

Characteristics of Female Directors and Earnings Management: Evidence from Sri Lanka

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Abstract

This study investigates the impact of female directors on earnings quality in a developing country which has patriarchal emerging society and a considerable gender equality gap. An analysis of previous research reveals that dearth of literatures and no prior research has been devoted to study the relationship between earning management and female director characteristics in Sri Lanka particularly. Therefore, this study aims to fill the gap in the literatures by examine the impact of specific characteristics of female directors on earning management. Multiple regression analysis was employed to identify the association between female director characteristics and earning management. As a proxy for earning management practices, the modified Johns model was used to estimate current discretionary accruals. The study used data collected from annual reports of all non-financial companies listed in Colombo Stock Exchange for the period from 2015 to 2020. The Sample comprises of 180 non-financial firms and 900 firm year observations. Findings of the study provide useful insights to Sri Lankan corporates to determine the best practices of board governance and to policy makers to strengthen corporate governance practices of Sri Lanka as it has a close link with the earnings management.

Key words: *Earnings Management, Gender diversity, Director characteristics, Female directors*