



**BOARD INDEPENDENCE, AUDIT QUALITY AND EARNINGS MANAGEMENT
AMONG LISTED NON-FINANCIAL COMPANIES IN NIGERIA**

Ahmed Mohammed¹ and Mohammed Yabagi Ibrahim²

^{1&2}Department of Accountancy, School of Financial Studies, The Federal Polytechnic Bida,
Niger State.

¹+2348038412848: ahmedmohammed@fedpolybida.edu.org

²+2348036825327: badamasi82@gmail.com

Abstract

Driven by agency disputes on real earnings management and board characteristics, this study examines the relationship between board independence, audit quality and earnings management. Using the information of quoted service firms on the Nigerian Exchange Group. The analysis of the data was conducted using multiple regression analysis, utilising a sample of 160 observations from Nigeria, an emerging market spanning from 2014 to 2023. Our results demonstrate that board independence does not mitigate real earnings management. However, we find that Big4 auditor reduces real earnings management and improves the quality of financial reporting. These results show that for a percentage increase of independent directors, the smoothening of earnings decreases while a significant number of services do not engage Big4 auditors in reporting the quality of their financial statements. Especially in a setting where the capital market is still in the process of developing and where legal protection and law enforcement are lacking, the findings of this research could prove to be beneficial to regulators in their efforts to limit the occurrence of earnings management and to enhance financial reporting quality.

Keywords: Board independence, Audit quality, Big4 auditor, Real earnings management, Nigeria.

JEL Classification: M41, M42.

INTRODUCTION

The primary basis for evaluating a company's financial performance in the context of financial reporting is the information that is acquired from earnings and the components of profit. It was established by Olayinka (2022) that the purpose of accounting is, without a doubt, to provide financial information about the business. Therefore, users of accounting information will be able to make better judgments with the assistance of high-quality financial reporting. When the appropriate choice is made, it will result in the most effective distribution of resources, which is a crucial factor that contributes to the economic prosperity of nonfinancial firms and that of a Nation in general.

The study of Kliestik et al. (2021) posits that when a manager decides which accounting choice to use to accomplish a particular goal is known as EM manipulation. Following Enomoto et al. (2015), there are two distinct types of earnings management (EM), i.e., efficient EM, which involves expanding earnings through informativeness in the communication of private

information, and opportunistic EM, which involves opportunistically reporting earnings to maximise the utility of companies. A similar position was revealed by the study of Healy and Wahlen (1999) that when a manager often prepared accounting information to sweat his desires and sometimes altered financial reporting for personal gain and mislead stakeholders or potential investors about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers.

Besides, to guarantee that shareholders are provided with objective financial information, corporate boards must be composed of a sufficient number of independent non-executive directors who are more likely to be free from the influence of management. (Khalil & Ozkan., 2016; Adewale et al. 2021; Attia et al., 2022). The findings of various previous studies that were undertaken for companies in developed countries and emerging economies like Nigeria are considered to be evidence of lower levels of EM and fraud in nonfinancial firms in which independent directors make up the majority of the board members.

The demand for effective auditing has increased as a result of conflicts that arise between shareholders, who act as principals, and managers, who act as agents. These disputes also result in agency difficulties. Consequently, auditors have the potential to serve as the external governance mechanisms that bring about a reduction in agency difficulties by imposing restrictions on earnings management practices. According to Griffith et al. (2015), auditors of greater quality are more likely to detect incorrect accounting records. Therefore, the efficacy of auditing is dependent on an auditor's capacity to restrain managers from participating in EM smoothening. Therefore, the most essential strategic decision that an auditing firm must make is whether or not to specialise in a certain industry. This decision will affect the audit quality and financial reporting quality, all of which are of main concern to regulators and users of financial statements (Nawafly & Alarussi, 2019).

However, effective monitoring to reduce the occurrence of EM with a robust observing capacity of board independence is still debatable. The contention that board independence is related to more effective monitoring to reduce earnings management with a robust observing capacity is still debatable. As part of these oversight systems, prior research has established that boards of directors play a crucial role in regulating the consistency standards of financial reporting processes in nonfinancial firms. However, previous studies indicated mixed findings that having independent directors' presence on the board would mitigate earnings management in nonfinancial firms due to agency theory conflict (Teh et al., 2017; Idris et al., 2018; Maharani & Soewarno, 2018; Alqatan et al., 2019). Other researchers found a negative relationship between board independence (Alareeni, 2018; Neville et al., 2019; Shah et al., 2019) against AEM and REM.

However, few studies on earnings management still relate to board independence in Nigerian nonfinancial firms. Another aspect that is beneficial in detecting aggressive EM is the quality of the audit. To safeguard the firm and stakeholders investment and to comply with corporate governance code as a result of clients providing deceptive financial reports, high-quality auditors are required to maintain a high level of financial reporting quality (DeAngelo 1981; Francis & Wang 2008). The study by Dowling & Leech (2014) and Boritz et al. (2020) found that large audit firms are associated with higher fees to improve their technological competence and engage qualified individuals to build and implement effective methods for identifying misreporting. Therefore, demonstrated by the fact that large audit firms earn significantly. The inconsistent

outcome of problems connected with the appropriate measurement as board independence indicators and use of audit quality will further examine EM in this context.

Hence, the relationship between board independence, audit quality and earnings management is a rich topic, while studies that explored the subject in emerging markets, especially real-based earnings management manipulation, are limited and deserve further investigation (Habib et al., 2022). This study is motivated by the contractual incentives to investigate whether audit independence and Big 4 auditors deter management from earnings management manipulation using REM in Nigeria. The remainder of this paper is planned as follows. Section two reviewed relevant literature and hypotheses based on stated objectives. Data analysis and discussions of findings are in section 4, and finally, the conclusion and recommendation are in section 5.

LITERATURE REVIEW

The purpose of this research is to investigate the relationship between board independence, audit quality, and real earnings management for 16 Nigerian listed service companies over ten years (2014–2023). To achieve this objective, we provide the conceptual and analytical framework. The relationship between the independent, dependent, and control variables of the study is shown in Figure 1.

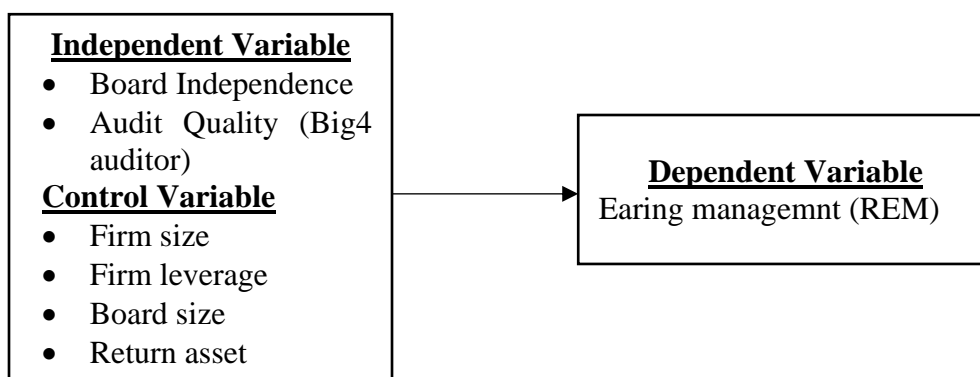


Figure 1. Conceptual Framework

The board's independence in this study refers to the disparity between internal and external directors (Nazir & Afza, 2018)., and the Big4 auditor refers to the KPMG, DELOITTE, PWC, and EY. Four REM measurement approaches, each centred on a distinct aspect of operational income, are put out by Roychowdhury (2006). Selling, general, and administrative (SG&A) and R&D, cost of goods sold plus inventory fluctuations, or positive abnormal production cost, and operating cash flow as evidence of earnings manipulation. The model includes four control variables: firm size, leverage, board size and return on asset. The natural logarithm of total assets represents the size of the company, and total liabilities, or total assets divided by total liabilities, represent leverage. The size of the total number of directors sitting on the board while return on asset is the net income divided by the total asset.

Agency theory holds that the pursuit of managerial interests differs from owners' interests when ownership and control are separated (Jensen & Meckling 1976). As a result, boards of directors

must closely oversee managerial decisions to ensure that shareholders' interests are safeguarded (Fama & Jensen 1983). In order to oversee managers on behalf of their shareholders, boards of directors are established (Jensen & Meckling, 1976; Cullen & Brennan, 2017). According to agency theory, a board's efficacy is positively impacted by its independence (Huse 1994). Therefore, the makeup of the board and the proportion of independent directors may have a significant impact on the board's capacity to oversee the company's managers (Fama & Jensen 1983; Jensen & Meckling 1976). One could argue that independent member-dominated boards are better suited to oversee and manage managers (Maestrini et al., 2018). An independent board will motivate management to prioritise the company's long-term success over short-term decisions meant to reap fast financial rewards from the stock market, as recommended by Patton and Baker (1987). Actually, by keeping an eye on and reining in management's opportunistic behavior, boards presided over by independent outside directors may help to mitigate the agency problem (Jensen & Meckling 1976).

A problem of agency will arise between the principal and the agent as a result of this procedure. It was claimed by Tang et al. (2020) that conflicts of interest have the potential to give and affect the share prices of such companies. Furthermore, Vitolla et al. (2020) claimed that agency difficulties occur due to the personal interest of managers to the detriment of owners' or stakeholder's interest in the firms. As a consequence of this, managers do not always operate in a manner that maximises the return on investment for shareholders. Because of this, it will result in a conflict of interest between the shareholders and the managers of the company because both groups have distinct perspectives and objectives.

Hypothesis development

Previous research (Nawafly & Alarussi, 2019; Khan & Kamal, 2021; Zakaria et al., 2022) demonstrates that board independence is crucial to the preparation of an entity's financial report. Additionally, research has shown that board independence, as a Big4 auditor, contributes to mitigating income smoothening and the preparation of high-quality financial reports. Scholars such as Alareeni (2018), Githaiga et al. (2022) and Mesbah (2022) have confirmed that the independent board and Big4 auditor to prevent the firm from exhausting its resources reduces the opportunities for earnings management. Consequently, the subsequent subsections will address the creation of theories concerning the correlation between board independence and real earnings management.

Board Independence and Earnings Management

In other words, independent boards are better able to curb managerial opportunistic behaviour and lessen management's ability to conceal information. Kelton and Yang (2008) contend that the board's ability to carry out its monitoring job is based on its independence from management. The bulk of studies looking into the relationship between BDIND and EM generally affirm how crucial BDIND is for keeping an eye on EM practices. For example, Ideh et al. (2021) argued that it is easy to distinguish the board's composition from the inside directors, associated directors, and outside directors. The degree of their involvement in the company's management derived from insider managers is that of directors who are also managers or current officers in the companies,

whereas non-manager directors are outside managers. Some directors are affiliated, and others are autonomous among the outside directors (also known as external or non-executive directors). Related directors are non-employee directors with a private or business connection with the company, while independent directors have no personal or business connection with the company. Several studies suggested that independent directors' existence prevents management from manipulating earnings and protecting its interests (Idris et al., 2018; Alareeni, 2018; Alqatan et al., 2019; Abdou et al., 2021; Githaiga et al., 2022). Also, other studies found that board independence is not significant in helping to curb EM (Chatterjee, 2019; Sial et al. (2019). Based on this mixed outcome, the study proposed the hypothesis thus:

H₀₁: Board independence is more effective in limiting Real earnings management.

Audit Quality and Earnings Management

Over the years, BIG4 auditors like KPMG, DELOITTE, PWC, and EY have established a reputation for offering high-quality audit services. As a result, these firms are required to conduct high-quality audits cohesively to prevent audit failure, which puts them in danger of losing clients and incurring expensive audit fees. Deangelo (1981). Numerous research studies have confirmed that Big Four auditors are thought to provide higher-quality audits than non-Big Four auditors. Francis and Yu (2009) and Choi et al. (2010) define quality audit as the "full commitment to making sound judgments." The audit procedure's necessary phases are continuously followed, and a true and fair assessment of the financial accounts is provided. According to Francis et al. (2013), the size, reputation, and industry experience of an audit company are factors that impact the quality of the audit. Big Four audit firms are thought to offer high-quality audit services since they go above and beyond these requirements.

The Big4 auditors have more significant motivations to identify any potential audit failure and enhance the credibility of the audit since they want to uphold their honour reputation, which ensures high-quality auditing (Abid et al., 2018; Ayu et al., 2019). Mesbah (2022) also claimed that large auditors, often known as the BIG4, are more knowledgeable and provide services of a higher quality than smaller auditors, also known as non-BIG4 auditors. Therefore, the efforts of auditors to detect and minimise REM have been the subject of debates among researchers. To support the arguments above, Sani et al. (2018) evaluated the impact BIG4 auditors have had on publicly traded companies in Nigeria. They discovered a positive and significant relationship between REM and the Big4 auditors.

On the other hand, other researchers in their studies posit a significant association between audit quality (BIG4) and EM. Khanh & Nguyen (2018) investigate the impact of audit quality and REM in Vietnam. They adopted Roychowdhury's (2006) model of REM and found no significant shift among BIG\$ and non-BIG4 auditors regarding earning management practices. Likewise, Agyei-Mensah (2019) explored the relationship between audit quality and earnings management practices employed by companies traded on the Ghana Stock Exchange (GSE) and discovered that audit Big4 was positively and significantly related to EM. This objective is based on the ideas that have been presented above, which have provided various arguments concerning the connection between

audit quality and EM practices. Following the divergence views, the study hypothesis to examine the relationship:

H₀₂: Audit Quality (BIG4) negatively affects the earnings management.

METHODOLOGY

For this study, the sample of nonfinancial firms comprised one hundred and twelve that were listed on the NSE and grouped according to their industrial classification. The study will be covered from 2014 to 2023. A combination of MachameRatios Data and annual reports from the service firms that were sampled were used to retrieve the data. Therefore, this is depicted in Table 1.

Table 1: Sample Selection of Nonfinancial Firms from 2014 to 2023.

Explanation	Total
The total sample size of Nigeria's nonfinancial firms	112
Less: Excluded Companies: Agricultural (5), conglomerate (8), construction real estate, consumer goods (20), healthcare (10), ICT (9), industrial goods (13), natural resources (4) and oil and gas (12).	81
Less: Missing Data: The firm has missing data from the time of 2014-2023.	15
Total Sample (Service firms)	16

Source: Author's Conceptualization

Measurement of Variables

Dependent variables REM measurement

Based on Roychowdhury's (2006) findings, businesses can effectively control their earnings through business transactions by modifying the time or structure of three distinct types of company accounts. Abnormal Cash Flow from Operations (ACFO), Abnormal Production Costs (APRC), and Abnormal Discretionary Expenses (ADIE) are the accounts that fall under this category. It is possible to estimate these three most used proxies for REM by using the residuals of regressions, which are represented by equations (1) through (3). If the value of APRC is higher, but the values of ADIE and ACFO are lower, this indicates that REM is higher. To accomplish this, we multiply the standardised residuals derived from the level of cash flow from operations and discretionary expenditure by a factor of one, and then we add these results to the standardised residuals using the PRC equation. In a manner that is analogous to that of earlier research (Cohen et al., 2008; Eng et al., 2019), the three values are combined to provide a single value for REM by utilising equation (4). Calculations were made to get the estimations for the three REM metrics for each year and industry.

$$REM = ACFO \times -1 + APRC + ADIE \times -1 \quad (4)$$

Where:

During the time t , cash flow from operations is equal to CFO_t . A lag in total assets equals assets-1. Sales are equal to the company's annual sales. "Sales $t-1$ " equals "lagged sales" The difference between sales in year t and sales in year $t-1$ is denoted by the symbol $\Delta Sales_t$. The difference in sales from the previous year, defined as the difference between sales in year $t-1$ and sales in year $t-2$, is denoted by the symbol $\Delta Sales_{t-1}$. PRC t is equal to the total change in inventory (INV) and the cost of goods sold (COGS t) over the course of the year. The total of expenses associated

with advertising, selling, general and administrative (SG&A), and research and development (R&D) during the period t is referred to as DIE_t . This represents the discretionary expenses that were incurred during the time.

Independent Variables

Corporate governance two, which is board Independence, and audit quality, which form the independent variables, were assessed in this research. The board independence is measured by the proportion of independent directors to the total number of board members (Idris et al., 2018; Githaiga et al., 2022), while the audit quality (Big4) variable is calculated as a dummy of 1 if firms audited by Big4 accounting firms (PricewaterhouseCoopers (PWC), Deloitte, KPMG and Ernst & Young) and otherwise 0 if otherwise.

Control variables

Several different aspects may directly influence the management of profits. Those factors are the control variables subject to influence the dependent variable of the study (EM). Due to this control variable category, the research's internal validity is improved. Therefore, firm size, leverage, and board size are used. Previous research has indicated that these control factors have a direct influence on REM, and they were included in those studies (Khalil & Ozkan, 2016).

Model Specification

The next is the model used to investigate board independence and audit quality in ERM:

$$EM = \beta_0 + \beta_1 BINDP_{it} + \beta_2 AUDQ_{it} + \beta_3 FSIZE_{it} + \beta_4 FLEVG_{it} + \beta_5 BODS_{it} + \beta_6 ROA_{it} + \varepsilon_{it}$$

Table 2: Summary of Measurement and Data Sources

Variable	Proxies	Measurement	Sources
Earnings management	REM	The aggregate value of the standardised ACFO (-1), APRC, and ADIE (-1) that measured overall REM	Roychowdhury's (2006)
Board independence	BINDP	The proportion of independent directors on the board	Idris et al. (2018).
Audit quality	BIG4	A dummy variable of 1 if a company hired audit big4, otherwise 0	Abid et al. 2018
Firm size	FSIZE	Natural log of total asset	Khalil & Ozkan (2016)
Leverage	LEVG	The proportion of total debt to total asset	Idris et al. (2018).
Board size	BODS	The total number of directors on the board.	Khalil & Ozkan (2016)
Return on asset	ROA	Net income divided by total asset	Khan & Kamal (2021).

Source: Author's Conceptualization

RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 3 depicts the result of statistical analysis of the independent and dependent variables of interest, including descriptive statistics. For each variable, the mean, the maximum, and the minimum are taken into consideration. The descriptive statistics for the study are presented in Table 1, which may be seen below.

Table 3: Descriptive Statistics

Variable	Mean	Std. Devi	Min	Max	Obs.	JB
REM	0.424	0.089	0.043	0.627	160	0.000(0.008)
BINDP	66.592	16.012	16.67	90.91	160	0.002(0.457)
BIG4	0.418	0.495	0	1	160	0.081(0.000)
FSIZE	6.725	0.498	5.500	7.75	160	0.006(0.793)
LEVG	-0.952	27.752	- 43.173	12.217	160	0.000(0.000)
BODS	8.669	1.996	4	18	160	0.008(0.002)
ROA	-1.037	19.517	-119.631	89.557	160	0.000(0.000)

Note: The study sample consists of 16 firms for the period 2013 until 2022, equivalent to 111 nonfinancial firms listed on the Nigeria Stock Exchange (NSE). REM is real earnings management calculated using the Rowcheberry Model as recommended by (Kothari et al., 2016). BINDP outside directors to total board size. BIG4 is a dummy variable equal to 1 or otherwise 0. FSIZE is the natural logarithm of market capitalisation. LEV is leverage calculated by dividing total debt by total assets. ROA, on the other hand, is the return on assets, which is calculated by dividing operating income or earnings before interest and tax (EBIT) by TA.

In Table 3 above, the average REM that proxy EM practice of the sampled Nigeria-listed nonfinancial companies was 0.424. The minimum value is .0433943, while the maximum is 0.627. This, therefore, means that listed nonfinancial firms with REM 42% practising higher EM while those with below 42% are practising low EM. In the case of BINDP, with an average value of 66.592. the minimum value was 16.67, while the maximum was 90.91. This means that firms with higher or equal to 66% are higher independent boards while firms with lower, below 66%, are low BINDP firms. Meanwhile, firms audited by BIG4 with a mean value of 0.418 shows that BIG4 audits 42% of service firms.

Table 3 shows the result of the control variable with a mean value of FSIZE of 6.725 and min and max values of 5.500 and 7.75, respectively. In addition, the mean value of LEVG is -0.952 with min and max values of - 43.173 and 12.217. The board size mean value of sample service firms was 8.669. The minimum value was 4, and the maximum was 18 BSIZE. This, therefore, means that service firms with a higher board size of 9 are oversized boards, while board sizes below 9 are undersized. Also, ROA has a mean value of -1.04 while the min is -119.633 and the maximum is 89.545.

Table 3 shows the result of data normality and whether the data sample contains some elements of outliers, which is an indication of the distribution of data that is not regular. The results that were obtained from the joint probability of skewness and kurtosis for all of the variables of interest indicate that the data that was compiled from the sampled service firms during the period of study are all normally distributed at a level of significance of 0.05%, except BIG4, which was not normally distributed. Subsequently, the robust standard error was utilised to modify this particular variable.

Correlation Analysis

Finding the degree of linear association between two variables can be done by a study of correlation. The aim is to illustrate the strength of the linear relationship between the two numerical variables, not to make predictions about one variable based on another. A correlation matrix is used in this study to ascertain the direction, strength, and importance of the link between the dependent, independent, and control variables. Pallant (2005) states that the correlation's sign indicates whether the two variables' nexus is pointing in a positive or negative direction. Table 4 shows the correlation between the variables, that is, between 0.1 and 0.29.

Table 4: Correlation Analysis.

Variable	REM	BINDP	BIG4	FSIZE	LEVG	BODS	ROA
REM	1.000						
BINDP	0.151	1.000					
BIG4	-0.072	-0.086	1.000				
FSIZE	0.218	-0.073	0.174	1.000			
LEVG	-0.032	-0.057	-0.094	-0.049	1.000		
BODS	0.109	0.241	-0.097	0.047	0.020	1.000	
ROA	-0.104	0.042	-0.267	0.044	0.134	0.022	1.000

Notes: * and ** represent significance at 0.05 and 0.01 levels. REM (Real earnings management) was calculated using the Rowcheberry, 2016 Model as recommended by Wu et al. (2020). BINDP is the percentage of independent board members compared to the total board size. BIG4 is a dummy variable equal to 1 if the firm is audited by Big 4 and 0 if otherwise. FSIZE is the natural logarithm of market capitalisation. LEV is leverage calculated by dividing total debt by total assets, while return on assets, also known as ROA, is typically calculated by dividing the operational income or earnings before interest and tax (EBIT) by the total asset value.

The association between the variables that are being investigated, which are board independence, audit quality, and earnings management (REM), is presented in Table 4. These variables are found in the financial statements of listed service firms. With a correlation coefficient of 0.151, the result demonstrates that there is a substantial positive association between REM and board independence (BINDP). This relationship is significant at the 0.01 level of significance and there is a relationship between an increase in the BINDP and REM, as indicated by the result. According to the correlation coefficient of -0.072 and -0.086, the result demonstrates that there is a negative association between the BIG4 to REM and BINDP. On the consideration of the control variable, this relationship is significant at the 0.01 level of significance according to the correlation coefficient. There is a correlation between an increase in the services of board independence and audit quality and a decrease in the REM, as indicated by the result. According to the correlation coefficient of 0.218, 0.109, the result demonstrates that there is a positive association between FSIZE, BODS, and REM, while the relationship between LEVG and ROA shows a negative correlation with a coefficient of -0.032 and -0.032 on real earnings management.

Variance Inflation factor

Table 5: VIF

Variable	I/VIF	VIF
BIG4	1.14	0.880243
ROA	1.10	0.906166
BINDP	1.08	0.926281

BODS	1.08	0.928672
FSIZE	1.05	0.948142
LEVG	1.03	0.970278
Mean VIF	1.08	

Based on Table 5 above, our models for the analyses are adequate and dependable since none of the variables tend to produce difficulties of multicollinearity. This is because all of the independent variables had Variance Inflation Factors (VIF) that were less than 5.

Multiple Regression Analysis

The finding was reflected in the VIF, which stands for the tolerance and variance inflation factor. As can be seen in Table 6, the value of the tolerance for all variables is greater than 0.10, and the value of the variance inflation factor is lower than 10. The conclusion that can be drawn from this is that the multicollinearity issue does not affect any of the variables present. In addition, the unstandardised beta coefficients are displayed in Table 5, for which the FSIZE variable gives a high coeff. of 0.948. From Table 6 above, using the fixed effect model, the coeff. of multiple determinations (R²) is 0.481 (OLS), 0.371 (F.Eff.), and 0.620 (R.Eff.). This indicates that about 48%, 37%, and 62% of the total variations in real earnings management (REM) are explained by the variations in the independent variables (BINDP and AUDQ), while the remaining 52%, 63%, and 38% of the variation in the model is captured by the error term. It can be deduced from this that the line of best fit is inadequately fitted. The standard error test is utilised to ascertain the level of confidence in the validity of the estimations and to measure the magnitude of the error that has occurred.

Table 6: Regression Analysis (Fixed Effect Model)

Variables	OLS Model	Real Earnings Management Model	
	OLS Regression	Fixed Effect	Random Effect
Constant	0.042 (0.688)	0.403 (0.121)	0.019 (0.268)
BINDP	0.001 (0.045)	0.001 (0.141)	0.001 (0.099)
BIG4	-0.026 (0.05)	-0.047 (0.003)	-0.043 (0.003)
FSIZE	0.047 (0.001)	-0.003 (0.930)	0.028 (0.282)
LEVG	-1.001 (0.968)	-0.000 (0.064)	-0.000 (0.098)
BODS	0.002 (0.554)	0.0025 (0.712)	0.001 (0.766)
ROA	-0.001 (0.049)	-0.001 (0.108)	-0.001 (0.057)
R-Squared	0.481	0.371	0.620
F-Statistics (Prob.)	3.22 (0.003)	2.86 (0.011)	17.25 (0.004)
Hausman Test	-	40.13 (0.000)	40.13 (0.000)

Breusch and Pagan	-	134.09	134.09
LM multiplier test		(0.000)	(0.000)
Observation	156	156	156

Note: *Significant at 5%, **Significant at 1%

Table 6 reveals the regression result of the variable under study, which tells the outcome of H1, which is whether board independence (BINDP) has a significant or insignificant effect on real earnings management. The result shows a positive coefficient value of BINDP at 0.001 and the p-value at 0.045. This suggests that there is a major connection between BINDP and REM against OLS and the Fixed Effect model. This result is consistent with the study of Alqatan et al., 2019; Abdou et al., 2021 Githaiga et al. (2022), which proved that board independence is significant in curbing the incidence of earnings manipulation through REM. Thus, the first hypothesis is not supported.

In addition, H2 depicts that BIG\$ has no significant impact on REM. Table 6 establishes that there is no significant relationship between audit BIG4 and REM with a Coeff. of -0.026 (0.05) of OLS and -0.047(0.003) of the fixed effect models. Therefore, hypothesis 2 is accepted by the result, which used Rowcheberry (2006) as a proxy measuring EM. This finding is by Khanh and Nguyen (2018), who discovered that Big4 does not affect REM meanwhile in contrary to Chowdhury & Eliwa (2021), who found that BI4 influences EM. This further shows that the majority of service companies do not engage the BIG4 auditor in their financial reporting process; however, earnings management is prevalent.

CONCLUSIONS AND RECOMMENDATIONS.

The research explores the relationship between BINDP, AUDQ, and EM in Nigeria's emerging market is the subject of this research. It has been demonstrated through the findings of this research that BINDP is connected with more efficient monitoring, which ultimately leads to a decrease in the number of EM practices. It may be deduced from this that the presence of independent directors serves to prevent management from engaging income and smoothening, safeguarding the interests of shareholders. As a consequence of this, it is projected that the quality of earnings for businesses that have a higher percentage of independence will be excellent.

According to the findings of this study, there is a considerable negative association between the Big Four and profitability management. Specifically, it was argued that the larger the audit size, the less likely it was that earnings management would occur. When taken in conjunction with the findings, it is possible to assert that BIG4 has the potential to influence the likelihood of earnings management in publicly traded service firms in Nigeria.

Furthermore, the conclusions of this study will give a substantial contribution to the users of publicly listed firms, including investors, management teams, the general public, financial institutions, and other stakeholders. The results of the investigation will provide information regarding the factors and incentives that are responsible for the occurrence of earnings management. This study not only gives an exhaustive overview of the standard setter, in addition to this, it also offers a comprehensive overview of the standard-setter, which is responsible for tightening the norms and regulations in financial reporting to restore public confidence in the dependability of the financial information that companies disclose. In the meantime, the findings

of this study have the potential to create awareness among individuals who use financial reporting regarding the nature of financial disclosure and the socioeconomic realities in Nigeria. This understanding among those who use financial reporting could be beneficial.

Additional research could be conducted in the future to investigate the problems associated with earnings management. Alternatively, the study could be carried out by acquiring information regarding the perceptions of users of financial statements, regulators, and managers regarding EM. A survey, questionnaire, or interview may be conducted. Further investigation will be conducted in the future to investigate the extent to which earnings management can be both detrimental and beneficial to stakeholders. In addition, the research could be expanded in the future by extending its scope, as it has the potential to produce important findings that are broadly relevant to a variety of scenarios. Furthermore, future research might make use of the most recent earnings management detection mode to acquire a more precise measurement for earnings management because different models apply to various economic situations.

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