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An Investigation into the Relationship between Corporate Governance Practices on IFRS Compliance, Evidence from Publicly Listed Companies in Botswana

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ABSTRACT

Botswana adopted IFRS for listed companies to raise comparability and attract investment. Despite adoption, compliance levels vary between firms. This suggests corporate governance may be an important influence, yet local evidence is limited. This quantitative descriptive–explanatory study used a structured questionnaire administered to officers across publicly listed companies on the Botswana Stock Exchange (BSE). Descriptive statistics, Pearson correlation and multiple regression were used to examine the relationship between governance mechanisms (board independence, audit committees, internal controls, ownership structure) and IFRS compliance. The response rate was 80%. Descriptive results show most firms rated their IFRS compliance as moderate to high (75%). Pearson correlations showed audit committee expertise had the strongest positive relation with IFRS compliance ($r = 0.68$, $p < 0.01$), followed by board oversight ($r = 0.66$) and board independence ($r = 0.64$). Regression analysis produced $R^2 = 0.62$; audit committee expertise ($\beta = 0.26$, $p < 0.01$) and board oversight ($\beta = 0.24$, $p < 0.05$) were the strongest predictors. Strong governance mechanisms especially audit committee expertise and active board oversight are associated with higher IFRS compliance. However, weak regulatory enforcement reduces the full effect of governance.

1. Introduction

International Financial Reporting Standards (IFRS) aim to create comparable, transparent and high-quality financial statements across countries. Many emerging markets, Botswana included, adopted IFRS for listed companies to raise reporting quality and attract foreign capital. Regardless of the compulsory adoption of the [IFRS] International Financial Reporting Standards in the country of Botswana, it has been noted that the publicly listed companies demonstrate different levels of IFRS compliance according to (PwC, 2020; BICA, 2021). The inconsistencies in the quality of disclosures, transparency and even on the faithful representation of financial information actually raises concerns and questions on the effectiveness of corporate governance structures in trying to ensure complete adherence to IFRS as alluded to by (IFAC, 2019; Outa, 2011). Companies with strong corporate governance that uses different mechanisms that includes effective audit committees, robust internal controls and board independence have proved to enhance the quality of financial reporting and compliance diverse jurisdictions (Allegrini & Greco, 2013; Ahmed & Courtis, 1999; Samaha & Dahawy, 2011).

Nevertheless, there has been limited empirical evidence that examines how these, different governance mechanisms actually have an influence on IFRS compliance within the specific institutional and regulatory framework of Botswana. In anticipation of the growth in the capital markets that are in Africa, this may lead to an attraction of many investors, so this gap in the literature will actually bring some challenges for the investors, regulators and even to the policymakers who solely relies on high-quality financial information to make informed decisions (World Bank, 2020; Nkundabanyanga et al., 2013). This study investigates the relationship between corporate governance practices and IFRS compliance among publicly listed companies in Botswana, focusing on the main governance mechanisms used by firms, identifying those that significantly influence IFRS compliance, and examining how differences in governance structures affect compliance levels.

1.2 Background of the Study

Botswana is a small but resource-rich economy in Southern Africa. Although its capital market is smaller than major African exchanges, it has a number of listed entities across finance, mining, manufacturing, ICT and retail. To align with global practices and attract foreign capital, Botswana adopted IFRS for listed companies and has put in place several governance requirements through the Companies Act, the Botswana Stock Exchange (BSE) listing rules. Corporate governance is very important in each and every company and it's actually a critical factor that ensures transparency, accountability, and reliability in financial reporting globally (OECD, 2021). Now, the adoption of IFRS's main aim is the harmonisation of the accounting practices and this on its own enables the financial statements to be compared across jurisdictions (IASB, 2022). Conversely, it's actually a challenge to achieve high levels of IFRS compliance predominantly in upcoming emerging markets where institutional frameworks and regulatory enforcement are not vigorous (World Bank, 2020; PwC, 2021).

A developing economy like the Botswana context, with an evolving capital market, they also adopted IFRS for listed companies in order to improve their financial literacy and transparency so as to attract foreign investment (BICA, 2021). In spite of the regulatory efforts by bodies such as the Botswana Stock Exchange (BSE) and the Botswana Institute of Chartered Accountants (BICA), empirical evidence suggests that many of the listed companies still struggle with full and consistent IFRS compliance (Ncube & Mlambo, 2022; Mafini & Kanyoka, 2023) and such inconsistencies can undermine the confidence of the well sought after investor confidence and market efficiency (Chukwu & Oluka, 2023).

Corporate governance mechanisms, which are effective enough and they include independent boards, audit committees, and internal controls have actually been identified as vital enablers of IFRS compliance (Khalil et al., 2023; Ahmed & Hossain, 2021). These governance structures they actually help in the mitigation of the agency problems by aligning management interests with those of shareholders and other stakeholders, and this automatically brings an ambience of enhancement to the quality of financial disclosures (Njogu et al., 2022). Despite this framework, studies point to continued differences in reporting quality and IFRS compliance (Ncube & Mlambo, 2022; Mafini & Kanyoka, 2023). Nonetheless, researchers focusing on the relationship between governance practices and IFRS compliance in Botswana are very limited and this indicates a significant gap in the research literature (Mogaka, 2023). Therefore, this research study seeks to investigate the relationship between corporate governance practices and IFRS compliance among companies that are publicly listed in Botswana. This will help in contributing to the efforts that are being undertaken to strengthen the financial reporting standards in Botswana.

1.3 Problem Statement

Although Botswana has adopted IFRS and corporate governance frameworks through the Companies Act and Botswana Stock Exchange (BSE) rules, compliance remains inconsistent (Ncube & Mlambo, 2022; Mafini & Kanyoka, 2023). Weak regulatory enforcement and institutional limitations hinder full compliance (World Bank, 2020). Some firms demonstrate full adherence to standards, while others exhibit partial or minimal compliance. The inconsistency undermines investor confidence and reduces the effectiveness of financial reporting as a tool for decision-making. Understanding the influence of corporate governance mechanisms on IFRS compliance is therefore essential for regulators, investors, and company managers to strengthen governance structures and ensure high-quality financial reporting.

Research Gap

Existing studies on corporate governance and IFRS compliance have predominantly been conducted in developed economies such as the United Kingdom, Australia, and the United States, where corporate governance structures and enforcement mechanisms are mature and well-institutionalized (Ahmed & Hossain, 2021; García-Sánchez & García-Meca, 2021; Chen, Wang, & Zhou, 2020). These contexts differ significantly from Botswana, an emerging market characterized by smaller capital markets, limited regulatory enforcement capacity, and evolving governance frameworks. Therefore, findings from developed economies cannot be directly generalized to Botswana's institutional environment.

In regional markets such as South Africa and Nigeria, prior studies (Obasi & Chikere, 2021; Khalil, Ahmad, & Tariq, 2023) have examined how governance practices enhance compliance and transparency, yet these countries benefit from stronger oversight institutions and more mature corporate governance codes. Botswana, by contrast, operates under a comparatively weaker enforcement regime, where voluntary compliance and institutional pressures play a greater role in shaping reporting behaviour (Letsolo & Ntim, 2022; PwC Botswana, 2021).

Moreover, the few studies that have explored Botswana's listed firms (e.g., Nleya & Kalulanga, 2022; Mokone & Rankhumise, 2021) have primarily described governance practices without empirically establishing their causal relationship with IFRS compliance across all listed companies. There is also inadequate exploration of how institutional and regulatory pressures such as oversight by the BSE, BICA, or foreign investor expectations moderate this relationship (World Bank, 2020).

This study builds upon prior research by adapting and empirically testing established governance compliance models from developed and regional contexts within Botswana's distinct institutional environment. By focusing on specific governance mechanisms (board independence, audit committee expertise, internal controls, and ownership structure) and their influence on IFRS compliance, this research contributes original empirical evidence from an underrepresented African market. Hence, it not only fills the contextual gap in literature but also extends theoretical understanding of how governance functions within emerging economies with developing enforcement structures.

1.4 Research Objectives

Main objective:

To investigate the relationship between corporate governance practices and IFRS compliance among publicly listed companies in Botswana.

1. To investigate the main corporate governance mechanisms that are used by publicly listed companies in Botswana.
2. To determine the corporate governance practices that influences IFRS compliance significantly.
3. To examine how variations in governance structures may affect the level of IFRS compliance among companies that are publicly listed in Botswana.

1.5 Research Questions

1. What are the main corporate governance mechanisms that are being used by Botswana publicly listed companies?
2. Which of the corporate governance practices mainly influence compliance with IFRS significantly?
3. How do variations in governance structures affect the level of IFRS compliance?

1.6 Significance of the Study

This study contributes empirical evidence from Botswana, an under-researched emerging market. Findings will assist regulators, policymakers, and investors in improving governance and compliance frameworks to ensure transparency and attract investment.

2. Literature Review

2.1 Introduction

Quality of financial reporting is very pertinent and it's also a cornerstone when it comes to the effective function of the capital markets internationally. The adoption of International Financial Reporting Standards (IFRS) by different firms' purpose is to bring in standardisation in accounting practices, thus improving transparency, comparability, and investor confidence (IASB, 2022). Nonetheless, to yield consistent compliance with IFRS is actually a challenge, particularly in developing economies where institutional infrastructures are still at a developing stage (Daske et al., 2022). Botswana, is one of the developing economy in Southern Africa and has also adopted IFRS for its publicly listed companies as part of the efforts to attract and bring foreign investment so as to strengthen its financial markets (BICA, 2021). Regardless of this regulatory advancement, studies are still showing different levels of compliance, highlighting gaps in governance and institutional support (Ncube & Mlambo, 2022; Mafini & Kanyoka, 2023).

This literature review examines three key areas aligned with the research objectives: The first objective is to investigate the main corporate governance mechanisms that are used by publicly listed companies in Botswana, secondly to determine the corporate governance practices that influences IFRS compliance significantly. Lastly to examine how variations in governance structures may affect the level of IFRS compliance among companies that are publicly listed in Botswana. Additionally, it covers the theoretical perspectives and also goes further to develop a conceptual framework to guide this study.

Corporate governance are systems that are put in place by companies so as to be directed and controlled by establishing structures in place, set some principles and some processes that will ensure the accountability, transparency and fairness when it comes to the company relationship with different stakeholders (OECD, 2015).

In Botswana companies that are listed publicly are governed by the Botswana Stock Exchange (BSE) and the Companies Act, which mandate minimum governance standards.

The main mechanisms that are used for governing include internal controls, audit committees, independence, board composition and ownership structure. According to a study done by Mokone and Rankhumise (2021), it showed that most companies that are publicly listed in Botswana, have adopted governance structures with majority independent directors and functioning audit committees to comply with BSE requirements. Similarly, Letsolo and Ntim (2022) found that corporate boards in Botswana increasingly include members with financial expertise, enhancing financial oversight and accountability. Audit committees have a critical mandate to monitor the integrity of financial statements. This was alluded to by the Botswana Institute of Chartered Accountants (BICA, 2020), when they attested that audit committees are now mandated in all publicly listed companies to strengthen financial governance. The implementation of internal audit functions has also improved due to increased regulatory emphasis, helping firms detect and manage risks effectively (KPMG, 2021).

2.2 Corporate Governance Practices that Influence IFRS Compliance Significantly

Botswana as a country by transitioning to the IFRS they were aiming to improve financial reporting's comparability and reliability. Conversely, the issue of compliance levels are sometimes greatly influenced by how the governance practices in place are effective. Some empirical studies that were done suggest that governance attributes such as board independence, financial literacy of directors, and audit committee diligence are positively associated with IFRS compliance (Al Farooque et al., 2021). Another study by Nleya and Kalulanga (2022) indicated that firms that have a composition of more independent boards that often have several board meetings normally have high levels of IFRS. These findings supports the agency theory underpinnings that say strong governance mechanisms assist in mitigating agency problems and resultantly minimise financial misstatements likelihood (Jensen & Meckling, 1976).

An audit committee that is composed of members with accounting and financial expertise has high potential of ensuring IFRS compliance. This was alluded to by García-Sánchez and García-Meca (2021) who identified a strong correlation between the financial expertise of audit committee members and the quality of financial disclosures. Similarly in Botswana, BICA (2020) reports indicated that companies with specialised governance trainings for audit committees resulted in improved IFRS alignment. Internal controls have a positive effect of contributing to the financial statements reliability. This was highlighted by Adeyemi and Fagbemi (2018), that effective internal controls have an effect of minimising financial irregularities and promote compliance. In Botswana, to support more compliance issues they encourage the regulatory push towards robust internal audits and this has improved IFRS application across sectors (PwC Botswana, 2021).

2.3 Variations in Governance Structures and Their Impact on IFRS Compliance

Governance structures vary across different companies based on size, industry, ownership type, and regulatory compliance culture. So the variations have an effect of significantly influencing the application of IFRS. For example, state-owned companies that have got concentrated ownership may experience less pressure in complying with the IFRS fully due to limited scrutiny (La Porta et al., 1999). Chigova and Muzondiwa (2020) in their study showed that companies with dispersed ownership structures and foreign investor participation are more likely to adhere strictly to IFRS due to external accountability. Conversely, some of the closely held companies in Botswana are more likely to view IFRS compliance just as a formality instead of a process that adds value to the financial statements. Additionally, gender and tenure diversity as board compositions improve the effectiveness of governance. The same sentiments were echoed by Obasi and Chikere (2021) in their study across African stock exchanges and they concluded that gender-diverse boards have a greater likelihood of challenging management and this will ultimately promote compliance behaviours. This on its own proposes that the structural elements of governance beyond the obvious traditional roles have the capability of influencing the application IFRS. The World Bank (2020), noted that in some nations where there are weaker regulatory enforcement, governance practices on their own may not ensure IFRS compliance. Hence, governance mechanisms must be fully supported or complemented by effective regulatory oversight and penalties in order ensure full compliance in all angles.

2.4 Theoretical Framework

The theories underpinning this study are based on the Agency Theory, Stakeholder Theory, and Institutional Theory, as they mutually explain how governance structures influence financial reporting compliance.

2.4.1 Agency Theory

Agency theory, developed by Jensen and Meckling (1976), posits that a conflict of interest exists between managers acting as agents and shareholders acting as principals. In order to reduce this friction or conflict, companies establish governance mechanisms such as independent boards, audit committees, and internal controls. These mechanisms are designed to monitor managerial behavior so that it aligns with shareholders' interests, thus enhancing compliance with IFRS (Al Farooque et al., 2021). The presence of independent non-executive directors and audit committees in Botswana illustrates agency theory in practice, aiming to prevent managerial unscrupulousness and promote transparency (Mokone & Rankhumise, 2021).
Furthermore, agency theory highlights the importance of aligning managerial incentives with organizational goals. Performance-based remuneration, stock options, and bonus structures are commonly used to ensure that managers are motivated to act in the best interest of shareholders. This alignment reduces opportunistic behavior, such as earnings manipulation or selective reporting, which can compromise the accuracy and reliability of financial statements under IFRS. By implementing such mechanisms, firms can improve accountability and strengthen investor confidence, particularly in emerging markets where governance challenges are more pronounced.

In addition, agency theory emphasizes the role of monitoring and reporting mechanisms in reducing information asymmetry between managers and shareholders. Regular financial reporting, external audits, and transparent disclosure practices allow shareholders to evaluate managerial performance effectively. In the context of Botswana, these practices are crucial because they enhance the credibility of financial information and foster compliance with international standards. As a result, agency theory not only explains potential conflicts but also provides a framework for designing governance structures that safeguard stakeholders' interests and ensure ethical financial practices.

2.4.2 Stakeholder Theory

Stakeholder theory was developed by Freeman (1984) and it widens the scope of accountability beyond shareholders by including all parties that may be affected by corporate decisions, such as regulators, creditors, debtors, and the public at large. Therefore, IFRS compliance can be seen as a way of meeting the informational needs of various stakeholders. This theory supports the argument that governance structures should be robust enough to promote transparency and corporate accountability (Obasi & Chikere, 2021).

Moreover, stakeholder theory emphasizes that organizations have ethical and strategic obligations to consider the interests of all stakeholders in their decision-making processes. By adhering to IFRS standards, companies ensure that financial statements are accurate, consistent, and comparable, which allows stakeholders to make informed decisions. For example, creditors rely on transparent financial reporting to assess the creditworthiness of a firm, while regulators depend on compliance to ensure market stability. Meeting these needs strengthens trust, reduces conflicts, and enhances the organization's reputation, which can lead to improved access to capital and long-term sustainability.

In addition, stakeholder theory encourages proactive engagement with stakeholders to anticipate their concerns and expectations. Companies that actively communicate their financial performance and governance practices demonstrate accountability and build collaborative relationships with their stakeholders. In the context of Botswana, firms that comply with IFRS not only meet regulatory requirements but also address the expectations of local and international investors, customers, and the broader public. This approach aligns with the principle that corporate responsibility extends beyond financial returns to include social and ethical considerations, thereby promoting overall organizational legitimacy and stability.

2.4.3 Institutional Theory

Institutional theory is a framework that explains how companies adapt to the expectations of external parties and norms, such as international standards (Scott, 2005). Companies in Botswana are subject to Botswana Stock Exchange (BSE) and Botswana Institute of Chartered Accountants (BICA) regulations, and they are also influenced by international norms on financial reporting, as they aim to attract multinational investors. The institutional pressure emanating from these regulatory bodies and investors obliges companies to adopt good governance practices to ensure compliance with IFRS (Letsolo & Ntim, 2022).

Furthermore, institutional theory emphasizes that organizations often conform to external expectations not only for legitimacy but also to gain competitive advantage. Compliance with IFRS signals to stakeholders, including investors, lenders, and regulators, that a company is reliable, transparent, and professionally managed. In Botswana, firms that follow these norms can attract foreign investment more easily, improve their credit ratings, and enhance market confidence. The institutional pressure therefore acts as both a coercive and normative force driving firms toward best practices in governance and financial reporting.

In addition, institutional theory recognizes the role of mimetic behavior, where organizations imitate successful peers to reduce uncertainty and maintain legitimacy. Firms in Botswana often observe how leading companies implement governance mechanisms and comply with IFRS, and they adopt similar practices to align with perceived industry standards. This leads to a gradual institutionalization of best practices across the corporate sector, reinforcing a culture of accountability, transparency, and ethical financial reporting. Consequently, institutional theory provides a comprehensive explanation for why organizations adopt IFRS and other governance standards in response to both formal regulations and informal industry expectations.

2.5 Empirical Review

So many empirical research studies were done to investigate the relationship that exists between corporate governance and IFRS compliance in Botswana as well as internationally. Firstly, if we look at the board independence and IFRS compliance, a study done by Nleya and Kalulanga (2022) showed publicly listed companies in Botswana that have a higher proportion of independent directors they demonstrate better compliance with IFRS. This is because these independent boards they stand high chances of challenging management decisions and they ensure that financial statements are very accurate and well aligned with the accounting standards.

Secondly, we look at audit committees and financial expertise. According to a study done by García-Sánchez and García-Meca (2021), it confirmed that audit committees composed with members possessing financial expertise are significantly more effective in ensuring compliance with IFRS. Also in Botswana, BICA (2020), emphasized the importance of financial literacy among audit committee members in improving IFRS alignment in Botswana.

Ownership structure is one of the mechanisms that is implemented and according to a study by Chigova and Muzondiwa (2020) they pointed out that firms that have foreign investors and dispersed ownership are likely to have better IFRS compliance and this is attributed to external pressure for transparency and the need to attract further investment. However those companies that are closely held or those that are family-owned businesses they do tend to show laxity in implementing IFRS. Gender diversity and governance effectiveness are other factors that need to be considered. In a study by Obasi and Chikere (2021) they revealed that board diversity, especially gender diversity actually enhances oversight and regulatory compliance. So all boards with a more diverse composition, are more likely to promote ethical standards and compliance with IFRS, even in developing markets with weaker enforcement like the nation of Botswana.

Regulatory enforcement is another pertinent factor which according to a study by the World Bank (2020), they emphasised that in developing markets we can not only talk about strong governance as it is insufficient without a backup of consistent enforcement. This was alluded to by a study done by PwC Botswana (2021) which echoed the same sentiments that regardless of improved governance frameworks, weak enforcement mechanisms will remain the main barrier to full IFRS compliance among Botswana publicly listed firms.

2.6 Conceptual Framework

In this study the conceptual framework will demonstrate the relationship between corporate governance mechanisms and IFRS compliance and the researcher will consider both moderating and intervening variables. Adopted for this study:

Corporate governance mechanisms [Independent Variables]
(Board Independence, Audit Committees, Internal Controls, Ownership Structure)
↓
IFRS Compliance Level
↑
Moderators Variables: Regulatory Enforcement & Institutional Pressure
↑
Intervening Variables: Board Diversity, Governance Training

The independent variable as mentioned in the figure above shows the governance mechanisms that are expected to have a direct influence on enhancing IFRS compliance. Then the moderating variables that is the regulatory enforcement like the BSE or BICA actions as well as institutional pressures [foreign investment] these can either increase or reduce the effect of governance on compliance. Then finally the intervening variables that includes the issue of board diversity and tenure as well as the issue of governance training for board members these are internal catalysts that mediate on the impact of governance structures on compliance outcomes.

2.7 Research Gaps

Limited empirical evidence specifically for Botswana. Most research studies concentrated either globally and some focused more on developed African markets such as South Africa or Nigeria (e.g., García-Sánchez & García-Meca, 2021; Obasi & Chikere, 2021). In as much as some studies that were explored by Nleya and Kalulanga (2022) and Mokone and Rankhumise (2021) also tried to explore Botswana's context but still the data remains scarce and is not comprehensive across all listed companies. So there is a great need for broader empirical evidence that is specific to Botswana’s listed entities to understand governance practices influencing IFRS compliance.

Lack of Analysis on the Role of Institutional and Regulatory Pressure

Institutional and regulatory pressure are some of the factors that are most important but often neglected as many research studies mainly focus on internal governance mechanisms but neglect how these institutional forces such as BSE, BICA, or foreign investors influence IFRS compliance in these smaller emerging markets (Letsolo & Ntim, 2022).

3. Methodology

3.1 Research Design

This study adopts a quantitative research design and employs a descriptive and explanatory approach. On the descriptive aspect the researcher shall provide a rough picture of the current state of corporate governance practices and IFRS compliance among Botswana’s publicly listed companies. Then the explanatory element seeks to bring an understanding of the relationships and influence of governance mechanisms on IFRS compliance levels. The quantitative methods are good and appropriate in that they permit the systematic measurement and statistical analysis of the data collected from multiple companies and this enables generalisability of the research findings (Creswell & Creswell, 2018).

3.2 Population and Sampling

3.2.1 Population

The study population consists of all publicly listed companies on the Botswana Stock Exchange (BSE). According to the BSE (2024), there are approximately 35 listed companies spanning various sectors, including finance, mining, retail, and services. In research methodology, the population refers to the complete set of individuals, organizations, or elements that possess the characteristics of interest to the researcher (Creswell & Creswell, 2018). It represents the entire group about which the researcher intends to draw conclusions and to which the study findings are meant to be generalized.

In this study, the population encompassed all BSE-listed companies because they are subject to standardized financial reporting requirements and corporate governance regulations. These companies operate under similar institutional and regulatory frameworks, making them suitable for examining the relationship between corporate governance mechanisms and IFRS compliance. By considering the entire population, the study ensures that the findings are representative of the corporate landscape in Botswana and captures variations across different sectors, sizes, and governance structures. This approach allows for comprehensive insights into how governance mechanisms influence financial reporting practices across the listed companies.

3.2.2 Sampling Technique

The study employed a mixed-methods approach to provide a comprehensive understanding of the relationship between corporate governance mechanisms and IFRS compliance among listed companies in Botswana. For the quantitative component, data were collected from the annual reports of all listed companies on the Botswana Stock Exchange (BSE) using a structured disclosure checklist based on IFRS standards. This checklist enabled the systematic evaluation of the extent to which companies adhered to IFRS requirements and allowed for measurable scoring of governance variables such as board independence, audit committee expertise, and frequency of meetings.

For the qualitative component, data were gathered using a structured questionnaire administered to finance managers, auditors, and regulators. The questionnaire contained open-ended and Likert-scale questions designed to capture perceptions, experiences, and opinions regarding corporate governance practices and IFRS compliance. This approach provided valuable qualitative insights into the practical challenges and effectiveness of governance mechanisms while allowing for standardization and comparability of responses across participants.

A total sample of 35 companies was selected, representing all publicly listed firms on the BSE at the time of the study. By including the entire population, the study employed a census approach, which minimized sampling bias and ensured that the findings are representative of the corporate sector in Botswana. The collected data were analyzed using descriptive statistics to summarize key governance and compliance variables, correlation analysis to examine the strength and direction of relationships between governance mechanisms and IFRS compliance, and content analysis to interpret qualitative responses from the questionnaires. This mixed-methods design, combining quantitative and qualitative approaches, provided a holistic understanding of how governance structures influence financial reporting practices in the Botswana context.

3.2.3 Sampling Technique and Sample Size

The study employed a mixed-methods approach to examine the relationship between corporate governance mechanisms and IFRS compliance among listed companies on the Botswana Stock Exchange (BSE). For the quantitative component, data were collected from the annual reports of all listed companies using a structured disclosure checklist based on IFRS standards. This checklist enabled the systematic evaluation of the extent to which companies adhered to IFRS requirements and allowed for measurable scoring of governance variables such as board independence, audit committee expertise, and frequency of meetings.

For the qualitative component, data were gathered using a structured questionnaire administered to finance managers, auditors, and regulators. The questionnaire contained open-ended and Likert-scale questions designed to capture perceptions, experiences, and opinions regarding corporate governance practices and IFRS compliance. This approach provided standardized qualitative data that allowed for comparability across participants and complemented the quantitative analysis.

The sample size for this study was determined using the Krejcie and Morgan (1970) table for finite populations, which provides a systematic method for identifying the minimum number of observations required to achieve reliable and valid results. Given that the population of BSE-listed companies consists of approximately 35 firms, the table indicates that a sample of 35 companies is sufficient to represent the entire population effectively. By including all 35 companies, the study employed a census approach, minimizing sampling bias and ensuring that the findings are representative of the corporate sector in Botswana.

The combination of census sampling and a mixed-methods design provided a comprehensive dataset for analysis. Quantitative data were analysed using descriptive statistics to summarize governance and compliance variables, and correlation analysis to examine relationships between corporate governance mechanisms and IFRS compliance. Qualitative data from the questionnaires were analysed using content analysis to identify patterns, perceptions, and practical challenges related to governance practices. This integrated approach enhanced the reliability, validity, and overall robustness of the study findings, providing a holistic understanding of corporate governance and financial reporting in the Botswana context.

3.2.4 Reliability and Validity

To ensure the reliability of the study, the quantitative instrument of the IFRS disclosure checklist was designed based on established standards and prior research in corporate governance and financial reporting (Al Farooque et al., 2021; Garcia-Sanchez & Garcia-Meca, 2021). The checklist was reviewed by experts in accounting and corporate governance to confirm consistency and clarity of items. Additionally, a pilot test was conducted with a small subset of companies not included in the main study to assess the internal consistency of the instrument. Reliability was measured using Cronbach’s alpha, with a value above 0.7 considered acceptable, indicating that the items in the checklist consistently measure the intended constructs.

For the qualitative component, the questionnaire was carefully structured to enhance both reliability and validity. Open-ended and Likert-scale questions were used to capture consistent and comparable responses across participants. To strengthen content validity, the questionnaire was reviewed by academic and professional experts in corporate governance and IFRS compliance to ensure that all relevant aspects of governance mechanisms and reporting practices were adequately covered. Construct validity was addressed by aligning questions with the theoretical framework, ensuring that each item reflected dimensions of agency, stakeholder, and institutional theories.

These measures provided confidence that the instruments used in this study accurately and consistently captured the relationship between corporate governance mechanisms and IFRS compliance among listed companies in Botswana. By establishing both reliability and validity, the study minimized measurement errors and enhanced the credibility of the findings.

3.2.5 Ethical Considerations

Ethical principles were strictly observed throughout the study to ensure the protection of participants' rights and the integrity of the research process. Informed consent was obtained from all participants involved in the qualitative component, including finance managers, auditors, and regulators. Participants were fully informed about the purpose of the study, the nature of the data being collected, and their right to withdraw at any stage without any negative consequences.

Confidentiality and anonymity were maintained at all times. Data collected through questionnaires and annual reports were securely stored, and any identifying information of individual companies or participants was anonymized in the reporting of results. The study ensured that sensitive financial information and personal opinions were treated with strict confidentiality to prevent potential reputational or legal risks.

4. Results and Analysis

This section presents the findings of the study on the relationship between corporate governance mechanisms and compliance with International Financial Reporting Standards (IFRS) among companies listed on the Botswana Stock Exchange (BSE). The analysis integrates both quantitative and qualitative data to provide a comprehensive understanding of how governance structures influence financial reporting practices. Quantitative data were derived from annual reports using a structured IFRS disclosure checklist, while qualitative insights were obtained from questionnaires administered to finance managers, auditors, and regulators.

The results are organized to address the research objectives and questions, including descriptive statistics that summarize corporate governance practices and IFRS compliance levels. This is followed by correlation and association analyses to examine the strength and direction of relationships between specific governance mechanisms such as board independence, audit committee expertise, and adherence to corporate governance codes and IFRS compliance. Qualitative responses are then analysed using content analysis to highlight practical challenges, perceptions, and experiences related to governance effectiveness.

4.1 Response rate

This section explains the results together with the analysis. The total response rate was an overwhelming 80%.

4.2 Overall Level of IFRS Compliance

According to table 1 below, majority of the respondents (75%) ranked their company's IFRS compliance as moderate to high and this agrees to the current literature by PwC Botswana (2021) and the World Bank (2020) showing progressive steps towards IFRS compliance.

Table 1

Compliance Level	Proportion
High	40%
Moderate	35%
Very High	11%
Low	10%
Very Low	4%

4.3 Descriptive Analysis

The questions from question 5 to 26 used a Likert scale from 1 to 5 [low to high, disagree to agree and no influence to influence].

4.3.1 Corporate Governance Mechanisms

These questions were meant to indicate the extent to which various corporate governance mechanisms were implemented in the companies were respondents were employed. Regular board meetings held with proper documentation was strongly implemented with a highest mean score of 4.0, followed by the formally constituted audit committee with a mean score of 3.8 indicating that it's widely implemented across companies. Code of corporate governance presence in companies scored a mean score of 3.6 indicating that this governance mechanism is commonly in place. Appointment of Non-executive independent board members registered a mean score of 3.5 which duly indicates moderate to strong presence across companies. The one which indicated moderate implementation with a mean score of 3.4 was internal auditor's independence of management. Audit committee includes financial experts was one of the corporate governance mechanism which was being measured and it had a mean score of 33 indicating moderate financial expertise. Ownership structure is disclosed and transparent together with CEO and board chair roles are separated were the corporate mechanisms with the least mean scores of 3.2 and 3.1 indicating some transparency but room for improvement and vary from each company respectively. In a nutshell most governance mechanisms according to the results are moderate to strongly being implemented and this was alluded to with the results from OECD (2015) and PwC Botswana (2021) which reported that Botswana's companies that are listed showed improving formal governance compliance.

4.3.2 Governance Practices and IFRS Compliance

This section needed the respondents to indicate their level of agreement with various aspects that were given pertaining to governance and IFRS compliance. Audit committee expertise enhances IFRS compliance was one of the statements that scored a highest mean score of 42 indicating that the respondents strongly agreed to that statement. This was followed by the statement that board independence influences IFRS compliance and this registered a mean score of 4.1 indicating that the respondents agreeing strongly with the statement. Another statement that indicated a strong consensus and registered a mean score of 4.0 was the one on frequent board meetings improve IFRS compliance monitoring. With a mean score of 3.9 the respondents' widely agreed that governance code improves financial reporting accuracy. The respondents' moderately agreed that CEO chair separation improves financial transparency with a mean score of 3.6 that was scored. Then finally the statement on ownership structure affects IFRS disclosures, the respondents' moderately agreed with a mean score of 3.5. Generally on this question the respondents' agreed that different governance mechanisms for example board independence, audit expertise, meeting frequency etc. are positively associated with IFRS compliance. This is consistent with the results by García-Sánchez & García-Meca (2021) and Nleya & Kalulanga (2022).

4.3.3 Governance Structure Variations and Their Influence on IFRS Compliance

This section analysed different structural variations in order to see their influence on IFRS compliance. Starting the analysis with the one variation that recorded the highest mean score of 4.1 was the frequency of audit committees meetings and this indicated very strong influence on IFRS compliance. Number of independent directors on the board is also one of the structural variations which was analysed and it scored a mean of 4.0 showing a strong influence as well. Size of the board registered a mean score of 3.8 indicating a moderate strong influence. Gender diversity on the board showed a moderate influence with a mean score of 3.5. Level of managerial ownership and shareholder concentration had a mean score of 3.3 and 3.2 respectively indication some influence and varying influence respectively. In a nutshell, the results indicate that frequency of audit committees and independent directors are the key IFRS compliance influencers with 4.1 and 4.0 mean score respectively. These results are consistent with Letsholo and Ntim (2022) who echoed the same sentiments that structural board composition affects quality reporting in Botswana.

4.4 Correlation Analysis

The Pearson correlation matrix's main aim and purpose is to analyse the how strong the linear relationship is between corporate governance practices and IFRS compliance.

Table 2

Variables	**IFRS Compliance**	**p-values**
Audit Committee Expertise	0.68	< 0.01
Board Oversight	0.66	< 0.01
Board Independence	0.64	< 0.01
Audit Committee Frequency	0.62	< 0.01
Internal Control Policies	0.58	< 0.01
Ownership dispersion	0.41	< 0.05

According to the table above audit committee expertise has a strongest correlation with a p-value of 0.01 and coefficient of 0.68 which was the highest and this demonstrates that when audit committee members have more financial knowledge, it becomes easier for the company to comply with IFRS. The second variable which was tested was board oversight and this one registered a p-value of 0.01 which gives us a 99% confidence of its relationship with IFRS compliance and indicates a strong positive correlation. This also means vigilant boards they will make sure that there is perfect IFRS application. Board independence variable showed a 99% confidence by registering a p-value of 0.01which indicates a very strong relationship with IFRS. This indicates that if directors are independent enough they cannot be biased by management so they will encourage accurate financial reporting. Audit committee independence and internal policies were also part of the variables that were tested and they both registered a p-value of 0.01 which shows 99% confidence of the relationship with IFRS compliance. This indicates that if they are frequent audit meetings they resultantly show a positive association with IFRS compliance because if financial matters are to reviewed regularly at least the company can be able to detect any issues pertaining to the IFRS and they can be solved early. Internal policies indicated a moderate but statistically significant relationship which proves that the existence of effective internal controls is very important as it supports financial reporting that is accurate and thereby reduce any chances of IFRS non-compliance through the enablement of checks and balances. Then the last variable was ownership dispersion which registered a p-value of < 0.05 which indicates a weaker relationship but still significant. This then means that companies that have ownership that is widely distributed face a greater scrutiny which prompts them to comply with IFRS. In a nutshell, the results showed all the governance variables that were tested to be positively and significantly correlated with IFRS compliance. This indicates that companies that have robust governance mechanisms in place they have better chances of adhering to the IFRS standards as statistically proven by the results. This is consistent with a study by Ahmed and Hossain (2021) which confirmed that governance features that are strong especially audit oversight and board independence are associated with improved IFRS implementation.

4.5 Regression Analysis

A multiple regression analysis was carried out to study the relationship between IFRS compliance (dependent variable) and several factors that may affect it which are the independent variables. Therefore in this study the researcher was trying to predict IFRS compliance by tracing how different companies follow IFRS, through the use of different governance practices for example audit committee expertise, board independence etc.
$R^2 = 0.62$, Adjusted $R^2 = 0.58$, $F(6, 33) = 8.55$, $p < 0.001$ [model summary]

Table 3

Regression Coefficients table			
Variables	**Beta (β)**	**T-Value**	**P-Value**
Audit Committee Expertise	0.26	2.89	0.007
Board Oversight	0.24	2.60	0.013
Board Independence	0.21	2.45	0.020
Audit Committee Frequency	0.19	2.14	0.040
Internal Control Policies	0.18	2.05	0.047
Ownership Dispersion	0.12	1.65	0.108

According to the model, 62% of the variance in IFRS compliance which shows at large a strong relationship between the predictor variables and the compliance outcomes. Audit committee expertise registered a beta of 0.26 ($\beta = 0.26$, $p < 0.01$) which is the highest from all the variables and the beta shows the influence this variable has on IFRS and the influence is high and this indicates the biggest impact on IFRS compliance. This is further supported by a highest t-value of 2.89 which gives us more confidence on the results themselves and the p-value further alludes to this. In a nutshell, auditee committee and board oversight they indicated high beta values, t-values as well as p-values and this shows they are the strongest most reliable factors. Ownership dispersion indicated the least beta, t-value and p-value but still it has a positive effect though not that strong but not significant statistically .Then the rest variables for example frequency of audit committees, board independence and internal controls showed a significant influence. The results are consistent with a study by Khalil et al. (2023) which suggested that audit relate governance were very critical in promoting IFRS compliance on listed companies in Africa. Otusanya and Lauwo (2020) in their study noted also that implementation challenges and internal controls affect compliance outcomes.

4.6 Discussion of Findings

This study examined the relationship between corporate governance mechanisms and compliance with International Financial Reporting Standards (IFRS) among companies listed on the Botswana Stock Exchange (BSE). The study was guided by theoretical underpinnings, including agency theory, stakeholder theory, and institutional theory, which provided a framework for understanding how governance mechanisms influence managerial behavior, stakeholder engagement, and organizational legitimacy. The findings offer important insights into the practical relevance of corporate governance structures in enhancing financial reporting quality in Botswana.

According to the study findings, many companies in Botswana have implemented moderate to strong governance practices. Audit expertise registered the highest mean score of 4.2, followed closely by board independence with a mean score of 4.1. These findings suggest that companies prioritize audit quality and independent oversight as key mechanisms to ensure reliable financial reporting. This observation aligns with Garcia-Sanchez and Garcia-Meca (2021), who highlighted that effective audit committees improve disclosure quality and mitigate information asymmetry between management and stakeholders. Regular board meetings scored a mean of 4.0, indicating that companies maintain consistent communication and oversight, while audit committees recorded a slightly lower mean of 3.8, suggesting some variation in the extent of committee effectiveness.

Interestingly, the governance variable with the lowest mean score was adherence to the corporate governance code, which registered a mean of 3.6. This implies that while companies may adopt formal governance structures, full compliance with prescribed codes remains a challenge. The results also highlighted variations in other governance characteristics, such as the number of independent directors, frequency of audit committee meetings, and board size, all of which demonstrated moderate to strong influence on IFRS compliance. These findings underscore the multidimensional nature of governance, where both structural and procedural elements collectively contribute to financial reporting integrity.

The findings are consistent with those of Letsolo and Ntim (2022), who argued that board composition and director independence significantly impact the quality and integrity of financial reporting in developing countries. Companies with higher proportions of independent directors and well-structured audit committees are better positioned to monitor managerial actions, reduce agency conflicts, and enhance transparency. Furthermore, the results support agency theory by demonstrating that oversight mechanisms, such as independent boards and audit expertise, effectively align managerial behavior with shareholders' and stakeholders' interests.

Additionally, the findings resonate with institutional theory, which suggests that external pressures from regulators, investors, and international standards drive compliance behaviors. Firms in Botswana that actively comply with IFRS and implement robust governance practices are responding to both coercive and normative pressures, which help to legitimize their operations in the eyes of both local and international stakeholders. Similarly, stakeholder theory is supported as firms recognize that accurate and transparent financial reporting meets the informational needs of a broad spectrum of stakeholders, including creditors, regulators, investors, and the public (Obasi & Chikere, 2021).

This study demonstrates that effective corporate governance mechanisms particularly board independence, audit expertise, and regular oversight play a critical role in enhancing IFRS compliance. While formal adoption of governance codes remains uneven, firms that implement functional governance structures exhibit higher levels of transparency, accountability, and financial reporting quality. These findings provide empirical evidence that strong corporate governance is a key driver of compliance and contributes to the broader objectives of investor confidence and market stability in Botswana.

4.7 Conclusions

In conclusion, the researcher finds that effective corporate governance mechanisms play a critical role in enhancing IFRS compliance among listed companies in Botswana. Corporate governance structures such as board independence, audit committees with financial expertise, and regular board meetings are positively associated with adherence to IFRS standards. These mechanisms provide oversight, mitigate agency conflicts, and ensure that management decisions are aligned with the interests of shareholders and other stakeholders. Strong governance frameworks therefore contribute to more accurate, reliable, and transparent financial reporting, which is essential for building investor confidence and sustaining market credibility.

However, while the regulatory environment in Botswana has promoted the adoption of governance frameworks, enforcement remains a significant challenge. PwC Botswana (2021) highlights that the mere existence of governance codes does not automatically translate into strict compliance unless they are supported by robust monitoring, periodic evaluation, and the imposition of penalties for non-compliance. This underscores the importance of not only having governance structures in place but also ensuring that they function effectively. Factors such as the composition of boards, the expertise and independence of directors, and the frequency and quality of board oversight are crucial in determining how governance mechanisms influence IFRS compliance.
Moreover, the study demonstrates that corporate governance effectiveness is context-dependent. The regulatory, cultural, and institutional environment in which companies operate in Botswana significantly shapes the outcomes of financial reporting practices. Companies that actively integrate governance mechanisms within a supportive institutional framework tend to exhibit higher levels of transparency and accountability. This observation aligns with institutional theory, which suggests that pressures from regulators, investors, and international norms drive organizations to adopt best practices and maintain legitimacy (Scott, 2005).

The findings of this study also reinforce the relevance of theoretical perspectives such as agency and stakeholder theories. Agency theory highlights the role of governance mechanisms in mitigating conflicts between managers and shareholders, while stakeholder theory emphasizes the importance of meeting the informational needs of a broad range of stakeholders, including creditors, regulators, and the public (Al Farooque et al., 2021; Obasi & Chikere, 2021). Together, these theories explain why well-structured governance frameworks not only enhance IFRS compliance but also promote ethical management practices, corporate accountability, and long-term sustainability.

In a nutshell, the research provides empirical evidence that strong and well-functioning governance structures, supported by an effective regulatory and institutional environment, are key drivers of IFRS compliance in Botswana. Companies that invest in board independence, specialized committees, and transparent reporting practices are better positioned to maintain stakeholder trust, attract investment, and strengthen their overall corporate reputation. These insights contribute to the literature by demonstrating that governance is not merely a formal requirement but a strategic mechanism for achieving high-quality financial reporting and sustainable corporate performance.

5. Recommendations

The following recommendations were proposed based on empirical evidence and global best practices.

5.0 Recommendations

Based on the empirical findings and guided by global best practices, the following recommendations are proposed:

5.1 Enhance Board Independence

The Botswana Stock Exchange and related regulators should tighten listing requirements to ensure a higher proportion of independent directors, as this has been linked to improved oversight and compliance (Nleya & Kalulanga, 2022).

5.2 Strengthen Audit Committees

Audit committees should not only exist but must comprise members with strong financial literacy. Mandatory training on IFRS for committee members can be institutionalized by BICA and other professional bodies.

5.3 Enforce CEO-Chair Role Separation

Regulators should enforce the separation of CEO and board chair roles to reduce concentration of power and enhance governance objectivity, echoing calls from OECD (2015) governance principles.

5.4 Improve Ownership Transparency

Companies, especially family-owned and closely held firms, should be compelled to disclose ownership structures clearly. This can be achieved through more stringent reporting requirements.

5.5 Promote Gender Diversity

Gender diversity should be mainstreamed into governance reform agendas. Incentives such as recognition awards or quota systems could be explored to encourage more inclusive boards.

5.6 Conduct Governance Training

Capacity-building programs on corporate governance and IFRS should be delivered routinely for directors, audit committee members, and finance teams. This can be driven by collaboration between BICA, BSE, and academic institutions.

5.7 Suggestions for Future Research

Although this study achieved its objectives, several avenues for future research remain:

5.7.1 Longitudinal Research

Future studies could adopt a longitudinal design to track governance and compliance trends over time. This would help establish causal relationships and assess the impact of regulatory changes.

5.7.2 Sectoral Analysis

Industry-specific research could uncover governance nuances in sectors like mining, banking, and ICT, which may have distinct compliance challenges and structures.

5.7.3 Comparative Studies

Comparing Botswana's corporate governance and IFRS compliance environment with other SADC countries could yield useful benchmarking insights.

5.7.4 Qualitative Insights

Interviews or focus groups with board members, auditors, and regulators could reveal underlying motivations and barriers to IFRS compliance that may not be captured through surveys.

5.7.5 Enforcement Evaluation

There is a need for empirical studies assessing the effectiveness of enforcement mechanisms employed by regulators like BSE, BICA, and NBFIRA.

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Appendices

Questionnaire: An Investigation into the Relationship Between Corporate Governance Practices on IFRS Compliance. Evidence From Publicly Listed Companies in Botswana.

SECTION A: Demographic and Company Profile

1. What is your position in the company?

☐ CEO/Managing Director
☐ Chief Financial Officer
☐ Financial Accountant
☐ Internal Auditor
☐ Board Member
☐ Other (please specify): ___________

2. How long have you worked in this organization?

☐ Less than 1 year
☐ 1–3 years
☐ 4–6 years
☐ More than 6 years

3. What is the size of your company (by number of employees)?

☐ Less than 50
☐ 51–200
☐ 201–500
☐ More than 500

4. In which industry is your company listed?

☐ Financial Services
☐ Manufacturing
☐ Mining
☐ ICT
☐ Retail/Wholesale
☐ Other (please specify): ___________

SECTION B: Corporate Governance Mechanisms

Please indicate the extent to which the following governance mechanisms are implemented in your company.

(1 = Not Implemented, 5 = Fully Implemented)

No.	Governance Mechanism	1 2 3 4 5
5	Independent (non-executive) board members are appointed	☐ ☐ ☐ ☐ ☐
6	The board has a formally constituted audit committee	☐ ☐ ☐ ☐ ☐
7	There is separation between the CEO and board chair roles	☐ ☐ ☐ ☐ ☐
8	The audit committee includes members with financial expertise	☐ ☐ ☐ ☐ ☐
9	The company has a code of corporate governance	☐ ☐ ☐ ☐ ☐
10	Regular board meetings are held with proper documentation	☐ ☐ ☐ ☐ ☐

No.	Governance Mechanism	1 2 3 4 5
11	There is an internal audit function independent of management	☐ ☐ ☐ ☐ ☐
12	Ownership structure is disclosed and transparent	☐ ☐ ☐ ☐ ☐

SECTION C: Corporate Governance and IFRS Compliance

Please indicate your level of agreement with the following statements.

(1 = Strongly Disagree, 5 = Strongly Agree)

No.	Statement	1 2 3 4 5
13	Board independence positively influences IFRS compliance	☐ ☐ ☐ ☐ ☐
14	The audit committee's expertise enhances IFRS compliance	☐ ☐ ☐ ☐ ☐
15	Separation of CEO and chair roles improves financial reporting transparency	☐ ☐ ☐ ☐ ☐
16	Ownership structure affects the extent of IFRS disclosures	☐ ☐ ☐ ☐ ☐
17	Frequent board meetings improve monitoring of IFRS compliance	☐ ☐ ☐ ☐ ☐
18	The presence of a governance code improves financial reporting accuracy	☐ ☐ ☐ ☐ ☐

SECTION D: Variations in Governance Structures and IFRS Compliance

19. How would you rate your company's overall level of IFRS compliance?

☐ Very Low

☐ Low

☐ Moderate

☐ High

☐ Very High

20. To what extent do the following governance structure variations influence IFRS compliance?

(1 = No Influence, 5 = Strong Influence)

No.	Structural Variation	1 2 3 4 5
21	Size of the board	☐ ☐ ☐ ☐ ☐
22	Gender diversity on the board	☐ ☐ ☐ ☐ ☐
23	Frequency of audit committee meetings	☐ ☐ ☐ ☐ ☐
24	Shareholder concentration (ownership patterns)	☐ ☐ ☐ ☐ ☐
25	Level of managerial ownership	☐ ☐ ☐ ☐ ☐
26	Number of independent directors on the board	☐ ☐ ☐ ☐ ☐

SECTION E: Open-Ended Question (Optional)

27. In your opinion, what are the key governance challenges or enablers for IFRS compliance in Botswana?
………
………..