



Corporate Governance and Accounting Conservatism: Evidence from French CAC 40 Listed Companies

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Abstract: This paper aims to study how board diversity impacts the accounting conservatism. It uses a sample of 34 companies listed on the CAC 40 during the 2012-2021 period. Using Givoly and Hayn (2000) accrual-based measure of accounting conservatism, we found that directors' demographic characteristics (age, gender, nationality) positively affect the accounting conservatism. The findings may be of interest to regulators, corporate managers, and board of directors interested in enhancing disclosure quality. As the study links board demographic attributes to accounting conservatism, policies can be developed in order to improve the configuration of boards and thus the credibility of financial statements. This study claims originality insofar as it focuses on the effect of directors' demographic diversity on accounting conservatism practices. Unlike earlier studies that examined board of directors' structure from the corporate governance perspective, our study investigates how precisely demographic attributes of board directors affect the accounting conservatism.

Keywords: board gender diversity; board nationality diversity; board age diversity; accounting conservatism; demographic attributes.

JEL classification: G32; M41.

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1. INTRODUCTION

Accounting conservatism, as a financial reporting stance, is one of the most important characteristics of corporate accounting information quality (Shen and Ruan, 2022). It is a long-standing convention in financial reporting, and a multi-dimensional concept (Hansen *et al.*, 2018). In fact, a variety of accounting conservatism definitions have been developed (Boulhaga *et al.*, 2023). For instance, Givoly and Hayn (2000) define conservatism as « *a selection criterion between accounting principles that lead to the minimization of cumulative reported earnings by slower revenue recognition, faster expense recognition, lower asset valuation, and higher liability valuation* ». Basu (1997), on the other hand, defines conservatism as an asymmetry in reported earnings that respond more quickly and completely to bad news than to good news.

The relationship between internal corporate governance mechanisms and accounting conservatism is largely investigated in the literature (Yunos *et al.*, 2014; Hajawiyah *et al.*, 2020; Chatterjee and Rakshit, 2023). Prior studies assert that effective corporate governance mechanisms restrict the opportunistic behavior of the managers which may lead them to be more conservative in their financial reports (García Lara *et al.*, 2009; El-habashy, 2019a). Particularly, a huge body of empirical research has investigated the impact of board characteristics on the quality of financial reports (Aifuwa and Embele, 2019; Vitolla *et al.*, 2020; Aksoy *et al.*, 2021; Wang *et al.*, 2022; Almuzaiker *et al.*, 2023; Islam *et al.*, 2023). They find evidence that the strength of board governance is positively associated with accounting conservatism (Boussaid *et al.*, 2015). The board of directors is assumed to be the most powerful governing body in companies (Iazzi *et al.*, 2023). It can mitigate information asymmetries among stakeholders, reduce conflicts with regulators, and ensure the fulfilment of legal responsibilities (Jensen and Meckling, 1976; Barros *et al.*, 2021; Dakhli, 2021). It has, in addition, the responsibility to guide and control the structures and strategies of the company. However, the effectiveness of this role is largely influenced by board of directors' structure (De Andres and Vallelado, 2008).

Several empirical studies have shown an increased interest in analyzing the relationship between board structure and accounting conservatism (Ruch and Taylor, 2015; Alves, 2021; Rustiarini *et al.*, 2021). In this vein, Usman *et al.* (2022) reported that the ratio of external directors has a negative effect on the earnings management proxy. Companies that have a higher rate of external directors are more likely to recognize losses in a timely manner than companies with a low rate of external directors (Sharma and Kaur, 2021; Hassaan and Salah, 2023). Previous empirical studies provided more support for small board size to be associated with effective governance (Malik *et al.*, 2014; Huang and Wang, 2015; Jamil *et al.*, 2021) and thus more accounting conservatism (Nasr and Ntim, 2018). Jensen and Meckling (1976) had argued that the problem of coordination for large board size can outweigh the advantages. However, Ahmed and Henry (2012) reported that large board size enhance the effectiveness of the monitoring process, which increases the scope of accounting conservatism due to expertise broad variety, especially the quality of financial reports. They claimed that women are more trustworthy than men, and are, thereby, less likely to manipulate corporate financial and other disclosures. Their conservative mindset and ethical leadership may contribute to a better internal control environment with a stronger emphasis on conservative and ethical financial reporting (Ho *et al.*, 2015).

Empirically, while numerous studies have investigated the impact of board structure on accounting conservatism (Muhammad *et al.*, 2025), they have limitations. First, there has been little evidence on how board demographic attributes (such as age, gender, and nationality) particularly affect the accounting conservatism (Plöckinger *et al.*, 2016; Gull *et al.*, 2018; Díaz-Fernández *et al.*, 2019). Previous studies in the area of accounting conservatism addressed the board of directors' structure from the corporate governance point of view by focusing on directors' independence, board size, leadership structure, and ownership. Nevertheless, there is a little attention to the effect of directors' demographic characteristics (Makhoul *et al.*, 2018). Thus, our study aimed to portray a more reliable picture of the association between the diversity in top managers' demographic attributes and their effect on firms' accounting quality. Second, few studies have been conducted in Europe (Ben Fatma and Chouaibi, 2024), precisely in France which provides an interesting research context for exploring the drivers of accounting conservatism (Ahmadi and Bouri, 2024) for several reasons. According to Rahman *et al.* (2010) and Slimani *et al.* (2024), France has had a more conservative approach to regulate accounting activities. It is also a pioneer in promoting board gender diversity through laws (Muhammad *et al.*, 2025) by setting, in January 2011, the Copé-Zimmermann law stipulating that companies listed on the French stock market (CAC40) added to those having more than 500 employees and a turnover higher than 50 million euros, should increase female representation on their board to 20% by 2014 and 40% by 2017.

These limitations have undoubtedly hindered a full understanding of the board attributes-accounting conservatism association and, thus, deserve further investigation. Therefore, the current study seeks to fill the gap in the extant literature by examining what was relatively neglected by previous studies. It had to get, also, a more in-depth understanding of the board demographic attributes-accounting conservatism relationship. For this purpose, it incorporates gender diversity, nationality diversity, and age diversity into the study model to explore their impact on the accounting conservatism. While doing this our results will contribute to the exiting literature by providing evidence that board attributes may be meaningful drivers of reporting quality. The literature is certainly extensive (Malik *et al.*, 2014; Ho *et al.*, 2015; Huang and Wang, 2015; Nasr and Ntim, 2018; Jamil *et al.*, 2021; Sharma and Kaur, 2021; Usman *et al.*, 2022; Hassaan and Salah, 2023; Khoifin *et al.*, 2023), but it is limited to board attributes from a corporate governance perspective. To our knowledge, too few studies have examined the association between demographic attributes of directors and accounting conservatism (Makhoul *et al.*, 2018; Ismail *et al.*, 2021). Hence, our study will offer incremental insights in this area.

This study claims originality insofar since its focus on the effect of directors' demographic diversity (age, gender and nationality) on accounting conservatism practices. Unlike earlier studies that examined board of directors' structure from the corporate governance perspective by analyzing the effects of board independence, board size, board meetings and CEO duality, our study went further to investigate how precisely demographic attributes of board directors affect the accounting conservatism. Thus, the findings will contribute to the literature by offering new evidence.

The remainder of the paper is structured as follows. Section 2 reviews relevant literature and develops the hypotheses. Section 3 describes the research methodology, followed by the results in Section 4. Section 5 presents the conclusion, limitations and suggestions for future research.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Based on prior studies, we develop, in this section, hypotheses on the impact of demographic diversity at board on accounting conservatism level. Directors' demographic characteristics such gender, nationality, and age are included.

2.1 Board gender diversity and accounting conservatism

The agency theory (Jensen and Meckling, 1976) postulates that the presence of women on the board of directors is more effective and resilient in monitoring decision making (Boussaidi and Hamed, 2015). It enables a firm to achieve a good governance structure (Orazalin, 2020). The presence of women on corporate boards can contain the selfish and opportunistic behaviors of managers (Dakhli, 2022). Proponents of agency theory argue that women are more trustworthy than men, and are thereby less likely to manipulate corporate financial and other disclosures. Accordingly, the conservative mindset and ethical leadership of women (Ho *et al.*, 2015; Faccio *et al.*, 2016) may contribute to a better internal control environment with a stronger emphasis on conservative and ethical financial reporting (Francis *et al.*, 2015; Chouaibi *et al.*, 2022; Garcia Lara *et al.*, 2022; Githaiga and Kosgei, 2023).

Based on agency theory, numerous prior studies showed a positive association between gender diversity in boards and accounting conservatism. For instance, Palvia *et al.* (2009) note that gender differences in board can influence the quality of financial reporting, given their personality traits such as conservatism, risk aversion and ethical behaviour. This result is later confirmed by Boussaid *et al.* (2015) who investigated the relationship between corporate board of directors' attributes and conditional accounting conservatism in the French context. Using a pooled regression model over the period 2009-2012, they found a positive association between gender diversity and accounting conservatism. They argued that female presence on the board builds and maintains ethical standards. Furthermore, it assists in more rigorous monitoring related to firms' strategic decisions. In the same vein, Makhlouf *et al.* (2018) confirm the monitoring role of board of directors, noting the positive influence of board diversity on accounting conservatism and its role in enhancing the credibility of financial reporting for firms listed on Amman Stock Exchange. More recently, Davis and Garcia-Cestona (2023) investigated the effects of board gender diversity on financial reporting quality proxied by restatements in listed US firms. They provide evidence that restatements are less likely when a higher proportion of women serve on the board of directors. Based on these findings, we assume a positive relationship between BGD and accounting conservatism.

H1: Board gender diversity (BGD) is negatively associated with accounting conservatism.

2.2 Board nationality diversity and accounting conservatism

Resource dependency theory as a management-based theory introduced by Pfeffer and Salancik (2015) focuses on a director's resource role covering some of a of board attributes (Khalifa *et al.*, 2020). This theory provides a theoretical basis that the nationality diversity of directors is a valuable resource for the company (Darmadi, 2011; Estélyi and Nisar, 2016) as it offers various perspectives, skills and values (Kaczmarek and Ruigrok, 2013) that may enhance the corporate reporting quality. From this theoretical perspective, Metwally (2021)

aimed to provide a better understanding of how the nationality diversity of directors may affect the accounting conservatism level. For this purpose, the researcher used large samples of UK firms over the period from 1999 to 2018 and provided robust evidence that nationality diversity on the board matters for financial reporting quality since it has positively impacted accounting conservatism. Similarly, [Elleuch Lahyani \(2022\)](#) analysed the association between carbon disclosure and board diversity by drawing on multiple theoretical frameworks that embody five dimensions including board nationality. Based on a sample of 120 French listed firms, findings show that board nationality plays a key role in enhancing carbon disclosure.

Another research stream also investigated the impact of directors' nationalities on accounting conservatism from a different theoretical perspective namely the upper echelon theory. In this line, [Plöckinger et al. \(2016\)](#) reviewed archival, experimental and survey research on the influence of individual executives demographic characteristics on corporate financial reporting drawing on upper echelons theory as an organizing framework. Their review of 60 studies shows that research consistently finds that top management executives exert significant influence on financial reporting decisions, particularly on disclosure quality. More precisely, [Makhlouf et al. \(2018\)](#) indicated that there is a positive and significant relationship between the existence of foreign members and accounting conservatism measured by accrual-based conservatism. The board of directors dominated by foreign members will require more quality information, so that they tend to use more conservative accounting procedures. Based on the arguments discussed above, we posit the following hypothesis:

H2: *Board nationality diversity (BND) is positively associated with accounting conservatism.*

2.3 Board age diversity and accounting conservatism

Board directors have varying background and demographic characteristics that may result in differences in cognitive orientation and, thus, strategic decision-making ([Shen, 2021](#)). Upper Echelon theory ([Hambrick and Mason, 1984](#)) assumes that board directors characteristics affect their information processing and decision making performance ([Yu, 2021](#); [Atwa et al., 2023](#)). Drawing on upper echelon theory, prior studies provide evidence showing that the directors' age affects corporate decision making ([Dakhli and Mtiraoui, 2023](#)), particularly the level of accounting conservatism ([Makhlouf et al., 2018](#); [Martikainen et al., 2023](#)). According to [Hambrick and Mason \(1984\)](#), the young managers develop a strategy more conducive to risk-taking and innovation. However, older managers are more conservative and seek job stability ([Matta and Beamish, 2008](#)). They are more rigid in adopting new practices ([Nguyen et al., 2022](#)). In this perspective, [Huang et al. \(2012\)](#) hypothesized that older top managers are associated with higher quality financial reporting. Using a sample of 3,413 firms for the period from 2005 to 2008, they extended the corporate governance and financial reporting quality literature by identifying managers' age as a determinant of financial reporting quality. They find a positive association between CEO age and financial reporting quality. More recently, [Makhlouf et al. \(2018\)](#) denied this finding by showing that age diversity does not matter to accounting conservatism, which implies that there is no notable distinction between the younger and older directors regarding it. Focusing on Islamic banks particularly, [Almutairi and Almutairi and Quttainah \(2019\)](#) confirmed the existence of a positive association between directors' age and accounting conservatism behaviors. More specifically, they prove that older outside directors make better acquisition decisions, engage less in earnings management and support more conservative accounting practices. Although previous studies reveal somewhat mixed

results, we expect a positive relationship between accounting conservatism and directors' age. Therefore, we offer the following hypothesis:

H3: *The board age diversity is positively associated with accounting conservatism.*

3. RESEARCH DESIGN

3.1 Data and sample selection

We used an initial sample of 40 French companies listed on the CAC 40 during the period between 2012 and 2021. First, we exclude financial firms as they are subject to different regulations and market trading mechanisms. Since, not all the necessary financial data have been available for each firm over such period, we remove those with missing value. Our final sample includes 34 firms (340 firm-year observations). Table no. 1 summarizes the sample selection procedure. For our empirical analysis, we used the database DataStream to compute financial information. Data concerning board of directors' information is collected from the firms' annual report and website. We also hand-collected the director's attributes.

Table no. 1 – Sample selection

Initial sample	40
Financial firms	(5)
Firms with missing data	(1)
Final sample	34
Observation period 2012-2021	10 years
Number of observations	340

3.2 Variables measures

3.2.1 Dependent variable

The accounting conservatism is our dependent variable. A variety of measures of accounting conservatism have been developed (Hansen et al., 2018). This study adopts the accrual-based measure of conservatism (CON-ACC) used by Givoly and Hayn (2000) and Ahmed and Duellman (2007). These authors measure accruals as follows:

$$Accruals = \frac{EBEXT_{it} + DEP_{it} - OCF_{it}}{TA_{it}}$$

where: EBEXT is the income before tax and extraordinary items; DEP is the depreciation charge for the year; OCF is operating cash-flow, and TA is total assets.

These authors posit that accounting conservatism (CON-ACC), as based on accruals, results in negative accruals where more negative accruals indicate a higher level of conservative accounting in corporate financial reporting (El-Habashy, 2019b). Therefore, the accounting conservatism measure is: CON-ACC = Accruals × (-1).

Table no. 2 – Variables measures

Variable	Acronym	Definition
Dependent variable		
Accounting conservatism	CON-ACC	$CON - ACC = \left(\frac{EBEXT_{it} + DEP_{it} - OCF_{it}}{TA_{it}} \right) \times (-1)$ Where: EBEXT is the income before tax and extraordinary items; DEP is the depreciation charge for the year; OCF is operating cash-flow and TA is total assets.
Independent variables		
Board gender diversity	BGD	the percentage of female directors
Board nationality diversity	BND	the percentage of foreign directors in the board
Board age diversity	BAD	The average age of board directors
Control variables		
Firm size	SIZE	Natural log of total assets
Firm leverage	LEV	Total debt divided by total assets

3.2.2 Independent variables.

Based on the literature, we included four independent variables expected to influence accounting conservatism, namely:

- Board age diversity (BAD). Age diversity describes the age distribution of board members in the company's board structure (Anggraenia and Kurniantob, 2020; Biduri *et al.*, 2023). To assess this variable, we used the average age of board directors. This measure has been largely used by prior empirical studies (Sartawi *et al.*, 2014; Makhoul *et al.*, 2018; Almutairi and Quttainah, 2019).
- Board nationality diversity (BND). In this study, board nationality diversity is measured by the percentage of foreign directors on the board. Numerous previous studies (Darmadi, 2011) Ibrahim and Hanefah, 2016) have used it as an independent variable which could influence the accounting conservatism (Metwally, 2021).
- Board gender diversity (BGD) is measured by calculating the percentage of female directors serving on a firm's board. We calculate the ratio of female board members to total board members of the sampled firms (Boussaid *et al.*, 2015; Dakhli, 2022).

3.2.3 Control variables

Based on the literature, we included three control variables that are expected to influence accounting conservatism, namely, firm size and firm leverage.

- Firm size as measured by taking the natural log of total assets is one of the most frequently used measures for firm size (Jarbou, 2013). Boussaid *et al.* (2015) and Yulianti and Yanto (2017) argued that Firm size has a positive effect on accounting conservatism. The larger the firm size is, the greater the tax imposition for the company will be. Hence, to reduce taxes, large companies tend to apply a conservative accounting (Solichah and Fachrurrozie, 2019; Ismail *et al.*, 2021; Le *et al.*, 2023; Muslim and Setiawan, 2024).
- Firm leverage was assessed as total debt divided by total assets (Mohammed *et al.*, 2017). Dang and Tran (2020) show that financial leverage has a positive effect on accounting

conservatism proving the great impact of creditors on the firm's demand for accounting conservatism application (Salehi *et al.*, 2021; Khalifa *et al.*, 2022; Lonare, 2024).

3.3 Models specification

In this study, we aim at examining the effect of board demographic diversity on accounting conservatism. For this purpose, we estimate the following equation:

$$\text{CON-ACC}_{it} = \beta_0 + \beta_1 \text{BGD}_{it} + \beta_2 \text{BND}_{it} + \beta_3 \text{BAD}_{it} + \beta_4 \text{SIZE}_{it} + \beta_5 \text{LEV}_{it} + \varepsilon_{it}$$

where: CON-ACC is accounting conservatism as measured with the model of Givoly and Hayn (2000); BGD is board gender diversity; BND is board nationality diversity; BAD is average age of directors; SIZE is firm size; LEV is firm leverage.

4. EMPIRICAL RESULTS

4.1 Descriptive statistics

Table no. 3 provides descriptive statistics for the regression variables. The panel presents descriptive statistics for the entire sample, including the mean, minimum, maximum and standard deviation. The dependent variable, accounting conservatism, has a mean value 0.007 and varies between -0.253 and 0.179. These values are similar to those reported by Slimani *et al.* (2024) for French firms listed on the SBF 120 index. This finding implies that the French firms have become both more conservative in their financial reporting and more compliant with the accounting standards.

For BGD, the mean value was 0.39 at a standard deviation of 0.129, notably close to Dakhli (2022) finding that board gender diversity in French firms spans from a minimum of 0 to a maximum of 0.595 with a mean of 0.255. Over the period 2012- 2021, BND has a mean value of 0.215 with a standard deviation of 0.213; implying that more than 78% of board members in French companies are not French. This result confirms those reported previously by Benaguid and Antari (2024) on a sample of 63 French companies belonging to SBF 120 index. These authors concluded that only 25% of board directors have French nationality. Regarding the board age diversity, the findings report that the average directors' age is approximately 51.7 years, with a maximum age of (73) years, and a minimum of (34) years, which is consistent with Slimani *et al.* (2024) who reported that the average age of directors is 57.86 years. This difference could be explained by their use of a larger sample, i.e. 59 French firms listed on SBF 120 index.

Table no. 3 – Descriptive statistics

Variables	Mean	SD	Min	Max	Skewness	Kurtosis
CONS-ACC	0.007	0.048	-0.253	0.179	1.28	2.36
BAD	51.7	1.71	34	73	0.32	-0.76
BND	0.215	0.213	0	0.916	1.46	0.65
BGD	0.390	0.129	0	0.838	1.02	2.08
LEV	0.719	4.555	0	70.34	1.447	0.461
SIZE	26.107	1.456	11.145	19.458	0.965	-2.897

Notes. CON-ACC is accounting conservatism; BAD is board age diversity; BGD is board gender diversity; BND is board nationality diversity; SIZE is firm size; LEV is firm leverage.

4.2 Testing the Validity of Data for Statistical Analysis

Before performing the regression analysis, several tests need to be conducted, mainly the normality of our data, the presence/absence of a problem of multicollinearity and the heteroscedasticity.

4.2.1 Normal-Distribution Test

The normality test is used to determine whether or not the data on the dependent variable and independent variables have a normal distribution. As suggested by [Makhlouf et al. \(2018\)](#), this study adopts skewness within (± 1.96), and kurtosis (± 3) to check for normality. The results of skewness and kurtosis, as reported in [Table no. 3](#), show that the data was normally distributed.

4.2.2 Correlation and heteroscedasticity analysis

[Table no. 4](#) reports the correlations among the variables. As a rule of thumb, a correlation of 0.70 or higher in absolute value may cause multicollinearity between variables ([Liu et al., 2020](#)). The highest correlation coefficient is 0.339 via the relationship between SIZE and BND. In addition, the variance inflation factors (VIF) factors are weak (≤ 1.97). We can confirm the absence of multicollinearity between our model variables ([Chatterjee and Hadi, 2015](#)).

Table no. 4 – Pearsons correlations

	CONS-ACC	BAD	BND	BGD	LEV	SIZE	VIF
CONS-ACC	1.000						1.30
BAD	0.078	1.000					1.20
BND	0.046**	0.210***	1.000				1.16
BGD	0.087***	-0.069**	0.075	1.000			1.06
LEV	0.105	0.189	0.145**	0.001	1.000		1.02
SIZE	-0.260***	0.148	0.339***	0.218**	0.039***	1.000	1.12

4.2.3 Autocorrelation and heteroscedasticity analysis

To check for heteroscedasticity, Modified Wald test was used. Results, as reported in [Table no. 5](#), attest that the model is heteroscedastic, where the p-value < 0.05 . We also performed the Wooldridge test to examine whether there is an autocorrelation problem in the data. The results in [Table no. 5](#) indicate that autocorrelation does not exist, where the p-value > 0.05 .

Table no. 5 – Wald and Wooldridge tests

	Chi 2	(Prob > Chi2)
Wald test	2.00	(0.000)
Wooldridge test	1.35	(0.278)

4.2.4 Choosing the appropriate regression model for Panel Data

This study used the Hausman (1978) test to determine which estimation model, whether the fixed or random effects one, best explains our empirical results. The results of the Hausman specification test (Table no. 6) indicate that the fixed effects model is more suitable and should be used. As presented in Table no. 6, the Fisher test proves to be significant at the 1% threshold for both models, confirming the individual fixed effects.

Table no. 6 – Hausman and Fisher tests

	Chi 2	(Prob > Chi2)
Hausman test	52.79	(0.000)
Fisher test	41.12	(0.000)

Our regressions will be estimated by the generalized least squares (GLS) method that is more suitable for panel data and allows us to correct the problem of heteroscedasticity (Wooldridge, 2003). It is preferred to estimation in accounting research (Larcker and Rusticus, 2010; Schumann *et al.*, 2024).

4.3 Results of structural equation model

The aim of this study is to investigate the impact of the board demographic attributes and firm characteristics on accounting conservatism. Table no. 7 provides evidence on the basic results.

4.3.1 The relationship between BGD and accounting conservatism

Results of the regression analysis are reported in Table no. 7. They indicate, as predicted, that board gender diversity is positively and significantly associated with accounting conservatism ($\beta_1 = 0.017$) which enables us to accept H1. This finding is consistent with agency theory arguing that women are more trustworthy than men, and are, thereby, less likely to manipulate corporate financial and other disclosures. Accordingly, the conservative mindset and ethical leadership of women (Ho *et al.*, 2015; Faccio *et al.*, 2016) may contribute to a better internal control environment with a stronger emphasis on conservative and ethical financial reporting (Francis *et al.*, 2015; Githaiga and Kosgei, 2023). Our results are in line with those reported by the stream majority of prior studies showing a positive association between gender diversity in boards and accounting conservatism (Boussaid *et al.*, 2015; Makhoul *et al.*, 2018). They argued that female presence on the board builds and maintains ethical standards and assists in more rigorous monitoring in firms' strategic decisions given their personality traits such as conservatism, risk aversion and ethical behaviour. Therefore, board gender diversity may enhance the quality of financial reporting.

Table no. 7 – Results of regression analysis

	CONS-ACC	P value
Constant	0.050	0.042**
BGD	0.017	0.005***
BND	0.016	0.011**
BAD	0.0003	0.219
LEV	0.001	0.395
SIZE	-0.002	0.007***

Notes. CON-ACC is accounting conservatism; BAD is the average age of directors; BGD is board gender diversity; BND is board nationality diversity; SIZE is firm size; LEV is firm leverage; *** $p < 0.01$; ** $p < 0.05$.

4.3.2 The relationship between BND and accounting conservatism

As can be seen from [Table no. 7](#), and in accordance with our expectations, the estimated coefficient of board nationality diversity is significantly positive ($\beta_2 = 0.016$). Such a result indicates that firms with higher level of foreign directors tend to use more conservative accounting procedures. These findings enable us to accept our second hypothesis (H2) and support the resource dependency theory suggesting that the nationality diversity of directors is a resource to the company ([Darmadi, 2011](#)) as it provides various perspectives, skills and values ([Kaczmarek and Ruigrok, 2013](#)) that may enhance the corporate reporting quality. Our findings are consistent with those given by several previous studies ([Plöckinger et al., 2016](#); [Makhlouf et al., 2018](#); [Elleuch Lahyani, 2022](#)) which support the presence of foreign directors in boards. They suggested that board nationality plays a key role in enhancing disclosure quality. They concluded that there is a positive and significant relationship between the existence of foreign members and accounting conservatism. The board of directors dominated by foreign members will require more quality information, so that they tend to use more conservative accounting procedures ([Metwally, 2021](#)).

4.3.3 The relationship between the BAD and accounting conservatism

With regard to the average age of directors, the regression results show a positive but not significant coefficient ($\beta_3 = 0.0003$). Hence, H3 is not supported. These results, also, contradict with Upper Echelon theory ([Hambrick and Mason, 1984](#)) positing that the young managers develop a strategy more conducive to risk-taking and innovation. However, older managers are more conservative and seek job stability ([Matta and Beamish, 2008](#)). Our finding is consistent with [Makhlouf et al. \(2018\)](#) who showed that age diversity does not matter to accounting conservatism, which implies that there is no notable distinction between the younger and older directors regarding the accounting conservatism. However, our result contradicts with most of prior researches reporting a positive association between the average age of directors and accounting conservatism ([Huang et al., 2012](#); [Almutairi and Quttainah, 2019](#); [Martikainen et al., 2023](#)). According to them, older directors make better acquisition decisions, engage in less earnings management and support more conservative accounting practices. Hence, they will be associated with higher quality financial reporting.

In terms of control variables, firm size has negative and significant impact on accounting conservatism ($\beta_6 = -0.002$). Our results do not align with those of [Jarboui \(2013\)](#); [Boussaid et al. \(2015\)](#); [Yuliarti and Yanto \(2017\)](#) who concluded that firm size has a positive effect on

accounting conservatism. The larger the firm size is, the greater the tax imposition for the company will be. The latter tends, therefore, to apply a conservative accounting behavior in order to reduce taxes.

5. CONCLUSION

The purpose of this study is to investigate the impact of board diversity on accounting conservatism among French listed firms during the 2012-2021 period. Four demographic characteristics of directors have been included, namely: gender diversity, average age and nationality diversity. Accounting conservatism was measured by accrual-based conservatism model as developed by [Givoly and Hayn \(2000\)](#). Our findings validate the monitoring role of the board of directors, highlighting the positive impact of board diversity on accounting conservatism and improving the credibility of financial reporting. They show that both gender and nationality diversities are positively and significantly associated with accounting conservatism while the relationship between board age diversity and accounting conservatism is positive but not significant. Overall, our results support the agency and resource dependency theories which opt for more female and foreign directors in boards to improve internal control environment with a stronger emphasis on conservative and ethical financial reporting ([Boussaid et al., 2015](#); [Makhlouf et al., 2018](#); [Metwally, 2021](#)). The clear influence of board diversity revealed in this study suggests that it is important to consider directors' demographic characteristics to understand their behavior and decision since their responsibility to assess the main issues on accounting principles and the quality of disclosed financial information.

Our results have practical implications that may be useful to corporate managers, regulators, and investors. The board of directors and the external supervising organizations can explain the purpose of corporate information disclosure and identify its quality by analyzing and comparing the influence of different characteristics of directors on accounting conservatism, so as to better monitor corporate information disclosure behavior and provide reliable and stable accounting information. As the study links board demographic attributes to accounting conservatism, policies can be developed in order to improve the configuration of boards and thus the credibility of financial statements. Precisely, this study clearly shows that the presence of female and foreign directors on the board of directors can have positive impacts on accounting conservatism. Thus, boards seeking to improve accounting conservatism should engage more female and foreign directors and ensure, therefore, a high level of accounting quality. Our results, also, help regulators in the debate on gender quotas in boards and assist in improving investor protection since firms' diversity efforts may result in greater transparency and accountability in financial reporting. Moreover, our findings have potential implications for company' stakeholders, particularly investors and their advisors. These implications are based on the importance of acquiring reliable, trustworthy, timely, relevant and transparent accounting information for investors to make more assertive decisions. Our findings attest that a diversified board in terms of gender and nationality improves the quality of reporting. Therefore, these two demographic characteristics may serve as signals for effective judgement of the quality of financial information and provide a theoretical basis for them to make reasonable decisions and effectively safeguard their own interests.

Despite these contributions, this study has some limitations that could be addressed in future research studies. The first consists in the impossibility of generalizing the results, since only information from directors working in companies belonging to specific index in the

French stock market have been analyzed, precisely CAC 40 index. It is suggested for upcoming research that the study sample be expanded or altered. It is also recommended to consider other variables regarding the profile of managers. Thus, subsequent studies addressing this issue are recommended to extend their samples by including companies belonging to other indexes and other markets. Secondly, the current study was limited to a single measure of accounting conservatism namely the accrual-based measure. Hence, future studies could use different proxies for conservatism such as the market-value based proxy following Beaver and Ryan (2000) to enhance the robustness of the results. Thirdly, although there are various board attributes that can influence accounting conservatism practices, this study is limited to four proxies. The inclusion of more board characteristics in the analysis will offer additional relevant results. Future studies can consider other board diversity attributes that may impact the accounting conservatism and, therefore, the quality of financial reporting, notably ethnicity and professional expertise of directors.

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