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A proposed framework on the effectiveness of board of directors in mitigating earnings management in Nigeria: Pre and post NCCG 2018 reform

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Abstract
In recent decades, there has been a significant focus on the issue of earnings management practices through real-activities manipulation, which needs effective monitoring. These propositions have been confirmed by past studies in developed economies, where their regulations and institutional settings of corporate governance varied from those of emerging economies. Thus, corporate governance best practice is considered an effective monitoring mechanism for strengthening the credibility and reliability of financial reporting. This study proposes a framework to empirically investigate the effectiveness of the board of directors (size, independence, expertise, meeting frequency, and gender diversity), and using the aggregate board attributes (board effectiveness) on earnings management practices among non-financial service firms listed on the Nigerian Exchange Group. The study proposes to utilize the periods from 2013 to 2018, and 2019 to 2024 as the pre–and post–Nigerian code of corporate governance [NCCG] 2018 reform, respectively. Evidence from prior studies suggested that boards of directors are an important part of the corporate structure and responsible for monitoring the quality of the information contained in financial reports. It is argued that the board of directors' effectiveness can mitigate earnings management practices. Besides, the study will provide important intuition to shareholders, financial analysts, and academia about the effectiveness of the revised NCCG 2018 in mitigating earnings management practice.

Keywords: Board of directors, Corporate governance, Earnings management, Nigeria

1. Introduction

The consequences of substantial increase in earnings manipulation since the popular global financial scandals, such as Enron and WorldCom, have upsurge investors' concern about the effectiveness of board of directors. Many researchers have been attracted by the concept of corporate governance (CG) mechanisms as a potential solution to the agency conflicts on the relationship between managers and owners. Prior studies suggests that corporate governance is an important mechanism that plays a considerable role in monitoring managers' actions and mitigating possible opportunistic behavior, thereby reducing agency costs (González & García- Meca, 2014). Accordingly, one of the key CG mechanisms is the board of directors (Kock et al., 2012), who are responsible for aligning the interests of owners and managers and restricting the fundamental agency problems (Goranova et al., 2010). Larcker et al. (2007) defined CG as "the set of mechanisms that influence the decision made by managers when there is a separation of ownership and control". Some of these mechanisms are the board of directors, institution, and operation of the market for corporate control (Baysinger & Butler, 2019; Naciti 2019).

However, Reed (2002) argues that the importance of CG cannot be adequately highlighted. Both theoretical and empirical studies of CG practices provide subjective evidence to support the view that good CG practices lead to minimized earnings management (Abdou et al., 2020; Aguilera et al., 2019; Habib & Jiang, 2015; Larcker et al., 2007). In addition, it has been debated that the board of directors deters managerial opportunistic behavior and improves the firm's financial reporting environment (Marra et al., 2011; Tang & Chang, 2015). Evidence has shown that companies with low shareholder protection could improve investor protection, thereby increasing disclosure quality, employing more independent boards, and enforcing disciplinary mechanisms on managerial devious actions (García-Sánchez et al., 2019; Klapper & Love, 2004). Similarly, agency theory argues that the board of directors is one of the foremost CG mechanisms that play a leading monitoring role (Fama & Jensen, 1983). Hooghiemstra and van Ees (2011) posit that codes of best practice provide self-regulation for companies and aim to resolve the innate principal-agent conflict, fortify the monitoring tools of management against opportunistic activities, and reduce executive power. As such, the CG mechanism reduces information asymmetry, enhances shareholders' value, and lowers agency costs (Chang, 2018).

In Nigeria, the effectiveness of CG mechanisms has been doubted due to several corporate scandals and business collapses caused by multi-sectoral industry codes that led companies' management to be involved in illegitimate practices (Osemeke & Adegbite, 2016; Ozili, 2020). This is due to managers' erratic effort to follow the provisions of the code of corporate governance prior to 2018, as compliance with the CG code as entirely voluntary. As a result, the Financial Reporting Council of Nigeria (FRCN) has transformed the Nigerian Code of Corporate Governance (NCCG). The purpose was to improve the corporate governance best practices of public and private traded companies and promote good accounting practices that would address issues of corporate failures (FRC 2018).

The revised NCCG 2018 covers issues that include the board of directors, such as the formation of clear roles and responsibilities, strengthening the composition with independent directors, ensuring gender diversity with expert directors, and conducting regular meetings at least once every quarter to uphold the integrity of the business environment, promote financial reporting quality, thereby strengthening the relationship between managers and shareholders. In addition, it mandates listed companies to disclose their degree of compliance with the revised code in their annal report. However, despite NCCG 2018 reform, evidence has shown that researchers have paid less attention to the effect of the revised code, especially the board of directors monitoring role on earnings management among listed firms (Adedaji et al., 2020; Ozili, 2020).

The main idea of this study is to propose a conceptual framework as to whether compliance with the principles of best practices articulated in the revised NCCG 2018 could mitigate earnings management practices, reduce financial reporting irregularities, and increase companies' levels of accountability, transparency, and integrity to create an enabling environment for investors. In line with the agency and resource dependence theories, this study aims to investigate the role of board of directors' effectiveness (size, independence, expertise, meeting frequency, and gender diversity) on earnings management practices for pre- and post- NCCG 2018.

2. Theoretical framework

The concept of agency theory emphasizes the complexities that occur as a result of the principal/agent relationship. The Anglo-American agency theory perspective suggests that the separation of ownership and control leads to conflict between dispersed shareholders and professional managers (Jensen & Meckling, 1976). Thus, a well-developed market for corporate controls may not exist, leading to market failures, non-existence of markets, information asymmetry, moral hazard, and adverse selection among others. The magnitude of various CGM mechanisms have been advocated in ensuring high quality financial reporting from agency theory. These mechanisms include monitoring by prudent market competition, executive compensation, regulatory agencies, while developing an effective board of directors remains an important and realistic option for best CG mechanisms (Bonazzi & Islam, 2007; Habib & Jiang, 2015). Similarly, it is argued that the board of directors is the only one of many institutional arrangements that have been invented for controlling agency costs (Baysinger & Butler, 1985). In line with the agency theory, developing an effective board is a critical option that would help reduce agency conflict.

The advocates of resource dependence theory (RDT) assert that boards enable firms to lessen dependence or gain resources (Pfeffer, 1972). Despite the predominant use of agency theory on board of directors' research, previous studies assumed that RDT is proven more often than other theories on board perspective (Zahra & Pearce, 1989). Although, the use of RDT is less common on board of directors than agency theory, now-a-days empirical evidence advocates that RDT is an effective lens for understanding the role of boards of directors (Dalton et al., 2007). Existing studies utilize RDT to investigate board size and composition as indicators of board's ability to provide important resources to the firm. The findings indicates that "board size and composition are rational organizational responses to the conditions of external environment" (Pfeffer, 1972, p. 226), which provides firms environmental needs and those with greater interdependence require a higher proportion of outside directors (Hillman et al., 2009). According to Pfeffer and Salancik (1978), outside directors bring four benefits to firms: (i) information in the form of advice and counsel, (ii) access to channels of information between the firm and environmental contingencies, (iii) preferential access to resources, and (iv) legitimacy. Therefore, this study assumes that the board of directors' composition would bring the needed resources to mitigate earnings management.

3. Literature Review and Hypotheses Development

3.1 Earnings management

Schipper (1989) defined earnings management as a deliberate intervention in the process of external financial reporting, with the intent of achieving personal benefit. Similarly, earnings management means utilization of accounting estimates and judgments to restructure a firm's transactions with the intention of misleading certain stakeholders about the economic reality of the company (Healy & Wahlen, 1999). In a broader context, earnings management is categorized into accrual and real EM. According to Healy and Wahlen (1999), accrual earnings management occurs "when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers". Conversely, Roychowdhury (2006) defined real earnings management as a purposeful departure from normal operational processes with the intention of misleading users about the economic position of the firm.

Furthermore, Roychowdhury (2006) argues that companies generally engage in real business activities through (2) abnormal cash flow from operations

(Ab_CFO) as a result of sales manipulation, (3) abnormal production costs (Ab_PROD) due to overproduction of inventory to report a high operational margin, and (4) abnormal discretionary expenses (Ab_DEXP) which constitute the sum of selling, general and administrative expenses, research and development, and advertisement expenses. This occurs as firms intend to reduce discretionary expenditure to increase their revenue. Therefore, Ab_CFO, Ab_PROD, and Ab_DEXP are shown as the difference between the actual values of each activity minus the normal values which are estimated by the residuals of equations (2), (3), and (4) as follows:

$CFO_{it} / TA_{it} – 1 = \propto 0 + \beta_1(1 / TA_{it} – 1) + \beta_2(S_{it} / TA_{it} – 1) + \beta_3(\Delta S_{it} / TA_{it} – 1) + \varepsilon_{it}$………………….(1)

$PROD_{it} / TA_{it} – 1 = \propto 0 + \beta_1(1 / TA_{it} – 1) + \beta_2(S_{it} / TA_{it} – 1) + \beta_3(\Delta S_{it} / TA_{it} – 1) + \beta_4(\Delta S_{it} – 1 / TA_{it} – 1) + \varepsilon_{it}$……………………………………………………………….(2)

$DEXP_{it} / TA_{it}- 1 = \propto 0 + \beta_1(1 / TA_{it} – 1) + \beta_2(S_{it} – 1 / TA_{it} – 1) + \varepsilon_{it}$ ……………………………….(3)

Where:

CFO_{it} it implies the cash flow from operating activities for firm i in year t, TA_{it}_1 denotes the total assets at the end of year t _ 1, S_{it} signifies the net sales for firm i in year t, ΔS_{it} represent changes in net sales for firm i between year t _ 1 and year t (i.e., current year sales minus preceding year sales), and ε_{it} is the regression residual which represent the proxy for abnormal cash flow from operations. $PROD_{it}$ signifies the firm i production costs in year t, which is the sum of cost of goods sold ($COGS_{it}$) and changes in inventory (ΔINV), while ε_{it} is the regression residuals which signifies the proxy for abnormal production costs. $DEXP_{it}$ represents the discretionary expenses for firm i in year t, which include the sum of selling, general, and administrative (SG&A) expenses, advertisement expenses, and R&D expenses, and ε_{it} is the regression residuals which stand for the proxy for abnormal discretionary expenses.

It is argued that the three aggregate REM measures provide stronger information than one REM measure and hence provide greater incidence of earnings management (Cohen & Zarowin, 2010; Braam et al., 2015). In addition, it is important to note that lower values of Ab_CFO and Ab_DEXP which implies higher REM, while higher values of Ab_PROD signify higher REM practice (Cohen et al., 2008; Roychowdhury, 2006). Following Cohen and Zarowin (2010) and Eng et al. (2019), this study intend to estimates the REM based on the aggregate measures in equations (1), (2), and (3) by multiplying the standardized residuals of Ab_CFO by negative one (-1) and Ab_DEXP by negative one (-1) and adding to the Ab_PROD standardized residuals (Al-Haddad & Whittington, 2019; Ghaleb et al., 2020; Pappas et al., 2019; Sani, 2024), where higher values of these measures indicate greater REM activities. Therefore, equation (4) is used to measure the REM.

REM = Ab_CFO*-1+ Ab_PROD + Ab_DEXP*-1 (4)

3.2 Board size and earnings management

The agency theory and RDT assume that a larger board will contain members with various skills and knowledge from different backgrounds who can further contribute towards effective monitoring and consequently, reduce agency problems and enhance board decision-making (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978). Likewise, Jensen (1993) posits that board size is an effective board governance mechanism. In Nigeria, the revised NCCG 2018 requires that all listed companies should have sufficient board members according to their complexity to effectively monitor and control the company's activities. However, there is no empirical consensus on the effect of board size on earnings management (Fan et al., 2021; Usman et al., 2022). Evidence from existing studies, for instance, Peasnell et al. (2005) shows that larger boards bring more advantage by sharing knowledge, expertise, and opinions, which in turn enhances board monitoring role and mitigate earnings management practices. Similarly, Jia et al. (2019) reveals that large number of directors on the board helps create board committees and is associated with higher quality disclosure among Australian listed companies. Also, empirical evidence has shown that board size mitigates earnings management practices and thus improves the quality of financial reporting (Chouaibi et al., 2018; Rajeevan & Ajward, 2020).

On the contrary, Lipton and Lorsch (1992) and Dechow et al. (1996) document that firms with larger board sizes are less effective and consume more time during board discussion and engage in earnings management than those with smaller sizes. Also, Geraldes and Alves (2011) shows that smaller board size mitigates earnings management behavior among Portuguese listed companies. This is confirmed by Abdul Manaf et al. (2015), who demonstrates that smaller board size is negatively associated with earning informativeness among public firms listed on Bursar Malaysia. Consistent with the above arguments, this study predicts that a larger board size would mitigate earnings management and thus improve the quality of financial reporting. Therefore, it is hypothesized that:

H1: *Firms with larger board size tend to mitigate earnings management in the pre- and post-NCCG 2018.*

3.3 Board independence and earnings management

Since the highly publicized financial reporting scandals (Enron and WorldCom), regulators have proposed new CG rules, which require boards to have many independent directors in their composition. One of the primary goals of this reformation is to enhance monitoring function, especially to ensure financial reporting quality and reliability. The advocates of the agency theory assume that independent directors are effective mechanisms for monitoring managerial opportunistic activities (Klein, 2002) and consequently, help in mitigating earnings management (Kapoor & Goel, 2019; Sani 2024). In Nigeria, NCCG 2018 has corroborated with other regulators, such as the New York Stock Exchange (NYSE) and the National Association of Securities Dealers (NASD), which requires a combination of executive and non-executive directors on the board, of which the majority should be independent to provide effective monitoring of company’s financial statement (FRC 2018). Likewise, previous studies in Nigeria, for instance, Sani et al. (2021) recommended that regulators should impose companies to improve board independence in monitoring politically connected directors.

Evidence from previous studies supports the notion that the inclusion of independent directors on the board provides effective monitoring of financial reporting. For example, Bar-Hava et al. (2021) and Srinivasan (2005) posit that independent non-executive directors were influenced to work in the best interest of shareholders since they bear considerable reputation costs if they fail in their monitoring functions. Likewise, Saona et al. (2020) demonstrate that corporate governance systems are reflected in a way in which accounting discretion is performed, while independent directors oversee managers more efficiently, thereby constraining their capacity to manage earnings. Chen et al. (2015) establishes that on average, firms that complied with the majority of independent directors on their board have experienced a significant decline in earnings management after the reform of CG.

In addition, recent findings established that participation of independent directors in the board is associated with lower earnings management, confirming that the absence of higher board independence leads managers to engage more in earnings management practices (Aleqab & Ighnaim, 2021; Putra, 2023; Rajeevan & Ajward, 2020). On the contrary, Bansal (2021) shows that board independence is weaker in reducing the practices of earnings management among first-generation family firms. Likewise, Alquhaif et al. (2021) find that independent boards with longer-serving tenure are associated with real earnings management through an accretive share buyback. In line with the above arguments, this study expects that the presence of independent directors on the board would mitigate earnings management, thereby providing high-quality financial reporting.

Accordingly, the study proposed the following hypothesis:

H2: *Firms with more independent directors on the board tend to mitigate earnings management in the pre- and post-NCCG 2018.*

3.4 Board expertise and earnings management

Agency theory assumes that directors' skills and expertise are important attributes that can help strengthen their monitoring roles (Jensen & Meckling, 1976). The advocates of agency theory posit that inclusion of experts with broader skills makes board function easier and thus enhances transparency, thereby adhering to the best CG practices (Platt & Platt, 2012). Besides, RDT argues that firms require critical resources from external environments to effectively improve firm performance (Pfeffer & Salancik, 1978). Such critical resources include board members' expertise and skills which may lead to effective decision-making. The revised NCCG 2018 in Nigeria recommends that firms should hire directors with diverse skills and expertise to have effective monitoring of management activities.

Previous studies reveal that board members with accounting and finance expertise offer greater monitoring of financial reporting (Cheng & Zhang, 2014). This is reinforced by Alzoubi (2014), who finds that the presence of financial experts in the boardroom mitigates earnings management practices among Jordanian-listed firms. Likewise, a negative relationship between board expertise and earnings management was reported by previous studies (Amin et al., 2017; Burghleha &Al-Okdeh, 2020). Besides, Aleqab & Ighnaim (2021) report that board members' financial expertise is negatively impacting earnings management through real activities among Jordan-listed firms. On the contrary, Rajeevan and Ajward (2020) and Xing et al. (2019) establish that board expertise is associated with higher earnings management practices. Equally, Sani (2024) demonstrates that board financial expertise significantly reduced the magnitude of REM after the revised NCCG 2018 in Nigeria. Therefore, this study predicts that board expertise is an essential CG mechanism for monitoring managerial activities that can mitigate earnings management practices. Thus, it is hypothesized that:

H3: *Firms with financial experts' directors on the board tend to mitigate earnings management in the pre- and post-NCCG 2018.*

3.5 Board meeting frequency and earnings management

Board meeting frequency is one of the criteria for effective managerial control (Beekun et al., 1998). The revised NCCG 2018 requires companies to meet and discuss company matters at the end of every quarter. Similarly, the Sarbanes-Oxley (SOX) Act (2002) highlights the importance of board meetings. In the same vein, agency theory predicts that frequent board meetings would allow members to share their experience about firm strategic issues to provide better solutions, thereby reducing information asymmetry and conflicts between managers and shareholders (Jensen & Meckling, 1976).

Prior studies show that board meeting frequency mitigates earnings management (Sarkar & Sen, 2008; Xie et al., 2003). Recently, Chouaibi et al. (2018) established that frequent meetings of the board are negative and significantly related with sales manipulation among firms listed on the Tunisian Stock Exchange. This is validated by previous studies that reveal a decline in earnings management practices and higher financial reporting quality due to frequent board meetings (Ismaila et al., 2020; Mohamed et al., 2020; Rostami & Rezaei, 2022).

Conversely, Jensen (1993) argues that board meeting frequency may not necessarily influence board monitoring effectiveness, where the board members' available time would be futile in routine tasks and not for management oversight. Recently, Vafeas and Vlittis (2024) find that boards meet more frequently when accruals quality is low. Other empirical evidence indicates that board meeting frequency is associated with earnings management and poor performance (Obigbemi et al., 2016; Ngamchom, 2015). Consistent with the agency theory and previous evidence, this study assumes that board meeting frequency can help reduce the agency conflict of managerial opportunistic earnings management. Accordingly, the following hypothesize is formulated:

H4: *The number of meetings conducted by the board of directors tend to mitigate earnings management in pre- and post-NCCG 2018.*

3.6 Board gender diversity and earnings management

The concept of board diversity refers to a variation among board members. This variation could be derived from various sources such as gender, age, expertise, or education (Coffey & Wang, 1998; Hambrick & Mason, 1983). It is recommended that the company's board of directors' composition should be constructed with a good reflection of gender diversity among the board members (Liao *et al.,* 2015; NCCG, 2018). Agency theory assumes that presence of female director on the board brings balance decision-making in the boardroom, and increases board independence, which in turn enhances internal control and monitoring of management activities (Abang'a et al., 2022; Fama & Jensen, 1983; Gull, 2018; Khidmat et al., 2022). Accordingly, RDT assumes that the board of directors can help to acquire important resources such as human capital (Pfeffer & Salancik, 1978). Besides, human capital comprises the skills, expertise, reputation, and legitimacy of individuals who can provide technical skills to the boardroom (Becker, 1993).

In addition, female directors are more sensitive to ethical issues (Bernadi & Arnold, 1997), show greater risk aversion, and are more diligent in attending meetings than male peers (Sunden & Surette, 1998). Moreover, prior studies argue that inclusion of female directors in the boardroom may create formal and informal discussions (Adams & Ferreira, 2009), which can help the board to benefit from a prevalent talent, thereby resulting in greater accountability of managerial decisions (Mensah & Boachie, 2023). Accordingly, the presence of female members will display different skills and experiences in the boardroom, including soft intelligent feminine, emotions, feelings, competition, and values, which in turn can enhance the boards professionalism in assessing and detecting firms' financial reporting anomalies (Nielsen & Huse, 2010). This is validated by previous empirical evidence which indicates that inclusion of female directors on the board mitigate earnings management practice (Alquhaif et al., 2017; Gull et al., 2018; Orazilin, 2020; Ullah et al., 2020). Likewise, Mnif and Cherif (2021) demonstrates that presence of female director reduces agency conflicts, enhances CG, and helps provide reduces managerial opportunistic behaviour of earning management. In line with the agency theory and RDT, this study predicts that participation of females in the boardroom would significantly improve board monitoring, thereby lowering agency conflicts and mitigating earnings management practices. Hence, the following hypothesis is formulated:

H5: *Presence of female directors in the board tend to mitigate earnings management in the pre- and post-NCCG 2018.*

3.7 Board effectiveness and earnings management

The aggregate effect of CG mechanism related to board structure on transparent financial reporting can be highlighted from a multi-theoretical perspective to capture various governance attributes such as board size, board independence, board expertise, board meeting frequency, and board gender diversity. The agency theory assumes that the board of directors is the highest corporate monitoring mechanism with a crucial role in reducing agency conflicts and information asymmetry (Jensen & Meckling, 1976; Zahra & Pearce, 1989). Accordingly, RDT predicts that a firm is an open system that seeks possibilities from external environment (Pfeffer & Salancik, 1978). As such, corporate boards serve as mechanisms that establish relationships with the external environment to achieve external possibilities (Hillman et al., 2009). The effect of CG on earnings management practices is considered as comprehensive when collective measures of CG are utilized as opposed to a single measure (Brown et al., 2011; Cornett et al., 2009).

Previous studies used aggregate scores of the board of directors to evaluate its effect on financial reporting. For instance, Bin-Ghanem and Ariff (2016) examined the aggregate effects of the board of directors and audit committee on Internet financial reporting among 152 listed financial firms in the Gulf Cooperation Council (GCC) countries. The findings show that board effectiveness improves the quality of Internet financial reporting. Additionally, Githaiga et al. (2022) reveal that the board of directors' attributes (size, gender diversity, and financial expertise) are effective mechanisms that mitigate earnings management practice. Similarly, Abang'a et al. (2022) demonstrate that the CG disclosure index (board meeting, board skills, gender diversity, board sub-committees, board size, and independence) is positively associated with the performance of state-owned enterprises in Kenya. Consistent with the agency theory and RDT as well as the previous evidence, this study predicts that the effect of aggregate scores of boards of directors' attributes (size, independence, expertise, meeting frequency, and gender diversity) in mitigating earnings management practice is more pronounced post-NCCG 2018. Therefore, the following hypothesis is proposed:

H6: *Board of directors' effectiveness (composite index) tends to mitigate earnings management in the pre- and post-NCCG 2018.*

4. Conceptual Framework

Based on the hypothesis development and evaluation of related literature, the research framework for the study is shown in Figure 1 below.

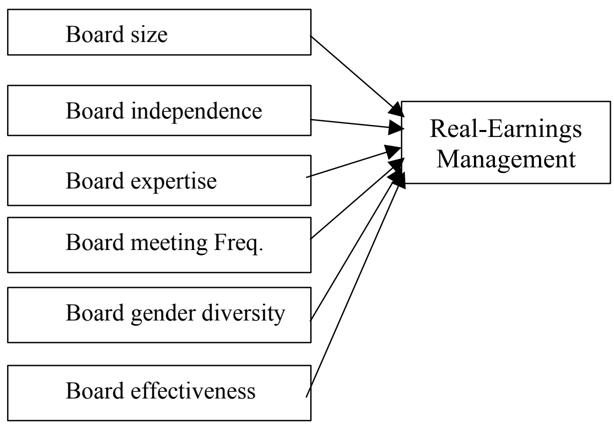

Figure 1: Conceptual framework

5. Methodology

Studies on board of directors' effectiveness are of paramount importance for the corporate wellbeing, looking at their monitoring role played in a firm. Going by the transformation of the NCCG, the study intends to explore the extent of the influence of board of directors' attributes (size, independence, expertise, meeting frequency, and gender diversity) on earnings management for two periods (pre- and post- NCCG 2018). In the process of reviewing the related studies, several criteria have been formed to select and review the articles.

In addition, articles that investigate any of the board of directors' attributes on either earnings management, earnings quality or financial reporting quality were selected for this review. Secondly, online peer-reviewed, published journals, dissertations, conference proceedings and articles were also selected for this review. Thirdly, articles that described the methodology used clearly in the conduct of their studies, especially those that are quantitative in nature were selected and reviewed.

The study search keywords for the relevant literatures were: "board of directors attributes", "board of directors characteristics", "board of directors monitoring role", "earnings management", "earnings quality" and "financial reporting quality". The study reviewed 90 research papers from leading accounting, business, finance, and management journals and conferences. In addition, the study articles were searched and ordered according to the board of directors' attributes in relation to earnings management. The summary of the review methodology process for this study is presented in Figure 2.

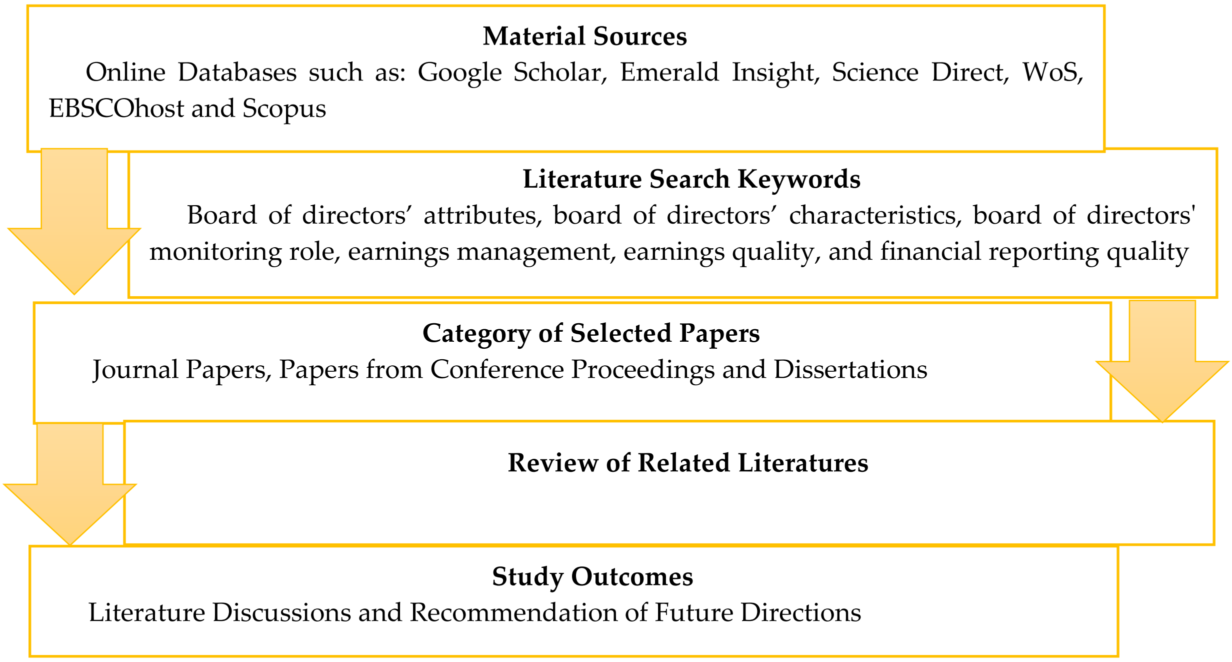

Figure 2: Methodology of the Review Process

6. Conclusion

Despite a substantial number of studies that have investigated the effect of corporate governance mechanisms on earnings management activities, there is a paucity of findings on board directors' effectiveness on the revised NCCG. Similarly, most of the existing finance and management research focused on the proliferation of multiple codes with few studies that considered individual country settings. Conducting an empirical study by using a sample from Nigeria for a period of pre- and post-NCCG 2018, where the codes of CG have been recently revised will be timely to demonstrates its impact on earnings management practices. This is because previous studies have shown that errant companies benefit from conflicts as a result of a multiplicity of codes by linking selective compliance to good communication, transparency, and accountability. This study aims to build a theoretical framework that can be a prelude to future empirical examinations to measure the effectiveness of five important attributes of the board of directors, encompassing size, independence, expertise, meeting frequency, and gender diversity on earnings management practices for pre- and post- NCCG 2018. These attributes are expected to play a significant role in mitigating earnings management practices, thereby ensuring financial reporting quality that is likely to restore investor confidence, leading to a superior financial market and economic recovery that will ultimately attract foreign direct investment. Nevertheless, one of the limitations of this research is the lack of empirical analysis. Though the author is gathering data to conduct robust analyses to assess how the revised NCCG 2018 improves the credibility of financial statements for investors and stakeholders.

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