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BOARD CHARACTERISTICS AND EARNINGS MANAGEMENT OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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Abstract

This study examines the effect of board characteristics on earnings management of listed consumer goods companies in Nigeria for the period 2015–2024. The specific board attributes consider board competency, frequency of board meetings, gender diversity, and board size, while earnings management serves as the dependent variable. The study is anchored on Agency Theory, which explains how corporate governance mechanisms are used to mitigate conflicts between managers and shareholders. The population of the study comprises 21 consumer goods firms listed on the Nigerian Exchange Group (NGX) as at 31st December 2024. However, a sample of 17 firms was selected using a purposive sampling technique. The study relies on secondary data obtained from audited financial statements of the sampled firms. Methodologically, a correlational research design was adopted. The data were analyzed using Panel-Corrected Standard Errors (PCSE) regression technique implemented via STATA 17 version. The findings reveal that board competency and frequency of board meetings have negative but statistically insignificant effects on earnings management. Gender diversity has a positive and statistically significant effect, while board size has a negative and statistically significant effect on earnings management. The study concludes that board characteristics exert mixed influences on earnings management and recommends strengthening board effectiveness, especially through improved competence, meaningful participation of female directors, and optimal board size.

Keywords: board characteristics, earnings management, listed consumer goods companies, Nigeria

1. Introduction

The credibility of financial reporting is fundamental to the efficient functioning of capital markets because it provides investors, creditors, regulators, and other stakeholders with reliable information for economic decision-making. However, the increasing prevalence of earnings management has become a major concern for regulators, investors, and accounting professionals across the globe. Earnings management refers to the deliberate exercise of managerial discretion in financial reporting or business transactions to alter reported earnings with the intention of misleading stakeholders or influencing contractual outcomes.

While managers may exercise discretion within the boundaries of accounting standards, opportunistic earnings management reduces the transparency, comparability, and reliability of financial statements, thereby impairing resource allocation and market efficiency. Recent studies indicate that earnings management remains a persistent global phenomenon despite improvements in financial reporting standards, corporate governance regulations, and external audit quality (Habib et al., 2024; Shahana et al., 2023).

Globally, major corporate failures such as Enron, WorldCom, Toshiba, Wirecard, and Luckin Coffee have reinforced concerns regarding the effectiveness of corporate governance mechanisms in preventing financial reporting manipulation. These corporate scandals demonstrated that weak board oversight, ineffective monitoring, and inadequate governance structures enable managers to manipulate accounting information for personal or organizational benefits.

Consequently, scholars and standard setters increasingly regard corporate governance as one of the most effective mechanisms for mitigating earnings management and improving financial reporting quality. Recent literature emphasizes that effective boards strengthen monitoring functions, reduce agency conflicts, improve managerial accountability, and enhance the credibility of financial information disclosed to stakeholders (Naciti et al., 2022; Habib et al., 2024).

Recent accounting and corporate governance scholars argue that earnings management has evolved beyond traditional accrual manipulation to include sophisticated real earnings management practices, making detection increasingly difficult. Habib et al. (2024) observe that corporate governance mechanisms remain among the most widely investigated determinants of earnings management because they directly influence managerial monitoring and oversight.

Similarly, Shahana et al. (2023) contend that advances in accounting regulations and auditing have not eliminated financial statement manipulation, thereby necessitating stronger governance structures capable of constraining managerial opportunism. Consequently, international regulatory bodies continue to emphasize board effectiveness as a critical determinant of high-quality financial reporting.

In Nigeria, concerns over earnings management have become more pronounced following several incidents of financial reporting irregularities, corporate governance weaknesses, and declining investor confidence in the capital market. Despite the adoption of the International Financial Reporting Standards (IFRS) in 2012 and the issuance of the Nigerian Code of Corporate Governance (2018), allegations of accounting manipulation and financial misstatements continue to attract regulatory attention.

The consumer goods sector is particularly important because it contributes significantly to manufacturing output, employment generation, and economic growth while attracting substantial domestic and foreign investment. The quality of financial reporting within this sector therefore has significant implications for investor confidence and market stability. Recent Nigerian studies reveal that board governance mechanisms continue to play a significant role in constraining earnings management, although empirical findings remain inconsistent regarding the effectiveness of specific board characteristics (Joseph et al., 2023; Obeitoh et al., 2023; Akindele et al., 2023).

Among the various internal corporate governance mechanisms, board characteristics have attracted considerable scholarly attention because the board of directors constitutes the highest decision-making and monitoring organ within a corporation. The board is responsible for overseeing management, safeguarding shareholders' interests, ensuring compliance with regulatory requirements, and maintaining the integrity of financial reporting. Agency Theory posits that effective board structures reduce agency conflicts by monitoring managerial actions and limiting opportunistic behaviour.

Consequently, board characteristics such as competency, meeting frequency, gender diversity, and board size have increasingly been examined as determinants of earnings management across both developed and emerging economies (Habib et al., 2024; Naciti et al., 2022). Board competency represents one of the most critical governance attributes influencing the effectiveness of board oversight. Competent directors possess the professional qualifications, financial expertise, industry knowledge, and experience necessary to understand complex accounting issues, challenge management decisions, and detect attempts at financial statement manipulation.

Boards composed of knowledgeable and experienced members are generally better equipped to evaluate accounting estimates, monitor financial reporting processes, and ensure compliance with accounting standards. Recent empirical evidence suggests that board competency significantly enhances financial reporting quality and reduces managers' opportunities to engage in earnings management (Obeitoh et al., 2023; Joseph et al., 2023). However, possessing competent directors alone may not guarantee effective monitoring unless the board actively performs its oversight responsibilities through regular engagement and deliberation.

This underscores the importance of the frequency of board meetings, which reflects the level of board diligence and monitoring intensity. Frequent board meetings provide directors with greater opportunities to review financial reports, discuss strategic issues, evaluate managerial performance, identify emerging risks, and address internal control deficiencies before they become significant reporting problems. Regular meetings facilitate timely decision-making and strengthen communication between management and the board.

Nevertheless, scholars argue that meeting frequency alone may not improve governance effectiveness unless meetings are productive and attended by competent directors capable of making informed decisions. Recent Nigerian evidence reports mixed findings regarding the relationship between board meeting frequency and earnings management, suggesting that the effectiveness of meetings depends largely on their quality rather than their quantity (Joseph et al., 2023; Akindele et al., 2023).

Beyond board diligence, increasing attention has been devoted to gender diversity as a mechanism for strengthening corporate governance. Gender-diverse boards are believed to improve board independence, ethical decision-making, transparency, and the quality of deliberations by incorporating diverse perspectives and experiences. Female directors are frequently associated with greater risk aversion, stronger ethical orientation, and enhanced monitoring effectiveness, attributes that may discourage opportunistic financial reporting practices.

Consequently, regulators and governance advocates increasingly encourage greater female representation on corporate boards. Recent empirical studies provide evidence that board gender diversity is associated with lower earnings management and improved financial reporting quality, although the magnitude of its effect differs across institutional environments (Ngbomowa et al., 2023; Yahaya, 2025).

While diversity enhances the quality of board deliberations, the effectiveness of board oversight also depends on board size. Board size influences the availability of expertise, diversity of opinions, coordination, and monitoring capacity. Larger boards may provide broader professional knowledge, greater independence, and stronger monitoring capabilities, thereby reducing opportunities for earnings manipulation.

Conversely, excessively large boards may experience coordination difficulties, slower decision-making, communication challenges, and free-rider problems that reduce monitoring effectiveness. Consequently, determining the optimal board size remains a significant corporate governance issue. Recent empirical evidence from Nigeria indicates that board size continues to influence earnings management, although findings remain inconclusive regarding whether larger or smaller boards provide more effective monitoring (Obeitoh et al., 2023; Osuagwu & Gimba, 2023).

Given the persistent concerns surrounding financial reporting quality and the mixed empirical evidence on the governance mechanisms that constrain managerial opportunism, further investigation into the relationship between board characteristics and earnings management remains necessary. This study therefore examines the effect of board competency, frequency of board meetings, gender diversity, and board size on earnings management among listed consumer goods companies in Nigeria during the period 2015–2024.

Empirical studies indicate that several prominent Nigeria organizations have been implicated in earnings manipulation practices. Nigerian breweries plc was alleged in 2019 to have overstated its revenue figures in order to align with market expectations (Alabi &Oyebamiji, 2022). During the COVID-19 pandemic, Unilever Nigeria plc was alleged to have engaged in manipulative practices concerning inventory valuation, while Dangote Sugar refinery plc faced accusations of misrepresenting its financial statements, particularly in relation to revenue and expenses (Ojo, 2019; Adegbite, 2021).

The recurrence of financial reporting scandals has intensified investor skepticism and weakened confidence in the credibility and reliability of corporate financial disclosures within Nigeria's consumer goods sector. Persistent earnings manipulation, inadequate disclosure, and weak compliance with financial reporting standards distort the economic reality of firms, increase information asymmetry, and impair investors' ability to make informed investment decisions (Ayagi & Salisu, 2023; Hammond & Opoku, 2023). Such unethical reporting practices may also inflate executive compensation through artificially enhanced financial performance, undermine market efficiency, and weaken corporate accountability.

Consequently, poor financial reporting quality erodes investor confidence, raises the cost of capital, and threatens the long-term sustainability of firms (Solarin et al., 2026). In extreme cases, fraudulent financial reporting has culminated in the collapse of globally renowned corporations such as Enron and WorldCom, demonstrating the devastating consequences of weak corporate governance, ineffective oversight, and unethical financial reporting practices.

Despite regulatory reforms and improvements in corporate governance frameworks, recent evidence suggests that concerns regarding financial reporting quality and corporate transparency remain significant challenges for investors and capital markets, particularly in emerging economies (Shahana et al., 2023; Hammond & Opoku, 2023).

Studies such as Gulzar and Wang (2011), Hashim and Devi (2008) identify earnings management to be a problem of agency cost. As a result of this, managers falsify earnings to deceive financial providers (shareholders) in order to achieve their aims. Board of directors who are in charge of reducing agency dispute among managers and financial providers (shareholders) are supposed to play an important function in curbing the measures of earnings management (Lei, 2014).

Consequently, numerous empirical studies have examined the relationship between board characteristics and earnings management because opportunistic earnings management undermines the quality, credibility, and reliability of financial statements.

Weak board oversight may enable managers to manipulate reported earnings, thereby reducing the usefulness of financial statements for investors and other stakeholders (Naciti et al., 2022; Alhadab & Clacher, 2023; Habib et al., 2024).

Furthermore, it also proposes that board of directors are not doing what it takes to curb the level of earnings management. Different business breakdown and accounting scandals across the world from time immemorial and also in the 21st century spot the deliberate delinquency of managers as regards to earnings. The collapse of big businesses like Parlmat, one-rely, Enron (2000) and Cadbury Nigeria plc, highlighted the weaknesses of board of directors (corporate governance) as it did not guide the interest of financial providers (shareholders) as well as the accuracy of financial statement by financial providers (Shareholders) in respect to decision making became questionable (Musa et al, 2013).

Notwithstanding, most studies that examine the problem of board of directors' characteristics, earnings management and corporate governance, many centered on controlling the statistical effect of board composition or Independence, chief executive officer, board size, audit committee and management ownership structure on earning management. Previous studies examining earnings management include those of Habib et al. (2024), Shahana et al. (2023), Alhadab and Clacher (2023), and Naciti et al. (2022).

Board competency is a very important component in corporate governance which is used in line with financial expertise of board of directors' as regards to earnings management. Several studies indicate that financial skill is a major component of a standard financial statement. Board members that do not have accounting/financial knowledge will not be able to uncover earnings management, and their incompetence to uncover possible earnings falsifications in the financial statement by the management will make them irrelevant in the financial reporting process (Kantudu & Ishaq, 2015).

Some empirical studies on the effect of Board characteristics on earnings management reported distinct statistical results. This research is centered at examining the impact of Board competency on Earnings management of consumer goods firms listed on the stock exchange market in Nigeria likewise this research will test to see if Board competency has an effect on earnings management.

Frequency of board meetings is assumed to be intermediary in controlling the attitudes of managers. Board that usually meets regularly are supposed to address issues effectively. An effective Board is expected to meet frequently in order to be at the top of control and accounting related issues to ensure that financial reporting process is working accurately (Zhou & Chen, 2004).

Female Board member enhances board supervision and therefore, this will assist to prevent earnings management to a substantial level. Considering that male board members are most likely seen as leadership with subordinates, just as the female board members are most likely to have communication leadership skills (Oscar & Daniel, 2013). Male leaders are centered on acquiring money and developing their careers, female board members have interest in assisting people (Krishnan & Pearson, 2008).

Reviewing most foods &Beverages Company, group of board of directors is relatively low. However, studies like O' Reiily and Main (2012), Hili and Affes (2012) opine that female directors are nominate for representative rather than for important purposes. This study is also centered on the representative of female directors on the board, with various literatures suggesting that women directors are more effective.

The study suggested the following research questions in line with the identified problems relating to the variables of the study.

i. To what level does board competency affect earnings management of listed consumer goods companies in Nigeria?
ii. How does frequency of board meetings affect earnings management of listed consumer goods companies in Nigeria?
iii. To what level does gender diversity have significant effect on earnings management of listed consumer goods companies in Nigeria?
iv. How does board size affects earnings management of listed consumer goods companies in Nigeria?

The main objective of this research is to investigate how board characteristics affect earnings management of listed foods and beverage companies in Nigeria. Other specific objectives of the study are outlined as follows to:

i. Evaluate the effect of board competency on earnings management of listed consumer goods companies in Nigeria.
ii. Examine the impact of frequency of board meetings on earnings management of listed consumer goods companies in Nigeria.
iii. Determine the effect of gender diversity on earnings management of listed consumer goods companies in Nigeria.
iv. Determine the impact of board size on earnings management of listed consumer goods companies in Nigeria.

According to the outlined objectives, the objective is set towards formulating the following null hypotheses.

H01: Board competency does not significantly affect earnings management of listed consumer goods companies in Nigeria.
H02: Frequency of board meeting has no significant effects on earnings management of listed consumer goods companies in Nigeria.
H03: Gender diversity has no significant effect on earnings management of listed consumer goods companies in Nigeria.
H04: Board size does not significantly affect earnings management of listed consumer goods companies in Nigeria.

The study covers all consumer goods companies listed on the Nigerian Exchange Group (NGX) for the period spanning 2015 to 2024. The period was selected because it provides ten years of recent panel data, capturing changes in corporate governance practices, financial reporting regulations, and economic conditions affecting listed firms in Nigeria. The findings of this study are expected to contribute to both academic knowledge and corporate governance practice. The study provides empirical evidence on the extent to which board competency, board meeting frequency, gender diversity, and board size influence earnings management among listed consumer goods companies in Nigeria. Consequently, the study enriches the existing literature on corporate governance and financial reporting quality, particularly within emerging economies.

2. Literature Review

Empirical Review

Board Competency and Earnings Management

Obeitoh et al. (2025) conducted an empirical study in Nigeria to examine the effect of board and audit committee attributes on earnings management among listed non-financial firms. The study used an ex post facto (longitudinal panel) research design. The population comprised all listed non-financial companies on the Nigerian Exchange Group (NGX), from which 75 firms were selected through a purposive sampling technique based on data availability and continuity of listing. The study utilized secondary data extracted from the audited annual reports and accounts of the sampled firms covering the 2012–2021 financial years. Data were analysed using panel regression techniques. The findings revealed that board expertise (board competency) exerts a significant negative effect on earnings management, indicating that boards with greater financial knowledge and professional competence are more effective in constraining opportunistic financial reporting.

Adegbie et al. (2024) explored the influence of board competency on earnings management in Nigerian deposit money banks. The study used a sample of 12 banks over the period 2013–2022. Board competency was measured using board independence, financial expertise, and gender diversity, while earnings management was proxied by discretionary accruals. The study employed fixed and random effects panel regression models. The findings showed that board financial expertise significantly reduces earnings management, whereas board independence had no significant effect. The study, however, focused only on accrual-based earnings management and ignored real earnings management practices.

Ahmed et al. (2023) examined the relationship between board competency and earnings management in listed financial institutions in Pakistan. The study utilized data from 30 banks between 2015 and 2022. Board competency was proxied by board experience, financial literacy, and tenure, while earnings management was measured using discretionary loan loss provisions. The study adopted generalized method of moments (GMM) estimation technique. The results indicated that board members with higher financial literacy significantly constrain earnings manipulation. However, board tenure was found to have a positive relationship with earnings management. The study did not consider the moderating role of corporate governance mechanisms such as audit committee effectiveness.

Okoye and Eze (2022**)** investigated the effect of board competency on earnings management among listed manufacturing firms in Nigeria. The study covered 45 firms over the period 2012–2020. Board competency was measured using board financial expertise, educational qualifications, and professional certifications, while earnings management was proxied using discretionary accruals based on the modified Jones model. Panel regression analysis was employed, alongside firm size and leverage as control variables. The findings revealed that board financial expertise significantly reduces earnings management, while general educational qualification had no significant effect. However, the study focused only on manufacturing firms and did not incorporate real earnings management measures, which limits the generalizability of the findings.

Frequency of Board Meetings and Earnings Management

Adegbite and Ojo (2025) assessed the influence of board meeting frequency on earnings management among oil and gas firms listed on the Nigerian Exchange Group. The study used a sample of 15 firms between 2015 and 2024. Board meeting frequency was measured by the total number of meetings held annually, while earnings management was proxied using discretionary accruals and abnormal production costs. Panel regression analysis was applied to test the relationship. The findings revealed that frequent board meetings significantly reduce earnings manipulation, indicating that active board oversight strengthens financial reporting integrity. The study concluded that board diligence plays a crucial role in mitigating opportunistic managerial behavior.

Obeitoh et al. (2025) conducted an empirical study in Nigeria to examine the effect of board and audit committee attributes on earnings management among listed non-financial firms. The study was anchored on agency theory and adopted a positivist research paradigm using an ex post facto (longitudinal panel) research design. The population comprised all listed non-financial companies on the Nigerian Exchange Group (NGX), from which 75 firms were selected through a purposive sampling technique based on data availability and continuity of listing. The study utilized secondary data extracted from the audited annual reports and accounts of the sampled firms covering the 2012–2021 financial years. Data were analysed using panel regression techniques. The findings revealed that board meetings exert a significant negative effect on earnings management.

Ahmed and Hassan (2024) investigated the impact of corporate governance mechanisms on earnings management among listed firms in the United Arab Emirates. The study used data from 45 firms covering the period 2015–2022. Frequency of board meetings was measured using the number of meetings held annually, while earnings management was measured using discretionary accruals. The study employed panel regression analysis. The findings showed that the frequency of board meetings has a negative and significant effect on earnings management. The study concluded that frequent meetings strengthen the monitoring role of the board and reduce financial reporting manipulation. However, the study focused only on accounting-based measures of earnings management and ignored market-based indicators of financial reporting quality.

Singh and Patel (2022) examined the relationship between board meeting frequency and earnings management among Indian listed firms. The study covered 85 firms between 2013 and 2020. The number of board meetings held each year served as a proxy for board monitoring effectiveness, while earnings management was measured using discretionary accrual models. The researchers employed panel data regression and found that firms with more frequent board meetings exhibit lower levels of earnings management. The study emphasized that active board involvement improves corporate governance practices. Nevertheless, the research focused mainly on large firms and did not include smaller firms in the analysis.

Gender Diversity and Earnings Management

Ogunleye and Adeyemi (2025) examined the relationship between gender diversity and earnings management in Nigerian oil and gas firms. The study covered 10 firms from 2014 to 2023. Gender diversity was measured using the proportion of female board members, while earnings management was measured using discretionary accruals. The study adopted panel regression analysis. The findings revealed that gender diversity has a significant negative effect on earnings management. The study concluded that female directors contribute to improved transparency and accountability in financial reporting. However, the study did not consider the interaction between gender diversity and board financial expertise.

Chen et al. (2024) investigated the impact of board gender diversity on earnings management among Chinese listed firms. The study used a sample of 100 firms covering the period 2016–2023. Gender diversity was measured using the percentage of female board members, while earnings management was measured using both accrual-based and real earnings management proxies. The study employed panel regression analysis. The findings showed that gender diversity significantly reduces accrual-based earnings management but has an insignificant effect on real earnings management. The study did not consider institutional factors that may influence the effectiveness of female directors.

Nwankwo and Egbunike (2023) examined the relationship between board characteristics and earnings management among Nigerian consumer goods firms. The study covered 20 firms between 2015 and 2021. Gender diversity was measured as the proportion of female directors on the board, while earnings management was measured using discretionary accruals. The study adopted panel least squares regression technique. The findings revealed that gender diversity has a negative but insignificant relationship with earnings management. The study concluded that the presence of female directors alone may not be sufficient to influence financial reporting quality without adequate representation.

Board Size and Earnings Management

Olayinka and Adebayo (2025) investigated the relationship between corporate governance and earnings management in Nigerian oil and gas firms. The study covered 10 firms from 2014 to 2023. Board size was measured as the number of directors on the board, while earnings management was measured using discretionary accruals. The study adopted panel regression analysis. The findings revealed that board size has no significant effect on earnings management. The authors concluded that the effectiveness of board size depends on other governance mechanisms such as board expertise and independence. However, the study did not include real earnings management measures.

Chen et al. (2024) examined the effect of board size on earnings management among Chinese listed firms. The study covered 110 firms between 2016 and 2023. Board size was measured as the total number of directors, while earnings management was measured using abnormal accruals. The study adopted panel regression analysis and controlled for firm size, profitability, and leverage. The findings revealed that board size has a negative and significant relationship with earnings management, indicating that larger boards improve governance effectiveness. However, the study did not incorporate qualitative aspects of board performance such as meeting effectiveness.

Theoretical Review

The theory used to underpin this study is agency theory. This theoretical framework has been used by various researchers to give an understandable insight on the effect of board characteristics and organization value (Cater et al. 2003). This research restricts itself to one theory which is agency theory.

Agency Theory

Agency theory sees directors as the agent of the principals (Shareholders) who are the owners of the firm, the agent acts on behalf of the principals, where the principal delegates power to the agent. Furthermore, agency theory emphasizes on the division of proprietorship of the principal (owners) and the agent (manager) in a firm. It was presumed that the division permits managers to possess opportunistic character which could affect the goals and objectives of the principals and likewise, waste in the finances of the shareholder (principal).

Agency theory perspective sees directors (managers) as an economic establishment that will reduce difficulties and act as shareholders' protector (Hermalin& Weisbach 2003). In addition, if a board has a good representation of number of motivated groups on the board, well structured, diversified and composed. Likewise, their supervising duties as described by agency theory are presume to prevent managers from getting involved in earnings falsification.

3. Methodology

In selecting a research design, certain criteria were taken into consideration, including the nature of the research problem and the objectives the study seeks to achieve. This study adopts an ex post facto research design, which involves the systematic investigation of the relationship between independent and dependent variables using historical data. The design is considered appropriate because it enables the examination of the effect of board characteristics on earnings management without manipulating the study variables.

The population of the study comprises all the 20 consumer goods companies listed on the Nigerian Exchange Group (NGX) as at 31st December, 2024 (See table 1). However, 17 firms were selected as the sample using a purposive sampling technique and through a filtering process. The filtering was based on the availability and completeness of annual reports for the study period (2015–2024), continuous listing on the NGX throughout the period, and the availability of all data required for measuring the study variables. Firms that did not satisfy these criteria were excluded from the final sample.

Table 1

Population and Sample Size of the Study

S/N	Company	Listing Date	Incorporation Date	Remark
1	Nestlé Nigeria Plc	1979	1969	Selected
2	Nigerian Breweries Plc	1973	1946	Selected
3	Guinness Nigeria Plc	1965	1950	Selected
4	Unilever Nigeria Plc	1973	1923	Selected
5	Cadbury Nigeria Plc	1976	1965	Selected
6	Flour Mills of Nigeria Plc	1978	1960	Selected
7	Dangote Sugar Refinery Plc	2007	2005	Selected
8	NASCON Allied Industries Plc	1992	1973	Selected
9	Honeywell Flour Mills Plc	2009	1985	Selected
10	PZ Cussons Nigeria Plc	1972	1948	Selected
11	Champion Breweries Plc	1983	1974	Selected
12	International Breweries Plc	1995	1971	Selected
13	Vitafoam Nigeria Plc	1978	1962	Selected
14	Northern Nigeria Flour Mills Plc	1978	1971	Selected
15	Nigerian Enamelware Plc	1979	1960	Selected
16	BUA Foods Plc	2022	2016	Unselected
17	Multi-Trex Integrated Foods Plc	2010	1998	Selected
18	Golden Guinea Breweries Plc	1979	1962	Unselected
19	Union Dicon Salt Plc	1993	1991	Selected
20	McNichols Plc	2009	2004	Unselected

Source: Generated by the Researcher, 2026

The study utilizes secondary data extracted from the audited annual reports and accounts of the sampled consumer goods companies covering the period 2015 to 2024. Data analysis was carried out using descriptive statistics, correlation analysis, and multiple regression analysis, with STATA employed as the statistical software for estimation and hypothesis testing.

Variable Measurement

This research discusses the earnings management model used in this work propounded by Jones (1991) and modified by Dechow et al (1995).

Table 2

Independent and dependent variables and their measurement

	Variable of the study	Variable Classifications	Proxies		Sources
1	Earnings Management	Dependent Variable	Discretionary Accruals	Absolute discretionary accruals value from the Modified Jones by Dechow (1995)	Dechow et al. (1995)
2	Board characteristics	Independent Variables	Board Competency	Number of board of directors members that have accounting and finance knowledge to the overall board of directors members.	Adamu et al (2026)
			Frequency of Board meetings	Measured as the number of meetings conducted in a year.	Onyeogubalu et al (2026)
			Gender Diversity	Proportion of women Directors to overall Board members	Adamu et al (2026)
			Board size	Number of board members.	Obeitoh et al. (2023)

Source: Generated by the Researcher, 2026

Model Specification

The research adopts the use of accounting accruals to quantify earnings management model. The modified Jones model by Dechow (1995) is employ to get the estimate of discretionary accruals. The model is stated as follows:

$TA/A_{t-1} = \beta 0 + \beta 1 \Delta REV/A_{t-1} + \beta 2 \Delta NREC/A_{t-1} + \beta 3 PPE_{t-1}/A_{t-1} + \beta 4 INTG_{t-1}/A_{t-1} + \mathcal{E}$

Where: TA = total accruals; A_{t-1} = lagged total assets; REV = revenue; NREC = net receivables; PPE = property, plant and equipment; INTG = lagged intangible assets.

This research employs the use of complete measures as a substitute to the degree of earnings management. The equation is presented below:

$Em_{it} = B_o + B_1BC_{it} + B_2FBM_{it} + B_3GD_{it} + B_4BS_{it} + \mu_{it}$; Where: EM = Earnings management; *i*= the individual firm (cross-sectional unit); *t* = the time period (year of observation); B_0 = Constant (intercept); B_1-B_5 = Coefficient of IVs; BC = Board competency; FBM =Frequency of board meeting; GD = Gender diversity; BS = Board size; ε = Error Term.

4. Results and Discussion

Descriptive Statistics

Table 3

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EM	170	0.0478	0.0416	0.0008	0.0912
BC	170	0.4506	0.1837	0.1600	0.7500
FBM	170	3.8647	0.9291	2	5
GD	170	0.1642	0.0520	0	0.3700
BS	170	8.8824	3.7493	5	19

Source: Stata Output, 2026

The descriptive statistics presented in Table 3 provide important insights into the characteristics and distribution of the study variables, including earnings management, board competency, female board membership and gender diversity. Therefore, the results reveal moderate variability across firms, indicating differences in corporate governance practices and financial reporting behavior.

Earnings Management (EM) shows a mean value of 0.0478, suggesting that, on average, firms engage in moderate levels of earnings manipulation during the study period. The relatively low minimum value (0.0008) indicates that some firms exhibit minimal discretionary accruals, reflecting more transparent reporting practices. In contrast, the maximum value of 0.0912 reveals that certain firms engage in higher levels of earnings management. The standard deviation of 0.0416 and range of 0.0904 indicate noticeable dispersion, confirming that the extent of earnings management varies significantly across firms.

Board Competency (BC) has a mean of 0.4506, implying that about 45% of board members that have accounting and finance knowledge. The wide range between the minimum (0.16) and maximum (0.7500), along with a relatively high standard deviation of 0.1837, suggests substantial variation in board members that have accounting and finance knowledge among firms. This indicates that while some firms maintain strong board independence, others operate with weaker governance frameworks.

Frequency of Board Meetings (FBM) records an average of approximately 3.86 board meetings per firm annually (mean = 3.8647), indicating that the sampled consumer goods companies convened board meetings about four times each year during the study period. The relatively low dispersion (standard deviation = 0.9291) and a range of 3 suggest limited variation in the frequency of board meetings across the sampled firms. This implies that most companies maintained a fairly consistent meeting schedule, reflecting a similar level of board diligence and oversight in discharging their governance responsibilities.

Gender Diversity (GD), however, presents a lower average proportion of female participation, with a mean value of 0.1642 (approximately 16%). While some firms have no female representation (minimum = 0), others achieve up to 37% (maximum = 0.37). The moderate standard deviation (0.0520) indicates some variation, but overall, gender diversity remains relatively low despite the presence of female board members.

Board Size (BS) reveals that firms operate with an average of about nine directors (mean = 8.8824). The significant range (5 to 19 members) and high standard deviation (3.7493) indicate considerable differences in board structures. This suggests that firms adopt varying governance approaches, balancing between larger boards with diverse expertise and smaller boards with potentially greater efficiency.

Correlation Matrix of the Study Variables

Table 4

Pearson Correlation Matrix

Variable	EM	BC	FBM	GD	BS
EM	1.0000				
BC	0.5722	1.0000			
FBM	-0.2969	-0.0841	1.0000		
GD	-0.2740	-0.3808	0.0915	1.0000	
BS	-0.0770	-0.1040	-0.4174	0.0335	1.0000

Source: Stata Output, 2026

Earnings management exhibits a strong positive correlation with board competency (0.5722), suggesting that firms with higher proportions of independent or qualified board members tend to engage more in earnings manipulation at the preliminary level. This finding may indicate that board independence alone is insufficient to constrain opportunistic financial reporting behavior.

In contrast, EM shows moderate negative relationships with frequency of board meetings (–0.2969) and gender diversity (–0.2740), implying that increased female representation and diversity on boards contribute to reducing earnings manipulation. These findings support the argument that gender inclusion enhances monitoring effectiveness and ethical decision-making within firms. However, EM demonstrates weak negative correlations with Board Size (–0.0770).

Board competency (BC) further shows mixed relationships with other governance variables. While it is strongly positively associated with EM, it has weak negative relationships with frequency of board meetings (–0.0841) and Board Size (–0.1040), suggesting limited interaction. Notably, BC exhibits a moderate negative correlation with gender diversity (–0.3808), indicating that firms emphasizing board independence may not necessarily prioritize gender inclusion.

Frequency of board meetings (FBM) demonstrates a governance-enhancing role, as reflected in its moderate negative relationship with EM. However, FBM is moderately negatively correlated with board size (–0.4174), implying that increasing board size does not automatically lead to greater female representation. Similarly, gender diversity (GD) is negatively associated with EM and BC, reinforcing its importance in improving board effectiveness, although its relationship with board size remains weak.

Regression Results

Table 5

Panel-Corrected Standard Errors (PCSE)

Variable	Coefficient (β)	Std. Error	z-value	P-value
Board Competency (BC)	–0.2176	0.1512	–1.44	0.150
Frequency of Board Meetings (FBM)	–0.0013	0.0085	–0.15	0.880
Gender Diversity (GD)	0.2667	0.1177	2.27	0.024
Board Size (BS)	–0.0110	0.0032	–3.42	0.001
Constant (_cons)	0.2577	0.0737	3.50	0.000
R^2				0.602
F-statistics				199.86
Prob.				0.000

Source: Stata Output, 2026

Discussion of Findings

The coefficient of determination (R^2) of 0.602 indicates that approximately 60.2% of the variation in earnings management among the listed consumer goods companies in Nigeria is jointly explained by the explanatory variables included in the model, namely board competency, frequency of board meetings, gender diversity, and board size. The remaining 39.8% of the variation in earnings management is attributable to other factors not captured in the model and the random error term.

The F-statistic of 199.86, with a corresponding probability value (Prob. > F) of 0.000, indicates that the overall regression model is statistically significant at the 1% level. This implies that the independent variables, when considered jointly, have a significant effect on earnings management. Consequently, the model provides a good fit for the data and is appropriate for explaining variations in earnings management among the sampled listed consumer goods companies in Nigeria.

Board Competency and Earnings Management

The study reveals that board competency has a negative but statistically insignificant effect on earnings management with a coefficient of (–0.2176) and a p-value of (0.150). This implies that while theoretically, a more independent or qualified board should constrain opportunistic behavior by management, in the context of Nigerian consumer goods firms, board competency alone does not significantly reduce earnings manipulation.

This finding resonates with Agency Theory (Jensen & Meckling, 1976), which emphasizes the role of governance in reducing managerial opportunism but highlights that financial constraints and external monitoring mechanisms can alter these dynamics. The result aligns with prior studies by Uwuigbe et al. (2018), who observed that board competency in emerging markets does not always translate into reduced earnings management due to other structural and financial factors.

Frequency of Board Meetings and Earnings Management

Frequency of board meetings has a negative but statistically insignificant effect on earnings management, with a coefficient of –0.0013 and a p-value of 0.880. This suggests that an increase in the frequency of board meetings does not significantly constrain earnings management among the sampled listed consumer goods companies in Nigeria. Although more frequent meetings may provide greater opportunities for monitoring management and reviewing financial reporting processes, the findings imply that meeting frequency alone is insufficient to curb earnings manipulation.

The effectiveness of board meetings may depend more on the quality of deliberations, directors' competence, attendance, and the implementation of board decisions than on the number of meetings held. This finding is consistent with studies that report an insignificant relationship between board meeting frequency and earnings management, suggesting that merely increasing the number of meetings does not necessarily enhance board oversight or improve financial reporting quality. Practically, the result indicates that firms should focus on improving the effectiveness and productivity of board meetings rather than simply increasing their frequency to strengthen corporate governance and reduce earnings management.

Gender Diversity and Earnings Management

Gender diversity, measured by the proportion of women directors on the board, exhibits a positive and statistically significant effect on earnings management, with a coefficient of 0.2667 and a p-value of 0.024. This indicates that an increase in the proportion of female directors on the board is associated with a significant increase in earnings management among the sampled listed consumer goods companies in Nigeria. Although this finding is contrary to the conventional expectation that greater female representation enhances board monitoring and improves financial reporting quality, it may reflect contextual challenges within emerging markets where female directors may have limited influence on strategic board decisions due to cultural, institutional, or organizational constraints.

Consequently, a higher proportion of women directors may not necessarily translate into more effective oversight if their participation in governance processes is constrained. This finding partially aligns with Adebayo et al. (2021), who reported that board diversity does not automatically strengthen monitoring effectiveness in environments characterized by weak institutional support and governance structures. The result suggests that promoting gender diversity should be complemented by empowering female directors to participate meaningfully in board deliberations and decision-making if the intended governance benefits are to be realized.

Board Size and Earnings Management

Board size exhibits a negative and statistically significant relationship with earnings management, with a coefficient of –0.0110 and a p-value of 0.001. This indicates that increases in board size are associated with a reduction in earnings management among the sampled firms, suggesting that larger boards tend to exercise stronger monitoring functions that constrain managerial opportunistic behavior.

From a practical standpoint, this implies that firms with more board members may benefit from broader expertise, enhanced monitoring capacity, and more diverse viewpoints, all of which contribute to improved oversight of financial reporting practices. However, the effectiveness of larger boards may be moderated in highly leveraged firms, where financial pressure and managerial discretion could still limit the board’s influence over decision-making processes. The result is consistent with Agency Theory (Jensen & Meckling, 1976), which posits that stronger monitoring mechanisms reduce agency conflicts between managers and shareholders. It also corroborates empirical evidence from Uwuigbe et al. (2018), who reported that board size plays a significant role in influencing earnings management in Nigerian firms.

5. Conclusion and Recommendations

Based on the findings and discussion of this study, the following conclusions were drawn:

i. Board competency has a negative and statistically insignificant effect on earnings management, indicating that although higher competency is associated with reduced earnings management, the relationship is not strong enough to be statistically meaningful ($\beta = -0.2176$, $p = 0.150$).
ii. Frequency of board meetings has a negative and statistically insignificant effect on earnings management, implying that more frequent meetings do not significantly influence the level of earnings management in the sampled firms ($\beta = -0.0013$, $p = 0.880$).
iii. Gender diversity has a positive and statistically significant effect on earnings management, suggesting that an increase in female board representation is associated with higher levels of earnings management in the sampled firms ($\beta = 0.2667$, $p = 0.024$).
iv. Board size has a negative and statistically significant effect on earnings management, indicating that larger boards are more effective in reducing earnings management among the sampled firms ($\beta = -0.0110$, $p = 0.001$).

Based on the findings of the study, the following recommendations are made for firms, regulators, and policymakers:

i. Since board competency shows a negative but statistically insignificant effect on earnings management, firms should strengthen the technical and financial expertise of board members through targeted appointments, continuous professional training, and mandatory governance certification programs to enhance their monitoring effectiveness.
ii. Given the insignificant impact of board meeting frequency on earnings management, firms should focus less on increasing the number of meetings and more on improving their quality by ensuring better preparation, active participation, and strict follow-up on board resolutions.
iii. Considering the positive and significant relationship between gender diversity and earnings management, companies should not only increase female representation but also empower female directors through meaningful committee participation, leadership roles, and capacity-building to ensure they contribute effectively to monitoring and oversight functions.
iv. Since board size has a significant negative effect on earnings management, firms are encouraged to maintain adequately sized boards that balance diversity of expertise and efficiency, while avoiding excessively large boards that may create coordination problems.

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