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THE EFFECT OF BOARD CHARACTERISTICS ON REAL EARNINGS MANIPULATION OF LISTED CONGLOMERATE FIRMS IN NIGERIA

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Abstract

This study examined the effect of board characteristics on real earnings manipulation of listed Conglomerate firms in Nigeria. The sample size used is the entire six (6) conglomerate firms listed in the Nigerian Exchange group (NXG) for the period 2015-2024. Ordinary Least Square (OLS) regression method was used to analyze the data. The key results were that board size, board meeting and board independence have positive and significant effect on the real earnings manipulation of listed conglomerate firms in Nigeria. However, board gender diversity has no significant impact on real manipulation of listed conglomerate firms in Nigeria. Whereby, Audit committee depicts a negative insignificant influence on real manipulation of listed conglomerate firms in Nigeria. The research recommends that the management of listed conglomerate firms in Nigeria should consider more numbers of executive directors in the composition of the board of directors and establish a policy that would restrict the number of meetings board hold in a financial year based on code of corporate governance. The stakeholders of the

Key words: earnings manipulation, audit committee, board independence, Audit committee, conglomerate firms

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listed conglomerate firms should include more female directorships in the board to ensure gender inclusion empowering female members with all necessary power to discharge their task. This will surely help in reducing managers' financial mismanagement. Finally, audit committee should be involved in all their financial operations to ensure earnings manipulation be lessened.

Introduction

Financial information has been the most important input in investment distribution decisions of potential and prospective investors, creditors and other concerned individuals (Onwuchekwa&Adumare 2019). Particularly, accounting activity is the most crucial information for predicting firm's future feasibility. The effectiveness of accounting activity depends on the ability and the quality of the activity to represent what it ought to have represented to creditors, investors and other party concerned. For accountant to serve its function, it must be of higher quality and most be free from intentional and unintentional material misstatement (Rajeevan&Ajward 2019).

Real earnings management occurs when managers intentionally make operating decisions that have actual cash flow consequences with the goal of altering reported earnings. For example, a firm may offer price discounts and offer more flexible credit terms to customers to boost sales revenues temporarily. In addition, managers may opportunistically reduce research and development expenditures in order to reduce expenses in the income statement. Furthermore, managers can delay maintenance expenditures to increase reported earnings. Bitrus (2024) explains this type of earnings management behaviour as purposeful action taken in order to alter reported earnings in a certain direction by means of changing the timing or structuring of an investment, operation, or financing transaction. To obtain the desired earnings level, firms could choose to manage earnings through deviating from the normal business activities although this may affect the future economic performance of the firm negatively.

Considering its long-lasting impact and the fact that the practice is widely employed by managers of firms from developed countries to improve their reported earning numbers, Real Earnings Manipulation deserves more attention from researchers, especially research in developing countries like Nigeria (Shayan-Nia, 2017). Corporate failures of large organizations in the past have highlighted the intentional misconduct of managers in a wider-spectrum. In addition, there are apprehensions about the weaknesses of corporate governance in the past, as it was not effective enough to protect investors from expropriation.

According to the Code of Corporate Governance, SEC code (2011) the board of directors should be of adequate size which is relative to the complexity and scale of the company's

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activities. Therefore, the number of board members may be the quantum of individuals involved in decision making processes of the company to protect the interest of the stakeholders. The fundamental concern of the board may be majorly checkmating manager's activities so that they will act in the best interest of the stakeholders. Hence, this may depend on the quality of the board membership and their size which may have an impact on the quality of accounting activity. Prior studies have already established the relationship between board size and activity manipulation such as (Adamu, Ishak&Chandren 2017).

The separation of ownership from management control raises the issue of monitoring managerial activities to ensure investors' confidence. Following a spate of well-published corporate scandals that took its toll with the collapse of once prestigious companies such as Enron and Worldcom reiterated the need for an investigation into the quality of financial reports and increased the clamoring for a better governance mechanism worldwide. It has been observed by accountants and financial economists that central to these corporate failures are systematic deficiencies in accounting standards and governance system that generate financial information (Bitrus, 2024). In a bid to prevent such future failure of companies, most nations across the global introduced new code of best governance practices to align managers interest with the wealth maximization objective of the shareholders. This is to ensure that corporate reports communicate economic measurements of resources and information about the resources and performance of the reporting entity are useful to those having reasonable rights to such information.

Conversely, this study intends to critically examine the effect of board characteristics on real earnings manipulation of listed conglomerate firms in Nigeria. By focusing on conglomerate firms, we identify a suitable context in which real earnings manipulation may be more easily carried out. This is so, if one considers the inter-woven relationships between the holding firms and their subsidiaries both of which are listed in Nigeria exchange group. Most of the world's monumental frauds and remarkable earnings management incidences were carried out by conglomerate giants such as Enron and WorldCom and that of Cadbury.

A report of creative accounting scandal in African Petroleum Plc. showed that the financial statements of the company did not fairly present the company's financial position (Heung & Hyun-Min 2017). In November 2006, an accounting scandal in Cadbury Nigeria Plc. also raised more questions than answers about creative accounting (Bitrus 2024). Although, previous researches on real earnings manipulation have concentrated on other sectors, few studies were geared towards conglomerate firms of which this present study aim to add to the existing growing body of knowledge. This is to say that this study is timely in

order to empirically examine the effect of board characteristics in addressing the uncertainty of managers of conglomerate firms while preparing financial statement. The central objective of the study is to examine the effects of board characteristics on real earnings manipulation of listed conglomerate firms in Nigeria. The following are the specific objectives of the study:

i. To examine the effect of board size on real earnings manipulation of listed conglomerate firms in Nigeria.
ii. To determine the effect of board meeting on real earnings manipulation of listed conglomerate firms in Nigeria.
iii. To assess the effect of board independence on real earnings manipulation of listed conglomerate firms in Nigeria.
iv. To determine the effect of board gender on real earnings manipulation of listed conglomerate firms in Nigeria.
v. To examine the effect of audit committee on real earnings manipulation of listed conglomerate firms in Nigeria.

Hypothesis

The following null hypotheses are developed in line with the above objectives to guide the study:

H_{01}: Board size has no significant effect on real earnings manipulation of listed conglomerate firms in Nigeria.

H_{02}: Board meetings have no significant effect on real earnings manipulation of listed conglomerate firms in Nigeria.

H_{03}: Board independence has no significant effect on real earnings manipulation of listed conglomerate firms in Nigeria.

H_{04}: Board gender has no significant effect on real earnings manipulation of listed conglomerate firms in Nigeria.

Ho_5: Audit Committee has no significant effect on real earnings manipulation of listed conglomerate firms in Nigeria.

Literature Review and Theoretical Framework

The believed is that information asymmetry between managers and external users of accounting information allow managers to use their discretion in preparing financial statements for their own advantage (Amasiatu & Okoye, 2023). Information asymmetry occurs when some parties in business transaction have information advantage over others (George & Frank, 2023), and thus, manager has the ability to deceive which is likely going to be difficult to detect. Amasiatu & Okoye, (2023) highlighted that the two

principles of financial reporting- relevance and reliability directly reflect the role of accounting information which are` aimed at resolving the fundamental problem of information asymmetry. They further stated that, the release information is relevant with respect to Firms' future prospect, and is reliable information free of material manipulation. As such, financial disclosure and judgments initially are aimed at reducing this information asymmetry between managers and outside users of financial information.

Nkundabanyanga et al. (2020) stated that the clear definition of activity manipulation is difficult to discern from pronouncement and/or statements and speeches by the regulators. This means that it requires the use of more sophisticated means of identifying activity manipulation before given a clear definition. In contrast, Aranda (2022) said activity manipulation exists only in relation to opportunistic behavior but not when managerial discretion is used to improve activity persistence and predictability. An opportunistic behavior occurs when managers use information asymmetry between the outside users of accounting information and the inside users in order to maximize their satisfaction in dealing with compensation contract, debt contract and regulation, investors therefore are misled by such unreliable information reported (Aranda 2022). This indicates that even the concept of earnings manipulation is controversial not to talk of its likely effects on the components of corporate governance like the audit committee among others. Therefore, this study adopts the definition given by Nkundabanyanga et al. (2020) as operational definition of the study.

Prior studies provide evidence on the role of board size in enhancing the monitoring of manipulation. Kharashgah, Amran, and ishaq (2019) investigated the relationship between board of directors' characteristics (involving board size, board independence, CEO duality and board meeting) and real earnings management in Jordanian listed firms. The data, which covered 721 firm-year observations for the period of 7 years (2011-2017), were sourced from the annual reports of the listed industrial and service sector companies on Amman Stock Exchange.

Haruna, Musa, Nuraddeen, Saifullahi and Hussaini (2023) explore the relation-ship between board characteristics and the practice of earnings manipulation in publicly traded deposit money banks on the Nigeria Stock Exchange over a decade long period (2010-2019). The study employs multiple linear regression analysis for data examination. The findings reveal a substantial increase in the academic qualifications and credit background of board members, resulting in a decrease in earnings manipulation. However, the influence of these factors on earnings management did not reach statistical significance. Conversely, the presence of a board audit significantly diminishes managers' inclination towards earnings management. Hence, the study recommended that the

regulators over-seeing Nigeria listed deposit money banks encourage the establishment of audit committee in these banks. This is due to the demonstrated significant impact of audit committees in deterring and mitigating discretionary accruals, thereby enhancing earnings quality in banks. In their investigation,

Sunday, Wasiu, Abiola and Adekunle (2021) explored the relationship between corporate board characteristic and earnings management in Nigerian banks spanning from 2009 to 2018. The utilized the modified Jones model's discretionary accruals to measure the dependent variable, earning management while considering four corporate board attributes (size, independence, gender diversity and frequency board meeting) as independent variables. The outcome of random effect generalized least square reveals a statistically significant but negative relationship between board size, board independent and earnings management.

Muhammad and Musa (2018) conducted a study to explore the influence of board structure and audit committee on the practice of earnings management among listed deposit money banks in Nigeria. The model served as proxy for earnings management. The board structure was assessed through variables such as the presence of female directors, foreign directors, board ownership, board size, board composition, and the existence of an audit committee. Data were gathered from the annual reports and financial statements of fourteen banks listed from 2006 to 2016, With ordinary least square with Ordinary Least Square regression employed for analysis. The findings reveal that the presence of women directors and a larger board size significantly deter earnings management.

Again, Hope and John (2023) investigate the influence of board characteristics on earning management of listed deposit money banks in Nigeria over the period of from 2016 to 2021. Board size, board diversity, and board composition serve as indicators of the characteristics of the boards of the listed deposit money banks in Nigeria. Discretionary accruals utilized as an indicator for the practice of earnings management in this study. The data sourced from the published annual audited accounts and financial report of listed deposit money banks. A panel dataset comprising twelve publicly traded banks utilized covering five years.

Kharashgah, Amran, and ishaq (2019) investigated the relationship between board of directors' characteristics (involving board size, board independence, CEO duality and board meeting) and real earnings management in Jordanian listed firms. The data, which covered 721 firm-year observations for the period of 7 years (2011-2017), were sourced from the annual reports of the listed industrial and service sector companies on Amman Stock Exchange. Ordinary Least Squares (OLS) regression was employed as technique for

data analysis in order to test the hypotheses of the study. The results from data analysis show that board meeting have a significant negative link with real earnings management. Also a study by Mardianto and Windy (2024) examine the impact on earnings management as the dependent variable of board size, board independence, frequency of board meetings, board expertise, audit committee size, independence, frequency of audit committee meetings, and audit committee skills in finance and accounting. This research method is quantitative. This study uses time series data. The sample of this research is the financial statements from 2018 to 2022, which covers more than one period. The population of this study is non-financial sector companies listed on the Indonesia Stock Exchange during the 2018-2022 period, with the sampling technique using purposive sampling method. Mardianto and Windy (2024) study is to examine the impact on earnings management as the dependent variable of board size, board independence, frequency of board meetings, board expertise, audit committee size, independence, frequency of audit committee meetings, and audit committee skills in finance and accounting. This research method is quantitative. This study uses time series data. The sample of this research is the financial statements from 2018 to 2022, which covers more than one period.

Previous research has found that female leaders' decision-making and risk-taking styles differ from their male counterparts. Women leaders, according to Barber and Odean (2017), tend to be more conservative than their male counter parts. O'Fallon and Butterfield (2018) and Vermeir and Van Kenhove (2018), both experts in the area of corporate governance, found that female directors made and acted in a more ethical manner when making decisions. As a result, they are less likely to take advantage of their positions as managers (Zalata et al., 2019). Moreover, other studies have shown that women directors are ethical and take minimal risk in financially focused decision-making. (Doan &Iskandar-Datta, 2020; Yahya et al., 2020). Female directors are particularly valuable in male-dominated fields, according to research by Chen et al. (2019). The authors also found that companies with a majority of women on their boards had better financial results because their directors were less likely to be overly aggressive in their investment and purchase strategies.

There are many theories in extant literatures that have been used to underpin research of this nature. These theories include stakeholder theory, efficiency contracting theory, opportunist theory, resource dependency theory and agency theory to mention but a few. Agency theory and resource dependency theory is the one this research work is hinged on. Therefore, the study is based on the proposition of agency theory to link board characteristics and activity quality. Agency theory involves a contract under which the principal (Owners) engages another party (Managers), called agent, to perform some

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services on their behalf, where some power of decision making are delegated to the agent (Jensen and Meckling, 1976). In the modern business world, the principal is the shareholders, who are the owners of the company, whereas the manipulation of the company represents the agent.

Because of the opportunistic behavior of agents, organizations will try to put in place mechanisms that have to align the interests of the agents and principles or at least minimize the differences. One of the important mechanisms is through the establishment of board of directors. In addition, to safeguarding the interests of shareholders, board of directors is appointed through the election in the annual general meeting. The board of directors is the agent to the shareholders in ensuring the transparent financial reporting that reflect the real financial position of the companies. The concept of the "Resource Dependence Perspective" gained public awareness through the book by Jeffrey Pfeffer and Gerald Salancik (1978) "The External Control of Organizations. A fundamental assumption of Resource Dependence Theory (RDT) is that dependence on "critical" and important resources influences the actions of organizations and that organizational decision and actions can be explained depending on the particular dependency situation. Board of directors function as boundary spanners, and thereby enhance the prospects of a firm's business. For example, the outside links and networks that board members exercise may positively benefit the development of business and long-term prospects. Pfeffer and Salancik (1978) observe, "when an organization appoints an individual to a board, it expects the individual will come to support the organization and will concern himself or herself with its problems, will favorably present it to others, and will try to aid it". Appointment of outside directors and board interlocks can be used to manage environment contingency.

METHODOLOGY

The study adopted the causal-comparative design. Causal-comparative design which is otherwise called the Ex-post facto design according to Denga and Ali (1983) is a design which helps to investigate possible cause and effect relationship by first identifying some existing consequence and searching back by analyzing data to establish possible causal factors. The population of the study consists of all six listed conglomerate firms in Nigeria for the period 2015-2024. The study covers the period of 10 years (2015-2024). The choice of these companies (conglomerate) was as a result of the model of the study (Roychowdhury (2016) which is more suitable to non-financial institutions. study adopted secondary sources of data collection. The data obtained from the annual reports and accounts of the sampled firms and Nigerian Stock Exchange Fact Book to find out the listed firms for the period of 2015 to 2024. Again, for the purposes of this study,

longitudinal panel multiple regressions was adopted to run the regression using STATA 13 as a tool of analysis. STATA used to extract the residual of Roychowdhury (2016) model. The study used correlation in order to determine the relationships between the variables of the study. Regression is employed because the study wants to determine the cause and effect of each variable. And finally, it is conducted Heteroscedasticity test and Multicolinearity test in order to improve the validity of statistical inferences, where OLS is reported. The following is the model used to empirically test the hypothesis formulated. The adoption of this model is in consistent with Cohen and Zarowin (2010).

$$\mathbf{CFO_{it} /A_{it-1} = \gamma_o(1/A_{it-1}) + \gamma_1 Sales_{it}/A_{it-1} + \gamma_2 \Delta Sales_{it}/A_{it-1} + \mu_{it}.} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots i$$

Where;

CFO_{it} = Cash flow from operation of firm i in year t

A_{it-1} = Total assets of firm i in year t-1;

$Sales_{it}$ = Sales of firm i in year t

$\Delta Sales_{it}$ = Sales of firm i in year t less sales of firm i in year t-1;

μ_{it} = A residual term that captures the level of abnormal cash flow of firm i in year t.

γ_o is the intercept and γ_1 and γ_2 are the coefficients.

Therefore, real earnings manipulation is extracted from the residuals of Roychowdhury (2006) model of abnormal cash flow from operation after inserting the sample firm data in the second regression model specified for the study. However, the residuals determines the level of activity manipulation, the larger the residuals the higher the manipulation and vice versa.

$$\mathbf{RAM_{it} = \gamma_o + \gamma_1 BSZ_{it} + \gamma_2 BM_{it} + \gamma_3 BIN_{it} + \gamma_4 BGD_{it} + \gamma_5 ACM_{it} + \mu_{it \ldots iv}}$$

Where;

RAM_{it} = is the real earnings manipulation of firm i in year t

BSZ_{it} = is the board size of firm i in year t

BM_{it} = is the board meetings of firm i in year t

BIN_{it} = is the board independence of firm i in year t

BGD_{it} = is the board gender of firm i in year t

ACM_{it} = is the audit committee of Board i in year t

μ_{it} = A residual term/error term of firm i in year t.

$\gamma_o$is the intercept and γ_1-$\gamma_7$are the coefficients (estimators).

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Result and Discussion

The descriptive statistics and data collected for the study is presents and discussed. The summary of descriptive statistics of the data collected is presents as follows.

Table 1 Descriptive Statistics of the Variables

Variable	Mean	Std. Div	Minimum	Maximum
RAM	0.06	.0403796	.01	.13
BSZ	9.9	2.229996	3	15
BM	3.616667	.6131792	3	5
BIN	0.3611667	.1454868	.07	.67
BGD	0.6703333	.0884129	.35	.8
AC	0.7	.4621248	0	1

Source: STATA Output, 2024

The descriptive statistics shows that the measure of Real earnings manipulation (RAM) of the listed conglomerate firms has mean value of 0.06 and a standard deviation of 0.0403796 and again depicts a minimum value of .01 and the maximum is .13. This implies that the firms that have higher residuals signify higher abnormal cash flow, which served as proxy of real earnings manipulation otherwise, have lower abnormal cash flow. The residuals determine the abnormal cash flow, the larger the residuals, the higher the manipulation tendency and vice versa. The board size shows a minimum of 3 and maximum of 15 while mean and standard deviation depicts a value of 9.9 and 2.229996 respectively. This implies that the smallest number of the board members is three and the largest number of board members is fifteen. This means that there is at least three directors and at most fifteen directors in the main board of all the sampled listed conglomerate firms in Nigeria. In addition, the mean is 9.9, which shows on average there are approximately ten (10) directors in the main board of listed conglomerate firms in Nigeria.

Board meeting (BM) of listed conglomerate firms mean value is 3.466667. This indicated that on average approximately four meetings held in a financial year. The minimum and maximum values are 2 and 5, the mean and standard deviation also depicts 3.616667 and 0.6131792 respectively. Suggesting, the smallest of two and the largest of five meetings held in a year. This shows that some firms have violated the minimum requirement of four meetings in the financial year as provided in the SEC code of corporate governance 2011. Although the averagely the companies complied with the standard, the better to meet up with the manipulation problem.

Board independence (BIN) shows a minimum and maximum of .33 and .78 respectively. This means that the smallest number of non-executive directors of listed conglomerate firms in Nigeria is two and the highest number is 5. This shows that there is minimum of 2 and maximum of 5 of non-executive directors in the composition of six (6) board of directors of the sampled firms. The mean is 0.668 which signifies that on the average, it could be 67% of the board of listed conglomerate firms in Nigeria are non-executive directors.

The descriptive statistic in table 4.2.1 shows that the board gender diversity (BGD) of the listed conglomerate firm has a mean value of 0.361167 with a standard deviation of 0.1454487. This suggests a little dispersion of data from the mean value because the standard deviation is not far away from the mean value. The minimum and maximum value of BGD is 0.07 and .71, respectively. Hence, it indicates there are some companies that do not have female director in the composition of the board of listed conglomerate firms but some other companies have at most two female directors. Finally, audit committee (AC) has a mean of 0.7, which indicated that averagely only 7% of the audit committee of the sampled companies has strength to discharge their responsibilities. The minimum and maximum level of the audit committee is 0 and 1 respectively. This indicated that some of the conglomerate firms are very weak in discharging their primary assignment, while others are strong in governance.

The correlation matrix determines the degree of relationship between the dependent and independent variables of the study as well independent variables themselves. These associations among the variables of the study are presented in Table. The full results are contained in appendix.

Table 2 Correlation Matrix

Variables	RAM	BSZ	BM	BIN	BGD	AC
REM	1.0000					
BSZ	0.3332*	1.0000				
BM	0.3286*	-0.2392	1.0000			
BIN	0.1327	-0.3894*	0.0906	1.0000		
BGD	0.0536	-0.0122	0.0587	0.3500*	1.0000	
AC	-0.1090	-0.1612	0.1854	0.2102	0.0606	1.0000

Source: STATA output 2024

The Correlation Matrix table shows the relationship between the Regressand and the Regressors and the association between the Regressors themselves. The table shows that BSZ, BM and BGD have positive association with RAM of listed conglomerate firms in

Nigeria. This indicates that an increase in BSZ, BM and BGD will increase the RAM of the listed conglomerate firms in Nigeria. While BIN and AC have negative association with RAM of the sampled firms, indicating that an increase of BIN and AC will reduce the RAM of the companies. More so, the correlation result in respect to the regressors themselves is that BM, BGD and AC have a negative association with BSZ, but BIN has positive relationship with BSZ. Again, BM has a positive association with BIN, BGD and AC. BIN has a negative association with BGD, but BIN has a positive association with AC. Finally, BGD has a negative association with AC. Furthermore, the researcher uses the variance inflation factor (VIF) and tolerance values to avoid making wrong conclusions that could arise from multicollinearity. In table above, the result indicates the absence of excessive correlation between pairs of independent variables as all factors and their respective tolerance values are below 1 and 10 respectively.

Regression Result

The regression results constitute the summary of the multiple regression results obtained from the model using ordinary least square (OLS) regression. The justification of selecting OLS regression is as a result of insignificant of hettest at Prob> Chi2 = 0.5396 as presented in table. The results show individual impact between the independent variables (i.e. BSZ, BM, BIN, BGD and AC) and dependent variable (RAM). Finally, the cumulative impacts between the dependent and independent variables are presented in table as follows.

Table 3 Summary of Robust OLS Regression Result

Variable	Coefficient	T. Value	P. Value	Tolerance/ VIF
Constant	-.1861634	-3.22	0.002	
BSZ	.0099784	4.663	0.000	.790997/1.26
BM	.0300784	4.14	0.000	.917892//1.09
BIN	.0967633	2.14	0.007	.713599/1.40
BGD	.0204758	0.39	0.698	.845986/1.18
AC	-.0143998	-1.50	0.139	.942625/1.06
R-Square			0.3955	
Adj. R-Square			0.3395	
F-Statistics			7.07	
F-Significant			0.0000	

Source: STATA Output 2024

Table 4.5.1 is the regression result of the study where the cumulative association of the board characteristics and real earnings manipulation of listed conglomerate firms, was

given by the value of R^2 is 0.3955. This signifies that, the overall relationship is for dependent and all the independent variables is 40% indicating that the extent to which the explanatory variables (BSZ, BM, BIN, BGD and AC), influenced the dependent variable (RAM) is 40%, this shows that board characteristics variables used in the study are able to enhance real earnings manipulation of listed conglomerate firms in Nigeria; the remaining 60% is for the other factors that are not captured in the model of this study. Thus, the F-statistics is 5.41 which is significant at 1% (P-value = 0.0000), this shows that the model is well fitted with the variables used in the study.

The regression result in the table shows that the coefficient of board size is 0.0099784 and a t-value of 4.663 with a P-value of 0.000 which is significant at 1% level of significance. This indicates that board size is positively and significantly affecting the real earnings manipulation of listed conglomerate firms in Nigeria. This implies that board size will contribute to real earnings manipulation of the listed conglomerate firms in Nigeria; this shows large board encourages earnings manipulation of the listed conglomerate firm in Nigeria by approximately 1%. However, the result is surprising as is not in line with the researchers' prior expectation; this may be as a result of the argument put forward by previous researchers that larger board members may be more effective because of the coordination and its composition, which in turn adds to strong monitoring. In reality, larger board increases the real earnings manipulation. This is in line with the findings of Kharashgah, et al. (2019).

Table 4shows that board meeting has a coefficient of 0.300784 and a t-value of 4.14 with a P-value of 0.000, which is strongly significant at 1% level of significance. This shows that, board meeting is positive and significantly affecting the real earnings manipulation of the listed conglomerate firms in Nigeria. This suggests that the more board meets the likely of increasing the real earnings manipulation of listed conglomerate firms in Nigeria by approximately 2%. It implies that the higher the meeting of the board, the tendency of earnings manipulation would increase. The result is surprising as it`s contrary to the researchers' prior expectation, because it is very important for board to meet to deliberate on the financial issues of the firms in order to ensure the report is free from any financial misappropriation and it comply with the minimum standard. The findings of the result are contrary to the findings of Kharashgah, et al. (2019); Rajeevan and Ajward (2019).

The regression result in table 4 shows that board independence has a coefficient of 0.0967633 with a t-value of 2.14 and a P-value of 0.007, which is strongly significant at 1% level of significant. This indicates that board independence has significant influence on the real earnings manipulation of listed conglomerate firms in Nigeria. This implies that for every increase of non-executive director in the board would affect the real earnings

manipulation practice. The result is surprising as in line with the researcher prior expectation that Director who has no relation with the business would act to the best interest of shareholder and work hard to ensure managers' opportunisms would be eliminated. The finding of the study is in line with the findings of Amran, et al. (2016); Hyun and Heung (2017);Rajeevan and Ajward (2019).

The result in table 4reveals that the coefficient and the t-value of board gender diversity are 0.0204758 and 0.39, respectively with the P-value of 0.698 stood to be insignificant at any level of significance. The result shows that board gender diversity is positive and insignificantly affecting the real earnings manipulation of the listed conglomerate firms in Nigeria. The result implies that, the lesser number of women in the composition of the board of directors, the likely of earnings manipulation practice of the sampled firms. The result is in line with the findings of Debnath, et al. (2019), but contrary to Luo, et al. (2017);Adamu, et al. (2017); Temile, et al. (2018).

The result in table 4 reveals that audit committee has coefficient of -0.0143998 and t-value of -1.50 with the P-value of 0.139, which is insignificant. The result shows that audit committee is negatively and insignificantly affecting the real earnings manipulation of the listed conglomerate firms in Nigeria. The result signifies that, audit committee would reduce the tendency of financial manipulation of the sampled companies. The result is not in line with reality that audit committee is expected to discharge their statutory responsibilities of overseeing the financial operation of the company for effectiveness. The result is contradicts the findings of Kharashgah, et al. (2019).

Conclusion and Recommendation

In line with the findings of this research, the study concludes that:

Board size (BSZ) has a statistical, significant positive impact influence on the real earnings manipulation of listed conglomerate firms in Nigeria. This indicating that increase board size would increase the real earnings manipulation of listed conglomerate firms in Nigeria. Board meetings (BM) has a statistical, significant positive effect on the real earnings manipulation of listed conglomerate firms in Nigeria, which implies that the more board meetings in the listed conglomerate firms in Nigeria, would encourage real earnings manipulation practice. Board independence (BIN) has a statistical significant impact on the real earnings manipulation of listed conglomerate firms in Nigeria. This indicates that the presence of independent directors affect real earnings manipulation of the listed conglomerate firms in Nigeria. Board gender (BGD) has a statistical insignificant impact on the real earnings manipulation of listed conglomerate firms in Nigeria. This indicates that the presence of woman directors would not affect real earnings manipulation of the listed conglomerate firms in Nigeria. Audit committee (AC) has a insignificant negative

impact on the real earnings manipulation of listed conglomerate firms in Nigeria, which implies that audit committee does not affect the financial activities of management properly in the listed conglomerate firms in Nigeria.

The study makes the following recommendations based of the findings and conclusion:

i. The authorities of listed conglomerate firms in Nigeria should consider directors with financial expertise in the composition of the board of directors. This will encourage the board to work against earnings manipulation and opportunistic practice by management.

ii. The authorities concern should establish a policy that would restrict the number of meetings board hold in a financial year. The board meetings should be reduces to the bearing minimum in a financial year, this will allow full participation of members of the board of the listed conglomerate firms in Nigeria.

iii. The stakeholders of the listed conglomerate firms should, instead to reduce the female directorships in the board, ensure the management would not use their weakness to outsmart them by empowering them with all necessary power to discharge their task. This will surely help in reducing managers' financial mismanagement.

iv. Audit committee has been empirically proven in this study to improve the quality of financial report, because it is negatively affecting real earnings manipulation of the listed conglomerate firms in Nigeria. Therefore, the authorities should involve audit committee in all their financial operations to ensure earnings manipulation should be mitigated.

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