

**AN INTERACTION BETWEEN BOARD ATTRIBUTES AND EARNINGS  
MANAGEMENT OF LISTED MANUFACTURING COMPANIES IN NIGERIA**

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**Abstract**

*The study investigated an interplay between board attribute and earnings management of listed manufacturing companies in Nigeria. This study tested some board attributes indicators (audit fee, board independence, and board size), and earnings management was proxied using discretionary accruals using a sample of forty-two (42) manufacturing companies listed on Nigerian Exchange Group while purposeful sampling techniques were used to sampled from the population, covering the study period from 2010 to 2021. The data were analyzed using the Generalized method of moment by the use of E-View 12 econometric software and multivariate- regression model. The findings of the study show that there is a positive and statistically insignificant relationship between audit fees and earnings management. The study therefore concludes that a positive and statistical relationship exists between board attributes and earnings management of listed manufacturing companies in Nigeria. The study consequently recommends that ethical standards should be encouraged by the regulatory agencies if not mandated.*

**Keywords:** Audit Fee, Board Independence, Board Size, Stewardship Theory, Earnings Management

## INTRODUCTION

Financial reporting is one of the primary responsibilities of management which enables them to give account of their stewardship. Managers of public companies are expected to prepare and present annual financial reports to shareholders, who are owners of the firm and other interested users to enable them to assess the performance and financial position of the reporting entity. The cardinal role of financial reporting therefore is the provision of information on the financial performance and position of the reporting entity that is useful to different users, to enable them to make informed economic decisions (Glautier, Underdown, & Morris, 2011). The Nigerian Code of Corporate Governance (NCCG) (2018) advised companies in Nigeria to engage chief executive officers who are capable in the organization areas of business and to display faithfulness and genuineness to attract board and shareholders' confidence. NCCG 2018 also advocates that CEOs should be accountable to the board. This confirmed that the CEO may need to have a genuine cordial connection with the board to increase the quality of reporting earnings.

In Nigeria, the manufacturing sector contributes significantly to the economic growth of the country. According to the Central Firms of Nigeria (CBN, 2019), the sector contributes about 90% of Nigeria's foreign exchange earnings. Despite its strategic importance, the operations of the manufacturing industries have been associated with allegations of scandalous financial practices recently. Allegations are associated with listed companies in Nigeria as exemplified by the case of African Petroleum (now Forte Oil) Plc, where a credit facility of 24 billion naira was not disclosed in the financial statements of the company (Orbunde, Oyewobi & Musa, 2021; Samaila, 2014). Interestingly, this material omission occurred under the watch of a Big 4 audit firm that is expected to constrain such unscrupulous practices.

It is widely recognized that auditing is a cornerstone in developing and enhancing the global economy in the world of business firms today. In the context of the business environment, auditors are required to provide objective assessments concerning whether companies are managed responsibly and effectively to achieve the intended results. Andersen (2000) suggested that the role of auditors could be classified into four: objectives, reporting lines, profession, and interactions with others. This is important for manufacturing companies to achieve accountability, improve operations, and have confidence among stakeholders.

The manufacturing sector plays an increasingly significant role in the economic emancipation of any nation, acting as a driver of economic growth in both developing and developed economies. Industrialization drives transformation and diversification of the economy to accelerate growth, discourages over-dependency on foreign products, and encourages sustainable development while enabling the state to achieve self-sufficiency (Ikenna, Etim & Yomi, 2022). In this regard, Al-Khaddash, Attar, and Suwaidan (2013) think that stakeholders in the manufacturing sectors need to gain assurance, that the data being reported are properly measured and fairly presented. Accordingly, auditors must raise their capability and independence level, use appropriate tools, and provide advisory services to fulfill each of their roles. The auditing mechanism has become a fundamental requirement in the business environment and has been established as a regulated activity in most industrialized countries (Piot, 2001) due to its important role in offering more confidence and transparency in financial reporting.

According to Hassan (2013), earnings management is the most extensively used measure of a firm financial performance given that financial reporting standards and accounting policies provide managers of a firm with considerable opportunities for manipulating earnings, it is not