International Journal of Scientific Research in Multidisciplinary Studies
Vol.9, Issue.12, pp.44-51, December 2023
E-ISSN: 2454-9312 P-ISSN: 2454-6143
Available online at: www.isroset.org

Research Paper

How Corporate Governance Practices Shape Firm Transparency: A Deep Dive into Earnings Management in Nigeria

Christiana Idowu Omotade[1*], Etim Essien[2], Faith Obueni[3], Ukpabio Susan Ita[4]

[1,2]Dept. of Accountancy, Faculty of Management Sciences, University of Cross River, Nigeria
[3]Dept. of Political Sciences, Faculty of Social Sciences, Chukwuemeka Odimegwu Ojukwu University, Nigeria
[4]Dept. of Linguistics and Communication, Faculty of Arts, University of Calabar, Nigeria

**Corresponding Author: christomotade1999@gmail.com*

Received: 25/Oct/2023; **Accepted**: 27/Nov/2023; **Published**: 31/Dec/2023

Abstract— The paper examined the effect of corporate governance mechanisms on earnings management of 24 non-financial quoted companies in the Nigerian Stock Exchange from 2014-2018. The study primarily focused on the impact of board size, board independence, audit committee independence and gender diversity on earnings management. The Longitudinal Ex-post facto research design was used for the study, allowing for the of expected effects between the independent and dependent variables. While earnings management was represented by discretionary accruals, descriptive and correlation analyses were performed on data collected using EViews 11. The hypothesis of the study was tested using Regression models. Due to the problems of serial correlation, heteroscedasticity and cross-sectional reliance in the panel data, the regression was modelled and reported using the Panel Generalized Least Square (PGLS). The findings revealed that board size has a negative but insignificant impact on discretionary accruals, while board independence, audit committee independence and gender diversity have a negative and significant effect on discretionary accruals. The study therefore recommends that regulatory authorities should encourage larger independent directors 'appointment in corporate boards of listed firms. The study also recommends a greater proportion of independent directors on corporate firms' audit committee, and that Companies should appoint more female directors into boards.

Keywords— Corporate Governance, Earnings, Earnings Management, Gender Diversity, Audit, Firms

1. Introduction

Earnings are the largest component in a firm's financial statement. It is vital in making decisions like dividend policy, investment portfolios, and stock pricing, and necessary in making stock predictions [1]. However, it has become a mantra in global boardrooms today, particularly because of the various accounting scandals and the number of alarming earnings misstatements observed globally [2,3). As a result, corporate governance has become a widespread reporting factor, with governance codes and acts to guide companies reporting style and internal control [4].

Corporate governance has been defined by various academics with different perspectives. [5] states that corporate governance is a mechanism implemented to align a company's actual returns with those posited by management, intended to ensure efficient management of organisational resources. It emphasises the principles that guide managers' activities and to what extent they ought to be accountable to shareholders [6,7]. The Nigerian corporate governance code was first initiated in 2003 and then in 2011 and 2018. The code established corporate governance best practices amongst companies in Nigeria, following the various scandals that hit firms like Cadbury, Savannah Bank, and many others [8]. The establishment of this code is to ensure that the annual reports of companies are credible and reliable [9].

Effective corporate governance may stop earnings manipulation in firms and cause earnings management to become an instrumental tool for firm transparency [10]. Aggressive accounting decisions, however, make it challenging to differentiate between the rightful practice of accounting discretion and the opportunistic conduct of earnings management [11]. It is nonetheless clear that earnings management is a deliberate strategy. It accepts any form of manipulation that might have an impact on financial reporting or any associated accounts required to be reported under statutory law. Therefore, a good corporate governance structure is important to reduce the occurrence of earnings manipulation, even when there are strong reasons for such manipulations. Though the relationship between corporate governance and earnings management obtains widespread citation in scholarly and professional works of both developed and developing economies, there seems to be mixed results from prior scholarships [12, 13, 14, 15, 16].

Moreso, there seems to be a dearth of research works in Nigeria that provide linkage between corporate governance and earnings management among companies selected from diverse sectors such as the industrial goods sector, consumer goods sector, oil and gas sector, and conglomerate sector [17]. Consequently, it becomes pertinent to carry out this study. This study fills the existing gap by studying corporate governance and earnings management phenomena across these four sectors.

Against the backdrop, the research explored the impact of corporate governance on earnings management among selected quoted companies in Nigeria, with corporate governance proxied by board size, board independence, board gender diversity, and audit committee independence, and opportunistic earnings management practices proxied by discretionary accruals obtained from the Modified Jones Earnings Management Model.

1.1 Objectives of the study

The objective of this study is to determine the effect of corporate governance mechanisms on earnings management amongst companies in Nigeria. Specifically, the following objectives will be achieved:

1. To examine the impact of board size on the discretionary accruals of selected quoted companies in Nigeria.
2. To examine the effect of board independence on the discretionary accruals of selected quoted companies in Nigeria.
3. To examine the influence of audit committee independence on the discretionary accruals of selected quoted companies in Nigeria.
4. To examine the impact of gender diversity on the discretionary accruals of selected quoted companies in Nigeria.

1.2 Study Hypothesis

HO 1: Board size does not have a significant effect on the discretionary accruals of selected quoted companies in Nigeria.

HO 2: Board independence does not significantly affect the discretionary accruals of quoted firms in Nigeria.

HO 3: Audit committee independence does not have a significant influence on the discretionary accruals of quoted companies in Nigeria.

HO 4: Gender diversity has no significant impact on the discretionary accruals of quoted companies in Nigeria.

2. Related Work

[18] examined earnings management and the impact of corporate governance amongst Vietnamese listed firms from 2008 to 2018. They made an attempt to separate earnings management into positive and negative earnings management. They went further to find out how aggregate earnings management is affected by corporate governance structures. It was discovered that corporate governance structure has a significant relationship with aggregate earnings management. While positive earnings management has a significant and negative relationship with corporate governance, negative earnings management does not have a significant relationship with corporate governance. The results suggest that firms with strong corporate governance structures experience a lower level of earnings management.

[19] also sought to discover the relationship between corporate governance and earnings management while taking into consideration the role of external financing amongst listed companies in the Vietnamese exchange market from 2010 to 2020. The proxies for corporate governance included managerial ownership, institutional ownership, number of board meetings, number of board of directors, ratio of executive directors to the number of board members, number of women on the board, and CEO duality. The study found that when firms source their finance externally, earnings management is not significantly affected by corporate governance. [20] examined the moderating role of female directors on earnings reporting. The study particularly investigated the impact of corporate governance amongst companies in sub-Saharan Africa over a period of 2007 to 2019. The study, like others, agrees that corporate governance, particularly gender diversity has a substantial effect on earnings management practices among firms. [21] investigated the interrelation between corporate governance and earnings management among selected consumer goods firms in Nigeria for the period 2019 - 2020. The study showed that board independence and board size negatively, but not significantly, affect earnings management. However, the study found that audit committee independence has a positive yet insignificant connection with earnings management. [22] investigated the trend of earnings management among Palestinian firms. The study used corporate governance indicators (board independence, board size, ownership concentration, CEO duality, and audit quality) to investigate the interconnection between corporate governance and earnings management across 33 sampled firms. The result showed that all the corporate governance indicators studied significantly affected the value of earnings management as measured by the Jones model.

[12] investigated the role of gender diversity in corporate governance and earnings management. He critically assessed the effect of a gender diverse board on earnings management. He sampled 175 non-financial companies listed on the ET-500 India list from 2012 to 2016. The findings revealed that gender diversity is not significantly associated with earnings management. However, this work examined only gender diversity as a corporate governance mechanism and concentrated only on India’s listed companies. [14] also examined the impact of a properly composed board and audit committee on financial disclosure amongst companies in Singapore. They applied a multiple regression model with the pooled ordinary least squares (OLS) method to analyze the panel data. They sampled 22 listed companies from 2011 to 2015. The empirical results show that board size and audit committee independence have a positive relationship with the level of corporate disclosure.

Moreso, [23] investigated the ability of corporate governance to curtail the effect of earnings management in Nairobi. He examined, particularly, the effect of board independence on earnings management. He employed an explanatory research design and sampled 45 firms listed on the Nairobi Security Exchange between 2015 and 2012. The results showed that board independence as a corporate governance variable does not significantly affect earnings management. In 2016, Abata also sought to find the effect of corporate governance on the amount of earnings management amongst Nigerian-listed companies. He critically examined the relationship between board independence, board size, audit committee independence, and audit quality with earnings management. He employed the panel data analysis approach, where he sampled 24 listed Nigerian companies from 2008 to 2013. His findings show that earnings management is not significantly affected by corporate governance. However, [17] investigated the impact of corporate governance on reducing the chances of earnings management amongst selected companies in Nigeria. He used the judgmental sampling technique, where he sampled 40 firms listed in the Nigerian Stock Exchange between 2007 and 2011. The findings show that both board size and board independence have the tendency to reduce the level of earnings manipulation in a company. Again, [16] examined how corporate governance policies affected the way firms listed on the Nigerian Stock Exchange managed their earnings. To determine the connection between corporate governance procedures and earnings management, the study employed a descriptive research design. Financial statements were used to gather secondary data spanning 10 years. For data analysis, a linear regression model was employed. Yet again, it was discovered by the authors that ownership concentration, board independence, and board size will reduce the chances of earnings manipulations, while CEO duality does not change the chances of opportunistic earnings reporting amongst companies in Nigeria.

Meanwhile, [24] investigated the effect of board diversity on companies' performance, using selected firms in southeast Europe from 2008-2012 as a case study. Tobin Q was used to measure firm performance. The findings from their research showed that the proportion of women on corporate boards has a positive and significant effect on firm performance.

3. Agency theory of corporate governance

The relationship between management and shareholders is best explained in this research using agency theory. The agency theory was introduced to solve the divide between management and shareholders [25]. [26] found out how the interests of management often differ from those of the owners of the company. An attempt is made by the shareholders to ensure that management works with the best interest of the company and not their personal aims.

4. Experimental Method/Procedure/Design

Research design means the structuring and investigation aimed at identifying variables and their relationship to one another [27]. This is used for the purpose of obtaining data to enable the researcher to test hypothesis or research question. The research design adopted in this study is the longitudinal ex-post factor research design [28]. The major instrument used here for data collection is the report retrieved from the companies. The nature and source of data for the study were essentially secondary data. Secondary data was collected from financial statements and from the statement of corporate governance. These data covered the period from 2014 to 2018. The secondary and panel data were collected from publications of the Nigeria Stock Exchange (NSE) and the annual reports and accounts of the quoted firms, as well as their respective notes to the accounts. The relevant variables for which data were sourced include: board size, board independence, audit committee independence, total assets, net income, net cash flow from operating activities, PPE, revenue and receivables and gender diversity. According to [29], the population of the study is that group about whom the researcher wants to be able to draw conclusions. Therefore, the target population of this study is all the companies listed on the Nigerian Stock Exchange (NSE) in Nigeria. As of the period of study, there were forty-eight (48) listed companies in the four sectors studied on the Nigerian Stock Exchange (www.nse.com). The population distribution is shown below.
The study adopted a non-probability sampling technique, out of which twenty-four (24) listed companies across the four sectors understudy on the Nigerian Stock Exchange (NSE) were selected, resulting in a firm-year observation of 120. Data for the study was sourced from secondary sources: the annual accounts of the chosen listed companies.

Listed companies are appropriate for the study because they are public institutions running under strict corporate governance regulations, and thus their financial reports are reliable.

Table 1: A sectorial distribution of the selected companies

SECTOR	POPULATION	SAMPLE	COMPANY
CONGLOMERATE SECTOR	5	5	Transcorp Plc
			UACN Plc
			Chellaram Plc
			John Holt Plc
			SCOA Plc
CONSUMER GOODS SECTOR	20	5	Cadbury Plc
			Flour Mills Plc
			Nigeria Breweries Plc
			Dangote Sugar Plc
			Unilever Plc
INDUSTRIAL GOODS SECTOR	13	7	Port Paint Plc
			Meyer Plc
			Lafarge Plc
			Austin Laz Plc
			Berger Paint Plc
			Beta Glass Plc
			Dangote Cement Plc
OIL AND GAS SECTOR	10	7	Conoil Plc
			Eterna Plc
			Mrs Plc
			Oando Plc
			Total Plc
			Japaul Plc
			Seplat Plc

Equation/Formula

Based on prior literature [11, 30, 31) it was observed that the modified Jones model is the most frequently used model for determining the presence of earnings management. Hence, the Jones model was adopted in this research for determining the discretionary component of accruals. The econometric model is therefore specified as follows:

TAC/A (t-1) = β1 [1/ At-1] + β 2 [(ΔREV- ΔREC) /At-1) + β 3 [PPE/At-1] + ϵit (i)

Where:
TACit = Total accruals in year t for firm i.
TAC (Total accruals) = NI (Net Income) – CFO (Operating Cash flow)
ΔREVit= Revenues in year t less revenues in year t-1 for firm i (change in revenue)
ΔRECit = Receivables in year t less receivables in year t-1 for firm i (change in receivables)
PPEit= Gross property, plant, and equipment in year t for firm i (property, plant & equipment).
Ait-1 = Total assets in year t-1 for firm i (total assets for the previous year)
β1, β2, β3, …………β7 = Represents firm's specific parameters.
ϵ = Residual here represents the firm specific discretionary portion off accruals.

DAi-t = TACit/Ait-1 - αt [1/Ait-1] + α1i [(ΔREV-ΔREC)/Ait-1] + α2i [PPEit/Ait-1] + ϵit (ii)

DAi-t = β0 + β1BSIZEit + β2BINDit + β3ACINDit + β4GENDIVit + β5FSIZEit + µit…… (iii)

Where:
DA = discretionary accruals
BSIZE = board size
BIND = board independence
ACIND = audit committee independence
GENDIV = gender diversity
FSIZE = firm size
B1- β4 = Coefficients to be estimated or the Coefficients of slope parameters.
B5 = Coefficient of the control variable
µ = Error term; it captures other explanatory variables not clearly included in the model.
i-t = Where i and are all the 24 companies and the 5 years' time period respectively.

To ensure reliability and validity of the data used for the study, this study ensured that all instruments used contained constructs and contents that showed transparently the theoretical underpinnings of corporate governance. In addition, these instruments were constructed based on the Nigerian corporate governance frameworks such as the provisions of SEC, CBN, NAICOM, etc [8].

5. Results and Discussion

Three sets of analysis are given in this section: descriptive analyses, correlation analyses, and robust analyses to test the hypotheses of the study. After arranging the data set on Microsoft Excel, analysis was run using Eviews 11, to determine the outcome as presented in the table above. Using the panel generalized least square regression model, the regression results are presented. This adjusts for heteroscedasticity, cross-sectional dependency of the independent variable, and serial correlation.

Table 2: Descriptive Statistics of Variables

	DA	BSIZE	BIND	ACIN	GD	FSIZE
Mean	0.012	9.725	0.337	0.455	0.138	17.662
Maximum	0.593	18.000	0.882	1.250	0.333	21.267
Minimum	-0.591	4.000	0.000	0.000	0.000	14.322
Std	0.139	3.440	0.293	0.293	0.092	1.905
Skewness	-0.198	0.660	-0.043	-0.043	-0.023	-0.068
Kurtosis	7.322	2.580	2.427	2.427	2.128	2.166
Obs	120	120	120	120	120	120

Annotations: DA=Discretionary accruals, BSIZE=Board size, BIND=Board independence, ACIND=Audit committee independence, GEN DIV= Gender diversity, FSIZE=Firm size

Descriptive statistics

Table 2 shows that the mean value of discretionary accruals among the quoted firms understudied between 2014 and 2018 was 0.012. This implies that for these firms' year observation, discretionary accruals were very small at 1%. The minimum and maximum values were -0.59 and 0.59, respectively. This implies that the firm's attempt to bloat its profit values was by 59%, and its attempt to deflate it earnings figures was by 59% as well. The deviation from the mean was 13%, which is not a wide spread. Indicating that there exists a low level of discretionary earnings management in the current assets and liabilities components. The skewness values of -0.20 indicate that discretionary accruals have short-left tails, which implies that the firms understudy have negative earnings management. While the kurtosis with a value of 7.322 is leptokurtic, it indicates that there is a slightly high level of discretionary accrual earnings management among the sampled firms in this study.

The data also revealed that, on average, the boards from the 120 firm year observation had a total number of 9.73 directors, with a minimum number of 4 board members and a maximum of 18 directors. The standard deviation of board size data was 3.44, meaning the deviation from the mean was not widely dispersed. The table shows a skewness with a short right tail and a platykurtic distribution of 2.58.

The data on board independence expressed as a ratio of independent directors to total board size revealed a mean value of 0.37, indicating that on average, about 37% of the firm-year observations had an independent director on their boards. The maximum and minimum values of 0.88 and 0.00 do indicate that, at maximum, 88% of the board were independent directors, while some boards had no independent director at all. The standard deviation of the BIND was 27%, with a long right-tailed skewness of 0.66 and a platykurtic curve indicating that majority of the boards had fewer independent directors.

The independent directors on the audit committee had an average of 0.45, indicating that 45% of the independent directors were members of the audit committee. The maximum and minimum values of 1.25 and 0.00 indicate that, from the firm-year observation, only about one independent director was a member of the audit committee, and for some other firms, no independent director was found on the audit committee. The standard deviation of the Audit committee independence was 0.29, with a short-left tailed skewness of -0.043 and a platykurtic distribution of 2.43.

The data on board gender diversity represented as a fraction of female directors on the total board size revealed a mean of 0.14, which implies that on average, about 14% of the firm-year observations had women on their boards. The maximum values of 0.33 indicates that 33% of females were seen at most in some boards, while on others, the minimum value of 0.00 shows that there was no female presence at all. The standard deviation of the boards' gender diversity was 0.09, with a skewness moving slowly towards the left at -0.03 and a kurtosis below normal (platykurtic) at 2.13.

The Firm size of the sampled firms had an average of 17.66 and a standard deviation of 1.90. This implies that the log conversion of total assets is moderate, and the data were not widely dispersed. The maximum and minimum values were 21.27 and 14.32, respectively. The data for firm size was negatively skewed with a value of -0.068, while the distribution was platykurtic with a value of 2.17.

Table 3: Pearson Moment Matric Correlation Coefficient

	DA	BSIZE	BIND	ACIN	GD	FSIZE
DA	1.000					
BSIZE	-0.193* 0.0050	1.000				
BIND	-0.118* 0.0477	0.408* 0.0000	1.000			
ACIN	-0.118* 0.0477	-0.208* 0.0227	0.316* 0.0004	1.000		
GD	-0.257* 0.0046	0.094 0.3071	0.435* 0.0000	0.116 0.2062	1.000	
FSIZE	0.106 0.2473	0.734* 0.000	0.414* 0.000	-0.365* 0.000	0.138 0.1389	1.000

*Denotes significant at the 0.05 level of significance

Correlation Analysis

The correlation coefficients as shown in Table 3 show that the relationship between discretionary accruals and board size is negative 19%, indicating that the larger the board size, the less chance there is for earnings management to be carried out in a firm. Thus, a larger board size is associated with a reduced presence in earnings management. Also, there is a negative 25% relationship between discretionary accruals and board independence, implying that the greater the number of independent directors in the board composition, the lower the chances for earnings manipulation to be undertaken by a firm's management. Thus, the larger the composition of independent board directors, the smaller the chances of earnings management. Again, there is a negative 12% relationship between discretionary accruals and audit committee independence, indicating that the greater the number of independent directors found in the audit committee, the less likely it is for firms to manage earnings. Thus, the greater the proportion of independent directors on the audit committee, the less likely it is to manage earnings using discretionary accruals. Moreso, there is a negative 26% relationship between discretionary accruals and gender diversity, meaning that the greater the number of females on the board, the less feasible it is for managerial earnings to take place. Thus, the higher the number of female directors in the board the lower the chances of earnings management using discretionary accruals.

The correlation between firm size (which is the control variable) and other variables of the study (both dependent and independent) revealed that firm size is positively and insignificantly related to discretionary accruals (r=0.106423, p=0.2473), positively and significantly associated with board size, positively and significantly related to board independence, negatively but significantly associated with audit committee independence, and positively but insignificantly related to gender diversity.

All the correlations (r), particularly those among the independent variables, do not exceed r=80. This therefore implies that there is an absence of multicollinearity among the study variables, which is desirable for OLS regression.

Table 4: Regression Results

	Coefficient	t-Statistics	P-value
Intercept	0.358	0.32	0.7504
BSIZE	-0.008	-0.56	0.1458
BIND	-0.226*	-6.72	0.0163
ACIN	-0.224*	-6.61	0.0109
GDIV	-0.025*	-2.71	0.0256
FSIZE	-0.006	-0.09	0.9283
R Squared	0.58		
F-Stats	3.70		
F(P-Value)	0.0281		

*Denotes significance at the 0.05 level of significance

Test of Hypotheses

Hypothesis One

HO: Board size does not have a significant impact on the discretionary accruals of selected quoted firms in Nigeria.

An inspection of the t-statistics reveals that the t-calculated value of t=0.56 is less than the t-critical value (t-crit=1.98, at 114 df). Therefore, we will reject the alternative hypothesis and accept the null hypothesis, since t-cal<t-crit. Thus, H1 null is accepted at the 0.05 level of significance. The study therefore supports the idea that board size has no significant impact on discretionary accruals (earnings management).

Hypothesis Two

HO: Board independence does not significantly affect the discretionary accruals of quoted firms in Nigeria.

The t-statistics revealed that the t-calculated value of t=6.72, are greater than the t-critical value (t-crit=1.98, at 114df). This supports the rejection of null hypothesis 2, since t-cal>t-crit. Thus, the H2 null is rejected at the 0.05 level of significance. Hence, the study posits that a larger number of independent directors on the company's board impacts earnings management (discretionary accruals).

Hypothesis Three

HO: Audit committee independence does not have a significant influence on the discretionary accruals of quoted firms in Nigeria.
The t-statistics revealed that the t-calculated value of t=6.61, are greater than the t-critical value (t-crit=1.98, at 114df). This supports the rejection of null hypothesis 2, since t-cal>t-crit. Thus, H3 null is rejected at the 0.05 level of significance. The study therefore upholds that a larger number of independent directors on the audit committee impacts earnings management (discretionary accruals) significantly.

Hypothesis Four
HO: Gender diversity has no significant effect on the discretionary accruals of quoted firms in Nigeria.
An inspection of the t-statistics revealed that the t-calculated value of t=2.71, are greater than the t-critical value (t-crit=1.98, at 114df). This supports the rejection of the null hypothesis 2, since t-cal>t-crit. Thus, H4 null is rejected at the 0.05 level of significance. The study therefore upholds that a larger proportion of female directors on the board impacts earnings management (discretionary accruals) significantly.

Discussion of findings

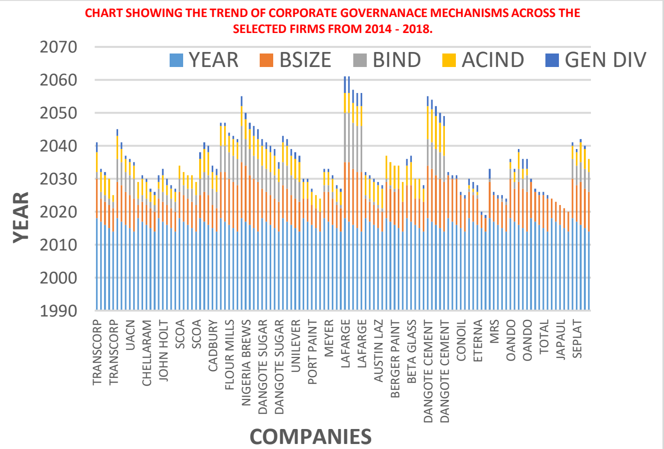

Figure 1: Bar chart showing the trend of corporate governance mechanisms inherent in the selected firms from 2014- 2018.

First, board size has a negative and insignificant effect on discretionary accruals. The effect it has on earnings management is about 1%, indicating that the size of the board decreases earnings management by only about 1% among the sampled firms. This finding agrees with the findings of [15, 32, 33, and 34], who also found that board size is negatively related to earnings management and that it has no significant effect on earnings management.

Secondly, board independence has a negative and significant effect on discretionary accruals. The effect it has on earnings management is about 23%, indicating that the independence of board directors in a board composition is fairly significant. This finding agrees with [17], who posits that board independence has a significant negative impact on earnings management.

Thirdly, audit committee independence has a negative and significant effect on discretionary accruals. The effect it has on earnings management is about 23%, indicating that the presence of independent directors on the audit committee decreases earnings management by about 23% among the sampled firms. This finding agrees with the work of [14], who showed that audit committee independence has a positive relationship with the level of corporate disclosure, and the investigations of [35], who found that the relationship between audit committee independence and financial statement restatement, are statistically significant.

Finally, gender diversity has a negative and significant effect on discretionary accruals. The effect it has on earnings management is about 3%, indicating that the presence of female directors in the majority of the boards' composition will reduce earnings management by about 3%. This finding agrees with [12], who found that gender diversity is negatively associated with the magnitude of discretionary accruals.

6. Conclusion and Future Scope

The study examined the impact of corporate governance mechanisms on the earnings management of quoted manufacturing companies in Nigeria between 2014 and 2018. The study explored the extent to which the four mechanisms of corporate governance - Board size (measured as the total number of board composition), Board independence (measured as proportion of non-executive directors on the board), Audit committee independence (measured as a proportion of independent directors in the audit committee) and Gender diversity (measured as the proportion of female directors on the board) - influence earnings management, estimated using the modified Jones model. The research work was anchored on the Agency theory. The study was undertaken to discover if corporate governance frameworks can mitigate or reduce the chances of earnings management amongst listed firms in Nigeria. The correlation between discretionary accruals and variables of corporate governance revealed that discretionary accruals have a negative and significant relationship with board size, even though having a small impact, negative and significant relationship with board independence, impressively large, negative and significant relationship with audit committee independence, negative and significant relationship with gender diversity which had a remarkable impact on earnings management. Overall, the correlations among the independent variables did not provide worrying results, as there was absence of multicollinearity. Specifically, the study examined the effect of board size, board independence, audit committee independence, and gender diversity on earnings management. The results revealed that board size has a negative but insignificant impact on discretionary accruals, while board independence, audit committee independence, and gender diversity have a negative and significant effect on discretionary accruals [16]. We therefore recommend that regulatory authorities encourage larger independent directors 'appointment to the corporate boards of listed firms. We also recommend that a greater proportion of independent directors be included in corporate firms' audit committees and that companies appoint more female directors to boards. The study was not without its limitations. For robust analysis and generalized findings, future researchers should use a larger sample and carry out a comparative analysis between the various sectors in the Nigerian stock exchange.

Data Availability

Data for the study was sourced from the annual reports of the companies selected. Data was also sourced from published journals. However, the researchers could only test the study hypotheses for a limited time frame because of time and financial constraints.

Conflict of Interest

The authors hereby declare that the research paper has no conflict of interest. As all the authors unanimously worked to come up with the research findings, and hence this paper.

Funding Source

None.

Authors' Contributions

The manuscript was collectively written, edited and approved by all the Authors.

References

[1]. Mohammady, A, "Earnings Quality Constructs and Measures", *SSRN Electronic Journal*, **2012.**

[2]. Callao, S, Jarne, J, & Wroblewski, D, "The Development of Earnings Management Research: A Review of Literature from Three Different Perspectives", *Accounting Theoretical Notebooks*, Vol. 79, Issue. 135, pp.135–178, **2014.**

[3]. Kirschenheiter, M, & Melumad, N. D, "Can "Big Bath" and Earnings Smoothing Co-Exist as Equilibrium Financial Reporting Strategies"? *Journal of Accounting Research*, Vol. 40, Issue. 3, pp.761-796, **2002.**

[4]. Rezaee, Z, "Corporate Governance Post—Sarbanes-Oxley: Regulations, Requirements, and Integrated Processes". John Wiley & Sons, Hoboken, **2007.**

[5]. Metrick, A., & J. Ishii, "Firm Level Corporate Governance". *Global Corporate Governance Forum, Research Network,* **2002.**

[6]. Muhammad, B., Yamma, A. M., & Babanumma, M. B., "Assessment of Corporate Governance in Dangote and Bua Cement Companies" *World Academic Journal of Management*, Vol 11, Issue 3, pp. 17-23, **2023.**

[7]. Masulis, R., Ruzzier, C., Xiao, S., & Zhao, S, "Do Independent Expert Directors Matter"? *University of New South Wales*, **2012**.

[8]. Uwalomwa, U., Daramola, S. P., & Anjolaoluwa, O, "The Effects of Corporate Governance Mechanisms on Earnings Management of Listed Firms in Nigeria", *Accounting and Management Information Systems*, Vol. 13, Issue. 1, pp.159–174, **2014.**

[9]. Magdi, R., & Nadareh, R, "Governance: A Framework For Implementation", *Britain World Group Journal*, Vol. 20, pp.123- 132, **2002**.

[10]. Gulzar, M. A., & Wang, Z, "Corporate Governance Characteristics and Earnings Management: Empirical Evidence from Chinese Listed Firms", *International Journal of Accounting and Financial Reporting,* Vol.1, Issue. 1, pp.133-151, **2011.**

[11]. Braam, G., Nandy, M., Weitzel, U., & Lodh, S, "Accrual-based and Real Earnings Management and Political Connections", *International Journal of Accounting*, Vol. 50, Issue. 2, **2015.**

[12]. Debnath, P., & Roy, C, "Gender Diversity in Corporate Governance and Earnings Management: An Indian Panorama'', *Journal of the Gubarat Research Society*, Vol. 21, Issue. 3, pp. 31-44, **2019.**

[13]. Dankwano, R. & Hassan, Z, "Impact of Gender Diversity on Indian Firm's Financial Performance'' *International Journal of Management, Accounting and Economics*, Vol. 5, **2018.**

[14]. Chantachaimongkol, N., & Chen, S, 'The Relationship Between Corporate Governance and Information Disclosures: Evidence from the Philippines" *Corporate Ownership & Control,* Vol. 15, Issue. 4, pp. 191-200, **2018.**

[15]. Abata, M, ''Corporate governance and management of earnings: Empirical evidence from selected Nigerian-listed companies'', *Investment Management and Financial Innovations,* Vol. 13, Issue, 2, pp.185-205, **2016.**

[16]. Iraya, C. Mwangi, M. & Wanjohi, G, "The Effect of Corporate Governance Practices on Earnings Management of Companies Listed at the Nairobi Securities Exchange'', *European Scientific Journal,* Vol. 11, Issue. 1, **2014.**

[17]. Uwuigbe, U., Peter, D.S. & Oyeniyi, A, ''Effects of Corporate Governance Mechanism on Earnings Management on Listed Firms", *Accounting Information Systems,* Vol. 13, Issue. 1, pp.159-171, **2014.**

[18]. Nguyen, Q., Kim, M. H., & Ali, S, "Corporate Governance and Earnings Management: Evidence from Vietnamese Listed Firms'', *International Review of Economics and Finance*, Vol. 89, Issue, a, 775-801, **2024**.

[19]. Nguyen, T. H., Nguyen, T. A., Nguyen, T. V., & Do, N. M, "Corporate Governance, External Financing, and Earnings Management: New Evidence from an Emerging Market'', *Future Business Journal*, Vol. 9, Issue, 27, **2023.**

[20]. Mensah, E., & Boachie, C, ''Corporate Governance Mechanisms and Earnings Management: The Moderating Role of Female Directors'", *Cogent Business & Management*, Vol.10, Issue. 1, **2023**.

[21]. Akporien, F, ''Corporate Governance Mechanism and Earnings Management Practices: A Study of Listed Consumer Goods Firms in Nigeria", *European Journal of Accounting, Finance and Investment*, Vol.7, Issue. (12), pp. 62-74, **2021.**

[22]. Abdelkarim, N., & Zuriqi, K, "Corporate Governance and Earnings Management: Evidence from Listed Firms at Palestine Exchange'', *Asian Economic and Financial Review,* Vol. 10, Issue, 2, pp. 200-217, **2020.**

[23]. Chelogoi, S. K, ''Effect of Corporate Governance on Earnings Management of Firms Listed in Nairobi Securities Exchange'', *International Journal of Economics, Commerce and Management,* Vol. 5, Issue. 8, pp.641-654, **2017.**

[24]. Fidanoski, F., Simeonovski, K., & Mateska, V, ''The Impact of Board Diversity on Corporate Performance: New Evidence from Southeast Europe'', *Corporate Governance in the US and Global Settings,* Vol. 17, pp. 81-123, **2014.**

[25]. Jensen, M. C., & Meckling, W. H, ''Theory of the Firm: Managerial behaviour, agency costs, and ownership structure'', *Journal of Financial Economics,* Vol. 3, Issue. 4, pp. 305 – 350, **1976.**

[26]. Berle, A. A., & Means, G. C, ''The Modern Corporation and Private Property'', *Brace and World*, Harcourt, **1932.**

[27]. Isabwa, H. K, ''Corporate Restructuring, Firm Characteristics and The Financial Performance of Companies Listed at the Nairobi Securities Exchange, Kenya'', *Interdisciplinary Journal of Scientific Research in Multidicliplinary Studies*, Vol. 8, Issue. 10, pp. 11-20, **2022.**

[28]. Asika, N, ''Research Methodology in the Behavioural Science'', *Longman Nigeria Plc*, Ikeja, **2009.**

[29]. Agbonofoh, B. A., & Yomere, G. O, ''Research Methodology in the Management and Social Sciences'', *Uniben Press*, Benin, **1999.**

[30]. Roy, C., & Debnath, P, "Earnings Management Practices in Financial Reporting of Public Enterprises in India: An Empirical Test with M-score", Hind Business Review, Vol, 1, Issue(1), 7-14.

[31]. Shen, C., & Chih, H, "Earnings Management and Corporate Governance in Asia's Emerging Markets", Corporate Governance, Vol. 15, Issue. 5, pp. 999-1021, **2007.**

[32]. Wangaruro, E. M, The Effect of Corporate Governance Practices on Earnings Management for the Listed Commercial Banks in kenya'', *A research project, School of Business, University of Nairobi*, **2014.**

[33]. Xie, B., Davidson, W. N., & DaDalt, P. J, ''Earnings Management and Corporate Governance: The Role of the Board and the Audit Committee", *Journal of Corporate Finance*, Vol, 3, pp. 295-316, **2003.**

[34]. Barton, Jan. "Does the Use of Financial Derivatives Affect Earnings Management Decisions", *The Accounting Review,* Vol, 76, pp. 1-26, **2001.**

[35]. Ogoro.O. G. & Nanjala, S. C, "Effectiveness of Audit Committees in the Public Sector: A Case of Parastatals in Kenya", *Research Journal of Finance and Accounting*, Vol. 6, Issue. 4, pp. 2222-2847, **2015.**

AUTHORS PROFILE

Christiana Idowu Omotade earned her B.Sc in Accounting from University of Cross River in 2022. She is currently working with Renewed Mind Medical Centre has an Accountant and DIO consults as a researcher. Her research works spans from ESG to public finance, with a five (5) year experience in management research.

Essien Etim Ndu was a student at the prestigious University of Port Harcourt, where he obtained his B.Sc in 2011, M.Sc in 2015, and Ph.D in 2022 in Accounting with specialization in Auditing, Financial Reporting and Taxation. He took a lecturing job as his profession, motivated by his passion for academics as an assistant lecturer with University of Cross River State and rose to the rank of lecturer1. Currently, he has put in about seven years as a lecturer with academic publications in both international and national journals.

Obueni Faith was a student of Delta State University Abraka, where she obtained her B.Sc (Ed) in political science in 2020. She is currently pursuing her M.Sc in political science with a specialization in comparative government and politics from Chukwuemeka odumegwu ojukwu university, Anambra state. She is a prolific writer and speaker, has up to five years teaching experience.

Susan Ita Ukpabio is a graduate from the University of Calabar, Calabar, where she obtained her B.A in Linguistics and Communication Studies in 2022. She has published three research articles in different international journal. She is a member of professional bodies, including Graduate Member of International Capacity Building, Management and Development. (ICBMD). Currently, she is an On Air Personality with Confluence Cable Network, where she has carried out research works in journalism and news. She is a Presenter, a News caster and a Program anchor.

