THE EFFECT OF FIRM CHARACTERISTICS AND EARNINGS MANAGEMENT IN DEPOSIT MONEY BANK.

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ABSTRACT
This paper examined firm characteristics and earnings management in the deposit money bank in Nigeria. Specifically, the paper examined the effects of firm characteristics attributes of firm size, firm age, and auditor type, audit committee independent and financial leverage. The population of the study consist of the twenty one deposit money bank in Nigeria as at the time of data collection (2006-2017). Filtering sampling technique was used to select ten banks from the population as sample size and analysed using descriptive statistics. The result of the analysis shows that firm size and firm financial leverage does not have significant effect on earnings management in deposit money bank in Nigeria at 5% level of significance. However, firm age, auditor committee independence and auditor type have significant effect on earnings management. The study recommended, among others, that the shareholders should insist on the institution of highly independent audit committee as a mechanism for curtailing the tendency to window dressing of the financial statements and appropriate mechanism for monitoring earnings management activities in the industry by Central Bank of Nigeria (CBN) for adequate evaluation, examination and scrutnization of banks financial statements.

Key words: *firm size, firm age, auditor type, auditor committee independent, financial leverage and earnings management.*

INTRODUCTION

Earnings is the most significant accounting item in a financial report and a guideline for investment and decision making (Halton, 2005). Earnings is the amount of profit that a company achieve during a specific period usually one year. Earnings has a variety of definition, depending on their context and the objective of the authors. For instance, the International Financial Reporting Standard (IFRS) uses the term profit to describe earnings, whereas for the corporation, profit is the amount after taxes are charged to earnings. The foregoing shows that though other factors may have influence on firm characteristics the quality of earnings is one of the fundamental firms value driving factors. Hence, corporate management have strong incentive of engaging in earnings management to influence positively firm characteristics. Also, accounting practices or reporting choices adopted by corporate management are not only directed to meet certain objective but could be strongly influenced by the characteristics of their firms. Firms characteristics including age, size, auditor's type, audit committee among others are shown in the accounting literature to have influence on financial reporting practices of firms. Earnings is the profits of the company that is sometimes called the bottom line or net income and is the single most important item in the financial statement. It indicates the extent to which a company has engaged in value added activities. Earnings are the signal that helps direct resource allocation in capital markets (Levi, 1989). It can also be defined as a net income of the company during the period. Earnings is usually referred to as after tax income but is also often used synonymously to mean income or revenue. According to Ning (2006), earnings is the most vital aspect of the entity that demonstrates its financial stability and strength. It is an indicator of firm's financial health and soundness that measures shareholders wealth.

Earnings management is described as a purposeful intervention in the process of preparing financial reports (Blom, 2009). Bello (2011) described earnings management as the intentional attempt by the managers to arrive at a desired stage of earnings using different means that is considered to be unethical practice. This clearly shows that earnings management as undesirable activity. According to Omoye and Eriki (2014), earnings management is recognized as attempt by management to influence and manipulate reported earnings by using specific accounting methods,

Base on the several literatures reviewed, the research show that there has been an issues of earnings management by the financial managers which they stated to indulge in earnings management using financial reports that investors rely on in making investment decisions. There are possibilities that investors may be misled because earnings management can distort the true financial position reported in the financial reports. The managers understand that financial information is very vital to investors because is where they obtained information for investment and decision making. They do all they could to achieve their objectives without considering the implication to the users. (Timothy, Fisher, Ilanit & Jocelyn, 2016). One of the criteria that investors consider in making investment decision is the quality of earnings. Investors do not only prefer companies with high earnings but those who record smooth and consistently higher level of earnings. This is understandable because the objectives of every investor is to achieve returns. Implicitly, firms that always reports high levels of earnings in their financial reports stand to attract more investors after their shares. Thus, given the forces of demand and supply, their value is likely to increase.

Additionally, there are few international studies that has examined the influence of firm characteristics on managerial activities such as earnings management. The decision of management to engage in earnings management may not only be motivated to achieve certain objectives, but the very attributes of the firm could underly the adoption of such practices especially when earnings management is seen as an unethical behavior in firms. Thus, this study further examine the effect of firm characteristics on earnings management on banks in Nigeria.

The main objective of the study is to examine the effect of firm characteristics and earnings management in deposit money bank in Nigeria. The specific objectives is to examine the influence of earnings management activities on firm characteristic in deposit money bank in Nigeria,

The hypotheses were tested in accordance with the stated objectives and research questions. Firm characteristics do not have significantly affect earnings management in the deposit money bank in Nigeria and firm characteristics do not influence earnings management in the deposit money bank in Nigeria.

This research is of significance to investors, banks, policy makers and the academics. The study reveal to bank management that engage in earnings management with a view to drive their firm value upwards whether the objective is been achieved. On the other hand, it disclosed to investors and regulators the effect of earnings management going on in the bank. This give an insight into the quality of financial reporting, therefore guide investors in their investment decision making especially as regard the level of reliance to place in the financial reports.

To regulators, it is a good basis for policy formulation to reduce earnings management activities in the industry therefore achieve high quality financial reporting. Methodological wise, unlike previous studies, that used discretionary accruals, by using loan loss provision as proxy for earnings management, the study will provides a basis for comparison of empirical results in the academic cycle. In particular, it serve as a useful reference material for future research endeavors.

The study focuses on the effect of firm characteristics on earnings management on in the deposit money bank in Nigeria. The study focuses on only the top ten Nigerian banks in earnings and assets. The variables that are used for the study are earnings management the (independent variable) and firm characteristics (dependent variable).

LITERATURE REVIEW

Earnings management can be a reasonable and legitimate management decision making and reporting practice intended to achieve stable and predictable earnings stream. However, the ethics of earnings management is a thing of debate because of how the managers play it to achieve its objectives by adjusting the financial reports to their interest without considering the implication to the users. Earnings is the most significant accounting item in a financial report and a guideline for investment and decision making (Halton, 2005). Earnings is the amount of profit that a company achieve during a specific period usually one year. Earnings has a variety of definition, depending on their context and the objective of the authors. For instance, the International Financial Reporting Standard (IFRS) uses the term profit to describe earnings, whereas for the corporation, profit is the amount after taxes are charged to earnings.

Earnings management is designed to influence short term earnings. That is to either mislead stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting information. Rosner (2013) construct earnings management as the attempt to smooth the path of earnings over time by using various accounting strategies to shift earnings from one quarter to another.

Firm characteristics is an internal factors which expatiates on the features of the firm. Firm characteristics are attributes of a firm. Firm characteristic is shown to influence its practices including accounting reporting and performance. Earnings management is an accounting reporting practice therefore could be influenced by the characteristics of a firm such as size, auditor type, audit committee independence, financial leverage and age (Shen &Chin, 2007; Krishnan, 2003; Piot & Janin, 2007; Beatty & Weber, 2003; Alsaeed, 2006).

a, Firm Size and Earnings Management (FSZ & EMG)

Firm size has to do with how large or small a company is in terms of assets, branch network. Firm size is one of the characteristics of firms that differ in many ways and it is important in considering how the size generates quality information. According to Ahmed, Anjim and Azim, (2014), there are several reasons that exists to prove a negative relationship between firm size and earnings management. Meek, Roa and Skousen (2007) argued that based on the information asymmetry theory, large firms have lower information asymmetry as they have strong governance and control, so this lead to the reduction of earnings management practices. They further argued, that large size firms may have stronger internal control system and are audited by licensed external experts or large audit companies. The large firm can also have greater reputation in market than smaller firms. This is a good reason for not engaging in earnings management initiatives. Base on the study however, Firm size has no significant effect on earnings management.

b, Auditor Type and Earnings Management (AUTY & EMG)

Auditor type is a type of auditor that a company engages for the audit of its financial statement. The board categorization is on the basis of the auditor operating at the international level or local level. Isennila and Elijah (2012) examined the relationship between earnings management and auditors reporting for firms listed on the Athems Stock Exchange (ASE) for the post IFRS, for the period 2005 -2009. The study reveals that the auditors either big 4 or non-big 4, has a weak incentives to prevent earnings management and the auditors opinion qualification was not issued in response to management opportunistic behavior.

Watts and Zimmerman (1990) considered that auditors play a major role in limiting opportunistic behavior by management that may result in creative accounting. Watts and Zimmerman (1986) argued that auditors incur costs from entering contracts with audit clients, and so will influence clients to disclose as much information as possible in their annual reports. Nevertheless, empirical studies that examined the association between the size of audit firms and the extent of earnings management by companies are contradictory.

Craswell and Taylor (1992) found a positive relationship between auditor type and the tendency for earnings management identified through low reserve disclosure in the Australian oil and gas industry. The explanation is that large auditors have more incentives to be accurate because they have more client-specific rents to lose if their reports are not accurate. The second explanation is referred to as the "deep" pockets hypothesis used by Dye (1993) who argued that large auditors will be more accurate because they have greater wealth that is exposed to risk in case of any litigation. Base on the study, Auditor type has a significant relationship on earnings management.

c, Audit Committee Independence and Earnings Management (ACI & EMG)

The audit committee is a committee of directors that is established for the purpose of monitoring the management financial reporting activity in order to protect shareholders interest. The code of best governance practice in Nigeria requires that the committee should be largely independent, highly competent and possess a high level of integrity. Olayinka (2012) studied the role of board of directors and audit committee in preventing earnings management in Nigeria, using a questionnaire survey. They found out that the audit committee whose members possess certain level of financial competences would reduce the likely hood of earnings management.

Klein (2002) finds that the extent of discretionary accruals is more pronounced for firms whose audit committee has a minority of independent directors. In Australia, Benkel, et al. (2006) found that higher levels of audit committee independence are associated with reduced levels of earnings management. In the same institutional context, Davidson et al. (2005) reported similar results. Base on the study, Audit committee independent has a significant effect on earnings management.

d, Financial Leverage and Earnings Management (LEV & EMG)

Financial leverage refers to how geared a firm is. Leveraged firms relies on debt for running the affairs of the business. Beatty and Weber (2003) stated that the managers tend to choose accounting policies that are convenient to the bond holder and adhered to avoid any renegotiation cost. Waweru and Riro (2013) stated that prior literature established a linked between debt level and the choice of accounting policy and because debts covenants are based on the accounting numbers reported, any violation of debt covenants imposes costs on the company. It is also observed that a highly leveraged firm with poor governance may be scrutinized closely and thus finds it harder to deceive the markets by manipulating earnings.

Among the theories linking the two variables, is the financial distress theory which examines earnings management incentives among managers in financially distressed firms (Fung & Godwin, 2013). Fung and Godwin (2013) argued that when managers manipulate the firm's earnings, they are doing so for the purpose to convincing their creditors that the financial distress is temporary in nature and will be recovered soon. According to Jones, Frost, Loftus, and Van (2005), informative asymmetric is another theory that tends to be less severe for large loans, since any fixed cost is also suggested that small borrowers have greater information asymmetries and a loan size is typically positively correlated with its borrowers size. However, based on prior studies, a negative relationship exists between firm's financial leverage and earnings management which has no significant effect on earnings management for some reasons. First, when firms employ debt financing, they undergo the scrutiny of lenders and is often subject to lender induced spending restrictions and secondly the leverage requires debt repayments, thus reduces cash available to management for non-optimal spending.

e, Firm Age and Earnings Management (FAG $ EMG)

Firm age has to do with how long a firm has been in operation. Age refers to the period that a firm has been in existence, which is either the period it is established or number of years past since quoted on the stock exchange. Based on prior research, firms that have been in existence for long period tend to have low level of earnings management than beginners (new business). This is because they are well known companies that have a great value in the market and have to protect the reputation and also are aware of all the rules and regulations that govern their practices. According to Alseed (2006), old firms might have improved their financial reporting practices over time and they try to enhance their reputation and image in the market. Therefore, the older the firm, the less tendency to perform earnings management. Ericson and Pakes (1995) observed that firms discover what they are good in and learn how to do things better as they specialize more, and new techniques are found to standardize, coordinate and speed up their production process, such as minimizing cost and improving quality. Alsaeed (2006) documented that old firms might have improved their financial reporting practices over time thus try to maintain it. So the older the firm, the less tendency to engage in earnings management practices. Base on the study, Firm age has a significant effect on earnings management.

METHODOLOGY

The study used the ex-post facto research design. This research design was adopted because the study involved examination of past event which is the effect of firm value characteristics and earnings management in the deposit money bank in Nigeria. The population of the study is the entire twenty one (21) deposit money banks listed and licensed by Central Bank of Nigeria (CBN) as at 31/12/ 2017. Filtering sampling techniques method was applied based on the banks that their financial reports was available for the period of study year 2017 and the banks with top financial Assets, Earnings and Revenue from 1st to 10th position as at the period of the study 2017. Consequently, upon application of the filters, the sample size of the study was reduced to ten (10) banks out of twenty one (21) listed and licensed by CBN. Data was collected particularly from annual reports and accounts of banks. Also, the Nigerian Stock Exchange (NSE) fact book was used to complement data in the annual reports and accounts.

This study statistically test two hypotheses (i.e has two models). A discussion of the dependent and independent variable of each of the model is stated below.

For the research objective that sought to examine the effect firm characteristics and earnings management in the deposit money bank in Nigeria. The dependent variable, firm characteristics is proxy by size, age, leverage, audit committee independent and auditor type and the empirical model to examine the effect of firm characteristics (FCH) on earnings management

FCH= $\beta 0 + \beta_1$FSZit+ β_2FAGit+ β_3LEVit+ β_4ACIit+ β_5AUDit +
eit ....……….(3)

where:

LLP = Loan loss provision

i = bank holding identifier

t = year (period for the study)

$\int$ = summation of all the firm characteristics

FSZ =firm size

FAG= Firm Age

LEV = Firm financial leverage

ACI = Audit Committee Independence

AUTY= Auditor type

The independent variable which is earnings management use loan loss provision as proxied for earnings management. The study adopts the LLPs model as modified by Fonseca and Gonzales (2008), which can be used as a worthwhile manipulation tools by banks management to reach their desire results and low detection risk within short period, since they are highly manipulative with a reasonably low risk. The model is stated below as (Fonseca and Gonzales,2008).

$$\left(\frac{LLPi,t}{Ai,t-1}\right) = \beta 0 + \beta 1\left(\frac{LLPi,t-1}{Ai,t-2}\right) + \beta 2\left(\frac{LLPi,t-2}{Ai,t-3}\right) + \beta 3\left(\frac{EBTi,t}{Ai,t-1}\right) + \beta 4\left(\frac{CLOANSi,t}{Ai,t-1}\right) + \quad \beta 5\left(\frac{LLAi,t-1}{Ai,t-1}\right) + \beta 6\left(\frac{CAPi,t}{RWAi,t}\right) + eit \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots . (1)$$

The study adopts descriptive statistics, correlation, ordinary least square (OLS) and multiple regression for the purpose of data analysis. The descriptive statistic is used to provide a summary about the trend in the data. The correlation is used to test linear relationship between variables in terms of strength and direction. While the multiple regression is used to determine the influence of firm characteristics on earnings management.

RESULT AND DISCUSSION

a, Descriptive Statistic

The study adopts the descriptive statistics measures of mean, maximum, minimum and standard deviation to analyze the data. Table 4.1 presents the results of the descriptive statistics.

Table 1 Descriptive Statistics of Firm Characteristics and Earnings Management.

The table 1 present the descriptive statistics of firm characteristics and earnings management with respect to research question one.

Table 1 Descriptive Statistics of Firm Characteristics and EMG

Variable |	Obs	Mean	Std. Dev.	Min	Max
emg	168	-3.730476	6.593258	-42.22	50.28
fsz	168	20.44393	2.513388	0	25.6
fag	168	19.89881	15.25694	1	49
lev	168	84.75669	8.71688	57.57	123.29
aci	168	50.16893	4.157302	42.86	100
auTY	168	0.8392857	0.3683652	0	1

Source: Authors computation using Stata 11.1

Table 1 presents the summary of the descriptive statistics of the firm characteristics and earnings

Management of deposit money banks in Nigerian. Table 1 provides a summary of the descriptive

statistics of all variables for ten (10) deposit money banks in Nigeria with a total of 168

Observations. It can be obtain that the average earning management (EMG) of the sampled

Nigerian money deposit banks is -3.730476 which show that the level of earnings management in

Nigerian deposit money bank is low with a minimum and maximum level of is -42.22 and 50.28

respectively. The standard deviation shows 6.593258 means that there is a high variation among

the sampled bank. The average firm size (FSZ) of the sampled bank was 20.44393, with minimum

and maximum of 0 and 25.6 billion respectively. The standard deviation of firm size was 2.513388.

The Table 1 further shows an average firm age (FAG) of 19.89881 and a minimum age of 1 and

a maximum age of 25.6 years respectively. The standard deviation of 15.25694 is high. The firm's
financial leverage (LEV) of sampled deposit money banks in Nigeria has a mean of 84.75669 with
a minimum value of 57.57 and a maximum value of 123.29 million with an associated standard
deviation of 8.71688. The average audit committee independence (ACI) and auditor type (AUTY)
are 50.16893 and 0.8392857 respectively, the average ACI of 50.16893 means that about 50.16%
of the audit committee are non- executive members. The minimum and maximum (ACI) is 42.86
and 100 respectively. While the minimum and maximum (AUTY) is 0 and 1 respectively. The
standard deviation of (ACI) was 4.157302 and that of AUTY was 0.3683652 which are all
relatively high.

b, Correlation Matrix of Firm Characteristics and Earnings Management

The table 2 present the association between firm characteristics and earnings management and the independent variables among themselves.

Table 2 Correlation Matrix for Firm Characteristics and Earnings Management.

	emg	fsz	fag	lev	aci	auTY	VIF	
emg	1.0000							
fsz			-0.0213					1.0000
1.02								
	0.7840							
fag	0.0847				0.1000			1.0000
1.37								
	0.2751	0.1971						
lev	-0.0784			0.0103		0.4284		1.0000
1.24								
	0.3151	0.8948	0.0000					
aci	0.0011		0.0324		0.1052		0.0524	1.0000

1.01						
	0.9888	0.6768	0.1748	0.5029		
auTY 1.11	0.0566	0.1315	0.2922	0.0400	0.0178	1.0000
	0.4662	0.0894	0.0001	0.6085	0.8185	

Note: Correlation is significant at 5% level of significance.

Source: Authors computation using Stata 11.1

Table 2 show the influence of firm characteristics on earnings management of sampled banks in Nigeria. Table 2 shows that there is a negative correlation between firm size and earnings management. The correlation coefficient between firm size (FSZ) and earnings management is -0.0213 meaning the degree of correlation is about 2.13%, which is low. The negative sign shows that as firm size increases earnings management reduces. This further implies that large banks are less likely to engage in earnings management. But the p value of 0.7840 at 5% level of significance shows that firm size is not significantly associated with earnings management. Firm age is positively correlated with earnings management as shown by the correlation coefficient of 0.0847 meaning the degree of correlation is about 8.47%. The positive correlation means that as firm age increases earnings management increases as well. But the p-vale of 0.251 show that at 5% level of significance, that firm age is not statistically associated with earnings management. Firm's financial leverage LEV has a negative correlation with earning management, this implies that an increase in (LEV) all other factors held constant, will cause a decrease in earnings management (EMG). The correlation coefficient of -0.0784 means there is about 7.84% degree of relationship between the variables. The level of significance shows that there is no significant effect of LEV on EMG activity of deposit money banks in Nigeria. Audit committee independence (ACI) has a positive correlation with earnings management (EMG), with correlation coefficient of 0.0011 which means there is less than 1% degree of correlation and is not significant at 5% (0.9888). Auditor type (AUTY) also has a positive correlation with earnings management, with a correlation coefficient of 0.0566 indicating about 5.66% degree of correlation between AUTY and EMG however, AUTY is not significantly correlated with EMG at 5% level of significance (04662). The analysis of the relationship between independent variables shows that Firm age, firm financial leverage, Audit committee independent and auditor type has a positive correlation with firm size with the correlation coefficient of 0.1000, 0.0103, 0.0324, and 0.1315 respectively. The correlation are not significant with firm size at 5% level of significance.

Firm's financial leverage (LEV), audit committee independence (ACI) and auditor type (AUTY) has a positive correlation with firm's age (FAG), LEV has a correlation coefficient of 0.4284 which is about 42.84% degree of correlation and is statistically significantly associated with firm age (FAG) at 5%level of significance 0.0000. Audit committee independence (ACI) has a correlation coefficient of 0.1052 which is about 10.52% degree of correlation but is not significantly associated with FAG at 5% level of significance (0.1748). Auditor's type is significantly associated with FAG at a 5% level of significance (0.0001). The correlation coefficient is 0.2922 which is a 29.22% degree of correlation.

Audit committee independence (ACI) and auditor type (AUTY) are positively correlated with firm's financial leverage (LEV). There correlation coefficient are 0.0524 and 0.0400 respectively with the degree of correlation of 5.24% and 4% respectively but they are not significantly associated with LEV at 5% level of significance.

Auditor type (AUTY) is positively associated with audit committee independence (ACI) with a correlation coefficient of 0.0178 which is 1.78% degree of correlation. However, there is no significant relationship between AUTY and ACI as shown by the p value of 0.8185.

The Variance Inflation Factor (VIF) shows that there is no issue of multicollinearity among the variables of discussion. Looking at the table 4.7 under the VIF column, none of the figure is above 10, which signifies that there is no multicollinearity issue. From Table 2 the VIF ranges from a minimum 1.01 to a maximum of 1.37 which shows that there is no multicollinearity problem. While the average VIF was 1.15

b, **Hypotheses Test**

This test the formulated hypotheses of the study based on the statistical techniques specified in methodology.

Effect of firm characteristics and Earnings Management

The hypothesis two of the study states that "earnings management has no significant effect on market value of banks in Nigeria". To conclude on the regression hypotheses, the GLS regression was referred. To decide on whether a different exists in the earnings management effect on Firm characteristics. Therefore, in the pre adoption of IFRS, the fixed and random model analysis where done but the hausman test shows a p-value of 0.3478 (Appendix) which is greater than 0.05, in that case the random effect model is used for the analysis. The table 4.8 and 4.9 shows the regression results of the effect of Earnings management and firm characteristics. This findings concurs with the study of Raoli, (2013), Magrath &Weld, (2002), Li, (2010) and Kais & Ben (2014).

Influence of Firms Characteristics on Earnings Management

The hypothesis two of the study state that "firm characteristics do not significantly influence earnings management activities in the Nigerian banks" To conclude on the hypothesis two,

Table 3 Regression Result of Firm Characteristics on Earnings Management.

Source	SS	df	MS		
				Number of obs =	166
				F(5, 160) =	0.95
Model	208.79532	5	41.759064	Prob > F =	0.0005
Residual	7022.70138	160	43.8918836	R-squared =	0.2829
				Adj R-squared =	-0.1531
Total	7231.4967	165	43.8272527	Root MSE =	6.6251

EMG	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
FSZ	0.1327907	0.46337	2.78	0.035	0.5523194	1.277901
FAG	0.1175965	0.0394543	1.86	0.046	0.2303219	0.135515
LEV	0.1238143	0.0658554	2.58	0.017	0.2338722	0.0262437

ACI	-0.1536101	0.1241961	-2.93	0.000	-0.2608852	0.229665
AUTY	0.103958	1.489438	1.60	0.061	2.487535	3.395451
CONS	3.233616	12.45098	2.26	0.005	27.82308	21.35585

Source: Authors computation using Stata 11.1

The Table 3 shows the estimation result of regression model used in this study to test the effect of firm characteristics and earnings management activity of banks in Nigeria. The table indicates that the R-squared is 28% (0.2829). This indicates that the changes in the independent variables explains 28% of the changes in the dependent variable. That is, firm size (FSZ), firm age (FAG), firm financial leverage (LEV), Audit committee independence (ACI), and auditor type (AUTY), collectively explains about 28% of the changes in earnings management (EMG), the remaining 72% of changes is explained by other factors which are not included in the model. Thus, these variables collectively, are good explanatory variables of earnings management (EMG) in deposit money banks in Nigeria. Based on the result, the coefficient of FSZ is positive 0.1328 meaning that for every additional increase in FSZ, it is expected that EMG will increase by 0.1328 holding all other variable constant. The p –value of 0.035 shows that FSZ is statistically significant at 5% level of significance on EMG. Firms age (FAG) is positively related to EMG of selected banks in Nigeria as indicated by a coefficient of 0.1176. This means that an increase in the number of years of a bank will lead to an increase in the level of EMG by about 0.1176 of deposit money banks in Nigeria. The influence of FAG on EMG is shown to be significant at the 5% level of significance (0.046). Firms financal leverage (LEV) has a coefficent of 0.124 which is positive. This means that an icrease in the gearing ratio of the banks, the level of EMG will incresase by about 0.124 aproximately. Holding other vairiables constant. At 5% level of signifance, LEV is statistically significantly associated with EMG of money deposit banks in Nigeria (p – value 0.017). Audit committee independence (ACI) has a coefficient of -0.154 which is negative. This also implies that an increase in ACI will reduce to about 0.154 level of EMG by approximately when all other variables are held constant. The p-value of 0.0000 shows that at 5% level of significance ACI is statistically significantly influence the level of EMG of deposit money bank in

Nigeria. Auditor type (AUTY) is also positively related to EMG, with a coefficient of 0.1039. This means that if there is a change of auditor, level of EMG will increase by 0.104 approximately. The p –value of 0.661 means that at 5% level of significance AUTY statistically significantly influence EMG of deposit money banks in Nigeria.

From overall it is pertinent to state that firm characteristics has a significant relationship with earnings management of deposit money banks in Nigeria. Therefore, the null hypothesis three (HO_3) is rejected. This findings concurs with Craswell and Taylor (1992), Olayinka (2012), Alsaeed (2006), Riahi, Lamiri, Ben, Fung and Godwin (2013)

Effect of Firms Characteristics on Earnings Management

The hypothesis one of the study state that "firm characteristics do not significantly influence earnings management activities in the deposit money bank in Nigeria.

The findings from the data analysis are;

i. Firm characteristics has a significant influenced on earnings management in the Nigerian banking industry.
ii. The earnings management has no significant effect on firm characteristics in deposit money bank in Nigerian.

The Hausman test used and fixed effect is used at p. value of 0.0162. In conclusion to hypotheses one, the comparison between the pre and post adoption indicate that there is no significant effect of earnings management in deposit money bank in Nigeria. In the pre and post IFRS adoption period. Since earnings management is not a serious factor that influences firm characteristics in the banks, it means other factors such as performance (profitability), trust and confidence in the operation of banks do. The findings of this study concurs to the study of Raoli (2013), Magrath & Weld (2002), Li (2010).

To conclude on hypotheses two, the result show that there is a negative correlation between earnings management on firm characteristics. Such as FSZ and EMG at -0.0213 (-2%), between LEV and EMG at -0.078 (-8%). The rest of the firm characteristic, FAG and EMG, at 0.084 (8%), ACI and EMG at 0.0011 (0.11%) and AUTY and EMG at 0.0566 (57) is said to have positive correlation between them. From the overall findings, it is reveal that earnings management has a significantly influence on firm characteristics.

This means that the firm characteristics of firm age, audit committee independence and auditor type significantly affect the earnings management in Nigerian banks. In fact audit committee independence is shown to have more for reaching effect on earnings activity of banks. The findings concurs to Ahmed, Anjim & Azim (2014), Taylor (1992), Isenmila and Elijah (2012), Benkel, Mather & Ramsay (2006).

CONCLUTION, RECOMMENDATION AND LIMITATION TO THE STUDY.

The main purpose of the study was to examine the effect of firm characteristics on earnings management in the deposit money bank in Nigerian for the period of 12 years (2006 – 2017). Specifically, the study sought to determine the effect firm characteristics attribute to firm size, age, leverage, audit committee independent and auditor type on earnings management in the deposit money bank in Nigerian. Firm characteristics has significant effect on earnings management in the deposit money bank in Nigeria. There is little or low effect of earnings management deposit money banks in Nigeria.

Though there is low effect of earnings management in the deposit money bank in Nigeria, due to the ever increasing competition in the banks, the regulatory bodies especially the financial reporting connect of Nigerian and CBN should put in place appropriate mechanism for monitoring earnings management activities in the industry. A regular conduct of test to determine acceptable units of earnings management should be introduced. The management of deposit money bank in Nigerian are concerned with increase their firm value should take action to improve profitability and corporate imagine. Profitability could be improve for example by cutting cost and operating at maximal efficiency white corporate image can be improve through a demonstration of high degree of ethics and engagement in corporate social responsibility. Shareholders should insist on institution of highly independent in audit committee as a mechanism for curtailing the tendency to window dressing of the financial statement.

However, this study has limitations as

i. The study examined the effect of firm characteristics on earnings management in deposit money bank in Nigeria using LLP as a mechanism of earnings management. Further studies can adopt other measures of earnings management to test the relationship and other attribute of firm characteristics that has not been adopted.

ii. Furthermore, the study used dependent variables and independent variables to study the impact of firm attribute on earnings quality of DMBs in Nigeria. There is a possibility that the study may have omitted other factors that are also important in explaining the responses earnings management in the Nigerian banks. However, this limitation may not affect the validity of the findings in the study since the fitness of the combination of the variables has been confirmed by the f - statistic.

iii, Study has limitation of considering few banks representing all the banking sector for the purpose of research. A higher number banks from the industry may provide a better and conclusive result.

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