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CORPORATE GOVERNANCE MECHANISMS AND EARNINGS MANAGEMENT OF LISTED MANUFACTURING COMPANIES IN NIGERIA

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ABSTRACT

The objective of this study is to ascertain the relationship between corporate governance mechanisms and earnings management in Nigeria. The study adopted data procured from the Central Bank of Nigeria Statistical Bulletin, the Nigerian Exchange Limited, and the companies' yearly reports for the period 2014-2023. A sample of 10 firms was selected from the listed companies for a 10years period making for 100 observations. Board size, Board meeting, Board gender diversity, Audit committee meeting were used as independent variables, while Discretionary accruals was adopted as a proxy of earnings management and dependent variable. The data were described and analysed using the panel regression technique on the multiple regression model. Findings from the analysed data showed that; board size has positive but insignificant effect on earnings management, board gender diversity has a negative and insignificant effect on earnings management, board meeting has a negative and insignificant effect on earnings management, and audit committee meeting has a positive but insignificant effect on earnings management of manufacturing companies in Nigeria. Thus, the study concluded that corporate governance mechanisms has no significant effect on earnings management in Nigeria. Therefore the study recommended as follows: Firms focus more on the quality and effectiveness of board members. Organizations should promote and encourage greater inclusion of women on corporate boards. Board meetings of firm should be effective and focus driven. Quality, independence, and expertise of audit committee members should be emphasized.

Keywords: Corporate governance, earnings management, discretionary accruals, board meetings, gender diversity.

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Introduction

Due to the global corporate scandals, there has been increased attention to the corporate governance functions and effectiveness with oversight and accountability relating to the business governance from different sectors (Elemeforo, 2023; Oshim & Igwe, 2024). Principles of corporate governance provide guidance and control over the firms which is essential to maintaining competition in the market. Research shows that, the stronger the corporate governance of the country, the stronger the growth of the corporate sector. Business organizations need effective management of its resources that will enable increased performance and gain competitive advantage or outperform its counterparts in the dynamic business environment, and this is only possible with good corporate governance practice. (Omesi and Ordu (2021); argued that corporate governance is a process of managing and steering a corporation in the private and public industry towards the achievement of long term strategic aims, taking account the well-being of a workforce and the community, engaging in socially responsible corporate citizenry and relationships with the business stakeholders, cum abiding by the country's laws while using production methods that avoid generating external negative costs to the society. Corporate governance system is looked upon as a more or less country specific mosaic of legal, institutional and cultural elements that influence the patterns of organizational control. Standards and principles of corporate governance are distilled from the different domestic and international legal instruments, policies, and regulations as well as documents of the organizations ethical policies (Appah, 2022; Huynh, 2020)

Multiple works have investigated the ways in which managers and companies worldwide have changed or falsified financial statements (Harris, Karl & Lawrence, 2019; Fan, Jiang, Zhang & Zhou, 2019). Such deliberate attempts to falsify and understate/overstate financial data distract from the real financial positions and the data then becomes counterproductive to value addition (Kurawa & Ahmed, 2020). Managing earnings is one of those phenomena which has raised concern for the regulatory bodies and the accounting field practitioners over a significant period of time (Wasan & Mulchandani, 2020).

The overall stability of firms, rests on the performance of the directors, which in turn impacts the corporations competitive standing (CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria, 2014). Thus, corporate governance compliance develops a framework of accountability, effectiveness, and transparency (Efunniyi, Abhulimen, Obiki-Osafiele, Osundare, Agu & Adeniran, 2024). Managers do engage in earnings management due to his/her self-interests which are contrary to what shareholders and investors want. Managers of most firms especially in the manufacturing industry have been reported to engage in stakeholders' financial statement padding, which could escalate conflicts among investors, shareholders, and managers of different firms.

Although there is ample proof to suggest that corporate governance issues have drawn the attention of many scholars/researchers for several years, most studies on corporate governance continue to focus on the activities of deposit money banks in Nigeria (Al-Baidhani, 2014; Ibitamuno, Onuchuku & Alwell, 2018; Ibitomi, Akinleye & Adinnu, 2024). While other scholars have focused on corporate governance and earnings management in the manufacturing sector of countries such as Indonesia, Malaysia, China and Kenya (Susanto, 2016; Orazalin, 2020). There is need to ascertain the relationship between corporate governance and earnings management in the real sector of the Nigerian economy, notably the manufacturing sector. Hence, the aim of this paper is to ascertain the effect of corporate governance on earnings management of quoted manufacturing companies in Nigeria.

Literature Review

Conceptual Review

1 Corporate Governance Mechanisms

A system of guiding and controlling the management of a company can be called the corporate governance structure of a company and these define the corporate governance of a company (Kumra & Walakumbura, 2023). The term 'corporate governance mechanism' pertains to the systems of various powers and functions which influence the decisions of the management of the company to ensure proper governance and defend the concerns of the shareholders, (Sharma, 2017). This mechanism facilitates the proper alignment of the agent and principal problem of a firm (Naciti, Cesaroni, & Pulejo, 2022). The major components of corporate governance mechanism are internal and external. The internal mechanism includes the systems designed and implemented by the stakeholders to control, supervise and take corrective actions toward the achievement of the business goals. These internal mechanisms are employee compensation, board of directors, ownership and control, remuneration and managerial incentives, (Dong, Wang, Zhang, & Zhou, 2020). The external mechanism of corporate governance is the external market and the various laws and regulations which govern these markets, (Denis & McConnel, 2023). Notable corporate governance mechanism measures include; Board Size, Board Meeting, Board Gender Diversity, Audit Committee amongst others. In all, corporate governance can said to a system by which companies are directed, controlled and managed in the best interest of stakeholders. It implies that the company would manage its affairs with due diligence, transparency, responsibility and accountability and would maximize shareholders wealth.

2 Earnings Management

Earnings management refers to the planned approach within the parameters of generally accepted accounting principles to determine the profit target (Sundvik, 2019). In its extreme forms, earnings management nears the fraudulent portrayal of the set of accounts to investors and other stakeholders. In the literature, the practice of earnings management literature is synonymous with other practices and considered as income smoothing. Perhaps, the concept of earnings management had been contemporaneous to the practice of accounting. It is a precondition, both under the GAAP and the IFRS, that the financial reports always be constructed so as to aid the users of the reports, defined within the fundamental concepts of the framework, to reach a substantiated conclusion (Dennis, 2018). There are differing views as to whether earnings management practice is supported by any principle. In any case, directors have abused the financial reporting frameworks to secure a beneficial outcome undeservedly (Fowler, 2023). Summarily, earnings management is when company managers use accounting choices and real business decisions to shape how much profit the company reports, instead of just allowing the numbers fall where they may. It's not automatically illegal. It's about how the financial results are presented within the rules

Theoretical Framework

1 Agency Theory

According to the classical definition provided by Jensen and Meckling (1976), agency relationship is 'the contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some services on their behalf which, in doing so, involves delegating some decision making authority to the agent. Between 2011 and 2013, the work of Segrestin and Hatchuel clearly pointed out how, over the years, agency theory gained acceptance and relevance in relation to the perception of managers and directors. The agency theory is one of those important concepts which a lot of people have studied and is proven to exist. In summary, the theory

demonstrates manager (Agent) and owner (client) conflict of interest. The interest of managers and stockholder's as one of the main hypotheses of agency theory.

2 Resource Based View Theory

According to Resource Based View (RBV) theory, only firms which possess superior tangible resources that can be protected and not diffused, can obtain super-normal returns and be competitive on a sustainable basis. Assensoh-Kodua, (2019) states that the essence of the Resource Based View is that a competitive advantage of a firm rests primarily on the application of a firm's resource. In simpler terms, if these resources cannot be imitated or substituted easily, then they can be a sustained competitive advantage (Barney, 1991). Sustained above average returns can only be achieved if a firm's resources are valuable, rare, inimitable, and not easily substituted. (Barney, 1991). Therefore, the unique firm traits like corporate governance mechanisms in the form of board size, board independence, board gender diversity can be considered valuable firm resources that the company can strategically utilize to assure sustainable competitive advantage.

This work is anchored on the agency theory as Akpotor, Ezeabasili and Chukwunulu (2024) posit that managers as agents are engaged by the shareholders as principal to manage the earnings of corporations in the interest of the principal.

Review of Empirical Literature

Fan, Radhakrishnan and Zhang (2021) studied the effect of corporate governance reforms on earnings management considering the proposals as 'natural experiments' for governance changes. Findings showed that, increased earnings management cap was achieved through increased board engagement with the proposals. These results confirm the strong governance proposition, with more pronounced results coming from narrower limits of management. They also support the assertion that earnings manipulation and inaccurate financial reporting is prevalent as proposed by weaker governance.

Biswas, Bhattacharya, Sadarangani and Jin (2022) examined the effect of corporate governance (CG) and earnings management (EM) during the period 2010–2019 for the 22 listed commercial banks in India with special focus on the moderating impact of the proportion of women on the boards of these banks. The study's findings, which are based on data of 22 publicly listed banks in India, spanning from 2010 to 2019, of which Principal Component Analysis (PCA) is used to develop an integrated governance measure. The research in this context applied the Panel Corrected Standard Error (PCSE) estimation methodology. The study finds that corporate governance, in this context, is a strong determinant of EM behaviors and practices in these banks and that there is a positive correlation between the proportion of women on boards and the EM of the banks which means that the low representation of women on boards is a serious governance issue that needs to be addressed rather than ignored. The research is helpful to understand the impact of lack of board representation on women and its impact as a corporate governance structure in emerging markets. It further suggests that the application of corporate governance principles in a more integrated manner is more effective than applying the component principles in isolation.

Huynh (2020) examined the relationships of corporate governance, corporate social responsibility, and earnings management as each relates to Vietnam's vital economic components. There were 500 questionnaires prepared for the targeted firms, with 150 firms based in the HCMC Stock Exchange, 150 firms in the Hanoi Stock Exchange, and 200 firms in the unlisted public company market. Out of the distributed questionnaires, only 289 responses provided sufficient information for analysis. Most of the information used in this analysis was retrieved from the firms' annual and/or sustainability reports published on their websites. This analysis used a 6-year rolling

window to determine the period of management for earnings. To estimate this variable, the data of the previous accounting period was required, thus data for the years 2011 to 2017 was necessary. The corporate governance mechanism serves as a significant moderator in the positive relationship between corporate social responsibility and earnings management. This study concludes that corporate governance mechanism serves as a major influence on social managerial acts and ethical accounting practices, which in turn, act as mediators in the framework of the study.

Abdou, Ellelly, Elamer, Hussainey and Yazdifar (2020) used conventional regressions and generalized regression neural networks (GRNNs) to study the relationship between corporate governance (CG) and earnings management (EM). The study also examined the link between governance quality EM and CG for a sample of British and Egyptian companies. Findings showed that UK firms are likely to have lower levels of EM if they have smaller boards, dominated by independent outside directors, and have a low percentage of female directors. While, Egyptian firms are likely to have lower levels of EM if they have larger boards, dominated by independent outside directors, and have a low percentage of female directors. Furthermore, governance quality (control of corruption) has a significant hidden effect on EM. Summarily, results provide empirical indication that the board of directors plays a notable role in mitigating EM, these findings might lead to an improvement in the credibility of financial statements for investors in both the UK and Egypt. As policy implications, our findings inform regulators and policy-makers that corruption has a very strong hidden effect on EM and that they can discourage EM by controlling the corruption level in their countries.

Almashhadani and Almashhadani (2022) investigated the impact of corporate governance on social, environmental and firm performance. The study is based on the review of quantitative and secondary data. The study used panel data and cross sectional framework in assessing the influence of corporate governance mechanisms on the performance of the firm. The survey results indicated that some of the corporate governance mechanisms like the size of the board, the proportion of women on the board, ownership structure, board independence and some indicators of firm performance like return on assets have a positive relationship with the firm performance. The study found that the size of firm and size of the board had little effect on the firm's performance. Also, the firm's age positively and significantly correlated with the improvement of the firm's performance.

Mohammed and Oladejo (2022) examined the correlation between board meetings and size with the financial productivity of 13 companies operating in the Industrial Goods sector and listed on the Nigerian Stock Exchange (NSE). They focused on the period between 2012 and 2020. They obtained relevant data from the Nigerian Stock Exchange and carried out the panel data regression on STATA 15. They established that financial performance is negatively influenced by board meetings, while board size is positively and significantly linearly related to financial performance. Therefore, productive board meetings are vital for the performance of any company. This study is valuable in filling the gap concerning resource management for industrial goods firms in Nigeria. Therefore, along with the corporate governance code, managers are required to adjust their board

Fasusi, Akinrinola and Nwidobie, (2025) examined the effect of corporate governance practices on the financial performance of the Nigerian National Petroleum Company (NNPC) Ltd. The data for the study was obtained from secondary sources, including the audited annual financial reports of the Nigerian National Petroleum Corporation Limited, covering ten years (2014-2023). With the aid of E-views 10 software, the regression analysis was utilized in analyzing the data. Findings revealed that board size had a positive and statistically significant effect on operating

profit, suggesting that larger boards may add to improved financial performance. Furthermore, Independent Directors have a positive and statistically significant effect on Operating Profit. Thus, the study recommended that firms enhance board size and appoint independent directors with relevant industry skill to improve governance efficiency and profitability.

Ibitomi, Akinleye and Adinnu (2024) evaluated the influence of board diversity, board size, board independence, board activity and audit committee independence and expertise on earnings management. Using a sample 46 non-financial listed companies from 82 listed companies between the period of 2018 to 2021 and adopting the panel regression technique. Findings from the study showed a relationship between earnings management and independent variables (board size, board independence, diversity, and audit committee expertise) with 0.006065, -0.27174, -0.03364 and 0.137426 as coefficient, and 0.027, 0.000, 0.000, and 0.000 as p-value respectively. Thus, the research concluded that collective corporate governance mechanism and real earnings management are related. The study therefore recommended that firms should encourage larger board members with independence and sensitivity to restrain manipulation of annual reports. Finally, companies should persist in expanding audit committee expertise and independence in order to promote effectiveness of the committee which, thus, increases the quality of financial reporting.

Warrens (2021) evaluated the relationship between board size, audit committee independence and board structure and earnings management practices in the banking sector in Nigeria and Ghana. Results from the study revealed a positive significant relationship exist between the board size, the return on assets and earnings management. It is expected that an empirical study of this model will provide a better insight about the practice of earnings management in developing economies.

Elemeforo (2023) studied the impact of corporate governance on earnings management in deposit money banks (DMBS) in Nigeria. Adopting the ex-post facto research design data were procured from listed DMBs financial statements and annual reports. The sample of the study consists of thirteen (13) deposit money banks in Nigeria. Data were analyzed using panel data regression. The study found that there is a positive but none significant impact of audit committee independence and risk management committee independence on earnings management in DMBs in Nigeria. The study concluded that corporate governance affects DMBs earnings management positively. It is therefore recommended that DMBs should accord more independence to audit committee and risk management committee in order to reduce earnings management to the barest minimal.

Methodology

1. Research Design

The ex post facto research design was adopted for this study, the dataset encompasses all manufacturing companies affiliated with the Consumer and Industrial Goods sectors. Meanwhile, the study's sample collected information from the period of 2014 up to 2023 on ten selected manufacturing companies that are incorporated within the Nigerian Exchange Limited.

2. Population of the Study

The study population consists of all manufacturing firms within the borders of Nigeria. That is the study's population is confined, within the Consumer and Industrial goods sectors. Conversely, the sample of the study encompassed ten (10) manufacturing firms ranging the years of 2014 to 2023, as listed on the Nigerian Exchange Limited. The companies were Cadbury Nigeria Plc, United Africa Company Limited (UAC), Dangote Cement Plc, Guinness Nigeria Plc, Honeywell Plc, Nestle Nigeria Plc, Lafarge Plc, Nigeria Breweries, PZ Cussons and Unilever. The

sampled firm are the most consistent in management efficiency and are judged to the best representative of the Consumer and Industrial goods sectors by stakeholders. Thus, the result from the sample could be a fair representation of the manufacturing sector in Nigeria.

3 Sample and Sampling Technique

This study adopted purposive sampling technique as a method of selecting the sample size of the study. Purposive sampling is a selected group of non-probability techniques, whereby units are selected, since the elements have a desire characteristic a researcher needs in a sample. The choice of selecting Nigeria as a country to be studied, was based on a regional coverage, which gives a wider scope. In addition, it has a growing and strong economy with large markets. Finally, the choice was informed by availability of data, as well for more convenience.

4. Method of Data Collection

Secondary data obtained from audited publicly available yearly reports of sampled manufacturing companies were and the publications of Nigerian Exchange Limited were used for the study.

5 Method of Data Analysis

The study conducted a descriptive test for the model variables, to ascertain the nature of the data, stationarity test of data was also conducted to examine their suitability for analysis and reliability of results. Panel multiple regression model was adopted to test the significance of the relationship between the independent variables and the dependent variable.

6 Model Specification

The focus of the study was to examine the impact of corporate governance mechanisms and earning management.

DAC = f(DAC, BDZ, BDM, BGD, ACM) …….... Model 1

$DAC = \alpha 0 + \beta DAC_{it-1} + \beta 1 BDZit + \beta 2 BDMit + \beta 3 BGDit + \beta 4 ACMit + u_{it}$ ….. Equation 1

Where:

α = Intercept of the model u_{it} = Error term which denotes other variables that are not specified in the model, β0 = Coefficient of the explanatory variables, i = Organization of study, t = Period of study, BSZ= Board size, BDM= Board meeting, BGD= Board Gender Diversity, ACM=Audit committee meeting, DAC=Discretionary accruals as a proxy of earnings management.

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7 Measurement of Variables

This section deals with the measurement of both dependent variable (earning management) and the independent variables (corporate governance mechanisms).

Variables/Types	Definition of Variables	Author (s)	Measurement	Data Source
Earning Management (Dependent Variable)	Earning management refers to the practice of using accounting techniques to produce financial reports that may paint a more favourable pictures of a company's financial position than reality.	Fatzel, et al. (2022)	Discretionary accruals is gauged in proportions to the sum of the total dimension of the balance sheet.	Annual Reports and Accounts of Sampled Firms
Board Size (Independent variable)	This is the total number of individuals serving as a company's board of directors.	Gambo, et al. (2024)	This is quantified by the aggregate count of directors for the board of each sample firm.	Annual Reports and Accounts of Sampled Firms
Board Meeting (Independent variable)	Board meeting is the total number of time the board of directors of a company meet in a financial year.	Cyril & Ethel, 2019; Hussaini, 2015,	It is measured by the number of times the board of directors meet in a financial year.	Annual Reports and Accounts of Sampled Firms
Board Gender Diversity (Independent variable)	Board gender diversity refers to a fair and equitable representation of people of different genders, usually referred to as equitable ratio of men and women.	Waheed & Malik, 2019; Hussain & Shah, 2017	"This is quantified as the Percentage of the Total Board Members as Women".	Annual Reports and Accounts of Sampled Firms
Audit committee (Independent variable)	Audit committee is a group of board members, who oversee the financial reporting, internal controls, and risk management of the company.	Ioualalen et al., 2015;	"The Frequency of Meetings Conducted by the Audit Board within the Company"	Annual Reports and Accounts of Sampled Firms

Source: Author's Compilation, (2025)

Results and Discussion

Data Analysis

Table 1: Descriptive Statistics

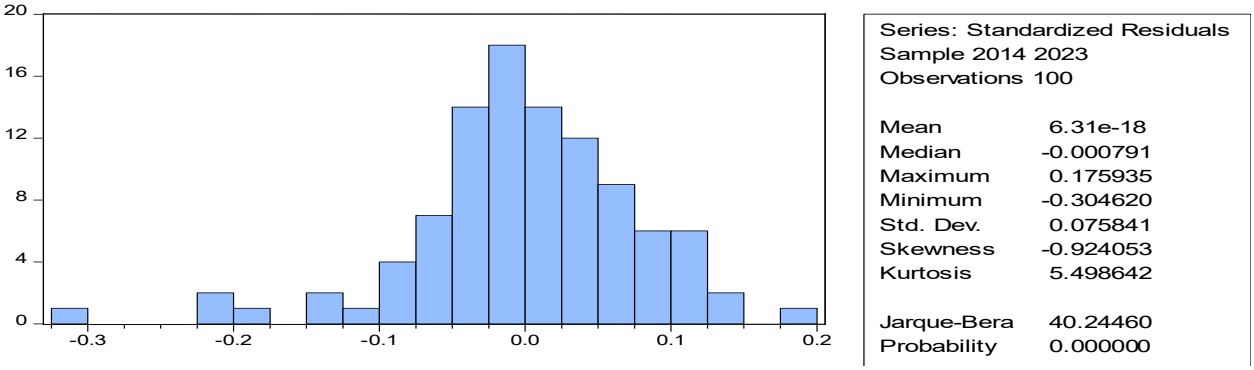
	DAC	BSZ	BGD	BDM	ACM
Mean	0.048486	11.08000	15.08400	5.080000	4.240000
Median	0.046600	10.50000	13.80000	5.000000	4.000000
Maximum	0.198800	21.00000	39.00000	11.00000	10.00000
Minimum	-0.262000	6.000000	0.000000	3.000000	2.000000
Std. Dev.	0.077348	3.211973	13.05496	1.353484	1.016232
Observations	100	100	100	100	100

Source: Author's Compilation using E – View

The table 1 presented above summarizes the descriptive statistics of the panel data for all variables studied. The panel for the 5 variables of consideration for the 10 selected manufacturing firms in Nigeria had a total of 100 observations. The research spans a period of 10 years (2014-2023). For

the dependent variable (discretionary accruals), the average value is 0.048486, and the value of the standard deviation which indicates the level of variability is 0.077348. The value in the middle of the range of data is 0.046600. The range for discretionary accruals lies between a minimum value of -0.262000 and a maximum value of 0.198800. For the independent variables (Board size, Board gender diversity, Board meeting, and audit committee meeting), the means are 11.08000, 15.08400, 5.080000 and 4.240000 respectively. Their corresponding standard deviations are 3.211973, 13.05496, 1.353484 and 1.016232 respectively. The Board size independent variable has a median value of 10.50000, minimum of 6.000000 and a maximum of 21.00000, Board gender diversity recorded a median value of 13.80000 with a minimum of 0.000000 and a maximum of 39.00000, Board meeting has a median value of 5.000000 with a minimum of 3.000000 and a maximum of 11.00000, and Audit committee meeting has a median of 4.000000 with a minimum of 2.000000 and a maximum of 10.00000.

Fig 1: Normality Test – Jargue-Bara



Source: EViews 10

The data was examined for normality using the Jarque-Bera statistical test. Model data does not appear to be normally distributed, as indicated in figure 4.1. This conclusion is supported by the p value from the Jarque-Bera test which is statistically significant at the 0.05 threshold (p value = 0.0000).

Stationary Test

Prior to estimating the specified models, the data used in this study were subjected to panel data stationarity tests. This was necessary to determine whether the variances and covariances of the variables remained relatively stable over the study period. Ensuring covariance stationarity is essential for the models to reliably estimate the relationships among the variables under investigation. To achieve this, tests such as the Augmented Dickey-Fuller (ADF) stationarity test were applied. The results of the panel unit root test are presented in the table below.

Table 2: Panel Unit Root Test

	Level for DAC	
	Stationarity	**Probability**
ADF - Fisher Chi-square	62.1420	0.0000
ADF - Choi Z-stat	-4.80304	0.0000
	Level for BSZ	
	Stationarity	**Probability**
ADF - Fisher Chi-square	64.2045	0.0000
ADF - Choi Z-stat	-5.25268	0.0000
	Level for BGD	
	Stationarity	**Probability**
ADF - Fisher Chi-square	38.1782	0.0037
ADF - Choi Z-stat	-2.74799	0.0030
	Level for BDM	
	Stationarity	**Probability**
ADF - Fisher Chi-square	38.2657	0.0036
ADF - Choi Z-stat	-1.95501	0.0253
	Level for ACM	
ADF - Fisher Chi-square	55.4679	0.0000
ADF - Choi Z-stat	-4.97875	0.0000

Source: EViews 10

The panel unit root test results show that all the variables are stationary at level. This means that the variables are level-integrated, making it appropriate to proceed with the model estimations in this study.

4.1.2 Regression Analysis

Regression Analysis for Model one: Random effect

Table 3: Board Size and Earnings' Management

Variables	**Coefficient**	**Std Error**	**t-Stat.**	**Prob.**
nC	0.021660	0.028229	0.767311	0.4447
BSZ	0.002421	0.002448	0.989040	0.3251
R-squared	0.010108			
Adjusted R-squared	0.000007			
F-Statistics	1.000702			
Prob(F-Stat)	0.319604			

From table 3 regression analysis shows that R-squared: 0.0101 (1.01%) of the variation in discretionary accruals is explained by board size. Prob (F-statistic) = 0.3196. The overall model is not statistically significant at common thresholds (e.g., 0.05). The coefficient is 0.002421, meaning that a one-unit increase in board size is associated with a 0.0024 increase in discretionary accruals, holding other factors constant. The statistical significance of this relationship is non-existent as the p-value is 0.3251, which is greater than the 0.05 threshold. The low t-statistic of 0.989 indicates the coefficient is not meaningfully differing from zero. The f-statistic is 1.0007 and f-stat is 0.3196 which indicates the overall regression model does not hold statistical significance. This indicates that for these firms, board size contributes nothing to the variation in the management of earnings. The model's explained variation is only 1.01% of the outcome, as indicated by the R-squared of 0.0101. The model's adjusted R-squared is 0.000, which means that even with the number of predictors in the model, there is virtually no meaningful model. The null hypothesis is accepted

due to the board size p-value which is greater than 0.05. Thus, there is no relation of any meaningful statistical value between board size and earnings management for the listed manufacturing firms in Nigeria.

Table 4: Board Gender Diversity and Earnings' Management

Variables	Coefficient	Std Error	t-Stat.	Prob.
C	0.050007	0.011977	4.175214	0.0001
BGD	-0.000101	0.000602	-0.167633	0.8672
R-squared	0.000290			
Adjusted R-squared	-0.009911			
F-Statistics	0.028409			
Prob(F-Stat)	0.866498			

From table 4, regression analysis revealed that R-squared: 0.000290 (0.03%) of the variation in discretionary accruals is explained by board gender diversity. The F-statistic = 0.0284, and the p-value of the F-statistic = 0.8665 indicates that the overall model is not statistically significant. The coefficient is -0.000101, suggesting a very small and negative relationship between board gender diversity and discretionary accruals. This means that a slight increase in board gender diversity is associated with a negligible decrease in earnings management, all other things being equal. However, the relationship is not statistically significant since p-value = 0.8672, which is much greater than 0.05.

Table 5: Board Management and Earnings' Management

Variables	Coefficient	Std Error	t-Stat.	Prob.
C	0.082572	0.030340	2.721570	0.0077
BDM	-0.006710	0.005773	-1.162275	0.2479
R-squared	0.013786			
Adjusted R-squared	0.003722			
F-Statistics	1.369864			
Prob(F-Stat)	0.244674			

From table 5 regression analysis shows F-statistic = 1.3699 with a p-value of 0.2447, meaning the model is not statistically significant at the conventional 5% level. The coefficient is -0.006710, indicating a negative relationship between the frequency of board meetings and discretionary accruals. This suggests that more frequent board meetings may slightly reduce discretionary accruals, but the relationship is: Not statistically significant ($p = 0.2479 > 0.05$). The t-statistic = -1.162, which is not strong enough to reject the null hypothesis. R-squared = 0.0138 means the model explains only 1.38% of the variability in discretionary accruals. Adjusted R-squared = 0.0037: After accounting for the number of predictors, the explanatory power.

Table 6 Audit Committee Meetings and Earnings' Management

Variables	Coefficient	Std Error	t-Stat.	Prob.
C	0.021785	0.033675	0.646942	0.5192
ACM	0.006297	0.007725	0.815136	0.4170
R-squared	0.006845			
Adjusted R-squared	-0.003289			
F-Statistics	0.675463			
Prob(F-Stat)	0.413148			

The result from table 6 indicated F-statistic = 0.6755 with a p-value = 0.4170, indicating that the regression model as a whole is not statistically significant. Thus, audit committee factors do not significantly explain the variation in discretionary accruals. R-squared = 0.0068 (0.68%) of the variation in discretionary accruals is explained by audit committee activity. Adjusted R-squared =

-0.0033 meaning adjusted for the number of predictors, the model actually performs worse than a simple mean. The coefficient is 0.006297, suggesting a positive but very small relationship between audit committee activity and discretionary accruals. This means that increases in audit committee presence or strength are associated with a slight increase in discretionary accruals—but the relationship is not statistically significant with P-value = 0.4170 > 0.05. t-statistic = 0.815, which is weak.

Discussion Findings

The findings from the study showed that none of the measures of corporate governance adopted in this study has a significant relationship with earnings management, suggesting that the application of corporate governance principle is still very weak amongst Nigerian firms operating in the manufacturing sector. Specifically, board size has a positive and insignificant effect on discretionary accruals as a measure of earnings management of listed manufacturing companies in Nigeria. This result is in line with the study of Hosam, Eko and Wuryan (2019) which examined the effect of board size on discretionary accruals, among the international Oil and Gas Corporation in the world. The findings of the study indicated that, board size does not have any impact on earnings management. As Olufemi (2021) has argued, the presence of women on boards did not necessarily lead to improvements in the quality of the financial reports of firms.

Furthermore, the analysis of this study indicated that board meeting has a negative and insignificant effect on discretionary accruals of listed manufacturing companies in Nigeria. This is in line with the findings of Mohammed and Oladejo (2022) which investigated the relationship between board meetings and company financial performance of 13 listed industrial goods companies in Nigeria using a 10-year data set (2012-2021). The result revealed that meetings of the board show insignificant and negative financial performance. While, it was revealed that audit committee meetings has a positive and insignificant effect on discretionary accruals of listed manufacturing companies in Nigeria. The means that when the audit committee meets more often, there seems to be a small increase in earnings management (measured by discretionary accruals), but the effect is too weak or uncertain to be considered meaningful or conclusive. Additionally, the study of Elemeforo (2023) on deposit money banks in Nigeria showed that corporate governance had no significant effect on earnings management.

Conversely, Fan, Radhakrishnan and Zhang (2021) in their research revealed that board engagement had positive influence on earnings management. While in India, Biswas, Bhattacharya, Sadarangani and Jin (2022) studied and found that corporate governance had s strong correlation with earnings management, even as the work of Huynh (2020) in Vietnam, revealed that corporate governance has major influence on the management of corporate earnings. In a study on conducted by Abdou, Ellelly, Elamer, Hussainey and Yazdifar (2020) using firms in Egypt and UK, result showed that board diversity as a measure of corporate governance is significant in the control of earnings management. Also Warrens (2021) in his study of companies in Ghana and Nigeria and found a significant and positive relationship between board size, return on asset as measures of corporate governance and earnings management.

Conclusion

This research focused on the effect of some governance strategies on earnings management concerning some surviving manufacturing companies on the Nigerian Stock Exchange. The research examined the following governance indicators: board size, board gender diversity, board meetings, and the number of audit committee meetings, while the management of earnings was measured by the level of discretionary accruals. The analysis showed that none of the corporate

governance measures tested had a significant effect on earnings management in this study. Suggesting that corporate governance variables under investigation were not relevant pertaining to managing earnings. While board size with audit committee meetings had slight positive correlation and hence an increase in managing earnings, and board gender diversity with board meetings had slight negative correlation and hence an increase in managing earnings, the outcomes were still ignored. This means that certain corporate governance practices in relation to the manufacturing companies in Nigeria do not appear to restrain earnings management. Thus, while some structures of corporate governance exist, its ability to restrain the manipulation of reported earnings is very low, thus calling for strengthened monitoring, changes in the law, and adapted control systems for the Nigerian corporate governance system.

Recommendations

Based on the findings from this study, the following recommendations were suggested:

1. That firms focus more on the quality and effectiveness of board members rather than simply increasing the number of directors. Boards should be composed of individuals with relevant financial expertise, integrity, and independence to effectively oversee financial reporting and discourage earnings manipulation.
2. That it is recommended that organizations continue to promote and encourage greater inclusion of women on corporate boards. While the statistical impact may be limited in this study, increased gender diversity can enhance board deliberations, bring diverse perspectives to decision-making, and potentially strengthen ethical oversight.
3. That firms not only increase the frequency of board meetings but also enhance their effectiveness and focus. Boards should ensure that meetings are purpose-driven, with clear agendas that prioritize oversight of financial reporting and internal controls. Training and orientation programs should be provided to board members to equip them with the necessary skills to detect and address potential earnings management practices.
4. That greater emphasis be placed on the quality, independence, and expertise of audit committee members rather than merely increasing the frequency of their meetings. Companies should ensure that audit committee members possess strong financial and accounting backgrounds to effectively oversee financial reporting processes. Additionally, audit committee meetings should be more focused on critical audit issues, compliance, and internal control evaluations.

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