



BOARDROOM HETEROGENEITY AND CORPORATE CLASSIFICATION SHIFTING OF LISTED CONSUMER GOODS MANUFACTURING FIRMS IN NIGERIA

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Abstract

Boardroom heterogeneity has remained a dominant discuss in the corporate governance literature. The study examined the influence of gender heterogeneity on income shifting of consumer goods manufacturing firms. The study adopted the ex post facto research design. The study relied on secondary data from annual financial reports from 2012 to 2022. The data were analysed using descriptive statistics and fixed effect model to test the hypotheses. The analytical results showed that board gender heterogeneity has a non-significant negative influence on income shifting ($p > .05$). Based on this the study recommends that consumer goods firms should foster gender heterogeneity to mitigate classification shifting. Having a mix of genders at the board level can help mitigate issues such as classification shifting and improve corporate governance practices.

Keywords: boardroom heterogeneity, gender heterogeneity, income shifting heterogeneity, corporate.

1.0 Introduction

The board of directors is typically in charge of assessing and monitoring the company's worth and is an essential component of corporate governance. Boardroom heterogeneity refers to the diversity among the members of boards in terms of age, gender, ethnicity, nationality, education, and experience (Khatib, Abdullah, Elamer, & Abueid, 2021). According to Yang, Riepe, Moser, Pull, and Terjesen (2019), an organization needs a more diverse boardroom in today's business environment to boost competitiveness and insight. Board heterogeneity enhances board independence and decision-making quality as it takes the views of underrepresented groups into account (Agyemang-Mintah & Schadewitz, 2019; Elmagrhi, Ntim, Elamer, & Zhang, 2018). Board heterogeneity affects company performance because the board plays a crucial role in any organization and strategic decision-making. Heterogeneity assists firms in gaining different information and wider exposure to the environment from suppliers, customers, policymakers, as well as social groups and competitors (Elsharkawy, Paterson, & Sherif, 2018; Horbach & Jacob, 2018; Tingbani, Chithambo, Tauringana, & Papanikolaou, 2020).

Board heterogeneity in terms of gender, age, nationality, and qualification has a favourable impact on company performance as well as social performance, according to previous research (Burke, Hoitash, & Hoitash, 2019, Talavera, Yin, & Zhang, 2018). Supporting this view, García-Meca, García-Sánchez, and Martínez-Ferrero (2015) find that board heterogeneity helps to represent all shareholders and promote better discussion within boardrooms. Thus, board heterogeneity is a growing trend included in all corporate governance codes (Abdelfattah, Elmaghoub, & Elamer, 2020; Hassan, Elamer, Sobhan, & Fletcher, 2020). Gender heterogeneity is the subject of various discussions with much focus. Many countries have employed a quota for women on all listed company boards. For example, the Norwegian government led this initiative by mandating that women make up 40% of the boardroom (Zalata, Ntim, Choudhry, Hassanein, & Elzahar, 2020).

The EU approved similar legislation with a 40% goal by 2020. Around the world, countries have sought to improve the level of representation of women, such as France, Germany, Italy, Belgium, Denmark, Iceland, Malaysia, the Netherlands, and Spain. They have mandatory



quotas ranging from 30% to 40% (Tyrowicz, Terjesen, & Mazurek, 2020), whereas Finland, India, and the United Arab Emirates have mandated the presence of at least one woman on boards.

Classification shifting is the practice of misclassifying core expenses as income-decreasing special items within the income statement (Malikov & Gaia, 2022). The effect of this misclassification is an increase in core earnings with no effect on net income (Bansal, 2021; Malikov & Gaia, 2022). In the current volatile business environment, shareholders of corporations are worried about how boardroom heterogeneity influences the strategic performance of the corporations (Akram, Abrar ul Haq, Natarajan, & Chellakan, 2020). This is because following the adoption of IFRS, many firms engaged in classification shifting, i.e., expense or revenue item shifting as a form of corporate misbehaviour in the financial statement (Bansal, 2021). Classification shifting has a negative impact on future reported core earnings (Liu & Wu, 2021; McVay, 2006).

However, different from accrual earnings management, classification shifting does not have any impact on current/future bottom-line income, and is difficult to detect (Alfonso, Cheng, & Pan, 2015; McVay, 2006). And, different from real earnings management, classification shifting is likely to be negatively associated with the subsequent period's operating performance (Liu & Wu, 2021).

This study examined the effect of board gender heterogeneity on classification shifting using the agency theory, to address or fill the above identified gaps in literature.

2.0 REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Boardroom Heterogeneity

Board heterogeneity has been defined based on particular attributes. For instance, there was noticed demographic board heterogeneity covers age, gender, nationality, and education or structural board heterogeneity embraces the size of the board and the directors' independence (Ararat, Aksu, & Cetin, 2015; Egbunike, Igbinovia, Oranefo, & Iyoha, 2023). Boardroom heterogeneity refers to the diversity of individuals who serve on the board of directors of a company or organization. It encompasses factors such as gender, age, ethnicity, educational background, industry experience, and professional expertise among board members Joubert, 2023; Okeyide, 2023).

The literature categorizes heterogeneity into two categories, *occupational* heterogeneity, also known as non-observable attributes of directors including education, tenure (experience), and professional background. The second is *social* heterogeneity or readily observable heterogeneity including age, gender and nationality (Joubert, 2023). There are several benefits of boardroom heterogeneity such as ensuring a diverse range of opinions, ideas, and insights; enhanced decision-making from critical thinking and thorough analysis, and improved problem-solving. Heterogenous boards can better predict the market in terms of consumer wants, product demand, and the level of competition, which leads to good performance (Adusei, Akomea, & Poku, 2017). Boardroom heterogeneity can help address complex challenges more effectively. By considering a wider range of perspectives, the board can assess risks, identify opportunities, and develop strategies that reflect a comprehensive understanding of the organization's needs and goals. A diverse boardroom ensures that the interests of various stakeholders are represented. This includes employees, customers, investors, and the wider community (Okeyide, 2023).

Boardroom heterogeneity enhances corporate governance by promoting stronger oversight and accountability. On the other hand, boardroom heterogeneity can result in serious coordination and communication issues (Midavaine, Dolfmsa, & Aalbers, 2016). This is because directors

with disparate backgrounds bring a variety of deliberations to the board which can increase controversies among board members and prolong the decision-making process.

2.1.2 Gender Heterogeneity

The literature on gender heterogeneity argues that women on boards enhance board effectiveness, increase understanding of market place and produce the most creative solutions to board agendas (Zaid, Wang, Adib, Sahyouni, & Abuhijleh, 2020). Similarly, when women on board are only a few, they monitor the board activities more independently and effectively. Researchers argued that women have great potential to work and compete with their counterparts (Alkayed, Yousef, Hussainey, & Shehadeh, 2023; Joecks, Pull, & Vetter, 2013). Contrary, Khan and Subhan (2019) asserted that the number of female directors on the board did not have any significant effect on firm performance. Moreover, Ain, Yuan, Javaid, Usman, and Haris (2020) showed that boards with a sizable majority of female directors had a higher propensity to reduce agency costs relative to their token participation.

Women on boards exert a significant impact on firm performance (Alkayed, Yousef, Hussainey, & Shehadeh, 2023) because they can improve managerial duties through their preparation of meetings, different viewpoints, and leadership skills compared to men (Khatib, Abdullah, Elamer, Yahaya, & Owusu, 2023). Therefore, many countries, such as Norway, Denmark, Spain, France, and Belgium, have required gender quotas for the number of females in the boardroom of companies. The advantages of having more women on board are many and varied. First, having more women on boards can improve corporate governance, which will improve business performance (Alabede, 2016). Second, board gender diversity exerts an essential role in improving a firm reputation because engaging women on the board of directors signals that the corporation does not encounter discrimination issues, mirroring a good image to the community (Kaur & Singh, 2017). Upadhyay and Zeng (2014) developed an opacity index based on analyst following, analyst forecast error, bid-ask spread, and share turnover to measure corporate opacity. The authors find that gender-diverse US firms are more transparent.

2.1.3 Classification Shifting

Classification shifting is a method of earnings management that is difficult to detect as the classification of some expenses can be subjective due to the flexibility afforded by accounting standards, which may limit auditors' and regulators' ability to challenge the management's classification (Alfonso, Cheng, & Pan, 2015; Athanasakou, Strong, & Walker, 2009; Zalata & Roberts, 2017). Classification shifting does not change the total amount of expenses and income, and because of this, it attracts less auditor and public scrutiny (e.g. Athanasakou, Strong, & Walker, 2009; McVay, 2006). According to the US Security Exchange Commission (SEC), "the appropriate classification of amounts within the income statement is as important as the appropriate measurement or recognition of such amounts" (SEC, 2000). This malpractice inflates core earnings without changing bottom-line income by deliberately misclassifying income-statement line items.

McVay (2006) was the first to analyse the possibility of shifting items intentionally within the income statement. By employing a US-based sample, she finds that firms shift core expenses to income-decreasing special items. This reduces firms' operating expenses and so improves their core earnings, which are the main indicators for investors and analysts when analysing a company's performance. Studies document evidence of firms using classification shifting in various jurisdictions. Zalata and Roberts (2016) find that UK firms engage in classification shifting, while Haw, Ho, and Li (2011) and Nagar and Sen (2016) show the same for East Asian and Indian firms.

2.1.4 Gender Heterogeneity and Income Shifting

Income shifting is the practice of shifting revenue or expense items in a company's financial statements to present a more favourable picture of its financial performance. Female CEOs,



being perceived as more risk-averse and more ethical, may engage in either more or less revenue classification shifting than male CEOs (Ouyang, 2021). Prior studies document mixed findings on the effect of gender heterogeneity on income shifting. For instance, Ouyang, Ngo, and Wang (2022) using a sample of 36,427 US firm-year observations from 1993 to 2019, finds that female CEOs tend to engage in less revenue classification shifting than male CEOs when the monitoring environment is looser but increase revenue classification shifting when the monitoring environment becomes more stringent. Gender heterogeneity can have implications for earnings management, particularly in the context of corporate boards and executive positions. Based on the above, the researcher postulated that gender heterogeneity does not significantly affect income classification shifting of consumer goods firm in Nigeria.

A gender-diverse board can mitigate earnings management in countries where gender heterogeneity is valued (Kyaw, Olugbode, & Petracci, 2015). This suggests that having a diverse range of perspectives and experiences can lead to more transparent and ethical financial reporting practices. Female CFOs may have different requirements for the quality of earnings management compared to their male counterparts, potentially influencing a company's earnings management behaviour (Dong, Wu, & Wang, 2020). This is attributed to women's prudence and risk aversion, which may lead to less aggressive earnings management practices. Earnings quality may improve when females are in senior management positions due to gender differences in risk-taking and decision-making (Harris, Karl, & Lawrence, 2019). This further supports the idea that gender heterogeneity can contribute to more reliable and transparent financial reporting.

However, not all studies have found a significant correlation between CFO gender and earnings management. Some research has shown that gender differences in managers have no significant influence on a company's earnings management (Dong, Wu, & Wang, 2020). This indicates that the relationship between gender and earnings management may vary depending on the specific context and factors at play.

2.2 Theoretical Framework

2.2.1 Agency Theory - This study is anchored on agency theory

Agency theory was developed by Jensen and Meckling (1976). Jensen and Meckling (1976) define an agency relationship as a contract by which one or more persons (the principal) hire another person (the agent) to perform some service on their behalf, giving the agent some of their decision-making power. The theory highlights the rivalry between directors (agents) and owners (principals), as well as the information asymmetry between executives and investors (Reddy & Jadhav 2019). The principal cannot guarantee at any expense that the agent chooses the optimal course of action for him. Costs associated with monitoring and obligations will be incurred by both the principal and the agent. According to Jensen and Meckling (1976), these costs can be grouped into three categories: 1. Monitoring costs borne by the principal to limit the opportunistic behaviour of the agent and incentive costs (incentive systems) incurred by the principal to orient the agent's behaviour. 2. The obligation or commitment costs that may have been incurred by the agent to win the principal's trust (motivation cost). 3. The third type of cost is an opportunity cost referred to as "residual loss" which equates to the loss of utility suffered by the principal following a divergence of interest with the agent, such as the cost sustained by the principal following the unfavourable management of the principal's interests by the agent.

Assumptions of the theory: The theory is based on two behavioural assumptions.

1. The first assumes that agents seek to maximize their utility; and,
2. The second presumes that agents are likely to benefit from the incompleteness of contracts.

2.3 Empirical Review

Ouyang (2021) conducted a study titled ‘Revenue Classification Shifting: Does CEO Gender Matter?’ The sample comprised 36,427 firm years from 1993 to 2019 in the U.S. The study analysed the secondary data using panel regression and found that female CEO-led earnings management suspect firms, i.e., those that just beat important earnings threshold, engage in less revenue classification shifting than those with male CEOs in the pre-SOX period but increase revenue classification shifting after SOX.

Simionescu, Gherghina, Tawil, and Sheikha (2021) conducted a study titled ‘Does board gender diversity affect firm performance? Empirical evidence from Standard & Poor’s 500 Information Technology Sector’. The sample comprised the S&P 500 from 2009-2020. The secondary data were analysed using OLS. The results showed that there is a positive influence of women on corporate boards on both measures of company performance.

Mollah, Liljeblom, and Mobarek (2021) conducted a study titled ‘Heterogeneity in independent non-executive directors’ attributes and risk-taking in large banks’. The sample comprised 185 banks across 35 countries, from 2004 to 2016. The secondary data from the annual report were analysed using the panel regression technique. The results showed that heterogeneity in INEDs’ gender, financial expertise, and board tenure all influence risk-taking behaviour.

Boahen and Mamatzakis (2020) undertook a study titled ‘The impact of religion on classification shifting in the presence of corporate governance and BIG 4 audit’. The sample comprised 23,164 firm-year observations, from 2000-2015. The data were analysed using multiple regression techniques. The results showed that religious social norms act as a deterrent to classification shifting.

Orjinta, Onuora, and Agubata (2018) conducted a study titled ‘Audit committee and classification shifting of earnings management: Evidence from Sub-Saharan African firms’. The study adopted the ex post facto and cross-sectional research design and the sample comprised 75 non-financial firms, from 2008 to 2017. The secondary data were analysed using multiple regression. The results showed that classification shifting was less prevalent in firms with audit committee diligence (i.e., more frequent meetings), more financial expert members and more independent directors.

Zalata, Ntim, Aboud, and Gyapong (2018) conducted a study titled ‘Female CEOs and core earnings quality: New evidence on the ethics versus risk-aversion puzzle’. Using a sample of 21,101 firm-year observations from 1992-2014, the study analysed secondary data from annual reports with multiple regression. The results showed that in the post-SOX period, classification shifting by female CEOs declined significantly, whilst it remained pervasive in firms with male CEOs.

Malikov, Manson, and Coakley (2018) undertook a study titled ‘Earnings management using classification shifting of revenues’. The study sampled 12,804 firm-year observations in the U.K., from 1995-2014. The secondary data were analysed using multiple regression. The results showed that firms engage in classification shifting of non-operating revenues to inflate operating revenues.

Anthonius and Murwaningsari (2018) studied ‘The analysis of earnings management with classification shifting by using discontinued operations in Indonesia’. They sampled 63 firms from the IDX and retrieved secondary data from 2013-2015 which were analysed using multiple regression. They found that discontinued operations had a positive effect on UCE and a negative effect on unexpected changes in core earnings.

Eyenubo, Mohamed, and Ali (2017) conducted a study titled ‘An empirical analysis on the financial reporting quality of the quoted firms in Nigeria: Does audit committee size matter?’. The sample comprised of 189 firms in Nigeria from 2011-2015. The secondary data were



analysed using multiple regression. The results showed that audit committee size had a positive significant effect on financial reporting quality.

Joo and Chamberlain (2017) conducted a study titled 'The effects of governance on classification shifting and compensation shielding'. The sample comprised manufacturing firms in the U.S. secondary data were analysed using multiple regression techniques. The results showed that strong governance is associated with a reduction in classification shifting.

Adigüzel (2017) undertook a study titled 'Classification Shifting in the Income-Decreasing Discretionary Accrual Firms'. The sample comprised 1638 firm-year observations analysed using multiple regression from 1994-2014. The results showed no evidence of classification shifting between operating and non-operating expenses for the firms.

Fan and Liu (2017) conducted a study titled 'Misclassifying core expenses as special items: cost of goods sold or selling, general, and administrative expenses?'. The sample comprised 319,518 firm-quarter observations in the U.S., from 1988 to 2012. The secondary was retrieved from the annual report and analysed using multiple regression. The result showed that COGS (but not SGA) misclassification is associated with just beating the benchmark of gross margin four quarters earlier.

Zalata and Roberts (2016) conducted a study titled 'Internal corporate governance and classification shifting practices: An analysis of UK corporate behaviour'. The sample comprised 713 firm-year observations in the U.K. The study relied on secondary data from 2008-2010 which were analysed using multiple regression. The results showed that tenure and board meetings were negative and significant. The audit committee size and tenure were negative. The audit committee meeting was negative and significant.

Wu (2016) conducted a study titled 'Classification shifting as an earnings management tool among European firms'. The study was conducted in the E.U., using a sample of 125 firm-year observations from 2005-2015 and analysed using multiple regression. The results showed that European firms use classification shifting to include or exclude nonrecurring items in the calculation of core earnings.

3.0 METHODOLOGY

The study adopted the use of an *ex-post facto* research design. Ex post facto research design is a systematic empirical inquiry, in which the observer has no direct control of independent variables because their manifestations have already occurred or because they are inherently not manipulated. The area of the study is Nigeria, as the study focuses on consumer goods manufacturing companies listed on the Nigerian Exchange Group (NGX) as of 1st March 2023. The sector accounts for up to 20% of firms in the non-financial sector, with the likes of Dangote, Cadbury, etc. with revenue in millions. The sample size for this study is the twenty-one consumer goods manufacturing firms listed on the Nigerian Exchange Group (NGX). The study adopts a purposive sampling technique. The researcher purposively selects all the twenty-one (21) firms. Hence, the scope of the study restricted the focus to companies classified under the consumer goods sector, of the NGX.

3.1 Source of Data

The investigation uses secondary data sources. The sampled companies' annual financial statements were used to extract the data. Data from the annual reports of the chosen Nigerian companies that manufacture consumer goods were used in the study. Companies must maintain and prepare accounts that give a true and fair picture of their financial situation in accordance with the Companies and Allied Matters Act.

3.2 Method of Data Analysis

The data were analysed using descriptive and inferential statistical techniques. The descriptive statistics were the mean, median and standard deviation. The hypotheses were tested using the

multiple regression technique. This statistical technique helps to analyse the relationship between a single DV and several IVs (Sekaran & Bougie, 2010). The independent variables are used to predict the dependent variable.

3.2.1 Model Specification:

The following model from the study of Orjinta, Onuora, and Ofor (2019) was adapted for the study. The model is specified as follows:

$$UNEXP-CE = \beta_0 + \beta_1 NREC_{it} + \text{Control Variables}_{it} + \epsilon_{it} \dots \dots \dots (1)$$

Where:

- UNEXP-CE - Unexpected Core Earnings computed as the difference between reported core earnings and expected core earnings;
- NREC - Non-recurring items measured as the difference between reported core earnings and bottom-line net income scaled by sales.

The core earnings expectation model is used to measure expense shifting and revenue shifting, respectively (Bansal, 2022). Following McVay (2006), measure expected core earnings as follows:

$$CE_{i,t} = \beta_0 + \beta_1 CE_{i,t-1} + \beta_2 ATO_{i,t} + \beta_3 ACC_{i,t-1} + \beta_4 ACC_{i,t} + \beta_5 GRO_{i,t} + \beta_6 NEG_GRO_{i,t} + \epsilon_{i,t} \dots \dots \dots (2)$$

Where:

- CE is core earnings, calculated as sales minus cost of goods sold minus selling, general, and administrative expenses divided by sales;
- ATO is asset turnover ratio, calculated as sales divided by average net operating assets, where the latter is calculated as the difference between operating assets and operating liabilities;
- ACC is total accruals, calculated as the difference between income before extraordinary items and cash flows from operations divided by sales;
- GRO is growth, i.e., the percentage change in sales;
- NEG_GRO is the percentage change in sales if the latter is negative, and zero otherwise.

The modified model is shown below as follows, which were used to test the hypotheses, in this study:

$$UCE_{i,t} = \beta_0 + \beta_1 GH_{i,t} + \beta_5 FSIZE_{i,t} + \beta_6 FLEV_{i,t} + \epsilon_{i,t} \dots \dots \dots (3)$$

Where:

- UCE - Unexpected Core Earnings computed as the difference between reported core earnings and expected core earnings;
- GH - Gender Heterogeneity
- FSIZE - Firm Size
- FLEV - Firm Leverage
- $\epsilon_{i,t}$ - Error term

Table 1: Operationalization and measurement of the variables in the final model

Proxy	Description	Measurement	Source
GH	Gender Heterogeneity	The proportion of females to the total number of directors on the board.	Zaid <i>et al.</i> (2020)
AH	Age Heterogeneity	Age heterogeneity includes the different age groups or categorizations in the boardroom.	Pytlovany & Truxillo (2015)
NH	Nationality Heterogeneity	The proportion of foreign nationals to the total number of directors on the board.	Peck-Ling <i>et al.</i> (2016).
EH	Educational Heterogeneity	The proportion of directors with accounting and finance specialisation to the total number of directors on the board.	Midavaine, Dolfmsa, & Aalbers (2016); Haynes & Hillman (2010)
FSIZE	Firm Size	Firm size is measured by the log of the book value of assets.	Akram <i>et al.</i> (2020)
FLEV	Firm Leverage	Firm leverage is measured as the ratio of debt to equity or total assets of the firm.	Akram <i>et al.</i> (2020)
UCE	Unexpected Core Earnings	the difference between reported core earnings and expected core earnings;	

Source: Author's Compilation (2023)

Control Variables

The study employs the following as control variables, firm size and firm age. The study by Bansal (2021), finds that large and old firms are engaged in revenue shifting, whereas small and young firms prefer expense shifting over revenue shifting for reporting inflated operating profits. The explanatory variables namely, gender, age, nationality and educational heterogeneity.

4.1 Data Analysis

Table 2: Descriptive statistics of the model variables

	UCE	GH	FSIZE	LEV
Mean	-0.049269	0.341983	17.15245	1.394640
Median	-0.032241	0.300000	17.63840	0.615774
Maximum	1.811579	0.900000	20.31832	19.55710
Minimum	-4.956660	0.100000	10.95583	0.193620
Std. Dev.	0.445124	0.112117	2.297911	3.273872



Skewness	-7.459076	1.991805	-0.964091	4.179504
Kurtosis	85.20865	8.132725	3.250884	19.69178
Jarque-Bera	54392.17	328.9175	29.45894	2715.306
Probability	0.000000	0.000000	0.000000	0.000000
Sum	-9.213322	63.95089	3207.509	260.7977
Sum Sq. Dev.	36.85312	2.338071	982.1535	1993.592
Observations	UCE	187	187	187

Source: E-Views 11

The mean of GH, i.e., boardroom gender heterogeneity, is 0.342 while its median value was 0.300. The maximum value of GH was 0.900 while the minimum value was 0.100. Thus, on average, in the sampled companies the proportion of females in the boardroom to the total number of directors was approximately 34.2%.

In the case of the control variables, FSIZE and LEV had values of 17.152 and 1.395 respectively; the Jarque-Bera statistics showed values of 328.91 for GH (p<.05), 73.29 for AH (p<.05), 12.69 for NH (p<.05), 296.89 for EH (p<.05). The p-values confirm the non-normality of the distributions of the IVs. The DV, i.e., UCE showed a mean value of -0.049 while its median value was -0.032. The evidence confirms the presence of classification shifting among the sampled quoted consumer goods manufacturing firms. The Jarque-Bera statistics showed values of 54392.17 for UCE (p<.05), this confirms the non-normality of the variable. UCE also had a negative skewness of -7.459 and a positive kurtosis of 85.209.

4.2 Correlation Matrix

Table 3: Correlation analysis of the model variables

	UCE	GH	FSIZE	LEVERAGE
UCE	1	-0.2024	0.1056	-0.0968
GH	-0.2024	1	-0.1005	0.3563
AH	-0.0197	0.1395	0.1211	0.0078
NH	-0.0493	0.2441	-0.0802	0.0462
EH	-0.2169	0.6662	-0.3233	0.3945
FSIZE	0.1056	-0.1005	1	-0.5939
LEV	-0.0968	0.3563	-0.5939	1

Source: E-Views 11

The UCE negatively correlated with GH, and LEV; and, positively associated with FSIZE, the above results show that there exist *weak* positive and negative correlations with none greater than .90. In the case of GH, we observed that there exists a positive correlation between GH with. GH negatively correlated with FSIZE; but, positively associated with LEV.

For, correlated with FSIZE and LEV.

NH positively associated with EH; NH negatively correlated with FSIZE and positively associated with LEV.

EH negatively correlated with FSIZE and positively correlated with LEV. FSIZE negatively correlated with LEV.

4.3 Test of Hypotheses

Table 4: Multiple linear regression output for the test of hypotheses

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.887299	0.244586	-3.627753	0.0004
GH	-0.135877	0.103402	-1.314068	0.1907
FSIZE	0.043505	0.013808	3.150817	0.0019
LEV	0.095579	0.040947	2.334195	0.0208

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.306841	Mean dependent var	-0.122864
Adjusted R-squared	0.213856	S.D. dependent var	0.393486
S.E. of regression	0.339000	Sum squared resid	18.84706
F-statistic	3.299904	Durbin-Watson stat	2.332169
Prob(F-statistic)	0.000006		

Unweighted Statistics

R-squared	0.140984	Mean dependent var	-0.049269
Sum squared resid	31.65743	Durbin-Watson stat	2.221130

Source: E-Views 11

The F-statistic value of 3.299904 and its associated p-value of 0.000006 show that the regression model overall is statistically significant at a 5% level, this means that the regression model is valid and can be used for statistical inference. The regression R-squared value showed 0.306841; and, the Adjusted R-squared (preferred to account for sample size adjustments), showed a value of 0.213856 which shows that about 21.4% of the systematic variations in UCE were jointly explained by all the independent variables.

4.3.1 Test of Hypothesis One

H₀₁: Board gender heterogeneity has no significant influence on the income shifting of consumer goods manufacturing firms.

GH as an independent variable to UCE appears to have a negative (i.e., -0.135877) and non-significant influence on UCE at a 5% level of significance. This, therefore, implies that an increase in GH will cause a decrease in UCE. This evidence, therefore, leads to a rejection of the alternate hypothesis and acceptance of the null hypothesis; thus, “board gender heterogeneity has no significant influence on the income shifting of consumer goods manufacturing firms”.

4.4 Discussion of Findings

4.4.1 Discussion of Hypothesis One

There is a non-significant positive influence of board gender heterogeneity on the income shifting of consumer goods manufacturing firms. The findings are in alignment with Ouyang (2021) in the U.S. using panel regression and found that female CEO-led earnings management suspect firms engage in less revenue classification shifting than those with male CEOs in the pre-SOX period but increase revenue classification shifting after SOX. Somewhat consistent with Mollah et al. (2021) from a sample of 185 banks across 35 countries, from 2004 to 2016 analysed using the panel regression technique showed that heterogeneity in gender influences risk-taking behaviour. Zalata et al. (2018) using a sample of 21,101 firm-year observations from 1992-2014, analysed with multiple regression showed that in the post-SOX period, classification shifting by female CEOs declined significantly, whilst it remained pervasive in firms with male CEOs.

However, the findings are in contrast to Simionescu et al. (2021) using the S&P 500 from 2009-2020 showed that there is a positive influence of women on corporate boards on both measures of company performance.

5.0 Conclusion and Recommendation

This study concludes on the nexus of boardroom heterogeneity and corporate classification shifting of listed consumer goods manufacturing companies in Nigeria. The study employs data from 17 firms quoted on the Nigerian Exchange Group (NGX) from 2012 to 2022 to analyse the effect of board gender heterogeneity on corporate classification shifting of the quoted consumer goods manufacturing firms. The study relied upon the agency theory, resource dependency theory and upper echelon theory to analyse the influence of boardroom heterogeneity on the corporate classification shifting of firms because of the information asymmetry between managers and owners; and, the backgrounds, values, experiences, and cognitive biases of top-level executives which shape their strategic choices. The RDT suggests that organisations are not autonomous, but rather are constrained by a network of interdependencies with other organizations. The data were analysed using descriptive statistics; while the hypotheses were tested using the fixed effect regression model. The study specifically finds that board gender heterogeneity negatively affects the corporate classification shifting of quoted consumer goods firms. The study makes the following recommendation for managers and shareholders in the Nigerian context as follows:

1. Shareholders and managers should foster gender heterogeneity to mitigate classification shifting: Gender heterogeneity brings a diverse range of perspectives and experiences, which can lead to more effective decision-making. It has been shown that companies with more



diverse boards tend to perform better in terms of financial performance, innovation, and overall governance. Having a mix of genders at the board level can help mitigate issues such as classification shifting and improve corporate governance practices. It's important to foster an inclusive environment where all voices are heard and considered in the decision-making process.

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