The role of Corporate Governance on IFRS adoption and zakat base- Evidence from Saudi Listed firms

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Abstract

This study aims to explore the impact of corporate governance on the IFRS adoption, and the impact of corporate governance on the Zakat Base. In addition, it also explores the impact of IFRS adoption on the Zakat Base, using a sample of 20 Saudi listed companies over a six-year period (three years before the IFRS adoption from 2014 to 2016, and three years after the IFRS adoption from 2021 to 2023). The study findings reveal that certain corporate governance mechanisms have an impact on the IFRS adoption by Saudi companies, while others do not. Specifically, the results indicate a statistically significant negative impact of board independence and a statistically significant positive impact of the number of audit committee meetings on IFRS adoption. In contrast, board size, the number of board meetings, and audit committee independence show no statistically significant impact on IFRS adoption. Similarly, some governance mechanisms affect the Zakat Base, while others do not. The findings indicate that board size and board independence have a statistically significant negative impact on the Zakat Base, Meanwhile, the number of audit committee meetings has a statistically significant positive impact on it. On the other hand, the variables of the number of board meetings and audit committee independence have no statistically significant effect on the zakat base. Finally, the results show that IFRS adoption of International Financial Reporting Standards has a statistically significant positive impact on the Zakat Base. Considering these findings, it is evident that there is a need for greater regulatory efforts by the Capital Market Authority (CMA) and the Saudi Organization for Chartered and Professional Accountants (SOCPA) to encourage Saudi companies to adopt corporate governance practices and implement the IFRS adoption. This would help enhance the level of disclosure and transparency in the Saudi business environment and support the Zakat revenue, contributing to the achievement of Saudi Vision 2030.

Keywords: Corporate Governance, IFRS adoption, Zakat Base, Board Size, Board Independence, Number of Board Meetings, Audit Committee Independence, Number of Audit Committee Meetings, Saudi Listed Companies.

الملخص:

تهدف هذه الدراسة إلى استكشاف أثر حوكمة الشركات على تبني المعايير الدولية لإعداد التقارير المالية، وتأثيرها على وعاء الزكاة. كما تستكشف تأثير تبني المعايير الدولية لإعداد التقارير المالية على وعاء الزكاة، مستخدمةً عينة من ٢٠ شركة سعودية مدرجة على مدى ست سنوات (ثلاث سنوات قبل تبني المعايير الدولية من ٢٠١٤ إلى ٢٠١٦، وثلاث سنوات بعد تبني المعايير الدولية لإعداد التقارير المالية من ٢٠٢١ إلى ٢٠٢٣). وتكشف نتائج الدراسة أن بعض آليات حوكمة الشركات تؤثر على تبني الشركات السعودية للمعايير الدولية لإعداد التقارير المالية، بينما لا يؤثر بعضها الآخر. وتشير النتائج تحديدًا إلى وجود تأثير سلبي ذي دلالة إحصائية لاستقلال مجلس الإدارة، وتأثير إيجابي ذي دلالة إحصائية لعدد اجتماعات لجنة التدقيق على تبني المعايير الدولية لإعداد التقارير المالية. في المقابل، لا يُظهر حجم مجلس الإدارة، وعدد اجتماعات مجلس الإدارة، واستقلال لجنة التدقيق أي تأثير ذي دلالة إحصائية على تبني المعايير الدولية لإعداد التقارير المالية. وبالمثل، تؤثر بعض آليات الحوكمة على وعاء الزكاة، بينما لا يؤثر بعضها الآخر. تشير النتائج إلى أن حجم مجلس الإدارة واستقلاليته لهما تأثير سلبي ذي دلالة إحصائية على وعاء الزكاة، في حين أن عدد اجتماعات لجنة المراجعة له تأثير إيجابي ذي دلالة إحصائية عليه. من ناحية أخرى، ليس لمتغيري عدد اجتماعات مجلس الإدارة واستقلالية لجنة المراجعة أي تأثير ذي دلالة إحصائية على وعاء الزكاة. وأخيرًا، تُظهر النتائج أن اعتماد المعايير الدولية لإعداد التقارير المالية (IFRS)له تأثير إيجابي ذي دلالة إحصائية على وعاء الزكاة. وبالنظر إلى هذه النتائج، يتضح أن هناك حاجة إلى جهود تنظيمية أكبر من قبل هيئة السوق المالية (CMA)والهيئة السعودية للمحاسبين القانونيين والمهنيين (SOCPA) لتشجيع الشركات السعودية على تبني ممارسات حوكمة الشركات وتطبيق معايير .IFRS وهذا من شأنه أن يساعد على تعزيز مستوى الإفصاح والشفافية في بيئة الأعمال السعودية ودعم إيرادات الزكاة، مما يساهم في تحقيق رؤية السعودية ٢٠٣٠.

الكلمات المفتاحية: حوكمة الشركات، اعتماد المعايير الدولية لإعداد التقارير المالية، وعاء الزكاة، حجم مجلس الإدارة، استقلال مجلس الإدارة، عدد اجتماعات مجلس الإدارة، استقلال لجنة المراجعة، عدد اجتماعات لجنة المراجعة، الشركات السعودية المدرجة.

1-Introduction

The separation of ownership and management within modern corporations has given rise to a persistent conflict of interest between managers, owners, and other stakeholders. This divergence necessitates the implementation of effective mechanisms to regulate these relationships and mitigate potential conflicts. Among the most prominent of these mechanisms is corporate governance, which plays a vital role in ensuring responsible, ethical, and accountable corporate management. Sound corporate governance enhances stakeholder trust—particularly among investors, customers, and employees—contributing significantly to the sustainability and long-term success of firms (Xuan & Loang, 2023; Sari, 2023).

In parallel, the adoption of International Financial Reporting Standards (IFRS) has emerged as a critical tool for aligning the interests of management and stakeholders. By improving the level of financial disclosure and transparency, IFRS facilitates greater confidence in the financial markets and enhances comparability across firms and jurisdictions (Singh, 2025; Alsharqawi and Alsharqawi, 2019).

Corporate governance mechanisms are typically categorized into internal and external controls. Internal mechanisms include board structure, management oversight, internal audits, and performance-based incentives that influence company performance and strategic direction. Conversely, external mechanisms involve oversight by external parties such as regulatory authorities, capital market institutions, investors, creditors, and suppliers, who ensure adherence to governance principles and their effective application (Al Astal et al., 2024; Guluma, 2021).

Globally, corporate governance has attracted considerable interest from both academics and practitioners due to its pivotal role in promoting operational efficiency, building investor confidence, facilitating access to capital, and bolstering financial performance and corporate sustainability (Xuan and Loang, 2023; Sari, 2023).

In Saudi Arabia, the importance of corporate governance transcends mere compliance with legal and regulatory frameworks. It embodies a comprehensive system of checks and balances, ethical standards, and best practices designed to promote transparency, accountability, and the protection of stakeholder interests. Within this broader context, governance is not simply a regulatory necessity but also a strategic imperative that helps shape corporate identity and culture in alignment with Vision 2030 (Ali, 2019; Zureigat, 2024).

Saudi corporate governance frameworks emphasize the pivotal role of the board of directors and its interaction with executive management, shareholders, and wider stakeholder groups. These frameworks are built on core principles such as fairness, responsibility, and transparency, all of which are essential to building and maintaining stakeholder trust and meeting the demands of an increasingly diversified and dynamic economy (ICSI, 2017). As the Kingdom's economy expands and becomes more complex, issues related to risk management, capital allocation, and investor relations require the implementation of robust governance structures to safeguard organizational sustainability (Alduais et al., 2023).

In response to these developments, the Saudi Organization for Certified Public Accountants (SOCPA) launched a convergence initiative with the International Financial Reporting Standards (IFRS)—the SOCPA Project for Transition to International Accounting and Auditing Standards. Initiated in 2012, the project aims to harmonize Saudi accounting practices with international standards, promoting financial transparency, comparability, and investor confidence (Almusaad, 2021; Nurunnabi et al., 2020).

As part of this initiative, IFRS adoption became mandatory for publicly listed companies as of January 1, 2017, and was later extended to other entities for fiscal years beginning January 1,

2018. This transition aligns with the Kingdom’s goal of enhancing financial reporting quality, attracting foreign investment, and supporting broader economic reforms under Vision 2030 (Donker et al., 2025; Gamra et al., 2022; Nurunnabi et al., 2022; Almaqtari et al., 2021).

A critical dimension that intersects with both corporate governance and IFRS in the Saudi context is the calculation and compliance of Zakat obligations for joint-stock companies. The issue of Zakat presents significant complexity due to the intricate nature of contemporary financial transactions and the requirement to interpret them within an Islamic legal framework (Al-Oqaili and Khalil, 2023). Given that the Zakat Base is derived from companies' financial statements, the accuracy and transparency of these reports are vital to ensuring reliable and Sharia-compliant Zakat assessments.

This reliance on financial disclosures is especially significant in emerging markets like Saudi Arabia, where improved financial transparency directly impacts compliance with Islamic financial obligations. With ongoing reforms and increasing economic diversification, transparency has become indispensable not only for investor confidence and market stability but also for achieving the broader strategic objectives of Vision 2030 (Sawmar and Mohammed, 2021; Abojeib et al., 2025).

Moreover, both corporate governance and IFRS adoption work to minimize accounting manipulation, reduce information asymmetry, and elevate financial disclosure standards (Tlemsani et al., 2024). These improvements are particularly relevant to the calculation of Zakat, as high-quality financial data forms the basis for fair and consistent Zakat computations.

Consequently, the combined effect of strong governance frameworks and the application of international accounting standards is expected to enhance the accuracy, credibility, and fairness of Zakat assessments in Saudi publicly listed companies. This alignment not only supports compliance with Islamic Sharia principles but also advances broader efforts to modernize financial infrastructure and institutional integrity across the Saudi economy (Noureldaim, 2023).

2-Research Problem

In recent years, regulatory frameworks for corporate governance have witnessed substantial development and reform, paralleling the ongoing global discourse on the adoption of International Financial Reporting Standards (IFRS). Despite these advancements, several critical research gaps remain unaddressed—particularly concerning the interrelationship between corporate governance, IFRS adoption, and Zakat Base determination, especially in the context of developing and Islamic economies like Saudi Arabia.

Prior research has established that corporate governance mechanisms are instrumental in enhancing transparency, accountability, and financial integrity, while IFRS adoption aims to reduce accounting manipulation, mitigate information asymmetry, and promote uniform financial disclosure. Since the Zakat Base is fundamentally derived from financial data disclosed in corporate financial statements, improving financial reporting quality through sound governance and international accounting standards may significantly improve the accuracy and credibility of Zakat Base measurements.

While the theoretical relationship appears intuitive, empirical evidence remains fragmented and inconclusive. Some studies (e.g., Juhmani, 2017; Hasan & Rahman, 2020; Almaqtari et al., 2021; Gamra et al., 2022) support the positive role of corporate governance in facilitating IFRS adoption and improving compliance with international standards. Others (e.g., Leung & Ilsever, 2013; Chu et al., 2019; Kadir, 2020) find no significant or consistent relationship, attributing the variability to institutional, legal, and economic differences across countries.

Similarly, findings on the relationship between corporate governance and the Zakat Base are divided. While some studies (e.g., Firmansyah & Devi, 2017; Arofata et al., 2019; Zadjuli et al., 2020) report a positive impact, others (e.g., Wahyudi & Puspita, 2022) suggest a lack of significance or mixed outcomes, often influenced by the diversity of governance mechanisms used as proxies. This implies that the effect of corporate governance on the Zakat Base may be context-specific, with results varying based on national governance practices and religious compliance frameworks.

Research focusing explicitly on the link between IFRS adoption and the Zakat Base is notably scarce. This is primarily due to the limited number of countries that incorporate Zakat within their fiscal systems—mainly Saudi Arabia and a few Southeast Asian nations. Some studies (e.g., Pamuncak et al., 2018; Abdul-Rahim & Al-Saad, 2023) suggest a positive relationship, while others (e.g., Aida & Aouadi, 2018) report inconclusive or context-dependent findings, influenced by political, economic, and legal environments. Additionally, a few recent studies (e.g., Alruwaili et al., 2023; Sharawi & Al-Numay, 2024) have examined IFRS adoption in relation to individual components of the Zakat Base, yet without analyzing the direct effect on Zakat determination.

From the above, it is evident that although the literature addresses bilateral relationships (e.g., governance–IFRS, governance–Zakat, IFRS–Zakat), no comprehensive study has integrated all three dimensions in a single empirical model, particularly in the Saudi context, where IFRS adoption, corporate governance reforms, and Zakat obligations coexist and intersect in a unique manner.

Accordingly, the core research problem lies in exploring and empirically testing the interconnected effects of corporate governance and IFRS adoption on the measurement and determination of the Zakat Base in publicly listed Saudi companies. The study aims to fill this gap by providing an integrated analysis of:

1. The extent to which **corporate governance mechanisms** influence the adoption of IFRS in Saudi Arabia.
2. The effect of corporate governance on the **accuracy and transparency** of Zakat Base calculations.
3. The role of IFRS adoption in enhancing the **quality of financial data** used in determining the Zakat Base.

1.1. 3-Research Objectives:

Understanding the impact of corporate governance on IFRS adoption and the Zakat Base, as well as exploring the effect of IFRS adoption on the Zakat Base within the context of Saudi companies, is crucial for policymakers, decision-makers, investors, stakeholders, and society. This understanding provides valuable insights into the factors that contribute to enhancing business organizations' performance, fostering their ability to achieve excellence, success, and long-term sustainability.

Accordingly, the objectives of the current study are as follows:

1. To examine the impact of corporate governance mechanisms on IFRS adoption in listed Saudi companies.

2. To examine the impact of corporate governance mechanisms on the zakat base in listed Saudi companies.

3. To investigate the impact of IFRS adoption on the zakat base in listed Saudi companies.

1.2. 4-Research Importance

This study derives its importance from the status of zakat for every Muslim. Given that the Kingdom of Saudi Arabia is an Islamic country with a formal zakat system, determining and measuring the Zakat base is crucial for all those dealing with Saudi companies. Additionally, Zakat proceeds are utilized to eradicate poverty and promote the country's economic growth.

Furthermore, the study also derives its importance from Saudi Arabia's commitment to effectively implementing best global corporate governance practices and aligning with the global trend of IFRS adoption to enhance disclosure, transparency, accountability, and responsibility. Therefore, there is a need to examine the impact of corporate governance on IFRS adoption and the Zakat Base, as well as to assess the effect of IFRS adoption on the Zakat Base in the context of Saudi companies.

The importance of the study can be explained from a scientific and practical perspective as follows:

1.3. A-Scientific importance:

This study derives its scientific importance from the following:

1. This study extends previous research that has explored the relationship between corporate governance and IFRS adoption,

the relationship between corporate governance and the Zakat Base, and the relationship between IFRS adoption and the Zakat Base. Thus, this study aligns with recent trends in this field.

2. The study aims to provide a theoretical foundation for the concepts of corporate governance, IFRS adoption, and the Zakat Base.
3. This research examines the impact of two key variables—corporate governance and IFRS adoption—on the Zakat Base, which are of particular importance to Saudi Arabia’s strategic priorities. This aligns with the country’s efforts to enhance the Zakat system, which plays a direct role in poverty alleviation and economic growth.
4. There is a scarcity of prior studies that have examined the relationship between these three variables, both in general and specifically within the Saudi context.
5. The present study contributes to academic research in this domain and opens avenues for further investigation by researchers interested in this field.

1.4. B-Practical importance:

This study derives its practical importance from the following:

1. The findings of this study are expected to guide Saudi companies’ decisions regarding IFRS adoption, recognizing it as a key driver in achieving Saudi Vision 2030.

2. Understanding the relationships between corporate governance, IFRS adoption, and the Zakat Base may encourage Saudi corporate managers to implement proactive policies that ensure the successful application of governance mechanisms and compliance with IFRS requirements. This, in turn, can enhance corporate value and positively impact the Zakat Base.
3. The study's recommendations are expected to increase the attention of policymakers and regulatory authorities in Saudi Arabia, leading to decisions and regulations that enforce corporate governance practices and IFRS compliance. This will enhance the accuracy of Zakat Base assessment for Saudi companies, considering that Zakat funds contribute to economic growth, thus aligning with the objectives of Saudi Vision 2030.

1.5. 5-Literature Review and Hypotheses Development

The conception of "corporate governance" is subject to both narrow and broad definitions, pertaining to the two viewpoints of stakeholder and shareholder orientation. If one defines it narrowly, corporate governance is related to the relationships between company's board of directors, corporate managers and shareholders. In contrast, defining broadly, corporate governance can include the combination of laws, listing rules, regulations and voluntary practices of private sector, which allows the corporation to attract capital, generate profit, perform efficiently and meet both general and legal expectations of society (Rizvi & Hussain, 2022).

The Capital Market Authority in Saudi Arabia has been at the forefront of keeping pace with international trends, issuing the Corporate Governance Regulations in 2006. These regulations have undergone several amendments, with the latest one being issued in 2023. These regulations are mandatory for companies listed on the Saudi stock market. According to these regulations, corporate governance is defined as a set of rules for leading and directing a company, including mechanisms for regulating the various relationships between the board of directors, managers, shareholders, and stakeholders. This is done by establishing rules and procedures to facilitate decision-making and to ensure transparency and credibility in order to protect the rights of shareholders and stakeholders, and to promote fairness, competitiveness, and transparency in the market and business environment (CGR of KSA, 2023).

Therefore, the concept of corporate governance encompasses the rules and procedures through which decisions are made, the path to be followed to achieve the company's objectives and the means of achieving them, as well as the measurement of the results achieved (Murad, 2017; Alquaymi & Ahmed, 2025).

Based on the above, it can be said that corporate governance serves as a bridge between the company with its public as well as shareholders, promoting equality, responsibility, reference to events that are used to foresee executives and to ensure that the activities are carried out in line with the welfare and benefits of key stakeholders.

The importance of corporate governance lies in its pursuit of continuous improvement in the laws, regulations, and contracts governing corporate operations, ensuring the protection of shareholders' rights, balancing the interests of stakeholders and managers, and providing a more transparent environment where each party is able to assume its responsibilities and contribute to the company's growth and value creation. Therefore, governance defines the company's way of working, determines how power is exercised, and how decisions are made (Rizvi & Hussain, 2022; Hasan, 2021).

IFRS, as defined by the IASB and International Accountants Standard Committee (IASC), are a set of accounting standards globally accepted for the measurement, disclosure, and reporting of financial information by public interest entities. Alomair et al., (2022) view IFRS as a perceived of high-quality accounting standards, which are assumed to lead to more accurate accounting information.

Furthermore, Ajibade et al., (2022) see IFRS as a combination of the IASs, IFRSs, and Standing Interpretations Committees (SICs) pronouncements; and International Financial Reporting Interpretations Committees (IFRICs) guidelines. Therefore, the IFRS is a robust principle-based set of global accounting standards with detailed disclosure requirements that will be useful to a wide range of users for making economic decisions.

1.6. The Relationship Between Corporate Governance and the Zakat Base:

Rizvi & Hussain, (2022) explained that good corporate governance ensures judicious allocation of the company's resources which increases the net profit performance, and these profits arising from this improved performance will nurture to increase the shareholders' net worth, these profits arising from this improved performance will also nurture to increase the Zakat Base. The study of Nasution et al., (2024) concluded that the implementation of good corporate governance has a significant positive impact on the management of zakat. This can be observed through increased transparency, accountability, responsibility, independence, and justice in the collection and distribution of zakat.

Furthermore, Sawmar & Mohammed, (2021) developed a model regarding the influence of governance mechanisms on zakat payers' compliance using trust as a mediator. The model consists of four governance mechanisms that influence zakat payers' compliance. The four mechanisms include the board and leadership attributes, transparency and disclosure practices, stakeholder management practices and procedural justice. This model is applicable to regulated zakat systems, where the state has established zakat institutions and regulations for the collection and distribution of zakat, such as Saudi Arabia.

In this context, Almaqtari et al. (2021) found that there is a significant negative effect of board size on financial reporting quality in Saudi Arabia. He also found that there is a significant positive effect of board independence, board experience, audit committee size, and audit committee independence on financial reporting quality in Saudi Arabia. This result indicates that there is a negative (positive) indirect effect of board size (board independence, board experience, audit committee size, and audit committee independence) on Zakat Base in Saudi Arabia. Similarly, Ajibade et al. (2022) found that there is a significant positive effect of corporate governance on the honest representation of financial reports of Nigerian development banks. Alquaymi & Ahmed, (2025) found that there is a significant positive effect of board size on the financial performance of Saudi listed companies. These results suggest that there is an indirect positive effect of corporate governance on Zakat Base.

Considering the above, the researcher believes that this requires further study to explore the impact of corporate governance mechanisms on the Zakat base. Therefore, the researcher seeks to test the impact of corporate governance mechanisms on the Zakat base in the Saudi business environment., the researcher believes that this requires further study to explore the impact of corporate governance mechanisms on the Zakat base. Therefore, the researcher seeks to test the impact of corporate governance mechanisms on the Zakat base in the Saudi business environment.

1.7. The Relationship Between IFRS adoption and the Zakat Base:

In the Kingdom of Saudi Arabia, the income tax is applied only to foreign companies and entities. Saudi and Gulf companies and investors are subject to Zakat conforming to the Islamic Shariah. The ZATCA approves financial statements prepared in accordance with accounting principles and standards in general for Zakat base calculation. Consequently, Saudi companies should comply with the standard of presentation and general disclosure and the accuracy of financial information, such as: Distinguishing between fixed assets and current assets, with the addition of certain requirements relating to increased disclosure of the entity, such as the type of investments owned by the entity, and whether or not they are subject to Zakat, as they do not appear in the financial statements, but they are necessary for the purpose of forming the Zakat base (Kateb, & Ftouhi, 2024). In general, ZATCA is considered one of the main significant financial statement users due to its power and authority. Indeed, ZATCA requires more consideration during the transition to IFRS because of its special needs in terms of calculating Zakat. In particular, ZATCA utilizes financial reports provided by Saudi companies as a beginning point to calculate the amount of Zakat that companies should pay. Therefore, financial statements should furnish the ZATCA with all relevant information and sufficient disclosures for calculation purposes. Thus, the adoption of IFRS will certainly affect the information provided to the Zakat, Tax and Customs Authority (ZATCA).

Another main issue associated with the Zakat Standard relates to the impact of IFRS on how Zakat is calculated and classified on financial statements. The current Zakat standard only focuses on how to present accounting information and how to disclose this information without really considering the calculation or the source of Zakat (Pamuncak et al., 2018; Herath & Alsulmi, 2017).

From a Shariah (Islamic law) perspectives, zakat ought to be computed based on the current (or fair) value of the assets subject to Zakat. Therefore, IFRS may better serve Sharia objectives than GAAP developed by the SOCPA-GAAP, especially during a period of rising prices. This is due to the fact that zakat distribution to its beneficiaries would be undervalued during inflation. Hence, fairness and equitable, which is promoted by Islam may be impaired. Consequently, IFRS may better serve Sharia (Islamic law) goals more than traditional financial reporting or it is likely to be considered the same. However, although IFRS either requires or permits fair valuation for many types of assets, this information may sometimes not be available. For example, IAS-2 requires inventories to be carried at a lower cost or net realizable value, so an entity may not disclose the fair value of the inventory, which is an asset subject to Zakat. The SOCPA amended the separate standards for Zakat and income tax accounting were amended in 2016 to be in accordance with IFRS requirements, and it requires all entities to report Zakat in their statement of income (mixed entities having Saudi and foreign partners present this in the statement of changes in equity). Finance charges resulting from Murabaha, Tawarruq (i.e., the reverse of Murabaha), and other Shariah (Islamic law) compliant finance contracts are added (Nurunnabi et al., 2022; Pamuncak et al., 2018; Herath & Alsulmi, 2017).

In the same vein, Yamani (2018) used a hypothetical example to examine the impact of IAS adoption on the tax base and found that the tax base under IAS is larger than it was under the Saudi Income Tax Law. Similarly, Abdul-Rahim & Al-Saad, (2023) concluded that the applying of IAS has an effect on defining and measuring the Zakat Base for the joint stock companies in Kingdom of Saudi Arabia because of the big effect on items of the Zakat Base.

Moreover, Donker et al. (2025) showed that Saudi companies increased their long-term investments and realized greater free cash flow after adopting IFRS. Thus, there is an impact of IFRS adoption on Zakat Base items. In addition, Ajibade et al. (2022) found that there is a significant positive effect of IFRS adoption on the faithful representation of the financial reports of Nigerian development banks. Nurunnabi et al. (2020) found that there is an impact of IFRS adoption on equity, earnings and cash flows in the first year of IFRS reporting. It was found that earnings and equity under IFRS are greater than earnings and equity under SOCPA-GAAP.

In addition, Nurunnabi et al. (2020) found that the majority of Saudi companies support the adoption of IFRS and consider that this will improve the quality of financial reporting by enhancing the transparency and comparability of financial reports. Nurunnabi et al. (2022) confirmed these findings as they proved that the adoption of IFRS improved the appropriateness of financial reporting as well as the financial reporting process for Saudi companies. However, Nurunnabi et al. (2022) reported that revenue and net income are lower under IFRS than the amounts reported under SOCPA GAAP. Furthermore, goodwill, property, plant and equipment, long-term investments, inventory, receivables, current portion of unearned revenue, and shareholders' equity were found to be significantly lower under IFRS, while total assets, total liabilities, and pension provisions are significantly higher under IFRS. In addition, depreciation and amortization expenses are significantly lower under IFRS, reflecting lower asset valuations under IFRS. Total assets and total liabilities are also higher under IFRS compared to SOCPA GAAP.

In light of the above, it is clear that the adoption of IFRS has led to a decrease in shareholders' equity due to the increase in liabilities and decrease in net income. These results indicate that there is an indirect (positive/negative) effect of IFRS adoption on Zakat Base by enhancing transparency and improving the appropriateness of financial reporting. Therefore, the researcher believes that this requires further study to explore the impact of adopting IFRS on the Zakat base. The researcher seeks to test the impact of adopting IFRS on the zakat base in the Saudi business environment.

1.8. 6-Methodolgy

This study adopts a **quantitative research design** using the **action research strategy** to examine the relationships between corporate governance, IFRS adoption, and Zakat Base determination in Saudi listed companies. Action research is well suited to applied contexts, progressing from problem identification to hypothesis testing through statistical tools (Bauer et al., 2018; Assalahi, 2015).

Both **inductive** and **deductive** reasoning are employed. The inductive approach builds the theoretical framework through the review and synthesis of prior literature and corporate reports, while the deductive approach tests hypotheses using statistical analysis of collected data (Bryman, 2016; Yin, 2018; Rahman, 2020).

The study focuses on **quantitative analysis** to test hypotheses using numerical data drawn from financial statements, governance reports, and Zakat-related metrics. Qualitative elements, such as corporate narrative disclosures, are not analyzed as standalone data but are instead coded into measurable variables to facilitate statistical examination.

Data were collected primarily from **secondary corporate documents** covering a six-year period—three years before IFRS adoption (2014–2016) and three years after (2021–2023). Sources include annual financial statements, board of directors' reports, and corporate governance disclosures.

This quantitative methodological framework provides a robust basis for assessing how governance structures and international reporting standards influence Zakat Base determination in the Saudi context, supporting Vision 2030's objectives of transparency and accountability.

1.9. Study Population and Sample Size:

The target population of the current study consists of listed Saudi companies. The study sample was limited to 20 companies listed on the Saudi Stock Exchange, covering a period of three years before IFRS adoption (2014 to 2016) and three years after IFRS adoption (2021 to 2023). The study relied on annual financial reports, board of directors' reports, and corporate governance reports of the selected companies to collect the necessary data. Table (4-1) presents the sectoral distribution of the selected companies included in the study sample.

1Table 4.1: Sectoral distribution of the selected companies included in the sample.

Sector	Number of companies
Energy	1

Materials	3
Industrials	3
Consumer Discretionary	2
Consumer Staples	3
Health Care	1
Financials	5
Telecommunication Services	1
Real Estate	1
Total	**20**

1 Table 4.1: Sectoral distribution of the

1.10. Research Hypotheses Development:

Guided by the study's objectives, three main hypotheses with related sub-hypotheses were formulated to examine the relationships among corporate governance mechanisms, IFRS adoption, and Zakat Base determination in Saudi listed companies.

- **H1:** Corporate governance mechanisms have a significant positive impact on IFRS adoption.
  H1-1: Board size → IFRS adoption
  H1-2: Board independence → IFRS adoption
  H1-3: Board meetings → IFRS adoption
  H1-4: Audit committee independence → IFRS adoption
  H1-5: Audit committee meetings → IFRS adoption

- **H2:** Corporate governance mechanisms have a significant positive impact on the Zakat Base.

  H2-1: Board size → Zakat Base

  H2-2: Board independence → Zakat Base

  H2-3: Board meetings → Zakat Base

  H2-4: Audit committee independence → Zakat Base

  H2-5: Audit committee meetings → Zakat Base

- **H3:** IFRS adoption has a statistically significant effect on the Zakat Base.

1.11. The Research Conceptual Framework and Regression models:

1.12. The Research Conceptual Framework:

Based on the previous hypotheses, Figure 4-1 illustrates the conceptual framework of the research. The independent variables are corporate governance and IFRS adoption of, while the dependent variable is the Zakat base. The control variables include company size, financial leverage, company profitability (ROA), and company growth.

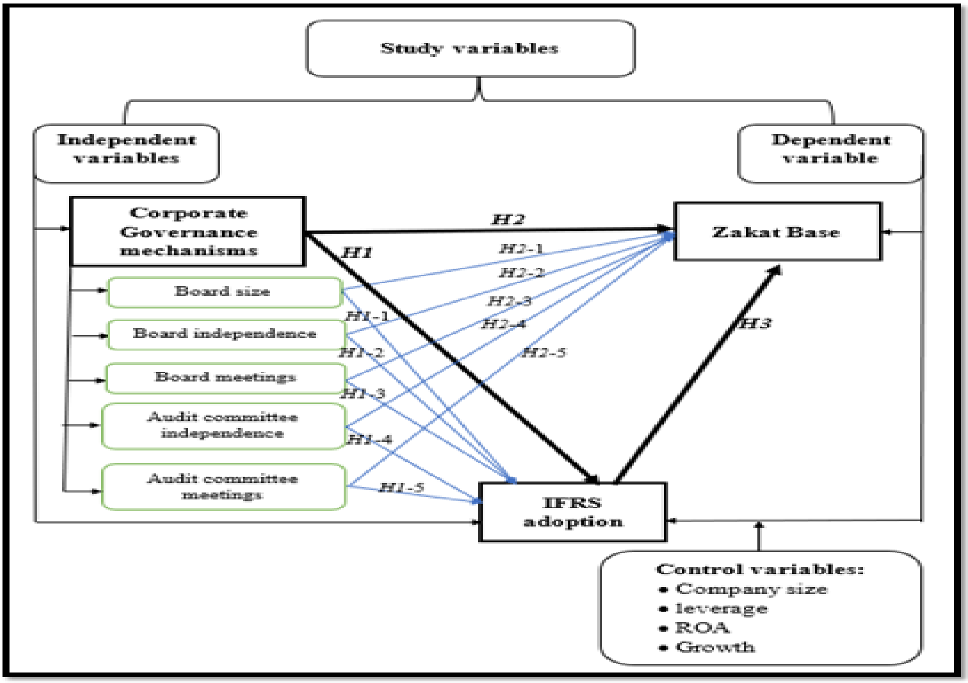

Figure.1 Conceptual Framework of the Research

(Source: Prepared by the researcher)

1.13. Regression models:

To examine the study hypotheses empirically, the following regression models have been developed:

- Hypothesis testing model (H1)

IFRS-adoption = β0 +β1Bsizeit +β2Bindit+ β3NBmeeit +β4ACindit +β5NACmeeit +β6Cosizeit $+\beta_7 Lev_{it}$ $+\beta_8 ROA_{it}$ $+\beta_9 Growth_{it}$ $+\varepsilon$ (1).

<u>- Hypothesis testing model (H2)</u>

$ZB = \beta_0 + \beta_1 Bsize_{it} + \beta_2 Bind_{it} + \beta_3 NBmee_{it} + \beta_4 ACind_{it} + \beta_5 NACmee_{it} + \beta_6 Cosize_{it} + \beta_7 Lev_{it} + \beta_8 ROA_{it} + \beta_9 Growth_{it} + \varepsilon$ (2).

<u>- Hypothesis testing model (H3)</u>

ZB = β0 +β1IFRS-adoptionit +β2Cosizeit +β3Levit +β4ROAit +β5Growthit + ε (3)

The following table (4-2) shows the symbols used to express dependent, independent, and control variables in the study models.

2Table (4-2): Symbols used in the study models.

Symbol	Description
I	indicates the company.
T	Referring to the current year.
β0	Indicates the value of the constant term in the regression equation.
β1- β9	Indicates the coefficients of the independent and control variables.
Bsize	Indicates the size of the board of directors.
Bind	Indicates board independence.
NBmee	Indicates the number of board meetings.
ACind	Indicates the independence of the audit committee.

NACmee	Indicates the number of audit committee meetings.
IFRS-adoption	Dummy variable that takes the value (1) in years after 2017 (the year of IFRS adoption) and takes the value (0) for years before 2017.
ZB	Indicates Zakat base.
Cosize	Indicates the size of the company.
LEV	Indicates leverage.
ROA	Indicates the company's profitability.
Growth	Indicates the company's revenue growth level.
E	Indicates the residuals of the regression model.

1.14. Research Variables Identification and Measurement:

The current study aims to examine the impact of corporate governance on the IFRS adoption of International Financial Reporting Standards, as well as the impact of corporate governance on the Zakat base. Additionally, it examines the effect of IFRS adoption on the Zakat base in the context of listed Saudi companies. Accordingly, the dependent variable in this study is the Zakat base of listed Saudi companies, while the independent variable is corporate governance. Furthermore, the IFRS adoption is considered a dependent variable in relation to corporate governance and an independent variable in relation to the Zakat base.

In general, the study variables are categorized into three groups: dependent variables, independent variables, and control variables.

1.15. Dependent Variables

From the previous discussion, it is clear that the dependent variable is the Zakat base of listed Saudi companies. The Zakat base refers to the amount of wealth that is subject to zakat. The Zakat base is calculated using the following formula:

Zakat Base = All sources of internal funds (equity, provisions, and adjusted net income of the year) + external sources of funds not exceeding deductible assets (long-term liabilities and liabilities financing deductible assets) – or – non-zakatable assets – zakatable assets, or the adjusted net income of the year, whichever is greater (Kateb & Ftouhi, 2024; Aida & Aouadi, 2018).

After determining the value of the Zakat base, it is expressed as a percentage of total assets at the end of the period, to derive the Zakat base ratio for each period.

1.16. Independent Variables:

- **First Independent Variable:** Corporate Governance:

According to the Corporate Governance Regulations issued by the Saudi Capital Market Authority in 2023, corporate governance is defined as: "The rules for leading and directing the corporation, including the mechanisms for organizing relationships among the board of directors, executives, shareholders, and stakeholders. This is achieved by establishing specific rules and procedures that facilitate decision-making and enhance transparency and credibility, with the aim of protecting the rights of shareholders and stakeholders, and promoting fairness, competitiveness, and transparency in the market and business environment" (CGR of KSA, 2023).

The structure of corporate governance defines the distribution of rights and responsibilities among various stakeholders, such as the board of directors, management, shareholders, and other relevant parties. It also establishes the rules and procedures for decision-making within the institution, thereby providing a framework for setting company objectives, identifying the means to achieve them, and monitoring performance (ICSI, 2017).

Based on prior studies (Alquaymi & Ahmed, 2025; Kateb & Ftouhi, 2024; Ajibade et al., 2022; Gamra et al., 2022; Almaqtari et al., 2021; Kabwe et al., 2021; Kadir, 2020), the researcher adopted a set of indicators to measure corporate governance in listed Saudi companies, as follows:

- Board Size (Bsize): Measured by the number of board members.
- Board Independence (Bind): Measured by the percentage of independent board members to the total number of board members.
- Number of Board Meetings (NBmee): Measured by the number of board meetings held during the year.
- Audit Committee Independence (ACind): Measured by the percentage of independent members on the audit committee to the total number of audit committee members.

- Number of Audit Committee Meetings (NACmee): Measured by the number of audit committee meetings held during the year.

Second Independent Variable: the IFRS adoption of International Financial Reporting Standards:

The second independent variable is IFRS adoption, which is a dummy variable that takes the value (1) for years after 2017 (the year of IFRS adoption), and (0) for years prior to 2017.

1.17. Control Variables:

By following up on previous studies related to corporate governance, IFRS adoption, and the Zakat base—particularly those relying on time-series data (such as: Alquaymi & Ahmed, 2025; Kateb & Ftouhi, 2024; Gamra et al., 2022; Almaqtari et al., 2021; Kabwe et al., 2021; Hasan & Rahman, 2020; Kadir, 2020; Chu et al., 2019)—which showed that several variables are associated with IFRS adoption and the Zakat base as dependent variables. To avoid the issue of the omitted variable problem, the researcher employed several control variables in this study to account for firm-specific characteristics that may influence the IFRS adoption of International Financial Reporting Standards and the Zakat Base of the company. This was done to ensure that the tests are more accurately focused on differences arising from variations in corporate governance. Since this study aims to examine the impact of corporate governance on IFRS adoption, and to examine the impact of corporate governance on the Zakat Base, as well as to examine the impact of IFRS adoption on the Zakat Base within the context of listed Saudi companies, it is therefore essential to control for other factors that may affect IFRS adoption and the Zakat Base of listed Saudi companies. Accordingly, the researcher relied on the following control variables:

- Company Size (Cosize): Measured by the natural logarithm of the company's total assets.
- Leverage (LEV): Measured by various financial ratios; the researcher chose to use the ratio of total liabilities to total assets.
- Profitability (ROA): Measured by return on assets, calculated as net income for the period divided by total assets at the end of the period.
- Company Growth (Growth): Measured by the percentage change in revenue relative to the previous period's revenue.

1.18. Statistical Analyses Methods:

Statistics is a branch of mathematical science focused on gathering, analyzing, interpreting, and presenting data. In this study, the statistical software Stata/MP 17 will be employed to perform the required analyses, taking into account the panel data nature of the dataset. This software is well-suited for handling large-scale data efficiently and with precision. Moreover, it provides a wide range of advanced functionalities, including data visualization tools, plotting capabilities, and robust statistical computation options.

1.19. Descriptive Statistics

Descriptive statistics serve as essential tools for analyzing, interpreting, and making sense of data. By utilizing measures of central tendency—such as the mean, median, and mode—alongside measures of dispersion like standard deviation, variance, and range, researchers can uncover key patterns and trends that are not immediately evident in raw data. These statistics simplify complex datasets, making them easier to understand and interpret, thereby enhancing the clarity and effectiveness of data presentation (Kaur et al., 2018).

1.20. Normal Distribution Test and Multicollinearity Test

Before performing regression analysis, it is important to verify that the variable data follows a normal distribution. This step is essential to ensure the validity of hypothesis testing for R-squared values, regression coefficients, and the P-values associated with both the F-test and T-test (Islam et al., 2022). Several statistical tests can be used to assess normality, including the Shapiro-Wilk test and the Kolmogorov-Smirnov test. In this study, the researcher will employ the Shapiro-Wilk test to confirm whether the data is normally distributed.

Multicollinearity means the presence of a strong or complete relationship between some or all of the independent variables included in the regression model. If this relationship is a partial relationship between the variables, it is called (Imperfect

Multicollinearity), while if this relationship is a complete (ideal) relationship, it is called (Perfect Multicollinearity). It is assumed that there is no high correlation between the independent variables with each other because this leads to inaccuracy in the relationship between the independent variables and the dependent variable (Gujarati & Porter, 2008). Multicollinearity tests will be conducted to test the degree of intercorrelation between the variables, by calculating the variance inflation factor (VIF), and the Tolerance test for all independent variables. As a rule, the model is not suffering from the problem of Multicollinearity, if the value of (VIF) is less than 10, and that the value of Tolerance is greater than 0.05 (Saeed & Zureigat, 2020).

1.21. Correlation Analysis

Linear correlation is a key statistical tool used to assess the strength and direction of a linear relationship between two variables. The correlation coefficient serves as a numerical representation of this relationship, helping researchers understand how two sets of numerical data relate to each other. Its value can vary depending on the nature of the data being analyzed. The two main types of correlation coefficients are Pearson’s correlation, which evaluates the linear association between continuous variables, and Spearman’s rank correlation, which assesses the monotonic relationship between variables based on their ranks.

The type of data being analyzed plays a crucial role in determining the most suitable correlation coefficient. Gaining a clear understanding of the various types of correlation coefficients and their relevance to specific data types is essential for accurately interpreting relationships between variables. For instance, studies grounded in scientific data often require stronger correlation thresholds due to the precision and reliability demanded in such fields. In contrast, research in social sciences may tolerate weaker correlations, given the complex and variable nature of human behavior and social phenomena.

To ensure the accuracy and reliability of results, researchers must be diligent in data collection and analysis. The sign of the correlation coefficient is a reliable indicator of the direction of the relationship: positive correlations lead to positive coefficients, while negative correlations yield negative coefficients. The correlation coefficient is a statistical measure that quantifies the direction and strength of the relationship between two variables, ranging from -1 to 1.

1.22. Multiple regression analysis:

Regression analysis is a powerful statistical technique used to predict and evaluate the strength and direction of the relationship between a dependent variable and one or more independent variables. The two main types are simple linear regression—which examines the link between one independent and one dependent variable—and multiple linear regression, which explores the relationship involving multiple independent variables. This method is commonly applied in economic analysis and social sciences to quantify relationships and trends (Maulud & Abdulazeez, 2020). In this study, panel data will be expressed in the form of ratios and analyzed using multiple regression analysis along with descriptive statistical methods.

1.23. 7-Results

In this section, the focus was on testing research hypotheses through use regression analysis application. Regression analysis is a predictive statistical method used to assess the strength and nature of the relationship between a dependent variable and one or more independent variables. There are two primary types of regression: simple linear regression and multiple linear regression. Simple linear regression models the relationship between a single independent variable and a dependent variable. Multiple linear regression, on the other hand, models the relationship between multiple independent variables and a dependent variable. It is a widely used tool in economic measurement (Maulud and Abdulazeez, 2020). Regression analysis allows for examining the relationships between the dependent variable and multiple independent variables, in order to determine the strength, direction, and significance of these relationships. The researcher ran the regression models by estimating robust standard errors instead of standard errors estimated according to the ordinary least square (OLS) method, in order to avoid the influence of extreme values on the results. The researcher presents the results of the regression models for the study hypotheses, with an analysis of these results, as follows:

1.24. Testing the First Main Hypothesis:

In this section, the research focuses on examining the impact of corporate governance mechanisms on the IFRS adoption of International Financial Reporting Standards by Saudi companies. Since the study relies on five corporate governance mechanisms, this main hypothesis has been divided into five sub-hypotheses, with each sub-hypothesis examining the effect of one specific corporate governance mechanism. The model for testing this hypothesis can be expressed as follows:

Model (1): IFRS-adoption = $\beta_0 + \beta_1 Bsize_{it} + \beta_2 Bind_{it} + \beta_3 NBmee_{it} + \beta_4 ACind_{it} + \beta_5 NACmee_{it} + \beta_6 Cosize_{it} + \beta_7 Lev_{it} + \beta_8 ROA_{it} + \beta_9 Growth_{it} + \varepsilon_t$.

Table (5-5) presents the results of applying the above regression model.

3Table (5-5): Results of running the regression model (1) to test hypothesis H1

Dependent Variable: IFRS adoption				
Variable	Coef.	t-value	p-value	Sig
Board Size (Bsize)	0.002	0.06	0.949	
Board Independence (Bind)	-0.803	-1.78	0.078	*
Number of Board Meetings (NBmee)	0.028	1.58	0.118	
Audit Committee Independence (ACind)	-0.028	-0.10	0.918	
Audit Committee Meetings (NACmee)	0.042	2.82	0.006	***
Company size (Co-size)	0.015	0.64	0.523	
Leverage Ratio (LEV)	0.015	0.09	0.926	
Return On Assets (ROA)	-0.402	-1.21	0.227	

Revenue growth (Growth)	-0.012	-0.24	0.809	
Constant	0.185	0.34	0.735	
Number of obs	120			
R-squared	0.152			
F-test	2.188			
Prob > F	0.028			

***, **, *** indicate statistical significance of the parameters at 10%, 5%, 1%, respectively.**

Table (5-5): Results of running the regr 1

From Table (5-5), the researcher can point out the following:

It is evident that the R-Squared value for the model is 0.152, which means that the model variables explain 15.2% of the changes in the dependent variable (IFRS adoption). Also, the F-test value for the model is 2.188 (Prob > F = 0.028), indicating that the model as a whole is statistically significant.

There is no statistically significant effect of board size (Bsize) on IFRS adoption, as the p-value is 0.949, which is much higher than any conventional significance level. Accordingly, hypothesis H1-1 is rejected in both its current and alternative forms, meaning that there is no statistically significant effect of board size (Bsize) on IFRS adoption. This result aligns with Kabwe et al. (2021) but contradicts Almaqtari et al. (2021), who found a significant positive effect of board size on IFRS adoption.

There is a statistically significant negative effect of board independence (Bind) on IFRS adoption at the 10% significance level (P-value < 0.10 with a coefficient of -0.803). Therefore, hypothesis H1-2 is rejected in its current form and accepted in its alternative form, indicating a significant negative impact of board independence (Bind) on IFRS adoption. This result contradicts Kabwe et al. (2021) and Almaqtari et al. (2021), who found that board independence had no effect on IFRS adoption.

There is no statistically significant effect of the number of board meetings (NBmee) on IFRS adoption, as the p-value is 0.118, which is higher than any conventional significance level. Accordingly, hypothesis H1-3 is rejected in both its current and alternative forms, meaning that the number of board meetings has no statistically significant impact on IFRS adoption.

There is no statistically significant effect of audit committee independence (ACind) on IFRS adoption, as the p-value is 0.918, which is much higher than any conventional significance level. Therefore, hypothesis H1-4 is rejected in both its current and alternative forms, indicating that audit committee independence (ACind) does not have a statistically significant effect on IFRS adoption. This result contradicts Kabwe et al. (2021), who found a significant negative effect of audit committee independence on IFRS adoption, also contradicts Almaqtari et al. (2021), who found a significant positive effect.

There is a statistically significant positive effect of the number of audit committee meetings (NACmee) on IFRS adoption at the 1% significance level (P-value < 0.01 with a coefficient of 0.042). Accordingly, hypothesis H1-5 is accepted, indicating that the number of audit committee meetings has a significant positive impact on IFRS adoption. This result aligns with Kabwe et al. (2021).

Regarding the control variables, the results indicated that there is no statistically significant effect of company size (Cosize), leverage (LEV), return on assets (ROA), or revenue growth (Growth). This suggests that the selected control variables do not influence the IFRS adoption of International Financial Reporting Standards by Saudi companies.

In light of the above, the researcher concludes that three of the selected corporate governance mechanisms do not have a statistically significant effect on IFRS adoption. These mechanisms are board size (Bsize), number of board meetings (NBmee), and audit committee independence (ACind). Therefore, the sub-hypotheses H1-1, H1-3, and H1-4 are rejected in both their current and alternative forms, indicating no statistically significant impact of these mechanisms on IFRS adoption.

The researcher also concludes that hypothesis H1-2 is rejected in its current form and accepted in its alternative form, as there is a statistically significant negative effect of board independence (Bind) on IFRS adoption. Furthermore, hypothesis H1-5 is accepted, indicating a statistically significant positive effect of the number of audit committee meetings (NACmee) on IFRS adoption.

1.25. Testing the Second Main Hypothesis:

In this section, the research focuses on examining the effect of corporate governance mechanisms on the Zakat Base of listed

Saudi companies. Since the study relies on five corporate governance mechanisms, this main hypothesis is divided into five sub-hypotheses, with each sub-hypothesis examinig the effect of a specific governance mechanism.

The model for testing this hypothesis can be expressed as follows:

Model (2): $ZB = \beta_0 + \beta_1 Bsize_{it} + \beta_2 Bind_{it} + \beta_3 NBmee_{it} + \beta_4 ACind_{it} + \beta_5 NACmee_{it} + \beta_6 Cosize_{it} + \beta_7 Lev_{it} + \beta_8 ROA_{it} + \beta_9 Growth_{it} + \varepsilon_t$

Table (5-6) presents the results of applying the above regression model.

4Table (5-6): Results of running the regression model (2) to test hypothesis H2

Dependent Variable: Zakat Base (ZB)				
Variable	Coef.	t-value	p-value	Sig
Board Size (Bsize)	-0.017	-1.99	0.049	**
Board Independence (Bind)	-0.325	-2.80	0.006	***
Number of Board Meetings (NBmee)	0.002	0.45	0.654	
Audit Committee Independence (ACind)	0.001	0.02	0.986	
Audit Committee Meetings (NACmee)	0.007	1.94	0.055	*
Company size (Co-size)	-0.012	-2.07	0.041	**
Leverage Ratio (LEV)	-0.054	-1.30	0.195	
Return On Assets (ROA)	-0.024	-0.28	0.781	
Revenue growth (Growth)	-0.011	-0.85	0.4	
Constant	0.63	4.49	0	***
Number of obs	120			
R-squared	0.200			
F-test	3.056			
Prob > F	0.003			

*, **, *** indicate statistical significance of the parameters at 10%, 5%, 1%, respectively.

Table (5-6): Results of running the regr 1

Based on Table (5-6), the researcher can highlight the following points:

The R-squared value of the model is 0.20, which means that the model variables explain 20% of the variation in the dependent variable (Zakat Base (ZB)). The F-test of the model is 3.056 (Prob > F = 0.003), indicating that the overall model is statistically significant.

There is a statistically significant negative effect of board size (Bsize) on the Zakat Base (ZB) at the 5% significance level (P-value < 0.05 with a coefficient of -0.017). Therefore, hypothesis H2-1 in its current form is rejected and accepted in its alternative form, indicating that board size (Bsize) has a significant negative effect on the Zakat Base (ZB).

There is a statistically significant negative effect of board independence (Bind) on the Zakat Base (ZB) at the 1% significance level (P-value < 0.01 with a coefficient of -0.325). Therefore, hypothesis H2-2 is rejected in its current form and accepted in its alternative form, indicating that board independence (Bind) has a significant negative effect on the Zakat Base (ZB).

These findings are consistent with Wahyudi & Puspita (2022), who found a negative effect of corporate governance on the Zakat Base (ZB). However, they contradict several other studies (e.g., Murad, 2017; Tahliani, 2018; Arofata et al., 2019;

Nasution et al., 2024) that found a positive effect of corporate governance on the Zakat Base (ZB).

There is no statistically significant effect of the number of board meetings (NBmee) on the Zakat Base (ZB), as the p-value is 0.654, which is much higher than any conventional significance level. Accordingly, hypothesis H2-3 is rejected in both its current and alternative forms, indicating no statistically significant effect of board meetings on the Zakat Base (ZB).

There is no statistically significant effect of audit committee independence (ACind) on the Zakat Base (ZB), with a p-value of 0.986. Therefore, hypothesis H2-4 is also rejected in both its current and alternative forms, indicating no significant effect of audit committee independence on the Zakat Base (ZB).

There is a statistically significant positive effect of the number of audit committee meetings (NACmee) on the Zakat Base (ZB) at the 1% significance level (P-value < 0.01 with a coefficient of 0.007). Hence, hypothesis H2-5 is accepted, indicating a significant positive effect of audit committee meetings on the Zakat Base (ZB). This result aligns with several studies (e.g., Murad, 2017; Tahliani, 2018; Arofata et al., 2019; Nasution et al., 2024) that found a positive relationship between corporate governance and the Zakat Base (ZB), but contradicts some studies (e.g., Wahyudi & Puspita, 2022) which reported a negative effect.

Regarding control variables, the results indicate a statistically significant positive effect of company size (Co-size) on the Zakat

Base (ZB) at the 5% significance level (P-value < 0.05 with a coefficient of 0.007). However, there is no statistically significant effect of leverage (LEV), return on assets (ROA), or revenue growth (Growth). This suggests that these control variables do not influence the Zakat Base (ZB) of Saudi companies.

In conclusion, the researcher finds that three of the selected corporate governance mechanisms have a statistically significant effect on the Zakat Base (ZB): Board size (Bsize): Negative effect, Board independence (Bind): Negative effect, Number of audit committee meetings (NACmee): Positive effect.

Accordingly, the sub-hypotheses H2-1 and H2-2 are rejected in their current form and accepted in their alternative form, while sub-hypothesis H2-5 is accepted in its current form.

Additionally, the researcher concludes that sub-hypotheses H2-3 and H2-4 are rejected in both their current and alternative forms, as there is no statistically significant effect of the number of board meetings (NBmee) or audit committee independence (ACind) on the Zakat Base (ZB).

1.26. Testing the Third Main Hypothesis:

In this section, the research focuses on examining the effect of the adoption of International Financial Reporting Standards (IFRS) by Saudi companies on the Zakat Base. The model for testing this hypothesis can be expressed as follows:

Model (3): $ZB = \beta_0 + \beta_1 IFRS\text{-}adoption + \beta_2 Cosizeit + \beta_3 Levit + \beta_4 ROAit + \beta_5 Growthit + \varepsilon t$

Table (5-7) presents the results of applying the above regression model.

Based on Table (5-7), the researcher can point out the following:

It is evident that the R-squared value of the model is 0.151, which means that the model variables explain 15.1% of the variations in the dependent variable (Zakat Base (ZB)). The F-test of the model is 4.054 (Prob > F = 0.002), indicating that the overall model is statistically significant.

5Table (5-7): Results of running the regression model (3) to test hypothesis H3

Dependent Variable: Zakat Base (ZB)				
Variable	Coef.	t-value	p-value	Sig
IFRS-adoption	0.061	2.64	0.01	***
Company size (Co-size)	-0.016	-2.94	0.004	***
Leverage Ratio (LEV)	-0.087	-2.27	0.025	**
Return On Assets (ROA)	0.021	0.26	0.793	
Revenue growth (Growth)	-0.008	-0.62	0.538	
Constant	0.442	4.37	0	***
Number of obs	120			
R-squared	0.151			
F-test	4.054			
Prob > F	0.002			

*, **, *** indicate statistical significance of the parameters at 10%, 5%, 1%, respectively.

There is a statistically significant positive effect of IFRS adoption on the Zakat Base (ZB), at the 1% significance level (P-value < 0.01 with a coefficient of 0.061). Therefore, hypothesis H3 is accepted, indicating a significant positive impact of IFRS adoption on the Zakat Base (ZB) of listed Saudi companies. This result is consistent with many studies (e.g., Agana et al., 2023; Abdul-Rahim & Al-Saad, 2023; Pamuncak et al., 2018; Yamani, 2018), which found a positive effect of IFRS adoption on the Zakat Base (ZB).

Regarding the control variables, the results indicate a statistically significant negative effect of company size (Co-size) on the Zakat Base (ZB) at the 1% significance level (P-value < 0.01 with a coefficient of -0.016). The results also show a statistically significant negative effect of leverage (LEV) on the Zakat Base (ZB) at the 5% significance level (P-value < 0.05 with a coefficient of -0.087). Moreover, the results indicate that there is no statistically significant effect of return on assets (ROA) or revenue growth (Growth) on the Zakat Base (ZB) of Saudi companies.

In light of the above, the researcher concludes that hypothesis H3 is accepted, as there is a significant positive effect of IFRS adoption on the Zakat Base (ZB) of listed Saudi companies.

1.27. Discussion of Results:

This study examined the impact of corporate governance mechanisms on IFRS adoption and on the Zakat Base (ZB), in addition to exploring the effect of IFRS adoption on the Zakat Base (ZB) of listed Saudi companies during the periods from

2014 to 2016 and from 2021 to 2023. The independent variables included five governance mechanisms: board size, board independence, number of board meetings, audit committee independence, and number of audit committee meetings. The independent variables also included IFRS adoption by Saudi companies, measured as a dummy variable taking the value "0" before IFRS adoption and "1" after the adoption of IFRS.

The study was conducted on a sample of 20 publicly listed Saudi companies over the period from 2014 to 2023, with a total of 120 observations. The analysis was performed on three groups: first, to examine the effect of corporate governance mechanisms on the adoption of IFRS by Saudi companies; second, to assess the impact of corporate governance mechanisms on the Zakat Base (ZB) of Saudi companies; and third, to investigate the effect of IFRS adoption by Saudi companies on the Zakat Base (ZB).

The results indicated that some corporate governance mechanisms have a positive effect on the adoption of IFRS by Saudi companies, while others do not. Similarly, some governance mechanisms positively impact the Zakat Base (ZB), while others do not. Moreover, the adoption of IFRS by Saudi companies was found to have a positive and significant effect on the Zakat Base (ZB).

Summary

This chapter focused on conducting empirical study. Descriptive statistics were conducted for the data, and tests of normality and multicollinearity assumptions were performed. Normality tests were used to assess whether the variables follow a normal distribution. Multicollinearity tests were conducted to examine the degree of intercorrelation between the variables. A correlation test was also conducted between the research variables. Then, the research hypotheses were tested examined using regression analysis, testing examining the relationships between the variables, and testing the formulated hypotheses. Stata/MP 17 statistical software was used to conduct the necessary analyses. Finally, the results reached were discussed, along with possible justifications for these results within the context of listed Saudi companies.

In this section, the focus was on testing research hypotheses through use regression analysis application. Regression analysis is a predictive statistical method used to assess the strength and nature of the relationship between a dependent variable and one or more independent variables. There are two primary types of regression: simple linear regression and multiple linear regression. Simple linear regression models the relationship between a single independent variable and a dependent variable. Multiple linear regression, on the other hand, models the relationship between multiple independent variables and a dependent variable. It is a widely used tool in economic measurement (Maulud and Abdulazeez, 2020). Regression analysis allows for examining the relationships between the dependent variable and multiple independent variables, in order to determine the strength, direction, and significance of these relationships. The researcher ran the regression models by estimating robust standard errors instead of standard errors estimated according to the ordinary least square (OLS) method, in order to avoid the influence of extreme values on the results. The researcher presents the results of the regression models for the study hypotheses, with an analysis of these results, as follows:

1.28. Testing the First Main Hypothesis:

In this section, the research focuses on examining the impact of corporate governance mechanisms on the IFRS adoption of International Financial Reporting Standards by Saudi companies. Since the study relies on five corporate governance mechanisms, this main hypothesis has been divided into five sub-hypotheses, with each sub-hypothesis examining the effect of one specific corporate governance mechanism. The model for testing this hypothesis can be expressed as follows:

Model (1): $IFRS\text{-}adoption = \beta_0 + \beta_1 Bsize_{it} + \beta_2 Bind_{it} + \beta_3 NBmee_{it} + \beta_4 ACind_{it} + \beta_5 NACmee_{it} + \beta_6 Cosize_{it} + \beta_7 Lev_{it} + \beta_8 ROA_{it} + \beta_9 Growth_{it} + \varepsilon_t$.

Table (5-5) presents the results of applying the above regression model.

6Table (5-5): Results of running the regression model (1) to test hypothesis H1

Dependent Variable: IFRS adoption				
Variable	Coef.	t-value	p-value	Sig
Board Size (Bsize)	0.002	0.06	0.949	
Board Independence (Bind)	-0.803	-1.78	0.078	*
Number of Board Meetings (NBmee)	0.028	1.58	0.118	
Audit Committee Independence (ACind)	-0.028	-0.10	0.918	
Audit Committee Meetings (NACmee)	0.042	2.82	0.006	***
Company size (Co-size)	0.015	0.64	0.523	
Leverage Ratio (LEV)	0.015	0.09	0.926	
Return On Assets (ROA)	-0.402	-1.21	0.227	
Revenue growth (Growth)	-0.012	-0.24	0.809	
Constant	0.185	0.34	0.735	
Number of obs	120			
R-squared	0.152			
F-test	2.188			
Prob > F	0.028			

*, **, *** indicate statistical significance of the parameters at 10%, 5%, 1%, respectively.

Table (5-5): Results of running the regr 2

From Table (5-5), the researcher can point out the following:

It is evident that the R-Squared value for the model is 0.152, which means that the model variables explain 15.2% of the changes in the dependent variable (IFRS adoption). Also, the F-test value for the model is 2.188 (Prob > F = 0.028), indicating that the model as a whole is statistically significant.

There is no statistically significant effect of board size (Bsize) on IFRS adoption, as the p-value is 0.949, which is much higher than any conventional significance level. Accordingly, hypothesis H1-1 is rejected in both its current and alternative forms, meaning that there is no statistically significant effect of board size (Bsize) on IFRS adoption. This result aligns with Kabwe et al. (2021) but contradicts Almaqtari et al. (2021), who found a significant positive effect of board size on IFRS adoption.

There is a statistically significant negative effect of board independence (Bind) on IFRS adoption at the 10% significance level (P-value < 0.10 with a coefficient of -0.803). Therefore, hypothesis H1-2 is rejected in its current form and accepted in its alternative form, indicating a significant negative impact of board independence (Bind) on IFRS adoption. This result contradicts Kabwe et al. (2021) and Almaqtari et al. (2021), who found that board independence had no effect on IFRS adoption.

There is no statistically significant effect of the number of board meetings (NBmee) on IFRS adoption, as the p-value is 0.118, which is higher than any conventional significance level. Accordingly, hypothesis H1-3 is rejected in both its current and alternative forms, meaning that the number of board meetings has no statistically significant impact on IFRS adoption.

There is no statistically significant effect of audit committee independence (ACind) on IFRS adoption, as the p-value is 0.918, which is much higher than any conventional significance level.

Therefore, hypothesis H1-4 is rejected in both its current and alternative forms, indicating that audit committee independence (ACind) does not have a statistically significant effect on IFRS adoption. This result contradicts Kabwe et al. (2021), who found a significant negative effect of audit committee independence on IFRS adoption, also contradicts Almaqtari et al. (2021), who found a significant positive effect.

There is a statistically significant positive effect of the number of audit committee meetings (NACmee) on IFRS adoption at the 1% significance level (P-value < 0.01 with a coefficient of 0.042). Accordingly, hypothesis H1-5 is accepted, indicating that the number of audit committee meetings has a significant positive impact on IFRS adoption. This result aligns with Kabwe et al. (2021).

Regarding the control variables, the results indicated that there is no statistically significant effect of company size (Cosize), leverage (LEV), return on assets (ROA), or revenue growth (Growth). This suggests that the selected control variables do not influence the IFRS adoption of International Financial Reporting Standards by Saudi companies.

In light of the above, the researcher concludes that three of the selected corporate governance mechanisms do not have a statistically significant effect on IFRS adoption. These mechanisms are board size (Bsize), number of board meetings (NBmee), and audit committee independence (ACind). Therefore, the sub-hypotheses H1-1, H1-3, and H1-4 are rejected in both their current and alternative forms, indicating no statistically significant impact of these mechanisms on IFRS adoption.

The researcher also concludes that hypothesis H1-2 is rejected in its current form and accepted in its alternative form, as there is a statistically significant negative effect of board independence (Bind) on IFRS adoption. Furthermore, hypothesis H1-5 is accepted, indicating a statistically significant positive effect of the number of audit committee meetings (NACmee) on IFRS adoption.

1.29. Testing the Second Main Hypothesis:

In this section, the research focuses on examining the effect of corporate governance mechanisms on the Zakat Base of listed Saudi companies. Since the study relies on five corporate governance mechanisms, this main hypothesis is divided into five sub-hypotheses, with each sub-hypothesis examinig the effect of a specific governance mechanism.

The model for testing this hypothesis can be expressed as follows:

Model (2): $ZB = \beta_0 + \beta_1 Bsize_{it} + \beta_2 Bind_{it} + \beta_3 NBmee_{it} + \beta_4 ACind_{it} + \beta_5 NACmee_{it} + \beta_6 Cosize_{it} + \beta_7 Lev_{it} + \beta_8 ROA_{it} + \beta_9 Growth_{it} + \varepsilon_t$

Table (5-6) presents the results of applying the above regression model.

7Table (5-6): Results of running the regression model (2) to test hypothesis H2

Dependent Variable: Zakat Base (ZB)				
Variable	Coef.	t-value	p-value	Sig
Board Size (Bsize)	-0.017	-1.99	0.049	**
Board Independence (Bind)	-0.325	-2.80	0.006	***
Number of Board Meetings (NBmee)	0.002	0.45	0.654	
Audit Committee Independence (ACind)	0.001	0.02	0.986	
Audit Committee Meetings (NACmee)	0.007	1.94	0.055	*
Company size (Co-size)	-0.012	-2.07	0.041	**
Leverage Ratio (LEV)	-0.054	-1.30	0.195	
Return On Assets (ROA)	-0.024	-0.28	0.781	
Revenue growth (Growth)	-0.011	-0.85	0.4	
Constant	0.63	4.49	0	***
Number of obs	120			
R-squared	0.200			
F-test	3.056			
Prob > F	0.003			

*, **, *** indicate statistical significance of the parameters at 10%, 5%, 1%, respectively.

Table (5-6): Results of running the regr 2

Based on Table (5-6), the researcher can highlight the following points:

The R-squared value of the model is 0.20, which means that the model variables explain 20% of the variation in the dependent variable (Zakat Base (ZB)). The F-test of the model is 3.056 (Prob > F = 0.003), indicating that the overall model is statistically significant.

There is a statistically significant negative effect of board size (Bsize) on the Zakat Base (ZB) at the 5% significance level (P-value < 0.05 with a coefficient of -0.017). Therefore, hypothesis H2-1 in its current form is rejected and accepted in its alternative form, indicating that board size (Bsize) has a significant negative effect on the Zakat Base (ZB).

There is a statistically significant negative effect of board independence (Bind) on the Zakat Base (ZB) at the 1% significance level (P-value < 0.01 with a coefficient of -0.325). Therefore, hypothesis H2-2 is rejected in its current form and accepted in its alternative form, indicating that board independence (Bind) has a significant negative effect on the Zakat Base (ZB).

These findings are consistent with Wahyudi & Puspita (2022), who found a negative effect of corporate governance on the Zakat Base (ZB). However, they contradict several other studies (e.g., Murad, 2017; Tahliani, 2018; Arofata et al., 2019; Nasution et al., 2024) that found a positive effect of corporate governance on the Zakat Base (ZB).

There is no statistically significant effect of the number of board meetings (NBmee) on the Zakat Base (ZB), as the p-value is 0.654, which is much higher than any conventional significance level. Accordingly, hypothesis H2-3 is rejected in both its current and alternative forms, indicating no statistically significant effect of board meetings on the Zakat Base (ZB).

There is no statistically significant effect of audit committee independence (ACind) on the Zakat Base (ZB), with a p-value of 0.986. Therefore, hypothesis H2-4 is also rejected in both its current and alternative forms, indicating no significant effect of audit committee independence on the Zakat Base (ZB).

There is a statistically significant positive effect of the number of audit committee meetings (NACmee) on the Zakat Base (ZB) at the 1% significance level (P-value < 0.01 with a coefficient of 0.007). Hence, hypothesis H2-5 is accepted, indicating a significant positive effect of audit committee meetings on the Zakat Base (ZB). This result aligns with several studies (e.g., Murad, 2017; Tahliani, 2018; Arofata et al., 2019; Nasution et al., 2024) that found a positive relationship between corporate governance and the Zakat Base (ZB), but contradicts some studies (e.g., Wahyudi & Puspita, 2022) which reported a negative effect.

Regarding control variables, the results indicate a statistically significant positive effect of company size (Co-size) on the Zakat Base (ZB) at the 5% significance level (P-value < 0.05 with a coefficient of 0.007). However, there is no statistically significant effect of leverage (LEV), return on assets (ROA), or revenue growth (Growth). This suggests that these control variables do not influence the Zakat Base (ZB) of Saudi companies.

In conclusion, the researcher finds that three of the selected corporate governance mechanisms have a statistically significant effect on the Zakat Base (ZB): Board size (Bsize): Negative effect, Board independence (Bind): Negative effect, Number of audit committee meetings (NACmee): Positive effect.

Accordingly, the sub-hypotheses H2-1 and H2-2 are rejected in their current form and accepted in their alternative form, while sub-hypothesis H2-5 is accepted in its current form.

Additionally, the researcher concludes that sub-hypotheses H2-3 and H2-4 are rejected in both their current and alternative forms, as there is no statistically significant effect of the number of board meetings (NBmee) or audit committee independence (ACind) on the Zakat Base (ZB).

1.30. Testing the Third Main Hypothesis:

In this section, the research focuses on examining the effect of the adoption of International Financial Reporting Standards (IFRS) by Saudi companies on the Zakat Base. The model for testing this hypothesis can be expressed as follows:

Model (3): $ZB = \beta_0 + \beta_1 IFRS\text{-}adoption + \beta_2 Cosizeit + \beta_3 Levit + \beta_4 ROAit + \beta_5 Growthit + \varepsilon t$

Table (5-7) presents the results of applying the above regression model.

Based on Table (5-7), the researcher can point out the following:

It is evident that the R-squared value of the model is 0.151, which means that the model variables explain 15.1% of the variations in the dependent variable (Zakat Base (ZB)). The F-test of the model is 4.054 (Prob > F = 0.002), indicating that the overall model is statistically significant.

8Table (5-7): Results of running the regression model (3) to test hypothesis H3

Dependent Variable: Zakat Base (ZB)				
Variable	Coef.	t-value	p-value	Sig
IFRS-adoption	0.061	2.64	0.01	***
Company size (Co-size)	-0.016	-2.94	0.004	***
Leverage Ratio (LEV)	-0.087	-2.27	0.025	**
Return On Assets (ROA)	0.021	0.26	0.793	
Revenue growth (Growth)	-0.008	-0.62	0.538	
Constant	0.442	4.37	0	***
Number of obs	120			
R-squared	0.151			
F-test	4.054			
Prob > F	0.002			

*, **, *** indicate statistical significance of the parameters at 10%, 5%, 1%, respectively.

There is a statistically significant positive effect of IFRS adoption on the Zakat Base (ZB), at the 1% significance level (P-value < 0.01 with a coefficient of 0.061). Therefore, hypothesis H3 is accepted, indicating a significant positive impact of IFRS adoption on the Zakat Base (ZB) of listed Saudi companies. This result is consistent with many studies (e.g., Agana et al., 2023; Abdul-Rahim & Al-Saad, 2023; Pamuncak et al., 2018; Yamani, 2018), which found a positive effect of IFRS adoption on the Zakat Base (ZB).

Regarding the control variables, the results indicate a statistically significant negative effect of company size (Co-size) on the Zakat Base (ZB) at the 1% significance level (P-value < 0.01 with a coefficient of -0.016). The results also show a statistically significant negative effect of leverage (LEV) on the Zakat Base (ZB) at the 5% significance level (P-value < 0.05 with a coefficient of -0.087). Moreover, the results indicate that there is no statistically significant effect of return on assets (ROA) or revenue growth (Growth) on the Zakat Base (ZB) of Saudi companies.

In light of the above, the researcher concludes that hypothesis H3 is accepted, as there is a significant positive effect of IFRS adoption on the Zakat Base (ZB) of listed Saudi companies.

1.31. Discussion of Results:

This study examined the impact of corporate governance mechanisms on IFRS adoption and on the Zakat Base (ZB), in addition to exploring the effect of IFRS adoption on the Zakat Base (ZB) of listed Saudi companies during the periods from 2014 to 2016 and from 2021 to 2023. The independent variables included five governance mechanisms: board size, board independence, number of board meetings, audit committee independence, and number of audit committee meetings. The independent variables also included IFRS adoption by Saudi companies, measured as a dummy variable taking the value "0" before IFRS adoption and "1" after the adoption of IFRS.

The study was conducted on a sample of 20 publicly listed Saudi companies over the period from 2014 to 2023, with a total of 120 observations. The analysis was performed on three groups: first, to examine the effect of corporate governance mechanisms on the adoption of IFRS by Saudi companies; second, to assess the impact of corporate governance mechanisms on the Zakat Base (ZB) of Saudi companies; and third, to investigate the effect of IFRS adoption by Saudi companies on the Zakat Base (ZB).

The results indicated that some corporate governance mechanisms have a positive effect on the adoption of IFRS by Saudi companies, while others do not. Similarly, some governance mechanisms positively impact the Zakat Base (ZB), while others do not. Moreover, the adoption of IFRS by Saudi companies was found to have a positive and significant effect on the Zakat Base (ZB).

1.32. 8-Discussion

1.33. Research objectives: Summary of findings and Conclusions

This study primarily aims to examine the relationship between corporate governance and the adoption of IFRS, as well as the relationship between corporate governance and the Zakat Base. Additionally, the study aims to investigate the relationship between IFRS adoption and the Zakat Base within the context of

Saudi companies. The following is a summary of the findings and conclusions related to each research objective:

1.34. Research Objective 1:

To examine the impact of corporate governance mechanisms on IFRS adoption in listed Saudi companies.

Summary of Findings: The study findings indicate that board size, number of board meetings, and audit committee independence have no statistically significant effect on IFRS adoption. In contrast, board independence shows a statistically significant negative effect on IFRS adoption, while the number of audit committee meetings has a statistically significant positive effect. These results reflect the variation in the influence of corporate governance mechanisms on IFRS adoption across different studies and contexts.

Conclusion: In the context of the Saudi business environment, this study provides valuable insights into how corporate governance mechanisms influence IFRS adoption. The findings indicate that certain governance factors (such as board size, number of board meetings, and audit committee independence) do not have a statistically significant effect on IFRS adoption. This could be attributed to the highly regulated nature of the Saudi financial sector, where institutions like the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA) enforce strict compliance and oversight, potentially minimizing the influence of individual governance components. Notably, board independence showed a significant negative relationship with IFRS adoption, which may reflect unique dynamics in local board structures or the dominance of controlling shareholders. Conversely, the number of audit committee meetings had a significant positive effect, underscoring the importance of active and engaged audit committees in promoting transparency and adherence to international standards.

These findings highlight that while certain corporate governance practices may align with global expectations, their effectiveness can vary within specific regulatory and cultural frameworks. For Saudi companies aiming to enhance financial transparency and meet Vision 2030 goals, strengthening the role and engagement of audit committees may be a key strategic focus to support IFRS implementation and build investor confidence.

1.35. Research Objective 2:

To examine the impact of corporate governance mechanisms on the zakat base in listed Saudi companies.

Summary of Findings: The analysis reveals that board size and board independence have a statistically significant negative effect on the Zakat Base. In contrast, neither the number of board meetings nor audit committee independence shows a statistically significant relationship with the Zakat Base. However, the number of audit committee meetings has a statistically significant positive effect on the Zakat Base, suggesting that more frequent audit committee meetings are associated with greater accountability in Zakat calculations. These findings highlight the differentiated roles that board and committee characteristics play in influencing Zakat-related financial outcomes.

Conclusion: In the context of the Saudi business environment, these findings provide valuable insights into how corporate governance characteristics influence Zakat-related financial outcomes. The negative effect of board size and independence on the Zakat Base may reflect a strategic approach by boards to manage or minimize Zakat obligations, possibly prioritizing shareholder interests. Meanwhile, the positive impact of frequent audit committee meetings suggests that active oversight and governance mechanisms contribute to enhanced transparency and compliance in Zakat calculations. These results emphasize the importance of strengthening the role of audit committees and reinforcing regulatory frameworks to ensure that corporate governance structures align with the ethical and financial principles of the Saudi market, particularly those rooted in Islamic financial accountability.

1.36. Research Objective 3:

To investigate the impact of IFRS adoption on the zakat base in listed Saudi companies.

Summary of Findings: There is a statistically significant positive effect of IFRS adoption on the Zakat Base.

Conclusion: The finding of a statistically significant positive effect of IFRS adoption on the Zakat Base carries important implications for listed companies operating in the Kingdom of Saudi Arabia. As Saudi Arabia continues to align its financial reporting practices with international standards, this result indicates that adopting the International Financial Reporting Standards (IFRS) leads to greater transparency, consistency, and accuracy in financial reporting, which in turn positively influences the calculation of the Zakat Base.

This relationship may be attributed to the fact that IFRS requires comprehensive disclosure and fair valuation of assets and liabilities, reducing opportunities for earnings management or undervaluation of taxable bases. As a result, IFRS-compliant companies tend to present a more accurate and complete financial picture, leading to a larger and more reliable Zakat Base.

From a policy perspective, this outcome supports regulatory efforts by the Saudi Capital Market Authority (CMA) and the Saudi Organization for Chartered and Professional Accountants (SOCPA) to mandate IFRS adoption among listed firms. It also underscores the compatibility of IFRS with Islamic financial principles, as it enhances accountability and aligns with the ethical obligation of companies to fulfill their Zakat duties accurately.

For corporate leaders, these findings highlight the importance of implementing robust financial reporting systems under IFRS to ensure compliance with both global standards and local religious obligations. Furthermore, stakeholders—including regulators, investors, and religious authorities—can benefit from improved trust in reported figures used to calculate Zakat, ultimately contributing to a more transparent and ethically grounded financial environment in the Saudi market.

1.37. Contributions and Originality of the Study

This study offers several original contributions to enrich the body of knowledge, particularly within the context of the Saudi business environment, where the intersection of corporate governance, International Financial Reporting Standards (IFRS), and religious financial obligations such as Zakat remains an emerging area of empirical research. The study represents a unique and innovative contribution by exploring the interrelationships between corporate governance, IFRS adoption, and the Zakat base. It is among the few empirical studies to examine these relationships in an emerging market context.

This research is one of the first to simultaneously investigate the interrelated dynamics of corporate governance mechanisms, IFRS adoption, and the Zakat base. Most previous studies have addressed these variables independently and in isolation from each other. The integration of these three dimensions into a single analytical model enhances the understanding of how corporate governance systems and international financial reporting standards collectively influence the Zakat base in the Saudi business environment—particularly significant given that Saudi Arabia is one of the few countries with a formal system for Zakat accounting.

The study also presents new empirical insights into how specific governance variables—such as board independence and audit committee meetings—affect both IFRS adoption and the calculation of the Zakat base. The findings indicate that board independence has a negative impact on both IFRS adoption and the Zakat base, which contrasts with international findings, suggesting contextual behavioral patterns in board dynamics within Saudi companies. Moreover, the frequency of audit committee meetings positively affects both IFRS adoption and the Zakat base, underscoring the critical role of effective oversight in enhancing financial transparency and religious compliance in Zakat calculation.

Furthermore, the study of the relationship between IFRS adoption and the Zakat base, as well as the finding that IFRS adoption significantly increases the Zakat base, represents a novel scientific contribution. It suggests that the application of IFRS may lead to increased recognition of assets and income, which in turn enlarges the Zakat base. This has important implications for Islamic financial institutions and regulatory bodies seeking to align religious obligations with global accounting standards.

Additionally, the study offers evidence-based insights to Saudi regulatory bodies—such as the Capital Market Authority (CMA) and the Saudi Organization for Chartered and Professional Accountants (SOCPA)—that can support the development of governance frameworks and accounting regulations. The study underscores the importance of enhancing board engagement and the effectiveness of audit committees in supporting the quality of financial reporting and compliance with local religious obligations.

1.38. Limitations and Future Research

This study has several potential limitations that should be acknowledged, and a set of future research can be suggested as follows:

First, the study is limited to a sample of listed Saudi companies over a specific period. While this provides valuable insights into the Saudi business environment, the results may be difficult to generalize to non-listed companies, SMEs, or firms operating in other Gulf Cooperation Council (GCC) countries. Future research can expand the analysis to include non-listed companies, different sectors, or companies across other Islamic countries to compare how governance and IFRS adoption influence the Zakat base in varied institutional settings.

Another limitation is that secondary data was relied upon from published reports. In some cases, disclosure of certain corporate governance characteristics may be incomplete, as the reports may not fully cover qualitative aspects of corporate governance and other organizational practices, which may have a significant impact on the study variables, potentially compromising the accuracy and comprehensiveness of the analysis. Future studies could incorporate primary data collection methods, such as interviews or questionnaires with board members and key stakeholders, to gain deeper insights into the mechanisms that contribute to more comprehensive results.

In addition, this study focuses on a select group of corporate governance mechanisms (such as board size, board independence, and number of board meetings, as well as audit committee independence and number of audit committee meetings). Other mechanisms that may have influenced the results were not examined. Future studies could explore the role of other corporate governance mechanisms, such as other board committees, ownership structure, board competence, board member experience, dual CEO positions, or gender diversity, to provide a more comprehensive view of governance effectiveness.

Furthermore, the study focuses on quantitative methods, as the study uses statistical and econometric methods to analyze the relationships between variables. While this allows for accurate and objective analysis, it may not fully capture the contextual, cultural, and behavioral dimensions influencing IFRS adoption or Zakat practices, future research could benefit from mixed-method approaches, integrating both qualitative and quantitative analyses. This would provide a richer and more accurate understanding of how governance practices and IFRS adoption affect the zakat base.

Finally, the study did not address the long-term effects of adopting IFRS on governance effectiveness and compliance with Sharia obligations in calculating the zakat base. Given that Saudi Arabia recently adopted IFRS standards, future studies could conduct post-IFRS studies to assess the long-term effects of these standards on corporate transparency, governance effectiveness, and compliance with Sharia obligations in calculating the zakat base.

1.39. Recommendations

Based on the results of the study, and in the context of the Saudi business environment, the researcher proposes the following recommendations to enhance the effectiveness of corporate governance, support IFRS adoption, and enhancing the integrity of the zakat base calculation. These recommendations can be divided into two groups, as follows:

1.40. Recommendations for Saudi Business Sectors

- Saudi companies should reinforce and increase the frequency and effectiveness of audit committee meetings, as this study finds a significant positive impact of such meetings on both IFRS adoption and the Zakat base. Stronger audit oversight enhances financial transparency and supports compliance with local religious and regulatory expectations.
- Saudi companies should re-evaluate Board Independence Practices. Since the findings reveal a negative effect of board independence on both IFRS adoption and the Zakat base, companies should be encouraged to reconsider how independence is defined and practiced. It is essential that independent board members are not only structurally independent but also actively engaged and informed in financial and governance matters.
- Companies should invest in continuous training for finance and accounting personnel to ensure the correct and consistent implementation of IFRS. This will help improve the quality of financial reporting and may positively influence the accuracy and transparency of Zakat computations.
- Given the positive relationship between IFRS adoption and the Zakat base, companies are advised to leverage IFRS-compliant financial statements to ensure a more accurate and just calculation of Zakat, thus fulfilling both regulatory and religious obligations.

- Companies should promote an integrated approach where corporate governance supports not only regulatory compliance but also ethical and religious responsibilities, including Zakat accountability.

1.41. Recommendations for Policymakers and Regulatory bodies

- Regulators such as the Capital Market Authority (CMA) and SOCPA should consider revising governance frameworks to address the actual functional impact of board independence and promote effective engagement rather than symbolic compliance.
- Regulatory authorities may enhance corporate governance codes by setting clearer expectations regarding the role, frequency, and oversight functions of audit committee meetings, in line with their proven importance to financial reporting and Zakat compliance.
- Policymakers could develop guidelines that help companies align IFRS-based financial statements with Zakat calculation requirements, thereby promoting both compliance and religious accountability.
- Regulatory bodies should require or incentivize listed companies to disclose Zakat-related figures and calculation methods in financial reports to enhance accountability and stakeholder trust.

- Authorities should support further empirical studies and stakeholder workshops focused on the interaction between corporate governance, IFRS, and Zakat. This would provide a richer understanding of evolving practices and ensure regulatory frameworks are contextually grounded and evidence based.

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