**Transcript**

***Professor Kamran Ahmed – Politically connected directors and financial reporting quality***

For the last 20 years I’ve been working on financial reporting quality in developing, emerging developed countries and it’s still a fascinating area. It’s very interesting. And, one of the several projects that I’m working with my colleagues and my PhD student is to look at politically connected directors when they are sitting on the board, corporate board, how it affects the reporting quality. So, we’ve been working on couple of countries, for example in the case of Malaysia we’ve found that government plays a very important role in every decision making of companies, whether it’s a private company or is government organisation, government appoints politically connected directors to the board as a result it influence various strategic decision making of corporations. And as a result we find the financial reporting quality is affected adversely. Most of the prior studies looked at financial reporting quality in one or two particular aspects. We’re looking at different measures of financial reporting quality and also we’re trying to look at how to measure politically connected directors. So we are looking at each and every director’s profile rather than just assuming in case of Malaysia , for example, somebody is *bhumiputra*. That doesn’t mean that person is politically connected. So we are looking at each and every director’s profile and we find that directors who are politically connected adversely affecting the financial reporting quality. In some cases company’s performance is also suffering. So we are now working Chinese corporations, mostly state run enterprise and how Communist party members sitting on government board affects financial reporting quality as well. So, what do you want to look at that when too many politically connected directors sitting on the board it affects various aspects of corporation’s performance and it adversely affect overall social, capital and social you know uplifting of the economy and this sort of thing. So, that’s the current research we are looking at.

What we want to look at is that when there is an imbalance between professionally qualified directors and politically connected directors that affects financial reporting quality, financial performance and we want to achieve by showing that it has impact, an adverse impact. We want to show there’s a need for, I would say, a proper balance. There has to be significant number of professional qualified directors on the board who can make strategic decision making in a much better way. On the other hand, politically connected directors, they are more interested in getting resources for the company but that resources are not necessarily allocated properly as a result company suffers. That’s what we’d like to highlight.

I think with the right balance between directors, politically connected directors and professional directors the company’s performance will improve. Financial reporting quality will improve. As a result investors will have much confidence in the reporting quality and also firm performance. As a result economic development will be positively affected. That’s our goal.