BOARD GENDER DIVERSITY, AUDIT COMMITTEE EFFECTIVENESS, BANK SIZE AND THE CREATIVE ACCOUNTING–FINANCIAL DISTRESS NEXUS IN NIGERIAN LISTED DEPOSIT MONEY BANKS

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ABSTRACT

This study examines three related dimensions of the corporate governance–creative accounting–financial distress nexus among Nigerian listed deposit money banks: the effect of board gender diversity on creative accounting practices, the mediating role of creative accounting practices in the relationship between audit committee effectiveness and financial distress, and the moderating role of bank size in the relationship between creative accounting practices and financial distress. Anchored on Agency Theory, complemented by Stakeholder Theory and Signalling Theory, the study adopted an ex post facto design and positivist philosophy, drawing on secondary panel data from eleven purposively sampled banks listed on the Nigerian Exchange Group over 2015–2024 (110 bank-year observations). Board gender diversity was measured as the proportion of female directors on the board; audit committee effectiveness as the frequency of audit committee meetings; creative accounting practices as discretionary loan loss provisions (DLLP); bank size as the natural logarithm of total assets; and financial distress as the Ohlson O-Score. Following the Hausman test, fixed-effects panel regressions with cluster-robust standard errors were estimated, complemented by a stepwise mediation procedure and an interaction-term moderation model. The results showed that board gender diversity had no statistically significant effect on creative accounting practices ($\beta = 0.0023$, $p = 0.897$); that audit committee effectiveness had no significant direct effect on financial distress or on creative accounting practices, and that creative accounting practices did not mediate the relationship between audit committee effectiveness and financial distress; and that the interaction between creative accounting practices and bank size was statistically insignificant ($\beta = -0.0196$, $p = 0.781$), indicating that bank size does not moderate the creative accounting–distress relationship. Leverage and bank size remained significant direct predictors of distress throughout. The study concludes that demographic board diversity, meeting-frequency-based audit committee measures, and firm size do not, on their own, meaningfully condition the accounting-discretion–distress pathway in the Nigerian banking sector, implying that governance effectiveness depends on substantive rather than structural attributes. The study recommends that banks pair gender-diversity initiatives with the deliberate appointment of financially literate female directors to key oversight committees, that audit committee effectiveness be evaluated using qualitative rather than purely frequency-based indicators, and that supervisory strategies be applied on a risk-sensitive rather than a size-based basis.

Keywords: *Board Gender Diversity; Audit Committee Effectiveness; Bank Size; Creative Accounting Practices; Financial Distress; Mediation; Moderation; Nigeria.*

Introduction

Beyond the direct effects of board independence and creative accounting on financial distress, the Nigerian corporate governance literature increasingly recognises that governance–distress relationships may operate through more complex pathways, involving the demographic composition of boards, the transmission role of accounting discretion, and the conditioning influence of firm-specific characteristics such as size (Olojede et al., 2022; Adeyemi & Ashafoke, 2024). Board gender diversity, commonly measured as the proportion of female directors, is theorised to enhance monitoring quality by bringing broader perspectives, heightened ethical awareness, and more cautious risk orientations to board deliberations (Adams & Ferreira, 2009; Hillman et al., 2007). In the Nigerian banking sector, however, female representation on boards remains comparatively low despite regulatory emphasis on inclusion (CBN, 2014), raising the empirical question of whether such representation translates into a measurable constraint on discretionary loan loss provisioning.

Similarly, audit committee effectiveness, understood as the capacity of the committee to safeguard the credibility of financial reporting, is theorised to serve both a direct disciplining role and an indirect, transmission role in constraining the pathway through which accounting discretion contributes to financial distress (Klein, 2002; Baxter & Cotter, 2009). Where audit committees are effective, creative accounting practices might be expected to mediate a weaker, rather than stronger, relationship between committee oversight and distress. Finally, bank size has been advanced as a potential moderating factor: larger banks are theorised to possess greater diversification benefits and more robust internal controls that could buffer the adverse consequences of discretionary provisioning (Barney, 1991; Mishkin, 2006), although some evidence suggests that larger, more complex institutions may instead exploit their scale to conceal accounting manipulation (Kusnadi & Wei, 2020).

This article empirically investigates these three dimensions, board gender diversity's effect on creative accounting practices, the mediating role of creative accounting practices between audit committee effectiveness and financial distress, and the moderating role of bank size between creative accounting practices and financial distress, using the same panel of Nigerian listed deposit money banks examined in a companion article on the direct effects of board independence and creative accounting on distress.

Statement of the Problem

Although Nigerian regulatory codes increasingly emphasise board gender diversity and active audit committee oversight as governance safeguards, there remains limited Nigeria-specific evidence on whether these structural attributes translate into substantive constraints on the discretionary accounting behaviour and distress outcomes of listed deposit money banks. Prior studies have tended to examine corporate governance, creative accounting, and financial distress as separate, unconnected phenomena (Aifuwa & Embele, 2019; Enekwe et al., 2023), leaving the mediating role of creative accounting practices and the moderating role of bank size comparatively underexplored within a single, integrated empirical framework. Where such pathways have been examined, the international evidence is decidedly mixed: some studies find that gender-diverse boards and effective audit committees materially constrain earnings management (Adams & Ferreira, 2009; Biswas, 2022), while others, particularly in weaker institutional settings, find no significant effect (Al-Matari et al., 2014; Uwuigbe et al., 2021). This inconsistency, combined with the absence of an integrated Nigerian banking-sector test of gender diversity, mediation, and moderation within a single model, constitutes the empirical problem addressed in this article.

Objectives of the Study

The broad objective of this study is to examine the interaction between board gender diversity, audit committee effectiveness, bank size, and the creative accounting–financial distress nexus in Nigerian listed deposit money banks. Specifically, the study seeks to:

i. Assess the extent to which board gender diversity affects the adoption of creative accounting practices in Nigerian listed deposit money banks.
ii. Investigate the mediating role of creative accounting practices in the link between audit committee effectiveness and financial distress in Nigerian listed deposit money banks.
iii. Determine whether bank size moderates the relationship between creative accounting practices and financial distress in Nigerian listed deposit money banks.

Research Questions

i. What is the relationship between board gender diversity and creative accounting practices in Nigerian listed deposit money banks?
ii. Do creative accounting practices mediate the relationship between audit committee effectiveness and financial distress among Nigerian listed deposit money banks?
iii. Does bank size significantly moderate the relationship between creative accounting practices and financial distress among Nigerian listed deposit money banks?

Significance of the Study

The findings inform bank boards and nomination committees on whether demographic diversity targets alone are sufficient governance safeguards, or whether they must be paired with substantive empowerment of female directors. For audit committees and their regulators, the findings clarify whether meeting-frequency measures adequately capture effective oversight, or whether qualitative attributes deserve greater regulatory attention. For prudential supervisors, the findings indicate whether size-differentiated supervisory intensity is empirically justified in the context of accounting-discretion-driven distress risk.

Scope of the Study

The study covers the same eleven Deposit Money Banks listed on the Nigerian Exchange Group and the same 2015–2024 panel window used in the companion article on board independence and creative accounting, but focuses specifically on the gender-diversity, mediation, and moderation dimensions of the governance–accounting–distress relationship, using secondary data and panel regression, stepwise mediation, and interaction-term moderation techniques.

Literature Review

Conceptual Review

Board Gender Diversity

Board gender diversity captures the balance and presence of male and female members in the composition of a corporate board, reflecting the extent to which decision-making authority is shared across genders at the highest level of governance (Olojede et al., 2022; Solomon, 2020). It is commonly operationalised as the proportion of female directors relative to total board membership, although some studies use a binary presence indicator or diversity indices such as the Blau or Shannon index. Female directors are frequently associated with stronger monitoring practices, heightened ethical awareness, and more cautious risk orientations (OECD, 2015; Financial Reporting Council of Nigeria, 2018). However, tokenism, whereby female directors are appointed without genuine influence over board deliberations, may weaken the practical effectiveness of gender diversity as a governance mechanism (Pucheta-Martínez et al., 2016).

Audit Committee Effectiveness, Creative Accounting, and Bank Size

Audit committee effectiveness refers to the capacity of the committee to oversee financial reporting integrity, compliance, and internal control, commonly assessed through committee size, independence, financial expertise, and meeting frequency (Klein, 2002; Fodio et al., 2020). In this study, audit committee effectiveness is proxied by the number of audit committee meetings held annually, consistent with the CBN Code of Corporate Governance, which mandates active audit committee engagement in banks (CBN, 2021). Creative accounting practices, as previously conceptualised, are proxied by discretionary loan loss provisions (DLLP), representing the portion of provisioning attributable to managerial discretion rather than objective credit-risk drivers (Beatty & Liao, 2014). Bank size, measured as the natural logarithm of total assets, is theorised both as a control variable capturing scale-related resource advantages and, in this article, as a moderating variable that may condition the strength of the relationship between creative accounting practices and financial distress (Claessens & Yurtoglu, 2019).

Theoretical Framework

Agency Theory, Stakeholder Theory, and Signalling Theory

As in the companion article, Agency Theory (Jensen & Meckling, 1976) provides the central theoretical anchor, explaining why managers may exploit accounting discretion in the presence of weak monitoring and why governance mechanisms, including gender-diverse boards and effective audit committees, are theorised to constrain such opportunism. This article additionally draws on Stakeholder Theory (Freeman, 1984), which extends the analysis beyond the principal–agent relationship to emphasise that banks are accountable to depositors, creditors, regulators, and the wider economy, a perspective particularly relevant to understanding why audit committee oversight matters for systemic, rather than purely shareholder-focused, stability (Donaldson & Preston, 1995). Signalling Theory (Spence, 1973) is also invoked to explain how discretionary provisioning can distort the signals that financial statements convey to outside stakeholders, and how effective governance mechanisms, including audit committees and gender-diverse boards, are theorised to improve the credibility of those signals (Al-Homaidi et al., 2021). Resource dependence theory further supports the expectation that gender-diverse boards bring differentiated perspectives that could, in principle, improve monitoring quality (Hillman et al., 2007), while resource-based and too-big-to-fail arguments inform the theorised moderating role of bank size (Barney, 1991; Mishkin, 2006).

Empirical Review

Board Gender Diversity and Creative Accounting

International evidence on gender diversity and earnings management is broadly supportive of a constraining effect: Adams and Ferreira (2009) found that female directors are associated with reduced opportunistic earnings management, while Biswas (2022), studying Indian banks, reported that a higher proportion of independent and female directors significantly constrained discretionary loan-loss provisioning. In Nigeria, however, the evidence is more equivocal. Olojede et al. (2020) and Akande (2025) associate gender-diverse boards with improved earnings quality, while Adegbite and Nakajima (2021) and Uwuigbe et al. (2021) caution that the effectiveness of female directors is often constrained by entrenched board cultures and limited access to substantive decision-making processes, suggesting that representation without influence may not translate into reduced accounting discretion.

Mediating Role of Creative Accounting between Audit Committee Effectiveness and Financial Distress

The mediating variable explains the mechanism through which an independent variable influences a dependent variable (Baron & Kenny, 1986). Internationally, Sarkar and Sarkar (2020) found that creative accounting mediates the relationship between governance quality and firm performance in Indian firms, while Othman and Zeghal (2022) confirmed a similar mediating role for earnings management between board independence and sustainability among Middle Eastern banks. In Nigeria, Uwuigbe et al. (2021) empirically validated a mediating role for creative accounting between board effectiveness and financial distress, and Okaro and Okafor (2020) reached comparable conclusions. However, other studies, particularly those relying on meeting-frequency proxies for audit committee effectiveness, such as Al-Matari et al. (2014) and Alali and Jaggi (2010), report that the effectiveness of audit committees, and by extension their capacity to transmit effects through creative accounting, is highly contingent on institutional quality and enforcement strength.

Moderating Role of Bank Size

Evidence on the moderating role of bank size is similarly mixed. Ojah and Kodongo (2019) found that bank size moderates the governance–distress relationship, with larger banks exhibiting greater resilience due to stronger oversight structures, while Kusnadi and Wei (2020) observed that large Asian banks with extensive diversification are, if anything, more prone to creative accounting because of complex reporting structures. In Nigeria, Olayinka (2020) reported that bank size significantly moderates the governance–distress link, whereas Eze and Nweze (2022) noted that some large Nigerian banks use their market dominance to conceal financial weakness rather than to constrain it. This mixed evidence underscores the context-dependent and empirically unsettled nature of size as a moderating factor, which this article directly tests.

Summary of Empirical Review and Research Gap

The reviewed literature indicates that while board gender diversity, audit committee oversight, and firm size are theoretically expected to shape the creative accounting–financial distress pathway, empirical findings remain inconsistent, and the mediating and moderating dimensions have rarely been tested together within a single, Nigeria-specific banking panel that also incorporates rigorous diagnostic and estimator-selection procedures. This article addresses that gap.

Methodology

Research Design

Consistent with the companion article, this study adopts an ex post facto research design within a positivist philosophy, using a balanced panel of secondary data across eleven banks and ten years to examine mediation and moderation relationships that cannot be experimentally manipulated (Creswell & Creswell, 2023; Baltagi, 2021).

Population of the Study

The population consists of all thirteen Deposit Money Banks listed on the Nigerian Exchange Group as of 2024.

Sample Size and Sampling Technique

The same eleven purposively selected banks used in the companion article, Access Bank, Ecobank, Fidelity Bank, First Bank, First City Monument Bank, Guaranty Trust Bank, Stanbic IBTC Bank, Sterling Bank, United Bank for Africa, Wema Bank, and Zenith Bank, are retained here, based on data availability and completeness for the period 2012–2024 (Etikan, 2020).

Method of Data Collection

Secondary data were obtained from the audited annual financial statements and corporate governance disclosures of the sampled banks, supplemented by Nigerian Exchange Group Factbook and Central Bank of Nigeria Statistical Bulletin data.

Measurement of Variables

Board gender diversity (BGD) is measured as the proportion of female directors on the board. Audit committee effectiveness (ACE) is measured as the frequency of audit committee meetings held per financial year, consistent with CBN Code requirements. Creative accounting practices (DLLP) are proxied by discretionary loan loss provisions, as described in the companion article. Bank size (BS) is measured as the natural logarithm of total assets and serves in this article as a moderating variable. Financial distress (FD) is proxied by the Ohlson O-Score. Return on assets and leverage are retained as control variables.

Validity and Reliability of Instrument

As with the companion article, validity and reliability are supported by the reliance on independently audited, regulator-verified secondary data, which minimises subjectivity and measurement error relative to primary survey-based instruments.

Method of Data Analysis

Fixed-effects panel regression with cluster-robust standard errors was applied throughout, following the Hausman specification test ($\chi^2 = 20.50$, $p = 0.0023$), which favoured fixed effects over random effects. The mediating role of creative accounting practices was assessed using the stepwise (causal-steps) approach of Baron and Kenny (1986), while the moderating role of bank size was assessed using an interaction-term model. Diagnostic checks for multicollinearity (VIF), heteroskedasticity (Breusch–Pagan/Cook–Weisberg), serial correlation (Breusch–Godfrey), and cross-sectional dependence (Pesaran's test) were conducted, with cluster-robust standard errors applied throughout to address the confirmed cross-sectional dependence. All analyses were conducted using STATA version 19.

Model Specification

Let $i = 1, 2, \ldots, 11$ denote banks and $t = 2015, \ldots, 2024$ denote time.

Model 1 (Board Gender Diversity and Creative Accounting Practices, H03):
$CAPit = \alpha 0 + \alpha 1BGDit + \Sigma \alpha k\, Xit + \mu i + \lambda t + \varepsilon it$

Model 2 (Mediation Model for Creative Accounting Practices, H04), estimated in three steps:
Step 1: $FDit = \gamma 0 + \gamma 1ACEit + \Sigma \gamma k\, Xit + \mu i + \lambda t + \varepsilon it$
Step 2: $DLLPit = \delta 0 + \delta 1ACEit + \Sigma \delta k\, Xit + \mu i + \lambda t + \varepsilon it$
Step 3: $FDit = \theta 0 + \theta 1ACEit + \theta 2DLLPit + \Sigma \theta k\, Xit + \mu i + \lambda t + \varepsilon it$

Creative accounting practices are said to mediate the relationship between audit committee effectiveness and financial distress if $\gamma 1$ is statistically significant, $\delta 1$ is statistically significant, and $\theta 2$ is statistically significant with a reduction in the magnitude of $\theta 1$ relative to $\gamma 1$.

Model 3 (Moderating Effect of Bank Size, H05):
$FDit = \beta 0 + \beta 1DLLPit + \beta 2BSit + \beta 3(DLLPit \times BSit) + \Sigma \beta k\, Xit + \mu i + \lambda t + \varepsilon it$
where DLLPit × BSit is the interaction term capturing the moderating role of bank size. Hypothesis H05 is tested through the statistical significance of $\beta 3$.

Results and Discussion
Analysis of Research Objectives
Objective One: Board Gender Diversity and Creative Accounting Practices

The fixed-effects estimation of Model 1 produced a within R^2 of 0.2424, indicating that the model explains approximately 24 percent of within-bank variation in discretionary loan loss provisioning, with a statistically significant F-statistic confirming the joint relevance of the regressors.

Table 1: Fixed Effects Regression Results for the Effect of Board Gender Diversity on Creative Accounting Practices

Variable	Coefficient	Robust Std. Error	t-statistic	p-value
BGD	0.0023	0.0175	0.13	0.897
BS	0.0118	0.0032	3.73	0.004***
ROA	0.6294	0.2887	2.18	0.054*
LEV	0.0046	0.0009	5.11	0.000***
Constant	-0.2757	0.0701	-3.94	0.003***

Note: *Within R^2 = 0.2424; F-statistic = 12.73 (p = 0.0006); ρ = 0.3173. ***, * denote significance at 1% and 10% respectively.*
Source: Researcher's Computation using STATA Version 18 from Annual Reports of Nigerian Listed Deposit Money Banks (2015–2024), 2026.

Board gender diversity (BGD) carries a positive but statistically insignificant coefficient (β = 0.0023, p = 0.897), indicating that variations in female board representation do not materially influence discretionary loan loss provisioning. Bank size and leverage are both positively and significantly associated with creative accounting practices, while return on assets is marginally significant at the 10 percent level.

Objective Two: Mediating Role of Creative Accounting Practices between Audit Committee Effectiveness and Financial Distress

The stepwise mediation results are summarised below.

Table 2: Fixed Effects Regression Results for the Mediating Role of Creative Accounting Practices between Audit Committee Effectiveness and Financial Distress

Variable	Model 2a: FD (Coef., p-value)	Model 2b: DLLP (Coef., p-value)	Model 2c: FD (Coef., p-value)
ACE	-0.0039 (0.944)	0.0051 (0.298)	-0.0089 (0.877)
DLLP	—	—	0.9856 (0.805)
BS	-1.0090*** (0.008)	0.0110*** (0.008)	-1.0200*** (0.002)
ROA	-5.9900** (0.037)	0.5990** (0.037)	-6.2930 (0.503)
LEV	6.8430*** (0.018)	0.0490*** (0.018)	6.8390*** (0.000)
Constant	12.0520** (0.021)	-0.2750*** (0.004)	12.3240** (0.049)

Note: *p-values in parentheses. Within R^2: Model 2a = 0.8984, Model 2b = 0.2973, Model 2c = 0.8984. ***, ** denote significance at 1% and 5% respectively.*

Source: Researcher's Computation using STATA Version 18 from Annual Reports of Nigerian Listed Deposit Money Banks (2015–2024), 2026.

In Step 1 (Model 2a), audit committee effectiveness (ACE) has no statistically significant direct effect on financial distress ($\beta = -0.0039$, $p = 0.944$). In Step 2 (Model 2b), ACE has no statistically significant effect on creative accounting practices ($\beta = 0.0051$, $p = 0.298$). In Step 3 (Model 2c), creative accounting practices (DLLP) remain statistically insignificant when jointly modelled with ACE in explaining financial distress ($\beta = 0.9856$, $p = 0.805$), and the ACE coefficient remains insignificant and largely unchanged relative to Model 4a. None of the three conditions required to establish mediation are jointly satisfied.

Objective Three: Moderating Role of Bank Size in the Creative Accounting–Financial Distress Relationship

The stepwise mediation results are summarised below.

Table 3: Fixed Effects Regression Results for the Moderating Role of Bank Size in the Creative Accounting–Financial Distress Relationship

Variable	Coefficient	Robust Std. Error	t-statistic	p-value
DLLP	0.0401	0.1419	0.28	0.783
BS	-1.0641	0.2588	-4.11	0.002***
DLLP × BS	-0.0196	0.0686	-0.29	0.781
ROA	-6.3483	8.8729	-0.72	0.491
LEV	6.8336	0.1789	38.20	0.000***
Constant	-10.1674	0.2634	-38.61	0.000***

Note: *Within $R^2 = 0.8985$; F-statistic = 5,251.91 ($p = 0.0000$); $\rho = 0.3637$. ***denotes significance at 1%.*

Source: Researcher's Computation using STATA Version 18 from Annual Reports of Nigerian Listed Deposit Money Banks (2015–2024), 2026.

The interaction term (DLLP × BS), which captures the moderating role of bank size, is negative but statistically insignificant ($\beta = -0.0196$, $p = 0.781$), indicating that the effect of discretionary loan loss provisioning on financial distress does not differ systematically between larger and smaller banks. Bank size retains a significant negative direct effect on distress, and leverage remains a strong positive, significant predictor throughout.

Test of Hypotheses

H_{01}: Board gender diversity has no significant effect on creative accounting practices in Nigerian banks. With p = 0.897, the study fails to reject H_{01}.

H_{02}: Creative accounting practices do not mediate the relationship between audit committee characteristics and financial distress in Nigerian banks. As none of the three mediation conditions are jointly satisfied across Models 2a–2c, the study fails to reject H_{02}.

H_{03}: Bank size does not significantly moderate the relationship between creative accounting practices and financial distress in Nigerian banks. With the interaction term p = 0.781, the study fails to reject H_{03}.

Discussion of Findings

The finding that board gender diversity has no significant effect on creative accounting practices departs from the expectations of resource dependence theory and gender-socialisation theory, which suggest that gender-diverse boards provide broader perspectives, enhanced monitoring capacity, and stronger ethical oversight capable of reducing managerial opportunism (Adams & Ferreira, 2009; Hillman et al., 2007). However, the result is consistent with the Nigerian evidence reported by Adegbite and Nakajima (2021) and Uwuigbe et al. (2021), who argue that female directors may have limited influence where board cultures remain highly concentrated and where women's participation does not translate into meaningful involvement in strategic and monitoring decisions. The finding also differs from Biswas (2022), who reported stronger governance benefits of board gender diversity in other institutional environments. The difference may be explained by the relatively moderate female representation among Nigerian listed deposit money banks, averaging approximately 22 percent, which may not represent a critical mass sufficient to influence financial reporting behaviour (Pucheta-Martínez et al., 2016).

This result also supports the broader governance argument of Imahsunu and Ogu (2025), who found that board characteristics alone do not automatically translate into improved financial outcomes among Nigerian deposit money banks unless such characteristics are supported by effective governance mechanisms and substantive oversight practices. Their evidence suggests that structural board attributes require complementary institutional processes before they can significantly influence banking outcomes. Therefore, while gender diversity improves board representation, its ability to constrain creative accounting practices depends on the authority, expertise, and independence attached to female directors within governance structures.

Regarding the second research objective, the study found that creative accounting practices do not mediate the relationship between audit committee effectiveness and financial distress. This finding challenges the traditional expectation of Agency Theory that effective audit committees act as monitoring mechanisms capable of limiting managerial opportunism and protecting stakeholders from adverse financial consequences (Jensen & Meckling, 1976). The result is consistent with Uwuigbe et al. (2014) and Ajekwe et al. (2017), who observed that audit committees within Nigerian firms may sometimes operate as compliance mechanisms rather than as powerful monitoring institutions.

However, the finding differs from Klein (2002) and Baxter and Cotter (2009), who reported that audit committees characterised by independence, financial expertise, and active oversight significantly reduce earnings manipulation in developed economies. The divergence may be attributed to the measurement of audit committee effectiveness in this study, where meeting frequency was used as the primary indicator. Although frequent meetings demonstrate activity, they may not necessarily reflect the committee's ability to challenge management decisions, detect reporting manipulation, or enforce corrective actions.

This interpretation is further supported by Imahsunu and Osamwonyi (2025), who demonstrated that prudential regulatory frameworks significantly influence the financial performance of Nigerian deposit money banks. Their findings indicate that external regulatory mechanisms may exert stronger influence on banking outcomes than internal governance characteristics alone. Therefore, the absence of a mediation effect suggests that prudential supervision and regulatory compliance may dominate internal audit committee processes in shaping financial distress outcomes within Nigerian banks.

For the third research objective, the study revealed that bank size does not significantly moderate the relationship between creative accounting practices and financial distress. This finding provides a contextual qualification to resource-based arguments and too-big-to-fail assumptions, which suggest that larger institutions possess superior resources, stronger systems, and greater resilience against financial shocks (Barney, 1991; Mishkin, 2006). The insignificant interaction effect indicates that differences in bank size do not substantially alter how creative accounting practices influence distress outcomes among Nigerian listed deposit money banks.

The result aligns with Uwuigbe et al. (2014) and Ajekwe et al. (2017), who found limited evidence that firm characteristics significantly change the relationship between governance practices and financial reporting behaviour in Nigeria. Conversely, it differs from Biswas (2022) and Gul et al. (2011), who reported significant moderating effects of firm size in other institutional contexts. The divergence may be explained by the relatively uniform regulatory environment governing Nigerian deposit money banks, where prudential requirements and supervisory standards reduce differences between large and small institutions.

Furthermore, Imahsunu and Osamwonyi (2025) emphasised the importance of prudential guidelines in influencing banking sector performance, suggesting that regulatory structures may reduce the extent to which firm-specific characteristics such as size determine financial outcomes. Similarly, Imahsunu and Ogu (2025) noted that governance characteristics must operate within broader institutional frameworks to generate measurable performance effects. Collectively, the findings suggest that regulatory discipline, leverage management, and prudential compliance may be more influential determinants of financial stability than governance structure alone.

Conclusion

This study examined whether board gender diversity constrains creative accounting practices, whether creative accounting practices mediate the relationship between audit committee effectiveness and financial distress, and whether bank size moderates the relationship between creative accounting practices and financial distress among eleven Nigerian listed deposit money banks over 2015–2024. The fixed-effects panel evidence showed that none of these three governance and firm-specific pathways exerted a statistically significant influence: board gender diversity did not significantly affect discretionary loan loss provisioning, creative accounting practices did not mediate the audit-committee-effectiveness–distress relationship, and bank size did not moderate the creative-accounting–distress relationship. Leverage and bank size nonetheless remained robust, direct predictors of distress across all models. The study concludes that structural governance attributes, gender composition, meeting-based audit committee activity, and firm scale, are, on their own, insufficient conduits through which governance can meaningfully influence distress outcomes in the Nigerian banking sector, underscoring the need for governance evaluation frameworks that emphasise substance over structure.

Recommendations

i. Deposit money banks in Nigeria should move beyond increasing the numerical representation of women on boards and focus on appointing female directors with relevant expertise in accounting, finance, risk management, and corporate governance. Female directors should be adequately represented in strategic oversight positions, particularly audit and risk committees, where they can contribute effectively to monitoring financial reporting practices. This recommendation is supported by Imahsunu and Ogu (2025), who noted that board characteristics influence bank outcomes more effectively when governance structures are supported by competence, independence, and meaningful participation rather than mere structural representation.

ii. Bank boards and regulatory authorities should strengthen audit committee effectiveness by focusing on qualitative governance attributes such as members' financial expertise, independence, professional competence, and authority to challenge managerial decisions rather than relying mainly on meeting frequency as an indicator of effectiveness. Improving these dimensions may enhance the ability of audit committees to detect and prevent creative accounting practices that could contribute to financial distress. This aligns with Imahsunu and Osamwonyi (2025), who emphasised the importance of strong prudential and institutional controls in improving the stability and performance of Nigerian deposit money banks.

iii. Regulators should adopt a uniform risk-based supervisory approach that does not assume that larger banks are automatically more resilient or that smaller banks require less monitoring. Since bank size did not significantly moderate the relationship between creative accounting practices and financial distress, supervisory attention should focus on financial risk indicators such as leverage, capital adequacy, and reporting quality across all categories of banks.

Limitations of the Study

The study's reliance on meeting frequency as the sole proxy for audit committee effectiveness may not fully capture the qualitative dimensions of oversight quality. Similarly, the sample of eleven listed banks, while representing approximately 84 percent of the population, limits the statistical power available to detect subtler governance effects, and the findings may not generalise to unlisted or non-bank financial institutions.

Suggestions for Further Studies

Based on the findings and limitations of the study, future research should consider the following areas:

i. Future studies should investigate whether a critical threshold of female board representation exists at which gender diversity begins to significantly influence financial reporting behaviour. Researchers may also examine whether the presence of female directors in specialised committees, particularly audit and risk committees, produces stronger effects on creative accounting practices than general board representation.
ii. Future studies should employ broader measures of audit committee effectiveness by incorporating variables such as committee independence, financial expertise, professional qualifications, tenure, and quality of oversight activities. Such studies may provide deeper insights into whether audit committees can effectively reduce creative accounting practices and minimise financial distress.
iii. Future research should examine alternative moderating variables that may better explain the relationship between creative accounting practices and financial distress, such as ownership concentration, auditor quality, corporate governance rating, regulatory compliance level, and institutional ownership. Comparative studies involving listed and unlisted financial institutions may also provide broader evidence on whether firm characteristics influence the consequences of accounting discretion.

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