ABSTRACT

This study examined the impact of board gender diversity on the value relevance of abnormal accruals in listed firms in sub-Saharan Africa. Abnormal accruals signal accounting information relevant to the market valuation of the firm. Alternatively, abnormal accruals are opportunistic, thus misrepresenting the firm's value due to mispricing. However, there is no evidence to suggest that the value relevance of abnormal accruals improves with gender-diverse boards.

The study uses panel data from firms listed in South Africa, Nigeria and East Africa from 2016 to 2020. Data were collected from annual reports and financial market databases. Board gender diversity comprised the proportion of female executive directors, female non-executive directors and total female directors. The study regressed abnormal accruals in the presence of female board directors against the share price and firm market value represented by Tobin's Q ratio obtaining robust Random-effects general regression model outputs. The findings showed that abnormal accruals are value-relevant in the presence of female directors, especially non-executive females, and thus are priced by the markets. Rational investors perceive that abnormal accruals represent managers' opportunistic actions but change that perception in the presence of independent female directors; supporting the notion that female board directors specifically the non-executive directors exercise their independence through accounting conservatism, improved board governance and monitoring. This reduces information asymmetry, which in turn curbs earnings manipulation, leading to improved integrity of financial reports and hence effective market valuation of abnormal accruals. In addition, the study showed that presence of female directors qualified in accounting and finance increased the value relevance of abnormal accruals. This proves that female appointment focuses not on fulfilling the quota laws but also on quality appointment to eliminate underperformance due to tokenism.