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Do Earnings Quality and Audit Quality Add Value to Foreign Investors in Oman?

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A B S T R A C T

Using a sample of 726 firm-year observations from 2008 to 2018, the purpos of this study is to investigate the relationship between earnings quality (EQ), audit quality (AQ), and luring more international investors to Oman. Persistence and value relevance are two EQ metrics used in this study, while auditor size is used to assess audit quality (Big 4 audit firm). The data for this analysis was extracted from the Capital IQ database, while some additional data was personally computed from Omani capital markets and enterprises. The study employs a quantitative methodology, and ordinary least squares (OLS) regression is employed to examine the connections between EQ measurements, aptitude, and luring foreign investors. Results show that in Oman, perseverance, value relevance, and audit quality are beneficial. Furthermore, the data shows that combining earning persistence with AQ adds value and helps attract additional FI, but combining AQ with value relevance does not.

1. INTRODUCTION

Market participants are particularly interested in having a significant impact on corporate governance in the developing capital market, including investors, analysts, creditors, and management. These participants require information to make decisions regarding their benefits, and one of the most crucial pieces of information is the quality of their earnings. As a result, audit quality (AQ) and earnings quality (EQ) have recently attracted the attention of market participants. EQ is a fascinating idea, though, and different individuals view it from different angles. Entwistle and Phillips (2003) defined EQ as a gauge of the usefulness and dependability of financial reporting; nevertheless, Dechow *et al.* (2010) noted that it also

functions as a predictor of future financial performance. The literature provides several definitions (e.g., Menicucci, 2020); however, how to measure EQ remains an important issue. On the other hand, AQ is also one of the most debated concepts in accounting and auditing. DeAngelo (1981) states that:

"AQ refers to the ability of the auditors to detect and report material misstatements."

Following a string of corporate scandals, audit quality has been a hot topic among academics, practitioners, and regulatory debates regarding auditing. As a result, authorities and professional bodies have made significant developments in the auditing, financial reporting and governance regimes in the name of enhancing audit quality (Sulaiman *et al.*, 2018).

With regard to EQ, this study belongs to the stream of numerous studies which indicate that EQ is a significant common factor in many decision models, such as foreign direct investment (An, 2019), which used four proxies of EQ, excess returns (Perotti & Wagnehofer, 2014), which used eight proxies of EQ, foreign investors (Khalil *et al.*, 2020), ownership structure (Ben-Nasr *et al.*, 2015), market reaction (Ahn & Kwon, 2010), cost of equity capital (Francis *et al.*, 2004), which used seven proxies, firm value (Allayannis & Simko, 2009), and attracting foreign investors (Al Ani, 2021) which used nine proxies of EQ. For three reasons, only two measures were employed in this study. First of all, hardly any study has attempted to quantify the impact of EQ on foreign investors in Oman using a variety of proxies. To the best of the authors' knowledge, no research had previously been conducted in Oman that focused solely on evaluating EQ and AQ. However, some studies have been conducted in other GCC nations.

Ezat *et al.* (2019) used three proxies, namely, accrual, predictability, and persistence, only in the Kingdom of Saudi Arabia. Shubita (2015) used income smoothing to measure EQ in GCC countries, and Alfraih & Alanezi (2015) used value relevance only in Kuwait. However, Assad & Alshurideh (2020) used three proxies of accruals to measure EQ as mediators between audit quality and investment efficiency in GCC countries. Secondly, in order to generalise the findings, different proxies must be used. The bias of one proxy is assumed to be compensated by other proxies when utilising such proxies. Thirdly, since the decrease in oil and gas prices, Oman has started to attract more foreign investments through enhancing the quality of financial reporting to reflect the diversification of the economy.

A lot of decision-making models use AQ as a common element, including those for international investments (Lee *et al.*, 2018), earnings management (Sitanggang *et al.*, 2020), cost of capital (Coffie *et al.*, 2018),

and risk (Lee *et al.*, 2018). Sri and Solimun (2019). The earlier research, as previously indicated, used a variety of proxies to quantify AQ, including auditor size (Sri & Soliman (2019) and Coffie *et al.*, 2018), audit fees (Sitanggang *et al.*, 2020), and both auditor size and audit fees (Sri and Soliman & colleagues, 2019; Coffie *et al.*, 2018; Lee *et al.*, 2018). However, due to two factors, this study uses auditor size as a surrogate to quantify AQ. First off, the sample for this investigation contains the data needed to calculate the auditor size. In addition, Lee *et al.* (2018) posit that foreign investors prefer to use the Big 4 audit firms to audit the financial statements in order to preserve their investment when they are unable to oversee the operations of the firms in other countries. This study is designed to answer the following research questions:

Q1: How to measure different proxies of EQ in the non-financial firms in Oman?

Q2: How to examine the effect of EQ and AQ on attracting FI?

Q3: Are Earnings Quality and Audit Quality Adding Value to Foreign Investors in Oman?

For a variety of reasons, FI was chosen in this study as the dependent variable. The Sultanate initially unveiled fresh foreign investment legislation in 2019 (Salman & Nobanee, 2019). The rules give foreign investors many advantages, including 100% non-Omani ownership of enterprises, a temporary tax cut for up to ten years, and ten-year investment permits. Growing foreign investments are necessary for the Omani economy to diversify. For instance, AlHarithi (2018) demonstrates that GCC nations view foreign direct investment as one of the crucial methods for diversifying their economies and luring more foreign portfolio investments. Second, while a small number of studies have looked at the impact of emotional intelligence on developing markets like the capital market in Oman, the current studies have not yet looked into the role that EQ plays in luring foreign investors. Third, the Oman capital market was rated as having poor corporate governance by the International Monetary Fund, particularly in terms of protecting investors. As a result, they must improve corporate governance to offer this protection. Fourth, the Sultanate has alluring qualities that encourage international investors to make investments there. According to Pauceanu (2016), one factor enticing foreign investors to make investments in the Sultanate is the country's political and economic stability.

There are three key goals for this study. Using a sample of 726 firm-year observations spanning the years 2008 to 2018, the first goal is to assess the EQ in Oman. Conclusions drawn from the analysis of EQ using proxies

with two-dimensional angles may be sufficient. The second goal is to examine how the two EQ measurements affect luring in more international investors. The third goal is to examine the combined impact of EQ and AQ on luring foreign investors to Oman. The current study is confined to Oman because there aren't many studies regarding this nation that look at how EQ affects luring in international investors.

Three contributions are made by the paper. First, since there are few EQ-related studies being done in Oman, the study is being conducted in a developing market, specifically the Omani capital market. Second, persistent and value-relevant processes are frequently used to assess the quality of described profits. As previously discussed, EQ is measured in this country using extremely specific proxies. Third, in an effort to draw in more institutional and individual investors, the Sultanate unveiled unique foreign investment legislation and regulations. Therefore, improving EQ is essential to improving financial information disclosure and openness.

The remainder of this paper is structured as follows: The second section provides a review of the previous literature and develops the hypotheses. The third section addresses the sample and the analysis. The fourth section discusses the empirical findings and presents a discussion of the results. The final section summarises the closing remarks.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. EQ and foreign investors

In the literature on EQ, it is defined in a variety of ways. Since many users of financial statements, including investors, analysts, managers, and other stakeholders, place a high value on EQ, there are many distinct definitions of EQ. For instance, Penman and Zhang (2002) defined EQ as a measure of future profits in proportion to future earnings. This definition's fundamental flaw is that it uses EQ to forecast future earnings. Additionally, EQ is used to forecast a firm's future performance in the context of firm performance (Chan *et al.*, 2006). Francis *et al.* (2004) defined EQ as a measure that is used to extract information that is relevant to value from the earnings trend. In the context of the dependability and relevance of valuable financial information, Radzi *et al.* (2011) defined EQ as being a highly important quality for quantifying EQ.

In the literature, there is an increased interest in EQ measurement in terms of the quality of meaningful financial information. According to Leal *et al.* (2017), the bulk of EQ studies attempt to reduce capital market uncertainty and give stakeholders meaningful information. As a result,

the information contained in financial statements is a crucial source of relevance and accurate depiction.

According to the conceptual framework of International Financial Reporting Standards (IFRS), relevance and faithful depiction are the two most important qualitative aspects of financial reporting. While faithful representation refers to information that is thorough, neutral, and error-free, relevance refers to data that is future-predictive in nature and related to decision usefulness. An (2017) claims that these two methods are utilised to quantify EQ. The first focuses on the accuracy of financial reporting since EQ is associated with the value of financial data and is assessed by earnings persistence and value relevance.

The second method, which is concerned with the dependability of financial data, assesses accrual quality and conservatism. Perotti and Wagnehofer (2014), Al Ani (2015), and Perotti and Wagnehofer (2014) all used accounting-based and market-based metrics. Market-based measures place more of a focus on accounting profits and market returns than accounting earnings and their components do in accounting-based measures. In order to provide a comprehensive image of the foreign investors' investment choices, this study uses two EQ metrics to investigate the impact EQ has on luring them to Oman. Based on each measure, the following hypotheses are presented:

2.1.1. Persistence

One well-liked EQ proxy is persistence. Because it is a sign of sustainable earnings, earnings persistence is a desirable quality. Earnings persistence measures how long or frequently existing earnings will continue (Canina & Potter, 2019).

Investors are particularly interested in assessments of profitability, continuity, and sustainability. Investors place a high value on companies that have a track record of consistent profitability since these earnings are more reliable in projecting future revenues. According to Perotti and Wagnehofer (2014), investors like adopting this proxy because high persistence has a promising association with high EQ since it denotes an efficient, consistent, and less unstable process for generating earnings that investors value. According to Mirzajani and Heidarpoor (2018), the investor builds on consistent profits while developing equity valuation models since more sustainable profits result in better inputs for these models.

The benchmark used to interpret EQ is the value of the regression model, which is close to exceptionally persistent earnings, while being close

to 0 signals excessively unsustainable earnings. Ben-Nasr *et al.* (2015) assert that foreign ownership is related to perseverance. EQ is because overseas investors like to invest in businesses that will produce more income in the future. According to An (2019), this encourages foreign ownership because they invest more in companies with higher EQ. Therefore, hypothesis 1 is:

H1: A highly sustainable economy attracts foreign investors.

Value Relevance

According to numerous studies (e.g., Adetunji, 2016; Barth *et al.*, 2001; Mirza *et al.*, 2019), relevant information is data that can indicate a company's value or stock price. According to Beisland (2009), an investor needs to know how much a company is worth in order to assess its business value. Therefore, the accounting data is important if it influences the investor's choices regarding equity investments.

According to Perotti and Wagnehofer (2014), value relevance is a good way to gauge how informative financial reporting is. This can help to increase EQ since more informative components of earnings will have a higher VR, indicating a positive correlation between high-value relevance and the calibre of financial reporting. In general, two proxies—share price and the Earnings Response Coefficient (ERC) and the explanatory power of earnings and book value—can be used to measure VR (ERC). The explanatory power of profits, book value, and share price is the value relevance of an EQ as calculated in 2017 using the Ohlson (1995) model. Value relevance is the explanatory power of the coefficient of determination (R^2), as a large (small) R^2 indicates more (less) value-relevant. Dechow *et al.* (2010) used ERC to compute EQ, which is measured by value.

According to Maditinos *et al.* (2013), who discuss how investors use VR, the level of VR is a key indicator for investors because it tells them how the market will respond to accounting information. The higher the volatility, the more the market will react. Jiang and Kim (2004) discovered that foreign investors favour investing in environments with high informational levels and little information asymmetry. According to Choi *et al.* (2013), a growth in foreign concentration causes domestic firms to want more informative content, which raises the value relevance of financial reporting. According to An (2019), foreign investors benefit from the value relevance since they are required to preserve their investments, lower monitoring expenses, and hire more monitoring businesses. Therefore, increased foreign ownership encourages businesses to increase openness and reduces managers' opportunistic judgments. This study therefore anticipates a favourable relationship between value relevance and foreign ownership.

H2: The high value relevance of EQ attracts foreign investors.

2.2. Foreign investors and AQ

The topic of audit quality is one of the most fascinating and contentious ones, both in emerging and developed markets. DeAngelo's (1981) definition of audit quality was employed in the majority of earlier studies in the field of auditing. According to DeAngelo (1981: p.186), AQ is "the likelihood that an accounting error will be found and reported by the auditor as determined by the market." According to empirical evidence, the lack of AQ is one of the primary causes of financial business and auditing scandals (Soltani, 2014). On the other hand, a high degree of AQ can enhance various business features like performance, financial reporting, and firm value, as well as audit features like the auditor's independence and the amount of audit fees (Sayyar *et al.*, 2015).

The connection between AQ and foreign investments is a topic of considerable concern at the moment. According to Lee *et al.* (2018), the demand for AQ will rise if foreign investors participate in the ownership structure inside the corporate governance system since they will need to oversee managers and safeguard their interests. According to Pronobis and Schaeuble (2022), foreign investors are one factor driving up the demand for AQ, and they are willing to pay high audit fees in exchange for high AQ. A positive and strong link between AQ and foreign ownership was discovered by **Oriakhi** *et al.* **(2021).** This is so because businesses can adopt good governance procedures such as AQ, which are encouraged by international investors. So, we anticipate a good relationship between AQ and luring in more international investors.

H3: High AQ attracts more foreign investors.

Although international investors only account for roughly 6% of the market value of Omani listed companies, it is anticipated that they will be crucial to the corporate governance of the Omani capital market. There are a few causes for this. First, in response to the new plan for economic diversification away from the oil and gas industries, the Omani government announced numerous incentives to draw in foreign investment. Second, Oman established a new agency (the capital market authority) to regulate the audit market and audit firms, which is crucial for improving governance, disclosure openness, and the accuracy of financial data. Thirdly, while having a tiny percentage of ownership in Oman, foreign investors are highly concerned about high EQ and high AQ together because they cannot access more information about the success of their investments, which is a very crucial issue for them. Consequently, this is what we anticipate:

H4: EQ and AQ add value to foreign investors.

2. METHODOLOGY

2.1. Sample selection

The study's sample includes companies that are listed on the Oman Exchange stock markets, specifically the Muscat Securities Market (MSM). Secondary data from the Capital IQ database, acquired between 2008 and 2018, was used in this study. Other information was manually calculated from the nation's enterprises and capital markets. According to Table 1, there are 107 different companies included in this study. 31 banks and financial institutions are not included in this analysis because of the dissimilar rules and regulations of the two organisations. Additionally, 10 non-financial enterprises with certain information gaps are excluded. As a result, 726 firm-year observations are included in the study's final sample.

Table 1
Sample Distribution

	OMN
Total Listed Firms (1)	107
Financial firms (2)	31
Non- Financial firms 3 (1-2)	76
Firms with missing data (4)	10
Number of firms in sample 5 (3-4)	66
Number of observations 5*(11 years)	726

The data is processed in two stages. In the first stage, I measure the EQ by using nine proxies, and in the second stage, the models of the association between EQ and foreign investors (FI) are tested in Oman.

Data

The study required sufficient data to calculate all two EQ proxies for each firm and in the country in a sample. To avoid excluding too many firms from the sample, we did not require data availability for each firm over the full eleven-year period and for the two EQ proxies. Accordingly, the composition of the observations in the samples varies. Owing to the nature of the data, an ordinary least squares (OLS) regression model was used to estimate the association between EQ and FI and AQ and FI.

2.2. Model specifications

This study constructs the following models for measuring EQ in Oman:

Model 1: Persistence:

Following Perotti and Wagnehofer (2014), the slope-coefficient β is used to measure the persistence as expressed in the following equation:

$$EQ \ (PRE) \ it = a + \beta \ Earnings it - 1 + \varepsilon it \tag{1}$$

Where:

i = firm

t = year,

α = Constant

β = Beta,

$Earnings_{it}$ = net income before extraordinary items in the current year

Earningsit-1 = earnings before extraordinary items in the previous year

ε_{it} = the residuals

When the value of β is close to one, EQ is high; close to zero, low EQ.

Model 2: Value Relevance

Following Ali and Hwang (2000), the proxy that this study used is the association between earnings, book value, and share price, or Ohlson (1995). The explanatory power of R^2 of earnings and book value of equity for stock returns is the measure of the VR, which is used as in the following equation:

$$Pi, t = \alpha + \beta 1 BVi, t + \beta 2 EPSi, t + \varepsilon i, t \tag{2}$$

Where:

I = firm

T = year

A = Constant

β = Beta

$P_{i, t}$ = the stock price at the end of the year

$BV_{i,t}$ = the book value of the stock at the end of the year

$EPS_{i,t}$ = the earnings per share at the end of the year

$\varepsilon_{i,t}$ = the residuals. Large

R^2 indicates more value-relevant EQ; less R^2, less value-relevant EQ.

2.3. Measuring Foreign Investors

Following Lee *et al.* (2018) and An (2019), FI is the ratio of equity shares held by all foreign investors at the end of the year, and it is measured as the total number of shares held by FI over the total number of shares outstanding.

In order to examine the effect of the two EQ proxies on attracting FI, the study uses the following regression models: To make the analysis robust, the study used three control variables, which have been named in prior studies (e.g., An, 2019; Perotti & Wagnehofer, 2014; Vo & Chu, 2019; Lee *et al.*, 2018). These variables are firm size (S), which is measured by the algorithm of total assets; return on assets (ROA); and leverage (R), which is measured by total assets divided by total liabilities.

Model 1: Persistence (EQ-PER) and FI

$$FI_{it} = \alpha + \beta 1 EQ(PER)_{it} + \beta 2 S_{it} + \beta 3 ROA_{it} + \beta 4 R_{it} + \varepsilon_{it} \tag{3}$$

Model 2: Value relevance (EQ-VR) and FI

$$FI_{it} = \alpha + \beta 1 EQ(VR)_{it} + \beta 2 S_{it} + \beta 3 ROA_{it} + \beta 4 R_{it} + \varepsilon_{it} \tag{4}$$

AQ is measured by the auditor type (Big4) which is measured by big 4 and non-big 4 audit firms.

Model 3: AQ and FI

$$FI_{it} = \alpha + \beta 1 AQ(Big4)_{it} + \beta 2 S_{it} + \beta 3 ROA + \beta 4 R_{it} + \varepsilon_{it} \tag{5}$$

Model 4: EQ, AQ and FI

Model 4-A: EQ (PER) and FI

$$FI_{it} = \alpha + \beta 1 EQ(PER)_{it} + \beta 2 AQ(Big4)_{it} + \beta 3 S_{it} + \beta 4 ROA + \beta 5 R_{it} + \varepsilon_{it} \tag{6}$$

Model 4-B: EQ (VR) and FI

$$FI_{it} = \alpha + \beta 1 EQ(VR)_{it} + \beta 2 AQ(Big4)_{it} + \beta 3 S_{it} + \beta 4 ROA + \beta 5 R_{it} + \varepsilon_{it} \tag{6}$$

3.   EMPIRICAL RESULTS

The descriptive statistics of each measure along with the measure of EQ itself and AQ, the results of measuring EQ and its effect on FI together are included in this study. Additionally, the descriptive statistics of control variables and dependent variables are also presented. Correlation is used to determine the relationship between the EQ, AQ, and FI, while regression is used to investigate the effect of EQ on FI. In the regression model, an ordinary least squares (OLS) regression model is used to examine the effect of EQ on FI and AQ on FI.

3.1. Descriptive statistics of FI, AQ and control variables

Table 2 shows the descriptive statistics of the dependent variable (FI), AQ and control variables.

Table 2
Descriptive Statistics of FI,AQ and Control Variables

Variable		Min	Max	Mean	Std. Deviation
Foreign Investor	FI	0.00	0.74	0.064	0.168
Audit Quality	AQ(BIG4)	0.00	1.00	0.643	0.480
Risk	R	-710.0	189	-5.021	262.8
Size	S	0.674	3.47	1.82	0.601
Return on Assets	ROA	-0.332	0.284	0.051	0.074

In Oman, the mean of FI, which is equivalent to 0.064, is low. This demonstrates that the FI in the OMN is low, and the study looks at the causes of this lower mean. The average business size (S) is 1.82, which is the minimal amount needed for the firm to have sufficient assets to support its further expansion and existence. The average risk is OMN (-5.021), making it one of the finest places in the region to invest. ROA is roughly 5%, which is quite low over the research period. The mean percentage of Omani companies using the Big 4 audit firms is 64%. The fact that the Big 4 audit firms offer high audit quality indicates that the Omani non-financial enterprises have chosen to hire them to audit their financial accounts.

Table 3 shows the mean, standard deviation (SD), and correlation of the variables of persistence.

Table 3
Descriptive Statistics and Measuring of Earnings Persistence

Country	NBIE		NBIE-1		R	P-value	EQ(PER): β
	Mean	SD	Mean	SD			
OMN	0.705	0.879	0.082	0.470	0.684**	0.000	0.387**

** Correlation is significant at the 0.01 level (2-tailed).

Table 3 demonstrates that all NIBE means are positive. The NIBE and NIBE-1 are positively associated at the significant level of 0.000, and the mean is (0.705). Given the strong link, it can be said that profits are both stable and high. The value of the slope-coefficient is utilised to rank the EQ as determined by persistence using the correlation (0.387) (p-value0.01). Because Oman's value of is closer to one, the profits of Omani businesses

are more enduring and permanent. As a result, the study anticipates that EQ will be highly useful in making decisions and will thus offer stakeholders, such as international investors, useful financial information. These findings differ from those of An (2017), who determined the value of in Korea. The results are in line with those of Ahn and Kwon (2010), which found that earnings are highly persistent in Korea due to the high levels of cash flows.

Turns on to value relevance, the required data to calculate R^2 of value relevance are EPS, the book value of shares, and share price. Table 4 shows the results of this measure.

Table 4
Descriptive Statistics and Measuring of Value Relevance (R^2)

Variables	Mean	SD
EPS	0.090	0.530
BV	1.61	1.56
P	0.364	0.266
Correlation (EPS&P)	0.604**	
Correlation (BV&P)	0.179**	
Correlation (Model)	0.669**	
EQ(VR)- R^2	0.537	
Coefficient (EPS)	0.301*	
Coefficient (BV)	0.884**	

**Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).

According to Table 4, the average share price (P), book value (BV), and profits per share (EPS) for Omani businesses all have positive values. The majority of Omani businesses appear to be financially secure, according to all three factors' positive results. The R2 of the model is 53.7%, indicating that the book values and profits per share accounting data's combined ability to explain 53.7 percent of the share price variance in Oman.

The connections between EPS, book value, and share price are positively significant at 0.000, and the model is significant at 0.000. This finding suggests that EPS and book values significantly reflect the share price of Omani companies. Although the correlations between the independent variables (EPS and BV) are less than 0.8, multicollinearity in regression models is not a significant problem (Hair *et al.*, 2006). The findings of measuring EQ-VR are consistent with those of Ragab and Omran (2006), who discovered a favourable correlation between earnings and share price.

3.2. Measuring the relationship between EQ and FI

Table 5 shows the result of regression analysis with regard to the relationship between EQ and FI.

Table 5
The result of regression analysis between EQ and FI

EQVariables	PER with FI		VR with FI	
	B	t-value	B	t-value
EQ	0.084 (0.029)	2.183	0.100 (0.010)	2.601
Risk	0.011 (0.776)	0.285	0.015 (0.699)	0.689
Size	-0.149 (0.000)	-3.848	-0.147 (0.000)	-3.798
ROA	-0.049 (0.560)	-0.583	-0.022 (0.533)	-0.340
R (Model)	0.226**		0.233**	
R^2	0.051		0.054	
F-value	8.605		9.128	
Sig.	0.000		0.000	

Regression model significance is shown in Table 5 to be 0.000. However, EQ-PER has a considerable and advantageous effect on luring international investors to the Sultanate, as evidenced by the coefficient of 0.084 (p-value 0.05) and the R2 of EQ-PER, which accounts for 5.1% of the variation in luring foreign investors. This result indicates that H1 is approved and that the sustainability of earnings in the nation will attract more international investment. The conclusion of this study differs from that of Ahn and Kwon (2010), who demonstrated that Korean investors do not respond to the persistence of earnings. This result differs from that of Wang (2014), who demonstrated that a high degree of persistence is unreal since investors' responses are unfavourable. This is the result.

Table 5 demonstrates that EQ-VR is strongly and favourably correlated with FI, with a correlation of 0.100 (p-value 0.01) and a t-value of 2.601. These findings demonstrate that book value and earnings per share are important to overseas investors. The increasing book value and EPS are expected to be a good indicator for the investors' decision model because VR and FI have a positive association. This outcome also suggests that H2 is acknowledged and the value significance of earnings in Oman will draw in more overseas investors. The significance of these variables is supported

by the fact that the control variables have various effects on international investors. Additionally, these findings contradict Al Ani's (2021) conclusion that VR has no impact.

3.3. Measuring the relationship between AQ and FI

Table 6 shows the result of regression analysis with regard the Relationship between AQ and FI

Table 6
The result of regression analysis between AQ and FI

Variables	FI	
	B	t-value
AQ (Big4)	0.159 (0.000)	4.112
Risk	0.102 (0.000)	3.770
Size	0.170 (0.000)	3.546
ROA	0.273 (0.018)	2.382
R (Model)	0.248**	
R^2	0.061	
F-value	6.726	
Sig.	0.000	

Table 6 demonstrates that AQ is strongly and favourably correlated with FI, with a coefficient of 0.000 (p-value 0.01) and a t-value of 4.112. These findings demonstrate that overseas investors are drawn to the Big 4 auditors' size as a stand-in for AQ. Since AQ and FI have a favourable link, investors anticipate that employing the Big 4 audit company will be a reliable signal for their decision-making process. This outcome suggests that H3 is accepted and that Oman's AQ will draw in additional foreign investors. The significance of these variables is supported by the favourable effects of the control variables on luring foreign investment. Additionally, these outcomes contradict Lee *et al.* (2018)'s conclusion that there is an impact of AQ on foreign ownership.

3.4. Measuring the relationship between EQ, AQ and FI

With regard to hypothesis 4 (the relationship between EQ, AQ and FI), table 7 shows the following results:

Table 7
Results of the effect of EQ, AQ on FI

Variables	Model4-A EQ PER, AQ and FI		Model 4-B EQ VR, AQ and FI	
	B	t-value	B	t-value
EQ PER	0.132 (0.016)	2.409	-	-
EQ VR	-	-	-0.008 (0.858)	-0.179
AQ	0.128 (0.003)	1.114	0.045 (0.345)	0.946
Risk	0.027 (0.672)	0.424	0.116 (0.018)	2.382
Size	0.201 (0.001)	3.335	0.170 (0.000)	3.456
ROA	0.020 (0.720)	0.358	0.129 (0.007)	2.701
R (Model)	0.223**		0.248**	
R^2	0.05		0.051	
F-value	5.370		6.726	
Sig.	0.000		0.000	

Table 7's findings reveal that both models have P-values of 0.001 or above, indicating that they both contain some statistically significant factors. The results show that EQ (PER) and AQ both have a substantial and favourable influence on attracting FI at 0.05 and 0.001, respectively, in the model 4-A in which the effects of EQ, PER, AQ, and FI were examined.

According to the model's findings, international investors must consider both high levels of sustainable earnings and high levels of audit quality when making investment decisions. R2 is only 5%, which is quite low and gives the model minimal support. The results show that EQ (VR) and AQ have negligible effects on attracting FI at 0.05 and 0.001, respectively, in the model 4-B when the effects of EQ VR, AQ, and FI were examined.

The model's findings show that international investors require a high level of sustainability According to the model's findings, foreign investors find it challenging to make investment decisions using both value relevance indicators and audit quality. H4 is only partially recognised because EQ (PER) and AQ together have a considerable and favourable influence on drawing in FI, whereas EQ (VR) and AQ together have no such effect.

4. DISCUSSION

Oman finds it challenging to draw in more foreign investment to make up for the continued decline in oil and gas prices and the implementation of the economic diversification agenda. According to Khayat (2020), the GCC nations, including Oman, have begun to put an economic diversification strategy into practise. According to ALHarithi (2018), GCC officials prioritise foreign direct investment as one of the primary objectives for this diversification in order to increase the number of foreign portfolio investments and diversify the economies of GCC nations. According to Aziz and Mishra (2016) and Hussein (2009), foreign investments have a beneficial and considerable impact on the economies of the GCC, particularly Oman. As a result, GCC nations like Oman enhance the regulatory and policy framework for foreign investments to draw in more foreign investors, which indicates the strength of the nations' economies. On the other hand, raising EQ while strengthening financial reporting quality is one of the most crucial measures along this path. Foreign investors typically need relevant and trustworthy information to improve their investment decision models, which can be achieved by using different, competing, and integrated EQ measurements. Due to the fact that Oman's financial markets are still developing, this study tries to offer a sufficient amount of accurate and reliable information about EQ. Due to Oman's higher level of stability, which has a good impact on luring foreign investors, Omani businesses have high and steady earnings. For instance, Pauceanu (2016) finds that one element luring international investors to Oman is the country's political and economic stability.

Foreign investors can use the book value and EPS to estimate the share price because the EQ of local enterprises in Oman is linked with R2 as a VR metric. This result is in line with a discovery by An (2019) that demonstrates a strong correlation between value relevance and FI. Alfraih and Alanezi's (2015) findings that the financial reporting of Kuwaiti non-financial enterprises is positively related to investors support this conclusion. This finding is supported by Kumar and Singh (2013), who demonstrated how investors in the Omani capital market might achieve atypical returns using accounting data.

Now consider the connection between AQ and FI. Foreign investors require trustworthy information to evaluate their investments, and the companies that the Big 4 audit firms have reviewed may supply that information. The requirement for a high level of AQ is crucial for them to give such information because, recently, FI has joined the Omani capital market and they lack sufficient trustworthy information to support them

in their decision-making. This finding is consistent with those made by Oriakhi *et al.* (2021) and Lee *et al.* (2018), who found a favourable correlation between FI and AQ.

The findings demonstrate that the EQ (PER) and AQ combination adds value to the decision models of FI since it will draw in more FI. As a new market, FI will favour trustworthy information above the relevance of the value, such as sustainable earning and AQ. Due to the necessity to develop robust models to forecast future earnings, VR is a particularly challenging factor to employ when deciding whether to make an investment in a foreign country. These findings provide credence to the idea that if the persistence of earnings and AQ are combined in a bigger way, the FI will seek more external audit services to check on managers' activities, which can lead to choosing one of the Big 4 audit firms.

5. CONCLUSIONS

In order to quantify emotional intelligence (EQ), this study used two proxies, namely persistence and value relevance. It also looked at how EQ and AQ worked together to attract more international investors in the Omani environment.

The study first verifies that EQ in terms of user needs has superior quality in Oman for profit persistence and value relevance from a wide sample of Omani non-financial enterprises across 2008–2018.

As persistence helps to attract FI, foreign investors might use Oman as a base for their decisions. The positive correlation between value relevance and FI in Oman suggests that foreign investors are less sceptical of rising stock prices Foreign investors respond differently to control variables, confirming their significance and strengthening the regression models. In contrast, AQ has a favourable and considerable impact on drawing in FI, showing that FI prefers to work with the Big 4 audit firms to examine the financial reports. Finally, the findings demonstrate that combining earning persistence and AQ will offer value to draw in more FI, but combining AQ and value relevance would not do so.

Numerous policy ramifications stem from this study's conclusions. First, there are two EQ proxies, and each has a distinct explanation. Foreign investors should use each metric carefully and in accordance with their preferences. Second, international investors are interested in more relevant as well as more trustworthy or protective information. Therefore, in order to increase the transparency of financial reporting and the allocation of resources in the capital markets, officials of the Omani capital market should

adopt EQ measures as guiding principles. Thirdly, the findings have repercussions for the firm's managers, who must handle EQ data carefully to prevent any exploitation of each EQ metric.

The study has a lot of restrictions. First, aside from listed companies in the banking and financial sectors, it is based on non-financial listed companies on the Oman capital market. The various governing systems in these organisations may make it difficult to generalise the results to all industries. The banking and finance industries are good candidates for more research. Due to the different legal, institutional, and economic foundations, the results might not be generalised to other developing nations like the GCC nations and the Middle East. Additionally, more study can be done in these areas.

Finally, the research uses two commonly used measures in reliable studies to calculate the EQ measures. All facets of EQ may not be represented by the two proxies. Based on the proxies used in this study, the results for EQ, AQ, and FI are mixed. Future research should employ alternative EQ measures in addition to AQ measures because they may have diverse results and readings.

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CONFLICT OF INTERESTS

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