

CORPORATE GOVERNANCE AND EARNINGS MANAGEMENT IN NIGERIA: A SYSTEMATIC REVIEW

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Abstract

Despite the introduction of significant corporate governance reforms, particularly the Nigerian Code of Corporate Governance (2018), earnings management continues to pose a major challenge in Nigeria, raising concerns over the credibility and reliability of financial reporting. The review focused on governance mechanisms such as board independence, board size, audit committee effectiveness, ownership concentration, and gender diversity, while distinguishing between accrual-based and real earnings management. Weak institutional enforcement, and cultural factors continue to limit the effectiveness of governance mechanisms in curbing opportunistic financial reporting. Against this backdrop, there is a need for a systematic synthesis of existing evidence to clarify the governance–earnings management nexus in the Nigerian context. This study systematically reviewed fifty-two (52) peer-reviewed articles published between 2020 and 2025 that examined the relationship between corporate governance and earnings management in Nigeria. Guided by the PRISMA review protocol, relevant studies were identified across leading databases and analyzed using both descriptive and thematic approaches. The findings reveal mixed evidence: while certain governance mechanisms—Governance mechanisms like board structure, ownership concentration, audit quality, and gender diversity influence earnings management, but their impact in Nigeria is limited by weak enforcement, political ties, tokenism, and inconsistent regulatory implementation. The review highlights that corporate governance in Nigeria shows progress in enhancing accountability, yet remains largely symbolic and uneven in practice. This study contributes theoretically by adopting a multi-theoretic perspective and offers practical recommendations, including stronger regulatory enforcement, improved board composition, auditor independence, and the promotion of ethical corporate cultures to foster transparent reporting.

Keywords: corporate governance, earnings management, audit quality, board diversity, systematic review

1. Introduction

Corporate governance is widely advanced as a monitoring architecture designed to align managerial incentives with shareholder and stakeholder interests, especially in environments where information asymmetry and agency conflicts are pervasive. In emerging markets, where legal enforcement and market discipline can be uneven, earnings management (EM)—whether via accruals or real activities—remains a central threat to the credibility of reported performance. Recent international syntheses continue

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to show that governance levers (boards, audit committees, ownership, and gatekeepers) can condition EM, but their effects vary across settings, institutional quality, and measurement choices (Salehi et al., 2023; Sinha et al., 2023; Zaidan et al., 2024; Wójcik-Jurkiewicz et al., 2024). Against this backdrop, Nigeria presents a particularly consequential test case.

Nigeria's corporate landscape has undergone waves of governance reform, culminating in the Nigerian Code of Corporate Governance (NCCG) 2018 and subsequent implementation guidance. Yet, assessments since 2020 suggest persistent implementation gaps and uneven compliance, with scholars and practitioners noting weak enforcement, boilerplate disclosures, and variability across sectors (Osei-Owusu, 2023). In such conditions, the integrity of earnings remains vulnerable to opportunistic reporting, thereby undermining market trust and investor protection.

Empirical evidence within Nigeria is growing but remains fragmented. Studies on listed non-financial firms and banking institutions document heterogeneous associations between board structures and EM—some finding that stronger governance curbs manipulation, others reporting null or even counterintuitive relationships depending on the EM proxy used (Ishaku et al., 2023; Aferokhe et al., 2024; Haruna et al., 2022; Ogunsola, 2024). For example, while audit committee expertise often associates with lower EM, results for audit committee independence or board independence are mixed, suggesting context-specific dynamics and potential measurement limitations (Ogunsola, 2024; Haruna et al., 2022). These inconsistencies complicate policy and boardroom prescriptions.

A notable methodological source of divergence is the choice between accrual-based EM and real earnings management (REM). Nigerian studies still tilt toward accrual models, even as newer meta-analyses highlight that governance mechanisms can influence REM differently from discretionary accruals (Wójcik-Jurkiewicz et al., 2024). Where Nigerian evidence on REM exists, it remains comparatively thin and sometimes reports effects opposite to those seen with accrual EM—underscoring the need for a consolidated, method-aware synthesis (Umaru et al., 2021; Ogunsola, 2024).

Sectoral heterogeneity further complicates inference. Banks face prudential regulation and frequent supervisory examinations that may discipline EM differently than in industrial or consumer sectors. Recent Nigerian studies in banking versus industrial goods or broad non-financial samples yield divergent magnitudes and signs for board size, independence, and audit committee variables (Haruna et al., 2022; Ogunsola, 2024; Aferokhe et al., 2024). Without a structured comparison across sectors, it is difficult to extract generalizable lessons for regulators and boards.

Ownership structures—state holdings, institutional ownership, and ownership concentration—also matter for monitoring intensity and managerial discretion. However, findings in Nigeria remain inconsistent: some evidence suggests non-linear effects (e.g., state ownership relating to EM in a non-monotonic fashion), while other work emphasizes moderating roles for institutional owners without clear convergence (Bitew et al., 2024; Ishaku et al., 2023). The net effect is uncertainty about which ownership configurations reliably deter EM under Nigerian institutional conditions.

Board gender diversity (BGD) and broader diversity attributes have received increasing attention in global literature, often linking diversity to stronger monitoring and lower EM; yet Nigerian evidence on BGD's direct impact on EM is sparse and inconclusive. International studies and cross-country reviews indicate that BGD can dampen EM and enhance disclosure quality, though effects depend on investor protection and gender parity contexts (Khanh & Khuong, 2023; Al-Sartawi et al., 2024).

Translating these insights into Nigeria's legal-cultural setting requires a structured synthesis of the limited domestic findings and careful contextualization.

The audit committee remains the most proximate governance mechanism for financial reporting oversight. While multiple Nigerian studies since 2020 find that audit committee financial expertise is associated with reduced EM, results for size, independence, and meeting frequency vary across samples and specifications (Haruna et al., 2022; Ogunsola, 2024). These mixed findings raise questions about how features of audit committees interact with firm size, sector regulation, external audit quality, and the choice of EM metric—questions a systematic review can disentangle.

A deeper issue is endogeneity and research design quality. Differences in variable construction (e.g., Kothari vs. Modified Jones models; various REM proxies), sample periods spanning regulatory changes, and limited use of techniques addressing reverse causality (e.g., system GMM, difference-in-differences) can bias results. Nigerian studies do employ advanced estimators in some cases (Ishaku et al., 2023), but there is no consolidated assessment of design rigor across the corpus—leaving practitioners unsure which estimates are most credible.

The stakes are high. If governance mechanisms that ostensibly protect investors are not reliably curbing EM, then reported profits may mislead boards, creditors, and regulators—fuelling misallocation of capital, eroding firm value, and increasing the cost of equity. Persistent EM can also invite regulatory sanctions, impair access to cross-border financing, and reduce Nigeria's appeal to foreign investors who screen for reporting quality and governance risk (Osei-Owusu, 2023; Salehi et al., 2023).

Moreover, unresolved EM practices undermine broader policy goals—from financial stability to sustainable development—because performance metrics drive executive compensation, investment selection, and stewardship decisions. Inaccurate earnings impair stewardship by boards and institutional investors, weaken market discipline, and distort resource allocation in already capacity-constrained markets (Zaidan et al., 2024; Wójcik-Jurkiewicz et al., 2024).

Despite the volume of single-study evidence, Nigeria lacks a current, protocol-driven synthesis that (i) contrasts accrual and real EM; (ii) separates sectoral contexts; (iii) maps design choices and endogeneity treatments; and (iv) situates domestic findings within global evidence and the post-2018 regulatory environment. The absence of such a synthesis leaves regulators and boards with piecemeal insights and raises the risk of policy drift or one-size-fits-all prescriptions that may not work in practice.

There is also limited triangulation of governance bundles. Studies typically isolate one lever (e.g., board independence) rather than evaluating how bundles—ownership concentration plus board expertise plus Big-4 audit plus audit committee attributes—jointly influence EM. International work increasingly emphasizes complementarities among mechanisms (Salehi et al., 2023; Zaidan et al., 2024), a perspective that has not been systematically marshalled for Nigeria.

Additionally, Nigeria's post-code implementation experience remains under-reviewed. While the NCCG 2018 aimed to consolidate and modernize governance expectations, post-2020 analyses indicate uneven uptake and boilerplate compliance. Only limited systematic review has yet mapped how these implementation frictions mediate the governance–EM nexus (Osei-Owusu, 2023), nor has it delineated practical guardrails for boards and regulators tailored to Nigerian realities.

If these gaps persist, policy will continue to be informed by selective or method-sensitive findings; boards may over-rely on structural features (e.g., nominal independence) that do not consistently translate into monitoring effectiveness; and capital markets may price Nigerian risk with a steeper discount, raising financing costs

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and constraining growth. In short, the lack of a coherent evidence map threatens both micro-level governance outcomes and macro-level market development.

Accordingly, this study undertakes a systematic review of corporate governance and earnings management in Nigeria, integrating evidence since 2010 with a focus on 2020-to-date scholarship. The review applies transparent selection and quality-assessment protocols, compare accrual and real EM findings, surface sectoral patterns, evaluate research design rigor and endogeneity controls, and position Nigerian results within contemporaneous international evidence. The goal is to generate a robust, policy-relevant synthesis that clarifies what works, when, and why in curbing EM in Nigeria's regulatory and market context (Ishaku et al., 2023; Aferokhe et al., 2024; Haruna et al., 2022; Ogunsola, 2024; Salehi et al., 2023; Wójcik-Jurkiewicz et al., 2024).

2. Theoretical Foundation

The nexus between corporate governance and earnings management is most often understood through the lens of Agency Theory, which emphasizes the conflict of interest between managers (agents) and shareholders (principals). According to Jensen and Meckling (1976), managers may not always prioritize the interests of shareholders, particularly in situations where there is significant information asymmetry. One of the ways this misalignment manifests is through earnings management, where managers deliberately manipulate accounting figures to meet performance benchmarks, secure incentives, or project a more favourable financial position. Such practices, while potentially beneficial to managers in the short term, can undermine transparency, mislead investors, and ultimately harm the long-term value and sustainability of the firm.

To address this challenge, corporate governance mechanisms play a critical role in safeguarding shareholder interests and enhancing accountability. Independent boards, well-functioning audit committees, ownership structures that align incentives, and the presence of external auditors all serve as checks against opportunistic managerial behaviour. These governance structures are intended to monitor managerial decision-making, strengthen financial reporting credibility, and reduce the opportunities for earnings manipulation. As Fama and Jensen (1983) and more recently Salehi et al. (2023) highlight, the effectiveness of governance frameworks in curbing earnings management is pivotal for building trust in corporate disclosures and ensuring that firms pursue strategies that foster long-term value creation rather than short-term opportunism.

Complementing Agency Theory is the Stakeholder Theory, which extends the boundaries of corporate accountability beyond shareholders to encompass creditors, employees, regulators, customers, and society at large. This theoretical lens underscores the interdependence between corporations and their multiple constituencies, emphasizing that organizational legitimacy and sustainability derive from meeting diverse stakeholder expectations. In institutional contexts such as Nigeria, where regulatory structures are often weak and firms are embedded within complex socio-economic networks, the practice of earnings management generates consequences that transcend shareholder wealth depletion. It simultaneously undermines institutional legitimacy, erodes stakeholder confidence, and compromises the integrity of financial reporting as a public good (Freeman, 1984; Osei-Owusu, 2023).

Within this framework, corporate governance assumes the character of a normative social contract, obligating firms to pursue transparency, ethical accountability, and socially responsible reporting. Governance is thus not solely instrumental

in protecting shareholder value but is also constitutive of societal trust in corporate institutions. This explains why ongoing governance reforms in Nigeria increasingly emphasize disclosure, ethics, and sustainability, alongside the traditional objective of shareholder protection. By embedding these principles, governance systems move beyond compliance-driven mechanisms to cultivate legitimacy, foster institutional resilience, and align corporate behaviour with the broader developmental aspirations of society.

The Resource Dependence Theory (RDT) offers a valuable theoretical foundation for understanding the dynamics of corporate governance by highlighting the strategic role of boards in providing critical resources, legitimacy, and external linkages (Pfeffer & Salancik, 1978). According to this perspective, boards do not merely serve as internal monitors but also act as conduits through which organizations access expertise, information, and connections that are vital for sustaining competitiveness. Factors such as board diversity, professional expertise, and interlocking directorates are instrumental in mitigating earnings management, as they enhance the quality of oversight and facilitate meaningful connections with external constituencies such as auditors, regulators, and investors. In this sense, RDT underscores the board's capacity to serve as both a monitoring and resource-providing mechanism, thereby reinforcing organizational accountability.

Within the Nigerian corporate environment, the relevance of RDT becomes particularly pronounced due to the presence of institutional voids and weak enforcement of governance regulations. In such contexts, boards are often compelled to assume a dual function: not only ensuring managerial accountability but also safeguarding the organization's legitimacy in the eyes of external stakeholders (Ishaku et al., 2023; Bitew et al., 2024). By leveraging diverse skills and connections, boards in Nigeria can bridge structural gaps in the institutional environment, improve transparency, and enhance the credibility of financial reporting. This dual responsibility makes RDT highly applicable for examining governance effectiveness in emerging markets like Nigeria, where external resource acquisition and legitimacy are critical for organizational survival and growth.

The Stewardship Theory provides a useful counterpoint to the agency perspective by emphasizing that managers may not always act out of self-interest but as responsible stewards committed to advancing organizational objectives (Donaldson & Davis, 1991). Unlike agency theory, which assumes a natural conflict of interest between managers and shareholders, stewardship theory suggests that managerial discretion can at times be exercised in ways that promote organizational resilience and long-term sustainability. Within this framework, earnings management is not automatically framed as an opportunistic behaviour but may instead be seen as a strategic response to external pressures and uncertainties that threaten firm survival.

For instance, in highly regulated sectors of the Nigerian economy such as banking and oil, managers might engage in practices like income smoothing to stabilize reported earnings, thereby maintaining investor confidence, ensuring continued access to capital, and meeting stringent regulatory expectations. This interpretation highlights that earnings management, when guided by stewardship motives, can serve broader organizational and stakeholder interests rather than personal gain. Thus, stewardship theory tempers the traditional agency view by recognizing that not all forms of earnings management are destructive. Instead, it underscores the importance of governance mechanisms that strike a balance between exercising control and fostering trust in managerial decision-making.

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Another relevant theoretical lens for understanding earnings management within the Nigerian context is the Signalling Theory, which suggests that managers often employ financial reporting choices as a mechanism to convey private information about the future prospects of their firms to the market (Spence, 1973). In environments characterized by weak investor protection, as is common in many emerging economies, managers may engage in earnings management practices to project stability, profitability, or growth. Such actions are intended to reassure existing investors and attract potential ones by creating an impression of sound financial health, even when underlying realities may differ. However, this reliance on manipulated signals carries inherent risks, as the eventual discovery of such practices could erode managerial credibility, diminish investor confidence, and ultimately impair the firm's long-term valuation.

To mitigate these risks and strengthen the reliability of signals conveyed through financial reports, corporate governance mechanisms play a crucial role. High-quality audits and the presence of independent directors on the board enhance transparency and provide external validation that reported earnings genuinely reflect firm performance rather than excessive manipulation (Ogunsola, 2024). These governance safeguards not only improve the credibility of financial disclosures but also align managerial signalling with sustainable corporate practices. In this regard, effective governance structures serve as a counterbalance, ensuring that the information asymmetry between managers and stakeholders is narrowed, and that signals sent to the market are both trustworthy and value-relevant.

The Institutional Theory provides an important perspective for understanding corporate behaviour by emphasizing the role of regulatory frameworks, professional norms, and cultural expectations in shaping organizational conduct (DiMaggio & Powell, 1983). Within the Nigerian context, the Nigerian Code of Corporate Governance (2018) and the adoption of International Financial Reporting Standards (IFRS) serve as critical institutional mechanisms guiding corporate practices. These frameworks are designed to standardize reporting, strengthen transparency, and enhance accountability in financial reporting. By aligning with global norms, they are also expected to improve investor confidence and the credibility of financial statements. Thus, the institutional environment establishes both formal and informal pressures that compel organizations to adopt practices consistent with wider societal and professional expectations.

Emerging studies reveal that compliance with these institutional frameworks in Nigeria is often more symbolic than substantive. Rather than fully embedding governance principles into decision-making, many firms adopt a ceremonial approach, fulfilling disclosure requirements in form but not in essence (Osei-Owusu, 2023). This raises critical concerns regarding the true effectiveness of governance mechanisms in curbing opportunistic practices such as earnings management. From this theoretical standpoint, reforms may not automatically lead to uniform improvements in reporting quality unless there is robust enforcement, effective monitoring, and a shift in organizational culture toward genuine accountability. The Institutional Theory, therefore, sheds light on the gap between formal compliance and substantive governance outcomes, highlighting why institutional reforms without enforcement may fall short of achieving their intended objectives.

Upper Echelons Theory (UET), first articulated by Hambrick and Mason (1984), provides a valuable lens for understanding how the personal characteristics of top managers—such as gender educational background, professional expertise, and experience—shape organizational outcomes and strategic decision-making. Within the domain of corporate governance, this perspective suggests that financial reporting behaviours are not merely institutional or regulatory responses but are also deeply influenced by the attributes of those who occupy leadership positions. Thus, the presence of directors and audit committee members with distinct demographic and cognitive profiles plays a critical role in determining whether financial disclosures reflect transparency or are prone to manipulation.

Empirical findings further reinforce this connection. For instance, research has shown that female directors and audit committee members are more likely to demonstrate higher levels of ethical sensitivity, integrity, and risk aversion, which serve as important constraints against earnings manipulation and other opportunistic financial practices (Khanh & Khuong, 2023). These insights are particularly relevant in the Nigerian context, where gender diversity on corporate boards, though gradually increasing, remains relatively limited. UET therefore provides a framework for understanding how the inclusion of women and other diverse perspectives at the board level can improve governance outcomes, enhance financial reporting quality, and strengthen institutional credibility.

The Ethical Theory of Corporate Governance emphasizes that corporate governance extends beyond mechanisms of control to encompass the moral foundations of organizational conduct. It posits that governance frameworks should not only regulate managerial behaviour but also serve as instruments for embedding ethical values within business operations. From this perspective, earnings management is not simply a technical or strategic act but a profound ethical failure that compromises transparency, fairness, and accountability in corporate reporting. By framing earnings manipulation as a moral lapse, the theory draws attention to the critical role of ethics in shaping governance practices and in fostering trust among stakeholders (Al-Sartawi et al., 2024).

In the Nigerian context, where corporate activities often occur within environments susceptible to corruption, weak institutional enforcement, and regulatory breaches, the application of this theory is particularly pertinent. Firms operating in such settings require governance mechanisms that go beyond the narrow objective of monitoring compliance with rules and regulations. Instead, governance structures must actively instil ethical consciousness in decision-making, ensuring that managers are guided not only by regulatory frameworks but also by a sense of moral responsibility. By embedding ethics into governance systems, Nigerian firms can address the challenges of earnings manipulation more effectively, thereby strengthening accountability, improving investor confidence, and supporting the broader quest for corporate integrity.

Synthesizing these perspectives suggests that no single theory sufficiently captures the complexity of the governance–earnings management nexus in Nigeria. Agency Theory remains foundational in explaining opportunism, but Stakeholder Theory, RDT, Stewardship, and Institutional perspectives highlight the contextual, relational, and ethical dimensions that shape outcomes. The multi-theoretic approach is therefore indispensable for a systematic review, as it allows the study to evaluate governance not only as a set of monitoring devices but also as a socio-institutional and ethical construct with varying implications for earnings management.

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3. Methodology

This study adopts a systematic review approach to critically examine existing scholarship on corporate governance and earnings management in Nigeria. The review followed the guidelines of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA), ensuring transparency, reproducibility, and rigor. Academic databases such as Scopus, Web of Science, Google Scholar, JSTOR, and African Journals Online (AJOL) were searched using keywords including “corporate governance,” “earnings management,” and “Nigeria.” The inclusion criteria restricted the review to peer-reviewed articles published between 2020 and 2024, written in English, and directly addressing corporate governance mechanisms and earnings management within the Nigerian context. Grey literature, non-peer-reviewed materials, and studies outside Nigeria were excluded.

A total of 146 papers were initially identified, of which 94 were excluded after screening for duplication, irrelevance, or failure to meet the inclusion criteria. The final review sample comprised 52 peer-reviewed studies, which were systematically analyzed. The analysis combined descriptive and thematic approaches. Descriptively, studies were categorized based on year of publication, journal outlets, research design, and governance mechanisms investigated. Thematically, the papers were grouped around recurring corporate governance mechanisms such as board structure, ownership concentration, audit quality, and regulatory frameworks, and their association with earnings management practices in Nigerian firms.

The methodological rigor of the included studies was further evaluated using established quality assessment criteria, including clarity of objectives, robustness of methodology, and alignment between findings and conclusions. The integration of descriptive mapping with thematic synthesis allowed for a holistic assessment of the state of knowledge in this field, identification of trends, and recognition of persisting gaps. This approach provided the necessary foundation for advancing theoretical insights and practical recommendations on how corporate governance can mitigate earnings management in Nigeria.

4. Findings and Discussion

The systematic review of 52 peer-reviewed studies revealed that corporate governance mechanisms play a significant role in influencing earnings management practices in Nigerian firms. However, the evidence across the reviewed literature was mixed, with some studies highlighting the effectiveness of governance mechanisms in curbing opportunistic reporting, while others revealed persistent managerial discretion despite governance reforms.

First, board structure emerged as a central governance mechanism influencing earnings management. Studies consistently emphasized that board independence reduces the likelihood of managers engaging in income-smoothing practices (Uwuigbe et al., 2020). Independent directors are perceived as better monitors, limiting managerial discretion. However, some evidence suggested that board independence in Nigeria is often compromised by political affiliations and weak enforcement, reducing its effectiveness (Okere et al., 2021). This indicates that board composition alone may not suffice unless coupled with accountability structures.

Board size was another recurring theme in the reviewed literature. Larger boards were found to enhance oversight capacity and reduce earnings manipulation by pooling diverse expertise (Olayinka & Ayeni, 2022). Yet, other studies reported that excessively

large boards become less effective due to coordination challenges, leading to increased agency costs and ineffective monitoring (Omoregie & Osuji, 2021). Thus, the evidence points to an optimal board size threshold for Nigerian firms rather than a linear relationship.

Ownership concentration was also identified as a major determinant of earnings management. Studies noted that concentrated ownership, especially by institutional investors, tends to limit opportunistic accounting because dominant shareholders have incentives to monitor managers (Ogunleye, 2023). Conversely, where ownership is highly concentrated among family members or politically connected individuals, earnings management becomes more entrenched due to collusion between owners and managers (Olojede & Afolabi, 2020). This duality underscores the importance of distinguishing between institutional and insider ownership structures.

Audit quality was widely acknowledged as a critical governance mechanism mitigating earnings management. The presence of Big Four auditors was linked to stricter monitoring, better enforcement of accounting standards, and lower earnings manipulation (Adegbie & Adeniyi, 2022). Nevertheless, concerns were raised about auditor independence in Nigeria, given that long auditor–client tenures and weak regulatory enforcement sometimes undermine audit effectiveness (Ogbonna & Olayinka, 2021). This suggests that reforms in auditor rotation and regulatory oversight are necessary for improving financial reporting integrity.

Gender diversity on boards received increasing attention in the reviewed literature. Several studies demonstrated that female directors tend to enhance ethical decision-making and reduce aggressive earnings management (Osemene et al., 2022). The underlying argument is that women bring diverse perspectives and are less tolerant of opportunistic practices. However, the impact of gender diversity was reported to be modest, as tokenism rather than genuine inclusion often characterized board appointments in Nigerian firms (Onyema & Ijeoma, 2023). This highlights the need for substantive inclusion rather than symbolic representation.

Regulatory frameworks also shaped the discourse in the reviewed studies. The introduction of the Nigerian Code of Corporate Governance (2018) was intended to strengthen transparency and accountability. Evidence from the reviewed studies indicated partial improvements, but weak enforcement, regulatory capture, and inconsistent compliance limited its impact (Okere et al., 2021; Olayinka & Ayeni, 2022). This reflects the broader institutional challenge in Nigeria, where reforms are often well-articulated but poorly implemented.

Another theme that emerged was the role of CEO duality in earnings management. Several studies found that when the CEO doubles as board chair, earnings manipulation tends to be higher due to the concentration of decision-making power (Ogunleye, 2023). In contrast, separation of roles was associated with more balanced oversight. Nonetheless, some studies reported that in Nigerian firms with strong founder influence, CEO duality persists despite governance codes, thereby weakening board monitoring.

Firm size and industry characteristics were found to moderate the relationship between governance mechanisms and earnings management. Larger firms, often under greater public scrutiny, were less likely to engage in aggressive reporting practices (Uwuigbe et al., 2020). Conversely, smaller firms, particularly in less regulated sectors, exhibited higher tendencies toward discretionary accruals. This suggests that governance reforms may need to be sector-specific to reflect contextual realities.

The review also revealed methodological variations across the studies. While most employed accrual-based measures of earnings management, others adopted real

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earnings management proxies. Interestingly, studies using accrual-based measures found stronger links between governance and reporting practices compared to those examining real activities manipulation (Olayinka & Ayeni, 2022). This divergence indicates the need for future research to integrate multiple earnings management proxies for more robust insights.

A recurring limitation across the reviewed studies was the reliance on secondary data from listed firms, particularly those in the financial sector. This restricted generalizability to smaller, unlisted firms, which may operate under different governance dynamics. Moreover, most studies applied cross-sectional designs, which limit causal inference. A few longitudinal studies suggested that governance reforms take time to reflect in reduced earnings manipulation, emphasizing the importance of temporal analyses (Ogbonna & Olayinka, 2021).

Synthesizing the findings, it becomes evident that corporate governance mechanisms in Nigeria have potential in mitigating earnings management, but their effectiveness is shaped by contextual realities such as weak enforcement, political interference, and cultural factors. This aligns with agency theory, which underpins most of the reviewed studies, by emphasizing the need for mechanisms that align managers' interests with those of shareholders. However, the persistence of earnings management despite governance reforms also calls for integrating institutional theory to account for broader systemic weaknesses.

The mixed evidence suggests that no single governance mechanism is sufficient in curbing earnings manipulation. Rather, a holistic approach that combines board independence, optimal board size, ownership structure, audit quality, and regulatory enforcement is required. In addition, reforms should prioritize not only the design of governance codes but also their consistent enforcement. Without this, corporate governance may remain a "box-ticking" exercise rather than a substantive deterrent to earnings management in Nigerian firms (Okere et al., 2021).

Thus, the findings highlight progress in corporate governance reforms in Nigeria, but also expose enduring challenges in limiting earnings management. Strengthening institutional enforcement, enhancing genuine board diversity, and ensuring auditor independence emerge as critical pathways for improving financial reporting credibility. These insights provide both theoretical contributions to the literature and practical implications for policymakers, regulators, and corporate leaders seeking to enhance governance effectiveness in Nigeria.

5. Conclusion and Recommendations

This study systematically reviewed fifty-two (52) peer-reviewed articles published between 2020 and 2025 on the relationship between corporate governance and earnings management in Nigeria. The review revealed that corporate governance mechanisms such as board independence, gender diversity, audit committee effectiveness, and ownership structure play a critical role in curbing earnings manipulation. However, their effectiveness remains inconsistent across firms and industries. Weak enforcement of governance codes, cultural influences, and firm-specific dynamics contribute to these mixed outcomes, limiting the overall impact of governance structures on reducing earnings management.

The findings further indicate that while reforms in Nigeria's governance landscape, particularly post-2018, have improved corporate accountability and disclosure, significant gaps persist in ensuring that governance structures consistently

translate into transparent financial reporting. Corporate governance in Nigeria is often more symbolic than substantive, with compliance largely motivated by regulatory requirements rather than ethical commitments. This reality underscores the need for stronger institutional frameworks and cultural transformation to embed accountability into corporate practices.

Lastly, the systematic review establishes that corporate governance in Nigeria holds significant promise for enhancing financial reporting credibility, but its potential is constrained by structural weaknesses, managerial opportunism, and enforcement gaps. Strengthening institutional enforcement, enhancing genuine board diversity, and safeguarding auditor independence are critical pathways for improving governance effectiveness. Moving forward, a more holistic approach that transcends regulatory compliance and embeds integrity and accountability into the fabric of corporate culture is necessary. These insights provide theoretical contributions to the literature and practical implications for policymakers, regulators, and corporate leaders committed to improving the governance–earnings management nexus in Nigeria.

The findings of this study provide several important implications for regulators, practitioners, and scholars. First, there is a need to strengthen regulatory enforcement in Nigeria. Agencies such as the Securities and Exchange Commission (SEC) and the Financial Reporting Council of Nigeria (FRCN) should enhance their monitoring frameworks and impose stricter sanctions on firms found to be engaging in earnings manipulation. Robust enforcement mechanisms would discourage opportunistic managerial behaviour and encourage genuine adherence to corporate governance codes, thereby enhancing transparency in financial reporting.

Furthermore, improving board effectiveness remains critical. Firms are encouraged to ensure that board composition reflects a balanced mix of independent directors, gender diversity, and relevant professional expertise. Such diversity not only improves the quality of oversight but also minimizes agency conflicts and managerial discretion in financial reporting. Similarly, audit committees must be empowered through continuous capacity building in areas such as forensic accounting, risk management, and international best practices. Strengthening audit committees in this way will improve their effectiveness in detecting and mitigating earnings management practices.

In addition, promoting an ethical corporate culture is central to sustainable governance reform. Organizations should move beyond mere compliance with regulations to actively cultivate values of transparency and accountability. Ethics-driven leadership, the protection of whistleblowers, and reward systems for integrity in financial reporting can help reinforce such a culture. Stakeholder engagement is also vital; shareholders, civil society organizations, and professional associations should be more actively involved in corporate oversight, as external pressure contributes to greater accountability and ethical reporting.

Finally, future research should explore the corporate governance–earnings management nexus using advanced econometric models, industry-specific analyses, and comparative studies. Moreover, the roles of sustainability reporting, digitalization, and environmental, social, and governance (ESG) frameworks should be examined to provide deeper insights into how emerging issues shape governance practices and reporting outcomes in Nigeria.

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