

Impact of Board Diversity on Accounting Transparency and Earnings Persistence

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Project Management

Received March 18, 2026; revised April 19, 2026; accepted April 20, 2026

Available online June 17, 2026

Abstract: This study examines whether board diversity moderates the relationship between accounting transparency and earnings persistence in an emerging market context. While prior research has examined the independent effects of corporate governance and financial reporting quality on earnings outcomes, limited attention has been given to how governance structures shape the usefulness of transparent financial information. Using panel data from all banks listed on the Palestine Exchange (PEX) during the period 2015-2025 (N = 55 bank-year observations), the study employs an interaction-based persistence model in which earnings persistence is conceptualized as the autoregressive relationship between current and future earnings. Accounting transparency is measured by information accuracy, standards compliance, and disclosure completeness, while board diversity is captured through factor analysis that distinguishes experiential diversity (age and professional experience) from demographic diversity (gender and educational background). Results indicate that accounting transparency alone does not significantly enhance earnings persistence. Instead, its effectiveness depends on board composition. Specifically, the three-way interaction between current earnings, accounting information accuracy, and experiential board diversity is positive and significant. This indicates that earnings persistence is stronger when transparent financial information is interpreted by boards with diverse professional experience. Demographic diversity does not exhibit a comparable moderating effect. These findings highlight the complementary roles of corporate governance and financial reporting in enhancing the informational value of earnings. They also provide new evidence from the Palestinian banking sector regarding governance conditions under which accounting transparency becomes most effective.

Keywords: Board diversity, accounting transparency, earnings persistence, corporate governance, emerging markets, Palestine exchange.

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DOI 10.32738/JEPPM-2026-339

1. Introduction

The board of directors is essential to corporate governance, as it formulates corporate strategy and ensures the welfare of various stakeholders, including shareholders. Among the critical duties of the board of directors in this respect is oversight of the process, financial reporting and earnings quality. In consideration of the above, two important concepts of corporate governance that have been explored extensively for their impact on governance structure and financial reporting quality are board diversity and accounting transparency (El-Dahdoh, 2018; Ilyas, 2015; Khasanah, 2022).

In this regard, earnings persistence is one of the primary variables utilized in measuring earnings quality, as it captures the extent to which earnings are predictable from current earnings (Sloan, 1996; Dechow et al., 2010). This is because earnings persistence indicates stability in the firm's economic operations, thus increasing the accuracy of prediction in financial reports. Studies exploring earnings manipulation, corporate governance, and financial reporting have analyzed earnings sustainability (Fouda, 2025; Morcos, 2022). Nevertheless, little has been discussed regarding the role of combined mechanisms.

Such a differentiation can be regarded as a crucial limitation of the existing research on the topic. Accounting transparency increases both the availability and credibility of financial information. However, for the successful use of such transparency by organizations, appropriate governance structures should have the capacity to analyze the information received. Therefore, accounting transparency is unlikely to improve decision-making or monitoring processes without the

required skills of board members. In such situations, board diversity plays an essential role, influencing not only governance practices but also the way boards perceive financial data.

This point becomes especially crucial in emerging economies, given their limited institutions and developing governance structures (Kusumastati et al., 2022). Under such circumstances, the mere availability of information provided through financial reporting becomes insufficient for adequate monitoring processes. In such a case, the board's interpretive capacity becomes overly critical for the process. Thus, banking firms in Palestine provide an appropriate empirical context, as Palestinian banks work within the conditions of an unstable economy and politics, characterized by institutional shifts.

Accordingly, the following research question is raised:

Does board diversity affect the relationship between accounting transparency and earnings persistence in banks listed on the Palestine Exchange (PEX)?

The present study investigates this issue within the earnings persistence model, where earnings persistence is defined as an autoregressive relation between contemporaneous and future earnings. Contrary to previous studies that have focused solely on direct effects, the current paper examines whether the combination of accounting transparency and board diversity jointly affects earnings predictability. The concept of board diversity will be explored from two perspectives: one being experiential (i.e., age, experience), the other being demographic (i.e., gender, ethnicity).

However, the study is constrained by a relatively small sample size due to the limited number of banks listed on the Palestine Exchange, which requires cautious interpretation of the empirical findings.

The study makes several contributions to the literature. First, the present work adds to accounting transparency research by taking a conditional approach to the topic and stressing the importance of good governance practices as they contribute to financial information interpretation. Second, board diversity research will be advanced since this paper will investigate both experiential and demographic perspectives separately while assessing their effects. Third, this research offers empirical insights from the Palestinian banking sector, an emerging country setting with scarce prior knowledge. Fourth, an interaction-based model is employed to investigate the impact of governance on accounting information relevance for earnings persistence.

The rest of this essay is organized as follows: Section 2 is devoted to literature review and hypotheses development. Section 3 contains data, variables, and methodologies used for analysis. Section 4 gives empirical results of the study. Section 5 provides a discussion of results along with implications. Section 6 concludes the essay.

2. Literature Review and Hypotheses Development

This chapter aims to construct a knowledge base on board diversity, financial transparency and sustainable earnings, grounded in theories and empirical research, specifically on the relationship between present and future earnings that is predictive of financial reporting quality and the composition of the board. This research, based on multiple corporate governance theories, including agency theory, resource dependence theory and upper echelons theory, argues that board diversity directly impacts corporate performance and the effectiveness of governance practices in financial analysis.

2.1. Theoretical Foundations

Three complementary theoretical approaches guide this research. Corporate governance mechanisms are crucial for controlling managerial opportunism, and play a vital role in agency theory (Jensen and Meckling, 1976). Managers typically have better knowledge regarding the firm's current performance and future prospects. Transparent financial reporting can reduce information asymmetry by supplying investors and monitors with credible information about firms' performance (Bushman and Smith, 2003). The effectiveness of transparency depends on the abilities of the monitors who collect and process this information. Board diversity can contribute to effective monitoring by providing a myriad of perspectives, reducing group-think and increasing the independence of the monitoring process (Capezio and Mavisakalyan, 2016; Zalata et al., 2018). As agency theory states, board diversity can assist various forms of corporate governance in using transparent financial information in monitoring earnings quality. The Resource Dependency theory holds that the board of directors contributes various important resources to the organization, including expertise, information, knowledge, and networks (Pfeffer and Salancik, 1978). Diverse boards are likely to have directors with diverse backgrounds and experiences that, collectively, could improve their monitoring function. The diversity, particularly in age, experience, and education, increases the likelihood that experts will assess accounting policies and financial statements (Palvia et al., 2015). Thus, board diversity indicates that the company has more efficient resources for analyzing financial reports.

According to the upper echelons theory, organizational outcomes mirror the traits, experiences, and cognitive models of top decision-makers (Hambrick and Mason, 1984). Board members bring their professional experience, educational accomplishments, and demographic characteristics when evaluating information. A diverse sample of board members is expected to offer different perspectives on financial data, and this diversity may better support the board's ability to critically assess the viability and dependability of the reported earnings. Thus, plays a role not only in strategic decisions, including the evaluation of financial data and the forecasting of future results.

These three theoretical perspectives are not separate from each other. Rather, they create an integrated system of governance that serves to explain the research model. The logic of agency theory provides a rationale for reducing information asymmetry through accounting transparency. The logic of resource dependence theory can be used to justify why board diversity acts as an important source of interpretive assets. The upper echelons theory can serve to explain why there is a difference in cognitive and experiential levels within the board of directors, which impacts the interpretation of similar information.

Collectively, these arguments indicate that board diversity could improve the efficacy of accounting transparency through the corporate governance mechanism, enabling more effective interpretation and utilization of financial information in assessing earnings persistence.

2.2. Board Diversity and Corporate Outcomes

Board diversity relates to differences between board members. Previous studies usually refer to demographic diversity (gender, age) and professional diversity (experience, education, expertise).

Studies on the impact of diversity on corporate boards yield different conclusions on their effectiveness. Most say the existence of gender-diverse boards promotes corporate governance and financial reporting. For example, Ho et al. (2015) and Palvia et al. (2015) note that female board members encourage prudent accounting practices and oversight. Suleiman and Al-Jawhari (2025) find that female board members improve disclosure quality and reduce stock price crash risk in listed Egyptian firms. They also show that gender diversity on boards enhances companies social sustainability in Palestine (Al-Saed and Saleh, 2024).

On the other hand, some studies focus on differences in professional and experiential background. Olivia and Setiany (2021) suggest that differences across management and professions improve the quality of earnings through improved governance systems. Similarly, Talalwa and Al-Khatib (2023) discovered that board diversity has positive effects on the financial performance of banks in Palestine.

However, other studies have shown very weak, and even negligible, correlations between board diversity and corporate performance. Kusumastati et al. (2022) studied firms with the two-tier board structure and found no strong relationship between board diversity and firm performance. Also, emerging market evidence suggests that institutions and systems of governance have a significant impact on diversity test results (Al-Nsoor et al. 2023).

This range of findings suggests that the effect of board diversity may not directly impact but may instead be attributed to different aspects of corporate governance. One explanation could be that different boards may improve the quality of financial information processing, which might also affect the role of corporate governance regarding financial data.

2.3. Accounting Transparency and Earnings Persistence

Accounting transparency refers to the accessibility and clarity of accounting information. High accounting transparency reduces information asymmetry and can increase investors' confidence in financial statements (Bhimavarapu et al., 2023).

The literature acknowledges distinct aspects of transparency. First, a solid understanding of finance signifies a fair and accurate account of economic activities (Abdel-Daem, 2021). Improved reporting ensures greater accuracy of financial statements and supports decision-making. Second, compliance with accounting norms, notably International Financial Reporting Standards (IFRS), ensures consistency and reliability across firms and regions (Pășcan, 2015). Third, transparency also ensures that relevant financial and non-financial information is available to investors and others.

There is a strong correlation between the quality of financial reports and earnings persistence, which means that current earnings predict future earnings (Sloan, 1996; Dechow et al., 2010). Moreover, earnings persistence indicates sustained economic progress. The reported numbers make more sense in terms of future earnings.

Prior studies have documented the determinants of earnings persistence. For example, Fouda (2025) finds that earnings management, including accrual- and real-earnings management, negatively impacts earnings persistence. Morcos (2022) reports that earnings sustainability is positively affected by audit committee attributes. Overall, these studies examine the determinants of persistence but fail to examine whether governance structures can influence the role of financial reporting information.

2.4. Conditional Role of Board Diversity

Prior literature examined the roles of board diversity and accounting transparency mechanisms individually, but little research has examined their interaction in influencing earnings persistence. While accounting transparency increases the availability of credible information input, the benefits of the input are likely to be reaped only to the extent that the monitoring entities can analyze and assess the new information effectively. Board members with diverse experience may enhance the assessment process by which the board determines whether reported earnings reflect truly sustainable performance levels.

Variations in age and career experiences may contribute to the boards understanding of financial statements through the differing viewpoints generated by professional and economic experiences. Diverse career experiences bring different skill sets to bear on the monitoring of the financial reporting process.

Conversely, demographic diversity may influence board governance in various additional ways. For example, gender diversity has been associated with increased scrutiny and a greater tendency toward risk-averse actions (Ho et al., 2015; Palvia et al., 2015). Neither of these traits is likely to directly influence the capacity to read and evaluate the sustainable worth of accounting information

This may indicate that several types of diversity serve distinct roles in the board governance process. Specifically, experiential diversity promotes the processing and interpretation of information, whereas demographic diversity affects the board governance process through behavioral mechanisms and oversight.

2.5. Hypotheses Development

The following hypotheses rely on the arguments presented and the literature relevant to those arguments:

H1: There are significant direct connections between the components of accounting transparency (accuracy, adherence to standards, and comprehensive disclosure) and the sustainability of earnings. Transparent financial statements can prevent information asymmetry and improve the credibility of reports, enabling current earnings to forecast future earnings more accurately.

H2: Board diversity has a strong direct association with earnings persistence, although they are heterogeneous. The resource dependence theory and the upper echelons theory suggest that diverse boards have greater depth of knowledge and perspectives that can improve board performance and, in turn, financial reporting.

H3: The association between accounting transparency and earnings sustainability is influenced by the diversity of boards. This is the main goal of this study. Financial data is valuable only if boards can interpret and use it effectively. Alternatively, several boards may be more adept at the financial data, enabling current earnings to better predict future earnings.

H4: The board diversity interacts with the relation between accounting transparency and earnings persistence differently based on different dimensions of diversity. In fact, the moderate effects are expected to be stronger regarding experiential diversity than demographic diversity. This is because the experiential diversity enhances the information processing ability and financial-related expertise of the board more directly than does the demographic diversity.

2.6. Conceptual Framework

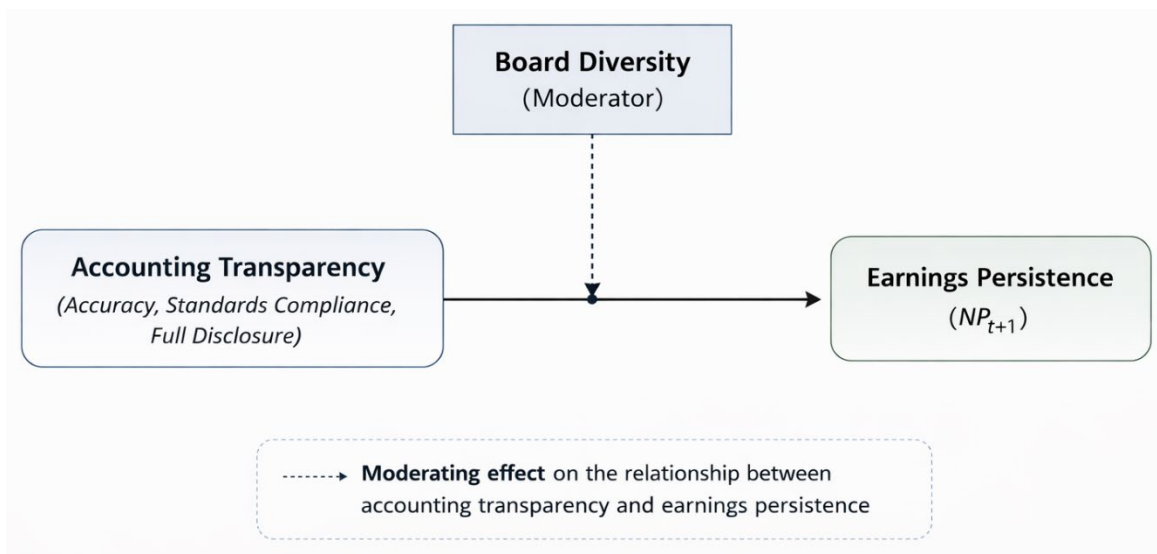


Fig. 1. Conceptual framework

Fig. 1 outlines the conceptual framework of the research. Components of accounting transparency are anticipated to directly influence earnings persistence. Various aspects of board diversity are anticipated to directly influence earnings persistence. Crucially, board diversity is anticipated to influence the connection between accounting transparency and earnings persistence, with the value of transparent accounting information proposed to depend on corporate frameworks.

3. Methodology

3.1. Research Design and Sample

This study utilizes a panel data approach to explore how board diversity influences the relationship between accounting transparency and earnings persistence in Palestinian banks. This research framework intuitively corresponds with a traditional earnings persistence model, in which the durability of company performance is indicated by the relationship between current and future earnings (Sloan, 1996; Dechow et al., 2010). This research investigates empirically if the link between present earnings and subsequent earnings is affected by accounting transparency and the board of directors, instead of solely concentrating on the relationship between current and future earnings.

The population includes all banks listed on the PEX between 2015 and 2025. The Palestinian banking sector was selected as the source of empirical data because financial reports and corporate governance data could be obtained from there. The sample used for this study is a census approach and includes all five banks in the prepared panel data set, comprising 55 bank-year observations. Considering the few banks operating in the Palestinian banking system, it is important to note that the sample size utilized for the study is relatively small when discussing the validity of the results. The financial data used in this research were obtained from the banks audited annual financial statements. Information on the board of directors governance came from the banks' annual reports and corporate governance statements. The relatively small number of registered banks in Palestine limits the sample size of the study. But this sample includes the number of banks in the Palestinian market listed on the Palestine Exchange, so there is no sampling bias here. Thus, the conclusions drawn from this study are more context-specific than universally applicable.

Fig. 2 depicts the time series for the main variables for the period of 2015-2025. This figure demonstrates the performance of net profit, transparency measures, and board diversity for Palestinian banks over time. Net profit shows some variation during the years, reflecting banks' performance and economic conditions. On the other hand, transparency measures, in terms of standards and disclosure levels, showed negligible differences, indicating uniformity in Palestinian banks' reporting over the years. Also, the measures for board diversity showed slight variation over the years, indicating a gradual change in the board structure. This figure provides a quick view of the data and shows that there is enough variation in the variables to be used in the analyses.

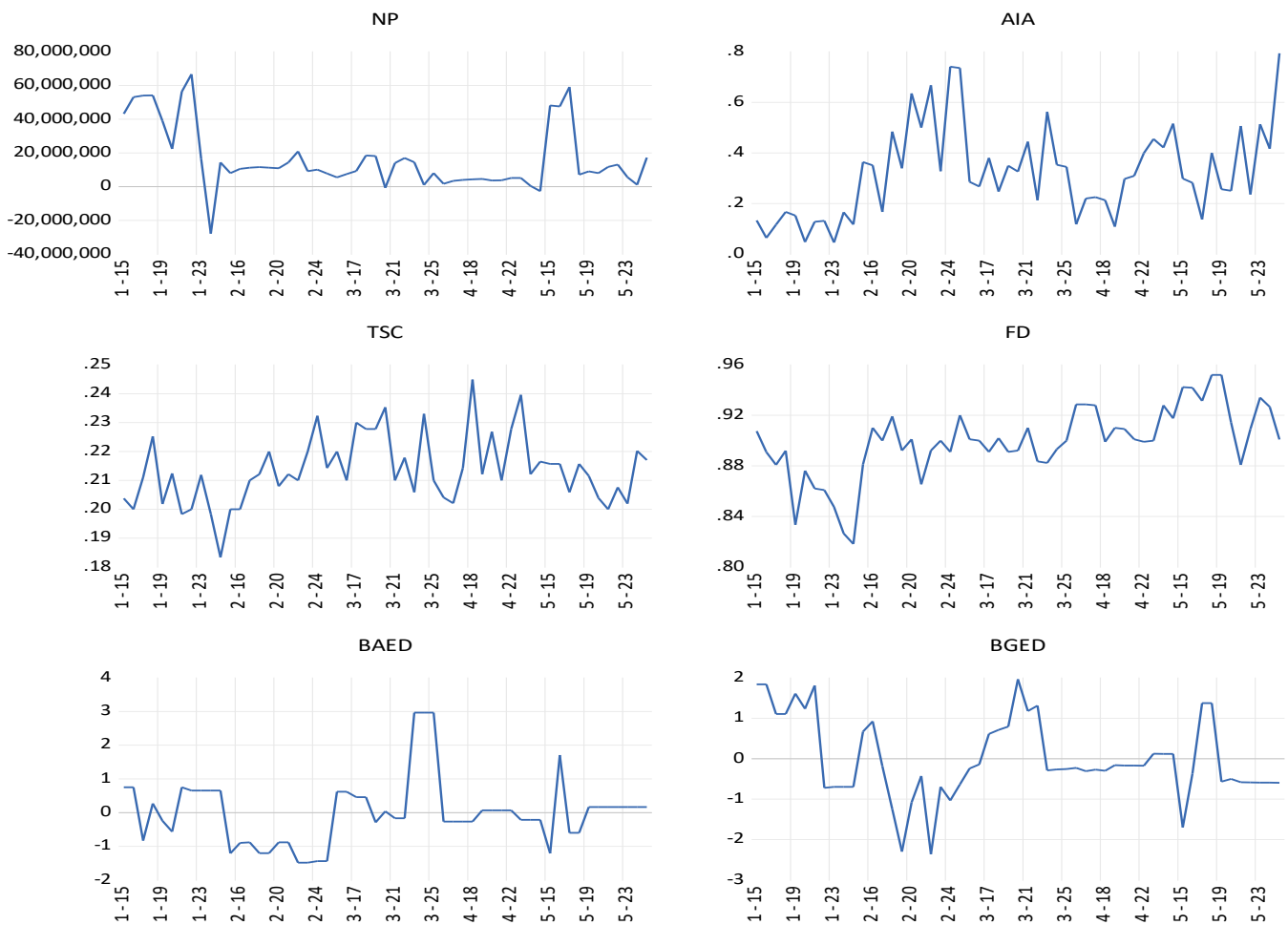


Fig. 2. Time-series trends of key study variables for Palestinian banks (2015 to 2025).

3.2. Variable Measurement

3.2.1. Dependent variable

This dependent variable represents future income and the consistency of earnings. Future earnings are the net income of bank i for the year $t + 1$. Using one-period earnings to assess if present earnings provide any insight into next earnings.

3.2.2. Independent variables

Present earnings (NP_{it}) are the primary factor influencing future earnings, with NP_{it} representing the net profit of bank i in year t . This variable aims to represent the consistency of earnings.

The investigation measures accounting transparency using three proxy variables: (AIA), (TSC), and (FD) as seen in Fig. 2. AIA is a composite measure of accounting information accuracy ranging from 0 to 1 that reflects the reliability and credibility of financial reports. This measure is a proxy for three components: (i) no fraudulent financial reporting, (ii) accounting consistency, and (iii) independent auditing. TSC is a measure of compliance with the International Financial Reporting Standards (IFRS) and the fraction of accounting practice that is in compliance with IFRS. FD is a measure of disclosure completeness constructed using a disclosure index based on twenty binary items of financial operations, risk, and governance-related information reported in annual reports.

Board diversity is analyzed based on several variables that reflect the boards demographics and professional characteristics. Its characteristics are board size, gender diversity based on the percentage of female members on the board, national diversity based on the percentage of members who are not Palestinian, educational diversity based on the standard deviation of qualifications of board members, age diversity based on the standard deviation of age, and professional experience diversity based on the standard deviation of experience. Exploratory factor analysis is conducted following Hair

et al. (2019) to capture the basic characteristics of diversity and to simplify the variables. The factors are examined in two key directions: the first is experiential diversity pertaining to Board Age–Experience Diversity (BAED), and the second is demographic diversity related to Board Gender–Educational Diversity (BGED). These two factors can be used as replacements for board diversity in the regression.

3.2.3. Control variables

Ultimately, there are multiple control variables to consider, including firm-specific characteristics that could impact earnings persistence. The size of a bank is estimated to use the natural logarithm of its total assets. The ratio of debt is determined by dividing the total debt by the amount of shareholder equity. Growth refers to the annual growth in the total bank assets. These control variables are frequently used in a study on earnings quality (Dechow et al., 2010).

3.3.4. Econometric model

Three regression models are estimated to assess the study’s hypotheses. In each of the three regression models, future earnings (NP_{i,t+1}) serve as the dependent variable, and unobserved time-invariant heterogeneity is accounted for by incorporating bank fixed effects.

The first model measures the baseline earnings persistence and whether accounting transparency has a direct impact on the relationship between current and future earnings. In this model, future earnings are regressed on current earnings, three transparency measures, and the control variables.

The second model builds upon the first by incorporating board diversity factors to analyze the direct effect of earnings persistence. This model would enable us to examine whether the composition of the board directly affects financial performance beyond accounting transparency.

The third model incorporates interaction terms to evaluate the primary hypotheses of the research. Besides the standard terms, this model features two-way interactions between current earnings and transparency, two-way interactions between current earnings and board diversity, and crucially, three-way interaction terms involving current earnings, transparency, and diversity. These interaction terms enable us to examine if the earnings persistence (the coefficient of NP_{it} in the NP_{it+1} equation) is influenced by board structure and accounting transparency.

3.4 Estimation Procedure and Diagnostic Tests

The regression equations are estimated using panel Ordinary Least Squares (OLS) with bank fixed effects. Given the small sample size, bootstrapped standard errors based on 1,000 replications are used to ensure the reliability of the inference (Efron and Tibshirani, 1993). Different diagnostic tests are conducted to verify the robustness of the empirical findings.

Panel unit root tests following the Levin–Lin–Chu method are employed to assess the stationarity of the variables (Levin et al., 2002). Variance inflation factors are employed to identify multicollinearity among explanatory variables. To evaluate the presence of long-term associations between variables, the Kao residual cointegration test is employed (Kao, 1999)

Fig. 3 illustrates the distribution of the standardized regression residuals alongside the Jarque–Bera normality test. The illustration distinctly demonstrates that the residuals adhere to a normal distribution. The Jarque–Bera statistic is not significant (p = 0.554), indicating that the normality assumption cannot be rejected. This shows that the regression model is sound and that the distribution of residuals does not violate the normality assumption of the estimation procedure.

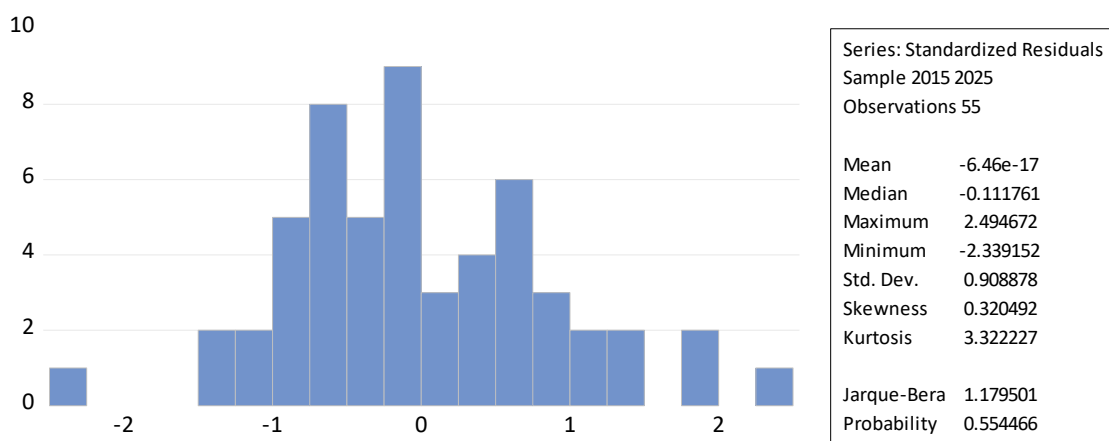


Fig. 3. Histogram and Jarque–Bera normality test of standardized residuals from the regression model (2015–2025).

3.5. Robustness Checks and Study Limitations

Robustness Checks. Earnings persistence is assessed by using a one-period advance return on assets, and Eq. (1) estimates the robustness of the baseline results. Other tests are excluded due to extreme observations with remarkably high or exceptionally low earnings persistence to ensure that the firms controlling the results do not exist. Also, the tests are recalculated by running a random effects model and a possible generalized least squares model. The main findings are the

same. The study has several limitations. First, the small sample size limits the validity of the tests, and it is hard to apply the results to other banks outside Palestine. Second, there is no clear causal relationship between board diversity and earnings persistence, given the sample nature. Third, the limited duration of the time series restricts the study's utility for examining persistence across multiple economic cycles. Despite these evident flaws, this article helps to understand how board structure correlates with financial reporting in the context of an emerging market.

4. Results

4.1. Descriptive Statistics and Correlation Analysis

Table 1 presents descriptive statistics and Pearson correlations of the variables used in this research. The banks Net Profit (NP) changes dramatically year-over-year and varies by banks with an average of 16.18 million, with a standard deviation of 18.86 million. The measures of transparency based on accounting information have different degrees of variability. The Accuracy of Accounting Information (AIA) varies moderately, while the variation in conformity to standards, Transparency Standards Compliance (TSC), is small, indicating a similar degree of compliance with accounting standards among banks. The Full Disclosure (FD) measure has a high mean value (0.899), indicating that the level of disclosure by the Palestinian banks is broadly adequate.

The two board diversity factor analysis variables (BAED and BGED) are standardized variables with a mean of zero and a standard deviation of one. The variable BAED has a slightly higher spread than BGED, indicating more diversity in the experiential attributes of bank boards than the demographic attributes.

They find that net profit has a negative correlation with the accuracy of accounting information ($r = -0.341, p < 0.05$), and it has a positive correlation with experience diversity ($r = 0.326, p < 0.05$). This is because it is likely that accounting information is far more accurate, and the correlation with profit is negative. but this is not necessarily because good accounting information is typically conservative and makes forecast losses aware. There is no consistent relationship between the coefficients of correlation among the explanatory variables, suggesting that multicollinearity has little influence on the estimates.

Table 1. Descriptive statistics and correlation matrix

| Variable | Mean | Std. Dev. | Min | Max | 1 | 2 | 3 | 4 | 5 | 6 |
|----------|-------|-----------|--------|-------|----------|-----------|--------|--------|-------|---|
| 1. NP | 16.18 | 18.86 | -27.91 | 66.65 | 1 | | | | | |
| 2. AIA | 0.322 | 0.182 | 0.045 | 0.794 | -0.341** | 1 | | | | |
| 3. TSC | 0.213 | 0.012 | 0.183 | 0.245 | -0.219 | 0.245* | 1 | | | |
| 4. FD | 0.899 | 0.028 | 0.818 | 0.952 | -0.087 | 0.239* | 0.241* | 1 | | |
| 5. BGED | 0.000 | 1.000 | -2.361 | 1.962 | 0.030 | -0.207 | -0.051 | -0.154 | 1 | |
| 6. BAED | 0.000 | 1.000 | -1.483 | 2.965 | 0.326** | -0.412*** | -0.011 | -0.089 | 0.154 | 1 |

Notes: NP = Net Profit; AIA = Accounting Information Accuracy; TSC = Standards Compliance; FD = Full Disclosure; BGED = Board Gender–Educational Diversity; BAED = Board Age–Experience Diversity. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

4.2. Factor Structure of Board Diversity

Table 2 presents the results from the exploratory factor analysis of board diversity. Kaiser–Meyer–Olkin’s adequacy measure of sampling was 0.500, the minimum acceptable level for factor analysis. The results of Bartlett’s test of sphericity were statistically significant ($\chi^2 = 25.847, p = 0.004$), indicating that the correlation matrix was suitable for factor analysis.

The remaining two factors extracted have eigenvalues greater than one, with a cumulative variance of 74.6%. The first factor is considered to represent Board Age-Experience Diversity (BGED), as it loads highly on gender diversity and educational diversity. The second factor is experiential diversity (BAED), loading highly on age diversity and professional experience. The results indicate that the board diversity variable in the sample banks consists of two facets of diversity: demographic diversity and experiential diversity.

4.3. Regression Results

Table 3 displays the results from the panel regression models examining the influence of accounting transparency and board diversity on earnings persistence.

The outcomes from estimating Eq. (1) without the control variable (Model 1) indicate that the coefficient for current earnings is positive and significantly differs from zero ($\beta = 0.573, p < 0.01$), suggesting earnings persistence within the Palestinian banking sector. Among the measures for accounting transparency, only full disclosure shows a statistically significant effect on future earnings ($\beta = 58.793, p < 0.05$), while the accuracy of accounting information and adherence to accounting standards do not affect future earnings. This outcome partially supports Hypothesis 1.

Table 2. Exploratory factor analysis of board diversity

| Variable | BGED | BAED |
|-----------------------|--------|--------|
| Gender Diversity | 0.722 | -0.054 |
| Educational Diversity | 0.722 | 0.069 |
| Age Diversity | -0.198 | 0.937 |
| Experience Diversity | 0.153 | 0.937 |

| Statistic | Value |
|--------------------|---------------|
| KMO | 0.500 |
| Bartlett χ^2 | 25.847 |
| p-value | 0.004 |
| Eigenvalues | 1.648 / 1.334 |
| Variance Explained | 74.6% |

In Model 2, the a range of factors of board diversity are introduced to examine their direct effect on earnings persistence. The estimated values of experiential diversity (BAED) indicate that it is positive and significant in predicting future earnings ($\beta = 2.135$, $p < 0.05$), suggesting that a board with a diverse age and experience profile has a better future earnings profile. Similarly, demographic diversity (BGED) is not significant. Thus, Model 2 supports Hypothesis 2 partially.

Our interaction variables are used in Model 3 to assess how our board diversity modifies the relationship between transparency and persistence. This model adjusts the R^2 value to 0.621. The coefficient for the interaction term $NP \times BAED$, representing the relationship between current earnings and experiential diversity, is positive and statistically significant ($\beta = 0.184$, $p < 0.05$), indicating that experiential diversity improves earnings persistence.

Crucially, the interaction among current earnings, the precision of accounting information, and experiential diversity ($NP \times AIA \times BAED$) is positively significant ($\beta = 0.215$, $p < 0.01$), suggesting that accurate accounting data could potentially influence future earnings in an assessment by a board with varying professional backgrounds. These interactions among these three variables are not statistically significant. These results support H3 and reinforce the dimensional specificity proposed for H4. The findings of this study need to be considered with caution due to the small sample size.

4.4. Model Diagnostics

Fig. 2 reports the histogram and results of the Jarque–Bera normality test for the standardized residuals of the regression model. The distribution is almost normal, and the Jarque-Bera statistic of 0.554 is consistent with the null hypothesis of normality. They found that regression residuals meet the normality assumption for conclusive statistical inference.

5. Discussion

5.1. Board Diversity and Conditional Value of Accounting Transparency

The findings highlight the influence of board diversity on the relationship between accounting transparency and earnings sustainability. According to conditional governance theories, it is not the composition of the board that provides clear accounting information for predicting future profits, but rather, the diverse experience of its members. The interactions between current earnings, accounting data, and age and experience vary significantly, which affects earnings persistence, such that earnings persist most frequently in the presence of a diversified board that incorporates highly accurate accounting data.

This finding supports previous empirical results. Olivia and Setiany (2021) found that educational and professional diversity enhances the earnings quality of Indonesian firms. Talalwa and Al-Khatib (2023) noted that the educational and professional history, gender, and nationality of board members enhance the performance of banks in Palestine. In addition to the direct effects of board diversity identified in these studies, there are other considerations too. Our results show that board diversity is critical for determining financial information and shaping future earnings estimates. Such conclusions align with Cho et al. (2024), who classify the different functional types of board diversity and find that some aspects of diversity tend to be more successful than others in decreasing stock price crash risk. Consistent with these studies, the results indicate that experiential diversity is especially relevant for governance that relies on complex financial information processing.

Overall, the findings suggest that accounting transparency alone does not automatically improve earnings quality and that transparency may be more useful when there is sufficient expertise in the governance structure to make meaningful assessments of the information provided.

Table 3. Panel regression results dependent variable: future earnings (NP_{t+1})

| Variable | Model 1 | Model 2 | Model 3 |
|-----------------------------|----------|----------|----------|
| NP_t | 0.573*** | 0.561*** | 0.482*** |
| AIA | -4.281 | -3.947 | -3.215 |
| TSC | 42.156 | 38.924 | 31.887 |
| FD | 58.793** | 54.281** | 49.336* |
| BGED | | -0.142 | -0.118 |
| BAED | | 2.135** | 1.894* |
| $NP \times BAED$ | | | 0.184** |
| $NP \times AIA \times BAED$ | | | 0.215*** |
| $NP \times TSC \times BAED$ | | | 0.146* |
| Model Statistics | Model 1 | Model 2 | Model 3 |
| R ² | 0.418 | 0.443 | 0.621 |
| Adjusted R ² | 0.382 | 0.391 | 0.524 |
| Observations | 55 | 55 | 55 |

***p < 0.01, **p < 0.05, *p < 0.10.

5.2. Dimensional Differences and Effects of Board Diversity

One contribution of this paper is to separate the effects of experiential diversity from those of demographic diversity in examining the transparency-persistence relationship. In particular, these results indicate that a key effect of experience is how closely this relationship between accounting precision and earnings continuity is, while demographic diversity is not.

Nonetheless, numerous studies demonstrate a beneficial direct impact of gender diversity on corporate results. For instance, Al-Saed and Saleh (2024) reported that the presence of female board members positively affected the corporate social sustainability performance of Palestinian firms. Likewise, Ayad (2024) indicated that gender diversity enhanced the earnings sustainability of Egyptian companies. Plus, Suleiman and Al-Jawhari (2025) documented that gender diversity improved disclosure practices and reduced the risk of a stock price crash in Egyptian firms.

Our results do not contradict the previous studies examined but suggest that different dimensions of diversity have a different impact on corporate outcomes. While experiential diversity seems to be related to the board's ability to analyze and interpret accounting information, demographic diversity may affect corporate governance outcomes through different channels such as ethical oversight, stakeholder representation, or risk preferences.

This ties into the findings of Ho et al. (2015) and Palvia et al. (2015) where female directors are generally more disciplined in governance and more risk-averse, thereby improving board governance quality, but not necessarily increasing technical capabilities of the board to make sense of accounting signals associated with earnings persistence.

Another possible explanation for the low degree of gender diversity found in this study is the nature of Palestinian banks. Kramer et al. (2006) claimed that diversity benefits when a substantial number is present across groups, and that critical mass theory argues that when women are prominent members of a minority in an organization, they are more likely to influence boardroom decisions. The representation of women on boards is low in the banks that this study examines.

5.3. Accounting Transparency and Earnings Persistence

The data from observation also supports various aspects of accounting transparency. Disclosure has a significant and beneficial relationship with future earnings. This result is consistent with earlier studies showing disclosures as an aid in minimizing information asymmetry and improving the reliability of financial statements (Bhimavarapu et al., 2023; Khasanah, 2022). This also supports Mihna et al. (2025), who found that firm financial statements are trustworthy on the Palestine Exchange.

Conversely, the accuracy of accounting information and adherence to accounting standards do not individually have statistically significant effects on earnings persistence, but they do so in relation to each other. For that reason, it seems that some transparency mechanisms have indirect effects, meaning that only through effective corporate governance do they impact results.

This negative relationship between accounting information accuracy and current earnings is not surprising because the existing literature confirms that accounting information is often used conservatively. Basu (1997), along with Watts (2003) notes that conservative accounting practice will tend to recognize losses earlier and revenues more cautiously, thereby

reducing current earnings but improving the trustworthiness of persistent earnings. The finding in this paper that experiential diversity can moderate this relationship supports this interpretation.

5.4. Reconciling Mixed Evidence in Board Diversity Research

These findings may contribute to clarifying the diverse results of empirical research on board diversity, in which some studies show that board diversity has a positive effect on firm performance, while others suggest that there are no effects (Kusumastati et al., 2022; Al-Nsoor et al., 2023).

These results show that these deviations stem from multiple previous studies that have viewed board diversity as a single concept. This research, by distinguishing experiential from demographic diversity and exploring the moderating effects, indicates that various aspects of diversity have distinct roles in governance.

Collectively, these studies suggest that a boards diversity in experience affects its interpretation of financial reports, while demographic diversity matters for other results. Creating composite measures of these diversity dimensions could mask some meaningful differences.

5.5. Theoretical Implications

The results complement a number of theoretical perspectives that provide a rationale for corporate governance research.

The results enhance the agency theory literature by determining that the impact of reduced information asymmetry in transparent reporting alone is insufficient to boost monitoring effectiveness, as the monitoring system requires decision-makers who utilize the information gleaned from transparent reporting.

Second, the results complement resource dependence theory by highlighting how different board resource attributes may contribute to different governance resources. Specifically, experiential diversity appears to provide resources relevant to the analysis and interpretation of financial information.

Third, these findings enhance the upper echelons theory by demonstrating that board characteristics influence not just strategic choices but also the interpretation of financial information used to predict the company's future outcomes.

5.6. Contextual Implications for Emerging Markets

This research will enhance the comprehension of governance mechanisms in relation to accounting within emerging markets. The Palestinian banks function in a volatile economic environment and unstable political circumstances where clear indicators of financial stability are essential.

Therefore, in such circumstances, the boards' ability to analyze financial information may become critical. In a setting of uncertain external conditions, a board with a sound understanding of financial information that can distinguish transitory from sustainable performance can add more credibility to earnings signals. Hence, these results suggest that the interaction between accounting information opacity and corporate governance mechanisms should consider institutional settings.

Even though this research is carried out in the Palestinian banking industry, the conceptual framework used in this research can extend beyond the Palestinian banking industry because the relationship between accounting transparency and board diversity based on agency theory, resource dependency theory, and upper echelons theory is universal. The significance of experiential diversity in interpreting accounting information in emerging markets with elevated levels of information asymmetries and poor governance structures is likely to be more important than in developed markets with sound institutions. However, even in advanced economies with relatively sound institutions, the intricacies of financial reporting continue to make it necessary for boards to have a cognitive mix to improve decision making.

5.7. Managerial Implications

From these findings, it can be deduced that financial transparency alone cannot improve earnings persistence in the absence of proper governance mechanisms that can interpret financial information. Thus, board composition must be treated as a governance strategy rather than merely a compliance process. In appointing board members, decision-makers, such as the nomination committee, should place significant importance on selecting individuals with various professional experiences. From the results above, it is evident that diversity of experience makes it possible for the board to interpret the information provided in the financial statements and analyze the sustainability of earnings.

Additionally, in making the process of financial reporting more transparent, there must be efforts to enhance the governance mechanism so that the board will have the capability to interpret the information provided. In summary, when decision-makers are making decisions relating to earnings persistence, both financial transparency and governance capability must be considered since earnings persistence is influenced not only by the information presented but also by its interpretation by the board. In practice, this means that managers and nomination committees must change the way board members are selected and evaluated to emphasize practical experience over mere diversity in judging earnings quality and sustainability.

6. Conclusion

This paper empirically examines the influence of board diversity on the relationship between accounting transparency and earnings persistence for banks listed on the PEX between 2015 and 2025. The definition of earnings persistence in this paper is the autoregressive relationship between current and future earnings, and board diversity contributes to the quality of accounting information related to earnings persistence. Directors' age and experience bolster the relationship between accounting transparency and earnings persistence; differences in gender and education did not contribute equally to this

relationship. The results indicate that accounting transparency and corporate governance could enhance the viability of reported earnings.

This research builds on the existing literature on agency, resource dependency, and the upper echelons theory by demonstrating how board-based interpretation of financial information improves the effectiveness of accounting transparency in explaining earnings persistence. This research utilizes a recent sample from the Palestinian banking industry to provide rich evidence on how corporate governance processes enhance earnings quality in an uncertain and rapidly changing economy.

The results suggest that management decisions about financial disclosures must be made in ways that increase board members' interpretive capabilities, especially by focusing on experiential diversity rather than simply enhancing disclosure procedures. It is suggested to reconsider the idea of board composition as an effective governance tool with a noteworthy influence on financial reporting practices and profitability. Also, the presented insights can be useful for policymakers collaborating with companies in emerging economies that have recently adopted advanced governance mechanisms and financial reporting systems.

While the study's emphasis on the Palestinian banking system is a substantial contextual contribution, as it examines governance structures within an understudied developing country, its applicability to other institutions is constrained.

In conclusion, the authors provide several meaningful recommendations and insights for management, investors, and regulators on the vital importance of board expertise and diversity in enhancing financial disclosure processes. The main weaknesses of this research include a relatively small sample size and a non-experimental design, which limit its applicability to Palestinian banks.

Acknowledgments

The authors would like to thank their respective universities for their support in this research.

Author Contributions

Hala Ayyed Hadi contributed to conceptualization, methodology, data curation, formal analysis, writing of the original draft, and investigation. Issam M.A. Altaweel contributed to supervision, validation, writing, reviewing and editing, visualization, project administration and serves as the corresponding author.

Funding

This research received no specific financial support from any funding agency.

Institutional Review Board Statement

This study was exempted from IRB approval by the Ethics Committee of the Accounting Techniques Department, Middle Technical University, Iraq (Date of Approval: 15-12-2025; Reference Number: 11/3/2024). The reason for the exempted approval is that the study makes use of secondary data in terms of auditing reports and corporate governance of listed banks of the Palestine Exchange market (2015-2025), without any involvement of human experimentation or personally identifiable information.

Declaration of Artificial Intelligence (AI) Tools

The authors declare that minor language editing and proofreading were performed using Grammarly to improve grammar, clarity, and readability. No AI tools were used for data analysis, interpretation, or generation of the study's intellectual content.

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