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Effect of Board Diversity on Financial Reporting Quality: Evidence from Firms Listed in Nairobi Securities Exchange, Kenya

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ABSTRACT

Financial reporting is an important determinant of investment efficiency. The quality of financial reporting is important for the efficient allocation of resources in capital markets. However, the wave of recent scandals and loss of billions of shillings of investments in state corporations in Kenya, timeliness in reporting and disclosure quality has been questioned. Thus, the main objective will be to determine the effect of board diversity on the financial reporting quality among firms listed in Nairobi securities exchange, Kenya. The specific objectives of this study will be to establish effect of board of director's age diversity on financial reporting quality and effect of board of director's gender diversity on financial reporting quality. The study will be informed by The Institutional Theory and The Upper Echelon theory. This study will use longitudinal research design while employing positivism approach. The target population comprises 66 firms listed in Nairobi Securities Exchange. A census approach will be used, and thus the sampling frame will be 66 firms from 2006-2016. Ultimately, 660 firm-year data of 66 firms listed in NSE will be included in the sample. The data collection instrument to be used in this study will be data collection sheet. Panel data will be analyzed using fixed effect model (FEM) and random effects model (REM). This study is expected to contribute to theory development by giving insights to the best practices in relation to board diversity and its measured impact on financial reporting quality. This study further is expected to highlight opportunities for enhancement of best practices for adoption in board diversity.

Key Words: Board Diversity, Age, gender, Financial Reporting Quality

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