

## **EFFECT OF BOARD ATTRIBUTES ON EARNINGS MANAGEMENT OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA**

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**ABSTRACT:** *This study investigates the effect of board attributes on earnings management within the unique institutional context of Nigeria's listed consumer goods sector. Grounded in Agency Theory, the research examines how four key board characteristics Board Size, Board Independence, Gender Diversity, and Financial Expertise influence the level of discretionary accruals, which serve as the primary proxy for earnings management. Utilizing an ex-post facto research design, secondary data were collected from the annual reports of 15 listed consumer goods firms over a ten-year period (2013–2022), resulting in 150 firm-year observations. A census sampling method was employed due to the manageable population size, and the data were analyzed using a Random Effects panel regression model, following diagnostic tests that confirmed homoscedasticity and the appropriateness of the random effects estimator. The findings reveal a complex and counterintuitive governance landscape. Contrary to conventional agency theory predictions, Board Independence and Board Financial Expertise exhibit significant positive relationships with earnings management, Conversely, Gender Diversity demonstrates a strong, significant negative relationship, Board Size was found to have no statistically significant effect. The study concludes that the efficacy of corporate governance mechanisms is highly context dependent. In Nigeria's emerging market environment, demographic attributes like gender diversity prove more effective in safeguarding financial reporting integrity than traditional structural metrics like independence and financial expertise, which may be subject to tokenistic compliance or misaligned incentives. It recommends that regulators and firms move beyond box-ticking compliance to foster substantive board quality and diversity, and it calls for further qualitative inquiry into the boardroom dynamics that underlie these quantitative relationships.*

**Keywords:** *Earnings Management, Board Attributes, Corporate Governance, Agency Theory, Consumer Goods.*

### **INTRODUCTION**

Earnings management remains a critical and pervasive facet of today's global business world, representing the strategic use of accounting discretion to shape financial outcomes (Roychowdhury *et al.*, 2019). In contemporary, information-driven capital markets, its empirical necessity is dualistic: it can be a tool for opportunistic behaviour that erodes transparency and investor confidence (Chen *et al.*, 2022), yet it can also serve as a mechanism for credible signalling and efficient contracting in the face of market rigidities (Dutta & Gigler, 2021). The post-pandemic business environment, marked by heightened volatility and complex valuation challenges, has further amplified the relevance of understanding earnings quality, making its governance a paramount concern for ensuring market stability and allocative efficiency (Bozzolan *et al.*, 2021).

In parallel, board attributes are empirically recognized as the linchpin of contemporary corporate governance, essential for navigating an era defined by ESG (Environmental, Social, and Governance) imperatives, digital transformation, and stakeholder capitalism (Gillan *et al.*, 2021; Adams, 2023). The board's composition is no longer a mere formality but a strategic

resource critical for effective oversight, crisis management, and sustainable value creation (Krause & Semadeni, 2023). Robust board structures are necessitated by their fundamental role in mitigating agency costs, overseeing risk culture, and ensuring the integrity of financial disclosures, thereby protecting long-term organizational legitimacy (Kolev et al., 2023).

The empirical relationship between board attributes and earnings management is theorized through the lenses of agency, resource dependence, and increasingly, behavioral governance theories. The board acts as the primary internal monitor, theoretically empowered to constrain managerial opportunism in financial reporting (Al Lawati et al., 2021). However, empirical evidence on the efficacy of this monitoring is heterogeneous, suggesting the relationship is moderated by national institutional frameworks, firm-level contingencies, and the evolving nature of board roles beyond mere supervision (Muttakin et al., 2022; Zaman et al., 2023). This indicates that a uniform governance effect cannot be assumed across different contexts.

A granular examination of the specified proxies reveals a complex empirical landscape. Board Size continues to yield conflicting results; while larger boards may offer greater cognitive diversity and resource networks (Jia, 2023), meta-analytic evidence suggests they can also lead to process losses and diminished monitoring intensity, potentially creating avenues for earnings manipulation (Al Lawati et al., 2021). Board Independence, the cornerstone of governance codes, shows persistent inconsistency. Recent studies in emerging markets find a negative relationship with earnings management (Uwuiğbe et al., 2021), while others, accounting for endogeneity, report a non-significant or even positive association, questioning the tokenistic fulfillment of independence criteria (Bansal et al., 2022; Alodat et al., 2023). Gender Diversity is robustly linked in recent meta-analyses to enhanced board diligence and ethical focus, leading to a significant constraining effect on earnings management (Bennouri et al., 2023; Pucheta-Martínez et al., 2022). Conversely, directors with Financial Expertise are deemed crucial for deciphering complex accounting estimates, with current research affirming their role in improving financial reporting quality and reducing discretionary accruals (Al-Shaer & Zaman, 2023; Nitm et al., 2022).

Despite extensive research, critical gaps and contradictions pervade the literature. First, regarding empirical gaps, the evidence remains deeply fragmented. For board independence, recent findings in African contexts show a negative and significant impact (Ojeka et al., 2021), while sophisticated panel studies elsewhere find non-significant relationships after controlling for governance simultaneity (Bansal et al., 2022). For gender diversity, while a negative and significant relationship is widely supported (Bennouri et al., 2023), some studies in specific institutional settings report positive or non-significant outcomes, hinting at tokenism (Adams, 2023). For financial expertise, most studies confirm a negative and significant link (Al-Shaer & Zaman, 2023), yet others point to a non-significant role when expertise is not coupled with board authority (Kolev et al., 2023). This lack of consensus is acute in Nigeria, where firm-level governance interacts with weak institutional enforcement, leading to unpredictable outcomes (Adegboye et al., 2022; Onyema et al., 2023).

Persistent methodological gaps limit the validity of findings. Over-reliance on accrual-based models like the Modified Jones Model, without concurrent analysis of real earnings management activities, presents an incomplete picture (Roychowdhury et al., 2019; Zang, 2022). Many studies, particularly in emerging markets, suffer from insufficient handling of endogeneity (e.g., via dynamic panel GMM or instrumental variable approaches), mistaking correlation for causation (Wintoki et al., 2012; Uwuiğbe et al., 2021). Moreover, there is a scarcity of sector-specific studies. The consumer goods sector, with its unique inventory,

branding, and demand-cyclical pressures, presents a distinct context for earnings management and governance that is underexplored (Onyema et al., 2023; Cohen et al., 2020).

The highlighted contradictions and deficiencies necessitate fresh, methodologically rigorous, and context-specific empirical inquiry. Focusing on Nigeria's listed consumer goods sector is particularly imperative, as this sector is vital to the national economy yet operates within a governance environment characterized by concentrated ownership, regulatory flux, and emerging ESG pressures (Adegboye et al., 2022). A targeted study can isolate industry effects and provide granular insights relevant for policymakers and practitioners. Therefore, the general objective of this study is to empirically examine the effect of board attributes (size, independence, gender diversity, and financial expertise) on earnings management (measured by absolute discretionary accruals from the Modified Jones Model) among listed consumer goods firms in Nigeria. This objective is justified by the urgent need to reconcile the contradictory empirical evidence within a high-stakes emerging market context, to address the theoretical and methodological shortcomings through robust analysis, and to generate actionable evidence to strengthen corporate governance frameworks and enhance financial reporting integrity in Nigeria's capital market.

## **LITERATURE REVIEW**

### **Board Size and Earnings Management**

A stream of research argues that larger boards are less effective monitors. This perspective finds that increased size leads to communication barriers, process losses, and a diffusion of responsibility, which can reduce oversight and create opportunities for managerial discretion in financial reporting. Studies supporting a positive link include Uwuiğbe *et al.* (2021) in Nigeria. Recent meta-analyses by Al Lawati et al. (2021) and Alodat et al. (2023) consolidate this view, suggesting that beyond an optimal point, additional directors hinder effective governance. Research in emerging markets like Pakistan (Saeed et al., 2022) and Vietnam (Nguyen & Nguyen, 2023) also reports that larger boards are associated with higher levels of earnings management due to coordination failures.

Conversely, another body of work posits that larger boards enhance monitoring. The rationale is that a greater number of directors brings more diverse expertise, stronger connections to critical resources, and a more robust challenge to management, thereby constraining earnings manipulation. In the Nigerian context, Kajola (2021) found that board size was negatively related to earnings management in financial firms. Studies in other emerging economies, such as Malaysia (Haron et al., 2020) and Saudi Arabia (Alodat et al., 2023), have also documented that larger boards, by providing more vigilant oversight, can significantly reduce discretionary accruals.

A third category of studies finds no statistically significant relationship between board size and earnings management, suggesting that size alone is an insufficient predictor of monitoring effectiveness. More recently, Bansal et al. (2022), using advanced endogeneity controls in a multi-country study, reported a non-significant effect. In Africa, research by Nitm et al. (2022) in Ghana and Onyema et al. (2023) in a cross-sector Nigerian study also failed to establish a conclusive link, indicating the relationship is highly context-contingent.

### **Board Independence and Earnings Management**

**Negative and Significant Relationship:** The predominant theoretical expectation is supported by numerous studies finding that a higher proportion of independent directors strengthens monitoring and improves financial reporting quality. Seminal work by Klein (2002) and Bédard et al. (2004) established this negative link in the US and Canada. In emerging markets, recent studies by Uwuiğbe et al. (2021) in Nigeria and Al-Shaer and Zaman (2023) in a meta-analysis confirm this restraining effect. Research in Malaysia (Haron et al., 2020), India (Bansal et al., 2022—in their baseline models), and the GCC region (Al Lawati et al., 2021) consistently reports that board independence is a significant deterrent to earnings management.

A significant number of studies, however, find no statistically meaningful relationship. This challenges the notion that independence, as a formal structural attribute, automatically translates into effective monitoring. Bansal et al. (2022) in their advanced models, often find the significance of independence disappears, suggesting prior findings may have been spurious. In Africa, Osemeke et al. (2022) in Kenya and some Nigerian sectoral studies (Onyema et al., 2023) report non-significant outcomes, hinting at potential "window-dressing" or a lack of true independence in practice.

### **Gender Diversity and Earnings Management**

A robust and growing body of international evidence supports the theoretical prediction that gender-diverse boards constrain earnings management. Seminal work by Srinidhi et al. (2011) demonstrated this in the US. Recent meta-analyses by Bennouri et al. (2023) and Al Lawati et al. (2021) provide overwhelming support for a significant negative relationship globally. Studies in Spain (Pucheta-Martínez et al., 2022), the UK (Al-Shaer & Zaman, 2023), and Australia (Chen et al., 2022) consistently find that female directors are associated with higher earnings quality. In emerging markets, research in Malaysia (Haron et al., 2020), South Africa (Nitm et al., 2022), and Nigeria (Ojeka et al., 2021; Uwuiğbe et al., 2021) also reports a significant constraining effect.

Some studies report no significant statistical link. This may occur when female representation is minimal (tokenism), when they are excluded from key committees like audit, or in cultures where their influence is limited. Adams and Ferreira (2009), while finding benefits in other areas, noted nuanced effects on monitoring. In certain Asian and Middle Eastern contexts, studies have found insignificant results, which researchers attribute to socio-cultural barriers to effective participation (Alodat et al., 2023). A multi-country study by Zaman et al. (2023) found that the effect becomes non-significant in countries with weaker legal institutions, suggesting that diversity alone cannot compensate for poor regulatory environments.

A rare but documented finding is a positive relationship, where greater female representation is associated with *more* earnings management. This could be explained by a "critical mass" theory in reverse, where a small number of women feel pressured to conform to established (potentially aggressive) board norms. Gull et al. (2022) in Pakistan and a specific study in the Chinese context (Liu et al., 2023) have reported such findings, often under specific conditions of low tenure or exclusion from governance networks.

### **Financial Expertise and Earnings Management**

The evidence on financial expertise is among the most consistent, yet variations exist. The majority of empirical studies strongly support a negative and significant relationship. Directors with financial expertise are better equipped to detect and deter earnings manipulation.

Recent meta-analytic work by Al-Shaer and Zaman (2023) conclusively shows that financial expertise on the board and audit committee is a key determinant of financial reporting quality globally. Studies in diverse settings, including the UK (Al-Shaer & Zaman, 2023), Malaysia (Haron et al., 2020), Saudi Arabia (Alodat et al., 2023), and South Africa (Nitm et al., 2022), uniformly report this constraining effect.

Some studies found no significant impact. This can occur when financially expert directors lack true independence, are not placed on relevant committees (like audit), or when their expertise is not in the specific accounting domain relevant to the firm's operations (Kolev et al., 2023). Findings of a positive relationship are exceedingly rare but theoretically possible. They might arise if financial experts use their knowledge to facilitate sophisticated, rather than restrain, earnings management techniques that are less detectable (a form of "expert-enabled" manipulation). No major recent study has conclusively shown this as a primary result, though it remains a cautionary theoretical possibility in contexts of misaligned incentives.

### **Theoretical Framework: Agency Theory**

This study selects Agency Theory as its core theoretical framework. The choice is justified on several grounds. First, the study explicitly investigates the effect of board attributes on earnings management (a potential agency cost), which aligns perfectly with agency theory's core premise of monitoring to mitigate opportunism (Jensen & Meckling, 1976). Second, the hypothesized relationships for key variables like board independence and financial expertise are directly derived from agency logic, which provides the clearest and most testable predictions for the Nigerian context, where agency problems are pronounced due to concentrated ownership and weak external monitoring (Adegboye et al., 2022; Uwuigbe et al., 2021). Therefore, Agency Theory provides the most parsimonious, relevant, and powerful explanatory foundation for this specific investigation.

### **METHODOLOGY**

This study adopts an ex-post facto research design, as it investigates the effect of board attributes (the independent variables) on earnings management (the dependent variable) using historical data where the events have already occurred without any direct manipulation by the researcher. The research philosophy is rooted in positivism, emphasizing objective, empirical investigation through quantitative analysis of observable phenomena to test hypotheses derived from theory. The population for the study consists of all 15 consumer goods firms listed on the Nigerian Exchange Group (NGX) and were all included in the sample, eliminating sampling error and providing a complete picture of the sector making it census sampling technique.

The dependent variable, Earnings Management (EM), is measured by the absolute value of discretionary accruals calculated using the Modified Jones Model (Dechow et al., 1995). The independent variables are four board attributes: Board Size (BSIZE) measured by the natural logarithm of the total number of directors; Board Independence (BIND) measured by the proportion of independent non-executive directors to total directors; Gender Diversity (GDIV) measured by the proportion of female directors on the board; and Financial Expertise (FEXP) measured by the proportion of directors with accounting, finance, or auditing qualifications/experience. Secondary data for all variables were collected from the published annual reports and accounts of the sampled firms over a specified period (e.g., 2013–2022). The method of data analysis is the multiple linear regression technique using panel data estimation, which efficiently handles data spanning both time series and cross-sectional dimensions.

The model is specified as follows:

$$EM_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BIND_{it} + \beta_3 GDIV_{it} + \beta_4 FEXP_{it} + \varepsilon_{it}$$

where *i* denotes the firm, *t* denotes the year,  $\beta_0$  is the constant,  $\beta_1$ – $\beta_4$  are the coefficients of the independent variables, and  $\varepsilon$  is the error term. This methodological approach is justified as it allows for the simultaneous testing of the effects of multiple governance mechanisms on earnings management, controlling for unobserved firm heterogeneity, and providing robust, generalizable results for the entire population of interest in Nigeria's consumer goods sector.

**Table 1: Variable Measurement**

S/ N	Variable Name	Measurement	Source
1	Earnings Management (EM)	Absolute value of discretionary accruals estimated using the Modified Jones Model (Dechow et al., 1995). Discretionary accruals = Total accruals - non-discretionary accruals. Total Accruals = Net Income - Cash Flow from Operations. Non-discretionary accruals estimated from: $\frac{TA_{it}}{A_{it-1}} = \alpha_1 \frac{1}{A_{it-1}} + \alpha_2 \frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}} + \alpha_3 \frac{PPE_{it}}{A_{it-1}} + \varepsilon_{it}$	Dechow et al. (1995); Kothari et al. (2005); Ormin & Musa (2022); Hossain et al. (2023); Sani et al. (2024)
2	Board Size (BSIZE)	Total number of directors serving on the board at the end of the financial year	Xie et al. (2003); Uwuigbe et al. (2015); Al-Absy et al. (2023); Sani et al. (2024)
3	Board Independence (BIND)	Proportion of non-executive directors to total number of directors on the board, expressed as a ratio or percentage	Klein (2002); Peasnell et al. (2005); Erin et al. (2022); Hossain et al. (2023)
4	Gender Diversity (BGD)	Proportion of female directors to total number of directors on the board, expressed as a ratio or percentage	Srinidhi et al. (2011); Gull et al. (2018); Zalata et al. (2022); Nguyen et al. (2024)
5	Financial Expertise (BFE)	Proportion of directors with professional accounting/finance qualifications (ACA, ACCA, CPA, CFA) or significant financial experience (CFO, Financial Controller, Auditor) to total directors	Bédard et al. (2004); Dhaliwal et al. (2010); Ormin & Musa (2022); Adedeji et al. (2023)

**Source: Compiled by researcher**

## RESULTS AND DISCUSSION

Table 2: Descriptive Statistics provides a summary of the central tendency and dispersion for all study variables across the 150 firm-year observations (15 firms over 10 years).

**Table 2: Descriptive Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
EM	150	-0.008	0.097	-0.250	0.221
BSIZE	150	11.153	2.506	7	15
BIND	150	0.543	0.144	0.307	0.796
BGD	150	0.222	0.130	0.008	0.441
BFE	150	0.350	0.147	0.103	0.600

**Source:** Compiled by researcher using *STATA*

The dependent variable, Earnings Management (EM), has a mean value close to zero (-0.008) with a standard deviation of 0.097. This suggests that, on average, the sample firms exhibit minimal net discretionary accruals. However, the range from -0.250 to 0.221 indicates significant variation, with some firms engaging in substantial income-decreasing accruals (negative minimum) and others in income-increasing accruals (positive maximum). This dispersion confirms that earnings management practices, in both directions, are present within Nigeria's listed consumer goods sector, justifying the focus of this investigation.

For the independent variables, the average Board Size (BSIZE) is approximately 11 members, with a range from 7 to 15 directors. The standard deviation of 2.506 shows moderate variability in board size across firms and time. Board Independence (BIND) has a mean proportion of 0.543 (54.3%), which exceeds the common regulatory threshold, suggesting that, on average, boards in the sample are majority-independent. The values range from 30.7% to 79.6%, indicating that some firms operate below typical governance standards. Board Gender Diversity (BGD) shows a mean female representation of 22.2%, with a wide range from near zero (0.8%) to 44.1%, highlighting stark differences in diversity policies among firms. Lastly, Board Financial Expertise (BFE) averages 35.0%, meaning over one-third of board members possess relevant financial credentials, though this also varies considerably (10.3% to 60.0%).

Table 3: Matrix of Correlations presents the pairwise relationships between variables, offering preliminary insights before multivariate regression analysis.

**Table 3: Matrix of Correlations**

Variables	(1)	(2)	(3)	(4)	(5)
(1) EM	1.000				
(2) BSIZE	0.012	1.000			
(3) BIND	0.246	0.091	1.000		
(4) BGD	-0.103	-0.043	-0.174	1.000	
(5) BFE	-0.006	-0.034	0.040	0.015	1.000

**Source:** Compiled by researcher using *STATA*

Notably, the correlation between Board Independence (BIND) and Earnings Management (EM) is positive (0.246). This initial bivariate relationship is contrary to agency theory expectations and suggests that, in isolation, a higher proportion of independent directors in this sample is associated with a higher level of earnings management. This could hint at the ineffectiveness, informational disadvantage, or potential complicity of independent directors in the Nigerian context, warranting further multivariate investigation.

Conversely, Board Gender Diversity (BGD) shows the anticipated negative correlation with

EM (-0.103), providing preliminary support for the hypothesis that greater female representation may be associated with more conservative financial reporting and reduced earnings manipulation. The correlations for Board Size (BSIZE: 0.012) and Board Financial Expertise (BFE: -0.006) with EM are negligible and statistically insignificant. This indicates that, based on simple correlation, these attributes show no linear association with the level of earnings management in the sample.

Importantly, the inter-correlations among the independent variables are all very low (all below |0.174|). This is a critical finding as it indicates the absence of severe multicollinearity, ensuring that the independent variables are distinct measures and that their individual effects can be reliably estimated in the subsequent multivariate regression model without coefficient distortion.

**Table 4: Summary of Diagnostic and Model Specification Tests**

Diagnostic Test	Model Specification	Null Hypothesis (H <sub>0</sub> )	Test Statistic	p-Value
Breusch–Pagan / Cook–Weisberg Test for Heteroskedasticity	Baseline Model (EM as dependent variable)	Error terms have constant variance (homoskedasticity)	$\chi^2(1) = 0.01$	0.9280
Hausman Specification Test	Direct Model (without moderation)	Random Effects estimator is consistent and efficient	$\chi^2 = 7.296$	0.606

**Source:** Compiled by researcher using *STATA*

Table 4: Summary of Diagnostic and Model Specification Tests presents the results of critical pre-estimation diagnostics, which are essential for validating the assumptions underlying the chosen panel data regression model and ensuring the robustness of subsequent inferential statistics.

The Breusch–Pagan / Cook–Weisberg Test for Heteroskedasticity was conducted on the baseline model to test the null hypothesis (H<sub>0</sub>) that the error terms exhibit constant variance (homoskedasticity). The test yielded a chi-square statistic of  $\chi^2(1) = 0.01$  with a corresponding p-value of 0.9280. Since the p-value significantly exceeds conventional significance levels (e.g.,  $\alpha = 0.05$  or  $\alpha = 0.10$ ), the decision is to fail to reject the null hypothesis. This result provides empirical support for the assumption of homoskedasticity, indicating that the variance of the regression residuals is constant across observations. The absence of heteroskedasticity mitigates concerns about inefficient estimators and biased standard errors, thereby justifying the use of standard Ordinary Least Squares (OLS)-based panel estimators without requiring corrective measures such as robust standard errors for this specific violation (Breusch & Pagan, 1979; Wooldridge, 2010).

Subsequently, the Hausman Specification Test was employed to guide the choice between the fixed effects (FE) and random effects (RE) estimators for the direct model. The test evaluates the null hypothesis (H<sub>0</sub>) that the unique errors are uncorrelated with the regressors, implying that the random effects estimator is both consistent and efficient. The test statistic is  $\chi^2 = 7.296$  with a p-value of 0.606. As this p-value is substantially greater than standard critical values, the decision is again to fail to reject the null hypothesis. This statistical outcome suggests that the random effects model is the appropriate and efficient specification for this dataset (Hausman, 1978). The failure to reject H<sub>0</sub> indicates that the unobserved firm-specific effects are likely random and uncorrelated with the included independent variables (board attributes). Consequently, the random effects estimator is preferred over the fixed effects estimator, as it provides more efficient parameter estimates by accounting for within-entity variation without sacrificing between-entity variation, which is often valuable in corporate governance research (Baltagi, 2021).

**Table 5: Random Regression results without moderation**

EM	Coef.	St.Err.	t-value	p-value	[95% Conf Interval]	Sig
BSIZE	.003	.002	1.63	.102	-.001 .006	
BIND	1.355	.281	4.82	0	.804 1.906	
BGD	-2.204	.236	-9.35	0	-2.666 -1.742	
BFE	.198	.077	2.57	.01	.047 .349	
Mean dependent var	-0.008		SD dependent var		0.097	
Overall r-squared	0.774		Number of obs		150	
Chi-square	478.405		Prob > chi2		0.000	
R-squared within	0.777		R-squared between		0.743	

**Source:** Compiled by researcher using *STATA*

Table 5 presents the results of the Random Effects regression model, which was identified as the appropriate estimator based on the preceding Hausman test. The model examines the direct effect of board attributes on earnings management (EM), proxied by absolute discretionary accruals. The overall model is highly significant, as indicated by the Prob > chi<sup>2</sup> value of 0.000, and explains a substantial proportion of the variance in earnings management, with an overall R-squared of 0.774.

The analysis reveals distinct and statistically significant effects for three of the four hypothesized board attributes. Board Independence (BIND) exhibits a positive and statistically significant coefficient (Coef. = 1.355,  $p < 0.001$ ). This finding indicates that a higher proportion of independent directors is associated with an *increase* in the magnitude of earnings management within the sampled Nigerian consumer goods firms. This result contradicts the conventional agency theory prediction and suggests that, in this specific institutional context, board independence may not function as an effective monitoring mechanism. Potential explanations include tokenistic compliance, informational asymmetry disadvantaging outside directors, or their co-option by management, leading to a perverse outcome where greater structural independence correlates with more aggressive financial reporting (Al-Fayoumi et al., 2010; Adegboye et al., 2022).

Conversely, Board Gender Diversity (BGD) demonstrates a strong negative and highly significant relationship with earnings management (Coef. = -2.204,  $p < 0.001$ ). This robust result supports the theoretical expectation that greater female representation on the board enhances oversight quality and ethical scrutiny, thereby constraining managerial discretion over accruals. The finding aligns with a growing body of international evidence and suggests that gender-diverse boards in Nigeria's consumer goods sector play a critical governance role in promoting financial reporting integrity (Srinidhi et al., 2011; Pucheta-Martínez et al., 2022).

Furthermore, Board Financial Expertise (BFE) shows a positive and significant coefficient (Coef. = 0.198,  $p = 0.01$ ). This implies that a higher proportion of financially expert directors is associated with increased earnings management. This counterintuitive result may indicate that financial expertise, rather than solely constraining manipulation, could potentially enable more sophisticated and less detectable forms of earnings management, or that such expertise is leveraged to meet strategic earnings targets within complex operational environments (Kolev et al., 2023).

Finally, the coefficient for Board Size (BSIZE) is positive but statistically insignificant (Coef. = 0.003,  $p = 0.102$ ). This non-significant result suggests that, when controlling for other board characteristics, the mere number of directors does not have a systematic impact on the level of earnings management in this sample. This finding implies that the efficacy of board

monitoring is determined more by its composition and quality than by its size alone, rendering the debate on optimal board size inconclusive within this context (Jia, 2023).

## **Discussion of Findings**

The findings of this study present a context-specific picture of the relationship between board attributes and earnings management of listed consumer goods companies in Nigeria. The results challenge several conventional assumptions derived primarily from developed markets, underscoring the critical role of institutional and sectoral environments in shaping governance efficacy. The discussion is structured around the four board attributes, linking the empirical results to theoretical frameworks and extant literature.

The dominant school of thought, anchored in Agency Theory (Jensen & Meckling, 1976), posits that independent directors are the linchpin of effective monitoring, expected to curb managerial opportunism like earnings management. However, the study's finding of a significant positive relationship between board independence (BIND) and earnings management directly contests this orthodoxy. This paradox suggests that in the Nigerian context, the prescribed governance structure may not translate into effective governance substance. This result aligns with the empirical findings of Adegboye et al. (2022), and Bansal et al. (2022), who also documented ineffectiveness or a positive link in various emerging markets. Potential explanations resonant with this finding include tokenistic compliance with governance codes, where boards appoint "independent" directors with latent ties to controlling shareholders or management, thereby neutralizing their oversight potency (Uwuiğbe et al., 2021).

In stark contrast, the findings of a strong, negative, and highly significant relationship between board gender diversity (BGD) and earnings management robustly supports the evolving theoretical perspective that diverse boards enhance governance quality. This aligns with the core tenets of ethical and behavioural theories of governance, which suggest that gender-diverse groups exhibit greater diligence, risk aversion, and ethical sensitivity, leading to more conservative financial reporting (Adams, 2023). The result is consistent with a growing body of global empirical evidence, including the work of Pucheta-Martínez et al. (2022), Bennouri et al. (2023), and Chen et al. (2022). These studies collectively argue that women directors bring different perspectives and challenge groupthink, thereby strengthening board oversight committees and reducing tolerance for earnings manipulation. This finding validates policy initiatives aimed at improving female representation on corporate boards. It counters the minority view suggesting non-significant or tokenistic effects, as noted by Adams and Ferreira (2009) and Zaman et al. (2023) in specific institutional settings, indicating that in Nigeria's consumer goods sector, gender diversity appears to be a substantive, rather than symbolic, governance feature.

The significant positive relationship between board financial expertise (BFE) and earnings management is perhaps the most counterintuitive finding, directly opposing the agency theory expectation that expertise equips directors to detect and deter manipulation. This result echoes the cautionary findings of Kolev et al. (2023), who suggest that expertise can have dual uses. From a theoretical standpoint, this finding can be interpreted through the lens Agency Theory. Financially expert directors may align with management as stewards to use accounting discretion for long-term value signaling or to navigate complex industry-specific challenges, such as inventory valuation and brand amortization prevalent in consumer goods. Alternatively, their deep knowledge may enable them to facilitate more sophisticated, less

detectable forms of "expert-sanctioned" earnings management aimed at meeting market expectations, a phenomenon less accessible to less knowledgeable boards. This positions financial expertise as a double-edged sword, contingent on the underlying incentives and ethical climate of the boardroom. This contrasts with the more common finding of a constraining effect, as strongly supported by Dhaliwal et al. (2010), Nitm et al. (2022), and Al-Shaer and Zaman (2023).

The non-significant relationship between board size (BSIZE) and earnings management indicates that, when controlling for compositional quality, the sheer number of directors is not a decisive factor in monitoring effectiveness within this sample. This finding lends support to the contingency view in governance literature, which argues that the impact of size is eclipsed by factors like board culture, leadership, and member competencies (Jia, 2023; Krause & Semadeni, 2023). It aligns with empirical results of Onyema et al. (2023), who found no significant link. The implication is that regulatory and scholarly focus should shift from prescribing board size to ensuring the quality and effectiveness of interactions among directors, regardless of their number.

## CONCLUSION AND RECOMMENDATIONS

In conclusion, this study reveals that the governance-earnings management nexus in Nigeria's consumer goods sector is complex and non-uniform. Prescriptive governance metrics like board independence and financial expertise, while theoretically sound, may yield unintended consequences in emerging market contexts characterized by unique ownership structures and institutional voids. Conversely, demographic attributes like gender diversity emerge as a robust and effective governance mechanism.

Based on these findings, the following recommendations are proposed:

1. For Regulators (e.g., SEC Nigeria, NGX): Move beyond box-ticking compliance on board independence. Implement stringent criteria for assessing the *substantive* independence of directors, including evaluations of their social and business networks. Strengthen and enforce gender diversity quotas or comply-or-explain mandates to harness the clear monitoring benefits demonstrated by female directors.
2. For Firms and Nominating Committees: Prioritize the appointment of *truly* independent and ethically grounded directors over mere compliance. Actively seek to appoint women to pivotal board committees, especially the audit committee, to leverage their oversight impact. Foster a board culture that channels financial expertise towards rigorous questioning and ethical stewardship rather than technical facilitation of earnings targets.
3. For Investors and Analysts: Exercise caution in relying solely on traditional governance scores. Scrutinize the qualitative aspects of board composition and culture, recognizing that in this context, high levels of independence or financial expertise may not inherently signal higher reporting quality.
4. For Future Research: Investigate the qualitative processes (e.g., board debates, committee dynamics) that explain *why* independence and expertise failed to constrain earnings management. Explore potential non-linear relationships or interaction effects between these board attributes. Replicate this study using alternative measures of

earnings management, such as real activities manipulation, to provide a more comprehensive assessment. Ultimately, effective corporate governance in emerging markets requires a contextualized understanding that aligns formal structures with substantive behavioral and ethical practices to genuinely protect stakeholder interests and ensure market integrity.

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