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The effect of industry concentration on financial statement comparability

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Abstract: This study investigates the effect of industry concentration on financial statement comparability. The analysis is based on a sample of 553 firm-year observations from 79 non-financial companies listed on the Egyptian Stock Exchange between 2016 and 2022. Using regression analysis, the findings demonstrate a statistically significant negative relationship between industry concentration and financial statement comparability. This suggests that as industry concentration increases, corporate transparency tends to decline, as managers in highly concentrated industries have more discretion in making accounting and reporting choices. Such discretion can reduce financial statement comparability across firms. These conclusions are supported by robustness checks using alternative measures for both industry concentration and comparability. The study adds to the existing literature by providing insights into how the competitive environment influences firms' accounting policies and reporting strategies, which in turn affects the quality and comparability of financial reporting. By highlighting the relationship between industry concentration and financial transparency, the research offers practical implications for investors seeking more informed decisions and emphasizes the importance of regulatory efforts to ensure the production of high-quality, comparable financial statements—particularly in industries with high concentration levels.

Keywords: *Financial statement comparability, Industry concentration.*

1. Introduction

Comparability is widely acknowledged as a fundamental qualitative characteristic of financial information, as it provides users of financial statements with the ability to identify, interpret, and assess similarities and differences in financial performance across entities and over time. According to conceptual frameworks issued by both the Financial Accounting Standards Board [1] and the International Accounting Standards Board [2] financial information becomes more useful for decision-making when it facilitates comparisons across entities within the same industry and across different reporting periods for the same entity. Enhanced comparability not only reduces information asymmetry but also contributes to increased transparency [3] improved financial reporting quality [4] and more efficient capital allocation within the economy [5]. Given its pivotal role, understanding the factors that influence financial statement comparability is essential for regulators, investors, and preparers of financial information alike.

Nevertheless, the comparability of financial statements is subject to influence by a range of firm-specific and contextual factors. Prior research has shown that elements such as a firm's position within its life cycle [6] corporate governance practices—including board diversity [7] and audit committee characteristics [8]—as well as market-related dynamics like industry concentration [9-12] can significantly affect comparability outcomes. Moreover, a substantial body of empirical literature underscores the positive role of International Financial Reporting Standards (IFRS) adoption in enhancing the comparability of financial information across entities (e.g., [13-19]).

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Prior research has identified product market competition as a key determinant influencing managerial decisions in financial reporting [20]. The literature presents two contrasting perspectives on the impact of competition. The first posits that market competition functions as an external governance mechanism, contributing to an improved information environment and promoting greater transparency in financial reporting. For instance, Botosan and Stanford [21] found that firms operating in highly concentrated (and thus less competitive) industries tend to disclose less information regarding highly profitable operating segments. Pisano and Landriani [22] reported that industries characterized by intense competition—indicative of lower concentration—exhibit higher levels of segment disclosure. Similarly, Elhoshy, et al. [23] identified a significant negative relationship between industry concentration and the extent of operating segment disclosure. Supporting this view, several studies highlight a positive association between competitive intensity and voluntary corporate disclosure, including disclosures related to corporate social responsibility [24] and strategic responses to increased competition Chu, et al. [25]. Ali, et al. [26] also observed that in highly concentrated markets, firms issue earnings forecasts less frequently, and these forecasts are evaluated less favorably by financial analysts. Furthermore, Laksmana and Yang [27] demonstrated that both income-increasing accrual manipulation and real activity manipulation are more prevalent in industries with low levels of competition. More recently, Alshehabi, et al. [28] found that firms facing intense product market competition are more likely to report impairment losses that are value-relevant to investors' equity assessments.

An alternative perspective contends that competition can negatively influence financial reporting practices by discouraging disclosure or leading firms to withhold proprietary information. This view is grounded in proprietary cost theory, which posits that firms weigh the potential benefits of disclosure against the competitive disadvantages that may arise from revealing sensitive information. In the absence of proprietary costs, firms are generally incentivized to disclose relevant information to reduce information asymmetry in capital markets. However, where proprietary costs are substantial, firms may strategically limit disclosure to maintain competitive advantage [29, 30]. A growing body of empirical research supports this notion, documenting inverse relationships between competition and several types of disclosure, including corporate governance reporting [31] voluntary supply chain disclosures [32] carbon emissions reporting [33] greenhouse gas disclosures [34] and corporate social responsibility disclosures Ryou, et al. [35]. Karuna [36] argued that increased competition heightens information asymmetry, as firms engage in more opportunistic behavior to protect strategic information. Similarly, Königsgruber, et al. [37] found that potential competition is negatively associated with the extent to which firms disclose performance variances across operating segments, particularly in U.S. capital markets.

The preceding discussion highlights that competition can exert either a positive or negative influence on financial reporting practices, and by extension, may impact the comparability of financial statements. This raises a fundamental question: does industry concentration—an inverse proxy for competition—affect financial statement comparability?

Drawing on a sample of 553 firm-year observations from 79 non-financial firms listed on the Egyptian Stock Exchange over the period 2016–2022, this study provides robust evidence of a statistically significant negative association between industry concentration and financial statement comparability.

This research contributes to the existing body of literature by shedding light on a relatively underexplored area—the impact of industry concentration on the comparability of financial statements—particularly within the context of the Egyptian capital market. The scarcity of prior studies addressing this relationship in emerging markets, and in Egypt specifically, underscores the relevance and novelty of this investigation.

Moreover, the findings emphasize the critical role of the industry structure in shaping firms' accounting strategies and policies, ultimately influencing the consistency and comparability of financial reports across firms. The results highlight the importance of regulatory oversight, suggesting that

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capital market authorities should encourage or mandate the preparation of high-quality, comparable financial statements, especially in highly concentrated industries. In doing so, the research not only deepens theoretical understanding but also offers practical insights for investors, regulators, and policymakers seeking to enhance financial transparency and decision usefulness in competitive environments.

2. Literature Review

2.1. Financial Statement Comparability

Comparability is widely acknowledged as one of the fundamental qualitative characteristics of accounting information, contributing significantly to both the relevance and faithful representation of financial reports. Information becomes more decision-useful when it allows users to identify similarities and differences across firms over the same reporting period, or within the same firm across different periods Financial Accounting Standards Board [1] and International Accounting Standards Board [2]. De Franco, et al. [38] conceptualized comparability within the framework of financial reporting as the degree to which accounting systems consistently translate similar economic events into similar financial representations. From this perspective, two firms are considered to have comparable accounting systems when they produce similar financial statements in response to a common set of economic conditions. Their study defined comparability as the extent to which different firms' accounting systems reflect economic events in a similar manner, thereby enhancing the interpretability and reliability of financial information for external users.

In line with this perspective, Barth, et al. [39] and Yip and Young [40] emphasized that financial statement comparability captures the degree to which firms report similar accounting outcomes under comparable economic conditions, and dissimilar outcomes when facing different circumstances. Expanding upon this notion, Francis, et al. [41] stressed that comparability is achieved when firms applying accounting standards consistently produce similar earnings figures under similar economic scenarios, thereby enhancing the interpretability of financial information. Similarly, Chen [42] defined comparability as the extent to which similar economic transactions are accounted for in a similar fashion, while dissimilar transactions are reflected differently in the financial reports. Zhang [43] further elaborated that comparability among firms operating within the same industry reflects the homogeneity of operating environments and financial reporting behaviors, which in turn facilitates users' analysis by lowering the cost of preparing and interpreting financial information. Alhadi, et al. [44] reinforced the significance of comparability by identifying it as a critical determinant of financial reporting quality. More recently, Hong, et al. [45] described comparability as a key reporting attribute that enhances users' ability to discern similarities and differences in the economic performance of peer firms, thus improving decision-making.

A growing body of empirical research underscores the multifaceted benefits of financial statement comparability across various dimensions of financial decision-making and reporting quality. De Franco, et al. [38] demonstrated that comparability enhances financial analysts' forecasting accuracy by lowering the cost of information acquisition and improving the overall quality of accounting information. In the context of credit markets, comparability has been shown to reduce uncertainty surrounding credit risk [46] and to mitigates information asymmetry in debt markets [47]. Furthermore, it discourages managerial opportunism, particularly the concealment of bad news, thereby lowering the probability of stock price crashes [48, 49]. In a similar vein, [50] found that comparability reduces the cost of interpreting financial data and narrows the divergence in investor opinions, while Stallings [51] argued that higher comparability enhances the informativeness of earnings, which supports more accurate stock valuation. Choi, et al. [52] also reported that greater comparability increases the informativeness of stock prices, facilitating investors' predictions of future firm performance. From a corporate strategy perspective, Chen, et al. [53] showed that acquiring firms make more effective M&A decisions when target companies' financial statements are more comparable to those of their industry peers.

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Beyond decision usefulness, comparability contributes to enhancing transparency by reducing information asymmetry [3] and by improving the quality of financial reporting Shayesteh, et al. [4]. Ning, et al. [7] similarly confirmed that enhanced comparability elevates the quality of information disclosed, fostering more informed decision-making and reducing asymmetry. In addition, comparability supports the efficient allocation of economic resources [5] and improves investment efficiency by mitigating both over- and under-investment, as well as strengthening the monitoring of managerial actions [44]. Finally, comparability has been found to constrain earnings management through accrual manipulation, as documented by Martens, et al. [54] and Liem [55].

2.2. Industry Concentration and Financial Statement Comparability

Industry concentration refers to the degree to which a small number of firms dominate total sales within a given industry, implying a lower level of competition in more concentrated markets [9]. In such industries, a limited number of firms account for the majority of market share and revenue [56]. The level of competition within an industry—whether high or low—has been widely recognized as a critical determinant of firms' financial reporting behaviors, including the comparability of financial statements.

Two primary theoretical perspectives address the relationship between competition and financial reporting. The first perspective posits that competition enhances the information environment by promoting greater transparency and higher disclosure quality. For example, Kontesa, et al. [24] found a positive association between market competition and voluntary disclosure of corporate social responsibility. Chu, et al. [25] observed that firms increase their voluntary disclosures under heightened competitive pressure to maintain or defend market position. Laksmana and Yang [27] provided evidence that earnings management—both accrual-based and real activity manipulation—is more prevalent in industries with lower competition. Similarly, Alshehabi, et al. [28] showed that firms in more competitive markets are more likely to report impairment losses that are relevant to equity valuation.

Conversely, the second perspective, grounded in proprietary cost theory [29, 30] argues that competition may suppress financial disclosure, as firms may withhold sensitive information to avoid eroding competitive advantage. Empirical evidence supports this view across several domains: Al-Najjar and Ding [31] found that higher competition is associated with lower levels of corporate governance disclosure; Chen, et al. [32] observed reduced supply chain transparency; Luo, et al. [33] and Lee and Lee [34] noted declines in environmental disclosures; and Ryou, et al. [35] documented a negative relationship between competition and CSR disclosures.

A growing number of studies have investigated the specific impact of market structure—including industry concentration—on the comparability of financial statements. Chircop, et al. [57] found that firms with higher accounting comparability tend to have less customer concentration, particularly in firms with greater profitability and innovation, suggesting that comparability facilitates performance benchmarking and diversification. Thu and Huy [12] examining the Vietnamese market, reported a positive relationship between market concentration and comparability, particularly where state ownership was high—highlighting the role of regulatory and institutional factors in emerging markets.

Cheng [11] revealed that product differentiation reduces comparability due to operational and financial reporting differences, while greater competition enhances comparability—except in R&D-intensive firms or those under close institutional investor scrutiny. Imhof, et al. [10] demonstrated that firms in competitive and innovation-driven environments strategically reduce comparability using the flexibility afforded by GAAP, particularly in settings characterized by high information asymmetry. Gil [9] similarly found that competitive pressure fosters earnings manipulation, which undermines accounting comparability—especially in industries where performance benchmarks are tightly monitored.

In contrast, Majeed, et al. [20] argued that product market competition functions as an external governance mechanism that limits managerial discretion and enhances financial statement

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comparability. They found that existing competition had a more pronounced positive effect than potential entrants, and that non-price competition (e.g., innovation, quality) also contributed to improved comparability. However, this effect was not significant among state-owned enterprises, underscoring the influence of institutional and ownership structures.

Collectively, these studies emphasize the nuanced and context-dependent relationship between industry structure—particularly concentration and competition—and financial statement comparability. They highlight that both external competitive dynamics and internal governance mechanisms shape firms' accounting choices and the extent to which their financial reporting is comparable with that of peers. Based on the foregoing, the following research hypothesis is proposed:

H_1: There is a significant negative relationship between industry concentration and financial statement comparability.

3. Research Methodology

This section presents a detailed overview of the empirical investigation conducted to examine the research hypothesis concerning the impact of industry concentration on the comparability of financial statements. The analysis draws on a sample of firms listed on the Egyptian Stock Exchange between 2016 and 2022. It covers key aspects including the study population and sample, the research model, and both the conceptual and operational definitions of the variables used in the analysis.

3.1. Data and Sample

To test the research hypothesis, an empirical study will be conducted using a sample of 79 non-financial companies listed on the Egyptian Stock Exchange over a seven-year period, spanning from 2016 to 2022. Table (1) displays the number and percentage of companies included in the sample, classified by industry sector.

Table 1.
The Distribution of Companies by Industry.

Industry	Number of sample companies	Percentage
Basic resources	5	6.33%
Chemicals	4	5.06%
Construction and building materials	18	22.78%
Food and drinks	10	12.66%
Health care and medicine	5	6.33%
Industrial services, products and cars	12	15.19%
Household and personal products	3	3.8%
Real estate	17	21.52%
Tourism and entertainment	5	6.33%
Total number of companies	79	100%

3.2. Research Model

To examine the research hypothesis concerning the impact of industry concentration on financial statement comparability, multiple linear regression analysis will be employed, as outlined below:

$$COMP_{j,t} = \beta_0 + \beta_1 CON_{j,t} + \beta_2 SIZE_{j,t} + \beta_3 LEV_{j,t} + \beta_4 ROA_{j,t} + \beta_5 MB_{j,t} + \beta_6 LOSS_{j,t} + \beta_7 BIG_{j,t} + \varepsilon_{j,t}$$

Where: COMP: financial statement comparability, CON: industry concentration, SIZE: firm size, LEV: financial leverage, ROA return on assets, MB: market to book value, LOSS: firm incurred losses, BIG: audit firm size, ε is the term of random error.

3.3. Measuring Study Variables

3.3.1. Dependent Variable: Financial Statement Comparability

Financial statement comparability was measured according to De Franco, et al. [38] as follows:

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First: Estimating the coefficients of the company's accounting system through conducting a regression analysis of earnings on stock returns for each company over a four-year period, including the current year and the three previous years. This method follows the approaches utilized in the research conducted by of Pourabdollah-e-Sofehsan, et al. [58]; Neel [59] and Su, et al. [60] as described below:

$Earningsit = \alpha_i + \beta iReturn_{it} + \varepsilon it$ (a)

Where:

Earningsit: The ratio of net profit before tax for company i for period t to the market value of equity at the beginning of period t.

Returnit: The return on equity for company i for period t.

α_i; β_i: The estimated coefficients of company's accounting system over the four years included in each regression, which indicate how economic events (return) are reflected in accounting income (earnings).

Second: The estimated coefficients obtained in the first step are used to estimate earnings for companies i and j, as shown in equations (b) and (c) below:

Firm i: $E(Earnings)_{iit} = \alpha_i + \beta iReturn_{it}$ (b)

Firm j: $E(Earnings)_{ijt} = \alpha_j + \beta jReturn_{it}$ (c)

Where:

$E(Earnings)_{iit}$: Estimated earnings for company i for period t using company's accounting system and company i's return for period t.

$E(Earnings)_{ijt}$: Estimated earnings for company j for period t using company's accounting system and company i's return for period t.

Returnit: Return on equity for company i for period t.

'Third: Determination of financial statement comparability index between company i and company j is through using equation (d). This process involves calculating the summing of absolute differences in predicted earnings over a four-year period, dividing the total by 4, and then multiplying the result by -1, as described below:

$$Comp_{ijt} = -1/4 * \sum_{t-3}^{t} | E(Earnings_{ijt}) - E(Earnings_{ijt}) | \quad (d)$$

Higher (less negative) values of the Compijt index indicate higher financial statement comparability.

Fourth: Repetition previous two steps for all companies within the same industry.

Fifth: Calculate the annual comparability index for each company by taking the average of its comparability scores relative to other firms in the same industry. Consequently, companies that achieve a higher average value are considered to have more comparable accounting systems within their respective sectors.

3.3.2. Independent Variable: Industry Concentration

Industry concentration is measured using the Herfindahl Index, which is one of the most commonly applied metrics in the literature. In this study, the index is computed based on sales values, in line with the methodologies employed by Pisano and Landriani [22]; Utama [61] and Wang [62] as outlined below:

$$HERF_j = \sum_{i=1}^{n} \left(\frac{Salesij}{Salesj}\right)^2$$

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Where: $sales_{ij}$ represents the sales of firm i within industry j; $sales_j$ denotes the total sales of all firms in industry j; and n_j refers to the number of firms operating in industry j. A higher value of this indicator reflects a greater degree of industry concentration.

3.3.3. Control Variables

Several studies (e.g., [12, 18, 63-65]) have identified various factors that may influence financial statement comparability. Accordingly, a set of control variables will be incorporated into the analysis:

- Firm size: measured by the natural logarithm of total assets at the end of the year.
- Leverage: measured by the ratio of total debts to total assets.
- Return on Assets: measured by net profit divided by total assets.
- MB: measured by the market value of equity divided by book value of equity.
- LOSS: This variable is measured using a dummy variable that takes the value of (1) if the company has reported a loss, and 0 otherwise.
- Audit Firm Size: This variable is measured using a dummy variable that takes the value of (1) if the company's financial statements are audited by a firm affiliated with one of the Big Four audit firms, and 0 otherwise.

4. Results and Discussion

4.1. Descriptive Statistics

The descriptive statistics presented in Table (2) indicate that the average values for financial statement comparability and industry concentration over the study period were -0.1578 and 0.2881, respectively. The standard deviations for these two variables were 0.0938 and 0.2222, respectively. Additionally, 201 annual observations, accounting for 36.3% of the total, were audited by Big Four audit firms. On the other hand, the number of annual observations reporting losses totaled 136, accounting for 24.6%.

Table 2.
Descriptive Statistics.

Variables	Minimum	Maximum	Mean	Std. Deviation
COMP	-0.8057	-0.0108	-0.1578	0.0938
CON	0.0594	0.9993	0.2881	0.2222
SIZE	16.5457	24.6825	20.5813	1.5949
LEV	0.0008	0.9978	0.4272	0.2238
ROA	-0.47035	0.5280	0.0391	0.0983
MB	0.10000	10.9290	1.5966	1.3930
LOSS	0	1	0.25	0.431
BIG	0	1	0.36	0.481

Where: COMP: financial statement comparability, CON: industry concentration, SIZE: firm size, LEV: financial leverage, ROA: return on assets, MB: market to book value, LOSS: firm incurred losses, BIG: audit firm size.

4.2. Correlation Between Study Variables

Table 3. presents Pearson correlation coefficients among the study variables. The results reveal a significant positive correlation at the 5% significance level between financial statement comparability and both return on assets and market-to-book value, with correlation coefficients of 0.158 and 0.135, respectively. While there is a significant negative correlation at the 5% significance level between the financial statement comparability and industry concentration, leverage, and instances of company losses, with correlation coefficients of -0.196, -0.252, and -0.152, respectively. On the other hand, there is a significant positive correlation at the 5% significance level between industry concentration and company size, leverage, return on assets, and audit firm size, with corresponding correlation coefficients of 0.115, 0.146, 0.084, and 0.117, respectively.

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Table 3.
Pearson Correlation Coefficients.

Variables		COMP	CON	SIZE	LEV	ROA	MB	LOSS	BIG
COMP	Correlation coefficient	1.000							
	Sig. (2-tailed)								
CON	Pearson Correlation	-0.196**	1.000						
	Sig. (2-tailed)	0.000							
SIZE	Pearson Correlation	0.022	0.115**	1.000					
	Sig. (2-tailed)	0.604	0.007						
LEV	Pearson Correlation	-0.252**	0.146**	0.355**	1.000				
	Sig. (2-tailed)	0.000	0.001	0.000					
ROA	Pearson Correlation	0.158**	0.084*	0.098*	-0.223**	1.000			
	Sig. (2-tailed)	0.001	0.047	0.022	0.000				
MB	Pearson Correlation	0.135**	0.017	-0.006	0.076	0.121**	1.000		
	Sig. (2-tailed)	0.001	0.688	0.894	0.074	0.004			
LOSS	Pearson Correlation	-0.152**	-0.050	-0.047	0.133**	-0.638**	-0.010	1.000	
	Sig. (2-tailed)	0.000	0.242	0.275	0.002	0.000	0.817		
BIG	Pearson Correlation	-0.026	0.117**	0.363**	0.149**	-0.029	0.077	0.049	1.000
	Sig. (2-tailed)	0.546	0.006	0.000	0.000	0.494	0.072	0.254	

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

4.3. Results of Testing Research Hypothesis

Table 4 presents the regression estimates examining the effect of industry concentration on financial statement comparability. The results indicate that the regression model is statistically significant, as evidenced by the F-statistic of 13.340. Additionally, there is no indication of multicollinearity, given that the highest Variance Inflation Factor (VIF) value is 1.870, which is well below the commonly accepted threshold of 10. Furthermore, the Durbin-Watson statistic is 1.706, suggesting no serious issue of autocorrelation. Since this value is close to 2, it indicates that the residuals are not serially correlated, thus supporting the reliability and validity of the regression estimates.

Table (4) shows that the regression coefficient for the industry concentration variable is -0.076, with a t-value of -4.431. This indicates a statistically significant negative effect of industry concentration on financial statement comparability. Therefore, the hypothesis of the research is accepted. This relationship suggests that higher industry concentration is associated with lower corporate transparency, where managers in concentrated industries possess greater discretion in making accounting and reporting decisions for their firms. As a result, this discretion may diminish the financial statement comparability. These results are consistent with prior research, which demonstrates a negative relationship between industry concentration and financial statement comparability [10, 12]. While it is not consistent with the findings of the study' Gil [9] which concluded that there is a positive relationship between industry concentration and financial statement comparability. As well as studies of Cheng [11] and Majeed, et al. [20] which found that there is an insignificant effect of industry concentration on the financial statement comparability.

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Table 4.
Multiple Regression Results for Financial Statement Comparability and Industry Concentration.

Variables	β	Tolerance	VIF
Intercept	-.269** (-5.080)		
CON	-.076** (-4.431)	0.955	1.047
SIZE	.008** (3.056)	0.737	1.358
LEV	-.112** (-5.978)	0.778	1.285
ROA	.009 (0.179)	0.535	1.870
MB	.011** (3.922)	0.954	1.049
LOSS	-.024* (-2.128)	0.587	1.702
BIG	-.004 (-0.526)	0.849	1.177

Note: F = 13.340; R^2 = 0.146; Adj. R^2 = 0.135; Durbin-Watson = 1.706
* and ** represent significance at p<0.05 and <0.01, respectively. t-values are reported in the parentheses. See Table (2) for the variable definitions.

4.4. Robustness Tests

In this section of the research, we re-examine the research hypothesis using an alternative measure for both of the financial statement comparability, and industry concentration. First, we adopt the Herfindahl Index as an alternative indicator of industry concentration, calculated based on total asset values rather than sales figures [66]. As presented in Table (5), the regression coefficient for industry concentration is -0.200, with a t-value of -9.870. This result indicates a significant negative effect of industry concentration on financial statement comparability. Consequently, the research's first hypothesis is supported. Moreover, this finding is consistent with the research findings in the primary analysis.

Table 5.
Multiple Regression Results for Financial Statement Comparability and Industry Concentration

Variables	β	Tolerance	VIF
Intercept	-0.224** (-4.491)		
CON	-0.200** (-9.870)	0.848	1.179
SIZE	0.008** (3.274)	0.737	1.357
LEV	-0.076 (-4.199)	0.737	1.357
ROA	-0.039 (-0.811)	0.538	1.860
MB	0.005 (1.740)	0.898	1.114
LOSS	-0.029** (-2.710)	0.586	1.705
BIG	-0.002 (-0.221)	0.851	1.175

Note: F = 25.904; R^2 = 0.250; Adj. R^2 = 0.240; Durbin-Watson = 1.706
* and ** represent significance at p<0.05 and <0.01, respectively. t-values are reported in the parentheses. See Table (2) for the variable definitions.

Second, we retested the research hypothesis using an alternative measure of financial statement comparability. Specifically, total accruals were used in place of the regression of earnings on stock

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returns, following the approach of De Franco, et al. [38]. Several prior studies (e.g., [8, 41, 51]) have employed the convergence of total and discretionary accruals as a proxy for financial statement comparability. In this study, the average absolute difference in total accruals is used to capture the degree of earnings convergence among firms within the same industry, thereby serving as an alternative measure of financial statement comparability, in line with [41]. The financial statement comparability index (COMP) is calculated through the following steps:

- Measuring each firm's total accruals as the difference between pre-tax earnings and cash flows from operations.
- Calculating the absolute differences in total accruals between firm i and all other firms in the same industry.
- Computing the COMP for each firm as the average of these absolute differences, then multiplying the result by (−1). Higher (i.e., less negative) COMP values indicate greater financial statement comparability.

Table (6/ section A) shows that the regression coefficient for the variable industry concentration was -0.081, and the t-test value was -4.748. This suggests a statistically significant negative effect of industry concentration on financial statement comparability, thereby supporting the first research hypothesis. This finding is consistent with the research findings in the primary analysis. Similarly, Table (6), Section B, reports a regression coefficient of -0.062 for the same variable, with a t-value of -2.823. This further confirms the existence of a significant negative effect of industry concentration on financial statement comparability. Accordingly, the first hypothesis is once more supported, reaffirming the consistency of the results with the primary analysis.

Table 6.
Multiple Regression Results for Financial Statement Comparability and Industry Concentration.

	Section (A)*		**Section (B)****	
Variables	**β**	**VIF**	**β**	**VIF**
Intercept	-0.310** (-5.872)		-0.305** (-5.678)	
CON	-0.081** (-4.748)	1.047	-0.062** (-2.823)	1.179
SIZE	0.010** (3.748)	1.358	0.010** (3.663)	1.357
LEV	-0.027 (-1.435)	1.285	-0.025 (-1.260)	1.357
ROA	0.087 1.678	1.870	0.055 (1.059)	1.860
MB	-0.006** (-2.247)	1.049	-0.008** (-2.761)	1.114
LOSS	0.007 (0.658)	1.702	0.006 (0.507)	1.705
BIG	-0.018** (-2.126)	1.177	-0.019** (-2.297)	1.175

Note: *F = 7.204; R^2 = 0.085; Adj. R^2 = 0.073; Durbin-Watson = 1.825
**F = 5.020; R^2 = 0.061; Adj. R^2 = 0.049; Durbin-Watson = 1.840.

5. Conclusion

This study examined the effect of industry concentration on financial statement comparability, using a sample of non-financial companies listed on the Egyptian Stock Exchange over the seven-year period from 2016 to 2022. The findings showed that there is a significant negative effect of industry concentration on financial statement comparability. This effect suggests that higher industry concentration is associated with lower corporate transparency, where managers in concentrated industries possess greater discretion in making accounting and reporting decisions for their firms. As a

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result, this discretion may diminish the financial statement comparability. The results of the robustness tests corroborated the previous findings, even when alternative measures were used to assess both industry concentration and financial statement comparability.

The primary limitation of this research lies in its focus on industry concentration as the sole determinant of financial statement comparability. Consequently, it is recommended that future studies explore additional factors that may influence comparability, such as corporate governance, ownership structure, and organizational complexity. Furthermore, given the unique characteristics of the Egyptian market, the generalizability of the findings to other countries with differing disclosure requirements may be constrained. Therefore, replicating this study in other capital markets would represent a valuable extension of the current research.

This study offers valuable insights into the impact of industry concentration on financial statement comparability, highlighting the importance of enhancing the role of regulatory bodies—such as the Capital Market Authority—in mandating the preparation of high-quality financial statements. Moreover, the findings indicate that the business environment and firms' competitive positions significantly influence accounting strategies and policies, thereby affecting the comparability of financial reports. By shedding light on the relationship between industry concentration and financial statement comparability, this research may also assist investors in making more informed and reliable investment decisions.

Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

Copyright:

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