

Does Board Experience Affect Financial Reporting Fraud? Evidence from Chinese Firms

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Abstract

Using a sample of Chinese A-share listed firms from 2017 to 2023, this study examines the impact of board experience on financial reporting fraud. The fixed effects model was determined through the Hausman test, and robustness and endogeneity checks were conducted using the Logit model and the system GMM model. The results suggest that the board of directors' legal, overseas, financial, and educational experiences significantly restrain financial reporting fraud, whereas multiple directorships do not exert a significant influence. Further comparison of regression coefficients and significance levels indicates that legal, financial, and overseas experiences exert the strongest constraining effects on financial reporting fraud. These findings provide empirical evidence for enterprises to enhance professionals in board recruitment and training, and enrich the application of the fraud triangle theory and upper echelons theory in the governance of financial reporting fraud.

Keywords: Financial Reporting Fraud, Board Experience, Fraud Triangle Theory, Upper Echelons Theory

Introduction

In recent years, financial reporting fraud has become an increasingly severe global problem and has attracted widespread attention from regulators and investors (Davidson, 2022). According to the Report to the Nations released in 2024 by the Association of Certified Fraud Examiners, the average loss from financial reporting fraud exceeds USD 700,000. This figure is far higher than other types of fraud and severely erodes capital market efficiency while undermining investor confidence. Compared with asset misappropriation or corruption, financial reporting fraud not only directly damages firm value but also misleads investors and creditors, causes resource misallocation, distorts market pricing, and undermines trust in financial systems and institutions, which means it poses greater social harm (Maulidi et al., 2023). International scandals like Enron, WorldCom, and Wirecard further show that fraudulent activities can exert profound negative effects on economic growth and the allocation of social resources and may even trigger systemic financial risks (Lokanan & Sharma, 2025). Despite the continuous improvement of international accounting standards

and advances in auditing technology, such practices remain frequent and increasingly complex worldwide.

While financial reporting fraud is a global concern, the risks are especially significant in emerging economies where legal systems and regulatory frameworks are less developed (Skousen & Twedt, 2009; El & Mohamed, 2024). This pattern is also evident in China. With the rapid expansion of its capital market, financial reporting fraud remains a significant challenge for regulation (Jia & Xue, 2022; Zhang et al., 2025). Although regulators have strengthened disclosure requirements, improved audit oversight, and increased the cost of violations, fraud cases continue to emerge, creating challenges for market integrity and investor confidence (Wang et al., 2025a). According to enforcement official disclosures by the China Securities Regulatory Commission, more than 400 cases of listed companies were penalized between 2018 and 2023 for false statements, violations of information disclosure requirements, and other offenses related to financial reporting (Xiao et al., 2025). In 2024, the China Securities Regulatory Commission imposed administrative penalties on more than thirty listed companies, with fines and confiscations exceeding 3 billion Chinese yuan.

These persistent fraud cases that formal rules and external supervision alone are insufficient to effectively curb opportunistic behavior. Drawing on upper echelons theory, corporate decisions are shaped by board members' experiential backgrounds. As a key outcome of corporate decision-making, financial reporting fraud is likewise influenced by these experiences (Popa et al., 2024; Xue et al., 2024). This is because the board plays a central role in corporate governance by undertaking supervisory and strategic responsibilities. The professional background, knowledge base, and international perspective of its members directly influence the depth with which they review managerial actions and the attention they devote to the reliability of financial information (Kim & Lee, 2024; Attia et al., 2024). To improve the quality of financial disclosure and prevent fraudulent reporting, China has successively issued a series of policy documents, including the Code of Corporate Governance for Listed Companies. These measures emphasize that the board should possess appropriate knowledge and experience and reinforce its responsibilities in information disclosure and fraud oversight. In this context, it is of great significance to systematically examine whether board members' experiences can effectively constrain financial reporting fraud.

Previous studies have examined the effects of board's legal experience (Liu & Sun, 2021), financial experience (Gilani et al., 2021), overseas experience (Hussain et al., 2022), and multiple directorships (Zalata et al., 2022) on financial reporting quality or fraud, yet their conclusions remain inconsistent. Most existing evidence is based on developed economies, while systematic evidence from emerging economies, particularly China, remains relatively limited. More importantly, existing research tends to focus on individual dimensions of board experience in isolation, thereby overlooking the fact that different types of board experience play distinct and complementary roles in shaping corporate governance outcomes (Tejerina et al., 2021; Lee et al., 2024). As a result, it remains unclear which dimensions of board experience exert stronger or weaker influences on financial reporting fraud and how these effects differ across experience types. Accordingly, this study raises the following research questions:

RQ1. Does the legal experience of the board influence financial reporting fraud?

RQ2. Does overseas experience on the board affect financial reporting fraud?

RQ3. Does the educational experience of the board play a role in financial reporting fraud?

RQ4. Does the financial experience of the board influence financial reporting fraud?

RQ5. Do multiple directorships on the board affect financial reporting fraud?

RQ6. Which types of board experience have the greatest impact on financial reporting fraud?

The aim of this study is to incorporate various types of board experience into a unified research framework and conduct an empirical analysis within the same model. It first examines the effects of these experiences on financial reporting fraud and then compares their relative effectiveness in constraining fraudulent reporting, thereby addressing the limitations of existing literature.

The contributions of this study are mainly reflected in two aspects. First, from a social science perspective, this study systematically compares multiple dimensions of board experience within a unified analytical framework by focusing on directors' personal backgrounds, and documents their differentiated effects on governance effectiveness. Specifically, it further reveals the differentiated roles through which various types of board experience constrain financial reporting fraud, addressing the limitation of prior studies that focus on single experience dimensions and lack systematic comparisons. Second, by selecting Chinese listed companies as the research sample, this study reveals the differentiated impact of board experience on financial reporting fraud in the institutional context of an emerging market. It provides empirical references for improving board recruitment and training practices in China and offers a new evidence base for future cross-country comparative research.

Theoretical Framework and Hypothesis Development

Theoretical Framework

To establish a coherent theoretical foundation for this study, we integrate insights from fraud triangle theory and upper echelons theory to explain the relationship between board experience and financial reporting fraud. These two theoretical perspectives are complementary in that they connect individual-level cognitive processes with organizational governance structures. Specifically, fraud triangle theory explains the pressure, opportunity, and rationalization underlying fraudulent behavior, whereas upper echelons theory highlights the role of board members' backgrounds and experiences in shaping strategic decision-making and governance effectiveness (Saiyed et al., 2023; Cheliatsidou et al., 2023). Together, these perspectives provide an integrated conceptual framework for examining the influence of board experience on financial reporting fraud.

Fraud Triangle Theory

The fraud triangle theory is a conventional model applied to the explanation of how members of an organization get engaged in fraudulent acts (Clements et al., 2015; Said et al., 2017). The theory posits that fraud would typically be due to the combined effect of three factors, which are pressure, opportunity, and rationalization (Kassem & Higson, 2012; Abdullahi et al., 2015). Pressure encompasses financial strain, performance-related pressure, and career advancement concerns; opportunity arises from weaknesses in internal controls, ineffective monitoring, or organizational control gaps; and rationalization refers to the cognitive process through which individuals justify unethical or fraudulent behavior (Cheliatsidou et al., 2023). Where the three components overlap, it diminishes the psychological and institutional disincentives against misconduct, thus fraudulent action is more likely to occur (Seidu et al.,

2022). In as much as the theory advanced, academics have utilized the fraud triangle in corporate governance and auditing situations, emphasizing that organizations have to suppress the impact of these variables through proper institutional design and ethical culture in a bid to reduce the incidence of fraud.

In this study, experienced directors are more professional in credibility and judgment and so can identify and neutralize the economic or market forces that are threatening firms and thus dampen the incentives for fraud. At the same time, they support the installation of strong internal control and risk management systems that have the impact of decreasing the opportunities for fraud. In regard to rationalization, veteran directors, through their professionalism and external reputation, are in a position to form ethical limits that limit managers' attempts at rationalizing misconduct. Hence, the fraud triangle theory not only explains the causes of fraudulent behavior but also provides a good foundation for understanding how board experience limits fraud through pressure, opportunity, and rationalization.

Upper Echelons Theory

Upper echelons theory holds that organizational performance and corporate strategy are greatly influenced by the backgrounds of top managers (Hambrick, 2007; Ebaid, 2023). Follow-up studies have identified that boards of directors, being a crucial element of corporate governance, follow the same principle: knowledge portfolios, social ties, and international exposure of board members identify their risk orientations, monitoring tendencies, and moral values, thus shaping firms' compliance behavior and financial reporting quality (Hiebl, 2014; Bassyouny et al., 2020; Saiyed et al., 2023). This theory associates individual characteristics with organizational behavior and provides theoretical justification for understanding the influence of governance participants' characteristics on financial reporting fraud.

Within this study, boards with either legal or financial experiences are more familiar with regulation requirements and accounting policies, enabling them to apply their professional knowledge within the board. Overseas or diverse professional experience members may possess broader international knowledge and higher levels of risk awareness and therefore campaign for greater disclosure of information and stronger compliance policies.

Hypothesis Development

Board Members' Legal Experience and Financial Reporting Fraud

Existing studies indicate that experience of board members is an important driver of corporate governance quality, with legal acumen being regarded as a critical input for enhancing directors' monitoring capacity (Iliev & Roth, 2018; Tejerina et al., 2021). Members of the board with legal expertise are typically familiar with relevant laws, compliance regulations, and corporate governance requirements, so they can more effectively identify potential financial crimes and impose effective checks on management (Krishnan et al., 2011; Liu & Sun, 2021; Xue & Ding, 2022). Their knowledge of accounting standards and the regulation of disclosure also helps improve the professionalism of the board in auditing financial reports to reduce opportunities for information asymmetry-based fraud.

From the perspective of upper echelons theory, the board's legal experience is a personal cognitive framework and system of values that affect their perception of and judgment concerning corporate compliance risks. Boards with a legal experience usually place greater emphasis on obeying rules and openness of information, and they are likely to adopt more stringent monitoring procedures to guarantee the accuracy of accounting reports. Therefore, this study proposes the following hypothesis:

H1: A greater proportion of board members with legal experience reduces financial reporting fraud.

Board Members' Overseas Experience and Financial Reporting Fraud

Fraud triangle theory holds that pressure, opportunity, and rationalization combined are the cause of fraud (Said et al., 2017). Overseas experience board members are often subject to high professional standards and governance regulations in foreign capital markets (Sun & Sun, 2025). This experience leads them to implement strict standards of ethics and compliance in firms, thus deterring management from justifying fraud. On the other hand, directors who are trained abroad, through cross-cultural exposure and heightened risk awareness, are more concerned with the integrity of internal controls and accuracy of financial information, thus restricting the scope for fraud (Yang et al., 2019; Huang et al., 2025). The richer the overseas experience in the board can turn reduces the prevalence of financial reporting fraud.

Growing evidence indicates that overseas experience of directors enhances the quality of corporate governance and increases levels of information disclosure (Zheng et al., 2023). Not only do overseas experiences familiarize directors with sophisticated notions of governance and international financial reporting standards, but they also expose them to more advanced capital market regulation and compliance environments, which enhance greater transparency and accountability (Fu et al., 2023). Additionally, overseas-experienced directors possess a superior understanding and adjustment to alternative regulatory structures and accounting standards, prompting firms to comply with higher disclosure levels and, in turn, reducing the risk of financial reporting fraud or misconduct (Ullah et al., 2021; Xu, 2024; Xu & Wang, 2025). Therefore, the current study proposes the following hypothesis:

H2: A greater level of overseas experience among board members reduces financial reporting fraud.

Board Members' Educational Experience and Financial Reporting Fraud

Existing literature generally suggests that higher or better educational experience enhances the analytical ability, professional judgment, and knowledge set of directors, enhancing their skills to analyze financial reports and identify risks (Sidki, 2024). Directors who hold higher education or training in more than one discipline are more likely to have a better understanding of accounting standards and regulatory requirements, possess greater reasoning capability and independent judgment, and evidence greater sensitivity to fraud indicators. Past research finds that boards with greater education promote open disclosure policies and conservative accounting and reduce the prevalence of financial reporting misdeeds (Ali, 2022). Besides, a diverse educational experience enhances the cognitive framework of the board, its ability to respond to sophisticated business circumstances and potential frauds, and overall governance ability. Accordingly, this study hypothesizes the following:

H3: A greater level of educational experience among board members reduces financial reporting fraud.

Board Members' Financial Experience and Financial Reporting Fraud

As per the fraud triangle theory, board members with a finance experience, because of their extensive knowledge of financial systems and capital markets, can identify the operational and financing pressures of firms and make sensible suggestions, thereby minimizing fraudulent motives due to performance or funding pressures (Cheliatsidou et al., 2023; Lee et al., 2024). At the same time, they can more effectively evaluate the effectiveness of internal controls and disclosure practices, identify weaknesses, and promote institutional change, hence narrowing fraud opportunities (Jeanjean & Stolowy, 2009; Wang et al., 2023). In addition, financial experience, together with compliance culture and professional reputation, inspires directors to be ethics-driven and improve risk control, limiting management rationalization of improper acts (Ettredge et al., 2021; Farha, 2024). Thus, financial experience not only enhances the professional ability of the board to detect and prevent fraud but also lowers the variables of pressure, opportunity, and rationalization, hence decreasing fraud in financial reporting. Based on this, the following hypothesis is proposed by this research:

H4: A greater level of financial experience among board members reduces financial reporting fraud.

Board Members' Multiple Directorship Experience and Financial Reporting Fraud

Prior research suggests that board members' experience as outside directors or through board interlocks consult social capital and governance knowledge to companies (Rigolini & Huse, 2021; Fayad et al., 2025). Multiple directorship provides an avenue for directors to accumulate cross-firm knowledge and resources, gaining more knowledge of other models of governance, accounting practices, and regulatory processes, thereby attaining enhanced supervisory and advisory ability (Clements et al., 2013). A board with extensive multiple directorship experience will be able to evaluate firms' financial disclosure and risk management strategies from a broader perspective and leverage outside networks and reputational incentives to hold management accountable (Ahn et al., 2010). Empirical evidence suggests that the extent of outside directorships held by members of the board is positively correlated with the transparency of corporate financial information and discourages earnings manipulation and fraudulent transactions (Yaacob, 2020). Finally, outside directorships also come with higher reputation expectations and more spotlight from the public, prompting directors to uphold high ethical standards and curbing managerial attempts to justify deviant behavior (Clements et al., 2013; Manna et al., 2020; Liu et al., 2023). Based on this rationale, this study hypothesizes the following:

H5: A greater level of multiple directorship experience among board members reduces financial reporting fraud.

Methodology

Sample Selection and Data Sources

This study uses Chinese A-share listed companies from 2017 to 2023 as the sample, with data obtained from the CSMAR database. ST/PT firms, financial institutions, and observations with missing variables are excluded. To minimize the influence of extreme values, all continuous variables are winsorized at the 1% and 99% percentiles.

Given the relatively low incidence of financial reporting fraud and the potential estimation bias caused by heterogeneity in industry, year, and firm size, a propensity score matching approach is employed to construct a comparable sample. Fraudulent firms are set as the treatment group and non-fraudulent firms as the control group. Propensity scores are estimated based on firm size, industry, and year, and 1:1 nearest-neighbor matching is carried out in the common support region. After matching, the sample comprises 5,280 observations (equally split between fraudulent and non-fraudulent firms) used for subsequent empirical analyses.

Variable Measurement

Dependent Variable

Following Salaudeen et al. (2015) and Maulidi et al. (2023), this study takes financial reporting fraud (Fraud) as the dependent variable and measures it as a dummy variable: it is assigned a value of 1 if the firm engages in financial reporting fraud in a given year, and 0 otherwise. Fraudulent cases are identified based on public information and regulatory enforcement documents. The primary types include fabrication of profits, fictitious assets, false records, misleading statements, delayed disclosure of information, material omissions, inaccurate disclosures, fraudulent listing, misappropriation of raised funds, improper accounting treatments, issuing false invoices to inflate costs and revenues, recording false invoices in the accounts, as well as illegal guarantees.

Independent Variables

Following Iliev & Roth (2018) and Bosi et al. (2020), this study uses board's legal experience (Legal), overseas experience (Oversea), educational experience (Edu), financial experience (Fin), and multiple directorship experience (Mul) as the core independent variables. Except for tenure, all experience-related variables are measured as the proportion of directors with the corresponding experience (position or expertise) to the total number of board members. Educational experience is defined as holding a master's degree or above. Legal experience refers to academic qualifications, professional certifications, or work experience in legal affairs, compliance, or related positions. Overseas experience indicates study or work experience abroad. Financial experience refers to employment in banking, securities, insurance, or positions in corporate finance or accounting. Multiple directorship experience denotes the proportion of directors concurrently serving as directors, supervisors, or senior executives in other firms.

Control Variables

Referring to Huang et al. (2025); Wang et al. (2025), this study selects the ratio of fixed assets (Fixed), leverage (Lev), return on assets (ROA), firm size (Size), CEO duality (Dual), and board independence (Ind) as control variables. Leverage is measured as the ratio of total liabilities to total assets; firm size is expressed as the natural logarithm of total assets; and CEO duality is set as a dummy variable.

Model Construction

This study uses the Hausman test to determine the appropriate type of panel model. The model is constructed as follows:

$$\text{Fraud}_{i,t} = \alpha_0 + \beta_1 * \text{Legal}_{i,t} + \beta_2 * \text{Oversea}_{i,t} + \beta_3 * \text{Edu}_{i,t} + \beta_4 * \text{Fin}_{i,t} + \beta_5 * \text{Mul}_{i,t} + \mu + \varepsilon_{i,t} \quad (1)$$

Empirical Results

Descriptive Statistics

Table 1

Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
Fraud	5280	0.5	0.5	0	1
Legal	5280	0.136	0.106	0	0.444
Oversea	5280	0.127	0.142	0	0.571
Edu	5280	0.536	0.241	0	1
Fin	5280	0.139	0.15	0	1
Mul	5280	0.549	0.25	0	1
Fixed	5280	0.177	0.129	0.001	0.642
Lev	5280	0.829	0.158	0.12	1
Roa	5280	0.015	0.092	-0.51	0.205
Size	5280	22.063	1.077	19.796	26.544
Dual	5280	0.373	0.484	0	1
Ind	5280	0.38	0.051	0.333	0.571

Table 1 presents the results of the descriptive statistics. The mean value of fraud is 0.5, reflecting the outcome after the matched-pairs procedure. The mean values of legal experience, overseas experience, educational experience, financial experience, and multiple directorships are 0.136, 0.127, 0.536, 0.139, and 0.549, respectively, with relatively large standard deviations, indicating pronounced cross-sectional variation. This suggests that examining the consequences of different types of experience is necessary.

Correlation Analysis

Table 2 presents the Pearson correlation coefficients. Board members' overseas experience, legal experience, financial experience, and tenure are all significantly and negatively correlated with financial reporting fraud, providing preliminary support for the hypotheses. In addition, all correlation coefficients are below 0.5, indicating no serious multicollinearity among the variables.

Table 2

Correlation Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Fraud	1.000											
Legal	0.011	1.000										
Overs ea	- 0.064 ***	- 0.015	1.000									
Edu	- 0.045 ***	- 0.010	0.193 ***	1.000								
Fin	0.030 **	- 0.033 **	0.045 ***	0.127 ***	1.000							
Mul	- 0.012	- 0.045 ***	0.053 ***	0.167 ***	0.154 ***	1.000						
Fixed	0.017	- 0.051 ***	- 0.014	- 0.124 ***	- 0.003	- 0.047 ***	1.000					
Lev	- 0.026 *	0.037 ***	- 0.068 ***	- 0.010	- 0.048 ***	- 0.016	- 0.179 ***	1.000				
Roa	- 0.264 ***	- 0.004	0.011	0.007	- 0.030 **	0.024 *	0.013	0.014	1.000			
Size	- 0.006	- 0.037 ***	0.120 ***	0.091 ***	0.084 ***	0.136 ***	0.011	- 0.261 ***	0.037 ***	1.000		
Dual	- 0.042 ***	0.021	0.004	0.018	- 0.018	- 0.004	- 0.063 ***	0.051 ***	0.028 **	- 0.111 ***	1.000	
Ind	0.020	0.084 ***	0.049 ***	0.078 ***	0.010	0.044 ***	- 0.034 **	0.034 **	- 0.003	- 0.094 ***	0.130 ***	1.000

Note: * p < 10%, ** p < 5% and *** p < 1%. Hausman Test

Table 3

Hausman Test

chi2(13)	197.02	Prob	0.0000
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Table 3 reports the results of the Hausman test. The p-value is 0, indicating that the assumption of the random-effects model is rejected, and that a fixed-effects regression model should be adopted.

Regression Analysis

Table 4

Regression Results

	(1)	(2)	(3)	(4)	(5)
	Fraud	Fraud	Fraud	Fraud	Fraud
Legal	-0.227**				
	(-2.07)				
Oversea		-0.259**			
		(-2.41)			
Edu			-0.174***		
			(-2.66)		
Fin				-0.189***	
				(-2.65)	
Mul					0.0329
					(0.71)
Fixed	0.271*	0.282*	0.269*	0.258*	0.286*
	(1.78)	(1.85)	(1.79)	(1.72)	(1.87)
Lev	0.0124	0.00524	0.00574	0.0115	0.0111
	(0.18)	(0.08)	(0.08)	(0.17)	(0.16)
Roa	-0.378***	-0.395***	-0.397***	-0.381***	-0.382***
	(-4.90)	(-5.14)	(-5.18)	(-4.95)	(-4.96)
Size	0.0731***	0.0761***	0.0800***	0.0728***	0.0721***
	(3.21)	(3.34)	(3.47)	(3.21)	(3.15)
Dual	0.00620	0.00528	0.00314	0.00989	0.00751
	(0.27)	(0.23)	(0.13)	(0.42)	(0.32)
Ind	0.155	0.108	0.142	0.0843	0.0865
	(0.64)	(0.44)	(0.58)	(0.35)	(0.36)
_cons	-1.196**	-1.238**	-1.274**	-1.144**	-1.198**
	(-2.24)	(-2.31)	(-2.36)	(-2.14)	(-2.24)
N	5280	5280	5280	4898	5280
F	6.201	6.338	6.712	6.546	5.773
p	0.000000342	0.000000225	7.18e-08	0.000000127	0.00000125

Note: * $p < 10\%$, ** $p < 5\%$ and *** $p < 1\%$.

Table 4 reports the regression results of board experiences on financial reporting fraud. Specifically, the regression coefficients for legal experience and overseas experience are -0.227 and -0.259 , respectively, and are significant at the 5% level, indicating that a higher proportion of board members with legal or overseas experience is associated with a lower risk of fraud, thereby supporting H1 and H2. In addition, the coefficients for educational experience and financial experience are -0.174 and -0.189 , respectively, and are significant at the 1% level, suggesting that a higher proportion of directors with advanced education and financial experience reduces the likelihood of fraud, thus supporting H3 and H4. By contrast, the relationship between multiple directorships and fraud is insignificant, indicating no linear relationship between holding multiple board seats and financial reporting fraud. This leads to the rejection of H5. This may be because, on the one hand, cross-directorships impose reputational constraints and provide access to information and networks that help curb fraud; on the other hand, holding multiple positions may consume time and attention, weakening monitoring efforts and thereby encouraging fraud, thus offsetting the restraining effect (Sharma & Iselin, 2012; Xing et al., 2022).

Furthermore, by comparing the coefficients and their levels of significance, it can be observed that legal, overseas, and financial experience exert a much stronger inhibitory effect on financial reporting fraud than educational experience and multiple directorships. This is because legal, finance, and overseas experiences have direct relevance to the knowledge and skills required for financial reporting quality and are combined with higher professional reputation concerns and compliance requirements, which lead directors to be more likely to enhance monitoring of financial reports. On the other hand, the impact of education experience on fraud governance is considerably indirect, mainly represented by overall ability and analytical capability. Multiple directorships may introduce external resources and diversified viewpoints, but also disperse monitoring effectiveness due to the limitation of time and attention.

Robustness Tests

Logistic Regression

The dependent variable in this study is a dummy variable. Following Alenzi et al. (2020), a fixed-effects logistic regression was used as a robustness check. The regression results are shown in Table 5.

Table 5

Logistic Regression Results

	(1)	(2)	(3)	(4)	(5)
	Fraud	Fraud	Fraud	Fraud	Fraud
Legal	-1.415**				
	(-2.18)				
Oversea		-1.418***			
		(-2.74)			
Edu			-1.038***		
			(-3.05)		
Fin				-1.062**	
				(-2.54)	
Mul					0.161
					(0.56)
Fixed	1.566**	1.631**	1.514*	1.468*	1.699**
	(1.98)	(2.06)	(1.89)	(1.84)	(2.17)
Lev	0.185	0.178	0.138	0.217	0.204
	(0.42)	(0.40)	(0.31)	(0.49)	(0.46)
Roa	-3.129***	-3.222***	-3.205***	-3.113***	-3.134***
	(-4.78)	(-4.91)	(-4.87)	(-4.77)	(-4.79)
Size	0.461***	0.485***	0.524***	0.470***	0.462***
	(3.20)	(3.39)	(3.62)	(3.28)	(3.21)
Dual	0.0544	0.0444	0.0358	0.0698	0.0560
	(0.37)	(0.30)	(0.24)	(0.47)	(0.38)
Ind	0.738	0.548	0.627	0.421	0.448
	(0.46)	(0.35)	(0.39)	(0.27)	(0.28)
LR chi2(7)	46.69	49.53	51.40	48.42	42.24
p	6.42e-08	1.79e-08	7.67e-09	2.95e-08	0.000000468

Note: * $p < 10\%$, ** $p < 5\%$ and *** $p < 1\%$.

Table 5 presents the results of the logistic regression. The findings indicate that board members' legal, overseas, educational, and financial experiences all play an important role in constraining financial reporting fraud. Multiple directorships do not have a significant effect. These results are consistent with the previous regression findings, confirming the significance and robustness of the conclusions.

GMM Result

To mitigate potential reverse causality and omitted variable bias, referring to Tan et al. (2017), this study employs a dynamic panel system GMM as a robustness check.

Table 6

GMM Results

	(1)	(2)	(3)	(4)	(5)
	Fraud	Fraud	Fraud	Fraud	Fraud
L.fraud	0.277	0.231***	0.367***	0.998***	0.235***
	(1.04)	(5.54)	(7.26)	(2.68)	(6.32)
Legal	-0.426*				
	(-1.84)				
Oversea		-0.781***			
		(-4.20)			
Edu			-0.466***		
			(-2.61)		
Fin				-0.286**	
				(-2.22)	
Mul					-0.0748
					(-0.79)
Fixed	-0.0238	0.0114	-0.0116	-0.136	-0.0141
	(-0.25)	(0.13)	(-0.08)	(-1.39)	(-0.15)
Lev	0.00292	-0.0472	0.0956	-0.0219	-0.0285
	(0.05)	(-0.73)	(0.93)	(-0.36)	(-0.44)
Roa	0.0590	0.147	3.431***	-1.718*	-0.197
	(0.08)	(0.16)	(3.14)	(-1.90)	(-0.25)
Size	-0.0142	-0.00354	0.0280	0.0274	-0.00996
	(-0.95)	(-0.26)	(1.57)	(1.45)	(-0.79)
Dual	-0.0167	-0.0171	-0.00810	0.0176	-0.0158
	(-0.76)	(-0.83)	(-0.25)	(0.63)	(-0.78)
Ind	0.201	0.178	0.255	0.240	0.145
	(1.10)	(0.99)	(0.88)	(1.22)	(0.78)
_cons	0.749	0.626*	-0.141	-0.614	0.710**
	(1.61)	(1.93)	(-0.31)	(-0.96)	(2.31)
N	2657	2657	2657	2657	2657
p	0	0	0	0	0
AR (1)	0.030	0.000	0.000	0.001	0.000
AR (2)	0.387	0.215	0.318	0.119	0.318
Hansen	0.494	0.912	0.130	0.390	0.130

Note: * $p < 10\%$, ** $p < 5\%$ and *** $p < 1\%$.

Table 6 presents the GMM results, which show that legal experience, overseas experience, educational experience, and financial experience are negatively and significantly associated with financial reporting fraud. In addition, the coefficient of multiple directorships is not significant. These results are consistent with the previous regression findings. Furthermore, the AR(1) test is significant, while the AR(2) and Hansen tests are insignificant, indicating that the GMM results are valid. Therefore, the conclusions remain robust after controlling for potential endogeneity.

Variable Substitution

Return on equity (ROE) is used to replace ROA. In addition, the firm's listing age (lnage), measured as the natural logarithm of the number of years since listing, and Tobin's Q are included. At the same time, the leverage variable is removed in order to examine the robustness of the model. The regression results are presented in Table 7.

Table 7

Variable Substitution

	(1)	(2)	(3)	(4)	(5)
	Fraud	Fraud	Fraud	Fraud	Fraud
Legal	-0.246** (-2.23)				
Oversea		-0.232** (-2.13)			
Edu			-0.182*** (-2.77)		
Fin				-0.184** (-2.55)	
Mul					0.0305 (0.65)
Size	0.0312 (1.32)	0.0359 (1.51)	0.0361 (1.51)	0.0322 (1.37)	0.0313 (1.31)
Dual	0.0102 (0.43)	0.00939 (0.39)	0.00753 (0.31)	0.0138 (0.58)	0.0115 (0.48)
Tobin	-0.0120 (-1.00)	-0.0101 (-0.84)	-0.0107 (-0.89)	-0.0115 (-0.96)	-0.0111 (-0.92)
Ind	0.100 (0.41)	0.0429 (0.17)	0.0764 (0.31)	0.0247 (0.10)	0.0250 (0.10)
Fixed	0.269* (1.76)	0.289* (1.88)	0.265* (1.76)	0.262* (1.74)	0.288* (1.87)
Roe	-0.00156 (-1.05)	-0.00158 (-1.06)	-0.00159 (-1.09)	-0.00163 (-1.10)	-0.00153 (-1.01)
lnage	0.0873*** (2.99)	0.0841*** (2.90)	0.0960*** (3.27)	0.0848*** (2.92)	0.0855*** (2.94)
_cons	-0.405 (-0.76)	-0.490 (-0.92)	-0.457 (-0.85)	-0.400 (-0.76)	-0.430 (-0.80)
N	4318	4318	4318	4318	4318
adj. R ²	0.014	0.016	0.014	0.014	0.012
F	5.661	5.982	5.924	5.645	5.127
p	0.00000176	0.000000666	0.000000795	0.00000184	0.00000871

Note: * p < 10%, ** p < 5% and *** p < 1%.

Table 7 presents the regression results based on variable substitution. The findings show that legal experience, overseas experience, educational experience, and financial experience are negatively and significantly associated with financial reporting fraud. At the same time, the coefficient for multiple directorships is insignificant. These results are consistent with the previous regression findings, indicating that the earlier results are robust.

Sample Exclusion

To avoid the potential impact of the COVID-19 pandemic on the conclusions of this study, we re-estimated the relationship between board experiences and financial reporting fraud after excluding the 2019 sample. The results are presented in Table 8.

Table 8

Alternative Sample

	(1)	(2)	(3)	(4)	(5)
	<i>Fraud</i>	<i>Fraud</i>	<i>Fraud</i>	<i>Fraud</i>	<i>Fraud</i>
Legal	-0.268** (-2.17)				
Oversea		-0.302*** (-2.64)			
Edu			-0.160** (-2.38)		
Fin				-0.182** (-2.31)	
Mul					0.0337 (0.63)
Fixed	0.179 (1.06)	0.187 (1.11)	0.188 (1.13)	0.171 (1.03)	0.197 (1.17)
Lev	0.00989 (0.13)	0.000924 (0.01)	0.00108 (0.01)	0.0110 (0.15)	0.0105 (0.14)
Roa	-0.499*** (-5.05)	-0.518*** (-5.28)	-0.515*** (-5.25)	-0.500*** (-5.09)	-0.506*** (-5.12)
Size	0.0679*** (2.74)	0.0713*** (2.87)	0.0740*** (2.96)	0.0678*** (2.74)	0.0670*** (2.70)
Dual	0.0130 (0.51)	0.0113 (0.44)	0.00991 (0.38)	0.0164 (0.63)	0.0138 (0.53)
Ind	0.176 (0.60)	0.115 (0.39)	0.150 (0.51)	0.101 (0.35)	0.0960 (0.33)
_cons	-1.063* (-1.82)	-1.107* (-1.89)	-1.134* (-1.93)	-1.046* (-1.79)	-1.074* (-1.84)
N	4318	4318	4318	4318	4318
adj. R ²	0.014	0.016	0.014	0.014	0.012
F	5.661	5.982	5.924	5.645	5.127
p	0.00000176	0.000000666	0.000000795	0.00000184	0.00000871

Note: * p < 10%, ** p < 5% and *** p < 1%.

Table 8 shows the robustness results after removing certain samples. The findings show that legal experience, overseas experience, educational experience, as well as financial experience are negatively and significantly associated with financial reporting fraud. The coefficient for

multiple directorships is insignificant. These results are in line with the previous regression findings. This suggests that the earlier results are robust.

Discussion

It is found in this research that boards' legal, overseas, financial, and educational experiences all exert strong constraint impacts on financial reporting fraud, a finding largely consistent with findings in previous research (Luo & Wang, 2022; Qi et al., 2023). From a theoretical perspective, the findings verify the validity of the upper echelons theory and the fraud triangle theory. Upper echelons theory posits that boards' experiences, values, and knowledge structures determine their decision preferences and monitoring behavior (Ettredge et al., 2021; Ebaid, 2023). Fraud triangle theory is premised on the premise that governance agents can preclude misconduct by reducing opportunities for financial reporting fraud, lessening pressure, and reducing rationalization (Cheliatsidou et al., 2023; Lee et al., 2024). Specifically, boards with legal orientations are acquainted with relevant laws and disclosure requirements, which raise compliance awareness and decrease management's room for maneuvering financial information. They with finance experiences possess firm accounting and analytical skills, which enable them to detect signs of earnings manipulation more expediently. Boards with these experiences will thus be inclined to stringently fulfill their monitoring functions, thereby improving the transparency and quality of firms' financial disclosures.

Opposite to certain overseas studies showing multiple directorships lead to the improvement of governance quality (Salleh & Othman, 2016; Rigolini & Huse, 2021), this study finds that they do not have a significant controlling effect on financial reporting fraud, which results in a strong correlation with the Chinese institutional context. When a director sits on several outside boards concurrently, he is prone to the busyness effect that distracts him and occupies his time and waters down the focus of his monitoring of one firm (Sharma & Iselin, 2012). In addition, in contrast to mature capital markets, supervisory and enforcement mechanisms for monitoring and holding directors accountable for diligence in performing their responsibilities remain in the process of being maximized in China (Xing et al., 2022). Therefore, off-board appointment incentives cannot be completely translated into the effectiveness of governance, and pressure on the directors to be accountable for financial reporting fraud is not very high. Thus, in China, being a board of other companies does not do much to enable them to repress financial reporting fraud.

Another comparison between the regression coefficients and the significance levels for various types of experience reveals that legal, financial, and overseas experiences are the strongest deterrence to financial reporting fraud. This finding not only enhances and supports existing research but also reveals the differentiated efficacy of governance resources within the Chinese context (Sun & Sun, 2025). Board members who are legal and financial professionals have a higher level of knowledge alignment with the credibility of corporate financial information (Tejerina et al., 2021). They have stricter professional reputation and ethics constraints and are more likely to have a zero-tolerance policy towards unethical conduct. Global experience is making directors more globally oriented and information openness-oriented, and these are making them advocate for higher disclosure standards and internal controls (Huang et al., 2025). Conceptually, this finding complements the upper

echelons theory further: professional and overseas experiences of directors dominate their ability and inclination to monitor financial reporting.

They also agree with the explanatory theory of the fraud triangle, demonstrating that these experiences can effectively counteract financial misstatement risks by reducing chances and rationalization space for financial reporting fraud and alleviating managerial pressure. Enhancing board members' professional experience in law, finance, and overseas exposure is therefore a key channel for Chinese firms to improve the quality of financial information and improve anti-fraud governance.

Conclusions and Implications

Conclusions

Drawing on a sample of Chinese A-share listed firms for 2017-2023, this study investigates the impact of board experiences on financial reporting fraud. The findings are that the board's legal, overseas, financial, and educational experiences are all significant constraints on financial reporting fraud. However, having multiple directorships does not demonstrate a significant role in controlling fraud.

Another comparison of regression coefficients and significance levels determines that the strongest drivers of financial reporting fraud behavior are legal, financial, and overseas experiences since they impose a closer knowledge fit with financial reporting quality and incur greater professional responsibility. Educational experiences exert a weaker influence indirectly, whereas numerous directorships may lead to a busy director effect, diluting supervisory resources and consequently undermining governance effectiveness.

Implications

Practical Implications

In board optimization, the firms would be best advised by hiring and developing the board with legal, financial, and overseas experience to increase the board's capacity to oversee the quality of financial information. Training and evaluation systems should emphasize skills related to financial compliance, risk identification, and information transparency. At the same time, companies should prevent the board from holding an excessive number of external positions, which could distract their attention and reduce their governance effectiveness within the firm.

Theoretical Implications

From the perspective of board human capital, this study reveals the heterogeneous effects of different types of experience on financial reporting fraud, offering a new explanatory framework for research on fraud prevention. The findings support the applicability of the Upper Echelons theory and the Fraud Triangle theory in the context of board structure, and highlight the governance value of boards' professional and international attributes in emerging markets.

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