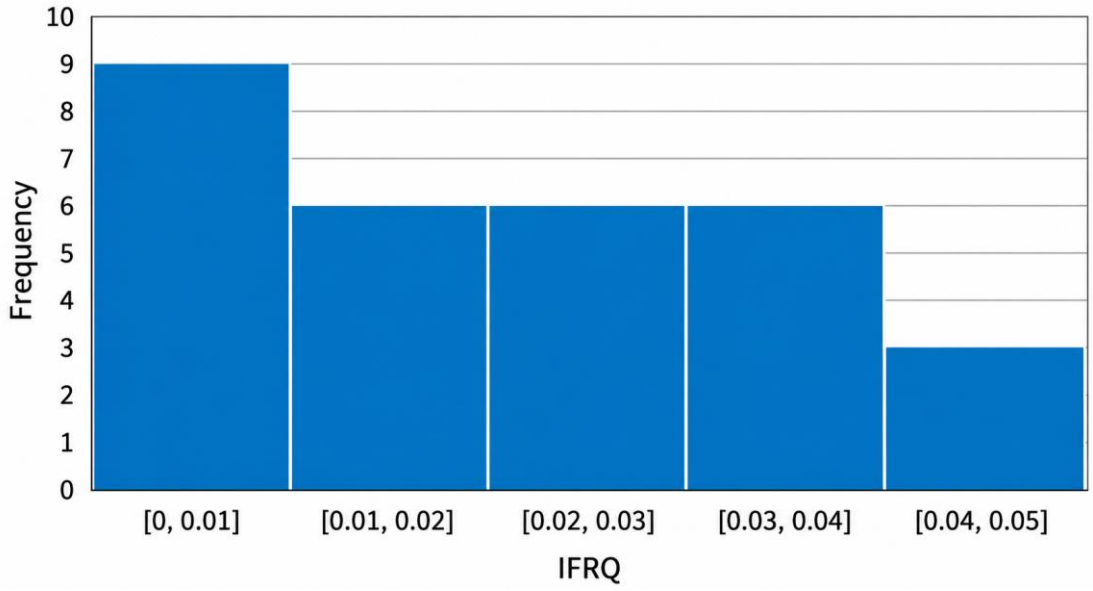


Figure 2. Distribution of interim financial reporting quality (IFRQ).

Figure 2 illustrates the distribution of IFRQ across the sampled firms and indicates a broadly balanced spread with moderate dispersion.

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Interpretation: The histogram of IFRQ shows a fairly normal distribution with a medium dispersion across firms. There is no extreme skewness, which means that the data is suitable for regression analysis.

Table 1. Descriptive statistics.

Variables	Mean	Std. Dev.	Min.	Max.
IFRQ	0.026	0.015	0.00	0.05
SBOD	8.67	1.65	6	11
DIVB	0.56	0.08	0.43	0.70
AUIND	0.72	0.08	0.60	0.85
OWS	0.49	0.07	0.35	0.60
AVSL	14.6	0.90	13.0	16.1
DVSE	0.39	0.06	0.30	0.50
RVSA	0.087	0.031	0.02	0.15
TOL	28.40	11.20	8	52
CoGo Index	0.00	0.82	-1.65	1.78

The descriptive statistics indicate that there is a moderate variation in IFRQ across firms (see Table 1). Governance variables such as diversified board and audit unit independence tend to have relatively stable distributions. This suggests that there is little variation in governance structures across firms.

4.2. Sector-Wise Comparison

The sector-wise analysis compares interim reporting quality across pharmaceutical and financial services firms to assess whether industry characteristics are associated with differences in IFRQ.

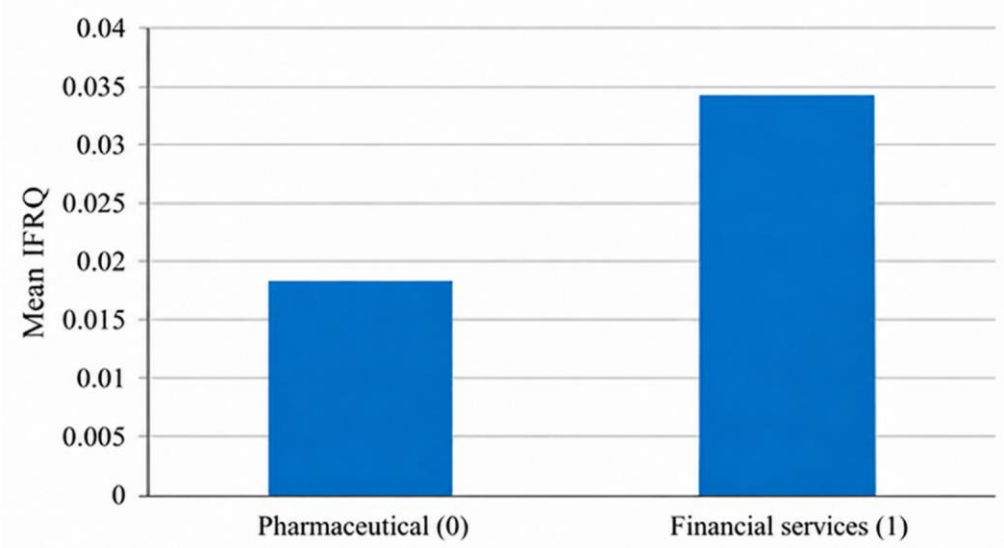


Figure 3. Sector-wise comparison of interim financial reporting quality.

Figure 3 illustrates the sector-wise difference in IFRQ, with financial services firms showing the highest mean IFRQ in the sample.

Pharmaceutical firms have lower IFRQ than financial services firms, which suggests that stronger regulatory oversight improves governance effectiveness. This supports the argument that sectoral characteristics affect the governance–reporting relationship.

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4.3. Correlation Analysis

The correlation analysis examines the pairwise associations among IFRQ, governance variables, and control variables before the regression estimations (see Table 2).

Table 2. Correlation matrix.

Variables	IFRQ	SBOD	DIVB	AUIND	OWS	AVSL	DVSE	RVSA	TOL
IFRQ	1.00								
SBOD	-0.32	1.00							
DIVB	0.48	-0.21	1.00						
AUIND	0.42	-0.18	0.55	1.00					
OWS	0.25	0.30	0.10	0.12	1.00				
AVSL	0.45	0.60	0.20	0.22	0.35	1.00			
DVSE	-0.38	0.15	-0.12	-0.20	0.25	0.28	1.00		
RVSA	0.34	-0.10	0.24	0.19	0.11	0.31	-0.26	1.00	
TOL	0.21	0.18	0.11	0.09	0.16	0.37	-0.08	0.22	1.00

Note: Correlation Results show that diversified board and audit unit independence are positively related to IFRQ, while Debt vs Equity is negatively related. The correlation coefficients are less than the critical values, which means that multicollinearity is not a major issue.

Table 3. Variance inflation factor (VIF) results.

Variables	VIF
SBOD	1.45
DIVB	1.62
AUIND	1.58
OWS	1.30
AVSL	1.70
DVSE	1.40
RVSA	1.35
TOL	1.28

4.4. Multicollinearity Test (VIF)

The variance inflation factor analysis assesses whether the explanatory variables exhibit problematic linear dependence that could affect the stability of the regression estimates (see Table 3).

All the variables have VIF values well below the commonly accepted level of 5. This implies that multicollinearity is not a problem in the regression model. This confirms that the independent variables are not highly correlated and can be used reliably in the regression analysis.

4.5. Panel Regression Results

The panel regression results assess the direct effects of board size, board diversity, audit unit independence, and ownership structure on IFRQ while controlling for firm characteristics (see Table 4).

Table 4. Panel regression results.

Variables	Coefficient (β)	Std. Error	t-value	p-value
SBOD	-0.012	0.005	-2.40	0.017
DIVB	0.028	0.009	3.11	0.002
AUIND	0.021	0.008	2.62	0.009
OWS	0.010	0.006	1.67	0.096
AVSL	0.014	0.004	3.50	0.001
DVSE	-0.009	0.003	-2.80	0.005
RVSA	0.011	0.004	2.75	0.007
TOL	0.002	0.001	1.95	0.054

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4.6. Model Fit Statistics

The model fit statistics indicate the overall explanatory performance and statistical significance of the baseline regression specification (see Table 5).

Table 5. Model fit statistics for the baseline regression.

Statistic	Value
R^2	0.61
Adjusted R^2	0.58
F-statistic	18.42***
Observations	100

Note: *** indicates significance at the 1% level.

The results show that diversified board (DIVB) and audit unit independence (AUIND) have positive relationships with IFRQ, while the Size of the Board of Directors (SBOD) has a significant negative relationship. The effect of OWS (ownership structure) is only marginally positive. Among the control variables, we find that Assets vs. liabilities (AVSL) and Return vs. Assets (RVSA) add value, while Debt vs. Equity (DVSE) is negatively related to IFRQ. The firm's age (TOL) has a small positive effect. Overall, the model explains 61% of the variability in IFRQ (R2 = 0.61).

4.7. Moderation Model Results

The moderation analysis evaluates whether the relationship between corporate governance and IFRQ differs between pharmaceutical and financial services firms (see Table 6).

Table 6. Moderation regression results.

Variables	Coefficient(β)	Std. Error	t- value	p-value
CoGo	0.032	0.010	3.20	0.001
SEC	0.015	0.006	2.30	0.020
CoGo × SEC	0.018	0.007	2.70	0.008
AVSL	0.013	0.004	3.25	0.001
DVSE	-0.008	0.003	-2.60	0.010
RVSA	0.010	0.004	2.50	0.014
TOL	0.002	0.001	1.88	0.063

4.8. Model Fit

The moderation model fit statistics summarise the explanatory power and overall significance of the extended specification incorporating sectoral effects (see Table 7).

Table 7. Model fit statistics for the moderation model.

Statistic	Value
R^2	0.47
Adjusted R^2	0.43
F-statistic	21.25 ($p < 0.01$)
Observations	100

Corporate governance does not seem to affect reporting quality in the same way in the two sectors. The interaction term is positive and statistically significant ($\beta = 0.018$, $p < 0.01$), indicating a stronger governance effect in financial services firms. This is consistent with the positive sector coefficient, as these firms have higher IFRQ overall. This is in part due to a stricter regulatory environment. Similar observations were reported by Hasan et al. (2022) and Klein (2002).

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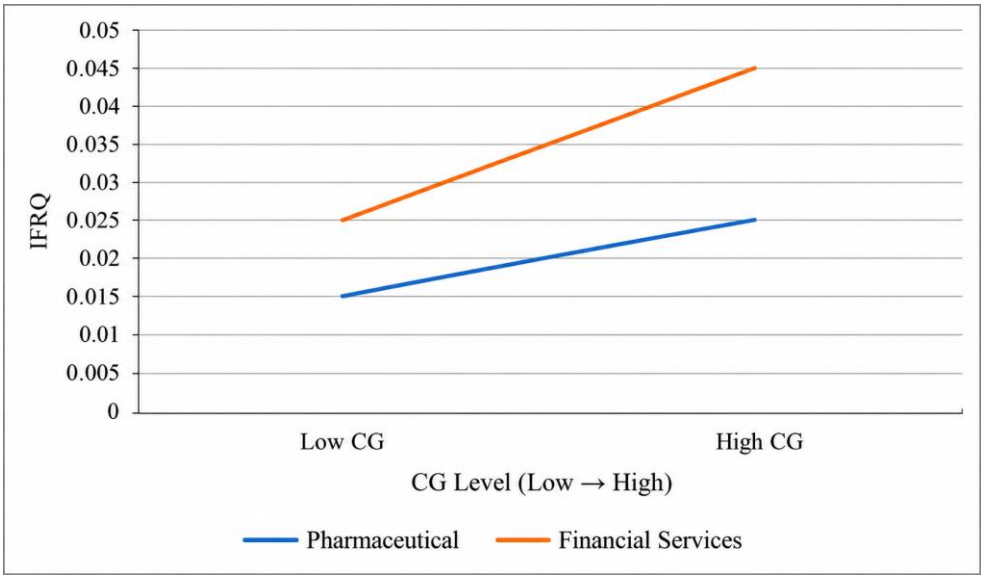


Figure 4. Moderating effect of sector on the governance–IFRQ relationship.

Figure 4 illustrates the moderating effect of sector on the governance–IFRQ relationship, showing a steeper governance slope for financial services firms. The interaction plot indicates that the impact of governance procedures on IFRQ is more significant in the financial services industry than in the pharmaceutical industry, as reflected in a steeper slope. This visually confirms the sector's moderating role.

4.9. Hausman Test

The Hausman test is used to determine whether fixed-effects or random-effects estimation is more appropriate for the panel data (see Table 8).

Table 8. Hausman test results.

Test	Chi-Square	p-value
Hausman	18.72	0.002

The fixed-effects model is more suitable than the random-effects model, according to a significant p-value (< 0.05). This confirms that the relationship between corporate governance and IFRQ is determined by firm-specific characteristics, thus supporting the application of fixed-effects estimation.

4.10. Robustness Checks

Further tests were conducted to assess the robustness of the results. Specifically, we employed alternative measures of IFRQ and obtained similar findings. Multicollinearity diagnostics indicated acceptable VIF levels, and predictor variables were not excessively correlated. Sensitivity analysis indicated that the estimated coefficients were robust to alternative specifications of the model. Together, these checks add to confidence in the pragmatic results.

5. DISCUSSION OF THE RESULTS

The results of this study offer practical proof that governance procedures are of significant importance in enhancing IFRQ of Indian listed firms. Furthermore, the findings also indicate that the effectiveness of governance mechanisms is industry-specific, emphasising the role of industry-specific characteristics in affecting reporting outcomes. These findings are consistent with the theoretical arguments constructed from Agency Theory, Institutional Theory and Signaling Theory.

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5.1. Diversified Board and IFRQ (H1)

Observed data suggest that a diversified board is positively related to IFRQ. Boards with a higher proportion of independent directors contribute to credible interim reporting. Diversified directors are generally in a better position to oversee management decisions because they are less likely to be influenced by executive interests. Their objective supervision enhances accountability, prevents opportunistic reporting practices, and promotes increased transparency in interim reporting disclosures. The importance of this relationship also implies that, in addition to regulatory compliance, good board oversight plays a practical role in improving the quality of the reporting information made available to investors and other stakeholders. The findings are consistent with prior studies, which identify a diversified board as an important governance mechanism for improving the effectiveness of monitoring, restricting earnings management, and enhancing the quality of reporting (Yermack, 1996; Zahra & Pearce, 1989).

5.2. Audit Unit Independence and IFRQ (H2)

One of the governance attributes associated with higher IFRQ was the independence of the audit unit. Companies with a greater proportion of independent members on their audit unit produced higher-quality interim reporting information, suggesting that independent oversight can enhance the reporting process. Independent committee members are more likely to critically evaluate accounting judgements, be critical of financial disclosures, and ensure that reporting practices are consistent with established standards. Their presence also curtails the opportunity for management to control the preparation and review of interim reports and thereby enhances the credibility of published financial information. The results support the view that audit units are an effective monitoring mechanism, provided that they are sufficiently independent. This finding is also reported in earlier studies (Amanamah, 2024; Cohen et al., 2004).

5.3. Ownership Structure and IFRQ (H3)

Ownership structure shows a positive but relatively small relationship with IFRQ. The data suggest that large shareholdings could generate greater managerial oversight, as they have the motivation and the capacity to monitor corporate choices. At the same time, the relatively weaker effect found in this study indicates that ownership structure alone cannot guarantee higher-quality reporting. Where ownership is concentrated in a small group of investors, the risk of decisions being made in favour of the controlling shareholders rather than minority investors remains. Ownership structure thus depends on the trade-off between monitoring incentives and the risk of shareholder dominance. Such an interpretation is consistent with prior research that views ownership structure as a governance mechanism which can lead to positive and negative reporting outcomes.

5.4. Sectoral Moderation Effect (H4)

Corporate governance did not have a consistent effect on the IFRQ across the two industries examined. The interaction analysis reveals that sectoral features influence the effectiveness of governance mechanisms, with financial services firms exhibiting a robust governance–reporting association relative to pharmaceutical firms. The difference can be explained by the nature of the two industries. Financial institutions are under tight regulatory supervision and obligatory disclosure requirements, and are subject to continuous regulatory scrutiny, all of which promote improved observance of governance practices. Pharmaceutical companies, by contrast, operate in a world of long product development cycles, research uncertainty, and more complex financial reporting issues. These operating conditions may attenuate the direct effect of governance procedures on the quality of interim reporting. Therefore, the significant interaction effect suggests that industry context needs to be taken into account when assessing the effectiveness of governance practices. This offers support for Hypothesis H4.

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5.5. Overall Discussion

Overall, the results suggest that no single governance mechanism is sufficient to explain differences in IFRQ across firms. More governance practices in place seem to be associated with better reporting quality. Independent directors and independent audit unit members had the strongest association with IFRQ, implying that effective oversight is an important component of transparent financial reporting. Ownership structure was positively associated with reporting quality, but its contribution was comparatively smaller, implying that concentrated ownership alone cannot guarantee better disclosure practices. The moderation analysis further shows that the efficiency of governance arrangements varies across industries. Financial services firms appear to gain more from such mechanisms than do pharmaceutical firms, primarily because they operate in a more stringent regulatory environment. These differences highlight that governance practices should not be assessed separately from the organisational and institutional contexts in which they are implemented. The evidence overall suggests that the internal governance structures and the external environment in which firms operate have an impact on improvements in the quality of interim reporting.

6. CONCLUSION

Corporate governance continues to be an important factor in explaining differences in IFRQ, though the effect of individual governance mechanisms is not uniform. The analysis reveals that independent boards and independent audit units are more closely associated with reliable interim reporting than ownership structures, which contribute to a relatively limited extent. Another interesting observation is that governance practices do not yield the same results in different industries. Financial services companies appear to benefit more from governance structures than pharmaceutical companies. This is related to differences in regulatory supervision and operating conditions. These observations suggest that improvements in reporting quality are not merely a matter of governance compliance. The quality of interim financial disclosures also depends on the functioning of governance mechanisms that are part of a firm's institutional environment.

6.1. Theoretical Implications

The study adds to the evidence on agency theory by showing that governance mechanisms aimed at improving oversight are linked to higher quality interim financial reporting. At the same time, moderation analysis suggests that governance outcomes are influenced by industry-specific conditions, implying that institutional factors affect the effectiveness of governance practices. The study adds to the existing evidence concerning the relationship between governance procedures and IFRQ in emerging economies by investigating two industries in the Indian market.

6.2. Practical Implications

The findings are useful for company boards, audit units, investors and regulators. Organisations should focus more on increasing the independence of boards and ensuring that audit units have sufficient independence to improve the IFRQ. The findings also indicate the importance of adapting governance practices to the characteristics of a given industry rather than applying the same governance arrangements across sectors. Similarly, when developing policies for improving financial reporting practices, regulators may consider governance expectations specific to a sector.

6.3. Limitations

Some limitations need to be considered in interpreting the study. The analysis is restricted to pharmaceutical and financial services companies listed on the NSE of India, which might limit the generalisability of the findings to other industries or capital markets. Discretionary accruals serve as a common stand-in for financial reporting quality, but they may not encompass all dimensions of reporting quality. Also, the study focuses on selected governance variables, while other organisational characteristics can also affect financial reporting behaviour.

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6.4. Future Research

This work may provide a basis for future studies that examine additional sectors or compare firms across countries to see whether similar patterns of governance are observed under alternative regulatory environments. In addition, researchers may include governance features such as board diversity, audit quality, institutional ownership, or executive compensation to gain a broader view of the determinants of reporting quality. Further research with longer observation periods or alternative measures of IFRQ would also strengthen the available evidence.

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