Grey Directors and Earnings Management of Selected Quoted Non-Financial Firms in Nigeria

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Abstract

This study examined the effect of grey directors on earnings management of selected non-financial firms in Nigeria. Earnings management was used as dependent variable while grey director's presence, grey director's size, grey director's gender diversity and grey director's stock holding were used as independent variables. A sample of 44 selected non-financial firms were used for the period of ten years spanning 2012 to 2021. The study employed ex-post facto and cross-sectional research design. The secondary sources of data were collected from annual reports of the selected non-financial firms and four (4) specific objectives and hypotheses were subjected to some preliminary data tests like descriptive statistics, Pearson correlation analysis and Variance Inflation factor (VIF) were analyzed using panel regression analysis after taking cognizance of hausman effect tests. Using a sample of 440 firm-year observations, the result revealed that grey director's presence and grey directors gender diversity have a negative and significant effect on earnings management of selected quoted non-financial firms in Nigeria which was statistically significant at 5% level of significance respectively while grey directors stock holding has negative but insignificant effect on earnings management of quoted non-financial firms in Nigeria. Based on the findings above, the study recommends among others, that shareholders of non-financial firms in Nigeria should ensure that there is presence of grey directors in their team of management to help curtail the opportunistic behavior of managers and contend earnings management practices. Again, having more women as grey directors in top management should be the priority of every non-financial firms in order to reduce earnings management practices of the firms.

Keywords: *Grey Director, Earnings Management, Presence of Grey Director, Grey Director Size, Grey Director Gender and Grey Director Stockholding*

Introduction

Earnings management has raised global concern due to its detrimental influence on financial reporting and, consequently, on financial markets after financial scandals like Enron, and WorldCom. Earnings are a critical measure of a business's performance and are thus crucial to financial statement users (Jiang & Kim, 2020; Li, Xu, Zhang, Rasool, & Fareed, 2022). Under this perspective, it is frequently in the best interests of business owners and managers to manipulate reported earnings for personal gain (Chan, Jiang, Wu, Xu, & Zeng, 2020). Manipulation of reported earnings either within GAAP principles or outside leads to inappropriate information about the firm (Naz, Naďová Krošláková, Farheen, Čvirik, & Michálková, 2023; quoting Rahman & Mohamed Ali, 2006). The financial reporting transparency may be mitigated by incorporating monitoring mechanisms like Corporate Governance via inclusion of grey director (Abu Afifa, Saleh, Al-shoura, & Vo Van, , 2022; Feng & Huang, 2020;).

The role of grey directors emanated from the corporate governance's role and structures. According to Ugwu and Nwoko (2020), corporate governance role and structures includes those oversight activities undertaken by the board of directors and audit committee to ensure that there is effective management and the integrity of the financial reporting process (Public Oversight Board, 1993). On the other, it is seen as structure that holds many related theories and practice of board of directors and their executives and non-executive directors. Some authors consider it as a "nexus of contracts among the boards, stockholders, top management, regulators, auditors and other stakeholder" (Ugwu & Nwoko,2020).

By separating ownership from operational management, corporate governance systems provide a set of mechanisms designed to supervise insider managers effectively, and to resolve problems with agencies (Wang, Chuang, & Lee, 2011; Kumar & Sivaramakrishnan, 2008; Jackling & Johl, 2009). The main issue in corporate governance is the role of the board of directors in overseeing how management serves the long - term interests of shareowners and other stakeholders, as well as overseeing the duties of the inside and outside directors (Wang, Chuang, & Lee, 2011). Inside directors are not only managers, but also executors. They have rich insider information, and may collaborate with company administrators to work against the interests of shareowners (Wang, Chuang, & Lee, 2011). Outside directors include both those independent of the company (except for board service) and so-called "gray directors" with some non - board affiliation to the top management of the company (Uzun,Szewczyk &Varma, 2004). Companies can appoint comprehensive and specialized independent directors to improve management mechanisms for optimal supervision and fraud prevention (Seamer & Psaros, 2000; Sharma, 2004; Uzun, Szewczyk &Varma, 2004; Doidge, Karolyi & Stulz, 2007; Chhaochharia & Grinstein, 2009).

However, grey directors are often included in the board of non- financial firms, or are company clients, in a bid to help uncover the opportunistic behavior of managers and to detect manipulations easily. Earnings management, which refers to the manipulation of the profit and loss figures in financial statements, frequently occurs in the process of financial reporting (Wang, Chuang, & Lee, 2011). Stakeholders monitor the managers and make decisions according to earnings performance, because they cannot directly observe how their company allocates resources. To avoid bad company financial reports, managers may attribute poor performance to carelessness; adopt earnings management techniques to improve the appearance

of the financial statement. Therefore, the manipulation of earnings has replaced objective financial reporting. Furthermore, fraudulent manipulation of earnings to provide the appearance that expected earnings have been achieved is increasing steadily (Martin, Aldhizer III, Campbell,& Baker, 2002; Doyle,Ge,& McVay, 2007)

Thus, if the managers and shareholders' interests are not properly aligned it could amount to self-interested and reduce profitability and ultimately result to earnings management. Naz, Naďová Krošláková, Farheen, Čvirik, & Michálková, (2023) quoting Parfet (2000) demonstrated that managers alter reported earnings by utilizing accounting flexibility of practices or policies. Therefore, these financial scandals have established unethical behaviour and realized a need for accountability and transparency in reported earnings (Alareeni, 2018; Jennings, 2012). Connected to this, the flaws observed in such financial scandals resulted in worldwide enhanced recognition and significance regarding accountability, consistency and transparency (Naz, Naďová Krošláková, Farheen, Čvirik, & Michálková, 2023; quoting Ahmad-Zaluki& Wan-Hussin, 2010; and Shehata, 2015).

Based on these assertions, the study intends to examine the effect of grey directors on earnings management using discretionary accruals. Discretionary accruals, is designed to assess accounting manipulation and its one of the models developed to measure of the managerial discretion. Wang, Cheng and Yulee (2010) examined the impact of board composition and characteristics on earnings management in Taiwas using firm size, board size, independence and CEO quality as variables of study. Hsua and Yahsua (2014) explored board composition, grey directors and corporate facilities in United Kingdom using independent non-executive directors, grey non-executive directors, independent non-executive directors and executive directors.

In summary, some related literatures on the study topic dealt more on relationships and most were based on other developed economies, but not in Nigeria. Only few works were carried out on this subject matter in Nigeria context. Moreover, many of these prior studies both within Nigeria and outside did not focus specifically on "grey directors" as an important corporate governance mechanism to control earnings management.

Literatures have argued that firm managements tend to pursue more of their own interests than that of other stakeholders, and thus, they project robust financial position, (Chalevas & Tzovas, 2010). Some have attributed these as part of "weaknesses in corporate governance systems" and the ultimate failures of firms both locally and internationally. Evidences have shown that non-practices and adoptions of International Accounting Standard and Auditing Standards and corporate governance failures have busted earnings management globally,(Pornupatham, 2006), The ongoing arguments have made investors' confidence on different monitoring mechanisms to be questionable(Chang & Sun, 2019).

Because, the occurrence of earnings managements has continued to be on increase within the accounting practices. The foregoing literature argues that the quality of corporate governance practice in firms can reduce earnings management (Katmon & Farooque, 2017; Liu& Lu, 2007; Smaraidos, Thanasas, & Filiou 2018). Seng and Findlay (2013), show that the size of the board of directors is significantly positively with earnings management, suggesting that larger boards seem ineffective than smaller board in oversight duties. Furthermore, Chalevas and Tzovas (2010) suggested that corporate governance mechanisms have not affected the extent to which

managers attempt to manipulate firm's earnings. But Kumar and Singh (2012) found that the impact of outside directors and firm performance in India, show that the joint short-run and long-run causality was not effective. However, Georgantopoulos and Filos(2017) show that time perspectives matter in the analysis of governance and firm performance. Finally, we argue more than the prior researchers on the subject matter in both Nigeria and elsewhere did not do justice on how corporate governance reduce earnings management, Malasia (Wang, Cheng & Yulee, 2010; Hsua and YaHsua, 2014; Borokohvich et al, 2013; Wilson, 2015, Abdulmalik, 2015, Noroyantu & Surjandari, 2019). To the best of our knowledge in search of prior literatures, we found no exact works that dealt extensively on the effect of grey directors on the earnings management of non-financial firms in Nigeria using grey director's presence, grey director size, grey director gender and grey director's stockholders. These we found as the gap which this study seeks to fill. This study aims to evaluate the effect of grey directors on the earning management of non-financial firms in Nigeria with a focus on grey director's presence, grey director's size, grey director's gender and grey director's stockholding as variables of this study. The objectives to examine the effect of grey directors on earnings management in quoted non-financial firms in Nigeria; however, the specific objectives include to;

1. Determine the effect of Grey director presence on earnings management of selected quoted non-financial firms in Nigeria.
2. Examine the extent to which size of Grey directors affects earnings management of selected quoted non-financial firms in Nigeria.
3. Examine the extent to which Grey directors' gender affects the earnings management of selected quoted non-financial firms in Nigeria.
4. Find out how Grey directors' stock holdings affect earnings management of selected quoted non-financial firms in Nigeria.

2.0 Conceptual Review

2.1 Grey Directors

Grey directors are members of the board of directors that do not participate in the day-to-day running of the firm, but are appointed to act independently in their capacity as directors. A mixture of executive, independent and grey directors is nominated to ensure that a board can effectively administer its multiple tasks. Grey directors represent all outside directors who are related to management, consultants/supplier to the firm, outside attorneys who perform legal work for the firm, retired executives of the firm, or investment bankers because they are not viewed as being independent of management. Unlike executive directors, independent and grey directors are NEDs who do not play any day-to-day executive roles in the firm. Li Liao, Shi, Unite and Sullivan (2022) defined it as " the outside directors who appear to have current or potential business ties with the firm by virtue of their professions, such as lawyers, accountants, consultants, or bank executives" These authors are of the views that grey directors maximize firm value in proving outside overviews and also represents external oversight to the board inside and by these acts, their functions reduces what is known as "managerial opportunism" Grey directors are part of corporate governance and some have argued that these none executive directors' presence and relationships with the firms reduces the importance of grey directors monitoring as their affiliations in firms can end in clashes of views with the shareholders

(Omaliko & Okpala, 2023). According to Kumar and Singh (2012), they have a stake with the firm, but they are not among employees of the firm. This view therefore agrees with Li Liao et al. (2022) assert that grey director's role position focuses on "monitoring opportunistic behavior" among the rest of the managers, and thus reduces the practice of earnings management which works against shareholders' interests.
Conversely, Giaretta (2012) views it as those persons who have relations with companies and do not participate in the day-to-day running of the company operations; while Seema (2016) said they are "outside directors and constitute nonexecutive directors group with the outside directors. On the other hand, Kumar and Singh, (2012); Giaretta, (2012); Abu et al (2016) are of the opinion that their presence in a corporation creates an atmosphere of independence and ultimately leads to better firm financial performance.

Grey directors or affiliate directors are part of the board composition of companies. Kumar and Song (2017) noted that grey directors are the non-executive director who has a business or personal relationship with the company and is non-employee of the company. As a result of their position, they emphasize monitoring opportunistic behaviour among other managers, thereby reducing earnings management practices to achieve the goals of shareholders. Crane and Ruebottom (2018) presumed grey directors as persons who have relations with companies and do not participate in the day-to-day running of the company operations. Seema (2016) considers grey director responsibility to be more like that of outside directors and constitute nonexecutive directors group with the outside directors.

2.1.1 Grey Director Presence

At present, most organizations realize the essential roles played by the independent/grey directors ever since the collapse of many big companies such as Enron and WorldCom. The important role of the non-executive directors is discussed in the 1992 Cadbury Report and the Tyson Report in the year 2003. The 1992 Cadbury Report has raised attention on the effectiveness of the board directors as important corporate governance mechanisms. Later, the 2003 Tyson Report focused on the requirements and development of the roles of non-executive directors who were required to possess broad and diverse knowledge, to enhance board effectiveness.

Board independence/gray is recommended by regulators to properly monitor and minimize the potential opportunism of managers (large controlling shareholders) in a principal agent (principal) context. Codes and recommendations for corporate governance best practices worldwide advocate for board independence (Aguilera & CuervoCazurra, 2019; Cuomo et al., 2016). However, there is empirical evidence showing that firms often appoint independent /gray directors who, according to the standard criteria, would barely be classified as independent. These grey independent directors are determined in different ways in the literature. Hwang and Kim (2009) and Fracassi and Tate (2012) examine the connections between the CEO and outside directors to detect gray independent directors in the United States. Cohen et al. (2012) identify these directors as former analysts overly sympathetic to management. Core et al. (1999) and Coles et al. (2014) consider any director appointed after the CEO as gray independent.

Board members (including grey directors) should be qualified for their positions, have a clear understanding of their role in corporate governance and be able to exercise sound judgment

about the affairs of the firm. This is because the board of directors is ultimately responsible for the operations and financial soundness of the firm.

This involves having a board that is structured to add value to the corporations at large, in terms of its composition, size, independence, qualifications and experience among others. A good corporate governance system should ensure that the board is well structured to add value to the corporation. The CBN Code (2006) emphasize that the directors of firms in Nigeria should be people of integrity, and people who have a working knowledge of the Nigerian firming industry.

2.1.2 Grey Director Size

According to Nigeria Code of Corporate Governance, The Board should be of a sufficient size to effectively undertake and fulfill its business; to oversee, monitor, direct and control the Company's activities and be relative to the scale and complexity of its operations. The Board should assume responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. The Board should consider the following factors in determining the requisite number of its members: appropriate mix of knowledge, skills and experience, including the business, commercial and industry experience needed to govern the Company; appropriate mix of Executive, Non-Executive and Independent Non-Executive members such that majority of the Board are Non-Executive Directors. It is desirable that most of the Non-Executive Directors are independent/grey, need for a sufficient number of members that qualify to serve on the committees of the Board;

A mixture of executive, independent and grey directors are nominated to ensure that a board can effectively administer its multiple tasks (Baysinger & Butler, 1985). Unlike executive directors, independent and grey directors are NEDs who do not play any day-to-day executive roles in the firm. They are expected to contribute to the board through their wide range of skills, knowledge base or ties to external resources (Goodstein & Boeker, 2019). However, independent and grey directors are quite different. The latter have significant personal or economic ties with the firm beyond being board members (Vicknair, Hickman, & Carnes, 2013). It is argued that the absence or presence of such ties affects NEDs' capacities and incentives to perform their monitoring, advising and resource dependence functions (Adams, 2019). Operationally, independent directors are viewed as valuable monitors, while grey directors are viewed as important advisors or resource providers (Westphal, 2019).

2.1.3 Grey Directors' Gender

The importance of independent/grey directors to effective corporate governance has long been widely accepted. However, Coles (2014) argue that not all directors classified as independent are, in fact, committed to serving shareholder interests. They introduce the concept of a "co-opted" or "captured" director, one appointed to the board after the firm's CEO took office. Because of the CEO's influence in securing their position on the board, co-opted directors' interests may be more closely align with management than with shareholders. Coles (2014) note "that such co-opted directors, regardless of whether they are classified as independent using traditional definitions, are more likely to assign their allegiance to the CEO because the CEO

was involved in their initial appointment. In the analysis, Coles (2014) do not distinguish between male and female co-opted directors. However prior research indicates that there are gender-based differences in director approaches to corporate governance. For example, Post and Byron (2015) cite studies indicating that value differences may lead female directors to be more committed to their fiduciary duties than men, and also that higher aversion to risk may increase the motivation of women directors to oversee management.

Research into the effects of women directors on firm financial performance and board activities has been extensive. Two of the more notable recent studies are by Post and Byron (2015) and Chen et al. (2016). Post and Byron (2015) conduct a meta-analysis of 140 of these prior studies. They argue that female directors are likely to have a positive impact on board monitoring of management, and provide three rationales for this view. The first comes from prior research suggesting that women apply stricter ethical standards than men and are more likely to judge suspect business activities as unethical. Post and Byron (2015) argue that this enhanced ethical commitment will lead female directors to be more diligent in carrying out their fiduciary duties to monitor management. Post and Byron's (2015) second rationale is drawn from research indicating that women are more risk averse than men. In the context of the boardroom, this may result in women being more motivated to monitor management behavior, so as to avoid the legal and reputational risks that come with not doing so. Finally, Post and Byron (2015) note that women historically have faced greater difficulty being taken seriously in a professional setting. To establish credibility in their role as directors, women are likely to take the position more seriously, approach meetings better prepared, and be more effective monitors of management. Taken together, Post and Byron's (2015) rationales provide a basis for expecting women to be more committed to shareholder interests and less likely to allow management the opportunity for self-serving behavior. Their meta-analysis reported results consistent with this expectation, as female representation on boards was positively and significantly associated with board monitoring activities. It is measured as ratio of female grey director among the directors.

2.1.4 Grey Director's Stockholdings

Stocks are certificates that represent partial ownership of a company. By holding stock, you can gain monetary benefits and also have a say in how the company is run. Stock holdings refer to the number of stocks, or shares, that a person or institution owns in a company. These make up a portion of an investment portfolio, alongside futures, bonds, mutual funds and other assets. Each of these is an investment that can increase in value, generating a profit for the holder.

Stock holdings refer to the elements of an investment portfolio held by an entity or individual. Stock holdings can include stocks, bonds, futures, mutual funds, ETFs and other assets. Weisbach (2018) classifies outside directors that have existing or potential business ties to the firm as grey and those that do not as strict outside directors. Ansari et al. (2013) assess the independence of the directors of family firms using six criteria that capture a director's connection to the founding family. Crespi-Cladera and Pascual-Fuster (2013) develop a set of eight formal criteria to study whether independent directors of Spanish-listed firms are truly independent. Although neither insiders nor strict outsiders, grey directors share many of the incentives of each group and have the potential to behave at times like insiders and at other times like strict outsiders, depending on the circumstances. In another paper in this issue, Andres et al.

(2013) study German CEOs who become chairman of the supervisory board of the same company upon retirement. As former executives, these board members meet the criteria of grey directors in our sample. The authors find a positive stock market response to announcements of these appointments, but also find that executive compensation is higher for firms with such arrangements. Although these and other studies acknowledge the presence of grey directors, ours is the first to directly consider their incentives. Grey directors are expected to be motivated by three main considerations. First, like strict outside directors, grey directors have good reason to protect their external reputation as expert monitors. Reputational concerns can induce grey directors to monitor management and act as agents for the shareholders. Adams et al. (2010) survey the literature on director motivations and find that a primary concern of outside directors is their reputations.

2.1.5 Earnings Management

Earnings management is simply a deliberate manipulation of information in the reported financial statement of a firm showing robust gain for self-interests (Schipper, 2019). Another view of earning management by (Hypo (2014), says it is using "judgments and provisions by the management in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying performance of the company or to motivate or influence stakeholders based on outcomes that depend on reported accounting numbers. Earnings management is totally opposed to the shareholders and the society expectation of a firm's financial reports which should represent free and fair view. Most International firms have to publish an annual report. This is an overview of the consequences of the economic events the company faces. An important element of the report is the financial statement. This statement is a summary of events that have affected the firm over the fiscal period for which the report has been prepared (Moradi, Salehi & Zamanirad, 2015). The firms use financial reporting to communicate with the stakeholders. "Ideally, financial reporting helps the best-performing firms in the economy to distinguish themselves from poor performers and facilitates efficient recourse allocation and stewardship by stakeholders (Healy &Wahlen, 2015).

According to Xiong (2016), managers are given opportunities to provide judgment in financial reporting. The managers could use their knowledge about the business to improve the effectiveness of financial statements. In other words, they decorate the financial statements. To do this, they have several manners to exercise judgment in financial reporting. This is also called earnings management. Earnings management can be realized in the following two ways: real transactions and accrual accounting. The manager has to make a policy for the working capital, the debtors- period, the payment-period and the existence of the inventory. The manager could manipulate the real transactions by using these elements.

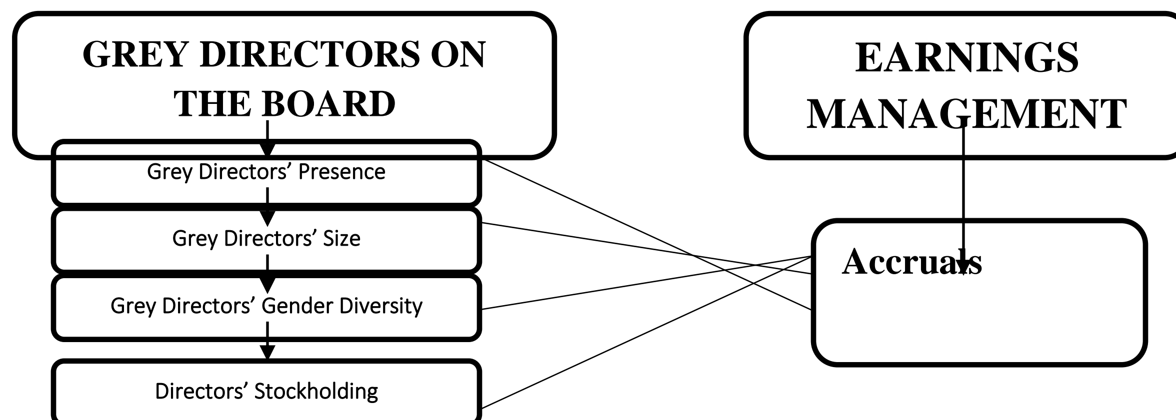
In this study, earnings management refers to transferring earnings in time to get bonus-plan remuneration benefits for managers or income smoothing benefits for shareholders. The objectives are to alter the two bases of wealth transfer. These are the earnings per share and the debt/equity ratio (Breton &Taffler, 2016). Earnings management that does not meet the standards of the legal framework will be identified as fraud. Managers trying to manage earnings within the boundaries of the law are not to be considered as frauds. However, managers could use earnings management to mislead the stakeholders, which means that they don't know the real

firm performance. There are many different definitions for earnings management. The following definitions of earnings management are relevant for this thesis.
Healy and Wahlen (2015): "Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers".
Schipper (2016): "Earnings management is really disclosure management in the sense of a purposeful intervention in the external financial reporting process, with the intent of obtaining some private gain as opposed to merely facilitating the neutral operation of the process". Peasnell et al. (2019): "Earnings management is the choice by a manager of accounting policies so as to achieve some specific objective". The manager can communicate private information to the stakeholders. The definition of Peasnell et al. (2019) has a negative, but also a positive view on earnings management. Ronen and Yaari explain earnings management which can be 'beneficial (white), it enhances the transparency of reports; the pernicious (black) involves outright misrepresentation and fraud; the gray is manipulation of reports within the boundaries of compliance with bright-line standards, which could be either opportunistic or efficiency enhancing.' It is not possible to separate earnings management in black, white or gray.

Ronen and Yaari (2018) specify earnings management in greater detail. Earnings management that violates General Accepted Accounting Principles (GAAP) is associated with fraud. Earnings management that resides within GAAP can be divided in different shades. Accounting choices within the law and standards are defined as conservative accounting, neutral accounting or aggressive accounting. Conservative accounting means that earnings are taken cautiously, earnings are deflated. The result is an overly aggressive recognition of provisions or reserves and an overstatement of restructuring charges and asset write offs. If there is no earnings management this means the manager uses neutral accounting. When earnings are inflated, it could be that the aggressive accounting method is used. Examples of this method are an understatement of the provision for bad debts and drawing down provisions or reserves in an overly aggressive manner. As discussed before, the manager has the possibility to choose an accounting policy to achieve a specific objective. It is important that the objective meets the interests of the manager and the stakeholders. Earnings management in a good sense will be providing a signal on future value and is an efficient means to bridge the information asymmetry between management and shareholders without getting into detail. Earnings management in the bad sense is distorting the truth and that is a result of poor governance (Ronen &Yaari, 2018).

Financial information should have high quality and contain reliable information to assist interested parties for decision makings (Shehu, 2013) and thus should not be misleading. As earlier observed, that part corporate governance is grey directors and this developed as part of correcting measures onpast global accounting scandals in organizations that lead to failure of many corporate bodies, some of which were caused by earnings management. Kantudu and Samalia (2015), observed thatsome of the collapses of firms were based on the intentional misconduct of the managers and this ultimately reduced the credibility and integrity ofthe financial reports. The argument on this focuses that dealing with managers' excesses in the firms is applying corporate control mechanism, which is corporate governance and this includes shareholders and grey directors and others who are part of the board composition of companies, (Seema, 2016). It is unarguable that some of grey directors might be former firms' employees,

relatives of controlling shareholders, investment bankers etc (Sarkar, 2012).



Source: Author's Concept, (2023)

2.2 Theoretical Framework

2.2.1 Stakeholder Theory

This work is anchor on stakeholder theory propounded by Edward Freeman (1984) from its inception, the stakeholder perspective has envisioned the firm and its stakeholders in two-way relationships. While much of the attention in the literature has been directed towards a firm's management of its stakeholders, some scholars have focused specifically on the influence stakeholders have on the firm and its strategies. More recent literature recognizes how the influence of external stakeholders on a firm's strategies has dramatically increased (Scholes &Clutterbuck, 2018). Early stakeholder theorists such as Dill (2015) Freeman and Reed (2013) examined the ability of stakeholders to influence the firm in terms of the nature of their stakes and the source of their power. Later, Mitchell, Agle and Wood (2017), identified urgency, power and legitimacy as factors that determine how much attention management will give to various stakeholders. The separation of management from ownership resulted in agency problems and costs due to the conflict of interests between managers and shareholders.

2.3 Empirical Review

Naz, Naďová Krošláková, Farheen, Čvirik, and Michálková, (2023) explores the relationship between internal corporate governance mechanism and accruals and real earnings management (EM), following Pakistan's 2012 amended Code of Corporate Governance. It also examines the moderating role of family firms on the relationship among corporate governance mechanisms and accruals and real earnings management. For this purpose, we used a sample of 172 firms listed on the Pakistan Stock Exchange (PSX) for 2012–2019. The dependent variables were estimated by utilizing the generalized method of moments (GMM), fixed random effects and moderation analysis were estimated through Stata. Hausman specification test was used to choose among random and fixed effects. Results report that board size showed a significant positive impact on abnormal discretionary expenses and overall real earnings management. Board independence led to a substantial and negative impact with accruals EM. Managers of

family-owned firms are also opportunistically altering the reported earnings. Results illustrate to the users of financial statements that the reliability of financial information depends on the effectiveness of corporate governance. Also, highlight the efficiency of monitory mechanisms and suggest that board independence is one of the practical approaches for an emerging market to restrain the EM practices. Findings are helpful for regulators, policymakers, and investors to regulate and make policies to improve the financial reporting quality in Pakistan. As per the authors' knowledge, this study adds the novelty by focusing on two critical internal monitoring mechanisms (board independence and board size) in mitigating earnings management, following the 2012 amended Code of Corporate Governance in Pakistan. It will add uniqueness by studying the moderating role of family ownership, as the literature is scarce. The findings of this study highlighted the impact of the internal monitoring mechanisms on earning management practices in Pakistan.

Quynh Lien Le and Huu Anh Nguyen (2023) examined the impact of board characteristics and ownership structure on upward and downward earnings management of non-financial firms listed on Hanoi Stock Exchange and Ho Chi Minh Stock Exchange. In our research, we conduct Pooled OLS, Fixed and Random effect models, and Generalized least squares. Then, we run a regression with the System Generalized Method of Moments (System GMM) to find the most appropriate model. Firms with high average board age, high ownership concentration, and high financial leverage tend to manage earnings downward. High managerial ownership tends to reduce downward earnings management. Firms with high state ownership reduce upward earnings management. Stakeholders should be more cautious of firms with high average board age, high ownership concentration, high financial performance, and high financial leverage as they tend to manage earnings. Previous studies combined upward and downward earnings management in one regression model, therefore ignoring the chance to investigate the impact of board characteristics and ownership structure on earnings management in each case. The impact of a factor on upward and downward earnings management may be different, and the combination of them in one regression model can drive the findings of previous studies toward errors of unknown directions.

Mujeeb Saif and Mohsen Al-Absy (2022) study investigates the influence of board chairman characteristics on the level of real earnings management for listed firms with the lowest positive earnings on the Main Market of Bursa Malaysia. Based on the Ordinary Least Square regression, the findings indicate that board chairman independence and real earnings management have a significant positive association. However, BC's age, on the other hand, was found to be strongly connected with a lesser degree of real earnings management. Other board chairman characteristics, including tenure, ethnicity, and family membership, did not have a significant influence on the level of real earnings management. In general, the findings are robust and compatible with numerous assumptions, such as incorporating the year dummy variable and eliminating the accruals earnings management control variable. These findings highlight the inconsistent effect of each characteristic of the board chairman. Furthermore, it seems that the board chairman's characteristics examined in the study are not efficient, except for the board chairman's age, in reducing the real earnings management where results may be different if the board chairman is a female director. The use of comprehensive characteristics of the board chairman together in one model in this study is novel. However, it can inform policy-makers, firms' owners, stakeholders, as well as scholars, of the need for improving the board chairman's

role in protecting the firm from real earnings activities, where it has been observed that 97% of the boards of the firms' are chaired by male directors.

Khan, Kamal, Abbas and Hussain, (2022) examined the effect of the board of directors' related clauses such as independence, female director, CEO Duality and the expertise of director included in the Code of Corporate Governance 2017 (CCG-2017) on earnings management with the pre- and post-CCG-2017 analysis. This study has used the sample of 323 non-financial listed firms of the Pakistan Stock Exchange from 2015 to 2019. Data were manually collected from companies' annual reports, and two proxies of earnings management have used: one is discretionary accruals and the other is real activity manipulation. The results of the study show that as compared to the pre-period of CCG-2017 in the post-period of CCG-2017 board independence, expertise and female inclusion has increased significantly. Moreover, board independence and financially expert directors are negatively related to discretionary accruals, while there is a positive relationship of female directors with discretionary accruals, which is also same for real activity manipulation. The findings also show that there is no relationship of board independence/outside directors and expert directors with real activity manipulation. This study recommended the CCG-2017 reforms introduced by the regulator. Moreover, we recommend that the regulator needs to augment the authentic independence of independent/outside directors in listed firms (concentrated ownership context) of Pakistan. This study adds its part in the corporate governance literature by focusing board attributes with regulatory reforms on earnings manipulation, which is lacking in the related literature in general and in Pakistan an emerging economy in particular.

Subhasinghe and Kehelwalatenna (2021) studied Impact of Corporate Governance on Earnings Management: Evidence from Sri Lankan Listed Companies; the study was carried out by using quantitative methodology and using secondary data primarily obtained through published annual reports of 175 non-financial companies listed in the Colombo Stock Exchange during 2017 to 2019. The study examined the relationship between eight selected corporate governance characteristics and level of earnings management which measured through discretionary accruals. Empirical results of the study reveal a noteworthy positive relation between frequency of audit committee meetings and earnings management. This finding is contrary to the results of most previous studies. The remaining corporate governance characteristics are not having a significant impact on the level of earnings management.

Eluyela, Asaleye, Popoola, Lawal and Inegbedion (2020) studied grey directors, corporate governance and firms performance nexus: Evidence from Nigeria. This study examined the joint short-run and longrun causality relationship, as well as the long-run behaviour between grey directors and corporate performance of deposit money banks. Our sample includes 14 deposit money banks out of the 15 listed on Nigeria stock exchange for 2010–2017. The estimation techniques used include descriptive statistics, unit root test, panel co-integration test and fully modified ordinary least square regression (FMOLS). Using Tobin Q as the dependent variable, there is no flow of joint long-run causality from the independent variables. The significance of the short-run coefficients indicates joint causality moving from independent variable to the dependent variable in the short-run. Furthermore, the long-run equation shows a significant positive relationship between indigenous directors, the board size, non-executive directors and performance of the selected deposit money banks in Nigeria, while a negative correlation was

observed with firm size. Grey director was insignificant in the longrun. The study concludes that aggregate policy changes need to carefully considered in promoting a long-term benefit and need to gear effort towards maximising the performance of the banking sector in the long-run through effective group decision.

3.0 Methodology

The study adopted *ex-post facto* research design. The study used secondary data that covered the period of ten (10) years from 2012 - 2021. The data was collected from the published financial statement of quoted manufacturing firms and the Nigeria Exchange Limited Fact-book for the various years to be covered by the study. The population of this study is made up of all the one hundred and eight (108) quoted non-financial firms that are listed on the floor of the Nigerian Exchange Limited up to December, 2021. We employed convenience sampling techniques to select all the quoted non-financial firms in Nigeria with complete availability of data. Out of these one hundred and eight (108) non-financial firms quoted in Nigeria exchange limited, 44 firms were selected.

Model Specification

This study adapted the model from the study of Hsua, and Yu-Hsuan (2014) on the Board composition, grey directors and corporate failure in the UK. The model is expressed as follows:

$$\textbf{STATUS} = \beta_0 + \beta_1 \textbf{INED} + \beta_2 \textbf{GNED} + \beta_3 \textbf{INED_ED} + \beta 4 \textbf{GNED} + \beta 4 \textbf{LEV} + \beta 5 \textbf{FSZE}$$

The model was modified to suit the variables to be used. Hence the model for the study was anchored on the objectives.

DSAC = *f*(GDP, GDS, GDIV, GDSH) ---1

This can be econometrically expressed as

$$\textbf{DSAC}_{it} = f(= \beta 0 + \beta 1\textbf{GDP}_{it} + \beta 2\textbf{GDS}_{it} + \beta 3\textbf{GDIV}_{it} + \beta 4\textbf{GDSH}_{it}) \text{---------------------------} 2$$

Where:
DA = Discretionary Accruals
GDP= Grey Director Presence
GDS = Grey Director Size
GDIV = Grey Director Diversity
GDSH = Grey Director Stockholdings
β_1--- β_4,= are the coefficient of the regression equation $\mathcal{E}_{it}$= component of unobserved error term of firm *i* in period *t*, β_0= constant term, β_1, β_2… β_4 = are slopes to be estimated of firm *i* in period *t*., í= firm identifier (44 firms), t= time variable (2012, 2013, ……2021) – (Ten Yea

Decision Rule

Accept Null if P-Value is greater than 5% otherwise reject Alternate

4.0 Data Analysis

Table 1: Descriptive statistics of the model variables

	DSAC	GDP	GDS	GDIV	GDSH
Mean	4.748545	0.981818	2.329545	0.979545	19.71414
Median	3.385000	1.000000	2.000000	1.000000	14.20000
Maximum	29.80000	1.000000	4.000000	2.000000	94.24000
Minimum	-31.10000	0.000000	0.000000	0.000000	0.000000
Std. Dev.	5.338304	0.133761	0.598434	0.746771	19.98482
Skewness	-0.140333	-7.212386	-0.406234	0.033002	1.612808
Kurtosis	12.74086	53.01852	5.619831	1.797728	5.436850
Jarque-Bera	1740.992	49681.98	137.9330	26.57994	299.6186
Probability	0.000000	0.000000	0.000000	0.000002	0.000000
Sum	2089.360	432.0000	1025.000	431.0000	8674.220
Sum Sq. Dev.	12510.40	7.854545	157.2159	244.8159	175333.6
Observations	440	440	440	440	440

Source: researcher's summary of descriptive result (2023) using E-view 10

Table 1 reveals the summary statistics for the variables used in the empirical research. We noticed that earnings management which was the dependent variable was measured as the difference between total accruals and discretionary accruals. The mean earnings management was 4.7485. It was observed that over the period under review, the sampled firms have average positive expected earnings of 4.748. Within the period under review, the firms have maximum expected earnings value of 29.800 and minimum value of -31.10. The large difference between the maximum expected earnings manipulated and minimum earnings manipulated, indicates that the expected earnings of the firms differs greatly among the firms selected and over the period under review, this shows that the firms are not homogenous. The standard deviation for earnings management was 5.338. The skewness for earnings management was -0.140 implying data on earnings management were skewed to the right hence most values were bunched to the left of the distribution. The kurtosis for earnings management was 12.740 that are greater than 3 hence the distribution is said to be leptokurtic hence it may have few outliers.

Grey director's presence was measured as a dummy variable 1 if there is presence of a grey director in the firm and zero if otherwise. The grey director presence shows a mean value of 0.981 suggesting that on average, the firms under study had about 98% grey directors on the board to the total board members. The minimum and maximum grey director presence was 0.000 and 1 respectively implying that some firms do not have any grey director at all in their board while the firms with the highest number of grey director on the board had about I person or one grey director. That is to show that firms with the maximum number of grey directors on the board had about 1person of the total directors. The standard deviation for grey director was 0.1338 approximately demonstrating that out of the 44 listed non-financial firms studied, GDP deviation was spread around the mean with about 13.38%. The skewness for Grey Director's presence was -7.212 implying that data about GDP was negatively skewed with most values bunched to the right. It also satisfies normality since the value of skewness is within the accepted range. The kurtosis for GDP was 53.018 which is more than 3 implying that it has leptokurtic

distribution or having outliers but not strong enough to distort the generalization. It also satisfies normality since the value is greater than 3. Grey directors size was measured as the total number of grey directors in the board. The descriptive analysis was presented in table 4.1.2 above. On the average, the firms have about 2 members on their board while the maximum size of members was a maximum of 4 members in the board. It can also be observed that the minimum size of members was 0 meaning that there are some firms without grey directors. The standard deviation for grey directors size was 0.598 demonstrating that out of the selected 44 listed non-financial firms in Nigeria, the available grey directors number were spread around the mean with about 0.598 around the mean. The skewness for the grey directors size was -0.406 meaning it was negative implying that most values on grey directors size (board size) were bunched to the right. The kurtosis for grey directors size was 5.619 which is greater than 3 hence it is leptokurtic and may have few outliers.

Grey directors Gender diversity was measured as a total number of female grey directors in the board. Mean Grey Directors Gender diversity was 0.979 suggesting that the average grey directors gender diversity for the 44 listed non -financial firms studied was about 97.9 female members. That is to say that grey directors were more of women. The minimum GDIV was 0.000 implying that some firms do not even have one female grey director in their total number of board of directors and the maximum grey director gender diversity was 2 female grey directors. This shows that some firms whose grey directors are male are on the minority side. This indicates that the grey directors position in non -financial firms are dominated by female forks. The standard deviation for grey directors gender was 0.746demonstrating that out of the 44 non-financial firms, GDIV gender diversity was spread around the mean with about 0.746 female grey directors. The skewness was 0.0330 implying that data about grey directors gender was positively skewed with most values bunched to the left. The value of kurtosis was 1.797 implying that the data about grey directors gender was distributed with kurtosis less than 3 hence said to be playtikurtic and having fewer or no outliers.

Grey directors Ownership shows that on the average, the existing grey directors own about 19.71% percent of the shares in selected non-financial firms in Nigeria. The maximum value 94% ownership and minimum value of zero implies that the highest shareholding of grey directors in the firms were about 94% shareholding while others do not even have any ownership at all. This shows that in some firms, the grey directors are mainly shareholders while in some firms, some of them owns no shares. The difference between the mean, maximum and minimum values shows that the grey directors own large proportion of shares in just few non- financial firms but they own less than 19 percent in most firms. Generally, the JB Probability values of 0.0000 shows that all the variables are normally distributed at 1% level of significance which indicates that the variables follow the Gaussian standard distribution. This is an indication that all variables are approximately normally distributed. This means that there are no variables with outlier, even if there are, they are not likely to distort the conclusion and are therefore reliable for drawing generalization. This also justifies the use of binary logit panel least square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

Table 2: Correlation Analysis Result

	DSAC	GDP	GDS	GDIV	GDSH
DSAC	1.000000				
GDP	-0.022081	1.000000			
GDS	-0.004221	0.530338	1.000000		
GDIV	-0.017521	0.178704	0.091576	1.000000	
GDSH	0.018108	0.134392	0.135734	0.085361	1.000000

Source: researcher's summary of correlation result (2023) using E-view 12

The result of the correlation coefficient showed mixed correlation. This association identified buttresses the point that our variables have a linear relationship. Furthermore, the strength of the relationship between variables measured by the Pearson product-moment correlation showed that the association between the variables is relatively small and was below the threshold of 0.80, suggesting the absence of the problem of multicollinearity in the predictor variables.

Table 3: Random Effects Regression Result

Cross-section random effects test equation:
Dependent Variable: DSAC
Method: Panel Least Squares
Date: 06/10/23 Time: 04:20
Sample: 2012 2021
Periods included: 10
Cross-sections included: 44
Total panel (balanced) observations: 440

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.554693	2.090751	2.656793	0.0082
GDP	-0.448883	2.480649	-2.180954	0.0465
GDS	0.063668	0.483814	0.131596	0.8954
GDIV	-0.472437	3.371209	-2.272698	0.0039
GDSH	-0.002586	0.015363	-0.168298	0.8664

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	4.367695	R-squared	0.329056
Mean dependent var	4.748545	Adjusted R-squared	0.248611
S.D. dependent var	5.338304	S.E. of regression	4.627385

Akaike info criterion	6.004530	Sum squared resid	8393.776
Schwarz criterion	6.450360	Log likelihood	-1272.997
Hannan-Quinn criter.	6.180410	F-statistic	4.090457
Durbin-Watson stat	1.867686	Prob(F-statistic)	0.000000

Source: Researchers' Random Regression result (2023) from Eview 12

The table 4.3. above shows the panel regression analysis of 44 non-financial firms in Nigeria. From the table above, the F-statistics value of 4.0904 and their P-value of 0.0000 showed that the overall regression analysis of our variables in the regression model was generally significant at 1% level of significance and it shows that the model was well specified in explaining earnings management of 44non-financial firms quoted in Nigeria Exchange ltd. From the result above, the study observed that the R. squared value was 0.329 (33%) approximately and R-squared adjusted value was 0.248 (25%) approximately. The value of R- squared which is the coefficient of determination stood at 33% which implies that 33% of the systematic variations in individual dependent variables were explained in the model while about 67% were unexplained thereby captured by the stochastic error term. Again, the adjusted R-squared which stood at 25% approximately indicates that all the independent variables jointly explain about 25% of the system variation in earnings management of our sampled firms over the 10years period while about 75% of the total variations were unaccounted for, hence captured by the stochastic error term. This reveals that about 33% reduction in earnings management can be attributable to the presence of grey director's influential attributes selected for the study while about 67% were unexplained thus captured by other factors that are likely to mitigate earnings management but were not included in the model. Moreover, the F-statistics value of 4.0904 and its probability value of 0.0000 shows that the earnings management model used for the analysis were statistically significant at 1% level. This confirms the appropriateness of our model used for the analysis. The Durbin Watson statistics value of 1.867 showed that the model is well spread since the value is approximately 2 and that there have not been self or auto correlation problem and that error are independent of each other.

4.2 Discussion of Findings

In testing our hypotheses, we provide the below specific analysis for each of the independent variables as follows:

HO_1: Grey director's presence has no significant effect on earnings management.

Our regression result above established that grey director's presence had a statistically significant effect on earnings management ($\beta_1 = -0.4488$, $p = 0.0465 < \alpha = 0.05$). The value $\beta_1$was negative showing that grey director's presence has a negative effect with earnings management of listed non-financial firms in Nigeria hence when there is presence of grey director in a firm at least presence of one person who is a grey director, earnings management decreases by 44.88 units. This means that the presence of grey directors in a firm reduces and mitigates earnings management and opportunistic behavior of managers by a very significant magnitude by 44.88%. By implication, this suggests that having grey directors in the board will lead to a decrease in earnings manipulation by other directors as he/she will apply his family bond relationship interest and experience and wisdom to kick against certain manipulations and thereby reducing

earnings manipulation drastically. The t-value of -2.180 reveals that grey director's presence has a strong effect on earnings management mitigation of selected firms and its effect is statistically strong enough to curtail the earnings management practices hence a significant effect was documented. The probability value of 0.0465 further confirms that the effect of grey director's presence on earnings management in Nigeria is statistically significant at 5% level of significance. As a result of this significant result documented, this dissertation therefore rejects our first null hypothesis ($H0_1$) and conclude that grey director's presence has significant effect on earnings management practices of non-financial firms in Nigeria which was statistically significant at 5% level of significance.

HO_2: Grey directors' size does not significantly affect earnings management.

Based on the regression result in table 4.3. above, we observed that grey directors size showed a positive coefficient value of 0.063, and P-value of 0.8954. The result from the model indicates that grey directors size which was an indication of size have positive and insignificant influence on the level of earnings management of quoted non-financial firms in Nigeria. This suggests that the positive coefficient and the probability indicate that grey directors size positively influence the level of earnings management but the influence is not strong enough to curtail earnings management hence an insignificant statistical effect was documented. This implies that 1% decrease in the number of grey directors in the board leads to a percentage decrease in earnings management by 6.366% thus providing no support for the importance of small grey directors size, possibly because of the number of different factors that together seem to determine the optimal grey directors size. This suggests that smaller grey director's size can lead to a decrease in the level of earnings management as any error not dictated by one person will be dictated by another irrespective of their number. Again, larger boards were associated with improved financial disclosure as they have more oversight and therefore improve earnings quality thereby mitigating earnings management practices. This finding agrees with findings of Essa, Kahir and Nguyen (2016) and Rashidah and Ali (2006) that reported positive relation between board size and earnings management and argued that smaller board are more effective than larger board in monitoring process since larger board faces control problems and conflicts of interest. We also concur with the findings of Talbi et al. (2015) that investigated the effectiveness of board characteristics in limiting earnings management. Their empirical results depicted the positive impact of board size on earnings management. The probability value and t-statistic value reveals that grey directors size has no statistical significant effect on earnings management of firms quoted in Nigeria exchange ltd. As a result of this insignificant relationship we documented, we rejected our alternate hypothesis and accept our null hypothesis and therefore conclude that grey directors size have no significant effect on earnings management of quoted non-financial firms in Nigeria.

HO_3: Grey directors' gender does not significantly affect earnings management.

The study established that grey directors gender diversity had a statistically significant negative effect on earnings management (β_3= -0.4724, p = 0.0039). The value $\beta_3$was negative showing that grey directors gender diversity has a negative effect on earnings management of listed non-financial firms in Nigeria hence when grey directors' gender diversity improves by one female member, earnings management falls by 0.472 units. The negative relationship should be expected since when a board increases the number of grey women sitting in the board, women

tends to be very conservatives hence they tend to follow rules set especially rules concerning financial reporting hence less earnings management is expected through less manipulation of books of accounts (Overmans, 2017). The probability value (0.0039) and the t-statistic value of -2.272 revealed that having more grey members in the board can lead to percentage decrease in the level of earnings management to the tune of -47.24% which was statistically significant. By implication, this suggests that a 1% increase in the number of female grey director representatives in the corporate board leads to a reduction in the opportunistic behaviour of the management by -47.24%. The significant negative effect of women grey directors on earnings management of listed non-financial firms in Nigeria was an indication that earnings management reduces with an increase of grey women in the team of Board of Directors. This is possible because grey women director normally challenges management decision by their question; and they always develop trust in leadership than their male counterpart. Hence, more grey women participation in the affairs of the board reduces the incidence of earnings management practices. Based on these findings from the analysis, the study accepts the third the alternate hypothesis; we therefore conclude that grey directors gender diversity has negative and significant effect on earnings management of quoted non-financial firms in Nigeria which was statistically significant at 5% level of significance.

HO_4: Grey directors ‘stockholdings have no significant effect on earnings management

Based on t-statistics values of grey director’s stock ownership holding and its coefficient value, the result showed that grey director’s stock holdings has a mild but negative coefficient value of -0.0025, and a P-value of 0.8664. The analysis result from the model indicates that grey directors stock holding and ownership has moderate and negative influence on earnings management of firms in Nigeria. The negative influence on earnings management suggests that earnings management is less likely to occur when both dependent and independent grey directors own stock of the firm. This contradicts sour argument that when grey directors’ hold more stock, they are more likely to collude with management and become reluctant to challenge them but our result supports the view that grey directors stock ownership minimizes agency problems by helping to align directors’ interests with shareholders’ interests as documented by the following prior studies Essa, Kahir and Nguyen (2016) that found negative relation between ownership and earnings management while our finding also agrees with the finding of Kamram and Shah (2014) and Gulzar and Wang (2011) who found no evidence to support the existence of ownership as a tool for earnings management. Meanwhile, the probability value from the model revealed that grey directors stock holding has statistically insignificant effect on earnings management. As a result of this statistically insignificant effect documented, we therefore accept our fourth and last null hypothesis and conclude that grey directors stock holding has no significant effect on earnings management of non-financial firms in Nigeria.

5.0 Conclusion and Recommendations

The study concludes that there is effect of grey directors on earnings management of quoted non-financial firms in Nigeria. There has been a consistent argument in the literature as regards the importance of grey directors on board and their impact on reducing the opportunistic behavior of the management team. Sequel to the above, this study was aimed to ascertain the effect of grey directors on earnings management of quoted non-financial firms Nigeria. This study analyses grey directors measures from the perspective of stakeholder and agency theories. The former advocates the role of the firm in meeting the interests of several stakeholders while the latter

advocates the interest of shareholders should be put inconsideration whenever managers makes decisions. Previous studies have supported that presence of grey directors effectively controls managers' opportunistic behavior called earnings management. We examined how earnings management can be curbed by having grey directors in the corporate board of an organization, using data from non-financial firms listed on the Nigeria exchange ltd. We considered the following grey directors' attributes such as presence of grey directors, grey directors size, grey directors gender diversity and grey directors stock holding. We focused on the role of grey directors' role to examine how grey directors are able to constrain earnings management of firms in Nigeria. The results revealed that earnings management is less prevalent in firms with presence of grey directors and grey directors with more stock holdings or ownership whereas earnings management is more prevalent and more severe when the size of grey directors' increases. The study also shows that presence of female grey directors in the board plays a significant role in reducing earnings management by preventing the opportunistic behavior of managers. Nevertheless, the grey directors in the board should not only stop the negative management pursuit that may lead to corporate scandals or failures but also ensure that corporation is acting on opportunities that improve the value and wealth of all stakeholders. The study draws recommendations from the findings of the empirical data analysis. The study makes the following recommendations as follows:

I. Shareholders of non-financial firms in Nigeria should ensure that there is presence of grey directors in their team of management to help curtail the opportunistic behavior of managers and contend earnings management practices.

II. Emphasis on increasing the number of grey directors in non-financial firms should be minimized since it was found to have insignificant effect in curbing earnings management.

III. Having more women as grey directors in top management should be the priority of every company in order to reduce earnings management practices of the firms.

IV. Ownership diversification among grey directors should be encouraged since it helps to mitigate earnings management of non-financial firms in Nigeria even though it was found to have insignificant effect

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