

Corporate Governance and Earnings Quality of Quoted Consumer and Industrial Goods Companies in Nigeria

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Abstract

This study investigates the impact of corporate governance on earnings quality of quoted firms in Nigeria. Corporate governance was indicated by board size, board diversity and the number of female representatives on the board while earnings quality was measured by the earnings per share and net assets per share. The study employed the expo facto research design and was anchored on the Agency Theory. The population of the study was Consumer and Industrial Goods firms listed on the Nigerian Stock Exchange. The researcher employed the purposive sampling technique to select a total of twenty out of the thirty companies as sample for the study. Secondary data was sourced from the companies' annual reports for the period of 2015 – 2020 and was analyzed using descriptive statistics, correlation and multiple regression techniques. The results basically indicate that there was an inverse and non-significant relationships between board size and earnings quality (EPS and NAPS). The study also revealed a positive and significant relationships between board diversity and both EPS and NAPS. It was recommended that board size should not be increased since it has negative and insignificant effect on earnings quality; but board diversity should be encouraged due to its positive and significant effect on earnings quality of listed firms in Nigeria.

Keywords

Corporate Governance, Earnings Quality, Board Diversity, Earnings Per Share

1. INTRODUCTION

Corporate governance practices and its nexus with firm performance recently and continuously have attracted a considerable number of empirical studies globally. This is not unconnected with the numerous cases of corporate failures and financial scandals that have been perpetrated by opportunistic managers, who variously use their positions to foster their interests above that of the shareholders. On the global front for example, the Tyco Scandal of 2002, where a New Jersey-based company managed by Dennis Kozlowski, together with his Chief Finance Officer stole over 150 million dollars and tried to inflate company income by over 500 million US dollars, through questionable accounting practices, including huge loans made to the CEO, that were then forgiven, was case of abuse of corporate governance. Again, the waste management scandal that took place in 1998 in Houston involving a public limited waste management company (where a reported 1.7 billion dollars were manipulated in fake earnings through the act of fraudulently increasing the depreciation period for their tangible non-current assets in

their statement of financial position), is a case of note and is still fresh in the minds of accounting information users globally. Other notable examples of failure to adhere to corporate governance ethics by management include Enron scandal, World.Com and Xerox. Nigeria has also witnessed several cases of scandals attributed to corporate governance issues. For instance, the management of Cadbury Nigeria Plc was caught in a scandal in October 2006, where they fraudulently manipulated the value of their closing inventory in their books, in order to achieve ambitious growth targets (Okaro & Okafor, 2016) was a case of abuse of corporate governance principles. Consequently, that corruption made the company, which purportedly recorded losses of about 15 million dollars during the year, lost significant public confidence and bad reputation among investors and other stakeholders; and was later penalized and made to pay for its inactions by the Securities and Exchange Commission (Okaro & Okafor 2016). Other corporate scandals in Nigeria were those of the defunct African Petroleum Plc, Afribank Plc, Intercontinental bank Plc and Oceanic Bank Plc and that of Cadbury Nigeria Plc (where the Managing Director was sacked for overstating the financial position of the company over a number of years to the tune between ₦13 billion and ₦15 billion). The above and several others, may have continually necessitated the increased interest on researches on governance.

Historically, one of the earliest works on Corporate governance could be traced to the publication by Berle and Means (1932), who emphasized the need for the separation of ownership from control in a company and the attendant difficulties that usually accompany it. However, a better clarification and distinction was done by Tricker (1994) regarding the control exercised by the management of a corporation, in his bid to discuss corporate governance by stating that if management is about the planning and control of business, then in the business world, governance should center around proper administration of companies. That view was in consonance with that of John and Senbet (1998), who also emphasized that corporate governance should be concerned with the separation between those who manage and control the corporation, those who own it and the agency problems it creates. Hence, the main aim of Corporate governance therefore, is for the promotion of corporate transparency, honesty, fairness and accountability in financial reporting, as well as compliance with ethical and regulatory standards. It also emphasizes the need for management to be accountable to the shareholders (who own the entity) and ensure the efficiency and effectiveness of the board of directors in the discharge of their responsibilities which includes overseeing the managers who run the companies' operations on a day-to-day basis (Ilaboya & Obaretin, 2015). This is in a bid to prevent some opportunistic behavior of managers who may abuse their offices, as it is usually noticed in the management/governance of a corporation, where often times the manager's interest tends to conflict with that of the shareholders' interests when they do not earn what is desire (Jensen & Meckling, 1976).

Three key corporate governance issues are of essence to this study namely; the size board of directors, the need for board diversity and board gender diversity. The board composition and efficiency is very crucial to the survival and growth of the firm because they mediate and control the relationship between the managers and the owners. Ferreira (2010), describes the board as the most important arm that is charged with decision making in the company. This invariably means that the more efficient the board, the more likely the fortune of the company and the more the interest of the shareholders will be protected. It is believed that a well-structured and balanced board (in terms of: size, structural diversity with respect to ratio of local to foreign directors represented on the board and the percentage of women to men representation on the board) will not only enhance the smooth and efficient functioning of the company but will also affect its earnings and reputation.

Earnings Quality, on the other hand, can simply be referred to as the extent to which earnings reported by companies show a firm's economic reality. It is also known as quality of earnings (QOE), which means capability of firm earnings (or its income) to predict its future profits.

The question then is: what is the impact of these corporate governance practices or issues on firm performance, firm earnings and even firm value? The answers to these; justify the positions of the Securities and Exchange Commission, the Financial Reporting Council of Nigeria and other regulatory bodies, which have continually emphasized the need for total compliance with the codes of corporate governance by corporate bodies in Nigeria due to its attendant positives; not only to the corporation but the shareholders and other stakeholders at large.

Arguably, we can trace most of the notable corporate accounting frauds and scandals in history to the abuse of corporate governance rules and principles (Nangih & Anichebe 2021). Consequently, several empirical studies such as those of Bhasin (2013), Dalton and Dalton (2011), Johl, Kaur and Cooper (2015), Nkanbia-Davies, Gberegbe, Ofurum & Egbe, (2016), Ammari, kadria & Ellouze (2014), and Rouf (2012) have all carried out studies on corporate governance. However, their findings were inconsistent and controversial. These were not unconnected with some deficiencies noticed in the area of variables used, content scope and the methodologies adopted in those studies. These constitute study gap, hence the need for an in-depth study, which will serve as a bridge. This is what the study sets out to accomplish. Consequently, the study seeks to empirically look at the impact of corporate governance on earnings quality of listed firms in Nigeria.

2. LITERATURE REVIEW

2.1. Corporate Governance and Dimensions

Corporate governance is seen as the rules, procedures and rules through which institutions are governed and regulated. It also encompasses the controls and procedures that exist to ensure management acts in the best interest of shareholders. Good and strong corporate governance makes managers uncomfortable in carrying out activities that may be deceptive in the financial reporting. When good corporate governance practices are maintained, it leads to high quality financial statements (Nkanbia-Davies, Gberegbe, Ofurum & Egbe, 2016). Hence, the ultimate aim of corporate governance is for the promotion of transparency, fairness and honesty in financial reporting, as well as to comply with ethical and regulatory standards. Akinsulire (2014) opined that corporate governance factor in such issues as the directors' responsibilities, including the review and reporting to shareholders and other interested stakeholders. Corporate governance, therefore, is used to reduce the agency cost that arises as a result of the disparity or variance between managers and shareholders interest. Some principles of corporate governance to be adopted include; laying solid foundation for management and oversight, structure the board to add value, promote ethical and responsible decision making, safeguard the integrity of financial reporting, respect the right of shareholders and recognize and manage risk. This study conceptualizes corporate governance using the following proxies;

2.1.1a The Board Size- Is a dimension of corporate governance system which affects the effectiveness of the board of directors. Board size is the term which describes the number of persons on the board of directors of a company in a given period. There is no consensus across countries and corporate governance codes as to the number of persons that should sit on the board of a company; however, the board should not be so large as to be unwieldy (Financial reporting council, 2010).

*2.1.1b Number of Female Representative on the Board -*The number of female representative on the board refers to the proportion of women who occupy the board membership positions. This

also has to do with how many females are on the board (i.e. how many females are among the board of directors of the company). Studies have shown that having female member representation on the board of directors improves the performance of the board. To measure number of female representatives on the board, this study used the number of female on the board out of the total number of persons on the board.

2.1.1c Board Diversity- Board diversity has to do with the number of local and foreigners present on the board. Meanwhile, in this context, board diversity simply means the number of foreigners available on the board. This is a significant aspect of corporate governance; it is also defined as the presence of foreigner directors on the board of directors of corporation.

2.2. Earnings Quality and Measures

Different authors and researchers described earnings quality differently. Some characteristics employed in their definitions of the word earnings were words such as persistence, predictive ability of earnings, smoothness of earnings, earnings manipulation and accrual quality. In general, earnings that are considered of high quality are those with high level of persistence, predictability, less volatility, timely, lower level of earnings management and higher accrual quality (Khairul et al. 2014).

Prior researches on earnings quality have employed various measures as proxies of earnings quality because of different perspectives in the understanding of the construct (Chukwu, Idamoyibo & Akunna, 2020). One of the attributes of earnings used in measuring earnings quality is how current earnings of an entity or corporation persist over time. Following the works of Mahjoub and Khomoussi (2013) as well as Chukwu, et al (2020) we define earnings as earning per share (EPS) and net assets per share (NAPS). Therefore, earning per share (EPS) and net assets per share (NAPS) were used as proxies for earnings quality.

Earnings per share (EPS) means the total earnings attributable to each unit of ordinary share of a company. It is calculated as a company's profit after tax less preference dividend divided by the number of ordinary shares. A better EPS shows greater value of the company or greater earnings quality because investors will pay more for a company's shares if they perceive will increase their earnings capacity relative to its share price in the future. Net asset per share, on the other hand, is commonly used to identify potential investment opportunities within mutual funds, indexes. One could also use net asset per share to view the holdings in their own portfolio. Net asset per share is the basic calculation of net assets per share which is total assets – total liabilities = Net assets.

2.3 Theoretical Review

This study is anchored on the Agency theory. The theory has its base in economic theory explained by Alchian and Demsetz in 1972, and was further developed by Jensen and Meckling in 1976. The theory emphasizes on the fact that ownership of companies should be separated from its control (Bhimani,2008). The agency theory in this study explains the relationship between the managers, shareholders and major providers of debt finance, and in order for the firm to be in existence and its performance to be effective their (i.e. shareholders, managers and major providers of debt finance) relationship matters a lot. Antonelli, D'Alessio and Cuomo (2016) stated that agency theory explains corporate governance concept. Corporate governance attributes align the objective of the management with that of the shareholders by playing the monitoring or supervisory roles.

2.4 Empirical Review

Amin, Lukviarman, Suhardjanto and Setiany (2018) investigated board characteristics on earnings with audit quality as moderating variable on concentration ownership of companies from the period of 2011 to 2014 of manufacturing companies in Indonesia. The research employed moderating regression analysis. They found a positive effect between audit committee independence, audit committee expertise and audit committee size with earnings quality while audit committee meetings had a negative effect on earnings quality.

Waweru and Prot (2018) assessed the effect of corporate governance on accrual earnings management of companies in Eastern Africa. The study employed a sample of 48 firms listed on the Nairobi Stock Exchange and the Dar es Salam Stock Exchange. The study results showed that board independence, board gender diversity and directors share ownership were positive and significantly related to discretionary accruals.

Yodbutr (2017) investigated the influence of corporate governance on earnings quality of Thailand financial firms from the period of 2011 to 2015 using the multiple regression analysis and findings revealed non-association between corporate governance and earnings quality, but the control variable of firm size had positive association with earnings quality. The size of firms determines the earnings quality of such firms.

Nalukenge, Tauringana, and Ntayi (2017) explored the relationship between corporate governance, internal controls and financial reporting in Ugandan Microfinance Institutions (MFIs). Data were collected from 70 Ugandan's MFIs and were analyzed using ordinary least squares regression. They found that board role significantly influences internal controls over financial reporting. In addition, they revealed that auditor type, size, accounting qualification and age do not significantly influence financial reporting quality.

Azzoz (2016) investigated corporate governance characteristics on earnings quality and earnings management of Jordan ASE financial listed companies from 2007 to 2010. The governance variables used include board size, CEO duality, board composition, audit size, audit composition and audit committee activity using modified Jones model and multiple regression. They found relation between audit committee size and audit committee activity with earnings quality and earnings management. They recommended the reduction of board of directors' members, adjustment in the external directors and non - executive board of directors' proportion and audit committee of financial Jordanian firms.

Nkanbia-Davies et al (2016) examined corporate governance and earnings quality of listed banks in Rivers State from the period 2010-2014 using regression analysis and Pearson product moment correlation and findings suggested that corporate governance has a positive relationship with earnings quality. They concluded that corporate governance is essential to earnings quality and improvement of the performance of banks. However, no relationship was established between independent audit committee and accrual quality in that study.

Younis (2016) investigated corporate governance and earnings quality of manufacturing listed firms on Karachi Stock Exchange using audit quality, CEO duality and board size. Findings suggested that audit quality and board size have a significant negative relationship with earnings management while firm size has a significant positive relationship with earnings management. Quality of earnings can be generated by reduction of earnings management through audit quality and board size.

Patrick, Paulinus and Nympha (2015) examined the relationship between corporate governance and earnings management practices in Nigeria. Using a sample of 33 firms, they found that board size, firm size, board independence and strength of audit committee have significant

influence on earnings management practices in Nigeria. They recommended for the use of improved corporate governance codes in Nigeria.

Uwuigbe, Peter and Onyenyi (2014) investigated the influence of corporate governance mechanisms on earnings management of some quoted companies in Nigeria. The regression results from the data collected from 40 listed firms revealed that board size and board independence negatively influence earnings management in Nigeria. In addition, the result indicated that CEO duality has significant positive influence on earnings management.

Leventis, Dimitropoulos and Owusu-Ansah (2013) assessed the effect of corporate governance on accounting conservatism in the United States. Using both market – based and accrual – based measures of conservatism on a sample of 315 firms they revealed that well-governed banks engaged in significantly higher levels of conservatism in their financial reporting processes. In relation to governance structures, banks with effective board and audit committees were reported to have recognized provisions for losses on non performing facilities compared to those that do not have effective governance structures.

Ugbede, Lizam and Kaseri (2013) define corporate governance as the blood that fills the veins of transparent disclosure and good accounting practices. It ensures that firms conform to good practices that protect the interest of shareholders and its environments, by ensuring fairness, transparency and accountability in business activities among its employees, management and board of directors.

3. METHODOLOGY

The design adopted for this research is the expo facto design. The population of the study is consumer and industrial firms in Nigeria. A total sample of 25 industrial and consumer goods companies (i.e. 12 industrial goods companies and 13 consumer goods companies). However, a sample size of 20 companies were selected, using Purposive Sampling technique, and used for the study. Data was collected from the company’s annual report for the period of 2015 – 2020 and were analyzed using descriptive statistics, correlation and multiple regression techniques.

Based on the study objectives, two models were formulated, which essentially relates to earnings quality as the dependent variable and corporate governance as the independent variable.

$$\text{Model 1: } \text{EPS} = \beta_0 + \beta_1\text{BSZ}_{it} + \beta_2\text{NOF}_{it} + \beta_3\text{BDV}_{it} + \mu_{it} \dots\dots\dots(1)$$

$$\text{Model 2: } \text{NAPS} = \beta_0 + \beta_1\text{BSZ}_{it} + \beta_2\text{NOF}_{it} + \beta_3\text{BDV}_{it} + \mu_{it} \dots\dots\dots(1)$$

Where; EPS = Earnings per share

NAPS = Net Asset per share

BSZ = Board Size (which represents the number of directors on the board).

NOF = No of females in the board

BDV = Board Density

β_0 = coefficient of correlation

β_{1-3} = coefficient to be estimated or the coefficients of slope parameters

μ = Error term; it captures other explanatory variables not clearly included in the model.

it = Where i and t represent all the companies and the years' time period respectively. The expected signs of the coefficients (i.e. a prior expectations) are such that β_1, β_2 while $\beta_3 < 0$.

4. ANALYSIS AND INTERPRETATION OF RESULTS

Table 1. Regression Statistics (Model 1) for selected listed firms

Dependent Variable: EPS

Method: Least Squares

Included observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BSIZ	-0.848103	0.481865	-1.760044	0.0805
BDIV	1.800058	0.596975	3.015297	0.0030
NOF	0.074171	0.910140	0.081494	0.9352
C	6.712569	3.530572	1.901270	0.0592
R-squared	0.059776	Mean dependent var		3.208307
Adjusted R-squared	0.040457	S.D. dependent var		13.40334
S.E. of regression	13.12941	Akaike info criterion		8.013892
Sum squared resid	25167.70	Schwarz criterion		8.094175
Log likelihood	-597.0419	Hannan-Quinn criter.		8.046508
F-statistic	3.094061	Durbin-Watson stat		1.485312
Prob(F-statistic)	0.028900			

Table 2. Descriptive Statistics

	EPS	BSIZ	BDIV	NOF
Mean	3.208307	9.673333	2.540000	1.720000
Median	0.830000	9.000000	2.000000	2.000000
Maximum	64.00000	18.00000	10.00000	6.000000
Minimum	-74.00000	4.000000	0.000000	0.000000
Std. Dev.	13.40334	3.476666	2.579293	1.341741
Skewness	0.252894	0.559439	0.821571	0.637329
Kurtosis	17.57507	2.499648	2.774978	3.078994
Jarque-Bera	1329.303	9.388989	17.19096	10.19372
Probability	0.000000	0.009145	0.000185	0.006116
Sum	481.2460	1451.000	381.0000	258.0000
Sum Sq. Dev.	26767.77	1800.993	991.2600	268.2400
Observations	150	150	150	150

Table 3. Correlation Statistics for Selected Listed Firms

	EPS	BSIZ	BDIV	NOF
EPS	1.000000	0.030135	0.191741	-0.001734
BSIZ	0.030135	1.000000	0.712100	0.465116
BDIV	0.191741	0.712100	1.000000	0.268942
NOF	-0.001734	0.465116	0.268942	1.000000

Table 4. Regression Statistics (Model 2) for Selected Listed Firms

Dependent Variable: NAPS

Method: Least Squares

Included observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BSIZ	-0.030474	0.561315	-0.054290	0.9568
BDIV	4.762492	0.695406	6.848508	0.0000
NOF	-0.007238	1.060206	-0.006827	0.9946
C	3.363104	4.112699	0.817736	0.4148
R-squared	0.393948	Mean dependent var		15.15260
Adjusted R-squared	0.381495	S.D. dependent var		19.44714
S.E. of regression	15.29422	Akaike info criterion		8.319131
Sum squared resid	34151.31	Schwarz criterion		8.399415
Log likelihood	-619.9349	Hannan-Quinn criter.		8.351748
F-statistic	31.63453	Durbin-Watson stat		0.714035
Prob(F-statistic)	0.000000			

Table 5. Correlation Statistics for Selected Listed Firms

	NAPS	BSIZ	BDIV	NOF
NAPS	1.000000	0.444120	0.627640	0.166845
BSIZ	0.444120	1.000000	0.712100	0.465116
BDIV	0.627640	0.712100	1.000000	0.268942
NOF	0.166845	0.465116	0.268942	1.000000

Table 6. Descriptive Statistics

	NAPS	BSIZ	BDIV	NOF
Mean	15.15260	9.673333	2.540000	1.720000
Median	6.120000	9.000000	2.000000	2.000000
Maximum	79.36000	18.00000	10.00000	6.000000
Minimum	-5.000000	4.000000	0.000000	0.000000
Std. Dev.	19.44714	3.476666	2.579293	1.341741
Skewness	1.539962	0.559439	0.821571	0.637329
Kurtosis	4.566453	2.499648	2.774978	3.078994
Jarque-Bera	74.62314	9.388989	17.19096	10.19372
Probability	0.000000	0.009145	0.000185	0.006116
Sum	2272.890	1451.000	381.0000	258.0000
Sum Sq. Dev.	56350.50	1800.993	991.2600	268.2400
Observations	150	150	150	150

The regression statistics for model 1 of the sampled firms as shown in table (1) is

$EPS = 6.713 + 0.074NOF + 1.800BDIV - 0.848BSIZ$. The above model statistics shows that if there is no change in the independent variables, the EPS will be 6.713 units. The EPS has an inverse relationship with the Board Size; it implies that any unit increase in Board size will reduce EPS by the units of its coefficient. The adjusted R-squared, which is the coefficient of determination

or measure of good fit of the model is 4% in the model. This showed that our model displayed is not fit because R^2 is not close to 100%. By implications, it means that 4% of the changes in EPS (the dependent variable) were caused by the independent variables in our model, leaving the remaining 96%, which would be accounted for other variables outside the model as captured by the error term. The F-statistic measures the overall significance of the explanatory parameters in the model, and it illustrates the appropriateness of the model used for the analysis while the probability value means the model is statistically significant and valid in explaining the outcome of the dependent variable, was 3.094 and its probabilities are 0.029 which is less than 0.05. Our model is a bit free from the problem of autocorrelation because the Durbin Watson statistic of 1.49 is slightly above; and it suggests the absence of serial auto correlation in the series.

From the Descriptive statistic of selected listed firms table 2 above, the mean value of about 3.21; on the other hand, board size (BSIZE), number of female representative (NOF) and board diversity (BDIV) had the mean values of 9.67, 1.72 and 2.54 respectively. Also, in the descriptive statistic above, the entire variables are normally distributed according to the Jarque-Bera statistic with all their p-value less than 0.05.

From the Correlation statistic of selected listed firms table 3; it shows that there is a positive and negative significant relationship between EPS and other variables in this work, it shows that EPS and Board size (BSIZE) is 3%, EPS and Board diversity (BDIV) is 19.2% while EPS and Number of female representative (NOF) is -0.2%. According to the results shown above, there is a positive and significant relationship between board size (BSIZ) and EPS, there is a positive and insignificant relationship between board diversity (BDIV) and EPS while there is also a negative and significant relationship between number of female representative on the board and EPS.

The regression statistics for model 2 of the sampled firms as shown in table (4) is

$NAPS = 3.363 - 0.007NOF + 4.762BDIV - 0.030BSIZ$. The above model statistics shows that any unit increase in the number of female representative (NOF) and board size (BSIZ), the NAPS will reduce by their respective coefficients. That is, Number of female representative on the board and Board size has a negative effect on the NAPS, if been increased. As indicated in Table 4, our R-squared (R^2) is 38.1% in the model. By implications, it means that 38.1% of the changes in NAPS (the dependent variable) were caused by the independent variables in our model, leaving the remaining 61.9%, which would be accounted for other variables outside the model as captured by the error term. The F-statistic is 31.635 and its probabilities are 0.000 which is less than 0.05. Our model is not free from the problem of autocorrelation because the Durbin Watson statistic of 0.71 which is low; and it suggests the presence of serial auto correlation in the series.

From the Correlation statistic of selected listed firms table 5; it shows that there is a strong significant relationship between NAPS and other variables in this work, it shows that NAPS and Board size (BSIZE) is 44.4%, NAPS and Board diversity (BDIV) is 62.8% while NAPS and Number of female representative (NOF) is 16.7% and they are all positively and insignificantly associated.

From the Descriptive statistic of selected listed firms table 6, the mean value of about 15.15; on the other hand, board size (BSIZE), number of female representative (NOF) and board diversity (BDIV) had the mean values of 9.67, 1.72 and 2.54 respectively. Also, in the descriptive statistic above, the entire variable is normally distributed according to the Jarque-Bera statistic with all their p-value less than 0.05.

5. DISCUSSION

H₀₁: Board size does not significantly affect the earnings per share of a firm.

A review of the regression analysis results for the sampled firms shows that the empirical findings for this study show that there is a negative and insignificant relationship between board size and earnings per share for the sampled firms. This is evident in the probability and t-statistic of 0.081 and -1.760 respectively. Hence, we accept the alternate hypothesis and reject the null hypothesis. This result basically indicates that there is an inverse relationship between board size and earnings per share. This result is indicative of the fact that firms with the large board size of directors tends to have a reduction on the earnings per share of the firm. This outcome however contradicts the findings of Nkanbia-Davies, Gberegbe, Ofurum and Egbe (2016) who found that corporate governance has a positive relationship with earnings quality of banks.

H₀₂: Board size does not significantly affect the net assets per share of a firm.

The second hypothesis shows that there is a negative and significant relationship between the board size and net assets per share for the sampled firms in Nigeria. This is evident in the probability and t-statistic of 0.957 and -0.054 respectively. Hence, we accept the alternate hypothesis and reject the null hypothesis. This result basically indicates that there is an inverse relationship between board size and net assets per share (i.e. the more the board size, the lesser the level of net assets per share). This implies that if the firm increases its board size it tends to have a negative impact on the net assets per share of the firm (i.e. if the board size is increased than the aggregate assets of the firm tends to reduce in the sense that funds that needs to be channeled in the purchasing more assets for the firm will be channeled to the board).

H₀₃: Number of female representative on the board does not significantly affect the earnings per share of a firm.

The third hypothesis shows that there is a positive but insignificant relationship between the number of female representative on the board and earnings per share for the sampled firms in Nigeria. This is evident in the probability and t-statistic of 0.935 and 0.081 respectively. Hence, we accept the null hypothesis. This result basically indicates the number of female representative on the board does not affect the income of the firm. This result implies that an increase of female on the board can lead to an increase of the earnings per share of the firm (i.e. it implies that the more females represented on the board, the higher the earnings per share of the firm with the studies that found out that availability of females on the board brings about a positive performance of the firm).

H₀₄: Number of female representative on the board does not significantly affect the net asset per share of a firm.

The fourth hypothesis shows that there is a negative and significant relationship between the number of female representative on the board and net assets per share for the sampled firms in Nigeria. This is evident in the probability and t-statistic of 0.995 and -0.007 respectively. Hence, we accept the alternate hypothesis and reject the null hypothesis. This result basically indicates that there is an inverse relationship between number of female representative on the board and net assets per share. This implies that if the firm has much female representative on the board it tends to have a negative impact on the net assets per share of the firm. This result implies that an increase in the number of females been represented on the board, does affects the net assets per share of the firm. It also implies that the more females represented on the board are reduce then it affects the net assets per share of the firm positively.

H₀: Board diversity does not significantly affect the earnings per share of a firm.

The fifth hypothesis shows that there is a positive and insignificant relationship between the board diversity and earnings per share for the sampled firms in Nigeria. This is evident in the probability and t-statistic of 0.003 and 3.015 respectively. Hence, we accept the null hypothesis. This implies that an increase of the board diversity does not affect the earnings per share of the firm (i.e. if the firm increases its board diversity it tends to have a positive impact on the earnings per share of the firm). That is to say, as foreigners are been made members of the board it affects the income of the firm positively. Also, this hypothesis helps in making a valid decision making for the firm.

H₀: Board diversity does not significantly affect the net assets per share of a firm.

The sixth hypothesis shows that there is a positive but insignificant relationship between the board diversity and net assets per share for the sampled firms in Nigeria. This is evident in the probability and t-statistic of 0.000 and 6.849 respectively. Hence, we accept the null hypothesis. This implies that an increase of the board diversity does not affect the net assets per share of the firm (i.e. if the firm increases its board diversity it tends to have a positive impact on the net assets per share of the firm). That is to say, as foreigners are been made members of the board it affects the aggregate assets of the firm positively. Also, this hypothesis helps the firm, shareholders, public at large in making a valid decision making.

6. CONCLUSION AND RECOMMENDATIONS

The study examined the effect of corporate governance on earnings quality of listed consumer and Industrial goods firms in Nigeria. The findings revealed that:

- Board size, had an inverse and insignificant relationships on EPS and NAPS.
- Board diversity had positive and significant influence on EPS and NAPS
- However, number of female representatives had positive and insignificant effect on EPS but a negative and insignificant influence on NAPS any increase in the number of female representative on the board will lead to an increase of the firm's earnings which is the EPS.

Based on the findings, the study concludes that: Firstly, that board size does affect the earnings quality. Secondly, the number of female representative on the board does not affect the earning of a firm and thirdly, the availability of foreigners on the board positively affects the earnings quality of a firm.

The study therefore recommends that;

- The number of foreigners on the board should increase thereby the firm should employ foreign directors on their board so as to enhance their reported earnings quality in Nigeria.
- Also, there should be availability of females on the board in order to increase and enhance reported earnings quality in Nigeria.
- The size of the board of directors should be made moderate and not too much on the board in order not to cause a reduction in the earnings of the firm or the firm can reduce the remuneration of the board of directors in order avoid a negative impact on the earnings of the firm.

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