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The Head,
Department of Accounting and Finance,
Federal University Gusau, Zamfara State.
elfarouk105@gmail.com
+2348069393824

FOR MORE INFORMATION, CONTACT

The Editor-in-Chief on +2348067766435
The Associate Editor on +2348036057525
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BOARD CHARACTERISTICS AND EARNINGS MANAGEMENT OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

Benjamin Gwabin Joseph
Department of Accounting
Kaduna State University, Kaduna
gwabin.kasu@gmail.com

Murtala Abdullahi PhD
Department of Accounting
Kaduna State University, Kaduna
murtala.abdullahi@kasu.edu.ng

Benjamin Kumai Gugong PhD
Prof. Accounting and Finance
Department of Accounting
Kaduna State University, Kaduna
bkgugong@gmail.com

Abstract
Corporate governance mechanisms have continued to strengthen the operations and activities of corporate entities in Nigeria. Board characteristics and earnings management have attracted many scholars trying to establish relevant relationship that will assist policy makers and regulatory agencies in facilitating good corporate governance. This study examines the impact of board characteristics on earnings management of listed consumer goods firms in Nigeria. The Agency Theory was used to underpin the study. Board characteristics as the independent variable was proxied using board independence, board meetings, board gender diversity and board expertise while earnings management as the dependent variable was measured using the Modifies Jones Model. The panel data multiple regression was used on data extracted from annual reports of sixteen listed consumer goods firms from 2011 to 2020. The study found that, board gender diversity and board expertise negatively and significantly influence earnings management while board independence and board meetings have no significant influence on listed consumer goods firms in Nigeria. The study therefore recommends that, regulatory agencies and policy makers should encourage listed consumer goods firms in Nigeria to increase diversity in boards and expertise as this will minimize earnings management activities by management.

Keywords: *Board Characteristics, Consumer Goods, Discretionary Accrual, Earnings Management*
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1. Introduction

Earnings management is driven by opportunistic tendencies of management towards achieving personal gains as against maximizing shareholder's wealth and improving company value. Secondly, earnings management is perpetrated to enhance corporate value which project the company as stable and having excellent future performance. It is in view of some of these tendencies that corporate governance has become inevitable in maintaining financial sanity in listed entities. As a corporate governance mechanism, it is the responsibility of the board of directors to ensure appropriate assignment of roles and responsibilities that will allow for good corporate governance practice. The board is to ensure that managers execute responsibilities that are in tandem with corporate objectives and goals. They are expected to ensure that, conflict of interest between managers, shareholders and other stakeholder group is minimized by aligning corporate objectives with stakeholders interest (Buraik & Idris, 2020).

The code of corporate governance recommends that the board of directors carry out its roles and responsibility in pursuance to maximizing shareholders wealth. Board of directors in executing their assigned roles and responsibility should possess the necessary skill and knowledge. This will ensure that interest of the shareholders are well served (Shatima et al., 2020). The board is characterized by individuals with diverse knowledge, experience and background this characteristics is essential in fostering diversity and expertise that will equip the board in making good strategic decision that will increase the shareholders wealth (Buraik & Idris, 2020). The quality of earnings of listed firms is linked to the quality of decisions made by the board in giving direction to the entity. Various scholars have examined certain board characteristics and their effect on earnings management. Some of these characteristics include board size, board independence, board diversity, board expertise, board composition, women directorship etc. these board characteristics have been found to have varied level of influence on earnings management.

As a consequence of the corporate scandals such as Enron, WorldCom, etc., the Sarbanes-Oxley Act of 2002 was introduced in the US to enhance corporate governance quality. In Nigerian, the Code of Corporate Governance of Nigeria 2011 (recently amended in 2018) was considered a benchmark in corporate entities in Nigeria. Moreover, researchers over the years have investigated into the menace with a view to explore the reasons behind the collapse of those big companies and have attributed it to the low ethical standards and poor corporate governance mechanisms (Akeju & Babatunde, 2017; Aifuwa et al., 2018; Aifuwa & Embele, 2019).

The study contributes practically as it brings to fore, the practical implication of board characteristics on earnings management of Listed Consumer Goods Firms in

Nigeria. In this way, the study fills the gap that may probably arise in the implementation and execution of board characteristics variables in enhancing earnings. Also, the study empirically extends the body of existing literature especially in the period covered and the area of using audit committee financial expertise to moderate the impact of selected board characteristics and earnings management. This will provide varied implications of board independence, meetings, diversity and expertise on earnings management of listed consumer goods firms in Nigeria.

The study will theoretically contribute to knowledge as it justifies the use of multiple theories in explaining the impact of Board Characteristics on Earnings Management of listed consumer goods firms in Nigeria. Finally, the study will be of immense significance to policymakers such as the security and exchange commission and financial reporting council in understanding the extent to which board characteristics are influenced by audit committee financial expertise. This will enable them to strengthen the corporate governance code to allow for good corporate practices that will protect the interest of shareholders, lenders, and creditor.

This current study is motivated by the use of modified Jones model as proposed in (Dechow et al., 1995) as proxy for measuring earnings management of Board Characteristics and Earnings Management of Listed Consumer Goods Firms in Nigeria. Although, prior studies have been undertaken on this area as mention earlier but not on consumer goods companies. Therefore, the main objective of the study is to examine the impact of Board Characteristics on Earnings Management of Listed Consumer Goods Firms in Nigeria.

From the objective of the study, the following hypotheses have been formulated in null form:

Ho_1: Board independence has no significant impact on earnings management of listed consumer goods firms in Nigeria.

Ho_2: Board meetings has no significant impact on earnings management of listed consumer goods firms in Nigeria.

Ho_3: Board gender diversity has no significant impact on earnings management of listed consumer goods firms in Nigeria.

Ho_4: Board expertise has no significant impact on earnings management of listed consumer goods firms in Nigeria.

The remaining part of the paper consist of section two which review the related empirical evidence and theoretical framework, section three gives the methodology of the study, while the result and discussions of findings was given by section four. Section five concluded the paper with recommendations.

2. Literature Review and Theoretical Framework

This section reviews relevant and related previous studies with a view to providing direction of the linkages between board characteristics and earning management. Board committees are expected to exhibit high degree of independence by ensuring that the number of independent non-executive directors on a board outweighs inside directors in order to maintain the independence of the board and comply with the code of corporate governance of 2018. In view of this, several studies have established an association between board characteristics and earnings management in Nigeria.

2.1 Board Independence and Earnings Management

Moura et al. (2017) examined the influence of board independence on earnings management. Earnings management was proxied using the Modified Jones Model while independence of the board was measure by the proportion of independent members on the board. The study employed the descriptive and quantitative research designs in sampling 270 companies. Secondary data extracted from the audited annual reports and accounts of the sampled firms covered a four-year period (2012-2015). On analysing the panel data collected using multiple regression, it was established that, board independence does not influence the level of earnings management among the sampled firms. This was attributed to pressure exerted by controlling shareholder and other internal directors. This study only considered one component of board characteristics (board independence) despite several characteristics which may influence earnings management positively.

Luo and Jeyaraj (2019) examined the relationship between board characteristics and earnings management among listed companies in the United Kingdom. The study employed the correlational and ex-post facto research designs in addressing the major objectives of the study. 203 sampled firms were selected out of a total number of 351 firms listed on the financial times and stock exchange (FTSE) 2012 to 2016. Data collected from the annual reports and accounts of sampled firms were analysed using the multiple regression (OLS, FE and RE) All tests necessary in validating the assumptions of linear regression were estimated. The study established that, board independence significantly influences earnings management negatively under the OLS models, revealing an insignificant influenced under the fixed effect and random effects models. Although the study employed a mixed research design, the period covered by the study was only five years which could be considered not sufficient to make reliable statistical inference. The OLS model used in the study does not account for the heterogeneous nature of sampled firms, hence not suitable for the study.

2.2 Board Meetings and Earnings Management

Buraik and Idris (2020) investigated the impact of board of directors' characteristics on monitoring earnings management (EM) intentions in Jordan. The characteristics of concern include director certificates in economic sciences, directors' turnover, CEO duality, board member remuneration and board meetings. The study carried out an analysis of a panel dataset of all publicly traded services firms listed on the Amman Stock Exchange (ASE) for the period 2014-2017 using logistic regression analysis. The study documents that directors' turnover motivates beneficial EM, whereas CEO duality motivates opportunistic EM in Jordanian services firms. However, the results do not show significant effect of director certificates in economic sciences, board member remuneration and board meetings on monitoring EM intentions. It was recommended that the election of directors be subject to rigorous requirements that ensure the appointment of efficient directors who can distinguish managerial intentions. This is expected to lead to the structuring of an effective internal control system based on proper ethical codes of conduct.

Idris (2015) investigated the relationship between board characteristics and earnings management among listed foods and beverages firms in Nigeria. board characteristics was proxied using board competence, frequency of board meeting and gender mix while earnings management was proxied using the modified jones model of 1995. The study employed the ex-post facto research design in sampling nine (9) foods and beverages firms out of a total population of twenty-one (21) listed on the NSE as at December 31st 2014. Data extracted from the annual reports and accounts covered a period of seven (7) years (2007 - 2013). These were analysed using the multiple regression and STATA 13 as tool of analysis. The findings of the study revealed that, frequency of board meeting negatively but significantly influence earnings management in listed foods and beverages firms in Nigeria. In view of recent changes and development in the regulatory framework (code of corporate governance, 2018) it is imperative that, studies like this be re-examined. Despite several board characteristics as defined by the code of corporate governance, 2018 only three proxies of board characteristics were examined.

2.3 Board Gender Diversity and Earnings Management

Harakeh et al. (2019) examined the effect of the exogenous increase in the presence of female directors on FTSE350 corporate boards in the UK, as mandated by the Davies Report (2011), on the association between earnings management and CEO incentive compensation. Secondary data were extracted from FTSE350 UK public companies between 2007 and 2015. The empirical design used was a difference-in-differences methodology where the treatment group is gender-diverse corporate boards and the control group is corporate boards that lack gender diversity. The study used two measures of gender diversity that include executive and non-executive female directors. The results showed a positive association between earnings management and CEO incentive compensation, and a negative association between female directors and earnings management. Overall, the study showed some of the economic consequences that the increased presence of female directors on corporate boards carries to public firms. Though recently published the study period is outdate and needs to be updated to reflect current changes in listed firms.

Riyadh et al. (2019) examined whether the Board Characteristics have any impact on Earnings Management among the international Oil and Gas Corporation in the world. The Board Characteristics such as (board independence, board size, board diversity, and CEO duality). The study applied a quantitative research approach, secondary data, a sample of 71 corporations were selected from Top 250 corporations for one year (2016). The findings of the study indicated that gender diversity has a significant impact on the reduction of earnings management.

More recently, Harakeh et al. (2019) investigating female directors and earnings management. The study employed the multiple panel data regression as technique of analysis. The study found that, there is a negative relationship between female directors and earnings management of UK listed firms between 2007 and 2015. On the contrary (Edwin & Timothy, 2019) investigated how board gender diversity influence financial reporting quality (measured using the modified Jones Model) of listed Nigerian Deposit Money Banks and revealed a positive relationship between gender diversity and reporting quality of Deposit Money Banks. This implies that, gender diversity does not in any way mitigate earnings management in Deposit Money Banks.

2.4 Board Expertise and Earnings Management

Aifuwa and Embele (2019) examined the relationship between board characteristics and financial reporting quality: Evidence from Jordan. The study argued that, a board is considered to have the required expertise when majority of its members have adequate educational and professional qualification in areas such as finance, accounting and auditing (Aifuwa & Embele, 2019). Board expertise were found to have negative and significant influence on earnings management of listed foods and beverage firms in Nigeria (Bala & Kumai, 2015). On the contrary, analyzing data of 71 listed companies in Bursa Malaysia from 2001 - 2005 using multiple linear and panel data regression, (Ahmed, 2013) reported that, board financial expertise positively relates to earnings management, this signifies that, having increased members with financial and professional expertise on the board would not reduce earnings management. This could be as a result of arguments among financial experts on the board on strategic issues that will end up delaying policy implementation and hence unable to check the quality of financial statement prepared and presented by management.

The theory of hegemony was first introduced by Gramsci (1937) (as cited by Alvarado & Boyd-Barrett, 1992) while in jail. This theory has two dimensions namely "Class Hegemony" and "Managerial Hegemony." Class hegemony explains that directors view and perceive themselves as an elite set of people at the top of the company and they will recruit or appoint other directors who are of the same caliber and can align with them (Fahr, 2010). While managerial hegemony is that corporate management members run the day-to-day operations of the company and as a result directors lose control to a certain extent. This not only weakens the influence of the directors, but also casts a passive role on the directors who become mere statutory bodies, (Okpara 2011).

In view of these, the characteristics of the board will determine the extent to which it manage and direct the activities of an entity. An independent board will tend to direct the affairs of the firm in the interest of the shareholders. A well-informed board that is independent could serve as "managerial hegemon" that tend to act collectively since most decisions are based on votes. However, board diligence (meetings) could affect the level of independence of the board. Sometime attendance by independent directors is not consistent. This could reduce its independence thus, create room for the management to act in their best interest. It is therefore important that the board meet regularly and deliberate on issues that affect the short- and long-term survival of the firm. This can only be achieved where there is no class hegemony.

Again, given the size, composition and diversity of the board, the management and shareholder representatives must promote good corporate governance at all times. The adopting and implementation of the corporate governance code will ensure that class hegemony is eliminated thus, allowing for managerial hegemony which will ensure that the management and other directors work together toward maximizing shareholders' wealth. However, shareholders must be aware of the tendencies for directors to act in their own self-interest which earnings management is one of the means to achieving that. Thus, the characteristics of the board should be evaluated to ensure compliance with good corporate practice. In addition, the appointment of auditors by the shareholders when done properly, could reduce management opportunistic tendences. Hence the theory of managerial hegemony underpins this study.

3. Methodology and Model Specification

This study employed correlational and ex-post facto research designs. The combination of these research designs is necessary in describing and analysis historical data extracted from annual report and accounts with a view to making inferences relating to board characteristics and earnings management. The data for this study were obtained mainly from secondary sources which were extracted from the audited annual reports and accounts of listed consumer goods firms on the Nigerian Stock Exchange (NSE) from 2011 to 2020. The population of the study consist of all the twenty listed consumer goods firms on the Nigerian Stock Exchange as at 31st December, 2020. Using census approach, sixteen listed consumer goods firms were selected as sample given the availability of their annual reports and accounts needed for the extraction of the data. In analyzing the data for this study, a multiple regression technique, correlation and descriptive statistics were used.

The variables of the study consist of Dependent Variable which is Earnings Management measured by discretionary accruals using the modified Jones model by Dechow et al. (1995). The independent variables Board characteristics were proxied by board independence, board meetings, board gender diversity and board expertise. This is shown in Table 3.1, which contains each variable with their respective definitions.

$$\mathrm{TA_{it}} = \mathrm{NI_{it}} - \mathrm{CFO_{it}} \text{ -- } (1)$$

$$\frac{\mathrm{TA_{it}}}{\mathrm{A_{it-1}}} = \beta_0 + \beta_1\left(\frac{1}{\mathrm{A_{it-1}}}\right) + \beta_2\left(\frac{\Delta\mathrm{REV_{it}} - \Delta\mathrm{REC_{it}}}{\mathrm{A_{it-1}}}\right) + \beta_3\left(\frac{\mathrm{PPE_{it}}}{\mathrm{A_{it-1}}}\right) + \mu_{\mathrm{it}} \text{ ----------------------- } (2)$$

$$\mathrm{NDA_{it}} = \beta_0 + \beta_1\left(\frac{1}{\mathrm{A_{it-1}}}\right) + \beta_2\left(\frac{\Delta\mathrm{REV_{it}} - \Delta\mathrm{REC_{it}}}{\mathrm{A_{it-1}}}\right) + \beta_3\left(\frac{\mathrm{PPE_{it}}}{\mathrm{A_{it-1}}}\right) + \mu_{\mathrm{it}} \text{ -------------------- } (3)$$

$$\mathrm{DACC_{it}} = \frac{\mathrm{TA_{it}}}{\mathrm{A_{it-1}}} - NDA_{\mathrm{it}} = \mu_{\mathrm{it}} \text{ --- } (4)$$

$$\mathrm{DACC_{it}} = \beta_0 + \beta_1\mathrm{BDIND_{it}} + \beta_2\mathrm{BDMTG_{it}} + \beta_3\mathrm{BDGDT_{it}} + \beta_4\mathrm{BDEXP_{it}} + \mu_{\mathrm{it}} \text{ ------- } (5)$$

Where:

TA_{it} = Total accruals of firm i in year t , NDA_{it} = Non-discretionary accruals of firm i in year t, A_{it-1} = Total assets of firm i in year t-1, ΔREV_{it} = Change in revenue of firm i in year t, ΔREC_{it} = change in receivables of firm I in year t, PPE_{it} = Gross property, plant and equipment of firm i in year t, $DACC_{it}$ = Discretionary accruals of firm i in year t, μ_{it} = Residuals of firm i in year t , β_0 = Firm specific parameters calculated by the OLS regression model, NI_{it} =Net profit after tax of firm i in year t, CFO_{it}= Cash flow from operation of firm i in year t

Table 1: *Variable Measurement*

Variable	Definition	Measurement and Source
Dependent variable		
EM	Earnings management	Measured by absolute values of the residuals (discretionary accruals) using Modified Jones model by (Dechow et al., 1995)
Independent variable		
BDIND	Board independence	Proportion of non-executive directors to by board size. (Bala & Kumai, 2015; Kankanamage, 2016)
BDMTG	Board meetings	The number of board meetings held during the year by the board of directors (Bala & Kumai, 2015; Talbi et al., 2015)
BDGDT	Board gender diversity	Proportion of the number of female to total board size (Aifuwa & Embele, 2019; Edwin & Timothy, 2019)
BDEXP	Board expertise	Number of financial experts on board (Mohammed et al., 2019)

Source: Compiled by the Author, 2023.

As part of fulfilling the assumptions of linear regression analysis, robustness test of multicollinearity and heteroscedasticity test were conducted. Multicollinearity test is used to check the correlation of the independent variables among themselves which tends to make the outcome of the study unreliable. Heteroskedasticity test helps to check for consistent variation of the residuals. Homoskedasticity is desired to ensure a stable and reliable model.

4. Results and Discussion

This section of the study provides statistical outcome and inferences as generated from the selected samples of the study. The section covers descriptive statistics, correlation matrix, summary of regression results and robustness test. Descriptive statistics describes the nature of sample data. The mean, standard deviation, minimum and maximum values help the reader to understand measures of central tendencies and variance associated with variables of the study.

Table 2: *Descriptive Statistics*

Variables	Mean	Std. Dev	Min	Max
EM	.1224	.1007	.0003	.5765
BDIND	.6277	.1869	.1429	.9167
BDMTG	4.5625	.8809	3	9
BDGDT	.1412	.1149	0	.5454
BDEXP	1.925	.3279	1	3

Source: STATA 16 Output, 2023.

Table 2 above shows the descriptive statistics of the data collected from a sample of 16 listed consumer goods firms in Nigeria for the period of 10 years leading to 160 observations. Earnings management in the sampled firms showed a mean value of .1224 (12.24%) and standard deviation of .1007 (10.07%). The standard deviation signifies that the dispersion of the data from the mean value from both sides is moderate. Implying that that there is a relative significant variation regarding earnings management of listed consumer goods firms in Nigeria for the period of the study. Moreover, the table shows a minimum value of .0003 and a maximum of .5765. This shows that the minimum percentage of earnings management is 03% (which is less than 5%). However, the study shows that there was evidence of earnings management in listed consumer goods firms during the period of the study up to a maximum of 57.65%.

Similarly, Board independence as shown above has as minimum value of .14.29 (14.29%) and maximum of .9167 (91.67%). This implies that boards of listed consumer goods firms during the period of this study had at least one non-executive director while the maximum number of non-executive directors was found to be over 9 directors. For Board meetings, minimum value of 3 and maximum of 9 implies that, the number of meetings held by boards of listed consumer goods firms during the period of this study was 3 while the highest number of meetings recorded by listed consumer goods firms during the period was 9 times. On the average, most boards of listed consumer goods firms meet at least four times which is in complacence with the code of corporate governance that recommend that corporate boards meet at least once every quarter.

Board gender diversity showed a minimum value of 0 and maximum of .5454 (54.54%) this means that, some boards of listed consumer goods firms in Nigeria during the period of this study had no female representation on its board while other boards had more than half its board members to be female. On the average, the result revealed that, .1412 (14.12%) of total number of board members are female directors. This is expected to allow of gender inclusion and balance in listed consumer goods firms in Nigeria. On Board expertise, the minimum value of 1 and maximum value of 3 implies that, at least one independent non-executive director with financial experience and professional qualification sits on the board of listed consumer goods firms in Nigeria during the period of this study. The result also showed that boards of listed consumer goods firms during the period of this study had up to three independent non-executive directors that have financial knowledge and are professionally qualified.

Table 3: *Correlation Matrix*

Variables	**EM**	**BDIND**	**BDMTG**	**BDGDT**	**BDEXP**
EM	1				
BDIND	-.0182	1			
BDMTG	-.2068*	.0789	1		
BDGDT	-.2154*	-.1081	.2367*	1	
BDEXP	-.2112*	.3702*	.0951	.1832*	1

Source: STATA 16, Correlation Matrix Output, 2023.
(* correlation is significant at 0.05 level (2 tailed))

Table 3 explains the strength of the relationship among variables while the signs explain the direction of the relationship. There is a negatively significant relationship between board meetings, board gender diversity, and board expertise and earnings management of listed consumer goods firms in Nigeria. Only board independence showed a negative and insignificant relationship with earnings management of listed consumer goods firms in Nigeria during the period of this study. By implication and increase in board meetings, board gender diversity and board expertise will result in a decrease in earnings management by listed consumer goods firms in Nigeria during the period of this study.

Table 4: *Summary of Random Effect*

Variables	Coefficients	Z – values	P – values	VIF	Tolerance Values
Constant	.3177193	4.34	0.000		
BDIND	-.0193234	- 0.31	0.760	1.35	0.738503
BDMTG	-.0045548	- 0.46	0.643	1.11	0.902788
BDGDT	-.1597068	- 1.92	0.055	1.12	0.892664
BDEXP	-.0717896	- 2.27	0.023	1.37	0.732403
Mean VIF					1.24
R^2			**0.1386**		
Wald chi^2			**11.67**		
Prob > chi^2			**0.0200**		

Source: STATA 16, Random Regression and VIF Output, 2023.

$EM_{it} = \beta_0 + \beta_1 BDIND_{it} + \beta_2 BDMTG_{it} + \beta_3 BDGDT_{it} + \beta_4 BDEXP_{it} + \mu_{it}$
$EM_{it} = 0.3177 - 0.0193(BDIND_{it}) - 0.0046(BDMTG_{it}) - 0.1597(BDGDT_{it}) - 0.0718(BDEXP_{it})$

Table 4 shows the summary of regression results and variance inflation factor (VIF). The R^2 value of 0.1386 (13.86%) explains the predict power of the model. It means that, 13.86% variation in earnings management of listed consumer goods firms is explained jointly by board independence, meetings, diversity and expertise. Therefore, it can be said that, board independence, meetings, diversity and expertise have a combined predictive power of 13.86% in impacting on earnings management of listed consumer goods firms in Nigeria during the period of this study. The wald-chi^2 value of 11.67 and a Prob. value of 0.0200 is significant at 5% level of significance. This means that board characteristics impact on earnings management of listed consumer goods firms in Nigeria.

From the above table, it can be observed that there is an insignificant relationship between board independence and earnings management of listed consumer goods firms in Nigeria. With a coefficient of -0.0193 and p-value of 0.760 it can be inferred indicate that board independence on its own does not influence earnings management in listed consumer goods firms. However, when board independence is combined with other board characteristics, board independence could influence earnings management of listed consumer goods firms in Nigeria. This findings is in line with (Koevoets, 2017; Luo & Jeyaraj, 2019; Onwuchekwa & Madumere, 2019) and contrary to (Kapoor & Goel, 2016; Khalil & Ozkan, 2016).

Similarly, the result of the study showed a negative and insignificant relationship between board meetings and earnings management. With a constant value of -0.0046 and p-value of 0.643 it can be inferred that an increase in board meetings would minimise the tendency to manage earnings by management. Although not statistically significant, when combined with other variables of board characteristics, board meetings are found to influence earnings management of listed consumer goods firms in Nigeria. Thus, it can be said that, board meetings insignificantly influence earnings management in listed consumer goods firms in Nigeria. this findings is in line with (Bala & Kumai, 2015; Luo & Jeyaraj, 2019) and contrary to (Buraik & Idris, 2020; Hemathilake et al., 2019; Ibrahim, 2015).

On the contrary, board gender diversity, with a constant value of -.1597 and p-value of 0.055 (significant at 5%) implies that there is a significant and negative relationship between board gender diversity and earnings management of listed consumer goods firms in Nigeria. The negative relationship means that, an increase in the number of female directors in boards of listed consumer goods firms in Nigeria will result in a decrease in earnings management. This is in line with the general believe that, female directors are more honest and diligent than their male counterpart. Thus, it can be said that, board gender diversity significantly and negatively influences earnings management. This is in line with (Ibrahim, 2015; Kouaib & Almulhim, 2019; Obigbemi et al., 2016) and contrary to (Temile et al., 2018).

Finally, board expertise measured as the number of directors with financial knowledge and professional qualification showed a constant value of -.07178 and a significant p-value of 0.023 (at 5%). This implies that as board expertise of listed consumer goods firm’s increases, earnings management decreases significantly. The negative relationship means that, as the number of directors with financial knowledge and professional qualification increases, earnings management will decrease. This could mean that, financially experienced and professionally qualified directors will ensure that the board comply with relevant standards and regulatory requirements with will improve the quality of the financial statement being prepared and presented to shareholders. Hence, minimizing earnings management in listed consumer goods firms in Nigeria. Thus, it can be said that, board expertise significantly and negatively influences earnings management of listed consumer goods firms in Nigeria. This is in line with the findings of (Bala & Kumai, 2015; Gull, 2018; Kankanamage, 2015) and contrary to (Ahmed, 2013; Hemathilake et al., 2019).

Robustness Tests

Even though correlation matrix was used to detect potential multicollinearity between independence variables, the absent of high correlation does not always mean that there is no multicollinearity. To deal with this problem, the multicollinearity was tested by finding the Variance Inflation Factor (VIF) values for explanatory variables relevant to the model. The VIF above 10 should be taken as a presence of multicollinearity (Studenmund, 2000). From the result above the mean VIF value is 1.24 which is far less than benchmark 10. This shows absent of multicollinearity in the model.

In order to ensure validity and reliability of statistical inferences, robustness tests were conducted. This was necessary in identify which of the panel regression results is most appropriate and robust in explaining the impact of board characteristics variables and earnings management of listed consumer goods firms in Nigeria. Based on the Hausman Specification test that showed a Chi^2 value of 0.59 and $Prob>chi^2$ value of 0.9644, the Random effect model was identified as the most appropriate for the study. This model recognizes the individual characteristics of listed consumer goods firms hence do not allow the entities error term and constant to be correlated with other firm's characteristics.

5. Conclusion and Recommendations

Having examined theoretical and empirical evidence that attempt to establish a relationship between board characteristics and earnings management it was concluded that board characteristics influence earnings management. Board independence, meetings, diversity and board expertise were used to measure the level of influence on earnings management of listed consumer goods firms in Nigeria. While the modified jones model for estimating discretionary accruals was used to measure earnings management.

The study revealed that board independence has no significant influence on earning management of listed consumer goods firms in Nigeria. Similarly, it was found that, board meeting of listed consumer goods firms in Nigeria has no significant influence on earnings management. However, board gender diversity and board expertise were found to have a negative and statistically significant influence on earnings management. Thus, from the above findings, the following recommendations were made.

i. Regulatory agencies such as the financial reporting council of Nigeria (FRCN) and the security and exchange commission (SEC) should above ensuring compliance ensure that there is increased female representation on the boards of listed consumer goods firms in Nigeria. This is because it has been established that increase in gender diversity will significantly influence earning management by decreasing it.

ii. Shareholders and other stakeholders should ensure that only directors with relevant experience and skills are appointed as board members. This will introduce professionalism and increase competence of the board. This is necessary as it will help minimize earnings management tendencies by management.

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