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EFFECT CORPORATE GOVERNANCE ON EARNING MANAGEMENT OF LISTED INDUSTRIAL GOODS FIRMS IN NIGERIA

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Abstract

The Study investigates the effect of corporate governance on the earnings management of listed industrial goods firms in Nigeria spanning the period 2013 – 2022. The thirteen (13) listed industrial goods firms in Nigeria constituted the population of the study and a sample of ten (10) was selected using a purposive sampling technique. The study adopted the Panel Corrected Standard Error (PCSE) model to test the hypotheses. The study findings revealed that Board independence, Audit committee independence, Audit committee size, and Board gender diversity have no significant effect on earnings management of listed industrial goods firms in Nigeria. The study recommends that the firms should periodically evaluate the composition and functioning of the board, actively pursue gender diversity on boards and ensure that audit committee members are truly independent from management and have the necessary expertise and experience to effectively review financial statements and assess internal controls.

Keywords: Audit Committee Independence, Audit Committee Size, Board Gender Diversity Board Independence, and Earnings Management.

1. Introduction

In recent years, there has been a surge in academic, market-driven, and regulatory scrutiny concerning the interplay between earnings manipulation and corporate governance mechanisms (Uadiale, 2012). Accounting manipulation, commonly known as earnings management (EM), was first defined by Schipper (1989) as the intentional alteration of financial reporting to achieve personal benefits. This practice often exploits weaknesses within an organization's corporate governance framework. In contrast, corporate governance (CG) embodies the principles, structures, and processes that ensure transparency and accountability in decision-making and financial disclosure, to balance the interests of various stakeholders, including owners and other parties. However, some stakeholders, such as managers and controlling shareholders, can exploit ambiguities within the CG system for their personal gain.

A robust corporate governance structure serves as a vital safeguard against manipulative practices like earnings management (EM) and accounting fraud. Research by Arora and Sharma (2016) and Bai and Chu (2018) demonstrates that weak corporate governance creates an environment conducive to managerial flexibility for manipulating financial results. These practices, as Perols and Lougee (2011) highlighted, often escalate into detrimental scams which impact on the society at large. Robust corporate governance mechanisms, as advocated by Abdou et al. (2021), offer an avenue to curb such opportunistic exploitation.

Industrial goods firms constitute a significant pillar of the Nigerian economy, as it contributes substantially to national output and employment. In the last two decades, Nigeria has experienced the downfall of both financial and non-financial entities such as Oceanic Bank, Intercontinental Bank, Nitel, and Vodafone. These incidents underscore the importance of robust corporate governance. Despite this awareness, there are

ongoing apprehensions about the potential impact of earning management (EM) within the Nigerian industrial sector. To safeguard financial transparency, it is crucial to implement effective corporate governance measures, including elements such as board independence, audit committee composition, and board diversity

Historically, research into the correlation between corporate governance (CG) and earnings management (EM) has predominantly concentrated on developed economies, as evidenced by studies such as those conducted by Bouvatier et al. (2014), Lassoued et al. (2017), Cornett et al. (2009), Leventis et al. (2012), and Vasilakopoulos et al. (2018). However, in more recent times, scholars have extended their investigations to encompass developing nations, as reflected in the works of Ahmed et al. (2021), Doan et al. (2020), Pinto et al. (2019), Tran et al. (2020), and Zainuldin and Lui (2020)

Notably, compared to developed counterparts, CG in developing countries is often characterized by greater fragility and complexity due to factors like political interference, limited shareholder activism, weak institutional frameworks, and higher levels of corruption (Bae et al., 2018; Mahmood et al., 2018). Such an environment can facilitate opportunistic manipulation of earnings by managers seeking personal gain. Furthermore, earlier research has primarily explored the influence of corporate governance attributes on the prevalence of earnings manipulation within the financial services sector, specifically focusing on commercial banks and insurance companies.

Typically, these research endeavors use indicators such as firm ownership structure, board of directors' size, and CEO duality to examine corporate governance. However, this study aims to investigate the impact of board gender diversity on earnings management, a variable that is not commonly explored. Furthermore, the study also assess the relationships between earnings management and other variables like board independence, audit committee independence, and size within listed industrial goods firms in Nigeria.

The outcomes of this research hold significance for the government, shareholders, and various stakeholders. For the government, the study sheds light on the impact of corporate governance mechanisms on earnings management practices within listed industrial goods firms in Nigeria. This insight could lead to the formulation of policies and reforms aimed at fostering sectoral growth and contributing to the overall economic development. The study findings would be advantageous for shareholders of listed industrial firms, offering insights into how corporate governance mechanisms can effectively mitigate earnings management practices. Additionally, the research contributes to the existing body of literature on the impact of corporate governance mechanisms on earnings management practices. Furthermore, it serves as a valuable foundation for future researchers interested in conducting additional studies in this specific area.

2. Literature Review

2.1 Conceptual Issues

Earnings Management

Earnings management involves deliberate actions within Generally Accepted Accounting Principles (GAAP) to manipulate reported profits, also termed income smoothing or creative accounting. Despite financial reporting standards like GAAP and IFRS aiming for transparency, some directors exploit loopholes to alter financial results (Bhattacharya et al., 2009; Abu et al., 2018). This practice employs intentional actions to attain desired reported revenue levels, often through manipulating transaction structures, accounting policy changes, and managing accruals (Roodposhti & Chashmi, 2011). Accrual analysis, focusing on discretionary accruals, serves as a measure of earnings management. The Modified Jones Model is widely recognized for calculating discretionary accruals due to its accuracy and simplicity, employing ordinary least-square regression to estimate and distinguish total accruals into discretionary and non-discretionary components (Kuang, 2007; Bhattacharya et al., 2009; Johl et al.,

2015; Abu et al., 2018; Agyei-Mensah, 2018; Agwor & Onukogu, 2018; Acer & Coskun, 2020).

Corporate Governance

The conceptualization of corporate governance remains a topic of ongoing debate, fueled by diverse perspectives and interpretations among researchers (Mohamed et al, 2014, Peterson, 2021). Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community (Cadbury, 1992; Arifin et al, 2014). Kelly and Ibama, (2021) opine that the aim of corporate governance is to provide a framework for achieving a company's objectives and ensuring its long-term success, while also ensuring accountability and fairness in the company's relationships with its stakeholders. However, Shleifer and Vishny (2012) emphasize a different perspective that good corporate governance primarily serves as a mechanism to secure investors' returns on their investments.

Board Independence and Earnings Management

Earnings management poses a significant risk to investors and market integrity. Corporate governance mechanisms, specifically, board independence is one of the crucial mechanisms in mitigating this risk. Dechow et al. (1996) found that firms with more independent boards in the US exhibit lower accrual-based earnings management. Beasley (1996) showed a similar association for Canadian firms. Additionally, Putra (2022) and Rajeevan and Ajward (2019) report a negative relationship in Indonesia and Malaysia, respectively. These findings suggest that independent boards act as effective monitoring mechanisms, and reduce management's ability to manipulate earnings. Studies in the Nigerian context also support the negative relationship. Uchegbulam and Osuagwu (2014) found that board independence is negatively associated with discretionary accruals, an indicator of earnings management. Adetunji et al. (2017) confirmed this association using real earnings management measures. Therefore, the study hypothesizes that: **H0₁:**

Board independence has no significant effect on earning management of listed industrial goods firms in Nigeria

Audit Committee Independence and Earnings Management

The relationship between audit committee independence and earnings management has been a subject of extensive research with significant debate surrounding the effectiveness of independent committees in mitigating financial reporting manipulation. Guo et al. (2020) reported that independent committees exercise stricter oversight over management financial reporting practices which increase the likelihood of detecting manipulation. Also, Hussain et al. (2022) strong interaction between independent audit committee members and external auditors fosters a more collaborative and effective audit process which improves quality financial reporting. More so, Kaur et al. (2023) reported that independent audit committees mitigate undue pressure from investors and management to achieve aggressive earnings targets which consequently reduces the incentive for manipulation. Therefore, the study hypothesizes that:

H0₂: Audit committee independence has no significant effect on earning management of listed industrial goods firms in Nigeria

Audit Committee Size and Earnings Management

The size of an audit committee is the number of members of the committee and it has been a topic of debate in corporate governance literature. While larger committees can offer diverse perspectives and enhance scrutiny, the likelihood of inefficiency and coordination issues raises concerns. According to Yu et al. (2020), larger audit committees offer a wider range of expertise and diverse perspectives which increases the likelihood of identifying irregularities. Wang et al. (2021) opined that with more members, individual accountability increases, and reduces the "free-rider" problem where members rely on others to detect or prevent manipulation. However, Luo et al. (2020) reported that larger audit committees provide a platform for richer

discussions and deep engagement with management and auditors which improve the audit process. Conversely, Metawee (2020) revealed that the establishment and management of large committees can be more expensive and resource-intensive, especially for smaller companies. Based on this, the study hypothesized that **H0₃**: Audit committee size has no significant effect on earning management of listed industrial goods firms in Nigeria

Board Diversity and Earning Management

Board diversity is the demographic composition of a board in terms of age, race, ethnicity, gender, social/cultural identity, and professional background (Sabo, 2018) Hoang et al. (2018) consider it a "structural phenomenon" linked to factors like gender, age, ethnicity, board independence, CEO duality, and ownership structure. The link between gender diversity and corporate governance practices, has received mixed findings in academic literature. Chijioke et al. (2020) found that African firms with at least two female directors exhibited stronger financial performance. Sergio and Poli (2017), Umer et al. (2020), and Arun et al. (2015) observed that gender diversity on boards and audit committees can reduce earnings management practices, enhance board effectiveness, and improve financial reporting quality. This aligns with Adams and Ferreira's (2009) research suggesting female directors are more diligent and detail-oriented, which lowers discretionary accruals and financial errors (Lanis et al., 2017; Owen & Temesvary, 2018). However, not all studies agree. Sun et al. (2011) found no significant link between female board representation and financial reporting quality. Therefore, the study hypothesizes that:

H0₄: Board gender diversity has no significant effect on earning management of listed industrial goods firms in Nigeria

2.2 Theoretical Framework

Agency theory posits that there is a separation of ownership and control in corporations, which can lead to conflicts of interest between managers (agents) and shareholders (principals) (Jensen & Meckling, 1976).

Managers may have incentives to engage in earnings management to maximize their own interests at the expense of shareholders. Shareholders delegate the authority to oversee and manage the company to the board. As part of their fiduciary duties, directors are responsible for ensuring the preparation of accurate and compliant financial statements that provide a true and fair view of the company's financial health, ultimately aiding in informed decision-making by stakeholders (Salah, 2010). The agency problem, characterized by divergent goals between principals and agents, manifests in publicly traded companies as conflicting interests between shareholders and directors, especially in areas like profit retention and risk appetite which stems from the inherent challenge for directors to perfectly align their interests with shareholders (Tucker & Paul, 2006; Arya et al., 2003; Watts & Zimmerman, 1986). Effective corporate governance mechanisms act as monitoring and control mechanisms to mitigate these agency conflicts, thereby reducing the incentives for earnings management. In the context of listed industrial goods firms in Nigeria, the separation of ownership and control is prevalent. Given the potential agency conflicts, it is essential to investigate how corporate governance mechanisms, such as board independence, board gender diversity, audit committee independence, and audit committee size, influence earnings management practices.

3. Methodology

The study adopted a longitudinal panel research design. The research design was considered appropriate because the study relies on secondary data to examine the effect of corporate governance on earnings management of listed industrial goods firms in Nigeria. The population of the study is comprised of the thirteen (13) listed industrial goods firms on the Nigeria exchange group as at 31st December, 2022. However, two-point filters based on the availability of data from 2013-2022, and technical suspension were used as filters. Applying this filter, three (3) firms were dropped and a sample of ten (10) firms was selected. The study used secondary data sourced from the audited annual financial statement of the sampled firms. The Panel

Corrected Standard Error (PCSE) regression techniques was adopted to analyze the data via STATA 16.

3.1 Variable Definition and Measurement

The information on how the variables were measured is presented in Table 1.

Table 1: Variable Measurement

Dependent Variable	Measurement and Source
Earning Management (Discretionary Accruals)	Modified Jones model. The discretionary accruals is represented as a percentage of the total balance sheet as used by Isam et al. (2020)
Independent Variable	Measurement and Source
Board Independence (BI)	Number of independent directors divided by the total number of directors as used by Imoleayo et al.(2016)
Audit Committee Independence (ACI)	Number of independent directors on the audit committee divided by audit committee size as used by Guo et al. (2020).
Board Gender Diversity	Percentage of women to total board members as used by Sajjad et al., (2019) and Imoleayo et al., (2016)
Audit committee size	Number of audit committee members as used by Wang et al. (2021).
Leverage (LEV)	Total debt to total equity as used by Şamiloğlu and Akgün (2016).

Source: Author Compilation (2022)

3.2 Model Specification

The relationship between the study variables was examined using the model below;

Earnings Management Model

Earnings management was measured using Modified Jones Model:

$$TACC_t = N_{it} - OCFT \dots \dots \dots (1)$$

Where OCF (Operating cash flow) and (NI) Net Income (Loss).

$$\frac{TACC_t}{A_{t-1}} = \alpha_1 \frac{1}{A_{t-1}} + \alpha_2 \frac{(\Delta REV_t - \Delta REC_t)}{A_{t-1}} + \alpha_3 \frac{PPE_t}{A_{t-1}} + \epsilon_t$$

The total accruals component (TACC) which is determined in the previous step is employed to regress the values of the parameters α_1 , α_2 and α_3 through an ordinary least squares regression. The following is an explanation of the components of the aforementioned modified Jones Model formula,

Where: A_{t-1} = the total assets in year $t - 1$, $AREV_t$ = the change in revenues in year t , $AREC_t$ = the change in

receivables in year t , PPET = the gross property, plant and equipment in year t .

The parameters α_1 , α_2 and α_3 are estimated per firm industry and year. The error term, ϵ_t , is the residual for the firm in its industry in year t .

After measuring the parameters, discretionary accruals are calculated using the following formula:

$$DACC_t = TACC_t - NDACC_t \dots \dots \dots (2)$$

DACC is the total discretionary accruals in year t , TACC being the total accruals in year t and NDACC being the total non-discretionary accruals in year t . Non-discretionary accruals are calculated using the following formula

$$\frac{NDACC_t}{A_{t-1}} = \hat{\alpha}_1 \frac{1}{A_{t-1}} + \hat{\alpha}_2 \frac{(\Delta REV_t - \Delta REC_t)}{A_{t-1}} + \hat{\alpha}_3 \frac{PPE_t}{A_{t-1}}$$

Where: $NDACC_t$ = the total non-discretionary accruals in year t , A_{t-1} = the total assets in year $t-1$, $AREV_t$ = the change in revenues in year t $AREC_t$ = the change in receivables in year t PPE = the gross property, plant and equipment in year t . The overall regression model used to examine the effect of corporate governance on earning management is presented below;

$$Em_{it} = \alpha_0 + \beta_1 BI_{it} + \beta_2 ACI_{it} + \beta_3 ACS_{it} + \beta_4 BDIV_{it} + \beta_5 Lev_{it} + \varepsilon_{it} \dots \dots (3)$$

Where EM = Earning management, BI = Board independence, ACI = Audit committee independence,

ACS = Audit committee size, BDIV =Board gender diversity, LEV = leverage

4. Results and Discussion

4.1 Descriptive Statistics

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EM	100	.047	.135	.651	.979
BI	100	.595	.166	.231	.889
ACI	100	.471	.12	.167	.75
ACS	100	5.62	.599	4	6
BDIV	100	.252	.202	0	.636
LEV	100	.137	.296	-2.459	.543

Source: STATA 16 output Results based on study data

Table 2 summarizes the key descriptive attributes of the data extracted from the annual reports of the sampled companies. The mean value of earnings management is 0.047, this indicates that earning management among the listed industrial good firms is low, however, the standard deviation of 0.135 suggests that there is a slight variation in the level of earnings management across companies. The minimum value is 0.651 and the maximum value is 0.979, which means that some of the firms in the industrial goods sector engage in earnings management,

The average value of board independence is 0.595, this indicates that about 59.5% of the board of the listed industrial goods firms are independent directors, the standard deviation value of 0.166 implies that there is low variation in the level of board independence across the firms. The minimum and maximum values of 0.231 and 0.889 suggest that some boards are more independent than others.

Furthermore, ACI has a mean value of 0.471 and a standard deviation of 0.120, this suggests that about 47.1% of the members of the audit committee of the listed industrial goods firm are independent directors, while the standard deviation suggests low variation across the firms. The minimum and maximum ACI are 0.167 and 0.750 respectively. In addition, the average

value of audit committee size is 5.62, this suggest that the audit committees are generally of moderate size. The standard deviation of 0.599 implies that there is some variation in the size of audit committees across companies. The minimum value of 4 and the maximum value of 6 indicate that some audit committees are smaller than others. Also, Board gender diversity has a mean value of 0.252 and a standard deviation of 0.202, this indicates that the level of diversity of the board is low with about 25.2% women participation. The minimum value of 0.000 suggested that some of the listed industrial goods firms do not have female board members, while the maximum value of 0.636 indicates that some of the firms have high women participation than others.

For the control variable Lev, the average value of 0.137 suggested that firms in the Nigeria industrial goods firm are not highly levered with slight variation across the firm as indicated by the standard deviation of 0.296 The minimum value is -2.459 and the maximum value is 0.543, which means that some companies have very high levels of debt, while others have very low levels of debt.

4.2 Correlation Result

The result of the pairwise correlation is presented in table 3 below;

Table 3: Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)
(1) EM	1.000					
(2) BI	0.000 (0.997)	1.000				
(3) ACI	-0.061 (0.546)	0.356* (0.000)	1.000			
(4) ACS	0.068 (0.500)	-0.192 (0.056)	-0.672* (0.000)	1.000		
(5) BDIV	-0.009 (0.930)	-0.284* (0.004)	-0.150 (0.136)	0.210* (0.036)	1.000	
(6) LEV	0.394* (0.000)	-0.001 (0.993)	-0.013 (0.900)	0.014 (0.891)	0.134 (0.184)	1.000

Source: STATA 16 output Results based on study data *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The pairwise correlation result revealed that there is a positive relationship between Board independence (BI), Audit committee size (ACS), Leverage (LEV) and earning management (EM) as indicated by the correlation coefficient of 0.068, 0.000 and 0.394, this suggest that an increase in BI, ACS and leverage will lead to an insignificant increase in EM among the listed Nigeria industrial good firm. Conversely, the result revealed that there is a negative insignificant relationship between audit committee independence (ACI), board diversity (BDIV) and earnings management of listed industrial goods firms as suggested by the coefficient of -0.061 and -0.009. This

implies that an increase in ACI and BDIV will not lead to a significant increase in EM practice among the listed industrial goods firms in Nigeria.

4.3 Diagnostic Test

To assess the validity of the regression assumptions, and the overall fit and robustness of the regression model, various regression diagnostic tests were conducted;

Multicollinearity Test

Multicollinearity test was conducted to examine whether there is a perfect linear relationship between the explanatory variables.

Table 4: Multicollinearity Test

Variables	VIF	1/VIF
ACI	2.03	0.492410
ACS	1.89	0.530034
BI	1.24	0.807378
BDIV	1.15	0.872174
LEV	1.02	0.980217
Mean VIF	1.46	

Source: STATA 16 output Results based on study data

The result in table 4 reveals the mean VIF of 1.46, this shows the absence of a multicollinearity problem in the model in line with Hair *et al.*, (2010) which suggested that a VIF value greater than 10 is generally considered

to indicate high multicollinearity, while a tolerance value less than 0.1 is also considered to indicate multicollinearity.

Table 5: Diagnostic Test

Test	Statistics	P-value
Heteroscedasticity Test	0.00	0.9475
Residual Normality Test	8.426	0.00000
Ramsey Reset Test for Linearity	2.40	0.00728

Source: STATA 16 output Results based on study data

The table 5 above present the heteroscedasticity, residual normality test and Ramsey Reset Test for Linearity. The Breusch-Pagan / Cook-Weisberg test shows a chi-squared value of 0.00, and p-value of 0.9475. This strongly accept the null hypothesis of homoscedasticity, indicating equal variance of residuals. This means the variance of the errors is constant across different predicted values which agrees with the assumption of linear regression. Also, Shapiro-Wilk test with a Z-value of 8.426 and a p-value of 0.0000 rejects the null hypothesis of normality, suggesting that the residuals are not normally distributed.

Furthermore, the Ramsey reset test for linearity test for the presence of non-linear relationships between the

independent variables and the dependent variable in the model. In this case, the p-value of 0.00728 is below 0.05, this suggests that there is non-linear relationships in the model. The non-normality and linearity of the residual rule out the choice of Ordinary Least square regression in the study, in effect the panel corrected standard error regression were conducted.

4.4 Regression Result

Table 6 contains the result of the Panel Corrected Standard Error (PCSE) model used to examine the effect of corporate governance on earning management of listed industrial goods firms in Nigeria.

Table 6: Panel Corrected Standard Error (PCSE) Regression Result

EM	Coef.	PCSE	Z	P values
BI	-.0014339	.0827746	-0.02	0.986
ACI	-.0289597	.1458248	-0.20	0.843
ACS	.0138977	.0282233	0.49	0.622
BDIV	-.0535359	.0652277	-0.82	0.412
LEV	.1838626	.0420804	4.37	0.000
Const	-.1224895	.206331	-0.59	0.553
R-Squared	0.1652			
Wald Chi2	19.79			
Prob> chi2	0.0014			
Hausman; Chi	0.64			
P-Value	0.9862			
LM Test Chi:	272.08			
Statistics	0.0000			
Test of Independence; Chi2	72.548			
Statistics	0.0057			

Source: STATA 16 output Results based on study data

Table 6 above presents the regression result along with the model selection test for the study, the Hausman specification test was conducted for choice between the fixed and random effect model. The result suggests the choice of the random effect model over the fixed as indicated by the χ^2 value of 0.64 and probability value of 0.9862, however, to further evaluate the applicability of the random effect model, the study performed the

Breusch-Pagan Lagrangian multiplier test for random effects in panel data models. The p-value for the Breusch-Pagan test was 0.0000 which suggest the rejection of the null hypothesis of no random effects at the 5% significance level. This means that the random effects model is more appropriate than the pooled OLS model. Consequently, the study adopted the Panel

Corrected Standard Error (PCSE) model to correct the cross sectional independence in the panel model.

The regression result revealed that Board independence (BI) and audit committee independence (ACI) do not have a statistically significant impact on earnings management (EM) of listed industrial goods firms in Nigeria. This means that there is no evidence that industrial goods firms with more independent boards and audit committees are less likely to engage in earnings management. This is not in line with Dechow et al. (1996) but supported the findings by Putra (2022), Rajeevan and Ajward (2019) and Uchegbulam and Osuagwu (2014). Also, Audit committee size (ACS) has a positive but statistically insignificant impact on EM. This means that there is no evidence that companies with larger audit committees are more likely to engage in earnings management. The positive relationship is partially in line with Yu et al. (2020) and Wang et al. (2021) and contrasts the findings by Metawee (2020).

Furthermore, Board gender diversity (BDIV) has a negative but statistically insignificant impact on EM. This means that that companies with more gender-diverse boards are less likely to engage in earnings management, but this finding is not statistically significant. The negative relationship is in line with Sergio and Poli (2017), Umer et al. (2020), and Arun et al. (2015) study which reported that gender diversity on boards reduces earnings management practices. This may be because female directors are more diligent and detail-oriented, which lowers discretionary accruals and financial errors. Therefore the study failed to accept the H0₄ which stated that Board gender diversity has no significant effect on earnings management of listed industrial goods firms in Nigeria.

Furthermore, Leverage (LEV) has a positive and statistically significant impact on EM. The result suggested that firms with higher leverage are more likely to engage in earnings management. This is

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because; companies with higher leverage are under greater pressure to meet earnings targets, which may lead them to engage in earnings management practices.

5. Conclusion and Recommendations

This study investigated the effect of corporate governance on earning management of listed industrial goods firms in Nigeria. The following conclusions were drawn from the findings:

- i. Contrary to aprior expectations, board independence (BI) and audit committee independence (ACI) has no significant influence on earnings management (EM). This indicates that increased independence does not necessarily translate to reduced EM practices within Nigerian industrial firms.
- ii. Audit committee size (ACS) does not significantly influence earnings management of the listed industrial goods firm in Nigeria
- iii. Board gender diversity (BDIV) exhibited a negative statistically insignificant, relationship with EM.

Based on these findings and conclusions, the following recommendations were made:

- i. The firms should periodically evaluate the composition and functioning of their board to promote independence.
- ii. The listed industrial goods firm should actively pursue gender diversity on boards. This can be achieved by promoting initiatives focused on increasing the number of female director's representation. on board
- iii. The firm should ensure that audit committee members are truly independent of management and have the necessary expertise and experience to effectively review financial statements and assess internal controls.

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