International Journal of Innovative Research in Accounting and Sustainability
ISSN: 2736-1381 (Print), ISSN 2736-1500 (Online)
Vol. 6, No. 4, 2021

Corporate Governance and Earnings Management of Listed Insurance Firms in Nigeria

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Abstract

The study investigates the effect of corporate governance on earnings management in listed insurance firms in Nigeria for the period 2010-2019. The data were obtained from 15 purposively sampled insurance companies listed on the Nigerian exchange group as at 31 December, 2019. The study employed descriptive statistics and panel least squares method to analyze the data obtained from the financial report of the selected companies. The result shows that the explanatory variables director equity interest, corporate governance disclosure index and audit committee has positive but insignificant effect on earnings management. The board structure has negative but insignificant influence on earnings management while the result further indicates that firm size has positive but significant impact on the earnings management of the selected insurance companies in Nigeria. The study concluded and recommended that the relevant regulatory authority ensure establishment and strict compliance with relevant corporate governance structure that will reduce the inclination of earnings smoothing by insurance firms in Nigeria.

Keywords: Corporate Governance, Insurance, Earnings Management, Nigerian exchange group, Nigeria
JEL Classification codes: M4; M41

1. Introduction

The accounting information of any organization is regarded as critical in relation to its corporate governance procedures (Bushman & Smith, 2003). The effect of corporate governance practice is very germane and essentially add to the value of reported earnings in most organizations that eventually reduce the possibility of earning management (Decrow, Sloan & Sweeny, 1995). The issue of earnings management is described as the manager's use of intuition in preparation of financial statement by engaging in formulation and modification of actual financial transactions that may mislead the users of financial information (Healy & Wahlen, 1999). There is no doubt that earnings remain fundamental for any business that intends to be a going concern since unreasonable earnings of an organization with respect to its operational cost could lead to its eventual collapse. Therefore, good corporate governance practice should naturally impact positively well with a reduced adventure of earnings management in preparation of financial report (Nkanbia-Davies, Gberegbe, Ofurum & Egbe, 2016). The earnings of listed firms are very essential for investment decisions by various investors and other stakeholders and its credibility assists in making a valuable decision. Ibrahim, (2017) affirm that a quality financial report has significant value that is relevant to investors and influence their project choice.

Earnings include component of cash flows and accrual in which its manipulation will certainly have considerable effect on earnings of the firm. It is possible for a manager to embark on actions that will have serious impact on organization's cash flow which eventually influence the earnings figure. A situation or scenario where the management decides to reduce the research and development cost and grant discount on products could result in increase sales value. This transaction could not be regarded as violating the generally accepted accounting principle (GAAP). However, the effect of this manipulation may not be visible in the immediate period but could have a destructive consequence on the future financial performance. The accrual could also be manipulated by the management to obtain expected earnings because there is a direct relationship between accrual discretion applied by the firm and earning management. Strong corporate governance structure ensures controls that prevent deceptive action in preparation of report for the stakeholder's reliance (Heirany, Sandrabadi & Mehrjordi, 2013). The manipulation of accounts has greatly affected many investors in the past which necessitated various regulations being established by various countries concerned including Sarbane Oxley Act after the Enron scandal of 2002. The fall of Enron was traced to weakness and failure of corporate governance as a result of manipulation records. The inaction of directors to really perform their oversight functions largely contributed to the collapse. Similarly, Worldcom lack of good governance and proper internal control mechanism allowed manipulation of stock price that culminated in profit instead of loss declaration (Norwani, Mohamad, & Chek, 2011). The case of Cadbury Nigeria Plc. 2008 financial scandal revealed poor corporate governance issue with the manipulation of financial report through stock buyback, trade loading and false supplier certificate to mislead the stakeholders.

This study examines the effect of corporate governance on earnings management of listed insurance firms in Nigeria. The dearth of studies on this in Nigeria as compared to other developed countries engendered the focus and interest in this area of study. Insurance sector of financial institution in Nigeria has been mostly neglected by many researchers who mainly focus on banks whenever the need arises in critical areas of research that will assist the sector in necessary self and regulatory appraisal on performance. It is obvious that both banks and insurance business account for a huge chunk of market capitalization as far as financial intermediaries are concerned with immense contribution to economic activities and development (Obin, Owui, Nkamare & Ekanem 2020).

Most studies on corporate governance generally cover aspect of financial performance of firms in Nigeria while few others examined effect of earning quality on firm's performance (Aguguom, Akintoye & Salawu, 2018). The study of Akintoye, Adegbie Nwaobia and Kwarbai, (2019) examined the earning quality on growth of listed firms in Nigeria while Shulli, (2011) investigates the impact of earning management on the quality of financial report. However, it has been a difficult task to identify studies that specifically look at the insurance sector on corporate governance and earnings management in Nigeria (Fodio, Ibikunle & Oba, 2013). Even though most studies adopted accrual basis as proxy for earnings management, this study adopts earnings persistence that is actually affected by the magnitude of the accruals as proxy for Nigeria insurance companies' earnings management (Tolulope, Uwuigbe, Uwuigbe, Emmanuel, Oriabie, & Asiriuwa, 2018). Hence this study intends to fill these gaps by examining the effect of corporate governance on earnings management of listed insurance firms in Nigeria.

2. Literature Review and Hypothesis Development

2.1 Conceptual Review

Many authors and accounting researchers have over the years attempted to deal with issue of earnings management and the appropriate definition and meaning to be ascribed to it (Schipper & Vincent, 2003). According to Healy and Wahlen (1999) earnings management involve the formulation of financial transactions by manager's use of instinct to modify financial report which may mislead financial users with respect to the economic performance of the organization. Schipper, (1989) describe earnings management as the intentional involvement in the exterior financial reporting practice so as to enjoy, some benefits that may not be available with dispassionate action of the process.

Dechew & Schrand (2004) in explanation of earnings management, state that by taking opportunity of reporting accruals could not necessarily mean the violation of generally acceptable accounting practice (GAAP). More often, companies choose among accounting methods suitable to its operation and reveal the economics of the fundamental transaction including using accelerated depreciation in a case of long-term assets that lose more value early in their service lives. In addition, the company is also at liberty to choose a method of accounting without economic justification e.g., in stock valuation, using last in first out instead of first in first out.

The board structure as reflected in the composition comprises the outside directors and executive directors. The outside directors have a greater role in preventing undue advantage by the management team and assist in protecting shareholders interest (Allegrini & Greco, 2013). The importance of director's equity interest is revealed in the role they play in ensuring effective management of the firm. Director ownership equity refers to the amount of equity owned in the firm by the directors.

It is believed that a reasonable proportion of equity ownership by the directors will engender motivation and ensure effective performance and reduce the need for outside monitoring with convergence of the interest of stakeholders. In ensuring reduced earnings management, the audit committee ensures improvement in the quality of financial report. The committee is made up of equal number of directors and shareholders of the firm in line with company and allied matter decree 1990 as amended. It has been argued that the size of the firm has relationship with earnings management. As a result of more effective internal control system normally entrenched in large firms, the earnings management is reduced. Large firms are heavily controlled and regulated by different regulatory authorities (Ali, Noor, Khurshid & Mahmood 2015).

2.2 Theoretical Review

2.2.1 Agency theory

The theory was postulated by Jensen and Meckling (1976) who describes the theory in terms of contract relationship between one or more persons known as principal and another hired person called agent to carry out some functions on behalf of the principal. This theory is not unconnected with the work of Adam Smith 1776. In the book wealth of nation, Smith asserted that the ownership and control in companies entails certain problem linked to their directors. He noted that managers managing other people's money cannot be expected that they should watch over it with the same concerned vigilance with which the owners will normally watch over it.

2.2.2. Stakeholders Theory

This theory is regarded as decision usefulness theory and was propounded by Freeman in 1987. The theory seeks to recognize the importance of any particular group or people who are affected by the achievement of an organization's objectives and who could also be affected by the organization's accomplishment. The term Stakeholders extend beyond the owners or shareholders but could include interested groups such as employees, creditors, political groups, government, trade unions, communities, and customers. The challenge of corporate governance and its failure in recent times in highly valued firms necessitated the increase in the stakeholders for control purpose.

2.2.3 Positive Accounting Theory

This theory was conceptualized by Watts and Zimmerman in 1986 to the effect that managers have certain reasons for the choice of accounting methods to be applied by the organization provided it is supported by the required accounting standard. The theory describes the current accounting trend based on certain present or future events.

2.2.3 Signaling Theory of Accounting Information

This theory described the behavior of an organization on the discretionary way it chooses method of accounting for reporting. The theory assume that higher quality firms tend to apply accounting policies that will reveal the strong point of the organization as against lower quality firm choosing accounting methods that attempt to hide their poor quality. It presupposes that information to stakeholders is not evenly available at the same moment and that corporate financial decisions are signals sent by the company's managers to investors so as to avoid this asymmetry.

2.3 Empirical Review

Moshi (2016) look at the effect of earnings management on financial performance of Tanzanian manufacturing companies and their findings showed that earnings management has negative impact on firm's financial performance. This was corroborated by the further findings that most of the firms managed the earnings, suggesting lack of quality and adequate disclosure. Pranesh (2017) investigates nature and the extent of earnings management on growth with the use of regression analysis. The result showed that growth of a firm has positive relationship with discretionary accrual. The study however, further affirms that the growth of firm has negative association with financial performance.

In a related study, Abata and Migiro (2016) investigate the influence of corporate governance on earnings smoothing of listed firms in Nigeria. The study employed multiple regression method in analyzing the data to verify the effect of corporate governance on earnings smoothing of the chosen firms. The findings revealed that board independence, audit committee independence and audit committee size are positively but insignificantly related to earnings management. The study additionally discovered that board size has a negative and insignificant connection with earnings management. Similarly, Azzoz, Abdel and Khamees (2016) verify the effect of corporate governance characteristics on earnings management of listed firms from 2007 to 2010 in Jordan. The study employed regression analysis and discovered an association between audit activities and earnings management. It is therefore believed that a moderation of these variables will assist in reduction of earning management. The role of the committee is regarded and considered important in preparation of a credible financial report (Hamdan, Al-Hayale & Aboagela, 2012). Audit committee monitors the accounting preferences and its needs in a firm is vital due to oversight it provides report preparation and communicating this on behalf of the investors to the external auditors (Bushman & Smith, 2003). Owolabi and Dada, (2011) equally ascertained that audit committee aims at bridging the gap created by ownership and control.

Muhammed (2014) scrutinize the association involving some sets of corporate governance system and earnings management of listed manufacturing firms in Nigeria. Multiple regressions technique of data analysis was adopted in analyzing the data. The finding discovered that the corporate governance variables impact significantly on earnings quality of Nigerian manufacturing companies. The result suggests that governance variables are a major factor that moderates unethical behaviours in preparation of financial reporting activities.

Fodio *et al.*, (2013) examine the effect of corporate governance mechanisms on reported earnings quality of listed Insurance companies in Nigeria. The study used sample of twenty-five listed insurance firms in the period 2007-2010 and analyzed data by employing multiple regression method. The findings show negative but significant connection involving the corporate governance variables and earnings smoothing of listed insurance firms in Nigeria. The study however, discovered a positive relation among discretionary accruals, audit committee independence and independent external audit.

Adegbie, Salawu and Shiyanbola (2019) investigate the influence of corporate governance on earnings quality of listed financial and non-financial firms in Nigeria for the period 2003-2017. Using regression analysis, the study analyzed 30 sampled quoted companies out of 161 listed companies on the NSE as at 31st December, 2017. The result showed a joint and significant influence of corporate governance on earnings quality of listed financial firms in Nigeria. The inference of the findings is to the fact that certain level of board size should be maintained by the firm at all times to achieve a reduced earning smoothing and increase earning quality.

Nobuyuki and Akinobu (2008) examine the connection linking management ownership and opportunistic behaviuor of management on earnings smoothing. The study used construction of two models including motivation arrangement effect and the supervision establishment effect to determine the impact of managerial ownership on earnings management. It was found that there is a considerable connection between managerial ownership and earnings management in the selected firms operating in Japan.

On disclosure, Kasznik (1999) examine the association between voluntary disclosure and earnings management with the empirical findings that managers use positive discretionary accruals to manage reported earnings upward when they realize that earnings fall below their publicly disclosed earnings projection. Adelopo (2010) investigate the voluntary disclosure of listed firms in Nigeria. The study employed the Univariate and Multivariate in analysing the data from 52 quoted companies on NSE. The outcome of the study showed a positive and significant connection between voluntary disclosure and firm size. Similarly, Wiyadi, Noer, Rina and Ichwani (2015) dissect the influence of corporate governance attributes on earnings management in Jakarta. The study used sample of 191quoted companies listed firms to affirm that corporate governance disclosure has positive connection with earnings smoothing of firms listed on the stock exchange in Indonesia.

The board structure is also considered to be one of the important corporate governance mechanisms that could affect earnings manipulation of firms (Tolulope *et al.,* 2018). However, Park and Shin (2004) examine the effect of board composition on earnings management of listed companies in Canada's Toronto Stock Exchange. The study discovered no empirical support confirming linkage between earnings management and corporate governance attribute of board independence. Therefore, addition of non executive directors to the board may not necessarily improve the good governance practice of the firms especially with highly concentrated ownership structure. Furthermore, Abdullah and Mohammed (2004) in Malaysia also investigate the effect of board independence on earnings management of Malaysian quoted companies. The outcome indicates no significant connection between independence of boards and earnings management in the Malaysian firms.

Ali, Noor, Khurshid and Mahmood (2015) investigate the effect of firm size on earnings management using textile sector of Pakistan as case study. The study obtained data of fifty selected companies from 2004 to 2013 using descriptive statistics and panel data regression in analysis. The result confirms positive and significant effect of firm size on earnings management of the sampled textile companies in Pakistan.

Based on the submission of existing literatures and the assumptions of theories, the following null hypotheses were formulated for the study:

H_{O1}: Board structure has no significance effect on earning management

H_{O2}: Director's equity ownership does not significantly impact on earnings management

H_{O3}: Corporate governance disclosure has no significance influence on earnings management

H_{O4}: Audit committee has no significance effect on earnings management

$H_{O5:}$ Firm size has no significance impact on earnings management

3. Data and Methods

Similar to other related studies, the *ex-post facto* research design was employed in this study. This is a technique suitable for time order assessment of variables. The study looks at the effect of corporate governance on the earnings management of listed insurance firms in Nigeria during the period 2010-2019. The data for the study were obtained from 15 purposively sampled insurance companies listed on the Nigeria stock exchange market as at 31 December, 2019. The method of sample was as a result of availability and access to the financial report of selected insurance firms. The sample of fifteen (15) listed firms was made from the pool of 33 firms. Secondary source of data involving audited financial report accessed from the website and head office of the companies was used in this study. Descriptive statistics and Panel least square regression technique was employed in the analysis of the data obtained.

3.1 Model Specification

The model for the study is based on Demirgue-Kunt and Levine (1996) and adopted with modification as follows:

EMGT = f(BOS, DEI, CGDI, AUDCOM, FSZ) ……………………………………………. 1

$EMGT_{it} = \beta_0 + \beta_1 BOS_{it} + \beta_2 DEI_{it} + \beta_3 CGDI_{it} + \beta_4 AUDCOM_{it} + \beta_5 FSZ_{it} + e_{it}$ ………………………… 2

Where:

EMGT= Earnings Management (scale of operating income to total asset)

BOS =Board size (ratio of non executive directors sitting on the board)

DEI = Directors ordinary interest (percentage of director's shares to total outstanding shares of the firm)

CGDI = Corporate governance disclosure index (Ratio of total score of the Individual company to maximum Possible score obtainable by company)

AUDCOM = Audit Committee (Number of members in the committee)

FSZ= Firm Size (Natural log of total asset)

β_0 = Intercept for each model

$\beta_1 - \beta_5$ = Coefficients of the explanatory variables

e_{it} = Error Term

The *a priori* expectation is such that BOS_t, DEI_t, $CGDI_t$, $AUDCOM_t$ and $FSZ_t > 0$.

4. Data Analysis and Discussions of findings

4.1 Descriptive Statistics

The descriptive statistics shown in Table 1 revealed minimum and maximum of 45 and 90 for board structure (BOS), indicating minimum of 45% outside directors and 90% maximum outside directors on the board of listed insurance firms. The mean average is 72% with standard deviation of 11%. The minimum and maximum for director's equity ownership in the companies shows 0.8% and 62% respectively with mean average of 21% and standard deviation of 13%. The CGDI revealed 35% minimum and 95% maximum disclosure level while the mean disclosure was 72% with standard deviation of 16%. The audit committee minimum shows 67% while the maximum revealed 100% in the required number of memberships of audit committee as stipulated in CAMA 1990 as amended. Its mean value was 92% with standard deviation of 12%. The firm size reported minimum of -2% with maximum of about 5%, the average value revealed 1.7% and standard deviation of 1.06%.

Table 1 Descriptive Statistics

	EMGT	BOS	DEI	CGDI	AUDCOM	FSZ
Mean	9.673667	72.63493	21.37613	72.02027	94.78007	1.650011
Median	4.940000	70.00000	19.35000	77.00000	100.0000	1.597333
Maximum	109.9000	90.00000	62.00000	92.00000	100.0000	4.699571
Minimum	-2.140000	45.00000	0.800000	35.00000	66.67000	-1.609438
Std. Dev.	16.02603	11.11597	12.63161	15.97276	12.07146	1.068689
Skewness	4.197541	0.039817	0.836242	-0.722290	-1.887905	0.102246
Kurtosis	22.46472	1.802380	3.601540	2.312551	4.588308	3.959444
Jarque-Bera	2808.454	9.003971	19.74410	15.99624	104.8716	6.014689
Probability	0.000000	0.011087	0.000052	0.000336	0.000000	0.049423
Sum	1451.050	10895.24	3206.420	10803.04	14217.01	247.5017
Sum Sq. Dev.	38268.22	18411.14	23774.08	38014.25	21712.31	170.1723
Observations	150	150	150	150	150	150

Source: Authors' computation, (2021)

4.2 Correlation Analysis

The correlation analysis revealed the link that exists between the dependent variables of earnings management and the independent variables of corporate governance characteristics. The correlation matrix indicates that only firm size (FSZ) at 0.65 has strong positive correlation with the earnings management while both board structure (BOS) and disclosure index (CGDI) with value of 0.16 and 0.09 respectively has positive but very weak correlation with the earnings management. Furthermore, director equity interest at -0.06 and audit committee of -0.27 indicates negative and weak relationship with earnings management. Furthermore, the coefficients of explanatory variables were less than 0.7 which confirm the absence of multicollinearity.

Table 2 Correlation Analysis

	EMGT	BOS	DEI	CGDI	AUDCOM	FSZ
EMGT	1	0.168667	-0.061019	0.097069	-0.273556	0.646936
BOS	0.168667	1	0.078469	0.501442	0.186782	0.108081
DEI	-0.061019	0.078469	1	-0.088414	-0.072342	-0.127693
CGDI	0.097069	0.501442	-0.088414	1	0.004414	-0.031253
AUDCOM	-0.273556	0.186782	-0.072342	0.004414	1	-0.190354
FSZ	0.646936	0.108081	-0.127693	-0.031253	-0.190354	1

Source: Authors' computation, (2021)

4.3 Corporate governance and earnings management

Table 3 revealed the model estimates establishing the degree of connection between the variables of the study. The table present estimates of independent variables including board structure (BOS), director's equity interest (DEI), corporate governance disclosure (CGDI), audit committee (AUDCOM) and firm size (FSZ) with respect to dependent variable of earnings management (EMGT).

From the table, the coefficient estimates reflect the effect of the entire explanatory variables on dependent variable. Specifically, it reported estimates of -0.045637, 0.034540, 0.103234, 0.209849, 10.95310 for board structure, director's equity interest, corporate governance disclosure, audit committee, and firm size respectively. The result further revealed probability values corresponding to these reported estimates at 0.7466, 0.7281, 0.5180, 0.3570, 0.0000 for BOS, DEI, CGDI, AUDCOM and FSZ respectively. The estimates and corresponding probability values reported revealed that except for board structure that shows negative influence on earnings smoothing, all other variables of director's equity interest, corporate governance disclosure, audit committee and firm size exert positive effect on earnings management of Nigeria's insurance firms.

assessing the significance of the parameter estimates at 5% level of significance revealed among all the reported coefficient estimates that only the estimates corresponding to firm size (FSZ) is statistically significant, which means that among all the independent variables, firm size has significant impact on earnings management of the sampled insurance companies. The reported R^2 in table 4.3 stood at 0.667107 which indicates that about 67 percent of the systematic variation in earnings manipulation can be explained jointly by corporate governance variables including board structure, director's equity interest, corporate governance disclosure, audit committee and firm size. The F-statistics and probability values of 8.660009 and 0.000000 respectively confirm the degree of significance of the joint influence of all explanatory variables used as proxy for corporate governance and earnings smoothing.

Table 3 Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BOS	-0.045637	0.140913	-0.323867	0.7466
DEI	0.034540	0.099140	0.348398	0.7281
CGDI	0.103234	0.159231	0.648326	0.5180
AUDCOM	0.209849	0.226946	0.924664	0.3570
FSZ	10.95310	1.130123	9.691957	0.0000
C	-33.14695	25.74080	-1.287720	0.2003
R-squared 0.667107		Mean dependent var 9.673667		
Adjusted R-squared 0.590074		S.D. dependent var 16.02603		
S.E. of regression 10.26074		Akaike info criterion 7.666349		
Sum squared resid 12739.22		Schwarz criterion 8.248405		
Log likelihood -545.9762		Hannan-Quinn criter. 7.902820		
F-statistic 8.660009				
Prob(F-statistic) 0.000000		Durbin-Watson stat 1.413670		

Source: Authors' Computation, 2021

4.4 Discussion of findings

Board structure exerts insignificant but negative effect on earnings smoothing of the sampled insurance companies. It indicates retrogression on earning management by -0.045637 for every one percent increase in the fraction of non executive directors sitting on the board. The implication of this discovery suggests that continuous increase in ratio of non executive directors sitting on the board is a disincentive to improvement in earnings manipulation of Nigeria's listed insurance firms. Evaluation based on *a-priori* expectation revealed that discovery made in this research as regard this interrelationship between board structure and earnings smoothing disagreed with the *a priori* expectation but agreed with hypothesis 1 (H_{O1}). This discovery therefore lend support to the studies of Park and Shin (2004) and Zafar et al., (2020) whose findings revealed negative association between board structure and earnings manipulation but disagreed with the work of Adegbie *et al.,* (2019).

Director's equity interest was discovered to have a positive but insignificant effect on the earnings management of the sampled insurance firms thereby accepting the stated null hypothesis 2 (H_{O2}). The result confirms that a one-unit addition in the percentage of total share held by the managers of the insurance firm will culminate into about 0.034540 percent improvements in earnings management of firms sampled in the study. The influence of managerial ownership on earnings smoothing, reflect that increase in the percentage of total ordinary share held by the directors has the capacity to lower the possibility of earnings manipulation of Nigeria's insurance firms. This discovery is a remarkable indicator to the influence of management interest on earnings manipulation of insurance businesses in Nigeria. The positive influence of director's equity interest discovered in this research aligns with the a-priori anticipation of the positive interrelationship between director's equity interest and earnings management. The finding is in congruence with some previous studies that found positive link between managerial ownership and earnings smoothing (Indramono, Bhaskoro & Novrys, 2020; Herni & Susanto, 2008). However, the study is in the opposite of the result presented by Nobuyuki and Akinobu (2008) who found negative correlation between managerial ownership and value of discretionary accretion within low and high levels of managerial ownership.

Corporate governance disclosure revealed coefficient value of 0.103234 with P-value of 0.5180 indicating a positive and not significant correlation between the governance disclosure and earnings management which is agreement with the study proposition in hypothesis 3 (H_{O3}). This result specifically suggests that one percent increase in the corporate governance disclosure will engender about 0.103234 percent improvement in the earnings management of the chosen insurance company which support the *a-priori* expectation that corporate governance disclosure exert positive influence on earnings management of the Nigeria insurance firm. This finding further supports the outcome of the work reported by Wiyadi et al., (2015) that indicated a positive link between information asymmetry and earnings smoothing of firms quoted on Indonesia stock exchange.

The findings on audit committee revealed coefficient of 0.209849 with corresponding P-value of 0.3570 showing that audit committee has a positive but insignificant influence on earnings smoothing confirming the acceptance of hypothesis 4 (H_{O4}). It specifically indicates that increase in audit committee by one percent results to about 0.209849 percent improvement in the earnings management. The a priori expectation and the study of Adegbie *et al.,* (2019) is in congruence with the finding but disagreed with the outcome of the study presented by Indramono *et al.,* (2020) that discovered a negative relationship between earnings smoothing and audit committee. The coefficient of firm size revealed the value of 10.95310 with P-value of 0.0000 indicating that it exerts positive but significant influence on earnings smoothing. This finding, suggests rejection of the hypothesis (H_{O5}) of no significance impact of (FSZ) on earnings smoothing at 5% level of significance. A one percent increase in (FSZ) culminates into 10.95310 percent improvements in earnings manipulation which is in congruence with the a priori expectation. The discovery is in agreement with the work of Akintoye *et al.,* (2019) and Ali, et al., (2015) but in conflict when considering the work carried out by Zafar et al., (2020).

The findings based on stated hypotheses, revealed that independent variables of board structure, director equity interest, corporate governance disclosure, audit committee and firm size reported P-values of 0.7466 0.7281, 0.5180, 0.3570 and 0.0000 respectively. This suggests that hypotheses of no significance relationship of BOS, DEI, CGDI and AUDCOM with earnings management of selected Nigeria's insurance firms are accepted while that of FSZ is rejected.

5. Conclusion and recommendations

The study investigates the influence of corporate governance on the earnings management of listed insurance firms in Nigeria. The study employed Panel Least squares method to analyze the data obtained from the financial report of the fifteen sampled insurance companies quoted on the floor of Nigeria stock exchange. The findings of the study showed a positive effect of corporate governance on earnings management of quoted insurance firms. It specifically revealed that the independent variables of director equity interest, corporate governance disclosure index and audit committee has positive but insignificant effect on earnings smoothing. The board structure has negative but insignificant influence on earnings management while the result further indicates that firm size has positive but significant impact on the earnings management of the selected insurance companies in Nigeria. The study therefore concluded and recommended that the regulatory authority ensure establishment and strict compliance to relevant corporate governance structure that will reduce the propensity of earnings management by the listed insurance firms in Nigeria.

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Appendix 1: Corporate governance disclosure index

CGD Code	Corporate Governance Disclosure Items	Average No. of compliant insurance	Percentage compliance
CGD 1	Financial and operating result	15	100
CGD 2	Insider/Connected party transaction	11	73,33
CGD 3	Significant accounting policies	15	100
CGD 4	Segment reporting	15	100
CGD 5	Statement on future plan	15	100
CGD 6	Dividend	15	100
CGD 7	Ownership composition	15	100
CGD 8	Shareholders' right	2	13.33
CGD 9	Board Size	15	100
CGD 10	Board Structure	15	100
CGD 11	Segregation of Chairman and CEOs	15	100
CGD 12	Chairman's Statement	15	100
CGD 13	Information on outside directors	15	100
CGD 14	Board's roles and functions	12	80
CGD 15	Changes in Board Structure	15	100
CGD 16	Adherence to legal regulations	5	33.33
CGD 17	Audit Committee	15	100
CGD 18	Remuneration Committee	3	20
CGD 19	Governance Committee	8	53.33
CGD 20	Chief Executive Officer review	9	60
CGD 21	Committees composition	15	100
CGD 22	Committees functions	14	93.33
CGD 23	Board members biography	4	26.67
CGD 24	Board meetings frequency	14	93.33
CGD 25	Board Meetings attendance	14	93.33
CGD 26	Director's remuneration	15	100
CGD 27	Employee and Industrial relation	15	100
CGD 28	Environmental and social responsibility	15	100
CGD 29	Risk Assessment and Management	15	100
CGD 30	Internal Control Systems	4	26.67
CGD 31	Auditors fees	15	100
CGD 32	Annual general meeting notice	15	100
CGD 33	Annual general meeting agenda	15	100
CGD 34	Different segment for corporate governance reporting	14	93.33
CGD 35	Annual Reports by Web	13	86.67
CGD 36	Adherence to NAICON code	14	93.33

Source: author's compilation, (2021)