MODERATING EFFECT OF FIRM SIZE ON THE RELATIONSHIP BETWEEN GENDERS, ETHNIC DIVERSITY AND REAL EARNINGS MANAGEMENT OF NIGERIAN LISTED NONFINANCIAL FIRMS

Ahmed Mohammed
Department of Accountancy
School of Financial Studies
Federal Polytechnic Bida, Niger State
ahmedmohammed@fedpolybida.edu.ng

Fashagba Paul Femi
Department of Accountancy
School of Financial Studies
Federal Polytechnic Bida, Niger State

Corresponding Author: ahmedmohammed@fedpolybida.edu.ng
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Abstract
This study examines the effect of gender and ethnic diversity on real earnings management in Nigerian firms, with a focus on the moderating effect of firm size. Our sample consists of 76 nonfinancial firms listed on the Nigerian Stock Exchange. The results show that gender diversity has a negative and significant relationship with real earnings management, indicating that firms with more diverse boards are less likely to engage in real earnings management. However, ethnic diversity has no significant relationship with real earnings management. Furthermore, the study found that firm size moderates the negative relationship between gender diversity and real earnings management, such that the relationship is stronger in larger firms. However, firm size does not moderate the relationship between ethnic diversity and real earnings management.Our findings suggest that larger firms with diverse boards are more effective in reducing real earnings management, highlighting the importance of board diversity in enhancing financial reporting quality.Based on these findings, we recommend that Nigerian firms prioritize gender diversity on their boards to enhance financial reporting quality, particularly in larger firms. Additionally, regulatory bodies should consider incorporating gender diversity requirements into corporate governance codes to promote transparency and accountability.

Keywords: Corporate governance,ethnic diversity, firm size, gender diversity, nigeria, real earnings management.

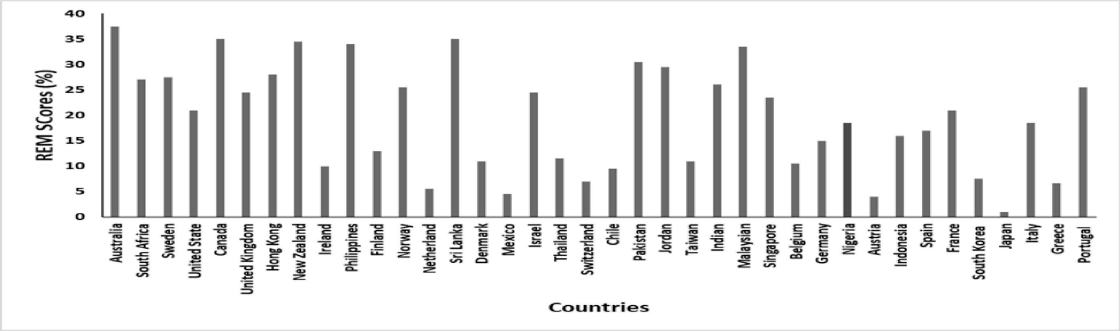
1.0 Introduction

Earnings management by companies is a widespread phenomenon throughout the world. Management's lack of quality financial reporting for personal gains affects investors' decision-making and indicates poor corporate governance. More than on the board, the corporate governance structure hinges on independent directors. They are responsible for bringing objectivity to the board's oversight function and, thus, improving its effectiveness. The importance of corporate governance and quality financial reporting in the business environment of developing countries has started receiving increased attention, especially when companies from developing economies are going global (Goel, 2018). Earnings management has negative consequences, and the concept has recently appeared on the front burner of accounting discourse (Priharta&Rahayu,

2019; Saona&Muro, 2019; Mostafa& Ibrahim, 2019; Burghleh& Al-Okdeh, 2020). It is believed that through earnings management, the quality of firms' earnings is undermined, thus raising doubts on the credibility of companies' financial reports.

Board diversity has become a critical aspect of corporate governance in recent years, with researchers and policymakers arguing that diverse boards are better equipped to make informed decisions that enhance firm performance and reduce agency conflicts (Boadi&Osarfo, 2019). Board diversity encompasses various dimensions, including gender, ethnicity, age, and professional background, which can influence the board's decision-making process and ultimately impact firm outcomes (Nakpodia et al., 2018; Stahl &Maznevski, 2021). Similarly, Mohammed et al. (2023). investigated the impact of the women on the board and the size of the board on the business performance of Nigerian listed insurance companies. utilises a sample of twenty-five insurance companies from 2011 to 2021. They found that board size and the number of female directors have an impact on a company's financial performance.In Nigeria, the importance of board diversity is underscored by the country's efforts to promote good governance and reduce corporate scandals. The Nigerian Code of Corporate Governance (2018) emphasizes the need for boards to be composed of individuals with diverse skills, experience, and perspectives to ensure effective oversight and strategic decision-making.This study aims to fill this gap by examining the effect of board diversity on earnings management in Nigerian firms.

On earnings management scandals, Cadbury Nigeria Plc in 2006, Afribank Nigeria Plc in 2009, and Intercontinental Bank Plc in 2009 are only a few examples of the accounting scandals that have occurred in Nigeria. These scandals culminated in breaches of financial reporting. Meanwhile, Sarbanes Oxley was established in the United States, and the Cadbury Report was found in the United Kingdom (Obigbemi et al., 2016; Osma et al., 2017; Wu et al., 2020). These kinds of wrongdoings are the result of poor governance, and countries all over the world have worked to address the issue of financial reporting by establishing best practice standards as guidelines. Meanwhile, to ascertain and establish the earnings management scandals globally, the study collected World Bank data from the data stream of Putra Universiti Malaysia datastream. The chart below shows the score of management practices for 39 countries for both Africa and developed and developing regions, and Nigeria is one of the active countries practicing EM (AEM and REM).



Source: Authors' Computation, 2025.

Therefore, this resulted in legal reforms in nations located in Sub-Saharan Africa. These changes were brought about by a review of corporate governance in 2018, which involved the elimination

of CEO duality, the implementation of gender-diverse boards, and the establishment of suitable subcommittees (Hashed & Almaqtari, 2021; Wu et al., 2020). In the field of earnings management literature, an important dichotomy has also been observed between accrual-based earnings management (AEM) and real earning management (REM). AEM exploits accounting accruals within the framework of GAAP while REM features real economic-related activitiessuch as changes in production levels, discretionary expenses, or sales terms that impact operating cash flows and operation results. The latter is considered harder to spot and quite possibly more destructive of long-term value. Therefore, the underlying factors and impediments for REM are of critical interest for investors, regulators as well as governance researchers.

Firm size may moderate the relationship between board diversity and EM, even though some previous studies on EM have used it as a predictor or a control variable (Purnama&Nurdiniah, 2019; Türegün, 2018). First, research from the past indicates a strong correlation between FSIZE and EM. For example, Türegün (2018) found that EM is been practice more by large firms and those with large boards than by those with small boards. Also, Purnama&Nurdiniah (2019) found that firm size mitigates earnings management; and Younis&Sundarakani(2020)found no significant relationship between firm size and EM. Secondly, many academics assert thatbig businesses are typically audited by big audit firms (sometimes known as the "Big 4"), which is linked in accounting literature to higher-quality earnings (DeAngelo,1981).Barron & Kenny (1986) pointed out that the mixed results obtained in empirical research have given rise to examination of moderator variables. Thus, the role of firm size was also introduced as a moderator variable in this study due to its effect on risk of financial misappropriation. As such an increase in firm size should strengthen the effectiveness of the board monitoring mechanisms adopted on gender and ethnic diversity board and earnings management of quoted nonfinancial companies in Nigeria.

In the context of Nigeria that is characterized by evolving corporate governance regimes, regulatory reforms, and a growing diversity agenda, the literature remains surprisingly sparse. Empirical studies in Nigeria have largely focused on the direct effects of individual governance mechanisms on financial reporting quality, with limited exploration of contextual moderators such as firm size. Specifically, the interaction between gender diversity, ethnic diversity, and real earnings management**,** and the influential role of firm size in shaping this interaction, has not been comprehensively examined. This gap is particularly salient given Nigeria's unique socio-economic and institutional setting, where firm resources, cultural heterogeneity, and stakeholder expectations vary noticeably between large and small firms.

The primary objective of this study, therefore, is to investigate the moderating effect of firmsize on the relationship between board diversityoperationalized through gender and ethnicdiversity, and real earnings management among publicly listed firms in Nigeria. To achieve this, the study quest to provide answer to the underline questions: Does firms size moderate the relationship between gender and ethnic diversity on earnings management of Nigerian listed nonfinancial firms?

The study adopts an integrative literature review that synthesizes theoretical and empirical findings on board gender and ethnic diversity, firm size, and earnings management, with particular focus on emerging market evidence and the peculiarities of the Nigerian institutional environment. This review underscores the need for context-specific inquiry, especially given the mixed evidence from developed contexts and the distinctive governance dynamics in Africa's largest economy.

By addressing the aforementioned gap, this research makes several significant contributions. First, it extends the board diversity and earnings management literature by simultaneously considering dual diversity dimensions (gender and ethnicity) and their moderated effects, rather than treating diversity as a unidimensional attribute. Second, it enriches our understanding of REM that is underexploredin domain of emerging marketsby linking it to governance contingencies shaped by firm size. Third, it offers policyrelevant insights for Nigerian regulators and corporate stakeholders on how board composition and firm characteristics jointly influence financial reporting quality. Finally, the findings have broader implications for diversity and governance reforms across emerging market economies with similar institutional features.

The remainder of this study is structured as follows: Section 2 reviews the extant literature and develops the underpinning hypotheses; Section 3 outlines the research methodology, including data sources, measurement constructs, and analytical techniques; Section 4 presents empirical results and discussion; Section 5 concludes and recommends with implications, limitations, and areas for future research.

2.0 Literature Review and Theoretical Framework

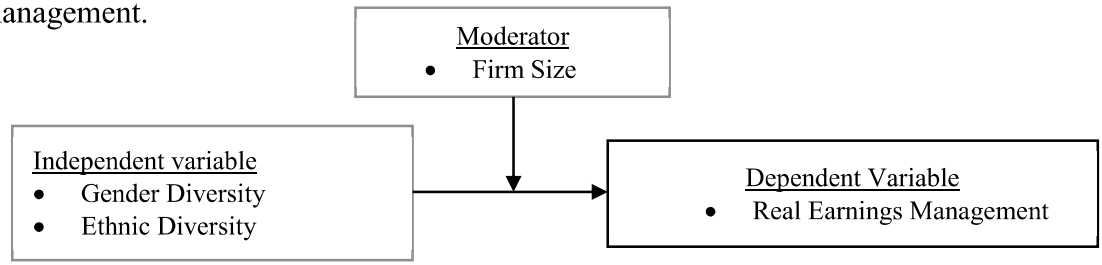
Earnings management, the deliberate manipulation of financial reports to mislead stakeholders, is a pervasive problem in corporate governance (Healy &Wahlen, 1999). Board diversity is often seen as a potential solution to mitigate earnings management, as diverse boards are more likely to detect and prevent managerial opportunism (Adams & Ferreira, 2009). From an agency theory perspective, board diversity can reduce earnings management by increasing the board's ability to monitor and control managerial actions (Jensen & Meckling, 1976). Diverse boards are more likely to possess the necessary skills, expertise, and independence to effectively oversee financial reporting processes and detect earnings management(Boadi&Osarfo, 2019). The resource dependence theory also suggests that diverse boards can provide access to valuable resources, such as expertise and networks, which can enhance financial reporting quality and reduce earnings management (Pfeffer & Salancik, 1978).

Conceptually, board diversity refers to the presence of diverse characteristics, experiences, and perspectives among board members, including but not limited to female representation, ethnic backgrounds, age diversity, professional diversity, and tenure diversity. According to Lumineau et al. (2021) diversity can be described as the separation, variety, and disparity that exists among members of the same unit. Similarly, diversity is a representation of variations in kind and category, particularly in information, experience, and knowledge among the members of a unit, while disparity is a representation of differences in the social assets of resources such as statuses.

A diverse board is expected to bring unique perspectives, ideas, and expertise to the decision-making process, leading to improved governance, innovation, and mitigates earnings management (Sabsombat et al., 2023; Kiptarus&Sangoro, 2024).

n the same vein, ethnic diversity refers to the presence of individuals from different ethnic or racial backgrounds on the board of directors. This aspect of board diversity is increasingly recognized as a critical factor influencing organizational outcomes, particularly in multicultural societies like Nigeria. Ethnic diversity, a critical aspect of board composition, refers to the presence of individuals from different ethnic or racial backgrounds on the board of directors (Guest, 2019; Liao et al., 2023). In Nigeria, a multicultural society with over 250 ethnic groups, ethnic diversity is a key consideration for firms seeking to enhance governance and cur earnings manipulation (Oluwadele et al., 2023).Firm size refers to the magnitude or scale of a company's operations,

typically measured by its total assets, sales revenue, or number of employees. In the context of corporate governance and financial reporting, firm size is often used as a control variable or a moderating variable to examine its impact on the relationship between board diversity and earnings management.



Conceptual Framework

Gender Diversity and Earnings Management

Empirical research in corporate governance has shown a growing interest in how the specific attributes of women in senior executive positions influence organizational decisions and outcomes.According to Mohammedet al. (2023) a negative nexus existsbetween board heterogeneity, and real earnings management. They found that female on-board and female CEOs are insignificant in real earningsmanagement. On the contrary, Zalata et al. (2019), a significant association was established between female directors and less managerial opportunism and less inclined to act unethically, successfully limiting management opportunism. Some studies have demonstrated that women directors tend to make financial decisions that are more ethical and risk-averse, which can contribute to mitigating earnings management and improving financial reporting quality (Guedes et al., 2018; Al Azeez et al., 2019; Doan & Iskandar-Datta, 2020; Yahya et al., 2020;). Hence, there is a greater possibility that women serving on boards will prevent unethical activities to mitigates earnings smoothening of managers of nonfinancial firms. On the contrary, findings have showed a connection between gender board, and REM have insignificant effect on REM (Gull et al., 2018; Sumayyah, 2018; Damak, 2018; Almashaqbeh et al., 2019; Arioglu, 2020; Githaiga et al., 2022; Mohammed et al., 2023).). Empirically, a previous studyhas revealed mixed results on whether women on board composition will mitigate EM or not (Gull et al., 2018).Based on echelon theory and divergence views of past studies, the hypothesis stated thus:

H_{01}: *Gender diversity is not significantly related to real earnings management*

Ethnicity Diversity and Earnings Management

The upper echelons theory argues that boardroom members play a significant role in managing and using strategic organizational capital and transmitting the correct information of financial statements to consumers. An ethnicity is a group of individuals who are different from others. Traditional, cultural, linguistic, ritualistic, behavioural, and religious groups united into ethnic groups' characteristics. Therefore, in this study, ethnic diversity is captured as three major ethnic group in Nigerian whether is represented on board of nonfinancial firms i.e.,Hausa, Ibo, and Yoruba (Balestra &Fleischer, 2018). Beyond the concept of ethnic diversity, a significant debate on ethnic inclusion or consideration is taking place globally, which is expected to mitigate EM manipulation (Kumudha& Jennet, 2016; Ilogho, 2017; Anifowose et al., 2017).Other empirical results, by comparison, posed a negative relationship between firm performance or earnings management between ethnic groups (Jelil et al., 2018). They found no connection between ethnic diversity on firmeffectiveness. Previous results have shown that ethnic diversity does not significantly affect business efficiency.Other studies have shown that the influence of ethnic

diversity boards have shown a mix finding, others reflect that ethnic diversity influence on earnings management (Anifowose et al., 2017; Jelil et al., 2018; Mohammed et al., 2023)claimed that ethnic group on boards struggle to curb earnings management practices. The theoretical arguments drawn from the theory of resource dependency and agencies' views ethnic diversity positively, negatively, or neutrally curb earnings management practices. Hence, this current study expects ethnicity diversity to exert monitoring role on the quality of financial reporting disclosure which will substantially decrease earnings management, and the following hypothesis formulated:
***H_{02}**: Ethnicity diversity is likely not to restrain real earnings management.*

Firm Size (Moderator)
Firm size is a critical contextual factor that can influence the relationship between gender diversity and earnings management. Larger firms are more likely to have more resources, better governance structures, and greater visibility, which can impact the effectiveness of gender diversity in reducing earnings management (Fama& Jensen, 1983). In contrast, smaller firms may face more challenges in implementing effective governance mechanisms, making the role of gender diversity more critical (Abdelkarim&Zuriqi, 2020). The study propose that firm size moderates the relationship between gender diversity and earnings management, such that the negative relationship between gender diversity and earnings management is stronger in larger firms. This is because larger firms have more resources and better governance structures, which can enable the effective implementation of gender diversity initiatives (Pfeffer, 2019). It is to be assumed that larger boards function less efficiently in smaller businesses than in larger ones. Previous research (Martín & Herrero, 2018; Fogel et al., 2021) shows that stronger boards are found in larger companies due to the higher percentage of diversity board of directors. This indicates that a large firm's board outperforms a smaller one in major corporations. Drawing on the empirical literature, we offer the following hypothesis:
***H_{03}**: Firm size significantly moderates the relationship between gender diversity and real earnings management.*

***H_{04}**: Firm size significantly moderates the relationship between Ethnic diversity and real earnings management.*

3.0 Methodology
The data for this study came from a panel consisting of non-financial companies that were listed on the stock exchanges of Nigeria during the years 2016 and 2025. Based on the annual reports of 111 nonfinancial companies that are publicly traded, data have been retrieved. The data set was reduced to 76 observations due to companies that lacked data were removed from the collection.

Table 01:
Population and Sampling

Country of sample firms	The nonfinancial firms listed	The firms with missing data	The firms with missing annual report	The nonfinancial firms used for the period
Nigeria	111	27	8	76

Source: Authors' Computation, 2026.

Model Specification

Real Earnings Management Measurement

This research will focus on a preceding study that established REM proxies. Following Roychowdhury (2006), the reps for REM strength. Aldhamari et al. (2020), Asghar et al. (2020), and Wu et al. (2020) focused on three methods of controlling REM: abnormal discretionary expenditure (ADISEXP), abnormal cash flow (ACFO), and abnormal cost of output (APROD). The previous studies on the management of earnings, as per the model of Dechow et al. (1998) and modified by Roychowdhury (2006), later studies have changed models based on Roychowdhury (2006) to measure REM. Hence, this current study adopted the Cohen et al. (2008) model, which has three proxies for REM, and they are: 1) abnormal discretionary expenditures, 2) abnormal cost of production, and 3) abnormal cash flow of cash from operations as follows:

PROD it/Assets it-1 = α0 + α1 [1/Assets it-1] + β 1 [Sales it/Assets it- 1] + β 2 [Δ sales it/Assets it -1] + β3 [Δsales it-1/ Asset it-1] + € it (1)

DISEXPit/Assetit -1 = α0 + α1 (1/Assetsit -1) + β1(Sales it -1/Assetsit -1) + εit (2)

The relationship between gender, ethnic diversity and real earnings management in the model as follows:

$REM_{it} = \beta_1 GDIV_{it} + \beta_2 ETHD_{it} + \beta_3 FSIZi_t + \beta_4 BSIZ_{it} + \beta_5 LEVit + e_{it}$ (3)

The moderating effect model:

$REM_{it} = \beta_1 GDIV_{it} + \beta_2 ETHD_{it} + \beta_3 FSIZ * GDIV_{it} + \beta_4 FSIZ * ETHD_{it} + \beta_5 BSIZ_{it} + \beta_6 LEVit + e_{it}$ (4)

Table2:

Description Of The Research Variables

Acronym	Variable	Description	Source
Dependent			
REM	Real Earnings Management	Estimation of Model 1 and 2	Rowcheberry (2006).
Independent Variable			
GDIV	Gender Diversity	The total number of women is divided by the total number of board members.	Doan & Iskandar-Datta, (2020)
ETHD	Ethnicity Diversity	Using a Blau index (Bblau index =1-£(pi)^2.	Blau(1977)
Moderator			
FSIZ	Firm size	Log of total assets.	Sial et al. (2019)
Control Variable			
BSIZ	Board Size	The total number of board members (both executive and non-executive directors).	Wu et al. (2020).
FLEV	Firm Leverage	Total debt divided by total assets.	Wu et al. (2020).

Source: Authors' Computation, 2026.

4.0 Result and Discussion

Descriptive Statistics

Detailed statistics regarding the variable under investigation are provided in Table 2. The descriptive statistics reveal the mean values of REM, board diversity, ethnicity diversity, and firm size, with control variables of leverage and board size are 0.041, 10.849, 29.715, 7.081, 9.370, and 8.960 respectively. These statistics reveal that most nonfinancial firms in Nigeria have begun to comply with the corporate governance code of 30% women inclusion but still underrepresented. Also, the ethnicity issue is so endemic on-board composition which influences EM, andthe average

board sizeof approximately 9 of mean value and ranges from 4 to19, FSIZ ranges from 5.0993 to 9.241 with a mean of 7.01, LEV arrays from -9.410 to 79.917 with a mean of 9.370showing that more than 50% of the nonfinancial firms listed in NSE are highly leveraged, which suggests that African nations rely heavily on debt to finance their organizational operations.

Table 3:
Descriptive Statistics

Variables	REM	GDIV	ETHD	FSIZ	FLEV	BSIZ	Obs.
Mean	0.041	10.849	29.715	7.081	9.370	8.960	760
Std. Dev.	0.029	11.390	13.404	0.816	14.420	2.652	760
Min	0.000	0	0	5.093	-9.410	4	760
Max	0.306	100	60	9.241	79.917	19	760

Source: STATA 15 Output, 2026.

Correlation Analysis

The pairwise correlation results are reported in Table 3. The test provides an indication of the degree of association between variables under study, which explains the issue of multicollinearity, which isexpressed as a high correlation between the variables if the value is more than.80, then the problem of stronger interdependency between variables is present, as stated by the findings of Gujarati (1995). Hence all the variables under study including control reveals that no variable above exceed the bench mark of 80%. Therefore, the association between board diversity and EM can be seen in Table 3 that there is no problem with a high correlation between the variables.

Table 4:
Correlation Result

Variable	REM	GEND	ETHD	FSIZ	FLEV	BSIZ
REM	1.000					
GDIV	-0.015	1.000				
ETHD	-0.103	0.124	1.000			
FSIZ	0.031	0.081	0.069	1.000		
FLEV	0.054	0.031	-0.030	-0.099	1.000	
BSIZ	-0.047	0.063	0.050	0.451	-0.103	1.000

Source: STATA 15 Output, 2026.

Multicollinearity Test

This study takes into consideration the value of the variance inflation factor (VIF) to determine whether or not there is a problem with correlation. The multicollinearity test was carried out to guarantee that there are no multicollinearity problems that exist. The findings of the multicollinearity test are presented in Table 4. The fact that the mean VIF is lower than 5 indicates that there is no presence of multicollinearity between the variables as also reveals in the correlation matrix in Table 3.

Table 5:
Multicollinearity Result

Variable	VIF	1/VIF
FSIZ	1.27	0.789083
BSIZ	1.26	0.791799
GDIV	1.02	0.976836
ETHD	1.02	0.980240
FLEV	1.02	0.983677
Mean VIF	1.12	

Source: STATA 15 Output, 2026.

Regression Result

Table 6represents the panel regression results on the factors of moderating effect of diem size on the nexus between gender, and ethnic diversity and real earnings management of listed nonfinancial firms in Nigeria. Table 6 shows both the raw coefficients and P.value of theindependent variable included in the model.

Table 6:
Panel Regression Result

	Panel EffectModel (Random)		Moderating Effect Model (Random)	
Variable	**Coeff**	**P.value**	**Coeff**	**P.value**
GDIV	-0.0000576	0.000	-0.000341	0.285
ETHD	-0.0002167	0.047	.000077	0.751
FSIZ*GDIV			.000031	0.373
FSIZ*ETHD			. -0.0000	0.070
FLEV	0.0001688	0.007	.00017	0.007
BSIZ	0.0010625	0.689	.000651	0.804
Constant	0.0467226	0.014	.042083	0.029
Prob > F		0.018		0.033
Observation		754		754
R-squared		0.433		0.019
Number of Firms		76		76
Breusch-pagan LM test (p-value)		0.000		0.000
Hausman test (p-value)		0.648		0.320
Multicollinearity (VIF)		1.12		1.12
Heteroscedasticity (p-value)		0.001		0.001

Robust Std. Error	0.000*	

Source: Generated from STATA 15, 2026. Notes: Variable significance levels are labeled at *p < 0.1; **p < 0.05, ***p < 0.01. Variables are defined as follows: gender diversity (GDIV), ethnicity diversity (ETHD), board size (BSIZ), firm size (FSIZE), and firm leverage (FLEV). Nigerian Exchange Group (NX).

Table 6 shows that gender diversity on REM with a Coefficient of -0.0000576 indicating a negative relationship between gender diversity and REM, while the P.value of 0.000 suggest that this relationship is statistically at 1% level, implying that boards with more women representation on board tend to exhibits lower levels earnings smoothening. Therefore, we reject the null hypothesis (H0) and accept the alternative hypothesis ((H1). This finding is consistent with Al-Azeez et al. (2019), and Doan & Iskandar-Datta, (2020) which posits that diverse boards more effective at overseeing the process of financial reporting and constraining opportunistic behaviour of nonfinancial firms' managers. Also, the ethnic diversity reveals a coefficient of -0.0002167 with a P.value of 0.047 indicating a negative and statically significant at 5% level implying that board with three (3) ethnic group tends to mitigates REM. This finding is consistent with the view that ethnic diverse boards are more effective at overseeing quality of financial reporting and constraining opportunities REM practices. We reject the null hypothesis (H0) and accept the alternative hypothesis ((H1). Hence, this outcome supported by the finding of Ilogho, (2017) and Jelil et al. (2018),which their study suggested that boards with mix of ethnic background may bring different perspective and experiences to the table, leading to more effective monitoring and control of financial reporting process. The results of our control variables suggest that leverage with a Coefficient of 0.0001688 with a P.value of 0.007is an important factor to consider when examining the relationship between gender and REM, and ethnic board member on REM with a Coefficient of 0.0010625, and P.value of 0.689. The insignificant result for board size suggests that policymakers may not need to prioritize board size when developing governance regulations.

Table 6depicts the moderating effect of firm size on the relationship between gender diversity and earnings management was not significant (Coefficient = 0.0000311, P-value = 0.373), suggesting that the benefits of gender diversity on boards are not dependent on firm size. This finding is consistent with the view that board diversity is a key factor in promoting good governance practices, and that its benefits can be realized across firms of different sizes. On the moderating effect of firm size on the relationship between ethnic diversity and earnings management was significant at the 10% level (Coefficient = -0.00000, P-value = 0.070), suggesting that the benefits of ethnic diversity on boards are more pronounced in smaller firms. The result confirms the finding of Almashaqbeh et al. (2019), and Abdelkarim&Zuriqi (2020) that firm size is a critical factor in EM of nonfinancial firms. A large firm management can engage in income smoothening and therefore, this outcome supports the findings of the earlier research carried out by Wati& Malik (2021). Therefore, the finding highlights the importance of considering firm size when implementing diversity initiatives, and suggests that larger firms may need to implement additional governance mechanisms to achieve similar benefits.

5.0 Conclusion and Recommendation

This study examines the impact of board diversity on earnings management in Nigerian firms, with a focus on the moderating effect of firm size. In conclusion, this study highlights the importance of board diversity in constraining earnings management practices in Nigerian firms. The results suggest that diverse boards are more effective at overseeing financial reporting processes, and that firm size plays a significant moderating role in the relationship between ethnic diversity and earnings management.

Based on the conclusion, the study recommend that firms prioritize increasing diversity on their boards, and that regulatory bodies consider incorporating diversity requirements or guidelines into corporate governance codes.The results show that both gender diversity and ethnic diversity have a significant negative relationship with real earnings management, suggesting that diverse boards are more effective at constraining opportunistic earnings management practices. The moderating effect of firm size was significant for ethnic diversity, but not for gender diversity.The findings of this study have significant implications for policymakers and firms. Regulatory bodies should develop diversity initiatives that promote gender and ethnic diversity on boards, and provide incentives for firms to prioritize diversity and inclusion. Firms should prioritize board diversity, leverage ethnic diversity, and consider their size and diversity profile when implementing governance initiatives aimed at improving financial reporting quality on nonfinancial firms.

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