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Empirical Investigation of Corporate Governance and Earnings Quality of Selected Quoted Companies in Nigeria

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Abstract

This study was conducted to determine the influence of corporate governance on earnings quality of selected quoted companies in Nigeria. The actions of directors are directed by the Code of Corporate Governance which mandates them to perform in accordance with the interests of the shareholders. For effective compliance, the mechanisms of corporate governance should influence the attributes of performance in companies positively. This motivated the researchers to assess the direction of variables of corporate governance on earnings quality of selected quoted companies in Nigeria. The ex-post facto research design was adopted because the study was quantitative and required secondary data. The population of this study was forty (40) selected quoted companies whose shares were traded on the floor of Nigerian Exchange Group (NGX) as at 31st December, 2022. Thirty-three (33) selected quoted entities were sampled for the study purposively based on the possibility of retrieving annual reports and financial statements of entities. Panel data were collected from the annual reports and financial statements of the selected quoted companies sampled for the study. The variables of this study were Earnings Quality (EQ) and Corporate Governance (CG). The dependent variable was Earnings Quality (EQ), and the independent variable was corporate governance represented by Board Independence (BI) and Board Meeting (BM). Company Size (CS) was used as a control variable. Data were analyzed using descriptive statistics and multiple linear regression statistical tools. The pooled panel linear regression was adopted in establishing the influence of CG on EQ. From the analyses, it was observed that BI and BM had positive and significant influence on EQ of selected quoted companies in Nigeria. In line with the findings, it was concluded that corporate governance had a positive and significant influence on Earnings Quality (EQ) of selected quoted companies in Nigeria. It was recommended that the variables of corporate governance should be properly adhered to in accordance with the Code of Corporate Governance for quoted entities in Nigeria as used in this study.

Keywords: *Corporate Governance[1], Earnings Quality[2] and Selected Quoted Companies in Nigeria[3].*

1. INTRODUCTION

The collapse of entities in the contemporary era has made corporate governance fundamental in managing the affairs of any company. The failure of these entities in the recent time has served as eye opener to shareholders and other stakeholders of entities to investigate the level of progress attained by directors from the application of regulations to their companies to ensure accountability and transparency. This is because adherence to corporate governance principles by entities usually guarantee the survival of the companies (Urhoghide and Korolo, 2017). The continuous existence of any quoted company is solely dependent on how the entity is governed by the board of directors appointed by the shareholders.

In quoted entities in Nigeria, the principle of corporate governance has been considered by managers strictly for continuous existence of their companies (Taniya and Akhtar, 2021). The ideas of regulatory authorities like Central Bank of Nigeria (CBN), Security and Exchange Commission (SEC) and Banks and Other Financial Institutions (BOFI) in ensuring that managers or board of directors of companies adopt and stick properly to the principles of corporate governance have been accepted by shareholders and researchers. The role of regulatory authorities in other countries of the world have been felt in the last decade for the fact that the rate in which entities fail has been minimized. In Nigeria, institutions and agencies have been established to look into the level of compliance of quoted companies on the code of corporate governance stated (Tachiwou, 2016). Despite the strict regulations and policies of these established bodies in Nigeria, quoted companies are still facing some issues that are caused by the conflict of interest of managers or board of directors.

Corporate governance is understood to be essential procedures in which stakeholders and owners of entities are interested in the growth of their companies by ensuring that managers or board of directors are usually taking accurate and relevant measures or mechanisms to safeguard the interest of these stakeholders (Urhoghide and Korolo, 2017). The essence of adopting corporate governance and sticking to the principles is to bring about accountability and transparency. Also, the interests of shareholders are usually considered first in managing the affairs of any organization. To reduce the conflict of interest of managers, attributes of corporate governance are recommended to board of directors to consider strictly and essentially for the growth of an entity (Olayiwola, 2018).

The key factors of corporate governance include board size, board independence, board meeting, audit committee meeting and board gender diversity. All these attributes of corporate governance are often expected to influence other accounting attributes such as earnings management or quality (Nwaiwu and Joseph, 2018). For this reason, the attributes of corporate governance are fundamental to earnings quality. Corporate governance is a system or procedure in which the activities of quoted companies are governed or regulated for optimal benefits (Kiradoo, 2019). Corporate governance and earnings management are two related concepts in any quoted companies. This is because the adoption of principles of corporate governance by entities is expected to influence upon financial performance of the companies as higher level of earnings quality is usually anticipated from earnings management.

The effective use of the variables of corporate governance such as board independence, board meeting and audit committee meeting is expected to influence upon the various components of earnings of quoted companies in Nigeria. According to Goel (2018), components of earnings such as account receivables, operating expenses and revenue itself are expected to be managed effectively and efficiently to ensure quality of earnings. Also, a quoted company that has complied with the code of corporate governance suppose not to accumulate larger short-term obligations such as account payables because one of the duties of board of directors is to honour short-term obligation and raise the reputation of their companies.

However, from the published annual reports and financial statements of selected quoted entities in Nigeria, it has been observed by the researcher of this study that some entities have reported larger account receivable which occupy a greater proportion of revenue generated during the accounting periods. These entities also declare larger operating profits which could be said to be good performance indicator. A company that reports larger profit in different accounting period is expected to honour its short-term obligation because of the high level of profits generated (Cole *et al*., 2021).

It had been observed that those companies that have reported larger profits have larger short-term debt profile in different accounting periods. This created a doubt in the mind of the researcher whether or not corporate governance mechanisms or variables have been utilised properly in the quoted companies in Nigeria to influence earnings quality. This necessitates the conduct of the present study to empirically ascertain the direction of corporate governance variables on earnings quality of quoted companies in Nigeria and taking into consideration the post adoption period of International Financial Reporting Standards (IFRSs) which ranges from 2013 to 2021.

The main objective of the study was to empirically examine the influence of corporate governance on earnings quality of selected quoted companies in Nigeria. The specific objectives of the study were to:

i. ascertain the effect of board independence on earnings quality of selected quoted companies in Nigeria.

ii. examine the influence of board meeting on earnings quality of selected quoted companies in Nigeria.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Earnings Quality

The whole essence of earnings management is measured by the level of earnings quality attained. This simply means that in conducting earnings management effectively, the level of earnings quality to attain is taken into consideration by managers or directors of companies. When this is done, the managers or directors of companies often take adequate percussion in conducting various activities that has to do with earnings management. For this reason, earnings quality could be defined as the level of earnings attained that is capable of meeting the requirement and obligation of an entity in terms of honouring an obligation at their maturity period. According to Urhoghide and Korolo (2017), quality of earnings is very important in determination of performance of an entity and growth. A company whose earnings quality is low is certain to fail at any given period of operation. The effort of managers towards earnings management is to ensure that adequate quality of earning is attained.

For this reason, the idea of earnings management is not expected to override the true picture of financial statement to be presented and published by companies. the quality of earnings is often computed as the different between operating profit and cash flow from operating activities. When the different between operating profit and cashflow from operating activity is very high, it could be said that the quality of earnings is low. This is because the level of operating profit made in an accounting period is expected to be reflected in cash form when preparing statement of cashflow precisely under the operating activities (Urhoghide and Korolo, 2017). The possibility when there is higher deviation between operating profit and cashflow from operating activities, it is viewed as the possibility or a situation whereby the financial statement prepared and published by managers of companies in accounting period do not reflect the true picture of transactions carried out and as such the quality of earnings is low. Thus, to achieve higher quality of earnings, it is expected that deviation between operating profit and net cashflow from operating activity is low otherwise the quality of earnings is low.

In consideration of earnings quality, the idea of achieving high level of cash is a critical factor considered by managers. This simply means that company may generate larger revenue with a greater proportion of outstanding. When this occur, the quality of earnings in the accounting period is lower as well. This is why the deviation between operating profit and net cash flow from operating activity is known as accrual (Taniya and Akhtar, 2021). Accrual is another term that represent total outstanding of a company in an accounting period. the higher the value of accrual, the lower the quality of earnings.

The true test of operating profit declared in an accounting period is the level of accrual computed for the accounting period. this shows that the high level of deviation between operating profit and net cashflow from operating activity is regarded as accrual. It is often anticipated that managers or directors should reduce the amount of accrual in an accounting period. This is to ensure that the quality of earnings is improved. The process of raising the quality of earnings in an accounting period usually call for the possibility of fixing a percentage of revenue to be generated as a target to monitor accruals (Tachiwou, 2016). For instance, a company that maintains ten percent of revenue as accrual is certain to maintain the level of accrual as low as possible.

This is because for every hundred percent revenue generated, a maximum of ten percent accrual is set aside. This allows the managers of companies to appropriately manage outstanding or accrual and reduce the negative implications of accumulating higher outstanding. In ensuring that higher quality of earnings is attained, current liabilities are usually managed. For this reason, to raise the quality of earnings simply means that liquidity position of an entity is kept optimal and optimal liquidity position maintained by an entity warrant the possibility of meeting up with short-term matured obligations at a given period (Tachiwou, 2016). For this reason, achieving optimal earnings quality bring about the idea of liquidity management. It is understood any managers of companies that revenue generated in an accounting period is an essential factor that could influence the liquidity position of an entity in form of cash or account receivables. The anticipation of managers or directors of companies is to ensure that the proportion of cash derived from revenue is higher than account receivables.

Also, the possibility of minimizing the risks of bad and doubtful debt is to ensure that the cash policy is maintained in an entity. A company that does not allow higher rate of credit is one that is capable of maintaining high quality of earnings in different accounting period.

2.1.2 Corporate Governance

Corporate governance is made up of two key terms known as corporate and governance. The word corporate is drawn from corporation which is associated with entity. Corporation has to do with the activities of companies (Erah and Ikhu-Omoregbe, 2017). On the other hand, governance is concerned with giving a lead to the activities concerned. Governance is associated with leadership. Before effective governance is performed, there are certain activities to which leadership could be performed. These activities are often defined and made known. In this case, governance has to do with the activities of leading or providing leadership to certain activities identified and made known (Adegbie *et al*., 2019). Governance cuts across different discipline because it is associated with leadership and every human activity requires leadership. When effective governance is carried out, the outcome is seen by every individual in which the actions of leadership have affected. In this case, effective leadership is known by its outcomes and not by verbal expression.

When the two key words known as corporate and governance are put together, corporate governance is the concept achieved. Corporate which has to do with entity and governance which has to do with leadership is very clear to define. In brief, corporate governance could be seen as the leadership provided to entities' activities by board of directors or those charged with governance in an organization (Bartov *et al*., 2000). Corporate governance is defined as the process and procedures that regulate the activities of organization. The essence of effective corporate governance is to ensure that accountability and transparency is achieved in an organization. For this reason, corporate governance is also defined as systems or mechanisms designed by regulatory authorities to control the activities of managers or board of directors of companies especially the quoted ones for the purpose of maximizing the benefits accrued for the purpose of raising shareholders wealth. Leadership is associated with governance that makes the principle of corporate governance essential in regulating the various activities and decisions taken by board of directors of quoted companies to bring about accountability and transparency in an organization (Chaharsoughi and Rahman, 2013).

Corporate governance is also seen as the ways or style of management adopted by board of directors in an organization. In this case, corporate governance is hinge on management process or decision taken by board of directors in companies (Cyril and Chinakpude, 2019). The major role of corporate governance is to ensure that the decisions taken managers are in favour of shareholders or owners of quoted companies. This is because some of the decisions usually taken by board of directors of companies could be in favour of them and not for the growth of the overall entities. Thus, corporate governance could reduce conflict of interests among managers which also ensures transparency and accountability in entities. For this reason, corporate governance is a useful tool that brings about transparency and accountability in organization. The adoption of corporate governance principles is made possible because board of directors could decide to run the affairs of organization in favour of their interests and not that of the shareholders who are the real owners. For this reason, corporate governance is very essential in ensuring that the various decisions taken by board of directors are in accordance with the interest of the shareholders.

It is worth noting that corporate governance is not about management activities, management skills and techniques and the powers of executive management to direct business activities but how the board of directors use the powers vested on them to direct business activities (Erah and Ikhu-Omoregbe, 2017). Corporate governance is not directly associate with management activities because activities could result to any form of outcomes which is not directed by corporate governance. For instance, the decisions taken by managers or board of directors could be done in favour of the directors' interest, but they constitute management activities. Thus, corporate governance is concerned with only the activities that is in line with the interest of the shareholders and not anyhow management activities. Corporate governance is not really concerned with the skills and techniques used by board of directors but how the skills acquired by board members are able to transform the entire organization in line with the interest of the shareholders (Olaoye and Adewumi, 2020).

In this case, the skills acquired by an individual who is part and parcel of the board of any organization is not really paramount when talking about corporate governance mechanisms but the extent to which the acquired skills are utilized in accordance with the principles of corporate governance to raise the wealth of shareholders is very crucial (Gaio and Raposo, 2014). The power vested on individual board members in an organization is not really important to corporate governance but the utilization of this power to transform the phase of the entity for the purpose of raising the various performance indicators which include earnings quality is fundamental to principles of corporate governance. Corporate governance is not always associated with formulating business strategies in business organization but the effectiveness of business strategies to transform the growth of the organization is considered crucial in adoption of principles or mechanisms of corporate governance (Hassan and Ahmed, 2012). Also, the responsibility of individual board members and senior managers in organization for deciding strategy is a critical aspect of corporate governance. This simply means that the power and ability to formulate and implement strategies is considered critical and essential when talking about the mechanism of corporate governance.

2.1.3 Board Independence

Board independence is regarded as the level of directors' independence in an organization. Board independence is defined as the possibility to which the decisions of directors are not influenced by any individual within the organization (Urhoghide and Korolo, 2017). It is the level of taking decision without considering the feeling of any individual as long as the decisions or actions taken are the right thing to do. Board independence is known as the number of non-executive directors to total board size of a quoted entity. In accordance with corporate governance, the higher the non-executive directors in a board, the higher the board independence and vice versa (Urhoghide and Korolo, 2017). This simply means that when the number of non-executive directors is higher in the board composition of an entity, the decisions taken by the board are not influenced by any factor caused by an individual in the organization. Every quoted entity is targeted towards higher board independence as the decision of such entity usually replicate the reality of the organization. Higher board independence brings about higher transparency and accountability in an organization.

The higher number of non-executive directors could direct the affairs of an organization smoothly than when a board composition is made up of a lower number of non-executive directors. This is why the principle of corporate governance warrants the number of non-executive directors to be higher than the executive directors. This is because the executive directors are part and parcel of the organization and their decision is often influenced by other individual in the organization (Thoppan *et al*., 2021). Board independence helps an organization to achieve its objectives stated strategically. This is because board independence ensures that resources acquired are not wasted. Board independence has many influences on the overall growth of an organization. The decision on how to raise revenue, quality of revenue or earnings, investment decision, responsibility of each employee and the attainment of organization vision all depends on the level of board independence.

The level of independence of directors in a quoted entity usually affect the process of raising revenue. This is because the decision on how to spread the branches of an entity for the purpose of generating more revenue all depends on the interest and influence in the board of directors (Taniya and Akhtar, 2021). Board of directors that are with more personal interest and not considering the interest of the shareholders is possible to say that the affairs of an entity are being run in favour of them and not shareholders. When a board of directors are being influenced more, it could be stated that the decision taken by them to raise revenue depends on other factors suggested by other individuals in the organization and not based on their level of business experience or skills acquired in the field (Tachiwou, 2016). The level of revenue and the patterns of raising the revenue depends on the passion of the board members on the growth of the organization and not their personal interests. Thus, board independence brings about revenue generation.

Board of directors are those known for the ideas of earnings manipulation. It is always known that the level of revenue and profit raised by an entity usually attract the interests of potential investors (Tachiwou, 2016). This is why some items presented on financial statements are false and if the correct amount is presented on the financial statements, potential investors could be discouraged by the performance of the organization. The quality of earnings of any quoted entity is anchored on the decision of non-executive directors because they are not influenced by the organization in their decisions or inputs. Other non-executive directors believe that earnings manipulation could attract the interests of the investors are therefore presenting false information on the financial statements that are capable of misleading the potential investors (Sathyamoorthi *et al*., 2017). With the existence of greater number of non-executive directors where board independence is higher, the quality of earnings is assured because the non-executive directors do not always accept the ideas of window dressing financial statements where items presented on the financial statements are false and to mislead the users.

With the high rate of non-executive directors in an organization, the responsibilities and tasks of employees are properly assigned based on their level of specialty and skills acquired (Paniagua *et al*., 2018). High rate of board independence usually helps a quoted company to recruit employees with the required skills and experience needed to drive the performance of an organization and not just a graduate from higher institution who does not understand the ethics and the skills needed in the entity. This is because for one who is not influenced by a particular organization because of the remuneration earned is certain to say what is right and required. High level of board independence guarantees qualified employees to be given opportunity to drive the performance of any quoted entity. The activity of monitoring the tasks assigned to employees is duly carried out by a non-executive director charged with such obligation more than an executive director (Olayiwola, 2018). This is because a non-executive director often stands to gain nothing for misleading the activities in an entity. This is how crucial board independence is to a quoted company in ensuring qualified and competent employees.

Vision of any quoted entity is very important as it arouse the attention of directors or managers to strategies policies that are capable of driving the performance of the company. The mode of presenting financial statements by managements of any entity is very important (Olaoye and Adewumi, 2020). The items disclosed on financial statements are fundamental to decisions of potential investors. For instance, if an entity chooses not to disclose the court case and the implication on financial statements, the potential investor could be deceived because of the quantitative items presented on the financial statements. Also, a company that have acquired greater amount of debt and does not present it on the financial statements or the stakeholders as well. To accomplish the mission of an entity, the level of board independence usually strengthens the reporting approach and preparation of financial statements by managers of organization. The quality of reporting help potential investors to make sound decisions that could add to their financial wealth because the financial statement prepared by management of quoted companies present the true and fair view of the entity's operation. Thus, board independence helps an entity to attain its vision through presenting quality financial statements.

Board independence ins one of the key factors of corporate governance. The high level of board independence could provide high level of earnings management. When talking about good corporate governance, the level of independence of executive directors are usually considered (Nwaiwu and Joseph, 2018). Apart from experiences and skills acquired by each of the board members of any organization, the tendency to which their decisions are not affected by any other factors are considered essential. The principle of corporate governance ensures that high level of board independence is capable of influencing significant number of accounting attributes reported on published financial statements of companies. In this case, board independence is a key driver of other factors of which earnings management is one of them.

The level of board independence in an organization is expected to influence upon certain accounting attributes of which earnings management is included. When non-executive directors are higher in a quoted entity, the expectation is that earnings quality should be higher as well (Olaoye and Adewumi, 2020). This is because the principle of corporate governance allows board independence to manage the affairs of the organization more. Higher level of non-executive directors usually provides information to the users of financial statements on the uniqueness of decisions taken by the board. The financial statements published by management of a quoted company with high number of non-executive directors is believed to be the reality of the affairs of the entity during the accounting period. When the number of non-executive directors is higher, the decision on how to achieve a greater proportion of revenue in cash is often suggested by the board without any objection. Sustainability and survival of an entity is associated with the level of management of such entity.

It is expected that board independence should influence earnings management of an entity positively. Often time, the opposite is the case. When the number of non-executive directors of a quoted entity are lower, the influence might not be significant on earnings management because the voice of these independent directors might not be heard (Olaoye and Adewumi, 2020). For the purpose of raising the quality of earnings, board independence is expected to be high. In some cases, the number of non-executive directors could be high in a quoted entity but certain factors on the entity are not influenced positively. In such a situation, the personal interest of those non-executive directors could be the problem. An entity might accumulate greater number on non-executive directors in their board, but the decisions taken by these non-executive directors are to their own favour and in accordance with their personal interest and not to the interest of the shareholders (Kiradoo, 2019). In this case, board independent might not influence earnings management to bring about higher level of earnings quality. So, larger number of non-executive directors does not mean that earnings quality must always be achieved but the interests of those directors on the organizational growth and their decisions are very important.

Thus, several studies that have been conducted in this area and with the inclusion of board independence as a factor of corporate governance had negative influence on earnings quality of the entities studied (Kiptoo *et al.*, 2021). The simple explanation that could be given to such scenario is either the decisions taken by these directors are not goal-oriented decisions or their personal interests have been considered paramount in the process of formulating and implementing strategies. Ideal board independence is one that requires zero level of independent or non-executive directors' personal interest and sound knowledge in decision making. Thus, the influence of board independence is expected to be ascertained in this study for the fact that quoted entities in Nigeria have been maintaining a certain structure or composition of board of which non-executive directors are included (Kajola *et al.*, 2017). To what extent has this number of non-executive directors influences earnings attributes to ensure earnings quality?

2.1.4 Board Meeting

According to Kajola *et al*. (2017), board meeting is defined as the number of times within an accounting period when directors of entity meet to discuss significant issues that has to do with the wellbeing of their companies. Board meeting is one of the important attributes of corporate governance as board meeting help directors to suggest what should be done to improve upon performance indicators based on their skills and experiences. Board meeting is an avenue whereby the opinion of individual director is expressed in accordance with the interest of the shareholders. The higher the number of board meetings within an accounting period, the better the corporate governance activities conducted by directors of companies within an accounting period and vice versa. This is why board meeting is recognised as a means whereby effective monitoring of powers and authorities given to directors is achieved. Corporate governance is associated with effective monitoring (Hassan and Ahmed, 2012). The feedback provided to directors of companies in line with their actions or decisions taken is made possible through effective monitoring.

The frequency of board meetings usually measures the effectiveness of board activities in any quoted entity. This is because the number of meetings held in an organization within an organization define the propensity of those charged with governance in monitoring of organizational activities to ensure optimal benefits (Haque and Arun, 2016). Thus, the activeness and involvement of individual directors in board meetings is an indicator used to present the importance of board meetings in a quoted entity. Also, the number of meetings held by quoted entity during an accounting period is considered as essential factor to corporate governance. The number of meetings held help to present vividly to the stakeholders that the policies and strategies formulated and implemented have been reviewed during the accounting period. According to Cole *et al*. (2021), board meeting is calculated by taking the number of meetings held in an accounting period. The higher the number of meetings held during an accounting period, the higher the performance of such entity and vice versa. Performance of any entity includes earnings quality.

The number of times in which meetings are held in an organization provide information to the users of financial statements that critical issues that could result to continuous existence of the entity have been discussed more often (Babatunde and Akeju, 2016). The number of meetings held in an organization is considered critical as each board member is placed in a position that the opinion in accordance with the challenge in the entity is expected to be discussed. In any board meeting, the chief executive office, the executive directors and the non-executive directors are expected to be present for critical issues to be discussed. The presence of individual director in the board meeting describe how important board meeting is to corporate governance. Each director head a department especially executive. In a board meeting, individual directors that are charged with the activities of departments are expected to present to the board the affairs of their departments and also defend how resources have been utilized (Amah and Ekwe, 2020).

Board meeting is an essential factor because it helps an entity to achieve competitive advantage. For every board meeting held, strategies to raise the overall growth of an organization are discussed. The means or technique to handling challenging issues are discussed as well. The frequency of board meeting help board of directors to decide on significant matters which include investment opportunities of their entities (Ali *et al*., 2020). The number of board meetings held in an organization depend on the critical issues that require the suggestion and advice of the individual board members. When there are issues in an organization that could not be resolved in one department, the suitability of board meeting is possible to resolve the matters and suggest possible solution to curtail the occurrence of such issues. In this case, board meeting is a critical factor of corporate governance that help in resolving internal issues in organization. Usually, the number of board meetings held by quoted entities in Nigeria within an accounting period is five (5) as disclosed in some of the published annual reports of quoted companies in Nigeria.

According to Haque and Arun (2016), board meeting in any quoted entity is expected to influence upon certain accounting attribute of which earnings quality is one of them. The purpose of earnings quality is to arrive at earnings quality. the decisions or issues discussed in board meetings are expected to affect the patterns of earnings quality. The number of board meetings held during an accounting period usually affect the level of earnings quality. It could be stated that the higher the board meetings, the higher the earnings quality achieved through earnings quality and vice versa. Often time, the number of board meetings does not really influence upon earnings quality positively (Goel, 2018). In reality, the higher the board meeting, the lower the earnings quality in some cases and vice versa. Critical issues are expected to be discussed in board meetings as stated earlier. When irrelevant matters are considered in board meetings, earnings quality can be affected negatively. In such a situation, the high number of board meetings does not really influence upon earnings quality positively.

When high number of board meetings held in a quoted entity during an accounting period affect earnings quality positively, it could be stated that in all these board meetings held, issues that have to do with the overall growth of the organization have been discussed and actions have been taken on those issues (Olaoye and Adewumi, 2020). In other word, the positive influence of board meetings on earnings quality could be said to be caused by the level of commitment of directors on stated and underlined strategic objectives and vice versa. This simply means that when issues are discussed in board meetings and actions are not taken on those issues discussed, optimal benefits of those issues might not be achieved. Thus, the influence of board meetings is stimulated alongside with the level of commitment taken by the board members (Olaoye and Adewumi, 2020). In an empirical study, when board meetings influence earnings quality positively, the simple reason is that the issues discussed in the meeting have been taken into consideration in the management activities and procedures of each board members.

Significant matters in any quoted entity that require discussion in a board meeting include the process of revenue generation, investments appraisal, capital structure planning and policies on assets management and liquidity. Revenue generating procedures and policies are key issues discussed in a board meeting. This is because the level of revenue generated by an entity during an accounting period guarantees the going concern status of the entity. Survival of any entity depends on the level of revenue generated as the profitability declared in any accounting period depends on the level of revenue (Babatunde and Akeju, 2016). In a board meeting held by any quoted company, the technique of appraising the worth of investment are discussed. Basically, there are two forms of investment appraisal and they are discounted and non-discounted investment appraisal. The discounted investment appraisal is a technique of assessing the benefits of an investment in terms of value to an entity by taking into consideration the time value of money. The word discounting includes the consideration of the economic state of nature which include the level of inflation. On the other hand, the non-discounted investments appraisal are techniques that do not consider the time value of money.

The discounted investments appraisal techniques include net present value (NPV) profitability index (PI) and internal rate of returns (IRR). The non-discounted investment appraisal techniques include payback period (PB) and accounting rate of return (ARR). The kind of techniques and justification for investment appraisal are usually discussed in a board meeting for the purpose of improving upon the wealth of the shareholders. Capital structure is a fundamental issue to discuss in a board meeting. The composition of capital structure of any quoted entity is important. This is because a highly geared company is exposed to financial risks more than a lowly-geared company (Amah and Ekwe, 2020). The composition of capital is crucial to the performance of an entity. For this reason, the proportion of debt and equity in any company capital is a matter that requires discussion and suggestion based on the target of the entity. Assets are vital resources that drive revenue. ideas on how to manage assets is very fundamental when talking about growth of entity.

Managers or directors usually target a certain level of assets combination that is capable of affecting the overall performance of the company. an equilibrium points of assets acquisition call for effective management. This is similar to liquidity level of any entity (Ali *et al.*, 2020). Because of the trade-off relationship between liquidity and profitability, effective management of the components of current assets are required. All these matters require proper discussion in a board meeting. When board meeting affect earnings quality negatively, it could be stated that relevant issues are not discussed in the various meetings held or the issues discussed are not taken into consideration by the directors. So, in a situation where the number of board meetings held is high and earnings quality is low, the critical reason is that fundamental issues have not been taken into consideration in the board meetings held.

2.1.5 Other Factors that Affect Earnings Quality

There are different attributes that could influence earnings quality either positively or negatively other than corporate governance. These factors or attributes include profitability and company size. The level of profitability arrived at by a company in an accounting period determines the possibility of conducting earnings quality. When the profit declared in an accounting period low, managers of such entity might want to embark on earnings quality (Adegbie *et al.*, 2019) in other not to fall out of the trend of profitability or performance achieved over the years.

Also, the reputation of the company may also encourage managers to embark on earnings quality to cover up for the low profit arrived at in one accounting period. On the other hand, when profit is high, the possibility to embark on earnings quality might be low especially when the level of profit declared s made up of a greater proportion of cash. Company size is simply defined as the total assets of an entity. It is often computed as the logarithm of total assets accumulated by an entity in different accounting period. The total asset of an entity defines the size of an entity. This simply means that the higher the total asset, the higher the size of an entity and vice versa.

From the literature, it has been observed that a company that has larger total asset is capable of embarking on earnings quality more than a company with lower assets. This is because it is believed that fluctuation in a larger company that has gained much reputation in the market requires faster attention to correct the deviation. One way of correcting such deviation is through earnings quality. Also, larger company usually maintain a trend increase in profitability and in such a situation, earnings quality is encouraged.

2.2 Theoretical Review

2.2.1 Agency Theory

This theory was developed and advanced by Jensen and Meckling (1976). The essence of the theory was to connect the relationship between the agents and the principals. The development of the theory was made possible for the fact that ownership of quoted companies is separated from management. The possibility of entrusting responsibilities to board of directors for proper management that ensures accountability and transparency made this theory an interesting one in the field of management. According to Jensen and Meckling (1976), two parties are fundamental in the theory, and they are agents and principals. Agents are regarded as board of directors or managers of companies. Agents are those whose activities are to plan, direct and control the activities of organization to ensure that optimal outcomes are achieved. Those that are involved in the activities of piloting the affairs of organization by formulating strategies and implementing those strategies to bring about optimal benefits are regarded as the agents. In brief, the agents are the board of directors of companies.

On the other hand, the principals are the owners of companies. They are regarded as equity shareholders whose reward is to take residual of their companies. The theory brings about the relationship the exist between equity shareholders are the board of directors. Based on the theory, board of directors are expected to formulate strategies in line with the interests of the equity shareholders who are the owners of the company (Donaldson and Davis, 1991). The two parties that are involved in the theory are related to corporate governance and earnings quality of selected quoted companies in Nigeria. Effectiveness of corporate governance depends on those regarded as board of directors. This simply means that the practice of good corporate governance relies on those called the agents. Also, earnings management is practiced by the board of directors as well. The principles of corporate governance ensure that earnings management does not result to misleading activities where false financial statements are to be provided.

Shareholders, who are the owners or principals, expect that the financial statements prepared and presented by managers or directors reflect the true and fair view of transactions being performed in an accounting period. The use of key variables of corporate governance such as board independence and board meeting to establish the influence on earnings quality will reveal the extent to which efforts of directors of selected quoted companies in Nigeria have been made to bring about earnings quality (Hassan and Ahmed, 2012). The relationship between this theory and the present study is anchored on the fact that the agents are those whose principles of corporate governance are vested. When carrying out the practice of corporate governance by directors, earnings quality is one of the activities to ensure that their companies do not portray negative image in the markets. Thus, this is how the theory is related to this study, hence, it is adopted.

2.3 Empirical Review

Chaharsoughi and Rahman (2013) examined corporate governance and earnings quality: The experience of listed companies in Iran. One hundred and fourteen (114) companies listed on the Tehran Stock Exchange (TSE) were sampled for the study. The period of the study covered from 2008 to 2010. Multiple regression technique was used to analyse the data extracted from the published annual reports and financial statements of the sampled entities. From the result obtained, it was observed that there was an insignificant relationship existing among independent boards of directors, managerial ownership, and earnings quality. Also, the result showed that there was a negative and insignificant relationship between board size and earnings quality. The evidence of the negative relationship between firm size as a control variable and earnings quality was provided. The negative relationship between the control variable and earnings quality was caused by the political sensitivity of large firms and in this case, the earnings quality was reduced.

Gaio and Raposo (2014) conducted a study on corporate governance and earnings quality: International evidence. The study aimed to examine the relationship between corporate governance and earnings quality. Secondary data were obtained from published annual reports and financial statements of the sampled entities. The result of the analyses revealed that there was a substitute relationship between corporate governance and earnings quality. The findings were consistent with the view that poor accounting information may force firms to adopt costlier corporate governance mechanisms, in environments in which they are effective. Likewise, in such environments, firms with better quality accounting information may not need to invest so much in costly governance mechanisms.

Erah and Ikhu-Omoregbe (2017) assessed corporate governance and earnings quality: Evidence from distress likelihood quoted firms. The total of one hundred and seventy-eight

(178) firms in Nigeria were sampled for the study of which ninety-six (96) non-financial quoted firms whose shares were traded on the floor of Nigerian Exchange Group (NGX) while eighty-four (84) non-financial quoted firms with Altman's Z-Score of less than 1.8 were studied. The period of the study covered from 2011 to 2016. Panel data were collected from the published financial statements of ninety-six (96) non-financial quoted firms whose shares were traded on the floor of NGX as at 31st December 2011. The variable of corporate governance considered in the study were director's ownership (DO), CEO ownership (CO), board independence (BI), board size (BS), board gender diversity (BGD) and Chairmanship Ownership (CHO). The outcomes of the analyses showed that CHO, CO and DO were statistically significant, while BS, BI and BGD had no significant influence on earnings quality of quoted companies in Nigeria.

Ali (2018) examined the impact of corporate governance on firm's financial performance: A comparative study of developed and non-developed markets. One hundred (100) listed companies from Karachi Stock Exchange of Pakistan and New York Stock Exchange of USA was sampled for the study. The period of the study ranged from the period of 2010 to 2017. The source of the data was published annual reports and financial statements of the entities. The obtained data were analysed using multiple regression technique, and result obtained. From the result, it was discovered the variables like board ownership, board education and experience, effectiveness and CEO duality had positive relationship on performance while board size had negative correlation. Also, it was also discovered that director's independency had a positive and insignificant influence firm's performance.

Nwaiwu and Joseph (2018) investigated core corporate governance structure and financial performance of manufacturing companies in Nigeria. The study sought to empirically investigate the relationship between core corporate governance and financial performance of quoted manufacturing companies in Nigeria. Data were obtained from published annual reports and financial statements, journals and relevant websites of the sampled companies. The obtained data were analysed using ordinary least square of multiple regression. From the results obtained from the analyses, it was found that audit committee members had a significant influence on earnings per share of performance of the sampled entities.

Olayiwola (2018) investigated the effect of corporate governance on financial performance of listed companies in Nigeria. The aim of the researcher was to investigate the influence of corporate governance (CG) on the performance of companies. Exploratory research design was employed in the study because of the nature of data. The study sampled ten (10) listed firms chosen for the study. Data were extracted from the published annual reports and financial statements firms from the period of 2010 to 2016. Panel regression technique was used to analyse the obtained data. Corporate governance (CG) was proxied with board size (BS), board composition (BC) and audit committee size (ACS) while performance was proxied with net profit margin (NPM). From the result obtained, it was discovered that BS had a negative and significant relationship with NPM. Also, BC had positive and significant influence on NPM, ACS had an insignificant relationship with NPM, and BS, BC and ACS had a significant joint effect on NPM.

Paniagua *et al*. (2018) examined corporate governance and financial performance: The role of ownership and board structure. The objective of the study was to examine how corporate governance and ownership structure relate to the financial performance of firms. Panel regression technique was adopted in the study because the study. The sample size of the study was one thousand, two hundred and seven (1207) companies from fifty-nine (59) countries across ninety (19) sectors. The period of the study ranged from period 2013 to 2015. The collected data were analysed using complementary linear and nonlinear multiple regression technique. From the analyses, it was observed that corporate governance variables exerted positive and significant influence on financial performance of companies studied.

Adegbie *et al*. (2019) examined the effect of corporate governance on earnings quality of quoted financial and non-financial firms in Nigeria. Thirty (30) quoted financial and non-financial firms were purposively sampled for the study from 2003 to 2017. Data were collected from the published annual reports and financial statements of the entities chose for the study. The obtained data were analysed using multiple regression technique. From the results obtained, it was revealed that corporate governance (CG) had joint significant influence on earnings quality (EQ) of quoted financial firms in Nigeria. Also, the study revealed that board size had a positive and significant influence on earnings quality while board meetings had a negative and significant influence on earnings quality of the sampled companies. It was also discovered that CG had joint significant influence on EQ of quoted non-financial firms in Nigeria while board meetings had negative and significant influence on EQ of the quoted entities whose shares were traded on the floor of Nigerian Exchange Group (NGX).

Cyril and Chinakpude (2019) examined the effect of corporate governance on earnings management of commercial banks in Nigeria. The aim of the researcher was to examine the effects, magnitude and strength of the relationships between corporate governance and earning management of commercial banks in Nigeria. Relevant data were collected from published annual reports and financial statements of the four (4) commercial banks sampled for the study. The period of the study was from 2007 to 2017. The collected data were analysed using multiple linear regression model. From the result of the analysis, it was discovered that Earnings Per Share (EPS) had a negative and significant influence on board size. While ownership structure had a positive and insignificant influence on EPS.

Kiradoo (2019) studied the impact of corporate governance on the profitability and the financial performance of the organization. The researcher aimed to investigate the impact of on corporate governance on profitability and financial performance of organizations. Data were extracted from published annual reports and financial statements of the sampled firms in UK. Regression technique was used to analyse the extracted data. From the results of the analyses, it was discovered that there was a relationship between CEO, board size and ownership concentration with financial performance. Also, from the descriptive and regression analysis results, it was evident that there was a direct connection between corporate governance and increasing profitability of firms. The study proved that corporate governance helps in developing the performance and profitability of entities.

Shin and Kim (2019) investigated the effect of corporate governance on earnings quality and market reaction to low quality earnings: Korean evidence. The objective was to ascertain the influence of corporate governance on earnings management of Korean entities. Independence of board of directors (BOD) and foreign ownership were the two variables used to proxy corporate governance. The population of the study was made up of one thousand nine hundred and seventy-six (1976) non-financial firms listed on Korea Stock Exchange market from 2013 to 2016. Regression analytical tool was employed in the study to provide empirical evidence. From the analysis, it was observed that there was a significant gap between the unaudited earnings and the actual earnings was smaller for firms with independent BODs and foreign ownership.

Siyanbola *et al*. (2019) examined corporate governance and reported earning quality in deposit money banks in Nigeria. Panel data were obtained from the deposit money banks sampled for the study. Ten (10) deposit money banks listed in Nigerian Exchange Group (NGX) were sampled for the study from 2008 to 2017. The collected data were analysed using descriptive and inference statistics. Earnings quality was proxied by earnings predictability, while corporate governance was proxied by board size (BS), board independence (BI), foreign directorship (FD) and firm size (FS). From the analysed data, it was discovered that BS had a positive and insignificant influence on earnings management. It was also discovered that BI had a negative and insignificant influence on earnings quality, FD also had a positive and significant influence on earnings quality. Also, the study showed that FS had a negative and insignificant influence on earnings quality of the sampled entities.

Ali *et al*. (2020) studied corporate governance and firm performance of non-financial firms in Pakistan. Study aimed to investigate influence of corporate governance on financial performance of non-financial firm listed in Pakistan Stock Exchange (PSX). A population of one hundred and ninety-six (196) firms listed in PSX were sampled for the study. The study covered the period of 2002 to 2018. Relevant data were collected from the published annual reports and financial statements of listed firms sampled for the study. The collected data were analysed using pooled regression model. From the result of the analysis, it was shown that corporate governance had a significant influence on the financial performance of the entities selected for the study. It was also discovered from the obtained result that the institutional shareholdings had significant influence on return on investment.

Olaoye and Adewumi (2020) investigated corporate governance and the earnings quality of Nigerian firms. Board size (BS), board independence (BI) and board gender diversity (BGD) were used to measure the earnings quality of the selected Nigerian firms. The researchers sampled thirty-seven (37) quoted manufacturing companies in Nigeria. the period of the study was from 2011 to 2017. Data were extracted from the published annual reports and financial statements of the sampled manufacturing companies. Panel regression technique was used to analyse the obtained data. From the analyses, it was discovered that BS, BI and BGD significantly influenced earnings quality. Also, from the findings, it was found that the variables of corporate governance exhibited a high sensitivity toward the measure of earnings quality used. Thus, the study recommended that there is a need for comprehensive evaluation of the system of corporate governance in Nigerian companies. the study also recommended that there should be an increased level of board independence as this could raise the performance of the entities.

Adewale *et al*. (2021) examined board composition and earnings management of listed non-financial firms in Nigeria. The researchers chose one hundred and seventeen (117) non-financial firms whose shares were traded on the floor of Nigerian Stoch Exchange (NSE) as at 31st December 2018 for the study. The period of the study was from 2009 to 2018. Purposive research design was used to sample twenty (20) firms whose financial reports were available within the period of the study. Secondary data was used and extracted from various annual financial reports of the selected firms. Relevant data were extracted from the published annual reports and financial statements of the twenty (20) firms sampled for the study. The obtained data were analysed using panel regression technique. From the results obtained, it was found that board size of firms ranged from 8 to 12 members. Also, the study revealed that the board meeting was about four (4) times annually within the period of the study. The study also showed that board composition had a positive and significant influence on earnings management of the listed Nigerian firms.

Istianingsih (2021) empirically examined earnings quality as a link between corporate governance implementation and firm performance. The objective of the researcher was to evaluate the influence of corporate governance on firm performance using measured in terms of earnings quality. The study sampled is five hundred and seventy (570) manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2015 to 2019. Panel regression technique was used to analyse the data obtained. Corporate governance in the study was measured by independent board of directors, audit committee expertise and board meeting. From the analyses, it was established that independent board of directors and audit committee had no influence on earnings management of the sampled entities. On the contrary, board meetings had a positive and significant influence on earnings quality of the entities. Thus, independent board of directors influenced the performance of the company. The study concluded that all these variables had no combined influence on the entities' performance. It was recommended that business owners should adopt good corporate governance practices as this will enhance the performance of their entities.

Kiptoo *et al*. (2021) studied corporate governance and financial performance of insurance firms in Kenya. The researchers aimed to evaluate the influence of corporate governance on financial firms in Kenya whose shares were traded on the floor of Kenya Stock Exchange as at 31st December 2018. The period chosen for the study was from 2013 to 2018. The population of the study was fifty-one (51) insurance firms. Panel regression technique was used to analyse the data obtained. The result showed that corporate governance had positive and significant influence on the financial performance of insurance firms. Specifically, the study showed a negative and significant influence of board composition on financial performance of firms. The result also deduced that board independence had positive and significant influence on financial performance of the sampled entities. Furthermore, the findings showed a negative and significant influence of board size on the financial performance, this implied that larger board size of firms do not improve the financial performance of the firms.

Taniya and Akhtar (2021) investigated corporate Governance and its impact on firm's financial performance: A study on the banking sector of Bangladesh. The study examined the influence of corporate governance on the financial performance of the Banking sector in Bangladesh. Thirty (30) commercial banks listed in Dhaka Stock Exchange (DSE) were sampled for the study. The period of the study was from 2014 to 2018. Data were collected from the annual reports and financial statements of the sampled companies. The obtained data were analyse using multiple linear regression technique. Return on assets (ROA), Return on equity (ROE), earnings per share (EPS) and Tobin's Q were the proxies for corporate governance while board size (BS), CEO-Duality, Board Independence (BI), Board Effectiveness (BE) and Audit Committee (AC) were the independent variables. Firm age and firm size served as the control variable. From the result of the analyses, it was deduced that corporate governance mechanism had a significant influence on return on assets, earnings per share and Tobin's Q of the sampled entities. On the contrary, corporate governance had an insignificant influence on return on assets of the entities.

Thoppan *et al*. (2021) conducted a study on impact of improved corporate governance and regulations on earnings management practices-analysis of seven (7) industries from the Indian National Stock Exchange. The study was conducted to investigate the influence of corporate governance on earnings management of the seven (7) industries from Indian national Stock Exchange. The sample of the study was seven hundred and twelve (712) firms. The period of the study covered 2011 to 2018. The Modified Jones (MJ) model was used to compute Discretionary Accruals to measure earnings management based on data obtained. Findings suggested that services firms are engaging in relatively higher levels of earnings management compared to manufacturing firms. The study revealed that corporate governance had positive and significant influence on the levels of earnings management among listed firms in India.

3. METHODOLOGY

This study was quantitative in nature and require the collection of data from already prepared source. For this reason, *ex-post facto* research design was employed in the study. The adoption of such design enabled the researcher to empirically ascertain the influence of corporate governance on earnings quality of selected quoted companies in Nigeria. Also, the design directed the attention of the researcher towards the approach to adopt in collection of relevant data. The purpose of the study basically was to ascertain the direction of the influence of corporate governance variables on earnings quality. Therefore, the design adopted was capable of directing the attention of the researcher towards the data collection procedure for all the variables used.

The population of the study was made up of the selected quoted companies in Nigeria. Precisely, the subsectors considered were consumer goods, industrial goods and conglomerate firms whose shares were traded on the floor of Nigerian Exchange Group (NGX) as at 31st December 2022. The selected quoted companies were drawn from the subsectors outlined. As at 31st December 2022, the number of companies whose shares were quoted under consumer goods were twenty-one (21) firms, industrial goods were thirteen (13) and conglomerate were six (6) companies. The aggregate of these companies was forty (40) selected quoted firms in Nigeria. Thus, the population of this study was forty (40) selected quoted firms in Nigeria drawn from the three (3) subsectors.

The sample size of this study consisted only those entities whose annual reports were published in IFRSs format as single entities and not as group. Also, the entities included as sample size of this study were those whose published annual reports could be retrieved by the researcher for extraction of relevant data. On this basis, thirty-three (33) companies drawn from consumer goods, industrial goods and conglomerate sectors respectively. Sixteen (16) companies were drawn from consumer goods sector, eleven (11) companies area drawn from industrial goods sector and the entire six (6) companies were drawn from conglomerate sector. The reason behind the use of thirty-three (33) companies as the sample size of this study was because annual reports and financial statements of the entities were available. The thirty-three (33) entities that were drawn as sample size was believed to represent the entire population of forty (40) selected quoted entities in Nigeria in this study. Scholars agreed that fifty percent (50%) of total population drawn as sample size is capable of representing the entire population in an empirical study like this (Urhoghide and Korolo, 2017; Adewale *et al*., 2021). So, the thirty-three (33) companies drawn as sample size of this study was in line with the assertion of the scholars in sampling.

In an empirical study like this, an approach to select sample size is often required with justification. Thus, the thirty-three (33) companies that was sampled for this study were drawn on the basis of the possibility to retrieve published annual reports and financial statements for the years chosen for this study. In this regard, the purposive sampling approach was adopted in the selection of the thirty-three (33) quoted entities in Nigeria used as sample size. This approach allows a researcher to rely on his/her intellect and judgment in selection of suitable sample size that could represent the entire population of the study.

The study was conducted on corporate governance and earnings quality of selected quoted companies in Nigeria. The key variable of this study were corporate governance and earnings quality. Corporate governance was the independent variable while earnings quality was the dependent variable. The measurement of these two variables were presented on Table 3.1:

Table 3.1: Variable Description

S/N	Variable	Abbr.	Measurement	*Apriori* Expectation
1.	Earnings Quality	EQ	Measured by total accrual of current period divided by total assets of preceding period (Dechow *et al*.,1995; Bartov *et al*., 2000).	
2.	Board Independence	BI	Measured as total number of non-executive directors in an accounting period (Paniagua *et al*., 2018).	Positive
3.	Board Meeting	BM	Measured as the total number of meetings held by a company in an accounting period (Sathyamoorthi *et al*., 2017).	Positive
4.	Company Size	CS	Measured as logarithm of total assets of a company in an accounting period (Taniya and Akhtar, 2021).	Positive

Source: Researcher's Compilation (2024)

The general objective of the study was to establish the influence of corporate governance on earnings quality of selected quoted companies in Nigeria. From the general objective, the specific objectives were formulated where the independent variable regarded as corporate governance was represented by key variables of corporate governance such as Board Independence (BI) and Board Meeting (BM). All the attributes formed the specific objectives of this study. To achieve authentic empirical results by reducing spuriousness, a control variable of Company Size (CS) was chosen by the researcher and added in the models. Earnings Quality (EQ) was measured by modified Jones model (Dechow *et al*., 1995; Subramanyam, 1996; Bartov *et al*., 2000).

Based on the specific variables of corporate governance and in line with the specific objectives of the study, the specific models were formulated accordingly:

$EQ_{ij}=\beta_o+\beta_1 BI_{ij}+\beta_2 CS_{ij}+e_t$ Equation (3.1)

$EQ_{ij}=\beta_o+\beta_1 BM_{ij}+\beta_2 CS_{ij}+e_t$ Equation (3.2)

The essence of the conduct of this study was to arrive at empirical findings where influence of corporate governance on earnings quality was to be established. For the purpose of arriving at essential findings, the data collected was analysed using descriptive statistics and regression analytical tool. The descriptive statistics was used to evaluate the nature of the data collected for each of the variables of corporate governance such as Board Independence (BI), Board Meeting (BM) and Earnings Quality (EQ). On the other hand, the regression statistical tool was used to establish the influence of each of the predictors of corporate governance on earnings quality of selected quoted companies in Nigeria. Based on the nature of the data collected, the panel regression approach was employed in analysing the data.

The major statistical tools of regression used in this study included R^2, Adjusted R^2, F-statistics, t-statistics, p-value and Durbin-Watson (DW) statistics. Both R^2 and adjusted R^2 were used to ascertain the variation in earnings quality explained by the influence of the variables of corporate governance. F-statistics was used to determine the significance of R^2 and adjusted R^2 in each of the models. P-value and t-statistics were used to test the significance of each of the variables of corporate governance on earnings quality of selected quoted companies in Nigeria. Durbin-Watson (DW) statistics was used to test the first order autocorrelation in the models. All regression analysis were conducted at 5% level of significance. Correlation analysis was conducted on the data collected to check the possible indication of multi-collinearity. Variance Inflation Factor (VIF) was used to test the existence of multi-collinearity among the independent variables.

4. DATA ANALYSIS AND DISCUSSION

4.1 Data Analysis

4.1.1 Descriptive Statistics

The descriptive statistics for the variables was examined using some statistics and the outcomes were presented on Table 4.1:

Table 4.1: Descriptive Statistics

Statistics	EQ	BI	BM	CS
Mean	-0.018535	5.700337	4.919192	7.398663
Median	0.000000	5.000000	5.000000	7.440000
Maximum	1.070000	16.00000	11.00000	9.412000
Minimum	-4.260000	0.000000	2.000000	5.239000
Std. Dev.	0.317409	3.422072	1.411895	0.892590
Skewness	-8.280097	0.729029	1.117232	-0.178687
Kurtosis	110.4708	3.534681	5.583252	2.499270
Jarque-Bera	146324.5	29.84620	144.3670	4.683281
Probability	0.000000	0.000000	0.000000	0.096170
Sum	-5.505000	1693.000	1461.000	2197.403

Sum Sq. Dev.	29.82155	3466.330	590.0606	235.8283
Observations	297	297	297	297

Source: Researcher's Computation (2024)

From Table 4.1, Earnings Quality (EQ) had mean of -1.85%. This indicated that EQ of selected quoted companies in Nigeria for the period of this study in average was -1.85%. The median of 0.00% showed the middle value of EQ for selected quoted companies in Nigeria for the period of study. The maximum indicated that the highest value of EQ of selected quoted companies in Nigeria for the period of this study was 107.00%. The minimum indicated that the least value of EQ for the period of this study was -426.00%. The standard deviation indicated that the fluctuations from mean value of EQ for selected quoted companies in Nigeria for the period of this study was 31.74%.

From Table 4.1, Board Independence (BI) had mean of 5.70. This indicated that BI of selected quoted companies in Nigeria for the period of this study in average was 5.70. The median of 5.00 showed the middle value of BI for selected quoted companies in Nigeria for the period of study. The maximum indicated that the highest value of BI of selected quoted companies in Nigeria companies in Nigeria for the period of this study was 16.00. The minimum indicated that the least value of BI for the period of this study was 0.00. The standard deviation indicated that the fluctuations from mean value of BI for selected quoted companies in Nigeria for the period of this study was 3.422.

From Table 4.1, Board Meeting (BM) had mean of 4.92. This indicated that BM of selected quoted companies in Nigeria for the period of this study in average was 4.92. The median of 5.00 showed the middle value of BM for selected quoted companies in Nigeria for the period of study. The maximum indicated that the highest value of BM of selected quoted companies in Nigeria for the period of this study was 11.00. The minimum indicated that the least value of BM for the period of this study was 2.00. The standard deviation indicated that the fluctuations from mean value of BM for selected quoted companies in Nigeria for the period of this study was 1.412.

From Table 4.1, Company Size (CS) had mean of 7.3987. This indicated that CS of selected quoted companies in Nigeria for the period of this study in average was 7.3987. The median of 7.440 showed the middle value of CS for selected quoted companies in Nigeria for the period of study. The maximum indicated that the highest value of CS of selected quoted companies in Nigeria for the period of this study was 9.412. The minimum indicated that the least value of CS for the period of this study was 5.239. The standard deviation indicated that the fluctuations from mean value of CS for selected quoted companies in Nigeria for the period of this study was 0.8925.

4.2.2 Test of Multi-Collinearity

The results of the analysis computed was presented on Table 4.2:

Table 4.2: Test of Multi-Collinearity

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.031186	95.40688	NA
BI	3.77E-05	5.094867	1.346382
BM	0.000185	14.78366	1.121674
CS	0.000599	101.7595	1.454969

Source: Researcher's Computation (2024)

From Table 4.2, it was observed that there was no multi-collinearity in each of the independent variables of this study for the fact that the Centered VIF for each predictor was less than ten (10) benchmark for assessing the existence of multi-collinearity statistically. For the fact that the multiple linear regression statistical tool used in this study had an intercept, the Centered VIF was considered appropriate for the test of multi-collinearity in this study. For this reason, the variables of Board Independence (BI) and Board Meeting (BM) represented corporate governance independently.

4.1.3 Correlation Matrix

The association between the variables of this study were ascertained using correlation coefficient. Correlation matrix was also used to determine the possible indication of multi-collinearity in the model of this study. The computation of correlation coefficient for all the variables were presented on Table 4.3:

Table 4.3: Correlation Matrix

Correlation	**BI**	**BM**	**CS**
BI	1.000000		
BM	0.117336	1.000000	
CS	0.273738	0.230106	1.000000
EQ	0.131182	0.121364	0.112571
Probability	**BI**	**BM**	**CS**
BI	-----		
BM	0.0433	-----	
CS	0.0000	0.0001	-----
EQ	0.0326	0.0366	0.0526
Observations	**BI**	**BM**	**CS**
BI	297		
BM	297	297	
CS	297	297	297
EQ	297	297	297

Source: Researcher's Computation (2024)

From Table 4.3, it was discovered that the relationship between all the independent variables with each other were less than sixty percent (60%). This showed that there was no indication of multi-collinearity in pairs of independent variables of this study. The predictors were independently used to establish the influence of corporate governance on earnings quality of selected quoted companies in Nigeria. The relationship between BI and EQ was 13.12% (p-value<0.05), the relationship between BM and EQ was 12.14% (p-value<0.05) and the relationship between CS and EQ was 11.26% (p-value>0.05).

4.1.4 Test of Hypothesis One

The regression analysis was conducted in line with Earnings Quality (EQ) and Board independence (BI) as presented on Table 4.4:

Table 4.4: Pooled Panel Linear Regression Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.344102	0.152293	2.259480	0.0246
BI	0.014238	0.005527	2.576226	0.0105
CS	0.054973	0.021188	2.594532	0.0099
R-squared	0.234469			
Adjusted R-squared	0.227901			
F-statistic	5.247806	Durbin-Watson stat		2.18022
Prob(F-statistic)	0.005763			

Dependent Variable: EQ
Source: Researcher's Computation (2024)

From Table 4.4, Board independence (BI) and Company Size (CS) had positive and significant influence on earnings quality (EQ) of selected quoted companies in Nigeria. This indicated that a percentage increased in BI and CS brought about significant increase in EQ of selected quoted companies in Nigeria. The results of the analysis in respect to BI and CS were in compliance with the *apriori* expectation stated by the researcher. The constant value of 34.41% indicated the value of EQ as BI and CS were held constant and significant.

R^2 indicated that 23.45% variation in EQ was attributed to the influence of BI and CS of selected quoted companies in Nigeria and Adjusted R^2 indicated that exact 22.79% variation in EQ was attributed to the influence of BI of selected quoted companies in Nigeria and was significant. The Durbin-Watson (DW) statistic of 2.1802 indicated that there was no first-order autocorrelation in the model. The null hypothesis, which states that board independence does not significantly influence earnings quality of selected quoted companies in Nigeria, was rejected and the alternative hypothesis, which states that board independence significantly influence earnings quality of selected quoted companies in Nigeria, was accepted.

4.1.5 Test of Hypothesis Two

The regression analysis was conducted in line with Earnings Quality (EQ) and Board Meeting (BM) as presented on Table 4.5:

Table 4.5: Pooled Panel Linear Regression Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.365158	0.155670	2.345711	0.0197
BM	0.032660	0.013322	2.451584	0.0100
CS	0.081783	0.021072	3.881122	0.0126
R-squared	0.222295			
Adjusted R-squared	0.215643			
F-statistic	3.352029	Durbin-Watson stat		2.19589
Prob(F-statistic)	0.036356			

Dependent Variable: EQ
Source: Researcher's Computation (2024)

From Table 4.5 Board Meeting (BM) and Company Size (CS) exerted positive and significant influence on earnings quality (EQ) of selected quoted companies in Nigeria. This indicated that a percentage increased in BM and CS brought about significant increase in EQ of selected quoted companies in Nigeria. The result of the analysis in respect to BM and CS were in compliance with the *apriori* expectation stated by the researcher. The constant value of 36.516% indicated the value of EQ as BM and CS were held constant and significant.

R^2 indicated that 22.23% variation in EQ was attributed to the influence of BM and CS of selected quoted companies in Nigeria and Adjusted R^2 indicated that exact 21.56% variation in EQ was attributed to the influence of BM of selected quoted companies in Nigeria and was significant. The Durbin-Watson (DW) statistic of 2.1959 indicated that there was no first-order autocorrelation in the model. The null hypothesis, which states that board meeting does not significantly influence earnings quality of selected quoted companies in Nigeria, was rejected and the alternative hypothesis, which states that board meeting significantly influence earnings quality of selected quoted companies in Nigeria, was accepted.

4.3 Discussion of the Findings

From Table 4.4, it was observed the Board Independence (BI) exerted positive and significant influence on Earnings Quality (EQ) of selected quoted companies in Nigeria. This indicated that as BI increases, EQ is also improved significantly. When board independence is high in an organization, it is usually observed that transparency and accountability in the company is normally improved. For the composition of directors in an organization to be effective in taking decisions in accordance with the interest of the shareholders, independent executive is expected to be high to contribute to the decisions of the board members. Those to be considered as independent directors must be adequate skills and experiences relating to the contemporary ways of conducting business activities.

This is because when the individuals lack the necessary skills and experiences to contribute effectively to the strategies and policies formulated by other executive directors, the company will not achieve its expected goals and objectives and several practices will be carried out in the organization that are not in accordance with the stipulated code of corporate governance. This simply means that as board independence is effective, quality of earnings will also be improved because manipulations of earnings could only be reduced by a director whose decision is transparent and independent of the views of other directors. The positive and significant influence of board independence and earnings quality of selected quoted companies in Nigeria is attributed to the fact that the independent directors in selected quoted companies in Nigeria are of the view that earnings should not be manipulated and trading on credit should be mitigated.

This study was in line with the study of Olaoye and Adewumi (2020) who investigated the influence of corporate governance on earnings quality of Nigerian firms and found that board independence exerted significant influence on earnings quality of the studied firms. Thus, this study negated the study of Erah and Ikhu-Omoregbe (2017) who assessed corporate governance and earnings quality: Evidence from distress likelihood quoted firms and discovered that board independence had no influence on earnings quality of the firms studied. The finding of this study also negated the study of Siyanbola *et al*. (2019) who examined corporate governance and reported earning quality in deposit money banks in Nigeria and found that board independence exerted negative and insignificant influence on earning quality.

From Table 4.5, it was observed the Board Meeting (BM) exerted positive and substantial influence on Earnings Quality (EQ) of selected quoted companies in Nigeria. This indicated that as BM increases, EQ is also improved significantly. Board meeting held in an organization is expected to address critical issues that have to do with the growth of the company as well as improving upon the wealth of shareholders. For this reason, the number of board meetings held in an accounting period are critical to the overall growth of companies because as directors meet more often in an accounting period, deviations from targets could be corrected and ameliorated to achieve the set goals. Board meeting is expected address issues on earnings of organization as revenue as broadly classified into cash and credit.

This simply means that in the board meeting, the possible ways of achieving high earnings quality are discussed and the outcomes of the meeting are expected to be integrated into the policies of the organization in granting of credits to customers. The number of board meetings held in an accounting period are opportunities opened for directors and managers to address critical issues in the organization for the purpose of growing the company in accordance with the interests of the shareholders. This means that in an entity, meaningful number of meetings could be held in an accounting period but the anticipated problems to be resolved are not solved because of the following reasons which include the competences of the directors, the attitude of not implementing the outcomes of the meetings in the conduct of business activities and the importance of the issues raised in the meetings.

The competences of directors are required in the administrative process because the success and failure of organization lies in their hands and when burning issues are critically discussed in the meetings in accordance with the code of corporate governance, the quality of earnings will improve. The ability to integrate the outcomes of the meetings into the policies of the organization in piloting the affairs of the company is an essential duty expected from the directors. This is because when the suggestions in the meetings are not integrated in the conduct of business activities in the organization, it is as good as not having the board meetings because several performance indicators will not be improved.

The issues raised in the meetings must be essential and related to the business activities otherwise the suggestions made in the meetings to be implemented will not have any effective influence on the operations of the organization. The positive and significant influence of board meetings on earnings quality of selected quoted companies in Nigeria is anchored on the fact that in the board meetings held so far in the entities, critical issues were discussed, suggested and integrated into the policies of the companies. This study was not in line with the study of Amah and Ekwe (2020) who assessed the effect of corporate governance structure and financial reporting quality of quoted pharmaceutical companies in Nigeria and discovered that board meeting had negative influence on financial reporting quality.

5. CONCLUSION AND RECOMMENDATIONS

The study was conducted to ascertain the influence of corporate governance on earning management (EQ) of selected quoted companies in Nigeria. From the analyses done by the researcher, it was concluded that corporate governance had a significant influence on earnings quality (EQ) of selected quoted companies in Nigeria. Individually, Board Independence (BI) had a positive and significant influence on earnings quality (EQ) and Board Meeting (BM) had a positive and significant influence on earnings quality (EQ) of selected quoted companies in Nigeria.

Based on the empirical results obtained, the following recommendations were stated for appropriate improvement in earnings quality:

i. Non-executive directors in the selected quoted companies in Nigeria should be increased in line with the board size for the purpose of achieving accountability and transparency in the entities.

ii. Board meetings should be held at least five times in an accounting period and relevant matters that have to do with revenue generation in the companies should be discussed in the meeting and meaningful decisions should be taken.

iii. The variables of corporate governance should be properly sticked to in accordance with the code of corporate governance for quoted entities in Nigeria as used in this study.

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